

# China Business Weekly

20 May 2025



FLANDERS-CHINA CHAMBER OF COMMERCE  
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

## ACTIVITIES SUPPORTED BY FCCC

### Maasmechelen Village Tourism Conference: “Belgium, still the surprise package of Europe?” – 22 May 2025



An inspiring day with high-level speakers from the tourism industry focusing on the evolution of Belgium as a travel destination, moderated by Ana Rovzar.

#### Program

**8 AM:** Bus shuttle Brussels to Maasmechelen Village, departure Place Poulaert 6

**9 AM – 9:45 AM:** Arrival and welcome at the Terhills Conference Center, doors will close at 9:45 AM

**10 AM – 12 PM:**

Ludivine Destrée, Senior Marketing Manager, The European Travel Commission

Tania Ter-Osseplantz, Senior Aviation Marketing Manager, Brussels Airport

Laura Olaerts, Deputy Tourism, Province of Limburg

Werner Vanherle / Bart Canini, Founder & Owner, Creneau International

Fireside Chat with Ludivine Destrée and Tania Ter-Osseplantz

**12:30 PM – 1:30 PM:** Lunch at Cho Gao, Maasmechelen Village

**1:30 PM:** VIP Shopping Experience

**2 PM:** Return bus shuttle 1

**5 PM:** Return bus shuttle 2

If you wish to enjoy our bus shuttle, please confirm and specify return time.

**RSVP before 16 May** via [event@maasmechelenvillage.com](mailto:event@maasmechelenvillage.com)

**Address:** Terhills Conference Center, Zetellaan 68, 3630 Maasmechelen

## Tan Dun: Water Concerto, Hypnotising water percussion – 26 June 2025 – Schelle



Water Concerto, hypnotising water percussion by Tan Dun and the symfonieorkest Vlaanderen – in the presence of the Ambassador of China to Belgium, His Excellency Fei Shengchao – on Thursday, 26 June 2025 at Schelle Interescaut. Networking in the middle of industrial heritage with an amazing view over the river Scheldt.

20:30 The best seats for the concert  
22:00 Meet & greet with Tan Dun & drink with bites

€159 excl. VAT pp

18:15 Festive walking dinner with champaign  
20:30 The best seats for the concert  
22:00 Meet & greet with Tan Dun & drink with bites

€289 excl. VAT pp

Tickets can be booked by sending an email to [fleur@festival.be](mailto:fleur@festival.be)

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## The Third China International Supply Chain Expo (CISCE) – 16-22 July 2025 – Beijing



### 中国国际供应链促进博览会

China International Supply Chain Expo (CISCE)

The China International Supply Chain Expo (CISCE), as the world's first state-level expo focusing on the supply chain, is a global public good shared by the whole world. The third CISCE is scheduled to be held in Beijing from July 16 to 20, 2025, with a total area of 120,000 square meters and six major chains which include advanced manufacturing, clean energy, smart vehicles, digital technology, the healthy life, and the green agricultural chain, and one supply chain service exhibition area. Up to now, nearly 200 companies have signed up to participate in the third CISCE. We welcome the active participation of Chinese and foreign enterprises.

Since 2023, the CISCE has been successfully held for two editions, becoming a global economic and trade event with distinctive exhibition features, diverse activities and fruitful cooperation, and making positive contributions to the construction of a more secure, stable, open and inclusive global industrial and supply chain.

Venue: China International Exhibition Center Shunyi, Beijing

Contact: 010-84600162

## PAST EVENTS

### Webinar: “China – Supply Chain Management: Challenges and Opportunities” 15 May 2025



The Flanders-China Chamber of Commerce organized a webinar – with the support of Flanders Investment & Trade – focused on **the challenges and opportunities in the supply chain for European businesses** on **15 May 2025**.

Ms. **Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce, introduced the topic of the webinar and the speakers. Let's first look at the bigger picture of EU-China trade. Despite ongoing tensions, the mutual dependence between the EU and China remains strong. Every day, the EU and China trade over €2 billion worth of goods that adds up to more than €730 billion annually, much of it in high value sectors like machinery, vehicles, chemicals and advanced manufacturing. Investment flows are equally significant in 2000-24. Chinese accumulated direct investment in the EU reached €185 billion, while European accumulated investment in China stood at €184 billion. Even in turbulent times, the economic ties between our countries continue to run deep, but we can't ignore the disruptions caused by geopolitics, especially the U.S.-China trade tensions. Following trade talks, the U.S. and China agreed to a 90-day pause on mutual tariff reductions. U.S. tariffs on Chinese goods have dropped to 30%, while China's tariffs on U.S. goods have fallen to 10%. Much uncertainty remains about what happens after the 90 days. So this unpredictability and uncertainty is very difficult for our companies doing business in China and a lot of trade will be done during these 90 days.

A recent survey of European companies in China revealed that about 44% of respondents said they were importing U.S. goods affected by Chinese tariffs, and that prices had already risen or were expected to. Many companies said they plan to switch suppliers in response to these rising costs. The survey also showed that while business confidence has been shaken by the trade war, **European firms are not pulling back. In fact, many are doubling down on their localization strategies in China.** Even though you have all this tension, if you're going to be able to compete on price and quality, China is still the place you need to be. So even though everyone talks about de-risking, we actually see a little bit of the opposite, and that sentiment captures also the delicate balancing act many European companies are now navigating.

**Didier Duponselle**, Business Development Director Consumer, Ahlers, talked about **“Navigating the Waves: The Impact of Geopolitical Shifts and Shipping Orders on Transportation Costs related to China”**. On the logistics side, from an analyst point of view, we were one of the first to set foot on the ground in China in the early 90s. We have absolutely zero intention to change that, on the contrary, we are looking to grow further through some contracts and several companies are really interesting to grow further and to make use of the potential of the Chinese labor and production capacity. So in the field we don't really see a lot of changes. Ahlers is a logistics service provider. We organize and coordinate transportation, customs and warehousing where needed within very specific markets. We offer high quality services that we try to be as sustainable as possible, and we can to a certain extent make our solutions a bit more tailored than what the bigger giants in logistics do. We are present from Western Europe all the way to China, which does not mean that we're not trading with the rest of the world as well. But China is a critical part because it is at the end of the Silk Road for us and for Chinese at the beginning of the Silk Road. Today, it is actually at the beginning because most of the production is coming from China.

The supply chains, especially the international ones, are undergoing structural changes. Decisions have been taken by every single company I spoke to. All companies are taking actions and there have been trade wars already since a long time. It's just a lot more mediatized and a lot more drastic today, but let's be clear that it's creating a consciousness within companies to rethink supply chains, and the transformation is accelerating. I think we will not be able to live without globalization, but it will not be as fast as it once was. **What we've seen in the short term is that exporters abandoned some shipments mid-transit.** They just said “I'm not going there, bring my containers back, we're going to reroute, we're going to wait because there is too much uncertainty. Instead of bringing them to the U.S., bring them to Europe, at least I know that the Europeans are a more stable trade partner today”.

China-U.S. shipments from certain shippers dropped from 40 to 50 containers to three to six containers per day. This is what uncertainty does in the short run and is to a certain extent a panic reaction, but it is also a common sense reaction as with such high tariffs it is no longer viable to sell your products. All the big ship owners changed their departures till last

week, 29% down between China and U.S., probably awaiting the outcome of the trade talks. The impact on capacity is huge. Already in 2023 capacity for certain product groups was down 6%. When you have less trade to the U.S. for your products, you will look for different markets, and at least 2% of that trade went into Europe, where there was a market that was happy to absorb part of these volumes. There is clearly a shift, so trade tariffs and sanctions have impacts. Very interesting as well is that during the last years, the Chinese exporters actually were raising their prices, they didn't absorb these extra import charges. We expect an increase in Chinese exports to Europe in June. The spot rates from China to Europe have been declining, not because there is no demand from Europe for Chinese goods, because we are not in economic glory times. Carriers have shifted capacity. Since April, you can see 117,000 TEU, so that's four or five huge vessels which do monthly turnarounds which have been shifted. In the spot market, you can get your 40 foot container for USD2,744 from Shanghai to Antwerp. **On a structural level, a lot more containers have been added in 2024 than we needed, so we have a structural overcapacity in the global market.** For the medium term, the contract market is very very uncertain. The drop in tariffs into Europe which we see now, we do not expect in the longer term contracts, especially not with the deal between U.S. and China right now.

**Giovanni Gijssels, Partner Customs & International Trade, PwC**, gave a presentation on “**Navigating U.S. Tariffs: Implications for EU-China Trade Relations**”. It goes without saying that we live in very volatile times, and the big discussions with clients is all about Trump. The adaptations are occurring very quickly. We had Covid, which had a big impact. We had the Suez Canal, which was blocked, which caused a massive disruption, but actually you see that trade flows adapted rather quickly. We're in the transition towards a new type of economy. There are workforce and population challenges. The Chinese population pyramid is almost a Christmas tree, so it's massively declining very rapidly, which is of course a challenge that more and more people are looking into. How will we keep our production at a certain level where we will have less people potentially being able to work in factories? These tariffs are imposed by executive orders, which the President can do, but they're not really legislation. So there are limits in principle to what they can do. Where it's not clearly written, President Trump and his administration will push the boundaries to the maximum extent and face the challenges of courts potentially. More and more people start to question, can you put everything under an emergency act?

On the 4<sup>th</sup> of February, we had the fentanyl tariffs, then they started looking into more sector related activities on March 4 and steel and aluminum tariffs a bit later, and then on April 2, these reciprocal tariffs were announced at 10%. The reciprocal tariffs are suspended for 90 days, but the 10% is really a massive change. European tariffs on average are below 2%. China said it would match what the U.S. is doing and that's where actually things started escalating as of the 9<sup>th</sup> of April. On the 12<sup>th</sup> of April, they had to back down a bit, certainly because of all the iPhones, for instance, coming out of China, which would become too expensive, so they started with the first exclusion. On the 17<sup>th</sup> of April, there was this announcement that for certain Chinese products the tariffs were as high as 245%. Also an important is the port fee structure on Chinese carriers and vessels to shift away from Chinese vessels so as to recreate an American shipbuilding industry. Also important as of the 1<sup>st</sup> of May is the suspension of the de minimis treatment. It would have meant millions of declarations on a daily basis for very high amounts, which led some express couriers saying they will not do B2C shipments anymore, because the risk is too high.

China has also been heavily impacted by restrictions that the U.S. and to a certain extent Europe has put on the sharing of technology, such as the U.S. pushing ASML in the Netherlands not to sell machines to make semiconductors to China to try to limit their semiconductor capability. If you have a U.S. product here in Europe and you want to ship it to China, you need to follow the U.S. rules. China is doing the same. They started also sanctioning certain U.S. companies that are actually not able to do business anymore in China, but mainly they use rare earth minerals as a stick. **Europe depends on U.S. technologies for a large extent, but also relies on China both as a market and producer, so we are a bit between a rock and a hard place** at this point in time. We cannot play the role of superpower, even though our market is quite big. What we have been doing with companies is looking into the impact on supply chains. We also had a discussion on pharmaceutical exports out of Belgium. It is a flow of USD17 billion, so if you tag that with 10%, it's USD1.7 billion that comes on top as an additional cost. In the coming weeks you will start seeing in the supply chains that these tariffs will have a price increasing effect. China basically is the manufacturer for the U.S. and lends money to the U.S., which they use to buy things from China. They say we don't want to go to a decoupling, and I think that makes sense. China is also a big stakeholder of the U.S. debt, and whether they like each other or not, they are bound together.

**Zhao Feng, Deputy Director, CCPIT** introduced the **International Supply Chain Expo**. Over the past few decades with the deepening development of the economic globalization, international industrial and supply chain cooperation has been increasing and the countries' industrial chains have been embedded in each other. The U.S. government using tariffs as a weapon is seriously disrupting the global supply chain. There has been a tariff deal between China and the United States, but we believe that only by adhering to openness and cooperation in the global industrial and supply chain can we achieve win-win development. In order to meet the urgent need of the global business communities to maintain the stability and resilience of the international industry and supply chain, CCPIT hosted the first CISCE in Beijing in 2023. The third CISCE will take place from July 16 to 20 in Beijing. The CISCE is the world's first national level exhibition on the theme of the supply chain, focused on promoting the connection of the upstream, mainstream and downstream industrial integration of the large, medium and small enterprises' collaboration in industry, academia, research, and application, and engagement between Chinese and foreign enterprises. At the second edition last year there were 620 exhibitors from 69 countries and regions participating and overseas exhibitors accounting for 32%. The CISCE based on the full industrial chain perspective has six chains: advanced manufacturing, clean energy, smart vehicles, digital technology, healthy life, and green agriculture as well as supply chain service exhibition areas.

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### FOREIGN TRADE

#### Calculation of effective tariff rates is still cumbersome



**With the United States and China agreeing to lower tariff rates after bilateral trade talks in Switzerland, the triple-digit duties imposed since April have been significantly reduced.** The headline changes seem simple enough: for the next 90 days, Chinese goods shipped to the U.S. will be subject to at least 30% in tariffs, and American exports will receive a minimum 10% in duties, down from the respective 145% and 125% rates leveled in the wake of the “Liberation Day” tariff package unveiled by U.S. President Donald Trump on April 2. **But these rates do not include previous tariffs**, held over from the first trade war during Trump’s initial White House term, **nor do they factor in other duties on specific goods and categories of products.** To help sift through the morass, the South China Morning Post has summarized the new tariffs, how they stack up with earlier duties, and predict their potential impact on Chinese manufacturers and exporters.

While specific tariff levels for Chinese exporters will vary depending on the product, the baseline rate is about 50% according to estimates from financial institutions and comments from U.S. Treasury Secretary Scott Bessent. **That 50% rate is derived by adding the around 20% in tariffs imposed during Trump’s first term plus the 30% in new duties still in force after the latest agreement.** This number is consistent with the 49.3% estimated by Huatai Securities, which calculated the effective rate to be 19.3% at the end of last year. Other sectors – such as steel and aluminum, which carry an additional 25% in tariffs, would see rates higher than that 50% baseline.

“There’s still a lot more that has to be done, because Chinese companies have been operating on increasingly

thin margins for the past couple of years,” said Nick Marro, Principal Economist for Asia at the Economist Intelligence Unit (EIU). **A tariff rate of around 40% to 50% is still “prohibitive” for a lot of firms.** “What this means is that we’re going to see continued activities around transshipment, the mislabelling or under-invoicing of China-originated goods, and Chinese firms fulfilling U.S. orders via their factories in Southeast Asia or other non-China markets,” Marro said.

Stephen Olson, Senior Fellow at the Yusof Ishak Institute (ISEAS) in Singapore and a former U.S. Trade Negotiator, called a 30% tariff rate “very steep” but “not necessarily impenetrable” – unlike the previous rates which threatened to stop bilateral trade cold. “At least some industries might be able to absorb the 30% and still be able to export to the U.S.,” he noted. “For those sectors facing the 30% plus the previous tariffs of 25%, it might be insurmountable,” he added.

Lower tariffs on Chinese goods are likely to keep auto-parts exports relatively attractive for American buyers, prompting China-based producers to reassess their plans to build production facilities in the U.S. Representatives of five vendors said they embraced the truce since their goods were still demanded by their American clients. China shipped almost CNY100 billion worth of auto parts to the U.S. – from electric vehicle (EV) batteries to lidar sensors and drive control systems – in 2024. “We are confident that U.S. customers will be willing to buy our products, even if they still have to pay the extra lower tariffs,” said Qian Kang, who owns a factory making printed circuit boards in Zhejiang province. “But neither Chinese vendors nor American customers are able to strike deals, because the outlook is uncertain. You have to be aware that tariffs may jump again after 90 days.” Chinese-made EV batteries are now subject to 58.4% U.S. tariffs – which comprises the 30% extra levy and the existing duties, down from 173.4% before the Geneva deal. Not all Chinese car-parts producers were subject to the 145% additional duty the U.S. imposed last month. On average, they faced an import duty of around 70%, according to the International Intelligent Vehicle Engineering Association. “All those companies are closely monitoring the tariff war and the adjustments,” said David Zhang, General Secretary of the Shanghai-based Association. “But there is no way that any of them can figure out the best way to sustain their business given the uncertainties.”

Several automotive supply-chain vendors are still bemused by the volatile tariffs that are complicating their go-global strategies. Studies on production and logistics costs, as well as pricing strategies, were not keeping up with the dynamic trade conditions, they said, making risk management a top priority to navigate the tariff spat. At Auto Shanghai, the world's largest marquee event that ended on May 2, several car-parts producers said they had plans or were already in talks to set up factories in the U.S. as a way of sidestepping Trump's punitive tariffs. Autolink, a smart cockpit supplier backed by Chinese EV maker Nio,

has been planning to set up a production base in Detroit since the beginning of this year, a manager told the South China Morning Post. "We see greater sensitivity to tariffs among China's car-parts makers," S&P Global Analysts including Claire Yuan wrote in a report. "My suggestion to Chinese car-parts makers is not to make any definitive plans due to the ongoing uncertainty," said Yale Zhang, Managing Director of Shanghai-based consultancy Automotive Foresight, as reported by the South China Morning Post.

## Chinese exporters focus on golden opportunities in domestic market



**China has rolled out measures to help foreign trade companies expand into the giant domestic market to hedge against the uncertainties of foreign trade.** For China's exporters, switching to sell in the domestic market comes along with challenges, including adapting to different standard and price systems and domestic consumer preferences. However, China wields great power in tackling trade pressure as it has a huge domestic market with 1.4 billion potential consumers. To help smooth the transition, the Ministry of Commerce (MOFCOM), together with local governments and enterprises, has been taking intensive actions to help foreign trade firms alleviate operational pressures since April. "The Ministry of Commerce will focus on helping 10 major provinces in foreign trade and consumption, and carry out a series of special matchmaking activities around key industries," said Sheng Qiuping, Vice Minister of Commerce, during a recent conference. The events have mainly focused on helping industries with foreign trade advantages like light industry, household appliance, furniture and home furnishings, and food.

"As the world's second-largest consumption market, China has the largest middle-income group in the world, with stable growth in investment and consumption and enormous potential," said Xu Man, Researcher at the Chinese Academy of International Trade and Economic Cooperation. **Domestic online and offline retailers** such as JD, Alibaba's online trading platform 1688, as well as Yonghui Superstores, **said they would like to provide more domestic sales channels for foreign trade firms**

facing export obstacles. For instance, 1688 said for foreign trade companies with inventory backlogs, the platform will provide sales assistance and reduce commissions, and those companies can also negotiate a cooperation model with the platform.

Hangzhou Kara Pet Products Co, a foreign trade firm that mainly makes cat stands, dog beds, plastic feeders for pets and dog chains, said it has exported products to multiple countries and regions such as the U.S., Europe, Australia and Japan, and its annual output value has exceeded CNY200 million. The company's recent business has been affected by tariff uncertainties. "For products we have finished manufacturing, U.S. customers didn't cancel the orders and they asked us to suspend the shipments. Facing such a situation, we believe that we still need to consider building overseas factories," said Chu Qinlin, Founder of Hangzhou Kara Pet Products. Chu said orders from the U.S. accounted for one third of its total, and the company plans to further expand its business in other countries. In the past few years, it expanded the overseas markets in Japan, Russia and Brazil, and businesses from those markets began to pick up last year with growing demand from consumers. "The suspension of the U.S. orders has little impact on the operation of the entire company, and we remain optimistic. We also sell in China, with a change of styles of the products, despite the number of orders being much smaller than the exports," Chu said. She added that if foreign trade firms would like to further shift the businesses domestically, they need to get used to process smaller orders, as people tend not to stock up goods in China, given intense competition.

Peng Jianzhen, President of the China Chain Store and Franchise Association, said with the ongoing consumption upgrade trend, **China has a large number of opportunities for exporters to expand local sales if there are supplies of high-quality, new type products that meet the demand of domestic consumers.** "For China's foreign trade firms, they have many products that sell well in developed countries. If they make some adjustments to cope with the demand of domestic consumers and domestic standards, there is room for further growth," Peng said. Guangzhou Boqun Textile Technology Co, a textile maker of knitted and woven products, said due to uncertainties of the foreign trade business, it plans to expand sales channels in China to

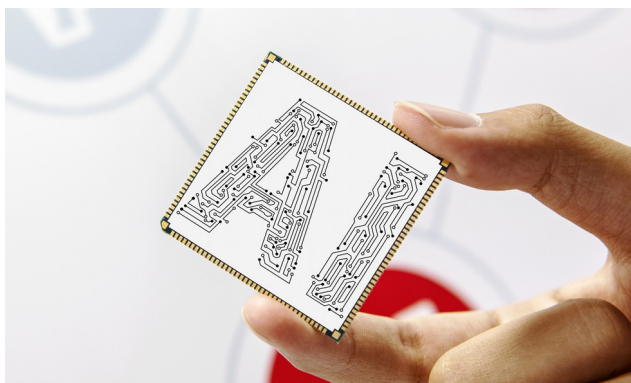
offset the impact. Last year, the company's foreign trade business accounted for 60% of the total. Despite the volume not being significant in the U.S., tariff uncertainties have had a negative impact on the firm. "This year, we plan to shift our focus to the domestic market due to tariff policies and intensified competition in foreign trade. Domestic customers have indicated a growing demand for some foreign trade products," said Li Zheyu, General Manager of Guangzhou Boqun Textile Technology.

More exporters are pivoting to the domestic market, and the trend fits with China's growing efforts to boost domestic demand. In the Government Work Report released in

March, expanding consumption was listed as a top priority among this year's tasks, and various promotional activities are expected to be carried out nationwide throughout the year. The Commerce Ministry, together with five other departments, launched the inaugural "Shopping in China" campaign on April 13. Boosted by multiple favorable policies, China's consumption market has shown a trend of steady growth. In the first quarter, total retail sales of consumer goods in the country reached CNY12.47 trillion, up 4.6% year-on-year. Catering revenue came in at CNY1.4 trillion, growing 4.7% on a yearly basis, according to the National Bureau of Statistics (NBS), as reported by the China Daily.

## SEMICONDUCTORS

### China condemns U.S. claim that Huawei's Ascend chips violate U.S. export controls



**In a further escalation of the tech war between China and the U.S., the U.S. Commerce Department's Bureau of Industry and Security claimed that the use of Huawei's Ascend chips risks violating U.S. export controls, and warned about the potential consequences of training Chinese artificial intelligence (AI) models with U.S. AI chips. The U.S. Commerce Department said the use of the chips "anywhere in the world" would breach U.S. export controls. This risks exposing users of Huawei Ascend chips to U.S. sanctions and splitting the tech world into those using Nvidia chips and others using Huawei's chips.**

Chinese Foreign Ministry Spokesperson Lin Jian told a press conference that the U.S. overstretches the concept of national security, abuses export controls and long-arm jurisdiction, and groundlessly and maliciously blocks and suppresses China's chips and AI industry. The U.S. move seriously violates market rules, destabilizes the global industrial and supply chains, and undermines Chinese businesses' legitimate rights and interests, Lin said. "China firmly opposes this and absolutely does not accept it. China urges the U.S. to drop its protectionist acts and unilateral bullying, and stop its egregious suppression of China's tech businesses and the AI industry," adding that China will take firm measures to ensure its right to development and Chinese businesses' legitimate rights

and interests, Lin said.

The remarks by the Foreign Ministry Spokesperson followed criticism of the U.S. move by China's Ministry of Commerce (MOFCOM). Spokesperson He Yongqian said that the U.S. announcement is a typical non-market and unilateral bullying practice, which fully exposes the unilateralist and protectionist nature of the U.S. The U.S. has abused its export control measures and imposed stricter restrictions on Chinese chip products under unfounded allegations. The move has severely undermined Chinese companies' legitimate rights, threatened the stability of global semiconductor supply chains, violated market rules, and disrupted the international trade order, He said.

Ma Jihua, a veteran telecom industry analyst, told the Global Times that despite U.S. efforts to curb China's AI rise – most notably through export controls on high-end Nvidia chips – China's AI sector remains on a rapid growth trajectory. The resilience came from the country's solid industrial foundation and a shift toward self-reliance, which has accelerated breakthroughs in both software and hardware, Ma said. Microsoft Co-founder Bill Gates said in a recent interview that the U.S. tech bans on China have forced it to go full speed ahead in terms of chip manufacturing and other fields, suggesting that such bans have the opposite effect of their stated goals. Earlier this month, Nvidia's CEO Jensen Huang reiterated the importance of China's AI market following a visit to the country in mid-April, saying that China's AI market will likely reach about USD50 billion in the next two to three years, and that missing out on it would be a "tremendous loss".

Despite U.S. crackdowns, the Chinese AI sector has maintained rapid growth. **China is home to over 4,500 AI companies, with its core AI industries valued at nearly CNY600 billion.** China's foreign trade in chip products reached USD129.5 billion in the first quarter of 2025, up 5.5% year-on-year, while its exports amounted to USD40.99 billion, surging 10.9% year-on-year, the latest statistics from the General Administration of Customs

(GAC) showed.

Meanwhile, **Shenzhen has set up a dedicated semiconductor industry fund worth CNY5 billion**, managed by the state-owned Shenzhen Capital Group. The Saimi – pronounced “semi” – fund draws its capital primarily from the Shenzhen municipal government and the Shenzhen Longgang District's guidance funds. Shenzhen Capital Group and Shenzhen Major Industry Investment

Capital, the latter under the Shenzhen Major Industry Investment Group, are both general partners in the fund. Officially registered in the city's Longgang district on April 29, the initial contributed capital totaled CNY3.6 billion. Shenzhen's Finance Bureau is the controlling shareholder, holding a 69.4% stake.

This overview is based on reports by the Global Times and the China Daily.

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## CHINA NEWS ROUND-UP

### Trump Administration reduces import tariffs on low-cost packages from 120% to 54%

**The Administration of United States President Donald Trump announced it would reduce tariffs on low-cost packages from China that fall under the de minimis exemption from 120% to 54%.** The de minimis rule allows low-cost parcels costing under USD800 to enter the U.S. duty-free and avoid customs inspections. A flat fee of USD100 will remain, while the USD200 charge that was to be imposed from next month was canceled. The tariff rate on de minimis packages is now either a flat USD100 or 54% of their value.

“This is great for Shein and Temu, if nothing else, to replenish their U.S. inventory,” Yao Jin, Associate Professor of Supply Chain Management at Miami University of Ohio, said. Estimates by Baird Equity Research suggest that in **2018, at least 75% of all the packages that entered the U.S. under de minimis were from China.** Today, it is more than 60%. In February, Trump imposed a tax of 120% of the package's value or a planned flat fee of USD200. In fiscal year 2024, at least 1.36 billion shipments utilized de minimis, an increase of 637 million compared with 2020, according to U.S. Customs and Border Protection. In 2018, Chinese exports under de minimis were worth USD5.3 billion, but rose to USD66 billion in 2023, the Congressional Research Service found.

### No interest in reviving CAI, says EU Delegation in Beijing

**The European Union has “no intention” of trying to revive the Comprehensive Agreement on Investment (CAI), according to Marjut Hannonen, head of trade for the European Union's Delegation in Beijing,** who insisted the focus should be on making “progress on existing problems” instead. He added that trade ties with China had “steadily deteriorated” in the past 15 to 20 years

as it put in place more barriers for business. Chinese officials, including the former ambassador to the EU, Fu Cong, have been lobbying to revive talks on the stalled CAI. The agreement was initially touted as a landmark deal between the two sides, but in 2021 the European Parliament voted to delay ratification over a round of tit-for-tat sanctions triggered by alleged human rights abuses in Xinjiang, accusations Beijing denies.

Recently, ties between the EU and Beijing have shown some signs of thawing and last month Chinese sanctions on five members of the European Parliament and on the Parliament's Subcommittee on Human Rights were lifted – prompting speculation that Beijing was hoping to revive talks on the deal. But when asked about the suggestion that negotiations on the investment deal could resume, Hannonen said: “The European side has no interest in doing anything on the CAI. There are no intentions in this direction. We have quite some issues with China to address. We should focus on addressing those issues and we should put our energy into that. It is already challenging enough to try to make progress on existing problems so there is absolutely no intention on the EU side to do anything on CAI, which is there somewhere in the closet.” Hannonen was speaking at a discussion on EU-China trade relations as part of a forum organized by the EU Delegation to Beijing to mark 50 years of diplomatic relations.

She said there were still bright spots in the economic relationship – such as the services sector – but major challenges remained, including Beijing's heavy subsidies for domestic firms and the “weaponizing” of its trade policy. “The overcapacity problem is huge, it's growing, it's massive and it goes across the sectors,” she added. “Overcapacity is an issue which we don't see China addressing at all. On the other hand, they are just doubling down on more manufacturing capacity, which is going to make this situation much worse and this is a global problem.” Europe has repeatedly aired concerns over industrial overcapacity, saying it allows Chinese companies to sell products cheaply in Europe and puts local firms at a disadvantage. This culminated in hefty tariffs on Chinese-

made electric vehicles last year, prompting countermeasures from Beijing.

**Michel Barnier, France's former Prime Minister**, told the forum that China's trade and investment strategy had strained relations. But he also called the two sides to work together to safeguard economic stability at a time when the global economy and world order needed certainty and predictability. "President Trump is here but what is important is not what he says or will say in the future. The important thing is what the Europeans will do, what the Chinese will do," he said. **"We, as Europeans, will keep engaging constructively with China to ensure that competition and trade are free, fair and rules-based.** And, where possible, we will even expand our trade and investment ties," Barnier said, as reported by the South China Morning Post.

## China to U.S. container bookings soar nearly 300%

**Container bookings from China to the United States have surged nearly 300% after both countries agreed to pause sky-high tariffs that threatened global shipping**, according to Vizion, a container-tracking service provider. The latest seven-day booking average from China to the U.S. soared to 21,530 twenty-foot equivalent units (TEU), up from 5,709 for the previous week ending May 5 – a huge 277% increase, said Ben Tracy, Vizion's Vice President. Following Beijing's and Washington's announcement of a 90-day pause on most tariffs, analysts predict an earlier peak shipping season. "With an August deadline for possible higher tariff levels, we'll likely see front-loading restart, meaning an early start and probably an early tapering off of the ocean peak season this year," said Freightos, an international freight booking platform. Shipping firms have welcomed the pause on duties. "Since the agreement was announced, we have seen an increase in bookings for our trans-Pacific services," Maersk said. Hapag-Lloyd also reported a 50% surge in container bookings from China to the U.S. compared to the previous week.

While shipping volumes between China and the U.S. have suffered a sharp decline since April, Freightos noted that transpacific container rates have remained stable – at about USD2,300 per 40-foot equivalent unit (FEU) to the West Coast, and USD3,400 per FEU to the East Coast. The freight booking platform attributed this to carriers reducing capacity by about 22% through blank sailings, suspended services and the use of smaller vessels. The temporary pause on most duties between China and the U.S. will probably lead to an immediate increase in freight rates, analysts agreed. However, **Freightos estimated that peak season prices would not reach last year's levels** – USD8,000 FEU to the West Coast and more than USD9,800 FEU to the East Coast – because container shipping rates are now more than 30% lower year-on-year due to expanded fleets and increased competition between carrier alliances. With the sudden rebound in demand, the freight booking platform also cautioned shippers to prepare for congestion, delays and challenges in securing space over the next few weeks at both origin and U.S. destinations, the South China Morning Post reports.

The Global Times adds that in 2024, the volume of trade in goods between China and the U.S. reached USD688.28 billion, with two-way trade in services expanding significantly to USD66.86 billion. U.S. goods exports to China hit USD143.55 billion, an increase of 648.4% from 2001, far exceeding the growth rate of U.S. exports globally over the same period. Currently, the U.S. is China's largest goods export destination and the second-largest source of imports, while China is the U.S.' third-largest export destination and second-largest source of imports.

## Chinese e-commerce firms launch aggressive ad campaigns in European market

**Chinese e-commerce firms are launching aggressive campaigns in the European market with ad spending up by as much as 70%.** In May, Chinese e-commerce platforms Shein and Temu launched more intense marketing campaigns in Europe amid lingering uncertainties in trade between China and the United States. Compared to April, Shein and Temu both increased advertising spending on the continent – recording a 40% and 30% jump respectively over the first twelve days of May, according to Sensor Tower, a market intelligence firm. Year-on-year, Shein's advertising spending in Europe surged by 70% over the same period. The biggest jump was in the United Kingdom, with a 135% rise. While Temu's total advertising spending in Europe did not increase as substantially as Shein's over the same period, it was rising by 40% in France.

**Chinese cross-border e-commerce platforms have adopted strategies similar to those they used to expand in the U.S. market.** For example, Temu spent millions of dollars on its Super Bowl advertisement in 2024. Its commercial aired six times, as the firm tried to increase brand recognition among U.S. consumers. The approach has helped the Chinese companies to achieve broader awareness among consumers. In 2024, the Temu shopping app was downloaded 86 million times in the U.S. – the most of any e-commerce platform. However, amid ongoing trade tensions between the U.S. and China, the platforms are setting their sights on the huge European market. So far, the spending spree in Europe has not translated into an increase in actual sales, a source working at Shein said.

The aggressive marketing campaigns have also triggered negative reactions. In recent weeks, many French customers have taken to social media to air frustration at what they see as a flood of advertisements pushed to them on X, Instagram and TikTok. "You cannot block a Temu advertisement on X, it keeps coming back, it's become quasi harassment," Frédéric Orain, a local official in the French city of Blois, told the South China Morning Post, calling the trend an "avalanche".

The trend poses additional challenges to Chinese e-commerce platforms looking to expand on the continent, as the EU is also tightening regulations on small parcels arriving from China. The EU currently grants tax-free entry for small packages valued at €150 or less, but many member states, led by France, have lobbied Brussels to

eliminate the policy. “This cannot continue, it is scandalous that people can send parcels from China without paying taxes,” Philippe Le Corre, head of the Asia program at French business school ESSEC said. An estimated 800 million such e-commerce parcels entered France in 2024, mainly from China, according to the French Finance Ministry. EU Finance Ministers have agreed to impose taxes on some packages entering the bloc, targeting “a wider number of suppliers selling goods worth up to €150”, the European Commission said in a statement. By 2028, it plans to remove the threshold and impose duties on all parcels worth up to €150, the South China Morning Post reports.

## China Telecom unveils unhackable cryptography system

**China Telecom Quantum Group has unveiled what it described as the world's first commercial cryptography system that cannot be hacked even by quantum computers.** The company said it had also completed the world's first cross-regional quantum-encrypted phone call over a distance of more than 1,000 km between Beijing and Hefei using this integrated system. With the rapid advancement of quantum computing, traditional cybersecurity frameworks face unprecedented challenges as new algorithms increase the chances of cracking traditional encryption systems. The new system uses both Quantum Key Distribution, which uses the principles of quantum mechanics to securely transmit encryption keys, and Post-Quantum Cryptography, which relies on complex mathematical problems to lock down data. China Telecom said this combination forms an end-to-end quantum-secure architecture for real-time communication, data protection and trusted identity authentication.

Peng Chengzhi, Chief Quantum Scientist at China Telecom and Professor at the University of Science and Technology of China, said that public key-based encryption systems would face increasing threats as global quantum computing advanced. He also called for the accelerated development of a new quantum-resistant cybersecurity infrastructure. The company has already built quantum metropolitan area networks in 16 key cities, including Hefei, Shanghai, Beijing, and Guangzhou. These networks form a nationwide, cross-regional backbone of quantum-secure communication, **positioning China at the forefront of global quantum security.** Among them, the Hefei Quantum network is the largest and most comprehensive of its kind worldwide. With eight core nodes and 159 access points spanning 1,147 km of quantum key distribution fibre, it currently serves around 500 government agencies and 380 state-owned enterprises (SOEs).

China Telecom has also launched Quantum Secret, which it describes as the world's first carrier-grade quantum-secure instant messaging and collaboration platform, and Quantum Cloud Seal, a platform for government approvals, financial audits, and enterprise workflow management. Both platforms have already seen broad industry adoption, the South China Morning Post reports.

## Atlas Copco opens new China HQ for compressor technologies

**Atlas Copco Group marked a milestone in its 152-year history with the grand opening of its new China headquarters for compressor technologies in Wuxi, Jiangsu province.** The campus, with a CNY3 billion investment, underscores the company's deepening commitment to innovation and sustainability in one of its fastest-growing markets. The Swedish company, renowned for its world-class air and gas compressors, vacuum systems, industrial tools and energy-efficient technologies, has positioned the Wuxi facility as one of its global hubs for research and development (R&D), production and distribution. The campus is set to become one of Atlas Copco's largest manufacturing and innovation bases worldwide. Since establishing its first Chinese production site in Wuxi in 1994, Atlas Copco has seen sustained expansion in the region. Today, products engineered and manufactured in Wuxi serve industries across China and over 180 global markets. **“China's importance to our growth trajectory cannot be overstated,”** said Vagner Rego, CEO of Atlas Copco Group, during an exclusive interview with China Daily ahead of the inauguration. He said the campus is a testament to Atlas Copco Group's partnership with China and its thriving semiconductor, automotive and renewable energy sectors – all of which are driving unprecedented demand for innovative solutions.

The facility integrates an intelligent green factory designed to boost output of core equipment while prioritizing energy efficiency. Advanced technologies, including variable speed drive compressors and oil-free systems, aim to slash industrial energy consumption – critical in a nation where compressors account for over 9% of industrial electricity use. The campus also debuts a breakthrough heat pump system that captures and repurposes waste heat from compressors, drastically reducing carbon emissions. “China's clear roadmap to carbon neutrality aligns perfectly with our sustainability goals,” Rego said. The company has pledged to expand investments in Wuxi, focusing on high-quality, locally-tailored innovations to strengthen supply chains and accelerate decarbonization. A dedicated R&D center at the site will leverage China's robust supply network and growing talent pool to develop next-generation solutions.

Rego highlighted China's dual role as both a market and an innovation incubator: “Our Wuxi team has cultivated exceptional expertise and collaboration with local suppliers. With this new infrastructure, we're poised to deliver breakthroughs that empower industries worldwide to achieve greener operations,” he told the China Daily.

## Chinese car makers compete to build flying car ventures

**Some of China's biggest carmakers, from the iconic Hongqi or Red Flag to Geely Auto and Tesla rival Xpeng, are competing on a new front – flying cars – to build a first-mover advantage as sales of electric vehicles begin to saturate.** Front-runners like AeroHT, an affiliate of Xpeng, are edging closer to commercializing their passenger drone businesses amid the Chinese

government's support for the so-called low-altitude mobility economy, spearheading innovations in the global air-travel industry. AeroHT filed an application to the Civil Aviation Administration of China (CAAC) for a license to build its first flying car, while Ehang has obtained a license to offer low-altitude air travel services to passengers. Hongqi, a unit of China's oldest carmaker FAW Group, Geely Auto and other players like GAC Group and Chery Automobile are dedicating a lot of resources to the research and development (R&D) of flying cars or drones, offering urban air mobility to overcome traffic gridlock in cities.

"The flying cars will take some time before they generate profits, given the high production costs and small demand at present," said Yin Ran, an angel investor in Shanghai. "The leading carmakers are investing for the future because they design and manufacture fancy transport tools to display their technology advancements." The low-altitude economy refers to businesses operating aerial vehicles below 1,000 meters. As part of the aviation industry's focus on aerial connectivity in and around cities, it has gained momentum since 2021 when Beijing introduced policies and regulations to support the sector. AeroHT's Land Aircraft carrier features an electric minivan to charge the electric vertical take-off and landing (eVTOL) aircraft stored in the rear. Its production facilities were 70% completed and could start operations in the fourth quarter, it added. The start-up aimed to sell 5,000 units, each priced at about USD200,000, Co-founder and Chief Designer Wang Tan said.

Hongqi and Geely have also ventured into the nascent drone sector to compete against established players like Ehang and DJI by leveraging their own automotive supply chains, electrification, digitalization and autonomous driving technologies. State-owned carmaker GAC unveiled its flying car GOVY in December and debuted its first composite-wing flying car called GOVY AirJet. Its Robo-AirTaxi system uses GOVY AirCar for roadtrips up to 20 km, and AirJet for air travel up to 200 km. Geely established Aerofugia, a subsidiary producing unmanned aerial vehicles (UAVs) and passenger eVTOLs in 2020. It focuses on low-altitude transport for tourism and medical rescues. Its operating cost was about 20% to 33% lower than traditional helicopters, according to its CEO Guo Liang. The company plans to start trial flights in Chengdu in the second half of next year and push for large-scale development after 2030, he added. State-owned Changan Automobile announced late last year a partnership with Ehang on the research and development (R&D), manufacturing, sales and operation of eVTOLs. The companies would consider forming a joint venture to develop future mobility ecosystem technologies. Chery showcased a flying car prototype at its Global Innovation Conference in Anhui province in October, and completed a test flight covering about 80 km.

Spurred by policy support, technological innovation and rising investment, China's low-altitude economy is projected to increase more than fivefold to CNY3.5 trillion by 2035, from 2024, according to the CAAC, as reported by the South China Morning Post.

## German Chancellor Merz to pursue strategic de-risking from China

Germany's new chancellor, Friedrich Merz, said that his country's ties with China are being "shaped by systemic rivalry and power politics", in a first major speech to the Bundestag that suggested a tougher approach that would **press China to be more accountable on geopolitical issues**. Merz flagged China's relations with Russia as an area of "great concern" and said he would pursue "strategic de-risking". "We observe that in China's foreign policy actions the elements of systemic rivalry are on the rise," Merz said. "We view the growing closeness between Beijing and Moscow with a great deal of concern. We will push determinedly for China to make its contribution toward ending the war in Ukraine. We will embed our China policy in a regional approach. A stable, free and secure Indo-Pacific is for Germany and for the EU of great strategic importance."

China, Merz said, would "remain an important partner of Germany and the European Union" on global challenges, but he would still "push assertively for the respect of agreed rules in the areas of industrial and trade policy". "As part of strategic de-risking, we will continue to reduce one-sided dependencies," he added, referring to the EU goal of cutting its over-reliance on China for crucial commodities and products. "The international order is changing profoundly. It is being shaped by systemic rivalry and power politics. We have learned that we need to diversify our supply chains and reduce one-sided dependencies," Merz said. Germany's influence on the EU's China policy waned in recent years. It strongly opposed, for example, the bloc's tariffs on Chinese-made electric vehicles last year, but was unable to exert enough influence to stop them being signed into law. In Berlin's relative absence, the European Commission led by Ursula von der Leyen was able to take a commanding role in steering the EU in a more assertive direction. But with the return of U.S. President Donald Trump, Brussels has softened its stance, with von der Leyen saying on several occasions that she is open to "deepening" Europe's trade ties with China.

Noah Barkin, Analyst of Sino-German relations at research house Rhodium Group, said Merz's speech closely tracked the coalition agreement published this month, but that his language on China and Russia was new. "I expect a certain tension within the new government on the potentially conflicting priorities of growth, competitiveness and a reduction of bureaucracy, on the one hand, and a push for greater security and the stated goal of a 'strategic de-risking' from China, on the other," Barkin wrote in a social media post. **On China, Chancellor Merz inherits a relationship plagued by "growing asymmetries, intensified competition and geopolitical pressures"**, a report by the Hinrich Foundation and the Mercator Institute for China Studies concluded. "German companies and policymakers alike are being forced to reassess long-standing assumptions as economic engagement faces unprecedented political and structural headwinds," the report read, as reported by the South China Morning Post.

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