
China Business Weekly

18 October 2022



FCCC NEWS

Trends Talk: Interview with Chairman FCCC, Kurt Vandeputte. “Despite slowing growth, Flemish companies should not ignore the Chinese market.”



On October 15, Mr. Kurt Vandeputte, Chairman of the Flanders-China Chamber of Commerce (FCCC), was interviewed on Canal Z. He comments on the ongoing 20th Congress of the Communist Party of China, the economic situation in China, the difficulties of traveling to China during the Covid-pandemic and how to approach business and investments in China in the current economic climate.

Watch the full interview in Dutch here: <https://bit.ly/3eF9iSv>

FCCC/EUCBA ACTIVITIES

Seminar: “China's Challenges Mount: structural headwinds and the macroeconomic outlook” – October 25 – 17h30 - Ghent



The Flanders-China Chamber of Commerce and KBC Group – with the support of Flanders Investment & Trade – are organizing a seminar which will take place on **October 25, 2022** at **17h30** at the KBC Arteveldetoren, Maaltekouter, 9051 Ghent.

Our distinguished speaker, **Hans Dewachter**, Chief Economist, KBC Group, will deliver a speech focussing on "**China's Challenges Mount: structural headwinds and the macroeconomic outlook**".

China faces a number of serious headwinds to growth, ranging from the government's Covid policy to real estate woes and from shifting growth drivers to so-called decoupling. As risks increase, the macroeconomic outlook is not all doom and gloom, but policy decisions will play an important role in shepherding China back towards reaching potential growth rates in 2023 and beyond.

The programme is as follows:

17h30-18h00: Registration

18h00-18h10: Welcome address, Ms. **Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce

18h10-19h00: Keynote speech, Mr. **Hans Dewachter**, Chief Economist, KBC Group

19h00-19h15: Q&A Session

19h15: Networking reception

Practical information:

Date and time: October 25, 2022, 17h30

Location: KBC Arteveldetoren, Maaltekouter, 9051 Ghent

Price for FCCC members and KBC clients: Free **Price for non-members:** €65 excl. 21% VAT (€13.65)

Parking availability: You can see more information on how to reach the venue and where to park [here](#) .

[SUBSCRIBE HERE](#)

ACTIVITIES SUPPORTED BY FCCC

China Healthcare Summit during the East West Biopharma Summit 13-17 November 2022 – San Francisco



The China Healthcare Summit is one of the best events for European biotech companies to open doors to the Chinese healthcare market and to meet biopharmaceutical companies. Due to Covid travel restrictions, the organizers have decided to hold this year's edition at the East West Biopharma Summit in San Francisco.

What	Seminar / info session
Target sector	Health and pharma
Target market	U.S. and China
When	Sunday 13 November to Thursday 17 November 2022
Where	San Francisco, U.S.
Who can participate	Companies and organizations in the Flanders region
Organization	Flanders Investment & Trade

More information and registration till October 27 is available on the website of [Flanders Investment & Trade](#) (in Dutch)

China Hi-Tech Fair 2022 – New dates: 15-19 November 2022 – Shenzhen



ENRICH invites you – with the support of the EU-China Business Association (EUCBA) – to join the 24th China Hi-Tech Fair! Exhibitors can participate in the online fair, completely free and digital, reaching up to 2 million online visitors. This will be a great opportunity for any organization from business, research, and innovation to promote their products and services in the Chinese market, raising brand exposure and increasing business connections.

In order to register for the China Hi-Tech Fair Digital, all you have to do is send us (china@enrichcentres.eu) the application form filled in with your details. The application form can be found in the following [link](#) . The deadline for applications is 23 October 2022.

Find the promotional leaflet [here](#). A presentation about the fair can be found [here](#).

The 24th China Hi-Tech Fair will be held both physically and digitally. Join us on the onsite exhibition or take advantage of the online show. CHTF 2022 Digital, a virtual version of the live exhibition, allows you to promote your products and services at the touch of a button, reaching an audience of two million online visitors for free.

Events by the China Platform: 2nd edition of China Platform Academic Forum – CPAF 2022



Last year, the China Platform in cooperation with Mr. Zhang Chi from the Ghent University representative office in Beijing took the initiative to organize the first edition of the CPAF on the occasion of the Ghent University China Platform's 15th anniversary. The aim of this initiative was to promote cooperation in scientific research between Ghent University and its partner institutions in China, to create opportunities for researchers to exchange academic thoughts, and to provide a platform for alumni to interact with each other as well as with their former professors and colleagues at Ghent University.

Because of its huge success, the China Platform decided to make it into an annual event. And for this 2nd edition of CPAF 2022, the number of participating webinar hosts has doubled.

Please register yourself for one or more webinars.

If you wish to obtain the programs of the 17 seminars, please contact chinaplatform@ugent.be

[More information](#) and the link to register for one or more webinars can be found [here](#)

China Platform Lecture Café 2022

In September 2012, the Ghent University China Platform launched the “China Platform Lecture Café” and is delighted to invite you to participate in its 2022 edition where they will address the following interesting topics.

Venue: De Krook - Zaal De Blauwe Vogel, Miriam Makebaplein 1, 9000 Gent

These 4 lecture sessions will also be livestreamed.

Tuesday 18 October: 11:00 – 13:00 CET

“Cross-Strait Relations – A Historical Overview under a Taiwanese Perspective” by Dr. Jasper Roctus, doctor in Oriental Languages and Cultures, Faculty of Arts and Philosophy

Tuesday 25 October: 13:00 – 15:00 CET

“China’s Geo-economic Gambit: Technology, Interdependence, and the Future of the Global Economy” by Dr. Tobias Gehrke, Research Fellow – Europe in the World, Egmont – Royal Institute for International Relations

Tuesday 22 November – 14:30 – 16:30 CET

“China, the Great Powers, and the War in Ukraine: Still the Middle Kingdom?” by Prof. Sven Biscop, Faculty of Political and Social Sciences, Ghent University and Director of the Europe in the World Programme at the Egmont – Royal Institute for International Relations in Brussels

Tuesday 13 December: 12:00 – 14:00 CET

“How Confucianism became a world religion” by Prof. Bart Dessein, Department of Oriental Languages and Cultures, Faculty of Arts and Philosophy

Please register [here](#)

PAST EVENTS

Webinar: Digital opportunities for marketing and sales in China – 11 October 2022



The Flanders-China Chamber of Commerce organized a webinar, with the support of Flanders Investment & Trade, focussing on “**Digital opportunities for marketing and sales in China**” on **October 11, 2022**.

Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, welcomed the participants to the webinar. **China has the largest and fastest growing e-commerce market in the world with almost one billion of on-line individual shoppers.** It is important that Flemish companies have a well-thought China digital marketing strategy, especially one adapted to the local Chinese market. Ms. Jane Ru, Director of Growth & Operations at Crayfish.io will introduce the fundamentals of digital China, providing an insight into the digital landscape and offering tips on how to create a marketing strategy and utilize local talents for marketing and e-commerce. Jane has more than 20 years experience in strategic marketing, business development and international trade in the UK and Europe across a range of industries. Flanders Investment & Trade recently published a very interesting market study on e-commerce in China which can be downloaded from the FIT’s and from our Chamber’s website. Doing business with China is not easy in these times. For many of our companies the travel restrictions to China and the sudden lockdowns due to the dynamic zero-Covid policy are one of the biggest difficulties. We need to persist, as China remains an important market for our businesses.

Ms. Jane Ru, Director of Growth & Operations, Crayfish.io, said that **in the past few years it has been very difficult to visit China due to the travel restrictions**, but technology has made a connected world. China has developed into a digital economy on a larger scale than the West. We can engage with Chinese customers without leaving our home countries. Crayfish.io was established in the UK to help companies succeed in China, providing a portfolio of quality services. Marketing professionals need a thorough understanding of the market and the customers and how to communicate with customers digitally.

China is the world’s biggest e-commerce market with a larger transaction value than all the developed countries combined. There is also a rapid growth in social and B2B commerce. The penetration rate of mobile payments is very high. About 90% of internet users are using mobile payments, accounting for 50% of global digital payments. China is also among the top investors in digital technologies, such as virtual reality, autonomous vehicles, 3D printing, drones, AI, and other new trending technologies.

The influence of digital giants in China is bigger than in other economies. They not only have massive user bases, but are also providers of cross-section digital solutions. **The three big groups of tech giants are:**

- BAT (Baidu, Alibaba, Tencent), the equivalent of Google, Amazon and Facebook.
- TMD (Toutiao/Douyin, Meituan, Didi), providing on-demand platform services.
- PKB (Pinduoduo, Kuaishou, Bilibili), the social commerce platforms.

Each one has developed an eco-system. Tencent for example is famous for its mobile games, but also provides a social platform, e-commerce, mobile payments, transport and travel solutions. Without leaving Tencent’s eco-system, you can do almost everything.

The customers are the most important for all commercial activities. For B2B customers it is important to know who the decision makers are and the decision making process. **Most Chinese consumers are digital natives, who grew up with computers, smartphones and the internet.** They trust their apps and key opinion leaders (KOLs). Social interactions and leisure activities are increasingly taking place online. Social platforms are being used more than anytime in the past. Customers make purchasing decisions following the opinion of their KOLs. They are not only active on one of the platforms, but use many of them. There is an increasing middle-income class, willing to pay for quality, brand attributes

and ESG. Chinese consumers get their product information searching online.

Digital B2B customers make approximately 12 online searches before making their purchase decision. They do want contact with sellers but prefer personalized experience through digital channels. Social media also play an important role in decision making. B2B customers will check reviews on social media. Companies that sell through more channels are more likely to gain market share. **Customers are expecting a 24/7 digital service.** Chinese B2B buyers rely even more heavily on online channels. B2B commerce has been growing at a rate of about 10% every year.

Most channels used in the West like Google, YouTube, WhatsApp, Facebook and Twitter are not accessible in China. To establish your digital presence in China you need to utilize local channels. Baidu is the No 1 search engine, but you can also search on WeChat, RED, Zhihu or Bilibili and other social platforms and on video platforms like Douyin and Kuaishou. Even carmakers are now using live-streaming to introduce new models and sell vehicles online.

If you have to choose one platform for your marketing, sales and communications, it has to be the super app WeChat. People in China spend an enormous amount of time on their mobiles, most of it on WeChat. It has a user base of 1.25 billion. The function of WeChat is a combination of all the apps used in the West, including Facebook, Whatsapp, Paypal, Amazon, and many more. It has a strong marketing and sales functionality. You can use an official WeChat account for your marketing and e-commerce. It also has an enterprise CRM function.

Zhihu is the Chinese version of Quora. Many users go to Zhihu for in-depth reviews when they need to make a purchase decision. Users leave questions and get answers. Most users are professionals in high-income groups. Little Red Book and Weibo are very well-known in China. A website is very important to provide all the information to help B2B customers understand your product. Your website should be optimized for the Chinese search engines. Baidu has over 200 million daily users and also has its own eco-system, including Baidu Zhidao (Quora) and Baidu Baike (Wikipedia).

Whether you can go to China or not, a digital strategy is a must to engage with your Chinese customers. Brand visibility is the first item. Being visible in Europe doesn't mean you are in China. Next is putting your product on most local platforms to strengthen your brand awareness in the Chinese market. The content you have already in English can be used in translation. You will also need a China marketing plan, including website localization, registering your social media accounts and start publishing content.

There are three different routes to market: direct to customers; through partners and by establishing a physical presence. The big e-commerce platforms have shifted their interface to be more Instagram-style to facilitate social content. They are doing live-streaming and customers will place their orders directly online. Social engagement has become a new normal. Social commerce has now grown to about 20% of all e-commerce. There is no clear separation between B2B and B2C. Retail e-commerce continues to grow. Social commerce and on-demand services have taken off very quickly. The virtualization of services, such as healthcare, education, real estate viewings, government services and legal advice is growing.

Some still consider finding local partners a priority. It is important to review your brand value, and research your customer profiling before making a decision who should be your Chinese partner. You will need to carry out due diligence to determine who your distributors really are and what capabilities they have to help you in the Chinese market. In such a big market, one distributor may not be able to help you succeed, so you might need several. You may also decide to set up a representative office or WFOE in China.

The Chinese market is too big to wait for the travel restrictions to be lifted. Companies that know about China's digital eco-system will be better positioned to succeed. The whole digital system has enabled us to market and sell products by establishing a digital presence.

A Q&A session concluded the webinar. Is a European brand name and trademark not more important than a Chinese one? Ms. Ru: You can register your current English trademark, but a Chinese name has more meaning and will build the connection with your Chinese customers more strongly and successfully. Chinese customers still prefer to read and purchase in their native language. A Chinese name will show your Chinese customers that you are serious about the market and better understand their needs. For example Carrefour has a very warm Chinese name "Jialefu", which means family and happiness. The Chinese name for Coca-Cola also expresses joy to Chinese consumers.

Do you need a Chinese importer to be successful in online sales in China? Ms Ru: The answer is yes if you will have a store on one of the e-commerce platforms. You still need a Chinese partner in China, because you will need to provide services 24/7 and you need to process orders and answer your customers' questions without any disruption. Online sales means you need to run campaigns on special dates in China, such as Double Eleven and June 18. Double Eleven is an online shopping festival and is important for brands to launch new products. There will also be big discounts generating more revenue.

Email: jane@crayfish.io

Interested to learn more? Please ask the recordings of this event by sending an e-mail to: info@flanders-china.be.

Follow the Flanders-China Chamber of Commerce on [LinkedIn](#) – [Facebook](#) – [Twitter](#) – [Instagram](#)

20th CPC CONGRESS

Xi Jinping emphasizes economic development, innovation and poverty alleviation



The 20th National Congress of the Communist Party of China (CPC) opened on October 16 in Beijing. General Secretary Xi Jinping presented the work report of the 19th Central Committee to the Congress. He listed the achievements of the CPC in the past five years and continued focus on economic development, innovation and poverty alleviation in the coming five years. Xi reaffirmed the zero-Covid policy as a great success protecting people's health.

The 2,296 delegates represent 96 million Party Members. On the rostrum in the Great Hall of the People in Beijing were former president Hu Jintao (79) and former Party elder Song Ping (105). The Congress will conclude on October 22, followed by the first meeting of the 20th Central Committee which will elect a new Political Bureau and Standing Committee of the Political Bureau, the new leadership team for Xi's expected third term at the head of the Communist Party. Personnel reshuffles in the government will be made at next March's National People's Congress (NPC). Except for the top leaders seated in the first row on the rostrum, all present wore face masks.

In his report, General Secretary Xi reviewed the achievements of the past five years, including in poverty alleviation, national defense and diplomacy, and previewed the targets for the next five years. Xi said the Party has started a great struggle against separatism and foreign interference on the Taiwan issue. On Hong Kong, Xi said it is an achievement that Hong Kong is administered by patriots, making it a better place. "Confronted with drastic changes and the international landscape, we have maintained foreign strategic resolve and have safeguarded dignity and core interests," Xi told the delegates. "The situation in Hong Kong has achieved a major transition from chaos to order."

Xi counts alleviating poverty as one of three "major events" of the past decade along with the Party's centenary and socialism with Chinese characteristics entering a "new era". Poverty alleviation is one of the party's two centenary goals.

Xi praised China's scientific development, from space exploration and nuclear technology to pharmaceutical breakthroughs and deep-sea exploration. China aims to become more innovative and self-sufficient in its technology, especially in the face of competition and sanctions from the U.S. China spent a record CNY2.79 trillion on research and development (R&D) in 2021, an increase of more than 14% over 2020. China has become a major trading partner and a major destination for foreign investment, and has introduced a broader agenda of opening up. On national defense, he said the Party's goal is to "build a strong military in the new era", with the People's Liberation Army (PLA) having a new look and a new structure.

Xi said China gained an overwhelming victory against corruption and fully consolidated the fight against graft. The Party also has shortcomings and faces many difficulties that it has to resolve, but "self-revolution" is one way to escape a historical cycle leading to a downturn, ensuring the Party will never change. He highlighted Marxism as one of the fundamental guiding principles of the country, saying: "We owe the success of our party and socialism with Chinese characteristics to Marxism and how China has managed to adapt it."

Xi stated two centenary goals. The first one, the Party's 100th anniversary, was reached last year. The second is the centenary of the People's Republic of China in 2049, and the goal is to "build a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious".

Xi said China must focus on high-quality development, including work safety, supply chain resilience and the "dual circulation" economic strategy that focuses on expanding domestic demand to become more self-reliant. Xi said China will continue to support the development of the non-public sector and focus on the development of the real economy. Development remains China's top priority and reform will be in the direction of a socialist market economy and high-level opening. China will combine domestic demand creation with supply-side structural reform as it accelerates the development of the dual-circulation strategy. Education, technology and talent are the basis for

the development of China as a strong country and for rejuvenating the country. **“Technology is the prime production force, talent is the prime resource and innovation is a prime driving force,”** he said, while also stressing the need for technological self-reliance.

Xi highlighted the concept of “whole-process democracy” as “democracy that works”, and the need to ensure that people can exercise their powers through the people’s congress system.” He talked about the importance of building a strong “socialist” culture and the Sincization of religions. He stressed the need to tell the “China story” to promote China’s narrative, present a China that is credible and respectable, and better show China’s culture to the world. Xi said China will promote the common prosperity strategy in a concrete way. While boosting the size of the middle-income population, it will standardize income distribution and wealth accumulation.

Xi promised to improve the public health system and strengthen it to respond to epidemics and infectious diseases. China needs to push further on health infrastructure, build a system of pro-natal policies and proactively implement the national strategy to deal with an aging population. China will establish a housing system in which both renting and buying will be highlighted. China will promote green and low-carbon development, improve pollution controls, and use coal in a cleaner and more efficient way. “National security is the foundation of national rejuvenation, and social stability is a prerequisite of

national strength,” Xi Jinping said. He promised to further strengthen the military, and improve its equipment, technology and strategic capability.

The fight against corruption will continue, Xi said, as “corruption is the biggest cancer that harms the vitality and combat effectiveness of the Party, and anti-corruption is the most thorough self-revolution”.

Xi pledged to complete the reunification of China, putting Taiwan under the control of the government in Beijing and refusing to renounce the use of force. He said the resolution of the Taiwan issue is a matter for the Chinese people themselves. Xi promised China will not engage in any kind of “expansionism” and said it is committed to its policy of opening up to the outside world. China adheres to the basic state policy of economic globalization and jointly fostering new momentum for global development.

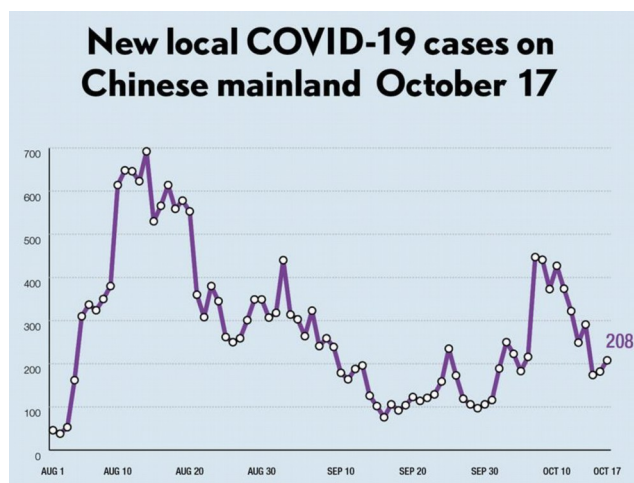
Xi finished his speech by calling for unity to achieve China’s national rejuvenation. His speech lasted one hour and 45 minutes, much shorter than his record-breaking 3½-hour speech five years ago.

About 2,500 journalists, including some 900 from overseas, have registered to cover the Congress. Five press conferences and five group interviews are planned, but face-to-face interviews with delegates will be limited due to Covid-19 restrictions.

This overview of Xi’s speech is based on a live blog by the South China Morning Post.

HEALTH

CDC says zero-Covid strategy is preventing illness and deaths



Following the week-long October 1 holidays, daily Covid case numbers were on the rise again in China, but have been dropping in the past week. Beijing reported more than 10 new cases several days in a row. At the 20th Communist Party Congress in Beijing, President Xi Jinping reconfirmed adherence to the zero-Covid policy.

Wu Zunyou, Chief Epidemiologist at the Chinese Center for

Disease Control and Prevention, said **China**, which is home to 18.3% of the global population, **has only 0.16% of Covid-19 cases and 0.08% of related deaths worldwide.** He added that the disease’s incidence rate on the Chinese mainland is only 1/483rd of United States’, and its mortality rate is nearly 1/785th of that of the U.S. “There is no reason to cast doubt on our Covid-prevention strategy,” he said.

China must adhere to its dynamic zero-Covid strategy to protect its vulnerable population and cope with uncertainties associated with emerging variants and the lingering effects of the disease. Liang Wannian, Member of the National Health Commission’s virus control expert panel, said that completely ending the epidemic in China would require increasing mass vaccinations among the elderly, strengthening healthcare systems and developing more effective vaccines and drugs. “Although the fatality rate of Omicron is lower than that of the original strain and other variants, it can lead to large numbers of infections due to its fast and stealthy transmission and ability to evade immunity,” he said at a news briefing. “As a result, the absolute number of deaths across a certain population would still be quite large, and the disease’s mortality risk remains higher than that of influenza,” he said, adding that Omicron can also threaten to overstretch local medical systems and result in excessive deaths. **Liang said**

China's large populations of elderly and people with chronic illnesses are at particularly high risk of severe symptoms and death if Omicron were left to spread unchecked. He added that China hopes to end the epidemic, but more needs to be done and no specific timeline has been set.

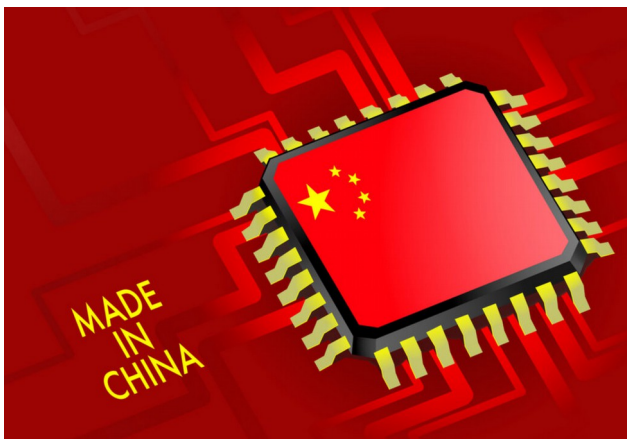
Beilun, the core of Ningbo Zhoushan Port in Zhejiang province, has tightened epidemic control measures after new Covid-19 cases were reported. Beilun is home to Meishan Port, which has an annual container throughput of over a million TEU. Several local traders told the Global Times that their businesses have seen a certain but limited effect from the sudden epidemic situation, including some cargo trucks not being able to deliver goods from local factories to the port because of road closures and operations being suspended in some parts of the port. To reduce personnel flows and completely cut off the chain of

the epidemic spread, the local government announced three-day district-wide static management (lockdown) starting from October 14. All local residents are required to take nucleic acid tests every day during the three-day period. The high automation rate of the local port – about 50% for Meishan port – reduced the impact from the restriction of personnel flows. Measures such as whitelists and green channels for logistic companies are expected to keep the region running. The region's foreign trade has shown a steady growth. In the first half of this year, Beilun district saw a total foreign trade volume of CNY217.69 billion, a year-on-year increase of 8.8%, ranking first in Ningbo.

This overview is based on reports by the China Daily, Shanghai Daily, Global Times and South China Morning Post.

IT & TELECOM

Semiconductor war between U.S. and China heats up



ASML Holdings and Lam Research, the world's top chip-making tool providers, are scrambling to comply with the latest U.S. trade restrictions on China by pulling American engineers out of their operations in the country. ASML, which has a global monopoly in the supply of extreme ultraviolet (EUV) lithography systems, has issued an internal memo asking its U.S. employees, including green card holders, to refrain from directly or indirectly serving customers in China until further notice. The move is aimed at addressing compliance risks following a new U.S. requirement that restricts the involvement of U.S. employees in advanced chip facilities in China. "ASML is still actively assessing which particular fabs are affected by this restriction," according to a memo the company issued to its U.S. management team.

Meanwhile, wafer fabrication equipment supplier **Lam Research, along with KLA Corp**, which supplies process control systems for the semiconductor industry, **have pulled U.S. engineers out of supporting equipment installed with Chinese clients**, including China's top memory chip maker Yangtze Memory Technologies Co. In a visit to Lam Research's Shanghai office at the

Zhangjiang Hi-Tech Park, known as the city's Silicon Valley, employees approached by the South China Morning Post turned away when asked about the matter. A marketing official from the Shanghai office said the company had nothing to say on the issue.

Lam's reticence on the matter comes as U.S. employees of chip-related businesses in China rush to comply with new regulations from the U.S. Bureau of Industry and Security. The latest restrictions are expected to inflict a heavy blow on China's semiconductor industry as engineers and executives with U.S. passports or citizenship play an important role in China's developing chip industry. Wang Lifu, Shanghai-based Analyst at semiconductor consultancy ICWise, said suppliers such as ASML and KLA, as well as their Chinese clients, would suffer.

ASML, headquartered in Veldhoven, the Netherlands, established its China operations in 2000 and currently owns 12 office buildings in the country. Founded in 1980, Lam Research is a Silicon Valley-based supplier of wafer fabrication equipment, whose founder David K. Lam is a Chinese-born engineer who previously worked at Xerox, Hewlett-Packard, and Texas Instruments. China has been an important market for Lam Research and it still has a number of job openings in Shanghai. Shen Bo, ASML Senior Vice President and Country Manager for China, said that the company has increased the number of its local personnel from less than 500 in 2017 to more than 1,500 as of the end of August, the South China Morning Post reports.

The Bureau of Industry and Security (BIS), an agency under the U.S. Department of Commerce, on October 7 also implemented updates that **further restrict China's ability to obtain advanced computing chips**, develop and maintain supercomputers, and manufacture advanced semiconductors used in military applications, including weapons of mass destruction. The updates add new license requirements for items destined for Chinese chip foundries, which will face a "presumption of denial". By

comparison, sales to mainland chip fabrication facilities owned by multinationals will be decided on a case-by-case basis. The relevant thresholds include: logic chips of 16-nanometre, 14nm, or below; dynamic random access memory chips of 18nm half-pitch or less; and NAND flash memory chips with 128 layers or more.

“A siege is forming,” said Arisa Liu, Senior Semiconductor Research Fellow at the Taiwan Institute of Economic Research. “The intensified U.S. tech export restrictions aim to strike at China’s abilities in super computing, artificial intelligence and semiconductor manufacturing.” In addition, the U.S. is imposing new license requirements to export items used to develop or produce semiconductor manufacturing equipment and related items. the South China Morning Post adds.

The Chinese Semiconductor Industry Association said it opposes the U.S. Department of Commerce’s latest restrictions on U.S.-based hardware manufacturers selling advanced chips and chip-making equipment to China as they arbitrarily interfere with international trade. “We hope that the U.S. government can correct these wrong practices in a timely manner, return to the framework of the international trade consultation mechanism of the World Semiconductor Council and the Government/Authorities Meeting on Semiconductors, fully

communicate, effectively exchange views and seek consensus,” the Association said in a statement. The U.S. Department of Commerce published a new set of export controls on October 7, which included a measure to cut China off from certain chips made anywhere in the world with U.S. equipment. The latest U.S. export controls also tightened rules on the sale of semiconductor manufacturing equipment to companies that produce advanced logic chips in China.

Zhong Xinlong, Senior Consultant at the Beijing-based China Center for Information Industry Development Consultancy, said the restrictions affect not only U.S. semiconductor companies but also foreign companies that have advanced chip plants in China. South Korea’s SK Hynix and Samsung Electronics received a one-year waiver from the U.S. government for their chip-making factories in China to import semiconductor equipment without applying for permission from Washington. SK Hynix and Samsung Electronics have production lines in Wuxi and Xian for DRAM and NAND flash chips respectively. The Chinese mainland is the world’s largest market for semiconductor manufacturing equipment, with sales reaching USD29.62 billion last year, up 58% year-on-year, accounting for almost 29% of the global semiconductor equipment market, the China Daily reports.

ADVERTISEMENT AND SPONSORSHIP

Interested in advertisement in the FCCC Weekly or on the FCCC website? Send an e-mail to info@flanders-china.be

CHINA NEWS ROUND-UP

Number of Chinese companies up by 100 million in past decade

The number of enterprises in China rose from more than 13 million to more than 51 million in the past decade, close to the number of U.S. and EU companies combined, the State Administration for Market Regulation (SAMR) announced. The total number of market players in China has increased by 100 million since the 18th Congress of the Communist Party of China in 2012, a historic breakthrough showing China’s vast market potential. As of the end of August 2022, the number of registered market entities reached 163 million, compared with 55 million at the end of 2012, a net increase of over 100 million with an average annual growth rate of 12%, the SAMR said. The number of individual industrial and commercial households increased from 40.6 million to 109 million, another record high.

The number of private enterprises in China rose from more than 10 million at the end of 2012 to more than 47 million as of the end of August 2022, and the proportion of private enterprises increased from less than 80% to more than 90%, the SAMR said. The overall strength of private enterprises has also been greatly enhanced, and more and more private enterprises have continued to enter the Fortune 500 list. China is still a hot spot for

international investment. The number of foreign-invested enterprises increased from 441,000 to 668,000, an increase of more than 50%. Even facing the pressure of the Covid-19 pandemic, the number of China’s market entities has continued to grow since 2020, with a net increase of more than 37 million, accounting for 35% of the total net increase in the past decade, reflecting the “great resilience” of the Chinese economy. The average start-up time for Chinese enterprises has been reduced from more than one month to less than four working days. China has been a global leader in improving its business environment, the SAMR said. Since the launch of reform and opening-up at the end of 1978, the global ranking of China’s business environment jumped from 96 to 31, the Global Times reports.

China exported 1.59 million vehicles in first nine months, up 60%

China’s exports of passenger cars totaled 1.59 million units in the first nine months, surging 60% year-on-year, indicating that Chinese brands have made a major breakthrough in comprehensively entering the international market. In September alone, China’s exports of passenger cars increased 85% year-on-year to 250,000, of which

domestic brands' exports grew 88% to 204,000 vehicles, according to the China Passenger Car Association (CPCA). Chinese domestic auto brands have made marked breakthroughs in entering the European and American markets, as well as markets of developing countries, and international car brands are increasingly using an export strategy through bases in China, the CPCA said. Domestic brands have gained significant market share in new-energy vehicles (NEVs), with BYD, Changan Auto, Chery and Geely Auto leading the trend, the Association said.

Since the start of the Covid-19 pandemic, the resilience of China's automobile supply chain have been proved, with the country's auto exports recording strong growth in the past two years, Cui Dongshu, Secretary General of the CPCA, told the Global Times. The nation's surging NEV export is a major driver of the overall export growth, Cui said, noting that both the number of exports and average prices of exported NEVs had grown strongly. Traditional industrial powers like the U.S., Japan and Germany have developed an edge in auto production. Yet, **China has become the second largest auto exporter in the world, with great growth potential.** China has surpassed Germany to become the world's second largest auto exporter, the China Association of Automobile Manufacturers (CAAM) revealed earlier.

SAIC Motor exported 15,509 NEVs and BYD exported 7,736 NEVs in September, CPCA data showed. In addition to domestic brands, foreign auto brands have seen growing production in China and growing exports through their Chinese production bases. For instance, Tesla has been exporting a good number of vehicles produced at its Shanghai Gigafactory to European market since 2020. That factory delivered 483,074 vehicles to consumers in the first nine months of 2022, approaching the total number for all of 2021. **China has become the largest market for NEVs,** with both domestic and foreign brands competing and growing vigorously, experts said. They pointed out that a series of government policies have been supporting the rapid growth of the industry.

In the first nine months, a total of 16.87 million passenger cars were produced in China, up 18% year-on-year, and 14.88 million were sold, up 2.4%, CPCA data revealed, as reported by the Global Times.

Volkswagen to invest €2.4 billion in China to stay competitive in EVs

Volkswagen said it will spend €2.4 billion in China, its largest single investment in the country, to stay competitive in the age of smart electric vehicles. The planned investment will be in co-developing driving-assist functions for electric vehicles. The company said it is investing USD1 billion in Horizon Robotics, which will allow it to get involved earlier in the startup's product development. Volkswagen will spend over €1.3 billion to build a joint venture with the company. "It clearly demonstrates the commitment to the future of our business in China" said Ralf Brandstaeetter, Chairman and CEO of Volkswagen Group China. "We are here to stay. We are here to stay strong." Beijing-based Horizon is one of the country's leading providers of computing solutions for

smart vehicles, specializing in software, algorithms and chip design. Its solutions for driving-assist and smart cabin functions have been used in a number of models by carmakers including local startup Li Auto.

The transaction with Horizon is expected to be completed in the first half of 2023, said Volkswagen. Its software arm Cariad will hold a 60% share in the joint venture that will develop driving-assist and autonomous driving solutions for its electric models in China. **Volkswagen** has long been one of the most popular international carmakers in the country, with around **one-third of its global sales coming from China last year,** but it is losing ground to local companies in the segment of smart electric vehicles.

Chinese marques offer the latest driving-assist functions and infotainment features that virtually make vehicles sleek digital devices on wheels, but such things are so far either absent or less advanced in many models from foreign brands, said analysts. **Brandstaeetter said China has been the world's leader in intelligent and connected vehicles since 2015,** "always faster than expected". He attributed China's leading role to factors like the country's clear guidelines as well as the cooperation between the government, scientific institutions and companies. "To harness this trend of innovation, the best possible way to strengthen our competitive edge is to immerse ourselves in this eco-system," said Brandstaeetter. Chang Qing, CEO of Cariad China, said the joint venture will have hundreds of engineers from both companies at the start. Brandstaeetter said test-driving an electric Volkswagen ID.4 SUV with technology from Cariad and Horizon was an amazing experience. He estimated that annual vehicle sales in China will grow to around 30 million units in 2030, and by then highly autonomous driving will become a decisive factor in competition, the China Daily reports.

China achieves more original breakthroughs in core technologies

China's science and technology sector has seen profound changes over the past decade, characterized by more original breakthroughs in core technologies, higher academic output in both quantity and quality, and assuming a larger role in supporting the national economy, officials said. The country's ranking in the Global Innovation Index rose from 34th in 2012 to 11th in 2022, according to the World Intellectual Property Organization (WIPO). Meanwhile, the National Bureau of Statistics (NBS) said the nation's research and development spending grew from CNY1.03 trillion in 2012 to more than CNY2.79 trillion last year, when the R&D budget for basic research reached a record CNY181.7 billion, 3.4 times higher than that in 2012. According to the Ministry of Science and Technology, China also boasts the world's largest research workforce, with around 5.62 million full-time personnel last year, a rise of 1.7 times compared with 2012.

Wang Zhigang, Minister of Science and Technology, said in June these scientific indicators show that **China has become an innovative country.** However, Wang added that China still has many shortcomings in making original breakthroughs, training high-quality talent and obtaining key and core technologies. As a result, the country will

need to improve basic research, strengthen the role of private companies as pillars of innovation and create new engines for high-quality development through scientific and technological breakthroughs, he added. As of this year, there are 173 national high-tech industrial development zones in China, 84 more than in 2012. Li Youping, Deputy Director of the Ministry's Torch High Technology Industry Development Center, said that these zones are the vanguard of China's innovation-driven development strategy as they hold much of the nation's research resources and have contributed greatly to the national economy.

National high-tech zones are home to 84% of State Key Laboratories and 78% of national technological innovation centers, in addition to more than 4,400 research institutions. The gross industrial output of these high-tech development zones grew from CNY5.4 trillion in 2012 to CNY15.3 trillion last year, and they contributed 13.4% of China's GDP. The number of high-tech companies in national high-tech zones also rose from less than 20,000 in 2012 to 115,000 last year, Li said. With these resources, high-tech zones have made numerous breakthroughs in quantum technologies, high-speed rail, the Beidou Navigation Satellite System, the C919 passenger jet, 5G telecommunications and other fields of strategic significance, the China Daily reports.

MOFCOM confident foreign trade will continue to grow in the long run

Despite headwinds from geopolitical tensions and softer overseas demand, policymakers and trade watchers have confidence that China's foreign trade will grow steadily in the long run, as the country takes further steps to ensure the operation of the global supply chains and accelerate the industrial upgrading of its export-oriented companies. The country's foreign trade is stabilizing thanks to its complete and resilient supply chains, new forms of foreign trade, such as cross-border e-commerce, and its participation in various free trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) agreement, said Wang Shouwen, Vice Minister of Commerce. With weakening overseas demand, global inflation, the Covid-19 pandemic and geopolitical tensions affecting China's foreign trade, it is vital and necessary to launch new policies to ease pressure on businesses, and stabilize foreign trade and the world's supply chains, Wang said.

In addition to assisting exporters to attend exhibitions in overseas markets, enhancing support for cross-border e-commerce and improving the logistics system for the next step, the government has introduced a series of support measures to help companies smooth all the links in their export and import activities in late September. MOFCOM has also urged local authorities to strengthen support for foreign trade enterprises in epidemic prevention and control, energy consumption, labor recruitment and logistics, and "help them fulfill their contracts on time".

China's foreign trade surged more than 10% year-on-year to CNY27.3 trillion during the first eight months of 2022. Chen Bin, Executive Vice President of the China Machinery Industry Federation in Beijing, said the Chinese

market is able to greatly cut the cost of innovation, logistics, market development and even raw material procurement for both domestic and global manufacturers. Its scale helps reduce a crucial part of the total manufacturing cost.

Liu Xiangdong, Researcher at the Beijing-based China Center for International Economic Exchanges, suggested that China should make good use of multilateral and bilateral free trade deals, speed up the building of a network of high-standard free trade areas (FTAs), and build more stable and resilient industry and supply chains. "These efforts will help create more favorable conditions for the high-quality growth of foreign trade," he said, as reported by the China Daily.

China has signed 19 free trade agreements with 26 countries and regions to date, and its trade value with FTA partners accounts for around 35% of its total trade.

Shanghai's transport to be green, smart, resilient and efficient

Green and smart transformation, resilience and high efficiency will mark the development of Shanghai's urban transportation in the next 10 years, according to a white paper released by the municipal government. Continued efforts will be made to advance the development of new energy vehicles (NEVs) to reduce carbon emissions. The annual NEV output is expected to exceed 1.2 million units by 2025. The NEV industrial value should surpass CNY350 billion by 2025, accounting for more than 35% of the city's total automotive industrial value, the white paper stated. At least 75% of the urban transportation in central parts of Shanghai should go green, including using more subways and NEV buses. To that end, NEVs should take up over 80% of the bus and taxi fleets in the city. Clean energy should also be more widely used in freight transport, the white paper added.

Resilience of the transportation network should be further improved, said Shanghai Vice Mayor Zhang Wei. Transportation services should be able to recover quickly from any potential disruptions by optimizing emergency response mechanisms. A highly efficient freight system should be built in the city to facilitate economic growth, he said. On top of that, Shanghai will promote the application of hydrogen fuel cells in public transportation, said Tang Wenkan, Deputy Director of the Shanghai Municipal Commission of Economy and Informatization. By 2025, more than 70 hydrogen refueling stations should be built and put into operation in the city. An estimated 10,000 hydrogen-fueled buses and sanitation cars are expected to be in use in Shanghai by 2025, he said.

The development of connected smart automotive devices should be accelerated, Tang said. At least three Shanghai-based brands with high market recognition and another 10 blockbuster products should be rolled out in the city by 2025, with **the total industrial value of connected smart automotive devices reaching CNY500 billion**. Meanwhile, vehicles with third-level assisted driving automation functions, or L3 technologies, should take up over 70% of all the new cars produced in the city by 2025. Vehicles with L4, or fully autonomous driving technologies, should be applied in logistics, sanitation and passenger

transport in the next decade, he said. Autonomous driving will be gradually promoted for commercialized operation in

the Pudong New Area, said Tang, as reported by the Shanghai Daily.

Your banner at the FCCC website or newsletter

Companies interested in posting a banner/an advertisement on the FCCC website or FCCC weekly newsletter are kindly invited to contact the FCCC at: info@flanders-china.be

Organisation and founding members of the Flanders- China Chamber of Commerce

Chairman

Mr. Kurt Vandeputte, Senior Vice President Battery Recycling Solutions, NV UMICORE SA

Vice-Chairman

Mr. Filip Coremans, Managing Director Asia, NV AGEAS SA

Secretary and Treasurer

Wim Eraly, Head of Corporate and Transaction Banking, NV KBC Bank SA

Executive Director

Ms. Gwenn Sonck

Members of the Board of Directors and Founding Members:

Mr. Kurt Vandeputte, Senior Vice President Government Affairs, NV UMICORE SA

Mr. Filip Coremans, Managing Director Asia, NV AGEAS SA

Mr. Carl Peeters, Chief Financial Officer, NV AHLERS SA

Mr. Philip Eyskens, Chief Legal & Compliance Officer, NV

BEKAERT SA

Mr. Philip Hermans, Managing Director Activity Line Dredging, NV DEME SA

Mr. Wim Eraly, Head of Corporate and Transaction Banking, KBC Bank SA

Mr. Johan Verstraete, Vice President Weaving Machines, NV PICANOL SA

Mr. Luc Delagaye, Member of the Executive Committee, NV AGFA-GEVAERT SA

Membership rates for 2022 (excl. VAT)

- SMEs: €435 (excl. 21% VAT)
- Large enterprises: €1,080 (excl. 21% VAT)

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

W www.flanders-china.be

Share your story

To send your input for publication in a future newsletter mail to: info@flanders-china.be

The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com

Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.

FCCC FOUNDING MEMBERS



FCCC STRUCTURAL PARTNERS



With the support of



IN COOPERATION WITH



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