China Business Weekly

27 December 2022

法兰德斯中国商会 FCCC VCKK
FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

China to reopen borders, drop Covid quarantine from January 8

(see details below)

FCCC/EUCBA ACTIVITIES

EU-China Conference: European Business in China Post-2022 – The View from the Ground – 12 January 2023 – Brussels

2022 has been a turbulent year for the EU and China. Both actors have had to deal with multiple shocks, including the war in Ukraine and the resulting energy and food security crises, economic headwinds and inflation, and an unstable geopolitical environment. In the case of China, an increasingly unsustainable zero-Covid policy and a property crisis have added to the complexities in an already politically pivotal year for the Chinese leadership, with the 20th Party Congress taking place in October. The China at the beginning of 2023 – no longer with Covid-zero and with a new leadership – is certainly very different from the China in early 2022. European companies' conversations in China now are not the same as in January 2022. Indeed, from the perspective of European companies in China, the shift in Chinese policymaking – partly as a result of these and other trends towards prioritizing ideology over the economy – has led to China's business environment becoming less predictable, reliable and efficient. Although opportunities for European companies in China remain, they must develop strategies to deal with an ever-growing list of risks stemming from geopolitical developments and emerging legislation both within and outside China.

On the occasion of the first European Union Chamber of Commerce in China (European Chamber) business delegation visit to Brussels in three years, the EU-China Business Association, the European Chamber and BusinessEurope are organizing this conference. Attendees will have the opportunity to learn from European business representatives operating on the ground in China what the key drivers behind these trends in China are and their implications for European business. This is a hybrid conference.

The programme is as follows:

10h00 – 10h30: Registration (offline attendees only)

10h30 – 10h40: Opening remarks by Ms. **Luisa Santos**, Deputy Director General, BusinessEurope

10h40 – 11h00: Presentation of the current business environment in China by Mr. **Joerg Wuttke**, President, European Union Chamber of Commerce in China

11h00 – 11h40: Panel discussion with industry representatives from the European Chamber

11h40 – 11h55: Discussion and Q&A

11h55 – 12h00: Closing remarks by Mr. **Jochum Haakma**, Chairman, EU-China Business Association

Practical information:

Date: 12 January 2023

Time: 10h00 - 12h00

Location: Online and Offline (Adenauer Room, BusinessEurope, Avenue de Cortenbergh 168, 1000 Brussels)

Price: Free

SUBSCRIBE HERE

In-person seminar: "China for Flanders' Tech Companies: To avoid or to engage now?" – 23 January 2023 - Ghent

The Flanders-China Chamber of Commerce is organizing a dinner meeting focusing on **"China for Flemish Tech Companies: To avoid or to engage now?"**. This event will take place on **23 January 2023, at 17h30** at the **Cercle Royal La Concorde, Kouter 150, 9000 Gent**.

Due to the diverging Covid policies and changes in the geopolitical landscape, China's business environment and the related trade & investment conditions have changed rapidly over the last few years. Technology companies from Flanders have to choose whether to avoid the Chinese market or invest in business development in the second-largest market in the world while mitigating the risks. At the same time, Chinese technology companies are eager to grow in the European market and looking for European partners.

During his speech, Mr **Peter Tanghe**, Technology Counselor for Flanders Investment and Trade in China, will share his experience and insights about the current state and future opportunities for Flemish tech entrepreneurs across different industries in Digital, Climate and Health Technology.

Mr **Niek Van Overberghe**, Head of Sales, Molecubes Modular Benchtop Imaging, will share the experiences of Molecubes in China.

The programme is as follows:

17h30-18h00: Registration

18h00-18h05: Welcome address, Ms. **Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce

18h05-18h35: Presentation, Mr. **Peter Tanghe**, Technology Counselor, Flanders Investment and Trade

18h35-18h50: Testimonial by Mr. **Niek Van Overberghe**, Head of Sales, on the experiences of Molecubes in China.

18h50-19u00: Q&A Session

19h00-20h30: Networking dinner

Practical information:

Date and time: January 26, 2023, 17h30 - 20h30

Location: Cercle Royal La Concorde, Kouter 150, 9000 Gent

Price for Members: €75 excl. 21% VAT (€15.75)

Price for Non-members: €95 excl. 21% VAT (€19.95)

Parking availability: Parking Kouter

SUBSCRIBE HERE

Webinar: “Navigating turbulent times in the freight industry”
27 January 2023 – 10h00

The Flanders-China Chamber of Commerce is organizing a webinar focusing on “**Navigating turbulent times in the freight industry”,** which will take place on **27 January 2023 at 10h00 am CET.**

The disruptive events causing record-high ocean shipping rates are swinging back: After the disruption, what is happening in the shipping market, and what can we expect further in the coming year? How low are the expected container rates going to go? What can you do as a shipper to benefit from the decreasing prices? And is the 'pricing' crisis finally over?

Our first speaker, Mr **Didier Duponselle**, Business Unit Director Warehousing and On-site Logistics, Ahlers, will address these questions during his presentation.

Our second speaker Mr **Arno Coster**, Commercial Director, Trade Facilitation, Ahlers, will discuss new customer patterns, new ways for companies to meet the customer's needs, and new ways to execute the 'vision for the growth of revenue streams' in complex markets. Moreover, he will explain how business processing can be outsourced with the Ahlers Master Trade model for companies to operate successfully in complex markets.

Our third speaker, **Mr Philippe Beaujean**, Shippers & Forwarders Manager, Port of Antwerp-Bruges, will introduce how a world port like Port of Antwerp-Bruges tries to build a resilient port to answer to the needs of the maritime supply chain.

The programme is as follows:

10h00 – 10h05: Introduction, Ms. **Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce

10h05 – 10h25: Presentation on “Navigating turbulent times in the freight industry”, Mr. **Didier Duponselle**, Business Unit Director Warehousing and On-site Logistics, Ahlers

10h25 – 10h45: Presentation on “Business Process Outsourcing in complex markets”, Mr. **Arno Coster**, Commercial Director, Trade Facilitation, Ahlers

10h45 – 11h05: Presentation on “Port of Antwerp-Bruges, building a resilient port”, Mr. **Philippe Beaujean**, Shippers & Forwarders Manager, Port of Antwerp-Bruges

11h05 – 11h15: Q&A Session

Practical information:

Date: January 27, 2023

Time: 10h00 am CET (Brussels time)

Location: Online

Price: Free

SUBSCRIBE HERE

Chinese New Year Reception – 1 February 2023 – 18h00 – KBC Bank, Brussels

The Flanders-China Chamber of Commerce has the pleasure to invite you to celebrate the Year of the Rabbit on **Wednesday, February 1**, at **18h00** at the **KBC Bank, Havenlaan 2, 1080 Brussels**.

Special guests of honour will be His Excellency Mr **Cao Zhongming**, Ambassador of the People's Republic of China in Belgium, and His Excellency Mr **Jan Jambon**, Minister-President of the Government of Flanders.

A Q&A session and a networking reception will follow the speeches.

This event is certain to be well attended, so we strongly recommend you book now to guarantee your place.

The programme is as follows:

17h30 – 18h00: Registration

18h00 – 18h05: Introduction by Mr **Kurt Vandeputte**, Chairman, Flanders-China Chamber of Commerce

18h05 – 18h20: Speech by His Excellency Mr **Cao Zhongming**, Ambassador of the People's Republic of China in Belgium

18h20 – 18h35: Speech by His Excellency Mr Jan Jambon, Minister-President of the Government of Flanders

18h35 – 18h45: Q&A Session

18h45 – 20h30: Networking reception

SPONSORSHIP OPPORTUNITIES for the FCCC New Year Reception. The FCCC New Year Reception offers a unique opportunity for Flemish and Chinese companies to promote their brands and services at this well attended event. If you are interested in the sponsoring this reception, please send an e-mail to: gwenn.sonck@flanders-china.be.

Practical information:

Date: 01.02.2023

Location: KBC Bank, Havenlaan 2, 1080 Brussels

Price members: 30 € (excl. 21% VAT)

Price non members: 60 € (excl. 21% VAT)

SUBSCRIBE HERE

Follow the Flanders-China Chamber of Commerce on LinkedIn – Facebook – Twitter – Instagram

HEALTH

China to reopen borders, drop Covid quarantine from January 8

China will reopen its borders and abandon quarantine after it downgrades its management of Covid-19 on January 8. The decision is the country's last step in abandoning three years of zero-Covid policy and pivoting to living with the virus. Covid-19 has been categorized as a class B disease, but managed as a top category A infectious disease since 2020, putting it on par with bubonic plague and cholera. When the declaration was made to do so, authorities said it would be administered according to the Frontier Health and Quarantine Law. Under Chinese laws, authorities must impose the toughest restrictions such as quarantine and isolation of the infected and their close contacts, and citywide lockdowns to contain those diseases. At the border, the infected must be isolated and those who might be infected quarantined, depending on the incubation period. But Covid-19 will be downgraded to category B management from January 8, meaning Covid-19 only requires "necessary treatment and measures to curb the spread". Strict control measures including compulsory quarantine for travelers coming to China will also be removed after the downgrade, since it is no longer a compulsory requirement in the category B management. While Covid-19 has always been a category B infectious disease in China – a class that also includes HIV, viral hepatitis and H7N9 bird flu – authorities have managed it as category A, empowering local governments to impose strong measures such as lockdowns, isolation and quarantine. It also allowed them to enlist law enforcement to aid with disease controls.

China had been preparing for the change, with PCR testing no longer mandatory and Vice Premier Sun Chunlan, who has been in charge of the Covid-19 response, urging **lower level authorities to focus on treatment instead of preventing infections.** Authorities will also no longer refer to Covid-19 as a form of pneumonia. The National Health Commission (NHC) said Covid-19 would be known officially as a "novel coronavirus infection" instead of a "novel coronavirus pneumonia". "The name change is subtle but important," a hospital administrator said. "I think it is official recognition of the clear changes in the symptoms of infection with the Omicron variant, which is less deadly. It does not always trigger pneumonia-like symptoms."

The NHC also announced it stopped publishing the number of daily Covid-19 cases on December 25 and handed over this task to the Chinese Center for Disease Control and Prevention (CDC), which has not announced how frequently it would update the number of cases. Zhao Wei, Professor at the School of Public Health of the Southern Medical University, said it is unnecessary to release epidemic information every day and resources should now be devoted to clinical treatment of severe cases and trying to reducing mortality. The Global Times added that Covid-19 case data from the NHC cannot reflect the country's real epidemic situation since China has scrapped mass nucleic acid testing. China's NHC began to release daily case numbers on January 21, 2020 when epidemic experts concluded the virus could spread between humans and it was decided to classify Covid-19 as a Class B infectious disease but managed as a category A disease.

The new daily tally in Zhejiang province has surpassed one million, local authorities said on December 25 and it was expected to reach two million daily by New Year. On December 26, the Global Times reported that in Zhejiang 13,583 Covid-19 patients were receiving treatment at hospitals, including one critically ill patient in stable condition and 242 severely or critically ill patients suffering underlying diseases. Qingdao in Shandong province on December 23 said it was seeing a daily tally of between 490,000 and 530,000 cases. Dongguan in Guangdong province reported around Christmas that the number of infections was increasing at the scale of 250,000 to 300,000 a day. Anhui and Hunan provinces said the first wave is likely to peak in January.

Antigen testing kit manufacturers have been increasing output as demand surges along with the rapid increase of Covid-19 infections across the country. By December 24, China had approved 44 antigen test kits, and the regulator was still reviewing applications from other companies. Manufacturers which had already obtained certificates are operating around the clock to ensure supply. China's daily output of antigen test kits has hit around 60 million units, Huang Guo, Deputy Director of the National Medical Products Administration (NMPA), said at a press conference. Local governments also accelerated the opening of grassroots fever clinics.

China has approved two Covid-19 antiviral drugs this year – Pfizer's Paxlovid and China-made Azvudine, an HIV drug from Chinese firm Genuine Biotech. But their limited supply and steep price have driven many Chinese to opt for cheaper but illegally imported generic drugs from India. Four kinds of generic anti-Covid drugs from India are being sold illegally in the Chinese market – under the brand names Primovir, Paxista, Molnunat and Molnatris. While Paxlovid is priced at CNY2,980 per box, a box of Indian-made drugs can be bought for CNY530 to CNY1,600, according to online portal Tencent News. Primovir and Paxista are generic versions of Paxlovid, while Molnunat and Molnatris are generics of Merck's molnupiravir. However, the Indian generics have not been approved by the Chinese government and selling them is a punishable offense. Public health experts and doctors in China have warned of the potential risks and urged people not to buy medicines from illegal channels, including unlicensed salespersons on messaging app WeChat.

China's Covid-19 vaccination campaign has picked up speed in the past week. The country administered 3.1 million doses on December 20 and 3.6 million the following day, up from the daily average of less than 1.5 million in the previous two weeks, NHC data show. China's vaccination rates have increased as the country ramps up efforts to expand immunization of the elderly and other vulnerable people. These groups are lagging behind in being vaccinated due to a lack of understanding of the virus' threat and concerns over adverse reactions, experts have warned. In Beijing the target is for more than 90% of residents aged 80 and above to receive at least one dose of a Covid-19 vaccine by the end of January. On December 4, Beijing health authorities said 643,000 people over 80 had received their first shots – about 57% of the age group.

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

ENVIRONMENT

Call for China and the EU to cooperate on climate change and green technology

China and the European Union should work more closely together on climate change and green technology, experts say. In recent years China and the EU have bolstered their collaboration on long-term emissions reduction, the emissions trading market, low-emissions transport, low-carbon cities and climate-related clean technology. China's Vice Premier Han Zheng and the European Commission Executive Vice President Frans Timmermans met for the third China-EU High-level Environment and Climate Dialogue on July 8, a mechanism established in September 2020 during the China-EU leaders summit. During the meeting, Han said China is ready to work with the EU to further strengthen policy coordination, enhance collaboration on technological innovation, and work more closely together on energy use so as to contribute to green and low-carbon transformation, climate change response and protection. "There are many opportunities for the EU and China to work more closely together," Timmermans, in charge of the EU's Green Deal, said after the meeting. The former Dutch Foreign Minister cited opportunities for collaboration in carbon markets, clean energy and green hydrogen, reducing methane emissions, stopping loss of biodiversity and halting deforestation and land degradation.

The meeting was held six days before the first anniversary of the establishment of China's national emissions trading system. The EU, which launched its own ETS in 2005, provided technical expertise to China. **China's ETS has now become the world's largest carbon trading system by coverage, involving more than 2,100 companies** in the power sector and involving more than 4.5 billion metric tons of carbon dioxide a year, the Ministry of Ecology and Environment says.

Gao Shiji, Director General of the Institute for Resources and Environmental Policies of the Development Research Center of the State Council, said China and the EU should work together to deal with the common challenge of climate change by strengthening collaboration in decarbonization and green development. "China and the EU have very good records in cooperation in green innovation and green technology," he told the China-EU forum in Brussels this month. He cited the fact that **China has become the world's largest producer, user and exporter of solar photovoltaic products**, and many European companies have invested in solar and wind production in China. "That is an area in which we can further strengthen our cooperation because we are dealing with the challenge faced by people around the world."

The value of solar panels exported from China to the EU in the first eight months of this year exceeded USD16 billion, compared with just USD7.2 billion over the same period last year, Chinese Customs say. China accounts for about 80% of the EU's solar panel imports. Jacob Werksman, Principal Adviser at the European Commission's Directorate-General for Climate Action, echoed Gao's views. "I have to say that bilateral cooperation between China and the EU has actually been very close on the issue of climate change," he said. "That's in part because we share a dedication to not just setting pledges and targets for ourselves, but showing how we're putting in place domestic policies necessary to implement those targets." Referring to the EU's Fit for 55, a plan to reduce net greenhouse gas emissions by at least 55% by 2030, he said: "The more we looked at what we can do, the more we discovered we can do more. From China we're expecting something similar in the rollout of the Five Year Plan." China's 14th Five Year Plan (2021-25) set the agenda for China's low-carbon transition toward peaking carbon emissions by 2030 and achieving carbon neutrality by 2060.

Collaboration between China and the EU has helped drive down the cost of solar panels, making them available worldwide, including in developing countries, Werksman said. "That drives further ambition." However, Werksman expressed concern that joint work on electric car battery technology may become a more complicated issue given that the EU is experiencing an energy security crisis and becoming more careful about building future supply chains. "We should try to keep those markets open. We also have to keep in mind that there are multiple interests at play."

CATL of China, the world's largest electric vehicle battery maker based in Fujian province, announced in August that it plans to build a €7.3-billion plant in Debrecen, Hungary, to meet the growing demand from global motor vehicle makers, the China Daily reports.

IT & TELECOM

Chinese smartphone shipments down 22% in first 10 months of 2022

Smartphone shipments in China slumped 22% in the first 10 months of the year as the market has been plagued by cooling domestic demand and disruptions in the manufacturing supply chain. A total of 214.5 million smartphones were shipped in the country from January to October this year, down from 275.3 million units in the same period last year, according to the China Academy of Information and Communications Technology (CAICT), a scientific research institute under the Ministry of Industry and Information Technology (MIIT). In October alone, the shipment volume in the world's largest smartphone market fell 27.2% year-on-year to 23.8 million units. That total, however, was up 20% from September, when the volume reached 19.8 million units. The latest CAICT figures reflect the Chinese smartphone market's struggle to recover from sluggish demand, as the flagging domestic economy and strict mobility restrictions under the zero-Covid-19 policy prompted more consumers to delay making new purchases. It remains uncertain how much demand would pick up after the central government relaxed Covid-19 controls earlier this month.

While consumer confidence and the economy in China would take long to recover, the decline in the country's smartphone market is expected to narrow next year and a rebound is likely to take place in 2024, according to tech research firm IDC in a report published earlier this month. Slowing consumer demand has already prompted major smartphone vendor Xiaomi Corp to conduct a new round of lay-offs affecting nearly 10% of its workforce, after cutting more than 900 jobs earlier this year.

China's retail sales saw a sharp decrease in November, down 5.9% from a year earlier, according to the National Bureau of Statistics (NBS). That figure missed expectations, falling from minus 0.5% in October to the lowest reading since dropping to minus 6.7% in May and minus 11.1% in April.

Even Apple – which seized a record 25% share of China's smartphone market in October, according to Counterpoint Research – has been scrambling to fix problems in its manufacturing supply chain on the mainland. Production of its popular iPhone 14 Pro models at Foxconn Technology Group's plant in Zhengzhou, the capital of Henan province, has been hit by severe disruptions, including worker protests and the departure of tens of thousands of employees because of a Covid-19 outbreak at the facility.

Apple was estimated to ship 20% fewer smartphones this holiday quarter than previously expected because of its manufacturing issues in China, according to Kuo Ming-chi, Analyst at TF International Securities, the South China Morning Post reports.

CHINA NEWS ROUND-UP

More train services and routes added

Chinese railways adopted new schedules on December 26, adding more passenger and cargo services to improve efficiency and capacity with increased demand expected following the easing of epidemic measures, China State Railway Group said. A total of 12,092 passenger trains and 21,788 cargo trains will run every day, an increase of 126 passenger trains and 100 cargo trains compared with the previous schedule. New epidemic measures were introduced last month, and nucleic acid test results and health codes are no longer required for travel. Greater passenger and cargo demand is expected during the upcoming Spring Festival travel rush, which begins on January 7 and ends on February 15, which will include family visits and tourism, the resumption of work and production, and transport of coal for winter power production. To prepare for the Spring Festival travel rush, more seasonal tickets and other coupons that benefit business travelers and frequent commuters will be available. More commuter and rapid services have been organized to and from Beijing, Tianjin and Hebei province to boost the region's connectivity. China Railway Beijing Group, the regional railway operator, has been running **faster passenger trains between Beijing and Shijiazhuang**, the capital of Hebei, since December 26. According to the new schedule, there will be 20 high-speed services every day, **reducing travel time between the two cities to an hour.**

Transport capacity will be increased following the schedule adjustment. **A new line connecting Chengdu and Kunming, capitals of Sichuan and Yunnan provinces, opened on December 26**, cutting travel time between the two cities to 7.5 hours. It also slashed travel time between Chengdu and two other major cities along the way – Xichang and Panzhihua – to 3 and 5 hours. The 915-km line, with a designed speed of 160 km per hour, is the second route linking Chengdu and Kunming. The old Chengdu-Kunming Railway, which extends 1,096 kilometers, opened in 1970 with a designed speed of 80 km/h. Also on December 26, a 91-km high-speed line linking Changde and Yiyang in Hunan province, entered service. It links to another line between Yiyang and Changsha, capital of Hunan. With a designed speed of 350 km/h, the new line has slashed travel time between Changde and Changsha to 59 minutes and is part of a major line connecting the city of Chongqing with Xiamen in Fujian province. A line linking Jiamusi and Hegang in Heilongjiang province also entered operations, slashing travel time between the two cities to 44 minutes, and as a result travel between Hegang and Harbin, the provincial capital, has also been cut to about 3.5 hours, the China Daily reports.

During the Lunar New Year, maximum passenger capacity across the national network will be 11% higher compared to the same period in 2019, the last travel rush before the Covid-19 epidemic, the railway company said.

Used FDI up 12.2% from January to November

Actually used foreign direct investment (FDI) in China showed double-digit growth in the first 11 months of this year, highlighting the country's sustained appeal for overseas capital despite global turbulence. Actually used FDI totaled USD178.08 billion in the first 11 months of 2022, **an increase of 12.2% year-on-year**, Shu Jueting, Spokesperson of the Ministry of Commerce (MOFCOM) told a regular press conference. The use of foreign capital in high-tech industries increased by 31.1% year-on-year, with the high-tech manufacturing industry seeing an increase of 58.8%, and the high-tech service industry 23.5%. "This data is still in line with expectations, indicating that China's actual use of foreign capital is still in a state of rapid growth," Economist Tian Yun told the Global Times, adding that the use of foreign capital in the high-tech manufacturing industry still maintained a rapid growth rate, which shows the investment structure is improving.

A breakdown of the FDI numbers revealed that South Korea's actual investment in China soared by 122.1%. The amount of FDI from Germany rose by 52.6%, while that from the UK went up 33.1% and the figure from Japan was 26.6% higher. Measured by domestic regions, eastern China recorded a 7.7% increase in the actual use of FDI, with 28.6% for central China and 24.6% for western China.

The FDI to China from Germany, South Korea, and Japan all increased by more than 20%, which proves that global capital is not leaving the country and that there is no "decoupling" from China, Tian added. Chinese experts said the reason why South Korea and Germany have the fastest growth rate of investment in China is related to China's industrial upgrading. For instance, South Korea is expanding investment in the field of electronics, especially in the field of chips, and Germany is expanding production capacity in electrical, mechanical and auto parts, which has benefited from the rise of China's industrial production capacity. Businesses from the two countries enjoy longstanding cooperation, and bilateral economic and trade ties have long been deeply integrated. Severing those ties and "decoupling" are simply impossible, said Chinese Premier Li Keqiang when German Chancellor Olaf Scholz made a trip to Beijing earlier in November. Samsung's chip plant in Xian expects its 2022 output value to top CNY100 billion.

The Central Economic Work Conference (CEWC) held in December also called for greater efforts to attract foreign capital and widen market access. China will also guide foreign investment into key areas such as advanced manufacturing, modern services, energy conservation and environmental protection, and technological innovation. Business delegations led by local governments from Guangdong, Zhejiang, Jiangsu, Fujian and Sichuan provinces are ramping up efforts to secure overseas orders and attract investment, as orders for some labor-intensive products have been heavily affected by the pandemic. In order to support more foreign trade enterprises to go overseas and secure orders, MOFTEC Spokesperson Shu said that it will facilitate the movement of business people, utilize both online and offline exhibitions, and help firms to obtain overseas market information, the Global Times reports.

China to review deals involving foreign capital in data and M&As on security grounds

Chinese authorities will impose a strict review of data processing, cross-border data transfers, and mergers and acquisition (M&A) activities involving foreign capital that could affect national security, as Beijing moves to safeguard what it considers as sensitive information. That approach forms part of new policy guidelines to boost the country's data market, while addressing issues such as data rights and trading profit distribution. The release of the guidelines follows last year's passage of China's Data Security Law, which treats some domestically generated information as a matter of national security and proposed a review requirement, but did not provide specific guidance. China had earlier set up a process for initial public offerings (IPOs) overseas to go through a security review if the business involves the data of more than one million Chinese consumers.

Other measures that the guidelines cover include taking part in formulating international rules and technical standards in areas like digital currencies. The guidelines aims to lay the groundwork for what Beijing calls a "fundamental data system", which will cover areas such as defining the data rights of different entities, management and supervision of information, and trading and profit distribution in the data market. A detailed mechanism for defining data rights will be established for public, corporate and personal information, according to the new guidelines. It provides three main types of data rights. These are the right to hold data resources, the right to process and use data, and the right to manage data products.

The guidelines reflect how Beijing has been ramping up its efforts to boost the country's digital economy by applying commercial rules to data, which the central government regards as a new production factor that is in the same category as land, capital and human labor. **Data exchanges have already been launched in major cities across China.** In November, trading kicked off at the state-run data exchange in Shenzhen, allowing companies to buy and sell data like regular commodities. Despite that push, the government has not allayed the concerns of businesses in terms of higher compliance costs in handling data and an inadequate trading framework that remains vague on data ownership and other relevant rights.

Multinational companies may be encouraged by the guidelines' goal to promote China's digital economy, particularly at a time when the domestic economy is in need of stimulus, according to Alex Roberts, Counsel for technology, media and telecommunications at international law firm Linklaters in Shanghai. Roberts, however, said the review requirement related to national security remains worrisome. "The emphasis on implementing 'national security reviews' may be worrying given the current uncertainty about review processes under existing data rules," he said, as reported by the South China Morning Post.

Chinese smart EV maker Xpeng sets up battery pack unit

Chinese smart electric vehicle (EV) builder Xpeng has taken a first step towards producing battery packs on its own after setting up a CNY5 billion subsidiary to be overseen by its Co-founder and President Henry Xia. **Guangzhou Pengbo Automotive Technology** will manufacture and sell EV batteries and is wholly-owned by Xpeng, one of China's top three home-grown smart EV assemblers. "Batteries remain a primary concern for EV start-ups like Xpeng because a potential supply-chain constraint could prevent them from churning out enough vehicles for delivery," said Qian Kang, a Zhejiang-based entrepreneur who owns car component businesses. "Amid rising demand for EVs it is advisable for them to strengthen their own battery manufacturing capabilities to ensure sufficient supply of the key component."

Guangzhou-based Xpeng said that the unit would only make battery packs and that it would not make battery cells by itself. Battery packs involve the design and production of modules to house groups of cells, which connect with the drivetrain. The packs typically contain a temperature sensor and interconnectors used to connect each cell. Xia, 39, who earned a master's degree in automotive engineering from Tsinghua University, will be the legal representative of the battery subsidiary.

Along with Shanghai-based Nio and Beijing-headquartered Li Auto, Xpeng is viewed as China's best chance to take on U..S. carmaker Tesla in the world's largest market for such vehicles. However, strained supply chains have severely disrupted production in Guangzhou since October. A broken logistics network during the Covid-19 pandemic also forced Xpeng to temporarily suspend work at its regional delivery centers, President Brian Gu said in November. A shortage of batteries to power its new G9 model, a premium sport-utility vehicle (SUV), was the main factor behind a sharp drop in deliveries in October and November, two sources with knowledge of Xpeng's operations told the South China Morning Post.

European companies account for 44 of the Top 100 foreign investors in China

Companies from Europe account for nearly half of the top 100 overseas investors in China, according to a report by the Hurun Research Institute, called the Hurun Largest Foreign & HK/Macao/Taiwan Companies in China 2022. It includes a list of the top 100 firms that made the greatest contribution to the economy, based on their sales and number of employees in the Chinese mainland. This is the second year the list has been produced. Companies on the list recorded combined sales of USD1 trillion in the Chinese mainland last year, equivalent to 7% of the country's GDP. The companies employed just under 3 million people in China, at an average of 30,000 employees per company. In terms of business model, 59% are direct-to-consumer, while 41% are business-to-business firms. Overall, 81% sold physical products and 19% sold software or services. The auto, consumer goods, healthcare and consumer electronics sectors led the list, accounting for nearly half of the top 100 firms. The average age of the 100 companies is 92, with an average 55-year history in China.

The top 10 on the list are Hon Hai Precision Industry Co, Volkswagen, Apple, General Motors, Charoen Pokphand, HSBC, Robert Bosch, Toyota Motor, Samsung Electronics and BMW. By country, the largest number of companies is from the U.S., followed by Japan, the UK, Germany and France, with the top five countries accounting for more than 80% of the Top 100. By continent, Europe contributed nearly half of the Top 100, Hurun Report Chairman and Chief Researcher Rupert Hoogewerf said, as reported by the Global Times.

China up in the ranks of countries with high robot density

China's massive investment in industrial robotics has put the country higher in the global rankings of robot density, surpassing the United States for the first time and marking a significant improvement in the country's industrial automation level, an industry report said. Experts said research and development (R&D), manufacturing and application of robots have been used as indicators to measure a country's scientific and technological innovation and high-end manufacturing level. China's burgeoning robotics industry is playing an increasingly important role in speeding up the intelligent transformation of the manufacturing sector. China is by far the fastest-growing robot market in the world, with the highest number of annual installations, and it has had the largest operational number of robots each year since 2016, according to the World Robotics 2022 Report by the International Federation of Robotics (IFR).

The number of operational industrial robots relative to the number of workers hit 322 units per 10,000 employees in China's manufacturing industry in 2021, ranking fifth across the globe, the report said. "Robot density is a key indicator of the adoption of automation in the manufacturing industry around the world," said Marina Bill, President of the IFR. "The new average of global robot density in the manufacturing industry surged to 141 robots per 10,000 employees, more than double the number six years ago." China's rapid growth shows the power of its investment so far, but it still has much space to automate, Bill said. **In 2021, the world's top five most automated countries in manufacturing were South Korea, Singapore, Japan, Germany and China.** Meanwhile, robot density in the U.S. rose from 255 units in 2020 to 274 units in 2021, and the country ranks ninth in the world, down from seventh. As one of China's strategic emerging industries, the robotics sector has made remarkable achievements in recent years. According to the National Bureau of Statistics (NBS), the output of China's industrial robots hit a record 366,000 units in 2021, surging 68% year-on-year. "Robots are the key equipment to achieve intelligent manufacturing, and have become an increasingly indispensable part in smart factories," said Tao Yong, Professor of Robotics at Beihang University in Beijing, adding that the world's major developed countries have stepped up the push for R&D of core technologies related to high-end robots. Tao said robots are playing a critical role in driving the intelligent transformation and upgrading of the traditional manufacturing industry. For instance, an increasing number of companies are applying industrial robots to boost operational reliability and reduce costs.

According to the Chinese Institute of Electronics, the country's robotics market is expected to reach USD17.4 billion in 2022, with a five-year average annual growth rate of 22%. The country's industrial robot market is projected to be valued at USD8.7 billion by the end of this year, the China Daily reports.

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 Battery Recycling Solutions, 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 2023 (excl. VAT)
- SMEs: €475 (excl. 21% VAT)
- Large enterprises: €1,185 (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