China Business Weekly

23 April 2024

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

FCCC ACTIVITIES

Webinar: China's Consumption Challenge – 30 April 2024, 3 pm

Many business leaders are vexing about why Chinese growth doesn't feel like the officially reported 5.2% growth rate – why business conditions are so challenging. One key reason is that most of China's current growth is coming from state-led investment and too little of it from Chinese people consuming things. Ultimately, this imbalance needs to be addressed; household consumption, not exports, must provide the demand needed to drive future Chinese growth and economic sustainability. China has the capability, resources, and tools to undertake the reforms necessary to establish consumption as a primary growth driver, but it requires a major shift in longstanding and deeply rooted political economy arrangements. So not an easy undertaking**. A key strategic question for MNCs active in China is: When and how the consumption shift will happen in China, and what business conditions should be expected and planned for in the meantime?**

This briefing will unpack China's consumption challenge, outline the reforms required to address the challenge, and discuss the operating environment impacts in China of China's deficiency in household consumption.

Programme:

15:00 - 15:05 Introduction: Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce

15:05 - 16:00 Briefing: David Hoffman, Strategist, Business Developer, and Thought Leader, The Conference Board

16:00 - 16:15 Q&A

The briefing will cover:

- Key consumption trends and realities in China.
- Chinese current policy agenda and key trajectories.
- Signposts and red flags—what guideposts should be monitored to inform business planning?

David Hoffman is a Senior Advisor of the Conference Board Asia and its China Center for Economics & Business in Beijing. He is a deeply experienced China expert and business practitioner specializing in China business development strategy, organizational development, regulatory engagement, and crisis and risk management. A lifelong student of contemporary Chinese economics and political science, he lived and worked in China for 30 years, followed by 7 in Singapore. (full bio and publication list)

Practical Information:

Date and Time: 30 of April, 3 pm CET

Location: Online

Price for members: free

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In-person event: Linking China and Belgium: The 2nd International Supply Chain Expo (CISCE) Roadshow – Antwerp
15 May 2024, 10:30 am - Antwerp

On behalf of the China Council for the Promotion of International Trade (CCPIT) and in collaboration with the Flanders-China Chamber of Commerce (FCCC), it is our pleasure to invite you to "**Linking China and Belgium: The 2nd China International Supply Chain Expo (CISCE) Roadshow – Antwerp"** which will take place on May 15, 10:30 - 13:00 at Ahlers House, Noorderlaan 139, Antwerp.

Keynote address by His Excellency Mr PENG Gang, Minister of the Chinese Mission to the EU on EU-China trade relations

A new round of technological and industrial revolution is developing quickly, and the global economy is undergoing a deep restructuring. In the meantime, economic globalization is being jeopardized by the break of international supply chains. To consolidate and strengthen supply chain cooperation has become a common interest and strong expectation of business communities around the world.

The focus will be on **six key supply chains**: advanced manufacturing, clean energy, smart vehicle, digital technology, healthy life and green agriculture together with supply chain services.

The programme is as follows:

10:30 - 11:00: Registration and Networking

11:00 - 11:05: Welcome by **Mrs Gwenn Sonck**, Executive Director, **Flanders-China Chamber of Commerce/EU-China Business Association**

11:05-11:15: Speech by **Mr. PENG Gang**, Minister in charge of Economy and Trade, **Chinese Mission to the EU, Brussels**

11:15 - 11:18: Short video show

11:18 - 11:35: Introduction to the 2nd CISCE by **Mr. ZHAO Feng**, Deputy Chief Representative, **CCPIT EU, Belgium**

11:35 - 11:45: Experience Sharing by Previous Exhibitor

11:45 - 11:55: Supply Chain Testimonial

11:55 - 12:00: Q&A Session

12:00 - 13:00: Lunch

Practical Information:

Date and Time: May 15, 10:30 am CET

Location: Ahlers House, Noorderlaan 139, Antwerp.

Price for members and non-members: Free of charge

SUBSCRIBE HERE

In-person event: Compliance in China – Ask the Legal Expert
21 May 2024, 5 pm - Ghent

The Flanders-China Chamber of Commerce is organizing a conference on **'Compliance in China – Ask the Legal Expert'**, which will take place on the **21st of May at 17h00 CEST** at the KBC Arteveldetoren, Maaltekouter, 9051 Gent.

An update on the regulatory environment and its impact on doing business in China!

Recent business confidence surveys of multinational companies in China confirm that the rapidly evolving regulatory environment and the growing complexity of the compliance requirements are amongst the most impactful factors for business operations in China.

Philippe Snel, a prominent international lawyer in China, and member of our chamber, will provide an update on the most significant evolutions of the legal and regulatory framework for business in China. (bio)

He will discuss the consequences of the new company law on directors and managers responsibility, how to deal with the growing number of whistle-blower allegations and attacks by competitors, the reputational risks related to digital marketing campaigns and many more issues taken from his over 20 years' experience of practicing law in China!

During the Q&A you can also ask other legal questions, such as, for example, setting up a joint venture, or a foreign owned company in China, licensing, etc.

The programme is as follows:

17:00 - 17:15: Registration & Networking

17:15 - 17:20: Introduction by **Gwenn Sonck**, Executive Director, **Flanders-China Chamber of Commerce**

17:20 - 18:15: Speech by **Philippe Snel**, Managing Director, **DaWo Law Firm, Shanghai**

18:15 - 18:45: Q&A

19:00: Networking & Finger food

Practical Information:

Date and Time: May 21, 5 pm CET

Location: KBC Arteveldetoren, Maaltekouter, 9051 Ghent

Price for members: €45

Price for non-members: €75

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ACTIVITIES SUPPORTED BY FCCC

Zhongguancun (ZGC) Forum 2024 – Brussels Parallel – 26 April 2024 – Brussels

TusPark Belgium and TusPark Europe Innovation Center invite you to attend the Zhongguancun (ZGC) Forum 2024-- Brussels Parallel.

Forum focused on "China-EU Green Transition and Industrial Cooperation" which will be held on April 26th, 2024 in Brussels at 9:00. The event will be organized with the support of the Mission of the People's Republic of China to the European Union.

Interested in attending? Contact the FCCC: info@flanders-china.be for more information.

In-person event: Weihai Promotion Conference: Focusing on Green Development, Sharing Cooperation Opportunities – 29 April 2024 – The Hague

I. Time

10:00-12:00

April 29, 2024 (Monday)

II. Site

Marriott Hotel The Hague

Add.: Johan de Wittlaan 30, 2517 JR The Hague

III. Theme

"Focusing on Green Development, Sharing Cooperation Opportunities"

IV. In-Person Event

09:30 Sign-in Session

10:00 Conference officially begins

It will be presided over by **Yu Mingtao**, director of Weihai Municipal Bureau of Commerce.

1. The host will introduce the guests;
2. Playing the promotional video of Weihai city;
3. The mayor of Weihai city, Ms. **Kong Fanping**, will deliver a speech;
4. Speech by Ms **Gwenn Sonck**, Executive Director EU-China Business Association
5. The group executive of **China Wego Group** will introduce the company and share opportunities for cooperation;
6. Signing session;
7. Weihai City Partner Awarding Ceremony;

11:30-12:00 Cold meals and communication sessions.

Participation is free of charge

Subscribe by sending an email to: info@flanders-china.be

PAST EVENTS

In-person event: Best practices from Volvo and Bekaert on China's innovation drive with keynote address by Pascal Coppens – 18 April 2024 – Ghent

On April 18, the Flanders-China Chamber of Commerce organized a very interesting session with **Pascal Coppens**, author and entrepreneur, as keynote speaker. He delivered a very insightful presentation on China's innovation drive. After this, two seasoned entrepreneurs, Mr. **Yorick Beun**, Senior Director of Paint, Volvo Cars Gent and Mr. **James (Jim) Dobson**, Senior Vice President of Quality, Technology & Innovation Tire Reinforcement Business Unit, Bekaert shared their experience on innovation in China.

The conference was followed by a networking dinner.

The pace of innovation in China is nothing short of remarkable. As some business leaders have aptly put it: ‘China is a place to hone your competitive edge: if you can succeed there, you can succeed anywhere.’ This underscores the global significance of China's innovation drive.

A more in depth report will follow. Members that are interested to share their experiences on innovation in China can send an e-mail to: gwenn.sonck@flanders-china.be

FCCC NEWS

Resignation of Mr. Van Biervliet and appointment of Mr. Poitel (ECO3) as Member of the Board of the Flanders-China Chamber of Commerce

During the meeting of the FCCC board of directors meeting which took place online on the 14th of March, Mr **Pieter Van Biervliet**, Global Head of Finance at ECO3, resigned as a Board Member.

The Board of Directors has proposed Mr. **Arnaud Poitel**, Head of Business Development, Purchasing and ICS at ECO3, to become a Board Member and he agreed. He has a lot of experience on working with China.

We are happy to welcome Mr. Arnaud Poitel as our new Board Member!

MEMBERS' NEWS

Arteco inaugurates new coolant production plant in China

Arteco nv, a leader in the water-based engine coolant and heat transfer fluid market segment, with headquarters in Belgium and an affiliate in Shanghai, celebrates the inauguration of their new coolant production plant in China dedicated to producing high-quality engine coolants and heat transfer solutions. The new state-of-the-art facility in Nantong, located in the heart of China's chemical manufacturing hub in Jiangsu Province, is planned to commence deliveries as of April 2024.

“Today, we are opening a new chapter in Arteco’s history. This plant is a testament to our confidence and ambition in the Chinese market, which is one of the most dynamic and competitive in the world. China is not only the largest producer and consumer of automobiles, but also a hub of innovation and creativity. By establishing this plant, we are strengthening our position and capabilities in this market and enhancing our cooperation and collaboration with the Chinese OEM industry and key aftermarket players.” (Mr. Pat McCloud, Chairman of Arteco Board of Directors)

The plant’s capabilities extend beyond engine coolants for traditional internal combustion engines to also produce heat transfer fluids for all new energy vehicles (NEV) including electric, hybrid, and hydrogen fuel cell vehicles. The new production plant will not only cater to local automotive customers but will also produce heat transfer fluids for the electronics cooling segment, including applications such as data centers.

“This plant is part of Arteco’s global strategy. As a leader in the coolant industry, our primary focus is serving global customers in different industries and countries, and with particular significance on the China market. Strengthening our local presence will amplify our supply chain resilience, optimize operations, and mitigate the risks inherent in extensive global supply chains.” (Mr. Alexandre Moireau, General Manager of Arteco)

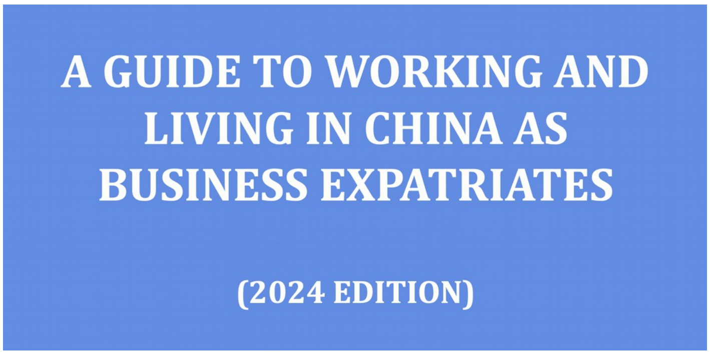
With ambitious growth plans, Arteco aims to enhance its market presence and fulfill its mission as a reliable partner. Arteco's new production plant in China marks a significant milestone in the company's commitment to providing reliable supply, innovative solutions, and high-quality products to the market.

“Since the creation of the Arteco China affiliate in 2010, our teams have been successfully growing the business, winning the trust and support of our customers. With this solid foundation, Arteco is now moving into the next chapter. The new plant will manufacture right from the raw materials, instead of imported additive packages, serving automotive, industrial and electronics cooling industries.” (Mr. Zuoling Zhang, General Manager Shanghai Arteco Coolants Science and Technology Co., Ltd.)

Arteco is well-positioned to meet the growing demands for its customers across the region. This new coolant production plant is a strategic asset for Arteco’s future plans and its vision as a leading heat transfer solution provider.

INTERESTING DOCUMENTS

A Guide to working and living in China as business expatriates (2024 edition)



A number of Chinese Ministries and Administrations, including the Ministry of Commerce (MOFCOM), has published the 14-pages long “A guide to working and living in China as business expatriates”, covering daily life, residency in China and relevant work services. A copy of the Guide can be obtained by sending an email to info@flanders-china.be

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FOREIGN TRADE

Western concerns about China's overcapacity not supported by evidence

China holds a significant position in the global supply chain, although that's not due to Chinese policy, but rather the result of companies and consumers worldwide making their own decisions, experts and executives said, as China's comparative advantage makes it the go-to manufacturing hub of the world. **The so-called "China overcapacity" narrative has been used** by certain Western countries, primarily the United States, as a political tool **to tarnish and suppress the Chinese economy**, Chinese observers said. Behind the slander lies an agenda of anti-globalization and protectionism that ultimately hinders normal global trade and undermines the common interests of nations, they said. During U.S. Treasury Secretary Janet Yellen's trip to China in early April, her second visit to the country in nine months, she made **the comment that China is flooding global markets with cheap goods, particularly in new green industries**. The narrative has been translated into concrete actions such as probes launched by the U.S. and the European Union into China's electric vehicles, based on unfounded allegations of state subsidies and aiming to choke the role of China's green product supply.

The notion of excess capacity should not be simplified or attributed solely to one country, Premier Li Qiang said during talks with German Chancellor Olaf Scholz in Beijing earlier this month. From a market perspective, the amount of production capacity is determined by the relationship between supply and demand, and having production moderately greater than demand is conducive to full market competition and promoting the survival of the fittest, Li said. Taking a global view, each nation focuses on developing industries where it holds a comparative advantage, while relying on other countries for sectors where it lacks capacity. By recognizing and leveraging their respective strengths, countries can collaborate for shared development, Li added.

Lan Fo'an, Minister of Finance, said at a meeting held by the Development Committee of the World Bank Group in Washington that, going forward, China will accelerate the development of new quality productive forces and promote a sustainable green transformation. The country aims to share its development opportunities and dividends with the world, he added.

Albert Park, Chief Economist at the Asian Development Bank, said concerns about Chinese exports in terms of overcapacity are not supported by evidence, noting that the World Trade Organization (WTO) addresses non-competitive practices with anti-dumping and countervailing duties, and there is no strong evidence that either applies to China. Robin Xing, Chief China Economist at Morgan Stanley, said, that "it is unfair to specifically mention China's industrial policies and imply that China's competitive advantage is subsidized by the government", as many countries are allocating government subsidies and introducing industrial policies to boost strategic industries and productivity. For instance, the U.S. Inflation Reduction Act – the largest U.S. investment ever in clean energy and climate action – was signed into law by U.S. President Joe Biden, and the White House has awarded billions of dollars in subsidies for advanced semiconductor manufacturing. In the lead-up to the U.S. presidential election in November, politicians are increasingly using issues of overcapacity and the trade imbalance with other countries for political leverage, with political considerations taking precedence over genuine economic concerns, observers said.

Yao Yang, Director of the China Center for Economic Research at Peking University, said: "The Biden administration claims to uphold a worker-centered trade policy, and its recent moves, from raising the capacity issue to launching a trade probe against China, are more like gestures to please and curry favor with certain groups of voters, rather than pursuing any economic considerations." "The U.S. government is likely to adopt an even tougher stance on China as the 2024 presidential election approaches," Yao added. "However, China exports few electric vehicles or steel and aluminum products directly or indirectly to the U.S., and if the U.S. increases tariffs on those products, it will not bring any economic benefits to itself, while disrupting the security and stability of global industrial and supply chains." Furthermore, Yao said that "if the U.S. is really concerned about the issue, it should open its door wider for Chinese investors, instead of imposing various restrictions on them. That way, Chinese enterprises with advanced EV and green technologies can invest in the country and set up factories to contribute to local employment and tax revenue".

A critical issue facing the world today is not an oversupply of green energy capacity, but rather a severe shortage. According to the International Energy Agency (IEA), annual sales of electric vehicles are projected to reach 45 million units by 2030, more than four times the demand in 2022. Wang Jun, President of Chang'an Auto, said that China, with cutting-edge technologies and sophisticated, comprehensive industrial chains, has explored a successful path for the global new energy vehicle industry. "China has cultivated numerous high-quality component enterprises, including over 1,000 battery companies," Wang said. In 2023, China became the world's No 1 car exporter. This achievement was driven by a surge in the shipments of NEVs, which totaled 1.203 million units, according to the China Association of Automobile Manufacturers (CAAM). Huo Jianguo, Vice Chairman of the China Society for World Trade Organization Studies, said: "As long as Chinese enterprises act in line with international rules and maintain competitiveness with high quality and low cost products and improvement in customer service, those restrictive measures will only create difficulties and obstacles temporarily, but will not stop us from forming a new competitive advantage in emerging areas," the China Daily reports.

The penetration rate of China's passenger new-energy vehicles (NEVs) reached 50.39%, for the first time exceeding 50% in the first half of April, outperforming traditional fuel passenger vehicles and marking the rapid development of the NEV sector in China. From April 1 to 14, retail sales of passenger NEVs reached 260,000 units, up 32% year-on-year. The U.S. accusation of "overcapacity" in China aims to contain China's development of green industries amid its growing international competitiveness. "**There is no such thing as 'overcapacity' in China's NEV sector**, although the supply of cars sometimes outpaces demand due to market fluctuations. The production capacity of NEVs that could meet consumers' upgrading demand remains insufficient," Automobile Analyst Wu Shuocheng said. Li Yong, Senior Research Fellow at the China Association of International Trade, added that "compared with some countries that have failed to develop industrial chains or key technologies during the development of the NEV industry, China has achieved a globally leading position in innovation, technology application and interior design, enabling Chinese NEVs to meet the demand of international consumers." He said that the ratio of exports to production of Chinese NEVs is far lower than those of Germany, Japan and South Korea. "If these countries haven't seen overcapacity, the U.S. shouldn't stick that label on China," he said, as reported by the Global Times.

CCPIT opposes U.S. Section 301 probe into Chinese shipbuilders, logistics and maritime firms

The China Council for the Promotion of International Trade (CCPIT) announced it will take legal action to defend Chinese shipbuilding, logistics and maritime companies affected by the latest U.S. Section 301 investigations, calling the trade probes "unreasonable" and "discriminatory". The CCPIT will "arrange for companies from the upstream and downstream supply chains to attend the hearings in the U.S. in order to legally defend the rights of Chinese companies," a CCPIT Spokesman said. Section 301 investigations aim to determine whether a foreign government's policies or acts are discriminatory, and whether they burden or restrict U.S. commerce. A White House fact sheet on the launch of the investigations cited "growing concerns that unfair Chinese trade practices, including flooding the market with below-market-cost steel, were distorting the global shipbuilding market and eroding competition". The downturn in the U.S. shipping industry was due to its own "lack of competitiveness" and had nothing to do with China, the CCPIT Spokesman said.

Separately, **U.S. President Joe Biden last week called for tripling tariffs on Chinese steel and aluminum from 7.5% to 22.5%**, as the U.S. Trade Representative's (USTR) office announced the launch of the Section 301 probes under the Trade Act of 1974. The Chinese Ministry of Commerce (MOFCOM) said it was "strongly dissatisfied with and firmly opposed" the U.S. move. It also called the accusations "false" and "entirely untenable". The CCPIT has yet to specify what kind of legal action it plans to take, but it has submitted legal defense documents in U.S. trade investigation hearings against Chinese goods in the past. If the investigation determines that foreign practices have unfairly affected US commerce, the USTR may take "appropriate and feasible action", including imposing duties and other import restrictions such as fees, a White House statement said. The USTR was seeking public comments and would hold a public hearing.

The latest U.S.-China trade conflict comes days ahead of a visit to Beijing by Secretary of State Antony Blinken. During his three-day trip starting on April 24, Blinken is expected to meet Chinese counterpart Wang Yi on a "range of bilateral, regional and global issues", including what the U.S. has called "unfair trade practices and industrial overcapacity". U.S. Trade Representative Katherine Tai has said that a tariff review on more than USD300 billion in Chinese imports inherited from the Trump Administration will conclude "soon". Biden had kept the tariffs in place and been looking at ways to make them more strategic and effective, Tai told Bloomberg in an interview.

Biden's call on raising tariffs on steel came as part of his re-election campaign in the swing state of Pennsylvania. Chinese companies are "not competing. They're cheating, and we've seen the damage here in America", Biden told a crowd of steelworkers at United Steelworkers Union headquarters in Pittsburgh. He also pledged to never allow a repeat of the thousands of job losses in the sector between 2000 and 2010, when "Chinese steel began flooding the market", the South China Morning Post reports.

The Global Times quotes Chinese analysts saying that the Section 301 probe is illegal, unilateral and invalid, and China will take countermeasures. He Weiwen, Senior Fellow at the Center for China and Globalization, said the Section 301 investigation is not included in the WTO framework. He noted that WTO members have no right to determine if any other member violates regulations, and only the organization itself can make the ruling. China's maritime, logistics and shipbuilding sectors have actively conducted technological innovation and participated in free market competition based on market development needs, which significantly contributed to the development of global trade as well as the smooth and stable operation of global supply chains, a CCPIT Spokesperson said in a statement posted on its official WeChat account.

Related U.S. research showed that the predicament of the US maritime, logistics and shipbuilding sectors was mainly caused by a lack of market competitiveness. **The CCPIT** and the China Chamber of International Commerce, on behalf of China's business community, **urged the U.S. to respect market rules and the principle of fair competition**, immediately stop making the wrong moves, and return to the multilateral trade system based on market rules and principles. The USTR initiated the probe after five U.S. labor unions filed a petition alleging that China is using “unfair, non-market policies and practices” to dominate the maritime, logistics and shipbuilding sectors.

“According to a WTO ruling, the former U.S. Administration was wrong to impose additional steel and aluminum tariffs on certain WTO members and launch a Section 301 investigation and raise tariffs on China. Instead of correcting its mistake, the U.S. chose to double down on it by threatening new tariff hikes and announcing a new Section 301 investigation," Chinese Foreign Ministry Spokesperson Lin Jian said, urging the U.S. to be prudent in its words and deeds, and stop manipulating issues related to China in the election year.

Chinese MNCs conquering the world market

In 2014, a group of experts in smart manufacturing, each of them boasting around 15 years of work experience, gathered in a three-bedroom apartment in Beijing and decided **to start up Beijing Roborock Technology Co**. What was extraordinary was their clear and simple ambition: **to develop the world’s best robotic vacuum cleaner**. Ten years on, their dream has come true. **Roborock is** a leading player in its sector and, in terms of global sales in 2023, **the top-selling brand among smart vacuum cleaners worldwide**, according to Euromonitor International, a market research firm. Roborock has invested over CNY1.9 billion in R&D and established three major research facilities dedicated to AI, electro-mechanical engineering and opto-electronics. Its products are available in more than 170 countries and regions, with nearly half of its revenue coming from overseas markets.

Quan Gang, President of Roborock, summed up the success story. “From day one, our eyes were set on the global market. From the very beginning, we have sought to meet the demands of global users. Our product design, production and marketing efforts have been tailored to meet their demands from the outset.” That helped the startup to remain flexible and nimble while preserving its unique technology. Corporate executives and experts said Roborock is the epitome of **new-age Chinese enterprises that see the world as their oyster right from day one**. Such companies are quick to recognize that growing globally competitive brands in their respective segments is critical to success these days. They rely on both China’s manufacturing prowess and their own strengths in research and development (R&D). What distinguishes them from the previous generation of globally known Chinese enterprises is their global vision and clarity on goals. While the previous lot went global only when they had grown big enough in the domestic market, the new bunch target the global market from the very beginning, experts said.

Huang Chenhong, President of SAP Greater China, who has witnessed the transformation of Chinese companies in their global expansion over the past three decades, **said that** “despite challenges such as lackluster global demand and geopolitical uncertainties, **Chinese companies have not slowed down their pace of going global.**” Chinese enterprises’ outbound direct investment (ODI) grew 5.7% year-on-year last year to exceed CNY1.04 trillion. “I think globalization is now entering a new stage. Globalization today involves more Chinese companies expanding their business overseas,” Huang said. “We can see many enterprises, whether state-owned, private or even small and medium-sized enterprises (SMEs), have 30% to 50% of their business overseas. Some companies are even born to serve overseas markets and have never considered doing business domestically.” Chinese companies have attained a stage of technological innovation where they are starting to embody the spirit of multinational corporations. **“In the past, when we talked about MNCs, we thought of German or American companies. Today, Chinese companies come to mind naturally,”** Huang said, adding that SAP has helped many Chinese companies such as Lenovo, BYD and Mindray navigate international markets over the past three decades.

The outcome of such spirited forays into global markets is that Chinese brands are becoming well-known and the preferred choices for many consumers worldwide. BrandZ China Top 50 Global Brands report, co-released by Kantar, a market research firm, and Google in 2023, underscored this trend by analyzing perceptions and evaluations of Chinese brands across 11 countries. It disclosed that at least 70% of interviewees were willing to consider more than 90% of the total 234 Chinese brands involved in the research.

Notably, the most significant indicator for domestic brands – being considered "top-of-the-mind" among consumers – grew 7% year-on-year. Chinese brands now significantly influence buying choices abroad. At the top of Kantar's list is Bytedance's TikTok, followed by Xiaomi, Lenovo, Shein, Aliexpress, Huawei, Oppo, Haier, Hisense and Vivo. Chinese drone brand DJI ranked 16th and BYD, which makes electric cars, ranked 22nd. Technology and innovation have served as growth engines, powering Chinese brands going global, said Doreen Wang, CEO of Kantar Greater China and global chair of Kantar BrandZ, adding that Chinese brands have made technology and innovation central to brand-building, improved brand competitiveness and enhanced consumer experience, the China Daily reports.

CHINA NEWS ROUND-UP

China's economy grew by 5.3% in the first quarter

China's GDP growth rate beat market expectations to reach 5.3% year-on-year in the first quarter, kicking off a good start of the year and laying a strong foundation for achieving the annual development targets. China's total GDP reached CNY29.63 trillion, up by 1.6 percentage points over the fourth quarter of 2023, according to the National Bureau of Statistics (NBS). "China's 5.3% growth in the first quarter is much higher than what the U.S., EU or Japan will achieve in 2024. With stronger fiscal and monetary stimulus, the figure could be higher," Gary Hufbauer, Senior Fellow at the Peterson Institute for International Economics, told the Global Times. The value added of high-tech manufacturing enterprises increased by 7.5%, 2.6 percentage points faster than in the fourth quarter of 2023, which shows that the Chinese central government is accelerating the development of new quality productive forces to build new growth drivers, Wan Zhe, Professor at the Belt and Road School of Beijing Normal University, told the Global Times.

The data also offered a strong rebuttal to the "overcapacity" rhetoric to suppress China's green industries, Cong Yi, Professor at the Tianjin University of Finance and Economics, told the Global Times. China's production capacity is good, and many of its high-end industries have gained international competitiveness thanks to its advantages in such aspects as industrial system and abundant human resources as well as huge investment in innovations, he said. In addition to sound industrial growth, the country's investment in fixed assets reached CNY10 trillion in the first quarter, up 4.5% year-on-year, and 1.5 percentage points faster than in 2023. The total retail sales of consumer goods reached CNY12.03 trillion, up 4.7% year-on-year, according to the NBS. Driven by the issuance of additional government bonds worth CNY1 trillion starting from the end of last year, local governments have stepped up efforts in boosting infrastructure investment, which contributed to the economic growth in the first quarter of the year, Wan said. Meanwhile, the country's exports also rebounded amid growing demand.

The country has set a growth target of around 5% for 2024, a goal that experts believe is well within reach considering the country's sound economic fundamentals and policy measures. On the back of the sound momentum of rebound in China, some foreign financial institutions, including Goldman Sachs Group and Morgan Stanley, have recently raised their forecasts for China's economic growth in 2024 to 5% or 4.8%. China's industrial output significantly boosted the economy in the first quarter of 2024, with value-added industrial output up 6.1% year-on-year. The sector contributed 37.3% to GDP growth. High-tech manufacturing emerged as a significant bright spot in the overall growth, increasing by 7.5%, or 2.6 percentage points faster than in the fourth quarter of 2023.

The South China Morning Post points out that **property investment**, a key drag on GDP growth last year, **fell by 9.5% in the first quarter, year-on-year.** The start of new construction projects was down 27.8%, and sold floor space dropped by 19.4%. Private investment grew by 0.5% in the first three months of the year, compared with a fall of 0.4% in 2023.

Looking forward, Beijing-based economist Tian Yun told the Global Times that considering the high base of last year's second quarter, **more supportive measures are needed to consolidate the recovery momentum**. "Several macro-economic figures recorded in March are lower than those in the first two months of the year – partially due to a high base the same month last year – which shows that domestic recovery in some areas remains weak," Tian said, calling for the issuance and use of ultra-long special government bonds in the second quarter to boost fiscal support. Foreign trade also needs policy support, as its rebound would alleviate pressure on the economy in the second half of the year.

China's first-quarter retail sales jumped 4.7% year-on-year to CNY12.03 trillion, showing the stable expansion of consumption after a surge in consumer spending during the Spring Festival holidays at the beginning of the year. As consumer confidence continues to rebound and macro policies to shore up the market bear fruit, observers expect

China's consumption recover to "strengthen moderately" throughout the year, providing new impetus to propel the world's second-largest economy to reach a GDP growth target of around 5%. "The consumer market was a relatively positive area in the economy during the first quarter and there were multiple highlights. Spending on consumer products such as food, daily necessities and some housing-related items remained stable, while holiday consumption continued to boom," Sheng Laiyun, Deputy Director of the NBS, said at a press briefing hosted by the State Council Information Office (SCIO). Analysts expect the upcoming May Day holidays to be another prosperous period for consumption, giving another huge boost to GDP, the Global Times reports.

Chinese EV makers setting up factories in Europe

Chinese carmakers are considering to set up production sites in Europe to assemble the next generation of electric vehicles (EVs) to avoid the EU's protectionist tariffs, as a brutal price war at home drives more producers offshore in search of fresh markets. Dongfeng Motor, the Chinese partner of Japan's Nissan Motor and France's Renault, is considering setting up a plant in Italy. Chery Automobile, meanwhile, has sealed a deal to build its first European factory in Barcelona's Zona Franca industrial zone in northeastern Spain with Ebro-EV Motors, according to a company statement. "The plans reflect the fact Chinese EV assemblers are playing a leading role in the transition of the global automotive industry," said Chen Jinzhu, CEO of consultancy Shanghai Mingliang Auto Service. "European markets are attractive to many Chinese EV assemblers."

Dongfeng, headquartered in Wuhan, the capital of Hubei province, is in talks with the Italian government to establish a factory with an annual capacity of more than 100,000 units, according to Bloomberg, which cited Xie Qian, Director of the company's European operations. State-owned Chery, based in Anhui province, has reached an agreement with its Spanish partner to build its Omoda branded vehicles, two months after it started selling the cars in the country. Ebro-EV said it would own the majority of the venture.

Dongfeng and Chery are following in the footsteps of BYD, the world's largest electric car maker, by localizing their production in Europe as China's international prominence in EV design and manufacturing increases. Shenzhen-based BYD said in December it would build a plant in Hungary to reinforce its go-global drive amid worries about additional tariffs likely to be levied on Chinese-made cars. The European Commission launched an investigation into foreign state subsidies last September, and is expected to impose tariffs higher than the standard rate of 10% on Chinese-made EVs.

UBS predicted in September that cars made in China, benefiting from a faster pace of electrification than most other countries, **will control 33% of the global market by 2030, up from 17% last year.** The Swiss bank said in a report that BYD has a production advantage over Tesla in both mainland China and Europe. The cost of manufacturing a BYD Seal sedan, a potential rival to the comparable Tesla Model 3, is 25% lower in Europe, it added. Dongfeng's EV unit, Voyah, said it would export more of its vehicles to European markets. Meanwhile, Chery formed a partnership with UK car rental company Octopus Electric Vehicles, which will allow its Omoda EVs to be leased out to local customers. The tie-up between Octopus and Chery came just a month after the UK company signed a preliminary agreement with BYD to buy 5,000 of its cars. In China, BYD kicked off a discount war on February 18, cutting the prices of nearly all of its cars by 5% to 20% as sales in the world's largest EV market showed signs of slowing, the South China Morning Post reports.

China's four new AI tigers emerge as investor favorites

A group of artificial intelligence (AI) start-ups are emerging as China's best hopes for reaching the frontier of ChatGPT-like technology, as they draw increasing attention from users and investors. Among them, **Baichuan is the latest to complete a new round of fundraising, reported to be about USD1.8 billion.** That puts the Beijing-based company in a league of domestic AI unicorns – start-ups valued at more than USD1 billion – that also include **Zhipu AI, Moonshot AI and MiniMax**. The group has been dubbed locally as **the "four new AI tigers of China"**, in contrast to the four "old" AI dragons – SenseTime, Megvii, CloudWalk Technology and Yitu Technology – which focused mostly on facial and image recognition technologies. Since Microsoft-backed start-up OpenAI debuted ChatGPT in late 2022, Chinese Big Tech firms and start-ups alike have been racing to draw users to their generative AI services, which are capable of creating content, such as text, images, video and audio. About 200 large language models (LLMs) – the technology underpinning generative AI services – have been launched in China so far, according to government figures.

Baichuan was founded a year ago by Wang Xiaochuan, Founder of Sogou – once the largest rival of Baidu before being sold to Tencent Holdings. The venture, which develops its own LLMs, is led by a team that includes Wang's long-time aide and former Sogou Chief Operating Officer, Ru Liyun. To date, Baichuan has released three versions of its eponymous AI models, the latest of which the company said had surpassed OpenAI's most advanced GPT4 model in Chinese language capability, citing multiple benchmark tests. Baichuan announced last October that it raised USD300 million from backers including Tencent, Xiaomi and Alibaba Group.

That same month, **Zhipu AI – also based in Beijing** – said it had raised CNY2.5 billion since the beginning of 2023 from state-affiliated investors, Alibaba, Tencent, food-delivery platform operator Meituan, as well as venture investors including GL Ventures and HongShan. The money raised would be used to further develop its foundation models and build an industry ecosystem, Zhipu AI said at the time. By that point, it was valued at more than USD1.3 billion. Zhipu AI was founded in 2019 to build on research from the Knowledge Engineering Group of Tsinghua University. The start-up's Chief Executive, Zhang Peng, graduated with a doctorate from Tsinghua's computer Science Department.

The two other new tigers – Moonshot AI and MiniMax, founded in 2023 and 2021, respectively – both saw their recent valuation rise to roughly USD2.5 billion. Moonshot AI, another start-up based in Beijing, raised USD1 billion in a funding round in February. Its flagship Kimi chatbot, built on its self-developed LLM and upgraded last month, can process 2 million Chinese characters in a single prompt. MiniMax, based in Shanghai, is looking to raise at least USD600 million in a new round led by Alibaba that would value the company at more than USD2.5 billion, the South China Morning Post reports.

Lenovo partnering with Intel and Qualcomm to develop AI PCs

Chinese technology company Lenovo Group is partnering with U.S. chip suppliers Intel and Qualcomm to develop AI PCs, or computers with on-device artificial intelligence, in order to meet the growing demand for smarter productivity tools. Lenovo, which launched China's first batch of AI PCs in Shanghai on April 18, said these machines can automatically build artwork presentations and synthesize knowledge based on stored documents. They suit a range of users, from primary school students to scientists working in Antarctica, Lenovo said. Yang Yuanqing, Chairman of Lenovo, said the transition of AI from technological breakthroughs to practical applications marks the beginning of the second half of AI's development. Yang said it is highly important to accumulate user feedback and continuously improve AI technology through real-world applications. He highlighted the demanding computational requirements for AI-powered PCs, and envisioned a future where every individual possesses a personal intelligent entity that can seamlessly integrate into PCs or smartphones.

Market research company **Canalys has forecast that about 48 million AI-capable PCs will be shipped worldwide this year**, representing 18% of total PC sales, and the figure will top 100 million units in 2025 to account for 40% of total PC sales. Liu Jun, President of Lenovo China, said about half of the company's PC products in China will be AI PCs in the next quarter and the proportion is expected to hit 80% in 2024. Lenovo's newly launched AI PCs are embedded with its in-house large language model which can interact naturally with users, enhancing work, study and lifestyle experiences. Leveraging local user data, AI PCs continuously improve their understanding and offer precise, personalized services, Lenovo said.

The PC industry is entering an exciting moment, said Cristiano Amon, CEO and President of Qualcomm, in a video speech at Lenovo's meeting in Shanghai April 18. Amon added that he looks forward to working with industry leaders like Lenovo to innovate and jointly build the next generation of AI PCs, bringing intelligent personalized experiences to users. He said the world is witnessing unprecedented innovation and application of generative AI at an accelerated pace, but the development is still in its early stages. So far, much of the development of generative AI has been concentrated in the cloud, which will continue to play an essential role. However, generative AI is rapidly evolving and will soon run directly on devices, spanning smartphones, next-generation PCs, and more devices such as automobiles, Amon said.

Pat Gelsinger, CEO of Intel, said in a video speech that Lenovo and Intel's collaboration aims to deliver AI-enhanced PC experiences and foster a vibrant AI ecosystem in China, contributing to the global AI landscape. He also emphasized the transformative role of computing technology, and forecast AI-driven systems becoming integral to daily life, assisting in both mental and physical tasks, the China Daily reports.

WeChat Pay extends services to visitors of the Canton Trade Fair

Mobile payments app WeChat Pay (Weixin in Chinese) has launched a month-long inbound payment service targeting overseas visitors to the China Import and Export Fair, also known as Canton Fair, in a bid to provide convenient payment options for global traders. Weixin Pay is a mobile payment service within the WeChat app designed for users on the Chinese mainland. Its services will now be extended to 18,000 taxis, 308 subway stations, six international hotels and over 1,000 merchants, providing comprehensive support for foreign visitors in terms of dining, accommodation, transportation, shopping and entertainment. During the month, the card binding and WeChat account opening processes will be optimized, and 130,000 bilingual usage guides, signs, table stickers and commercial screen guides will be distributed in Guangzhou, capital of Guangdong province. Three inbound payment desks at Guangzhou Baiyun International Airport and the Fair's complex are available to help foreign visitors. WeChat Pay has also collaborated with the local government to train 3,000 volunteers to provide mobile payment guidance for foreign traders, both inside and outside the venue.

A Brazilian trader of garments said he was pleasantly surprised that he could use WeChat Pay during his visit to the Canton Fair. Payments are processed within seconds with a simple scan of QR codes, he said. "I could conveniently use mobile payments for transportation and to sample the local food," he added. The Fair, held twice a year, concluded its first phase on April 19. A total of 125,440 overseas buyers from 212 countries and regions visited the fair, representing an increase of 23.2% compared with the last session in October, the organizer said. In addition to payments by cash, the Fair's organizers have facilitated digital payments for overseas visitors by adding more payment options, including WeChat Pay, Alipay, UnionPay and some overseas e-wallets. The People's Bank of China (PBOC) has released a payment guide that provides foreigners with text and graphic instructions on using bank cards, cash, mobile payments and e-CNY in China.

Alipay, the digital payment arm of Chinese financial technology company Ant Group, has ensured that foreigners in China can use mobile payments without any hurdles, rolling out translation services for 16 languages recently. Data from Alipay showed that the transaction volume of foreign visitors paying through the mobile payment app surged nearly 10 times year-on-year in

March, with the number of active users increasing nearly six-fold during this period from a year earlier. WeChat Pay also said the foreign card transaction volume has grown quickly. The average daily transaction amount increased by over three times in March compared to July last year before the payment service was upgraded, with the average daily transaction volume growing by over four times. WeChat Pay said it will take the opportunity of the Fair to launch nationwide inbound payments, offering assistance to help foreigners travel and do business smoothly in China, the China Daily reports.

China publishes negative lists for international trade in services

China has published national and pilot free trade zone versions of negative lists for international trade in services, signaling the country's latest effort to further liberalize its services sector and create a more open and fair business environment, officials and experts said. The negative lists serve as regulatory frameworks that specify the sectors and business activities restricted or prohibited to foreign businesses. In sectors or activities that fall outside the scope of these lists, the country will ensure equal treatment for both domestic and foreign service providers, according to the Ministry of Commerce (MOFCOM). It is the first time that China has formulated negative lists for international trade in services at the national level. The lists consist of 71 items in 11 sectors, including software and information technology, education and healthcare, according to the Ministry. The pilot FTZ version of the negative list for cross-border trade in services contains 68 items, and covers the aforementioned sectors, as well as fields such as professional services, finance and culture.

By providing a clear outline of the restrictions, these lists offer transparency and predictability for foreign investors, allowing them to make informed decisions and navigate the Chinese market more effectively, said He Yadong, MOFCOM's Spokesman. Over the past decade, international trade in services has experienced rapid development, with an average annual growth rate 1.5 times higher than that of trade in goods. It now accounts for 22% of global trade. China's introduction of the negative lists is a significant step toward aligning with international high-standard economic and trade rules and advancing institutionalized opening-up, said Sang Baichuan, Dean of the Institute of International Economy at the University of International Business and Economics in Beijing. In recent years, numerous large-scale free trade agreements have placed a strong emphasis on the liberalization of the services trade, Sang said, adding that China has made significant strides in liberalizing and facilitating its trade in goods over the years. However, there remains ample room for opening up in trade in services, with sectors such as education and healthcare holding great potential for further development.

China released its first negative list for the services trade at the Hainan Free Trade Port in July 2021. Its implementation has played a significant role in driving the rapid expansion of trade in services in the province. According to statistics provided by Hainan authorities, the import and export of services in Hainan grew by 29.6% year-on-year in 2023. The negative list system also encourages cooperation between domestic and foreign service providers. Collaborative efforts can lead to the development of new business models, the sharing of best practices and the expansion of service offerings. The collaborative approach enhances overall market stability and contributes to the growth of the service trade sector, Bai Ming, Researcher at the Chinese Academy of International Trade and Economic Cooperation said. As a result, consumers can benefit from a wider range of high-quality services, while businesses are incentivized to innovate and upgrade their offerings, Bai added, as reported by the China Daily.

Huawei's Pangu weather prediction system praised for speed and accuracy

Huawei's artificial intelligence-powered Pangu weather prediction system is making waves with its potential to revolutionize weather forecasting, with fast and accurate predictions. Tian Qi, the leader of Pangu's research and development team, said it uses neural network models for weather forecasting systems and achieves higher prediction accuracy than the world's first similar AI weather forecasting model, FourCastNet, which was released by Nvidia in 2022. The World Bank says global weather forecasting may generate economic benefits worth USD162 billion a year. Research from the China Meteorological Administration indicates that approximately 40% of China's GDP is related to weather and climate. One example, Tian said, is wind power generation, where reducing wind speed forecast errors by half a meter per second could save the nation economic losses of CNY23.25 billion a year and reduce carbon dioxide emissions by 25 million metric tons.

"Accurate weather forecasting is of significant importance for wind power generation, precipitation forecasting, earthquake disaster reduction and guiding agricultural production," Tian said, adding that the breakthrough can become a crucial driving force for the advancement of new quality productive forces. Tian said the numerical weather forecasting theory originated in the early 20th century. It predicts weather by solving mathematical and physical equations that describe atmospheric motion. The continuous improvement in computer processing speed in recent decades saw forecast lead times extended from one day to five to seven days, and forecast resolution decreased from several hundred kilometers to just a few kilometers. However, in recent years, the traditional forecasting method has encountered bottlenecks. According to data from the European Centre for Medium-Range Weather Forecasts, three- to seven-day forecast errors for several meteorological elements decreased by less than 5% between 2012 and 2022. Xie Lingxi, Senior Researcher in Tian's team, said that "the traditional weather forecasting method can extend the forecast time by about one day every 10 years. The Pangu model has extended the time by 0.6 days while achieving the same level of accuracy as traditional forecasts."

Since the completion of the Pangu model in November 2022, it has garnered widespread attention from institutions such as the European Center for Medium-Range Weather Forecasts and the China Meteorological Administration. In July, **the European Centre for Medium-Range Weather Forecasts launched the Pangu weather prediction model on its website** as part of its daily weather forecasting suite, providing it for free to the world, the China Daily reports.

Vice Premier urges on-time delivery and financial support in the property sector

Vice Premier He Lifeng urged on-time delivery of properties and financing support for developers at a meeting in central China, rallying efforts to revive a sector critical for this year's economic growth target and financial stability. China's property sector once contributed about a quarter of the national economic output, but it has yet to bottom-out in terms of investment and sales, while market confidence remains weak. "We must understand the property sector is critical," the Vice Premier told local officials, developers and bankers in Zhengzhou, Henan province, during a two-day inspection tour. "There must be dedicated funding coordination mechanisms to expeditiously give loans to all the projects that meet the 'whitelist' requirements for timely completion and delivery." China's so-called whitelist was launched by the Ministry of Housing at the start of the year, with provincial governments asked to recommend to banks local residential projects that are deemed financially sound and fit for further loan support.

Vice Premier He also vowed to uphold the rights of homebuyers to stabilize expectations and the development of the sector, ordering stricter scrutiny of loans and presale accounts that are supervised by the government to prevent misappropriation, according to the official Xinhua News Agency. Zhengzhou is among the Chinese cities grappling with a large number of abandoned or stalled residential projects, with homebuyers seeking either a refund of their down payment or access to their new homes. While urging for more developers to be added to the government's whitelist, He also requested targeted solutions for projects that have not yet qualified. "The central government has to ensure that, when other key sectors like exports are already recovering this year, the overall economic development trend should not be held back by prolonged property sector distress," said Li Xuenan, Finance Professor at the Cheung Kong Graduate School of Business. The world's second-largest economy is looking for consumption and technology to drive economic growth this year, but such a transition would take time, Li added. "More funding to ensure delivery of new homes also matters to social stability and helping people to spend more," she said.

The top leadership is anxious to resuscitate the property sector after the pillar industry became one of the biggest drags on the economic recovery amid all-out efforts to attain this year's growth target of "around 5%". He's trip came ahead of the release of a first-quarter GDP figure of 5.3%. Problems facing developers, though, remain, with investment having slumped by 9% year-on-year in combined figures for January and February, contrasting with the 4.2% increase in total fixed-asset investment (FAI). Total home sales also plunged by 29.3% year-on-year to a little over CNY1 trillion in the same period. In 2023, property investment fell by 9.6%, while sales dropped by 6.5%, despite cuts to mortgage and deposit rates. The slowdown also sliced 0.7 percentage points off China's growth last year, according to the Bank of China (BOC), the South China Morning Post reports.

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