China Business Weekly

25 May 2021

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

FCCC/EUCBA ACTIVITIES

Webinar: "Knowing Your Chinese Partner" - May 26, 2021, 10 am – 12 am

The Flanders-China Chamber of Commerce (FCCC), EU SME Centre, EUROCHAMBRES, and China IP SME Helpdesk have the pleasure to invite you to the online workshop: "Knowing Your Chinese Partner". The training will take place on May 26, 2021 at 10:00 am.

Mr. Riccardo Benussi, Head of European Business Development at Dezan Shira & Associates, will provide insights on how getting ready before feeling comfortable when dealing with your China partners, and on how to understand records in China, such as license, company chops, permits, land, corporate social records, and much more.

Mr. Jim Stoopman, China IP SME Helpdesk, will bring about valuable insights on your Intellectual property rights in China.

Program :

- 10:00 – 10:05: Welcome speech and introduction of the EU SME Centre
- 10:05 – 10:10: Welcome speech by **Ms. Gwenn Sonck**, Executive Director of the Flanders-China Chamber of Commerce
- 10:10 – 11:35: Presentation on how to deal with the Chinese partners by **Mr. Riccardo Benussi**, Head of European Business Development at Dezan Shira & Associates
- 11:35 – 11:45: Presentation on Intellectual property rights by **Mr. Jim Stoopman** (China IP SME Helpdesk)
- 11:45 – 12:00: Closing remarks and Q&A session

Date: 26.05.2021

Location: Online

Price members: Free **Price non members**: Free

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Webcast: "China for China: What is the shape of things to come for EU businesses in China?" – June 1, 09 – 10 am CEST

The Flanders-China Chamber of Commerce in partnership with The Conference Board is organizing a webcast on: "**China for China: What is the shape of things to come for EU businesses in China?".** The webcast will take place on **June 1, 2021** at **09:00 am**.

Many EU business leaders perceive China operations to be at an inflection point. In general, the long-term China opportunity is considered strongly positive and an essential pursuit. But business environment changes are myriad, and risks, complexities, and adaptation requirements are profound.

The current trends point to highly localized, increasingly autonomous, if not quite separated, Chinese operations – a future many describe by the phrase "China for China". This webcast will examine "China for China" trends, imperatives, dynamics, and learnings based on the ongoing research of The Conference Board China Center for Economics and Business.

Key issues to be addressed:

- Intensifying US- and EU-China tensions and related compliance, public affairs, government affairs, business continuity, and secure-supply adaptations.
- Rapidly changing and increasingly demanding Chinese customer preferences, and the need for increasing product customization to address them.
- The accelerated rise of Chinese competitors in the value chain, and the need for deeper product and business model adaptation to maintain competitiveness.
- Rapidly expanding e-commerce channels across all B2C categories, and widespread digital adoption for B2B commercial and service operations based on Chinese platforms, apps, and ICT systems.

Speakers

David Hoffman

Senior Vice President Asia and Managing Director of the China Center for Economics & Business, The Conference Board

Bio

Kurt Vandeputte

Chairman, Flanders-China Chamber of Commerce and Senior Vice-President, Umicore

Bio

Moderated by

Gwenn Sonck

Executive Director, Flanders-China Chamber of Commerce, EU-China Business Association

Practical information:

Date and time: June 1, 2021, 9:00 am - 10:00 am
Location: Online
Price for members: Free
Price for non-members: Free

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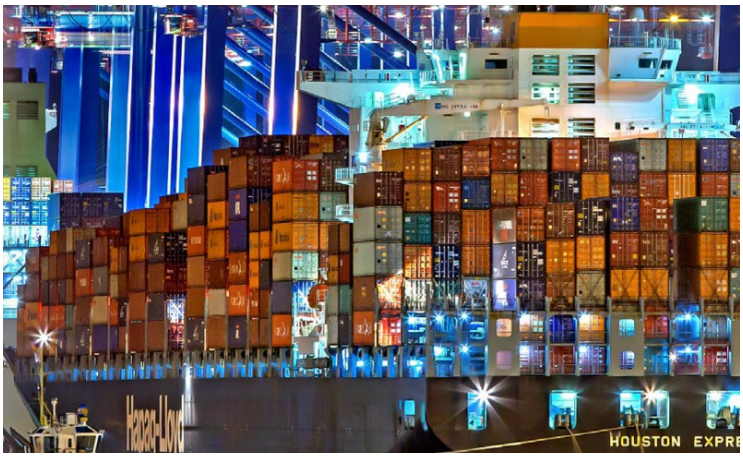
THE CONFERENCE BOARD

ACTIVITIES SUPPORTED BY FCCC

Jiangsu-Europe B2B Matchmaking "Medical Products and Devices"
11, 15, 16 June 2021 – online



Organized with the support of the EU-China Business Association

EU-China
Business Association
欧盟中国贸易协会

There is no better way to get to know Chinese products than directly meeting with local production companies. DCW presents a series of online matchmaking events under the topic „Sourcing from China", on which you can get updated information about the Chinese sourcing market. Meet with Chinese production companies for any sourcing issues and find the ideal supplier.

Driven by the increasing global demand of medical related products during the past year, more and more European companies and institutions are looking for better and reliable sources of medical production. China's exports of medical devices increased 40,5 percent in 2020 compared to the previous year, reaching 18.138 billion US Dollars. Searching for suitable medical resources in a such huge market could be very difficult.The province Jiangsu is one of the most important hot spots for medical production in China, together with Department of Commerce in Jiangsu and China Council for the Promotion of International Trade Jiangsu (CCPIT Jiangsu), fifty production companies from the province will be ready to meet importers, buyers, wholesalers and purchase managers from Europe and exchange ideas of their medical products.

To help you find your supplier for medical equipment in Jiangsu province, we invite you to join our sourcing event:

Jiangsu - Europe B2B-Matchmaking:

„Medical Products and Devices"

Participation to the event and matchmaking part is free of charge. Please fill out the registration form and we will match you with three to five medical production companies from the Chinese province Jiangsu. You will have 15 minutes with each company to exchange ideas about the products you are looking for.

This event is organized with the support of the EU-China Business Association (EUCBA). It is the EU-wide federation of national non-profit business organisations in the European Union with specialization and particular expertise in exchange of knowledge on investments and trade with China. At current, EUCBA unites 20 members in 20 countries representing more than 20,000 companies – large, medium, and small, in all branches of industry, commerce and the service sector. EUCBA promotes direct investment and trade between China and the EU through international exchange of information and joint projects of its members – providing European companies a stronger base for expanding trade cooperation with China. The Flanders-China Chamber of Commerce is responsible for the Secretariat-General of the EUCBA.

For more informations concerning the event or personal requirements please contact us.

To obtain a registration form, please send an e-mail to: jessica.koehler@dcw-ev.de

Contact: Jessica Köhler E-Mail: jessica.koehler@dcw-ev.de Tel.: +49 221 139 7701

PAST EVENTS

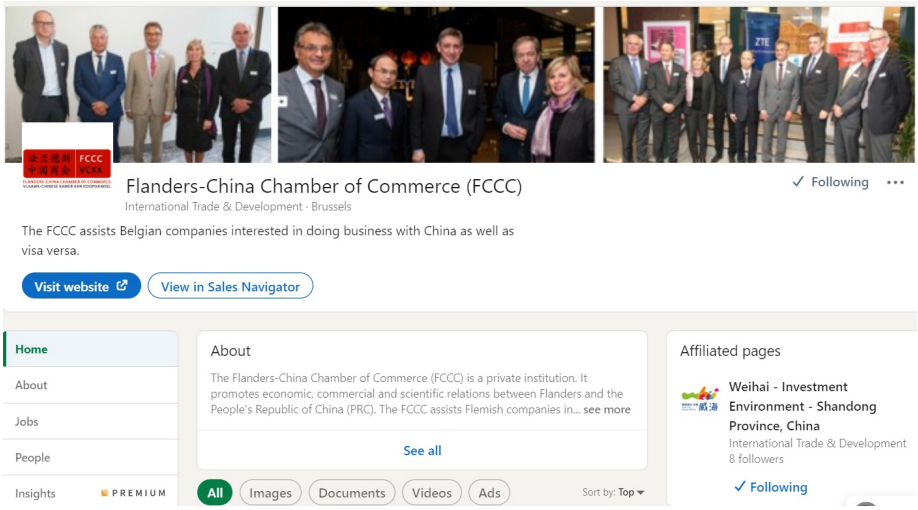
Webinar: "As an SME with ambitions in China, what do I need to know about the geopolitical and macroeconomic situation?" – 18 May 2021

On May 18, the Flanders-China Chamber of Commerce (FCCC), CleantechRouteChina and Flanders Investment & Trade (FIT) organized a very interesting webinar on "As an SME with ambitions in China, what do I need to know about the geopolitical and macroeconomic situation?"

Our distinguished guests, **Mr. Geert Regelbrugge**, CleantechRouteChina & Smart Hub Manager International Cooperation, Province of Flemish Brabant, **Mrs. Francine Hadjisotiriou,** General Manager of the EU Chamber of Commerce in China (EUCCC), **Mrs. Eva Verstraelen**, Trade Commissioner, FIT Guangzhou, shared their views on the macroeconomic and geopolitical state-of-play in China and provided precious insights for European SMEs willing to expand in the fast-growing Chinese market.

Interested to learn more and obtain the recordings?

Contact: info@flanders-china.be and visit our website: https://www.flanders-china.be/en



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FOREIGN INVESTMENT

European Parliament votes to freeze ratification of Comprehensive Agreement on Investment

The European Parliament voted to freeze ratification of the China-EU Comprehensive Agreement on Investment (CAI) until China lifts the sanctions on some EU lawmakers and entities which were imposed as retaliation for the EU putting sanctions on Chinese individuals and entities it accused of involvement in human rights violations in Xinjiang.

The resolution was passed in the Parliament with 599 in favor, 30 against and 58 abstentions. It said that any consideration by the Parliament of the CAI and any discussion on its mandatory ratification by the members of the European Parliament have justifiably been frozen because of the sanctions China imposed on 10 EU individuals, including five MEPs, and four entities on March 22. Foreign Ministry Spokesman Zhao Lijian said that China decided to sanction relevant entities and individuals on the EU side who maliciously spread Xinjiang-related lies and disinformation and severely harmed China's sovereignty and interests. "This is a necessary, legitimate and just reaction to the EU's moves of imposing sanctions and seeking confrontation," he said at a daily briefing in Beijing. Zhao added that "sanctions and confrontation cannot solve the problems. Dialogue and cooperation is the right way forward." He called the agreement "a balanced and win-win deal that benefits both sides, rather than a gift or favor bestowed by one side to the other", adding that an early ratification of the agreement is in the interests of both China and the EU, and the two sides should make positive efforts for this to happen.

China and the EU concluded in principle negotiations on the agreement on December 30, 2020 after 35 rounds of talks spanning eight years. Both Chinese and EU leaders have applauded the agreement, to be approved by the European Parliament and the 27 member states. According to the European Commission, the EU has invested €140 billion in China over the past 20 years. European Commission Executive Vice President Valdis Dombrovskis said in March that the agreement will "help to level the playing field and provide more market openings for EU companies and investors". Shada Islam, Director of the New Horizon Project, a Brussels-based global strategy and advisory company, said that the current tension is not conducive to a rational discussion of the pros and cons of the agreement.

The China Daily called the vote "nothing but a desperate attempt to use the agreement as a tool to browbeat China", adding that although it "does not necessarily mean the CAI is dead, it does push the consensus on the agreement reached after years of negotiations into a dead end". The China Daily called the EU allegations about Xinjiang "baseless and politically motivated, and a blatant interference in China's internal affairs". The newspaper added that fabricating lies about Xinjiang or leveling groundless charges against China threaten the healthy development of Sino-EU relations. The China Daily also points out that the CAI is not a gift from the EU to China and that the EU could need it more than China, as "the EU is mired in a double dip recession and desperately needs an economic booster like the CAI while, on the other hand, China was the only major economy to achieve positive growth last year and its GDP grew 18.3% in the first quarter of this year." The China Daily concludes that "by holding the CAI hostage to subjugate China, the EU, in effect, is hurting itself," adding that "**China will never compromise on its core interests no matter how much it cherishes the agreement** or respects the commitments the two sides have made".

China remains open to further talks with the EU on the ratification of the CAI, but it would be naive for EU politicians to assume the Chinese side is desperate for the ratification of the agreement, still according to the China Daily. "The EU's move to leverage the CAI to coerce China into compromising its core interests lays bare the bloc's hypocrisy and will only serve the interests of those China hawks in Washington," the newspaper concludes.

Meanwhile, two-way investments between China and the U.S. have been declining sharply, according to the Rhodium Group and the National Committee on U.S.-China Relations. **FDI between the U.S. and China fell to USD15.9 billion in 2020, the lowest level since 2009.** Chinese FDI in the U.S. reached USD7.2 billion in 2020, a slight increase from USD6.3 billion in 2019. U.S. FDI in China dropped to USD8.7 billion in 2020, roughly a one-third reduction from 2019 and the lowest level since 2004. At the height of economic relations between the U.S. and China, two-way investment reached close to USD70 billion in 2016 and more than USD60 billion in 2017. Anna Ashton, Senior Director of Government Affairs at the U.S.-China Business Council, who presented an overview of more than 150 China-related proposals currently being worked on by Congress, expressed a desire for clear policy. "There are political factors here in the United States that are creating a climate that is anything but inviting to Chinese FDI," she said.

Meanwhile, the U.S. has extended a ban on U.S. investments in Chinese companies deemed to have links to the country's military. The Treasury had previously set

a May 27 deadline for issuing a clarification on the ban, which originated from an executive order by President Trump in November 2020, seeking to ban U.S. investment in firms the U.S. claims are owned or controlled by the Chinese military. In a worst-case scenario, the investment ban could be expanded to cover more Chinese businesses.

This overview is based on reporting by the China Daily, Shanghai Daily and Global Times.

HEALTH

Facing imported cases and new variants, China speeds up vaccination drive and reiterates importance of wearing face mask

Imported Covid-19 infections, sporadic local outbreaks and constant virus mutations have all threatened to disrupt China's stable epidemic control situation, Chinese experts said, urging the public to get vaccinated as soon as possible while also abiding by personal hygiene measures. Preliminary research shows that China's Covid-19 vaccines currently in use can provide protection against new variants first detected in India to a certain extent, said Shao Yiming, Researcher at the Chinese Center for Disease Control and Prevention. New vaccines will be developed and rolled out if the situation requires it, he said. Stringent virus control measures should not be relaxed for one second, said Wu Liangyou, Deputy Director of the National Health Commission's Disease Prevention and Control Bureau.

An outbreak on May 13 led to 21 confirmed infections in Anhui and Liaoning provinces. Chinese experts suspect the origin of the recent outbreak is an infected individual or contaminated article coming from abroad. "As long as the virus' spread overseas is not reined in, any region in China is at risk of seeing new infections," Wu said. "As a result, **the public must stick to** personal protective measures, such as **wearing masks**." He added that before herd immunity against the virus is built up among the public, masks are still necessary.

Respiratory Expert Zhong Nanshan said it is likely that human beings will coexist with the virus in the future. He added that if the length of the immune response from vaccination is shorter than a year, vaccination should be given annually, similar to influenza vaccines.

Recent studies from Thailand, Indonesia and Chile have affirmed the efficacy of the Covid-19 vaccine produced by China's Sinovac Biotech. A new study conducted by Thailand's Chulalongkorn University showed that 99.49% of Thai recipients of the CoronaVac vaccine had developed antibodies four weeks after their second shots, the Bangkok Post reported. Three weeks after the first shot, around 66% of the recipients had developed an immune response. The findings are in line with those previously reported in the medical journal The Lancet Infectious Diseases last year. The Chinese Embassy in Thailand said China donated a new batch of 500,000 doses of Sinovac's vaccine to Thailand. Since the first batch of Chinese vaccines arrived on February 24, China has provided 4.5 million doses of China-made vaccines to Thailand. It was the first ASEAN country to import the Sinovac vaccine on a commercial basis. In Santiago, Chile's Health Ministry said an updated study showed CoronaVac is 65.3% efficacious in preventing Covid-19. The vaccine's efficacy in preventing hospitalization rose to 87%; in preventing admission to an intensive care unit, to 90.3%; and in preventing deaths caused by Covid-19, to 86%.

Several Chinese cities have recently started offering residents a single-dose Covid-19 vaccine in addition to the two-dose inactivated vaccines that were already widely used. The one-dose vaccine, developed by CanSino Biologics and the Academy of Military Medical Sciences, is the adenovirus-based viral vector vaccine Ad5-nCoV, whose trade name is Convidecia. The vaccine has also been approved for emergency use in Mexico, Pakistan and Hungary.

China will provide an additional USD3 billion in international aid over the next three years to support Covid-19 response and economic and social recovery in other developing countries, Chinese President Xi Jinping said during a speech at the Global Health Summit via video link from Beijing. The summit in Rome was organized by Italy, the G20 Presidency of 2021, and the European Commission. Xi said China has already supplied 300 million vaccine doses to the world and will provide more.

China has so far administered 497.3 million doses of Covid-19 vaccines. The country has witnessed record daily inoculations since early May, following the latest cases detected in Anhui and Liaoning provinces, but in some places there is a shortage of vaccines. Vaccinations in Guangzhou were suspended on May 22 due to a lack of shots. Authorities said new supplies were scheduled to arrive in the city, and they told local residents to make reservations to be vaccinated as early as possible. This overview is based on reporting by the China Daily, Shanghai Daily and Global Times.

INNOVATION

U.S. opposition to China's tech rise is promoting self reliance

While the U.S. is pushing its allies to rally against China and cracking down on China's tech rise, Chinese high-tech firms are now reaching a "silent consensus" and **speeding up efforts to break the reliance on the U.S.**, and drive localization efforts along the industrial chain from chips, operating systems and supercomputers to robots. During **the fifth World Intelligence Congress (WIC) in Tianjin** last week, products marked "Made in China" and "researched and developed in China" were especially popular. Almost all industry giants from private firms like Huawei and Tencent, to state-owned companies like China Electronics Corp (CEC) and rolling stock manufacturer CRRC Corp have exhibited their latest products featuring self-developed core technology "grasped in its own hands." Staff from these firms said the U.S.' continuous crackdown on China is adding fuel to the self-reliance drive. Chinese firms, led by high-tech ones, are trying to source homegrown parts and shift to domestic suppliers even if they might be more expensive compared with some foreign counterparts.

A staff surnamed Jin at the SIASUN Robot and Automation Co, told the Global Times during the Congress the company was trying to break the foreign monopoly in the industrial robot market, adding that the localization drive gives them more confidence to invest and march forward. Shi Yixuan at Kylinsoft under the CEC, echoed Jin, saying that the Huawei ban has pushed more firms to use self-developed operating systems – a market that was dominated by foreign giants. The firm's self-developed operating system Kylinsoft V10 was officially launched on August 13 last year. The system is similar to Microsoft's Windows, and can also support China's self-made CPUs, including those from Phytium Information Technology Co, which was added to the U.S. Entity List in April this year. China's own CPUs and operating systems are being used in state-owned enterprises and important key industries, which will protect the country's core data to the greatest extent and fundamentally protect China's national security, Shi told the Global Times. He believes that in the future, China's collective breakthroughs in core technologies in various fields will have important strategic significance in the current complex international situation.

However, industry analysts and company representatives told the Global Times that despite the rapid development and rising self-sufficiency, strength in the high-tech field takes a long time to develop. For instance, in the CNC machine sector, the overall performance of China's high-end CNC machine tools still lags behind compared to the world's top level, and China still relies on others in core technology in the field, Yu Xubo, Chairman of China General Technology (Group) Holding Co (Genertec), said in a keynote speech of the Congress.

In the past, due to geopolitical reasons, we found that we've been strangled in many key technologies. What is the most important way for Chinese companies to catch up in a short period of time, or even exceed the international advanced level is the most important problem, Li Jun, President of Dawning Information Industry Co (Sugon) told a forum during the Congress. Li suggested China focus more resources in the artificial intelligence (AI) sector to shorten the time it would take to surpass others. According to the Artificial Intelligence Development Report 2020 of the Tsinghua University Artificial Intelligence Research Institute and other departments, in the past decade, the number of global **AI patent applications** exceeded 520,000, and the number of patent applications **in China was 389,571, ranking first in the world**, accounting for 74.7% of the global total, the Global Times reports.

CHINA NEWS ROUND-UP

Real estate investment up 21.6% in first four months

Real estate investment in China rose by 21.6% to CNY4.02 trillion during the first four months of the year from a year ago, official data showed. Nearly CNY3.02 trillion of the total was used for residential development, up 24.4% on a yearly basis, according to the National Bureau of Statistics (NBS). Property investment growth slowed down during the four months compared to an increase of 25.6% in the first three months. Property sales from January to April grew by 48.1% on a yearly basis in terms of floor area, slowing from a 63.8% rise in the first quarter of the year. Home sales grew 51.1% and 73.2% on a yearly basis in terms of gross floor area and sales revenue, both of which were relatively lower than the 68.1% and 95.5% seen in the first quarter, respectively, according to NBS data.

The slower investment data and sales figures are due to curbs on the property market as well as a seasonal slowdown, said Pan Hao, Senior Analyst with the Beike Research Institute. Since the beginning of this year, cities like Dongguan in Guangdong province, Jiaxing and Ningbo in Zhejiang province, Nanjing in Jiangsu province, Hefei in Anhui province, Guangzhou in Guangdong province and Chengdu in Sichuan province have announced various policies, including purchase restrictions, price caps, lucky draws for home purchase, and pre-sales management, which have effectively stabilized local home prices, said Pan. The rapid economic recovery from Covid-19 has buoyed demand for new homes in China, and property developers are becoming more active in terms of land acquisition, said Zhang Dawei, Chief Analyst at Centaline Property Agency.

In April, new home prices in the 70 major cities tracked by the NBS rose by 0.5% on a monthly basis and by 4.4% on a yearly basis. "**Although most of the major cities had announced restrictions on home purchases, prices continued edging up in April**, showing the necessity for local governments to react more spontaneously when surge signs appear," said Yan Yuejin, Director of the Shanghai-based E-house China Research and Development Institution. Of the 70 cities, 62 saw growth in new home prices, three cities reported no change, while five posted declines. New home prices in the four first-tier cities rose by 0.6% on a monthly basis, with Guangzhou taking the lead with 1.1% growth, followed by Beijing with 0.6%, Shenzhen with 0.5% and Shanghai with 0.3%. **Compared to a year ago, the four top-tier cities saw a 5.8% growth in new home prices.** The 31 second-tier cities monitored by the NBS saw prices increase by 0.6% on a monthly basis, and by 4.9% on a yearly basis, while the figures were 0.4% and 3.9% for 35 third-tier cities. In the pre-owned home market, first-tier cities continued to take the lead in price gains. Compared with March, prices of pre-owned homes in the top-tier cities rose by 0.8% on average, and witnessed an 11.3% growth on a yearly basis, the China Daily reports.

China fast becoming the global leader in patents

China has exceeded the United States in patent filings and is gaining "tremendous ground" as a leader in setting global standards, experts said. The lead in patent filings shifted from the U.S., Japan and Germany to emerging countries, and the "exponential growth" of China was remarkable, Lisa Jorgenson, Deputy Director General of the World Intellectual Property Organization (WIPO) said at an April 27 virtual conference hosted by the Berkeley Center for Law and Technology. "We see that Chinese companies, universities and research institutions have become IP owners and users over the last several decades at an almost unprecedented scale. And we believe that this is actually a good thing for the overall IP system," she said. She illustrated the growth by using the example of China's patent applications filed under the Patent Cooperation Treaty (PCT). In 1995, China filed 97 patent applications. Last year, it filed almost 69,000, Jorgenson said. China was the top user of the PCT by origin last year, having surpassed the U.S. in 2019 and 2020. Huawei was the top PCT applicant last year. **Three of the top eight PCT applicants were from China**, she added.

"When we look at the technologies of the fourth industrial revolution, China is issuing more patents and getting more patents around the world than the United States now," said Andrei Iancu, former Director of the U.S. Patent and Trademark Office. In other areas such as publications in peer-reviewed journals and the number of PhD students in relevant technologies, China also has outpaced the U.S., he said. "And it is gaining tremendous ground when it comes to leadership of standards bodies around the world," he added. Jorgenson said WIPO has been closely engaging Chinese users of the IP system and the organization intends to have future engagement with China. The organization has Chinese staff members and an external office in China to provide global IP and alternative dispute resolution (ADR) services in the country. The WIPO ADR center has handled more than 60 mediation and arbitration cases between Chinese and foreign parties, the China Daily reports.

In particular, **the semiconductor intellectual property (IP) sector in China is growing rapidly** by the day, with tens of thousands of chip design companies striving for self-reliance amid an ever-escalating China-U.S. tech rivalry and lingering U.S. crackdown. Yue Bin, Founding Partner of Gaorong Capital, said that IP remains an essential part of China's chip design, and the venture capital sector has always given lots of attention to the business. Semiconductor IP provides for reusable design components that can be used to make advanced integrated circuits. According to Mordor Intelligence, the Asia-Pacific is the biggest market for semiconductor IP, with the leading markets being the Chinese mainland, India, Japan, South Korea, Taiwan and Singapore. About 20,000 to 30,000 chip design companies work in the Chinese mainland, but most of their underlying technologies still rely on licensing from U.S. and European companies, the Global Times reports.

Online economy becoming pillar of Shanghai's growth

Shanghai is consolidating its position as a hub for the online new economy, a year after the municipal government released a guideline to bolster the sector's development. According to **the White Paper on Shanghai's Online New Economy 2020**, the metropolis considered internet-related businesses to be a cornerstone in driving economic growth in the past year, and found itself in a leading position in several key areas from digital payments to online literature. The report found that despite Covid-19, Shanghai's software and information services sector saw added value jump 13.5% year-on-year during the city's month-long shopping festival, accounting for 11.5% of all added output across the entire services sector.

Shanghai is now home to 21 of the Top 100 internet-based companies in China. By the end of October, 84,000 companies were engaged in cross-border e-commerce, which greatly facilitated exports for small and medium-sized companies at the height of the pandemic. The city also shows resilience among niche segments: it accounts for 60% of the third-party payment market, 70% of local living services, 90% of online literature and 30% of online gaming. "Shanghai's goal of building itself into an international consumption center should also include information consumption," said Vice Mayor Wu Qing. "We should prioritize the development of the online new economy across 12 sectors like industrial internet, online healthcare, remote education and grocery e-commerce."

The Shanghai municipal government released an action plan in April last year to develop the city's online new economy, which loosely refers to employing technologies like artificial intelligence (AI), 5G networks and big data to transform and empower traditional industries. Liang Changlin, Founder and CEO of grocery e-tailer Dingdong Maicai, believed that internet technologies will transform traditional industries that were previously run by intuition. "For instance, big data can predict customer needs and calculate the best route in real time to ensure smooth and in-time door-to-door delivery," he said.

"As a medical AI company, we do see the necessity to use internet technologies to empower the traditional industry," said Zhan Yiqiang, Co-founder and Chief Operating Officer of United Imaging Intelligence. The company is now partnering with some 300 medical institutions nationwide to run examinations and help doctors detect overlooked fractures on X-rays. "For the next step, we look forward to using more novel technologies like 5G to revolutionize the entire work flow of hospitals and enhance operational efficiency," he said, as reported by the China Daily.

MNC regional headquarters and R&D centers set up in Shanghai

Shanghai last week recognized 30 regional headquarters of multinational enterprises (MNCs) and 10 others as research and development (R&D) centers at a ceremony attended by Mayor Gong Zheng. Among those receiving the certificates were five Global Fortune 500 enterprises – Amgen Biomedical, Johnson & Johnson, and PepsiCo from the United States, Swiss company ABBGroup, and Sony from Japan. The total number of headquarters and R&D hubs in the city rose to 791 and 488, respectively, both of which rank first nationwide. More foreign-funded enterprises have settled in Shanghai, while the contract value and actual use of foreign capital both rose in the January-April period. Actually used foreign capital reached USD7.773 billion in the first four months, an increase of 20.3% year-on-year and up 25.2% compared with the same period in 2019.

ABB Robotics began to promote industrial robot applications in the Chinese market in 1994, and has carried out R&D and production work in China since 2005, making it the first multinational industrial robot company to conduct local R&D and manufacturing in China. "Our new plant in the Kangqiao area of the Pudong New Area, with a total investment of USD150 million, will begin operating in the first quarter of 2022, when our global R&D center will move in and expand in scale," said Liang Rui, Vice President of the group. It will be ABB's largest R&D center in the world in terms of personnel, investment and scale, Liang said. PepsiCo, one of the first foreign companies to enter China, and its business partners have invested more than CNY53 billion in China over the past 10 years. It is now seeking new development in digitalization and automatization, and has built strategic partnerships with several ecommerce platforms.

According to the Municipal Commission of Commerce, the latest batch of enterprises are mostly well-known industry pioneers, such as Saudi Arabian chemicals firm SABIC, and ASML from the Netherlands, which manufactures photolithography systems which are key to the semiconductor industry. "The strategic position of Shanghai is key to our group's development," said Song Wangqiu, President for the Asia-Pacific region at Metsa Group, a Finnish forest industry group that has chosen Shanghai as its APAC headquarters. The Asia-Pacific region accounts for a fifth of Metsa's revenue. Liang Rui, Vice President and Director of the Robotics Division in China of Swiss industrial conglomerate ABB, said: "We have been optimistic about the market since we first entered China in 1994. We are actually among the very first foreign companies to introduce both R&D and manufacturing to China. The government policies have always been favorable across all levels. They are particularly helpful in cutting red tape and expediting our process to operate locally and smoothly."

Foreign direct investment (FDI) in actual use in the Chinese mainland rose 39.9% on a yearly basis to CNY302.47 billion in the first quarter, according to the Ministry of Commerce (MOFCOM). The volume surpassed the pre-COVID level, rising 24.8% from the same period in 2019, the Shanghai Daily and China Daily report.

China imposes new curbs on cryptocurrencies

China has imposed new curbs on the circulation of cryptocurrencies leading to a drop in the price of Bitcoin and other cryptocurrencies. The National Internet Finance Association of China, the China Banking Association and the Payment and Clearing Association of China issued stern warnings on the risks of virtual currencies and urged institutions and consumers to keep their distance from cryptocurrencies. Sellers are not allowed to price products or services in cryptocurrency and internet platforms are not allowed to provide services for virtual currency-related business activities, according to a notice. Bitcoin, the biggest and best-known cryptocurrency, had already been under pressure from tweets by Tesla Chairman Elon Musk, but the news from China sent it as low as USD38,514 in a 9% fall from which it later moderately recovered. The cryptocurrency tumbled nearly 40% from a record high of USD64,895 on April 14. It is also heading for its first monthly decline since November 2018.

Bitcoin's decline whacked other cryptos, with Ether, the coin linked to the ethereum blockchain network, falling 12% to USD2,988, while dogecoin tumbled 18%, according to market tracker Coingecko. Shares in the crypto exchange have lost about 45% of their value from the peak hit on the day of their direct listing in April. China's announcement reminds consumers that virtual currencies have no real underlying value, and their prices can be easily manipulated. Chinese authorities say crypto-currencies cannot and should not circulate as a real currency. Some crypto-watchers predicted more losses ahead, and investors may be shifting from bitcoin back to gold, analysts at JPMorgan said. The recent selloff in bitcoin and other digital currencies has taken the market capitalization of all cryptocurrencies back under USD2 trillion, the Shanghai Daily reports.

Inner Mongolia is stepping up a crackdown on cryptocurrency mining by setting up a platform for the public to report on enterprises engaging in mining activities. The platform will accept complaints and clues about enterprises engaging in cryptocurrency mining, disguising themselves as data centers to enjoy preferential tax, land, and energy policies and obtaining electricity supply through illegal means for operating cryptocurrency mining projects. The Inner Mongolia regional government plans to clean up and shut down cryptocurrency mining. Apart from banning all mining projects, local authorities have also banned setting up new cryptocurrency mining facilities in the region, which is a major base for cryptocurrency mining in the country, due to its relatively cheap electricity supply, the Global Times reports. The authorities closed all cryptocurrency exchanges in China in 2017 and banned initial coin offerings, through which enterprises could raise funds by issuing new digital tokens.

China Speech Valley becomes AI hub in Hefei, Anhui province

In the China AI Development Report for 2020 and the AI Open Index, 10 cities were listed among the world's top 100 cities by artificial intelligence innovation power. Hefei, capital of Anhui province, ranked fourth among all the Chinese cities listed and third among those on the Chinese mainland. Since 2013, the Ministry of Industry and Information Technology and the Anhui Provincial Government have been **developing China Speech Valley, a high-tech industrial park, into a major hub for the AI industry**. It is located in the Hefei National High-tech Industry Development Zone. More than 1,000 companies are working in the park to grab a slice of the country's huge AI development market.

Among them, publicly-traded iFlytek reported an operating revenue of more than CNY13 billion last year, with net income of CNY1.36 billion. So far, iFlytek's open-access platform has served millions of entrepreneurs and third-party developers who use its AI and speech-recognition technologies to conduct business, it said. With the support of iFlytek's platform, MiMouse, a technology startup in speech-recognition technologies, settled in China Speech Valley six years ago. Its main product is a smart mouse. Other companies headquartered in the zone include Huami Corp, a United States-listed maker of smart wearables. Qi Dongfeng, CEO of China Speech Valley, said the park has made great efforts to help its clients, mostly small and medium-sized enterprises, build up business in the AI field. Among them, 17 have an annual operating revenue of more than CNY1 billion.

In 2017, the Anhui government issued a blueprint to build the valley with a CNY5 billion investment, aiming to foster a world class industrial AI cluster with international competitiveness. The city government introduced measures to simplify administrative procedures. In the Government Service Center of the Hefei High-tech Zone, the time needed to start a company has been reduced to one day or even less, and it only takes three to four days to obtain a business license, compared with at least one month previously. Entrepreneurs can receive help with low-cost office rentals, recruitment of college graduates, support from AI experts, expanding market share and obtaining bank loans. The provincial government provides China Speech Valley with CNY800 million a year to improve its industry chain, help entrepreneurs reduce office rentals and increase investment in research and market expansion. With a population of 9.37 million, **Hefei is being built into a "municipality of innovation"**, according to the city government's plan, the China Daily reports.

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