China Business Weekly

17 May 2022

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

FCCC/EUCBA ACTIVITIES

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: Time: 10h00 - 11h30

Date
Fifth session: 18 May 2022
Final session: 20 May 2022

Price members: €125 - All sessions

Price non members: €185 - All sessions

SUBSCRIBE HERE

Visit to Huawei Cyber Security Transparency Center – May 24, 2022 at 10:30 AM, Brussels

The Flanders-China Chamber of Commerce and its structural partner Huawei have the pleasure to invite you to visit the Huawei Cyber Security Transparency Center in Brussels. Mr Derek Huang, Managing Director, will address how Huawei is dealing with possible Cyber Security concerns in all transparency. This visit will take place on May 24 at 10:30 AM CEST and will be followed by a Chinese walking lunch.

The programme is as follows:

10:30 - 10:40:

Welcome by Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce

Introduction on the center's mission and achievements by Mr Derek Huang, Managing Director BELUX of Huawei Technologies

10:40 – 11:10: Huawei Cyber Security Practices

- Explanation of E2E cyber security assurance system
- Explanation of secure supplier management
- Vulnerability management
- Thorough product evaluation

11:10 – 11:40: Visit of the laboratories & dynamic screens tour

- Huawei engagement in Europe
- Huawei product security baseline

12:00 – 14:00: Chinese walking lunch

Practical information:

Date and time: May 24, 2022, 10:30 - 14:00

Location: Huawei Cyber Security Transparency Center, Rue Guimard 9, 1000 Brussels

Price for members: Free

SUBSCRIBE HERE

ACTIVITIES SUPPORTED BY FCCC

2022 Second Beijing International Life and Health Industry Cross-border Expo
26 May – 16 July – Beijing and online

Foreign companies can participate online in the **Beijing International Life and Health Industry Expo**. The opening ceremony will be held on May 26, 2022 and the Expo will be held **from May 26 till July 16, 2022**.

In the post-epidemic era, the life and health industry has ushered in a “golden period” of development. In order to actively respond to President Xi Jinping's call to “build a community of human health”, promote the cross-border integration and development of the life and health industry, and deepen pragmatic cooperation in the global industrial chain, the Foreign Trade Development Bureau of the Ministry of Commerce (MOFCOM), the China Chamber of International Commerce, the World Federation of Chinese Medicine Societies, The Chinese Research Hospital Association and Sanlu Zero Exhibition Co., will jointly hold the “2022 Second Beijing International Life and Health Industry Cross-border Expo" at the China International Exhibition Center in Beijing.

The expo covers six fields: medical apparatus and instruments; biomedicine; labor protection supplies and hygiene and epidemic prevention; health industry of traditional Chinese medicine (TCM); medical cosmetology; nutrition and health care; pharmaceutical raw materials and equipment; and digital health.

Following documents can be downloaded:

List of multinational, organizations, hospitals and pharmacy chain stores, manufacturers for collaboration

List of Chinese companies for export

Registration form

Expo website: http://en.360clhe.com/pc/index.html#/

Email: pxchina@126.com

Registration: Register here.

For more information you can also send an email to info@flanders-china.be

Flanders Investment and Trade Export Fair – 21-23 June 2022 – Brussels

The Flanders-China Chamber of Commerce participates in the Flanders Investment and Trade Export Fair.

Come and meet us at our booth.

The FCCC will organize a seminar on doing business with a changing China on 22 June at 10h30. More details will follow.

Program of the Export Fair

Register and make your own program. The Fair is open from 9:00 till 17:00.

An overview of all activities is in the agenda.

Appointment with a FIT Country Expert

Worldwide FIT has stationed country experts who live and work in the export destination of your dreams:

- 89 economic and trade representatives
- 9 technology representatives
- 4 customs representatives

Discuss your export plans with them and realize your international dreams!

Make an appointment soon, FIT Country Experts are very popular. You can find their profiles here.

Seminars & workshops

Are you looking for practical advise and inspiration for your international plans? FIT is organizing numerous interesting seminars and workshops to optimize your international talent and skills. You will find them in the agenda.

FIT-booth

In the center of the Fair is the FIT-booth, where you can go for all your questions about our services.

- subsidies and financing
- group business trips, participation in expos & other events
- market information (trade statistics, regulations, international opportunities)
- consultancy (market inquiries, how to make an export plan, evaluation of the export capacity of your company with our patented export meter etc.)

You can make an appointment in advance with our 14 international advisers on entrepreneurship.

Other Fair participants

Many service providers who can help you make a success of your international project are happy to welcome you at their booth. You can find an overview of the participants here.

Website of the FIT Export Fair: https://exportbeurs-2022.b2match.io/page-2161

PAST EVENTS

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

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.

First session on May 10, 2022: "Market opportunities and challenges in China's healthcare sector"

Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce and EU-China Business Association, welcomed the participants to the first webinar of the Masterclass Understanding China's Healthcare Market. The Masterclass is organized with the support of Smart Hub Vlaams-Brabant and Flanders Investment and Trade. You will learn about the general healthcare landscape in China, and how it has evolved as well as the opportunities and challenges; best practices and lessons learnt; negotiations and tactics; legislation; products registration; financial incentives; and production and sales in the Chinese market. China is the world's second-largest healthcare market and healthcare reform is one of the priorities of the Chinese government.

Mr Franck Le Deu, Senior Partner at McKinsey Greater China, based in Hong Kong, covered two markets in this webinar: biopharmaceuticals and medtech. The China biopharma industry is stepping on the global stage and there are seven trends shaping its innovation. McKinsey has assessed China's potential impact on global biopharma through three lenses: value chain capabilities; funding for biotechs and innovation output. Mr Le Deu sketched the outlook for China's impact on global biopharma, shaped by five interrelated factors. He concluded that the emergence of the China biopharma ecosystem is no longer just a China story. It is a global one that is considered to have profound implications for decades to come. Three impact scenarios are in the cards by 2028: stunted, at-scale or transformational impact.

China MedTech is continuing the journey towards a globally leading market, characterized by eight key trends. There are three scenarios to a global leading MedTech industry role: China-centric decoupled MedTech market; engine of global business growth; and epicenter of global MedTech industry. Mr Le Deu concluded his presentation with explaining four issues that will matter most for MedTech leaders in China.

Second session on May 11, 2022: "Practical testimonials & negotiating with Chinese partners"

Ms Gwenn Sonck, introduced the two guest speakers: **Mr Bart Boschmans**, Flemish Economic Representative in Shanghai, and **Mr Henk Joos**, General Manager, Agio Capital & Business Solutions.

Mr Boschmans talked about how to prepare for successful participation in trade fairs and matchmaking in China. Flanders Investment and Trade (FIT) is offering support to companies, specifically for trade fairs and events, including subsidies for individual participation. In many cases it is possible to join the FIT booth at a trade fair. The preparation to participate in a trade fair is very important. You need to do your research in advance. But trade fair follow-up is at least as important as the preparation. React fast to questions from your contacts and seek professional advice early. Specifically for healthcare, beware of regulations and registration procedures. Mr Boschmans and his team remain available till mid-August, when he will move to New York.

Mr Joos talked about cultural differences and negotiating with Chinese partners. In the past 18 months Agio has closed 10 deals for eight European customers. The number of licensing deals by Chinese therapeutic companies has been growing in the past 10 years. Chinese Medtech is expanding rapidly but faces some challenges. In investment advisory, Agio has access to over 1,000 PE/VC healthcare funds in Europe, Asia and the U.S. In strategic partnership advisory Agio has developed a strong network of pharma, biotech and medtech companies, and an extensive network of CROs, CMOs and IP/law firms. Signing the contract is only the beginning, not the end. Probably the biggest challenge in closing deals has been the cultural differences. In team and organizational development the typical statement of Europeans when they have been talking to the Chinese for three months is that they are extremely chaotic and they don't know what they want, whereas in reality they know very well what they want but are following their own process.

Third session on May 12, 2022: "Entering the Chinese Healthcare Market"

Ms Gwenn Sonck, introduced the two guest speakers: **Mr Philippe Snel**, Founder and Managing Director of DaWo Law Firm in Shanghai and **Mr Valentin de le Court,** IP Lawyer at Osborne Clarke living and working in China, who has 15 years experience in intellectual property law.

Mr Philippe Snel said that it was already three years since he last was in Belgium, speaking on the 45th day of lockdown in Shanghai. Foreign investment in the healthcare industry is regulated by the Special Administrative Measures (Negative List) for Access of Foreign Investments (2021 Edition), effective since January 1, 2022. Activities on the negative list are restricted or prohibited. You can consider that you have access to the healthcare market, the question is what is the best way to access it. Mr Snel explained the three ways: export from Europe to China; tech transfer; and joint venture or WFOE. He also emphasized that it is becoming increasingly important to pay attention to the cybersecurity and data protection laws.

Mr de le Court talked about legal aspects of IP protection in China in the life sciences and healthcare sector. R&D spending in China grew tenfold between 2000 and 2016. China is set to spend more than the U.S. on R&D by 2025. The Chinese IP landscape has changed. China evolved from a norm taker to a norm setter. It is possible to protect and to enforce your IP rights in China. This opens up opportunities: China wants to end technology dependence. Mr de le Court briefly introduced invention patents, utility models and trade secrets, emphasizing that the Chinese utility model is underused by foreign companies but is very interesting. He concluded that you should align your patent strategy to your business needs.

Webinar: The economic landscape in China: challenges and opportunities after 2.5 years of pandemic – Thursday 5 May 2022

The Flanders-China Chamber of Commerce and Flanders Investment and Trade organized **a webinar with the Flemish Economic Representatives in China** on 5 May 2022 about "**The economic landscape in China: challenges and opportunities after 2.5 years of pandemic".**

Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, moderated the panel discussion with **Marc Struyvelt**, Flemish Economic Representative in Beijing; **Bart Boschmans**, Flemish Economic Representative in Shanghai; **Eva Verstraelen**, Flemish Economic Representative in Guangzhou; and **Siegfried Verheijke**, Flemish Economic Representative in the Hong Kong S.A.R.

Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, welcomed the Flemish Economic Representatives and the participants. One of most serious problems for our SMEs is that we still can't travel to China due to the Covid policy of the Chinese government. **The rise in Covid cases** – still not comparable to the numbers in our area – **and the geopolitical climate don't make it easier to do business with China.** The IMF projects a lower growth of 4.4% of the Chinese economy. Obviously, China is still a market which may not be dismissed and is still offering many opportunities for our entrepreneurs. The Flemish export to China dropped by 5.5% in 2021 due to the rise of pharma in the corona year. China is Number 9 on the list of export markets. Flanders exported €7.20 billion to China, while Flanders' imports from China reached €22.58 billion, an increase by 37%. Flanders most important exports to China included chemicals and pharmaceutical products (30%); machines and electronic equipment; and synthetic materials. Imports from China to Flanders included machines and electronic equipment (30%); transport equipment; and chemicals and pharmaceutical products.

China is a very competitive and innovative market. It is important that our companies can capitalize on this important market. According to a survey of European companies, they consider China a very important destination for investments. Due to Covid, European investors are postponing investments in China, but postponing is not canceling. Together with FIT, the Flanders-China Chamber of Commerce wants to assist companies on the Chinese market.

China was the first country to recover from Covid-19 2.5 years ago, but Omicron is now spreading fast in China. What are your experiences and what is the current situation? More and more foreigners are leaving China, what is the effect on business? Mr Boschmans in Shanghai: There is a strict lockdown in Shanghai since the end of March. The lockdown started in Pudong district on March 28 and in Puxi on April 1. Mr Boschmans returned after the holidays from Belgium to China in mid-February, followed by three weeks of quarantine. First, life was relatively normal although the number of cases was rising from 10 or 20 daily to ultimately 25,000. The lockdown is very strict as it is not allowed to leave your house or apartment. It became difficult to buy food, which was only possible through group purchases. Individual purchases were not possible as the couriers could not drive around. Mr Boschmans took around 30 Covid tests, every time anxiously waiting for the result because those testing positive were transported to central quarantine centers. Some of those centers are converted expo centers with several hundreds or thousands beds in less than optimal circumstances.

Mr Boschmans has now returned to Belgium because he will be transferring to New York in summer and there are few activities in Shanghai in May. The situation in Shanghai is not fundamentally changing although there is talk of relaxing the measures and fewer people are still locked up at home. Many can walk around in their compounds and some may even venture outside for a few hours. **Zero-Covid is still the objective**, but before the authorities were talking about "static management" and "dynamic management", while now they talk about "societal zero", with not many new cases outside quarantine centers. However, there are still 4,000 to 5,000 new cases a day in quarantine centers, but zero-Covid in society. In the cities around Shanghai there is also a lot of anxiety. Local authorities are afraid to make mistakes.

Mr Marc Struyvelt in Beijing: In Beijing there is still no lockdown like in Shanghai, but in the Northern part of my jurisdiction there have been lockdowns. In Beijing there has also been a new outbreak with around 50 new cases a day, rising to a total of more than 500. Many restaurants and shops were closed during the May holidays and there were almost daily PCR tests. All indoor events are canceled and restaurants are closed. Residents are advised to work from home. You can still go outside to take a walk or go shopping, but that's about it. Nobody knows when the situation will change.

Ms Eva Verstraelen in Guangzhou: In 2020-21 the situation in Guangzhou was much more relaxed, and it is still relative calm and cannot be compared with the situation in Shanghai or Beijing. However, everybody is nervous. The situation has changed with the arrival of Omicron and a small outbreak in April which led to panic buying. Luckily the outbreak remained localized in one area, which is still in lockdown, but not affecting the rest of Guangzhou. Everybody can go to the office and the schools are open. Still there is much testing and if you want to join an event you need to be tested. The expos planned for April and May have been postponed to June-July. The problem is weariness among foreigners and Chinese alike, because there seems to be no end to Covid while the world outside China is opening.

Mr Siegfried Verheijke in Hong Kong: Daily life is relatively normal, but there is insecurity because nobody can predict the future. You can go out wearing a mask and provided you are vaccinated. Hong Kong is also attempting for zero-Covid and Hong Kong authorities have no choice as Beijing is taking the decisions. Some absurd measure have been taken, which the people didn't like, such as children being separated from their parents. During the March-April Omicron wave, one in six people got infected. Real numbers are much higher as many infected people didn't report their status to the authorities, fearing to be sent to a quarantine center. We are now returning to the pre-Omicron situation, which is better compared to mainland China, but still far from ideal. However, regulations are not changing so much anymore. Schools and beaches have reopened and the ban on foreign arrivals has been canceled. Foreign businesspeople can come to

Hong Kong since May 1 but still have to spend one week in quarantine, making short business trips impossible.

Many expats and also local Hongkongers have left in the past year to their own country or to Australia, Canada, the UK or Singapore. This involves hundreds of thousands of people, who are tired of the insecurity and the lack of logic. Some are even renting private jets to evacuate their pets – which is not possible on commercial flights – at a cost of €30,000. There are more mainland Chinese arriving in Hong Kong, already one in three residents in Hong Kong are from the mainland. The English language has dropped to third place in communications from the authorities. Hong Kong is becoming more Chinese although it will remain an international city.

What is the impact on the economy and our exporters? Mr Struyvelt: There are less initiatives and some fairs and conferences have been postponed several times. Travel restrictions remain: tourists, exchange students and businesspeople can still not travel to China. This situation is expected to continue till the end of the year, following the Party Congress in October or November. Opening the borders could be catastrophic for the health system. There are also very few flights to China even for people who are allowed to return. Prices for goods transports have also increased. The price to send a container to Belgium has increased from USD1,200 two years ago to more than USD10,000. The problem in the mid-term is that there is much less connection between the Chinese and European business worlds, which could lead to less understanding.

Mr Boschmans: There is a large exodus of expats. It is now becoming more difficult to leave China. Due to insecurity, companies are postponing investments.

Ms Eva Verstraelen: Transportation costs have increased, delays have increased, and on top of that there is a longer quarantine period once the goods have arrived in China. All goods are inspected in special warehouses. Some couriers refuse to deliver parcels from abroad and recipients who accept one have to take a Covid-test within 72 hours, because they might have become infected.

Mr Verheijke: In 2019 there were still 56 million visitors to Hong Kong, while in 2021 there were less than 100,000. This had a dramatic effect on the tourism sector. On the other hand the financial sector has prospered, due to the difficult relations between China and the U.S. Chinese companies which previously went to the U.S. for their IPO are now coming to Hong Kong. Many Chinese are also transferring their money abroad. As travel is still restricted it is difficult to do business in Hong Kong.

What are the biggest challenges in doing business with China? Ms Verstraelen: Chinese importers who would prefer to source products in Europe, which are now too expensive, are looking for Chinese alternatives or in neighboring countries to reduce transport costs. Due to RCEP, trade in the area is increasing. Appreciation for Chinese culture is rising which also has an impact on consumer behavior. Older traditional brands are more appreciated in a return to the past. Moreover there is no forecast of improvement in the situation. Due to the insecurities, domestic solutions are sought.

Which sectors offer the most opportunities? Mr Struyvelt: One sector is **F&B**, in which there is still interest in Flemish products, but not in the immediate future, because of the special conditions, such as not being able to travel abroad, expensive transport, quarantine measures, new regulations on registration and packing, etc. That's why importers are not eager to buy now. Products in the F&B sector include beer and chocolate, but also healthy foods. Another sector is **everything related to pet animals**. FIT recently made a small study which is available for free on the website. Many Chinese keep a pet, which they treat as a child and for which they are willing to spend much money, including on imported products. In those two sectors we can still make a difference.

Ms Verstraelen: People are interested in a **healthy lifestyle**, including food with less fat and sugar, for which demand is increasing. Also lifestyle in a broader sense such as sports and nature. Companies active in sports clothing, accessories, and apps still have opportunities. There is also more interest in **interior decoration**. People want to create a more pleasant environment at home. This also includes the Internet of Things (IoT), smart home, smart living and related accessories. **Body care** is also important, especially skin care. Cosmetics are mainly imported from South Korea but demand in China is so big that they are also looking to Europe. The **medical sector** is also expanding. There are more and more private clinics that also need medical equipment.

Mr Boschmans: China's population is greying, so there is increasing attention to **care for seniors**. This includes medical equipment, services, telemedicine, etc. Another sector is **environmental technology**. In the latest Five Year Plan there was a lot of attention for environment and energy transition. The sector is heavily regulated but there are opportunities such as recycling in the medical sector and efficient water use in hotels. The economy has been impacted by the pandemic and China will probably give priority to the economy over ecology.

Mr Verheijke: I would mention four sectors. **Healthy lifestyle products**, such as vegetable products, and connected to this **elderly care**. In 2022 Hong Kong's population has the highest life expectancy in the world, creating a huge demand for elderly care, and there is also money to buy this kind of products. There are also opportunities in **infrastructure** in two major projects: the Northern Metropolis Development and Lantau Tomorrow, where millions of people will be housed. Finally, **climate**, as Hong Kong is aiming to be carbon neutral by 2050.

Does the Russian invasion of Ukraine has an impact on Flemish companies doing business with China? Mr Boschmans: Perhaps not directly, but the whole supply chain worldwide has been disrupted. China is still talking about a conflict instead of a war and it has not been much on the news lately. But the war no doubt has an impact on transport prices.

What would be your three tips for doing business in China? Mr Boschmans: Five to ten years ago all roads led to China, today there is more insecurity. Think carefully and make a good plan because you will need to expend more energy than previously. Seek juridical and financial advice early in the process related to contracts and IP. My tip is to prepare well. Mr Struyvelt: I would add the necessity to register your brand in China. Before you establish contacts in China it is wise to already first register your brand to prevent that others will do it before you, as recently happened to one Flemish company. Mr Struyvelt also advises to set up a WeChat account if you haven't done it yet. It is the best way to communicate with Chinese business contacts. There is also an automatic translation service in WeChat. Ms Verstraelen: China is a "separate" case, you can't just do copy-paste from another country. Also be prepared to adapt to the Chinese business culture. Prepare your promotion materials in Chinese. Make sure your response time is as fast as on the Chinese side. For Chinese publicity, use life-streaming on Chinese platforms. Mr Verheijke: Everybody is coming to Hong Kong because it's close to China so distributors have a lot of choice. I would advise to work together with a suitable local partner. FIT Hong Kong will in the future offer a more personalized approach, advising Flemish companies up to contract signature.

How do you see the coming months? Mr Verheijke: Many events are canceled so a more personalized approach is important. In November there will be ReThink and Eco Expo Asia. We also plan to organize Best of Belgium seminars, perhaps early next year. Mr Struyvelt: We also focus on individual assistance because Flemish entrepreneurs still can't travel to China. Ms Verstraelen: Most expos will still go on, where FIT will have a booth or be active. We also visit companies. Mr Boschmans: In Shanghai we have to wait until the situation normalizes.

A Q&A session concluded the webinar.

HEALTH

Shanghai starts gradual reopening; Beijing continues testing after discovering new Covid-19 clusters

Shanghai gradually started reopening markets, malls and other businesses on May 16. The number of visitors will be limited, with separate entrances and exits at the reopened shopping complexes, department stores, supermarkets and pharmacies. The number of reopened commercial outlets has increased to 10,625 from less than 1,400 during the peak of the pandemic. Restaurants will only receive online orders and offer take-away meals. The number of daily cases has dropped to the lowest level in 52 days. The city is expected to return to normal in June.

Beijing reported three Covid-19 clusters at workplaces last week as the number of infections continued to grow. "Beijing is still facing a severe situation from the ongoing outbreak. The hidden transmission risks still exist at the community level and the transmission chains in the city are not yet completely cut," Pang Xinghuo, Deputy Director of the Beijing Center for Disease Prevention and Control, said. Among the three clusters, one involving a subway renovation project had resulted in 68 infections by May 15. Another cluster in a data center of the Beijing Rural Commercial Bank in Shunyi district recorded a total of 37 infections. The third cluster involved a bus station with three cases. Up to 9,694 testing spots have been set up in the city for daily mass testing. Beijing has reported 1,113 locally transmitted infections since April 22. It has classified 19 areas as high-risk for Covid-19 and 25 as medium-risk.

Shanghai is expected to achieve zero-Covid beyond areas under closed-loop management by May 20. The city will ease Covid-19 restrictions while implementing a tiered management system for communities based on their risk levels, local authorities said. According to Shanghai's Vice Mayor Wu Qing, efforts to control the current Covid-19 wave have started to show good results, as over 99% of new

infections have been identified through testing in closed-loop management zones. Cars will be allowed back on the roads gradually while supermarkets, convenience stores and other types of businesses such as hairdressing will gradually be allowed to operate.

Fifteen of Shanghai's 16 districts have now basically achieved zero community transmission. Nevertheless, Shanghai's metro network has been suspended completely and will remain closed until further notice, the subway operator Shentong Metro announced. In Shanghai, more than 4,400 industrial enterprises with an annual revenue of more than CNY20 million out of a total of 9,000 have partly resumed their operations. Since mid-April efforts to restore normalcy in business have been consistent and thorough across the city, said Wu Jincheng, Director of the Shanghai Commission of Economy and Informatization.

World Health Organization Director General Tedros Adhanom Ghebreyesus' remarks that China's zero-Covid strategy is "unsustainable" was seen by Chinese experts as "irresponsible". Chinese health experts said that the zero-Covid strategy is the most suitable strategy for China to curb viral infections. "We don't think that it is sustainable, considering the behavior of the virus now and what we anticipate in the future," Tedros has said. Zhao Lijian, Spokesperson of China's Ministry of Foreign affairs, said that "we hope relevant people can view China's anti-Covid policies in a rational and objective way, learn more facts and avoid making irresponsible remarks."

China could see more than 1.5 million deaths from a wave of Omicron infections without Covid-19 controls and the use of antiviral therapies, a new study has forecast. A model by Chinese and U.S. researchers suggested that, given China's vaccine efficacy and coverage, an unchecked outbreak that began with 20 cases of Omicron in March could "generate a tsunami of Covid-19 cases" between May and July. Such an outbreak could cause 112 million symptomatic cases, or 80 cases per 1,000 people, with 2.7 million of them requiring treatment in intensive care. The researchers estimated that unvaccinated people aged over 60 would account for 74.7% of the deaths, considering 52 million people in this age group were not fully vaccinated as of mid-March. They said in the best-case scenario where all symptomatic cases are treated with the oral antiviral drug Paxlovid, which has been approved for use in China, intensive care admissions and deaths could both be reduced by nearly 89%. To bring the peak occupancy of intensive care units below the national capacity and the death toll to a level comparable to the annual death count of seasonal influenza in China at 88,000, the researchers said the vaccine uptake in the elderly should reach 97%, while more than half of symptomatic infections should be treated with antiviral therapies.

"In the long term, improving ventilation, strengthening critical care capacity, and the development of new highly efficacious vaccines with long-term immune persistence would be key priorities," the team said. The study was published by researchers from the School of Public Health at Fudan University in Shanghai, Indiana University in the United States, and the U.S. National Institutes of Health.

Shanghai has specified that household disinfection will only be conducted in the homes of Covid-19 positive cases. But if they live in old residential neighborhoods, the homes of their neighbors who share common kitchens and bathrooms will also be disinfected. Reports surfaced that disinfection was sometimes carried out in an indiscriminate way against the will of the residents, damaging property. About 160,000 specialists are conducting disinfection in the public spaces of the city's 13,000 neighborhood communities.

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

AUTOMOTIVE

China's vehicle production and sales dropped around 47% in April

China's vehicle production and sales plummeted in April, primarily due to Covid-19 outbreak-related disruptions to supply chains and showroom traffic, but the China Association of Automobile Manufacturers (CAAM) is optimistic about its 5% growth estimate for the year. Carmakers in the country produced 1.21 million vehicles last month, down 46.1% year-on-year and 46.2% from March. Sales stood at 1.18 million units last month, marking a 47.6% slump year-on-year and a 47.1% fall from March. Chen Shihua, Deputy Secretary General of the Association, said **it was the worst April in terms of both production and sales "in almost a decade"** as the country's auto industry and its supply chains "saw the severest challenge in history" last month.

He said plant stoppages crippled output and disrupted logistics affected dealership stocks, and Covid-19 also forced some dealerships to close, thus dampening potential buyer enthusiasm as well. **China's largest carmaker SAIC Motor Corp's production was slashed by 62.02% year-on-year in April** and its sales fell 60.03%,

as most of its plants were in hard-hit Shanghai. Shen Yanan, President of Nasdaq-listed Li Auto, said its plant and around 80% of its suppliers are in the pandemic-affected Yangtze River Delta region. "As they could not ensure supplies, we could not produce more vehicles when we ran out of our stock in April," Shen said.

Chen Yudong, President of German supplier Bosch's China operations, said production at its plants in Shanghai as well as Jiangsu province's Wuxi and Kunshan now fluctuates between 30% and 75% of pre-Covid level capacity. Bosch produces a wide range of products ranging from chips to powertrain components. Its clients include almost all carmakers in the country, ranging from Great Wall Motors to Geely. "The automotive supply chain is a really long one," Chen said. He explained that Bosch and most of its big direct suppliers are on the list of companies that have been allowed to resume operations, but some sub-suppliers are temporarily shut down. "We are trying our best, but we probably cannot produce enough components for all of our customers in May," Chen added.

CAAM said the auto industry is showing signs of recovery and carmakers are planning to scale up their production to make up for the losses in April and to launch new models to woo back car buyers. "We are confident that the auto sector will reach the year's growth goal and thus contribute to China's macro-economic growth," said Chen at the CAAM. The Association estimated earlier this year that sales would grow to 27.5 million vehicles this year, up 5% from 2021. Great Wall Motors said it expects to see "noticeable improvements in May" as it is tackling difficulties in supplies and logistics. **China's new energy vehicle segment continued its momentum** despite the downturn in the overall market. A total of 312,000 NEVs were produced and 299,000 were sold last month, up 43.9% and 44.6% year-on-year, respectively, although they were down 33% and 38.3% from March.

Chinese NEV maker BYD sold 105,475 units in April, up 136.5% year-on-year, but it has halted production at one of its plants in Changsha, Hunan province, because of suspected environmental pollution. The government is rolling out favorable policies to stimulate the auto market as well. It has asked local authorities to facilitate purchases of vehicles, especially new energy ones, and the building of charging facilities in the country, the China Daily reports.

IT & TELECOM

Sichuan Tianfu New Area in Chengdu to specialize in the metaverse

The metaverse will become a key force in driving the digital economy in Sichuan Tianfu New Area, as the region is accelerating development in the industry, officials and business insiders said. The metaverse refers to a shared virtual environment in which technologies like virtual reality and augmented reality are combined to create a virtual presence. Gathering officials, experts and business representatives who are involved in the metaverse, the first **Tianfu Metaverse conference** – sponsored by the Sichuan Tianfu International Conference & Exhibition Co and organized by the Sichuan Tianfu New Area Metaverse Industry Association – was held both online and off-line in the Tianfu International Convention Center **in Chengdu, Sichuan province**. The event attracted parties involved in the metaverse field to share insights on the future development of related technology, demonstrate industrial achievements, and discuss business opportunities and the industrial landscape, as part of efforts to promote the metaverse industry.

The technological revolution and industrial transformation across the world create opportunities for the metaverse as it has become a key topic in the digital economy's development, local officials said. **Listed as a national-level new area leading high-quality regional development, Sichuan Tianfu New Area** is targeting the metaverse as a way to drive the digital economy and is striving to occupy a key position in this industry to enhance the city's future competitiveness. During the event, the Sichuan Tianfu New Area Metaverse Industry Association announced **the establishment of 12 metaverse research institutes**. They are to revolve around sectors including conferences and exhibitions; healthcare; artificial intelligence; optical display technology; visual imaging; business technology; robotics; digital art; literary creation and cyber security, as part of the effort to encourage more scientists, businesspeople and artists to explore the metaverse ecosystem.

"These 12 institutes are expected to map out a new metaverse landscape based on the strength of the expo city, technological innovation and expert resources, being developed into leading metaverse research institutes in the country and drive the city's high-quality development," an official of the Association said. The conference also released a list of opportunities with an investment of CNY1 billion to help build metaverse scenarios in the Tianfu New Area. The list is open to businesses worldwide. It also helps the new area to become a national pioneer in the metaverse.

The conference displayed the prototype Chengdu hall of the Tianfu International Convention Center at its metaverse exhibition, allowing participants to have an immersive

exhibition experience online. It also set up an online exhibition area, attracting a total of 19 high-tech businesses including CloudWalk, SenseTime, Raco, 51World and Beijing Freedo to showcase their latest technologies, applications and achievements in the metaverse. Song Bin, Founder and CEO of Beijing Freedo Technology, said events like the Tianfu Metaverse conference will become a trend and the metaverse conventions and exhibitions are expected to be one of the earliest scenarios used in the metaverse. Freedo has completed a business layout in the new area and plans to set up a talent training base in the city soon, according to Song. "There are many metaverse industrial giants planning businesses in Chengdu. These enterprises generate capital, projects and talents here, and thus help Tianfu New Area and Chengdu stand out among their peers in the metaverse industry," he said.

Chengdu is expected to be developed into a metaverse benchmark city, and Tianfu New Area will become a benchmark area in this industry, he added. Liu Feiyu, Senior Consultant at Raco, said the metaverse exhibition gives exhibitors a better immersive experience and helps brands conduct market promotion through virtual creations compared with offline exhibitions. "Metaverse exhibitions will create a closer immersive interaction between users and exhibitors," Liu said, as reported by the China Daily.

CHINA NEWS ROUND-UP

China's foreign trade increases 7.9% in first four months

China will ensure smooth logistics and production activities, and reinforce regional economic cooperation to support its foreign trade and ease pressure on its exporters, as the impact of the recent domestic Covid-19 resurgence may last for a while, said government officials and analysts. Despite the country's foreign trade achieving stable performance in the first four months of the year, they said more efforts are needed, as the export sector faces multiple challenges and risks, such as a high base from last year, and some internal and external factors, including the Russia-Ukraine conflict.

The total value of China's foreign trade rose by 7.9% on a yearly basis to CNY12.58 trillion between January and April, with exports increasing 10.3% from the same period last year to CNY6.97 trillion and imports growing 5% to CNY5.61 trillion, the General Administration of Customs said. The country's exports grew 1.9% year-on-year to CNY1.74 trillion in April, while imports dropped 2% to CNY1.41 trillion. "The drop in imports in April was caused by the Covid-19 resurgence in China's Yangtze River Delta region, as this has lengthened the process of customs clearance and logistics," said Ma Yu, Researcher at the Chinese Academy of International Trade and Economic Cooperation in Beijing. Apart from facing fierce competition from Southeast Asian countries in the area of labor-intensive manufacturing sectors, to date this year, the flow of China's export goods at Shanghai's ports, which has been limited by strict epidemic prevention measures, slowed last month, he said.

Faced with a more complex and severe external environment, Li Kuiwen, Director of the Administration's Statistics and Analysis Department, reiterated that the fundamentals of China's long-term sound economic growth will not change. "China's goal of maintaining stability and improving foreign trade throughout the year is still well supported," he said, adding that closer regional economic cooperation and continuous optimization of the trade layout will further boost China's exports and imports with other signatories of the Regional Comprehensive Economic Partnership (RCEP) and economies related to the Belt and Road Initiative.

Experts said it is urgent for the government to speed up work resumption in the Yangtze River Delta region and introduce policies to further lower the prices of commodities to ease the pressure on Chinese exporters, the China Daily reports.

Development of USD3.28 trillion bio-economy by 2025 mapped out

From developing therapeutic vaccines to biotechnology breeding, China has mapped out **measures to develop bio-economy** in the 14th Five Year Plan (2021-2125) **with the rollout of a new development plan**. The bio-economy includes a wide range of biotic resources developed with bio-technology, such as smart wearable products for remote diagnosis. It covers many industries such as bio-agriculture, biomedicine, bio-energy and so forth, and is characterized as being highly profitable, with a large market and a high threshold. According to the development plan rolled out by the National Development and Reform Commission (NDRC), China has already made significant achievements in the bio-economy over recent years, and the 14th Five Year Plan period is an important window of opportunity for the sector.

The NDRC listed the development targets of China's bio-

economy industries by 2025. For example, the total scale of the bio-economy will "reach a new stage," while the proportion of the bio-economy's added value in domestic GDP will also experience stable growth. The country should also see an "evident increase" in bio-economy companies with annual revenue of over CNY10 billion. Bai Jingyu, Director of the Center of Innovation-driven Development under the NDRC noted during a press conference that China is aiming to achieve CNY22 trillion of total bio-economy output by the end of 2025, with the core industries amounting to more than CNY7.5 trillion. The NDRC also listed a number of pillar industries, saying that the country would speed up the integration between bio-technologies and information technologies. In particular, it noted that China would speed up upgrading vaccine research and production technologies, develop polyvalent vaccines and therapeutic vaccines to increase China's capability in dealing with major infectious diseases. China will also accelerate the industrial application of fields like biological breeding to safe-guard the supply of agricultural products including grain and oil, as well as research new food like artificial protein to lower the environmental and resources pressure arising from traditional breeding industries, the Global Times reports.

Draft of new catalogue for foreign investment in encouraged sectors unveiled

China unveiled a draft of the "encouraged industry" catalogue for foreign investment, continuing to incentivize foreign businesses toward making commitments in manufacturing and services in the less-developed regions of the country. The new draft catalogue to replace the existing 2020 version was published after the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) solicited input from all relevant departments, business chambers and enterprises starting in November 2021. The catalogue is formulated based on the Foreign Investment Law and its implementation regulations, specifying the industries, fields and regions for encouraging foreign investment. The existing version was approved in late 2020 and came into force in January 2021. Compared with the 2020 version, **the new draft adds 238 items, with 50 items added in the national list and 188 items added in the regional list tailored for Central and Western China.** In addition, the draft version revises 114 items and deletes 38 items.

Among the major revisions are the addition or expansion of items regarding components, parts and equipment manufacturing as well as those concerning professional design, technology services and development, as foreign investments are encouraged toward manufacturing and services, read the statement. The regional list includes updates in line with local strengths in labor, special resources and local needs for attracting investment, as foreign businesses are still being attracted into investing in the central, western and northeastern parts of the country. The NDRC and MOFCOM are seeking public comment on the draft catalogue through June 10. The revision indicates a continued push for attracting foreign investment in the country's less-developed regions where labor-intensive projects remain a cornerstone for job creation and the rise of local manufacturing, Bai Ming, Deputy Director of the International Market Research Institute at the Chinese Academy of International Trade and Economic Cooperation, told the Global Times.

Efforts to funnel more foreign investment into manufacturing would also boost the country's clout in global industry and supply chains, Bai said. "It's increasingly the case that multinationals base their investments on not merely the sheer size of the Chinese market, but China's rising profile in the international division of industries, factoring in its complete industrial system and future industrial and consumption upgrades," he said, as reported by the Global Times.

Economic impact of current Covid outbreak more than 10 times that of Wuhan 2020

The economic impact of China's latest coronavirus outbreak could be more than 10 times that of the initial wave in Wuhan in 2020. Coronavirus-driven disruptions, including lockdowns and transport restrictions, have already affected 160 million people this year in cities with a combined economic output of CNY18 trillion, according to Xu Jianguo, Associate Professor of Economics at the National School of Development of Peking University. For comparison, the initial Wuhan outbreak two years ago affected 13 million people in a regional economy worth CNY1.7 trillion, he said.

Xu estimated China has seen more than 800,000 infections since the beginning of 2022, far surpassing the 92,514 cases in 2020. "The severity of this year's outbreaks is more than 10 times that of 2020 in terms of the size of the affected population and economy," he said, adding that it was challenging for China to reach its economic growth target of "around 5.5%" for this year, or even match the 2.3% growth figure recorded in 2020. To reach the growth target, more policy instruments are necessary, he said.

The government's zero-Covid policy, which relies on lockdowns, mass testing and quarantine in government facilities, has put pressure on the service sector, retail, production and logistics. Unlike in 2020 during the Wuhan outbreak, parts of some of China's largest and most important cities have been locked down this year, including Shanghai, Suzhou, Shenzhen, Dongguan and the capital Beijing, which are important nodes on the industrial chain, Xu said. Following a sharp decline in export growth in April, a growing number of analysts have warned reaching the 5.5% growth target will be difficult. But China's top leaders refuse to adjust the zero-Covd strategy. Foreign business groups are saying the draconian lockdown measures are making the country a less attractive destination for investment. Despite signs of growing stress on the economy, Xu said fiscal and monetary support policies are weaker than those in 2020. Exports and the real estate sector, the major drivers of economic recovery two years ago, have also lost steam.

There was room for policy relaxation in the property sector,

Xu said, adding monetary easing could be functional, but faced risks like rising inflation and exchange rate volatility. "The main reason for the cooling economy right now does not lie in social financing or monetary issues, but in Covid prevention and control," he said, as reported by the South China Morning Post.

Europe is top destination for Chinese M&A in Q1

Europe was the top destination for China's overseas merger and acquisition (M&A) deals by both value and volume in the first quarter this year, after falling behind Asia for three consecutive quarters, according to a new report by consulting firm Ernst & Young. Europe and Asia were the most popular destinations for China's overseas M&A deals in the first three months of 2022, accounting for more than 70% of the total. The value of the deals in Europe reached USD2.13 billion, down 74% year-on-year, while the deal volume was down by 20%. By value, the investments were made mainly in Germany, Italy and the Netherlands, and in the healthcare and life sciences sector, the technology, media, and telecom (TMT) industry, and financial services. Investments in Asia, totaling USD2.11 billion, were made mainly in India, Singapore and South Korea.

Benefiting from the steady and persistent progress of the Belt and Road Initiative (BRI), and increased demand for regional supply chain optimization under the Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade deal, Asia is expected to continue to be a key region for China's outbound investment, according to the report. **China's outbound direct investment (ODI) rose 7.9% in the first quarter from a year earlier to reach USD34.29 billion**, data from the Ministry of Commerce (MOFCOM) showed. Non-financial direct investment in countries along the BRI routes reached USD5.26 billion, up 19% year-on-year, accounting for 19.5% of the total in the first quarter, an increase of 1.7 percentage points compared with the same period of the previous year.

China's overseas M&A value stood at USD5.9 billion, a drop of 65% on a yearly basis and hitting a record single-quarter low, according to the EY report. "China's GDP growth was generally stable in the first quarter, up 4.8% year-on-year. Yet, the evolving pandemic situation might further affect enterprises' operations. To sum up, the momentum of China's overseas M&As might continue to slow down, and global supply chains might be impacted by geopolitical factors," said Loletta Chow, global leader of the EY China overseas investment network. In recent years, China overseas M&A deals experienced higher volatility whereas China's ODI steadily developed, with more overseas green-field investment amid stricter foreign scrutiny of cross-border M&As, the Global Times reports.

Cainiao Network takes measures to solve logistics bottlenecks

Cainiao Network, the smart logistics arm of e-commerce firm Alibaba Group, **took measures to address cross-border logistics bottlenecks** due to the current Covid-19 outbreaks. It introduced measures to tackle glitches in four key aspects of import and export, namely warehouses, Customs clearance, cross-border shipping, and delivery, the company said. The move aims to ensure a stable and smooth global supply chain and to shore up foreign trade in an orderly manner, especially as vendors are prepping for the upcoming June 18 shopping festival, a mid-year shopping gala embraced by many Chinese consumers and brands.

"Amid the uncertainties brought about by the pandemic, Cainiao will work with its logistics partners to leverage sea, land and air transportation capabilities, allowing goods by Chinese cross-border merchants to cross the border smoothly," said James Zhao, General Manager of Cainiao's global supply chain. For goods to be imported via the Shanghai port, Cainiao will offer services to transfer them to Qingdao and Ningbo ports. It will also provide alternative air routes from overseas destinations to Chinese cities like Guangzhou, Shenzhen, Nanjing and Wuhan.

The company promised to coordinate with local Customs agencies to expedite Customs declaration procedures delayed by the pandemic and ensure the completion of the task within one to two days. In light of the current hurdles in overland transportation caused by the local resurgence, Cainiao said it will help fleets obtain transportation permission and provide water transport in place of land transportation under certain circumstances. It will also use its intelligent distribution system to allocate goods across various warehouses in the country to minimize risks such as partial lockdowns.

On the export front, Cainiao said it operated China-U.S. sea freight with a shipping capacity of 3,000 to 4,000 TEU per month. Cainiao will prioritize its airline resources to export merchants. Exporters who are affected by the pandemic and require cargo space can apply for Cainiao's services. Cainiao has aggregated over 3,600 trucking routes from East China and various districts to Shanghai port, offering guaranteed container services and air cargo capacity for merchants, the China Daily reports.

Geely Auto buying 34% stake in Renault Korea Motors

China's largest private carmaker Geely Auto said that it is buying a 34.02% stake in French auto manufacturer Renault Group's subsidiary in South Korea for about USD207 million, as part of its efforts to explore overseas markets. The purchase reflects the two companies' "strong confidence in the South Korean market's strong potential", they said in a joint statement. Renault will remain the majority shareholder in the subsidiary Renault Korea Motors. South Korea is the world's fifth-largest car-producing country. Last year, it produced 3.46 million vehicles, with 1.62 million vehicles exported, according to the country's Automobile Manufacturers Association. Geely and Renault said they will introduce new products to the subsidiary to grow its market share in the local market, which has long been dominated by Hyundai and Kia, and explore export opportunities as well.

The move came after Geely Auto's parent company Geely Holding Group and Renault inked a deal earlier this year to produce hybrid vehicles and conventional gasoline-fueled vehicles in South Korea. The models will be built based on the Compact Modular Architecture (CMA) developed by Geely's research facility in Sweden. The group's other brands, including Lynk & Co and Volvo, use CMA as well. Renault will primarily contribute its expertise in design and customer experience. The vehicles will be produced at the current Renault Korea Motors facility in Busan, South Korea, with volume production forecast to begin in 2024, and will be marketed via its local dealership network.

Analysts say the deal with such a global carmaker as Renault is a sign of Geely Auto's technological competitiveness. Geely Auto's deal with Renault may facilitate the entry of its brands into European markets. Geely Holding acquired Volvo from Ford in 2010, has a joint venture with Mercedes, owns London Electric Vehicle Co as well as a majority stake in British carmaker Lotus. It has also helped rejuvenate Malaysian carmaker Proton, in which it bought a 49.9% stake in 2017. Earlier this year, Geely Auto's electric brand Zeekr partnered with Waymo to develop an electric vehicle for Alphabet's subsidiary's robotaxi fleet in the United States, the China Daily reports.

Geely Holding as a group sold over 2.2 million vehicles in 2021, with Volvo sales reaching 698,693 units globally and Geely Auto delivering 1.33 million units. Geely Auto is planning to launch 13 models this year, most of which will be hybrids and electric vehicles, which will help it to achieve a sales goal of 1.65 million units this year, up 24% from 2021.

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