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Journal of the European Union Chamber of Commerce in China

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Chief Editor
Orlaith Delaney

Art Director
Zhang Ye

Advertising and Sponsorship Manager
Queenie Cheng
+86 (10) 6462 2066 Ext. 54
qcheng@europeanchamber.com.cn

National Member Relations Manager
Luyang Syvänen
+86 (10) 6462 2066 Ext. 37
lsyvanen@europeanchamber.com.cn

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BEIJING

Office C412,
Beijing Lufthansa Centre,
50 Liangmaqiao Road,
Beijing, 100125, PR China
北京市朝阳区亮马桥路五十号
燕莎中心写字楼 C-412 室
Tel: +86 (10) 6462 2066
Fax: +86 (10) 6462 2067
euccc@europeanchamber.com.cn

TIANJIN

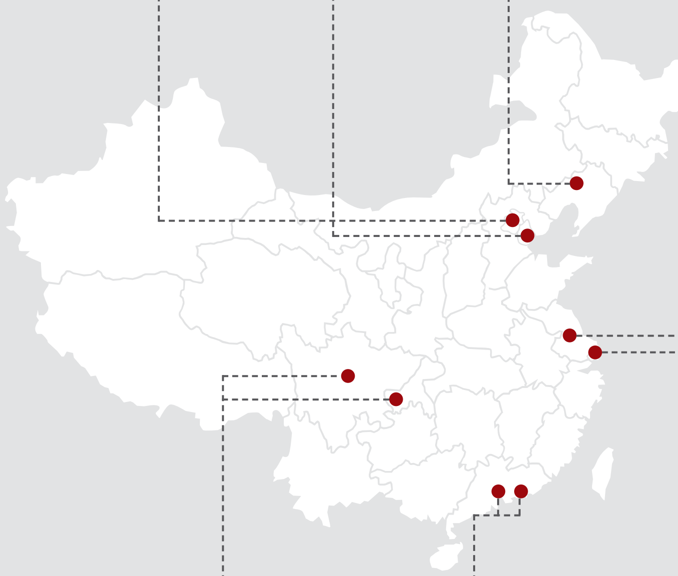
41F, The Executive Centre, Tianjin World Financial Centre, 2 Dagubei Lu, Heping District, Tianjin, 300020, PR China
天津市和平区大沽北路 2 号
天津环球金融中心
41 层德事商务中心
Tel: +86 (22) 5830 7608
tianjin@europeanchamber.com.cn

SHENYANG

Room 1208, World Financial Center 2, No. 43, Beizhan Road 1, Shenhe District, Shenyang
沈阳市沈河区北站一路 43 号
环球金融中心二期
1208 室
Tel: +86 (24) 3198 4229
Fax: +86 (24) 3198 4229
shenyang@europeanchamber.com.cn

NANJING

Room 951, World Trade Center, 2 Hanzhong Road, Gulou District, Nanjing, 210008, PR China
南京市鼓楼区
汉中路 2 号
世界贸易中心 951 室
Tel: +86 (25) 83627330
Fax: +86 (25) 83627331
nanjing@europeanchamber.com.cn



SOUTHWEST CHINA CHENGDU

04-A, F16, Tower 1 Central Plaza, 8 Shuncheng Avenue, Jinjiang District, Chengdu, PR China
成都市锦江区顺城大街 8 号
中环广场 1 座 16 楼 04-A
Tel: +86 (28) 8527 6517
Fax: +86 (28) 8529 3447
chengdu@europeanchamber.com.cn

SOUTHWEST CHINA CHONGQING

105, A2 Block, SinoSwiss Technopark, Jinzhou Avenue, Yubei District, Chongqing, 401147, PR China
中国重庆市渝北区金州大道
平和路 5 号，中瑞产业园
A2 栋 105
Tel: +86 (23) 63085669
chongqing@europeanchamber.com.cn

SOUTH CHINA GUANGZHOU

Unit 2817, 28/F, Tower A, China Shine Plaza, 9 Linhe Xi Road, Tianhe District, Guangzhou, 510613, PR China
广州市天河区林和西路 9 号
耀中广场 A 座 2817 室
Tel: +86 (20) 3801 0269
Fax: +86 (20) 3801 0275
southchina@europeanchamber.com.cn

SOUTH CHINA SHENZHEN

Rm 308, 3/F Chinese Overseas Scholars Venture Bld, South District, Shenzhen Hi-tech Industry Park, Shenzhen, 518057, PR China
深圳高新区南区留学生创业大厦
3 楼 308 室
Tel: +86 (755) 8632 9042
Fax: +86 (755) 8632 9785
southchina@europeanchamber.com.cn

SHANGHAI

Unit 2204, Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai, 200021 PR China
上海市淮海中路 333 号
瑞安广场 2204 室
Tel: +86 (21) 6385 2023
Fax: +86 (21) 6385 2381
shanghai@europeanchamber.com.cn

President's Foreword

Stability at the Core of Growth

Jörg Wuttke

President

European Union
Chamber of Commerce
in China

The beginning of a new year generally evokes the hope that new horizons will open in front of us. It is a time for making ambitious plans for the year ahead, as possibilities seem abundant once again. It is also a time for re-evaluating some of the choices and experiences of the past year, and correcting course if necessary.

2022 was a year marked by heightened uncertainty in China, as the country's continued adherence to stringent dynamic-zero control measures in the face of new, highly transmissible variants of COVID-19 undermined economic growth and stability. Sudden mass lockdowns and strict quarantines saw China's economy slump, with business operations and people's daily lives repeatedly taking a heavy toll.

China was undeniably successful at keeping its population safe during the initial COVID-19 outbreak in the first two years. However, a clear exit strategy was missing and the constant threat of pandemic measures resulting in unpredictable disruptions kept eating away at the sense of stability that had been at the core of the country's economic rise.

To help pave the way towards a controlled reopening, the European Chamber submitted a list of recommendations to the Ministry of Commerce and the China Council for the Promotion of International Trade last November. Some of the key recommendations included a renewed promotion of vaccinations, as well as the introduction of a comprehensive, nationwide education campaign about COVID-19 to alleviate any anxiety about potential infection.

However, it was a bittersweet moment when we learned that some of our recommendations were echoed in the changes to China's COVID strategy announced in late 2022. This is because the original, zero-COVID approach was intended to provide breathing space for an orderly re-opening, which then did not follow. As stability is rooted in predictability, we had hoped to see proper preparation allowing time for consistent implementation. While a swift re-opening may have seemed like an attractive option for those exhausted by various pandemic-related restrictions, it brought the risks of a surge in infections overburdening the health care system, and ignited fears of a huge loss of life.

There are still steps that can be taken to mitigate risks. China has yet to permit the best mix of vaccinations and boosters, for example. Foreign mRNA vaccines have not been approved for nationwide use in Mainland China at the time of writing. While virtually no progress has been made towards a domestic mRNA vaccine, China is still playing catch-up with regard to mastering the technology,[1] even as experts warn that any domestic solution risks being outpaced by the emergence of new COVID-19 variants.

In the *Position Paper 2022/2023*, the Chamber expressed fear that China would not be able to fully reopen to the rest of the world until at least the latter half of 2023. We now see a completely different picture, which only highlights the erosion of predictability that has been making China's business environment increasingly difficult to navigate. However, as China is preparing to open its doors again, we stand ready to continue advocating for rebuilding the stable foundations for economic growth, as well as business confidence, in the year ahead of us.

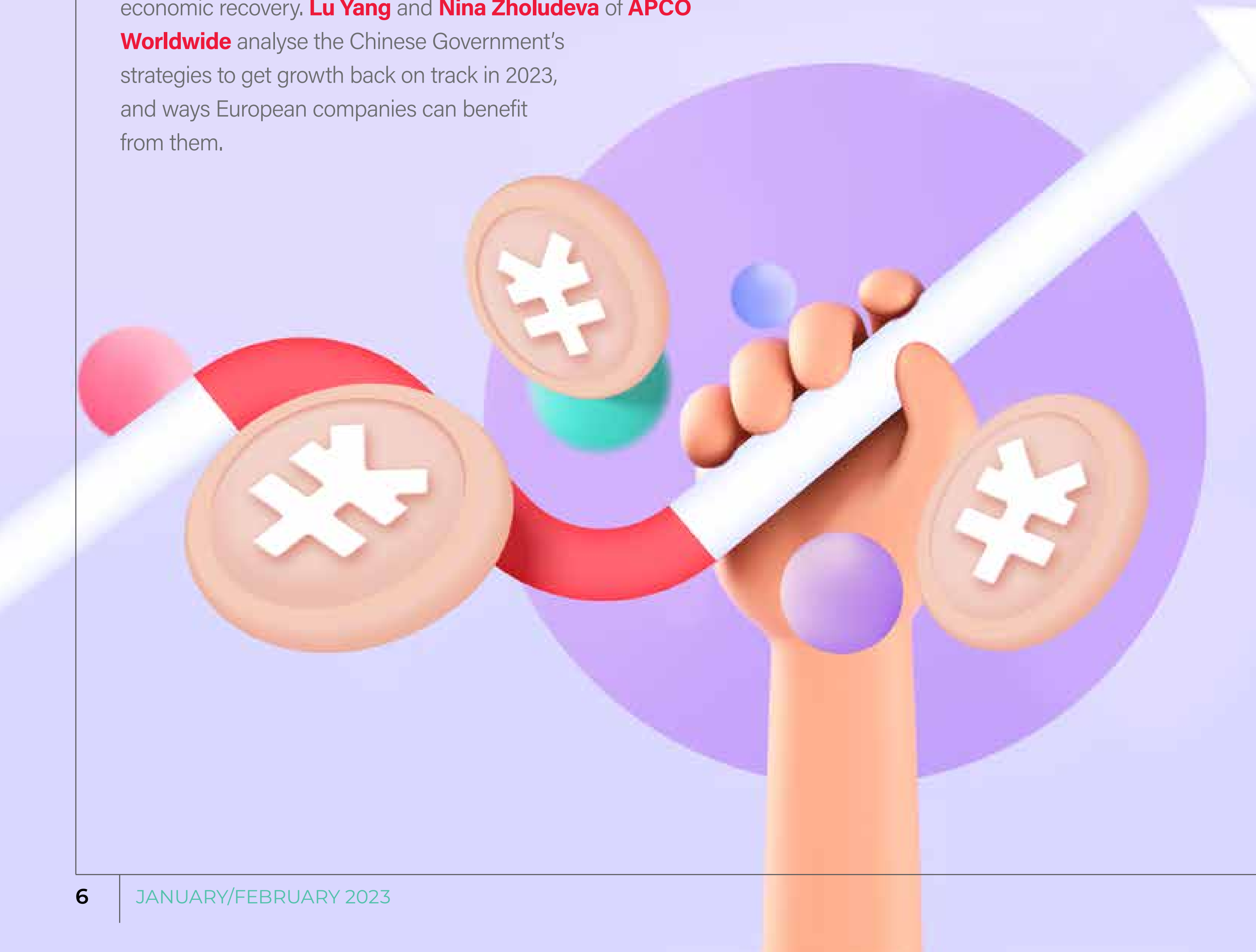
[1] Zhao, Jinzhao, Jiang, Moting, Chen, Pengduo, & Han, Wei, *In Depth: Why China Still Doesn't Have an mRNA Shot,* Caixin Global, 14th July 2022, viewed 6th December 2022, <https://www.caixinglobal.com/2022–07–14/in–depth–why–china–still–doesnt–have–an–mrna–shot–101913146.html>

STABILISING GROWTH

The outlook for the Chinese economy in 2023

by **Lu Yang** and **Nina Zholudeva**

Even though the unexpectedly quick end of the 'zero-COVID' policy in December 2022 has improved China's growth outlook for 2023, the country's economy still faces three major headwinds – shrinking demand, supply shocks and weakening expectations. Furthermore, a massive and fast surge in domestic COVID-19 infections, alongside the global economic downturn, will pose additional challenges to China's economic recovery. **Lu Yang** and **Nina Zholudeva** of **APCO Worldwide** analyse the Chinese Government's strategies to get growth back on track in 2023, and ways European companies can benefit from them.



While the official 2023 GDP growth target will be made public only at the Two Sessions in March, it is likely to be around

5%

In the first 11 months of 2022, year-on-year growth in exports was

11.9%

compared to **21.8 per cent** over the same period in 2021.

Exports to the EU rose only

14.3%

compared to a **23.9 per cent** increase in 2021.

Stabilising growth as the key priority

In December, the annual Central Economic Work Conference (CEWC), which outlines the government's economic policy priorities for the following year, stressed stabilising economic growth as the main objective in 2023.[1] To achieve this, the authorities vowed to support expanding domestic consumption, attracting foreign investment, accelerating technological innovation, and ensuing stability of the property market among other measures. Notably, the CEWC omitted mentioning high-profile policies such as the anti-monopoly campaign, also indicating the government's willingness to ensure stability.

While the official 2023 gross domestic product (GDP) growth target will be made public only at the Two Sessions in March, it is likely to be around five per cent. However, the economic recovery will be uneven throughout the year. Despite mass COVID infections affecting economic activities in early 2023, the economy will stabilise towards the end of the first quarter, with growth accelerating in the second half of the year as the country achieves herd immunity and fully reopens.

Consumption to start recovering but exports to continue facing challenges

After the long-awaited end of the 'zero-COVID' policy in December, domestic consumption will begin a slow but steady recovery in 2023. Retail sales, which were heavily affected by COVID-19-related restrictions in 2022, will start picking up towards the second half of 2023 once the initial waves of infections pass. China's current lacklustre job market may slow down the recovery, but the government will actively encourage spending, as proven by the recently released plan to bring consumption to a new level by 2035.[2] This will benefit European consumer goods companies, especially those offering high-quality goods and services accommodating the evolving demands of Chinese consumers.

On the other hand, exports that have driven China's economic growth in recent years might continue to stagnate following the global economic slowdown. In the first 11 months of 2022, year-on-year growth in exports was 11.9 per cent, compared to 21.8 per cent over the same period in 2021, with exports to the European Union (EU) rising only 14.3 per cent compared to a 23.9 per cent increase in 2021.[3&4] As a result, China will continue its course to rebalance the economy towards a model driven more by domestic demand than by external growth factors.

Restoring business confidence to support growth

Importantly, the CEWC highlighted restoring private business confidence—among foreign enterprises in particular—as paramount after multiple foreign chamber surveys in 2022 showed dwindling levels. Unsurprisingly, policymakers are concerned that low confidence may lead to a reduction in investment and consequently stifle recovery. Therefore, the government is expected to implement policies aimed at further improving the business operating environment, expanding market access

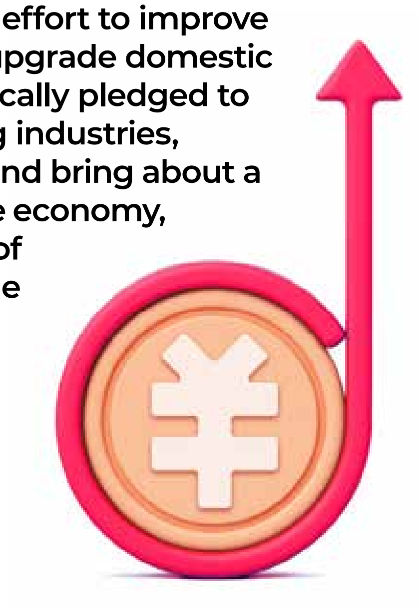
1 *China holds Central Economic Work Conference to plan for 2023, Xinhua,* 16th December 2022, viewed 28th December 2022, <https://english.news.cn/20221216/8b12bef08e5849a0ad25ff6fd5e150e6/c.html>

2 *The Central Committee of the Communist Party of China and the State Council issued the "Strategic Planning Outline for Expanding Domestic Demand (2022–2035)"* (in Chinese), *Xinhua*, 15th December 2022, viewed 28th December 2022, <http://www.news.cn/mrdx/2022–12/15/c_1310684180.htm>

3 *In the first 11 months of this year, China's import and export increased by 8.6% year–on–year* (in Chinese), General Administration of Customs (GAC), 7th December 2022, viewed 28th December 2022, <http://www.gov.cn/xinwen/2022–12/07/content_5730408.htm>

4 *In the first 11 months of this year, China's import and export increased by 22% year–on–year* (in Chinese), GAC, 7th December 2021, viewed 28th December 2022, <http://www.gov.cn/xinwen/2021–12/07/content_5659087.htm>

> "In 2023, Chinese policymakers will also continue supporting growth of manufacturing and technological sectors in an effort to improve supply chain security and upgrade domestic industry. The CEWC specifically pledged to develop strategic emerging industries, digitalise traditional ones, and bring about a green transformation of the economy, largely echoing the report of the National Congress of the Communist Party of China in October 2022."



and completely reopening the country to guarantee unimpeded business exchanges in 2023.

Taken with the government's promise to adjust domestic regulations to become eligible to join more multilateral economic and trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, this presents a positive development for European businesses in China. Benefitting from an improved business environment, they can use it as an opportunity to strengthen their footprint in China.

Creating new long-term engines of growth

In 2023, Chinese policymakers will also continue supporting growth of manufacturing and technological sectors in an effort to improve supply chain security and upgrade domestic industry. The CEWC specifically pledged to develop strategic emerging industries, digitalise traditional ones, and bring about a green transformation of the economy, largely echoing the report of the National Congress of the Communist Party of China in October 2022.

While this transformation will take time, the government is clearly aiming to cultivate new engines of economic growth in 2023 and beyond to make the domestic economy more sustainable, resilient and able to withstand geopolitical tensions and the resulting technology sales restrictions. Localising research and development and talent may be one of the ways for European businesses to benefit from these initiatives.

Real estate downturn to start to ease but impacts to linger

A key vulnerability in the economy going into 2023 will continue to be real estate. The severe consequences of the property market slowdown have prompted the government to relax the overly stringent restrictions on real estate financing that have been in place since 2020. Following the release of the People's Bank of China's plan to support real estate-related financing, the CEWC also encouraged investment into construction and home upgrading as potential sources of growth.

These reinforced supportive measures will help the struggling real estate sector, but its growth may be still weak in 2023. An ageing population and a declining marriage rate will also weigh on the sector's recovery in the long term. Nevertheless, a normalisation in house sales in 2023 could be beneficial for European businesses that provide associated goods and services, such as furniture and home appliances.

Conclusion

After a difficult 2022 marked by economic disruptions brought on by stringent COVID-19 control measures, 2023 offers a brighter outlook for European businesses in China. Despite certain challenges, the government's pro-growth stance and active support will likely ensure a more stable economic growth in the year ahead. EB

APCO Worldwide is an advisory and advocacy communications consultancy. We partner with public and private sector organisations to help them catalyse progress, act with agility and build organisational reputations, brands, relationships and solutions to succeed. APCO is an independent and majority women-owned business. In China, our team possesses the local wisdom to advise our clients on issues critical to their success. We provide one-stop solutions that integrate business intelligence, political insight and strategic communications.

Partner, Competitor and Systemic Rival

Where does the EU stand on China today?
by **Ester Cañada Amela**

At the last in-person European Union (EU)-China Summit in 2019—although the EU had just labelled China as a partner, competitor and systemic rival—a joint statement was released outlining several areas of cooperation. Since then, there has been a global pandemic; the EU and China have exchanged sanctions; China has experienced a series of domestic crises; and a war has broken out within Europe. With in-person meetings between European and Chinese leaders resuming in 2022 after a two-year hiatus, **Ester Cañada Amela, senior business manager for European Affairs** at the **European Chamber**, asks, how does Europe now see its relationship with China?

Ahead of these meetings between EU-China heads, which started with German Chancellor Olaf Scholz's 4th November visit, an extensive discussion on the EU's China strategy took place within EU institutions. On 17th October, Josep Borrell, high representative and vice president (HR/VP) of the European Commission, presented a European External Action Service (EEAS) report on the bilateral relationship to member state foreign affairs ministers, and on 20th and 21st October to the European Council. While the EU reaffirmed its commitment to its 2019 approach to China, some important nuances have emerged.

1. It's dependencies, stupid!

The COVID-19 pandemic threatened EU access to critical materials, components and technologies, prompting the European Commission to map out its strategic dependencies;[1] industrial public-private alliances to be established in key areas such as hydrogen, chips and batteries; and the release of a Chips Act aimed at enhancing European semiconductor capabilities, among other actions. Meanwhile, the war in Ukraine highlighted the dangers of over-reliance on an untrustworthy actor like Russia for key inputs, leading to a re-think of the EU's energy framework as well as plans to reduce dependencies in other areas such as raw materials. Managing dependencies is now a fixture in both EU domestic and foreign policy considerations and it is not likely to go away anytime soon.

2. If the mountain will not come to Muhammad...

At the tail-end of the Juncker Commission, policymakers became increasingly aware that, rather than waiting for China to change, it was easier to enact changes within the EU itself. This led to a slew of 'autonomous measures' – tools to protect the Single Market from distortions caused by third country actors (see table).

Table:

NAME OF REGULATION	OVERVIEW	STATUS
FOREIGN DIRECT INVESTMENT SCREENING MECHANISM	The regulation establishes a coordination and information sharing mechanism between Member States and the Commission for investment screening cases. Currently 25 Member States have their own investment screening regimes or are looking to establish one.	In force
ANTI-COERCION INSTRUMENT	This proposed regulation aims to establish a mechanism to deter coercive actions by third countries and provide reporting channels for companies.	In progress
REGULATION ON FOREIGN SUBSIDIES DISTORTING THE INTERNAL MARKET	This regulation will scrutinise the activities of third-country actors benefitting from subsidies within the Single Market—from M&A to bids—with a view to prevent distortions and unfair competition.	Adopted
CORPORATE SUSTAINABILITY REPORTING DIRECTIVE	Under this regulation, large European companies and their subsidiaries, non-EU companies with an annual turnover of EUR150 million and some SMEs will be subject to due diligence rules across their global supply chains.	Adopted
INTERNATIONAL PROCUREMENT INSTRUMENT	This instrument is aimed at ensuring reciprocity in terms of access of European companies to third country procurement markets by enabling the EU to limit the access of non-EU players to its procurement market.	In force
BAN ON PRODUCTS EXTRACTED THROUGH FORCED LABOUR	The aim of this proposal is to ban from the Single Market any products (both those domestically made and those imported) extracted through forced labour.	In progress
CARBON BORDER ADJUSTMENT MECHANISM	Aimed at preventing carbon leakage, importers of certain goods to the Single Market would have to buy digital certificates for each tonne of carbon emissions embedded in their goods.	Awaiting adoption
BLOCKING STATUTE	The amendment of this regulation aims to counteract the extra-territorial application of sanctions imposed by third countries to EU operators.	In progress

3. To be rich in friends is to be poor in nothing

Working with international partners is an important component of the EU's approach to China. The Juncker Commission oversaw initiatives such as Connectivity Strategy between European and Asia which later became the 'Global Gateway' – the EU's alternative to China's Belt and Road Initiative. This trend has intensified with the von der Leyen Commission, with digitalisation, the fight against climate change, defence and promotion of European values increasingly prominent in its foreign, development and trade policies.

One noteworthy bilateral initiative is the EU-United States Trade and Technology Council, which examines areas for potential cooperation like global trade challenges, export controls and foreign direct investment screening.

The von der Leyen Commission has always emphasised expanding the

[1] Through two reports rolled out in 2021 and 2022

EU's network of free trade agreements (FTAs) as well as their scope, but the focus on resilience and dependency reduction has added a new dimension to this. For instance, along with proposed legislation like the Raw Materials Act, the EU aims to advance work on agreements with Mexico, New Zealand, India and Chile to increase access to essential materials.

4. The Great Balancing Act

Addressing the European Parliament in late November, HR/VP Borrell posed the following question: "Everyone is fine with us increasing investment in renewable energy and putting up a lot of solar panels. Do you know where they come from? From China. What's worse then: (not) having them or importing them?"

This illustrates the EU's double conundrum: although it sees China as a competitor and systemic rival, it is also aware that without China global challenges cannot be resolved. In addition, the deep bilateral trade and investment ties make full-blown decoupling highly undesirable.

On the first front, both the EU and Member States have demonstrated willingness to work with China in areas like global health, food security and most notably climate policy; for example, the 2021 EU-China Common Ground Taxonomy for green project financing.

Positions on the risks and benefits of the bilateral trade links are much more diverse. Members of the European Parliament made it clear that lifting of the Chinese sanctions on European lawmakers is a *conditio sine qua non* for discussions on adoption of the Comprehensive Agreement on Investment (CAI) to start, while the Russian invasion of Ukraine has also questioned the effectiveness of 'Change through Trade' – a strategy championed by Germany. At the same time, the High-Level Economic and Trade Dialogue in July resulted in, among other things, Chinese concessions on financial services, proving that engagement with the Chinese Government can still result in some gains for European interests

5. United in diversity (of views on China)?

EU Member States, each with their own domestic interests and concerns, are sometimes seen as a target for the Chinese Government to foster disunity within the EU. A prime example is Greece blocking an EU statement at the United Nations in 2017 criticising China's human rights record. The 16+1 cooperation mechanism between China and Central and Eastern European Countries was once considered a significant source of interference, but is now disintegrating due to 'promise fatigue' and increasingly contentious relations between some European participants (such as Lithuania) and China. Moreover, while the recent meetings between German, French, Spanish, Dutch and Italian leaders and President Xi all covered national interests, a number of common threads could stll be found. These include messaging on the war in Ukraine, cooperation on global challenges and, in most cases, mentions of human rights issues in China.

Meanwhile, the European Parliament has become an increasingly powerful actor shaping the EU's discussion on China. As well as the unity on the Chinese sanctions and the CAI, it was the Parliament that called for the EU ban on forced labour, adopted several resolutions condemning human rights abuses in China and spearheaded outreach efforts to Taiwan.

Public opinion is also a key factor for Member State leaders and EU lawmakers alike, and views on China has steadily deteriorated across the board. According to a Eurobarometer survey conducted in spring 2022, a majority of respondents from 23 out of 27 Member States held negative views of the country.[5]

6. In conclusion...

As the EU, China and the world have been rocked by events in the past few years, the EU's approach to China—while foundationally still based on the pillars of cooperation, competition and confrontation—has shifted. As a result of COVID-19 and more recently the war in Ukraine, the focus of European policymakers is on reducing dependencies on what is perceived as unreliable partners (including China, in the case of rare earths). The realisation that change within the bloc was easier to enact than change in China also led the EU to roll out defensive measures to guarantee a level-playing field and reciprocity for European actors, as well as to address instances of coercion and disinformation campaigns. At the same time, European leaders recognise the need to work with China to address global issues, and there is a general acknowledgement of the strong bilateral trade and investment ties, though assessments on the risk/benefit balance of these for the EU diverge. Finally, views within the EU regarding how to approach the relationship with China vary, although recent exchanges have demonstrated a degree of cohesion on bottom-line issues.

[2] *EP Spring 2022 Survey: Rallying around the European flag – Democracy as anchor point in times of crisis,* European Parliament, June 2022, viewed 5th January 2023, <https://europa.eu/eurobarometer/surveys/detail/2792>

Dousing the Flames

How to respond well in a public relations crisis

by **Ulan Tuya**

The world of social media is a dangerous place for company reputations. Any unhappy customer could spark off a huge public relations (PR) crisis online with a single complaint post. Many companies have drawn up plans to deal with such situations. However, on several occasions, corporate responses didn't reduce the negative voices online but instead inspired a new wave of criticism, making the situation worse. **Ulan Tuya** of **Ulan PR Consultancy** here shares some experiences and advice on how to create a good response to a PR crisis on social media.

Why is a response a must?

Well executed PR not only involves dealing with media, but also is about building effective communication with anyone connected to the business environment of a company. Key stakeholders and supporters also need to know and express the key message and attitude of a company. In a PR crisis situation, a corporate response acts as an official conclusion, and every crisis should have a clear conclusion to bring closure to it.

'Eight Sins' of a bad response

To paraphrase Tolstoy: all good responses are alike; every bad response is bad in its own way. We can summarise bad responses into 'Eight Sins': arrogancy, non-objective, evading the subject, expanding the topic, unnecessary information, complex writing, a wrong attitude and playing tricks.

Arrogancy is fatal. You can feel the arrogancy between the lines of many bad statements in phrases such as: "The customers don't know the correct way"; "We will take legal actions"; "We sincerely apologise for any offense that may have been caused"; "This is our dealers' fault", to cite just a few. The public are sensitive to arrogancy; if they feel disrespected, they will call it out. Arrogancy can be the enemy of communication.

The key elements of a good response

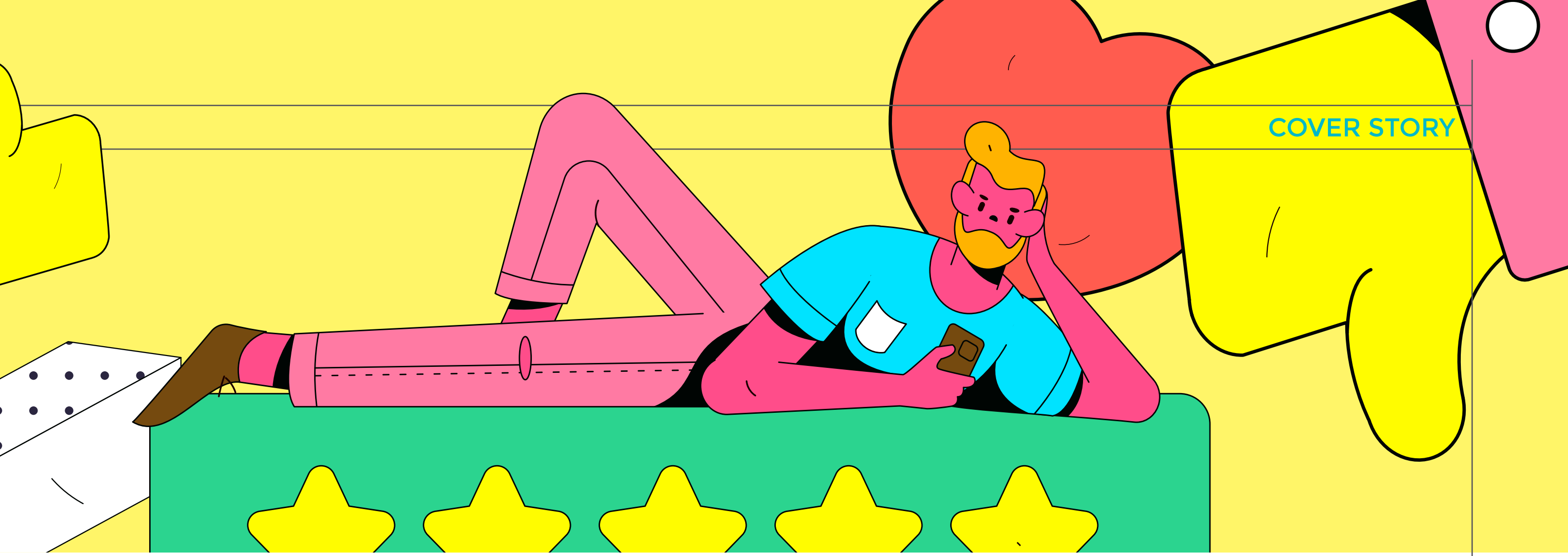
A good response should feature the following aspects:

1. Focus on the issue. Don't expand the topic or involve more stakeholders.
2. Focus on the key message.
3. Maintain transparency. Make clear where responsibility for the issue lies, and don't be vague.
4. Give a solution. Try to specify the actions you will take, something that people will believe you can really do.
5. Be concise, with clear truth and evidence.

Response methods vary

A response can take many forms and be sent out through various channels. Not all responses need to be published on media or the official corporate website. It could be a voice message to customers from your corporate toll-free 400 number, a report to a local government department, a meeting with dealers, a short message on Weibo, and so on. The key audience will vary depending on the topic. Identify the key audience in each case and think about what they like, and the best way to get in touch with them. You need to make sure your target audience is getting the message.

The first step is: de-escalate. There is a Chinese proverb: " A clever person turns great troubles into little ones, and little ones into none at all." For example: Some customers complain online. You have two choices: first, the



PR team publish a statement. Second, the post-sales team calls the customers to explain and give refunds. The former will make the issue into a public opinion issue. The latter will de-escalate it into a customer service routine. Which is more likely to attract more attention the media? Which would you choose?

Choose the right manner

It is essential to abate the audience's rage. Having the right manner when responding can help focus the public and media on the issue, instead of them engaging in negative sentimental expression. In many public opinion cases, the more aggressively a company behaves, the more negative comments from the public become. People always sympathise with the underdog. Compared to individual customers, a company born to make profit is the strong, and therefore 'wicked', side.

The right manner is soft and rational. Sometimes the team can feel wronged, angry or depressed when a PR crisis emerges. If the executives or team are emotional, it can cause problems. For example, if the internal mood isn't handled well, it may be expressed through the PR response and be sensed by the public, which could lead to a new round of quarrels. So, before sending out a response, give it a final check to make sure no sentimental clues can be detected between the lines.

Misunderstanding by the public

With more industry segmentation, misunderstanding over a certain sector or product is common. Educating consumers on those sensitive industrial elements should be done as part of daily PR work. Regular PR work and crisis management are two sides of one coin; if you can't educate your audience with the correct message, then they may be misled by wrong ones. Build your firewall on sunny days.

A good method is to explain an issue with data and evidence from independent sources where possible. For example, a famous coffee brand became the target of many Chinese social media posts stating that coffee causes cancer. The company posted a response one day later: simply a translation of the United States National Coffee Association's *Statement on Coffee & Prop.65 Ruling*, which referred to multiple scientific and academic reports disputing that coffee could cause cancer with proof that the beverage can instead be beneficial to people's health. This response killed all the negative discussion.

Some tips

- Never criticise or challenge media.
- Don't admit any blame without evidence; don't cover up if you are to blame.
- Don't lie.
- Show evidence if you have any.
- Effective evidence is from public resources, including data, laws and regulations, or certificates from independent resources.
- Take a soft attitude. Don't be aggressive.
- Don't take a lawyer's letter as a threat.
- Technical and legal language are not for communication. Use simple words.
- Focus on the issue, provide the necessary information.
- Don't praise your company.
- Don't mention others, either industries or competitors.
- Don't feel wronged.
- Don't make jokes.
- Don't respond through an executive's private social media accounts. EB

Ulan Tuya is the chief executive officer of Ulan Public Relations Consultancy. Ulan is a professional PR expert, especially on crisis management, with 20 years of experience in the field. She is also vice chair of the European Chamber's Marketing and Communications Forum, and a career mentor with the Beijing International MBA programme at the National School of Development, Peking University.

TOO BIG TO FAIL

The almighty fall of Evergrande

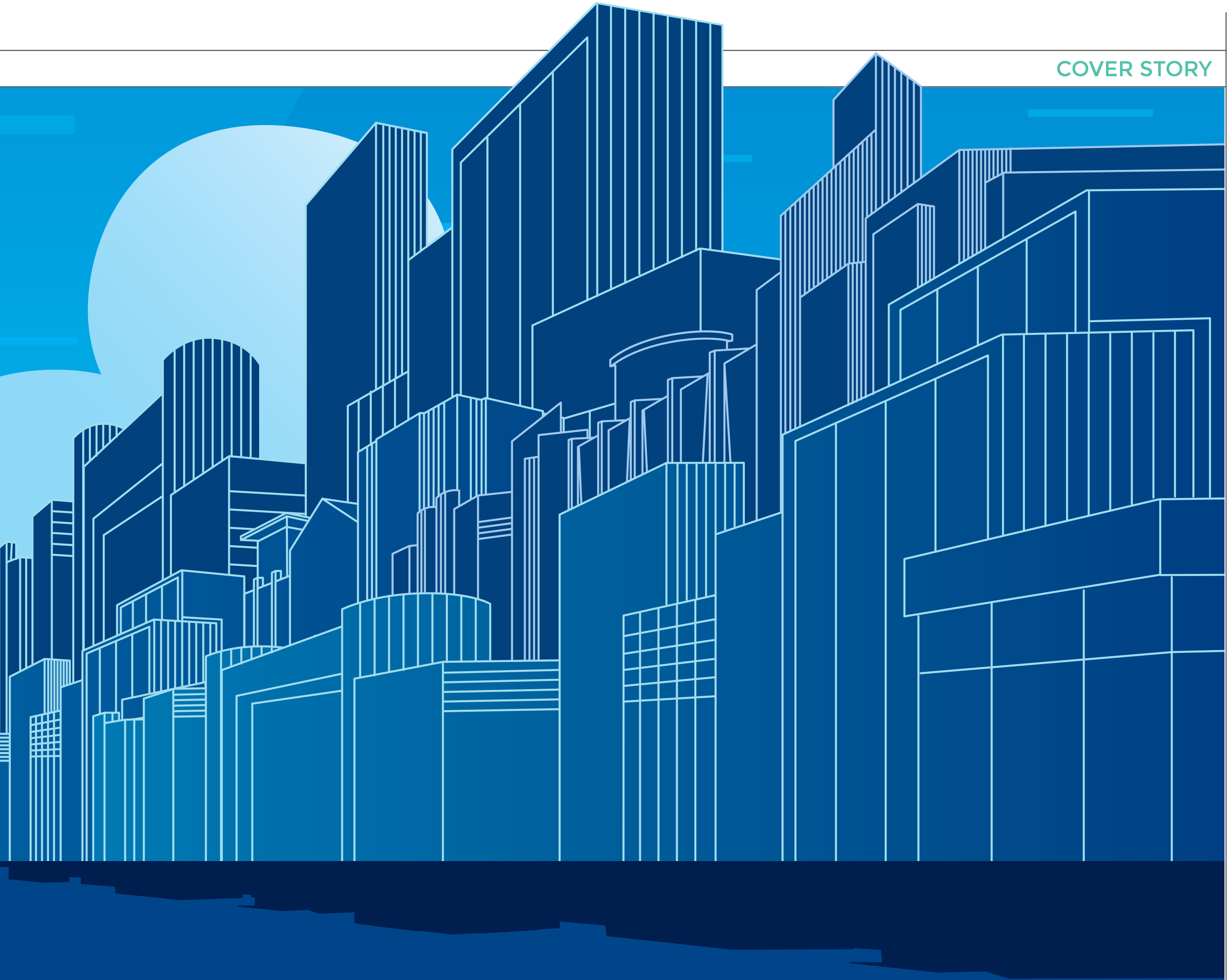
by **Stephanie Sam**

As one of China's largest property developers, the announcement at the end of 2021 of Evergrande's debt default sparked an unexpected property crisis after years of optimism in the real estate sector. Since China first started opening up its economy in the 1980s, the real estate market has been a key driver of economic growth. However, with sales in October plummeting 28 per cent from a year earlier,[1] the recent volatility of the real estate market has exacerbated other instabilities in the social fabric of the country, particularly following COVID-19 lockdowns across more than 70 cities across China in 2022.[2] With homes and existing inventory currently valued at an estimated United States dollars (USD) 52 trillion,[3] and the accelerating property debt crisis spilling over into other areas of the economy, the stakes remain higher than ever. **Stephanie Sam, communications and business manager** with the **European Chamber,** asks how China's property market spiralled out of control in the first place and, more importantly, what sort of domino effect will it have on the country's economic outlook and the wider global economy?

The fall of Evergrande

While at least 18 other real estate giants also faced severe liquidity issues,[4] none have faced as much media scrutiny as the posterchild of China's current property crisis: Evergrande. Once a core pillar of the country's economic growth, Evergrande became the highest-profile casualty as the most indebted developer, crushed under the weight of debts of over USD 300 billion

1. *China Home Sales Drop 28% as Covid Flare–Up Adds to Risks, Bloomberg,* 31st October 2022, viewed 14th December 2022, <https://www.bloomberg.com/news/articles/2022–10–31/china–home–sales–drop–28–as–covid–flare–up–adds–to–risks?leadSource=uverify%20wall>
2. Gan, Nectar, *Chinese Cities Rush To Lockdown In Show of Loyalty To Xi's 'Zero–Covid' Strategy, CNN*, 5th September 2022, viewed 10th December 2022, < https://www.cnn.com/2022/09/05/china/china–covid–lockdown–74–cities–intl–hnk/index.html>
3. *China's Bursting Housing Bubble Will Rock the Economy for Years, Bloomberg,* 13th October 2022, viewed 4th December 2022, <https://www.bloomberg.com/news/articles/2022–10–12/china–s–billions–in–stimulus–failing–to–spark–demand–for–housing#xj4y7vzkg>
4. Ouyang, Iris, *China bond defaults hit US$20 billion in 2022, more than double last year's total, as property developers teeter, South China Morning Post*, 19th July 2022, viewed 14th December 2022, <https://www.scmp.com/business/china–business/article/3185718/china–bond–defaults–hit–us20–billion–2022–more–double–last>
5. He, Laura, *Evergrande has failed to deliver the debt restructuring plan it promised, CNN*, 1st August 2022, viewed 4th December 2022, <https://www.cnn.com/2022/08/01/economy/china–evergrande–miss–deadline–restructuring–plan–intl–hnk/index.html>



– which include around USD 20 billion owed to overseas investors.[5] Although the unfolding debt crisis took many by surprise at the end of 2021, real estate developers had been grappling with mounting financial stress for months – the culmination of excessive borrowing and unsustainable growth strategies. Evergrande in particular had pursued a risky diversification strategy and aggressive expansion into many new sectors, including energy and electric vehicles. After struggling to repay its debt obligations, Evergrande began one of China's biggest government-supervised debt restructuring processes to ease its liquidity challenges. As the saga unravelled, two international credit rating agencies, Fitch and Moody's, withdrew their respective ratings of Evergrande due to insufficient information being provided by the property giant,[6] highlighting the lack of investor confidence in the Chinese property market.

Growth driving ghost cities

To understand how the property sector spiralled out of control, it is crucial to see the bigger picture of where real estate fits into China's development ambitions. The country's emerging middle class has long had a cultural propensity to favour property investments. Over the past 15 years, as the middle class expanded, housing prices surged sixfold, which led to the speculative buying of pre-sold new homes—housing sold before being built or completed—by property developers.[7] As a result, by October 2022, the real estate sector accounted for almost 40 per cent of household assets and a quarter of domestic output.[8]

This speculation in real estate prices has resulted in the phenomenon of many 'ghost towns' cropping up in China – a misnomer applying to newly developed cities left unoccupied due to supply outweighing demand, rather than being abandoned.[9] Current estimates suggest around 65 million homes, or one fifth of all apartments, sit empty in China

6 *Fitch withdraws ratings on debt–laden China Evergrande, subsidiaries, Reuters,* 2nd June 2022, viewed 14th December 2022, <https://www.reuters.com/business/fitch–withdraws–ratings–debt–laden–china–evergrande–subsidiaries–2022–06–02/>

7 Curran, Enda, *How China's Property Developers Got Into Such a Mess, The Washington Post,* 3rd November 2022, viewed 14th December 2022, <https://www.washingtonpost.com/business/how–chinas–property–developers–got–into–such–a–mess/2022/11/03/2842fbca–5b61–11ed–bc40–b5a130f95ee7_story.html>

8 *China's Bursting Housing Bubble Will Rock the Economy for Years, Bloomberg,* 13th October 2022, viewed 4th December 2022, <https://www.bloomberg.com/news/articles/2022–10–12/china–s–billions–in–stimulus–failing–to–spark–demand–for–housing#xj4y7vzkg>

9 *Concrete 'Ghost Towns' Make China's Real Estate Bubble Visible, Nikkei Asia,* 9th February 2022, viewed 9th December 2022, <https://asia.nikkei.com/Spotlight/The–age–of–Great–China/Concrete–ghost–towns–make–China–s–real–estate–bubble–visible>

– "enough to house the population of France".[10] Further fuelling the property boom is the ingrained societal pressure for Chinese men to own property as a prerequisite before marriage,[11] as well as China's aim of reaching 65 per cent urbanisation by 2025 under the 14th Five-year Plan.[12]

A systemic issue

This overreliance on the real estate sector has been touted as 'a systemic problem'.[13] Several elements bind the real estate market to China's financial system: the first that comes to mind is the dominance of property in Chinese households' asset portfolios due to the lack of other investment vehicles for consumers to explore in addition to underdeveloped domestic financial markets.[14]

The Chinese real estate market is not only a key driver of China's economic growth, but also an integral component of the country's constitution, given that all land is owned by the state. The billions of dollars of revenue generated by land auctions and property market earnings meant that the government had incentive to drive up supply and encourage property investments. Local governments in particular rely heavily on revenues from land and future land sales as collateral for debt financing through local government financing vehicles.[15] Meanwhile, the provision of overzealous loans to households, developers and local governments has left banks heavily exposed to the real estate crisis – making the sector systemically entrenched in the Chinese financial system.

Property crackdowns

While many issues had been simmering underneath the surface, it was the August 2020 crackdown on excessive borrowing that first revealed the cracks in Evergrande and other real estate giants. In a bid to rein in high debt and curb soaring housing prices, Beijing implemented the 'Three Red Lines' policy – three requirements aimed at restricting property developers' abilities to raise financing unless their debt ratios were below specified thresholds.[16] While the curbs were intended to reduce leverage and mitigate financial risks associated with debt refinancing strategies, the tighter regulatory restraints have made for a painful transition process – especially for heavily leveraged Evergrande.

'Pay now, own never'

As the property sector crashed, and work on pre-sold housing projects was delayed or suspended, over 340 mortgage strikes took place in over 100 Chinese cities.[17] Initially encouraged by the government policies and the steadily rising prices of the property market, the real victims of China's property pyramid are from its emerging middle class, now caught between a rock and a hard place where construction work has been paused indefinitely while mortgage payments pile up. Despite threats of legal action, punishment and negative repercussions for their social credit scores, many homebuyers felt they were left with no other option but to refuse to pay their mortgages for property that might never materialise – which in turn put as much as USD 365 billion worth of bank loans at risk.[18] Coupled with mounting expenses and steep salary cuts due to the COVID-induced economic slowdown, ordinary citizens who bet on the certainty of price rises by taking out private high-interest loans or borrowed from friends and family, face a less than ideal situation of 'pay now, own never'.[19]

House of cards

China's crumbling real estate sector has the world watching carefully; the supply chain challenges caused by its COVID-induced lockdowns in spring 2022 served as a good reminder of how interconnected the global economy is. Given the impending global recession and the significant proportion of overseas investors in the Chinese property market, there will be worrying implications if Evergrande or other real estate giants default.

Recent relief measures to assist banks in extending loans and reducing down payments and mortgage rates, as well as to ensure the delivery of pre-sold homes, have been called a 'turning point' in the property crackdown.[20] Others take a more realistic view, stating that China's central government is unlikely to bail out the property developers.[21] Surges in Chinese real estate stocks in November 2022 also rang warning bells of a "weak reality vs high expectations".[22]

The stakes remain too high for a Lehman Brothers-esque collapse in China; the real estate sector is too intrinsically tied to the economy for the Chinese Government to let Evergrande, and the wider real estate sector fail. However, the crisis illustrates the systemic pitfalls of the sector, with the prospects for China's real estate sector likely to remain gloomy for years to come. Eb

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[16] Wong, Jacky, *China Throws Developers a Lifeline, but Homebuyers Might Stay Cautious, Wall Street Journal,* 14th November 2022, viewed 11th November 2022, <https://www.wsj.com/articles/china–throws–developers–a–lifeline–but–buyers–might–stay–cautious–11668430831>

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FOREIGN INVESTMENT LAW

A stabilising force amid tumultuous times?

by **Carlo D'Andrea and Shane Farrelly**

The Foreign Investment Law (FIL) and its *Implementing Measures* were promulgated in January 2020. Since then, China—alongside the rest of the world—has faced momentous challenges and uncertainties. Its political, social and economic environment has altered and adapted to tackle these obstacles, not to mention shifting geopolitical concerns, climate change and digitalisation.

Given that foreign-invested enterprises (FIEs) account for about a quarter of China's industrial output, a fifth of its tax revenue, and about 40 per cent of its total imports and exports, stabilising foreign investment and optimising the distribution of foreign capital is indeed a top priority for the Chinese Government, a point recently reaffirmed in President Xi Jinping's report to the 20th Party Congress. Reflecting on the aforementioned points, **Carlo D'Andrea, vice president** of the **European Chamber,** and **Shane Farrelly** of **D'Andrea & Partners Legal Counsel** examine how national policymakers have sought to stabilise foreign investment since the FIL was introduced.

National Security Review mechanism

An oft-contentious aspect for foreign investors within China has been the security review of certain investments. This requirement dates back to 2006, when the Ministry of Commerce (MOFCOM) released the *Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (M&A Rule).* Under this rule, national security review (NSR) only applied to foreign investment through merger and acquisition, with the MOFCOM the authority in charge.

However, the FIL has broadened the scope of national security review to cover greenfield foreign direct investment and indirect foreign investment in cases where national security may be affected. The authority in charge of national security review now consists of a joint working mechanism under the National Development and Reform Commission (NDRC).

On 19th December 2020, the NDRC and the MOFCOM jointly released the *Measures for Foreign Investment Security,* providing detailed requirements and procedures, and signalling the establishment of the foreign investment security review system under the FIL.

Categories and scope

The first category concerns security of national defense. In practice, this rarely applies as it is quite uncommon to have transactions involving foreign investment into military-related sectors in China, especially following the Trump Administration bans on such investment by United States firms.

However, the second category, in which investments confer at least *de facto* control upon foreign investors (meaning if the voting rights enjoyed by a foreign investor allow it to exert material influence over the board of directors, shareholders' meetings or resolutions of shareholders' meetings; or there are other circumstances that would enable foreign investors to exert material influence over management decision-making, human resources, finance, technology, or other areas) is of more relevance. This category includes investments into a list of industry sectors that are considered to concern national security, including important energy and resources; important equipment manufacturing; important infrastructure; important transport services; important information technology (IT) and internet products and services; and important financial services, to name but a few of the most relevant.

In practice, the *Measures* do not specify what amounts to 'important', leaving the authorities with considerable discretion, and thus a relatively broad interpretation appears likely. In summation, an investor should consider the invested sectors as in-scope if they appear close to the description provided by the *Measures*.

Big data, IT, artificial intelligence and internet-based technologies have all come under the spotlight due to the rise of the digital economy. Therefore, foreign investors should not underestimate the strategic importance and sensitivity of these sectors when assessing the relevance of Chinese NSR regime to a particular transaction.

Impact

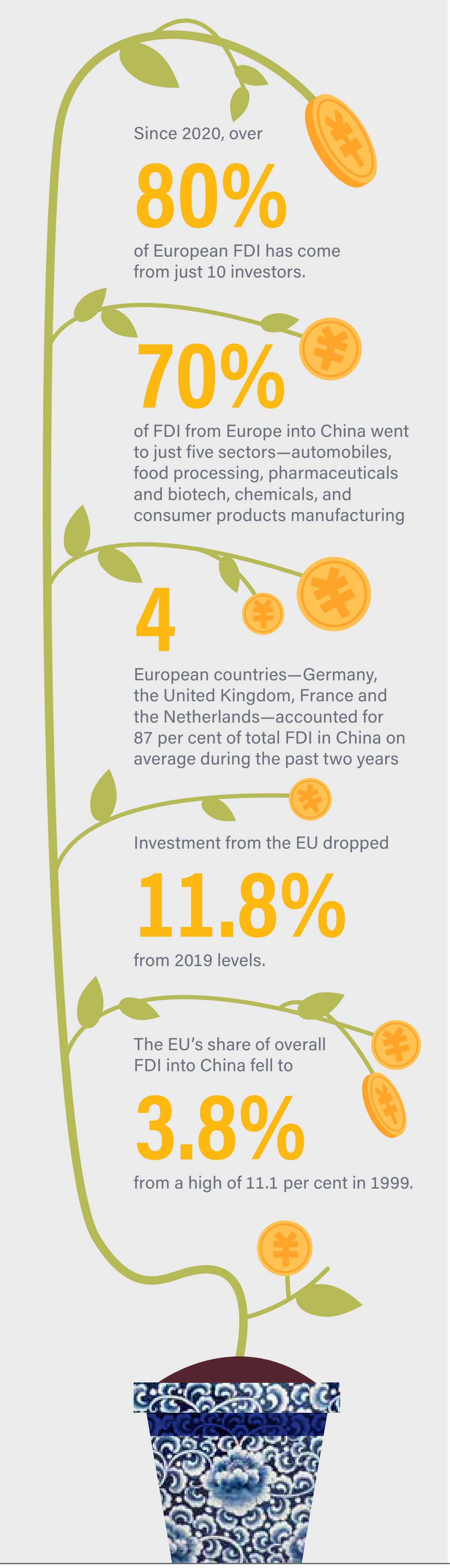
Although the *Review Measures* provide more detail on the NSR mechanism, the list of sensitive areas that could potentially trigger a NSR remains quite vague and general. While the NDRC has made efforts to assist businesses—for example, setting up a contact point for NSR-related consultancy—it is necessary for additional relevant stakeholders to provide more clarity on this topic.

According to the European Chamber's *Business Confidence Survey 2022,* ambiguity in rules and regulations has ranked for six consecutive years as the most significant regulatory obstacle to doing business in China, highlighting the need for regulatory reform as well as improved communication between government and industry.

Complaint mechanism for FIEs

In conjunction with the provisions set out in the FIL, the MOFCOM created a new mechanism for handling complaints lodged by FIEs, codified in the *Measures for Processing Complaints of Foreign-invested Companies (Measures),* with greater intellectual property (IP) rights protection, equal treatment, and transparency.

These latest complaint rules include several important developments, most notably the creation of a new, high-level system with the authority to coordinate complaints at the central level and guide others at regional levels. When a complaint is filed with one of the complaint-handling agencies in MOFCOM, the complainant will have to provide supportive documents, facts and evidence. The agency will then have to either accept or reject the complaint within seven working days from the day of receiving the complaint. Upon acceptance of a case, the agency should resolve it in 60 days (which can be extended if the matter is relatively complex and involves several departments).



Other notable additions include a 'no-retaliation' clause in which foreign companies are guaranteed in writing that punitive retaliatory actions are not to be conducted, as well as a shortened timeframe for processing longer complaints (reduced from two years to one.)

Despite these improvements, the complaint measures are not a remedy for all issues, as it remains unclear if the new scheme will consider IP-related complaints within its administrative scope. Additionally, the word 'complainant' is defined narrowly as 'FIEs' and 'foreign investors'. Business organisations had called for expanding the definition of complainant to include industry associations, as this would allow for the anonymising of complaints and their presentation as collective problems, thereby minimising any risks assumed by any individual company.

Conclusion

With the release of the FIL and its subsequent apparatus for effective realisation, meticulously arranged over the past three years, stabilisation of foreign investment has been pursued from a multitude of angles. However, European investment in China has over that time become increasingly consolidated among a few investors, sectors and origin countries. Over 80 per cent of European FDI has come from just 10 investors, 70 per cent of FDI from Europe into China went to just five sectors—automobiles, food processing, pharmaceuticals and biotech, chemicals, and consumer products manufacturing—and just four European countries—Germany, the United Kingdom, France and the Netherlands—accounting for 87 per cent of total FDI in China on average during the aforementioned period.

FDI data into China has also declined since 2020; investment from the EU dropped 11.8 per cent from 2019 levels, and the EU's share of overall FDI into China fell to 3.8 per cent from a high of 11.1 per cent in 1999.

Although the NDRC recently introduced *Several Policy Measures to Stabilise Foreign Investment Stocks and Spur Foreign Investment Quality and Quantity with a Focus on the Manufacturing Sector,* which details 15 measures to stabilise and attract foreign investment, various factors indicate that China has become less attractive as an investment destination for European companies since the promulgation of the FIL.

Stalling state-owned enterprise reform and increasingly ad hoc policymaking, disorganised COVID-19 policies, fewer opportunities for in-person knowledge exchange, and shifting supply chain strategies all need to be addressed to assuage investors' concerns over the opening up of market segments and decoupling with other markets.

D'Andrea & Partners Legal Counsel (DP Group) was founded in 2013 by Carlo Diego D'Andrea and Matteo Hanbin Zhi, both of whom have extensive backgrounds in Chinese and EU law. Our firm's services encompass a full range of foreign direct investment/overseas direct investment-related matters, with a special focus on business relationships between Europe and Asia, inclusive of topics such as cross-border mergers and acquisitions; scouting, relocation and negotiation with local and government authorities; dispute resolution and corporate governance; IP protection, litigation and arbitration; and employment and labour law, among others. DP Group currently has four service entities: D'Andrea & Partners Legal Counsel; PHC Tax & Accounting Advisory; EASTANT Communication and Events; and Chance & Better Education Consulting. DP Group has branches around the world, including in several major developing economies.

Crossing the River Without Stones

The European Chamber Annual Conference 2022

The European Chamber held its annual conference in Beijing on 9th December, under the theme 'Crossing the River Without Stones'. The event was held in hybrid format – while some were able to attend the conference in person, a surge in COVID cases in Beijing meant many were also forced to participate online. The silver lining of this was that it made the conference available to stakeholders in all regions of both China and Europe.

Opening speech

The opening speech was delivered by Jörg Wuttke, president of the European Chamber. He noted that while the phrase "crossing the river by feeling the stones" is generally associated with Deng Xiaoping, and moving China forwards, it was in fact coined by Chen Yun in reference to slowly opening up the Chinese economy. President Wuttke said there were some major 'stones' that could be credited with bringing China to where it is today: real estate, which is now in a very precarious position; fixed asset investment, leaving China now with three times the infrastructure in terms of gross domestic product (GDP) of that the United States (US) has; exports, which drove China's economic rise; demographics, as the country had a lot of young people available to go into the factories, an advantage that is now changing; and urbanisation, where a population equal to New York City

moved to cities every year, though urbanisation can only be done once. He said that future ‘stones’ should include high-technology manufacturing and consumption, which need the right conditions to succeed.

President Wuttke also spoke of the Chamber’s annual flagship publications, the *Business Confidence Survey* and the *Position Paper*. The BCS imagery referred to back swans, specifically COVID-19 and the Russian war in Ukraine, with a lighthouse representing Chin’as potential to recover and return to growth. The messaging of the *Postion Paper 2022/2023* was “idealogy trumps the economy”, indicating the Chamber’s concerns over the Chinese Government’s appreciation of the importance of the privately-owned business sector, which plays an oversized role in innovation and economic development.

The final major topic brought up by President Wuttke was China’s handling of COVID-19. He said while Chinese people had been well-protected from the worst of the initial COVID variants, the government’s emphasis on testing over vaccination had led to a waste of resources and greatly impacted people’s daily lives. President Wuttke highlighted the Chamber’s consistent promotion of vaccination since the pandemic began. He added that while the new measures introduced by the government to ease COVID restrictions were welcome, a coordinated and choreographed opening up is vital.

Ambassador’s address

HE Jorge Toledo, the newly appointed ambassador of the Delegation of the European Union (EU) to China, also addressed the annual conference. He began by praising the Chamber for its visibility, not only in China but also in the global debate and analysis of China-related concerns. The ambassador echoed the Chamber’s emphasis on vaccination, saying that it was not only important to avoid disruptions to business, but also to ensure people’s safety and health.

Ambassador Toledo spoke of the turbulence of 2022, such as that caused by the Russian invasion of Ukraine, which had led directly to global food shortages and the fuel crisis in Europe. He highlighted the endurance of the strong trade links between the EU and China, despite the unbalanced nature of that trade. The ambassador said that while the EU has referred to China as “a partner, a competitor and a systemic rival” since 2019, the recent visit of Charles Michel, president of the European Council, was vital in ensuring dialogue is maintained between the two sides. He added that “’systemic rival’ does not mean ‘enemy’”, but is rather recognition of the differences in the systems adopted in the EU and in China. While the two sides can partner well on combatting climate change, and compete and cooperate on trade, they can also utilise their dialogue channels on issues in which they have opposing views and systems, such as human rights.

A leading official of the Directorate General for Trade, EU Commission, addressed the conference by video link from Brussels, highlighting the regard the European Chamber is held in by European institutions as a reliable voice from the ground in China, and thanked the Chamber for its assistance in preparing for the high-level trade negotiations with the Chinese Government in 2022. The official went on to speak of the tools the EU has introduced to protect its own businesses and market, but also stressed that any decoupling between the EU and China was undesirable and should be avoided.

Panel discussions

Two panel discussions also took place during the conference. The first, moderated by Wendy Wu from the *South China Morning Post*, was themed “Is ideology really trumping the economy?” The panellists shared their views on how the new leadership of the Communist Party of China will shape the country’s social and economic policies going forward. They noted that the more consolidated power of the State Council could lead to more efficient implementation of policies, though it increases the risk of sudden policy changes. The panel also agreed that foreign businesses operating in China were more affected by politically-driven policies in recent years than when China joined the World Trade Organization 20 years ago.

The second panel was themed ‘China Ahead 2023’, which focussed on the outlook for the Chinese economy in the year ahead. The panellists also gave their interpretations of the concepts of ‘common prosperity’ and the ‘unified market’. Questions from the audience for the panellists centred on the sources of consumerism in the Chinese market and the viability of introducing property tax in China.

The conference closed with an address from a former leading official of a Chinese financial institution, who also emphasised the potential for deeper cooperation between the EU and China, in particular in the areas of climate change, bilateral investment and financing the transition to renewable energies.

For further details on the topics addressed in the speeches and discussions that took place during the conference, the Chamber’s BCS 2022 and *Position Paper 2022/2023* are available to download from our website, www.europeanchamber.com.cn.

25TH NOV.
BEIJING

Chamber representatives brief European Council President Charles Michel ahead of his China visit

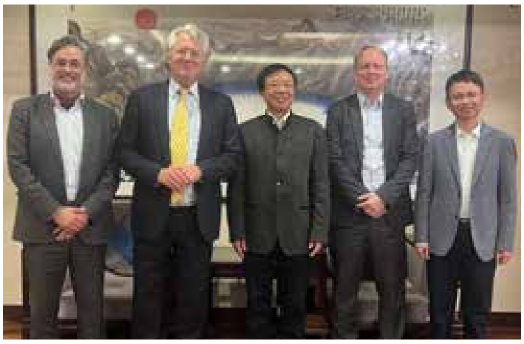
European Chamber representatives with European Council President Charles Michel
Photo: European Chamber

On 25th November, a delegation of European Chamber representatives led by President Jörg Wuttke met with European Council President Charles Michel ahead of his visit to China to brief him on recent developments on the ground.

President Wuttke outlined the key trends shaping China's political, social and economic environment, and their impact on European businesses. The Chamber's other representatives then shared their insights on both horizontal issues—such as the challenges facing small and medium-sized enterprises in China—and sectoral issues, including in relation to the energy, financial services and automotive sectors, among others.

2ND NOV.
BEIJING

Chamber meets with Director Peng Yong of the CPC's China Economic Cooperation Centre



President Wuttke, VP Eskelund and VP Weill with Director Peng Yong of the CPC's CECC.
Photo: European Chamber

On 2nd November, President Wuttke, along with Chamber vice presidents (VPs) Jens Eskelund and Bruno Weill, met with Peng Yong, director of the China Economic Cooperation Centre (CECC) of the International Department, Central Committee of the Communist Party of China (CPC).The two sides had a candid discussion on recent developments pertaining to trade and investment between the European Union (EU) and China, China's COVID-19 containment policy and European businesses' access to the China market. They agreed to stay in close communication and to promote further EU-China economic cooperation.

2ND NOV.
BEIJING

President Wuttke meets with Ambassador-designate to the EU, HE Mr Fu Cong

President Wuttke with Ambassador–designate to the EU, HE Mr Fu Cong
Photo: European Chamber

On 2nd November, President Wuttke was received by HE Mr FU Cong, ambassador-designate to the EU, in Beijing. An open and frank exchange took place, which covered EU-China bilateral relations, China's COVID-19 containment polices and the development of European businesses in China. President Wuttke conveyed his best wishes to the Ambassador-designate on his coming appointment in Brussels, and expressed hope that both parties will maintain regular contact.

13TH NOV.
BEIJING

Carbon Market chair joins China Green Finance Committee annual conference

Carbon Market Working Group Chair Hengwei Liu (top right) apeaking at the annual conference of the China Green Finance Committee
Photo: European Chamber

On 13th November, the Green Finance Committee of the China Society for Finance and Banking hosted an online annual conference, during which it presented its 2021/2022 report and outlook for 2022/2023. European Chamber Carbon Market Working Group Chair Mr Hengwei Liu participated in a sub-forum on international cooperation in the field of green finance and China's Belt and Road Initiative, sharing the perspective of European businesses.

24TH NOV.
BEIJING AND BRUSSELS

Chamber co-organises EU-China Biopharmaceutical Innovation and Development Roundtable

On 24th November 2022, the EU-China Biopharmaceutical Innovation and Development Roundtable took place using a hybrid format connecting Beijing and Brussels. It was co-organised by the European Chamber and the China Society for Drug Regulation (CSDR), with support from the European Federation of Pharmaceutical Industries and Associations (EFPIA).

Zhao Junning, deputy commissioner of the National Medical Products Administration, delivered the keynote speech, highlighting Europe and China's commitment to strengthening cooperation and dialogue on health and innovation, a priority emphasised at the 2022 EU-China Summit and the EU-China High-level Economic and Trade Dialogue. President Wuttke, Zhang Wei, president of the CSDR, and Olivier Charmeil, chair of the International Board Sponsored Committee of the EFPIA, also delivered speeches. In addition, officials from the NMPA Department of Science, Technology and International Cooperation, Department of Policies and Regulations, Department of Drug Registration, Department of Drug Regulation, and the Centre for Drug Evaluation introduced key policy developments.

Revitalising the Greater Bay Area

New Guangzhou Nansha preferential tax incentive
by **Aaron Finlay**

Plans to create a city/regional cluster of key cities in Guangdong, along with Hong Kong and Macao—dubbed the 'Greater Bay Area' or GBA—were widely welcomed when they were first formally introduced in 2017. The first major piece of infrastructure to be set up was the sea bridge connecting Shenzhen and Hong Kong to Zhuhai and Macao by road. Then COVID-19 arrived and further infrastructure development stalled. In 2022, the Chinese Government began to renew its drive to incentivise investment in the GBA through iniitiatives like special business zones and preferential treatment for enterprises from the industries most in demand. **Aaron Finlay, chair of the South China Finance and Taxation Working Group**, looks at one of these newly proposed initiatives.

On 14th June 2022, the State Council officially issued the *Overall Plan for Deepening the Guangdong-Hong Kong-Macao Comprehensive Cooperation (GBA) in Guangzhou Nansha Facing the World (Guo Fa [2022] No. 13)* (Overall Plan). The aim of the Overall Plan is to promote GBA comprehensive cooperation in Guangzhou Nansha, and to support Nansha in becoming a major strategic platform within the GBA.

On 21st July 2022, China's Ministry of Finance (MOF) promulgated the *Notice on the Preferential Policies for Individual Income Tax (IIT) in Nansha, Guangzhou (Cai Shui [2022] No. 29), (Circular No. 29)*, and on 25th September 2022, the State Administration of Taxation (STA) released the *Notice on Guangzhou Nansha Enterprise Income Tax Preferential Policies (Cai Shui [2022] No. 40) (Circular No. 40)*. These two documents clarified the tax incentive policies in the Overall Plan and put forward opinions on how these should be implemented. Table 1 briefly introduces the new preferential policies.

Table 1: Summary of preferential policies

Taxation area	Specific provisions	Scope of implementation
Enterprise Income Tax: Preferential tax rates and extended loss carry-over periods	A. Enterprise income tax will be levied at a reduced rate of 15 per cent for eligible encouraged industrial enterprises in the pilot start-up zone (see Section A for details).	Guangzhou Nansha Pilot Start-up Zone (i.e. Nansha Bay, Qingsheng Hub and Nansha Hub)
	B. Extend the loss carry-over period for enterprises in relevant high-technology key industries in Nansha (see Section B for details).	The whole area of Nansha, Guangzhou
IIT: excess exemption	C. Hong Kong and Macao residents working in Nansha are exempted from IIT exceeding the tax burden of their home region (see Section C for details).	The whole area of Nansha, Guangzhou
Validity period	1st January 2022 to 31st December 2026	

A. Enterprise income tax - A reduced rate of 15 per cent will be made available for eligible encouraged industrial enterprises located in the Nansha Pilot Start-up Zone.

- *Applicable conditions (subject to both):*

  1. If a company's main business is the industrial project specified in the *Guangzhou Nansha Enterprise Income Tax Preferential Catalogue (2022 Edition) (Preferential Catalogue),* and the main business income accounts for more than 60 per cent of the total enterprise revenue. Total income shall be determined in accordance with Article 6 of the Enterprise Income Tax Law.

  2. Enterprises must have substantive operations in order to be eligible for consideration..

- *Application to head office and branches:*

  1. For enterprises with their China head office located in the Nansha Pilot Zone, the 15 per cent tax rate will only apply to the income derived by that office, as well as branches located in the Nansha Pilot Zone that meet the prescribed conditions;

  2. For enterprises with their head office located outside the Nansha Pilot Start-up Zone, the 15 per cent tax rate will only apply to income derived by their branches located in the pilot zone that meet the prescribed conditions.

B. Enterprise income tax: Starting from 1st January 2022, high-technology companies established in Nansha and technology-based small and medium-sized enterprises (SMEs) will be allowed to carry forward any losses incurred in the eight years before the initial qualification year, with the maximum carry-over period extended to 13 years.

- *Applicable conditions (subject to both):*

  1. Enterprises in key high-technology industries that engage in the business specified in the *Preferential Catalogue*, and their main business income accounts for more than 60 per cent of the total revenue of the enterprise;

  2. Qualified as a high-technology enterprise or a technology-based SMEs, including:

     a) High-technology enterprises: identified in accordance with the *Notice on Revising and Issuing the Administrative Measures for the Identification of 'High-technology Enterprises' (Guoke Fa Huo [2016] No. 32);*

     b) Technology-based SMEs: In accordance with the *Notice on Printing and Distributing the Evaluation Measures for 'Science and Technology-based SMEs' (Guo Kefa Zheng [2017] No. 115)*, the registration of S&T-based SMEs shall be obtained.

C. IIT - Hong Kong and Macao residents working in Nansha are exempted from the portion of their personal income tax burden exceeding the equivalent amount of tax in Hong Kong or Macao.

- Scope of benefits: Comprehensive income from Nansha, Guangzhou.

- Preferential application method: The subsidy can be claimed when filing the annual settlement of IIT in Nansha, Guangzhou.

Note: This article has been prepared by Deloitte China for general reference only. We recommend that readers consult a tax advisor before taking action on the relevant information.

Aaron Finley is national vice chair and South China Chapter Chair of the Finance and Taxation Working Group. He is also the director for South China Business Development with Deloitte China.

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SQUATTERS AND COUNTERFEITERS

Research on app trademark infringement trends and risks

by **Rouse**

Smartphones, the surge of Internet users worldwide and digital economy growth have resulted in the rapid development of the application (app) industry. As of December 2021, the number of Internet users in China surpassed one billion, up almost 43 million year-on-year. The proportion that accessed the Internet by mobile phone is 99.7 per cent, while the number of apps in China's market reached 2.52 million.[1]

In China, the number and types of app stores are large and diverse. Generally, Chinese smartphone manufacturers and large-scale Internet enterprises operate their own app store, and some small Internet technology companies also run platforms where customers can download apps. There are over 10 mainstream app stores and around 100 small app platforms in China. This results in a complex market environment and diverse infringement issues for brand owners when they enter the Chinese market.

App trademark infringement is now a new trend, and app squatting is becoming as common as trademark squatting and domain-name squatting.[2] This article by **Rouse** discusses app trademark infringement from three aspects: an overview of app trademark infringement, determining when infringements occur, and ways to protect against being targeted.

Overview of app trademark infringement

Trademark infringement is a major problem for brand owners, as it not only impinges upon their rights but also could lead to market confusion and brand dilution. The types of trademark infringements and subsequent risks brand owners encounter vary across industries, including the app industry.

App trademark infringement issues mainly involve app marks (icons and names), and can be summarised as two types: first, using marks that are identical to others' registered trademark as app marks; and second, using marks that are confusingly similar to others.

These two infringement patterns could result in the following risks for brand owners:

1. **App squatting and counterfeiting:** This is a prominent risk due to the exclusivity of apps offered in app stores. Once an app and its mark are registered with an app store, other apps using the same marks will not be accepted.[3] App 'squatting' is when fraudsters use brand owners' registered trademark to develop apps and register with app stores, thereby preventing brand owners from releasing their authentic apps through those outlets.

   App counterfeiting is quite similar. This is where apps imitate brand products or services to mislead Internet users into believing they are connected to the official brand in some manner and gain benefits thereof. Both approaches not only infringe on trademark rights, they could also lead to brand owners being held accountable for damages resulting from unfair competition actions.

2. **Malicious infringement complaints:** Malicious complaints are often linked to trademark squatting. While foreign brand owners may have already released their apps in Chinese app stores, they may not have registered their trademark in China. As the first to register a mark is generally recognised as being the rights owner in China, infringers often register foreign trademarks in China under their own name, and then file to app stores for trademark infringement against the original brand owners.

Determination of app trademark infringement

To determine app trademark infringement, the assessment considers: 1) whether the use of the app marks constitutes trademark use; 2) the possibility of confusion between the app marks; and 3) the possibility of confusion between the app classifications.

1. **Whether the use of app marks constitutes trademark use**

Consideration of whether an app mark has been used for trademark purposes is a basic component of determining whether trademark infringement has occurred. Pursuant to Article 48 of the Trademark Law of the People's Republic of China (Trademark Law),[4] this means that the marks have been used on commodities or services released in the market for commercial activities, and have the function and purpose of identifying the origin of the commodities or services.

In mainstream opinion, as the standard way for apps to enter the market is to be uploaded to app stores for downloading, their marks should be deemed as trademark use once made available online. In addition, consumers normally choose and download an app through its mark, so the app mark could be

[1] *CNNIC: The 49th Statistical Report on the Development of the Internet in China*, China Internet Network Information Centre, (CNNIC), 13th July 2022, 8th December 2022, <http://www.cnnic.cn/n4/2022/0713/c33–206.html>

[2] Wang Lianfeng, 2016, *The attribute and trademark infringement of mobile Internet App Mark, Journal of Shanghai University of Finance and Economics,* vol. 18, no. 1, pp. 109–115.

[3] ibid.

[4] Article 48 of the Trademark Law: "For the purpose of this law, the 'use of a trademark' means using a trademark on goods, on the packages or containers of goods, in the trade documents of goods, or for advertisements, exhibitions, and other commercial activities for the purpose of identifying the origin of goods."

considered as having the function of identifying the origin of the app.

However, some judicial decisions have declared that some app marks do not constitute trademark use due to their descriptiveness of the app's function, so are for descriptive use rather than trademark use. For example, in Sina's 'Pai Ke' case in 2015,[5] both the first and second instant courts held that Sina's use of the mark was intended to indicate the use and function of the app, and could not be considered trademark infringement.

2. Possibility of confusing the app marks

The possibility of confusing the app marks is judged from their appearance, taking into account whether the appearance of the app marks is identical with or particularly similar to the brand owners' registered trademarks to a degree that could cause confusion for consumers. Furthermore, the reputation and distinctiveness of the brand owners' registered trademarks and the subjective intent of the use of the app marks could also influence determination of possibility of confusion.

3. Possibility of confusing the app classification

Apps are software commodities applied through the medium of computer software and have the attributes of Trademark Class 9 commodities (software, electric and scientific).[6] However, apps often have characteristics that expand beyond Class 9's remit. For instance, many apps use computer software as carriers to offer services that are irrelevant to Class 9.

A study of 30 app trademark infringement judicial cases between 2019 and 202 shows that, in practice, both Class 9 and the actual services associated with an app are considered to comprehensively evaluate whether the app constitutes trademark infringement.[7]

App stores have a significant role to play in dealing with app trademark infringement disputes. In general, app stores will usually deem that releasing apps on their store constitutes trademark use, and will further evaluate the complainant's trademark rights and infringing facts to reach their final conclusion.

Preventing app trademark infringement

To tackle the potential risks incurred by app trademark infringement, different solutions will be needed for all stages: of an app's life-cycle: pre-release will involve perfecting the trademark portfolio; an online enforcement plan will be required during release; and post-release will need preparation against malicious complaints.

1. Perfecting the trademark portfolio

Trademarks (app names/icons) should be registered in the pre-release stage. Any possible distortions of the app marks should also be considered for supplementary trademark registration; for example, four white stripes in the Adidas logo instead of the official three.

The trademark portfolio should look at trademark content, form and classes. Regarding trademark content, the level of distinctiveness of the mark is key. App names should avoid generic, descriptive words, and the line design and composition of app icons should be creative and unique. Trademark form involves text and icons. As the search function on app stores currently relies on text, the text form of an app mark should also be registered as a trademark in addition to its icon. For trademark classes, as discussed earlier, it is better to cover both classifications of core services and function operation of the apps for trademark registration.

2. Preparing online enforcement plan

Brand owners should prepare a plan to effectively enforce their rights regarding online app squatting and counterfeiting. To do so, brand owners should know their trademark rights, the core business associated with the apps, the rights of the infringing app (if any), and evidence of infringement. The online enforcement rules, process and proof requirements of app stores should also be taken into consideration.

3. Responding to potential malicious complaints

Malicious complaints may become an issue once the app is online. If a brand owner's right to the app marks has previously been acknowledged in any market, this can be used as evidence of ownership. The content of the malicious complaints and the rights of the malicious complainants should also be researched.

To sum up, it is feasible to predict app trademark infringement risks and further formulate corresponding solutions. These will enable brand owners to better protect their apps and improve their abilities to deal with app trademark infringements.

Rouse is a leading intellectual property services business and, together with its strategic partner Lusheng Law Firm, offers a dedicated digital and commercial service. The service supports the world's intellectual property (IP)-rich businesses to successfully exploit cutting-edge digital technologies, either their own or for the purposes of marketing and commerce. By bringing together IP value and commercial objectives, IP and regulatory risks are understood and mitigated, enabling businesses to reap the rewards without exposing their brand or creations.

5 (Subscription service) *China Judgements Online*, <https://wenshu.court.gov.cn/website/wenshu/181107ANFZ0BXSK4/index.html>

6 Jacob Tingen, *Trademark Class Basics: An Introduction to the 45 International Trademark Classes,* Tingen Law, updated 22nd March 2022, viewed 1st December 2022, <https://tingen.law/2018/trademark–class–basics/30292/>

7 Wen Haixuan, *Escort the Core Area of Zhongguancun –– Haidian Court "Online Trademark Infringement Case Investigation Report released"*, Zhong Guan Cun, 2016, pp.100–105.

China ShortCuts

The European Chamber launched its new, short-format podcast series in October 2022.

China ShortCuts is a five-minute weekly catch-up about the Chinese business landscape.

Tune in to stay up-to-date on the latest economic data, market trends, and policy and regulatory updates that could shape your industry.

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Regenerative Forestry

Its role in safeguarding biodiversity
by **Metsä Group**

The European Union's (EU's) Biodiversity Strategy and its *Proposal for a Regulation on Nature Restoration* will set rules relating to the use of forests, in support of the EU Green Deal as well as to enhance the bloc's raw material self-sufficiency. New forest management practices and innovations, such as the concept of regenerative forestry, will have to take these measures into account. Regenerative forestry is vital to promote biodiversity in northern European forests. More broadly, it can also assist in climate change adaptation and safeguarding wood production. But, as **Metsä Group** explains, while regenerative forestry is aligned with the objectives of the *Nature Restoration Regulation*, the latter is not without its challenges

The need for a holistic and cost-efficient approach

The goals of the proposed *Nature Restoration Regulation* align with the concept of regenerative forestry by aiming to ensure that forest ecosystems are well managed. Regenerative forestry combines sustainable wood production, biodiversity protection, combatting deforestation and preserving water quality, on top of the other multiple uses of forests. However, restoration measures must take into account all aspects of a forest's use—ecological, economic and social—while setting restoration targets that are evaluated against the realities of broader concerns, such as the availability of sufficient renewable raw materials to replace fossil-based resources.

As stated by an EU official during a related event in November, "It is actually about taking into account the fact that forests are a source of different services: forests are not just cubic metres of trees." Another EU official added that "It is extremely important that we not put climate and biodiversity in opposition to economic and social development. These are absolutely interlinked."

Strengthen the security of supply

As the EU focusses on its strategic autonomy, security of supplies and promotion of the use of renewable raw materials, it is important that its restoration policies are not restrictive. By converting renewable wood into a wide range of products that can replace fossil-based goods, the forestry industry can reduce its carbon emissions. Moreover, well-managed and biodiverse forests serve as a significant carbon sink, as well as providing more resilience to climate change.

Collaboration between industry, civil society and government bodies will be necessary to harmonise the different perspectives of stakeholders on safeguarding the sustainable use of forests and to find a holistic approach to ecosystem service. Such harmonisation is also vital in preventing the introduction of conflicting legislation relating to sustainable forest management systems.

Combatting biodiversity loss

Retention trees and high-biodiversity stumps introduce decaying wood of various types and ages into forests. While retention trees are required in forest certification schemes, retaining high-biodiversity stumps is a voluntary option for forest owners. Since these stumps do not have a significant economic impact, many forest owners choose to leave them in the forest.

In addition, renewing forests as soon as possible after harvesting can help to ensure that the trees begin to grow quickly and bind carbon in the process. Protective thickets can be left for animals on the edges of forests and alongside groups of retention trees. Furthermore, research indicates that continuous cover forestry is beneficial from a climate and waterways perspective.

It is extremely important for specialists to identify the currently existing forests with the greatest potential in terms of biodiversity, such as herb-rich forests—an important habitat for endangered species—and mature forests.

Climate change will also challenge biodiversity in the future

The planting of more mixed forests and broad-leaved trees will be essential to deal with climate change. The types of major problems caused by climate change can be seen in the extensive forest damage experienced in southern Sweden and Central Europe. The large forest fires that spread across southern Europe during the summer is another element of climate change.

Forest management is long-term by nature. As an EU official put it, this may require a shift of mindset: "We are always talking about burden-sharing, as if investing in forest preservation were a cost without return. We are not doing this only for the birds and the bees, it is the foundation of our economies. We are fully dependent on healthy ecosystems and need to look at this as an investment and not a cost."

Metsä Group has its roots in the Finnish forests, as it is owned by nearly 100,000 forest owners, whose assets account for more than 50 per cent of private forest land area in Finland. Metsä Group is leading the way in advancing the bioeconomy, offering renewable and recyclable products originated from sustainably managed northern forests. The company's focus business areas include wood supply and forest services, wood products, pulp, fresh fibre paperboards, as well as tissue and greaseproof papers.

Finnish forests are important to biodiversity, as they are home to various biotopes offering a habitat for more than 20,000 species. Securing the biodiversity of forests is one of Metsä Group's strategic goals for 2030, and is part of its aim to build a path towards a sustainable, climate-neutral future.

[1] On 8th November 2022, Metsä Group organised an event on *"The role of regenerative forestry in safeguarding biodiversity."* The event was hosted by Members of the European Parliament Sirpa Pietikäinen (EPP, Finland), and Ville Niinistö (Greens, Finland) participated in a panel discussion.

#BECAUSE OFUS

International cargo relay reduces costs and carbon footprints

As the independent voice of European business in China since 2000, the European Chamber actively participates in China's legislative process and our advocacy activities are widely recognised by the Chinese authorities.

We launched our #becauseofus campaign in 2019 to show our gratitude for the joint advocacy efforts of all stakeholders: governments, think tanks, member companies and our own working group and desk managers. In *EURObiz* in 2023, we will present some examples of our successful advocacy work.

In this edition, we look at **how the European Chamber encouraged China to revise its International cargo relay to open the market for foreign-flagged ships.**

I. Background

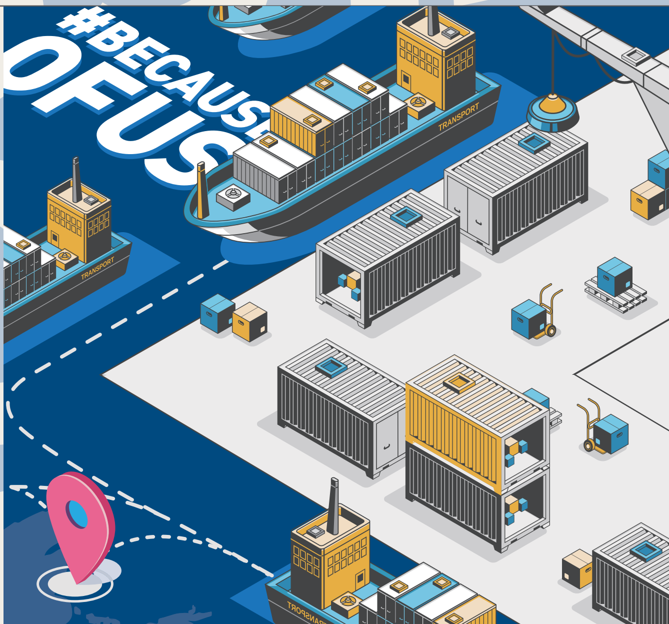
Ocean shipping plays a crucial role in ensuring the smooth flow of international supply chains, and promoting trade and prosperity among nations. In China, 95 per cent of the total volume of inbound and outbound goods is carried by sea.

The network of international shipping routes is complex, yet designed to maximise global efficiency of sea freight, and reduce both costs and the overall carbon footprint of the shipping industry. A key part of optimising the efficiency of shipping routes is the ability for companies to conduct international cargo relay.

What is international cargo relay?

In short, international cargo relay is the ability for a shipping company to transport international cargo from one port to another in the same country or market (a practice known as 'trans-shipment'), and to then transfer some or all of the cargo to a different ship that they own before shipping it to its final destination.

- **Export:** Cargo is shipped from one domestic port to another before being moved onto a different vessel (owned by the same shipping company) for a different destination and then being shipped on to an international destination.
- **Import:** Cargo coming from an overseas port arrives at one domestic port and is then moved to a different vessel (owned by the same shipping company) before being shipped to another domestic port.



An export example is provided below:

- In Dalian Port, a container to be transported to Africa is loaded onto a Europe-bound vessel.
- The Europe-bound vessel departs from Dalian and sails to Shanghai.
- In Shanghai, the same container is moved from the Europe-bound vessel onto an Africa-bound vessel owned by the same shipping company, which then departs to Africa to deliver its cargo.

The international cargo relay situation in China

Historically, in China, international relay has only been permitted for vessels operated by wholly Chinese-owned companies. This is because cargo relay is considered 'domestic transportation', which is prohibited in the *Foreign Investment Negative List*,[1] even when the cargo's final destination is overseas.

This represents a market access barrier for the foreign liner shipping community in China and results in higher costs, inefficiency and greater carbon emissions.

Foreign shipping companies operating in China must choose between two expensive and inefficient options: 1) cargo originating in China and bound for international destinations has to be trans-shipped in other international ports, such as Busan in South Korea or Singapore; or 2) Chinese shipping services have to be used for trans-shipping in domestic ports.

By contrast, the European Union (EU), as a single market, permits unrestricted transport of cargo between its major container ports, and many individual Member States are fully open to Chinese-flagged ships carrying out international cargo relay.

II. Advocacy efforts

The European Chamber's International Liner Shipping Sub-working Group—originally the Maritime Transport Working Group and the Transportation Industry Working Group—was established in 2000. Its recommendation to "allow foreign-owned shipping lines to undertake transportation of international cargo between Chinese ports" was included in the Chamber's first *Position Paper*, and remained in the *Position Paper* for the next 20 years.

Over that time, the working group communicated regularly with relevant authorities—including the Ministry of Transport, the State Administration of Market Regulation, the Ministry of Commerce, and the Shanghai Municipal Transportation Commission, among others—about members' concerns and recommendations. The feasibility of launching a pilot programme to allow foreign carriers to engage in international cargo relay in Shanghai was discussed at a meeting with the Shanghai Municipal Transportation Commission in September 2019.

III. Results

On 18th November 2021, the State Council announced the launch of a cargo relay pilot at Yangshan Port in Shanghai. Under the pilot scheme, on a trial basis until 31st December 2024, foreign-, Hong Kong- and Macao-flagged vessels are allowed to carry out international cargo relay at Yangshan for containers originating from or destined for Dalian, Tianjin and Qingdao.

This is a significant policy breakthrough and will provide greater flexibility for carriers to optimise their networks, thereby reducing transit times and fuel consumption, enabling a better utilisation of assets and allowing carriers to offer a better service to customers in China.

According to one European Chamber member in the shipping industry, based on trials carried out so far, transit times have been reduced by a week to an average of 20 days.

IV. Looking forward

There is still a need to address certain restrictions that are preventing foreign carriers from fully utilising this opportunity. The Chamber's recently published *European Business in China Position Paper 2022/2023* details the difficulties for foreign carriers to engage in international relay as well as the sub-working group's recommendations.

[1] *Special Administrative Measures for Foreign Investment Access (Negative List) (2021 Edition)*, National Development and Reform Commission, viewed 5th December 2022, <https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202112/P020211227540591870254.pdf>

Media Watch

Chamber's statement on COVID situation cited

In early November, China fought its largest COVID outbreak since the summer as cases erupted across several major cities. International media focussed on the impact of the Chinese Government's zero-COVID policy on business and the economy. On 2nd November, a *Reuters* article cited a Chamber statement on the situation: "China's lack of a clear exit strategy from the policy meant that the threat of lockdowns remained ever-present and a key source of uncertainty." On 8th November, Chamber Vice President (VP) and South China Chapter Chair Klaus Zenkel was quoted by *CNBC* as saying, "People don't dare to travel. Too many restrictions," and that companies from Guangzhou and Shenzhen "cannot even join" China's International Import Expo in Shanghai. On 30th November, the *BBC* quoted the Chamber's stance that a vaccination campaign "should be preceded by a comprehensive, nationwide education campaign about COVID-19, based on the latest scientific evidence, in order to alleviate any public anxiety and to illustrate that being fully vaccinated significantly reduces the risk of contracting serious disease."


China protests: Uncertainty reigns for foreign firms

29 November

Article by the *BBC* on China's COVID situation
Media: ***BBC***
Date: 30th November 2022

President Wuttke was interviewed live by *CNBC* on EU–China trade relations as German Chancellor Scholz visited China
Media: ***CNBC***
Date: 4th November 2022

VP Klaus Zenkel comments on German Chancellor Scholz's visit to China
Media: ***Shenzhen Daily***
Date: 4th November 2022

VPs asked to comment on German Chancellor Scholz's visit to China

On 4th November German Chancellor Olaf Scholz led a high-level delegation of chief executives of German multinationals for a one-day visit to China. The timing of the visit was called into question by some, with it coinciding with calls from high-level political stakeholders both within Germany and the EU Commission for Germany/the EU to diversify away from China. Several media outlets, both international and domestic, asked the Chamber to comment on this dynamic.

Among international media, *CNBC* conducted a video interview with President Wuttke on 4th November, while *El Pais* quoted Chamber VP and Shanghai Chapter Chair Bettina Schoen-Benazin as saying, "We need China for climate issues, for the pandemic, and it is our most important trading partner. So, we have to find a way to talk to each other at a high level." Domestic media outlets included the *Global Times*, which quoted President Wuttke's remarks that, "The Chamber believes Germany should adopt a tailored approach and seek to deepen its engagement with China where interests overlap." The *Shenzhen Daily* cited VP Zenkel as saying, "He just needs to come and talk. He needs to focus on what benefits the German economy."

President Wuttke was interviewed live by *CGTN* on Charles Michel's visit to China
Media: ***CGTN***
Date: 1st December 2022

European Council President Charles Michel's visit to China also sparks debate by media

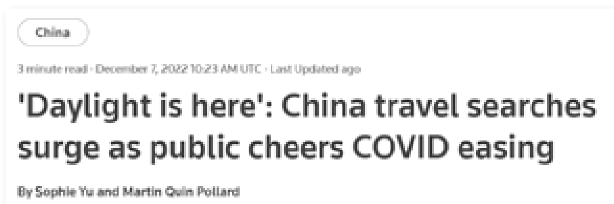
On 1st December, President of the European Council Charles Michel visited China, the first official meeting between the leaders of the European Union (EU) and China after the 20th National Congress of the Communist Party of China. Domestic Chinese media in particular approached the Chamber for comments on EU-China relations and the significance of President Michel's visit. On 1st December, a *Global Times* article quoted a Chamber statement on its hopes that "concrete outcomes can be delivered that benefit both sides, including providing reciprocal access to each other's market and ensuring a level playing field." In addition, *CGTN* interviewed President Wuttke on EU-China ties, who discussed business sentiment among European business in China amid the ongoing COVID restrictions.

The visit was also reported by international media, including *CNN*, who cited the Chamber's *Position Paper 2022/2023* observation that "[t]he European market's importance as a destination for Chinese exports is around double that of the Chinese market for Europeans." *CNN* also spoke to Secretary General Adam Dunnett on the impact of the "COVID carousel" on European business.

Chamber's call for roadmap on COVID easing reflected in media reports

On 7th December, China announced 10 new measures on optimising its response to COVID-19, supplementing another 20 unveiled in November that had set off a wave of steps to ease pandemic-related restrictions nationwide. The Chamber's statement on the so-called "10 new measures' was adopted by many media outlets, both international and domestic, including *Reuters*, *FAZ*, *Le Monde*, the *Global Times* and the *SCMP*.

A *Reuters* article included a quote from the statement in its article on the COVID easing policies: "Timely implementation will help stabilise China's economy and get life back to normal", as well as the Chamber's call for a clearly defined roadmap for reopening to be provided to businesses and local governments. The *SCMP* quoted President Wuttke as saying, "the next six months are going to be absolutely vital in order to give the population the faith and the confidence that—maybe by the end of summer next year—China will be living with the Omicron [variant], and it will be getting back to a normal, and then, subsequently, the economy will be doing fine."


China

3 minute read · December 7, 2022 10:23 AM UTC · Last Updated ago

'Daylight is here': China travel searches surge as public cheers COVID easing

By Sophie Yu and Martin Quin Pollard

Article by *Reuters* on the 10 measures
Media: ***Reuters***
Date: 7th December 2022


Economy / China Economy

As China 'shifts gears' on zero-Covid, leaders vow that ensuring economic stability is now top priority

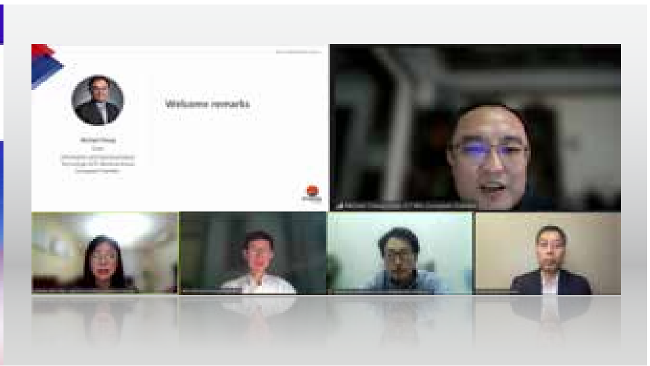
- China will lay out economic priorities for 2023 at the central economic work conference this month, but analysts are already guessing what the GDP growth target will be
- Politburo pledges in tone-setting meeting to optimise pandemic-control measures and ensure that economic operations take a positive turn across the board

Article by the *SCMP* on the shift of China's policy on zero–COVID
Media: ***SCMP***
Date: 7th December 2022

Events Gallery

BEIJING, 12TH DECEMBER 2022

2022 Cybersecurity Conference



- Hardware, data and values are three dimensions that are crucial to European Union (EU)-China digital relations.
- The EU is engaging with the main like-minded players in the field, especially in Asia, meanwhile it is highlighting that strategic autonomy without chips production facilities is doomed to failure.
- A value-based digital economy includes peace, market openness and fair treatment for technology companies.
- Main implementation problem for local authorities is 'legislation is relatively unified; law enforcement is relatively scattered'.
- The handling of personal information will not be considered as a contract, notification is sufficient.
- Implementation of the Personal Information Protection Law should shift from problem-orientated to system-orientated.

SHANGHAI, 7TH DECEMBER 2022

Business Intelligence: Sustainability Due Diligence for European SMEs in China

- In February 2022, the EU Commission adopted a proposal for a directive on Corporate Sustainability Due Diligence, intended to prevent forced labour or exploitative practices by companies when sourcing goods.
- Germany is ahead of this schedule already: on 1st January 2023, Germany's law on supply chain due diligence obligations enters into force.
- As direct or indirect suppliers to large EU companies or their subsidiaries, both pieces of legislation are of relevance to small and medium-sized enterprises (SMEs).

SHANGHAI, 19TH NOVEMBER 2022

2022 Shanghai Chapter Football Tournament

- Cup Champion: MONDRAGON
- Plate Champion: tesa
- Most Valuable Player: Paul Tamayo from MONDRAGON
- Top Goal Scorer: Jacky Chen from adidas

TIANJIN, 18TH NOVEMBER 2022

2022 European Business Gala Dinner - Chocolate Bittersweet

- The theme of the 2022 Business GALA Dinner was ‘Chocolate Bittersweet’, reflecting the memories of people of the year gone by.
- Winners of prizes during the night included:
  - Humphrey Wang, owner of Pizza Bianca Restaurant, who won two roundtrip business class flight tickets from Tianjin to Haikou; and
  - Maria Ma, head of TOP+ of Flender China, and Ms Zhang Zilu, German Chamber of Commerce in China, who each won tickets to the Asia Philharmonic Orchestra New Year Concert valued CNY 1,500.

SOUTH CHINA, 2ND NOVEMBER 2022

2022 South China HR Conference

- The government has set up several initiatives to help attract talent to the Greater Bay Area (GBA), such as beneficial income tax measures.
- Hybrid working was accelerated by COVID but will remain in demand by potential candidates.
- While high salaries will attract talent to the GBA, high quality healthcare and educational facilities are essential to retain this talent in the region.

SOUTHWEST CHINA, 14TH – 15TH NOVEMBER 2022

Exclusive Two-day Luzhou Tour

- Luzhou is the largest port in Sichuan Province, and a regional transportation hub.
- On 15th November, a new economic industrial meeting will take place, with three New Economic Industrial Parks opened.
- Luzhou will strengthen cooperation and exchange with major world economic organizations, including the European Union.

SHENYANG, 21ST NOVEMBER 2022

European Business in China - Position Paper Launch 2022

- European businesses are becoming increasingly concerned about the overriding ideological impact on the business environment in China.
- Beijing needs to avoid erratic policy shifts, to be less politicised in its decision-making process, and to rebuild investor confidence with comprehensive reforms and opening up.
- Shenyang Municipal Government should work in favour of marketing local places of interest, celebrities, food, and so on to promote the city.

Advisory Council News

Infineon tops Financial Times Diversity Leaders Ranking 2022

22nd November 2022 – Infineon Technologies AG has reached the top position in the Diversity Leaders Index. The ranking, published by the *Financial Times* and Statista, is based on an independent survey of more than 100,000 employees from 16 countries across Europe. Participants were asked to give their opinion on a series of statements surrounding age, gender, ethnicity, disability, and sexual orientation. The 850 companies receiving the highest total scores made the final list of Diversity Leaders.

Infineon is mentioned as one of the first companies to sign the Diversity Charter in Germany in 2007, which aims to increase diversity in the workforce. With this approach, the company was able to make it into the top five of the Diversity Leaders Ranking every year since the list was established four years ago.

L'Oreal a top five most attractive company worldwide, No. 1 in Europe

2nd November 2022 – For the second year in a row, L'Oréal took fifth place in the Universum global ranking of business students' favourite companies, thereby positioning the Group as the No. 1 European company.

Business students recognise L'Oréal for its people-centric culture that encourages professional and personal growth through job mobility and early responsibility, a diverse and inclusive work environment and a strong entrepreneurial spirit. They also singled out the Group for its social and environmental commitments and its ability to meet the expectations of young people seeking purpose in the face of the current global challenges.

The 2022 ranking reflects the Group's historical commitment to young people, further strengthened by L'Oréal for Youth, our global youth employment programme launched in 2021. This puts us on track to create 25,000 professional opportunities for under-30s in 2022.

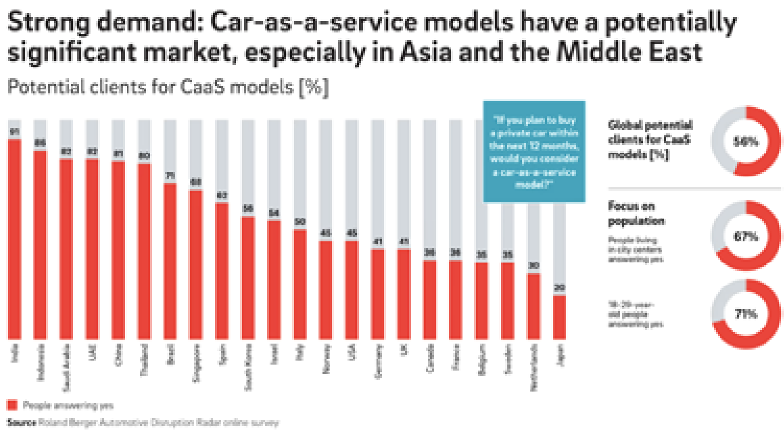
D'Andrea & Partners' new practical guide, Invest in China: Shenzhen and the South

The practical guide, *Invest in China: Shenzhen and the South*, is the third of a new series of guides by D'Andrea & Partners dedicated to specific regions of China. This edition is designed to provide a clear outline of the importance of Southern China in

Photo: dandreapartners.com

terms of investment opportunities, as well as an overview of the specific social-economic context and local regulatory framework, particularly regarding foreign direct investment incentives policies.

The main intent of D'Andrea & Partners Legal Counsel in writing this guide is to analyse the laws and regulations in the main areas of investment in South China to ensure that potential investors have a clear picture of the opportunities in front of them, enabling them grab their chance in the ambitious Greater Bay Area, which aims to build a leading global hub for innovation and economic growth.



Philips Advances AI-powered Diagnostic Systems, Transformative Workflow Solutions at RSNA 2022

27th November 2022 – Royal Philips, a global leader in health technology, announced its portfolio of smart diagnostic systems and transformative workflow solutions featured at the Radiological Society of North America (RSNA) annual meeting (27th November – 1st December, Chicago). Powered by artificial intelligence, the company showcased its latest systems and informatics solutions designed for providers to efficiently deliver patient-centric, high-quality imaging services.

Latest innovations feature vendor-neutral solutions to help reduce clinical complexity and enhance operational efficiency to address workforce shortages and staff burnout and enable a clear care pathway for every patient.

Photo: philips.com

Roland Berger: Automotive Disruption Radar: EV boom undeterred by economic downturn

24th November 2022: Electric vehicle sales continue to rise, despite challenging economic times with increasing inflation and energy prices. According to Roland Berger's latest *Automotive Disruption Radar* (ADR 12), the share of electric vehicles in the analysed countries is up to an all-time high of 13.2 per cent – almost twice the share from the previous 12 months (6.9 per cent) and quadrupling since ADR8 was released in 2020 (3.3 per cent).

The twice-yearly report, which tracks 26 automotive indicators across 22 countries, also signals a shift away from traditional ownership models. For instance, interest in car-as-a-service (CaaS) models has increased by 11 per cent since 2019. The ADR12 is available to download from the Roland Berger website.

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