China Business Weekly

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

FCCC/EUCBA ACTIVITIES

Webinar: Likely pricing scenarios: how much will it cost you to ship by sea and rail between China and Europe in 2022? – 26 January 2022 – 10 am

The Flanders-China Chamber of Commerce is organizing a webinar, **'Likely pricing scenarios: how much will it cost you to ship by sea and rail between Europe and China in 2022?'.** This webinar will take place on January 26, 2022, from 10h00 am to 11h00 am CET.

Current spot ocean tariffs on the route ex-Asia, in particular ex-China, to Europe continue to be high. How long will these higher rates and delivery times continue and what changes, if any, can we expect in the coming months? For traders and businesses in Western Europe needing to export to, and import from, China, what will be the impact? In this webinar, we will provide a comprehensive picture of the current rates on the different routes, as well as drawing comparison with other ocean trade routes (between the US and China, for example). How do these rates compare with transporting by rail, which is a growing option for many traders?

During this webinar, Mr Pepijn De Vreese, Chief Officer International Trade at the Port of Zeebrugge, will give a presentation on the impact of container shortages on the global shipping supply chain and its impact on Zeebrugge as an emerging BRI hub, as well as on the future outlook. He will be followed by Mr Didier Duponselle, Business Unit Director Supply Chain Solutions, AHLERS, who will explain the current ocean spot tariffs and how prices are expected to behave in 2022. Each of them will refer to supply and demand on this trade route in an historical context.

The session will be moderated by Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce.

This event is free for Members.

Programme:

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

10h05-10h30: Presentation on the impact of container shortages on the global shipping supply chain and its impact on

Zeebrugge as an emerging BRI hub, by Mr Pepijn De Vreese

10h30-10h50: Presentation on the current ocean spot tariffs and how prices are expected to behave in 2022, Mr Didier Duponselle

10h50-11h00: Q&A Session

Practical information:

Date and time: January 26, 2022, 10h00-11h00

Location: Online

Price for members: Free

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Online Chinese New Year Celebration – February 7, 2022, 13h30 - 14h30

The Flanders-China Chamber of Commerce has the pleasure to invite you to **celebrate the Year of the Tiger** on Monday, February 7 between 13h30 and 14h30. With the continuing Covid-related restrictions, this will be an online event.

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

The speeches will be followed by a Question & Answer session focused on trade and investment between Flanders and China and the growing opportunities that exist. If you would like to ask a question, please could you add it into the registration form, so we can make sure that your question is addressed at the right point during the online session.

We very much hope that you will attend.

Program:

13h30-13h35: Welcome speech by **Ms Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce

13h35-13h40: Introduction by **Mr Kurt Vandeputte**, Chairman, Flanders-China Chamber of Commerce

13h40-13h55: Speech by **His Excellency Cao Zhongming**, Ambassador of the People's Republic of China in Belgium

13h55-14h05: Speech by **His Excellency Jan Jambon**, Minister-President of the Government of Flanders

14h05-14h30: Question & Answer session

Practical information:

Date and time: February 7, 2022, 13h30-14h30

Location: Online

Price for members: Free

SUBSCRIBE HERE

Webcast: How to understand and navigate China's changing business environment for foreign investors – 22 February 2022, 09:00 am CET

The Flanders-China Chamber of Commerce and The Conference Board are organizing a webcast to gain a better understanding of the current environment and implications for foreign businesses on February 22, 2022 at 09:00 AM CET [09:00] (Brussels), 04:00 PM SGT [16:00] (Singapore).

The current operating environment in China is being shaped forcefully on the one hand by changes from the pandemic as well as intensifying domestic economic imbalances, and on the other government initiatives to rectify what China's leadership has identified as serious ideological deficiencies in the commercial and social spheres associated with "disorderly capital expansion" and societal disarray.

The risks currently being targeted by China's leaders have recently focused on the massive wealth accumulation by Chinese entrepreneurs, the capture of market data by private firms, and the oligopolistic business practices in the marketized parts of China's economy. To address these risks, the increase of Party/state control appears to be happening everywhere.

Debate is rife about whether these current developments are primarily political and control oriented, or visionary and "managed reform" oriented and aimed at resolving longstanding social and economic problems to create a better and more egalitarian future for China. **This question is of huge consequence for foreign investors in China.**

Key learnings:

- The economic circumstances that contextualize China's "Dual Circulation" and "Common Prosperity" policy shifts
- Private sector rectifications and implications for the future role of markets in China
- Forecasts for changes to the business environment in China in the run up to the Fall 2022 20th National Party Congress and beyond
- Repositioning imperatives for foreign companies in China

Speaker: David Hoffman, Senior Vice President Asia and Managing Director of the China Center for Economics & Business, The Conference Board

Moderator: Gwenn Sonck, Sinologist, Executive Director, Flanders-China Chamber of Commerce and EU-China Business Association.

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China Dinner: The Picanol Journey in China – 24 February 2022, 18h30, Ghent

After a long period of virtual events, our chamber is once again pleased to be able to put on some live events at which we can all once again meet one another in person. Our second event is an informal dinner which will take place on **February 24, 18h30** at Cercle Royal La Concorde, Kouter 150 in Gent.

Mr. Johan Verstraete, Vice President Weaving Machines, Picanol Group is our guest speaker, and he will talk about Picanol's experiences in China.

He will have much of interest to say, so you are strongly encouraged to sign up to join us at the dinner, which always prove very popular with our Members. **There are limited seats**, so we can have a small group to enable people to share their experiences and to network.

Program:

18h30-19h00: Registration and networking.

19h00-19h05: Welcome by Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce.

Speech & Dinner: Picanol's experiences in China, by Mr. Johan Verstraete, Vice President Weaving Machines, Picanol Group, and Board Member, Flanders-China Chamber of Commerce.

Panel discussion and closing remarks: Mr. Kurt Vandeputte, Senior Vice-President Government Affairs, Umicore and Chairman, Flanders-China Chamber of Commerce.

21h30: Finish

Practical information:

Date and time: February 24, 2022, 18h30-21h30

Location: Cercle Royal La Concorde, Kouter 150 in Gent; Parking: Kouter

Price for Members: €75, + 21% VAT **Price for non-Members:** €95, +21% VAT

We will follow government guidelines, so we ask every participant to bring a Covid Safe Ticket.

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Follow the Flanders-China Chamber of Commerce on LinkedIn – Click here

Flanders-China Chamber of Commerce opens Instagram account

We are excited to announce that the Flanders-China Chamber of Commerce now has an Instagram account.

Follow us @ flanderschinachamberofcommerce.

We plan on sharing information and updates regularly, including photos, events announcements, and more!

Please take a moment and visit our page. Once there, click the follow button. We look forward to bringing you lots of great information and connecting with you. We encourage you to comment and share our posts too.

HEALTH

Beijing fights against Covid-19 outbreak ahead of Winter Olympics

Since January 15, Beijing has reported 52 cases of Covid-19 (6 Omicron, 35 confirmed Delta and 11 asymptomatic Delta). New cases were reported for seven consecutive days. The Omicron cases – which only have mild symptoms – were all due to mail from overseas and located in Haidian district; the other cases were infected by the Delta variant triggered by imported cold-chain goods in Chaoyang, Fengtai and Fangshan districts. More than 1.55 million residents in Fengtai district have been tested in one single day and requested not to travel to other districts in Beijing. A second test is being carried out on January 25. The provinces of Shandong, Shanxi, Liaoning and Hebei have already found a total of eight infections linked to the capital. Beijing has imported 60,000 metric tons of cold chain food in 23,900 batches since January 1.

The recent outbreak started when four districts of Beijing – Haidian, Chaoyang, Fangshan and Fengtai – reported five new domestically transmitted Covid-19 cases on January 19. Four of those were related to cold-chain work, prompting Cai Qi, Communist Party Secretary of Beijing, to issue a high alert and a full-scale inspection in the cold chain across the city. Of the five cases, three were of the Delta variant. Several residential compounds were sealed off in Fengtai district after the new Covid-19 cases were reported. There are currently almost 80 medium-to-high risk zones across China under lockdown to suppress clusters.

At least four rounds of disinfection will be carried out for international mail upon arrival in China to prevent Covid-19 transmission from overseas, an official from the State Post Bureau of China said. Several cases found in Beijing, Zhuhai and Shenzhen were suspected of being infected by contaminated goods from overseas. Officials suggested that recipients of international mail open the envelope or package outdoors, disinfect the inside, and wash their hands later. The State Post Bureau of China also suggested people reduce goods delivery from countries and regions with a high risk of Covid-19.

On January 18, the Beijing Winter Olympic Athletes' Village officially launched its closed-loop management and entered into pre-Games operations. No tickets will be sold to the general public, as only a designated audience will be selected for the Games. Invited spectators are mainly employees of state-owned enterprises (SOEs) and students attending universities in Beijing. Staff members already entered the Olympic village weeks in advance and have all received booster shots, while the first group of athletes moved in on January 23. Nearly 3,000 people were involved in the closed loop management trial, in preparation for the arrival of the athletes. Around 340,000 tests have been conducted among Winter Games arrivals from January 4 to 22, with 72 confirmed Covid-19 cases within the Olympic bubble. In the period, medical staff have tested 2,586 people at Beijing airport with 39 confirmed positive cases. Within the closed loop there have been 336,421 tests with 33 confirmed positive cases. None of the 171 athletes who had so far arrived tested positive. The closed loop protects the people of China by keeping the domestic population separate from participants coming from around the world.

Health authorities in Tianjin said an outbreak in the port city has been brought under effective control, with all the new cases found among those in quarantine. Tianjin reported at least 326 locally transmitted confirmed Covid-19 cases in the latest resurgence in the city. A district in Anyang, Henan province, announced a “curfew” in Wenfeng amid the Covid-19 outbreak in the city. Residents will only be allowed to enter and leave their communities during a certain period of time in the morning and evening. Since January 8, 433 confirmed cases have been reported

in Anyang, including 409 in Tangyin county and 19 in Wenfeng district. **The city of Xian has partially resumed public transport** after millions were locked down at their homes for weeks. Trains from Xian to Beijing, Shanghai and Guangzhou have resumed services as the number of new daily cases dropped to zero. The absence of new cases suggests the current outbreak is coming under control. Citizens with a green health code are allowed to leave the city. Shaanxi province had reported at least 2,077 patients in the latest outbreak. **In Harbin, the city's 10 million residents were tested**, although there are no recent cases. The city wanted to test its epidemic prevention preparedness ahead of the Chinese New Year holiday from January 31 to February 6.

The U.S. government is suspending 44 flights by four Chinese airlines from the United States to China in response to the Chinese government's decision to suspend some U.S. operated flights because they carried too many passengers found to be infected with Covid-19. The suspensions will begin on January 30 and end on March 30, the Transportation Department said. The decision will cut some flights by Xiamen Airlines, Air China, China Southern Airlines and China Eastern Airlines. Since December 31, Chinese authorities have suspended 20 United Airlines, 10 American Airlines and 14 Delta Air Lines flights. The Chinese embassy in Washington, called the U.S. move "very unreasonable" and urged the U.S. side to stop disrupting and restricting normal passenger flights by Chinese airlines. The number of international flights to and from China has dropped to just 200 a week, or 2% of pre-pandemic levels.

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

MACRO-ECONOMY

Shanghai attracted record amount of foreign capital last year and plans to boost production of chips to use in cars

Shanghai used a record USD22.55 billion of foreign capital last year, up 11.5% year-on-year, Mayor Gong Zheng, told a news conference. "Foreign capital is a very important guarantee of the high-quality development of Shanghai, and last year's record amount was a very strong and upbeat sign," Gong said, adding it was achieved "thanks to our successful containment of Covid-19 and the resilience of the city". Sixty multinational companies established regional headquarters in Shanghai last year, raising the total to 831, and such companies also set up another 25 regional research and development (R&D) centers in the city, which now number 506, he said. "That shows Shanghai is still the destination of choice for foreign investment and multinational companies when they plan supply chains and locate innovation centers," Gong said. He added the city will use the opportunities brought by the Regional Comprehensive and Economic Partnership (RCEP) to attract more multinational companies.

Shanghai will implement a new version of a negative list to facilitate trade, continue to open up its service sector for foreign investment and build a world-class business environment, Mayor Gong added. The Lingang area in the city's Pudong district is among the places where pilot opening-up policies will be implemented, as the central government included it in the China (Shanghai) Pilot Free Trade Zone. Last year, the industrial output of Lingang hit CNY255 billion, up 70% year-on-year, with new energy vehicle (NEV) manufacturing becoming the area's first CNY100 billion industry. Gong said the government will continue to foster three key emerging industries in Lingang – integrated circuits, biomedicine and artificial intelligence (AI) – and try to boost the high-end equipment sector so that it also passes the CNY100 billion threshold, the China Daily reports.

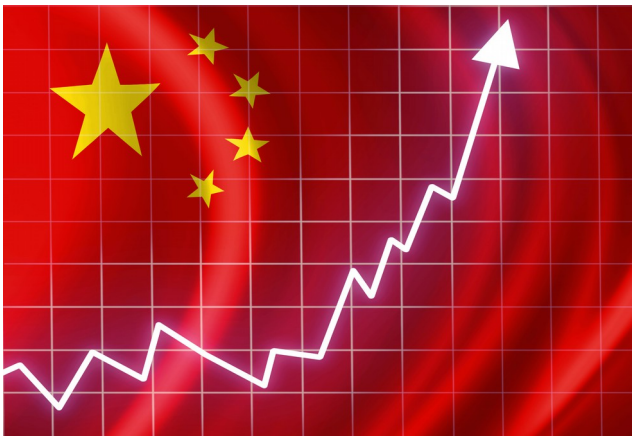
Shanghai, home to Tesla's largest production base, wants to expand manufacturing capacity for automotive chips to support the rapid growth of smart electric vehicles. Mayor Gong Zheng said after the annual session of the city's People's Congress that the local government hopes the new energy vehicle (NEV) sector will drive its economy, and that "allocating resources for increasing the capacity of automotive chips" would help that goal. "We hope the issue of the chip shortage can be solved soon," Gong said. He did not elaborate on how Shanghai would produce more chips, which require wafer fabrication plants that typically cost billions of dollars and take years to construct. China's largest chip maker, Semiconductor Manufacturing International Corp (SMIC), is based in Shanghai, but is building new wafer fab capacity in Beijing and Guangzhou.

Last week the Shanghai government rolled out generous new incentives to attract talent and firms in the semiconductor supply chain, including a 30% subsidy for investments in semiconductor materials, equipment and design projects in the city. Mayor Gong did not mention Tesla's Gigafactory 3 at the Lingang free trade zone, but Tesla's strong sales helped Shanghai create a new industrial supply chain. "Automotive chips have proven to be a stumbling block for the growth of the smart EV industry around the world," said Eric Han, Senior Manager of Shanghai-based business advisory firm Suolei. "The Mayor's statement is a message that huge investments will

be made in the coming two or three years to develop and manufacture semiconductors used in cars." A total of 550,000 NEVs – which include pure electric, plug-in hybrid and fuel-cell cars – were built in Shanghai last year, up 170% from 2020. Smart EVs, with more software-driven functions, have created a surging demand for semiconductors.

Tesla said earlier this month that the Gigafactory 3 delivered 484,130 Model 3 and Model Y vehicles last year, representing 51.7% of its global total of 936,000 units. In Shanghai, state-owned SAIC Motor and its joint-ventures with General Motors and Volkswagen also develop and assemble NEVs. Mayor Gong said about 250,000 new NEVs were bought by local residents last year, which accounted for 43% of the city's total new car sales. Currently Shanghai has 670,000 NEVs on its roads, which is expected to more than double to 1.2 million in 2025. Global wafer fabs have enough capacity to produce auto chips for an output of 4 million NEVs in China, but that leaves a shortfall of 1 million vehicles, based on a demand forecast by the China Passenger Car Association (CPCA), the South China Morning Post reports.

Rise in disposable income as Chinese cities report economic performance in 2021 and set targets for 2022



In 2021, Beijing and Shanghai recorded per capita disposable incomes of more than CNY70,000, far ahead of the nation's 29 other provincial-level regions. Shanghai had the highest figure, at CNY78,027, while Beijing's per capita disposable income exceeded CNY70,000 for the first time, reaching CNY75,002, up 8% year-on-year. In 2021, both cities' GDPs topped CNY4 trillion, representing year-on-year growth of 8.5% and 8.1%, respectively. In comparison, CNY4 trillion is equal to or more than the GDPs of more than 20 countries and regions, including Thailand, Belgium and Austria. In 2021, China's per capita disposable income hit CNY35,128, growing 8.1% year-on-year after adjustment for inflation, the National Bureau of Statistics (NBS) said. Eight provincial-level regions, including Shanghai, Beijing, Zhejiang, Jiangsu and Tianjin, recorded per capita disposable incomes above the national level.

The income growth rates in western China were generally higher than those along the East coast. Data from the NBS showed that per capita disposable incomes in western China increased by 9.4%, 0.3, 0.2 and 1.4 percentage points faster than in eastern, central and northeastern China, respectively. Fang Xiaodan, an official from the NBS, said that the figures reflected a narrowing income gap between the western parts of the country and the traditional economic hubs in the east and south. In 2021, the per capita disposable income of rural residents stood at CNY18,931, up 9.7%, while the per capita disposable income of urban residents reached CNY47,412, up 7.1%, reflecting a narrowing divide.

Shanghai's gross domestic product (GDP) is expected to grow by around 5.5% this year, according to the city's government work report delivered at the local People's Congress. Shanghai is an important window for the world to see China, shouldering the responsibility to pioneer at this critical stage of building strategic advantages for future development, Mayor Gong Zheng said. "We will adhere to prioritizing stability while pursuing progress, be comprehensively committed to the new development philosophy, help foster a new pattern of development and promote high-quality development," Gong said. The city's GDP achieved a robust 8.1% growth for the full year of 2021 to reach CNY4.32 trillion, the first time it exceeded CNY4 trillion and ranking first among all cities in China. Revenue from the local general public budget jumped 10.3%, reversing last year's dip, and consumer prices rose 1.2%.

According to the work report, **Shanghai's manufacturing output in the three major industries – integrated circuits, biomedicine and artificial intelligence – soared by 18.3%**. Core industries of the digital economy accounted for 12% of overall GDP. Shanghai also led the nation in the protection of intellectual property rights, Gong noted. The number of high-value invention patents per 10,000 people reached about 34, and the number of high-tech enterprises exceeds 20,000. In 2021, Shanghai attracted 1,078 new companies to set up their "first stores" in the city, the highest number for any city in China, and total retail sales of consumer goods jumped 13.5%. To boost foreign investment, the management system and mechanisms for the approval and filing of foreign investment projects were further optimized, driving the actual use of foreign investment to USD225.5 billion, an increase of 11.5%.

This year, general budget revenue is expected to rise 6% from last year, and overall expenditures on research and development (R&D) will account for around 4.2% of the city's GDP. The city also expects the consumer price index to increase around 3% in 2022. Shanghai will set up a group of functional platforms for industry innovation and services, support the introduction of more yuan financial products on international markets and promote the establishment of major platforms, the Shanghai Daily reports.

Beijing's goal is to increase its GDP by more than 5%

and the general public budget revenue should increase by around 4%. The rise in the CPI will be kept at about 3%. There are three main reasons why the city government set the growth rate of GDP at 5%, said Cui Xianghua, an official from the Beijing Commission of Development and Reform. Beijing's economic growth in 2021 was better than expected. The growth rates in the first half of the year and the first three quarters were higher than those of the whole country. This has caused a relatively high baseline for future performance. Driven by events such as the 2022 Winter Olympic Games, the opening of the Beijing Stock Exchange and new projects in the Universal Beijing Resort, there are a foundation and favorable conditions for achieving higher growth. Thirdly, achievements were reported in scientific and technological innovation. In the first three quarters of 2021, the added value of Beijing's high-tech industry accounted for 27.1% of the city's total GDP. From January to November last year, 1,713 foreign-funded enterprises were established in the city, a year-on-year increase of 53.2%. The contracted foreign capital totaled USD37.5 billion, an increase of 1.3 times, while the paid-in foreign capital reached USD15.16 billion, a year-on-year increase of 9.7%. Beijing is building up three national-level laboratories and Huairou Science City is striving to become a world-class innovation hub.

Guangdong province has reached a new milestone as its GDP reached CNY12.4 trillion in 2021, making it the first Chinese provincial-level economy to hit the CNY12 trillion mark. In 2021, Guangdong's economy grew by 8% acting governor Wang Weizhong said. The province's foreign trade surpassed CNY8 trillion in 2021, a year-on-year increase of 16.7%.

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

CHINA NEWS ROUND-UP

Business of overseas buying agents hit by virus fears

Chinese buying agents abroad who accept orders for foreign products from customers at home face a heavy threat to their business from fears that the SARS-CoV-2 virus that causes Covid-19 could be transmitted via the products or the packaging. Many customers in China have already canceled orders for foreign products after authorities warned recipients to only open packages outside after wearing gloves and a face mask. Authorities also advised customers to buy less products from abroad. Some customers fear that the delivery of a parcel from overseas would cause their health code to turn from green to yellow. People in China need a green health code to enter grocery stores, restaurants and other venues.

China has been tightening its international parcel policies after recent cases of the Omicron variant were linked to deliveries from overseas. A Beijing resident and a person from Shenzhen, Guangdong province, who were infected with the Omicron variant this month were both found to have come into contact with parcels from overseas. The Beijing municipal government has asked recipients of international parcels who have had symptoms such as a fever or cough in the past 14 days to go to hospitals and report their health status. They are also required to undergo nucleic acid tests.

Guangdong's provincial government told the industry regulator to monitor the entire process of disinfection of international packages and put stickers on disinfected parcels. Some places in Guangdong, such as Shenzhen, also require the recipients of international parcels to complete a nucleic acid test within three days, otherwise their health code will turn yellow. Post bureaus in many provinces and municipalities, including Beijing, Tianjin and the provinces of Shandong, Guangdong and Jiangxi, have strengthened the inspection of international parcels, including requiring companies to carry out more disinfections and encouraging the vaccination of staff members. Parcel delivery companies have adopted strict disinfection rules for international parcels. China has also ramped up control measures over imported cold-chain food and farm produce to prevent the spread of Covid-19 through entry points. Ni Yuefeng, Director of the General Administration of Customs, said imported cold-chain food, agricultural products and high-risk non-cold-chain container goods will be strictly monitored and tested. Companies involved in transporting cargo that tests positive could have their import licenses suspended, the China Daily reports.

Evergrande asks debtors to refrain from acting to recover debts while the company restructures

China Evergrande Group is asking its offshore creditors to refrain from taking hostile enforcement actions to recover their debt as the developer makes "unremitting efforts" to reorganize more than USD310 billion of liabilities. The group will need more time to evaluate potential solutions before further substantive negotiations with offshore creditors, it said in a stock exchange filing, citing the large number of stakeholders and debt complexity. The statement came after reports saying foreign creditors are preparing to take legal actions to compel the Guangzhou-based developer to honor its obligations, having defaulted on several payments on

some of its USD20 billion worth of foreign-currency bonds late last year. "The group and its advisers have been proactive in communicating with a wide range of offshore creditors," Evergrande said in a separate statement on its website on January 24. It asked offshore creditors to "exhibit patience by refraining from taking aggressive legal actions."

Evergrande had CNY1.97 trillion of liabilities at the end of June 2021, based on its latest interim accounts published in September. Fitch and S&P Global Ratings declared the developer in default after it failed to pay bond interests in December. Once China's biggest developer by sales, Evergrande fell into distress as cash dried up and the group overstretched itself on borrowings and ventures into car manufacturing. Regulatory measures known as the "three red lines" in August 2020 to rein in excessive debt soon cut off funding for indebted home builders. Evergrande faces at least USD186 million in offshore bond payments this month, USD2 billion in March and USD1.045 billion in April.

Evergrande hired outside financial advisers Houlihan Lokey and Admiralty Harbour Capital in September to engage with creditors soon after it ran into a liquidity squeeze. It has since worked with more advisers in the past two months by turning to China International Capital Corp, BOCI Asia and Zhong Lun Law Firm on its debt workout plan, the South China Morning Post reports.

International car brands losing market share in China

International car brands saw a 6.9% decline in sales last year in China, the world's largest automobile market, **with their market share falling to 45.6% from 51.1% the year before**, according to China Passenger Car Association (CPCA). In contrast, Chinese branded passenger car sales saw a year-on-year growth of 4.4% in 2021, achieving a sales volume of 20.15 million. The market share of German, Japanese and South Korean brands dropped significantly, with sales volumes down 8.9%, 1.8% and 25.9%. While, sales of car brands from the United States and France rose 6.6% and 63.6% respectively, "German and Japanese brands are mainly affected by the chip shortage, which should improve this year. Ford's growth is due to its Lincoln marque, while Dongfeng Peugeot Citroen's increase is thanks to its new models," said Cui Dongshu, Secretary General of the CPCA.

Volkswagen was badly hit by the chip shortage in 2021, delivering 3.3 million vehicles in China, down 14.1% year-on-year. "The year 2021 was a very difficult year for us," said Stephan Woellenstein, CEO of Volkswagen Group China. He said the semiconductor crisis has swept across the auto industry and hit Volkswagen even harder because many of its brands and models share platforms. Although Volkswagen was still the best-selling brand in the Chinese market, but the gap with Toyota has narrowed.

In 2021, Toyota sold 1.94 million new cars in China, up 8.2% from the previous year, increasing for nine consecutive years and setting a record high. Toyota's overall sales were driven by growth in the automaker's hybrid sales in China. In 2021, Toyota sold 475,900 hybrid vehicles in China, accounting for nearly 25% of its overall sales. The other two leading Japanese brands – Honda and Nissan – experienced a decline in China sales. In 2021, Honda's sales volume in China was 1.56 million units, down 4% year-on-year. Among them, GAC Honda sold 780,300 vehicles, and Dongfeng Honda 793,300 units. The cumulative sales volume of Dongfeng Nissan was 1.13 million units in 2021, down 6.4% from the previous year. In 2022, Japanese car companies will focus on electric vehicles. Toyota will launch a model based on its new electric vehicle manufacturing platform bZ, as well as a new car in cooperation with China's leading new energy vehicle maker BYD. Honda will launch two EVs in the Chinese market – the e:NP1 and e:NS1. Nissan plans to introduce its EV model Ariya to China. Last year, SAIC-GM's Buick, Chevrolet and Cadillac sold 1.33 million vehicles in total, down 9% from 2020. In 2022, the Sino-U.S. joint venture is expected to rely on NEVs as a growth driver, the China Daily reports.

Cross-border e-commerce expected to continue booming this year

Cross-border e-commerce in China will continue growing throughout the year despite various challenges, propelled by new business forms such as overseas warehouses, technological advances and growing demand for stay-at-home products, experts and business leaders said. They added the strong resilience of the industrial and supply chain will continue to provide a solid base for the sector to grow. The latest data from the General Administration of Customs showed China's cross-border e-commerce imports and exports totaled CNY1.98 trillion in 2021, up 15% year-on-year. Exports totaled CNY1.44 trillion, up 24.5% on a yearly basis.

DHgate, a leading Chinese B2B cross-border e-commerce market platform, has seen continuous exports of Chinese products to international markets. The top five countries importing Chinese goods from DHgate are the United States, the United Kingdom, Australia, Canada and France. There is also rising demand from emerging markets such as the Seychelles, Zimbabwe and Senegal, the company said. Wang Xin, Executive President of the Shenzhen Cross-Border E-Commerce Association, said China's increasingly improved infrastructure for cross-border e-commerce, including overseas warehouses, the China-Europe Railway Express and the application of digital tools in trade, has propelled Chinese micro, small and medium enterprises to engage in foreign trade activities.

Compared with other economies, China's complete industrial sectors, stable supply chain and relatively cheap prices have created a solid foundation for Chinese producers to tap the potential of cross-border e-commerce despite uncertainties from the Covid-19 pandemic, Wang said. She also forecast that rising demand for cross-border e-commerce in emerging markets will boost exports even as markets in developed economies have matured and lack signs of speedy growth. Diane Wang, Founder, Chairperson and CEO of DHgate, said there will be stable growth in cross-border e-commerce trade for personal protective equipment, stay-at-home economy products – such as home video and audio systems, monitors and small kitchen appliances.

There will also be large demand for China's electric bicycles, scooters and related accessories such as tires since overseas consumers are switching from public to private transportation in countries like Italy, France and the UK, she said. "More and more companies will leverage overseas warehouses to boost their growth amid their go-local efforts. E-commerce software tools such as Shopify and MyyShop will enable more micro firms and even individuals to set up their own online stores, find their suppliers and handle payment and logistics easily," Diane Wang said. "I also expect more people in the sector to try various marketing methods such as short videos and live-streaming." JD Global Sales has also seen a strong presence in global markets given China's swift growth in the sector.

CATL subsidiary launches NEV battery swap service

Contemporary Amperex Energy Service Technology (CAES), a subsidiary of CATL, launched a game-changing battery swap service for new energy vehicles (NEVs) in 10 cities to meet the booming NEV development in the country. The new services, dubbed EVO-GO, enable users to rent and directly change their batteries in the company's fast battery-swap stations. Users can also combine several battery blocks at the same time if they have to drive for longer trips. The battery-swap station, the size of three parking spaces, houses 48 battery blocks each and allows one-minute swap for a single battery block. The company offers a variety of swap stations to suit climates in different regions.

CATL confirmed to the China Daily that the new services will be open to all automakers. The company introduced the battery swapping version of FAW Group's Bestune NAT multi-purpose vehicle (MPV) and said more models will be included in the future. According to Chen Weifeng, General Manager of CAES, the battery is currently compatible with 80% of global battery electric vehicles, and will be compatible with all BEV models over the next three years globally. "The new solution is to solve the problems of range anxiety, inconvenience of refueling and high total cost of ownership. As a business model of sharing and providing good services to our customers, we consider the battery a shared product instead of a consumer product for personal use," Chen said. Industry experts said the move by CATL shows its ambition of grabbing more of the market for accelerated development of new energy vehicles.

China's NEV sector has maintained strong momentum in recent years. **More than 3.52 million electric cars and plug-in hybrids were sold in 2021, the fastest growth rate since 2016**, said the Ministry of Industry and Information Technology (MIIT). By the end of 2021, the country had built 75,000 charging stations, 2.617 million charging piles and 1,298 battery-swap stations. The Ministry started the promotion of battery-swap business models for NEVs in October, with 11 cities, including Beijing, Nanjing, Wuhan and Hefei, in the first batch of trial cities. However, Zhang Xiang, an auto expert and researcher from the North China University of Technology, said that there are still many challenges. "There isn't a uniform standard for the battery models and packs of different car brands. Also, many automakers are unwilling to launch standardized battery packs due to profitability concerns, meaning that many cars don't support battery swapping," Zhang said, as reported by the China Daily.

Mobile phone shipments in China up 13.9% in 2021

Cellphone shipments in China rose 13.9% in 2021 to 351 million units, with rapid growth in shipments of 5G devices, the China Academy of Information and Communications Technology (CAICT) said, despite chip shortages and other disruptions in the industry in 2021. In December alone, 33.4 million phones were shipped in China, up 25.6% year-on-year, among which 27.14 million were 5G devices, up 49.2% from 2020, accounting for 81.3% of mobile phone shipments. The gains largely reflected a low base in 2020.

The chip shortage had little impact on mobile phone shipments in 2021, Ma Jihua, a veteran telecommunications industry analyst, told the Global Times, noting that the Covid-19 pandemic boosted global demand for electronic products. Shipments of domestic brands rose 38.5% year-on-year in December to 28.46 million units, accounting for 85.2% of total shipments. Fifty new models were launched in December, up 13.6% year-on-year, accounting for 89.3% of the new models. Domestic brands launched many new models in the fourth quarter, with new functions and features such as folding screens, in order to stand out amid the fierce competition among domestic Android phones, Ma said. "With a high degree of homogeneity and no major breakthroughs in 5G applications in 2021, domestic manufacturers had to keep making upgrades in their functions to attract market attention," Ma said. For example, Huawei officially announced its third foldable smartphone, the P50 Pocket, in December, and Honor announced the Magic V, its first foldable smartphone in January, in a bid to compete with Samsung's foldable phones.

Domestic mobile phones made great progress in 2021, Liu Dingding, a Beijing-based independent analyst, told the Global Times. "In the past, the iPhone was the only choice for handsets priced at CNY6,000 to CNY10,000. Now Xiaomi, Oppo and Vivo have begun to enter this tier, which shows the progress of domestic mobile phones," Liu said. However, challenges remain for domestic brands to rival foreign brands in the core systems and chips, Liu said. "Huawei is the domestic brand with the best chance to compete with Apple. The sanctions by the U.S. forced it to explore basic research and development (R&D). If it makes a breakthrough, it is expected to compete with Apple in the high-end market," Liu said, as reported by the Global Times.

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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
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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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