China Business Weekly

22 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: “European Business in China: Business Confidence Survey 2021”
24 June 2021, 10:00 a.m.

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**, Board Member, European Union Chamber of Commerce in China

10h30-10h45: Panel discussion with:

Ms. Charlotte Roule, Board Member, European Union Chamber of Commerce in China

Mr. Johan Verstraete, Board Member, Flanders-China Chamber of Commerce / Vice President Weaving Machines, Picanol Group

10h45-10h55: Q&A session

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

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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Webinar: Doing business in and with China after one and a half years of pandemic: an overview and preview by the Flemish Economic Representatives
7 July 2021, 09:00 – 10:15

The Flanders-China Chamber of Commerce and Flanders Investment & Trade are organizing a webinar with the Flemish Economic Representatives in China. This webinar will take place on Wednesday, July 7, 2021 from 09:00 a.m. till 10:15 a.m.

During this webinar the Flemish Economic Representatives **Marc Struyvelt** in Beijing, **Bart Boschmans** in Shanghai, **Eva Verstraelen** in Guangzhou and **Siegfried Verheijke** in the Hong Kong S.A.R. will talk about:

"Doing business in and with China after one and a half years of pandemic: an overview and preview"

Programme:

09:00 – 09:05: Introduction by **Ms Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce

09:05 – 09:55: Panel discussion with the Flemish Economic Representatives:

- **Mr Marc Struyvelt**, Flemish Economic Representative in Beijing
- **Mr Bart Boschmans**, Flemish Economic Representative in Shanghai
- **Mrs Eva Verstraelen**, Flemish Economic Representative in Guangzhou
- **Mr Siegfried Verheijke**, Flemish Economic Representative in the Hong Kong S.A.R.

09:55 – 10:15: Q&A

Practical information:

Date and time: 7 July 2021, 09:00-10:15 a.m.

Location: online

Price for members: Free

Price for non-members: Free

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PAST EVENTS

Webinar: "Opportunities and challenges for tech scale-ups in China" – 17 June 2021

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

Ms Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce (FCCC) and of the EU-China

Business Association (EUCBA) welcomed the participants to the webinar. In the first four months of this year, actual EU investment in China reached USD1.95 billion, up 12.4%, while China's direct investment 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 investment. According to the IMF, China's growth will be 8.2% this year, which would be the highest in 10 years. China overtook the U.S. and regained the title of the world's top destination for FDI and will also be one of the main drivers of the world's growth this year.

Mr Peter Tanghe, Science and Technology Counselor, Flanders Investment & Trade, Guangzhou, is responsible for supporting Flemish tech companies to enter and expand on the Chinese market, as well as for attracting investments from Chinese tech companies in Flanders. After having worked in the United States for National Instruments, he was responsible for high tech and communications clients at Accenture, first in West Europe and from 2008 till 2017 in China. He lived and worked in Beijing and Shenzhen, where he was leading digital transformation and market collaboration projects with large Chinese tech clients like Huawei and Lenovo. From 2018 till 2020 he was based in Ghent, Flanders and through his company SmarterEdge, supported tech scale-ups to internationalize and grow on the Chinese market, in close collaboration with imec.istart. He will be based in Guangzhou, Greater Bay Area, from August this year.

Mr Tanghe explained that the China opportunity is still there with a huge market scale combined with fast technology adoption. An example is the electric vehicle (EV) market. In 2019 China had as many EVs on the streets as the U.S. and Europe combined. In 2020, China played catch-up with hybrids, but China is still by far the largest market in the world for electric vehicles. Tesla decided to build its first EV factory outside the U.S. in China, despite the ongoing trade war. This year it is expected to realize one-third of its sales in China. Besides the market's scale, there is also fast technology adoption, especially in the B2C area, such as mobile payments, shared bicycles, online streaming and virtual education. These trends follow a similar pattern of a consistent use case at scale, market launch with “good enough” tech and fast scaling, resulting in fierce competition and fast product adaption with few winners, while the government is supportive or tolerant and only stepping in later with regulations. This has resulted in a market where consumers and more and more companies are willing to early adopt the risks of technology.

China's growth in the past 10 to 20 years has been consistently higher than in the U.S., but China is still faced with a big gap in terms of income per capita. China is determined to raise this to the level of a medium-developed country by 2035. Therefore, China needs to double its GDP again so the bulk of global growth is still going to come from China in the coming years. There is a good chance that China will overtake the U.S. as the leading economic power in the world. This has resulted in the U.S. counter-strategy and technology decoupling, and trying to contain the growth of Chinese technology companies such as Huawei. U.S. President Biden's objective is to prevent China from becoming the world's leading country and he is also trying to get Europe on board.

Looking at the priorities of the 14th Five Year Plan we can discern the opportunities. Growth will be based on the dual circulation economy of strong domestic market demand and supply combined with export through advanced manufacturing. A second important theme is technological self-reliance. This has been accelerated by the actions of the U.S. The target is to grow R&D spending by 7% a year. Seven “Frontier” technology sectors have been identified for long-term investment, including artificial intelligence and integrated circuits. Balanced growth is also quite important as there is still a big inequality in China between the developed eastern coastal areas and the West of the country which is less developed. Finally, there are also the climate-related objectives, such as achieving climate neutrality by 2060. In the coming years China will focus more on reducing the carbon intensity of its GDP.

What does this mean for companies in Europe and Flanders and more specifically for SME scale-ups? B2B is a market where China is dominating with a lot of local players, but there continue to be opportunities. China wants to use technology to close the productivity gap with Europe in the traditional industries. They are very good in physical infrastructure investments in terms of real estate, rail infrastructure and airlines. Now China is investing in digital infrastructure such as the digital currency and also infrastructure for EVs. But they still lack experience and expertise for automating the traditional industries, such as manufacturing and banking where there is an obvious productivity gap. They are now looking at also digitizing B2B applications where they still need the help of foreign companies. The decoupling from U.S. technology is not only a challenge for us in terms of compliance with export controls but it is also an opportunity because Chinese companies want to get rid of U. S. IP. Over the past 10 years EU high-tech exports to China have nearly tripled.

Which segments are attractive for Flanders' tech scale-ups? China used to be a manufacturing “giant” just based on the volumes that were manufactured in China due to the comparative advantage of low labor cost. China wants to evolve into a manufacturing power. Focus industries are automation and robotics, automation of agriculture and new energy vehicles. Healthcare is also important. China wants to provide universal quality healthcare but not at the cost in the U.S. Specific areas of interest are primary care, elderly care, prevention and monitoring of chronic diseases and innovative medicine and medical devices. Concerning green development, Guangdong province will be asked to provide the biggest contribution to reduce carbon emissions. Resource recycling and combating pollution is where there is a need for foreign expertise. Chinese companies need to continue to grow in the European market through the application of Chinese technologies. Finally, there is also the IC supply chain. The big tech clusters and landing places are the same as the big industrial areas: Beijing/Tianjin; Shanghai and the Yangtze River Delta and the Greater Bay Area in Guangdong. There are also some other areas such as Chongqing/Chengdu; Wuhan, Xi'an and Xiamen/Fuzhou.

What are the challenges for foreign tech companies in China? The language and business culture is a challenge, although more and more young people can speak English. A second challenge is to adapt your products to their use in China, regulations and tech platforms, which are different from abroad. Local competition is still a key concern and there is the trade and tech war. In terms of business culture we talk a lot about *guanxi* to understand your business and build a level of trust. To make an effective pitch in China you need to communicate clearly and to the point, including the benefits of your product and the specific collaboration proposal that you have. Make sure the message comes across and do your homework in advance. A second point is to get feedback, which is difficult now because we can't go on site. Doing it online is quite difficult so the most appropriate way is to have somebody from your own company or from FIT at the other side. After the pitch it is still quite important to develop the relationship. Many companies rely on their online presence and content marketing, but China is difficult, for example Google cannot be used in China. Search engine optimization will have to be adapted to Baidu and Sogou or you can make a Chinese version of your site. Chinese people don't use email very often, they use WeChat. LinkedIn is still a tool that you can use in China. The main channel is still industry specific trade shows and conferences. They still happen in China but for a Chinese audience.

Local competition is very important to consider. In the past entrepreneurs feared about being copied, but today the legal framework is in place to be able to get protection, but you still face the risk of being outcompeted. Competitors can copy the concept of your product and outcompete you. It is important to have and protect your “unfair advantage” as a foreign company. What makes you different from Chinese competitors can be in the product IP but also in expertise or the experience of the industry or in the brand. In most cases you will still need a local business partner who can provide market access and knowledge, but it is important to choose the right partner.

The China-U.S. trade war is mostly about compliance. There is the EU dual use regulation and export controls for military-civil use cases. U.S. export controls also impact us. If you have more than 25% U.S.-controlled content in the product you also need to comply with U.S. export controls.

The main qualifiers for success in China are:

- Understand and test your product market fit and competitiveness with prospective Chinese business partners and customers.
- Know and protect your “unfair advantage” against local competitors.
- Identify the right business partner and recruit Chinese in your team.
- Be responsive to your Chinese customers and adapt your approach, value proposition and product as needed.

The decision to go to China is a strategic and deliberate one, not an opportunistic one.

B2B market entry approaches are following your EU customers, a distribution agreement or Chinese e-commerce channels and in a second step you can set up your wholly foreign owned enterprise or negotiate a license agreement. The ultimate step can still be a joint venture with a Chinese partner.

Mr Tanghe will be based in Guangzhou but cover the whole of China and can offer one-to-one advice; participation in on-site, virtual and hybrid events; China business missions and B2B programs with potential business partners and customers. FIT is also providing subsidies.

Mr Etienne Charlier, Partner, Riverbanks Investments, is an “old China Hand” with lots of experience. He has been living in Shanghai for more than 26 years. He started as General Manager and Vice President at Alcatel in Shanghai and later as Founder of ProcurAsia. He is experienced in several of China's most dynamic industries, including artificial intelligence, cleantech and the wide range of solutions for manufacturing. Today he is one of the partners of Riverbank Investments and a Founding Partner of Sinnolabs. Through these platforms he focuses on assisting companies developing their business between China and Europe. He has a master in electrical engineering and a bachelor in philosophy from UCL as well as an MBA from MIT Sloan School of Management.

Mr Charlier went through a few successful scenarios of going to the East. If you want to be successful in China you need to convince yourself that there is no shortcut into the Chinese market. But the journey is worth it.You will need a minimum local infrastructure early on in the project. You cannot just duplicate a solution you have in Europe or the U.S. even with global clients or you will not be sustainably successful. What was possible 10 or 15 years ago is now no longer the case. However, the Chinese market is most often worth all the effort it requires. There are different ways companies enter China, for example a request from global customers. The focus will then be on how to serve this client. A second way is the realization that China is a big part of the world market and if you look at growth, the share of China is even bigger, so you want to get local customers. Another way is a request by an Asian distributor, which is tempting because your effort in the beginning may be limited. The key question is how to identify and manage a good partner. The three general scenarios are: follow the momentum; venture to the core and tempting way out.

In the case of your business following global customers, the first step is to build the minimum local infrastructure. You will need to set up a legal entity or you will not be able to operate. It requires answering a few strategic questions. The full process is clear but very detailed and should not be rushed. This stage could take three to five months. From the technical side you need to migrate your solution to China, to adapt it to local requirements and to get ready with support and services. So far everything was driven from headquarters, working with a trusted party and no local staff. What will happen fairly quickly is that the client's China management will start to resist, and new demands will arise. At this point you need to send or recruit someone to handle the China management in China. You are starting your China business development.

You strengthen your position with global customers and you can gradually extend your local team and transfer competences for local support. After a few years you will have China references, which is very important to convince Chinese customers to buy from you. You have cashflow, core staff and firsthand experience in China as well as a local infrastructure. Now you can start new business development by attracting global companies that are not yet customers outside China and of course also domestic customers.

If you are focussed on the local market it is much harder in the beginning because you need to develop customers and build your initial infrastructure. Once you build one or two local references, you will get more knowledge on how to evaluate and manage those partners. The first steps in China are costly, but the potential of the market is such that when you prepare well you can follow the growth. It takes time and energy to get operational but it will give results. Chinese customers are more and more evaluating your commitment to China because they want you for the long term. There are options to help you with a soft landing, one of them is Sinnolabs. Mr Charlier next showed an introductory video of Sinnolabs (www.sinnolabs.com).

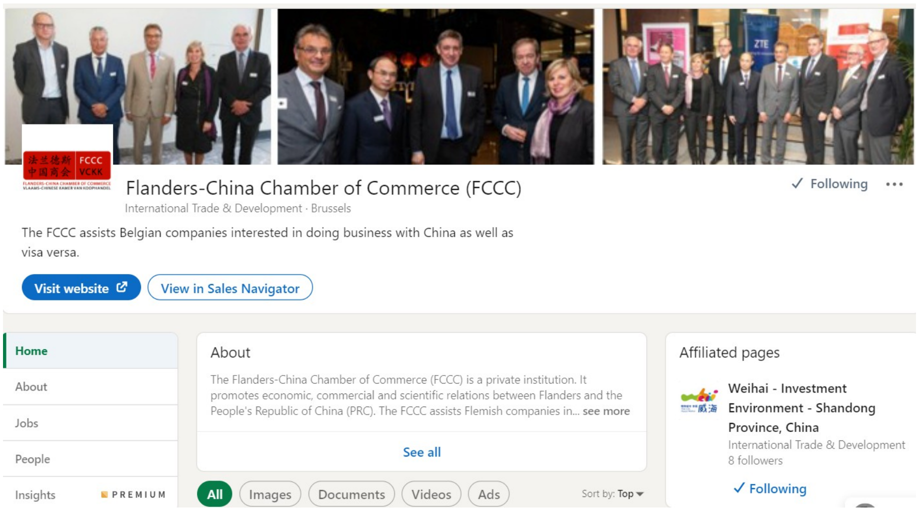
Q&A: Chinese business culture is all about trust. How can you build up trust if you can't meet your business partner face-to-face? Mr Tanghe: This is a definitive drawback today. You can work with a person who can represent you in China, but eventually you need to go and meet each other. However, Chinese citizens can still travel to China today. Mr Charlier: Even if you cannot have a dinner, you can show your commitment online. A relationship is not only built through dinners.

What changes are needed in the EU headquarters? Mr Tanghe: In the case of SMEs the China project needs to be carried by the CEO or one of the founders and also the Board of Directors needs to be "on board". Mr Charlier: You will need the support of the Board and the shareholders.

When will travel to China be allowed again for Belgian residents? Ms Sonck: I heart it will probably be sometime later next year. But you can have a Chinese employee going to China. There are still possibilities to go, but you will need to pass two to three weeks in quarantine.

Would you advice tech scale-ups to go to first-tier or second-tier cities? Mr Charlier: It depends on your kind of business and where the customers are. Going deep into China creates new challenges as the ways of doing business change. I would advise to stay in tier-1 or almost tier-1 cities. Mr Tanghe: Look at your segment and see what is most relevant.

To what extent will the political situation affect doing business in China? Mr Charlier: I believe it will become a bit worse before getting better. You need to be sensitive to the environment in terms of positioning of products and so on. The situation can also offer opportunities. This is the right time for European companies to position themselves and be the right guy. Mr Tanghe: Try to avoid contested areas.



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HEALTH

China's entry restrictions expected to continue for “quite a long time”

China would probably continue its strict anti-epidemic policies for “quite a long time” given the severity of the Covid-19 pandemic. Most importantly, no vaccine is 100% effective in preventing the virus, Feng Duojia, President of the China Vaccine Industry Association, told the Global Times. To keep requiring nucleic acid tests for international arrivals is very important to ensure safe implementation of the policy, Feng warned. “It is still a long way off before the world can only use vaccination documents for international travels,” Feng said.

On June 19, China crossed the milestone of having administered one million Covid-19 vaccine doses, almost 40% of the 2.5 billion shots given globally. China has administered 68.8 doses per 100 people, ranking the country seventh highest globally. The world's highest vaccination rate is 144.57 doses per 100 people in the United Arab Emirates (UAE). China has also provided more than 350 million doses to other countries. China is expected to have 70% of the target population fully vaccinated by the end of this year and achieve herd immunity. The Beijing municipal government announced that it had fully vaccinated 80% of the city’s residents aged 18 or above, or 15.6 million people. The capital is the first metropolis in China to announce reaching the critical threshold.

After the World Health Organization (WHO) officially approved two Chinese-made Covid-19 vaccines, **South Korea** became the first country to fully **exempt travelers vaccinated with a Sinopharm and Sinovac vaccine from its mandatory two-week quarantine** starting on July 1, a move seen by many as a long-awaited trial for more countries to open their borders to travelers holding “Chinese vaccine passports.” South Korea's exemption applies to those who have received one of the vaccines approved by the WHO – Pfizer, Johnson & Johnson (J&J), Moderna, AstraZeneca, Covidshield, Sinopham and Sinovac – while travelers still need to be tested before and after arriving in South Korea. Visitors from countries with major outbreaks or variants will not be allowed to skip the quarantine, local media reported. Experts said that South Korea's policy is a “good step forward” in trials for mutual vaccination recognition, and reflects South Korea's confidence in Chinese vaccines.

Japanese business representatives called for resumption of direct flights between Chinese and Japanese cities with no quarantine requirement. Takashima Ryusuke, Director General of the Beijing Office of the Japan External Trade Organization (JETRO), said that he was looking forward to the reopening of direct flights between Beijing and Japanese cities, since it is very inconvenient for Japanese businessmen to visit China at the moment. “This is something that needs to be addressed urgently, and we hope that there will be direct flights and no 14-day quarantine,” Takashima said, noting that although businesses can communicate through the internet, the efficiency is limited. “There has been no particular progress in terms of the opening of direct flights," Daisuke Mikogami, Chairman of the Japanese Chamber of Commerce and Industry in China (CJCCI), said, adding that before coming to Beijing, there is now a three-week quarantine, which is very difficult for Japanese businessmen. However, Chinese-made vaccines are not currently approved in Japan – unlike South Korea – and there are still many Covid-19 cases reported in Japan, Xiang Haoyu, Research Fellow at the China Institute of International Studies, told the Global Times. “Under such circumstances, the hopes raised by the Japanese side do not conform to the actual situation, and they are not conducive to China's basic domestic requirements for epidemic prevention and control, nor is it conducive to our safety,” said Xiang.

In Guangdong province, a turning point in the recent outbreak arrived on June 15 as for the first time since May 21 no new local Covid-19 cases were reported and more communities lifted their lockdown. However, on June 21 Dongguan in Guangdong province launched citywide nucleic acid testing, shortly after two locally transmitted cases were reported.

Euronews reported that **China-made test kits for Covid-19 were used on a daily basis at the G7 Summit in the UK**. The kits were delivered by Xiamen Biotime, a company dedicated to developing and manufacturing in vitro diagnostics (IVD) equipment in Xiamen, Fujian province. On April 21, Xiamen Biotime exported 47,000 antigen tests worth more than USD450 million on a China-Europe freight train destined for Duisburg, Germany. In recent months, companies in Jilin, Shandong and Guangdong provinces have also exported their self-developed antigen tests to the European market. As of April 27, 620 domestic makers of Covid-19 tests were put on the official “white list” for export.

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

HUMAN RESOURCES

Chinese enterprises prepare to expand abroad, according to LinkedIn China

Chinese enterprises are ramping up efforts to expand business activity overseas despite Covid-19 disruptions. Wang Qian, head of talent solutions at LinkedIn China, said Chinese companies with overseas operations have withstood coronavirus disruptions relatively well and have already resumed normal production and operations, with hiring levels remaining stable. Wang pointed to data from LinkedIn, saying Chinese enterprises have sped up their expansion in emerging markets such as Southeast Asia amid the coronavirus outbreak. “While hires in the United States previously accounted for 58% of the number of overseas recruits, the figure has since dropped to around 30%. However, the figure for Southeast Asia increased from 6% to 27% last year. Meanwhile, recruitment in Europe remains stable,” Wang said.

She said **Chinese enterprises are in urgent need of foreign talent** with technical, management and language skills as well as legal minds overseas, and companies with offshore operations need to have a better understanding of local culture. “After years of development, China ranks among the top in terms of artificial intelligence, cloud computing, the Internet of Things (IoT), mobile apps and many other emerging sectors,” Wang said, “especially in emerging markets such as the Middle East and Southeast Asia, China’s internet and mobile app enterprises are widely welcomed in local markets.” Compared with large companies, Wang believes small and medium-sized enterprises (SMEs) have gained key advantages in expanding overseas amid the pandemic. “There are three types of companies that are actively expanding their presence: gaming, cross-border e-commerce and mobile apps. These young tech companies are usually SMEs, tending to be ahead of large companies in terms of overseas expansion nowadays,” she said.

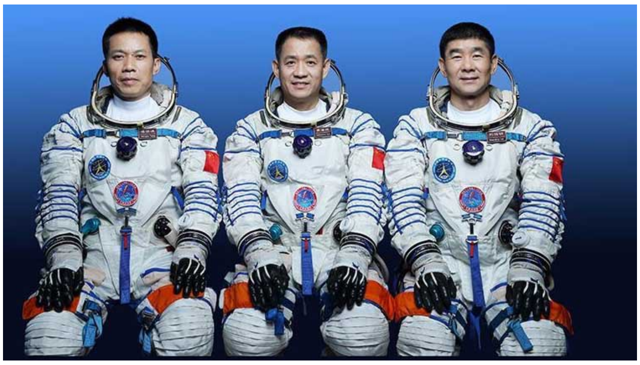
In fact, the pandemic has pushed Chinese enterprises to accelerate their pace of global expansion, said Cai Xiaodan, General Manager of LinkedIn China marketing solutions. “After the virus outbreak, we’ve seen more Chinese firms in fields such as AI, smart robots and healthcare ramping up efforts to tap global markets, and some SMEs will also choose to seek new growth opportunities overseas instead of being locked in fierce competition in the domestic market.”

According to a new report by LinkedIn China and a think thank on China trade under the China Council for the Promotion of International Trade (CCPIT), Chinese enterprises with overseas operations resorted to countercyclical hiring, with 88% meeting demand for talent, especially in sectors such as manufacturing, infrastructure construction, wholesale and retail, internet and financial services, the report said. According to the report, 91% of the surveyed companies said they have not laid off staff since the contagion’s outbreak, and 23% said they have increased recruitment. “As China’s economy orients toward sustained high-quality development, innovation and brand reputation will become the two driving forces for Chinese companies to transform and globalize,” said Lu Jian, President of LinkedIn China. “Integrity, branding, innovation and talent are key to reaching a new stage of supply-side reform and promoting the high-quality global development of Chinese enterprises.”

Lu Ming, Deputy Director of the Academy of the China Council for the Promotion of International Trade, said while China has gained competitive advantages in competing globally, many Chinese enterprises still lag behind foreign companies in terms of rich experience, operational management and innovation capabilities as well as international talent. “To seek improved development, Chinese enterprises should integrate their company culture with the local culture and hire more local talent,” Lu said. “For SMEs, they need to conduct relevant research in the early stage, have a better understanding of the local culture and business environment and then make a detailed development and business plan in overseas markets,” Lu said, as reported by the China Daily.

SCIENCE & TECHNOLOGY

Three astronauts arrive at China's space station



China has launched the Shenzhou-12 spacecraft with three astronauts aboard to its new Tianhe space station on June 17. The Shenzhou was launched atop a Long March-2F Y12 rocket from the Jiuquan Satellite Launch Center in the Gobi desert. It is Nie Haisheng's third spaceflight following those on the Shenzhou-6 in October 2005 and the Shenzhou-10 in June 2013. Nie is a Major General, Commander of the PLA Astronaut Division and fighter jet pilot in the PLA Air Force. Major General Liu Boming previously took part in the mission of Shenzhou-7 in September 2008. It is the first trip in space for the third astronaut, Senior Colonel Tang Hongbo. The average age of the crew is 53 years. They will spend 90 days aboard the space station, which now consists of the Tianhe core module, the Tianzhou-2 cargo ship and the Shenzhou-12.

China selected its first batch of 14 astronauts in the mid-1990s. Since 2003, it has sent six astronauts into space, including Yang Liwei, the country's first astronaut, and Zhai Zhigang, who carried out China's first space walk in September 2008.

The Shenzhou performed a fast and automatic docking procedure with the Tianhe core module 6.5 hours after launch. It took the Shenzhou-11 over 40 hours to travel to and dock with the Tiangong in 2016. The newly adopted docking capability was first used in the Tianzhou-2 cargo mission in late May, which helped the craft to realize a docking with the space station's core module in eight hours. China's homemade BeiDou Navigation Satellite System (BDS) has also played a crucial part in the accurate positioning of the spacecraft. Making the safety of astronauts a priority, the Shenzhou-12 mission's research team has also developed a new emergency response system to ensure that the astronauts can be rescued both in space and at the launch site.

The astronauts spent their first days in the space station unpacking cargo, preparing their living quarters and installing wifi. Appliances in the space station can be controlled by phone apps on a specially designed mobile phone for use in space. As there are seven astronauts on the International Space Station (ISS), there are for the first time 10 astronauts in space at the same time. Once completed, China's space station will be able to operate in orbit for at least 10 years, a period that could be extended to 15 years under proper maintenance, making it the only operational space station when the ISS retires in 2024.

The Tianzhou 3 cargo ship will be launched in September to dock with Tianhe, and in October, another crew of three will fly with the Shenzhou-13 to the space station to stay there for six months. In 2022, two large space labs will be launched to connect with the core module. Moreover, two manned missions and two robotic cargo flights will be made to continue construction of the Tiangong station, which is scheduled to be completed in time for formal operation to begin around the end of 2022. The Tiangong space station will consist of three main components – a core module attached to two space labs – with a combined weight of nearly 70 metric tons.

Chinese space agency authorities welcomed international cooperation on the space station. General Director of Roscosmos Dmitry Rogozin expressed his willingness to work with Chinese counterparts, saying that the possibility of Russian cosmonauts flying to the Chinese space station are being studied. Roscosmos threatened to leave the International Space Station in 2025 unless the U.S. lifts sanctions preventing Russia from importing certain microchips required for its space programs. Bo Linhou, Vice Chief Designer of the Tianhe core module, told the Global Times in April that foreign cooperation will mainly involve payload experiments. “Scientists from China and other foreign partners could jointly develop payloads that will be brought to the station by cargo spacecraft, and after experiments are completed in orbit, the data could be shared with the international community,” he said. Nine scientific projects have been submitted by 17 nations to be carried out in the Chinese space station.

On October 15, 2003, China carried out its first manned spaceflight, sending Yang Liwei on a 21-hour journey in the Shenzhou-5 spacecraft. Before Shenzhou-12, China had conducted six manned spaceflights, which totaled 68 days and orbited earth 1,089 times, while 11 Chinese astronauts had traveled more than 46 million km in space and conducted more than 100 experiments.

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

CHINA NEWS ROUND-UP

CAI crucial to stop declining Chinese investment in Europe

China's investment in Europe hit a 10-year low in 2020 due to the EU's tighter scrutiny and the Covid-19 pandemic and it is predicted that the trend may continue this year, the Global Times wrote in an opinion piece based on an interview with Li Gang, Associate Professor at the Institute of European Studies under the Chinese Academy of Social Sciences (CASS). The 27 EU members together with the UK saw a decline of 45% in Chinese investment in 2020, down to €6.5 billion from €11.7 billion in 2019, according to a report by the U.S.-based Rhodium Group and the Germany-based Mercator Institute for China Studies (MERICS).

Comparing the EU's scrutiny – which has existed for years – to the pandemic, the latter might be a major and more direct reason for the drastic investment decline. Aside from cross-border personnel exchanges encountering serious obstacles, firms also tended to adopt a more prudent investment strategy amid the global health crisis, and Europe's sluggish economic situation amid the crisis also suppressed the appetite of investors. The euro area in the first quarter entered a second technical recession since the pandemic outbreak with GDP declining in nearly all major economies including Germany, Italy and Spain.

The investment policy in Europe has been tightened and Chinese investors are one of the groups being mainly affected. The essential reason is that China's rapid growth and technology development has triggered intensifying anxiety among European countries. Some European politicians try not only to increase investment scrutiny, but also to obstruct the ratification of the EU-China Comprehensive Agreement on Investment (CAI). Based purely on raw political calculations, the European Parliament earlier in May chose to freeze the ratification of the deal, the Global Times notes. However, China's tech development won't stop, and Chinese economic momentum, as a global recovery driver, won't be dampened by external obstructions; but it does not mean that, between China's growth and EU's anxiety, the two have no way to join hands. Expanding collaboration is still the main trend. There are plenty of areas for the two to seek cooperation, even in advanced technology fields, such as environment protection, health services and others.

Irrespective of whether it is the European countries or the U.S., building a "wall" due to paranoid anxiety will harm either side. European businesses need the potential Chinese market to grow, and Chinese firms are boosting the momentum in overseas markets. The era of the cold war has passed, and the EU should take practical measures to repair the mutual beneficial economic cooperation with China; and maybe start with promoting the implementation of the CAI so as to reverse the trend towards declining FDI, the Global Times concludes.

Fitness equipment a hit at "618" online shopping festival

The June 18 online shopping festival "618" has proven a hit among health, wellness and fitness-conscious consumers this year. Sales of workout tools, sportswear, and high-end kitchen equipment that simplifies cooking exceeded the levels of previous years. The shopping festival now spans around three weeks leading up to June 18. It was founded by JD to commemorate its own founding date. In the run-up to 618, transaction value of treadmills and other homebased exercise gear rose 19 times by June 16 compared with a year ago, according to data from JD, China's second-largest e-commerce site. The sales value of indoor cycling bikes rose almost eight times, that of horizontal and parallel bars designed for toning muscles grew 200%, and dumbbells and boxing kits saw sales double year-on-year.

To enjoy early bird deals, workout enthusiasts flocked to sign up for membership of sportswear companies. Chinese brands Anta, Lining and Peak saw the number of newly recruited members of their online stores increase by over 60% during the festival period. Keep, which started out as a mobile workout training app, reported sales generated by new buyers on June 18 to be five times the daily average, though the company did not disclose exact numbers. At Tmall, which is the businessto-customer site operated by Alibaba Group Holding, sales of surfboards surged 40% year-on-year.

"The eye-catching performance of sports gear should be **attributable to customers' growing concern about health** following the Covid-19 pandemic," said Jason Yu, General Manager of consultancy Kantar Worldpanel in China. The focus on well-being has boosted the financial projections of several companies. For instance, Anta Sports has projected its net income will surge over 65% in the first half of 2021 year-on-year. Canadian athletic apparel retailer Lululemon also reported revenue of USD1.2 billion in the first quarter, a jump of 88% year-on-year and an increase of 57% over the same quarter in 2019. Lululemon's Tmall store has sold more than 4,000 Align yoga pants priced CNY850. The brand has offered a number of discounts in June at both online and offline shops to ride the booming workout wave among China's health-conscious shoppers. The combination steam-oven has also become popular, with sales jumping over four times compared with a year ago at JD. Those priced CNY10,000 and above saw sales rise by 300% year-on-year. Sales of refrigerators, washing machines, and dish washers with a price tag of CNY10,000 have also soared 260% year-on-year, the China Daily reports.

90% of China's Bitcoin mining capacity shut down

Many Bitcoin mines in Sichuan province – one of China's largest cryptocurrency mining bases – **were closed as of June 20**, after local authorities ordered a halt to mining in the region on June 18 amid an intensified nationwide crackdown on cryptocurrency mining. The ban also means that **more than 90% of China's Bitcoin mining capacity is estimated to have been shut down**, at least for the short term, as regulators in other key mining hubs in China's north and southwest regions have taken similar harsh steps. Some industry players had hoped that regulators in Sichuan, where hydropower is abundant, could take a softer approach. But the latest ban underscores Chinese regulators' determination to curb speculative crypto trading to control financial risks, despite certain benefits to local economies, observers said.

“The exit window is closing, and we're scrambling to find overseas mines to place our mining devices,” a Sichuan-based industry insider, who spoke on condition of anonymity, told the Global Times, adding that a number of miners have suffered huge losses. The Sichuan Provincial Development and Reform Commission and the Sichuan Energy Bureau issued a joint notice on June 18, ordering local electricity companies to “screen, clean up and terminate” mining operations by June 20. The notice listed 26 firms that had been inspected and reported as potential cryptocurrency mining enterprises, including Heishui Kedi Big Data Tech Co and Kangding Guorong Tech Co. The notice also ordered local electricity companies to immediately stop supplying power to crypto mining projects they have detected, and conduct self-inspection and rectification. It also banned local authorities from approving new mining projects.

“We had hoped that Sichuan would be an exception during the clampdown as there is an electricity glut there in the rainy season. But Chinese regulators are now taking a uniform approach to overhaul and rein in the booming Bitcoin mining industry in China,” Shentu Qingchun, CEO of Shenzhen-based blockchain company BankLedger, told the Global Times. Xinjiang, Inner Mongolia and Yunnan province have all announced rules curbing Bitcoin mining. 'That means that more than 90% of Bitcoin mining capacity, or one-third of the global crypto network's processing power, will be suspended in the short term. As a result, Chinese miners must migrate overseas,” Shentu noted. He added that the price of mining machines could take a dive in the short term, as many crypto miners would dump their processing equipment. In May, senior Chinese officials said that it is necessary to crack down on Bitcoin mining and trading.

On June 21, the People's Bank of China (PBOC) held talks with a number of Chinese banks and payment institutions on speculation in cryptocurrencies, asking them to screen the capital accounts of cryptocurrency exchanges and over-the-counter dealers and cut payment links. The PBOC reiterated that no banks are allowed to provide registration, transactions or accounts for individuals who engage in cryptocurrency trading.

Vehicle sales in China drop for first time in 14 months

Vehicle sales in China fell for the first time in 14 months in May as manufacturers delivered fewer vehicles to the market **due to global semiconductor shortages**. Last month, 2.13 million vehicles were sold in the world's largest vehicle market, down 3.1% on a yearly basis, the China Association of Automobile Manufacturers (CAAM) said. It was the first decline in China since April 2020, when the country's vehicle market started to rebound from the Covid-19 pandemic. The CAAM also said it was cautiously optimistic on the performance of the sector in the remaining months. Shi Jianhua, Deputy Secretary General of the Association, said global chip shortages have been hurting the industry since late last year. “The impact on production is continuing, and the sales figures in June will be affected as well,” he said.

Electric car startup Nio delivered 6,711 vehicles in May, up 95.3% from the same month last year. The carmaker said its deliveries would have been higher if not for the chip shortages and logistical problems. SAIC Volkswagen, one of the country's leading carmakers, has already cut output at some of its plants, especially production of high-end models that require more chips. The China Auto Dealers Association (CADA) said inventories are declining steadily at many automobile dealers and some models are in short supply. Jiemian, a Shanghai-based news portal, said SAIC GM's production in May fell 37.43% to 81,196 vehicles primarily due to chip shortages. However, Shi said the shortages will start easing in the third quarter and the overall situation will improve in the fourth quarter. Chipmakers and auto suppliers are already working around the clock to solve the problem, while authorities are improving coordination among companies in the industrial chain to raise efficiency. The Ministry of Industry and Information Technology (MIIT) has asked local automobile makers and semiconductor companies to compile a brochure to better match the supply and demand of auto chips. The Ministry is also encouraging insurance companies to roll out services that can boost local automakers' confidence in using domestically produced chips, so as to help ease chip shortages. Four Chinese chip design companies inked agreements with three local insurance companies to pilot such insurance services.

Despite the sales fall in May, **the CAAM said it is optimistic about the market's whole year performance** because of China's economic resilience and soaring sales of new energy cars. The Association is considering raising the estimate for this year's sales growth to 6.5% from 4% at the start of the year. “Overall vehicle sales this year are likely to reach 27 million units, while sales of new energy vehicles may touch 2 million units, up from our previous estimate of 1.8 million,” said CAAM's Shi, who added that 10.88 million vehicles were sold in China in the first five months, up 36% year-on-year. Sales of electric cars and plug-in hybrids reached 217,000 units in May, up 160% on a yearly basis, bringing the total from January to May to 950,000 units, over three times the figure a year ago, the China Daily reports.

Global express deliveries soar, 55% of world market in China

The global express delivery sector is expected to grow further in the next three years, with more than 170 billion parcels expected to be handled this year, according to a recent report by the State Post Bureau's Development and Research Center. The number of parcels handled in 2023 is expected to reach 200 billion. The report was released at **the Fourth China (Hangzhou) International Express**

Delivery Conference in Tonglu, Zhejiang province. The Bureau is the domestic industry's regulator. Last year, 150 billion parcels were delivered globally, with 69% in the Asia-Pacific region. **China** is a major player in the sector. **Last year**, it **handled 83.4 billion parcels, about 55% of the global market**. The country is expected to handle 95 billion parcels this year, also more than half the global market.

China's express delivery sector is focusing on high-quality development and expanding its network to rural areas, factories and overseas, Bureau Director Ma Junsheng told the conference. "We will accelerate the pace to build an open, safe, efficient and two-way parcel delivery and logistics system in rural areas, benefiting both enterprises and local people, expanding the network to more rural areas and enhancing service quality," Ma said, adding that will enable agricultural produce from rural areas to be transported to cities and urban products to rural regions. China started to expand its express delivery network to rural areas six years ago and about 30% of parcels were delivered to rural areas last year, he said. "In rural areas, most parcels arrive at towns," Ma said. "Locals who reside in villages have to travel to towns to pick up the packages, some riding motorcycles, and some driving tractors, even for hours." If the network can be expanded to villages, parcels will be able to be delivered to people's homes, he added.

Ma urged leading parcel delivery enterprises to go abroad, improve the international network and build major hubs. An alliance was launched by 16 parcel delivery companies, including YT Express, ZTO Express, SF Express and Yunda Express, aiming to promote the development of international express deliveries. In a video address to the conference, Universal Postal Union Director General Bishar A. Hussein acknowledged China's great contributions in the development of the express delivery sector, especially during the Covid-19 pandemic. Most countries have agreed to promote green development in the sector, such as using more new-energy vehicles to transport parcels and curbing the over-wrapping of packages, the China Daily reports.

Boao Lecheng zone boosts medical tourism in Hainan

The Boao Lecheng International Medical Tourism Pilot Zone in Qionghai, Hainan province, will boost medical tourism by offering cutting-edge medical products and solutions. Established with the approval of the central government in 2013 and granted preferential policies, the pilot zone is located in Boao in the Hainan Free Trade Port area. It aims at providing high-quality medical tourism-related services to visitors from home and abroad. The zone plans to offer specially licensed medical treatments, cancer prevention and care, health management services, rehabilitation, aesthetic medicine and anti-aging treatment.

"As China's first and only international medical tourism pilot zone, the Lecheng pilot zone enjoys many exclusive favorable policies," said Liu Zhefeng, Deputy Director of the pilot zone administration. "With support from the central and local authorities, we have made a lot of breakthroughs in institutional innovations, which help improve management and development of the pilot zone, thus contributing to its further opening-up and pilot trials." The zone, also known as Boao Hope City, has come to be regarded as a major success for the Hainan FTP. It is one of the 11 key industrial parks designed to promote tourism, modern services and advanced technologies in the Hainan FTP, Liu said.

In addition to preferential policies such as zero tariffs, low tax rates and simplified tax procedures – which are benefits of being located in the Hainan FTP – **Boao Lecheng pilot zone is also allowed to introduce new and innovative medicines, medical devices and technologies** that have been approved abroad but not yet in China. Dozens of world-leading pharmaceutical companies have already established wide-ranging cooperation with the pilot zone, and about 140 types of medical devices and 100 medicines yet to be approved in the Chinese mainland to treat cancer and rare diseases are available in the zone. Liu Yan, Vice President of Chinese biotech enterprise BeiGene, said that special policy measures for the pilot zone have created very supportive conditions for globally innovative medicines and medical devices to speed up their launch in the China market. In January 2020, the company signed an agreement with United Kingdom-based EUSA Pharma for the development and commercialization of the latter's orphan biologic products siltuximab and dinutuximab beta in China. The drugs have been approved in other regions for treatment of idiopathic multicentric Castleman's disease and certain types of neuroblastoma, respectively. In November, dinutuximab beta was used to treat a young neuroblastoma patient from Hainan province. To date, treatment with dinutuximab beta has been provided to around 20 juvenile neuroblastoma patients.

In April, the central authorities announced the setting up of an e-prescription center in Lecheng, the first of its kind in China. The center will provide information to agencies that sell prescription medicines, and connect with internet-based hospitals and health insurers. All prescription drugs, except for drugs specifically regulated under the national drug administration law, can be sold through the e-prescription center on the internet without any other authorizations. Another major innovation is a drug insurance program launched last year, which covers foreign medicines yet to be approved domestically, with an annual premium of CNY29 for residents of Hainan and CNY39 for residents of other Chinese regions. The insurance covers up to CNY1 million in drug and medical device costs, the China Daily reports.

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