China Business Weekly

30 April 2024

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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AUTOMOTIVE

EV price war heats up at Beijing Automotive Exhibition

Chinese electric vehicle (EV) maker Nio launched a new edition of its upscale smart car, Nio 2024 ET 7, hoping to lure high-end consumers amid an escalating price war among some of the country's top players. The Shanghai-based carmaker's updated executive car features more powerful smart-driving capabilities, an enhanced digital cockpit, an extra-long driving range and more comfortable passenger seats, according to Founder and CEO William Li. "Through our technological innovations, the ET 7 executive car has elevated the driving and seating experience to the next level," Li said at a launch event at **the Beijing Automotive Exhibition, which began on April 25 and runs through May 4**. The standard version of the new model sells for CNY428,000. Nio is currently accepting pre-orders for the vehicle. Delivery starts on April 30 in China. Li said shipments of the original ET 7, which began in late March 2022, have reached nearly 30,000, making it the top-selling all-electric car in China priced above CNY400,000.

Nio is putting a hefty price tag on its latest ET 7 model even as **rivals, including BYD, the world's largest EV marker, Tesla China and Xpeng, rush to offer additional discounts** on their vehicles due to falling demand. Despite the mounting pressure, Nio has kept the price of its cars –

all costing more than CNY300,000 – unchanged.

At the launch event, Li also touted the driving range of Nio's new model, which he said is the world's first fully electric executive car that traveled more than 1,000 kilometers in a single test drive, thanks to its 150 kilowatt-hour battery pack. Nio said it sought to address the "range anxiety" of EV drivers through a joint effort with partners, including Chang'an Automobile, Zhejiang Geely Group, JAC Group and Chery, to promote battery-swapping technologies and standards. The company's nationwide charging network has over 2,400 power swap stations and 21,000 charging stands, according to Li. "Thanks to our power swapping system, our ET 7 driving range is even longer than fuel vehicles," he said. Nio also unveiled the fourth version of its power swap station and liquid-cooled ultra-fast charger, which it plans to deploy soon.

Contemporary Amperex Technology Co Ltd (CATL), the world's largest vehicle battery maker, **unveiled its upgraded fast-charging, super-long range electric vehicle battery** at the 2024 Beijing exhibition. The lithium iron phosphate battery (LFP), Shenxing Plus, is able to offer a driving range of 600 kilometers after a mere 10-minute charge. LFP batteries are environmentally friendlier and cheaper than the lithium-ion batteries more commonly used in EVs. The move comes just months after the company launched its fast-charging battery able to deliver a driving range of 400 km with a 10-minute charge in August.

Last week, **China also introduced a new policy to encourage trade-ins of more polluting vehicles for new energy vehicles (NEVs) or fuel-efficient cars.** This initiative, launched as part of an action plan to foster large-scale equipment renewal and trade-in of consumer goods, is designed to stimulate domestic consumption while advancing the country's green transition. Under the new policy, which will remain effective until December 31, 2024, China will provide a one-time fixed subsidy to consumers who scrap vehicles that meet emission standards of China III or below, or those NEVs registered before April 30, 2018. The subsidy amounts to CNY10,000 for those who replace their old cars with NEVs, and CNY7,000 for those opting for new vehicles with a displacement of 2.0 liters or less, according to the Ministry of Commerce (MOFCOM).

It has also been reported that **oil consumption in China's transport sector will peak next year "at the latest"** as rapid adoption of EVs by Chinese drivers reduces petrol consumption, according to PetroChina, the nation's largest oil and gas producer. Overall domestic demand for oil will rise only 1% year-on-year in 2024 to 764 million tons, compared with 11% in 2023. Although oil consumption will continue to grow in other sectors such as petrochemicals, the oil industry has to seek new business models and breakthroughs amid the global clean-energy transition, said Wu Mouyuan, Vice President of the CNPC Economics & Technology Research Institute (ETRI), a research arm of the parent company of PetroChina. "From 2031 to 2050, oil will no longer be consumed as a transportation fuel, but converted into a feedstock for chemical production," he said in Hong Kong. China's consumption of oil will continue to decline after 2031, to 200 to 250 million tons per year after 2050, as the country strides towards nationwide net-zero carbon emissions by 2060, he estimated.

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

SUBSIDIES

Raids on the offices of Nuctech in Rotterdam and Warsaw by EU foreign subsidy authorities raise concerns

威视

NUCTECH

On April 23, EU authorities raided the Warsaw and Rotterdam offices of Nuctech, a Chinese manufacturer of airport scanning machines, in an anti-subsidy investigation. In the sort of raids usually reserved for busting cartels, officers seized IT equipment and mobile phones. They also "scrutinized office documents and demanded access to pertinent data", according the China Chamber of Commerce to the EU. The "competition officers" – from Brussels, Poland and the Netherlands – were looking for evidence of financial subsidies that Nuctech may have received from the Chinese government.

The raids, first reported by the South China Morning Post, sent shock waves through the EU. They suggest that **the European Commission** has moved to a new stage in cracking down on what it **views** as one of the biggest risks to the Eurozone economy: **foreign subsidies from Beijing**, which it believes are **causing industrial overcapacity that could see Europe flooded with cheap Chinese imports**.

But the raids stunned even the competition lawyers advising Chinese companies. "This action surprised even me – a dawn raid in Europe to find out more information about subsidies granted in China makes no sense," said Andreas Reindl, Managing Partner at Brussels law firm Van Bael & Bellis, which specializes in competition law. Reindl, who published "The EU Foreign Subsidies Regulation" together with his colleague Isabelle Van Damme in January – a manual about the regulation under which the inspections occurred – described the raids as "political gamesmanship", adding that the target – Nuctech – is probably "also perplexed and doesn't know anything about the FSR". But if Chinese businesses want to continue working in Europe, they need to learn about it fast. **Since January, the EU has used the regulation four times to target Chinese companies.**

The FSR is designed to root out "market-distorting" handouts by forcing non-European entities to be as transparent about the subsidies they receive from their governments as EU firms, which are subject to stringent state aid disclosure rules. It can be triggered during procurement processes, as well as merger and acquisition (M&A) activity. Or – as with Nuctech – the Commission can decide to investigate any business operating in the EU that it suspects has received state subsidies and is disadvantaging local competitors. While the Commission did not name Nuctech in its statement about "unannounced inspections", it said that officials had "indications that the company may have received foreign subsidies that could distort the internal market". Nuctech – a partially state-owned offshoot of Tsinghua University that was previously run by Hu Haifeng, son of China's former President Hu Jintao – has been frozen out of some Western markets over security concerns. The company said it was "cooperating with the European Commission and is committed to defending its reputation as a fully independent and self-supporting economic operator".

Michel Struys, Brussels-based Partner at the law firm Hogan Lovells, said every Chinese company in the EU should be prepared to receive a knock on the door, given the trigger-happy nature in which the EU is using the FSR. "Chinese companies have been put on the back foot, but the best form of defense is attack, and that is to be prepared. A lack of preparation is the real problem here," said Struys, who has advised some of the companies already targeted under the new law.

Even before last week's events, businesses were worried. Before Nuctech, regulators went after European subsidiaries of solar firms **Longi and Shanghai Electric, as well as CRRC Corp**, the state-owned rolling stock company. The Foreign Subsidies Regulation (FSR) requires levels of openness that many Chinese businesses are not ready for. EU authorities can command Chinese firms operating in the EU to hand over their books for forensic scrutiny, with little time to get them in order. The local subsidiary of rail company CRRC withdrew from a bidding process in Bulgaria after balking at the requirements of complying with a procurement investigation. EU Industry Commissioner Thierry Breton responded on X that the inquiry had "already yielded results", suggesting this was what he had intended to happen.

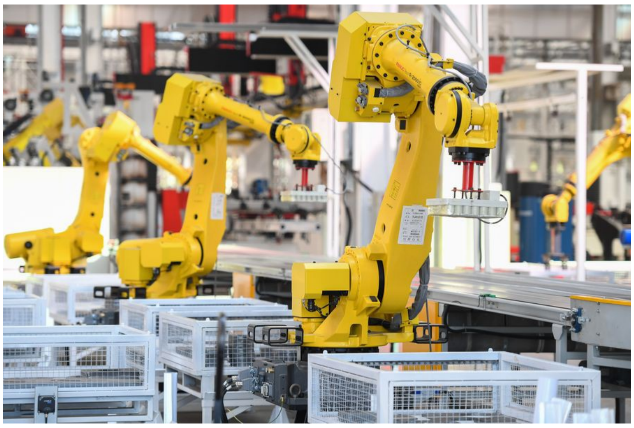
In an interview with the South China Morning Post, Fang Dongkui, Secretary General of **the China Chamber of Commerce to the EU, listed a number of complaints about the FSR**. The Commission's definition of "foreign financial contributions" was "overly broad and non-exhaustive", he said. According to Fang, Brussels is "scrutinizing subsidies received by Chinese parent companies that were passed through to their European entities", which the Chamber thinks should be treated as separate entities. Perhaps most concerning for Chinese businesses is the danger that adhering to this law contravene other laws in China. Feng said that "in specific instances, the Commission had requested confidential bidding information, including pricing details, contracts or documents containing business secrets that allegedly could be related to subsidies". These actions are "posing a risk to Chinese companies of breaching relevant tender regulations or Chinese laws", he said.

The FSR has added to strains in the EU-China trading relationship. **Brussels has 34 open trade investigations against Beijing**, while two-thirds of its active trade defense measures – currently numbering 184 – are against China. As many Chinese companies receive state subsidies, the FSR could be used to ban them from the EU market, the South China Morning Post reports.

Responding to the latest EU move, the Director of the Trade Remedy and Investigation Bureau at China's Ministry of Commerce (MOFCOM), said the probe disrupts fair market competition and significantly undermines the confidence of all foreign companies operating in Europe, signaling a deterioration in the EU's business environment and sending a starkly negative message to all foreign entities operating in the European market. China will closely watch any further actions by the European side and take all necessary measures to resolutely protect the legitimate rights and interests of Chinese companies, the official stressed in a statement, the China Daily adds.

ROBOTICS

Industrial robots crucial to China's Industry 4.0 strategy



In China, fostering new quality productive forces has become a key objective under the umbrella of the Industry 4.0 plan, and industrial robots are crucial to the strategy. In 2022, China's industrial robot installations accounted for over 50% of the global total, with the nation emerging as a powerhouse in automation. China's manufacturing sector has a robot density of 392 units per 10,000 workers, according to the Ministry of Industry and Information Technology (MIIT). In the past decade, domestically produced robots have found applications in nearly half of the country's key economic sectors. By 2025, China is aiming to double the 2020 density level of industrial robots in the manufacturing sector, the Ministry said. The sector's robot density in 2020 was 246 units per 10,000 workers.

Industrial robots now play a crucial role on production lines in industries such as automotive, electronics, food, and pharmaceuticals. By improving production efficiency and precision, industrial robots help enterprises lower costs and elevate their competitiveness, said Song Xiaogang, Executive Director of the China Robot Industry Alliance. China's manufacturing sector is characterized by its vast scale and wide variety of categories, yet its level of automation still has room for improvement. This presents significant potential for domestically produced industrial robots, which are technologically advanced and cost-effective, Song said.

The industrial robot market in China experienced steady growth in 2023, with sales reaching 316,000 units, representing a year-on-year increase of 4.29%, according to a report by the Gaogong Industry Research Institute. A notable shift in market share between domestic and foreign manufacturers was seen last year. For the first time, domestically produced industrial robots accounted for more than half of the market share at 52.45%. Though China has solidified its position as the world's largest industrial robotics market, the country started out bridging the gap with established players such as Japan, Germany, and the United States.

Siasun Robot & Automation Co was one of the first domestic enterprises to delve into research and application of robotics, and broke the long-standing market and technological barriers imposed by foreign products. As early as 2000, their robots were being used in construction machinery and motorcycle manufacturing. With breakthroughs in multiple core technologies such as force sensors and offline programming, the company's industrial robots have been widely applied in industries such as electronics, aerospace and engineering machinery. Siasun has also been involved in major national projects like the cross-sea highway between Shenzhen and Zhongshan in Guangdong province, and the Gezhouba Dam hydropower project on the Yangtze river. "The advancements have transformed China's industrial robotics landscape, reducing its reliance on imported technologies," said Zhang Jin, President of Siasun, which is based in Shenyang, Liaoning province.

However, international robotics giants such as Fanuc, ABB, Kuka, and Yaskawa, still have a large slice of the domestic market. This is particularly evident in the high-end section of the market, where domestic industrial robots face strong competition. The global automotive industry, which accounts for nearly half of the demand for industrial robots, poses significant challenges for Chinese companies seeking to gain a foothold. Established foreign manufacturers currently dominate the industry, making it a daunting task for Chinese companies to carve out a space for themselves, said Yi Mingze, Northern Regional Manager of Zhejiang Qianjiang Robot Co. Domestic enterprises must prioritize investment in research and development (R&D) to reduce reliance on imports. Yantai Aitron Robot Technology Co in Shandong province is reaping the rewards of rapid development in the new energy vehicle sector. Its load-carrying robots have reached international performance standards at lower costs.

Chinese industrial robot manufacturers are increasingly looking beyond the domestic market. With immense global potential, these companies are capitalizing on export opportunities to increase sales. According to a report by the International Federation of Robotics, industrial robot installations in Europe are on the rise. The 27 EU member states installed nearly 72,000 industrial robots in 2022, a 6% year-on-year increase. As early as 2007, Siasun began exporting its robots. Today, the company's products are exported to over 40 countries and regions worldwide and are used by more than 4,000 companies, said Siasun's President, Zhang Jin. Siasun is accelerating its international expansion. The company has established overseas subsidiaries and regional centers in Singapore, Thailand, Malaysia, Germany, and other locations, Zhang said. This year, the company plans to further expand its global footprint by establishing a new overseas service center in Stuttgart, Germany, the China Daily reports.

CHINA NEWS ROUND-UP

Foreigners flock to Canton Fair, attracted by NEVs and green products

Reporters of the South China Morning Post report a surprisingly strong return of foreign importers to the Canton Fair this year. Among the four halls in the giant exhibition center, the one featuring new energy vehicles (NEVs) and smart mobility has been the most crowded. The booths were full of buyers from various countries and territories, with almost every Chinese attendee wondering: why are there so many foreigners this year? Some exporters said the surge may be due to the need to restock and even to front-load inventories to cope with the risks of trade sanctions on Chinese products. More interestingly, some overseas attendees said that despite the reports in the West of the threats caused by China's overcapacity in the new energy sector, they cannot resist the temptation to see how cheap and affordable the Chinese products are. "To buy or not to buy. I finally had first-hand experience of Chinese electric vehicles – so many brands and models, and they are not expensive. Very impressive," said a foreign importer. "Previously, we had to wait for guests and we had to reach out to attendees proactively, but now they are waiting in queues for us," said an exporter.

Last year the Canton Fair fully resumed on-site participation as China reopened its borders after three years of restrictive zero-Covid controls. The biannual event, which has been held every year since 1957, is widely seen as a barometer for China's exports, while it also serves as a mirror of its progress in moving up the ladder of the industrial chain. Back in 2008, the fair provided 160,000 square meters of indoor exhibition space, with labor-intensive industries and low-end industrial products, including construction materials, electronics, furniture and textiles the main categories. Nowadays, the exhibition area has expanded to 1.55 million sq. m., featuring not only traditional manufacturing goods, but also increasingly advanced electronics, new energy vehicles and other green products.

Chinese exporters also said the number of buyers from Russia, the Middle East and South America have increased and they are willing to settle more transactions in yuan. A short video clip also went viral after a female American buyer filmed a BYD-branded electric vehicle priced at USD9,000. She was astonished at the incredibly low price of the car, which is banned in the United States. Wang Yunlong, Public Affairs Director of Chinese electric vehicle maker Aion, said the fair offered a great opportunity for more foreign merchants to see Chinese new energy vehicles up close. "The experience, coupled with price comparisons, is the most convincing," said Wang.

On the other hand, manufacturers of traditional goods, such as home appliances, lamented that the number of European and American customers has continued to fall in recent years, while the purchasing power of new customers from emerging markets, like Russia, the Middle East and South America, still cannot make up for the loss of orders. "They still cannot afford those high-end lighting products for the Western markets," said an LED lighting trader who focuses on Western markets. Organizers said around 198,000 overseas buyers attended the last session of the fair in November, up by 6.4% from the pre-pandemic session in the autumn of 2019. They signed export deals worth USD22.3 billion, representing a modest 2.8% rise from the spring session in April and May last year, but it still fell short of USD7 billion from the pre-Covid year in 2019, the South China Morning Post reports.

The first phase of the Canton Fair concluded on April 19 after attracting 125,000 overseas buyers from 212 countries and regions, an increase of 23.2% compared with the first phase of the previous fair in October, organizers said. Countries and regions involved in the Belt and Road Initiative (BRI) accounted for 68.3% of overseas buyers, while those from the Regional Comprehensive Economic Partnership (RCEP) accounted for 23%. The number of Chinese high-tech enterprises engaged in smart living, the "new three items" (new energy vehicles, lithium batteries and solar products) and industrial automation exhibiting their products in the Fair's first phase was up by 24.4% compared with the first phase of October's fair. With the theme "Quality Home Life", the second phase of the air, covering an exhibition area of 515,000 sq. m., focuses on household items, gifts and decorations, and building materials and furniture, the China Daily reports.

Chinese Foreign Minister warns relations with U.S. could enter downward spiral

U.S. Secretary of State Antony Blinken met in Beijing with President Xi Jinping and Foreign Minister Wang Yi. **President Xi urged the United States to look at China's development positively and refrain from creating small blocs to instigate confrontation.** He said that the planet is big enough to accommodate the common development and prosperity of China and the U.S. "China is happy to see a confident, open, prosperous and thriving United States. We hope the U.S. can also look at China's development in a positive light. This is a fundamental issue that must be addressed, just like the first button of a shirt that must be put right, in order for the China-U.S. relationship to truly stabilize, improve and move forward," Xi said. The Chinese President also called on the United States to be a partner of China and not "say one thing and do another", the China Daily reports.

China's Foreign Minister, Wang Yi, has warned the U.S. that the recent improvements in the two countries' relations were being jeopardized by "disruptions" which could take them back to a "downward spiral" leading to rivalry, confrontation and even conflict. Wang was speaking at the start of a meeting in Beijing with visiting U.S. Secretary of State Antony Blinken. The U.S. is threatening sanctions against Chinese companies for supplying the Russian defense industry, and is considering tariffs in the face of what Washington says is Chinese manufacturing overcapacity. The Biden Administration has also tightened export controls on advanced computer chips. While Blinken was on the way to China, Congress passed legislation that would ban the social media platform TikTok within a year in the U.S. if its Chinese parent company, ByteDance, does not sell its stake – as well as provide billions of dollars in aid for the Indo-Pacific that would largely benefit Taiwan.

At the start of a meeting between the U.S. and Chinese delegations at the Diaoyutai state guest house in Beijing, Wang suggested the bilateral relationship was at a turning point. Since the Biden-Xi summit in San Francisco in November, he said it was "beginning to stabilize" with increased dialogue and cooperation. "This is welcomed by our two peoples and the international community," Wang said, "but at the same time, the negative factors in the relationship are still increasing and building up and the relationship is facing all kinds of disruptions. China's legitimate development rights have been unreasonably suppressed and our core interests are facing challenges," he added.

To keep moving forward with stability or return to a downward spiral is a major question before our two countries, which tests our sincerity and ability, Foreign Minister Wang added. "Should our two sides lead international cooperation on global issues and achieve win-win for all, or engage in rivalry and confrontation or even slide into conflict, which would be a lose-lose for all? The international community is waiting for our answer." Blinken said it was"important to demonstrate that we're managing responsibly the most consequential relationship for both of us in the world", the Guardian reports.

U.S. sanctions on Chinese banks would create "huge problem" for international trade

The Biden Administration would create global financial instability, while damaging the United States' already tenuous ties with Beijing, if it carried out threats to sanction Chinese banks over their trade with Russia, and even cut China out of the Swift global interbank system, analysts said. The Wall Street Journal reported that the U.S. government was drafting sanctions to help U.S. Secretary of State Antony Blinken persuade Beijing to stop any commercial support for Russia's military production. But any financial sanctions against China would impede transactions in Europe and the U.S., the analysts said. "The U.S. would be creating a gargantuan source of financial instability for not only China, but also itself," said Brian Wong, Fellow at the Center on Contemporary China and the World at the University of Hong Kong. "This could severely impede the interests of American companies and investors in China, especially given the likely retaliation that would come either immediately, or in due course."

The possible removal of China from the Swift network is a "nuclear option" that would lead to a "significant logjam in transactions and clearing for trade, which would culminate in cost-push inflation across the board", Wong added. China's foreign trade reached CNY41.76 trillion in 2023. The Society for Worldwide Interbank Financial Telecommunication network (Swift) allows roughly 11,000 financial institutions to exchange money transfers. The European Union and other countries removed some Russian banks from the network in 2022 following the invasion of Ukraine. But to also cut China from the network would inconvenience companies abroad, especially in Europe where multinational companies trade robustly with China, said James Chin, Professor of Asian Studies at the University of Tasmania in Australia. "Removal from Swift will be a huge problem because China is a main trading partner for many countries around the world," Chin said.

Washington has punished Moscow over the war in Ukraine, while China has taken a neutral stance and still conducts business with Russia. Ministry of Foreign Affairs Spokesman Wang Wenbin said that China had already imposed export restrictions on goods that could have military applications, but rejected criticism from Washington over Russia. Sanctions against Chinese banks would accelerate China's efforts to craft its own transaction system and internationalize the yuan, analysts said. **China launched the Cross-Border Interbank Payment System (CIPS) in October 2015** to provide an independent international yuan payment and clearing system connecting both onshore and offshore clearing markets and participating banks.

Reuters reported that the U.S. had "preliminarily discussed sanctions on some Chinese banks", but with no short-term plan to carry out such measures. A U.S. official speaking on condition of anonymity said Washington hoped diplomacy would "avert the need for such action", the South China Morning Post reports.

Volkswagen aims to launch 30 EVs in China in the next six years

Volkswagen Group, which saw its market share shrink in China last year, said it plans to launch 30 new electric cars in China by 2030 as it vies to keep up with the rapid pace of electrification in the world's largest vehicle market. Ralf Brandsatter, VW's China Chief Executive, said the company plans to sell 4 million cars in China by 2030, which could account for about 15% of the market. Volkswagen has been market leader in China's automotive industry since it established a Shanghai-based joint venture in 1984, delivering 3.2 million cars – the vast majority petrol-powered – in China last year, up 1.6% from 2022. It narrowly beat Shenzhen-based BYD, the world's bestselling EV builder, which sold nearly 3 million battery-powered cars to Chinese buyers last year. "We want to remain the No 1 international OEM " Brandsatter said. "In China, we want to be on par in cost and tech with local players with a profitable and healthy business model." He added that VW would tap its partnerships in China to rev up development of new electric vehicle (EV) models while reducing production costs. It reported sales of 191,800 electric cars in China last year, up 23.2% from 2022.

However, **Volkswagen's share of the broader Chinese vehicle market slipped to 14.2% in 2023, down 0.6 percentage points** from a year earlier, according to the China Passenger Car Association (CPCA). In China, where four out of every 10 new vehicles are powered by batteries, the surging popularity of electric cars has ratcheted up pressure on conventional carmakers like Volkswagen and Toyota to get on board with the shift to environmentally friendly motoring.

New-energy vehicles (NEVs) – including fully electric and plug-in hybrid cars – will make up about half of new car sales in China by 2030, as state incentives and an expanding network of charging stations win over more customers, Moody's Investors Service said in a research report. "We expect that by 2026, we will be fully competitive compared with the best players in terms of advanced driver assistance systems (ADAS) and other smart technologies," Brandsatter said. He expects VW to launch 20 new electric models for the Chinese market in the next three years. Volkswagen aims to reduce the time it takes to develop its cars by more than 30% while cutting costs by up to 40% as it beefs up its investment in China's EV sector.

In February, the company signed an agreement with Chinese electric-car maker Xpeng to jointly develop two mid-sized battery-powered vehicles for the highly competitive Chinese market in 2026. The new EVs, bearing the VW badge, will be designed and built based on "joint purchasing activities" and sharing of technologies, the two companies said. VW owns 5% of Xpeng following a USD700 million investment last year. VW has also partnered with autonomous driving tech firm Horizon Robotics and ThunderSoft, an in-car entertainment developer, to create a new generation of EVs. It owns three car making ventures in China with state-owned Chinese companies FAW, SAIC and JAC. VW also owns a 25% stake in Gotion High-Tech, a leading Chinese EV battery producer, the South China Morning Post reports.

Newly published figures in the International Energy Agency's annual Global Electric Vehicle Outlook show that in the first quarter of 2024, sales grew by about 25% compared with the same period last year. The number of EVs sold globally in Q1 2024 is equivalent to that in all of 2020. Based on current trends, **it is estimated that by 2030, almost 1 in 3 cars in China will be electric**, and 1 in 5 in both the U.S. and the European Union.

Cutting-edge technology showcased at Zhongguancun Forum

Cutting-edge technological achievements from artificial intelligence (AI) to life sciences and new materials were unveiled at the 2024 Zhongguancun Forum (ZGC Forum) in Beijing, showcasing China's rapidly progressing technology development and its continuous efforts to promote technology cooperation. Dazzling technology presentations and symposiums on the opening day of the event, held from April 25 to 29, attracted many scholars, technicians and investors from more than 100 countries and regions to share perspectives and seek deals. The eye-catching prototype of **intelligent humanoid TongTong** was launched at the forum. As a practical example of China's fast-developing AI agent technology, TongTong can discern a person's intent and offer help, and its intelligence level is comparable to that of a child and still rising.

A research team at Peking University produced **an ultra-thin optical crystal** made highly efficient by applying boron nitride. Optical crystals are the most important part of laser technology. These micron-sized crystals can increase energy efficiency by at least 100 times, and they lay the theoretical and material foundations for next-generation laser technology. State Power Investment Corp unveiled its self-developed heavy-duty gas power turbine, which is the most powerful and advanced gas turbine in China. It features low carbon emissions, high power efficiency, and quick start and stop functions and will play an important role in ensuring the nation's power security and power shifting during peak periods.

Themed "Innovating for a Better World," this year's annual conference of the Forum has five major sections. The technology trading section brings together more than 6,000 innovative projects from more than 40 countries and regions. Top scientists and engineers also offered their advice on problems facing the development of cutting-edge technologies such as AI and how to address the negative impact at the sub-forum of the ZGC, the Global Times reports.

Shanghai aims to become medical tourism center

Shanghai is gearing up to become a center for medical tourism. The city is home to China's largest expat community and attracts the highest number of inbound travelers, and its efforts to boost medical services for foreigners have accelerated in recent years. For example, Shanghai's Renji hospital is ranked first globally for pediatric liver transplants. Over the past decade, more than 3,200 pediatric liver transplants, including 41 for expat babies, have been performed at Shanghai's Renji Hospital, which has become the world's largest medical center for liver transplants. The number of pediatric liver transplants completed at the hospital has ranked first globally for 10 consecutive years.

"Although we lagged decades behind some developed countries when we began to perform such transplants, we're now at the most advanced level in the world in this field," Renji hospital President Dr. Xia Qiang said. "The 10-year survival rate for pediatric liver transplants at our center has reached over 90% – higher than what's reported in Europe and the United States," he added.

The successful liver transplants at Renji Hospital epitomize Shanghai's rising international medical standing. In September, Shanghai launched a pilot program for international medical tourism in its public hospitals. Thirteen hospitals with outstanding innovation and technical capacity, as well as experience in treating international patients, were identified to join the program and also asked to look at ways to provide better medical services for foreigners. To date, nearly 270,000 patient visits have been made under the program, which has generated CNY1.66 billion in revenue, said the Shanghai Health Commission. All medical institutions in the city not involved in the pilot program are now also able to provide medical services to foreigners.

China's medical prowess and facilities have been improving rapidly, with the number of surgeries performed far exceeding those in some Western nations. The convenience of online communication, visa access, and commercial health insurance now makes it possible for patients to choose doctors around the world, said industry experts.

Gu Jingwen, Director of the International Medical Center at Shanghai Huashan Hospital said that in the early days, many expats living in Shanghai preferred to return to their home countries for medical treatment when they were ill. They would even raise concerns with local doctors about routine surgery for medical conditions such as appendicitis. "Today, many choose to stay in Shanghai for treatment instead of heading back home, showing their rising recognition of the quality of local medical services," she said. International services that meet patients' needs also help improve the business environment and enhance the international status of Shanghai's medical care, Gu said, as reported by the China Daily.

Baidu and Zhipu's LLMs lead Chinese generative AI rankings

Baidu's Ernie Bot 4.0 and start-up Zhipu AI's GLM-4 top the ranking of Chinese large language models (LLMs), but their foreign rivals still lead in overall capabilities, according to a new test by Tsinghua University in Beijing. The SuperBench assessment report examined 14 representative LLMs – the technology underpinning generative artificial intelligence (AI) chatbots – and found that overseas models, such as OpenAI's GPT-4 and Anthropic's Claude-3, came out on top in multiple capabilities, including semantic comprehension, coding abilities and alignment with human commands.

Researchers found "obvious gaps" in the code-writing and operative abilities in the real-world environment between domestic and first-class foreign models. The report aims to "provide objective and scientific evaluation criteria" to examine a growing number of LLMs that have emerged recently, according to a WeChat post published by Tsinghua's Basic Model Research Center, which conducted the assessment with the Zhongguancun Laboratory. Chinese tech giants and start-ups have been racing to improve their LLMs since OpenAI, a U.S. start-up backed by Microsoft, launched a series of innovative tools powered by generative AI, including ChatGPT and text-to-video service Sora. Around 200 LLMs have been introduced in China, where OpenAI's services are officially unavailable.

The Tsinghua report echoes a recent comment by Alibaba Group Holding Co-founder and Chairman Joe Tsai, who said China is about two years behind U.S. companies in the global AI race, citing how OpenAI has leapfrogged the rest of the tech industry in AI innovation. Revisions to existing U.S. export controls, which took effect earlier this month, have made it harder for China to access advanced AI processors and semiconductor manufacturing equipment.

Despite the challenges faced by Chinese LLM developers, Tsinghua's report showed that Ernie Bot 4.0, the latest version of the generative AI chatbot launched by Baidu, and GLM-4 from Zhipu AI, have gradually narrowed the gaps with the world's best models in overall performance. One area where China's LLMs performed better is Chinese text-language tasks. Start-up Moonshot AI's Kimi chatbot, Alibaba's Tongyi Qianwen 2.1, GLM-4 and Ernie Bot 4.0 ranked in the top four in that category, although GPT-4 still came first in Chinese text-language reasoning.

Moonshot AI and Zhipu AI, along with Baichuan and MiniMax, are locally known as the "four new AI tigers" of China for being some of the country's most promising generative AI start-ups. Established in 2019, Zhipu AI has raised CNY2.5 billion since last year from investors, venture capitalists and Big Tech companies such as Alibaba, Tencent Holdings and Meituan. Moonshot AI, also based in Beijing, raised USD1 billion in a funding round in February, the South China Morning Post reports.

BNP Paribas sets up new China securities branch

BNP Paribas has hired close to 30 people to launch its securities operation in China, re-entering the market after exiting a local joint venture 17 years ago. The French bank will initially focus on building out its brokerage, research and asset management units after receiving regulatory approval. The Paris-based lender is leveraging its European status to slowly expand in China even as some Wall Street firms scale back amid growing U.S.-China tensions. In the past two years, Morgan Stanley, Goldman Sachs and JPMorgan have all cut jobs in Hong Kong and China, mostly in their investment-banking businesses as stock underwriting fees dwindle. BNP, led since 2020 by Asia Chief Executive Officer Paul Yang, has instead focused on corporate banking in China, broadening the mix of revenue from financing, transaction banking, cash management and fixed-income sales.

Still, the bank hasn't entirely abandoned investment banking in China and other parts of Asia. The firm hired Ren Wang, a 20-year industry veteran, in late 2021 to revamp its business. The former Asia President at Jefferies and UBS banker has recruited more than 20 deal makers, seeking to win business for stock sales and China cross-border mergers. BNP took a bigger slice of the market last year, as its ranking for mergers and acquisitions (M&As) vaulted to eighth, from 33rd in 2022, according to Bloomberg. The biggest deals included Zhejiang Geely's €8 billion venture with France's Renault in July. The bank also advised on the USD3.35 billion buyout of Vinda International in December, along with the USD1.66 billion sale of Hollysys Automation to Ascendent Capital.

Goldman Sachs and JPMorgan also own full control of their securities platforms, while UBS was earlier in discussion to boost its holding to 100%, the South China Morning Post reports.

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