China Business Weekly

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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: "The Greater Bay Area – Business and Investment Opportunities" 22 June 2021, 09:00 am in London, 10:00 am CEST

The EU-China Business Association (EUCBA), the Portugal-China Chamber of Commerce and Industry and PROFORUM are organizing a webinar on "The Greater Bay Area – Business and Investment Opportunities" on 22 June 2021, at 09:00 am in London or 10:00 am CEST.

The Greater Bay Area (GBA) initiative's goal is ambitious: combining Hong Kong, Macau and the cities of Guangdong's Pearl River Delta to create a region with the economic heft that is comparable to the San Francisco Bay Area, Greater New York and the Greater Tokyo Area. To succeed, the relevant infrastructure, policies and regulations will all have to be in place to ensure people, goods and services are able to flow freely within the region. (Source: KPMG – The Greater Bay Area Initiative)

Programme:

10:00 – 10:10	**ILÍDIO DE AYALA SERÔDIO** Vice-President, **Portugal-China Chamber of Commerce and Industry** (CCILC) and **EU-China Business Association** (EUCBA) President **PROFORUM** Association for the Development of Engineering
10:10 – 10:20	**STEPHEN PHILLIPS** Director General of **Invest Honk Kong**

10:20 – 10:30	**JOCHUM S. HAAKMA** Chairman of the **EU-China Business Association (EUCBA)**
10:30 – 10:40	**RAYMOND FONG** General Manager **BNU Hengqin branch** **Portugal-China Chamber of Commerce and Industry** (CCILC) – **Macau** Delegation
10:40 – 10:55	Q&A / Closing Remarks

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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

10h30-10h45: Panel discussion

10h45-10h55: 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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PAST EVENTS

Webcast: "China for China: What is the shape of things to come for EU businesses in China?" – June 1, 2021

The Flanders-China Chamber of Commerce in partnership with The Conference Board organized a webcast on **"China for China: What is the shape of things to come for EU businesses in China?"** on **June 1, 2021**.

Ms Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce and the EU-China Business Association, welcomed the participants to the annual joint webcast with The Conference Board. Many European companies perceive China operations to be at an inflection point. The long-term China opportunity is considered to be strongly positive and an essential pursuit. But there are myriad changes in the business environment and risks, complexities and adaptation requirements are profound. The growing trend points to localized, increasingly autonomous China operations, which many describe by the phrase "China for China". In 2020 China became the EU's biggest trading partner overtaking the U.S. China also regained the title of top destination for FDI and will also be one of the main drivers of the world's growth this year. In the first four months of this year the EU's actual investment in China reached USD1.95 billion, up 12.4%, while China's direct investments in the EU reached USD1.69 billion, up 70%. According to a recent survey of EU companies in China, European companies state that they continue to see China as a top or top-3 destination for present and future investments. According to the IMF China's growth will be 8.2% year, which is the highest in 10 years.

David Hoffman, Senior Vice President Asia and Managing Director of the China Center for Economics and Business of The Conference Board, has more than 30 years experience as a resident analyst and business developer in China. He is a strategy adviser and top management consultant on a wide range of China and Asia business developments. Prior to joining The Conference Board, David led the technology advisory practice of Pricewaterhouse-Coopers in China for 21 years. He is a life-long student of contemporary Chinese political science and economics and he is a graduate of Chinese studies from the University of California San Diego.

Mr Hoffman went trough the recent research of The Conference Board on the China for China topic, the context, the dynamics, the challenges and issues involved. The China Center for Economics and Business is based in Beijing but includes global resources working on China. What does the multinational business environment looks like in China today? It is in many ways a perfect storm, including pressures, opportunities and risks. There is a lot of pressure building around geopolitical tensions and policy uncertainties. Meanwhile, China's economy is performing on a stand out level compared to other economies around the world. The Covid containment response has been incredibly strong and effective. Concerning the risks, we have policy issues emerging from Beijing and globally that bring into question the future of European, American and Western multinational business in China. There is a very difficult set of circumstances. Mr Hoffman mentioned that in his 35 years of experiences he had never met such a set of intermingled and contrary factors shaping the business environment. Doing business in China has always been filled with challenges and for many the rewards have been great, but now is the most challenging time. The upside potential is there but it is getting more complicated to do

business.

Not all of it is geopolitical. Many assume that EU-China and U.S.-China tensions and Sino-Western geopolitical tensions in general is the only story but that is not the most important point. **China has always had a difficult unfamiliar regulatory environment. This requires that foreign companies adapt to it.** The rule of law and regulatory environment aren't the same as in Europe and the U.S. Things shift and change with the economic growth story. Important changes are added to that, including very diverging and demanding customer preferences. Chinese consumers are maturing and their preferences and expectations are different from those in the West. There is a new set of local competitors, different local competition dynamics and very fast-moving competition. There is a willingness to experiment in real time on new products and services. There is a very divergent, very fast-paced and very unique digital environment that is having a huge impact on commercial operations.

China for China (C4C) generally means localizing to adapt to the local market characteristics. There are strong localization processes in HR, leadership, and recruiting all the way down to the lowest levels. Digital systems are localized, many MNCs have adopted the Chinese cloud and apps. Digital operations have become very independent and different from the home market. Commercial operations in general are now oriented around the Chinese digital platforms as almost everything in China is done digitally in terms of consumers and increasingly also in B2B engagement. Western goods producers are under pressure from authorities to assure that their supplies are secure and controllable. MNCs are asked to localize sourcing and production. In some cases Chinese concerns about supply security are real but in other cases local government interlocutors are latching on to this campaign theme to try to force MNCs to invest more in manufacturing capacity in China. In research and development there is strong localized product development in China for China because customer needs are changing and they respond to that with highly localized processes, which is even driving global development to first satisfy Chinese requirements. New partnerships are emerging to try to tackle localization requirements. In enterprise IT, most MNCs are struggling to figure out what they need to do in the future. Do they need a ring-fenced enterprise IT system or can they continue cross-border data IT operations?

Many MNCs are looking at new partnerships. Some are developing local companies or local brands. **Chinese capital partnerships are an important issue.** Foreign companies are restricted in China in a number of ways in some sectors. If they have a data-centric business model, they may not be able to have a 100%-owned operating entity. If there are concerns about supplies they might have to be more locally-owned. A Chinese capital partnership means that an MNC will spin-off an aspect of its business and instead of partnering with a strategic Chinese investor, choose an investment fund as partner. There are state and city-level investment companies or even private venture capital funds. One interesting aspect is that the Chinese partner is capital-rich and will primarily fund these ventures, which means you don't put as much of your own capital at risk. Secondly, they are very commercially oriented. Many early Sino-Western ventures featured lots of conflicts about incentives. The foreign partner wanted to develop business and make money and the Chinese partner maybe had other incentives and perhaps profitability was the least of them. The funds want returns, they have capital and connections and the skills to finesse the regulatory environment, but they don't operate. So they leave the foreign company alone to operate the business as they see fit. You can compare it to the hotel model, where a Hyatt or Novotel will operate the hotel business in a property that is owned by a financial investor. An example is the Shanghai Disney Resort which could have partnered with Dalian Wanda, the biggest theme park operator in China, but instead chose the Shanghai state-invested holding company to put up the majority of the money and leave Disney to run the park.

Investing in China for China may be undertaking new unconventional partnerships, which are not unsurprisingly uncomfortable to most headquarters. There are political issues at home. You staff up or build capacity in China and you have to reduce capacity in the home market, which is an unpopular political choice. There is a lot of strain with the investment imperatives involved in China for China. Many MNCs express that relations with headquarters have become more difficult. MNC headquarters and local organizations are often misaligned on three things: risk-management concerns, opportunity evaluation concerns and divergence and autonomy concerns. The end state of the China for China strategy might look like a very separated – even autonomous – China operation, which is very uncomfortable. How do you assure that that organization is going to have the same global mindset, corporate DNA, values and compliance standards without the traditional control that headquarters imposed on operating units around the world?

There are three things companies need to do. First, undertake a proactive trust-building process to enable requisite communications to occur. Typically the China organization does not want to talk too much about risks or policy uncertainties. They think that will dampen headquarter enthusiasm for China projects. The headquarters does not want to prod the China team too much on those issues because they think they might insult the China team or may lead to trust issues. Both sides have to get over this and need to have the hard conversations necessary to establish trust and talk about risks and rewards in a balanced way. A second thing is to establish a shared long view on China, in particular how difficult issues around things like human rights conditions in China need to be dealt with. It is a sensitive topic that needs to be worked on jointly. The global CEO needs to head this up to make sure that everybody understands how important it is. Thirdly, there needs to be a much higher commitment to risk monitoring and cross-border, cross-functional coordination. Mr Hofmann published an article on this topic that is available on the China Center website. Companies that have a long view and resource the risk management function effectively have a much higher chance of success in this very difficult environment. Doing all this cannot be the side job of the China CEO. They are busy managing lots of stuff on the ground every day.

Mr Kurt Vandeputte is Senior Vice President Government Affairs at Umicore. He has been leading the battery

materials division till July 2019 and has long-term experience in China in commercial and leading positions at the local joint venture. He is also t**he new Chairman of the Flanders-China Chamber of Commerce.**

Umicore is a global materials technology and recycling group with three main divisions: emission control catalysts, rechargeable batteries and waste stream recycling. Umicore is developing the technology of the car catalyst together with the car companies. The company is also making the core material that is going into lithium-ion rechargeable batteries. The car market is now the biggest market but in the past 20 years these batteries have been used in portable electronics. Finally, Umicore is active in metal recycling. The recycling focus is on precious metals, but also on special metals coming out of batteries. The key knowledge of the company is in chemistry, material science and metallurgy applied on metals. All activities rely on global supportive megatrends. The three most important are resource scarcity, electrification of the automobile and more stringent emission control. Umicore is also an industry leader in sustainability, applying very stringent principles in terms of sustainability.

Umicore is a global company of 10,859 people, 47 production sites and 15 R&D or technical centers. Historically Umicore is an European-based company but the biggest growth engine is Asia and more specifically China. The Chinese pronunciation for Umicore is “youmeike”, which means excellence or best quality, to beautify life or materials for a better life, and technological innovation. Forty years ago, Umicore started exploring Asia out of Hong Kong with a commercial office. In 1993 the first joint venture – Shanghai Blue Lotus – was established, linked to the cobalt powder business. Historically Umicore has always had cobalt activities in Europe and the U.S. One of the applications is using cobalt metal in the hard metal industry. As China emerged as a production hub for many businesses, the tooling industry was growing very rapidly. Demand for cobalt was increasing very fast and would be better served out of China. Umicore has about 3,000 employees in Asia of which 2,300 are in China. Production sites involve all activities of the Umicore group. Initially the company went to China to produce but gradually it adjusted the technology offering to fit the Chinese requirements and at present the output of the production plants in China is mainly used to supply local customers.

Umicore's activities are B2B, interacting with industrial partners, not individual customers. There are plenty of opportunities, in the first place greentech. China is really driving the greentech transition in many areas. The country is very technology-savvy. The Chinese are very far advanced in many areas. Umicore believes that the development in China is an accelerator for the global strategy of the company. Among the challenges are being forced to duplicate certain flows, which is unavoidable and on a global scale may not lead to the most efficient set up. A second challenge is the lack of transparency towards each other between China, Europe and the U.S., which is leading to distrust. We all know the political narrative, but supply chains and products that are needed to make goods and services happen on a global scale. Whether you talk about a smartphone, a car, a computer or even a household appliance, we need natural resources coming from everywhere to make those products. No region in the world will have everything in house. A level playfield is also a challenge. This is often mentioned in a standard cliché way, but it is real. We have to make sure that if you operate on a global scale, you can play with the same tools. The biggest risk for Umicore is that regulatory foresight is limited. Financial risk taking in China is still different from the Western world and should be monitored. Return expectations are different and in the long run have to be monitored as well. It is important that Umicore's technology is valorized, for which a long-term business plan is needed to recuperate the investment. This is not always straightforward in China, although in the past five years you see improvement.

It is important to define the China-position: what do you want to do in the country, is it a pure play China for China, or can you make a combined set-up? The local market is the most important driver to be present in China, combined with some global synergy. Tuning towards China and not just exporting your global solutions is very important.

Is there an increase in business as a result of Covid-19 and do you consider further expansion? Mr Vandeputte: Umicore is producing batteries for portable electronics and the Covid crisis led to a strong increase in demand for electronics and consequently more batteries were needed. The car market is booming in China, so that part of Umicore's activities will certainly further expand in China.

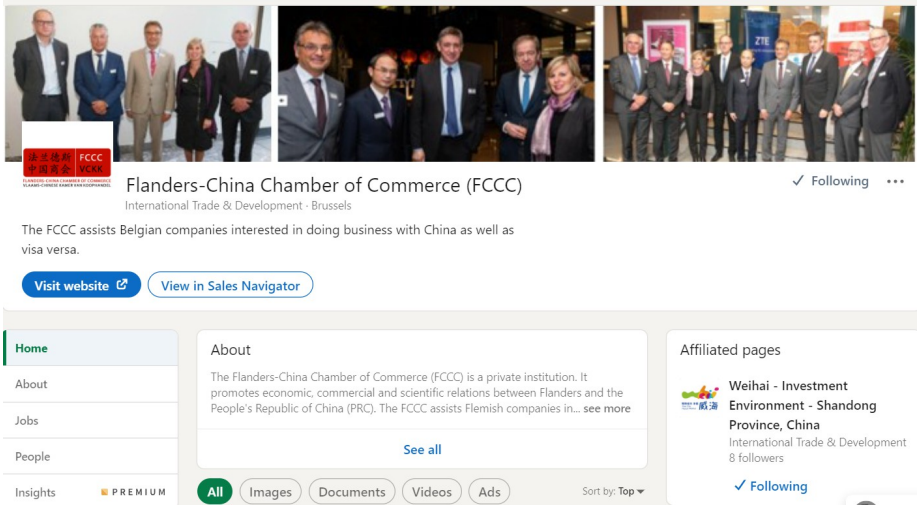
Has Chinese competition increased in the past years? Mr Vandeputte: Yes, you're never alone in the business, people are eager to improve. Doing business in China means making sure to stay sharp and keeping headroom on the technology side.

Are headquarters moving to China? Mr Hoffman: Some vanguard companies are moving one or a few global functions to China to tighten the connection in certain key areas. There are firms that have set up regional operating hubs in China, but it is not becoming the predominant operating model. The flow of people and capital render China a less efficient operating hub than Tokyo or Hong Kong. Having a China CEO going to regional and then to headquarters is less efficient than the China organization having a direct line to global headquarters. Mr Vandeputte: Umicore has established a regional headquarters in China early on. The Senior Vice President responsible for China reports directly to management to have a close and short line to headquarters. Umicore combines this with the business units defining their own strategy. The business units can rely on a structure that is permanently present in China. Mr Hoffman: China demands a lot of attention that is not commensurate with its relative size for many companies' global operations.

Due to Covid-19 business leaders can still not visit China. Is that hindering expansion in China? Mr Vandeputte: Yes, it is annoying, but the local team in China can continue to run the business as they used to. Relationships are very important in China and business leaders want to interact with Western counterparts. Once the borders reopen, there will be quite a lot of business travel to China.

Could you elaborate on the H&M and Tesla crises in China? Mr Hoffman: This is about managing shifting public opinion in home markets. Multinationals in China need to have an advanced monitoring system and market intelligence monitoring process to detect shifts and undertake preemptory activities that may help them avoid a public relations crisis. On March 15 CCTV has its consumer day, criticizing different brands for having failed consumers in different ways. It mainly focusses on domestic brands but every year some foreign companies are also called out. It is not an honor you want to get. Companies have learnt to manage that preemptively to make sure they're not on that list. Most companies however don't have an expanded risk function.

What is the main factor for Umicore's success in China? Mr Vandeputte: A technology offering attuned to the Chinese market. Chinese customers have always been open to adopting new technologies, increasing comfort or performance of their products or services. It is up to us to make it happen in China. We moved the development of heavy duty catalysts to China because we have to do that in a very close collaboration. Under the present conditions of no travel you can't do this from Europe or the U.S.



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HEALTH

Covid-19 outbreak in Guangdong hindering international shipments

The recent Covid-19 cases detected in Guangdong province are putting pressure on the local manufacturing industry as shipments of raw materials are delayed, and logistics companies and ports are facing longer waiting times and obstacles to deliveries. “Our productivity has dropped by 30% due to the resurgence of some Covid-19 cases, and tight electricity supply," Yin Xiandeng, Sales Manager at a medical equipment company based in Guangzhou, told the Global Times. “The transportation of raw materials is being delayed, the daily commute of employees is getting troublesome, and the nucleic acid testing of all staff is affecting production,” Yin said. Due to the need for testing, access to containers, airports and terminals is also limited, and that is adding one week to shipping times, Yin said. At Yantian port, which is responsible for more than one-third of Guangdong's foreign trade, operations have been slowed down, with crowded docks and delayed shipping dates. Many shipments have been moved to neighboring ports, which are now facing backlogs as well, industry insiders said. “We have to

change sea-bound shipments to air freight to get European and U.S. orders delivered on time, which is an additional cost for the company," Yin added.

China has approved a seventh domestically developed Covid-19 vaccine to meet increasing demand amid the country's accelerating mass vaccination drive. It was developed by the Institute of Medical Biology of the Chinese Academy of Medical Sciences based in Kunming, Yunnan province. Phase 1 and 2 clinical trials proved the safety and immunogenicity of the vaccine, which can quickly trigger an immune response in recipients. The vaccine requires two shots at an interval of two to four weeks. Production capacity is expected to reach 500 million to 1 billion doses per year. It is the fifth inactivated Covid-19 vaccine to obtain official approval in China, which will take China's production capacity of inactivated vaccines to about 6 billion per year, Tao Lina, a Shanghai-based vaccine expert, told the Global Times.

More than 845 million vaccine doses have been administered in China, covering 622 million people or about 45% of the population. The number of doses administered has continued to rise at an ever-faster rate since China hit the landmark figure of 100 million doses on March 27. It only took six days for the number of vaccines administered on the Chinese mainland to exceed 800 million doses from 700 million doses, and five days from 600 million doses to 700 million doses. At least 70% of the target population in China is expected to be vaccinated by the end of this year, Zeng Yixin, Deputy Director of the National Health Commission (NHC), said recently. **More than 200,000 foreigners in China have been vaccinated** against Covid-19, according to Foreign Ministry Spokesman Wang Wenbin.

Meanwhile, the Jiangsu provincial CDC is conducting clinical trials on a booster injection about half a year after the beginning of the inoculation drive. A total of 300 healthy volunteers aged 18 to 59 years old who have received at least one dose of an inactivated vaccine will be recruited in the trial. China kicked off mass vaccinations on December 15, 2020. CanSinoBIO and Sinovac have already conducted trials on booster shots.

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

FOREIGN INVESTMENT AND TRADE

City of Beijing focusses on development of "two zones"

The Beijing municipal authorities are accelerating development of the city's "two zones", introducing a series of business-friendly policies and continuing the city's opening-up to the outside world. The "two zones" refer to the pilot free trade zone (FTZ) and the national comprehensive demonstration zone for expanding opening-up in the services sector. In 2015, Beijing became the only pilot city in the country to open the services sector wider, and in 2020, the central government offered support for the capital to become a national comprehensive demonstration zone for the opening up of the services sector. The China (Beijing) Pilot Free Trade Zone was officially unveiled in September. Against this background, many policies have been formulated to encourage innovation and entrepreneurship, advocate financial opening-up and attract talented individuals to the zone. Among the 251 policies for developing the "two zones", 140 policies had been implemented by the end of March, including 12 pilot policies.

Among local enterprises benefiting from such policies is Aircraft Maintenance and Engineering Corp (AMECO) at Beijing Capital International Airport, which makes good use of the city's new facility for one-day Customs clearance in comprehensive bonded zones. Some airline companies outsource their engine maintenance. But maintenance enterprises on the Chinese mainland have to send engines to Hong Kong and then import them back again to claim tax exemptions or refunds – a process which is time-consuming and involves risks during transport. To tackle this issue, the tax department and local government put forward a Customs-clearance policy for tax exemption, offsets or refunds in comprehensive bonded zones, and it has already been implemented in the Tianzhu comprehensive bonded zone in Beijing's Shunyi district. Han Keping, Deputy General Manager of the Finance Department at AMECO, said: "Since the policy was launched, AMECO has saved about CNY8 million in engine maintenance freight rates, and the maintenance cycle has been shortened by over 400 days."

Favorable policies are also implemented in other sectors. In the financial sector, an RMB international investment-and-loan fund has been approved in Beijing. In the medical sector, the first eight pilot hospitals in Beijing providing medical services for foreigners are offering real-time settlements with international insurance companies. Foreign employees also benefit from simplified procedures to apply for Chinese work visas. Set up in July 2020, the Chaoyang district-based one-stop platform was one of the landmark features of the "two zones" policies, integrating 120 services of 19 functional departments, with applications for foreigners' work and residence permits handled in one place.

Zhuang Rui, Professor at the University of International

Business and Economics, said the experiences in the pilot free trade zone could be shared with the whole country. The policies have drawn many multinational companies to Beijing, including UBS Securities – the first foreign-funded securities institution in China – as well as a wholly-owned subsidiary of Fitch Ratings of the United States and a wholly-owned entertainment unit of Japan's Avex Group.

According to the Beijing Municipal Commerce Bureau, the city got off to a flying start in utilizing foreign capital in the first quarter. A total of 379 new foreign-funded enterprises were established, representing a year-on-year growth of 36.3%. Contracted foreign investment reached USD9.63 billion, up 1.3 times year-on-year. The actual utilization of foreign capital was USD4.94 billion, up 32.7% year-on-year. The 2021 China International Fair for Trade in Services will be held in September in Beijing, local authorities said. The ongoing Covid-19 pandemic has not hindered the pace of China's further opening-up to the outside world, the China Daily reports.

The Standing Committee of the National People's Congress (NPC) last week also **enacted a law to make Hainan province a world-class free trade port.** Hainan is China's largest free trade area and the only one that has a law specially written for it. A free trade port system focusing on trade and investment liberalization and facilitation will be "basically established" in Hainan by 2025 and become "more mature" by 2035, according to the master plan. According to Hainan's Department of Commerce, during the first four months, 592 foreign-invested enterprises were newly established in the province, a 443% year-on-year growth. Actual utilized foreign capital reached USD674 million, up 433% year-on-year.

China firmly opposes the U.S. innovation and competition act, and enacts its own sanctions bill

China harshly criticized the U.S. Senate's passing of the "United States Innovation and Competition Act of 2021", saying that the legislation is full of Cold War mentality, grossly interferes in China's internal affairs and is doomed to fail, urging Washington to halt the legislation to avoid further damaging China-U.S. relations and cooperation, the Global Times reports. The U.S. Senate voted 68-32 to approve the legislation authorizing about USD190 billion to strengthen U.S. technology and research. It would separately approve spending USD54 billion to increase U.S. production and research into semiconductors and telecommunications equipment, including USD2 billion dedicated to chips used by automakers. As the U.S. continued to step up its aggression against China in a wide range of geopolitical and trade areas recently, including imposing sanctions on more Chinese businesses and products, pressuring allies against China and interfering in China's internal affairs regarding Taiwan, **the National People's Congress (NPC) also enacted an anti-foreign sanctions law**, providing legal and institutional support to counter foreign sanctions and interference.

In a harshly worded statement, the Foreign Affairs Committee of the National People's Congress (NPC), China's top legislature, **expressed its strong dissatisfaction and firm opposition to the U.S. bill,** which fabricates the so-called "China threat" to preserve the U.S.' global hegemony and seeks to deprive China of its legitimate development rights through technological and economic "decoupling," according to the Global Times. "At a time when the world is entering a period of turbulence and change, the practice of treating China as an 'imaginary enemy' at every turn is against the general trend of the world, unpopular around the world and doomed to fail," reads the NPC's statement. The U.S. legislation includes a ban on U.S. officials attending the 2022 Beijing Winter Olympic Games over so-called human rights concerns in Xinjiang. The bill is now heading to the U.S. House of Representatives for reconciliation with the Senate version and passage before reaching the desk of U.S. President Joe Biden. Once adopted, it would mark a serious escalation in the U.S. ever-broadening containment campaign against China, analysts said, according to the Global Times. The bill showed the "paranoid delusion of wanting to be the only winner, and distorted the original intention of innovation and competition", the statement said. "It uses human rights and religion as excuses to interfere in China's domestic affairs, and deprive China of its legitimate rights of development through decoupling in fields including science and technology and the economy," it said.

Provisions in the bill related to Taiwan, Xinjiang, Tibet and Hong Kong are purely China's internal affairs and no foreign interference will be allowed, the statement added. **"No force should expect that China will swallow any bitter fruit that undermines China's sovereignty, security and development interests,"** it said. Foreign Ministry Spokesman Wang Wenbin said: "We firmly object to the U.S. making an issue out of China and treating China as an 'imaginary enemy'," adding that the biggest enemy of the U.S. is the U.S. itself. "China follows the path of peaceful development. The goal of China's development is to constantly improve ourselves and enable the Chinese people to live a happier and better life," he said.

The statement came just before **the NPC's Standing Committee passed the Anti-Foreign Sanctions Law**, aiming to counter unilateral and discriminatory sanctions

imposed by foreign governments on Chinese entities and individuals. The Committee only reviewed the law twice instead of the usual three times because there was consensus on all aspects of the draft law. The law went into effect immediately after being signed by President Xi Jinping. All 14 Vice Chairpersons of the NPC Standing Committee are under U.S. sanctions for passing the National Security Law in Hong Kong last year.

The law includes 16 articles, stipulating principles of punishment for violating the law, and names the authorities involved in enforcing it. Countermeasure may be enforced against individuals and entities that have taken discriminatory measures against Chinese citizens and organizations under the pretext of their domestic laws. Not only the individuals on the countermeasure list could be sanctioned, but also their relatives, and the organizations they lead. Penalties include denying visas or entry to China, deportation, freezing of property and restricting relevant transactions. If any organization or individual assists foreign countries to take discriminatory measures, Chinese citizens and organizations can file a lawsuit with the people's courts in line with the law to stop infringement as well as seek compensation for losses.

Meanwhile, **U.S. President Joe Biden has withdrawn a series of executive orders that sought to ban downloads of WeChat and TikTok** and ordered a new Commerce Department review. The Administration of former President Donald Trump had attempted to block users from downloading and using the apps in the United States. The orders never took effect as the courts blocked them. Biden's new executive order revokes the old orders, along with another one issued in January that targeted eight communications and financial technology software applications. A separate U.S. national security review of TikTok remains ongoing.

Trade talks, however, are continuing. China's Commerce Minister Wang Wentao and U.S. Commerce Secretary Gina Raimondo had a "candid and pragmatic" exchange of views on relevant issues of mutual concern in the business sector on June 10, following a virtual meeting between Chinese Vice Premier Liu He and U.S. Treasury Secretary Janet Yellen on June 2 and a phone call between Liu and U.S. Trade Representative Katherine Tai on May 27.

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

CHINA NEWS ROUND-UP

FDI in China expected to grow further in second half

The growth of foreign direct investment (FDI) in China will maintain its sound pace this year, thanks to the country's robust economic recovery and moves to upgrade its industries and further expand local demand, experts and business leaders said. Despite the fact that many foreign economies fully resumed production later last year, the completeness of their industrial and supply chains cannot compete with China's, said Liu Xiangdong, Researcher at the China Center for International Economic Exchanges in Beijing. Due to China's high vaccination rate and the swift recovery of its manufacturing sector, services sector and foreign trade, the nation has emerged as a safe and lucrative place for global capital, supported by the dual-circulation development paradigm – in which the domestic market is the mainstay and the domestic and foreign markets reinforce each other, Liu said.

After surpassing the United States as the world's biggest recipient of foreign investment last year, **China's actual use of foreign capital soared 35.4% on a yearly basis to CNY481 billion in the first five months of this year.** The volume surged 30.3% from the same period in 2019, data from the Ministry of Commerce (MOFCOM) showed. Meanwhile, foreign investment in the service industry came in at CNY381.9 billion between January and May, up 41.6% year-on-year. Chen Bin, Executive Vice President of the Beijing-based China Machinery Industry Federation, anticipated that China's attractiveness as a location for FDI will continue to grow in the second half of 2021, as the Covid-19 pandemic has seen a resurgence in export-oriented countries, including India, Vietnam, Malaysia and Thailand, in recent months.

Four of the 12 UEFA Euro 2020 sponsors are Chinese

The strong presence of Chinese sponsors is drawing attention at the UEFA Euro 2020 after the first top-notch soccer event kicked off in Rome despite the coronavirus pandemic. Four Chinese companies, among the 12 sponsors of the UEFA European Championship, represent Chinese brands' ambitions to go global. Hisense, Alipay, Vivo and TikTok are among the UEFA National Team Football Official Sponsors and UEFA Euro 2020 Official Sponsors, making China one of the largest sources of sponsors for this year's European football championship. Other sponsors include FedEx, Booking.com, Volkswagen, Coca-Cola and Qatar Airways.

"This year and next year are big years for global sporting events because the UEFA Euro, Olympic Games and World Cup are being or will be held one after another. It is an excellent time for our brand to expand its profile," Hisense told the Global Times in a statement. It is the

second time for Hisense to sponsor the UEFA Euro event. Ipsos found that Hisense's brand awareness doubled in five European countries – Britain, Germany, France, Italy and Spain – after it sponsored Euro 2016.

ByteDance-owned TikTok became the first digital entertainment platform to sponsor the tournament as the short-video sharing platform "is looking to cement its reputation as the home for football fans to share their passion for the game, as well as driving awareness with new audiences," according to a statement published on UEFA.com in February. The platform has gained rising popularity in multiple countries and is regarded by industry insiders as one of the most successful Chinese brands in going global.

"Sports, especially soccer, are popular among European consumers. Sponsoring the Euro is beneficial to build a bridge between the brand and the audiences," Zhang Qing, CEO of Key Solution Sports Co, a firm that consults on the sports industry in China, told the Global Times. According to Zhang, in the 1980s, Japanese companies sponsored a number of international sporting events and South Korean companies started to do so in the 1990s. "Now, Chinese companies are more competitive in fields such as consumer electronics, home appliances, mobile devices, and IT. The latecomers now have an upper hand." He said this reflected Chinese companies' growing investment in technological research and development (R&D), as well as increased participation in the global value chain.

One of the sponsors of the UEFA Euro 2020, Chinese smartphone manufacturer Vivo, has been expanding in the European market since October 2020. In February, it entered Romania and the Czech Republic, and it plans to cover more than 12 markets in Europe by the end of the year. Deng Li, Vivo Vice President and President for European markets, said that Vivo hopes to adopt a "local mentality, local culture and local management" philosophy to serve consumers and better integrate into the local market. By respecting its local European partners and the needs of local consumers, Vivo is committed to localized operations and is doing well in the European market, the Global Times reports.

State Administration for Market Regulation to tackle unfair competition

China's State Administration for Market Regulation (SAMR) has urged stronger law enforcement to tackle unfair competition and related problems like dubious practices and unethical market behavior in the digital economy, in order to better protect brands and other forms of intellectual property. At **the first Anti-unfair Competition Forum in Beijing** on June 9, the SAMR released the Anti-unfair Competition Law Enforcement Report of 2020. The report features the top 10 cases against unfair competition. In 2020, various departments of the SAMR have investigated and handled 7,371 cases of unfair competition, and imposed fines and confiscated goods, equipment or property worth a total of CNY416 million. In the first five months of the year, investigations into 1,345 anti-unfair competition cases resulted in fines and confiscations valued at CNY122 million. Gan Lin, Deputy Director of SAMR, said during the forum that "China still faces many challenges in the context of fair competition: lack of deep awareness of fair competition, a legal system that still needs to be perfected and a regulatory philosophy that needs to be updated."

"The forum and the report really demonstrate China's efforts and willingness to create an innovation-driven investment environment, where everyone can enjoy innovations and support cross-border investments," Supachai Junkeiat, Country Director of TCP Group, a Thailand-based food and beverage company that owns the Red Bull beverage brand, said at the forum. TCP announced last year plans to invest more than CNY1 billion to expand its beverage operations in the country over the next three years. "I think this drive against unfair market competition is good news for everyone. We feel well protected and have more confidence to bring innovative energy drink products into the market," he said, as reported by the China Daily.

Air cargo business expanding further in China

Chinese air cargo transport has continued on an upward trend in recent months, as more carriers embrace the cargo business. Hainan Airlines last week launched a new cargo flight route from Haikou to Sydney, the second fixed intercontinental cargo flight after the one from Haikou to Paris. The carrier said the plane will carry local vegetables and fruit to the city, and return with Australian milk powder, health products, and e-commerce goods. China's JD also launched its first cargo flight between China and the U.S., following the launch of its China-Thailand charter flight at the end of May. China Eastern Airlines opened a route to Los Angeles three times a week.

The development of e-commerce and express delivery in recent years has played a significant role in driving the growth of air cargo in both China and around the world. Shares of Eastern Air Logistics, the air freight subsidiary of China Eastern Airlines Group, jumped 44% on June 9 upon their debut on the Shanghai Stock Exchange. Eastern Air Logistics' initial public offering (IPO) raised CNY2.4 billion. Airports have also benefited from the development of the cargo business. In the first five months of this year, cargo flights and cargo throughput at Shanghai's two major airports recorded a year-on-year increase of 27.08%. Pudong International Airport, the world's third largest air cargo hub, had a cargo throughput of one million tons in the first quarter this year, while also setting new highs in a single month in April and May. Shanghai Pudong International Airport Cargo Terminal Co said there are 64 airlines that use the terminal, 80% of them from abroad. The International Air Transport Association (IATA) said that air cargo demand continued to outperform pre-Covid levels with demand up 12%. Asia-Pacific airlines saw demand for international air cargo increase 9.2% in April compared to the same month in 2019.

Due to China-U.S. trade disputes and the grounding of the 737MAX, Boeing's passenger aircraft sales in China are facing difficulties, but with the surge in e-commerce

demand, Boeing is optimistic about the sales prospects in the Chinese freighter market. Boeing said that the freight aircraft business has great room for growth compared to commercial passenger flights. The current domestic cargo aircraft fleet in China has about 200 planes. Boeing predicted that in the next 20 years, the size of the fleet is likely to increase nearly three times to about 750, the Global Times reports.

Chinese economy expected to grow 8.5% this year

The Chinese economy is on track to grow by 8.5% in 2021, up 0.6 percentage point from a previous projection, the World Bank Group said in its latest Global Economic Prospects. China's ability to contain the pandemic pretty quickly, its significant policy support, as well as the recent pickup in global trade, help support China's strong recovery, World Bank Prospects Group Director Ayhan Kose told reporters. According to the semi-annual report, the global economy is expected to expand 5.6% in 2021, up from the 4.1% it forecast in January, marking the strongest recovery from a recession in 80 years due to U.S. stimulus spending and faster growth in China but held back by "highly unequal" access to Covid-19 vaccines. The U.S. growth forecast was bumped up by 3.3 percentage points from January to 6.8% in the latest report, the fastest pace since 1984, due to economic support that the World Bank described as "unprecedented in peacetime." World Bank Economist Ayhan Kose noted that most economies will not return to pre-pandemic levels until 2023 and beyond. If vaccine distribution to developing countries can be accelerated, Kose said that 2022 global GDP growth, currently forecast at 4.3%, could increase substantially to around 5%.

Unlike the strong recovery seen in the first few months, as reflected in the key economic data, the growth momentum is expected to moderate from July. For the full year, the GDP growth rate may come in at 8.5%, up significantly from the 2.3% seen last year, global ratings agency Moody's Investors Service said in its revised forecast. Monetary policy focus in China is aimed at achieving balanced liquidity conditions, which will contribute to slower overall bank loan growth. Shadow banking assets will fall further this year as regulatory scrutiny tightens, it said. The investment-driven economic recovery, seen since last year, led to a sharp increase in economic leverage last year, and the overall leverage level rose by nearly 10 percentage points, according to the ratings agency. Though the government is paying more attention to risk control, fixed-asset investment is likely to grow at a slower rate in the second half, said Mao Zhenhua, Founder and Chief Economist of China Chengxin International Credit Rating Co, a company in which Moody's is a shareholder.

China's May factory gate prices rose at their fastest annual pace in over 12 years due to surging commodity prices, highlighting global inflation pressures. The producer price index increased 9.0%, accelerating from the 6.8% growth in April, Dong Lijuan, a senior official with the National Bureau of Statistics (NBS), said. The PPI rise in May was driven by significant price increases in crude oil, iron ore and non-ferrous metals, the NBS said. The PPI surge has yet to substantially feed through to consumer inflation. Consumer prices rose 1.3% in May, the biggest year-on-year increase in eight months, but remained well below the government's official target of around 3%. The average CPI in the first five months of the year went up 0.4% from the same period last year, according to the NBS.

China to boost the development of blockchain technology

The Ministry of Industry and Information Technology (MIIT) and the Office of the Central Cyberspace Affairs Commission issued a **guideline to promote the development of blockchain technology and its application in industry**. By 2025, China aims to boost its blockchain industry to the most advanced level in the world and blockchain technology will be applied to multiple economic and social fields. In the next five years, China shall support the establishment of three to five backbone enterprises with international competitiveness, as well as a number of innovation-driven enterprises and three to five blockchain industrial clusters. By 2030, the blockchain industry shall see further expansion in both comprehensive strength and industrial scale, and deepen integration with next-generation information technologies such as big data and artificial intelligence, the document added. Currently, there are around 75,000 blockchain-related enterprises in China, the Shanghai Daily reports.

The China Daily adds that China's latest guideline to promote blockchain applications will make the frontier technology serve the real economy, rather than fuel speculation, industry experts said. Wang Juan, Member of the Blockchain Expert Policy Advisory Board of the Organization for Economic Cooperation and Development (OECD), said: "Technological advancements like blockchain technologies should have tangible effects on social progress and prevent the use of capital for fraudulent activities." Yu Jianeng, Deputy Director of the Blockchain Committee of the China Communications Industry Association, said: "Only when blockchain technology is applied in various industries can it fully play its role and unleash its real value. It can also become an important driver of the nation's industrial innovation."

"With more joint efforts, blockchain will become a more promising sector in the future," said Da Hongfei, CEO of a Shanghai-based blockchain company. "As we continue to focus on supply chain finance, we will also aim to expand blockchain technologies to areas like healthcare, digital government affairs, internet-connected vehicles, and agricultural technology."

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