China Business Weekly

3 January 2023

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

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

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Networking dinner: "China for Flanders' Tech Companies: to avoid or to engage?" 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?"**. This event will take place on **23 January 2023, at 17h30** at the **Cercle Royal La Concorde, Kouter 150, 9000 Gent**.

As a result of the pandemic and the differing responses of different countries to manage the outbreak, particularly China's zero-covid strategy and changes in the geopolitical landscape, China's business environment and the related trade & investment conditions have undergone significant change over the last few years.

How should technology companies from Flanders respond to this changed environment? Should they opt out of the China market or, bearing in mind that China's tech market is the second largest tech market in the world, should they continue to invest but take necessary precautions? If so, how should they mitigate the risks. At the same time, Chinese technology companies are eager to grow in the European market and are looking for European partners.

During his speech, Mr **Peter Tanghe**, Technology Counselor for Flanders Investment and Trade in China, will share 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 offer his first-hand perspective arising from Molecubes' experience 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

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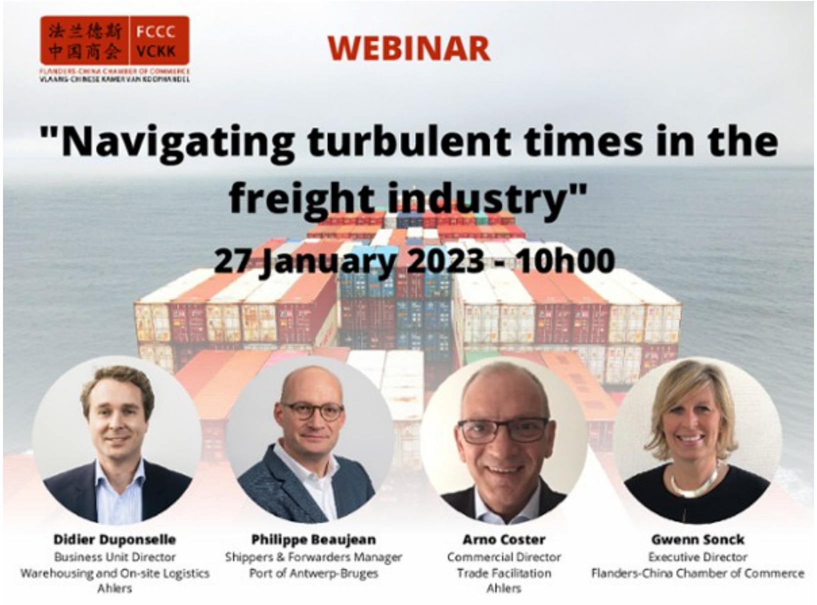
Webinar: “Navigating turbulent times in the freight industry”
27 January 2023 – 10h00



The Flanders-China Chamber of Commerce is organizing a timely 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 that caused record-high ocean shipping rates are coming to an end, and rates are swinging back. Following the disruption, what is happening in the shipping market, and what can we expect in the coming year? How low will container rates go? As a shipper, what can you do to benefit from the decreasing prices? And is the 'pricing' crisis really 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 customers' needs, and new ways to execute the 'vision for the growth of revenue streams' in complex markets. Added to that, he will explain how business processing can be outsourced using the Ahlers Master Trade model to help companies operate successfully in complex markets.

Our third speaker, **Mr Philippe Beaujean**, Shippers & Forwarders Manager, Port of Antwerp-Bruges, will speak about how a world port like Antwerp-Bruges can adapt to respond to the changing 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

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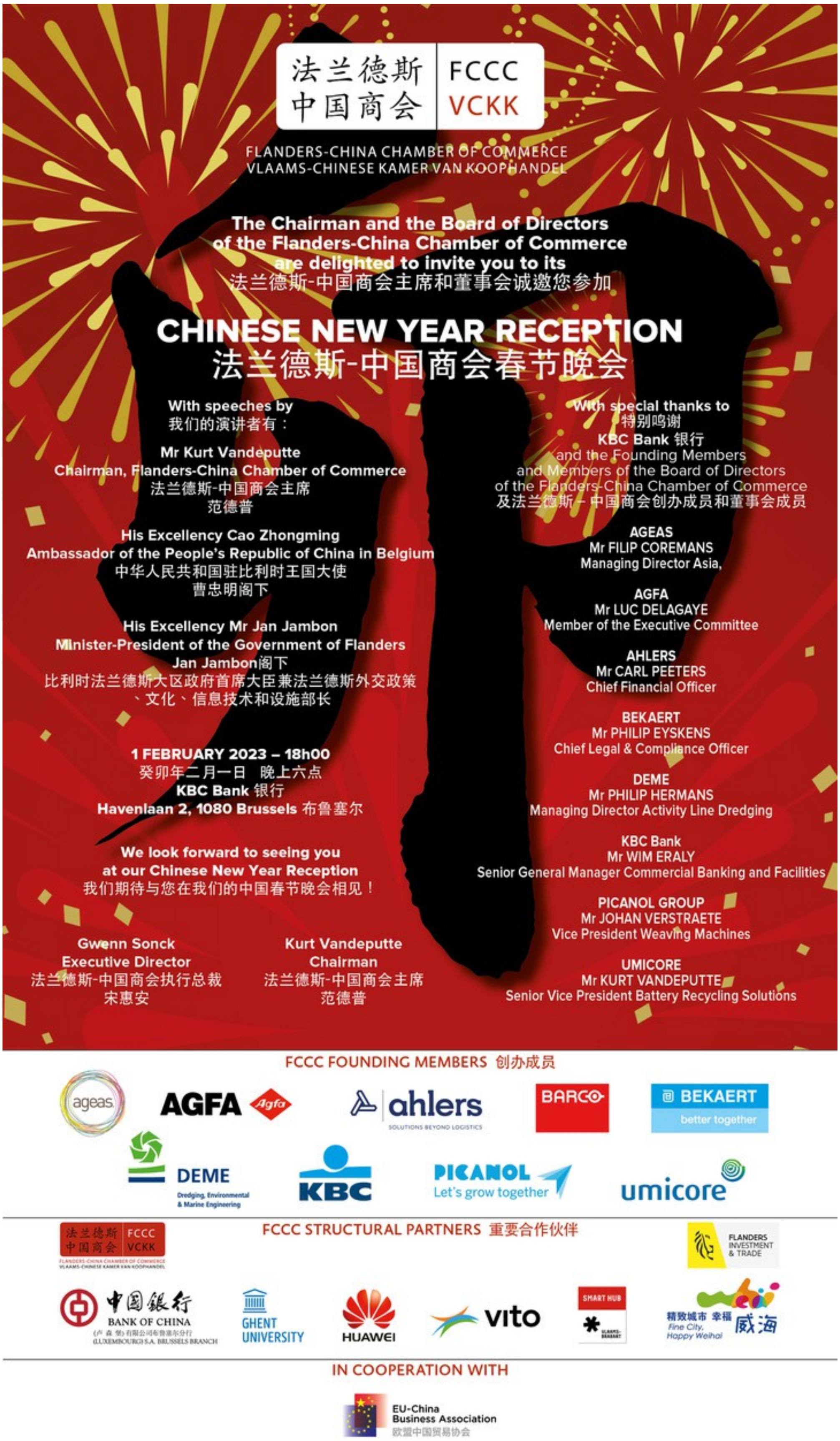
Chinese New Year Reception – 1 February 2023 – 18h00 – KBC Bank, Brussels



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)

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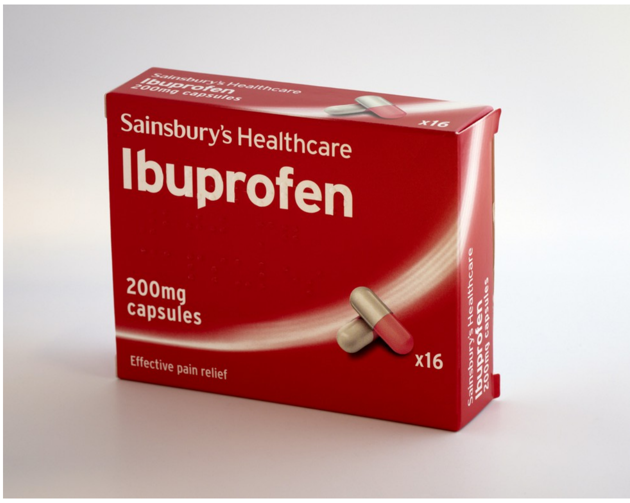
HEALTH

Several countries require travelers from China to be tested as number of cases rises exponentially



In a New Year's address, President Xi Jinping assured the nation that the "light of hope is right in front" of China as it battles Covid-19 and called for unity and perseverance in this "new stage" of pandemic control. He spoke about a week before China is planning to fully reopen the borders and abolish Covid controls for incoming passengers on January 8. "At present, pandemic prevention and control has entered a new stage. Everyone is holding on with great fortitude. With extraordinary efforts, China has prevailed over unprecedented difficulties and challenges, and it has not been an easy journey for anyone," Xi said. He also defended the country's policies on fighting the virus. "Following a science-based and targeted approach, we have adapted our Covid response in light of the evolving situation to protect the life and health of the people to the greatest extent possible," he said. President Xi also assured the world that China will not close its doors. "Today's China is a country closely linked with the world," he said, adding that China "cherishes peace and development and values friends and partners as always".

As the number of Covid cases in China is rising exponentially, several countries have introduced requirements for travelers from China to be tested before boarding their flights or upon arrival at the destination. Countries requiring Covid tests for passengers arriving from China include the U.S., Italy, France, the UK, Israel and Japan. But the European Union's infectious disease agency (ECDC) said it believed introducing mandatory Covid screenings for travelers from China was "unjustified". Germany said it did not currently see the need to impose entry restrictions either, but argued for a coordinated EU-wide system to monitor variants at European airports. Morocco on the other hand banned all passengers arriving from China, regardless of nationality.

Chinese Customs announced that it would revoke anti-Covid-19 measures, including nucleic acid testing, at ports of entry for all imported cold-chain foods and non-cold-chain items, effective January 8, when the country is to downgrade Covid-19 to Class B management.

The World Health Organization (WHO) urged China's health officials to regularly share specific and real-time information regarding the Covid-19 situation in the country, including more genetic sequencing data and data on hospitalizations and deaths. WHO Director General Tedros Adhanom Ghebreyesus said the WHO needed more information to assess the latest surge in infections in China. Zeng Guang, former Chief Epidemiologist of the Chinese Center for Disease Control and Prevention, told an online forum that although accurate statistics were still lacking, probably over 80% of the population in Beijing had been infected with Covid and the percentage could be higher. Beijing called for infected medical workers and those with mild symptoms to continue working and asked medical workers who had retired within the last five years to return to work.

China's health authorities say no new Covid variants have been detected so far in the country. "Since the beginning of December, nine subvariants of the virus have been detected in China, all of which belong to the Omicron strain," Xu Wenbo, Director of the National Institute for Viral Disease Control and Prevention, said. Since the beginning of December, the China CDC has completed the whole genome sequencing of 1,142 cases through a sampling survey and found that the Omicron subvariants BA.5.2 and BF.7 were the dominant strains, accounting for more than 80% of the total, said Xu. There are also seven other subvariants of Omicron circulating. No genomic mutation was found in these subvariants, which were all imported. In December, a total of 31 Omicron subvariants were found to have been imported into China, including BQ.1, XBB and other subvariants that spread rapidly overseas, said Xu.

Following the announced lifting of quarantine and testing requirements for passengers arriving from abroad, **bookings on travel platforms have skyrocketed after three years of limited outbound trips** due to the pandemic. Tourism industry insiders are expecting a surge in outbound travel during the upcoming Spring Festival holidays and a more pronounced rebound during the May Day holidays. The National Immigration Administration (NIA) also announced it will resume passport and visa application services starting on January 8. But travel industry experts said it would take time for more international flights to become available. On December 21, Air France announced that the frequency on the Shanghai-Paris route will increase to three flights a week starting from February 4, 2023. KLM Royal Dutch Airlines said on December 19 that it will add three flights per week on routes between the Netherlands and China, including two flights between Amsterdam and Shanghai every week and one flight between Amsterdam and Hangzhou. These flights will start operating from January 30, 2023.

According to new research, a Chinese antiviral drug known as VV116 is just as effective as Pfizer's Paxlovid

in easing moderate to mild Covid-10 symptoms. Patients who took the pill recovered after a median time of four days, compared with five for those who took Paxlovid. The researchers also found that the incidence of adverse events was lower in the VV116 group compared to the Paxlovid group. However, while Paxlovid has already been shown to be 88% successful in reducing hospitalization or death among high-risk unvaccinated individuals, the efficacy of VV116 in reducing severe symptoms could not be determined. VV116 is a derivative of Gilead Sciences' Remdesivir, the first antiviral drug approved by U.S. regulators for the treatment of Covid-19. The pill was jointly developed by Chinese drug makers Junshi Biosciences and Vigonvital Life Science, and other research institutes under the Chinese Academy of Sciences (CAS).

China has also green lighted the conditional import of antiviral molnupiravir, known by the brand name Lagevrio, developed by U.S. pharmaceutical firm Merck Sharp & Dohme (MSD) for urgent use of Covid-19 treatment, the National Medical Products Administration said. In September, China's Sinopharm and MSD signed a cooperation framework agreement under which Sinopharm would be a dealer and exclusive commission agent of MSD's antiviral Covid-19 medicine in China. Molnupiravir and Pfizer's Paxlovid are the two most used oral Covid-19 treatments.

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

MACRO-ECONOMY

People's Bank of China survey shows weak business sentiment

China's economic recovery is still challenged by weak business sentiment and shrinking industrial orders, according to a new survey, as economists warn mounting external challenges could derail a full recovery. **A survey conducted by the People's Bank of China (PBOC)** – China's central bank – in the fourth quarter shows that business confidence and activity are still at low levels almost three years after the start of the coronavirus pandemic, indicating a bumpy recovery ahead. More than half of business owners claimed that the economy is cooling and the business climate getting weaker, according to the PBOC's poll of 5,000 entrepreneurs in the industrial sector. China's leadership faces a daunting task to stabilize the economy, which has been hit hard by years of hardline Covid controls that were only dropped in a sudden policy shift in early December. The relaxation of zero-Covid has unleashed China's worst wave of virus outbreaks to date.

The National Development and Reform Commission (NDRC) has urged officials from four regional economic centers – Beijing, Shanghai, Anhui and Guangdong – **to step up stabilization efforts.** "We must grasp the window of opportunity to ensure the use of policy and development financing tools to maximize workloads," the NDRC said in an online statement. "We must strive for a good beginning for the new year." The central bank survey also showed that two indices on export orders and entrepreneurs' assessment of overall economic performance fell to the lowest level since the second quarter of 2020. The export order index dropped to 38.9 in the fourth quarter from 42.2 in the previous three months, and more than a quarter of entrepreneurs surveyed reported lower orders, the central bank said. The macro-economic heat index fell to 23.5 in the fourth quarter from 26.9 in the previous quarter.

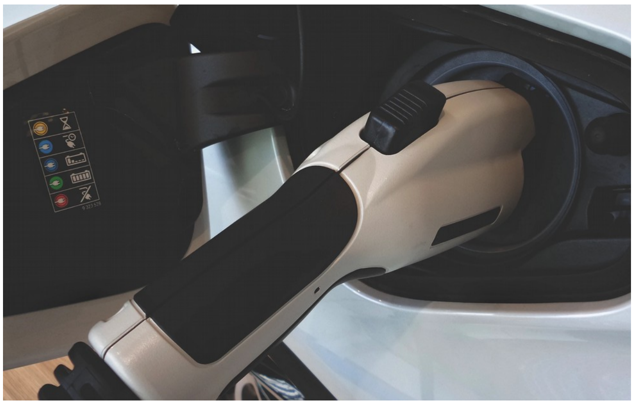
Leading economic indicators are likely to be messy in the fourth quarter, as strict implementation of the zero-Covid policy in October and November dampened economic activities across the country, while a sudden lift of the policy – without adequate preparation of drugs, medical services and vaccinations – caused a rapid spread of infections in December. The country's effort to meet this year's growth target of "around 5.5%" is almost certain to fail. Economic prospects for early 2023 do not look much brighter, with domestic challenges – ranging from a struggling property sector and soft demand – coinciding with stronger external headwinds.

China is seeing fewer orders from the United States, Europe and other developed markets amid forecasts of a global recession in 2023. It is also facing U.S. export restrictions on key technology components. At the tone-setting Central Economic Work Conference (CEWC) in mid-December, policymakers said the focus will be on stabilizing growth and lifting investor confidence. Analysts expect a gradual normalization of economic activity in the second half of 2023, with many investment banks raising their growth estimates to above 5% in 2023.

But overseas **skepticism** remains high **about just how quickly China's economy can rebound to pre-Covid levels.** "The timing is not perfect," ING Chief Greater China Economist Iris Pang said. "There will be a fall in external demand. Export-related activities, including manufacturing, should slow, which would derail the recovery of the Chinese economy." Ms Pang expects bigger fiscal spending, with emphasis on uncompleted home projects and more transport, energy and technology infrastructure. Guan Tao, Chief Economist at BOC International, warned of huge uncertainties due to the spread of Covid-19 infections, market adjustments and local debt, the South China Morning Post reports.

AUTOMOTIVE

China to build lithium processing plants in Zimbabwe; also developing JV in Australia



Chinese companies that have made multimillion-dollar acquisitions in Zimbabwe will have to build lithium processing plants after the country banned the export of the metal in its raw form. In Australia, Tianqi Lithium announced that it had succeeded in producing Australia's first battery-grade lithium hydroxide, which is a key material for making lithium batteries for electric vehicles, at its Kwinana plant.

In Zimbabwe, companies must either set up local processing plants or provide proof of exceptional circumstances – and receive written permission from the government – before lithium can be exported. Zimbabwe is estimated to have the largest unexploited reserve of lithium in Africa and is the sixth-largest producer in the world. It imposed the export ban at the end of December, as part of efforts to have lithium – the key raw material in electric-vehicle batteries – processed locally.

The government also wants to stop artisanal miners who dig up and take the mineral across borders. Harare says it has lost USD1.8 billion in mineral revenues due to smuggling, artisanal mining and exports to South Africa and the United Arab Emirates (UAE). Chinese firms that had made recent lithium investments in Zimbabwe would need to build processing facilities there at a cost of hundreds of millions of dollars so they can export higher value lithium chemicals. It would take two to three years to complete construction and commissioning. Lithium prices have surged by about 1,100% to a record in the past two years, with supply struggling to keep up with high demand. Lithium carbonate spot prices in China – the world's biggest electric-vehicle market – climbed to a record USD84,000 per ton in November, according to Benchmark Minerals' lithium price index.

In the past year, three Chinese companies – Zhejiang Huayou Cobalt, Sinomine Resource Group and Chengxin Lithium Group – **have acquired lithium projects in Zimbabwe** worth a combined USD679 million, amid the worldwide race to go green. Huayou Cobalt and Chengxin Lithium are already developing processing plants. Huayou Cobalt acquired the Arcadia hard-rock lithium mine outside Harare for USD422 million from Australian company Prospect Resources. It is investing USD300 million to develop the mine to expand production for the electric-vehicle market. When Huayou Cobalt bought Prospect's stake in the mine, one of the conditions from the Zimbabwean government was that the firm would process the mineral locally to make lithium-ion batteries. The company said it would process first-line lithium concentrates of spodumene and petalite in the first phase. In phase two the company is targeting production of lithium sulphates. Meanwhile, Chengxin Lithium spent USD77 million on a deal last year that includes mining rights in the largely unexplored Sabi Star lithium and tantalum mine project in eastern Zimbabwe. A groundbreaking ceremony was held there in December for a USD130 million lithium processing plant, the South China Morning Post reports.

In Australia, Chengdu-based Tianqi Lithium has set up a joint venture with the Australian company IGO at the Kwinana Industrial Area outside Perth. The joint venture was established in December 2020 with USD1.4 billion in capital, with the Kwinana plant playing a pivotal role in manufacturing lithium hydroxide monohydrate from spodumene. The spodumene is sourced from the jointly owned Talison lithium mine in Greenbushes, which is located 250 km to the south of Kwinana, with the finished products shipped from Western Australia's Port of Fremantle. According to Tianqi Lithium, Australia produces 51% of the world's lithium, while China has bought over 90% of the country's lithium in 2022 based on figures from the Australian Bureau of Statistics.

Tianqi Lithium CEO Raj Surendran expects global lithium demand will triple to 1.5 million tons by 2027 amid the growing demand for electric vehicles. The development of the lithium processing and associated downstream industries in Western Australia will support thousands of local jobs, said Surendran, with 200 employees currently employed at the Kwinana plant. "For example, clean energy technologies need a range of minerals, including cobalt, lithium and rare earth elements," he said. Producing and exporting the key minerals could create up to 52,000 Australian jobs in regions like Western Australia, the Pilbara and South Australia by 2050, said Surendran, citing government estimates.

According to a global mine report by PwC released in June 2022, lithium ranked second largest in terms of critical minerals by deal value at USD4.1 billion in 2021 after copper because companies "take advantage of expected rising EV demand for lithium", the South China Morning Post reports.

CHINA NEWS ROUND-UP

China's shipbuilding sector tops world market in 2022

China's shipbuilding sector topped the global market in 2022 in terms of orders and vessel completion. Experts said that Chinese shipbuilding companies have more advantages in productivity, production stability and other aspects, compared with their foreign counterparts. The performance of the shipbuilding sector also highlighted the resilience of Chinese industries, they noted. From January to November 2022, China led the world in terms of vessel completion and orders, data from the China Association of the National Shipbuilding Industry (CANSI) showed. China held 45.5% of the global market in vessel completion, with 53.1% of new orders and 48.5% of orders on hand. Data from UK-based Clarkson Research also revealed that China topped the global list for new orders in 2022, accounting for 49% of the total orders worldwide. Among the 41.93 million compensated gross tons (CGT) of global orders, China had contracts for 20.34 million CGT in new orders, ranking first and surpassing South Korea's 15.64 million CGT, Clarkson data showed.

China and South Korea have comparable technical strength in shipbuilding, as China has mature technology for constructing large-scale container vessels, while South Korea has advantages in building liquefied natural gas (LNG) carriers, Zheng Ping, Chief Analyst of industry news website chineseport.cn, told the Global Times. In the first 11 months of 2022, the 75 Chinese ship enterprises monitored by CANSI saw a total of CNY280.33 billion in income from their main business, a year-on-year increase of 11.3%, while total profits were up 109.4% to CNY7.54 billion.

Hudong-Zhonghua Shipbuilding Co under China State Shipbuilding Corp (CSSC) and China Shipbuilding Trading Co **delivered the world's largest ultra-large containership**, EVER ACME, last week. The ship, **which can carry 24,000 standard containers**, was delivered four months ahead of schedule. In 2022, Hudong-Zhonghua completed and delivered 16 vessels totaling 1.34 million deadweight tons (DWT), of which medium- and high-end vessels such as LNG carriers and large and ultra-large container vessels accounted for 90% of total orders.

The company won orders for 47 new vessels with a total of 4.33 million DWT, including 38 large LNG carriers, setting a record for the highest number of annual orders for LNG carriers among Chinese shipyards and ranking second globally. CSSC said on December 23 that it delivered 209 ships in 2022, amounting to 14,06 million DWT. The company also maintained world leadership in new orders and orders on hand, the Global Times reports.

China accelerates R&D in operating systems; Huawei leading contender

As China ramps up efforts to develop its homegrown operating systems (OS) for a wide range of digital gadgets, Huawei's OpenEuler OS is becoming the first choice for digital transformation, creating a solid software base for the country's digital infrastructure. During an OS industry summit last week, Wang Tao, Executive Director of Huawei and Director of the company's ICT Infrastructure Business Management Committee, said that by the end of December 2022, the number of enterprise members in the open source Euler community has exceeded 600. The cumulative number of installed OS software has reached three million in industries across finance, transportation and telecom. In the new market of server OS in China, Euler's market share has reached 25%. OpenEuler is designed for enterprise customers and can be used in servers, cloud computing and edge computing. Last year, Huawei launched the OS and donated it to the OpenAtom Foundation, a major open source platform in China.

Sun Wenlong, Secretary General of the OpenAtom Foundation, said during the summit that the foundation will help open source projects such as Euler to generate greater value by synchronously advancing local development and overseas expansion strategies, and exploring the establishment of overseas institutions in Europe, Southeast Asia and other regions. “China is entering a new stage of open source innovation, from participation and integration to making preparations for leadership,” said Wang Huaimin, Fellow at the Chinese Academy of Sciences (CAS). “The rising open source industry needs a powerful open source innovation platform, and it is necessary to build a distributed, intelligent and international next-generation open source innovation platform for the future,” Wang said in a keynote speech. Within the domestic OS sector, open source has become more mature after years of development, industry insiders said.

Jiang Dayong, Director of the OpenEuler Community, said that “our perception of open source has changed a lot. A few years ago, in China, we only used open source, but now we have gradually contributed to open source or even tried to lead the sector.” Recognition of the value of the open source business model has deepened, which is also a big change, Jiang said, although there is still a gap between China and overseas in terms of market recognition. Homegrown operating systems are considered key for driving construction of new infrastructure and boosting development of the digital economy, with China a leading player in the sector, the Global Times reports.

The China Daily adds that according to analysts, **Huawei** has succeeded in pulling itself out of a crisis by ensuring its **revenue remained flat when it could have easily declined in 2022**, suggesting that the impact of Washington's restrictions on Huawei's sales has started to wane as the company is finding new growth streams. Xu Zhijun, rotating Chairman of Huawei, said that the company's revenue in 2022 was CNY636.9 billion, fractionally higher than the corresponding 2021 figure, yet marking a big turnaround from the nearly 30% year-on-year sales tumble in 2021 due to the U.S. sanctions. Xu said: "U.S. restrictions are now our new normal, and we're back to business as usual." He did not divulge Huawei's profit figures.

China is world leader in 4 out of 11 frontier areas of academic research

China leads the world in four out of 11 frontier areas of academic research, with major improvements in clinical medicine, astronomy and astrophysics in the past five years, according to the annual report by the Institutes of Science and Development of the Chinese Academy of Sciences (CAS) and global analytics firm Clarivate. The report titled Research Fronts 2022 identified 110 "especially active" and 55 emerging research fronts that are categorized into 11 broad scientific areas based on data from frequently cited papers published from 2016 to 2021. On the Research Leadership Index, the United States scored the highest in seven out of the 11 broad categories this year, namely geosciences, clinical medicine, biological sciences, astronomy and astrophysics, mathematics, information science and economics, and psychology and other social sciences.

China topped four frontier scientific areas – agricultural, plant and animal sciences; ecological and environmental sciences; chemistry and materials science; and physics. China's global rankings in clinical medicine and astronomy and astrophysics have seen major improvement over the past five years, the report said. Its rank in clinical medicine rose from 13th on the index in 2018 to 4th this year, while it ranked 7th in astronomy and astrophysics against 19th five years ago. Among the 165 research fronts, the U.S. is most active in 79 and China in 52. The two countries together led on nearly 80% of all research fronts. **Chemistry and materials science has emerged as China's most prolific and advantageous field**, with the country leading in 10 out of the 13 research topics in this category. Ecological and environmental sciences came in second, with China topping eight out of 12 topics. Gao Hongjun, Vice President of the CAS, said that China would expand openness and cooperation in science and technology, and find new solutions to global challenges with the international scientific community.

China's EV market to see slower growth in 2023

China's electric vehicle (EV) market is set to lose steam in 2023 as Beijing phases out cash subsidies and consumers shy away from big-ticket items over concerns about a gloomy economy. Slow sales growth of battery-powered vehicles could exacerbate production overcapacity facing the country's automotive industry, which employs one out of every six people in China's workforce of 800 million. According to the China Passenger Car Association (CPCA), **the 200 or so electric-car makers are expected to deliver a total of 8.4 million vehicles in 2023, up about 30% from 2020's 6.4 million units**. However, that growth rate is in stark contrast to the year-on-year growth of 114% recorded in 2022. China's EV industry sold 2.99 million vehicles in 2021. "Drastic efforts must be made to create jobs and improve employees' incomes so that more vehicles can be sold in 2023," said Cui Dongshu, General Secretary of the CPCA. "We would also like to lobby taxation authorities to grant more incentives to bolster car purchases." From January 1, Beijing will phase out cash subsidies for EV purchases, ending 12 years of efforts to encourage sales of the environmentally-friendly vehicles. In 2022, the central government granted a subsidy of CNY12,600 to buyers of electric cars with a driving range of more than 400 kilometers.

"The EV market hinges on the economic and business outlook," said Ding Haifeng, Consultant at Shanghai-based financial advisory firm Integrity. "Most middle-class consumers are not confident that their earnings will rise in 2023. They will be cautious in making decisions on car buying." China's abrupt decision in December to shift from its strict zero-Covid policy to one of living with the coronavirus resulted in a surge of infections, which has disrupted activity in multiple industrial sectors, including EVs. Industry officials predict that production and sales of EVs could return to normal in May or June, after the current Covid outbreak eases. China's goal of achieving carbon neutrality by 2060 has been a major driving force for the nation's EV market as the rapid expansion of charging infrastructure made it increasingly convenient for owners of battery-powered vehicles to travel. In November, 36% of new vehicles sold were either pure electric or plug-in hybrid cars. Swiss bank UBS has predicted that by 2030, three out of every five new vehicles sold in China will be powered by batteries.

According to a report by CCID Consulting, in 2020 China had an annual production capacity of 26.7 million electric cars, which was four times the national EV output in 2022. "Excess capacity remains a thorny issue for the EV industry to overcome," said Gao Shen, an independent analyst in Shanghai. "Competition will become fiercer in 2023 as more new models hit the market." Dozens of new models from tech giants such as Baidu and smart EV builders Xpeng and Nio will be delivered to customers this year. In the premium EV segment, Tesla plans to reduce production at its Shanghai plant in January in response to slower demand for its Model 3 and Model Y vehicles. Tesla will produce cars for only 17 days in January – between January 3 and 19 – then will halt output for the rest of the month as part of an extended break for Chinese New Year. **Nio, Xpeng and Li Auto, the three carmakers seen as Tesla's main rivals in China, reported a big jump in deliveries in December.** Nio delivered 15,815 units, up 11.6% from November. Its annual deliveries rose 34% year-on-year to 122,486 units. Li Auto saw deliveries in the month climb 41.2% to 21,233 units, bringing the total number for 2022 to 133,246, up 47.2% from a year earlier. Xpeng's deliveries last month surged 94% to 11,292 units.

In 2022, it delivered a total 120,757 vehicles, a 23% year-on-year increase, the South China Morning Post reports.

China Customs granting 1,020 commodities lower tax rate

The Customs Tariff Commission has issued a tariff adjustment notice for 2023, **granting an import tax rate lower than the most-favored-nation tax rate for 1,020 commodities starting from January 1, 2023**, reflecting China's continued opening-up efforts. In order to safeguard public health and ease the economic burden on patients, import tariffs on raw materials for specific anti-cancer medicines, anti-Covid medicines and painkillers will be lifted, and import tariffs on some medical equipment including dentures and material for intravascular stents will be reduced, according to the notice. In addition, import tariffs on some consumer products such as infant foods, frozen cod, cashew nuts and home appliances, including coffee machines, juicers and hair dryers, will be reduced in response to domestic demand, the Commission said.

The move to adjust import and export tariffs demonstrated China's determination to maintain opening-up and the globalization of its economy, Bai Ming, Deputy Director of the International Market Research Institute at the Chinese Academy of International Trade and Economic Cooperation, told the Global Times. China's average tariff level has been reduced in line with its commitments under the WTO, said Bai. “China's tariff adjustments, based on demand in different development phases, showed the nation's free trade principles and the confidence of the domestic industry,” he noted.

The Commission also vowed to lift import tariffs for potash fertilizer and unwrought cobalt, and lower import tariffs for logs, paper products and boric acid to secure industrial supply. Tariff reductions for machinery items such as lithium niobate, e-ink screens and roller bearings for wind turbines will also be implemented.

From July 1, 2023, the import tariff under most-favored-nation treatment of 62 categories of products in the information technology field will be further reduced, taking China's average tariff level from 7.4% down to 7.3%, the Global Times reports.

China's chip design sector growing despite U.S. export restrictions

The Chinese chip design sector’s sales revenue for 2022 is expected to reach CNY534.57 billion, up 16.5% year-on-year, experts said after reviewing data from the China Semiconductor Industry Association. Far from crimping growth, U.S. restrictions of chip exports to China are inspiring local chip designers to pursue self-reliance, which in turn is facilitating the wider use of their processors, experts said. Wei Shaojun, President of the integrated circuit design branch of the China Semiconductor Industry Association (CSIA), said though the sectoral growth rate in 2022 is 3.6 percentage points lower than in 2021, China’s chip design sector is likely to account for a bigger proportion of global semiconductor sales. Wei delivered the CSIA report at an industry conference in Xiamen, Fujian province, on December 26. The report showed there are 3,243 chip design companies in China, 433 more than last year.

Amid Washington’s restrictions of advanced U.S. chip exports to China, “not only Chinese companies but foreign companies operating in China attach greater importance to the security of supply chains, which has, in fact, fueled a wider use of domestically designed chips”, Wei said. If there are more similar restrictions in the future, Chinese chip design firms’ market presence will likely expand even more, Wei said. The U.S. crackdown on China’s chip industry, he said, is disrupting the global semiconductor supply chains. This created a sense of crisis among downstream users of chips, making them look for secure supply chains less reliant on U.S. chip technologies and products, thus opening up more opportunities for Chinese chip designers. “Many domestic chip design enterprises said that some markets they had found very hard to enter in the past, have granted access this year,” Wei said.

More than 25 chip design companies launched their IPOs in 2022, with their combined market value on December 1 hitting CNY472.1 billion. Since the listing of the first Chinese chip design company in 1996, some 73 chip design companies have listed on China’s stock exchanges, with their combined market value hitting CNY1.75 trillion. Zhong Xinlong, Senior Consultant at the China Center for Information Industry Development Consultancy, said the U.S. government restrictions are persuading more local customers to choose domestic chips and making Chinese chip companies more determined to achieve breakthroughs in crucial technologies, the China Daily reports.

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