China Business Weekly

20 July 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: "Intellectual Property Systems: A comparison between the EU and China" August 18, 2021, 4:30 pm – 5:30 pm CST

The Flanders-China Chamber of Commerce and the **China IPR SME Helpdesk,** with the support of Flanders Investment and Trade, are organizing a webinar on **"Intellectual Property Systems: A comparison between the EU and China".** This webinar will take place on **Wednesday August 18 from 10:30 to 11:30 am CEST.**

There are significant differences between IP systems in the EU and China. During the webinar, the China IP SME Helpdesk's Team Leader and IP expert Simon Cheetham will give an overview of the most important similarities and differences between the two systems, helping EU SMEs to better understand how they need to prepare before entering the Chinese market.

Date: 18 August 2021

Location: Online

Price members: Free

Price non-members: Free

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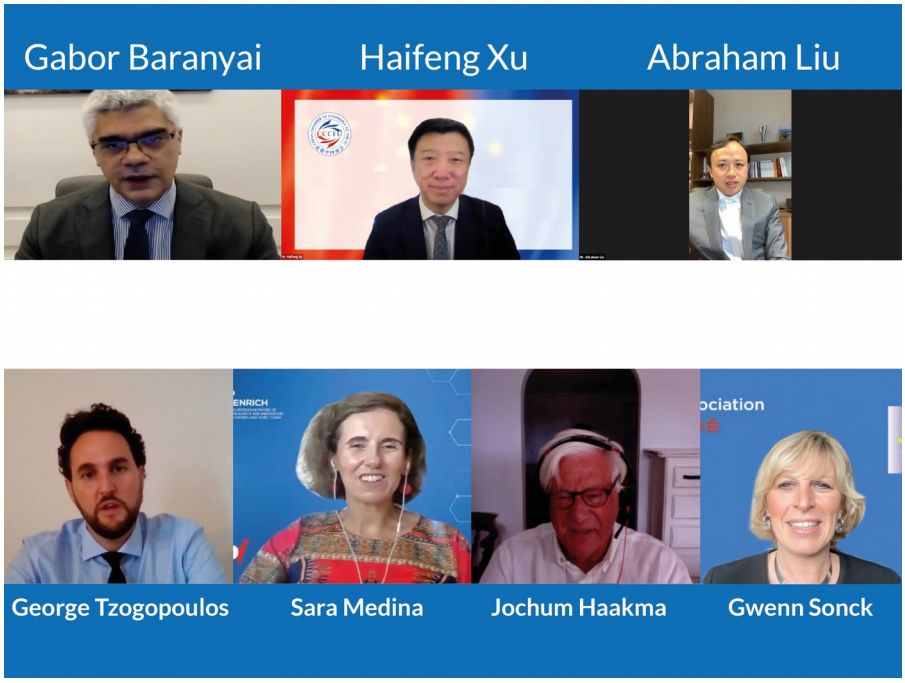
PAST EVENTS

Webinar: EU-China Forum on Innovation – July 15, 2021



The EU-China Business Association organized a webinar to promote the **EU-China cooperation in the field of innovation** on **July 15**, 2021.

Ms Gwenn Sonck, Executive Director of the EU-China Business Association, welcomed the participants to the webinar focused on the importance of boosting innovation between the EU and China so as to improve economic performance. This is a very topical subject as both the EU and China are important partners of one another and both are looking at ways to enhance trading and investment opportunities.In 2020, China became the EU's biggest trading partner in goods, overtaking the U.S. and the EU is China's biggest trading partner. Innovation is a clear driver of mutual economic growth and competitiveness. Innovation is also one of the reasons why European companies want to be in China. The Chinese market is becoming a global driver for innovation. Many European business leaders see Chinese firms also as equally or more innovative than European ones.

The EU and China have been formally working on innovation issues together since 2012 but for innovation to prosper in our society, governments and the private sector must work together to develop new innovative services. This is the key issue for discussion at this webinar. **What are the opportunities and challenges facing both China and the EU today in the context of working together on innovation policy issues and on ensuring that innovative products can reach the marketplace?** Innovation is also a key component in ensuring that the 17 targets of the UN Sustainable Development Goals are fully implemented. Horizon Europe is the biggest EU research and innovation program ever with nearly €96 billion of funding available over seven years (2021 to 2027). It is open to the world, which means that participants from all over the world, including China, can participate in most calls. The program will develop solutions for a healthier life, the progress of the digital transformation and the fight against climate change.

The European Union China Business Association acts as an umbrella organization of bilateral China business associations in Europe. Today, we have 20 member associations and represent more than 25.000 European and Chinese companies. In normal non-Covid-times, we receive high-level Chinese delegations and introduce them to our member companies and we also organize high-level meetings between European and Chinese authorities, Ms Sonck said.

HE Ambassador Gabor Baranyai, Deputy Permanent Representative of Hungary to the EU, welcomed the participants to the forum and delivered the introductory remarks. All governments are analyzing how to best come out of the crisis. The virus knows no borders. It is of pivotal importance that the EU and China – two of the most technologically advanced trading blocs – cooperate. We have to settle very significant problems and technology, innovation and cooperation must be prominent. One is urbanization as 67% of citizens live in urban areas where health problems, climate change and poverty are concentrated. The second is connectivity, including transport, high-speed railways and electrification, which are all critical for our era. The digital economy has been rising as fast as global GDP and is a key driver of innovation and recently also of survival of economic activities and personal safety. The EU has launched a digital decade program, taken regulatory measures and provided a great amount of money to solve digital questions. This is also the time China is

implementing the "Made in China" program focused on digitalization and innovation. All ingredients for a successful cooperation are in place. We hope that the signing of the Comprehensive Agreement on Investment will further boost this cooperation. We are looking forward to seeing a lot of bottom up cooperative projects. Hungary is one of the countries which has very broadly welcomed Chinese investments. We also believe that technology has no nationality. As long as a technology is suitable and safe to be used it should be used.

Ms Gwenn Sonck, Executive Director of the EUCBA: Could you talk about how Chinese companies based in Europe can support the development of higher levels of innovation in Europe? Mr Xu Haifeng, Chairman, China Chamber of Commerce to the EU: The Chamber represents about one thousand Chinese enterprises based in the EU. Over the past years innovation has become a key policy of both China and the EU. In the 14th Five Year Plan China identified digitization, innovation and industrial modernization as the most important priorities. China is pushing for more applications of digital and smart solutions. Chinese enterprises are active in the field of innovation, especially in artificial intelligence and 5G. Through their activities in Europe they are producing better products. The number of patents granted to Chinese enterprises is on the rise with an annual compound growth of 36%. China is now third in the number of European patents applied by non-EU countries. This shows the rising quality of innovation by Chinese enterprises in the EU. Chinese and EU enterprises have launched technical cooperation to join hands in strengthening and promoting technology together. Cooperation between China and the EU is the general trend. Chinese enterprises operating in the EU like to set up R&D centers to lay the foundation for innovation. For example, Huawei set up 23 R&D centers in 14 countries with 2,030 R&D employees. CRRC, the Chinese locomotive and rolling stock company, set up a joint R&D center in Germany with an investment of €36 million, making a great contribution to the innovation in this sector. Chinese enterprises could also support education of talents in European countries. Innovation of Chinese enterprises needs to comply with local laws and regulations, including data privacy. Chinese enterprises will join hands with their European partners in supporting innovation and recovery.

Ms Sonck: How can the EU and China work together more closely to push their economic performance? Ms Sara Medina, Member of the Board, Sociedade Portuguesa de Inovação: SPI has been in China for more than 20 years. Europe and China have a long history of cooperation. It is a partnership that brings together two very unique partners. China has been growing very fast, not only economically, but also in science, technology and innovation. Every time she goes to China, Ms Medina said she was impressed by the development of business incubators in many cities, such as Suzhou, Wuxi and Nanjing. They are already very developed in terms of science and technology. China is now associated with high-level development. Before we saw China as low-level production, but this has moved to countries such as Vietnam and Bangladesh. EU-China cooperation has been established to manage different global challenges. China has a leading position in many sectors and put investments in areas such as biotechnology and software. On the other hand, Europe has technology and know-how that China still does not have and many Chinese organizations are strongly interested to obtain the best technology existing in Europe. From the European side there is also Horizon Europe in which Chinese enterprises could participate. To achieve a better dialogue, Europe needs to learn more about China.

Ms Sonck: As a private company operating in both Europe and China, how can companies like Huawei contribute to the EU and China innovation policy agenda? Mr Abraham Liukang, Chief Representative to the EU institutions, Huawei: International organisations such as the World Bank, the International Monetary Fund, the European Commission and the OECD all point to the strong benefits for governments and for broader society from the building of more innovative economies. Innovation is the driver of positive economic growth. Governments together with the private sector must put in place the necessary policy frameworks and incentivization programmes for businesses so that innovation can thrive and prosper. The EU and China are drivers of innovation across a range of different sectors including in the ICT, agriculture, health, transport and energy sectors. One of the findings of European Innovation Scoreboard that was published on June 21 this year was that innovation performance in Europe has increased by 12.5% since 2014. This year's European Innovation Scoreboard is based on a revised framework, that includes new indicators on digitalisation and environmental sustainability, bringing the work of this scoreboard in line with EU political priorities. The EU, by investing in innovation is investing in its capability to build a more sustainable, a more digital and a more resilient European economy. This improved innovation performance in Europe is due to enhanced spending by governments and by private sector companies alike on R&D.

EU research, innovation and sciences programs are open to the world. Over the past six years there were 590 Chinese participations in 268 different projects under the EU Horizon 2020 instrument. These research collaborative engagements covered ICT, agriculture, energy, transport and climate change sectors. In other words, Chinese and European researchers are working hand in hand in tackling the key global challenges facing society today. The pursuit of excellence must be built on open scientific frameworks. The next EU research, innovation and science program Horizon Europe is open to participation from private, public, educational and research bodies from all over the world. Horizon Europe is backing the development of more innovative and disruptive scale-up companies through the work of the European Innovation Council. More concrete partnerships between research, business and educational stakeholders will be built up by the European Institute of Innovation and Technology which is headquartered in Budapest.

Huawei is in a very strong position to support the policy agenda of the EU under Horizon Europe. We are the 8th most innovative company in the world this year according to the Boston Consulting Group. We are the 3rd highest private sector R&D investor globally. Huawei employs 2,400 researchers in Europe in 23 centers from 12 different countries. Huawei has the depth of expertise in a range of different research disciplines that can ensure, for example, the speedy development of 6G in Europe, enhanced levels of semi-conductor production in Europe and AI innovation. The key to success in terms of

building stronger innovative economies is enhanced international collaboration. There must also be a stronger level of mobility between researchers and innovators traveling from China to Europe and from Europe into China. A whole variety of research and innovation projects as published by the Chinese Ministry of Science and Technology in recent years are fully open to EU participation. This is a win-win situation for all of us.

Ms Sonck: How do you see the process of innovation engagement develop between China and the EU? Dr. George Tzogopoulos, EU-China Advisor to the European Council on Foreign Relations: Cooperation remains the key to guarantee world stability and the relationship between China and Europe is catalytic. There are frameworks which are facilitating cooperation between the two on innovation at the sectoral level. In 2012-13 an important dialogue on innovation was launched. Last September, a dialogue on digital affairs was inaugurated, which is also contributing to a better understanding between the two and facilitating contacts to join forces on innovation. Cooperation on a regional level is also very important. It is always important to look at opportunities beyond the central level. Secondly, the discussion should be linked to the general geopolitical environment. The Covid pandemic remains a serious challenge for the world. Cooperation between China and the EU is key in order to respond to the challenge not only of the two continents, but also other continents, such as joining forces in Africa to reach the UN sustainable development goals. Regarding China-EU relations there are positive and negative viewpoints. The glass is half full. The job of politicians is to manage differences and look for breakthroughs. We should not be nostalgic towards a previous period which is over but work to build symmetry where both sides can find common interests. The better both sides understand each other, the better it will be.

Ms Sonck: What are the challenges that your companies face as they seek to build up stronger partnerships with EU companies? Mr Xu Haifeng: Chinese companies want to have good cooperation in innovation and business development. They would appreciate a more friendly environment and level playing field. Some of the latest legislation in the EU might create uncertainty for investments and economic activities, e.g. there are restrictions for Chinese enterprises in 5G. Huawei and ZTE have created around 20,000 jobs locally but still face obstacles for the development of their business in Europe. However China and the EU have many common goals in research and innovation. Chinese companies are eager to engage more with European partners.

Ms Sonck: What are the challenges that must be addressed if levels of China-EU cooperation in the field of innovation are to be improved? Mr Abraham Liukang: It is very important that the EU and China work together to ensure that common standards are put in place. Unitary as opposed to decoupled standards reduce costs for innovation and inefficiencies in the global supply chain. During the past one and a half years of the pandemic we had to rely on the digital infrastructure to talk to each other. We need an open approach when it comes to putting in place higher levels of collaboration. The process of innovation does not stop at a geographical border. Stakeholders need to walk together in open and transparent ways.

Ms Sonck: Is there enough political goodwill to push a strong common innovation agenda forward? Dr. Tzogopoulos: There is political will, but we should not ignore the current landscape. The main principle that can drive Sino-EU relations forward is more respect. We as Europeans should appreciate what China did, such as the eradication of poverty. At the same time, we Europeans are proud about our own system and expect the same respect from the Chinese side. The more the two sides talk to each other the better. The decision of the European Parliament to freeze the ratification of the CAI is a setback but it is how the European system works. The differences can be overcome but we should also respect the different systems because otherwise the relationship cannot move forward. There will be a convergence of business interests in order to recover from the pandemic.

Ms Sonck: How will the EU and China shape the bilateral cooperation on innovation and what are the concrete outcomes for our economies? Mr Jochum Haakma, Chairman EU-China Business Association (EUCBA): The EU and China clearly have a mutual interest in reinforcing their technological infrastructure and capabilities to be able to compete and thrive worldwide. According to the EU-China 2020 Strategic Agenda, innovation is an essential pillar of the economy and indispensable to maintain growth in the long run. The EU-China Steering Committee and the EU-China innovation cooperation dialogue have been launching a fruitful collaboration on science and technology in emergent industries. It will involve synergies among universities and research institutes, the construction of common infrastructure to cope with common problems, the joint development of skills, and the creation of a bilateral financing scheme. This will bring golden opportunities as entrepreneurial cooperation is a sine qua non to achieve results. The continuous search for the frontline of innovation is a feature that brings together our peoples and should be used to tackle common issues. Innovation is an all-comprehensive concept that the EU and China are able and willing to employ in many fields. The active participation of SMEs will translate into a winning cooperation.

A Q&A session concluded the webinar. Mr Haakma congratulated Huawei as the real innovation player, the eighth most innovative player in the world with 23 R&D institutes in Europe after a presence of 21 years. This is a beautiful example for many players. This is the horizon many are looking for. There is an enormous willingness between universities and research institutes in China and Europe to work together. From the European side often the money is lacking. R&D budgets are lower than in China. The political will should also be there. The EU Commission and governments have the obligation to bridge the gaps and seek common ground. The pandemic showed us how important it is to work together. Innovation is a central cog in the wheel of economic recovery.

Webinar: "China: Economic Perspectives in a changing world. What does this mean for Businesses?" – Meeting with HE Jan Hoogmartens, Ambassador of Belgium in the People's Republic of China – 14 July 2021

The Flanders-China Chamber of Commerce (FCCC), with the support of Flanders Investment and Trade, organized an exclusive meeting with **HE Jan Hoogmartens**, Ambassador of Belgium in China on the topic of **"China: Economic Perspectives in a changing world. What does this mean for Businesses?"** on **July 14**, 2021.

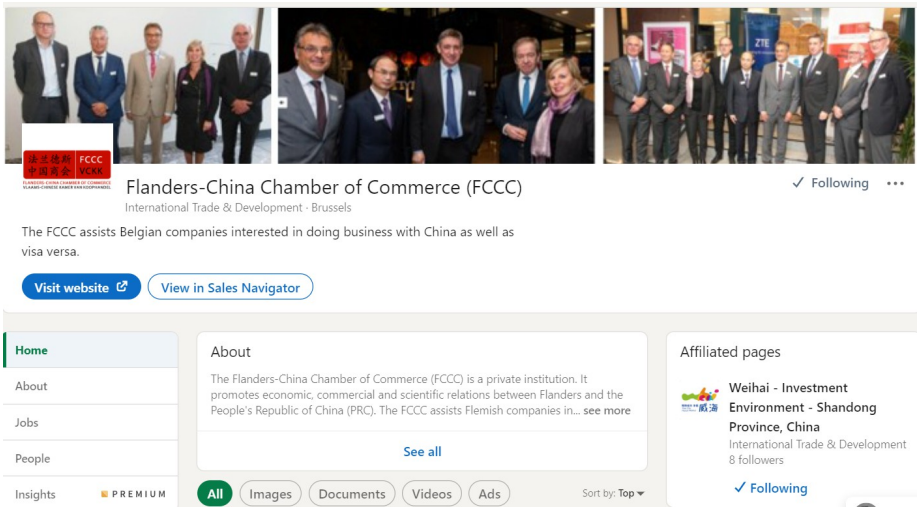
Speakers:

Mr. Kurt Vandeputte, Chairman, Flanders-China Chamber of Commerce

HE Jan Hoogmartens, Ambassador of Belgium in the People's Republic of China

Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce

As the webinar was conducted according to the Chatham House rules, no transcript is available.



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MACRO-ECONOMY

China's GDP increases 12.7%; foreign trade 27.1% in first half

China's GDP increased 12.7% in the first half of the year to CNY53.2 trillion, according to the National Bureau of Statistics (NBS). On a two-year average basis, China's GDP grew 5.3%. The economy surged by 7.9% in the second quarter, slowing from 18.3% in the first three months. In terms of a two-year average, however, the second quarter growth reached 5.5%, outpacing the first quarter's 5% growth. "The growth shows that China's economy has primarily walked out of the impact of coronavirus and has already returned to pre-Covid-19 levels," Dong Dengxin, Director of the Finance and Securities Institute of Wuhan University, told the Global Times. Experts expect that China could contribute about 1.4 percentage points to the world's GDP growth this year. China has set a growth target for 2021 at over 6%. The country's GDP grew by 2.3% in 2020.

Total retail sales of consumer goods increased by 23% in the first half of 2021 to CNY21.2 trillion. This brought the two-year average growth of China's H1 retail sales to 4.4%. Fixed-asset investment grew by 12.6% in the first half, sending the two-year average growth to 4.4%. By comparison, industrial output rose by 15.9% on a yearly basis over the first six months this year. China's high-tech manufacturing added value rose by 22.6% in the first half of the year, with production of new energy vehicles (NEVs) and industrial robots surging by 205% and 69.8%, respectively. The output integrated circuit manufacturing increased 48.1%.

China's foreign trade increased by 27.1% year-on-year in the first half of 2021 following 13 consecutive months of growth. It reached CNY18.07 trillion, with imports increasing 25.9% year-on-year and exports growing 28.1%, according to the General Administration of Customs (GAC). In June, exports expanded by 32.2%, accelerating from a 28% growth in May, though growth in imports slowed to 36.7% from May's record 51%. Trade with the U.S. rose 34.6%, with ASEAN 27.8% and the EU 26.7% in the first half. Despite trade tensions, China's exports to the U.S. rose 31.7%, while imports from the U.S. jumped 43.9%. U.S. agricultural imports surged 120.8%, calculated in yuan terms. China's exports to the U.S. surged 42.6% in dollar terms with Americans' appetite for laptops, smartphones, home appliances and clothes remaining robust, while imports from the U.S. jumped 55.5% in dollar terms. China's trade surplus with the U.S. increased to USD32.58 billion in June, up from the May figure of USD31.78 billion.

"Such a result is hard to achieve, considering all the pressures we faced – rising costs, the pandemic, and shifting global trade and economic recoveries," Bai Ming, Deputy Director of the International Market Research Institute at the Chinese Academy of International Trade and Economic Cooperation, told the Global Times. In the past several months, skyrocketing prices of major raw materials, including iron ore and metals, exerted huge pressure on Chinese factories, prompting swift action to stabilize prices. In the first half of the year, China's iron ore imports increased 2.6%, while corn imports jumped 31.85%. Crude oil imports dropped by 3%.

China's trade with India, which was engulfed in one of the worst outbreaks of Covid-19, surged 62.7% in the first half in dollar terms, the fastest growth in China's trade with other countries during the period. However, Bai also warned that "the real challenge" is in the second half of the year, while Li also warned that trade might slow down, as "the Covid-19 epidemic is still spreading in many places around the globe, the trend of the epidemic is complex and trade still faces many uncertain and unstable factors."

Apart from the Covid-19 pandemic, other uncertainties include continuously rising commodity prices, the appreciation of the Chinese yuan, and risks resulting from the U.S.' push to contain China's rise, according to Sang Baichuan, Director of the Institute of International Business at the University of International Business and Economics. "It's hard to say how much trade will slow in the second half of the year," Sang told the Global Times.

The Ministry of Commerce (MOFCOM) reported that **China's actual use of foreign capital surged to CNY607.84 billion in the first six months of the year, an increase of 28.7% year-on-year** and a 27.1% rise over the same period in 2019. In dollar terms, the FDI inflow during the January-June period jumped by 33.9% from a year ago to USD90.96 billion. In high-tech industries, FDI increased by 39.4% year-on-year. Inflows of foreign capital from European Union nations increased 10.3%.

About 40% of China's export-oriented businesses recently surveyed by MOFCOM reported year-on-year growth in new export orders, highlighting improvements in global demand and domestic players' growing strength, said Ren Hongbin, Assistant Minister of Commerce. He added that China will further shorten the negative list covering foreign investment, promote more pilot zones for opening-up in the services sector and steadily boost the development of the

Hainan Free Trade Port to stabilize foreign trade and foreign investment. The trade volume of **China's private companies** rose by 35.1% year-on-year to CNY8.64 trillion in the first half of 2021, **accounting for 47.8% of the nation's total exports and imports**. The foreign trade value of foreign-invested companies jumped by 19% to CNY6.61 trillion during the six-month period, the China Daily adds.

Still, slower growth could have a serious impact on certain sectors and businesses, as well as overall GDP growth, analysts noted. China is expected to report a much slower growth in the second half of the year. GDP growth could drop to 5% in the second half of the year, according to several market forecasts. In its latest forecast released on June 29, the World Bank predicted that China's economic growth could reach 8.5% for 2021, which would still be higher than the 6.1% growth in 2019.

Net profits of China's centrally administered state-owned enterprises (SOEs) exceeded CNY1 trillion in the first half of this year for the first time, reaching nearly 73% of the level for all of 2020. The SOEs' net profits totaled CNY1.02 trillion, an increase of 20.6% on average over the past two years, the State-owned Assets Supervision and Administration Commission (SASAC) announced. The 96 central SOEs' revenue stood at CNY17.1 trillion, up 8.7% on average over the past two years. Despite the adverse impact of Covid-19, net profits of the central SOEs expanded 2.1% year-on-year in 2020 to CNY1.4 trillion, with around 80% of central SOEs reporting rising profits. In 2019, the figure was CNY1.3 trillion, up 10.8% on a yearly basis.

FOREIGN TRADE & INVESTMENT

Icebreaking spirit needed says Chairman of The 48 Group Club

An "icebreaking" spirit is needed for British business communities to "create a clearer impression of the facts and position of China in the world" and strengthen further cooperation between the two nations, said **Stephen Perry, Chairman of The 48 Group Club** – an independent business network committed to promoting trade and cultural links between the United Kingdom and China. "The priority is to understand the history of China, how that shapes China's future plans and how socialism is the core that works with China's history. This helps companies form realistic understandings." Stephen Perry is the son of the late businessman Jack Perry, who led a trade mission with a group of 48 British business people to China in 1954 and helped establish modern-day trade relations between the two countries, later known as the "Icebreaker Mission".

"British businesses should take the time to see the prospects of how the Belt and Road Initiative (BRI) and China will together shape a new Asia," he said. Perry went on to suggest that "understanding the phenomenal intellectual and practical resources of the 95 million members of the Communist Party of China will also help companies". He acknowledged that the rise of Asia will become a driving force for global economic growth, adding that China is the largest economy on that continent.

"Icebreaking is needed as sometimes existing forces are worried about new trends. Western companies need to see what East Asia is forming around the Regional Comprehensive Economic Partnership (RCEP), and brands that will be successful are going to be more 'Asian' than Western. This Asian development is going to require more reflection by Western companies, and **how to be 'Asian' in Asia is the Western corporate challenge for the next 30 years**," Perry added.

Since Chinese President Xi Jinping put forward the idea of "building a community with a shared future for mankind" in 2012, this flagship vision has become China's solution to collectively addressing global challenges. Perry said China's proposal of "a community with a shared future for mankind" will impact all parties involved in the BRI. "We live in an era of transition in many respects and the world has to create new ways to cooperate. Again, **icebreaking is needed to open minds to the new ways of the future.**"

With China being the world's second-largest economy and the only major country to register positive growth in 2020 during the Covid-19 pandemic, Perry said the world needs to work together with China to manage climate control, health and terrorism, and the "icebreaking" spirit must work to make this message clear. Sino-UK relations enjoyed a "golden era" following Xi's visit to Britain in 2015. Perry said that was the moment Britons saw the new and impactful China. "We have some short-term reaction to that feeling of being overwhelmed and we will gain a new understanding of China and how to relate to it," Perry said. "It is a historic change that we are making and 'global Britain' cannot work without a good, positive relationship with China. "That means we have to come to terms with Chinese history and its socialist ideology that works for China," he added, as reported by the China Daily.

HEALTH

First day of no new Covid-19 cases in Ruili outbreak, vaccination of youngsters stepped up nationwide

China's Yunnan province registered its first day of no new Covid-19 infections or silent carriers on July 16, since the latest outbreak in Ruili on the Myanmar border started on July 4. Fifteen imported cases were reported, who came to China via land ports between June 18 to July 14. But the province, especially the border city of Ruili, continues to face great epidemic control pressure due to its border with Myanmar. Half of the infected cases in the latest outbreak were Myanmar nationals. The virus strain in the latest flare-up in Yunnan has been confirmed to be the delta strain.

Some local governments in China are planning to administer Covid-19 vaccines to teenagers as the country pushes ahead with its mass immunization drive, with over 1.4 billion doses already administered. The Health Commission of Guangxi said that all people aged 12 and above who do not have contraindications to Covid-19 vaccines should get vaccinated. The region started to give vaccines to those aged 15 to 17 this month, and will start inoculating those aged 12 to 14 next month. It aims to fully immunize those aged 12 to 17 by the end of October. About 33% of Guangxi's population is already fully vaccinated. Several cities in the provinces of Fujian and Hebei also announced that they would begin to roll out vaccines to young students. As people aged below 18 account for more than 20% of China's population, it would be impossible to reach the herd immunity threshold of 80% if they don't get vaccinated. Regions leading the vaccination drive include Beijing, which has fully vaccinated nearly 90% of people aged 18 or above, as well as Hainan, which has vaccinated more than 88% of its target population.

Chinese authorities have approved Sinopharm's Covid-19 vaccine for emergency use for young people aged 3 to 17, after early and mid-stage clinical trials showed it is safe and can elicit strong immune responses in the age group. It is the second domestic Covid-19 vaccine made available for children and teenagers in China. In June, Sinovac Biotech's vaccine was authorized for emergency use for young people.

China witnessed significant drops in new cases of nearly all major infectious diseases last year, with the number of new HIV/AIDS infections seeing its first year-on-year decline in a decade, according to an annual health development communique released by the National Health Commission (NHC). The number of viral hepatitis cases dropped by 11.5% year-on-year, with tuberculosis cases down by about 13.6%. The two diseases were the most prevalent among all 40 notifiable contagious illnesses. Reported cases of other diseases transmitted mainly through respiratory droplets, such as flu, measles, mumps, scarlet fever and hand-foot-mouth disease, also declined markedly. Experts said previously that Covid-19 control measures, such as keeping social distance, wearing masks and washing hands regularly, can also play a role in curbing the spread of many other viruses. As the pandemic has caused a sharp reduction in international travel, imported infections of dengue fever and malaria – whose domestic spread has been largely eliminated – dropped by over 96% and 57% respectively last year.

China reported about 62,170 HIV/AIDS infections last year, down by more than 9,000 from 2019. But HIV/AIDS remained the deadliest infectious disease, with more than 18,800 people dying of AIDS-related illnesses last year. **Covid-19**, which was added to the list of notifiable infectious illnesses in January last year, **led to 87,071 infections and 4,634 deaths in 2020**, including imported cases. China's total medical expenditures increased by about CNY650 billion to over CNY7.2 trillion last year, accounting for 7.1% of GDP, up from about 6.6% in 2019. The NHC said 12 million babies were born last year, with the ratio of those born as a second child or into even bigger families standing at 57.1%, down slightly from 2019.

CHINA NEWS ROUND-UP

China launches world's largest carbon market

China on July 16 inaugurated its national carbon market that experts said will not only help accelerate the reduction in domestic carbon emissions, but also promote a broader global response to climate change.The market currently includes over 2,000 companies in the power generation sector and covers over 4.5 billion tons of carbon dioxide a year. It replaces the European Union's carbon trading program as the world's largest such mechanism, according to the Ministry of Ecology and Environment. **In the future, the market will be extended to include another seven major carbon-emitting industries**, including steel, chemicals and paper making. Carbon trading is the process of buying and selling permits to emit carbon dioxide or other greenhouse gases among designated emitters that have such rights. At the end of each cycle, companies will have to buy unused permits from the market if they emit more than allowable amounts. The mechanism will put companies that do well in containing emissions at an advantage, and thus motivate heavier emitters to adhere to lower carbon development.

Vice Premier Han Zheng announced the opening of the market. The first transaction occurred only two minutes after trading began at 9:30 am. The average price of transactions during the day stood at CNY51.23 per metric ton, compared with an opening price of CNY48, with an upper limit of CNY52.8, according to the Shanghai Environment and Energy Exchange. With a total turnover of roughly CNY210 million, about 4.1 million tons of carbon emission rights were traded on July 16. The average trading price of CNY51.23 is much higher than the annual average price in the country's pilot carbon market, which started trading in 2013 in seven areas, including Hubei province, Beijing and Shanghai. The volume-weighted average price over the past few years stood at about CNY40.

Zhao Xiaolu, Climate Director at the Environmental Defense Fund's China program, said companies have shown strong enthusiasm for participating in trading during the inaugural day of operation. "The price hovered high after the market opened and approached the daily upper limit when the market closed," Zhao said. "It shows that power generation companies have stable expectations of the market's role in helping fulfill the country's target of reaching peak carbon dioxide emissions before 2030 and going carbon neutral before 2060."

Fred Krupp, President of the Environmental Defense Fund, said China's national carbon market will be one of the central policy instruments to achieve its climate goals. With the first transactions taking place in the system, China has reached an important milestone in its progress on climate action, he said. Denis Depoux, Global Managing Director of consultancy Roland Berger, said the establishment of the carbon trading program highlights China's prominent role in the global response to climate change. The market has also unleashed huge potential for developing financial products based on emissions rights. Ye Yanfei, Director of the Policy Research Bureau of the China Banking and Insurance Regulatory Commission (CBIRC), said that the banking sector will explore the possibility of using carbon emissions rights as collateral for loans, the China Daily reports.

Number of potential unicorns on the rise

China's potential unicorn companies are drawing increasing attention in the market. **"The soaring number of potential unicorn companies is a crucial sign of China's high-quality development of the new economy,"** said a report on 2021 Chinese potential unicorn companies by the Greatwall Strategy Consultants, a Beijing-headquartered private think tank focusing on the new economy. As the national scientific and technology innovation center, **Beijing is home to 117 potential unicorn companies as of the end of 2020, ranking top in China.** Shanghai, Suzhou in Jiangsu province, Hangzhou in Zhejiang province and Shenzhen in Guangdong province took the second to fifth spots, nurturing 84, 39, 37 and 32 such companies, respectively.

The think tank said a "potential unicorn" means a China-registered company set up within the last five years with a valuation reaching USD100 million, or a company set up for five to nine years valued at over USD500 million. Those 117 potential unicorn companies in Beijing came from 28 industries, including digital medicine, artificial intelligence, robots, aviation and new energy vehicles (NEVs). The report also said the number of China's potential unicorns hit a record high in 2020, totaling 425. Orion Star Co, a robot developer in Beijing, is one of those potential unicorns. Chairman Fu Sheng said the company's vision is to make robots that can replace low-end and repetitive work, increasing economic efficiency. Orion Star will provide robot services for the 2022 Beijing Winter Olympic Games.

Benewake Co, a high-tech company focusing on developing the "eyes of the robots" - LiDAR – in Beijing's Zhongguancun area, is on its way to become a potential unicorn. Li Yuan, Founder and Chief Executive of Benewake, said becoming a unicorn is the middle-stage for a startup that is on its way to become a leading enterprise in an industry. "The high-end talents, supportive policies, as well as the great entrepreneurial climate are key reasons for Beijing becoming the best land for both unicorns and potential unicorns," Li said.

Wang Bin, Vice Chairman of the China Association of Technology Entrepreneurs said Beijing has put in huge investments to support high-tech startups in recent years, which has attracted a large number of talent to settle down in the capital. Compared with other cities, Beijing has much more talent resources and bigger investments in high-tech research and development. The city is also the home to most state-owned enterprises and venture capital institutions, which is beneficial to incubating potential and current unicorn companies, the China Daily reports.

Number of patents and trademarks registered to foreigners up in first half

The number of patents and trademarks registered by foreigners in China increased rapidly in the first half of this year. From January to June, 339,000 patents for inventions were granted in China, with 54,000 granted to foreign applicants, up 30% year-on-year, statistics by the China National Intellectual Property Administration showed. In the same period, over 3.72 million trademarks were registered in China, with 90,000 of them registered by foreigners, up 7.5% year-on-year. The number of patents granted to applicants from the United States rose 35% and that of trademarks was up 8.9%. "The sustainable growth of foreign applications for patents and trademarks means foreign enterprises have confidence in our business environment, with the will to develop business activities and establish their IP layout in our nation," Heng Fuguang, Deputy Director of the Administration's General Office said.

China has become better at reviewing IP applications. By the end of June, the time taken to review high-value patent applications had been reduced to 13.4 months, down from 14 months in April. Ge Shu, Director of the Administration's Strategic Planning Department, said maintaining high quality IP development, especially that related to core technologies, has been the top priority in its work, and it also provided more IP-related support to Chinese enterprises overseas in the first six months of this year. From January to May, the number of patents granted to Chinese enterprises in the U.S., Japan, South Korea and European countries kept rising, he added. To protect IP rights and maintain order, the Administration launched a campaign against unqualified patent agencies in March.

Lei Xiaoyun, from the Administration's IP Utilization Promotion Department, said more than 100 illegal institutions have been blocked and investigations are continuing, the China Daily reports.

Dual-circulation paradigm to benefit MNCs

China's dual-circulation development paradigm will create more space for the growth of multinational corporations in services, innovation-driven areas and businesses related to digital empowerment, according to the report titled **Multinationals in China: New Opportunities Arising from a New Paradigm**, released by the Beijing-based Chinese Academy of International Trade and Economic Cooperation (CAITEC) under the Ministry of Commerce (MOFCOM). The government's move to accelerate the effective integration of domestic resources has already persuaded global companies to invest in high-tech sectors in China.

In response to the dual-circulation paradigm, MNCs are also keen to increase their spending in areas like industrial upgrading, rural revitalization, regional coordination and green development, in order to maintain robust growth of their operations in the country, the report stated. China's dual-circulation recognizes the domestic market as the mainstay, with the domestic and foreign markets reinforcing each other. CAITEC released the report during the two-day second Qingdao Multinationals Summit in Qingdao, Shandong province. Under the new paradigm, China will strive to expand the opening-up policy, which was so far seen in the flow of goods and factors, to institutions as well, in the context of rules, regulations, management and standards. Efforts will be made to build an institutional system and regulatory model in line with international norms, and further shorten the negative list for foreign investment, said the report.

With the gradual opening up of the domestic sector, overseas firms have achieved significant development in China and made considerable contributions toward modernization of domestic circulation through demonstration projects, said Gu Xueming, President of CAITEC. "As China's domestic economy is crucial in ensuring global supply and meeting diverse demands, multinationals have more room to expand imports and exports," he said, noting MNCs are proficient in optimizing the import mix and improving the quality of exports by leveraging their global brands, market networks and other resources, so as to boost the steady development of foreign trade.

While China's foreign trade amounted to CNY18.07 trillion in the first half of this year, the value of exports and imports of foreign-invested companies rose 19% year-on-year to CNY6.61 trillion, according to the General Administration of Customs. Some CNY1.46 trillion of China's foreign trade volume was contributed by 30 leading global companies, indicating they are an indispensable part of supporting the nation's exports and imports, said GAC Vice Director Wang Lingjun. Chen Chunjiang, Director General of the Department of Trade in Services at MOFCOM, said FDI in China has been directed toward high-tech businesses and was mostly services-oriented in recent years. This has played an important role in optimizing and upgrading China's industrial structure. China's actual use of foreign capital surged to CNY607.84 billion in the first half of this year, an increase of 28.7% year-on-year and a 27.1% rise over the same period in 2019, the China Daily reports.

Pudong to further open up financial sector

The Chinese government has issued a plan to further open up Pudong in the financial sector, and for it to serve as a strategic link between the domestic and international markets. Experiments will first be conducted in Pudong to allow qualified foreign institutional investors (QFII) to participate in the issuance and trading of stocks on the technology-focused STAR Market. An international trading and pricing center for oil and gas will be established in Pudong, the guideline said. Zhang Hong, Director of the Pudong Finance Bureau, said more international products will be rolled out at the Shanghai Futures Exchange, the China Foreign Exchange Trade System, and the China Financial Futures Exchange by the end of this year. Cross-border renminbi flow is stressed in the guideline. An offshore financial system which is in line with Shanghai's position as a world financial center will be set up. Pudong is being supported in developing offshore renminbi trading while controlling risks.

"Companies and institutions planning to carry out onshore business in China will see their costs reduced. Renminbi will circulate more efficiently between onshore and offshore

markets, which will help Shanghai to grow into a center for renminbi financial asset allocation and risk management," said Mark Wang, President and CEO of HSBC China. Detailed measures, including advancing the infrastructure connect mechanism in Shanghai's bond market and accelerating the overall reform and opening-up in China's bond market in interbank and exchange trading, will make trading smoother and introduce more international investors into the Chinese bond market, he said. The financial infrastructure and mechanism will be completed in the following years, according to the guideline.

Li Feng, Professor with the Shanghai Advanced Institute of Finance at Shanghai Jiao Tong University, said Shanghai's financial industry can better serve the real economy with the latest guideline by making pricing and trading mechanisms more efficient, the China Daily reports.

The Global Times adds that the guideline also offers tangible benefits for research institutes by exempting import duties for equipment for research use. Companies in vitally important sectors – integrated circuits, artificial intelligence, bio-pharmaceuticals and civil aviation – will receive corporate income tax breaks for the first five years following the start of operations. The Pudong New Area should also set up a blockchain standard system for trade financing and conduct a pilot program for digital yuan. "One highlight is that the plan will build a special economic functional zone in Pudong that undergoes risk and pressure tests on the open economy," Sun Yuanxin, Deputy Director of the Research Institute for the Shanghai FTZ at the Shanghai University of Finance and Economics, told the Global Times, noting that **the entire Pudong area will become a special economic zone in the future**. Shanghai aims to build itself into an international science and technology innovation center, financial center, trade center, shipping center and consumption center.

Number of freight trains between China and Europe increases

Freight train services connecting China and Europe have been increasing significantly thanks to expanding capacity in China and better coordination with countries along the routes. China State Railway Group, the national railway operator, said there were 7,377 China-Europe freight train trips in the first half of this year, up 43% year-on-year. Between January and June, the trains carried 707,000 TEU, a year-on-year increase of 52%. The group said the network has covered 29 provincial-level regions in China, reached 168 cities in 23 European countries, and has shown resilience in the face of the Covid-19 pandemic. It said it has continued to improve operation of the services, such as boosting the efficiency of loading and offloading cargo. The company said that in the first half of the year, a record 85% of outbound services made return freight trips. Since the middle of last year, it has carried out expansion projects in key railway ports such as Erenhot in Inner Mongolia and Khorgos and Alataw Pass in Xinjiang.

In the first six months of this year, representatives from transportation organizations and businesses from countries operating freight train services held two video conferences, discussing issues such as timetables and routes. The variety of products carried by the trains has been expanding, from laptops and related parts at the beginning to more than 50,000 items today, including automobiles, chemical products, mechanical and medical supplies, as well as all kinds of goods from online retailers. The value of the products carried by the service increased to nearly USD56 billion last year from USD8 billion in 2016.

This year marks the 10th anniversary of the departure of the first China-Europe freight train, which traveled from Chongqing to Duisburg, Germany. Foreign Ministry Spokesman Zhao Lijian told a news conference in May that the services, like the contemporary railway version of camel caravans, have played an important role during the pandemic in keeping logistics running and ensuring a stable supply of materials to China, Europe and countries along the route, the China Daily reports.

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Contact

Flanders-China Chamber of Commerce
Office: Ajuinlei 1, B-9000 Gent, Belgium
New telephone and fax numbers:
T ++32/9/269.52.46
F ++32/9/269.52.99
E info@flanders-china.be
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