China Business Weekly

8 June 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: "Opportunities and challenges for tech scale-ups in China"
17 June 2021, 10:00 am – 11:15 am

On June 17, the Flanders-China Chamber of Commerce (FCCC) and Flanders Investment & Trade will organize a webinar on: "**Opportunities and challenges for tech scale-ups in China**".

Our distinguished guests, **Mr. Peter Tanghe,** Science and Technology Counselor, Flanders Investment & Trade, and **Mr. Etienne Charlier**, Partner, Riverbanks Investments, will provide insights on the potential benefits that the Chinese fast-growing technology sector is offering for potential scale-ups, but also the hidden risks. Moreover, concrete cases of tech scale-ups soft landing in China will be presented and discussed to better prepare Flanders businesses to thrive in China.

This webinar will take place on June 17 from 10h00 to 11h15 am CEST.

Programme

10:00	Introduction by **Ms Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce
10:05	China: a market for Flanders' tech scale-ups? by **Mr Peter Tanghe**, Science & Technology Counselor, Flanders Investment & Trade
10:40	Practical cases of tech scale-ups soft landing in China by **Mr Etienne Charlier**, Partner, Riverbanks Investments
11:00-11:15	Q&A

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Webinar: "European Business in China: Business Confidence Survey 2021" 24 June 2021, 10:00 am

The EU-China Business Association and the Flanders-China Chamber of Commerce are organizing a webinar focused on the results of **the annual Business Confidence Survey 2021 of European Business in China**. The survey was conducted by the European Union Chamber of Commerce in China, in cooperation with Roland Berger.

This webinar will take place on June 24, 2021 at 10h00 am.

After surviving the COVID-19 pandemic, European companies in China found themselves in a resurgent market that was able to get production back online, and are building resilience in China to secure their position in the market. However, the still-looming economic consequences of the pandemic, an increasingly politicised business environment, decoupling and tech divergence, and long-standing concerns over market access, SOEs and a level playing field still present major concerns to European companies moving forward.

Join the event to learn the latest data collected from the European business community in China in the following areas:

- The impact of the pandemic
- Revenue and profitability
- Supply chain shifts and decoupling

- The politicisation of business
- Decarbonisation
- RCEP
- Market access developments
- Level-playing field and SOE reform concerns
- IPR protection and enforcement
- HR concerns

Program:

10h00-10h05: Introduction by **Ms. Gwenn Sonck**, Executive Director, EU-China Business Association/ Flanders-China Chamber of Commerce

10h05-10h30: Presentation on the EUCCC Business Confidence Survey 2021 by **Ms. Charlotte Roule**, Vice President, European Union Chamber of Commerce in China/ CEO, ENGIE CHINA

10h30-11h45: Panel discussion

11h45. 11H55: Q&A session

10h55-11h00: Closing remarks by **Mr. Jochum Haakma**, Chairman, EU-China Business Association.

Speakers

Ms Charlotte Roule
Vice-President, European Union Chamber of Commerce in China/ CEO, ENGIE China

Mr Jochum Haakma
Chairman, EU-China Business Association

Ms Gwenn Sonck
Executive Director, EU-China Business Association/ Flanders-China Chamber of Commerce

Practical information:

Date and time: June 24, 2021, 10h00-11h00 am

Location: Online

Price for members: Free

Price for non-members: Free

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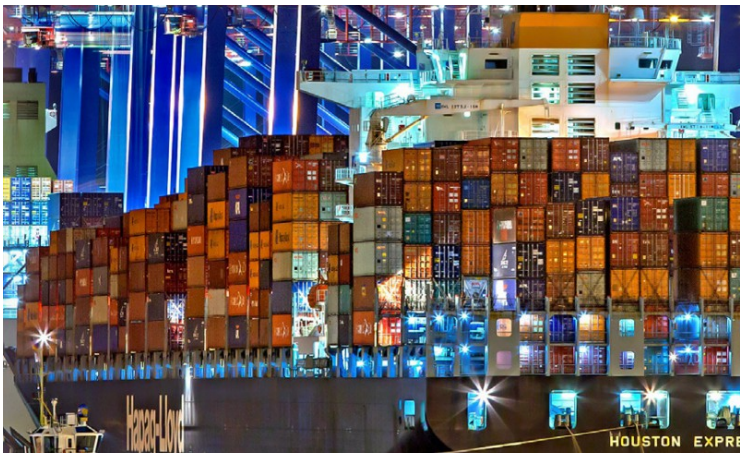
ACTIVITIES SUPPORTED BY FCCC

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

NEWS FROM OUR CHINESE PARTNERS

Fourth annual meeting of the Weihai Mayor's International Economic Advisory Council

Ms Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce and of the EU-China Business Association, on the screen behind the Chinese participants, bottom-left

Ms Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce and of the EU-China Business Association, who is a Member of the Weihai Mayor's International Economic Advisory Council and Honorary Citizen of Weihai City and Shandong Province, participated by video link in the fourth annual meeting of the Council. The theme of this year's meeting was “Integrate deeply into domestic and international circulations, achieve higher level of city internationalization”. Ms Sonck provided recommendations to the Council for Weihai's further internationalization by implementing China's dual circulation strategy. She mentioned that the goal of the strategy is to further develop Weihai's domestic market, while also attracting foreign investment. Weihai has an inviting business environment, well-developed industrial parks and people ready to grasp opportunities coming their way.

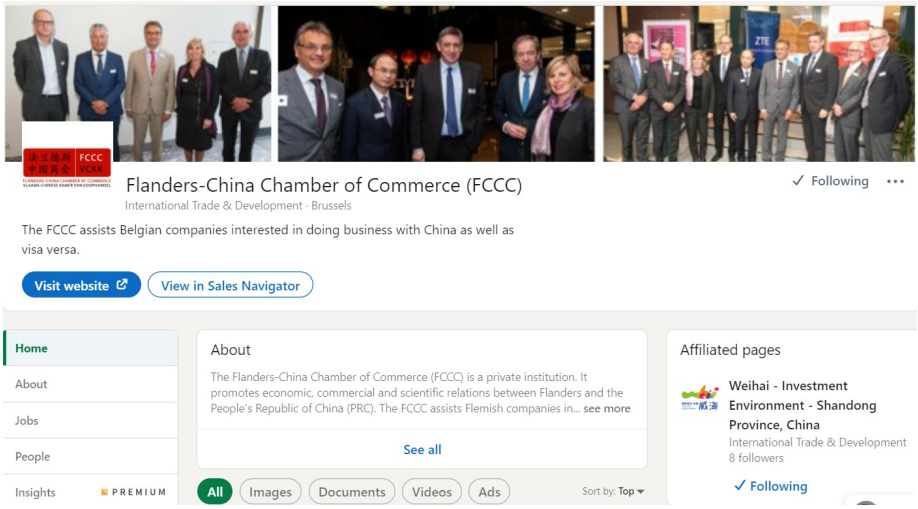
Weihai is located on the eastern tip of Shandong Peninsula, facing Korea and Japan across the sea. It has a land area of just about 5,800 sq. km and a coastline of nearly 1,000 km (and, incidentally, 185 islands). The population is 2.8 million.

Several of our member companies, such as Bekaert, Beaulieu and Marquardt already have major investments in Weihai. They have benefitted from the city’s very business-friendly investment environment. The city has established several pillar industries, including machinery, food, transportation equipment, textiles and garments, medicine and medical devices, electronics and new materials. The emerging industries of Weihai are medical & healthcare, information & outsourcing and “intelligent” manufacturing.

Over the past 10 years, the Flanders-China Chamber of Commerce and the Weihai Foreign Investment Bureau have formed a strong bond to help build and then strengthen trade relations between both sides and to introduce each other’s investment environments.

LinkedIn of Weihai Investment Environment: https://www.linkedin.com/showcase/69208195/admin/

If you are interested to learn more about the investment advantages of Weihai and learn from other experiences, send an email to gwenn.sonck@flanders-china.be.



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HEALTH

World Health Organization approves Sinovac vaccine, Sinopharm joins COVAX-facility

The World Health Organization (WHO) last week approved the Covid-19 vaccine produced by China's Sinovac for emergency use, which is a prerequisite to become a provider for the COVAX facility to supply developing countries with vaccines. "Today, I'm happy to announce that the Sinovac-CoronaVac vaccine has been given WHO Emergency Use Listing after being found to be safe, effective and quality assured following two doses of the inactivated vaccine," WHO Director General Tedros Adhanom Ghebreyesus said at a press conference on June 1. "Furthermore, the easy storage requirements of CoronaVac make it very suitable for low-resource settings. It is now the eighth vaccine to receive Emergency Use Listing by the WHO. It's now crucial to get these lifesaving tools to the people that need them quickly," Tedros noted. So far two Chinese vaccines have been approved by the WHO for emergency use. China has also approved emergency use of Sinovac's vaccine for people aged 3 to 17. Sinovac completed a phase two clinical trial where participants were injected with a third booster dose after completing two regular shots. Participants' antibody levels showed a 10-fold increase compared with previous levels in a week, and a 20-fold increase in half a month.

Sinovac has already supplied 600 million doses to 46 countries and regions, including China. The company has distributed about 260 million doses to regions outside China while giving the domestic market about 340 million. More than 430 million doses of Sinovac's vaccine have been administered globally, including in China. That is, one in every five doses of the Covid-19 vaccine administered globally is from Sinovac, Spokesperson Liu Peicheng said. Sinovac has five production bases in China, with an annual capacity of 2 billion doses, and has issued local production authorization to more than five countries, including Brazil, Turkey, Indonesia, Malaysia, and Egypt.

On June 1, **Chinese state-owned vaccine producer Sinopharm rolled out its first batch of Covid-19 doses for the global COVAX program** in Beijing after the vaccine was approved by the WHO on May 7 for emergency use. Sinopharm has made some improvements on the special batch for COVAX, including packaging in

English and a vaccine vial monitor (VVM) sticker shows temperature variations. Sinopharm is the world's first producer that has attached VVM stickers on Covid-19 shots, Zhu Jingjin, Vice President of the China National Biotec Group (CNBG), a Sinopharm subsidiary responsible for vaccine research and production, said at a ceremony to mark the first supply of Chinese vaccines to COVAX. QR codes are on the outer packaging for international monitoring and supervision, and the company has improved the instruction leaflet. China has promised to provide the COVAX program with 10 million vaccine shots. China had supplied 300 million doses of Covid-19 vaccines overseas by mid-May, contributing to vaccine accessibility and affordability, especially in developing countries.

The recent Covid-19 infections in Guangzhou were caused by mutated virus strains first identified in India, which have a shorter incubation period and higher viral load and can spread faster. The average incubation period was around 5.9 days last year but this time it was only 3.2 days. Guangzhou is speeding up its citywide nucleic acid testing, as a total of 94 infections were reported during the latest resurgence as of June 5, including 80 confirmed cases and 14 asymptomatic infections. Since the launch of nucleic acid testing on May 26, about 16.09 million samples have been collected in Guangzhou, and 33 people have been found to be positive. To curb the spread of Covid-19, the city further tightened travel restrictions. Starting from June 7 at noon, passengers leaving Guangzhou are required to present negative nucleic acid test results that are less than 48 hours old.

China may roll out Covid-19 vaccinations for people under 18, as the country still faces mounting pressure from imported cases, according to Feng Zijian, Deputy Director General of the China Center for Disease Control and Prevention (CDC) and Secretary General of the Chinese Preventive Medicine Association. He added that although it has quelled domestic viral transmission, China still faces mounting pressure from imported cases. According to Feng, China has recorded about 10,456 imported cases in total, from 154 countries and regions.

Jiangsu Province has reported the world's first case of a human infected with H10N3 avian influenza. China's health authorities said it was an occasional poultry-to-human transmission, and the risk of a large-scale spread is extremely low. The patient is a 41-year-old man from Zhenjiang, a city in Jiangsu province. The man had a fever and other symptoms on April 23 and was admitted to a local medical institute for treatment on April 28. Genetic analysis of the virus showed that the H10N3 virus was of avian origin and did not have the ability to effectively infect humans. H10N3 is a subtype of the Influenza A virus, also known as the bird flu virus. H10N3 is normally lethal to wild birds and poultry, as it can spread through respiratory droplets among the animals.

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

IT & TELECOM

Huawei launches HarmonyOS 2.0

Huawei Technologies has launched its latest operating system HarmonyOS 2 for smartphones, tablets and smart watches. Huawei has unveiled the list of its existing smartphones and plans updating them to the new operating system by the first half of next year. The U.S. government restricted Huawei's access to Google software and services in 2019, prompting it to speed up the development of its own operating system. Huawei said earlier that it expects the number of devices equipped with HarmonyOS to reach 300 million by the end of this year, including more than 200 million Huawei devices.

Yu Chengdong, CEO of Huawei's Consumer Business Group, said HarmonyOS is by no means a substitute for Android or iOS, but is instead **designed to power the Internet of Things (IoT)** to quickly connect different devices from different brands and enable them to "cooperate" with each other. Zhao Xiaogang, Associate Professor with the School of Computer Science at Wuhan University, called HarmonyOS a "mega-terminal" that enables more streamlined and efficient cross-device connectivity. "HarmonyOS greatly enhances the interactive speed between devices and improves the efficiency of their computing power, thus providing customers with a more optimized cross-device user experience," said Zhao.

HarmonyOS was first launched in August 2019, and it has already been used in smart TVs, as well as third-party companies' home appliances. But experts said that it will take time and efforts for Huawei to build a vibrant ecosystem of software and hardware partners. That is the key for the operating system to survive in the highly competitive digital world, they added.

Wang Chenglu, President of the Software Department at Huawei's Consumer Business Group, said the short-term goal for HarmonyOS's ecosystem market share is 16%, "a threshold for an operating system's ecosystem to develop prosperously. It is a threshold that Huawei must pass". Yin Dong, a Beijing-based software developer who has been using tools from HarmonyOS to develop mobile

applications for five months, said he is very optimistic about the operating system's future. "It is very convenient to develop applications for cross-device experience based on HarmonyOS, giving it an upper hand over Android which is designed only for smartphones," Yin said, as reported by the China Daily.

So far, more than 300 application and service partners, 1,000 hardware partners, and 500,000 developers have jointly participated in the construction of the Harmony ecosystem, the Global Times adds.

Major Chinese smartphone makers have been silent on whether they will adopt HarmonyOS 2.0. So far, only Huawei's own phones and some under the Honor brand are included on the official installation list. Smartphone maker Meizu was the only other smartphone brand to confirm that it will use this system, although not in its smartphones. The Meizu Lipro ecosystem – its smart home products line – will join hands with HarmonyOS, Meizu announced on May 28. Analysts said that major domestic smartphone companies are unlikely to quickly shift to the new OS, because it will take time for the market to test the newly unveiled software. In the short term, HarmonyOS can't be as widely accepted by consumers as Google's Android on phones, analysts added. "Mobile phone manufacturers facing both the domestic and global markets, must consider both domestic and international market responses. It will be difficult for mainstream mobile phone brands to use HarmonyOS in the short term," Fu Liang, a veteran industry analyst, told the Global Times.

The OS' partners include Chinese home appliance makers such as Midea Group and Joyoung, and carmakers such as BAIC. Himalaya, an immersive learning platform that provides audio courses, also announced that it is among the first batch of ecosystem partners of HarmonyOS 2.0. Fu said that Huawei may have to separate HarmonyOS 2.0 from its consumer businesses to establish a very open culture, because focusing on its own interests and crushing opponents – which may help its telecommunications businesses – would not be appropriate for an OS that requires openness.

Meanwhile, **Huawei is stepping up its efforts in the field of lithography machines**, which are crucial in chip production. Hubble Technology Investment, Huawei's fully owned subsidiary, recently invested CNY82 million to become the seventh-largest stakeholder in Beijing RSLaser Opto-Electronics Technology Co, which focuses on the light source system of lithography machines. Huawei's investment arm was established in April 2019 and has thus far invested in 28 semiconductor-related enterprises, including Epiworld International Co, NineCube, North Ocean Photonics and Zhonglan Electronic Technology Co.

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

FOREIGN INVESTMENT

U.S. President Biden adds 33 Chinese companies to investment blacklist

U.S. President Joe Biden signed an executive order adding 33 Chinese companies with supposed ties to China's military or surveillance industry, to a blacklist prohibiting U.S. companies and individuals from buying or selling publicly-traded securities from those companies. The list includes Huawei, China General Nuclear Power Corp and the country's three major telecommunications companies. The ban will take effect on August 2, and investors will have one year to divest. The Biden administration kept 26 out of the 44 companies that were originally sanctioned during the Trump administration, but added 33 new companies and entities, **bringing the total number to 59**. The move shows that Biden will not only maintain but also expand policies to restrict Chinese firms' growth made during his predecessor's tenure, while one of his current aims is to compete with China in the high tech sector. Some of the newly-added firms on the blacklist include subsidiaries or affiliates of large companies listed on the previous list. For example, some companies related to the Aviation Industry Corp of China and two finance-related companies of Huawei were added.

"It is the most sweeping executive order targeting Chinese tech entities since Biden took office, although there have been some sanctions previously," Li Haidong, Professor at the Institute of International Relations of the China Foreign Affairs University, told the Global Times. It will cause bigger losses for U.S. firms and investors that have close cooperation with entities on the list, Li noted, but won't disrupt China's technological advancement on the global stage.

Besides Xiaomi, the Chinese smartphone vendor that won a lawsuit in a U.S. court against the Pentagon in May, two other Chinese firms – Luokung Technology Corp and Gowin Semiconductor Corp – were also absent from the amended list. Luokung, a Chinese mapping and cloud software technology provider, sued the U.S. government in early March. The NASDAQ-listed company received a temporary ruling from a U.S. court on May 5, suspending the ban. Gowin Semiconductor also initiated a lawsuit. More Chinese firms will be added to the investment ban, U.S. media reported, citing an anonymous U.S. official, and the list of firms will be updated on a rolling basis.

From the perspective of Chinese businesses, the impacts will be limited. He Weiwen, former Economic and

Commercial Counselor at the Chinese Consulates General in San Francisco and New York, told the Global Times that the main limitation of the investment ban is that U.S. investors cannot directly invest in those Chinese firms. Meanwhile, the Chinese firms listed cannot publicly raise funds in the U.S. market. "Seen from public data, however, U.S. direct investment in China only accounts for 2% of China's foreign investment; that is, about USD2.6 billion, so the impact is little," He said, as reported by the Global Times.

China expressed its opposition to the expansion of restrictions on investments in certain Chinese companies and **vowed to take necessary measures to safeguard the legitimate rights of Chinese enterprises.** The U.S. government has abused the concept of national security and state power and "unscrupulously suppressed and restricted Chinese companies", Foreign Ministry Spokesman Wang Wenbin said. He added that the move not only undermined the lawful rights and interests of Chinese companies but also hurt the interests of global investors, including those in the U.S. The U.S. should respect the rule of law and the market, revoke these so-called lists that suppress China, and provide a fair, just and non-discriminatory business environment for Chinese companies, he said.

Meanwhile, contacts between the Chinese and U.S. governments continue. Chinese Vice Premier Liu He held a virtual meeting with U.S. Treasury Secretary Janet Yellen, which followed a phone call between Liu and U.S. Trade Representative Katherine Tai just six days earlier, on May 27. To pragmatically "solve specific problems for producers and consumers", tariff rollbacks are essential, especially for U.S. producers and consumers, who have been much harder hit than their Chinese counterparts by the two countries' tariff hikes, according to experts. Tu Xinquan, Dean of the China Institute for WTO Studies at the University of International Business and Economics in Beijing, said: "Through the increased tariffs on Chinese goods, the U.S. hoped to reduce the trade deficit with China, transfer costs to Chinese exporters, and force companies to move their supply chain activities out of China to the U.S. or other countries. "But such expectations have failed, while the tariff surges have damaged U.S. companies' competence, dragged down U.S. economic development, and hurt the U.S. people due to consequently higher product prices and fewer jobs." The U.S. trade deficit with China has increased, and U.S. companies are bearing the brunt of elevated tariffs on Chinese goods, Tu said, citing a recent report by rating agency Moody's Investors Service, the China Daily reports.

In the first four months of the year, China's trade with the U.S. rose 50.3% year-on-year to CNY1.44 trillion. China's exports to the U.S. rose 49.3%, while imports gained 53.3%, and the trade surplus with the U.S. reached CNY653.89 billion, an increase of 47%.

CHINA NEWS ROUND-UP

China's foreign trade up 28.2% in first five months

China's foreign trade maintained its upward momentum in the first five months of the year. The country's **total imports and exports expanded by 28.2% year-on-year to reach CNY14.76 trillion** during the period, the General Administration of Customs said. It marks an increase of 21.6% from the same period in 2019. Exports jumped by 30.1% from a year earlier, while imports climbed by 25.9% in yuan terms. Exports and imports increased by 23.6% and 19.2%, respectively, compared with the first five months of 2019. **During the January to May period, the trade surplus increased by 56.2% year-on-year to CNY1.32 trillion.**

Private enterprises' foreign trade expanded by 38.1% to CNY7.02 trillion, accounting for 47.6% of China's total imports and exports. In the first five months, the Association of Southeast Asian Nations (ASEAN) remained China's largest trading partner, followed by the European Union and the United States. The growth rates of China's trade value with the three trading partners stood at 29.2%, 28.7%, and 41.3% respectively. China's trade with countries along the Belt and Road rose by 27.4%, year-on-year, to reach CNY4.36 trillion, the Shanghai Daily reports.

China-U.S. bilateral trade increased by 52.3% in dollar terms in the first five months to USD279.64 billion, the fastest among all China's major trade partners. The figure indicates that no matter how Washington tries to provoke ideological or geopolitical conflict with China, it cannot stop mutually beneficial trade relations, the Global Times reports. Chinese exports to the U.S. expanded 49.8% and imports jumped 59.8%, though the growth rates were slower compared with the January to April period. According to Tian Yun, former Vice Director of the Beijing Economic Operation Association, the trade volume between China and the U.S. in the first five months was "astonishing." "Based on the growth, bilateral trade may hit CNY4 trillion or USD600 billion for the whole year. That is to say, the China-U.S. trade value in 2021 is very likely to surpass the record high of 2018 and reach USD640 billion to USD650 billion," Tian told the Global Times.

China's trade surplus with the U.S. stood at USD132.46 billion in the first five months, compared with USD100.68 billion in the January-April period. The Global Times

described the situation as “political coldness but economic heat”. The Biden administration is conducting a review of the country's trade policy with China, ahead of the expiry of the phase one trade deal at the end of 2021. “There are parts of this trade relationship that are unhealthy and have over time been damaging in some very important ways to the US economy,” U.S. Trade Representative Katherine Tai said in response to a question about whether the U.S. would continue with the phase one trade deal and maintain tariffs on Chinese goods.

China's foreign exchange reserves rise to five-year high

China’s foreign exchange reserves rose to a five-year high of USD3.2218 trillion in May due to changes in asset prices after the United States dollar depreciated. By the end of May, the country’s forex reserves had risen by USD23.6 billion, or 0.74%, from April, the highest level in more than five years, the State Administration of Foreign Exchange (SAFE) said. The U.S. dollar index dropped by nearly 1.6% last month, while the pace of yuan appreciation accelerated and hit a three-year high by the end of May due to strong capital inflows and exports. “The yuan supply-demand relationship in the forex market is still at an equilibrium in general. As such, the yuan appreciation has little influence on the volume of foreign exchange reserves.

The key reason for the growth in reserves was the valuation of assets,” said Guan Tao, Global Chief Economist of BOC International (China). Another reason was falling U.S. Treasury yields, which boosted bond prices. U.S. stocks also edged up, said Guan. Employment data for May may not change the U.S. Federal Reserve’s dovish monetary policy, while the pickup in consumer inflation may push the Federal Reserve to slow down its massive bond buying program, said experts.

Besides the external uncertainties, China’s robust trade data and steady capital inflows have supported the stable growth of foreign exchange reserves, said experts. “It is expected that the yuan exchange rate will be at a reasonable level in the next stage, with two-way fluctuations, while forex supply and demand will be balanced,” said Wen Bin, Chief Researcher at China Minsheng Bank, adding that enterprises and financial institutions should pay attention to risk prevention, adapt to the normalized two-way fluctuations and use risk neutral as a basic concept in exchange rate risk management, the China Daily reports.

Covid-19 outbreak causes longer waiting times at Guangdong ports

Traders and logistics firms are coping with longer waiting times and greater challenges to ship goods after some ports in Guangdong province, the top trading and manufacturing region for the country, encounter backlogs ahead of a busy Christmas export season **due to tighter epidemic prevention measures as new Covid-19 cases emerged**. At Yantian Port, which is responsible for more than one-third of Guangdong's foreign trade and one-fourth of China's trade with the U.S., the “butterfly effect” has begun to emerge with slow port operations, crowded docks and delayed shipping dates, industry insiders told the Global Times. Many cargoes have had to move to neighboring ports, which are now facing backlogs as well. “Goods delivery is slow, and you have to book in advance to get to the port,” a manager with Shenzhen YF Logistics said. Many ships are waiting to dock at the port, and some are choosing other ports. The nearby Shekou Port is also congested because of the influx of many cargo ships.

Zhang Manfeng, Assistant Director of the Guangdong Shoe Manufacturers Chamber of Commerce, said that shoe exporters face longer shipping times and higher rates. “What normally takes one day to be loaded on ships now takes about a week,” said Zhang, noting that the container price is also at least 20% higher. The port congestion is the result of tight anti-epidemic measures amid surging local Covid-19 cases. Six new local cases were confirmed in the province on June 5, including one from India that was detected in Shenzhen.

Industry insiders said that given the ongoing global epidemic, ports will be under pressure for some time. What happened at Yantian is expected to have a temporary and limited impact on the global supply chain, Kang Shuchun, Director of the China Federation of Logistics and Purchasing said. But what is really hurting companies are the high freight rates since the second half of last year. “Due to the epidemic conditions in some other countries, containers that leave China can't come back on time,” said Kang. Sea shipping accounts for more than 90% of China's foreign trade, the Global Times reports.

Negative lists for trade in services to be issued soon

China’s highly anticipated negative lists for cross-border trade in services are in the pipeline as the draft version for the Hainan Free Trade Port is currently undergoing processing for final release. China plans to release the negative list for the Hainan FTP first, followed by versions covering pilot free trade zones as well as the entire nation, said Nie Pingxiang, Deputy Director of the Service Trade Institute under the Ministry of Commerce (MOFCOM). “The negative lists are likely to come out soon, probably within the year,” Nie said, adding that based on the Hainan version, the shortest of all three, drafting of the other two will be easier. Experts said those negative lists for cross-border trade in services are expected to tackle various issues, including restrictions on cross-border supplies, overseas market consumption and movement of individuals.

China’s trade in services has been growing rapidly, accounting for an increasingly larger share of total foreign trade. The latest data from MOFCOM showed that the country’s services trade rose 3.3% from a year ago to CNY1.56 trillion in the first four months. Services exports reached CNY746.21 billion, surging 23.2% year-on-year, and services imports stood at CNY818.24 billion, down 10%. In April alone, China’s trade in services reached CNY406.19 billion, up 12.3% year-on-year, with services exports climbing 24.3% and imports growing 2.7%. The proportion of China’s services trade within total foreign

trade increased from 11.1% in 2010 to 14.6% in 2019, Chi Fulin, President of the China Institute for Reform and Development in Hainan, said.

Ministry of Commerce officials have said that introducing the negative list management system is an important measure to boost the development and opening-up of the country's services industry, the China Daily reports.

China becomes the UK's biggest source of imports

China has replaced Germany to become Britain's biggest source of imports for the first time since 1997, when the current batch of statistics started to be compiled. The United Kingdom's goods imports from China reached GBP16.9 billion in the first quarter of this year, data from the British Office for National Statistics showed. Its imports from Germany fell to GBP12.5 billion in the same period, which is believed to have resulted from disrupted UK-EU trade after Brexit.

Figures from the UK's Revenue and Customs showed China registered the second-largest value increase month-on-month in March and the largest value increase in year-on-year terms in the same month. The customs data also revealed China accounted for 13% of the total value of goods the UK has imported. This was an increase from 5.5% in March 2020. With the pandemic and Brexit, economists say it is hard to tell if the trend will persist. "It's hard to make definite conclusions from a year during which the UK has experienced not only Brexit, but also the worst experience with the pandemic in Europe in terms of deaths per capita. So we would need to watch the trends for another year at least to find 'normal' patterns," said Gayle Allard, Professor of Economics at IE University in Spain. (According to Worldometer, the worst death toll per capita in Europe was recorded in Hungary, and Belgium and a few other countries are also still ahead of the UK.) Professor Allard added: "Initially, it looks like Brexit and the supply constraints coming from the pandemic have been very favorable for Chinese exports. Remember that after Brexit, EU products lost some of their cost advantage in the UK."

Chris Rowley, Business Professor at the University of Oxford, said UK-China trade relations have been tense in the light of strained diplomatic relations, but trade will continue. "Nevertheless, there are trade opportunities, moving beyond more traditional ones, such as foods and drinks, to sectors ranging from pharmaceuticals and aerospace to green energy," said Professor Rowley.

Analysts say Brexit should create more opportunities for UK-oriented Chinese exporters. "The pound has fallen since the Brexit vote, making EU goods more expensive, and some EU inputs for products manufactured in the UK will also be too expensive. Supply chains will be broken for many products and will need to be remade," Allard said. In a separate report, Office for National Statistics (ONS) data showed the UK imported more goods from China than from any other country since the second quarter of 2020. Imports of goods from China accounted for 16.1% of UK goods imports in the first quarter of 2021, having increased by 65.6% compared with the first quarter of 2018, a larger increase than exports. The increase in imports from China in 2020 was boosted by textile fabrics for face masks and personal protective equipment (PPE), the China Daily reports.

China to devote more resources to basic research

China is devoting more resources to basic research and original innovation in the hope of creating a driving force for economic growth. Chinese authorities have recently called for accelerated efforts to build China into a leader in science and technology, and achieve self-reliance and self-improvement in scitech at higher levels. China's spending on basic research during the 14th Five Year Plan period (2021-2025) will likely reach a record 8% of all research and development (R&D) expenditure, according to the Ministry of Science and Technology (MST). China's spending on basic research reached CNY133.6 billion in 2019, accounting for over 6% of total R&D expenditure. It is estimated that spending in 2020 exceeded CNY150 billion.

Professor Deng Ning, Vice Director of Tsinghua University's high-tech laboratory, has been making plans to set up an artificial intelligence research institute to explore the frontiers of AI research and make breakthroughs in key technologies. He also participated in the establishment of the Beijing Academy of Quantum Information Sciences. The Academy aims to be at the global forefront of quantum physics and quantum information science. Its superconducting quantum computing team made a major breakthrough in May, improving the decoherence time of superconducting qubits.

Set up in 2013, Orbbec Technology is a leading company in 3D vision perception technology and has achieved many zero-to-one innovations. Its Founder and Chairman Huang Yuanhao said 3D vision perception is a key and basic technology in the era of AI and the Internet of Things (IoT), involving core technologies such as imaging chips, computing chips and micro-nano optics. "We will work with research institutions and enterprises upstream and downstream to strengthen weak parts of our industry chains, and achieve breakthroughs in photosensitive chips, core algorithms, sensors and other key technologies," said Huang, as reported by the Shanghai Daily.

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