China Business Weekly

19 April 2022

法兰德斯中国商会 FCCC VCKK
FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

FCCC/EUCBA ACTIVITIES

Exclusive Webinar with His Excellency Peng Gang, Minister in charge of economy and trade, Chinese Mission to the EU – 26 April 2022, 10:00 CET

The EU-China Business Association (EUCBA) and the China Chamber of Commerce to the EU (CCCEU) are organizing an **exclusive webinar with His Excellency Peng Gang, Minister in charge of economy and trade at the Chinese Mission to the EU.** This webinar will take place on April 26 at 10 am CET.

During this webinar, HE Minister Peng Gang will give an update on the economic and trade relations between China and the EU.

Program

10h00 - 10h10: Welcome remarks by Mr Jochum Haakma, Chairman, EU-China Business Association and Mr Xu Haifeng, Chairman, China Chamber of Commerce to the EU

10h10 - 10h25: Speech by H.E. Peng Gang, Minister in charge of economy and trade, Chinese Mission to the EU

10h25 - 11h00: Q&A session

Moderated by Ms Gwenn Sonck, Executive Director, EU-China Business Association

Date: 26.04.2022

Location: Online

Price members: Free

Price non members: Free

SUBSCRIBE HERE

China: Life-sciences Masterclass: Understanding China's Healthcare Market and its Evolutions: 6 module course – May 2022

With the support of:

The Flanders-China Chamber of Commerce, in collaboration with Smart Hub Flemish Brabant and Flanders Investment & Trade, has the pleasure to invite you to the Masterclass: "Understanding China's Healthcare sector". The Chinese healthcare market is experiencing an unprecedented growth that is presenting burgeoning opportunities for Flemish companies. China is now the second largest market in the world for medical devices and pharmaceuticals. China's healthcare service market is also quickly becoming one of the largest in the world.

Taking into account these opportunities, the FCCC will organise a 6-module course focused on helping companies to enter the Chinese market. This project is aimed at innovative companies in the pharma, biotech, medtech, medical insurance and nutrition sectors.

The programme will give participants a better understanding of the general Chinese healthcare market. Business executives will learn about the general healthcare landscape and how it has evolved, as well as the opportunities and the challenges, best practices and lessons learned, negotiation tactics, legislation, product registration, financial incentives, production and sales.

The series of webinars will end with a matchmaking meeting, where participants will have the opportunity to introduce themselves to potential Chinese partners and investors.

More information on all sessions can be viewed here

Practical information:

Date

First session:	10 May 2022
Second session:	11 May 2022
Third session:	12 May 2022
Fourth session:	17 May 2022
Fifth session:	18 May 2022
Final session:	20 May 2022

Price members: €125 - All sessions

Price non members: €185 - All sessions

SUBSCRIBE HERE

PAST EVENTS

Webinar: Intellectual property protection in China: R&D activities – 12 April 2022

On April 12, 2022, the Flanders-China Chamber of Commerce, the EU-China Business Association and the China IP SME Helpdesk organized a webinar focused on **IP Practices in R&D Activities.**

Alessandra Capriglia, Project Manager, China IP SME Helpdesk, delivered the welcome remarks and introduction. The China IP SME Helpdesk is a EU-funded project providing free-of-charge advisory services to European SME businesses in China. The Helpdesk not only covers mainland China, but also Hong Kong, Macao and Taiwan, which have different systems for protecting intellectual property rights. In the past 12 years the Helpdesk has assisted over 100,000 SMEs, not only from the EU, but also from other countries. Free services include an enquiry helpline; training workshops; webinars; a website and blog; and guides and factsheets. Enquiries will be responded to within three working days.

Website: https://ec.europa.eu/ip-helpdesk Email: question@china-iprhelpdesk.eu

Ms Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce and the EU-China Business Association, introduced both organizations. China has already become a leader in innovation in several areas such as the internet industry and artificial intelligence. According to the World Intellectual Property Organization (WIPO) China ranked 12th in the global innovation index in 2021, up two places compared to 2020, when China overtook the U.S. as the top filer of patents. China has held more than 400,000 patents in AI, accounting for 75% of the global total, ranking first in the world. Innovation is one of the reasons European companies want to be in China. European business leaders also see Chinese firms as equally or even more innovative than European ones. According to a survey of European companies in China, European businesses also say China compared favorably to other countries regarding government incentives, low research costs and R&D productivity. They also see opportunities in an increasingly innovative China rather than a threat. Most of our companies are in China for China. It is crucial to do the innovation where the applications are. They have to be close to their customers so as not to delay the introduction of innovative products. Technology is moving so fast that they can't afford to have any dead time in the development track. That's one of the key advantages of doing R&D in China, being close to the customer, the high-growth market, and being very fast in action. We can't be complacent.

Jari Vepsäläinen, IP Expert, China IP SME Helpdesk, conducted the training session on IPR protection in R&D activities in China. He is based in Helsinki, Finland, at the company Fintrade-Mercer. He is a corporate lawyer. He obtained a licentiate degree in company law, taxation and contract law from the People's University of China and is a doctoral candidate and visiting scholar in Chinese contract law at the People's University in Beijing and in Chinese corporate law at Zhongshan University in Guangzhou. He is normally based in Hong Kong. His company is specialized in bringing foreign companies to China and keeping them there. He negotiated the establishment of the European Chamber of Commerce in Hong Kong and has been Chairman of the Finland Chamber of Commerce in Hong Kong and Vice Chairman of the European Chamber of Commerce in Hong Kong.

There are different administrations in China for different types of IPR:

- China National Intellectual Property Administration for patents and trademarks (lifespan 20 years and 10 years respectively)
- National Copyright Administration for software and copyright (lifespan 10 years and 50 years respectively)

You need to register everything you can before you go to China. The types of patent models are very similar to Europe. Recently the IPR protection environment has been improved a lot through amendments to the laws. The patent protection has been extended and damages for infringement are now much higher. The burden of proof has changed:

the infringer now has to prove its innocence, not the IPR holder. The same positive effects apply to copyrights. Copies infringing on copyright and the equipment and materials used to produce them will be destroyed without compensation. The protection of trademarks is also very important, including the prohibition of bad faith trademark registrations and the prohibition of trademark squatters, which are Chinese companies registering foreign trademarks with the purpose of using them for blackmail, extortion and trademark piracy.

The utility model patent protection is strong in China, meant to protect minor improvements to an already existing technology. It is not well known in Europe, but it is fast, cheap and secure. You can use the utility model patent protection as a first remedy while waiting for the invention patent. The patentee will be able to enjoy the benefits of fast issuance of the utility model and early protection. The utility model application can be filed in China based on an earlier filed foreign patent application of an invention or utility model.

Copyright registration of software is important in China, including the source code, to have protection. The identification materials include the first 30 and last 30 pages of the source code, each page containing no less than 50 lines. No person other than the applicant or a judicial body can open the sealed enveloped stored at the China Copyright Center. China is a signatory country of the Berne Convention, providing minimal copyright protection for 50 years without registration, but in China copyright registration is a precondition for filing a lawsuit and non-registered software is without any substantial protection. China is a member of the major international IP conventions. Joint R&D in China can be performed by a JV or wholly-owned subsidiary or a Chinese partner or third subsidiary. IPR ownership options are ownership of all IPR by the European company; by its Chinese business company or co-ownership.

Before going to China, European companies must conduct a prior art search and a competitive art search. You also need to check the catalogue for prohibited and restricted technology imports and the foreign investment catalogue. There also might be export restrictions as China is putting up more barriers to the export of R&D from China. Partner selection is very important. Companies of different types will have a different attitude towards IPR management. It is important to choose the governing law and place of arbitration. Once you have selected your partners you have to screen them through publicly available information such as blacklists and court records. Also check who is the legal representative and whether they have a business license. You should expect the unexpected. Every company that desires to have R&D done in China should establish a corporate IP strategy and work with IP specialists and corporate lawyers.

Once in China you need to make a good services contract with the service provider and not only NDAs. Reverse engineering is permitted under Chinese law and not considered a theft of trade secrets. Chinese courts prefer Chinese parties and their licenses. Technology-to-equity transactions are very important. This means that instead of royalty payments, you get shares in the Chinese company. You can try to capitalize the R&D. If there are disagreements, there are several resolution options: negotiations and mediation; the administrative channel and judicial action. You can also take the dispute to several mediation centers. Finally Mr Vepsäläinen introduced the IPR infringement case of Norsepower Rotor Sails.

Summary:

- Pre-registration of every IPR before going to China is a must to get protected under international conventions and Chinese law in order to be able to seek injunctive relief for patent infringement.
- Conduct prior art search, register utility model as soon as possible, register your software source code.
- Selecting a trusted partner with the right IP business practices and security infrastructure is a practical means of protecting IP in an R&D services relationship in China.
- Careful contract management is a must even when dealing with your own JVC, WFOE and personnel.
- The best way to manage IPR issues is negotiations and mediation, avoid courts.
- Injunctive relief to stop IP leakage rather than monetary damages is the most realistic official/legal remedy in China. Injunctive relief is more quickly available for patent or trademark infringement than breach of contract.

While doing business in China has IP risks, the risks need to be weighed against the economic benefits. China is a market that cannot be ignored. European SMEs who do not think carefully about how to guard against IP risk when doing R&D in China may unwillingly suffer a loss of competitiveness and market share.

A Q&A session concluded the webinar.

HEALTH

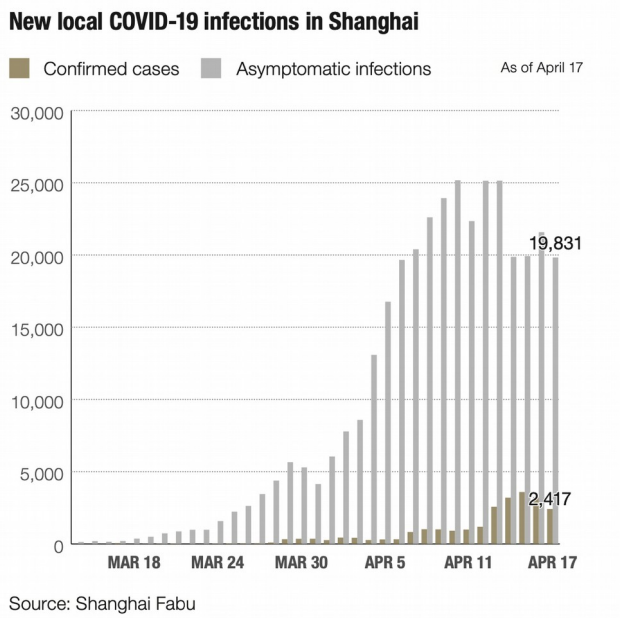
Key factories resume operations even as daily Covid-19 cases remain high in Shanghai; 10 deaths reported

Shanghai reported a record 3,590 symptomatic cases on April 16, up 12.2%, with new infections reaching 23,513. That brings total infections – both symptomatic and asymptomatic – since March 1 to more than 340,000. On April 19, 3,084 of the 3,297 symptomatic cases were reported in Shanghai. There were 10 deaths in Shanghai, the first from Covid-19 in China since January 2021. Some key businesses are resuming production as Shanghai authorities issued pandemic prevention guidelines for local industrial enterprises to resume operations, aimed at securing and stabilizing both industrial and supply chains.

The lockdown in Shanghai was relaxed in some areas early last week following a small dip in daily Covid-19 case numbers that only lasted for two days. Some residential compounds and business which had not registered any new cases in the past 14 days were classified as low-risk areas in which residents and employees were allowed to go out, although they were still not allowed to visit high-risk areas and must stay within their sub-district. **More than 24,000 communities in Shanghai are classified into three categories – locked-down, controlled and precautionary –** according to the strictness of anti-Covid measures limiting the movements of residents. Lockdown zones refer to neighborhoods that have reported new infections in the previous seven days, and residents are ordered to stay at home for a week under closed-loop management. Controlled zones refer to communities where no infections were reported in the previous week, and people are permitted to retrieve food deliveries or take a walk at designated areas at staggered hours within the compound. The list is continuously updated according to the latest results of mass nucleic acid tests.

Some residents in Shanghai have experienced shortages of supplies due to Covid-19 containment measures, but more vegetables are being transported to Shanghai by truck and rail. It has been made easier for truck drivers to enter and leave the city, as closing highways and setting up of roadblocks threatened to disrupt logistics services. According to the State Council's Joint Prevention and Control Mechanism, local authorities are strictly prohibited from closing highways, port terminals, railways stations or airports without authorization.

The railway operator has reduced the number of trains to limit the spread of Covid. China is currently operating about 3,000 passenger trains a day, less than one-third of the volume in normal times. The network is operating as few passenger trains as possible in epidemic-hit areas to only meet essential travel needs. In accordance with Beijing's epidemic control protocols, people from regions with medium and high-risk areas are not allowed to enter the capital. The National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) have vowed to ensure the last kilometer and even the last 100 meters of delivery are working well for everyday supplies to be shipped to virus-hit regions. The delays of trucks at highway intersections have been reduced from two or three days to about six to eight hours.



Many people in Shanghai live in gated residential communities where volunteers are collecting orders for daily necessities such as vegetables, bread and meat to buy in bulk and distribute to residents under a third week of lockdown. "The normal food sources have run dry as delivery workers have tested positive for Covid-19, food deliveries and express package services have been overwhelmed, government-provided groceries have been delayed or did not reach homes at all, and grocery-shopping apps have been constantly out of stock," the South China Morning Post reports. The Shanghai government has issued "green passes" to businesses deemed essential to the city's operation, so merchants with the passes can also help deliver essentials to communities.

This overview is based on reports by the China Daily, Shanghai Daily, Global Times and South China Morning Post.

FOREIGN TRADE

Online-only Canton Fair opens with record 2.9 million items

China's biannual trade show, the China Import and Export Fair, commonly known as the Canton Fair, is up and running despite coronavirus flare-ups, with the latest session that beginning **on April 15 going online-only with a record 2.9 million-plus products on show**. The 131st session, a 10-day event running until April 24, has attracted about 25,500 domestic and overseas exhibitors, the event organizer said. Among the 402 overseas firms from 32 countries and regions are U.S.-based industrial conglomerate Honeywell, a Fortune 500 company, Germany-based Wedo Tools, and Japanese home appliance maker Sezze. Attending firms have uploaded more than 2.9 million items, including more than 900,000 new products and more than 480,000 green and low-carbon exhibits, all hitting all-time highs.

The show has made continued headway in forging global partnerships, having signed cooperation agreements with 14 industrial and commercial agencies from Vietnam, Laos, Kuwait and Iraq, among other countries and regions along the routes of the Belt and Road Initiative (BRI) and members of the Regional Comprehensive Economic Partnership (RCEP), Xu Bing, Spokesperson of the Canton Fair and Deputy Director General of the China Foreign Trade Center, told a press conference. The Canton Fair's global partners are set to hit 170, an indication of its expanded circle of foreign trade friends, according to Xu. The online event fits into the digital economy's development, and it is also a pragmatic choice responding to the virus' fallout, Shu Jueting, Spokesperson with the Ministry of Commerce (MOFCOM), said.

Holding the Canton Fair online breaks time and space limits, and it enables exhibitions and negotiations to go on 24 hours non-stop, Shu said, allowing purchasers and exhibitors to stay indoors while buying and selling globally. The online platform for the 131st session is more interactive, with authorized exhibitors being able to browse buyers' information, send business cards and start instant chats, according to Shu.

“The trade show has also introduced new services such as China-Europe freight trains, seaborne shipping and cross-border e-commerce, and overseas warehouses, among other new business models, to help businesses in improving trade services,” the MOFCOM Spokesperson said. The Canton Fair went online for the first time for its 127th session in 2020 and remained online only for the next two sessions, before being held simultaneously in-person and online for the first time in its 130th session. The event's 130th session concluded in October 2021, with 600,000 visits in person and 27.92 million online, the Global Times reports.

Despite rosy trade figures in the first quarter, China has to work hard this year to ensure foreign trade growth and improve its trade structure, due mainly to increased uncertainties both at home and abroad, industry experts said. First quarter export growth beat expectations, but the impact of the epidemic may continue to squeeze exporters and could pressure overall foreign trade performance in the first half of 2022, they said. The General Administration of Customs (GAC) said that China’s exports of goods in March surged by 12.9% year-on-year to more than CNY1.75 trillion.

Foreign trade hit around CNY3.2 trillion in the month, increasing 5.8% from a year earlier, while imports dipped by 1.7% to about CNY1.45 trillion. The foreign trade in goods reached CNY9.42 trillion over the January-March period, up 10.7% year-on-year. Exports grew by 13.4% on a yearly basis to CNY5.23 trillion, while imports increased by 7.5% to CNY4.19 trillion.

Analysts predict the nation’s foreign trade will continue to expand in 2022, probably at a rate higher than gross domestic product (GDP) growth, thanks to the strong resilience of Chinese enterprises and effects of policy measures to ease the burden on companies and stabilize overall economic growth. The GAC said exports of major items such as mechanical and electrical products, solar cells, lithium batteries and motor vehicles all maintained an upward trend during the first quarter, the China Daily reports.

IT & TELECOM

China becomes world's No 1 app publisher

China has overtaken the United States for the first time to dominate a new list of the Top 52 app publishers around the globe, with 17 domestic companies earning places on the annual Top 52 Publishers list of data.ai, a U.S.-based mobile analytics company. Jeffery Zheng, Regional Director for data.ai Greater China, highlighted the considerable progress made by Chinese app publishers over the past year, saying China has become the world's most developed mobile market and Chinese mobile publishers will continue to lead in the future. Zheng said he is upbeat about Chinese mobile publishers' performance in overseas markets going forward, in part driven by their capabilities in technological innovation.

China's top gaming and social media operator Tencent Holdings and Chinese leading gaming firm NetEase have retained the top two spots in data.ai's 2022 Top 52 Publishers list for the fifth consecutive year. U.S.-based gaming powerhouse Activision Blizzard jumped one position to No 3. Chinese app publishers such as ByteDance, miHoYo, Lilith, Fun-Plus, Alibaba Group and Baidu also made the list. Noticeably, publishers headquartered in the Asia-Pacific dominated the list, making up 63.5% of the Top 52. According to data.ai, while gaming companies have made great strides overseas, various non-game Chinese companies are also seeking to expand their global presence. ByteDance earned top spot on another data.ai list — the Top 30 non-game Chinese publishers by revenue in overseas markets.

Data.ai's top 10 worldwide mobile publishers are Tencent (China); NetEase (China); Activision Blizzard (U.S.); Playrix (Ireland); Google (U.S.); Zynga (U.S.); ByteDance (China); Playtika (Israel); Match Group (U.S.) and Netmarble (South Korea).

Heading into 2022, data.ai said it has seen consumers spend more time and money than ever before – including nearly one-third of all waking hours – on mobile devices. Chinese developers have nearly doubled their market share in global app downloads over the past 10 years, from 8% in 2011 to 14% by the first half of 2021.

"Over the past decade, Chinese companies have achieved substantial growth in the globalization process by leveraging their technology and talent advantages. As the era of new industrial changes rushes forward, we are well aware of the unprecedented challenges that accompany huge development opportunities," said Meng Hao, Vice President of mobile application at Google's key account division. Despite challenges ahead, Wei Haijun, Founding Partner at Grand View Capital, said that with the high penetration rate of the mobile internet, extensive demand from global users has created tremendous opportunities for the next generation of Chinese entrepreneurs.

According to a recent joint report by Google, Roland Berger, Grand View Capital and data.ai, smartphone penetration is set to grow by more than 10% from 2020 to 2025, and emerging markets will be the main driver. The report said developed markets such as the U.S. and Western Europe remain strong in terms of consumer app store spending, while emerging markets such as Indonesia, Saudi Arabia and Mexico are seeing high growth in downloads, which will be worth exploring in the future, the China Daily reports.

As an increasing number of Chinese companies go global, **AppsFlyer**, an Israeli mobile marketing analytics company, sees big opportunities from helping Chinese companies better resonate with overseas users by **fully leveraging mobile marketing analytics technology**. Wang Wei, General Manager of AppsFlyer Greater China, said the company has grown a solid customer base in the country. "We have about 70% of the market share in the global marketing analytics segment, and the corresponding figure for the Chinese market is about 80%." Over half of AppsFlyer's customers in China are game advertisers, both in terms of quantity and the revenue they bring to the company, he said.

"Gaming enterprises are among the first Chinese companies to explore overseas markets. We noticed their efforts as early as before 2010," Wang said, adding that they are very stable, whether the economy is good or times are challenging, such as during the Covid-19 pandemic. According to Wang, the other half of its customers are Chinese companies that are at the forefront of global trends. "Whether they are fintech or short-video companies, Chinese companies are growing fast," Wang said.

As Chinese companies expand their overseas influence, some of them are pushing into the competitive platforms of global advertising networks, according to AppsFlyer's 14th edition of its Performance Index, an industry report that ranks the top media sources in mobile advertising. The report analyzed a total of 610 media sources, 25 billion app installs and over 18,000 apps from July to December 2021. Chinese advertising platforms Bigo Ads, Transsion and Simeji, for instance, have grown rapidly, occupying the top three spots on the global Android growth index, according to the AppsFlyer report.

CHINA NEWS ROUND-UP

Shanghai's automotive industry affected by Covid-19 lockdown

The automotive industry in Shanghai has been seriously affected by the Covid-19 lockdown. Shanghai delivered 2.83 million vehicles in 2021, or 10.7% of the nationwide output. Jilin in northeastern China – which recently has also been affected by a Covid-19 outbreak – assembled 2.42 million units last year, or 9.2% of the national total. Automakers in Shanghai may have to stop all production by May if the supply chain disruptions are not resolved soon, according to Xpeng's Co-founder and Chief Executive He Xiaopeng, adding "the good news is that some ministries and relevant authorities are trying to coordinate. We hope a concerted effort can be made to support the industry." General Motors and Volkswagen both make cars in Shanghai with their Chinese partner SAIC Motor. Tesla's Gigafactory 3, the sole wholly foreign-owned car factory in China, is also located at the Lingang free-trade zone in Pudong. Tesla may resume work this week after three weeks of suspension.

Factories that wanted to maintain their production had to operate under so-called "closed loop management", requiring staff to sleep on-site with zero contact with outsiders. Because most factories lack the facilities to accommodate all employees at the workplace, they had to operate at reduced capacity. Tesla has halted production of its Model 3 electric cars and its Model Y electric crossovers since March 28 because it could not obtain enough protective gear to run its factory under the closed loop. Thousands of component makers faced the same problems.

The resulting strain on the supply chain is reverberating across the entire nation and the whole industry. Nio had to suspend its production of electric cars in Anhui's provincial capital of Hefei from April 9 to 13 because its supply of vital components was disrupted in Shanghai, and in Jiangsu and Jilin provinces. FAW Group has resumed producing passenger cars for Volkswagen and Toyota in the Jilin provincial capital of Changchun after suspending all output on March 13. In neighboring Liaoning province, Brilliance China Automotive Holding said it has resumed making BMW luxury cars with its German partner in the provincial capital of Shenyang. BMW-Brilliance did not say how many days they halted production.

To alleviate the strain on supply chains, the Ministry of Industry and Information Technology (MIIT) dispatched a team to Shanghai to resume work in 666 key enterprises, including chip foundries, carmakers and biomedicine companies, the South China Morning Post reports.

MOFCOM to help Covid-affected foreign companies

China's Ministry of Commerce (MOFCOM) vowed to help secure the operation of foreign-funded companies struggling with the impact of recent outbreaks of Covid-19, such as recruitment and other challenges affecting their normal production and operation. Shu Jueting, MOFCOM Spokesperson, said that the Ministry has established a special working group and is cooperating with relevant departments to deal with multiple issues, including work resumption, employment visas and logistics for foreign-funded companies, especially for businesses in Covid-affected areas like Shanghai. MOFCOM will help foreign-invested companies to maintain normal operations, Shu noted.

Despite the flare-up of the Covid pandemic, foreign investment has continued to rise. **From January to March, the country's non-financial FDI reached USD59.09 billion, an increase of 31.7%** compared with the same period of last year. Used FDI from countries and regions along the Belt and Road Initiative and ASEAN members increased by 6.5% and 5.3%, respectively, year-on-year.

"The figures showed that China maintained high growth in FDI, with foreign enterprises optimistic about the country's stable economic environment despite outbreaks of Covid-19 and geopolitical uncertainty," Dong Dengxin, Director of the Finance and Securities Institute at the Wuhan University of Science and Technology, told the Global Times. During a meeting held by MOFCOM on March 31, participating foreign auto companies generally expressed a positive outlook on China's long-term stable economic development and market potential, saying that China will remain one of their most important overseas markets. China's auto production and sales increased in 2021, despite Covid-19 and chip shortages. Many of them said that they will increase investment in China in terms of new-energy vehicle (NEV) manufacturing, as well as technology research and development. They cited the government's support policies including the end of long-standing limits on foreign equity stakes in auto manufacturing enterprises starting this year.

In the first quarter, the actual use of foreign investment in high-tech industries stood at CNY132.83 billion, up 52.9%year-on-year. Investment in the high-tech manufacturing industry increased by 35.7%, and that in the high-tech services industry by 57.8%, the Global Times reports.

Hainan Free Trade Port to showcase the best of China

President Xi Jinping – visiting Hainan province – underlined the significance of developing the Hainan Free Trade Port into a landmark project showcasing the best of China, saying that the port should give high priority to innovation at the institutional level. Xi called for quicker steps in building a free trade port with Chinese characteristics and global influence and enabling the province to lead the way in China's reform and opening-up in the new era. During the trip, Xi visited Sanya, Wuzhishan and Danzhou and spoke with workers from research institutions, a national park and a port, as well as residents from a village of the Li ethnic group. He noted that the building of a free trade port in Hainan is a complex and systemic project that would be a long-term endeavor. The development of the Hainan Free Trade Port was proposed by Xi in 2018 at a meeting marking the 30th anniversary of the Hainan Special Economic Zone.

China unveiled a master plan in June 2020, aiming to build the island into a free trade port with global influence by the middle of the century. The free trade port is set to introduce islandwide customs clearance operations by 2025. It is important to focus on the development of the tourism, modern services and high-tech sectors and high-efficiency tropical agriculture, and quicken steps to develop a modern industry system, President Xi said. He called for promoting the commercialization of innovation and the protection of the environment. He said that the Tropical Rainforest National Park in the province is a national treasure, a key water and grain reserve, a source of wealth and an important carbon sink.

President Xi also reiterated that China would stick to the dynamic zero-Covid policy, the China Daily reports.

As China becomes more self-sufficient, semiconductor imports drop

China's imports of integrated circuits (ICs) shrank 9.6% in volume in the first quarter from a year ago, according to Chinese customs data, marking a sharp retreat from the 33.6% increase in the same period in 2021. The values of ICs it bought, however, were rising. In the first three months of the year, entities in China paid a total of USD107.2 billion for 140.3 billion ICs, up 14.6% year-on-year. The average unit price rose 26% from a year ago, according to calculations by the South China Morning Post. The figures released by the General Administration of Customs (GAC) did not include a breakdown by IC type. China is the world's largest importer of chips, which are used for producing electric vehicles, smartphones and other consumer electronics, many of which are then exported to the rest of the world, including markets where the semiconductors originally came from. The reduction in import volume comes amid China's vigorous push towards technological self-sufficiency.

World Bank President David Malpass told Reuters it is "probably good for everyone" that countries around the world are trying to diversify supply chains and reduce dependence on China. The lockdown in Shanghai has fanned concerns over disruptions to cross-border supply chains. Pegatron, a Taiwanese contract manufacturer for Apple, said it has paused production in two factories in Shanghai and the nearby manufacturing hub Kunshan to comply with government Covid-19 controls. Delivery delays in Shanghai are expected to last until the end of this month before there is any chance for improvement, research firm TrendForce said.

As China battles Omicron outbreaks, its bid to shore up its domestic semiconductor production capability continues, despite failures to secure the latest state-of-the-art equipment and technologies. Last year, China remained the world's largest semiconductor manufacturing equipment market, with sales increasing by 58% to USD29.6 billion, according to a report by trade group SEM. China's top chip maker, Semiconductor Manufacturing International Corp (SMIC), plans to spend about USD5 billion this year on capacity expansion and R&D, up from last year's USD4.5 billion. The value of Chinese IC exports increased 23.2% in the first three months from the same quarter last year, while volume fell 4.6% to 70.2 billion units, the South China Morning Post reports.

Luxury home rents in Hong Kong may fall by up to 15% this year

Luxury home rents in Hong Kong may fall by as much as 15% this year as expatriates keen to escape the city's strict zero-Covid-19 policy continue to leave. In the first quarter of 2022, rents for high-end houses and flats fell between 2.6% and 4%, with those in Kowloon and the New Territories seeing the biggest declines, according to property consultancy Savills. The decline could have been far steeper, as many landlords held off from accepting lower offers. But this quarter, depending on how Hong Kong moves forward with its quarantine and travel regulations, is likely to provide a clearer picture of how the luxury market fares for the rest of the year. "The luxury residential leasing market has been very quiet over the first quarter as expats were faced with yet more disruption to their personal and professional lives after a fifth wave of Covid-19 hit the city and the government responded with a range of exceptionally strict measures," a Savills report said.

"We believe that March/April will probably see 'peak exodus', with expats moving either back to their own countries or to Singapore in a collective loss of patience at anti-pandemic measures." Luxury homes are defined as those with a gross floor area of at least 1,500 square feet and average rents of HKD37.5 sq ft per month – a total rent of about HKD56,250. Victoria Allan, Founder and Managing Director of Habitat Property that mainly caters to expats, said a lot of tenants were leaving before their rental contracts had expired. "We are seeing a record number of broken leases in the market and expect rents to fall by up to 15%," she said. "I think the market will continue to soften until it's easier to be relocated into Hong Kong." A survey of 260 executives by the European Chamber of Commerce showed that nearly half of businesses were considering moving elsewhere next year. French bank Société Générale is temporarily moving about a dozen traders from Hong Kong to Singapore.

On Hong Kong Island, rents in upscale neighborhoods and

expat favorites such as Mid-Levels, Pok Fu Lam, The Peak, Happy Valley and Jardine's Lookout fell between 1.4% and 2.7% in the first three months of the year. The declines were more pronounced elsewhere, with those in Ho Man Tin, Kowloon Tong, Discovery Bay, Sha Tin, Tai Po, Sai Kung, Tsim Sha Tsui and Hung Hom slumping between 3.4% and 5.3%, according to Savills, as reported by the South China Morning Post.

Ehang Holdings promoting autonomous air taxis

EHang Holdings, a leading technology company in autonomous aerial vehicles (AAVs), is promoting the commercial operations of passenger-carrying autonomous air taxis and expand its footprint in the global urban air mobility industry. EHang aims to be the first company to launch commercial AAV operations globally, which is likely to happen in the second half of this year, said Edward Xu, EHang's Chief Strategy Officer. The Guangzhou-based company plans to develop 100 air mobility routes with a focus on the Guangdong-Hong Kong-Macao Greater Bay Area in the initial stage, and will gradually expand to other parts of the nation, Xu said. It has carried out aerial tours and short-distance air traffic trial operations from nine operating points, including Guangzhou, Shenzhen, and Zhaoqing in Guangdong province, Hezhou in Guangxi, Sanya in Hainan province and some other cities in cooperation with its partners. The flagship two-seater passenger-grade AAV, the EHang 216, has conducted more than 4,000 trial flights for aerial sightseeing so far.

"The AAVs have a wide range of applications, covering areas such as manned transportation, aerial tourism, aerial logistics, medical emergency response and fire rescue," Xu said. EHang has established a set of operating mechanisms covering route planning, flight operations, safety management, regulatory compliance as well as digital operation platforms, sales and marketing, he said. In February, the Civil Aviation Administration of China (CAAC) issued special conditions for EHang 216-S type certification, setting a foundation for airworthiness certification for all AAVs in China. Looking ahead, EHang hopes to obtain an airworthiness certification for its autonomous aircraft EH216-S as soon as possible, as part of its broader push to promote low-altitude passenger-carrying commercial operations in the urban air mobility (UAM) sector, Xu said.

Morgan Stanley projected that the global urban air mobility market will be worth USD1 trillion by 2040 and USD9 trillion by 2050. Xu is upbeat about the prospects of UAM, saying electric autonomous air taxis will help solve traffic congestion in metropolises, greatly reduce carbon emissions and improve air quality in urban areas. But because of the high safety and performance standards that must be met, such autonomous air taxis will still be subject to strict trials before large-scale commercial operations can begin, said Pan Xuefei, Senior Analyst at IDC. Global consultancy Roland Berger estimates there will be up to 3,000 air taxis in operation by 2025 and this figure will increase exponentially to 100,000 by 2050, the China Daily reports.

DHL Express launches Shenzhen to Leipzig airfreight service

DHL Express has launched a new airfreight route that links the southern Chinese city of Shenzhen in Guangdong province with Leipzig, Germany, which will further enhance air cargo capacity from South China to Europe. With a weekly freight capacity of more than 500 metric tons, airfreight services using the route will be served by cargo airline Aero-Logic, with six weekly round trips made by a Boeing 777 all-cargo aircraft. Analysts said the newly launched route will further promote trade between China and Europe. Zhou Xibing, a Chinese researcher, said that "improved air capacity will further increase Chinese companies' global expansion while effectively solving the logistics backlog and other uncertainties caused by current geopolitical tensions." Shenzhen is a national hub for research and development (R&D), and a manufacturing center in sectors including electronics, high-tech equipment, auto parts, pharmaceuticals and biotechnology.

Clara Yang, Director of DHL Express Shenzhen Gateway, said that "the Shenzhen gateway is one of the most important transit centers DHL Express operates in China, while the Leipzig hub is one of the three continental hubs in our global network". "Covid-19 has driven the accelerated growth of cross-border e-commerce. With the launch of the new route, we will be able to better serve the strong air cargo demand from customers in Shenzhen and its neighboring areas. We will continue the cooperation with Shenzhen Airport Group to introduce more routes according to market demand."

DHL Express launched a new international air cargo route linking Shenzhen and Los Angeles in October to enhance the transportation of goods between the Asia-Pacific region and North America. The company operates more than 30 international air cargo routes from the Shenzhen gateway so far, it said. Since this year, Shenzhen airport has continued to expand routes and increase capacity to ensure the stability of the supply and industry chain amid the Covid-19 pandemic. Shenzhen's Bao'an airport has international airfreight services to 35 destinations, the China Daily reports.

China to expand investment to stabilize the economy; GDP up 4.8% in Q1

China will expand effective investment in order to boost demand, foster high-quality development, and stabilize the overall economy. China's gross domestic product (GDP) increased by 4.8% in the first quarter. Analysts said they are expecting more growth-boosters such as increasing infrastructure investment, further tax reductions and increasing support for hard-hit enterprises and sectors. Ou Hong, Director of the Department of Fixed Asset Investment at the National Development and Reform Commission (NDRC), said a big push will be made to bolster investment in infrastructure construction, manufacturing and high-tech industries and shore up weak links in areas that are important to people's lives. He told a news conference in Beijing that the NDRC will promote infrastructure construction in fields like water conservancy,

transportation and energy, accelerate the push for "new infrastructure" construction, spur investment in equipment manufacturing and boost the development of sectors like health, education, elder care and nursery services.

Despite facing pressures from resurgent domestic Covid-19 cases, Ou said China has favorable conditions to stabilize investment. He cited China's plan to issue CNY3.65 trillion worth of special-purpose bonds for local governments in 2022 and the CNY1.2 trillion worth of special local government bonds issued in the fourth quarter of last year, saying they provide strong support for the growth of investment this year. "China still has plenty of scope for expanding investment in various fields like infrastructure construction, strengthening weak links, pushing forward with carbon peaking and neutrality projects, emerging sectors and new urbanization," Ou said.

The NDRC has so far approved 32 fixed-asset investment (FAI) projects worth CNY520 billion, mainly in fields like transportation, water conservancy, energy and high-tech sectors. Ou urged steps to encourage the private sector's participation in 102 key projects mapped out in the 14th Five Year Plan (2021-25). Luo Zhiheng, Chief Economist at Yuekai Securities expects more monetary and fiscal stimulus measures from policymakers to boost investment in infrastructure construction and manufacturing as well as credit growth, the China Daily reports.

Your banner at the FCCC website or newsletter

Companies interested in posting a banner/an advertisement on the FCCC website or FCCC weekly newsletter are kindly invited to contact the FCCC at: info@flanders-china.be

Organisation and founding members of the Flanders- China Chamber of Commerce

Chairman
Mr. Kurt Vandeputte, Senior Vice President Government Affairs, NV UMICORE SA

Vice-Chairman
Mr. Filip Coremans, Managing Director Asia, NV AGEAS SA

Secretary and Treasurer
Wim Eraly, Head of Corporate and Transaction Banking, NV KBC Bank SA

Executive Director
Ms. Gwenn Sonck

Members of the Board of Directors and Founding Members:
Mr. Kurt Vandeputte, Senior Vice President Government Affairs, NV UMICORE SA
Mr. Filip Coremans, Managing Director Asia, NV AGEAS SA
Mr. Carl Peeters, Chief Financial Officer, NV AHLERS SA
Mr. Philip Eyskens, General Counsel, Senior Vice President Legal IP GRC, NV BEKAERT SA
Mr. Philip Hermans, Managing Director Activity Line Dredging, NV DEME SA
Mr. Wim Eraly, Head of Corporate and Transaction Banking, KBC Bank SA
Mr. Johan Verstraete, Vice President Weaving Machines, NV PICANOL SA
Mr. Luc Delagaye, Member of the Executive Committee, NV AGFA-GEVAERT SA

Membership rates for 2022 (excl. VAT)

- SMEs: €435 (excl. 21% VAT)
- Large enterprises: €1,080 (excl. 21% VAT)

Contact

Flanders-China Chamber of Commerce
Office: Ajuinlei 1, B-9000 Gent, Belgium
New telephone and fax numbers:
T ++32/9/269.52.46
F ++32/9/269.52.99
E info@flanders-china.be
W www.flanders-china.be

Share your story

To send your input for publication in a future newsletter mail to: info@flanders-china.be
The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com
Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.

FCCC FOUNDING MEMBERS

FCCC STRUCTURAL PARTNERS

IN COOPERATION WITH