

China Business Weekly

18 June 2024



FCCC/EUCBA ACTIVITIES

Exclusive Networking Luncheon with the Designate Consul General of Belgium in Shanghai – 2 July at 12H00 – 'De Warande' - Brussels



The Flanders-China Chamber of Commerce (FCCC) is organizing an exclusive networking luncheon **with the designate Consul General of Belgium in Shanghai**. This meeting will take place on **Tuesday 2 July at 12h00 CEST** at 'De Warande', Zinnerstraat 1, 1000 Brussels.

This event is an excellent opportunity to introduce your company's businesses in China and Belgium to the designate Consul General.

The programme is as follows:

12h00-12h30: Registration and networking

12h30-12h35: Introduction by Mr. **Philippe Latour**, Chairman, Flanders-China Chamber of Commerce

12h35-12h45: Speech by Mr. **Pascal Buffin**, designate Consul General of Belgium in Shanghai

12h45: Networking lunch

Practical information:

Date and time: July 2, 2024, 12h00

Location: De Warande, Zinnerstraat 1, 1000 Brussels.

Price for Members: €125 excl. 21% VAT

Price for Non-Members: €165 excl. 21% VAT

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Webinar: EUCCC presentation of the Business Confidence Survey 26 June 2024 - 10 am CEST



The EU-China Business Association (EUCBA), the EU Chamber of Commerce in China (EUCCC) and BusinessEurope are organizing a webinar focused on the **EUCCC's Business Confidence Survey (BCS)**. The webinar will take place on June 26 at 10 am CET.

"Instead of the strong economic rebound that businesses had hoped for, China's reopening in 2023 brought more uncertainties for European firms operating in the country. China's deeper structural issues – including sluggish demand, high levels of local government debt and the continued challenges in the real estate sector – continued to weigh on the prospects of both domestic and foreign companies, and the economy overall.

With optimism over the near- and medium-term outlook fading, some companies have already started to re-evaluate their engagement with the Chinese market. Some of the strategies they are pursuing – including cutting costs and toning down expansion plans – have the potential to add to China's economic woes and set a negative cycle in motion. If China is to prevent this cycle and rebuild investor confidence, it will need to urgently address the regulatory and market access barriers that are preventing European companies from contributing fully to its economy."

The program is as follows:

10:00 – 10:05: Introduction by Ms. **Gwenn Sonck**, Executive Director of the EU-China Business Association (EUCBA)

10:05 – 10:35: Presentation of the Business Confidence Survey by Mr. **Adam Dunnett**, Secretary General, EU Chamber of Commerce in China (EUCCC)

10:35 – 10:50: Q&A Session

10:50 – 11:00: Closing remarks by Ms. **Luisa Santos**, Deputy Director General, BusinessEurope

Practical information:

Date and time: 26 June 2024, 10h00 CEST **Location:** Online

Price for Members: Free

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ACTIVITIES SUPPORTED BY FCCC

**FIT booth at the China International Logistics and Supply Chain Fair (CILF)
23 – 25 September 2024 – Shenzhen**



The 18th China (Shenzhen) International Logistics and Supply Chain Fair

September 23-25, 2024

Shenzhen Convention & Exhibition Center

The logistics sector in China continues to be a sector with long-term opportunities and growth potential. Also, in 2024 Flanders Investment & Trade will participate with a booth in the “China International Logistics and Supply Chain Fair” (CILF) in Shenzhen. It is the No 1 fair in the logistics industry, with all major companies participating at the senior level.

Why participate?

- China is known to be the major logistics hub in Asia.
- 2,000 exhibitors from more than 50 countries.
- 260,000 visitors from more than 80 countries/regions.
- More than 70 seminars on logistics.
- The Fair gives you a unique chance to present your innovative services or products to a world-wide audience and to discover the latest trends.

Our offer:

- FIT will be present with a product sample booth (PSB)
- A PSB is a low-threshold alternative to a “classic” fair participation. It is an open space shared with other companies. As such you can present your brochures, products and samples at an advantageous rate.
- You delegate a local representative.
- We take care of receiving guests and installing the booth.

What? Participation in the CILF – China International Logistics and Supply Chain Fair

Where? Shenzhen, China

When? 23 to 25 September 2024

Latest registration date: 21 June 2024

Price: Product Sample Booth (PSB): SME: €1,000; large enterprise: €2,000

[SUBSCRIBE HERE](#)

European SME Business Mission to China – Green Industries 22 -27 September 2024 – Shanghai, Suzhou, Chengdu



The EUSME Centre is organizing the European SME Business Mission to China. The mission will focus on green industries and will take participants to Shanghai, Suzhou, and Chengdu for a programme of B2B meetings, networking events, seminars, industrial park visits and participation in the 2024 Europe-China Fair. Explore the potential of the Chinese market for your business with the support of the EU SME Centre!

Programme highlights

With this trade mission, you will get an opportunity to:

- Participate in the 18th Europe-China Business and Technology Cooperation Fair in Chengdu.
- Visit the Sino-European Industrial Parks in Suzhou.
- Meet with well-established and successful European SMEs in Shanghai.
- Join expert talks on China's economic outlook and market trends.
- Take part in technical trainings on export procedures and market regulations.
- Establish relationships with potential partners in China.
- Have face-to-face meetings leading to possible business opportunities.

Who can apply?

This call for applications is open to SME owners and individuals working for SMEs, start-ups, or clusters and industry associations from the European Union and countries associated to the Single Market Programme, active in the following industries:

- Green technologies
- Renewable energy sources and energy storage
- Environmental services
- Water treatment
- Sustainable equipment manufacturing
- Recycling
- Waste reduction
- Advanced materials
- Green service providers along the supply chain
- Other green development solutions.

Cost

The EU SME Centre's services are funded by the European Union and are free of charge to the mission's participants. All the meetings, seminars, receptions, and other activities included in the programme are covered by the EU SME Centre.

Participants are responsible for covering their travel, accommodation, and meal costs, including:

- Flights and other travel expenses to and from China.

- Inter-city travel within China from Shanghai to Suzhou, and from Suzhou to Chengdu.
- Hotel accommodation in Shanghai, Suzhou, and Chengdu.
- Other living expenses in China, including local transportation and meals.

Application deadline: Friday 28 June 2024.

Full programme and registration: <https://www.eusmecentre.org.cn/events/eu-sme-business-mission-to-china-green-industries/>.

Contact: If you have any question on the SME Business Mission, feel free to contact the EU SME Centre's Team Leader Liam Jia at liam.jia@eusmecentre.org.cn and EU Partnerships Manager Davide Orlandi at davide.orlandi@eusmecentre.org.cn

The EU-China Business Association (EUCBA) is an official associated partner of the EU SME Center. The Flanders-China Chamber of Commerce is in charge of the management of the EUCBA.

Airshow China 2024 – The 15th China International Aviation & Aerospace Exhibition November 12-17, 2024 – Zhuhai



The China International Aviation & Aerospace Exhibition (Airshow China) is the only international aerospace trade show approved by the Chinese central government and supported by Chinese aerospace industries. Featuring the display of actual products, trade talks, technological exchanges, flying displays, and ground dynamic performances, the show takes place biannually in Zhuhai, Guangdong, China. Since 1996, Airshow China has been successfully held for 14 sessions, becoming one of the most influential aerospace and aviation trade shows in the world, witnessing the rapid development and progress of China's aerospace and national defense industries.

The first edition of the show was held in 1996 with 25 participating countries or regions, 400 exhibitors, an indoor exhibition area of 8,645 square meters, and 96 aircraft. Those numbers increased to 43 participating countries or regions, 740 exhibitors, an indoor exhibition area of 100,000 square meters, and 121 aircraft at the latest show in 2022.

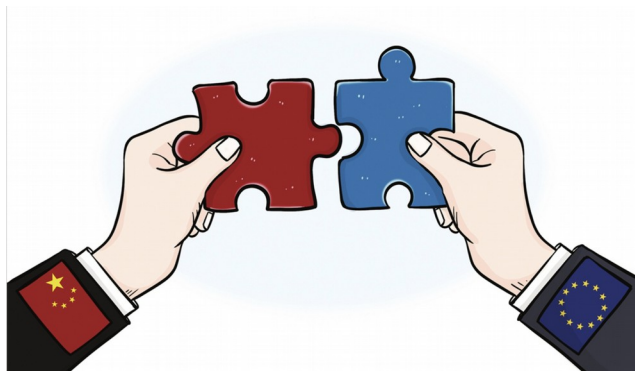
The upcoming event will be held **from November 12 to 17, 2024 in Zhuhai, Guangdong province** with 120,000 sq m of indoor exhibition space and a 230,000 sq m outdoor area. Over 780 exhibitors from 21 countries and regions are expected to participate. Themed exhibition areas include: civil aviation industry chain; low altitude economy; commercial space; and defense and equipment. Participating companies can choose between a packaged booth; raw space; outdoor space and a single- or double-story chalet. Value-added services include a UAV display area; B2B meetings; and an exhibitors road show.

If you are interested to receive more information about this fair, please write an e-mail to: info@flanders-china.be

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FOREIGN TRADE

EU to impose additional import tariffs on Chinese electrical vehicles on July 4; China decries protectionism



The European Union (EU) has decided to impose tariffs from 17.4% to 38.1% on EVs imported from China from July 4, a month after the U.S. announced plans to quadruple the duties on Chinese EVs to 100%. The EU has alleged that the possible government assistance to Chinese automobile makers and exporters, according to the World Trade Organization (WTO) countervailing treaty, would unfairly afford Chinese automakers and exporters an advantage, causing severe harm to the EU's auto industry. But the imposition of additional tariffs will also hit European car manufacturers such as Volkswagen and BMW as more than 50% of the EVs China exports to the EU are actually produced by Western auto firms. For example, one of the best-selling and most affordable EVs in the European market is made by Renault's joint venture company in China and sold in Europe under its marque Dacia. Cars from SAIC will face a 38.1% duty after the European Commission (EC) said it did not participate in the investigation. For BYD, the duty is 17.4% and for Geely it is 20%. Both firms were seen to be more compliant with the EU probe. The proposed tariffs come on top of the current 10% import duty on Chinese EVs. U.S. company Tesla has already applied for a lower duty, claiming it has received less in subsidies than the firms probed. That will be the subject of a new inquiry by the Commission, with Tesla required to pay the full duty in the interim. Turkey has also decided to impose an additional 40% tariff on vehicles imported from China.

Meanwhile, China has launched an anti-dumping investigation on the imports of EU pork and pig products, although it says this is not in retaliation for the EU's tariffs on EVs, but at the request of Chinese industry bodies.

The China Chamber of Commerce to the EU (CCCEU) pointed out that China's exports of EVs to the EU accounted for only about 5% of its total production in 2023 and notably, these exports are primarily European and U.S. branded EVs. The United States EV maker Tesla accounted for 28% of all Chinese-made EVs imported by Europe, while French carmaker Renault's Dacia Spring added an additional 20%, according to a study in late March by European think tank Transport and Environment.

The provisional targets will be imposed on July 4 and could become permanent in November, following public consultation and if both parties do not come to an agreement. EU member states with large automotive sectors are ready to fight the Commission over the imposition of permanent duties in November. Germany – home to Volkswagen, BMW, Mercedes-Benz and other famous brands, many of which have gone public with their opposition – is expected to lead the backlash, and has already lobbied intensely against the duties. Sweden, home to Geely-owned Volvo and Polestar, is another opponent.

China's Ministry of Commerce (MOFCOM) noted that the EU is "destroying fair competition" in the name of "safeguarding fair competition," which is the biggest unfairness of all. China's Foreign Ministry Spokesperson Lin Jian warned that the EU's anti-subsidy investigation violates the principles of the market economy and international trade rules, and will harm the EU's interests. The China Association of Automobile Manufacturers (CAAM) said that the EC's decision is totally unacceptable, urging the bloc to avoid harming and distorting the global automotive industry chain.

BMW CEO Oliver Zipse said the EU action could hinder the development of European automotive companies and ultimately harm Europe's own interests. The protectionist measure could trigger a cycle of retaliation, leading to a breakdown in cooperative trade relations, he said. "The decision for additional import duties is the wrong way," Zipse added, as the EU is harming European companies and interests. "Protectionism risks starting a spiral: tariffs lead to new tariffs, to isolation rather than cooperation," he added. "We should recall how Europe has guaranteed economic prosperity over the past decades, not by closing markets but by opening them," Ola Källenius, Mercedes-Benz CEO, said.

"The negative effects of this decision outweigh any potential benefits for the European and especially the German automotive industry," Volkswagen said in a statement. Stellantis, which was formed from the merger in 2021 of the Italian-American conglomerate Fiat Chrysler Automobiles and the French PSA Group, said it believes in free and fair competition in a worldwide trade environment and does not support measures that contribute to global fragmentation. The German Association of the Automotive Industry spoke against the EU's move. Spokesperson Simon Schuetz said that the German automobile industry is not in favor of the tariffs because they do not believe tariffs are a good measure to resolve this conflict. The European Automobile Manufacturers' Association (ACEA) said: "Free and fair trade is essential in creating a globally competitive European automotive industry, while healthy competition drives innovation and choice for consumers."

Several Chinese government departments and organizations voiced strong opposition to the European

Commission (EC)'s decision and vowed all necessary countermeasures, urging the EU to immediately correct its wrongdoings. Observers said the move is purely political, helping neither EU consumers nor EU auto industries, and they added that China will take resolute measures to safeguard its lawful interests. China rejects the accusation that it unfairly subsidizes its EV industry.

According to the WTO's anti-dumping and countervailing rules, subsidies that constitute an apparent violation of WTO rules should contain two elements: one, subsidies should directly pertain to exports; and two, they should be received directly during the manufacturing stage. But neither element is apparent in this case. First, there is no specific evidence of the Chinese government giving exports-specific subsidies to Chinese EV makers. Logically speaking, one would expect Chinese-made EVs sold in the EU to be less expensive than the ones sold at home if such exports-specific subsidies were indeed given to the EV makers. In reality, however, the exact opposite is true. Second, the so-called government subsidies to EV makers are mostly incentives provided by local governments to consumers – something that the EU also does – R&D to institutions specializing in basic research, product development firms and manufacturing plants. Such subsidies fall in the gray area under the WTO's countervailing rules, and are usually litigated through the WTO's dispute settlement mechanism. Even if such types of government aid were given to Chinese EV makers, the value apportioned to each EV exported to Europe would be so small that a comparable tariff would not be more than a few euros per EV.

"Prices of European EVs are as much as twice those of Chinese EVs. The new tariffs will not have much influence on the popularity of Chinese EVs in the EU market. The tariffs will help Chinese EV producers upgrade and eliminate outdated ones and will have little impact on big players like BYD," said Yao Yang, Director of the China Center for Economic Research at Peking University. "The swift and loud opposition from EU industries and member countries is a reminder that **the EC's politically charged probe could not even garner the support of those it claimed to protect,**" Cui Hongjian, Professor at the Academy of Regional and Global Governance of the Beijing Foreign Studies University, told the Global Times.

The China Daily writes that the European Union's decision to slap higher tariffs on imported Chinese electric vehicles will not only **deal a short-term blow to Sino-European trade but also disrupt global industrial and supply chains.** "While the action may appear to 'protect' the local

automotive industry in the short term, it will severely impact the long-term healthy development of the EU's auto industry and potentially damage the overseas business environment for EU companies," the National Development and Reform Commission (NDRC) said. "Shortsighted trade protectionism is not the solution, and the EU should carefully reconsider and promptly correct this misguided approach," the NDRC added.

Meanwhile, **China has pledged to take all necessary actions to safeguard the legitimate rights and interests of Chinese companies,** according to the NDRC. The Ministry of Commerce (MOFCOM) said that it reserves the right to raise the EU's "illegal and protectionist" tariffs on Chinese EVs at the World Trade Organization (WTO) and the NDRC is contemplating imposing import duties on imported cars with engines larger than 2.5 liters, which would have a major impact on car imports from the EU. According to the China Passenger Car Association (CPCA), the EU exports a total of USD18 billion worth of cars with large-displacement engines to China each year, which is higher than the value of EVs China exported to the EU in 2023. If China raises temporary tariffs, EU brands like BMW and Mercedes-Benz will bear the brunt. China might also launch an anti-dumping probe into certain EU dairy products and impose import tariffs on European brandy, which would mainly target French cognac.

China's first ranking Vice Premier Ding Xuexiang is visiting the European Union this week to "deepen" the "green partnership" amid the growing threat of a trade war. Ding, a member of the Politburo Standing Committee who ranks No 6 in the Communist Party's hierarchy, is visiting Brussels and Luxembourg on a five-day visit which started on June 17. "China stands ready to work with the EU to broaden the areas of cooperation and explore new collaboration models. We hope to deepen and solidify our green partnership and make green the most distinctive color of China-EU cooperation," Chinese Foreign Ministry's Spokesman Lin Jian said, adding that "China and the EU share extensive common interests and a broad space for cooperation in green development and have maintained good dialogue and cooperation."

China is the world's largest automotive and EV market, with electric car sales accounting for 60% of the global total. Last September, UBS predicted Chinese-made cars, benefiting from a faster pace of electrification, would control a third of the global market by 2030, up from 17% in 2022.

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

ENVIRONMENT

China also strives to become No 1 in green hydrogen



After becoming the main supplier of EVs, batteries and solar panels, China has set its sights on what it calls the energy of the future: green hydrogen. The array of scale models at the International Carbon Neutrality Expo in Shanghai gave an indication of China's plan for the future of energy. At one such exhibit teeming with miniature airplanes, buses, solar and wind farms, and pylons, a marketing agent from China's largest power producer Huaneng Group enthusiastically explained the company's hydrogen plans to a group of government officials from Shanghai's Qingpu district.

In another part of the 20,000 square meter hall, was a hydrogen-powered truck, aptly painted in blue, developed by Shaanxi Automobile Group and U.S. energy tech firm Accelera. Across the venue, which showcased the latest technologies and developments from local governments in the race for a green future, at least a dozen exhibits depicted a hydrogen-fueled future to visitors from across the world. "There were some hydrogen-related companies here last year, but most of them just talked about concepts," said Lu Yufei, Vice President of Shanghai CEO Environmental Protection Technology, a maker of sewage and exhaust gas purification equipment that launched a pilot hydrogen production project in Shanghai in March. "This year it was different; they brought real world products and detailed solutions."

There were dozens of hydrogen companies at the expo, from less than 10 last year. More than 20 of them are based in Shanghai's Lingang district, which is known for U.S. carmaker Tesla's Gigafactory. The event showcased China's ambitions for its hydrogen industry. The world's largest greenhouse gas emitter has looked into opportunities presented by the most abundant element in the universe. **China wants to be a global leader in hydrogen to provide a pathway to carbon neutrality, and reduce its reliance on energy imports.** It also sees hydrogen as a pillar of economic growth. Hydrogen, which does not emit carbon dioxide when burned, has been described as a "Swiss army knife" that can be used for power generation, heating and to decarbonize industries like steel and cement. To limit the global temperature rise to 1.5 degrees Celsius, the world will need at least 430

million tons a year of hydrogen by 2050, compared with 95 million tons in 2022, according to a forecast by the International Energy Agency (IEA). This could translate into many big business opportunities, creating millions of jobs worldwide in a hydrogen-fueled future.

In March, hydrogen appeared for the first time in the Chinese government's annual work report, listed as a "cutting-edge" industry that will see accelerated deployment. This came after Beijing released its maiden national hydrogen strategy in 2022 up to 2035. The initiative called for at least 50,000 hydrogen-powered vehicles to be deployed and 100,000 to 200,000 tons of green hydrogen to be produced annually by 2025.

"China is probably one of the most active countries trying to popularize hydrogen and develop the hydrogen economy," said Jenhao Han, Managing Director for Asia at Hy24, a Paris-based global investment firm exclusively focused on the hydrogen industry. At a forum in Beijing in April, **Tsinghua University Professor Ouyang Minggao**, said China has great advantages in taking the lead in manufacturing green hydrogen-related products and equipment such as electrolyzers, fuel cells and fuel-cell vehicles, as well as ammonia and methanol, two carriers of hydrogen. He **called hydrogen the "fourth pillar" of China's economy, following** the country's success in **solar panels, electric vehicles and lithium-ion batteries**, which accounted for CNY1 trillion of exports last year and powered China's 5.2% gross domestic product (GDP) growth.

Green hydrogen, produced using renewable energy, can also help ease China's solar and wind overcapacity issue. Last year, China added a record 301 gigawatts (GW) of renewable capacity, nearly 60% of the global total. However, the country's power infrastructure was unable to consume much of the generated power. "Green hydrogen projects can help absorb some of the renewable power produced in northwestern China, where most of the large-scale wind and solar projects are located and power demand is low," said Yao Zhe, Beijing-based Global Policy Analyst at Greenpeace East Asia. China's ambition to dominate the industry mirrors that of at least 40 countries and regions, including the U.S., the Middle East and the EU.

This decade will trigger a race for technology leadership in hydrogen, which has the potential to change the geopolitics of energy relations, according to the International Renewable Energy Agency. But every country has its own advantages and no single country is likely to dominate the entire chain. There is no guarantee of China's success, but it has the potential to dominate the production of electrolyzers and fuel cells, according to Li Jing, Partner at KPMG. "It's not like the semiconductor and AI sectors," he said. "There are not many technical bottlenecks in developing hydrogen-related equipment from R&D to manufacturing," the South China Morning Post reports.

E-COMMERCE

Online retailer Shein helping SMEs to export



Fast-fashion online retailer Shein is helping Chinese small- and medium-sized enterprises (SMEs) to export.

Take Zhang Min as an example. She took over her parents' eyeglasses factory, which was founded more than a decade ago in Taizhou, Zhejiang province. The factory mainly received foreign trade orders and supplied various types of glasses for offline brand owners and dealers in the United States in its early stages of development. However, orders fell dramatically due to the impact of the Covid-19 pandemic. Looking to expand sales channels and reach more overseas consumers, Zhang decided to use cross-border e-commerce platforms and registered with Shein. "Consumer preferences vary in different countries, and we should dare to develop new products and open up new overseas markets," Zhang said, adding that her company usually determines whether to increase production in line with the latest sales and market trends, instead of manufacturing new products or stocking up goods blindly. Zhang said the biggest takeaway since she opened an online store on Shein is that glasses are an important fashion accessory, with young consumers exhibiting strong demand for glasses in different scenarios, such as shopping, parties and tourism.

Currently, sales from Shein's online marketplaces have accounted for nearly half of Zhang's total revenue, with its turnover reaching nearly CNY10 million each month. Zhang is among millions of young Chinese entrepreneurs whose parents run factories that have survived operational difficulties by capitalizing on the emerging cross-border e-commerce platforms and digital technologies to secure new orders from international markets and rev up sales. Experts said **the unique advantage of Shein lies in its "small orders, quick response" model, which refers to using real-time market demand to regulate production.** Based on real-time analysis and tracking of fashion trends, the model involves starting with very small orders. If the sales trend is positive, sellers will ramp up production. However, if the sales fall short of expectations, production will be reduced or halted. The on-demand production approach not only meets the diversified demand from consumers and bolsters sales, but also minimizes inventory and waste, improves operational efficiency and reduces costs, thus making the production process more agile and flexible and enhancing the competitiveness of products, industry insiders said.

Founded in Guangzhou, Guangdong province, and known for its low prices and large selection of fashionable clothing and accessories, **Shein is ratcheting up resources to help Chinese manufacturers and brands expand their presence in overseas markets**, and give a strong boost to the transformation of traditional industries by making use of its digital and flexible supply chains. The company announced plans to extend its outreach to industrial belts in 500 cities in China in September, up from 300 in 2021. It hopes to facilitate the digital upgrade of more industrial chains, thereby helping them achieve on-demand supply.

For sellers who are good at designing and producing products, but have no overseas sales and operation experience, Shein said it will provide one-stop services, including commodity operations, warehousing, logistics, customer service and after-sales, to help sellers make forays offshore. In addition, Shein is accelerating steps to build a supply chain project in Guangzhou covering operations, warehousing, stocking, ordering, distribution, logistics and delivery. The project is expected to create 100,000 jobs and provide support for goods sold overseas.

"As a new form of foreign trade, cross-border e-commerce has become an important driving force for bolstering the steady growth of foreign trade, as well as promoting the transformation and upgrading of manufacturing and the global expansion of Chinese-made products," said Zhang Zhouping, Senior Analyst tracking business-to-business and cross-border activities at the Internet Economy Institute. Zhang said an increasing number of Chinese sellers and manufacturing enterprises are leveraging cross-border e-commerce channels that feature innovative and flexible on-demand production to expand their global footprint, enrich product variety and build up new brands. By constantly monitoring market changes and collecting consumers' real-time feedback, these platforms can make accurate predictions, while the flexible supply chain model is conducive to upgrading the entire industrial chain, from design and development to production, warehousing and logistics, Zhang added.

China's cross-border e-commerce transactions reached CNY577.6 billion in the first quarter, up 9.6% year-on-year, according to the Ministry of Commerce (MOFCOM). E-commerce exports stood at CNY448 billion, up 14% on a yearly basis. Other Chinese cross-border online retailers are also speeding up their globalization push. Temu, the cross-border e-commerce platform launched by Chinese online discounter PDD Holdings, has gained popularity among consumers overseas as it offers a wide selection of merchandise, including apparel, consumer electronics, jewelry, shoes, bags, cosmetics and baby products at competitive prices. First launched in the U.S. in September 2022, Temu has entered more than 50 countries in North America, Europe, Asia and Oceania. Experts said Temu's business model removes middlemen from the equation, allowing Chinese suppliers to sell directly to U.S. consumers and ship directly from China, instead of building a network of U.S. warehouses, the China Daily reports.

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CHINA NEWS ROUND-UP

G7 nations pledge to oppose “China's industrial overcapacity”

Leaders of the Group of 7 nations vowed in their meeting in southern Italy to take collective action against “Chinese industrial overcapacity”, “unfair state subsidies” and state-led dominance of strategic industries and threatened sanctions against Chinese financial institutions that support Russia's wartime economy. “There was a collective diagnosis and agreement to confront the economic and national security threats from China,” a senior U.S. administration official said at the conclusion of the three-day summit in Italy. G7 members also vowed to end allegedly unfair lending practices by China whereby the World Bank and other Western-led multilateral institutions inject money into developing countries only to see Beijing recover 100% of its loans from the same nations. “China has been taking money out of low and middle income countries,” the official said. “There's a collective agreement to stop that form of free riding.”

In its leaders' statement, the group stressed that it welcomed “constructive and stable” relations with China, was not trying to undercut its development, and recognized its important role in global trade. The leaders added, however, that “we will continue to take actions, as necessary and appropriate, to protect our workers and businesses from unfair practices, to level the playing field and remedy ongoing harm.” The U.S. last week imposed fresh sanctions on China-based firms supplying semiconductors to Russia. “China is not supplying weapons to Russia but it provides the ability to produce those weapons and the technology to do it, so it is in fact helping Russia,” U.S. President Joe Biden said after signing a bilateral security pact with Ukrainian President Volodymyr Zelensky.

The G7, made up of Canada, France, Germany, Italy, Japan, the United Kingdom and the U.S., also called on China to end its export control measures, particularly involving critical minerals, that could lead to significant global supply chain disruptions. The Group of Seven called on China to “uphold its commitment to act responsibly in cyberspace”, voiced its opposition to China's militarization and “coercive and intimidation activities in the South China Sea”, and reaffirmed that “there is no legal basis for China's expansive maritime claims” in the region. The G7 urged Beijing to press Moscow to “stop its military aggression and immediately, completely and unconditionally withdraw its troops from Ukraine”, adding

that it remained concerned about China's opaque and accelerating expansion of its nuclear arsenal, the South China Morning Post reports.

Xpeng's flying car takes to the sky in Beijing in step towards commercial use

A flying car made by AeroHT, an affiliate of Chinese electric vehicle (EV) maker Xpeng, took off at Beijing Daxing International Airport on June 16 for its first flight in China, as the firm moves closer to commercializing its aircraft amid growing policy support for the low-altitude economy. The X2 was demonstrated during the China Langfang International Economic and Trade Fair, which kicked off on the same day and runs through June 20. AeroHT, controlled by Xpeng Co-founder and CEO He Xiaopeng, said in April that it had started making preparations for the commercialization of its flying car and planned to take orders beginning in the fourth quarter this year. The company did not provide an expected price range. China's low-altitude economy, consisting of businesses operating unmanned drones and manned aerial vehicles below 3,000 meters in altitude, has been on the rise since 2021, after the central government introduced policies and regulations to bolster the nascent sector. Development could further accelerate after the central government in 2024 included the low-altitude economy in its work report for the first time. Twenty-six provincial governments laid out plans for the low-altitude economy this year, according to official data published in April.

The Beijing municipality in March issued a blueprint for its low-altitude sector, with plans to establish three major air routes connecting neighboring areas by 2027, covering emergency rescue, logistics and distribution, cultural tourism, commuting and more. The country's low-altitude market is forecast to exceed CNY1 trillion by 2026, up from CNY506 billion in 2023, according to a report by the China Center for Information Industry Development, a think tank affiliated with the Ministry of Industry and Information Technology (MIIT).

AeroHT began developing its flying cars in 2013. It has established research centers and testing bases in Guangzhou, capital of Guangdong province and the headquarters of Xpeng, as well as research labs in Shenzhen and Shanghai. **The X2 completed its first public flight in October 2022 in Dubai.** The company competes in China with rivals such as Zhejiang Geely

Holding Group subsidiary Aerofugia and Ehang, which completed last month the Middle East's first autonomous passenger-carrying flight. While China's low-altitude economy is beginning to take shape, underdeveloped infrastructure and lack of industry-wide standards are hindering large-scale commercial roll-out, Wu Ximing, Deputy Director of the Science and Technology Committee of the Aviation Industry Corporation of China (AVIC), said, as reported by the South China Morning Post.

Chinese electric tricycles becoming a hit overseas

China's motorized tricycles, mainly popular in rural areas for local transport, are fast becoming a new popular export product. China is also famous for production clusters, where the production of a certain product and its parts are concentrated in a few hubs. Yanshi district of Luoyang city in Henan province is known as China's three-wheeler hub. One out of every three tricycles in China is made there, and all the parts required to assemble a tricycle can be gathered within 30 minutes. The humble vehicle is now growing in popularity overseas, including in Africa, Southeast Asia, the Middle East and even the U.S. Even Hua Chunying, Vice Minister of Foreign Affairs, and Xie Feng, China's Ambassador to the U.S., have promoted them on social media. The tricycles' popularity has quickly boosted upstream industries. This year, industrial regions like Wuxi and Xuzhou in Jiangsu province, Linyi in Shandong province, and Luoyang in Henan have all had their economies boosted by the vehicle.

In late April, the 11th China Three-wheeled Motorcycle Industry Development Summit in Yanshi saw contracts worth CNY500 million signed, a record amount, according to the local government. "With the push from China's new energy market, foreign traders are eager to collaborate with Chinese manufacturers. Trade inquiries have increased significantly this year," said Yang Yanchang, Deputy General Manager of the International Trade Department of Luoyang Zhufeng Motor Tricycle Co. "This never happened before." Yang credits the increasing popularity of tricycles to their cost-effectiveness. In international markets, the price of a three-wheeler ranges from USD800 to USD4,000. "These affordable, high-quality, and eco-friendly vehicles are well-suited for farm work and goods transportation overseas," he said.

Zhufeng, a leading manufacturer in Yanshi, was one of the first to begin exporting tricycles. They now export over 20,000 tricycles annually, with an export value exceeding USD30 million, reaching more than 50 countries and regions. The company's first export order was clinched in 2011 at the Canton Fair with a customer in Angola. Zhufeng then began organizing regular trips for foreign trade staff to coastal provinces like Jiangsu, Zhejiang, and Guangdong to broaden their horizons and ideas. Li Pengfei, Director of the Management Center at Zhufeng, said that the first stop for many African customers in China is Guangzhou. The primary export destinations for Yanshi tricycles are developing countries where tricycles play a crucial role in the transportation of crops and passengers, and the operation of stalls. Li compares their use to "China

20 years ago". Luoyang's first tricycle, arguably also China's first, was made 32 years ago.

The peak for Yanshi's tricycles was in 2014 and 2015, with annual domestic sales reaching 1.1 million units. However, in recent years tricycle demand has dropped due to market saturation and equipment upgrade policies. In 2023, domestic sales in Yanshi fell to 400,000, about a third of a decade ago. Now the tricycles have found markets abroad. Last year, the district's total three-wheeler production and sales reached 400,000 units, with over 20 million parts sold, generating revenue of approximately CNY4.5 billion. In the first quarter of this year, Luoyang's motorcycle exports exceeded CNY230 million, up 48.4% year-on-year.

This year's focus is "going global", targeting new overseas markets, especially countries involved in the Belt and Road Initiative (BRI). The Covid-19 pandemic significantly impacted three-wheeler exports over the past three years, but since the second half of 2023, overseas demand has surged, said Yun Fubo, owner of Luoyang Jiasi Trade Co. According to market research firm Diresaerch, the global electric tricycle market was worth CNY61.86 billion last year and is expected to reach CNY149.89 billion by 2030. The Asia-Pacific region is the largest market, with about 90% of the global total in 2023, followed by Europe with around 5%, the China Daily reports.

Start-up SmartMore is Hong Kong's new hi-tech poster child

A smart manufacturing start-up founded in 2019 by a Chinese University of Hong Kong Professor has been hand-picked by the government as a poster child **representing the city's ambitions to become a hi-tech hub.** Government-run Hong Kong Investment Corporation (HKIC) and **home-grown unicorn SmartMore** celebrated their "strategic cooperation" at a ceremony in a rare official endorsement of a start-up. Financial Secretary Paul Chan hailed SmartMore as a typical Hong Kong story: raised in the city, expanding in the Greater Bay Area, and aspiring to global success.

While privately-held SmartMore has not disclosed its financial data, the company is known as one of the fastest-growing start-ups in China. At the ceremony, the firm displayed products ranging from sensor bar-code readers in products, such as mobile-phone frames and earphones, in a production line. According to a SmartMore brochure, the company's products are used by major clients worldwide, including advanced lens maker Carl Zeiss, European aircraft manufacturer Airbus, and Japanese camera and office equipment maker Canon. On the mainland, its clients include leading television producer TCL, smartphone brand Oppo and Apple's largest contractor Foxconn Technology Group.

SmartMore's business focus of **applying artificial intelligence, automation and optics engineering to factory machinery,** a result of research expertise accumulated by its founder Jia Jiaya over two decades, fits into China's broader strategy of upgrading its vast web of manufacturing facilities with cutting-edge technologies. Jia, who delivered speeches in Cantonese, Mandarin and

English at the ceremony, said the city will be SmartMore's first choice for an initial public offering (IPO) down the road. The company is valued at an estimated HKD10 billion after at least three funding rounds backed by investors such as IDG Capital and HongShan. It is a "must" for the company to float its shares to finance its expansion and generate returns for shareholders, said Jia, who came to the city in 2000 to study at the Hong Kong University of Science and Technology and joined the Chinese University in 2005.

HKIC CEO Clara Chan said Smartmore has been given a mandate to boost the city's technology ecosystem. She declined to disclose how much money the government will invest in the company. In a videotaped speech, Hong Kong Chief Executive John Lee heaped praise on SmartMore, saying its deal with HKIC has a significant meaning partly because it includes a plan to establish "the first artificial intelligence academy of Hong Kong". Hong Kong is placing high hopes on tech start-ups to reinvent its economy, as the city's traditional advantages in finance, shipping and trade come under threat amid growing U.S.-China tensions, the South China Morning Post reports.

Real estate policies start to stimulate the market

The latest local housing fine tuning policies are taking effect with improved market activity in major Chinese cities, leading to expectations of the stabilization of the property market, industry experts said. "In the new home market, about 1,302 apartments were traded on average per day among the key 13 cities during the Dragon Boat Festival holiday, soaring 172.54% (or 478 units per day) from that seen during the May Day holiday," said the Zhuge Real Estate Data Research Center. "The significant increase comes after supportive measures were announced by the Chinese government on May 17 and various local level fine-tuning moves, indicating that policies were effective in increasing demand and promoting transactions," said Guan Rongxue, Senior Analyst at the Zhuge Real Estate Data Research Center.

During the three-day-long Dragon Boat Festival, Shanghai's residential property sector saw upbeat sentiment among potential buyers as both daily inquiries and visits related to existing homes rose 30% from the days before May 27, when a nine-item policy was released by the local municipal government, said the Shanghai Lianjia Research Institute. "Since Shanghai announced measures to further free up the housing market in late May, our workload grew 40% to 50% due to soaring inquiries and visits from potential clients, and the trend continued during Dragon Boat Festival," said Yang Chen, an agent with Sinyi Realty in Shanghai's Jing'an district. He also discovered an evident increase in buying budgets.

"Before the new policies, many clients preferred to buy homes without applying for mortgages, as they did not want to sacrifice their living standards. But now, more people want to apply for loans as mortgage rates and down payments have dropped," Yang added. "These new measures have precisely targeted rational home buying demand in the market, including inelastic demand and reasonable requirements for moving to better homes," said

Lu Wenxi, Market Analyst at Centaline Shanghai. Shanghai expressed strong support for the local housing market on May 27 by announcing measures to scrap some purchase restrictions, optimize credit policies, encourage trade-in activities and improve land and housing supplies. Lu expects Shanghai to see double-digit transaction growth in June from the previous month, and transaction volume in the second half will be better than in the first. "The worst time for home transactions has passed," said Lu.

In the five key cities Zhuge Real Estate monitored, a total of 933 pre-owned flats were traded during the Dragon Boat Festival period, up 40.72% from a year ago, and surging 232.98% per day in comparison with the May Day holiday, said Guan.

Beijing drops three places to No 8 in global start-up ecosystem ranking

Beijing has fallen three places from 2022 to No 8 in the latest ranking of the world's top 40 start-up ecosystems, as a weak domestic economy and growing tensions with Washington deter investment interest in China's capital. Silicon Valley came out on top, while New York and London were tied in second place, according to the latest **Global Start-up Ecosystem Ranking (GSER)** published by research firm **Startup Genome**. Singapore, in seventh place, was the top-ranking Asian city this year. Seoul and Tokyo stood at No 9 and 10, respectively. The GSER report ranks start-up hubs by five measures: funding, performance, market reach, talent and experience, and knowledge. While Beijing received nearly full marks in the last four categories, it scored the lowest among the top 10 cities in the funding category. The Chinese capital, which reached its highest overall ranking at No 3 in 2019, suffered largely from a drop in funding and successful exits, according to the report. During the 30 months preceding the end of 2023, the city recorded 223 Series A deals to place 11th globally, while marking only 60 exits to rank 58th.

The Chinese government's years-long crackdown on the technology sector has driven investments away from the country's consumer internet sector, once fertile ground for unicorns – start-ups valued at more than USD1 billion. Escalating rivalry between the world's two largest economies has also weighed on sentiment, according to investors and industry experts. Some U.S.-based limited partners, in particular pension funds, have reduced their capital allocations in China, according to Conrad Chan, Partner at Deloitte China's Venture Capital and Private Equity Program. Chinese investors have also been hindered by U.S. curbs on access to capital, talent and technology, according to Ben Harburg, Founder and Managing Partner at MSA Capital.

In the first quarter this year, venture capital investments in China slumped by 30% from the previous quarter, the lowest in four years, according to a report in April by KPMG. Despite the challenges, Beijing still led Asian cities in ecosystem value, as measured by the value of exits and start-up valuations from the second half of 2021 up to the end of 2023, according to the GSER report. At USD525 billion, the ecosystem value of the Chinese technology hub

was almost five times that of Singapore, and 10 times that of Tokyo. During the period, Beijing had 16 exits each worth at least USD1 billion, second only to Silicon Valley globally, the South China Morning Post reports.

Chinese scientists develop material for storage chips with almost infinite lifespan

Chinese scientists say they have developed a groundbreaking material that could give storage chips an almost infinite lifespan. This new type of ferro-electric material could potentially reduce data center costs and have applications in deep-sea exploration or aerospace in the future. Ferro-electric materials are commonly used to make chips for storage and sensing purposes that are critical to artificial intelligence (AI) and other hi-tech areas hit by U.S. sanctions. In 2022, China's leading memory chip producer, Yangtze Memory Technologies Co., was placed on the United States government trade blacklist, prohibiting it from buying U.S.-made equipment for advanced storage chip production. The move prompted China to invest heavily in technology to replace this equipment and develop new parts, and it has since achieved mass production of storage chips, breaking the monopoly held by foreign manufacturers in the industry. As a result, the price of storage chips has fallen dramatically in the past year, in some cases by up to 90%. These storage chips are used for computer memory, automotive chip memory, solid-state drives, USB drives and smartphone flash memory.

Ferro-electric materials are among the most ideal for making storage chips due to their low power consumption, lossless reading and fast writing capabilities. Ferro-electricity allows these materials to rapidly switch states under an electric field – a process known as polarization – which remains stable even after the field is removed. It can be likened to a form of permanent rapid memory. These materials are already used in storage technology, sensors and energy devices, and they could be used to build storage servers or to support large data centers in the future – potentially having an impact on the U.S.-China rivalry over AI technologies. But traditional ferro-electric materials that are widely used commercially – like lead zirconate titanate (PZT) – can experience what is known as ferro-electric fatigue during use, leading to performance degradation and eventual failure. The Chinese team set out to tackle this problem by improving the structure of the material.

The research was led by Professor Zhong Zhicheng from the Ningbo Institute of Materials Technology and Engineering, Chinese Academy of Sciences (CAS), in collaboration with Professors Liu Fucai from the University of Electronic Science and Technology in Chengdu, Sichuan, and Li Wenwu from Fudan University in Shanghai. Their findings appeared in the peer-reviewed journal Science on June 7. The team came up with a nanometer-thick two-dimensional layered material that they called 3R-MoS₂, which exhibited **zero performance degradation after millions of cycles**, suggesting that storage devices made from this new material have no

read/write limitations, the South China Morning Post reports.

Huawei's HarmonyOS becomes China's No 2 mobile operating system

Huawei Technologies' mobile platform HarmonyOS has overtaken Apple's iOS to become the second-biggest mobile operating system in mainland China in the first quarter, according to the latest market data from Counterpoint Research. HarmonyOS accounted for a 17% share in the first quarter to surpass iOS for the first time in the world's biggest smartphone market, as strong domestic demand for Huawei's latest 5G handsets drove up adoption of the Shenzhen-based company's self-developed mobile operating system, Counterpoint data showed. U.S.-sanctioned Huawei saw HarmonyOS' domestic presence more than double, from an 8% share in the first quarter of 2023, on the back of the company's return to the 5G handset segment last year with its Mate 60 series smartphones. Apple's iOS fell slightly behind with a 16% share, while Google's Android continued to dominate the market with a 68% market share in the same period.

HarmonyOS' share is expected to "grow further, as Huawei focuses on supply chain localization", according to Counterpoint. Globally, Android and iOS remained ahead in the March quarter with shares of 77% and 19%, respectively. HarmonyOS had a 4% share worldwide in the same period. The growing domestic adoption of HarmonyOS shows how Huawei's strategy to build an Android alternative has started to pay off, overcoming the impact of U.S. government-imposed tech restrictions when the company was added to Washington's Entity List in May 2019. Under that trade blacklist, Huawei is barred from buying software, chips and other U.S. technologies from suppliers without Washington's approval. Huawei launched HarmonyOS in August 2019. Early versions of HarmonyOS had been criticized as being little more than a variant of Android, but the latest version – HarmonyOS Next, released as a developer preview in February – has seen the competing operating systems further diverge. HarmonyOS Next will no longer support Android-based applications.

Huawei plans to release HarmonyOS Next with the Mate 70 series flagship smartphones later this year, Rotating Chairman Eric Xu said in May. The company stood out as the best performer among all major smartphone vendors on the mainland in the first quarter when its sales grew 69.7% year-on-year, according to Counterpoint. The research firm largely attributed that performance to Huawei's popular 5G Mate 60 series and strong brand reputation, which helped the firm gain more share in the premium segment where handsets are priced from USD600. As of January, more than 200 partners have initiated development of HarmonyOS-based apps, according to Huawei, which has said it aims to have 5,000 partners on board by the end of this year. Major enterprises that have started development of HarmonyOS-based apps include Alibaba Group Holding, Meituan, Ant Group, JD.com and McDonald's China, the South China Morning Post reports.

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