China Business Weekly

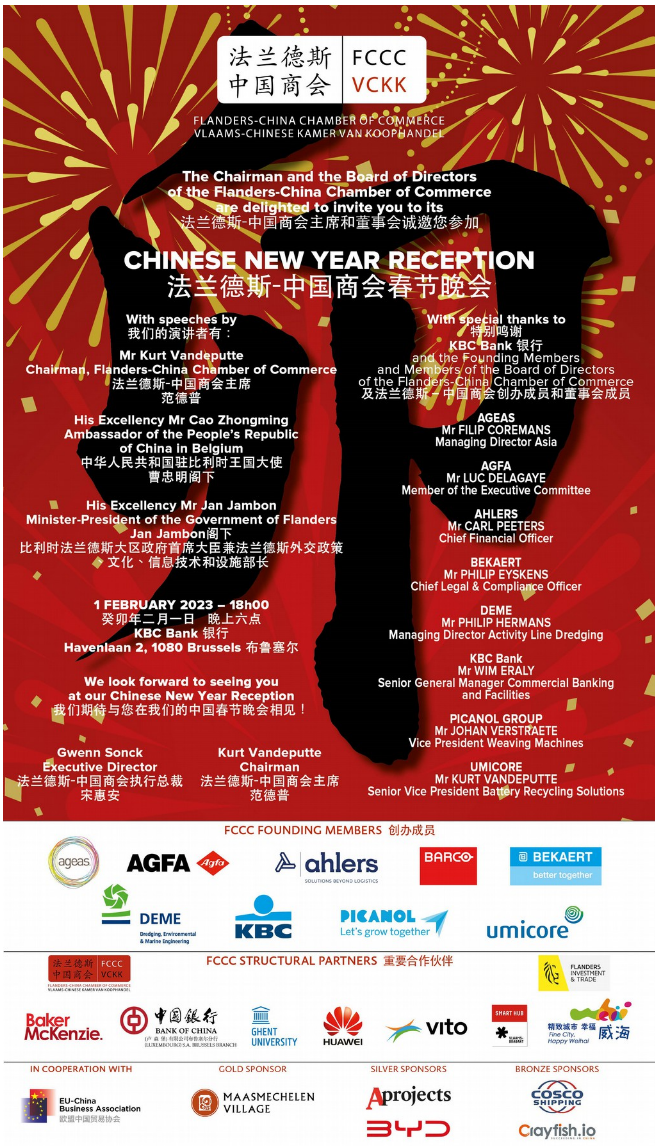
24 January 2023

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

The Flanders-China Chamber of Commerce wishes you a Happy Year of the Rabbit!

FCCC/EUCBA ACTIVITIES

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 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:

18h00 – 18h30: Registration

18h30 – 18h40: Introduction by Mr **Kurt Vandeputte**, Chairman, Flanders-China Chamber of Commerce

18h40 – 18h50: Speech by His Excellency Mr **Cao Zhongming**, Ambassador of the People's Republic of China in Belgium

18h50 – 19h00: Speech by His Excellency Mr **Jan Jambon**, Minister-President of the Government of Flanders

19h00 – 21h00: Networking reception

Practical information:

Date: 01.02.2023

Location: KBC Bank, Havenlaan 2, 1080 Brussels

Price members: 30 € (excl. 21% VAT)

Price non members: 65 € (excl. 21% VAT)

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Sponsorship opportunities for the FCCC New Year Reception

On 1 February 2023, the Flanders-China Chamber of Commerce will celebrate ***Chinese New Year!.*** The FCCC New Year Reception will take place at 18h00 at KBC Bank in Brussels.

We would like to offer your company the opportunity to give more exposure to Belgian companies active on the Chinese market and Chinese companies present in Belgium.

Below you will find more details on the sponsorship opportunities for the Chinese New Year Reception. If you are interested in sponsorship, please send an e-mail to: gwenn.sonck@flanders-china.be.

We thank you in advance for reading our proposal and hope to meet you at our New Year Reception!

Who will attend? Chinese, Belgian business leaders, officials.

Invitations are distributed via E-mail and the FCCC website and newsletters

GOLD SPONSOR: 2.250 € (EXCL .VAT)

- YOUR LOGO ON THE FCCC INVITATION
- YOUR LOGO ON THE INVITATION PUBLISHED ON THE FCCC WEBSITE
- YOUR LOGO ON THE FCCC INVITATION PUBLISHED IN THE FCCC WEEKLY NEWSLETTER
- 15 FREE CARDS
- BANNER OF YOUR COMPANY AT THE EVENT
- MENTION OF YOUR COMPANY DURING SPEECH

SILVER SPONSOR: 1.750 € (EXCL.VAT)

- YOUR LOGO ON THE FCCC INVITATION
- YOUR LOGO ON THE INVITATION PUBLISHED ON THE FCCC WEBSITE
- YOUR LOGO ON THE FCCC INVITATION PUBLISHED IN THE FCCC WEEKLY NEWSLETTER
- 5 FREE CARDS
- MENTION OF YOUR COMPANY DURING SPEECH

Webinar: “Navigating turbulent times in the freight industry” 8 February 2023 – 10h00 CET

The Flanders-China Chamber of Commerce is organizing a webinar focusing on "**Navigating turbulent times in the freight industry**", which will take place on **8 February 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 **Jan Van der Borght,** Port Representative, 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 – 11h00: Presentation on “Business in turbulent times from a port and China perspective”, Mr **Jan Van der Borght**, Port Representative, Port of Antwerp-Bruges

11h00 – 11h15: Q&A Session

Practical information:

Date: February 8, 2023

Time: 10h00 am CET (Brussels time)

Location: Online

Price For Non-Members: Free

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PAST EVENTS

Networking dinner: “China for Flanders' Tech Companies: to avoid or to engage?” 23 January 2023 – Ghent

The Flanders-China Chamber of Commerce organized a dinner meeting focusing on **“China for Flemish Tech Companies: to avoid or to engage?”** on **23 January 2023 in Gent**.

Following the welcome address by Ms. **Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce, Mr **Peter Tanghe**, Technology Counselor for Flanders Investment and Trade in China, shared 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, offered his first-hand perspective arising from Molecubes' experience in China.

A Q&A session and networking dinner concluded the event.

A detailed report will follow next week.

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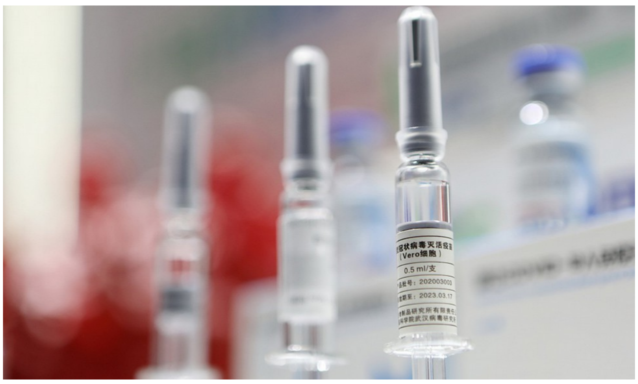
HEALTH

Covid-19 infection peak passed in major cities; Spring Festival travel creates new challenges



The Covid-19 infection peak has passed in most major cities. In Shanghai, preventing serious cases remains a challenge as many senior citizens have underlying illnesses. New infections peaked in late December in Shanghai and then showed a significant downward trend. The number of fever clinic visits, ambulance departures and emergency room visits are all declining. Positive cases nationwide have dropped 44.3% since peaking on January 5, National Health Commission (NHC) official Guo Yanhong said. But British science data firm Airfinity predicted that cases could peak at 4.8 million a day, with 62 million infections from January 13 to 27, followed by a decline. In his first public comments on the wave of Covid-19 infections, Chinese President Xi Jinping said in a Lunar

New Year message he was most worried about Covid's spread in China's vast countryside, where medical services and resources are insufficient.

The Chinese Center for Disease Control and Prevention said the death toll related to Covid-19 in hospitals reached 12,658 in the seven days between January 13 and 19. The country had previously reported nearly 60,000 deaths between December 8 and January 12 after the abrupt ending of the zero-Covid policy. Separately, Wu Zunyou, the CDC's Chief Epidemiologist, played down concerns about a second wave in the next few months, but he warned infections would rise during the Spring Festival. "The massive social mobility during Chinese New Year could accelerate the spread of the pandemic to a certain extent, and the number of infected people will increase in some areas," Wu wrote. But because the latest wave had infected about 80% of the people in the country there was little possibility of a large-scale epidemic rebound or a second wave of cases in the next two to three months, Wu said.

Chinese officials and experts said that the China CDC is monitoring excess mortality to better evaluate the number of deaths from the pandemic, but said it takes some time to release the relevant data. Calculating the number of excess deaths can correct possible underestimation, Wu Zunyou said. No new Covid variants or mutations have been found in China, and the epidemic will not have a significant impact on other countries, Wang Wenbin, Chinese Foreign Ministry Spokesperson said. Hans Kluge, Europe Director at the World Health Organization (WHO) added that "the ongoing surge in China is not anticipated to significantly impact the Covid-19 epidemiological situation in the WHO European Region at this time".

UBS economists forecast consumption to grow 6.6% year-on-year in 2023 after estimating a contraction of 0.6% in 2022. Excess savings from the pandemic period will be released and the resumption of services by small- and medium-sized enterprises would help support employment and household incomes, UBS said in a note earlier this month. However, the rebound is unlikely to be "super strong", because there has not been a significant government consumption stimulus or income subsidies, while employment, incomes and consumer confidence are still recovering from mobility restrictions. The potential for new waves of coronavirus infections adds to economic uncertainty. While some economists have called for large-scale income subsidies or consumption coupons, others have argued such stimulus is not feasible given constraints on China's fiscal capacity and difficulties in accurately targeting low-income groups.

Since China downgraded its Covid-19 management on January 8, the daily average of people passing through border entrance and exit points has reached 501,000, up by over 48% compared to the period before the announcement and about a quarter of pre-epidemic level. Opening more than 3,200 windows for immigration document application and 53 ports nationwide, authorities have handled an average of 341,000 entry and exit documents per day, up 130%, reaching more than half of the pre-epidemic level. According to the latest data, 65 million residents from the Chinese mainland entered and exited the country in 2022, about 10 million less than in 2021.

China will resume outbound group travel to selected countries early next month, according to the Ministry of Culture and Tourism. A pilot program will be launched on February 6 to allow travel agencies to organize outbound group travel for Chinese citizens to 20 countries – Thailand, Indonesia, Cambodia, the Maldives, Sri Lanka, the Philippines, Malaysia, Singapore, Laos, the United Arab Emirates, Egypt, Kenya, South Africa, Russia, Switzerland, Hungary, New Zealand, Fiji, Cuba and Argentina. Travel agencies will also be allowed to offer flight and hotel packages to tourists.

Beijing Daxing International Airport, the city's second airport, resumed outbound overseas flights after a nearly three-year suspension due to the pandemic. All international flights were transferred to Beijing Capital International Airport in March 2020. On January 8, the Civil Aviation Administration of China (CAAC) said that flights would now be arriving in Beijing directly, instead of being diverted to other Chinese cities where passengers were required to stay in quarantine for a number of days.

China National Biotec Group (CNBG), a subsidiary of China National Pharmaceutical Group Co **(Sinopharm) announced it has received regulatory approval for clinical trials of China's first mRNA Covid-19 vaccine targeting the Omicron strains.** Zhang Yuntao, Vice President and Chief Scientist of the group, said in a statement: "From the early stage of research and development, CNBG has been working toward developing a world-class Omicron-specific mRNA vaccine in all aspects. Also, we have been making efforts to speed up the process for clinical trials". CNBG subsidiary Virogin, based in Shanghai, has production lines with an annual capacity of 2 billion doses of mRNA vaccine. According to the Ministry of Industry and Information Technology (MIIT), China's annual Covid-19 vaccine production capacity has reached 7 billion doses, and the annual output exceeded 5.5 billion doses in 2022. At least six domestic mRNA vaccines, including from CanSino Biologics and CSPC Pharmaceutical, have been approved for testing. Clinical trials of the AWcorna mRNA vaccine are under way in Mexico and Indonesia.

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

MACRO-ECONOMY

China's population down by 859,000 to 1.41 billion in 2022

China's population plummeted by 850,000 people to 1.4118 billion in 2022, down from 1.4126 billion a year earlier, the first decline since 1961. Foreigners, and the populations of Hong Kong, Macao and Taiwan, are not included in the figures. In 2022, the national population growth rate was minus 0.6 per thousand. Mothers in China had 9.56 million babies last year, representing a 9.98% drop from the 10.62 million in 2021. China's national birth rate fell to a record low of 6.77 births for every 1,000 people in 2022, down from 7.52 in 2021, the lowest rate since records began in 1949.

A total of 10.41 million people died in China in 2022. The national mortality rate was 7.37 per thousand last year, putting the national growth rate at a negative 0.6 per thousand people. China's male population in 2022 stood at 722.06 million, while the female population was 689.69 million. China's working-age population – those between 16 and 59 years old – stood at 875.56 million at the end of 2022, representing 62% of the total population, down from 62.5% a year earlier. Last year, 280.04 million people were aged 60 years old or older, accounting for 19.8% of the population. In 2022, 209.78 million people were aged 65 or older, up from 200 million in 2021. The 2022 total accounted for 14.85% of the population, up from 14.16% in 2021.

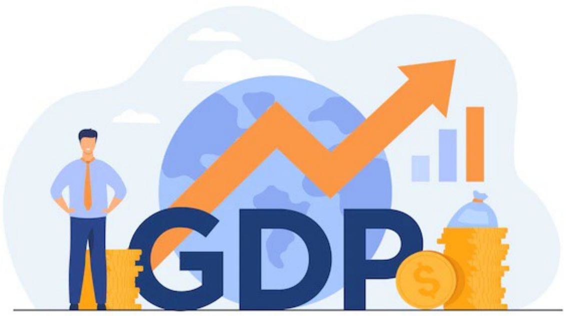
The number of permanent residents in urban areas was 920.71 million, an increase of 6.46 million from a year earlier. There were 491.04 million permanent residents in rural areas, a decrease of 7.31 million from a year earlier. The share of the urban population in the total population was 65.22%, 0.5 percentage points higher than a year earlier.

"The contraction of the total population reflects the impact of the pandemic and the associated economic downturn on fertility demand. We continue to expect population contraction in 2023; infections and the long-term effects of Covid-19 could postpone household birth plans. Lockdowns in 2022 will also have a lagging impact on birth in 2023. At the same time, the death rate will stay above the pre-pandemic level tied to Covid-19 infections across the country." said Yue Su, Principal Economist at The Economist Intelligence Unit (EIU). Zhang Zhiwei, President and Chief Economist of Pinpoint Asset Management added that "China's population declined for the first time since 1961. The population will likely trend down from here in the coming years. This is very important, with implications for potential growth and domestic demand. China cannot rely on the demographic dividend as a structural driver for economic growth. Going forward, demographics will be a headwind. Economic growth will have to depend more on productivity growth, which is driven by government policies."

China's population decline is irreversible, and believing otherwise is futile, demographers warned, but more must be done to stem the tide, including ramped-up efforts to boost the birth rate. "It's unquestionable that China will not see population growth from now on, as an endless period of population decline began in 2022," independent demographer He Yafu said. "There's no hope that the decline can be reversed." China allowed couples to have three children in 2021 after **dropping the one-child policy that was in place from the 1980s until 2016**, when the two-child policy followed. Having additional children is also no longer punishable by law, but they would not qualify for any legally mandated childcare and benefits. One of the most urgent moves needed to encourage births, according to He, would be to completely scrap the family-planning policy and drop all number restrictions. "Despite the limited actual effect – as only a small number of couples would want to have more than three children – replacing the three-child policy by encouraging unlimited births would have a tone-setting significance, indicating a complete shift in birth policy," the demographer said.

Additionally, China should give larger cash handouts to new parents while offering greater and more affordable day-care services for children under the age of three. Some provincial and municipal authorities have started offering financial incentives to couples to have kids. However, critics say that, compared with the actual cost of raising a child, the subsidies are far from sufficient. Births will remain low as the number of women of childbearing age will continue to drop, while their reluctance to have more babies will remain. Kang Yi, Director of the National Bureau of Statistics (NBS), confirmed that the number of women aged 15 to 49 – which the World Health Organization (WHO) considers to be the reproductive age – plunged by nearly 4 million last year, the South China Morning Post reports.

China's GDP grows 3% in 2002 to CNY121 trillion



China's GDP increased by 3% to CNY121 trillion in 2022. Despite a mild slowdown in the fourth quarter due to an uptick in the Covid-19 infection curve, China still outdid most other major economies, including the U.S., Japan and Germany in 2022, highlighting China's dual role as both the locomotive and the stabilizer of the global economy last year, when its manufacturing capability helped the world tame inflation and stabilize supply chains. **Averaged over the past three years, GDP grew 4.57%.** With the return of consumer confidence, China is on track for a GDP growth of above 5% in 2023, analysts said, predicting that domestic consumption will be the mainstay of the recovery amid a possible global recession. "In 2022, China's economic output jumped to a new height, topping CNY120 trillion after hitting CNY110 trillion and CNY100 trillion in 2021 and 2020, respectively, and China maintains its standing as the world's second-largest economy," Kang Yi, Director of the National Bureau of Statistics (NBS), said. He noted that China's GDP per capita stayed above the USD12,000-mark for two years in a row, close to high-income countries as defined by the World Bank.

Industrial added-value rose 3.6% year-on-year in 2022, while fixed-asset investment (FAI) gained 5.1%. Retail sales slumped 0.2% to CNY43.97 trillion in 2022, but it is the second consecutive year above CNY40 trillion, showing that China has kept its position as the world's second-biggest commodity retail market. "The outcome has slightly beaten market expectations, and it is a hard-won result given all the unexpected internal and external short-term shocks, while China didn't resort to stimulus spending like Western countries," Hu Qimu, Deputy Secretary General of Forum 50, told the Global Times. Germany has released a projected 2022 GDP growth of 1.9%, while the economic output of the U.S. and Japan are estimated to have expanded at less than 2% last year based on an IMF prediction, Kang said. The IMF forecast a 2.4% growth in 2022 for advanced economies.

China's global competitive industries such as new-energy vehicles (NEV), advanced technology and electronic products displayed solid growth, riding the wave of the ongoing industrial upgrading and despite downward pressures. In particular, NEV output skyrocketed at an astonishing 97.5% last year. "It is a good sign that once the shockwaves ebbed, the economy was able to recover quickly on the basis of healthy fundamentals. China has a unique edge in the sheer size of its market. So as long as the economic fundamentals were stabilized, we can withstand external challenges," Hu said. China's economy grew 8.4% in 2021, and in 2020 – the first year of the coronavirus – GDP rose 2.2%, the only major economy to expand. That translates to an annual growth of 4.5% over the last three years, one of the fastest among major economies.

"It is not an exaggeration to say that the situation in 2022 was more perilous than 2020. Internally, we had sporadic outbreaks in manufacturing bases including Shanghai and Guangdong province that grounded local factories and logistics, as well as a property market slump. Externally, escalating geopolitical tensions drove up bulk commodity prices, subjecting China to skyrocketing imported inflation pressure," Hu said.

"The main theme of the Chinese economy in 2023 is to regain growth potential," Hu noted, predicting that GDP could grow 5% to 5.5% this year. Xing Zhaopeng, Senior China Strategist with ANZ Research, told the Global Times that China will see a V-shaped recovery in the next few months to the pre-pandemic level, and its GDP in 2023 is forecast to increase by 5.4%. "A low base and quick normalization from infections will be two major helping hands," Xing said. Tao Wang, Chief China Economist at UBS, said in a research note that GDP growth could rebound to 4.9% in 2023, led by consumption and helped by property stabilization. Nevertheless, the Chinese economy still faces grim challenges this year, in particular with exports amid sliding global demand, and the country will have to rely more on domestic consumption and investment to shore up the economy, analysts said. Some economists estimate that retail sales could grow 10% this year, equivalent to an increase of CNY4.8 trillion in the total consumption volume. Meanwhile, "infrastructure and manufacturing investment will continue to be the two main drivers, each set to grow 8% to 10% this year, while the dampened real estate sector will strive to stabilize and pick up after the second quarter," Lian Ping, Chief Economist of the Zhixin Investment Research Institute said.

CHINA NEWS ROUND-UP

China to speed up construction of 1,400 major projects

China will speed up the construction of 1,400 major projects carried out by central state-owned enterprises, according to the State-owned Assets Supervision and Administration Commission (SASAC), as China continues to strengthen investment stabilization measures to fuel economic growth this year. These projects include the second phase of Deep Sea No 1, China's independently developed, ultra deep-water gas field of the China National Offshore Oil Corp (CNOOC), and a nuclear power project in Fangchenggang in Guangxi.

More than 10 central enterprises will take the lead in becoming world-class enterprises in their industries, while more than 100 typical demonstration enterprises in different fields will be developed, showing that **China will continue to count on investment as a driving force for economic growth this year.** In 2022, fixed-asset investment (FAI) increased by 5.1% year-on-year to CNY57 trillion. Infrastructure investment rose by 9.4%. “When China's economy is being influenced by multiple unexpected factors and facing downward pressure, China is strengthening investment in major infrastructure projects to activate private capital, expand effective investment, drive employment and boost consumption,” Zhou Maohua, Economist at Everbright Bank, told the Global Times. Major infrastructure projects play a comprehensive role in achieving those goals, because the industrial chains of those projects are often much longer than for small ones. Peng noted that China will increase the strength of investment in cloud computing, broadband infrastructure networks, 5G and 6G, and other high-tech areas.

In the first 11 months of 2022, central enterprises had completed fixed-asset investment (FAI) of CNY3.6 trillion, up 5.6% on a yearly basis. More than 20% of the capital was channeled into strategic and emerging industries. Most local governments in China continue to rely on investment to drive economic growth this year, with many looking for double-digit growth in FAI. Six provinces and municipalities, including Chongqing and Hainan, raised their investment targets this year compared with last year, and at least five provinces plan to complete trillion-yuan level investment before the end of 2023, the Global Times reports.

China's R&D expenditure reaches record high

China spent a record CNY3.09 trillion on research and development (R&D) in 2022, a 10.4% year-on-year increase. The National Bureau of Statistics (NBS) said that China’s R&D expenditures accounted for 2.55% of GDP last year, which is 0.12 percentage point higher than the previous year. The percentage of R&D spending is close to the average of 2.67% among Organization for Economic Cooperation and Development (OECD) economies. China climbed to the 12th place globally, ahead of France with 2.35% and the Netherlands with 2.32%. “Despite multiple unfavorable factors, China’s R&D expenditure continued to soar and injected strong vitality into the nation’s innovative development. Notably, the investment in basic research continued to grow rapidly,” said Li Yin, Chief NBS Statistician. Last year, the country spent CNY195.1 billion on basic research, a year-on-year increase of 7.4%. “Accelerated efforts will be made this year to again beef up R&D expenditure, especially in some self-developed innovations, and to improve the quality of the overall R&D, so as to offer stronger support for tech breakthroughs,” Li said.

According to China’s 14th Five Year Plan (2021-25), **the country will scale up spending on R&D by more than 7% annually** during the period to drive more technological breakthroughs. Consultancy McKinsey and Co said in a report that such a growth target will set the country on the path to becoming the world’s largest spender on R&D. In the first three quarters of last year, Contemporary Amperex Technology Co (CATL), China’s largest electric vehicle battery maker, spent CNY10.58 billion on R&D, representing a 130% increase. “R&D investment will remain a priority for CATL. We will continue to invest heavily in the R&D of power batteries for more innovations to help drive the electric vehicle sector,” said Meng Xiangfeng, Assistant to the company’s Chairman.

Last week, the Chinese government took a number of measures to encourage foreign investors to set up R&D centers in the country. They will be supported in establishing open innovation platforms, financing, and participation in national scientific and technological missions and programs. Related departments and provincial-level authorities were also urged to pave the way for introducing overseas talent. “China has had a very clear and focused strategy over the past decade of investing in high-level research and development,” said Maximilian Foerst, President and CEO of Zeiss Greater China. “In other parts of the world, research budget cycles often change with economic conditions. When the economy is not good, the government pulls back,” Foerst said. But in China, there has been constant R&D investment, he said, adding that this may be one of the reasons why companies would like to increase investment in China, the China Daily reports.

Exports of new energy products rising

China is expanding rapidly in the global new energy market with increased exports of solar modules and lithium batteries. Chinese manufacturers are adapting technologies for lower cost production and enhanced performance to raise competitiveness, and they are able to respond quickly to the need for customized products from overseas, experts said. The General Administration of Customs (GAC) announced that exports of solar cells and lithium batteries in 2022 increased by 67.8% and 86.7% year-on-year, respectively. Zhou Mi, Senior Researcher at the Chinese Academy of International Trade and Economic Cooperation, said that the growth of China’s exports of new energy products was the result of rising worldwide demand for such goods, and the trend is likely to continue, buoyed by the global energy transition and recovering economies.

"China's new energy industry is developing rapidly. Its products, especially solar panels and lithium batteries, are competitive in the global market with low prices and high quality, and relevant companies have gained increasing recognition and a relatively high reputation in the international market, which is also an important driver of export growth," Zhou said. "Going forward, global demand for low-carbon energy, especially in energy-intensive areas like construction, will continue to boost China's exports of new energy facilities, which is an opportunity for Chinese companies provided they can ensure supply capacity and advancement of technologies. Meanwhile, further efforts are also needed to reduce costs and increase production efficiency," Zhou said.

The National Energy Administration (NEA) said China will work to promote international cooperation in the area of clean energy this year by establishing the China-ASEAN and China-Arab clean energy cooperation centers, and by facilitating cooperation with European countries in areas like hydrogen energy, energy storage, wind power and smart energy. "China's promotion of clean energy cooperation in these regions, which has huge demand for new energies, will offer great business opportunities for companies. Chinese new energy products' foray into such markets will also promote local firms' green transition," Zhou added. Jiang Yali, Solar Analyst at energy research provider BloombergNEF, said China is responsible for more than 75% of the global PV supply chain, and exports of such products have increased significantly in accordance with global growth of around 47% or about 268 gigawatts.

In 2023, there may be more newly production capacity in India, the United States, Southeast Asia, Turkiye and other markets. However, over the short term, they still cannot replace China's leading position in global PV facility manufacturing, Jiang added. More standards such as carbon emissions requirements may be introduced in the international market, which will also be a challenge for relevant companies, she said, as reported by the China Daily.

China's FDI up 8% in 2022

China's inbound foreign direct investment (FDI) grew for a third consecutive year in 2022, indicating that the country remains a magnet for foreign investment despite the pandemic. The attraction of China, backed up by a mass consumption market, a strong manufacturing base and an improving business environment, was not dampened by Covid-19, Chinese observers said, and many foreign-funded firms will remain in the market for the long run. FDI in 2022 hit USD189.13 billion, rising 8% in U.S. dollar terms and maintaining stable growth, data from the Ministry of Commerce (MOFCOM) showed. FDI totaled USD173.48 billion in 2021 and USD144.37 billion in 2020. FDI in the manufacturing sector was CNY323.7 billion, up 46.1% year-on-year. This segment accounted for 26.3% of total FDI, an increase of 7.8 percentage points from 2021. FDI in the high-tech sector was up 28.3%, accounting for 36.1% of the total -- an increase of 7.1 percentage points from 2021. Large projects each with contracted FDI of more than USD100 million received CNY653.47 billion, up 15.3%. Those projects accounted for 53% of China's actual use of foreign capital, providing important support for stabilizing foreign investment, MOFCOM said. "The attraction of China's long-term advantages, including an improving business environment and market conditions, played an important role," Li Yong, Deputy Chairman of the Expert Committee of the China Association of International Trade, told the Global Times. China has promoted high-standard opening-up. For example, the authorities canceled registration requirements for businesses engaged in foreign trade on December 30, 2022, following a revision of the Foreign Trade Law, MOFCOM said on January 3.

MOFCOM and the Ministry of Science and Technology pledged **to encourage foreign investors to set up research and development (R&D) centers** and continue to support cross-border flows of R&D data in accordance with the law. "Foreign-invested R&D centers are important components of China's science and technology innovation system," the ministries said in a joint statement. Supporting the freer flow of R&D data may help alleviate foreign investors' concerns over the country's tightening cybersecurity regulations and limitations on data flows. China's annual research and development expenditures nearly tripled in the past decade, reaching CNY2.8 trillion in 2021, and its spending is expected to have surpassed CNY3 trillion in 2022.

South Korea, Germany and the UK are the top three investors, with an increase of FDI of 64.2%, 52.9% and 40.7%, respectively. Vice Premier Liu He reiterated at the Davos World Economic Forum that China is determined to promote all-round opening-up and multilateral cooperation. "Foreign investments are welcome in China, and the door to China will only open up wider," he said, as reported by the Global Times.

19% of all car sales in China are EVs

Global sales of electric vehicles (EVs) in 2022 reached 10% of all car sales for the first time, with China driving the trend. In China, sales of EVs made up 19% of all car sales, while in Europe, the corresponding figure was 11%, according to LMC Automotive and the EV-Volumes website, which provides data and forecasts for the sector. Global sales of full EVs totaled around 7.8 million units, an increase of 68% from the previous year, according to the analysis. Overall, global sales of vehicles fell 1% last year to 80.6 million units, LMC's data showed. The sales decreased by 8% in the United States and 7% in Europe, but rose by 4% in China. The country accounted for around two-thirds of global sales of full EVs last year.

According to the China Association of Automobile Manufacturers (CAAM), 26.86 million vehicles were sold in 2022, with 6.89 million units being EVs. Sales of EVs almost doubled, surging by 93.4% year-on-year. Cui Dongshu, Secretary General of the China Passenger Car Association (CPCA), expects the penetration rate of NEVs will continue to grow rapidly this year, as the cost of NEVs has fallen faster than that of internal combustion vehicles in the country, and NEV sales have led the overall passenger car market.

Ralf Brandstaetter, Chief Executive of Volkswagen China, said that EVs would continue expanding fast and that China could soon reach a point where sales of conventional vehicles begin to permanently decline, as plug-in vehicles take more market share. “Last year, every fourth vehicle we sold in China was a plug-in, and this year it will be every third vehicle,” Brandstaetter said. “We haven’t reached the tipping point yet, but we’re expecting to get there between 2025 and 2030.”

Volkswagen lags behind China’s domestic EV makers such as BYD in sales in the sector in China, but the company believes that the future is bright in China. Data from Chinese brokerage CMBI showed that Volkswagen’s passenger brand sold 1,962 EVs between January 1 and 8 in China, while BYD, sold 40,046 units. Brandstaetter said that Volkswagen plans to broaden its higher-end and lower-end offerings in China, calling the country’s automobile market a “giant fitness center for the industry”. “We don’t want to give up this competition, we want to participate. We want to play a leading role. The cards are being mixed anew,” he said. Brandstaetter added that diversification “doesn’t mean shutting down in China and ramping up” in the U.S. “It means continuing to use the market opportunities in China and ramping up in America,” he said, as reported by the China Daily.

Continued growth in parcel delivery expected this year

The revenue of the parcel delivery sector is expected to grow this year as it continues its decade-long boom, the sector’s regulator said. According to the State Post Bureau of China, the revenue of the parcel delivery sector is expected to reach CNY1.13 trillion this year, a year-on-year increase of 7%. A total of 110.58 billion parcels were collected and delivered in China last year, up 2.1% compared with 2021. The sector’s revenue was CNY1.06 trillion, up 2.3% from 2021. “China has built a large parcel delivery network extending to most areas in the country and the world, with the ability to handle more than 100 billion parcels a year,” said Zhao Chongjiu, Director of the Bureau. He made the remarks at the sector’s annual conference in Beijing. “As a market full of vitality, parcel delivery has become China’s calling card,” he said. China has ranked top in the world for nine years in terms of the volume of parcels it handled, according to the Bureau.

“The sector has been booming in the past 10 years, with the capability to manage as many as 700 million parcels every day,” Zhao said. Parcel delivery has become an inseparable part of Chinese people’s daily lives. Especially during the Covid-19 epidemic, the sector maintained the flow of goods to meet people’s daily needs, he added. Last year, millions of Chinese people were affected by the epidemic. Some were confined to their homes for weeks and relied heavily on parcel delivery services to maintain a semblance of normal life. Some were reluctant to go out shopping and chose to place orders online instead and receive the parcels through reliable networks. Though experiencing ups and downs, the sector has shown its resilience. Last month, residents in some areas reported parcel delays as some companies experienced staff shortages due to the epidemic. The sector has shown its resilience by quickly clearing the backlog, such as by urging all parcel companies in Beijing to call in couriers from outside the city. The Bureau also asked companies to keep services available and reopen parcel delivery stations that were temporarily shut down due to the epidemic, the China Daily reports.

Stable growth in number of patents and trademarks granted to foreign entities

The number of patents and trademarks granted to foreign entities saw stable growth in 2022. The number of invention patents China granted last year to foreign entities rose by 4.5%, compared with 2021, bringing the total to 861,000, Hu Wenhui, Deputy Director of the National Intellectual Property Administration (NIPA), said. Last year, patents were granted to 58,000 foreign entities, 2,000 more than in 2021. The figure of trademarks registered by foreign enterprises in China increased by 5.9% year-on-year in 2022, bringing the total to 2.03 million, Hu added. “It can be clearly seen that we are constantly moving forward on the road to building a powerful IP state, and it also shows that IP has continuously contributed to our nation’s high-level opening-up,” he said. Underlining the Chinese government’s equal protection of both domestic and foreign enterprises, Zhang Zhicheng, Director of the Administration’s IP Protection Department, said, “The rising figures fully demonstrate that our efforts in IP protection have provided a sound business environment for foreign-invested companies in China.”

Zhang said that the Administration has set up 97 centers at the national level, including 10 established last year, to offer efficient IP services and help protect the IP rights of domestic and foreign enterprises across the country. He added that, so far, more than 2,900 foreign-invested and joint-venture companies have been put on record at these centers. “We have also attached importance to dealing with administrative disputes involving foreign entities, and our timely handling of such cases and prompt stop to infringements have been widely praised by IP professionals,” Zhang said. To ensure that voices of foreign-invested enterprises can be heard and to help them solve difficulties in IP protection, the Administration has increased information exchanges with other authorities, including the National Development and Reform Commission (NDRC), the Ministry of Commerce (MOFCOM) and the China Council for the Promotion of International Trade (CCPIT).

China also saw rapid IP development among its own enterprises last year. The Administration authorized 798,000 invention patents in 2022, bringing the country’s total number to 4.21 million. Of the total, 3.28 million valid invention patents came from the Chinese mainland. “It makes China the first country with more than 3 million valid domestic invention patents in the world, and shows the vitality and innovation of domestic enterprises,” Hu added, as reported by the China Daily.

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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
W www.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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