China Business Weekly

28 February 2023

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

FCCC/EUCBA ACTIVITIES

Webinar: "China and the world: the resurrection of geopolitics. What does that mean for businesses?" – 3 March 2023, 10 am

The Flanders-China Chamber of Commerce (FCCC) is organizing a webinar focused on "**China and the world: the resurrection of geopolitics. What does that mean for businesses?".** Join us to discover and share our latest viewpoints and analytical framework that all EU-based business leaders can leverage on. This webinar will take place on **3 March 2023** at **10 am CET**.

The programme is as follows:

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

10h05 - 10h45: "China and the world: the resurrection of geopolitics. What does that mean for businesses?"

10h45 – 11h00: Q&A Session

Speakers:

- Mr **Alexis De Méyère**, Director, PwC Belgium
- Dr **Peter Eitel**, Senior Manager, PwC Germany
- Mr **Jens Paulus**, Partner, PwC Germany

Practical information:

Date: March 3, 2023

Time: 10 am CET

Location: Online

Participation for members: Free of charge

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Webinar: China calling – FIT China testifies (in Dutch) – 10 March 2023 – 10h00 CET

The Flanders-China Chamber of Commerce and Flanders Investment & Trade are organizing a webinar with the **Flemish Economic Representatives in China** on **10 March 2023 from 10h00 till 11h15**. The webinar will be conducted in the Dutch language.

During this webinar, the **Flemish Economic Representatives**, **Koen De Ridder** in Beijing, **Frank Van Eynde** in Shanghai, **Eva Verstraelen** in Guangzhou and **Siegfried Verheijke** in Hong Kong S.A.R. will talk about the current business climate in their region and the opportunities for companies from Flanders.

The programme is as follows:

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

10h05 – 10h55: Panel discussion with the Flemish Economic Representatives of Flanders investment & Trade

- **Koen De Ridder**, Flemish Economic Representative in Beijing
- **Frank Van Eynde**, Flemish Economic Representative in Shanghai
- **Eva Verstraelen**, Flemish Economic Representative in Guangzhou
- **Siegfried Verheijke**, Flemish Economic Representative in Hong Kong S.A.R.

10h55 – 11h15: Q&A session

Practical information:

Date: 10.03.2023

Time: 10 am – 11:15 am CET

Location: Online

Price members: Free

Price non members: Free

SUBSCRIBE HERE

ACTIVITIES SUPPORTED BY FCCC

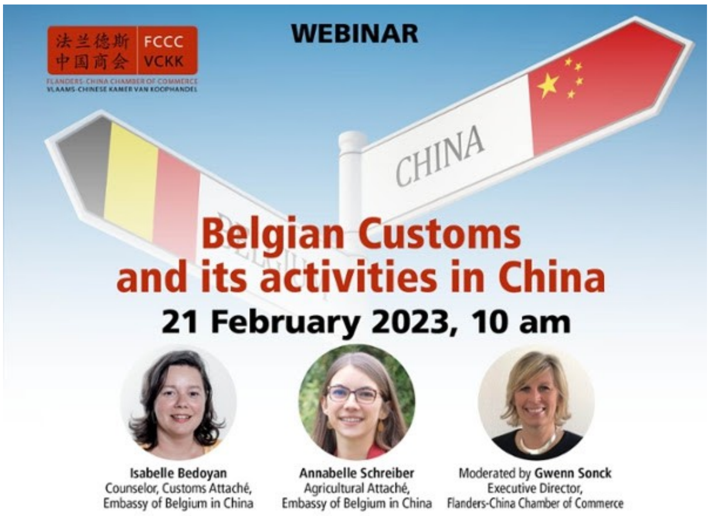
6th China International Import Expo (CIIE) – November 5-10, 2023 – Shanghai

The 6th China International Import Expo (6th CIIE) is scheduled to be held physically in Shanghai during the period from November 5 to 10, 2023. Foreign companies including those from the Flanders region are most welcome to take active part in the Enterprise & Business Exhibition. Registration and application are now available and an early bird always catches the worm. We expect this year there may be many applications due to the reopening of China.

For the details of 6th CIIE, please download two documents for your kind information from the link https://we.tl/t-G7L42Sn7Ap . You may also visit the official website of CIIE for more information https://www.ciie.org/zbh/en/ . We will keep you updated if there is more information including exhibition and/or supporting activities of the 6th CIIE.

PAST EVENTS

Webinar: Belgian Customs and its activities in China – 21 February 2023



The Flanders-China Chamber of Commerce (FCCC) organized a webinar focused on '**Belgian Customs and its activities in China**' on **21 February 2023**.

Ms **Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce, introduced the two speakers, Ms **Isabelle Bedoyan,** Counsellor and Customs Attaché, and Ms **Annabelle Schreiber,** Agricultural Attaché at the Embassy of Belgium in China. 2022 has been a turbulent year. This year will certainly be very different, the Year of the Rabbit started very promising. China having lifted all the Covid restrictions on January 8 and reopening its economy means new business opportunities for our members, more exports and more investments. We are now able to travel to China again to attend trade fairs and companies who postponed investments in China are on the road again to open new factories in China.

The Chinese government identified stabilizing economic growth as one of China's top priorities for this year. Looking at the longer term, however, Morgan Stanley predicted that the reopening would allow China to reach an economic growth of 5% in 2023 compared to 3% in 2022. Flanders' exports to China from January to November 2022 declined by 6%, the backlash of the atypical rise of pharmaceuticals in the corona-year of 2020. Flanders' exports to China reached €6.13 billion, while imports from China to Flanders reached almost €30 billion, which was an increase of almost 50%. The main exports from Flanders to China were chemicals and pharmaceuticals; machines, appliances and electronic equipment; and plastics. The main import products from China to Flanders were machines, appliances and electronic equipment; transport equipment; chemicals and pharmaceuticals.

Procedures and regulations of the Chinese customs and other institutions related to import or export were introduced by Ms **Isabelle Bedoyan,** Counsellor and Customs Attaché at the Embassy of Belgium in China. Ms. Bedoyan has been based in China since 2018 and has been a Customs Attaché since 2008. She covers mainland China, but also Hong Kong and Macao, which still are separate customs territories with separate legislation. She is developing strong ties with local customs administrations and focusses on trade facilitation, as well as compliance and the fight against fraud. Belgian Customs only has a few attachés abroad in Brazil, India, Indonesia and China.

(https://finance.belgium.be/en/representation-abroad)

A Customs Attaché has four main tasks:

- **Trade facilitation and assistance to economic operators and individuals** is an important task in Beijing. We assist and inform investors and economic operators trading with China, focussing on import and export information, with an emphasis on prevention and helping to understand the customs regulations. We can also provide assistance in case of blocked shipments, but the priority is to avoid such situations. The Attaché is also an intermediary between Belgian operators and Chinese customs. We can offer expertise and our network, but we are not lawyers nor customs brokers, and we will always operate in respect of national laws and local authorities.
- Representing Belgian Customs in China and building a professional network, and having regular contacts with Chinese counterparts and international and EU Customs Attachés.
- Representing Belgian Customs at international events, such as the Belgian Economic Mission in November 2019.
- Fight against fraud.

Attention points in China:

- Information and prevention is key, because you will encounter language and cultural barriers. There are some time-consuming procedures you need to do before you import and there is some paperwork at the border. Legislation can change quite fast. China Customs has become a true gate keeper.
- Many different scenario's: exports, production in China, sourcing from China, accessing tenders, and Chinese investments in Belgium.

Important basics:

- The main player for Customs clearance is the General Administration of Customs (GACC), which is a full ministerial agency and has taken over the former responsibilities of AQSIC, such as quarantine and registration of overseas manufacturers of imported food. GACC had a tough time during the past three years of Covid, having to deal with the disinfection of goods and with arriving passengers.
- Other important administrations include the State Administration of Market Regulation (SAMR) and the Ministry of Agricultural and Rural Affairs (MARA).

The commodity code is very important for the procedures you need to follow and the taxes you have to pay. The international harmonized system has only 6 digits, but is revised every five years. New codes were introduced in January 2022. The Chinese customs commodity code is based on the international one, but after the integration of AQSIC has 13 digits.

VAT-rates on imported goods have decreased over the last year with a minimum rate of 9% and a maximum of 13%. A consumption tax is applicable on particular categories of products such as tobacco, alcohol, cosmetics and luxury goods. There are also different rates of import duties, for example when you export from countries that have a Free Trade Agreement (FTA) with China. Some key technical equipment, products and raw materials can be exempt of duty and VAT.

Companies exporting technical goods will need a China Compulsory Certification (CCC), comparable to the CE marking in Europe. It covers more than 150 types of products. China Customs has invested quite some time and money in the single window for Customs, combining information from different ministries. For those sourcing in China, SPEAC provides information and training programs to help Chinese manufacturers sell safely in the EU.

(https://speac-project.eu)

There were many Covid-policies for incoming goods in 2022, which have now been stopped, but there is still an awareness for epidemic threats and the traceability of food products has increased. This may be a legacy of the Covid period.

The economic support team of Belgium Customs:

email: da.mf.es@minfin.be ; website: https://finance.belgium.be/en/customs_excises

Ms **Annabelle Schreiber,** Agricultural Attaché at the Embassy of Belgium in China, talked about the support given by FASFC to local companies when exporting to China. She arrived in Beijing in 2021. The Federal Agency for the Safety of the Food Chain (FASFC) is the Belgian competent authority for animal and plant health and for food safety. It implements European legislation in Belgium and performs import checks in designated border control posts. It also issues export certificates for all commodities in the food chain. The main contact point are the local units.

FASFC in China negotiates on health certificates and SPS market access. Currently there are 10 ongoing access files. FASFC also accompanies Belgian companies in their registration process in CIFER. The Belgian Agricultural Attaché for food safety and sanitary and phytosanitary (SPS) related measures is not in charge of agricultural and economic aspects, which are the competence of the regions. The Attaché is in charge of market access files, embargoes, and SPS issues with imported consignments, and the implementation of collaboration protocols.

A Q&A session concluded the webinar.

HEALTH

Influenza overtakes Covid in Beijing; airlines increase flights to and from China

Influenza has overtaken the coronavirus to become the most prevalent virus in Beijing as the infection rate of influenza across the country continued to rise in the past week. The news sparked discussions on whether Chinese cities will have an influenza outbreak surpassing that of previous years and whether there will be a twin-epidemic of Covid-19 and influenza.

Suspension of classes in schools in cities including Tianjin and Hangzhou were reported due to the prevalence of influenza. The China CDC weekly report on influenza on February 23 showed the positive rate of influenza in the country continued to rise compared to that of last week. The influenza A (H1N1) type accounts for 71% of all influenza samples. “It's not surprising to see the prevalence of influenza this season, as nowadays the relative loose requirements for wearing masks in public places provide a ground for the prevalence of influenza,” Wang Guangfa, Respiratory Expert from Peking University First Hospital, told the Global Times. In the past three years, the prevalence of influenza was low due to the Covid-19 prevention and control measures. Acute infectious diarrhea caused by the Norovirus is also peaking in the period from October to March. There are no vaccines against the virus.

Fifteen school students in Hangzhou, Zhejiang province, have tested positive for Covid-19. The cases – 10 at a primary school and five at a secondary school – were all infected for the first time, according to authorities. Over half of the students in the school haven’t caught Covid-19 at all so far, and the vast majority of unaffected students went to school as usual. Despite the relaxation of Covid-19 restrictions two months ago, health authorities in Hangzhou and across China are still closely monitoring its development and the emergence of new cases. “In general, schools are advised to suspend in-person attendance for a class once more than 20% to 30% of students in that class are infected with Covid-19,” a staff member from the Xihu District Center for Disease Control and Prevention explained. These infected students are isolated cases, said a Hangzhou official, and it does not signify the start of a new wave of infections.

A number of foreign airlines are working hard to restart flights serving the country as China has lifted the travel ban, leading to a fast recovery of demand. KLM Royal Dutch Airlines, a subsidiary of the Air France-KLM Group, said it will increase the frequency of flights connecting with China starting from March 26. It also plans to have three flights from Amsterdam to Hong Kong, starting six direct flights per week to Beijing and Shanghai on the same day, and increasing service to a daily flight from May. Air France plans to increase the frequency of flights between Paris and Beijing, Shanghai and Hong Kong to one daily from July. After the reopening of the Chinese mainland, Lufthansa Group further increased its flight frequency. Starting from March, Lufthansa will double the number of its flights to the Chinese mainland from five weekly flights to nine. Airlines in Southeast Asia, which are favored by Chinese tourists, are expanding more rapidly. AirAsia restarted the Guangzhou-Kuala Lumpur route on February 11, and it plans to increase service to eight flights per week from March 2. Emirates will increase flights between Dubai and Shanghai to daily from March, and will restart the Dubai-Beijing route on March 15. Qatar Airways announced that it will resume daily flight services from Doha to Beijing Daxing International Airport from March 26, while increasing services between Doha and Guangzhou to daily flights.

China-UK direct flights, which were interrupted during the Covid-19 epidemic, are set to resume soon. According to British Airways, the route between London Heathrow Airport and Shanghai Pudong International Airport will resume operations on April 23, with seven flights per week, and British Airways will resume flights from London Heathrow to Beijing Daxing International Airport on June 3. The number of scheduled international passenger flights stood at 795 by 98 airlines from home and abroad from February 6 to 12, covering 58 countries and regions, the Civil Aviation Administration of China (CAAC) said. The number of flights was up 65% over the January 2 to 8 period, the week before China changed its Covid-19 management.

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

STOCK MARKETS

Registration-based IPO system extended to all A-share boards

The registration-based initial public offering (IPO) system has been extended to the A-share main board. The China Securities Regulatory Commission (CSRC), the country's top securities watchdog, released the official trading mechanism and rules to adopt registration-based IPOs throughout the A-share market, 16 days after it rolled out the draft version. Such registration system shifts financial enforcement from prior approval and evaluation before IPOs are launched to requiring companies to fully disclose all material facts to investors. Penalties for false disclosure or nondisclosure have also been increased. The system was used experimentally for the technology-heavy STAR Market at the Shanghai Stock Exchange starting from July 2019. In August 2020, its use was encouraged on the Nasdaq-style ChiNext at the Shenzhen bourse. The Beijing Stock Exchange, seen as a place to nurture technologically advanced small and medium-sized enterprises, has implemented the system since it was officially launched on November 15, 2021.

Now the system will be implemented at the A-share main board. Data from market tracker Wind Info shows that the total market capitalization of the companies listed on the main board at the Shanghai and Shenzhen bourses reached CNY70.25 trillion by the end of 2022, accounting for 80.05% of the total A-share market cap. The main board heavyweight sectors include finance, property, steel and oil. The total market cap for the STAR Market in Shanghai, where "hard technology" companies such as chipmakers and biomedicine companies are listed, reached CNY6.13 trillion as of December 31, 2022. The combined market cap of ChiNext companies in Shenzhen, which feature integration of traditional industries and state-of-the-art technologies and business models, reached CNY11.31 trillion at the end of 2022, according to Wind Info.

The IPO process will be simplified under the new system, with approval given by the Shanghai and Shenzhen bourses, so more IPOs are anticipated to be launched. Securities firms' income will naturally increase as their IPO underwriting and sponsoring businesses grow, according to GF Securities experts. Securities firms' incremental revenue generated from expanded main board businesses is expected to reach CNY13.8 billion in 2023, according to GF Securities. The investment banking business is anticipated to contribute an additional income of CNY4.6 billion, while that of the brokerage and margin trading business is expected to come in at CNY4.4 billion and CNY4.8 billion, respectively.

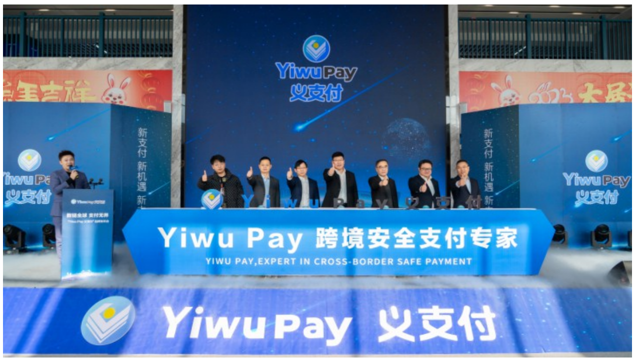
Under the new IPO system, **Chinese securities firms are expected to extend their business to private equity investment** and co-investment at the upstream end, and market making and equity financing on the downstream end. According to CITIC Securities, a total of 65 securities firms took part in A-share IPO underwriting and sponsorship last year, while the top three firms accounted for 45.1% of annual revenue. In the short term, the wider adoption of the registration-based IPO system will benefit securities brokerages for which the investment banking business makes a bigger contribution to their annual sales and that have many IPO applications in the pipeline. In the long run, brokerages' investment banking services will link primary and secondary markets under the new IPO system.

Securities firms that have expertise in margin trading are also likely to overtake their competitors under the new IPO system as margin trading rules have been optimized. Margin trading is expected to become more active. Securities firms with strength in that business, including CITIC Securities, Huatai Securities and Guotai Junan Securities, would likely see faster growth. Competition among securities firms is also expected to intensify after the implementation of the registration-based IPO system throughout the A-share market, to the advantage of large securities firms.

Fifty-two public securities firms made a total income from underwriting business of CNY32 billion in 2022, with CITIC Securities as the largest single earner at CNY5.1 billion of income from that source, according to Hithink RoyalFlush Information Network Co. Ten brokerages saw underwriting income of less than CNY40 million each, including Huajin Securities and TF Securities. Foreign investment banks have applauded the progress. Qian Jing, General Manager of Morgan Stanley Securities, said that foreign firms have established a great deal of knowledge about registration-based IPO systems, which have been implemented in overseas markets for a very long time. Qian said they can provide more precise valuation and pricing based on their overseas experience and crosschecks to help Chinese companies meet their goals in the A-share market more easily, the China Daily reports.

FINANCE

Yiwu Pay launched to facilitate global online transactions



Yiwu, the world's largest wholesale market for small commodities in Zhejiang province, launched a global payment platform called Yiwu Pay, facilitating more than 900,000 market entities in Yiwu to connect to the world while reducing their payment risks. About 2.1 million micro, small and medium-sized enterprises along the supply chain will also be able to better connect to the global market and conduct easier and safer cross-border payments through the Yiwu Pay platform, according to a statement released by the Zhejiang China Commodities City Group Co (CCC Group), developer of the payment platform. "It is of great significance to have one more payment channel, especially as it is backed by CCC Group, which could improve the security of our daily transactions," a Yiwu-based merchant surnamed Wang told the Global Times. Wang sells paper products to clients from over 10 countries and regions. "Our clients now basically pay us in Chinese yuan, but there are settlement risks as banks require more information on the sources of each payment." According to Wang, it is very common for Yiwu merchants to receive cross-border yuan payments now, and Yiwu Pay will help reduce settlement risks and greatly increase the efficiency of their business operations.

Yiwu is unique in having a massive number of small and medium-sized companies selling small commodities to the world, making it necessary to develop its own payment platform, Dong Dengxin, Director of the Finance and Securities Institute of the Wuhan University of Science and Technology, told the Global Times. By providing a full range of trade and financial services, CCC Group is committed to reduce costs and enhance the efficiency of local market entities. Yiwu Pay has an industry-leading risk control system, which can carry out real-time monitoring of transactions to ensure their safety, the CCC Group said in a statement. Yiwu Pay has reached cooperation agreements with more than 400 banks and financial organizations across the world, with businesses covering more than 100 countries and regions and involving 16 major currencies.

Amid the growing trend of the yuan's internationalization, **Yiwu has seen a growing number of trading partners using the Chinese currency to settle transactions**. In December 2022, a local company received a cross-border payment in yuan from Saudi Arabian customers through Yiwu Pay before its official launch, CCC Group noted. A total of 176 countries and regions conducted cross-border yuan settlements with Yiwu in 2022. The total settlement amount came in at CNY56.54 billion, surging 56.23% year-on-year, according to CCC Group. Dubbed the "world's supermarket", Yiwu has recorded robust growth in foreign trade in spite of the Covid-19 pandemic. In 2022, the total trade value of Yiwu reached CNY478.8 billion, up 22.7% year-on-year, according to data from local customs, the Global Times reports.

The China Daily adds that as a growing number of merchants in Yiwu turn to cross-border e-commerce, the efficiency of payments and settlement of transactions becomes increasingly important, said Zhu Yue, a vendor who has a store at the Yiwu International Trade Market. "However, services provided by traditional payment channels such as SWIFT and banks are increasingly lagging behind, slow and costly, and even come across as a burden for merchants like me," he said.

With Yiwu Pay, which supports a variety of payment apps and methods, such as Apple Pay, Alipay and UnionPay, money paid by Zhu's customers through the platform can instantly be accessed and cashed out in RMB in his account. Zhang Gangfeng, Associate Professor at Zhejiang University's School of Management, said this can greatly help reduce risks from market fluctuations and increase the rate of capital turnover. "Traditional cross-border transfer platforms like SWIFT were designed mainly for business transactions worth a certain amount of money," Zhang told China Daily. "They are ill-equipped for the rapidly expanding customer-to-customer and business-to-customer cross-border e-commerce markets." Figures from Yiwu Customs indicate that the city's total import and export value in 2022 stood at CNY478.8 billion, of which CNY431.64 billion was from exports, a year-on-year increase of 18%.

CHINA NEWS ROUND-UP

President Xi Jinping calls for strengthening basic research

Chinese President Xi Jinping, also General Secretary of the Communist Party of China, has called on the nation to strengthen its basic research to consolidate self-reliance and strength in science and technology. Diverse funding sources, international collaboration and talent training are crucial to achieve this goal, Xi emphasized. At a meeting of the Politburo, Gong Qihuang, President of Peking University and an Academician of the Chinese Academy of Sciences (CAS), introduced the development of basic research, and made suggestions on related work. President Xi said that strengthening basic research is the only way to build China into a global scientific and technological powerhouse. Planning on basic research should be strengthened in a forward-looking, strategic and systemic manner, he added. He called for giving full play to the role of national laboratories, research institutions, high-level research universities and leading scientific and technological enterprises. Xi urged coordinated efforts to build research centers for basic disciplines and deploy a new basic platform for scientific research based on information technology in order to form a strong basic research network. Redoubled efforts should be made to enhance the domestic development of scientific and technological apparatus and equipment, operating systems and basic software, he said. Financial investment in basic research should be expanded steadily, and enterprises should increase their investment by making use of tax incentives, scientific funds and donations.

Xi also called for building a platform for international cooperation in basic research, setting up a global fund for scientific research, and **developing joint research with international institutions on global problems** in the fields of climate change, energy security, biosecurity and the utilization of outer space. Tang Benzhong, a noted chemist and Academician at CAS, said that "the spring for scientists in basic research" would come if the ideas highlighted in Xi's speech were effectively implemented. "The source for innovations lies in basic sciences. Only by increasing our capabilities in basic research can we seize new opportunities in technological development," Tang said.

China's total expenditure on research and development (R&D) reached CNY3.09 trillion last year, surpassing CNY3 trillion for the first time. China is the world's second-largest R&D spender. Last year, China spent CNY195.1 billion on basic research, which was 3.9 times the figure in 2012, accounting for 6.32% of the total annual R&D expenditure. While China's spending on basic research is growing steadily, its proportion in total R&D expenditure is lower than that of the U.S., whose basic research spending makes up about 15% of the total R&D expenditure despite a declining trend. At the end of 2021, there were 330,000 high-tech companies in China, up from 49,000 in 2012, latest official data showed. More than 680 companies listed among the world's top 2,500 R&D spenders in 2021.

"What this signals is that the nation will improve its science and technology independence from the aspect of basic science and technology," Sun Yuzhong, Researcher at the Institute of Computing Technology at CAS said. Sun further noted that the U.S.' technological blockade has become almost "crazy," and external political pressure has brought great challenges to China's basic research. "So we have to build more completely independent basic scientific research capabilities and facilities," Sun said. The China Daily, Global Times and South China Morning Post all reported on China's push in basic research.

China's export growth in 2023 expected to be limited to a few percent

China's export growth percentage is estimated to remain in the "low single digits" this year, with the possibility of a pickup in the second half, according to an outlook by Goldman Sachs that comes amid supply-chain disruptions and sluggish global demand. Andrew Tilton, Chief Asia Economist at the American investment bank, said that the global economy is "still rotating back to services to some extent", rather than trade. "That's a relatively soft outlook from China's perspective. Right now it's very weak," he said at a media briefing in Hong Kong.

"In the electronics and tech areas, people bought a lot of equipment during the pandemic, and so you have a sort of overhang." China's exports fell by 9.9% in December compared with a year earlier, while overall in 2022, exports rose by 7%. But Tilton expects there will be a pickup in demand for products, including smartphones, in the second half of the year, and he said this should aid in the recovery of the semiconductor supply chain. China's trade figures for January and February will be released next month, with the data combined to smooth out the impact of the Lunar New Year holiday, which falls at different times during the two months in different years.

Paris-based Allianz Trade said in a report that China's post-Covid reopening will help normalize the disrupted supply chains, but sluggish global demand implies that oversupply will continue this year. After a resilient performance in the first half of 2022, global trade deteriorated in the second half of last year and is likely to remain muted in 2023, the report said. Dwindling global demand amid sustained inflation is set to persist throughout this year, and trade growth will remain mild, the report added. "There has been an oversupply situation since the fourth quarter of 2022," said Francoise Huang, Senior Economist for the Asia-Pacific region at Allianz Trade. "Ample supply and some stabilization in supply chains are likely to prevail this year on the back of weakening demand, replenished inventories, increased capital expenditure and normalizing shipping conditions."

The international insurance company revised its forecast for global trade growth in 2023 from 0.7% to 0.9% with a "slight quarter-to-quarter contraction between the last quarter of 2022 and the second quarter of 2023", before "a moderate recovery" in the third quarter, then a "firming up" by the end of the year, the South China Morning Post reports.

Guangzhou allocates USD29 billion to high-tech investment funds

The municipal government of Guangzhou, capital of Guangdong province, **has invested CNY200 billion to establish funds that will help promote activities involving semiconductors, renewable energy and other hi-tech fields in the city.** This program follows various technology initiatives recently launched by the municipal governments of Beijing, Shenzhen and Hangzhou to help boost China's economic recovery, as the country emerges from three years of strict pandemic controls.

Local authorities in Guangzhou announced the injection of CNY150 billion into an **Industry Investment Fund of Funds (FoF)**, which will invest via sub-funds and direct financing to attract medium- to large-size projects to Guangzhou and gradually expand into a cluster of funds totaling CNY600 billion. An FoF, which is designed to allocate cash to a portfolio of investment funds, is increasingly being used by Chinese local governments to develop preferred industries. Another CNY50 billion was set aside by Guangzhou for its **Innovation Investment FoF**, which will target early-stage hi-tech companies. This fund, which is expected to grow into a cluster worth CNY200 billion in the next few years, will provide specific support in terms of talent and technology transfer, as well as angel and seed investments to start-ups.

Guangzhou's latest initiative is in line with calls made by China's leadership for help to revitalize the country's beleaguered private sector during the 20th Party Congress last October. The city's funding effort would appear to raise the stakes for China in its tech rivalry with the U.S. Competition in the semiconductor sector intensified after U.S. President Joe Biden signed the Chips and Science Act last August, allocating nearly USD53 billion in incentives to lure more chip manufacturing to the U.S.

Forming government-led funds is not new in China, where state-level financial support has helped develop major industries over the past decades. The China Integrated Circuit Industry Investment Fund, also known as the Big Fund, was set up in 2014 as the primary financing vehicle for the country's semiconductor industry, with the initial round of investments reaching more than CNY138 billion. This fund, however, was engulfed in a corruption scandal last year, with a number of its executives put under investigation.

The government of Anhui province last month announced that it will set up a guidance fund of CNY200 billion, targeting tech industries. In the same month, the municipal government of Xian, capital of Shaanxi province, unveiled a plan to form a group of funds worth more than CNY100 billion to focus on investments in advanced manufacturing, the South China Morning Post reports.

China's shipping containers pile up at overcrowded ports

Although the Lunar New Year holiday ended weeks ago, not all truck drivers in Shenzhen are back to work. On the expressway heading towards Yantian International Container Terminal, several trucks with no containers on their long trailers can be seen parked on the roadside, part of a static convoy that stretches nearly a kilometer. "These are only a small portion of all the empty trucks. The rest had to be parked in Dongguan," said a driver surnamed Huang, referring to another city in Guangdong that is an hour drive away from Yantian – one of the biggest Chinese container ports for foreign trade. He said the port has more than 15,000 registered truck drivers, but only around 2,000 of them now have work. "I feel that this year's export market will be the worst," he said. "I just heard from many factory bosses saying that their electronic products can't be exported, as their foreign clients haven't placed orders, and lots of factories have already moved to Southeast Asia."

With China still trying to rev up its economic engine after three arduous years under the zero-Covid policy, the export sector – which was the main economic driver during the pandemic – is looking like it will continue to sputter amid dwindling external demand and rising geopolitical tensions, according to analysts and industry insiders. For many truck drivers, the sluggish scene at Yantian is in stark contrast to the situation two years ago. In 2021, an empty shipping container was very hard to get, as there was so much cargo to send. But now, **containers are gathering dust as they occupy every available space around the port**. "In previous years, there were no empty containers at this place," said another driver who gave his name as Xu, pointing to a space outside Yantian's automatic toll gate, where empty containers are piled as many as seven high, forming multicolored stacks of corrugated steel. "The boxes have accumulated here since the second half of last year. But now they can't be piled any higher – the stacker crane can reach only seven storeys." In November, an official statement from the port's authorities said that the volume of empty containers stored had reached the highest level since March 2020, and that it would soon reach the highest level since the port opened 29 years ago.

With the dry boxes remaining idle, container yards – which make money through cargo loading and unloading – are also struggling. "There is no business," said the manager of a container yard near the Yantian port, who declined to be named. "Some yards have closed their business." Container trends are a crucial barometer of economic progress and global trade, and the current market outlook appears bleak, according to Christian Roeloffs, CEO and co-founder of Container xChange, a leading online platform for container logistics. "The falling rates and increased availability of containers in certain regions of the world are indicative of weak demand and slower economic growth," Roeloffs said.

Container leasing and purchasing prices in major ports across Asia, such as Ningbo, Shanghai and Singapore, have fallen sharply in the past year, indicating that the current situation may persist in the foreseeable future, he added. According to a report this month by maritime research consultancy Drewry, the price for a 40-foot container in December was 45% lower than during the same time in 2021. The report estimated that prices would continue to fall for the first six to nine months of 2023, before recovering, the South China Morning Post reports.

Origin Quantum developing quantum chips

As the U.S. is imposing increasingly tightened chip export restrictions on China, **a Chinese company is working hard to develop quantum computing chips**, the next strategic frontier in which major economies are scrambling to establish a beachhead. At China's first trial production line for quantum chips in Hefei, Anhui province, engineers at **Origin Quantum, a startup founded in 2017**, are busy testing products. A quantum computing chip serves as the processor for quantum computers. These futuristic chips contain quantum bits, or "qubits". A classical computing bit can have a value of either 0 or 1, but a qubit can have a value that is either 0, 1 or a quantum superposition of 0 and 1. This gives quantum computers the ability to process some equations and algorithms exponentially faster than classical computers. The more qubits a quantum computer has, the more powerful it is, said Jia Zhilong, Vice President of Origin Quantum. Jia said a superconductor chip production line was put into operation in January 2022. It has so far produced some 1,500 batches of chip products.

More cutting-edge tools have been developed to facilitate the production of quantum computers on the production line. NDPT-100, China's first non-destructive electrical measurement platform, was developed by Origin Quantum in December. Both fast and accurate, the platform serves as a sharp "eye" to measure qubits' resistance and can identify the quality of quantum chips with almost zero damage, greatly improving efficiency. "Our latest quantum computer Wukong will come out in half a year and the quantum chip for Wukong is going through debugging now," Jia said. Wukong will feature a chip with over 64 qubits, Jia added. It takes a 53-qubit quantum computer only 200 seconds to process calculations that the fastest supercomputer would take about 10,000 years to complete, said Dou Menghan, Deputy Director of the Anhui Quantum Computing Engineering Research Center. Quantum computers can solve problems in areas such as artificial intelligence (AI), pharmaceuticals and finance that are difficult for conventional computers to solve, Dou said.

Last year, Origin Quantum signed an agreement with China Mobile, the world's largest telecom carrier with 956 million mobile subscribers, to use quantum computing to overcome computational bottlenecks facing 5G and 6G technologies. For now, quantum computing exists on a small scale, and companies such as Google, IBM and Origin Quantum are eyeing commercialization of quantum computers by 2030, experts said. **Origin Quantum is ranked first in China and sixth in the world by the number of invention patents** it has applied for in quantum computing, according to the latest Global Quantum Computing Technology Patent Filings Ranking List, released by incoPat and the IPR Daily in October, the China Daily reports.

FDI up 10% in January to USD19 billion

China's actual use of foreign direct investment (FDI) rose 10% year-on-year to USD19.02 billion in January, with the high-tech manufacturing sector showing particular growth. According to the Commerce Ministry (MOFCOM), FDI in the high-tech manufacturing sector surged 74.5% year-on-year. Use of foreign capital in manufacturing in general rose by 40.4%, while FDI in high-tech industries increased by 62.8%. By region, eastern China recorded a 13.4% increase in the actual use of FDI, with 25.9% for central China and 21.6% for western China. Growth momentum picked up from last year, when FDI hit USD189.13 billion, rising 8% in U.S. dollar terms.

International organizations and investment banks have raised their projections for China's economic growth in 2023 following an impressive recovery of consumption in January and February. **The Chinese economy is projected to grow 5.2% year-on-year in 2023, the IMF said in its latest World Economic Outlook.** Some economists expect GDP growth of up to 6%, supported by the country's optimized pandemic response and effective pro-growth policies, injecting confidence and impetus into growth. Top executives from multinational companies are traveling back to China with the country's recent reopening, even as the tech competition between China and the U.S. is intensifying. According to the Wall Street Journal, Volkswagen's CEO visited China from late January to early February, while Apple CEO Tim Cook and Pfizer CEO Albert Bourla are expected to visit China next month. Ola Källenius, Mercedes-Benz Group's Chairman, also plans a visit to China, the Global Times reports.

CPPCC sets up department for the environment and natural resources

In a sign that China is devoting more efforts to the protection of the environment and natural resources, the Chinese People's Political Consultative Conference (CPPCC), China's parliamentary advisory body, has set up a division devoted to the topic with 85 delegates. The newly elected National Committee of the CPPCC will hold its next session starting on March 4, concurrently with the National People's Congress (NPC). A total of 2,172 delegates from 34 sectors will attend the first session of the 14th CPPCC National Committee.

As many as 85 new delegates from a diverse range of technical backgrounds will be representing the environment and natural resources sector – including power generation, water resources, land surveying and management, environmental management, biodiversity and forestry. Among them are 36 researchers from China's renowned universities and institutes and 15 CEOs from the top state-owned energy and natural resource companies. The rest are high-level officials who either lead or have the power to directly influence carbon reduction and environmental policy, including those from the ecology and environment, natural resources, and water resources ministries, as well as the China Meteorological Administration. The delegates will be coming together to exchange ideas on the challenges ahead and consolidate proposals to the relevant ministries, which are obliged to offer responses. "This is a very important signal, as adding a new sector to the CPPCC hasn't been seen for years. It shows Beijing's attention to environmental protection," said Ma Jun, Director of the Institute for Public and Environmental Affairs, a Beijing-based non-profit environmental research firm.

Adding the green sector to its top advisory body is the latest move from Beijing as it ramps up efforts to meet carbon neutral goals and protect an environment fighting the effects of decades of breakneck industrialization. President Xi Jinping has made environmental protection one of five key policy areas in his quest to build an "ecological civilization", as China strives to achieve its carbon emissions peak before 2030 and carbon neutrality before 2060. Efforts to transition into a low-carbon economy began in 2009 and have intensified in recent years. This has included bold steps to cut emissions in the power, industry and transport sectors, which together account for over 90% of China's total carbon emissions, according to the International Energy Agency (IEA).

China has also promoted clean energy, such as wind and solar power, to reduce emissions from the steel, cement and chemicals industries, and offered strong backing to the electric vehicle sector. It has also built its own carbon trading system, offering financial incentives for companies to reduce emissions. But the country remains the world's biggest producer of greenhouse gases, after decades of heavy dependence on coal, which accounts for more than 60% of its total power consumption. The changes in the CPPCC line-up would bring more expert voices into policy discussions on the highly technical field of the environment, Ma noted, as reported by the South China Morning Post.

Shenergy presents the world's largest hydrogen-powered mining truck

Shanghai-based enterprise Shenergy Group Co recently unveiled the world's largest hydrogen-powered mining truck in terms of tonnage as part of its commitment to building a domestic hydrogen energy manufacturing value chain. Jointly developed by Shenergy, Zoomlion Mining, Hongzhen Intelligence and Kunhua Technology, the massive mining truck uses a high-performance hydrogen fuel cell engine provided by Kunhua, which can substantially reduce the operating costs of such vehicles. The company vowed to continuously create more hydrogen solutions as China sees increasing usage of renewable energy across the mining sector as part of efforts to achieve carbon neutrality by 2060. An analyst said China's mining sector is taking active measures to pursue industry transition and achieve a low-carbon production plan.

While reducing the carbon footprint of the mining sector is a major task worldwide, the application of hydrogen in the mining sector might develop faster compared with that of private vehicles, as the routes of mining trucks are usually fixed, said Lin Boqiang, Dean of the China Institute for Studies in Energy Policy at Xiamen University. It is also necessary to encourage more applications of green hydrogen, or hydrogen produced from clean energy, including solar and wind power, rather than grey hydrogen, or hydrogen produced from fossil fuels, Lin said.

The company has set up a joint venture with France-based Plastic Omnium in Shanghai in January to manufacture and market type III and IV high-pressure hydrogen storage systems for the commercial vehicle market in China. The two parties also signed a memorandum of understanding (MOU) to extend strategic cooperation around building hydrogen ecosystems and contributing to a road map for carbon neutrality in China. Shenergy also signed an agreement with Shell (China) last year to form a JV – Shanghai Shenergy and Shell New Energy Co – to invest in a network of hydrogen refueling stations in Shanghai, Shell's first hydrogen refueling network in Asia. The company vowed to build a full value chain that covers production, storage, transportation, refueling and utilization of hydrogen, through collaborations with more partners to support the development of hydrogen and contribute to the energy transition of Shanghai and China, the China Daily reports.

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