# China Business Weekly

31 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

### Exclusive Dinner with H.E. Mr Cao Zhongming, Ambassador of the People's Republic of China in Belgium – June 16, 2022 – 18h30 – Brussels


After a few years of virtual meetings, we now have the pleasure to invite you to an exclusive dinner with H.E. Mr Cao Zhongming, Ambassador of the People's Republic of China in Belgium. This dinner is organized with the support of Flanders Investment and Trade. It will take place on June 16 at 18h30 at 'De Warande', Zinnerstraat 1, 1000 Brussels.

During this dinner His Excellency Ambassador Cao Zhongming will deliver a speech on China's economic perspectives.

This exclusive event is an excellent opportunity to meet in person with the Ambassador and to introduce your company's activities.

If you are interested in attending, please subscribe via the button below before June 10. The dinner is certain to be well attended, so we strongly recommend you book now to guarantee your place.

**The programme is as follows:**

**Thursday, 16 June, 2022**

**18h30 – 19h00:** Registration and networking

**19h00 – 19h05:** Introduction by Mr. Kurt Vandeputte, Chairman of the Flanders-China Chamber of Commerce

**19h05 – 19h20:** Speech by H.E. Mr. Cao Zhongming, Ambassador of the People's Republic of China in Belgium

The speeches will be followed by a walking dinner at 'De Warande'.

**Practical information:**

**Date:** June 16, 2022

**Time:** 18h30

**Location:** De Warande, Zinnerstraat 1, 1000 Brussels

**Price for members:** €125 **Price for non-members:** €165

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## Webinar: "Experiences of Investing in Weihai, Shandong Province"
## June 16, 2022 – 09h30 CEST


The Flanders-China Chamber of Commerce and the EU-China Business Association, with the support of Flanders Investment and Trade, are organizing a webinar which focuses on **"Experiences of investing in Weihai, Shandong province"**. This webinar will take place on **Thursday June 16 at 10h00 CEST**.

During this webinar, you will hear of the experiences of companies that have already invested in Weihai, as well as more information about the investment environment and the pillar industries.

Several of our member companies, such as Bekaert, Beaulieu and Marquardt, already have major investments in Weihai. They have benefitted from the city's very business-friendly investment environment. The city has established several pillar industries, including machinery, food, transportation equipment, textiles and garments, medicine and medical devices, electronics and new materials. The emerging industries of Weihai are medical & healthcare, information & outsourcing and "intelligent" manufacturing.

Over the past 10 years, the Flanders-China Chamber of Commerce and the Weihai Foreign Investment Bureau have formed a strong bond to help build and then strengthen trade relations between both sides and to introduce each other's investment environments.

**Program**

**09:30 – 09:35** Welcome by **Mr Gong Bengao, Director, Weihai Municipal Bureau of Commerce** and **Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce/EU-China Business Association, Honorary Citizen of Weihai City and Shandong Province**

**09:35 - 09:40** Speech by **Vice-Mayor of Weihai, Mrs Yang Li**

**09:40 - 09:45 Speech by Mr Kurt Vandeputte, Chairman, Flanders-China Chamber of Commerce**

**09:45 – 10:05** Presentation of Weihai and Interview on the Weihai industrial and investment environment with **Mr Chen Hui, Chief Representative of Weihai in the EU**

**10:05 – 10:25** Experiences of Bekaert of investing in Weihai: **Mr Adam Touhig, Senior Vice President RR Asia, Bekaert**

**10:25 – 10:45** Experiences of Marquardt of investing in Weihai: **Mr Berthold Arends, General Manager, Marquardt Switches Weihai.**

**10:45 - 11h00:** Question and answer session

**Practical information:**

**Date:** 16.06.2022

**Location:** Online

**Price members:** Free

**Price non members:** Free

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## Seminar: "Win in China: Doing business with a changing China"
## 22 June 2022, 10h30 – 11h15


During the Flanders Investment and Trade Export Fair, the Flanders-China Chamber of Commerce, with the support of Flanders Investment and Trade, is organizing a seminar focused on 'Win in China: Doing business with a changing China'.This seminar will take place on June 22, 2022 at 10h30.

**Mr. Bo Ji, Chief Representative for Europe and Assistant Dean of China's top business school, Cheung Kong Graduate School of Business, will deliver the keynote speech.** During the seminar, Professor Ji will share his perspective on how to be successful on the Chinese market. He will be tackling the opportunities and issues facing companies as they look to expand their businesses into China. Focusing on China as the land of opportunity, Professor Ji will also shed light on this diverse and complex market and how business leaders can change the mindset to engage successfully with China.

**The programme is as follows:**

Welcome by **Mrs. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce**

Keynote speech by **Mr. Bo Ji, Chief Representative for Europe and Assistant Dean of China's top business school, Cheung Kong Graduate School of Business.**

**Practical Information:**

**Date and time:** 22 June 2022, 10h30 - 11h15

**Location:** Online

**Participation:** Free

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# ACTIVITIES SUPPORTED BY FCCC

## Visit the Flanders-China Chamber of Commerce at the 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, organized 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.


**Additional session on May 18, 2022: "Registration of Medical Devices in China".**

**Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce and EU-China Business Association, introduced the speaker, Mr John Balzano, Partner at Covington & Burling,** who gave a presentation on how to successfully register your medical devices in China. Mr Balzano lives in New York, and in pre-Covid times used to travel frequently to the company's offices in Beijing and Shanghai. He is an expert on medical device registration in China, from the development through the approval for marketing.

China has revised his medical device framework regulation in 2021 and the main agency for regulating devices is the National Medical Products Administration (NMPA). Devices in China are divided into three classes, the higher risk devices are subject to higher requirements. China has two broad pathways: one for devices that are imported and one for domestically produced products. Mr Balzano explained the approvals, licenses or filings needed in each case. For some devices clinical trials in China are required. Your device will need to comply with Chinese mandatory standards and you need to check with your company's engineers whether you can meet them. The translation in Chinese of the product technical requirements needs to be perfect. China has several medical tourist zones such as the Hainan Bo'ao Medical Tourism Zone, where certain devices which have been approved abroad can be approved early. Materials for device registration or filing are the same but it is the level of review that is different. Once you get registered, you become a market authorization holder.

**Members can obtain a copy of all sessions.** If you are interested, please send your request to info@flanders-china.be

# MEMBERS' NEWS

## Resumption of Hainan Airlines HU492 flights from Brussels to China on 7 June 2022

Starting June 7, Hainan Airlines is resuming its flight operations from Brussels to China with two weekly flights on Tuesday and Saturday.

The first point of entry in China remains Xian and the quarantine stay in Xian is still required.

The inbound flights PEK-BRU are on Monday and Friday.

All updated information about the latest travel requirements to China can be found here .

For booking, you can contact the Hainan Airlines office.

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# HEALTH

## Shanghai to end lockdown on June 1; Vice Mayor and Health Director of Beijing sacked; Beijing relaxing Covid measures

**Shanghai's two-month lockdown is to end on June 1, as the number of new cases has been dropping steadily. Lifting of the lockdown will be gradual with the aim to have business activities and daily life fully restored by the end of the month.** "The current epidemic situation in the city continues to stabilize and improve," said Yin Xin, Spokeswoman for the city government. Total deaths since the coronavirus outbreak started on March 1 stood at 588, or 0.09% of the 626,300 people infected in Shanghai.

**The city is set to miss the economic growth target of 5.5% for 2022** due to the lockdown that began on April 1, which has caused huge losses in industrial production and consumer spending. In April, Shanghai's industrial output plunged 61.6% from a year ago to CNY136.4 billion, while consumer spending was valued at CNY71.7 billion, down 46.3% year-on-year. Shanghai authorities on May 29 rolled out a total of 50 stimulus measures to support the local economy, with a focus on business resumption and employment stabilization.

**Economists said the recovery of the city's economy could take two or three months** to return to pre-epidemic levels. In terms of employment, the city will give companies subsidies with a maximum amount of CNY3 million to help them maintain jobs. Companies that hire new graduates or unemployed people will get a subsidy of CNY2,000 per person. In terms of consumption, the city will add 40,000 non-commercial vehicle licenses to the total quota this year, as well as giving a CNY10,000 subsidy to consumers who replace old cars with electric cars. Other measures include reducing land and property taxes for qualified companies and starting eight or more urban village renovation projects this year.

**People entering public places and residential areas have a legal obligation to have their health info checked** in Shanghai and allows venue managers or operators to deny entrance if someone fails to cooperate. The law was passed by the 40th meeting of the Standing Committee of the 15th Shanghai People's Congress. The collected personal information shall only be used for epidemic prevention and control, and cannot be disclosed to third parties, according to the law.

**The first makeshift hospital built to fight Shanghai's recent outbreak of Covid-19 was closed** after helping 25,658 people recover. With a capacity of over 7,000 beds, the temporary hospital was established in the Shanghai World Expo Exhibition and Convention Center on March 25 to treat asymptomatic and mild cases. High school students in grades 11 and 12 in Shanghai can return to school from June 6, and Grade 9 students will return on June 13, the Shanghai Education Commission announced. College and senior high school entrance exams have been postponed from June to July.

**Beijing has basically cut off new transmission chains** amid the Covid-19 outbreak is coming under increasing control, Liu Xiaofeng, Deputy Director of the Beijing Center for Disease Prevention and Control, said at a news conference. Beijing reported seven new locally transmitted cases in the 24 hours up to 3 pm on May 29, bringing the total number of infections since April 22 to 1,730. Beijing has not detected locally transmitted cases outside locked down and controlled areas for two consecutive days. The Beijing Health Commission and the district government launched an investigation into a local hospital and the Beijing Emergency Medical Center's Shunyi branch following the death of a patient due to delayed medical treatment.

**Wang Hong, a Vice Mayor of Beijing, and Yu Luming, Director of the Beijing Health Commission, were removed from their position** by the Standing Committee of the Beijing Municipal People's Congress. The National Supervisory Commission and the Communist Party's Central Commission for Discipline Inspection said Yu was suspected of "serious violation of discipline and law", which is a catchphrase for corruption.

**University students in Beijing have been allowed to leave closed campuses and return home** when finishing their exams after hundreds vented their frustration at the Covid-19 control measures at the Beijing Normal University. The students were demanding to know when and how their final exams would take place, and whether they would be allowed to leave campus and return home. Beijing Education Commission Spokesman Li Yi said that universities were key areas of epidemic control and campuses needed to remain closed, but universities could be flexible and allow students to return to their hometowns. University campuses have been closed for weeks in Beijing.

Data from the Beijing Municipal Bureau Statistics showed that the city's social consumption in the first quarter of 2022 dropped 3.5% year-on-year to CNY457.62 billion. Total revenue for the catering sector fell by 1.2% year-on-year to CNY35.2 billion.

**Hong Kong's strict border controls are unlikely to be relaxed** before the current government's term expires on June 30, outgoing Chief Executive Carrie Lam has said, as imported cases now accounted for a significant share of the total caseload. But she added that the government would need to be extremely careful as there were different strains under the Omicron subvariant BA.2. "We will still have hotel quarantine, we will still require vaccinations before a passenger could board a plane to Hong Kong, and we will still impose 'test and hold' whether at the airport or at a hotel for PCR tests."

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

# MACRO-ECONOMY

## Chinese government announces 33 measures to get economy back on track

**China has unveiled a new round of stimulus measures to stabilize the economy and support businesses**, but analysts say the actual impact may be limited if the stringent zero-Covid policy remains unchanged. **A 33-point package of policy items will help "get the economy back on a normal track"** while keeping major economic indicators within an appropriate range, press agency Xinhua reported following a meeting of the State Council chaired by Premier Li Keqiang. Many analysts have warned that it will be difficult for China to achieve its economic growth target of "around 5.5%" for the year while sticking with strict coronavirus-control measures. Extended lockdowns across the country have taken a heavy toll on livelihoods and consumption, putting many people out of work, shuttering businesses and suppressing both supply and demand.

**"Power generation, freight volumes and bank loans have all declined since April.** Without a certain level of GDP growth, stable employment cannot be realized," Li warned. "One good thing is that we refrained from excessive money supply and mass stimulus in the past few years, and we still have policy tools in reserve," he said. The latest stimulus measures include greater financial relief for more industries via tax refunds, tax cuts and fee reductions. These will bring the government's total planned tax refunds and reductions to CNY2.64 trillion for 2022. Banks will also double the lending quota for small and micro-sized businesses. The government will also support banks by allowing borrowers of various types of loans to postpone principal and interest repayments until the end of this year. Some measures are aimed at boosting consumption, especially by easing car and home purchases. There will be a reduction of at least CNY60 billion in the purchasing tax on some passenger cars, while more city-specific policies will be adopted to boost housing demand.

Such measures will help alleviate the severity of the economic growth slowdown, or even a contraction, according to economists from **Nomura**, but they remain cautious on growth prospects for the year. "In our view, adjusting the zero-Covid strategy will be key to any real growth rebound in the coming months," they said. Nomura estimated that China's second-quarter GDP growth will slow significantly to 1.8%, which would be a sharp drop from the 4.8% rise in the first quarter. They **now predict that China's full-year economic growth could slow to 3.9%** – well below the "around 5.5%" target.

The State Council also announced support for infrastructure, railways and airlines, including the issuance of CNY300 billion worth of railway construction bonds; CNY200 billion in bonds for aviation; and CNY150 billion in emergency loans to the civil aviation industry, while also launching a new round of rural road construction and renovations. But the Nomura economists said such fiscal spending will be less efficient amid lockdowns and mobility restrictions across the country, and they flagged a smaller-than-usual multiplier effect from fiscal spending, due to weak private-sector sentiment. "We expect little additional fiscal spending from these new measures, owing to a likely sharp decline in fiscal revenue and land sales," they added.

However, **Iris Pang, Chief Greater China Economist at ING Bank, said more fiscal stimulus measures could be in the works.** "As Shanghai has not completely unwound its lockdown measures, and Beijing has tightened distancing measures in some districts, we expect that there could be more fiscal stimulus as the government seems to want to avoid monetary easing, on concern that the leverage ratio for the whole economy will go up," Pang said in a note. The People's Bank of China (PBOC) and the China Banking and Insurance Regulatory Commission (CBIRC) also met to discuss the monetary and credit situation. They stressed that the financial system should "make full use of various policy tools" to "support high-quality economic development with moderate credit growth", the South China Morning Post reports.

**The State Council on May 25 also held an unprecedented national video teleconference on stabilizing the economy** with upwards of 100,000 participants, stressing the need to better implement measures to safeguard market entities, employment, people's livelihood and keeping the economy operating in a reasonable range. Premier Li Keqiang further noted that development is the basis of and key to resolving all of the country's problems, while calling for an effective coordination of virus containment and economic and social development. Stabilizing growth needs to be given a higher priority as the country focuses on ensuring market entities, employment and people's livelihoods, the Premier stated. The meeting was presided over by Vice Premier Han Zheng. Also attending the meeting were Sun Chunlan, Hu Chunhua and Liu He, the other three Vice Premiers. Wang Hao, Governor of Zhejiang province, vowed to press ahead with the province's implementation plans for the 33-item stabilization policy, ramp up the local economy's return to normal and make the province's due contribution to stabilizing the economy at large.

**Premier Li said** during the teleconference **that the number of domestic and international flights must be increased** and arrangements must be made to facilitate the travel and exchange of personnel from foreign companies. He also instructed the more than 100,000 officials from across China to use whatever resources they have to stabilize the economy as the zero-Covid policy remains in effect. He has also conceded that China's economy is stalling at a dangerous rate and faces critical risks, and for the first time, Li admitted that China may miss the "around 5.5%" economic growth target. He added that a realistic target for the year's second quarter is simply to get the economy back on a growth trajectory. "We should make efforts to ensure positive economic growth for the second quarter. The target is not high, and it falls far short of the 5.5% growth target set out earlier this year," Li said.

**The State Council dispatched a task force to 12 provinces to oversee local governments' policy implementation** and the rollout of supplemental measures, the Premier disclosed. It is expected that local governments will introduce intensive policies to support the resumption of work and production, as well as policies to protect employment, and to effectively coordinate epidemic prevention and control with economic and social development.

# IT & TELECOM

## Jiangsu province aiming to attract foreign investors to semiconductor industry


**Coastal Jiangsu province, a key chip manufacturing hub, will host a special online event to encourage foreign semiconductor design firms to partner with local peers**, as the country moves to strengthen its industrial ties with the outside world amid U.S. efforts to reduce China's role in the global chip supply chain. The online seminar, scheduled in June, is designed to promote international cooperation between local semiconductor firms and their Asian, European and U.S. counterparts, according to a notice published by the Wuxi Semiconductor Industry Association.

The event will facilitate collaboration in chip design, packaging testing, manufacturing and applications. Tens of thousands of semiconductor companies will join the event, which is open to new companies. The cities of Nanjing, Wuxi and Suzhou, all located in Jiangsu, are home to assemblers of Chinese chip giants. The mainland factory of Taiwan Semiconductor Manufacturing Co (TSMC), the world's most advanced fab, is located in Nanjing, while a memory chip plant of South Korean chip maker SK Hynix is based in Wuxi.

This comes as the setting up of the U.S.-led Indo-Pacific Economic Framework (IPEF), which includes Japan and South Korea, raises concerns that Washington is trying to limit China's role in key industries, particularly semiconductors. SK Hynix has reportedly put its expansion plan in Wuxi on hold under U.S. pressure, after Washington barred the company from shipping advanced equipment to its Chinese plants. The move dashed Wuxi's hope of developing cutting-edge production. Recent Omicron outbreaks in the region and strict lockdown measures under China's zero-Covid strategy have dealt another heavy blow to local chip companies.

**In April, China's chip output dropped to a two-year low.** "The unstable production output in the region has caused a lot of companies to lose their overseas orders," Song Xuetao, Analyst at Tian Feng Securities, wrote in a recent research report. About 40% of semiconductor companies in the area are now considering transferring their manufacturing capacities to South Korea, Japan, Taiwan and countries in Southeast Asia, according to Song's estimates, the South China Morning Post reports.

The China Daily adds that **China's inland regions are now also emerging as key incubators for innovation** vital to growth over the next decade. Hefei, capital of Anhui province, for instance, is now a magnet for companies exploring technologies such as artificial intelligence (AI). In 2021, the city was home to more than 840 AI-related companies, up 23.2% year-on-year. Meanwhile, more than 860 new companies have been registered in Shenyang, capital of Liaoning province, in the past two years to do robotics research.

Nanchang, capital of Jiangxi province, said this year it will build a pilot zone for the metaverse, which will feature a combination of virtual reality software and hardware companies. The province has already attracted more than 400 companies, including international heavyweights such as Qualcomm and Microsoft, as well as China's Alibaba, Tencent and Huawei to set up local VR businesses.

**Southwestern China is also showing strong momentum.** Now one out of every three laptop computers and one out of every 10 smartphones sold globally come from Chongqing. At the same time, 70% of the world's iPads and nearly 20% of global laptop computers are produced in Chengdu, capital of Sichuan province.

The size of the electronic information sector in Chengdu and Chongqing now accounts for about one-third of that of the global electronic information industry. Sichuan had more than 1,500 Internet of Things (IoT) companies in 2021. "The electronic information industry features a global market that mainly relies on air transport. As a result, building factories in western China does not have a location disadvantage compared with that of the East," Dai Bin, Director of the Research Center for Regional Economics and Urban Management at Southwest Jiaotong University, said. Wei Jianqiang, Vice President of Lenovo, said that "Southwest China is a new standout on the map of China's smart technology industry."

# CHINA NEWS ROUND-UP

## Logistics getting back on track

**Logistics in China have gradually started moving again and the country aims to tackle bottlenecks and support economic development amid the latest Covid-19 outbreaks. T**he Ministry of Transport resolved a number of problems such as reopening toll booths and service areas on expressways, and blocked roads hindering the transportation of supplies to rural areas, Li Huaqiang, Deputy Director of the Ministry's Transport Department, said at an online news conference. Among the 33 measures the government announced to stabilize growth were steps to cancel traffic restrictions for people from low-risk areas, and to provide free nucleic acid tests to passenger and freight transport drivers. Compared with April 18, truck traffic on expressways was 10.9% higher on May 24. Freight volume on railways and roads increased by 9.2% and 12.6% respectively, both recovering to about 90% of their normal level. China's postal and parcel delivery sector is now handling as much business as during the same period last year.

China's major logistics and transport hubs have also gradually resumed operation. The daily throughput of containers at Shanghai Port has recovered to more than 95% of the normal level. Daily cargo traffic handled at Shanghai Pudong International Airport recovered to about 80% of the volume before the outbreak. Daily cargo throughput at Guangzhou Baiyun International Airport has recovered to its normal level. A hotline has been established to answer truckers' questions and to provide consultation if they encounter any problems on their journeys. Deputy Director Li noted that more than 1,900 reported issues regarding truck transportation were addressed via the hotline in the past month.

Jiangsu province has canceled all epidemic prevention restrictions for vehicles coming from low-risk areas. Drivers do not even have to present a negative nucleic acid test. According to the Jiangsu Transport Bureau, the daily number of vehicles on the province's expressways increased from 200,000 to more than 1.2 million, and will soon increase to 1.8 million. "It just took me one minute to show the health code and travel code on my cellphone to those checking at the expressway exit," said Li Zheng, a cable company employee who commutes between Nanjing and Changzhou. "It used to be a nightmare to spend hours queuing to exit the highway in lines that seemed endless when the epidemic prevention measures on traffic were strict," he said. Vehicles coming from high- and medium-risk areas, including neighboring Shanghai, will still be checked before entering the province. More than 20,000 freight transport vehicles from Shanghai enter Jiangsu every day. Jiangsu will soon provide transportation companies with subsidies totaling CNY50 million to help them resume normal production, the China Daily reports.

## More students encouraged to study in technical colleges

**Chinese authorities are trying to encourage more students to pursue a technical education as they try to reduce labor shortages in the manufacturing sector and retain China's place as the world's factory.** The Ministry of Human Resources and Social Security (MHRSS) said that the country is aiming to enroll at least 1.4 million students at technical colleges in the coming academic year. **"**The colleges need to expand recruitment and come up with training programs for different groups of students, including full-time, part-time and occupational training," the Ministry said. "They should focus on career development and set up majors closely aligned with socio-economic development. The country encourages technical colleges to widely partner with companies, and improve training programs to integrate education with work skills."

As labor costs and automation rates rise, the world's second-biggest economy is ambitious to transition to tech-driven intelligent manufacturing, shifting focus to the kind of higher value-added products that Beijing is counting on as future drivers of the economy. But a lack of systematic occupational training and willingness among young people to work in factories has led to a dearth of skilled manufacturing workers and engineers, compounding the pressure on manufacturers. In 2020, the manufacturing sector was nearly 20 million short of the number of technical workers it needed, and by 2025, nearly 30 million manufacturing jobs in the country will go unfilled, according to the Ministry. Around 44% of industrial companies last year said hiring difficulties were one of their top challenges, according to the National Bureau of Statistics (NBS).

At the same time, the country is grappling with high levels of unemployment. Last month, the urban unemployment rate reached its highest level in two years, while joblessness among 16 to 24-year-olds was a record 18.2%. Those pressures are expected to be compounded this year when 10.76 million university graduates enter a bleak labor market. The one group defying the doom are vocational college graduates. In 2021, 97.2% of the country's 1.09 million vocational graduates were employed, the Ministry said.

By the end of last year, the country had 2,492 technical colleges, 100 more than two years ago, and the number is expected to keep rising by 2025 in line with the country's 14th Five Year Plan, the South China Morning Post reports.

## Measures to stimulate car sales rolled out

**China is rolling out policies to stimulate car sales as carmakers gradually rev up production which was affected by Covid-19 outbreaks.** The government is planning to relieve car buyers of vehicle purchase taxes worth CNY60 billion. Analysts said it will prove to be a great boost to the pandemic-hit Chinese car market. Details, such as when it will be put in place and what vehicles will be covered, still need to be announced. The CNY60 billion relief would account for roughly 17% of vehicle purchase taxes levied in 2021, according to Ping An Securities. Carmakers, including Dongfeng Peugeot Citroen Automotive, said they welcome the policy but they hope the details are announced soon to counter customers' wait-and-see attitude.

Cui Dongshu, Secretary General of the China Passenger Car Association, said the measure is likely to target gasoline-powered passenger vehicles. Electric cars and plug-in hybrids are now exempt from a purchase tax of 10%. He said the move will give "a strong impetus" to the passenger car market which saw an 11.9% drop year-on-year from January to April. In April, the drop was as much as 35.5% to 1.04 million units. Plant stoppages and dealership closures were all due to Covid-19 outbreaks. Almost all carmakers in China saw their production and sales fall last month year-on-year, which was the worst April in a decade. As plants are now resuming operations, the measure is expected to boost vehicle sales. China rolled out similar measures in 2009 and 2015, halving the purchase tax on passenger vehicles with engines no bigger than 1.6 liters. On both occasions it worked to invigorate the car market.

Lang Xuehong, Deputy Secretary General of the China Auto Dealers Association (CADA), said the measure should be put in place as soon as possible. "The CNY60 billion tax relief can be focused on purchases in the second half of the year. It could drive the growth rate of passenger vehicle sales this year up 10% from 2021," said Lang. From January to April, retail sales of passenger vehicles totaled 5.96 million units, down 11.9% year-on-year, or 800,000 units less from the same period in 2021. Local governments in provinces including Shandong and Hubei have also released policies to stimulate vehicle sales, including subsidies and increasing the quota of license plates. Guangzhou, capital of Guangdong, is increasing its quota of license plates by 20,000, the China Daily reports.

## Alibaba's revenue up a more-than-expected 9% in Q1

**Alibaba Group Holding, a bellwether stock for consumer sentiment in China, has reported first quarter results that beat revenue expectations,** but still show the slowest growth rate since its 2014 IPO on the New York Stock Exchange (NYSE). Alibaba, which is also listed in Hong Kong, said its revenue rose by a better-than-expected 9% for the quarter ended March. Its adjusted net income, however, fell 24% year-on-year. Both indicators were slightly higher than analysts' estimates in S&P's Global Market Intelligence. But the revenue growth was a far cry from the usual 40% to 50% quarterly reading just two years ago. "Despite macro challenges that impacted supply chains and consumer sentiment, we continued to focus on customer value and building the capabilities to deliver value," Chief Executive Daniel Zhang said in a prepared statement. "We saw tangible progress across our businesses, especially in operational improvements in key strategic areas."

Revenue from its core e-commerce business, Taobao and Tmall, leveled off last quarter as the total value of goods sold fell by low single digits from a year earlier. It also attributed a drop in gross merchandise sales in March to the impact of Covid-19. Some experts said the results appear to be "raising the likelihood of a speedy recovery" of the company's retail and consumer units by the September quarter, assuming Covid disruptions in China fade. "The company can stop the slide if virus cases drop and cause restrictions to be lifted, spurring a rise in buying sentiment by fiscal Q2," said Catherine Lim, Analyst at Bloomberg Intelligence. Yet the company did not offer its usual revenue forecast for the coming fiscal year, citing "risks and uncertainties" arising from Covid-19 that make precise predictions difficult.

A key to reviving business is to encourage consumers to spend. The company is busy prepping for the upcoming June 18 or "618" shopping festival, with easier customer access to discounts and preferential loans for merchants to boost transactions. Shoppers are entitled to a CNY50 discount on purchases of CNY300 or more starting on May 31. Vendors can enjoy up to 20% off on credit loans, with Taobao and Tmall providing merchants with a free early payment service worth CNY100 billion, the China Daily reports.

## China aiming to become a software power

**China still needs improvement in high-end software to help the country grow from a big software country to a software power, said industry experts.** "The country's software industry has achieved a comprehensive improvement in scale, quality and efficiency over the past decade, and has vigorously driven the development of the digital economy," said Lyu Weifeng, Secretary General of the China Software Industry Association. The business revenue of the software industry increased to about CNY9.5 trillion last year from about CNY2.5 trillion in 2012 with an average annual growth rate of 16.1%. The latest data from the Ministry of Industry and Information Technology (MIIT) showed that software business revenue maintained a double-digit growth to hit CNY2.77 trillion from January to April, a year-on-year increase of 10.8%.

"The maturity of domestic operating systems, databases, office software and other basic software has been significantly boosted, narrowing the gap with that of international mainstream products," Lyu said. The HarmonyOS developed by Huawei Technologies has sold over 240 million units, while Kingsoft's WPS office software has been sold to more than 220 countries and regions. China's 14$^{th}$ Five Year Plan (2021-25) for the Development of the Software and Information Technology Service Industry emphasized that by 2025, the country will significantly improve its supply capacity of key software such as basic and industrial software, and will build two to three influential open-source communities globally.

Wang Xingshan, Executive President of Inspur, recalled that it was rare for large manufacturing enterprises to use domestic industrial software 10 years ago due to limited technology, as well as weak management and coordination capabilities. "But as local companies continued to tackle key technologies and make innovations, things have changed a lot," said Wang, adding that 69 of around 97 central SOEs have used Inspur's enterprise resource planning (ERP) software to drive their digital transformation. Now in China, more than 70% of software for business management is made in the country, but the high-end market is still dominated by foreign software leaders like SAP and Oracle, the China Daily reports.

## China calls for an end to technological decoupling

**China urged governments to stop creating division around the globe, to abandon technological decoupling and to refrain from destructive practices** affecting the stability of the global supply chain and economic recovery at a United Nations Security Council technology and security briefing. It is worrisome that for some time now, some governments have politicized issues of a scientific and technological nature, generalized the concept of national security, abused state power, and wantonly intensified their suppression of high-tech companies of other countries, said Zhang Jun, China's Permanent Representative to the UN. Zhang said that these countries imposed technology blockades on others and obstructed the economic, trade, scientific and technological cooperation among other countries in order to maintain the monopoly in science and technology, an attempt that is clearly doomed to fail. Zhang urged the counties concerned to stop groundless attacks and restrictions on the high-tech companies of other countries.

The Chinese Permanent Representative also noted that technological developments can be a source of risk, and that the international community should see the UN as the main channel for active dialogue, exchanges and cooperation and jointly manage the risks by formulating and improving universally accepted rules and norms. He also mentioned the necessity of supporting developing countries' R&D capacity and of narrowing the digital divide to leapfrog the development gap, pointing out that developing countries must be supported in the usage of the latest technology products and big data to improve social governance, and to effectively prevent and crack down on crimes. “China welcomes the continued, inclusive dialogue under the framework of the General Assembly to enhance mutual trust and ensure that developing countries can fully enjoy their right to peaceful use of science and technology,” said Zhang.

UN Undersecretary General for Political Affairs Rosemary DiCarlo pointed out that whereas digital technologies offer “boundless opportunities” for the UN to detect crises, position humanitarian stocks and design data-driven peace building programs, they can also affect conflict dynamics for the worse, the Global Times reports.

Leaders of the Quadrilateral Security Dialogue (Quad), said in a joint statement that they will strengthen cooperation in 5G, semiconductors, biotechnology and quantum technologies, including closer partnership in international standardization organizations, in a move that many believe is targeted at China. .

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