Issue 52 September/October 2019
https://www.eurobiz.com.cn/

EURObiz

Journal of the European Union Chamber of Commerce in China

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European Chamber
中国欧盟商会

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Journal of the European Union Chamber of Commerce in China

EURObiz online
www.eurobiz.com.cn

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EURObiz is published bimonthly by the European Union Chamber of Commerce in China, and is distributed free to all Chamber members.

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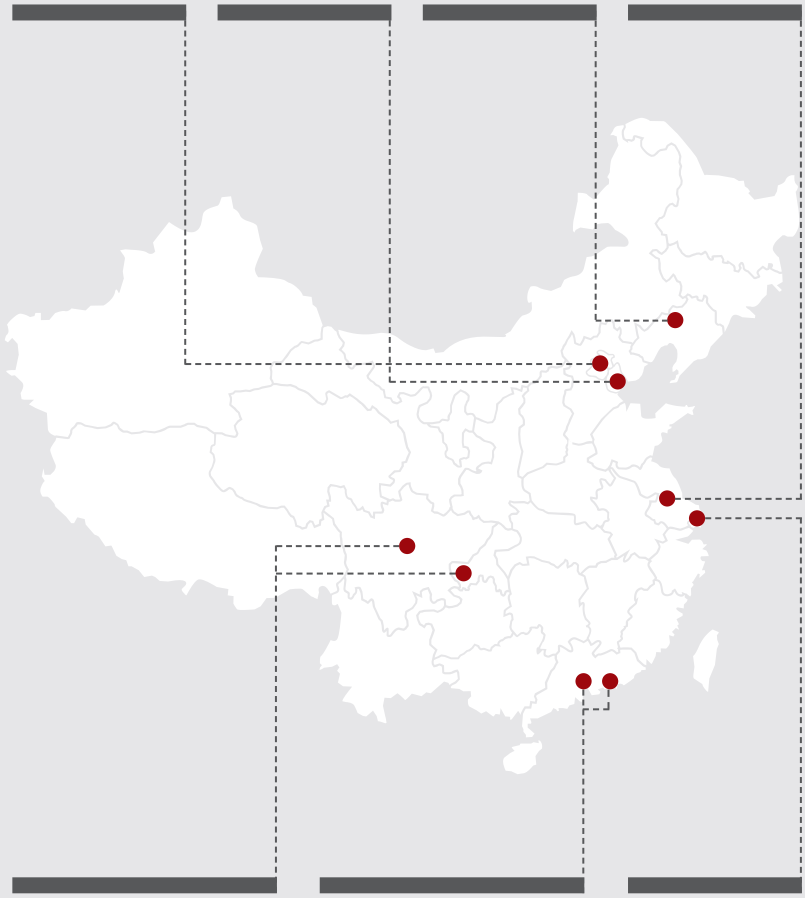

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SEPTEMBER/OCTOBER 2019

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President's Foreword

Competitive neutrality a necessity for China's economic future

Jörg Wuttke

President

European Union Chamber of Commerce in China

Every year, the European Chamber produces the *Position Paper*; a comprehensive analysis of the current state of the main industries in China in which European business has a strong footprint. The report includes more than 800 recommendations for the Chinese Government. It also reflects on efforts to reform China into a competitive market economy. While China's market continues to inch open to foreign investment and the business environment marginally improves year after year, these advances have not been enough to offset the resurgence of the state-owned economy and mitigate the subsequent effects, such as the drying up of private-sector financing and flagging national productivity. We therefore decided to focus the executive position paper of our report on SOE reform and the need for China to adopt 'competitive neutrality'.

This concept, that companies should not be afforded undue advantages as a result of their ownership type, is especially relevant due to the immense and growing role of SOEs in the Chinese economy. In the European Chamber's *Business Confidence Survey 2019*, 70 per cent of members reported that SOEs are present in their sector, and that doesn't include the many industries where SOEs enjoy exclusive access or their market domination effectively blocks international companies from competing.

SOEs' privileges in the Chinese economy are seen in their easy access to cheap credit and subsidies, ability to skirt regulations and their practice of applying extremely long payment periods to suppliers, effectively treating them as loan providers. As long as the monopolistic and favoured position of SOEs continues to come at the expense of sound market competition, China's private sector will struggle to reach its full potential.

Fortunately, these issues are clearly recognised by some of China's leaders. Competitive neutrality has been raised multiple times by key figures throughout the last 12 months, and the growing negative effects of an SOE-dominated market are becoming clearer to policymakers. China has a strong track record of successfully navigating economic crises by leaning further into market liberalisation. We expect that the government will do so again, and see this next step as a critical one to completing China's ongoing transition into a full market economy.

One of the greatest benefits of adopting competitive neutrality and developing strong institutions to provide recourse when enterprises encounter unequal treatment, would be the resulting surge of confidence in China's market and the accompanying boost in investment. With our focus on competitive neutrality, here and in our recently launched *Position Paper,* we again call for increased competition on a level playing-field between different kinds of economic actors in order for the Chinese economy to be able to thrive in the long-run.

Meet the EU's New

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Helena Dalli

Commissioner

Equality

DG Justice and Consumers[3]

Ylva Johansson

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Home Affairs

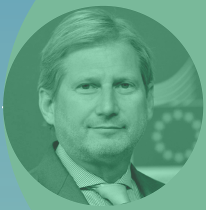
DG Migration and Home Affairs

David Sassoli

President of European Parliament

1. Stella Kyriakides reports to Frans Timmermans on food safety, animal and plant health; and Margaritis Schinas on public health matters.
2. Mariya Gabriel reports to Margrethe Vestager on research and innovation; and Schinas on education. culture, youth and sports.
3. DG Justices and Consumers on matters relating to euqality.

Movers and Shakers



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International Partnerships
DG International Cooperation and Development

Christine Lagarde
President of European Central Bank

* The blank spaces indicate the vacant spots left by the Commissioners–designate that were rejected by the Parliament (Romania's Rovana Plumb, Hungary's László Trócsányi and France's Sylvie Goulard). At the time of writing, no new nominations had officially been submitted to von der Leyen by either France, Romania and Hungary, although some names had been informally discussed.

The Coming Era

Europe's Changing of the Guard and its Impact on EU-China Relations by Ester Cañada Amela

2019 marks the closure of one chapter in European politics and beginning of a new one. The European elections in May kickstarted an ongoing process that has seen the appointment of the new leadership in key European Union (EU) institutions. In parallel, there has also been a noticeable shift in the EU's interactions with China throughout the months before the elections, a phenomenon clearly exemplified by documents like the March Joint Declaration and the Joint Statement after the EU-China Summit. In this article, **European Chamber Business Manager for EU Affairs Ester Cañada Amela** looks into the priorities of the new EU leadership and discusses the role of China in the EU's strategy.

The next constellation of EU leaders

It was a little after 7p.m. on the evening of 2nd July when European Council President Donald Tusk announced who would be at the helm of the European institutions in the forthcoming years: German Defence Minister Ursula von der Leyen as president of the European Commission, Belgian Prime Minister Charles Michel as president of the European Council, Spanish Minister of Foreign Affairs Josep Borrell as the High-Representative for Foreign Affairs, and International Monetary Fund Managing Director Christine Lagarde as head of the European Central Bank. These announcements—the subsequent appointment of David Sassoli as president of the European Parliament went on to complete the picture for the new cohort of European leaders—were the culmination of long negotiations that often lasted all night by the heads of Member States and their entourage. The resulting nominations embodied a fragile consensus between national leaders, whose inability to agree on a *Spitzenkandidat*[1] led to the last-minute designation of von der Leyen and the other nominees as a compromise solution.

Currently the overall structure for the next generation of European leadership is almost finalised. However, there may yet be some changes in the institutional who's who. Parliament committees and delegations[2] were constituted over the summer, and von der Leyen announced the names of the commissioners-designate and the structure of the new Commission on 9th and 10th September. These initial nominations and structure fulfil von der Leyen's pledge to achieve both gender equality and geographic balance in the new Commission. At the time of writing,[3] commissioners were undergoing public parliamentary hearings to assess their suitability for the post, with a majority having been recommended for confirmation.[4] However, although the new Commission is expected to be inaugurated on 1st November, if the Parliament deems some candidates unsuitable—which it has already done, in the case of the French, Romanian and Hungarian nominees—or even rejects the college as a whole, the process could be delayed.[5]

An upgraded strategy for the EU

Upon her appointment in July, von der Leyen presented her political guidelines,[6] which effectively constitute the roadmap for the incoming Commission. Von der Leyen identifies climate, technology and demography as the key challenges faced by the EU, coupled with a changing geopolitical and economic landscape. These and other issues are addressed through six focus areas in her strategy: the much-vaunted, overarching 'European Green Deal'; a revamped social economic policy; an upgraded push for developing a 'digital Europe'; a more decisive and cohesive foreign policy; and further efforts to both uphold and advance democratic values in Europe.

The first noteworthy feature of the political guidelines is that they are as much a reflection of the careful political balance struck by national leaders as their choices of nominees. This is clearly exemplified in the pre-eminence of the environment and climate-related elements in the strategy, a nod to the

1. *Spitzenkandidaten* are lead candidates for the role of Commission president appointed by European political parties, with the presidency then going to the candidate of the political party that can obtain sufficient parliamentary support.

2. For more information on the Parliament's committees, please check the following page: <https://www.europarl.europa.eu/committees/en/about–committees.html>
3. This article was finalised on 10th October 2019.
4. For more information on the background of the European Parliament hearings of Commissioners–designate, please check the following page: <https://www.europarl.europa.eu/news/en/headlines/priorities/commission–hearings–2019>
5. For more information on the current nominees, please check the chart at the beginning of this article. Please note that the composition of the Commission might undergo some changes between the time of the writing and the time of publication.

6. Von der Leyen, Ursula, *A Union that Strives for More – My Agenda for Europe. Political Guidelines for the next European Commission 2019–2024*, European Commission, 16th July 2019, viewed 10th October 2019, <https://ec.europa.eu/commission/sites/beta–political/files/political–guidelines–next–commission_en.pdf>

European Greens – the fourth most voted for group in the elections. Another key feature is the linkage not only between the main points outlined by von der Leyen, but also between the internal and external dimensions of the new Commission. A clear example of the former is that an area like the European Green Deal has been firmly intertwined with the industrial upgrading of the Internal Market, and is set to play a role in Europe's foreign policy – especially in trade deals. Digitalisation also permeates areas like the economic upgrade, job creation and the protection of democratic values. Regarding the interaction between the internal and external dimensions, the political guidelines imply that in order for Europe to become a digital and climate leader (as well as a strong geopolitical actor and mainstay of multilateralism), upgrading its market economy to address the new challenges will be essential. This is also reflected in the internal communication structure under von der Leyen. In the new 'geopolitical Commission', the college will discuss systematically the external aspects of each commissioner's work and all services and cabinets will be required to prepare the external aspects of college meetings on a weekly basis.[7]

The China factor

In her opening statement at her confirmation hearing, von der Leyen stressed the need for Europe to find its own path in a world where some countries "are buying their global influence and creating dependencies by investing in ports and roads" and "others are turning towards protectionism" and "authoritarian regimes".[8] It is clear from this statement that the US and China play an important part in shaping the EU's overall strategy, if only as mirrors through which to define itself. However, geopolitics is not the only aspect where the US and China are influencing the European strategy. The emphasis on boosting digitalisation and developing a comprehensive industrial strategy with a focus on technological innovation are no doubt at least partly driven by the Sino-American dominance in these areas.

These considerations aside, in order to better understand the China factor in the new Commission's strategy, one needs to go back a few months in time to look at the outgoing leadership; the period immediately before the European elections was charged with China-related actions. In March 2019, the Council of the EU adopted a foreign direct investment screening mechanism,[9] and the Commission and the European External Action Service released a Joint Communication on the EU's relations with China with 10 concrete action points.[10] April 2019 saw the celebration of an EU-China Summit that—through a concerted EU inter-institutional effort towards a stronger and cohesive stance—resulted in a joint statement[11] that tackled key issues for the bloc such as industrial subsidies and forced technology transfers. The statement also established clear timelines for the conclusion of a variety of agreements, including the Comprehensive Agreement on Investment (CAI).

All signs indicate that the new leadership will pick up where the outgoing one left off when it comes to its China strategy. To begin with, von der Leyen's political guidelines emphasise the need for a stronger Europe in the world. That includes developing a free and fair trade agenda, where agreements include sections on sustainable development, environmental and labour protection. A chief trade enforcement office will enforce implementation of these agreements, in which full use of trade defence instruments and sanctions will be made where necessary. It also includes ensuring that the EU promotes multilateralism and actively participates in the shaping of international institutions such as the World Trade Organisation (WTO).

Von der Leyen's team seems to be broadly on the same page when it comes to dealing with China. Of particular note was Trade Commissioner-designate Phil Hogan's China-heavy parliamentary hearing, where he stressed the importance of rebalancing the relationship with China through actions such as developing a procurement instrument, concluding the CAI and strengthening the investment screening mechanism. Hogan also mentioned tackling issues at the WTO level, such as advocating for reforming the body's 'developing country' status and continuing the dialogue with China on e-commerce, as well as in the context of industrial subsidies and forced technology transfers. Hogan was not the only Commissioner-designate to mention China in their strategy: to list just a few, Vice President-elect Margrethe Vestager alluded to it when discussing unfair competition and artificial intelligence; High Representative Josep Borrell when stressing the need for a cohesive voice for the EU in its foreign policy; and Commissioner-designate Mariya Gabriel when talking about preserving the EU's leading position in science.[12]

Looking ahead, there are a number of questions that only time and the new European leadership's actions will be able to clarify. Some relate to internal issues, such as how the European Green Deal will be combined with the EU's industrial strategy without friction, or finding a balance between encouraging the creation of European champions without hindering fair competition in the internal market. Others, like the need to develop a stronger and more unified European stance in foreign affairs, relate to external aspects of the EU's strategy. In any case, it is encouraging to see that the EU is finding a more decisive and united voice when interacting with Beijing. The fact that the incoming European leadership is developing an integral strategy that considers the linkages between the aforementioned two aspects is also a positive sign, as—if successfully carried out—it will contribute to reinforcing the EU's weight when dealing with counterparts like China. In von der Leyen's words, throughout the next five years, it will be the EU's task to "strive for more at home in order to lead in the world".

7. Von der Leyen, Ursula, *Mission Letter to the High Representative of the Union for Foreign Policy and Security Policy/Vice–President designate of the European Commission*, 10th September 2019, <https://ec.europa.eu/commission/sites/beta–political/files/mission–letter–josep–borrell–2019_en.pdf>
8. *Opening Statement in the European Parliament Plenary Session by Ursula von der Leyen, Candidate for President of the European Commission*, European Commission, 16th July 2019, <https://europa.eu/rapid/press–release_SPEECH–19–4230_en.htm>
9. *Council greenlights rules on screening of foreign direct investments*, Council of the EU, 5th March 2019, <https://www.consilium.europa.eu/en/press/press–releases/2019/03/05/council–greenlights–rules–on–screening–of–foreign–direct–investments/?utm_source=dsms–auto&utm_medium=email&utm_campaign=Council+greenlights+rules+on+screening+of+foreign+direct+investments>
10. Commission reviews relations with China, proposes 10 actions, European Commission, 12th March 2019, <https://europa.eu/rapid/press–release_IP–19–1605_en.htm>
11. *EU–China Joint Statement*, 9th April 2019, <https://www.consilium.europa.eu/media/39020/euchina–joint–statement–9april2019.pdf>
12. For more information on the hearings of the Commissioners–designate, please visit the following page: <https://www.europarl.europa.eu/news/en/hearings2019/commission–hearings–2019>

Creaking at the Seams

China's fragmented healthcare system and rapidly ageing population by Jessica Louise Lindeman

China's public healthcare system is now struggling to meet the increasing demand for quality healthcare among the country's citizens. Several factors, including a rapidly ageing population and relatively slow growth of the private healthcare sector, are contributing to the problem. **Jessica Louise Lindeman** of **Pacific Prime** explains the specifics and roots of China's healthcare fragmentation issue, and looks at some possible solutions.

China's ageing population

China's population is growing old at a faster rate than most other countries. The results of China's 36-year one-child policy (1980–2015), combined with substantial improvements in healthcare, have contributed to life expectancy rising from 67 to 75 years old, as well as a declining birth rate, in that period.

In 2017, the proportion of Chinese citizens above the age of 60 was 17.3 percent – that's approximately 241 million people. If the current trend continues, China's elderly population will reach 1.44 billion by 2029, and the country will enter negative population growth, according to a study by the Chinese Academy of Social Sciences.[1] This will burden the local fragmented healthcare system, which is already under mounting pressure as it tries to cope with the elderly population's medical needs.

The specifics of China's fragmented healthcare system

The fragmentation of China's healthcare system has its roots in the nation's belief that the bigger the hospital, the better quality healthcare patients will receive. Chinese citizens know that only in top-tier cities can they expect well-trained staff and modern medical equipment, as opposed to the rural community centres that only have basic care available. However, waiting times in top-tier medical centres can be immense. Such facilities deal with almost 20 per cent of the country's outpatient consultations yearly.

What's more, almost 950,000 low-tier hospitals, community health centres, and clinics are struggling to attract patients due to the belief held by many that such facilities provide low quality healthcare. This might have some truth in it, as indeed, only the top-tier hospitals in China receive grants for medical research and equipment. What further compounds the issue is that the country is suffering from an inadequate number of experienced specialists available per patient; China only introduced a residency training programme for new medical school graduates in 2014. Previously, new doctors didn't have many opportunities to gain the necessary clinical experience, hence did not inspire trust among patients.

The slow growth of the private medical sector is another important factor contributing to the overburdening of China's public health-

1. Wang, Guangzhou, *'Two–child Policy' to Tackle Ageing Population*, Chinese Academy of Social Sciences, 1st August 2015, viewed 28th August 2019, <http://casseng.cssn.cn/news_events/news_events_special_report/201712/t20171221_3788210.html>

care system. Adding to the equation is the silver tsunami; as the elderly population increases, the number seeking specialist care—often for chronic conditions—will put further pressure on the system. This alone will have a significant impact on healthcare costs;[2] if medical treatment prices continue to increase, only affluent Chinese families or those with private health insurance will be able to afford treatment.

The antidote to China's fragmented healthcare system

The fragmented nature of the public healthcare system adversely impacts its quality, cost, and outcomes for patients. In addition to the increased demand for specialist care among the ageing population, certain actions have to be taken to control and improve the current state of healthcare. The question here is: what measures should be taken to achieve this?

Improvements required in China's overall quality of healthcare

One of the reasons China's rural and community health centres have a poor reputation is because of the lack of well-trained physicians available. The global standard of the recommended amount of doctors per 1,000 citizens, as per guidelines from the Organisation for Economic Cooperation and Development (OECD),[3] is set at 3.4, whereas in China, there are only 1.82 general practitioners per 1,000 citizens. Among the three million licensed doctors in China, only about 60 per cent have undergraduate degrees and only around 10 per cent have graduate degrees. In the US, on the other hand, most doctors have at least a master's degree.

2. Skrybus, Elwira, *What is the Cost of Health Insurance in China in 2018*, Pacific Prime, 24th September 2018, viewed 28th August 2019, <http://pacificprime.cn/blog/what–is–the–cost–of–health–insurance–in–china–in–2018/?campSource=EuroBiz>
3. *Health at a Glance: OECD Indicators*, Ministry of Health Israel, 2017, viewed 28th August 2019, <https://www.health.gov.il/publicationsfiles/healthataglance2017.pdf>

Growth of the private healthcare sector to increase competitiveness

One way to increase the number of highly-skilled medical professionals in the country is to allow the private sector to grow. Private facilities focus on the quality of their service and their staff by either hiring already experienced doctors, or offering training opportunities to locally hired staff. This creates healthy competition and allows public facilities to learn from their private counterparts. Better trained and more experienced doctors tend to their patients better, and in turn, contribute to the effectiveness of the treatments and better utilisation of hospital beds (e.g. shorter stays).

Patient-centred and population health focus

Ensuring patients have trust in entering and getting health information from multiple points of entry is crucial. All healthcare providers can start with respecting and responding to individual patient preferences, needs, and values – this includes having the competence to inform patients about all clinical decisions, and allowing them to participate in those decisions. Focusing on the patient first and allocating resources and services to match their needs, as well as working towards improving the overall health of the population, including prevention initiatives, is necessary to address the needs of China's ageing population.

Home Care Watch

A proposal for monitoring the safety of vulnerable empty nesters

by Dr Hau-Tek Koh

Follow-up home care, as in care provided at home either post-surgery or post-treatment, is a vital part of the treatment process. In view of China's ageing population, an increasingly elderly clientele will be in demand of such services. **Dr Hau-Tek Koh**, chief medical officer (Dy), **Jiahui Health**, examines how healthcare providers can and have to adjust to these changing demographics, and the innovative ways and technologies that can facilitate care and the patient's safety at home.

Case study

Mr Lin is a 77-year old widowed Chinese gentleman who had severe low back pain, and underwent a major spine surgery, which turned out successful. He stayed in the hospital for several days post-operatively for rehabilitation before being discharged home. It became clear that Mr Lin lives alone in the suburbs of Shanghai, while his son lives and works in Hong Kong, and so Mr Lin would need to be discharged home directly from the hospital. He was still experiencing some pain, as his operation was a major one. He also has an existing heart condition, which did not need surgery at that time. When Mr Lin was eventually discharged, he ended up staying at home alone for the first two nights while his son tried to arrange for a flight back to Shanghai. Such a situation is worrisome from a safety perspective, as an elderly person with an existing heart condition may not be as independently mobile after a major operation.

Over the last 30–40 years, China has rapidly progressed economically, with significant socio-demographic changes following the one-child policy. This has led to elderly parents staying in their home cities, while their offspring study, work or live in another city or even another country. The ageing of China's population has already started, and the much more mobile younger generation in search of educational and/or employment opportunities in a globalised world moves families physically apart more than ever before.

Furthermore, culturally, it is not considered acceptable in China for the elderly to be in senior care homes. People in this situation are seen as having been abandoned by their offspring, and the children perceived as un-filial.

Home monitoring

A step-down care system is needed to address the needs of those living alone (elderly or otherwise); a group that will increase dramatically in the near future. A home care monitoring system that leverages the latest technology can fill this demand gap in enhancing safety and create peace of mind for families.

Such home monitoring would consist of a system which, with consent, uses technology such as sensors located strategically on the bedroom and main doors, toilet flush, refrigerator, and windows. Combining these sensors with CCTV cameras would allow the elderly living at home to be "looked after".

The system links the caregiver (the son in the case above)—who could be physically far away—and a central operations and command set-up, facilitating the capacity to monitor multiple people at the same time. Both the caregiver and the command centre staff have an app linked to the sensors/CCTV, which will allow them in an instant to dispatch help and early assistance to the elderly person if a problem arises.

Home care

Elderly falls are common at home—typically from slippery bathroom floors or dizziness—causing fractures and vastly reducing the ability of the senior to move to get help independently. This may mean an injured elder could be left without assistance for a long period of time. A monitoring system would allow help to be rendered early and quickly. Many seniors also have multiple medical conditions, which can lead to heart attacks, strokes and other acutely debilitating morbidities.

Home care and physical assistance need to be responsive and, above all, safe and reliable. Some large security firms in other Asian countries, for example Japan, have extended their services from physical security to the provision of home care; several even own and operate senior care homes.

European companies with related and potentially synergistic core businesses can tap into their experience gained in other countries in the use of appropriate technology to scale up home-care services. Combining this IT expertise with making certain physical attendees available to the elderly at home can be a simple win-win operational model for China.

For example, the large number of food and parcel delivery workers zooming around cities, forming the last mile in China's huge logistics network, provide a readily available base to tap into for physical attendance on any seniors in need at home. Background checks must be performed rigorously on these workers willing to double up as attendants to the elderly and recorded for safety and accountability in order to ensure peace of mind for customers.

The operations and command centre can be linked up through mobile phone and GPS tracking to any qualifying delivery workers for dispatch when needed. The system could also link up to a pre-arranged nearest medical facility or ambulance service should the need arise.

The operational model above is not that offered by typical healthcare delivery organisations like hospitals or medical groups, as this is beyond their core business and expertise.

It would be relevant industry players like security firms, technology developers, logistics and delivery companies that may find home monitoring and home care a synergistic service line to their current core businesses. This would facilitate lower start-up costs and, just as important, fill an existing supply gap in society to serve an increasing demand.

Perhaps the next time 77-year-old Mr Lin gets discharged from hospital, he will have a simple yet effective system to monitor him and render home care if needed. Eb

Jiahui Health

Dr. Hau-Tek Koh draws from extensive experience in strategy and organisational management for healthcare institutions in China. As Chief Medical Officer (Dy) with **Jiahui Health** in Shanghai, he oversees clinical services, operations and governance, as well as physician training. Jiahui Health is an integrated healthcare ecosystem consisting of a 500-bed general hospital, medical clinics, a wellness center, and a team of healthcare professionals from across the globe. Jiahui Health maintains a strategic partnership with Massachusetts General Hospital, bringing leading global healthcare resources to China.

The Rehabilitation Sector

Challenges and opportunities in the Chinese market by Zhao Yuqing

As an essential part of China's fast-growing medical industry, the rehabilitation market has witnessed vigorous expansion in recent years, with tremendous unexploited potential. The increasing incidence of diseases and conditions, growing public awareness of rehabilitation medicine, the demand for beds, and the ageing of society are all crucial factors driving the sector. Meanwhile, a favourable policy environment has provided strong support for sound rehabilitation services. **Zhao Yuqing** of **Care Alliance** probes into the opportunities in China's rehabilitation sector brought about by this rapid development in market demand.

Current status of rehabilitation care internationally

A comprehensive three-tiered network is a common model for rehabilitation services in developed countries and regions. Currently, there is no uniform approach to rehabilitation provision across the European Union (EU), with significant differences between member states in terms of policies, facilities, eligibility and financing.

In the United States (US), the system is broadly divided into acute rehabilitation, acute post-treatment, and long-term care institutions. In such a system, the division of labour and definition of rehabilitation are clear, where institutions cooperate with each other through reimbursement policies varied in proportion, hence effectively alleviating pressure on emergency hospitals.

In order to finance this system, US citizens are burdened by commercial insurance. Differing from public health insurance in China and Japan, which covers their whole populations, medical insurance in the US mainly covers two groups: those aged 65 and over; and those with low incomes. Medicare covers the medical care and insurance of the elderly group, while Medicaid focuses on rehabilitation services for the low-incomed.

In summary, the US rehabilitation institutions are characterised by precision, segmentation, full coverage of medical insurance, and independent rehabilitation institutions taking on pivotal roles.

Development of China's rehabilitation industry

In China, rehabilitation medicine is still in the early stages. At present, the country sees an annual increase of about 13 million patients with rehabilitation needs, including cerebral thrombosis/infarction/hemorrhage, heart disease, spinal cord injury, fractures, joint replacement and other conditions. At the same time, as the ageing problem in society worsens, and the pace of life accelerates, the incidence of related medical conditions has also increased significantly. Moreover, China's levels are expected to continue to rise in the next few years until they near those of developed countries such as the US, resulting in a corresponding increase in patients in need of rehabilitation.

According to the China National Commission on Ageing, as of mid-2019, the number of people in the country over 60 years old is 190 million. Over the next 20 years, that is expected to increase annually by 10 million people. By 2050, the elderly population will account for one-third of the entire population in China.

13
MILLION
an annual increase of patients with rehabilitation needs

According to the *2013 China Statistical Yearbook on Health and Family Planning*, by the end of 2012, there were 322 national specialised rehabilitation hospitals, accounting for only 6.9 per cent of hospitals nationwide; among them, 61 had a bed capacity of between 100–199. At that time, the number of rehabilitation beds nationally was 72,626, accounting for only 1.8 per cent of the total.

In general, rehabilitation resources in China are low in both quantity and quality, with uneven distribution, poor service and an insufficient supply of professionals of high calibre. As a result, patients with rehabilitation needs often miss the best window for recovery.

At the same time, the rehabilitation service system is incomplete, and the supporting policies weak. All these factors combined mean that China's current rehabilitation

Medical practitioners talking with an elderly in the nursing ward of a rehabilitation centre in Xingtai, Hebei Province.
Photo: Zhu Xudong, Xinhua

services capacity cannot meet the needs of the people. The whole industry requires active investment of social capital, so as to improve facilities and bestow patients with prompt and high-quality services, thus releasing national medical resources of the rehabilitation burden.

> **After 30 years of development, China's rehabilitation sector has made considerable strides, particularly in recent years.**

Main categories of Chinese rehabilitation institutions

Rehabilitation departments in public hospitals

At present, the main provider of rehabilitation services in China are still the dedicated departments in public hospitals. However, only Grade A hospitals in first-tier cities have rehabilitation departments with relatively complete personnel, equipment and technical strength, and beds are usually extremely scarce (about 30–40 beds or less). Due to the limited number of beds and the strict admission requirements imposed by general hospitals, patients usually cannot remain for any longer than 21 days. In these circumstances, patients' needs for a complete rehabilitation system cannot be met.

Public rehabilitation specialist hospitals

Only a few rehabilitation hospitals in China are large-scale, providing from 200 to 700 beds, and offering comprehensive professional rehabilitation treatment and support facilities for various needs. Due to the high demand and the low cost of medical care when covered by insurance, these hospitals constantly run at near full or even over capacity.

Rehabilitation departments in private hospitals

At present, only first-class private hospitals and foreign-funded hospitals have rehabilitation departments, which are generally small, with only about 20 beds and a few doctors. Since these are located inside the general hospital, they also fall under the hospital's restrictions regarding the average length of stay. Also, only some of these private hospitals are eligible for coverage by public medical insurance. Positioned as 'designated' hospitals, they align their prices with the national medical insurance.

Private rehabilitation specialist hospitals

There are only a few private rehabilitation specialist hospitals in China. Most offer simple TCM healthcare services under the banner of rehabilitation, with almost no modern treatment. As stated earlier, there is tremendous potential demand in the rehabilitation sector, especially the mid- to high-end markets. Therefore, private rehabilitation specialist hospitals should focus on building up talented teams, as well as establishing their hospital brand and patient channels.

In the future, private rehabilitation care might take the form of chain facilities. As academic achievements in this field are almost non-existent, research into the chain management of rehabilitation hospitals would be of great significance from the perspective of both investment and operations. Chain hospitals make the sharing of resources possible in terms of content and form, which would help elevate technical and management levels of the facility. This could immensely enhance hospitals' overall brand image, help patients receive medical treatment, and save on social costs.

Conclusion: China's rehabilitation opportunities

Throughout the past 30 years of development, China's rehabilitation sector has made considerable strides, particularly in recent years. This growth is overtly manifested in the following areas:

- **training mechanisms:** subjects related to cultivating rehabilitation doctors and therapists have opened in several colleges;
- **raised awareness of rehabilitation:** the growth in demand for treatment is substantial across the country, and bed occupancy rate is high;
- **increased number of prominent rehabilitation institutions:** hospitals at all levels are developing, such as the China Rehabilitation Research Centre, Beijing United Family Rehabilitation Hospital, Care Alliance Rehabilitation Hospital, and Sichuan China 81 Rehabilitation Centre;
- **increased reimbursement ratios and items in public medical insurance:** nine modern rehabilitation reimbursement items were added nationwide, and;
- **increased patient numbers and clinician recommendations:** early intervention was carried out in some hospitals, such as the Huashan Rehabilitation Hospital and Chengdu Second People's Hospital.

Leading rehabilitation institutions have also been set up in cities such as Beijing, Shanghai, Shenzhen, Nanjing and Chengdu. As these factors keep pushing rehabilitation development into the fast lane, the sector will expand exponentially in the near future.

Care Alliance

Care Alliance operates post-acute rehabilitation hospitals and clinics, geriatric hospitals and long-term nursing facilities. It is committed to promoting modern principles and practices as well as cultivating talent in post-acute care in China.

China and its Elderly Care System

by Peter Bootsma

As is well known by now, China is a rapidly ageing society, and the proportion of its population aged over 65 will double between 2010 and 2030.[1] By 2050, this cohort of the population will amount to one quarter of the total. **Peter Bootsma** of the **Embassy of the Kingdom of the Netherlands** explains how, in view of these developments, the Chinese Government has been rapidly developing policies and projects for an elderly care system that can address the needs of the population.

Until recently, China had no elderly care system to speak of and no long-term care insurance. Three ministries in particular—the National Development and Reform Commission, the Ministry for Civil Affairs and the National Health Commission—have now been made responsible for developing and implementing elderly care policy and projects. These ministries have been studying and analysing elderly care systems in countries such as Japan, the Netherlands, Russia, and Canada.

As a result, the elderly care system in China is now developing rapidly. However, given the size of the challenge at hand and the lack of available resources, there's great demand for international assistance, both from the Chinese government side and from private companies looking to build up its cooperation. Let me list below of a few of the most obvious opportunities for investment.

Education of elderly care nurses and nursing assistants

In general, existing education programmes for nurses are aimed at helping them gain employment in hospitals and clinics rather than elderly care homes. Dealing with the increasing numbers of sick seniors requires specific nursing skills and knowledge – which requires specialised education. Therefore, there's a growing need for training programmes for specialised elderly care staff, such as nursing assistants and care workers.

(Franchised) nursing homes

Most elderly care facilities have been developed for the high-end market. On average, such facilities are doing well capacity-wise, sometimes resulting in waiting lists for those with excellent reputations. The Chinese Government has made clear that it welcomes international corporations to develop nursing homes, also through franchise arrangements.

1. Glinskaya, Elena, and Feng, Zhanlian, *Options for Aged Care in China*, World Bank, 2018, viewed 12th September 2019, <http://documents.worldbank.org/curated/en/171061542660777579/Options–for–Aged–Care–in–China–Building–an–Efficient–and–Sustainable–Aged–Care–System>

> **Due to demographic developments and the government opening more areas to the private sector, including international enterprises, there is great potential for cooperation and assistance by foreign firms.**

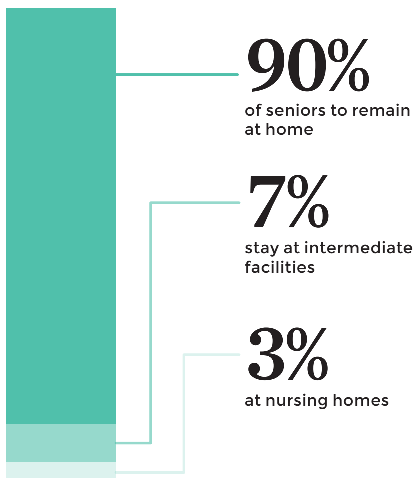
Some international corporations are already active in the Chinese market, although no brand has taken the lead (yet). In addition, consulting services for nursing home operations are in demand. Worth noting though in general is that Chinese clients prefer service providers to participate (financially) in their operations in order to facilitate longer term cooperation.

Design/architecture

As is obvious from the listing above, there is a great demand for new facilities to be built, and consequently there's also a need for architectural services. Firms specialising in the design of elderly care homes and, in particular, facilities for the elderly suffering from dementia, will find a willing market for their services. In addition to new facilities being built, private companies and regional authorities are also aiming to redesign and reconstruct existing facilities.

Home care services

The Chinese Government elderly care policy is governed by a 90/7/3 formula, meaning it aims for 90 per cent of seniors to remain at home, 7 per cent to stay at intermediate facilities and 3 per cent at nursing homes. Bearing in mind the Chinese tradition for people to stay at home as long as possible, there is substantial potential for providing home care services in various forms. Those services could be on a one-on-one basis, but also for instance through neighbourhood day-care centres, where the elderly can stay during the daytime and return to their home or that of their children at night. For children, this might be a way of fulfilling their 'filial piety' by allowing them to bring their parent(s) to and from the centres.



Rehabilitation

One area where there is major demand is rehabilitation services. This is a generic name for services which might range from physiotherapy to very specialised treatment of paralysis.

Assistive devices, IT products and innovative technology

As there is a shortage of nursing staff and care workers to provide elderly care services, the involvement of devices, e-health and innovative technology may help fill the gap. As such, the interest in such technology is also increasing.

Existing government elderly care projects

The Chinese Government, through the National Development and Reform Commission (NDRC), is implementing a project aimed at establishing and, where already existing, improving elderly care services. This project is called the City-Enterprise Joint (Public Private Partnership) Elderly Care Special Action (城企联动普惠养老专项行动) and is implemented in many cities across China. The NDRC has indicated that it would welcome participation by international corporations in this project.

Conclusion

China is rapidly developing its elderly care services. Due to demographic developments and the government opening more areas to the private sector, including international enterprises, there is great potential for cooperation and assistance by foreign firms. However, as China is quickly learning, adapting and developing, the window of opportunity might only be open for the coming three to five years. Some fields of services in China have already surpassed those in many other countries. One of the reasons being that there are few legacy systems in China to feel threatened with being made redundant by the new applications, and moving to hinder the implementation of new models, services and systems in order to maintain the status quo.

Peter Bootsma

Peter Bootsma is counselor for Health, Welfare and Sports at **the Embassy of the Kingdom of the Netherlands** in Beijing. He's been active in the field of healthcare for many years, holding director-level positions at the Dutch Ministry of Health, Welfare and Sports and exploring areas for cooperation for the Dutch healthcare industry abroad in the United States and China.

E-commerce and the Elderly

Bringing the senior markets online

by Kendra Schaefer

Who do your parents call when they can't get the router working? Or need help uploading pictures to Facebook? Or setting up Amazon Prime? It's you, isn't it? Or maybe they conscript the grandkids to help out when they're in town for the holidays? Parental tech support is a universal experience, and it's one that China's e-commerce powerhouse Taobao 淘宝 is capitalising on. **Trivium's Kendra Schaefer** tells us why it's working for them.

Family Accounts

Back in February 2018, Taobao announced the launch of a new feature called 'Family Accounts', allowing users to bind their accounts to those of their relatives. Once bound, family members can help parents or grandparents with account set-up, use their own money to purchase items picked out by parents, siblings or spouses, and quickly contact each other via hyper-accessible family chat windows.

Success?

There aren't any numbers available on the total amount of users that have enabled the feature, but Taobao has made a few related statistics available, and those give us enough information to do some estimating. Most useful is this one: as of Valentine's Day 2019, Taobao reported that a total of 12 million users had bound their spouse's account to their own.

Besides spousal relationships, the feature also allows binding between mother, father, sister, brother, and "other". Assuming that mother and father accounts probably outnumber the other types, we guestimate that 12 million is about one-fifth of the total user base – meaning around 60 million family account users all together. If that wild flight of statistical fancy hits anywhere near the mark, it means that one-tenth of Taobao's 620 million monthly active users have opted in.

60
MILLION
family account users all together

What is clear is that features like this are particularly brilliant in a market like China, where family relationships are paramount and the elderly population is ballooning.

China's ageing user base

China's rapidly ageing populace is an impending social disaster, according to *Caixin*:

"About a third of the country's population will be over 60 by 2050, up from the current level of 17 per cent, according to Wang Jianjun, vice director of China's National Working Committee on Ageing."[1]

The imbalance, largely caused by the now-defunct one-child policy and perpetuated by an emerging middle class more interested in leisure time than babymakin', is predicted to cause problems from increased healthcare costs to a smaller working-age population.

And as goes the general population, so too goes the internet population. Over the last decade, as China's average age has crept steadily upwards, we've started to see the beginnings of diversification among mobile internet and app users. Where the overwhelming majority of China's netizens were previously aged 25–35, we're now seeing a jump in the number of seniors getting online:

In 2008, 1.5 per cent of China's netizen were over the age of 60; in 2018, it was 6.6 per cent.

Designing for ageing markets

No matter what country you're from, your grandma doesn't use the internet the same way you do, and she has a different set of priorities. She can't see the screen as well, she'd rather talk to her kids than talk to tech support, and she's not a digital native. So user flows that the rest of us easily navigate may pose problems for her.

Those are universal issues when designing for senior users. But there are culture-specific lifestyle issues to contend with as well. It's not uncommon for Chinese households to see three generations under one roof, and live-in grandparents typically take charge of grocery shopping duties. Plus, they may need to frequently ask their working-age kids for money to do that, and may have trouble using typical checkout systems.

As profiled in *Huxiu*,[2] Taobao tackled both the universal and the culture-specific usability gaps on four fronts:

1. Simplified login and account creation

Taobao Family intentionally supports login via mobile number and verification code, catering to senior users who may be more likely to forget their account name and password. Account signup is equally simplified. The form-filling part of new user registration can be done by a family member, and senior users need only scan a QR code to finalise the setup and verify ownership of the registered mobile number.

6.6
PER CENT
of China's netizens in 2018 were over the age of 60

2. Simplified home page

Taobao presents a pared-down home page, with larger font sizes, for those users logging in on a family account. While the standard version of Taobao displays eight to 16 categories on the landing page, family account users will see only four. Considering that grocery shopping is a primary concern for many, Taobao's researchers determined that those four categories will push items like produce, rice, and cooking oil.

3. Family chat as a core feature

Understanding that senior users may be reticent to contact customer support, Taobao implemented a floating 'family chat' button, which is always visible in the bottom-right corner of the screen. This allows seniors to consult with family members on purchasing decisions, or ask for help when they encounter problems completing an in-app task.

4. Reimagining the payment process

Taobao Family allows users supporting a senior parent to set a spending limit, but doesn't share shopping cart contents, allowing seniors to spend freely within the family budget while maintaining personal privacy.

Why it matters

Launching an app in China? Twenty bucks says you haven't designed for the needs of users over 60.

The urban market in China, aged 25–35, is pretty saturated. Senior users and rural users are expected to drive the majority of growth over the next 10 to 20 years and big opportunities exist to create products for these underserved markets.

Filial guilt—the sense that one isn't doing enough to look after one's ageing parents – is a significant motivational driver in Asian markets. Eb

Trivium

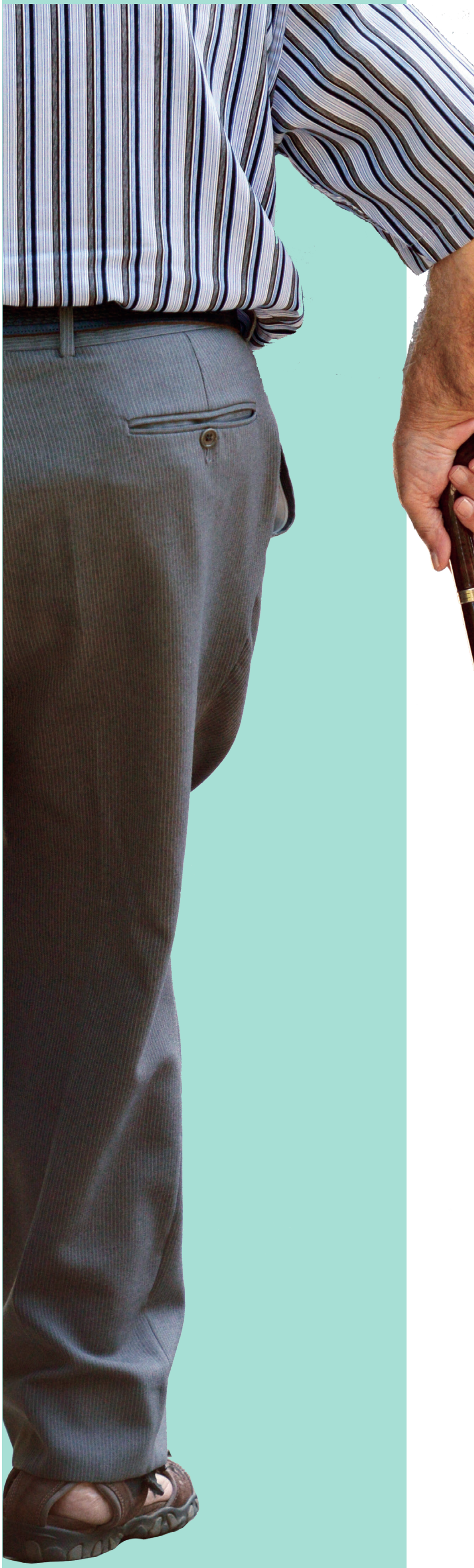
Trivium User Behaviour explores the human factors driving China's user markets. We sit at the cross-section of usability, sociology and consumer research. Trivium UB is a project by **Trivium China**, a team of analysts that research and monitor China's political, economic and policy and tech spaces.

1. Liu, Howard, *Chart: China's Aging Population, Caixin*, 20th July 2018, viewed 9th September 2019, <https://www.caixinglobal.com/2018–07–20/chart–chinas–aging–population–101306922.html>

2. Liu Ran, *Taobao got an 'Older Version', What are you Doing?*, Huxiu, 1st February 2018, viewed 9th September 2019, <https://www.huxiu.com/article/231844.html?f=myzakercom%20l>

Greying with Chinese Characteristics

The unique factors contributing to China's current dilemma by Jacob Gunter

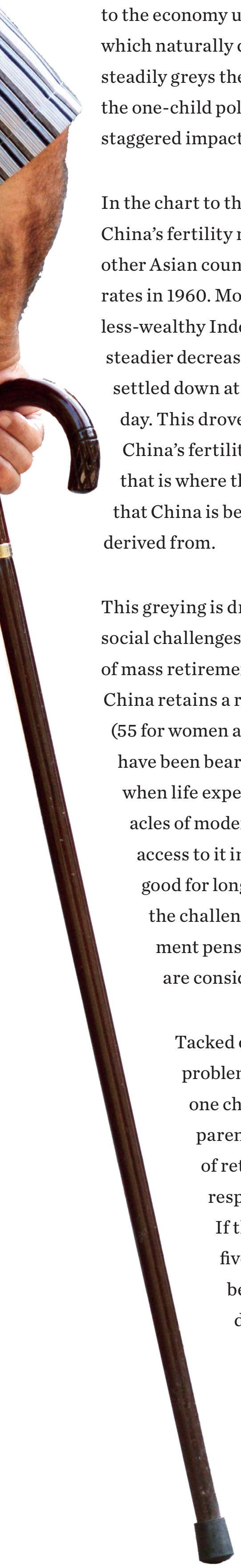


While hardly the only country facing the challenge of 'greying'—the relative increase in the average age of citizens—China is doing so with a series of unique characteristics that separate it from the other ageing populations of the world. **Jacob Gunter**, **Policy and Communications Manager** with the European Chamber, explains how the ongoing greying of the population ultimately stems from a history of state-directed population growth followed by the natural changes in birth rates that come with economic development.

Shortly after the People's Republic of China was founded in 1949, birth rates soared due to increased economic stability deriving from land reform, as well as strong encouragement from the government to have large families. With the exception of the disastrous Great Leap Forward and the ensuing dive in population growth, birth encouragement was the norm until 1970. This created an artificially large boom of children not entirely unlike those in the post-war United States and Europe, but at a magnitude that had not been seen before.

Entering the '70s, the government began a 'two-child policy' that only offered government support to up to two children per household. Despite not being implemented very strictly, it still pulled birth rates down significantly until the sudden imposition of the 'one-child policy' brought about new and unique effects. While also not universally enforced, the one-child policy forced Chinese birth rates down considerably lower than those in countries that were significantly further along in their economic development.

The ensuing low rate seriously affected how the normal trend of birth rates steadily dropping as a country develops manifested itself in China. Normally, most countries go through a slow shift during which children go from being an economic asset for families (generally in rural, agriculturally dominated markets that put children to work in the fields) to an economic liability (generally in urban,



industrial markets where heavy demands on education prevent children from contributing to the economy until adulthood). This trend, which naturally drives lower birthrates and steadily greys the population, was rushed by the one-child policy, depriving China of the staggered impacts of ageing.

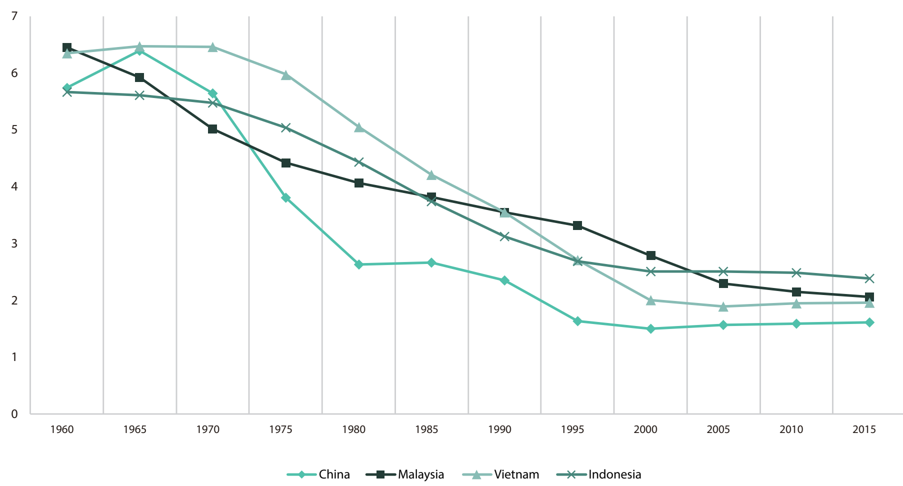
In the chart to the right, we can see that China's fertility rate plummeted compared to other Asian countries that had been at similar rates in 1960. More-prosperous Malaysia and less-wealthy Indonesia and Vietnam all saw steadier decreases in birth rates, which also settled down at higher rates than China's today. This drove the significant gap between China's fertility rate and the others, and that is where the more impactful greying that China is beginning to experience is derived from.

This greying is driving major economic and social challenges. The most obvious is the cost of mass retirement of China's baby-boomers. China retains a relatively low retirement age (55 for women and 60 for men), which may have been bearable in previous decades when life expectancy was lower. The miracles of modern medicine and improved access to it in China has done indisputable good for longevity and quality of life, but the challenges that this brings to retirement pensions and the social safety net are considerable.

Tacked onto this is the '4-2-1 family' problem; four grandparents and one child being supported by two parents. Historically, taking care of retired individuals was the responsibility of their children. If that cost was divided between five children, then each one only bears a fifth of the overall burden. In today's China, many pairs of parents rely on only a single child to provide for them in retirement. When the single child combines this responsibility with their spouses' parents and their own child, the 4-2-1 family comes into existence.

Average number of births per woman in China and three other regional countries

Fertility rate (1960–2015)



Source: World Bank Databank, World Development Indicators

China also has a heavily fragmented pension/social security system in which local economic activity contributes to local funds for the retired to draw from. That's great news if you are a pensioner in Guangdong, which enjoys heavy migration and has 9.7 workers per retiree. At the other end of the scale are provinces like Liaoning, in China's rustbelt, which has seen an exodus of young workers over the last few decades that resulted in a mere 1.8 workers per retiree.

From the perspective of the government, these issues present an immense challenge. Birth rates are not easily moved (just ask countries as diverse as Japan, Russia, and Spain that face the same problem), but even if birth rates could be directed, it takes at least two decades before the impact becomes obvious. In that intervening period, they increase the burden on productive economic actors through child-rearing and educational costs.

How can China surmount this challenge? A variety of levers exist for the government to pull, but each comes with a cost.

Countries like the UK, France and the USA have mitigated their greying populations through **immigration**, but China may find this politically contentious, just as those same western countries have seen political backlashes against migrants in recent years.

Increasing labour participation is also an option. This chiefly translates into bringing stay-at-home parents into the labour force, which demands better access to affordable daycare that's also trustworthy, something recent kindergarten scandals in China have not helped with.

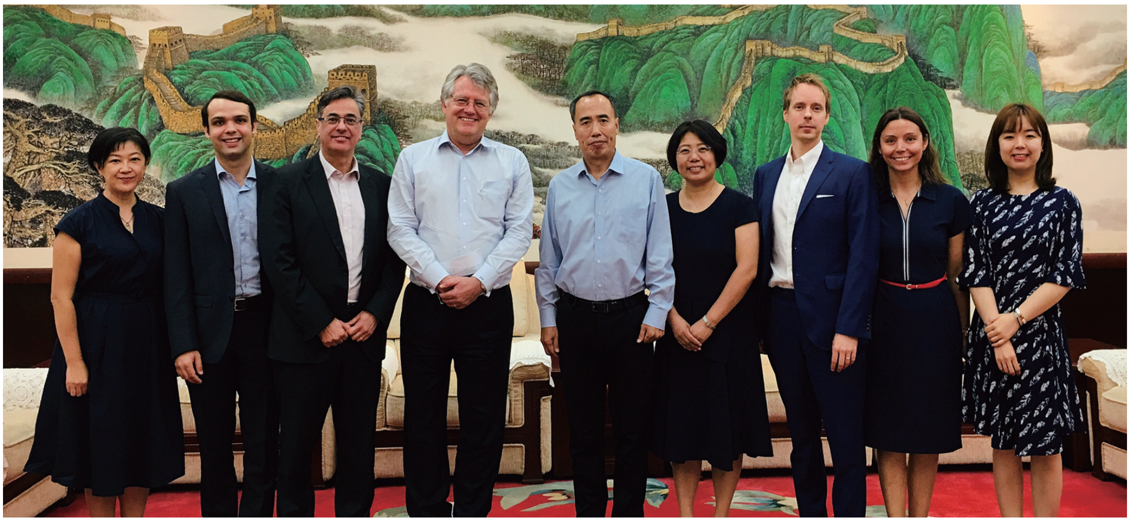
Extending labour participation is another option by raising retirement ages, something that many other countries have struggled with politically.

Greater productivity per worker can also help fill this gap, but this is not something that can be magically achieved at the snap of the authorities' fingers.

China will also need to consider a **unified national pension system** to balance disparities between older left-behind regions and the relatively new economic hubs that younger citizens flock to. EB

18TH JULY
BEIJING

President Wuttke meets with vice chair of China Banking and Insurance Regulatory Commission

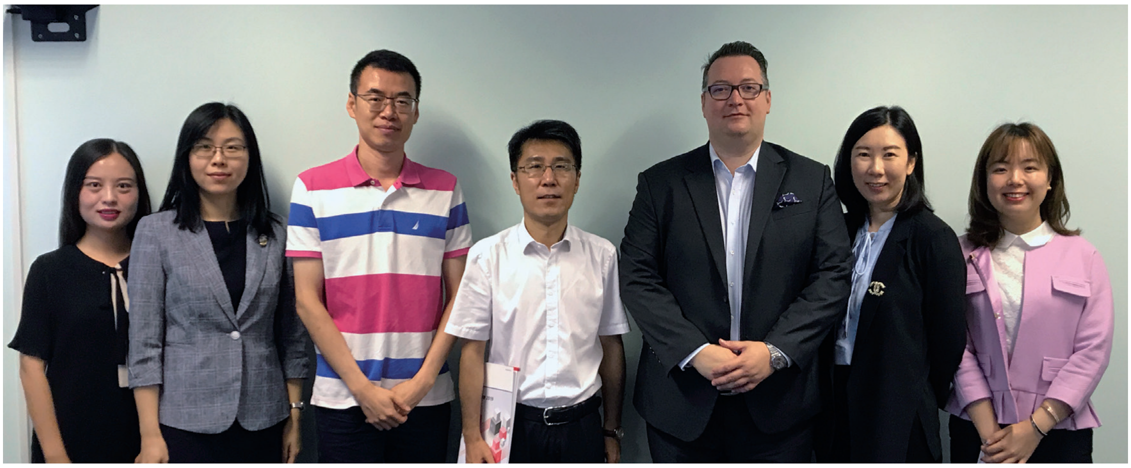


President Wuttke led representatives of the Chamber's Advisory Council and working groups to visit the China Banking and Insurance Regulatory Commission.
Photo: European Chamber

On 18th July 2019, Jörg Wuttke, president of the European Chamber, led representatives of the Chamber's Advisory Council and various financial services working groups to visit the China Banking and Insurance Regulatory Commission (CBIRC) and meet with Vice Chair (VC) Wang Zhaoxing. The deputy director generals of six CBIRC departments also attended the meeting. Exchanges covered topics such as the *Measures for the Administration of Large Risk Exposures for Commercial Banks (Risk Exposure Measures)*, the opening up of access to pension management licences, and the pending release of financing restrictions on licensed consumer finance companies. VC Wang said that foreign capital has, and will continue to have, a critical role in every aspect of China's economic development. The meeting concluded with President Wuttke presenting the Chamber's *Business Confidence Survey 2019* to VC Wang.

20TH AUGUST
BEIJING

Chamber delegation meets with director general, Income Tax Department, State Taxation Administration



Director General Luo Tianshu met with member representatives led by vice chair of the Finance and Taxation Working Group, Christian Koenig.
Photo: European Chamber

Director General (DG) Luo Tianshu of the Income Tax Department at the State Taxation Administration (STA) paid a visit to the European Chamber's headquarters in Beijing on 20th August 2019, where he met with several member representatives led by vice chair of the Finance and Taxation Working Group, Christian Koenig. During the meeting, DG Luo provided a comprehensive response to the advocacy letter that was jointly drafted by the Finance and Taxation and the Human Resources working groups in July on the cancellation of foreign assignees' non-taxable benefits. DG Luo also explained the rationale behind the new IIT law and the STA's plans moving forward. Both sides agreed to introduce and establish a regular communication mechanism. DG Luo expressed his willingness to offer official policy interpretations to European Chamber members when further major policies are released in the future.

23RD AUGUST
BEIJING

Vice President Bagnasco attends Roundtable with Overseas Chambers hosted by Beijing vice mayor

Vice President Massimo Bagnasco attended a Roundtable with Overseas Chambers of Commerce and Enterprises, which was initiated by the Beijing Municipal Government and overseen by Mr Yin Yong, vice mayor of Beijing. **Photo: European Chamber**

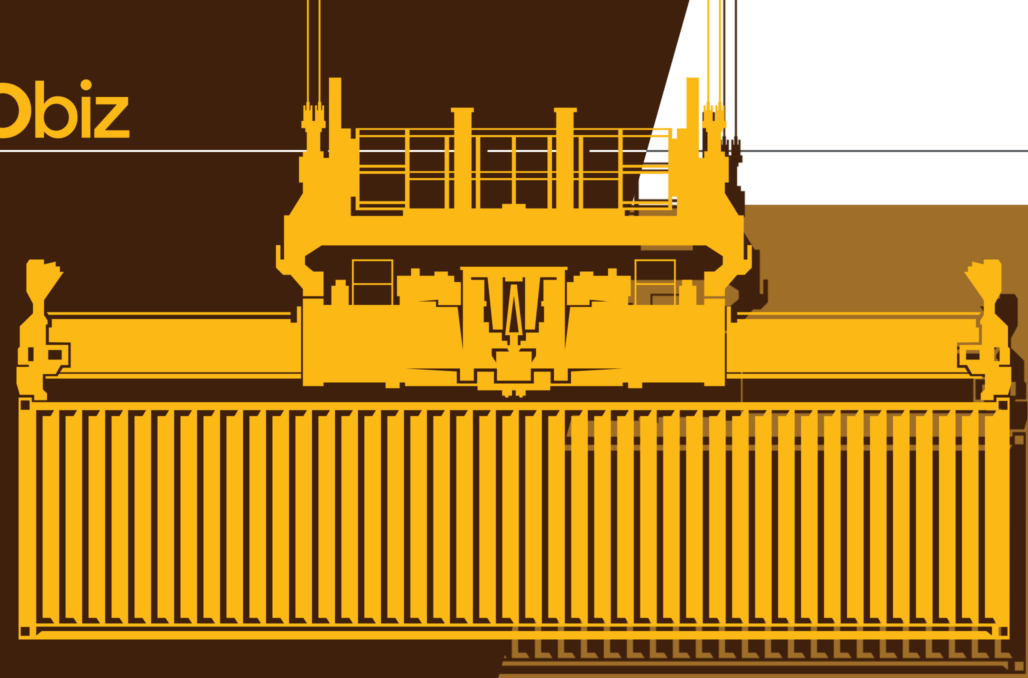
Massimo Bagnasco, vice president (VP) of the European Chamber, attended a Roundtable with Overseas Chambers of Commerce and Enterprises in Beijing on 23rd August 2019. The event was initiated by the Beijing Municipal Government and overseen by Mr Yin Yong, vice mayor of Beijing. On behalf of the European Chamber, VP Bagnasco delivered a speech addressing concerns raised by member companies. These issues include, amongst others, fair and equal treatment of foreign enterprises in Beijing and the possibility of improving communication with the municipal government. Vice Mayor Yin responded by saying that the European Chamber's advice on addressing these issues would be taken seriously. Additionally, Vice Mayor Yin stated that Beijing's next stage of development will focus on continuing the opening-up in the services sector, building a scientific innovation centre and further optimising the local business environment.

5TH AUGUST
SHANGHAI

Shanghai People's Congress vice chair visits European Chamber

Shanghai Chapter General Manager Ioana Kraft received Hailin Sha, vice chair of the Shanghai People's Congress and the newly appointed president of the Shanghai People's Association for Friendship with Foreign Countries. **Photo: European Chamber**

On 5th August 2019, Ioana Kraft, general manager, European Chamber Shanghai Chapter, received Hailin Sha, vice chair of the Shanghai People's Congress and the newly appointed president of the Shanghai People's Association for Friendship with Foreign Countries. Dr. Kraft discussed the Chamber's stance on the Foreign Investment Law (FIL). She mentioned that, despite the stated good intentions of treating both foreign and domestic companies equally, the FIL itself upholds the fundamental legal distinction between domestic and foreign enterprises. The European Chamber had recommended that there should be one law applicable to all companies in China. VC Sha stressed that Shanghai will continue to open up despite the ongoing US-China trade dispute, prioritise the improvement of the local business environment and seek to construct a transparent and predictable legal framework.



COMPLEX VS COMPLICATED

How to create the best possible shipping terminal? by Jari Hämäläinen and Eveliina Vuolli

The container handling industry is constantly changing. In addition to developing new or improved products, the main focus for the future is on new kinds of services, such as guaranteed availability and performance. The ultimate goal of a container terminal is to serve the shipping lines and inland logistics companies as smoothly as possible. At the end of the day, their business performance is measured by container moves. **Jari Hämäläinen** and **Eveliina Vuolli** of **Kalmar** discuss the best approach to working on complex projects…such as constructing a competitive container terminal.

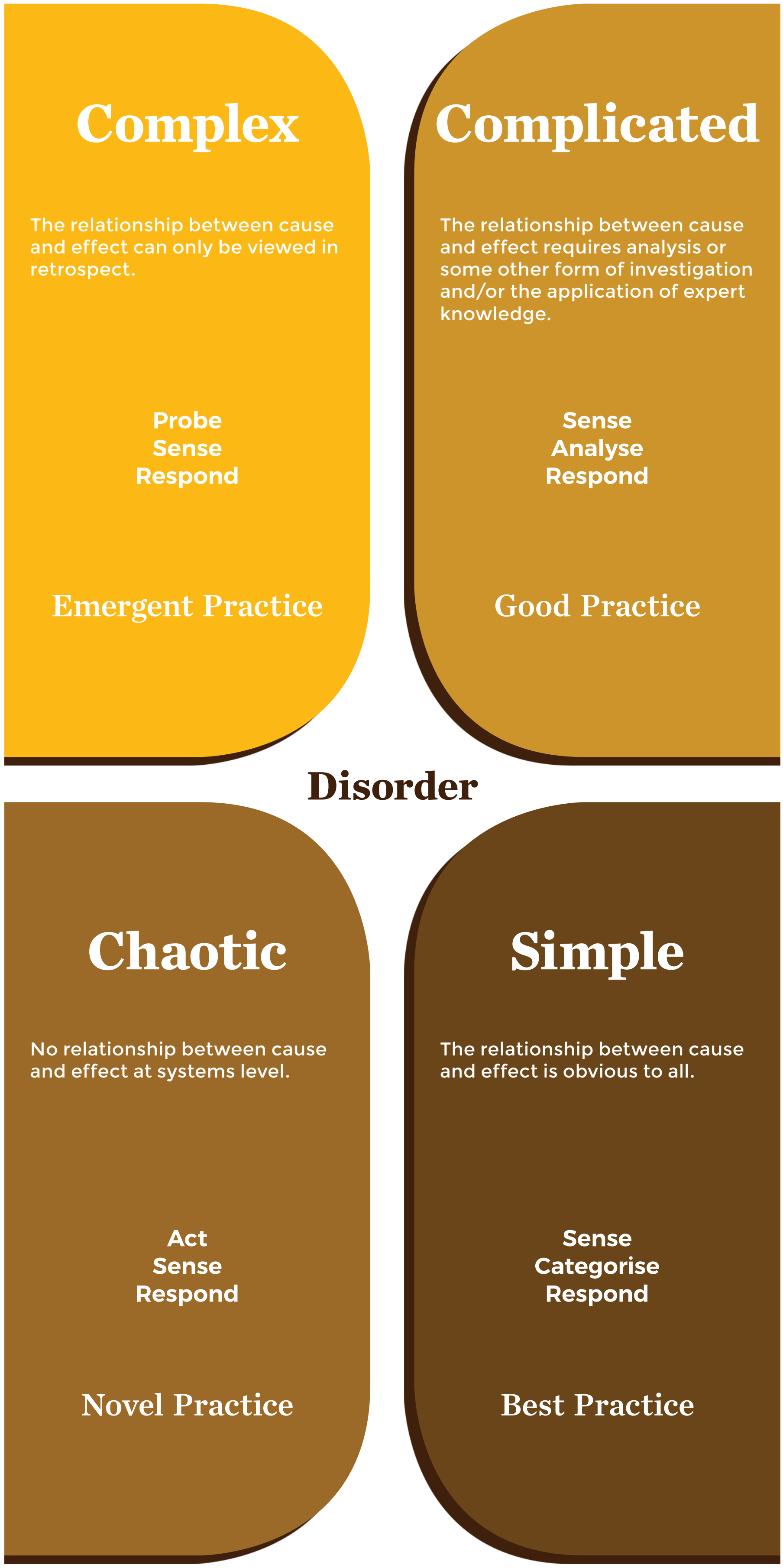
Building container terminals is still project-oriented

Building a new or refurbished container terminal is a massive project that involves various suppliers, which means the business and operations of a container handling equipment supplier is highly project-oriented. To execute such a project, it is possible to agree on a fixed content, fixed price and final delivery date, and then just do it. However, when building a modern terminal with state-of-the-art automation systems and digital services, the ultimate goal becomes more abstract and a little less clear. It becomes a question of how to plan the final outcome accurately two years before completion.

A new approach for complex projects

What if all the stakeholders rethought the way they work together instead of planning two years ahead? The Cynefin framework, created by Dave Snowden, could help reformulate the thinking process. This conceptual model proposes a different approach to aid decision-making and solve different kinds of problems. The idea of the Cynefin framework is that it offers decision-makers a 'sense of place' from which to view their perceptions.

The Cynefin (pronounced *kuh-NEV-in*; a Welsh word for 'habitat' or 'familiar') framework introduces five domains: simple, complicated, complex, chaotic, and a centre of disorder. The different domains help us recognise the situation we are in and select the most suitable decision-making and management style for this context. **The simple domain** represents the 'known knowns'. This means that there are rules in place and the relationship between cause and effect is clear. **The complicated domain** consists of the 'known unknowns'. There is a relationship between cause and effect, but identifying them requires analysis or expertise. **The complex domain** represents the 'unknown unknowns'. Cause and effect can only be deduced in retrospect, and there



are no right answers. In **the chaotic domain**, there is no relationship between cause and effect, so your primary goal is to establish order and stability. If you don't know where you are, you're in **the disorder domain**. The primary goal there is to move to a known domain by gathering information.

the container logistics chain. To achieve their goals, they need to collaborate with several partners, including the port authority, civil engineering companies, container handling equipment suppliers, enterprise resource planning and terminal operating system suppliers, and finally Internet of Things (IoT)

"When the world is continuously changing, we should rethink our approach to complex projects. After all, one size does not fit all."

When conducting a project similar to others done several times before, the context according to the Cynefin framework is the '**complicated domain**'. There are several variables in the process, but experienced product and project personnel are able to analyse and handle the issues. However, when creating a novel solution (e.g. a modern terminal with brand new automation systems and digital services), it becomes a '**complex domain**'. In this situation, we need to rely on emergent solutions and experimentation. Cynefin calls this process "probe–sense–respond".

Successful execution requires the partners to focus on agreeing on a final goal where the ultimate solutions will be defined and implemented jointly during the project.

Collaboration at the next level

Let's take an example. Ambitious investors decide to build an advanced greenfield container terminal that will attract inland and maritime customers by bringing them high predictability and fully transparent information flow from inland logistics through the container terminal to shipping lines. They decide to start operations with a proven automated container-handling system and extend the operation in the second phase by spearheading the latest and unproven industry 4.0 technologies in order to achieve full transparency in

and information technology (IT) companies to create a fully transparent solution that does not yet exist in the industry.

In phase one of the project, they decide to choose their suppliers using a traditional tendering process where the goal is fixed. They decide to do it by defining a functional description of the task at hand and leave the details of the technical solution to the suppliers. In this case, the operator is moving in the 'simple' domain, where they assume that they know the final goal and trust the supplier's ability to handle the final details and make delivery.

Phase two of this project is clearly moving to the 'complicated' or even 'complex' domain where nobody can yet define the exact outcome. To succeed, the operators need to think how to successfully approach a solution that requires a significant amount of expertise and creativity to evaluate possible scenarios where there are no clear answers. Instead of approaching this the traditional way, they choose an approach that has all the stakeholders working together as an alliance that shares the risks and rewards. This requires a new, agile approach for financial and legal contracts, as well as for the execution of the projects. It also enables learning and encourages greater experimentation than the traditional subcontracting model. Instead of defining the final system, successful execution requires the

partners to focus on agreeing on a final goal where the ultimate solutions will be defined and implemented jointly during the project.

An interesting example of this type of joint approach to finding a solution was the construction project for the 2.3 kilometre-long road tunnel in Tampere, Finland. Rather than having all the stakeholders solve their own problems, their approach was to create an alliance for collaboration, as well as for sharing the risks and potential savings. This was the first major use of such an alliance approach in Europe. The principles of the alliance were joint decisions, trust, openness, ideation for improvements, sharing risks and savings, joint agreement of the final target cost of the project, and setting the revenue for each stakeholder depending on how well the jointly agreed target was achieved. The authors believe that these principles encourage partners to ideate various scenarios together, speak openly about the risks, raise any problems that occur as early as possible, and solve unexpected problems together rather than waiting for the other party to deal with issues alone. Ultimately, they have a common interest to succeed financially by exceeding the goals and avoiding the biggest risks. By the way, the tunnel project was finished ahead of schedule and under budget.

Are we already mastering our projects in the best way possible or is there room for further improvement? When the world is continuously changing, we should rethink our approach to complex projects. After all, one size does not fit all. EB

Kalmar

Kalmar provides cargo handling solutions and services to ports, terminals, distribution centres and heavy industry. We are the industry forerunner in terminal automation and energy-efficient container handling, with one in four container moves around the globe being handled by a Kalmar solution. We improve the efficiency of your every move through our extensive product portfolio, global service network and solutions for seamless integration of terminal processes.

China's Corporate Social Credit System

A wake-up call for European business

by Tom Groot Haar

The European Chamber, in cooperation with the consultancy Sinolytics, released *The Digital Hand: How China's Corporate Social Credit System Conditions Market Actors*, a comprehensive study on the far-reaching implications of China's Corporate Social Credit System (SCS or System). With many of the System's mechanisms already operational, China is decisively moving forward to the roll-out of a fully integrated SCS in 2020. This also means that the window of opportunity for business to reach full compliance is quickly closing. What is the goal of the Corporate SCS? Why is preparing now of immense importance? What can companies do to prepare? **Tom Groot Haar**, **Policy and Communications Coordinator** with the European Chamber, outlines some key findings of the report.

In essence, the SCS is a comprehensive plan by the Chinese Government to use technology to monitor and guide participants' behaviour. Regulatory ratings (e.g. tax, customs, environmental protection and product quality) and compliance records (e.g. on anti-monopoly cases, data transfers, pricing and licences) are at the basis of how the Corporate SCS assesses this behaviour. The System works as follows: government authorities define the requirements companies need to comply with in order to receive a good rating or avoid a non-compliance record. With the use of new technologies, the authorities collect information on companies' activities and monitor their behaviour. The collected data is then processed and rated against the defined requirements. A good rating leads to rewards, while a negative performance results in sanctions or even blacklisting.

> **"The System is part of a major shift in China's market access regime."**

Sanctions can stretch from penalty fees or court orders to increased inspection rates, restricted issuance of government approvals or barring from public procurement bids. Through approximately 50 Memoranda of Understandings between government organisations, low scores for specific ratings could result in sanctions in operating areas that, on paper, are totally unrelated to the respective rating. This is, in part, what makes this System unparalleled by any government endeavour to date, either in China or internationally. Several ratings are already applied to all companies active in China, and the System already collects large amounts of data, rates performance and impacts companies' business operations.

For companies, the consequences of the rating system are widespread and could lead to challenges relating to, for instance, compliance and strategic decision-making. Most rating requirements are concerned with strict compliance with market regulations. International companies with strong internal compliance systems will generally be well placed to maximise rating results, but need to have a complete and precise understanding of what needs to be done. However, SMEs may struggle to keep pace with the system, especially due to the additional resources required. Additionally, as the System will include partner and supplier ratings in determining a company's own scores, strategically choosing the right partners and suppliers—and then regularly monitoring them—will become a part of operating a business in the Chinese market.

The System is part of a major shift in China's market access regime. China continues to open its market to international players, moving away from hard market access constraints like joint venture requirements and investment catalogues, but at the same time, the Corporate SCS is emerging in the background to enhance the government's ability to control companies' behaviour. The lifting of hard market barriers can therefore be explained, at least in part, by the government's growing confidence in its ability to influence companies, both foreign and Chinese, in a more nuanced way.

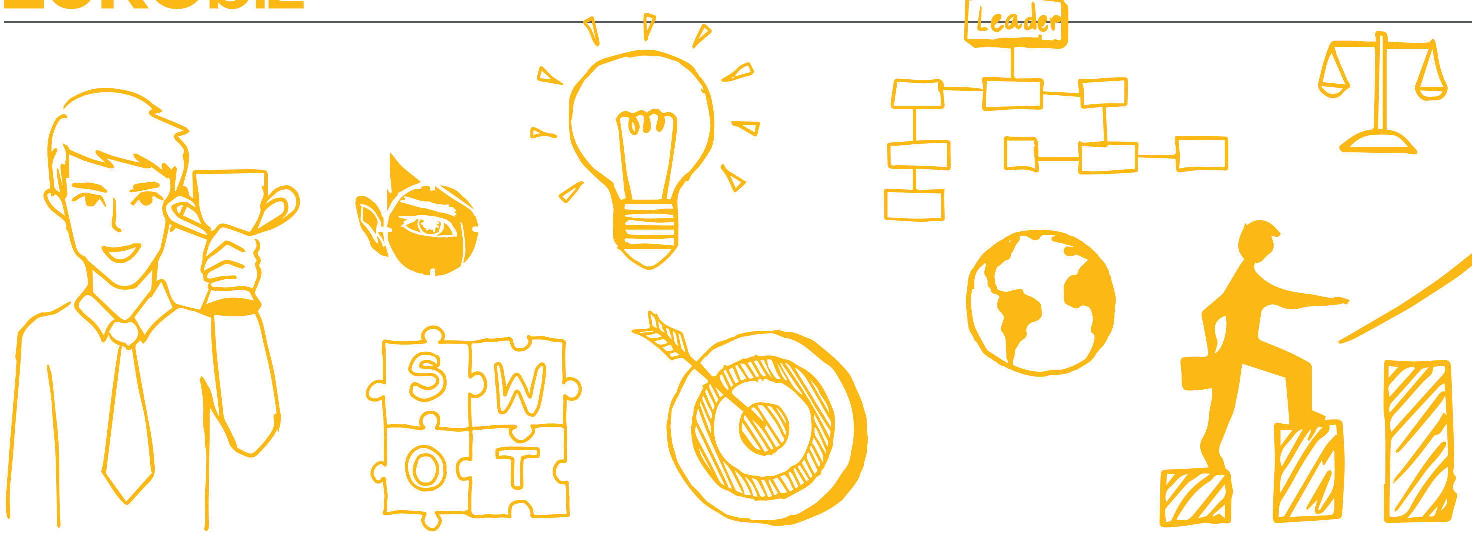
As most of the Corporate SCS is already in place and companies are already being rated, one might ask where the window of opportunity lies. This is due to the System not being fully implemented yet. The execution of the sanctioning mechanisms is still incomplete and data-sharing between different parts of the System remains a weakness. However, this is about to change.

In the coming months, the introduction of an important additional building-block is expected: a meta-monitoring database, the National 'Internet+ Monitoring' System, built by Taiji Computer Corporation in cooperation with Huawei, Alibaba, Tencent and video surveillance provider VisionVera. This supports the major push towards full data integration and systematically utilising the System's blacklisting mechanisms. From then on, companies need to expect that heavy non-compliance will immediately lead to a listing as a distrusted entity.

Moving forward, the European Chamber will continue to seek dialogue with the Chinese Government, especially to clarify and potentially modify the Corporate SCS for the benefit of foreign and domestic business alike. Clarification is still necessary on details, even though many stipulations of the Corporate SCS are explicit and clearly stated. For example, individual credit scores of 'responsible personnel' will impact the company rating, but the definition of 'responsible personnel' has not been made clear. Modification is also needed as several components of the system are potentially sensitive for European companies. For example, extensive data reporting from companies to government databases is required, but there are fears the required data might include sensitive information related to, for instance, intellectual property (IP), which in turn raises concerns about data security and the potential for leaked IP.

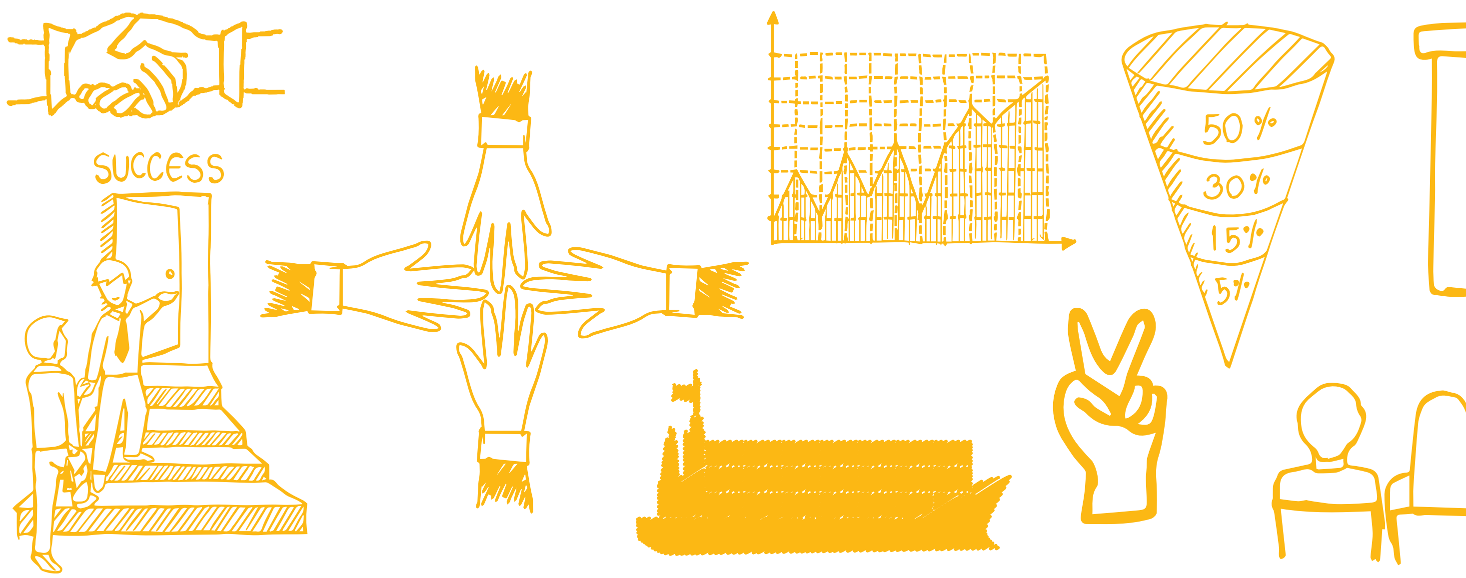
Dialogue with the Chinese Government is necessary. However, it is equally essential for businesses to start preparing in order to avoid sanctions. Firstly, they should understand exactly what the system requires from their company. Secondly, they should assess their current rating and identify their gaps. Thirdly, they should design and implement effective internal adjustments to ensure compliance. Lastly, as the System will be evolving constantly, it is important to continuously monitor further developments. For better or worse, the Corporate SCS is here to stay and businesses in China need to be ready for the consequences.

To download ***The Digital Hand: How China's Corporate Social Credit System Conditions Market Actors***, scan the QR code.



Impacted by the Global Economic Uncertainty?

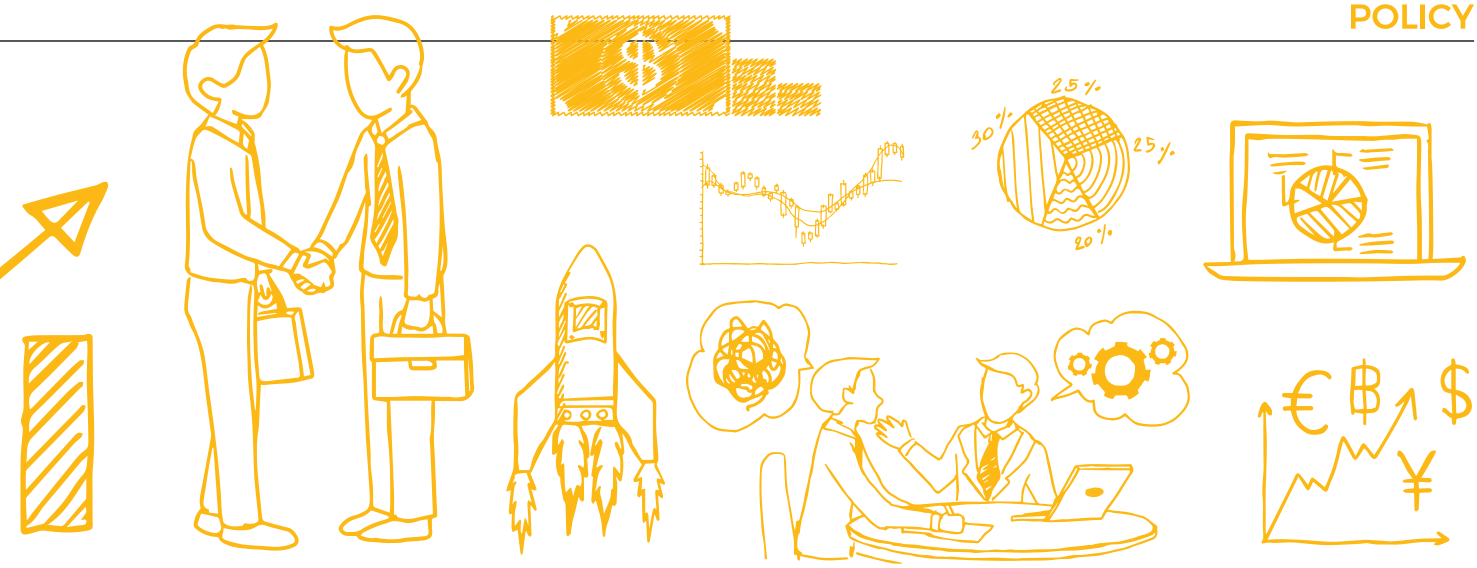
Now is the time to fortify your organisation's compliance programme by Dr Tim Klatte



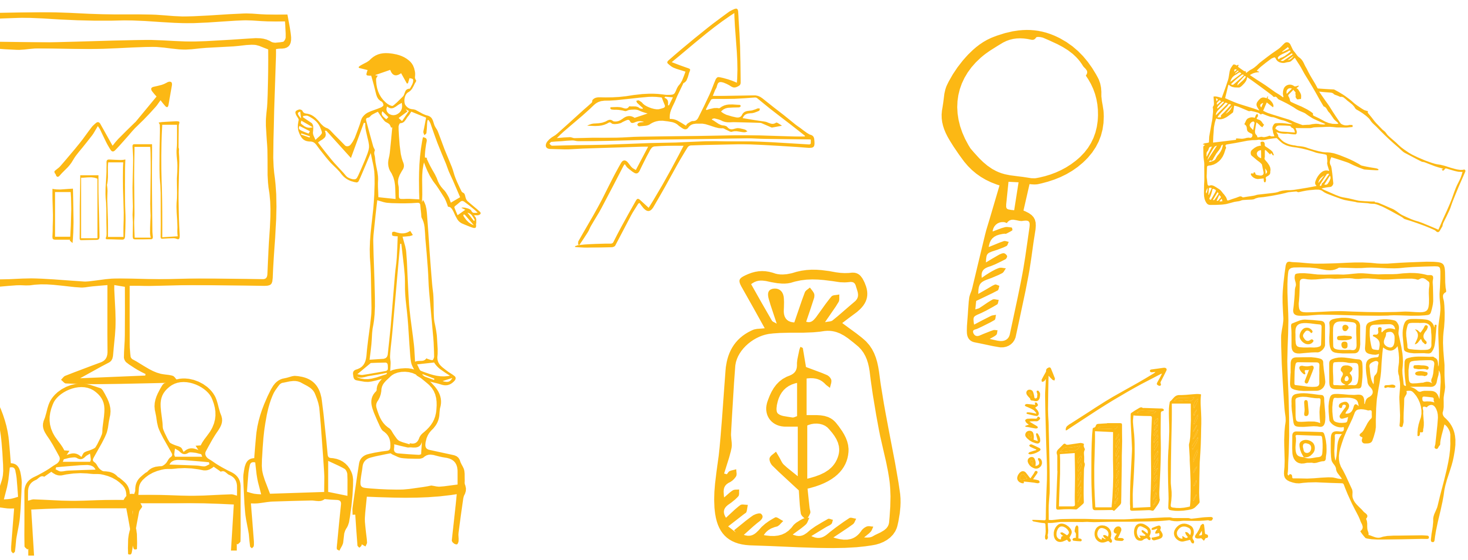
The Foreign Corrupt Practices Act (FCPA), enacted in 1977, is a United States federal law that prohibits the bribing of foreign officials for their assistance in obtaining or retaining business. This act can apply to such related behaviour anywhere in the world. It also extends to publicly-traded companies and their officers, directors, employees, stockholders, and agents. These agents can include third-party agents, consultants, distributors, joint venture partners, and others. European-based organisations with business activities in the US are liable for review and enforcement under this law as well.

Introducing the China Initiative

Against the backdrop of the US-China trade war, the US Department of Justice (DOJ) announced an unprecedented strategy on 1st November 2018 called the 'China Initiative'; the first time in DOJ history that a foreign country has been targeted for such a high-profile programme. In fact, since the FCPA's inception four decades ago, Mainland China has remained the location with the most enforcements under the law, with 57 as of 30th June 2019. The focus of the China Initiative



In today's complicated business environment, interpreting between right and wrong is often a difficult ethical dilemma. There is a need for whistleblower-like regulations that are objective, consistent and complete. Additionally, when reflecting on today's code-of-conduct practices, it is common to observe outdated, irrelevant and often ignored criteria. As such, a unified and enforceable approach is the best guideline for sustainability. In this article, **Dr. Tim Klatte**, partner and head of Shanghai Forensic Advisory Services for **Grant Thornton**, provides an overview of key global enforcement trends, introduces the China Initiative, and shares five points to consider for maintaining a successful compliance programme in China.



is to counter perceived Chinese national security threats against the US and safeguard US economic interests. It aims to prioritise Chinese trade theft cases, ensure the allocation of sufficient resources, and see these cases concluded quickly and effectively.

An increase in FCPA investigations against China may prompt other countries to follow in the footsteps of the US. Perhaps the United Kingdom (UK) is the next most likely to prioritise enforcement actions against Chinese companies operating on their home turf, which would be subject to the jurisdiction of the UK Bribery Act. This act reprimands companies when a third party commits an act of bribery under their guidance; the only exception is companies that have proper guidelines in place to prevent bribery.

Meanwhile, recent amendments to China's Criminal Procedure Law suggest that the Chinese authorities are also ramping up anti-bribery enforcement efforts. One fundamental change encourages corporations and individuals to cooperate in corruption and bribery investigations by codifying leniency rules that provide assistance. Additionally, the recently-amended Anti-unfair Competition Law and the newly-enacted National

Supervision Law give the Chinese authorities more power to investigate official and commercial corruption cases.

The Chinese government has already demonstrated its willingness to retaliate against the US government for tariff increases. It may take a similar approach in responding to the DOJ's China Initiative and any resulting increase in US—or any other country's—enforcement actions against Chinese companies.

If that turns out to be the case, a key element in China's retaliation plans may be its Corporate Social Credit System, to be rolled out in 2020. This system aims to regulate the market by enforcing self-compliance incentivised through awarding benefits or punishments based on a company's score.

All international companies operating in China should therefore develop a local compliance strategy. The following five elements will assist enterprises in minimising their exposure to crackdowns and mitigate risk.

Fortifying your compliance programme

1. Training, training, and more training: In today's operating environment, all employees need a thorough understanding of international and Chinese anti-bribery laws. Relevant case studies and simulations of how an employee might be approached to pay a bribe are useful and interactive training approaches. Educate employees on not only what bribery entails but also the penalties, fines, and punishment meted out to the company and its employees that committed the act. Employees must understand that if they observe violations, it is their responsibility to appropriately report. Compliance training should be a continuous strategy conducted in person throughout the year and based on new examples of possible bribery situations. It's important to give training in the local language with industry-specific fraud issues. Finally, training shouldn't cease at the company gate. Consider providing in-person training to your business partners, as they are often viewed as an extension of your organisation's reputation in the market.

2. Integrate compliance into other related programmes: Integration of similar compliance activities is logical, less expensive, and more likely to be effective than multiple independent stand-alone activities. Inclusion indicates a systematic programme that management values and headquarters can easily support, especially when requesting budgets to execute such strategies.

3. Communication, communication, and more communication: Communication is also vital when solidifying a compliance strategy in China. It is essential to communicate on a local level, in the local language, and often on a facility-by-facility basis, that the company has zero tolerance for violations of its anti-fraud policy. Focus on what is expected of each employee regarding compliance; specifically, how to report potential wrong-doing and the consequences for failure to live up to those expectations. This could be done via local training and written policies that are regularly provided to employees and distributed amongst company stakeholders, while extending specifically to vendors and suppliers.

4. Conduct integrity due diligence on potential business relationships: Due diligence has become more challenging to complete given recent limitations on obtaining company records in China. Nevertheless, it is still required as a fundamental element of an effective compliance programme. Due diligence must be conducted locally using reputable companies that appreciate and follow the local laws. Consider using firms that specialise in due diligence with trained investigators and independent data to validate assertions. All contracts, agreements, policies, and other compliance-related documents must explicitly require adherence to all applicable laws and regulations. Contracts and agreements with third parties should also include wording related to compliance and outline clear language for when these standards are not upheld.

5. Implement proactive fraud detection testing: A key to staying one step ahead of white-collar criminals is to think like the fraudsters. One approach is to incorporate proactive programs, tools, and tests designed to identify high-risk transactions, instead of waiting for them to be discovered through other means. Developing a data analytics platform and implementing standard fraud testing are two proactive strategies worth considering. The key is to leverage local data in high-risk areas and tailor tests to frauds commonly encountered in those areas. Large commission payments, payment records with specific keywords, payments not made in Chinese yuan, or payments sent to different locations are a few examples of data that companies can use in proactive fraud detection.

Closing Thoughts

The global enforcement environment now puts compliance professionals centre stage in developing and implementing their headquarters' sustainable local strategies. Innovation and proactivity are key themes of this evolution, particularly in situations that are often hampered by economic and regulatory restrictions. From updated regulations in China to the China Initiative in the US, now is undoubtedly the time to place compliance at the forefront of your company strategy and empower the professionals who shoulder this responsibility daily. Developing a compliance framework to implement across your organisation is, at every level, the best initial step.

Grant Thornton

Dr. Tim Klatte is a partner and head of the Shanghai Forensic Advisory Services practice of **Grant Thornton China**. With more than 25 years of China-related experience, and over 13 years working in Shanghai, Tim has conducted approximately 500 investigations across multiple industries and in all regions of China. He holds both an MBA and DBA, with concentrations in International Business. His doctoral dissertation is titled *US Manufacturing Sector Strategies for Effective Offshoring to China*.

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2019 POSITION PAPER

Calling for 'competitive neutrality' to rein in China's SOEs

by Jacob Gunter

In October 2019, China marked the 70th anniversary of the founding of the People's Republic of China. Undoubtedly, the scale of the celebrations was intended to be commensurate with the country's impressive development over the last seven decades, and the accomplishments of the last four in particular. Meanwhile, another significant anniversary from much further back in China's history is likely to slip by mostly unobserved: 2,100 years ago, the course of the Western Han Dynasty was set when China's brightest minds were called upon to debate key aspects of the economic system of the time.

The ensuing 'Discourses on Salt and Iron' boiled down to two different factions arguing over the state's involvement in the economy. One side demanded the state remove itself from the market and end its monopolies on salt and iron production and distribution, while the other defended the importance of holding on to these industrial commanding heights.

> **Competitive neutrality would put an end to China's 'economic caste system'.**

Little has changed in the intervening 21 centuries.

China's salt monopoly, which once employed a 25,000-strong salt police force to enforce its dominance, only saw the initial stages of liberalisation just two years ago. The steel industry, with a slow influx of private players taking up market share, is perhaps more advanced; but while China has six of the world's ten largest steel producers by volume, only two are privately owned, and they only occupy the sixth and ninth rankings. The contemporary discourse also encompasses a wide variety of sectors in addition to iron and salt, but the core characteristic remains unchanged; which is, as one debater put it in 81 BC, "the state competes with the people".

This situation has been exacerbated by the profound changes that have taken place in recent years, with the government pursuing SOE reform with Chinese characteristics. Rather than cutting SOEs down to a manageable size—determining the industries that would be most appropriate for them to operate in and privatising the rest—the goal has been to make them "stronger, better and bigger".

This has resulted in a truly resurgent state-owned economy, with SOEs impacting sectors far beyond those in which they have major presence. Financing flows to private firms have dried up, from 57 per cent of all non-financial corporate loans in 2013, to a measly 11 per cent in 2016. This comes at the same time that Chinese SOEs have seized a much greater share of funding, jumping from 35 per cent to 80 per cent in the same timeframe.

The screws have also been tightened on the private sector with SOEs imposing abnormally long payment periods in their agreements, which act as *de facto* loans from suppliers. This has unfairly impacted a great many European firms directly, but far more have suffered indirect effects, such as when their local partners have struggled to make ends meet as a result, leading to disruptions to both upstream supplies and downstream demand.

The benefits that many SOEs currently enjoy from their vertical monopoly position comes at the expense of sound market competition. This happens for example in the energy sector, where some of the same firms that produce energy also own the grid – a huge, unfair advantage over private energy companies, which must pay competitors to deliver their product to customers.

Conflicts of interest also occur, with SOE executives and regulators frequently switching hats over time, which adds another layer of unfairness for private companies to overcome. For example, the high thresholds that have been set for obtaining various operating licences in the financial services sector have seriously restricted the meaningful participation of international finance companies in the markets they have only recently been allowed to enter.

From all this, it could be assumed that China's current leadership has simply arrived at the same conclusions that the Western Han Dynasty came to 21 centuries ago. Fortunately, this is not the case: a robust debate is underway in Beijing, with different voices throughout the government periodically spilling out into the public forum.

'Competitive neutrality', the principle that the government should provide equal treatment to all enterprises, regardless of ownership, has been on the lips of some of China's most important economic policymakers in recent months. Former and current People's Bank of China governors Zhou Xiaochuan and Yi Gang both spoke on the concept in late 2018, followed by the new and powerful State Administration for Market Regulation, the State Council and even Premier Li Keqiang in his *2019 Work Report*.

Competitive neutrality would put an end to China's 'economic caste system', whereby it differentiates and favours state-owned over private first and foremost, and then local over foreign. The greatest benefit of abandoning such a system, and developing strong institutions to provide recourse when enterprises encounter unequal treatment, would be the resulting surge of confidence in China's market and the accompanying boost in investment.

Realising competitive neutrality and embarking on true SOE reform is key to achieving a variety of goals: ushering in a true market economy, making the most of China's entrepreneurial potential and accelerating development. This would be an enormously positive next step for China's reform agenda, while bringing a decisive end to a debate that has been rumbling on for 2,100 years.

To download the ***European Business in China Position Paper 2019/2020***, scan the QR code.

Agile or Irrelevant

2019 China CEO Outlook by KPMG

As the People's Republic of China celebrates its 70th anniversary, and the world prepares to move into a new decade, it is inevitable that companies will have to make adjustments to stay successful. The constant and rapid changes of the digital age are putting more demands on CEOs than ever before, no matter which part of the world they operate in. **KPMG**'s latest annual surveys of global and China CEOs show signs of convergence between the strategies of chief executives of China-based firms and their counterparts from around the world.

Among global and China CEOs alike, almost two thirds say that when their companies are expanding into developing markets, they are prioritising countries which form part of Beijing's Belt and Road Initiative (BRI) – the China-led major investment in global infrastructure, trade and economic development across multiple regions and nations.

Indeed, the BRI is rapidly giving rise to more opportunities for cooperation between Chinese and foreign firms in emerging markets, not only in infrastructure investment but across a wide range of sectors including financial services, logistics, trade and the digital economy.

There is also evidence that China CEOs intend to ramp up investment in developed markets: almost half (44 per cent) of chief executives from mainland and Hong Kong firms say their preferences for geographic expansion over the next three years are mature economies. Fewer than a third said the same when surveyed in 2018. Direct investment in regions such as the United States and Europe provide another avenue for Chinese firms and their Western counterparts to compete and collaborate over new market opportunities and manage risks together.

In common with their global counterparts, China CEOs are increasingly eyeing mergers and acquisitions (M&A) as a way to drive their expansion. Some 85 per cent say they have a moderate or high M&A appetite for the next three years, up from around three quarters last year, reflecting a similar rise globally. Motivations for going down this road remain tried and tested: reducing costs, diversification and transforming their business model were the primary drivers.

> **44**
> **PER CENT**
> of China CEOs intend to ramp up investment in developed markets

China CEOs meanwhile join their counterparts in showing increased pessimism over prospects in the short and medium term. In fact, China is one of four major economies—along with the UK, Australia and France—where fewer than half of CEOs express confidence in the global economy. At the other end of the scale lies the US, where chief executives' confidence in the global economy's prospects jumped significantly over the past year.

However, China CEOs' confidence in the outlook for their country (77 per cent) and company (94 per cent) has risen even higher in 2019. It is clear that China CEOs are aware of the importance nationally of transitioning to a high-value economy, and back measures being implemented to reach that goal. In spite of the headwinds they are faced with, China's business leaders appear confident in the direction of the country's development and its long-term prospects.

The global nature of climate change means CEOs from China and around the world are aligned on environmental risk: many consider it the number one threat to growth, and overwhelmingly agree that their firms' growth will be determined by the ability to successfully manage the transition to a low-carbon economy.

As business models everywhere undergo rapid change, almost two thirds of China CEOs agree that partnerships with third parties are the only way for their firms to achieve the agility they will need in the new marketplace. But they remain highly selective: almost three quarters (73 per cent) say they are looking for quality over quantity in the search for new partners, an even higher proportion than their global counterparts.

With China home to some of the world's biggest tech giants, the country's business leaders are more keen than their peers around the world to partner with third-party data providers and third-party cloud technology partners—with more than half planning to do so over the next three years—although they are less keen to collaborate with innovative start-ups.

Innovation is right at the top of China CEOs' agendas, with a marked increase in the proportion of business leaders prepared to actively disrupt their sector – rather than wait to be disrupted by competitors. It is still true that fewer China CEOs than their global counterparts are willing to embrace this strategy, but the gap is rapidly closing. In 2018, just 29 percent of China CEOs said they would actively disrupt their sector, but this figure jumped to 54 percent in 2019, closing in on the global figure of 63 percent.

And more China CEOs than their global counterparts say they expect returns within three years from their investment in disruptive technology. For example, almost half expect to see significant returns on their companies' investment in AI systems in the near term. This is not surprising given the rapid development of China's digital economy, which is estimated to have grown almost 21 per cent in 2018 to reach United States dollars (USD) 4.67 trillion (Chinese yuan (CNY) 33 trillion), accounting for over a third of GDP.

Even established technology companies are having to make bold moves in response to significant advances in IT architecture—from mobility to cognitive computing—to ensure they stay ahead of fast-moving competition. In a complex and fast-changing business landscape, China CEOs recognise that innovation and technological disruption are at the forefront of ways to stand out from the competition.

KPMG is a global network of independent member firms offering audit, tax and advisory services. The firms work closely with clients, helping them to mitigate risks and grasp opportunities. Clients include business corporations, governments and public sector agencies and not-for-profit organisations. They look to KPMG for a consistent standard of service based on high order professional capabilities, industry insight and local knowledge. KPMG member firms can be found in 152 countries. Collectively they employ more than 189,000 people across a range of disciplines.

China's Economic Slowdown

Emerging opportunities for UK companies facing Brexit

by Toby Tanner

Since the United Kingdom's (UK) decision in June 2016 to leave the European Union (EU), 'economic uncertainty' has dominated boardrooms, rattled capital markets, and plunged the pound to record lows. It has also forced both UK and European companies, regardless of size or sector, to decipher in vain how the future UK-EU relationship will impact their domestic and/or international business operations. Yet, while Brexit remains the focus of attention, **Toby Tanner** from **APCO** argues that UK companies should also devote significant attention to China's slowing domestic economy and how it could accelerate commercial opportunities in strategic industries such as artificial intelligence (AI) and financial technology (fintech).

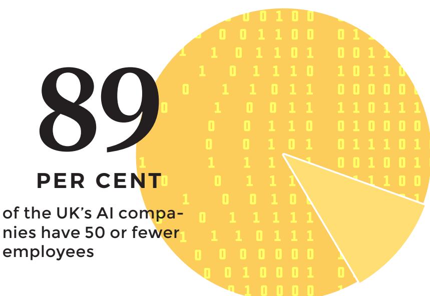
Economic issues accelerate demand for innovation

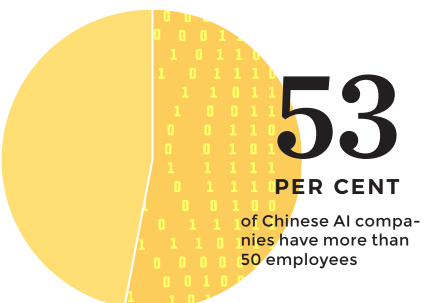
China is fighting battles on two fronts. Internationally, the country is tackling issues such as unprecedented pushback against its trade practices, strategic acquisitions abroad, and ambitions to internationalise the renminbi, to name but a few. Domestically, China is faced with the reality of an economic slowdown, with Q2 2019 GDP growth slowing to the lowest in 27 years after three decades of rapid economic growth.[1] To overcome these challenges, the State Council has introduced stimulus measures to boost domestic consumption, strengthen capacity in high-end industries and promote the services sector. While these measures are dominated by the motive to strengthen domestic enterprises, the need to address short-term challenges has also accelerated the need for market liberalisation, creating opportunities for companies in strategic industries such as AI and fintech. This piece will outline two examples of such opportunities from a UK perspective.

1. Oberoi, Mohit, *Chinese Economic Slowdown Gets Worse with Trade War, Market Realist*, 9th August 2019, viewed 17th September 2019, <https://marketrealist.com/2019/08/chinese–economic–slowdown–gets–worse–with–trade–war/>

New free trade zones: opportunities for British AI companies

The State Council recently announced plans to double the size of the Shanghai Free Trade Zone through an investment in the Lingang New Area, as well as plans to introduce six new pilot free trade zones (FTZs) in Shandong, Jiangsu, Guangxi, Hebei, Yunnan and Heilongjiang.[2,3] The former includes measures to reduce corporate tax rates for companies in "key areas" such as artificial intelligence, biomedicine and civil aviation, as well as provide tax breaks to attract top talent and offer visa fast-tracks for overseas students to set up companies in the area. The latter includes high-level ambitions to facilitate 'overseas innovation incubation centres' and 'entrepreneurship bases', coupled with specific regional development focuses such as positioning Shandong FTZ to develop AI for improving social governance.





While the UK's investment in AI has reached record levels, reaching United States dollars (USD) 1.06 billion (British pounds (GBP) 859.1 million) in H1 2019 compared to a total of USD 1.02 billion (GBP 826.7 million) for 2018, research shows that 89 per cent of the UK's AI companies have 50 or fewer employees, compared to China, where over 53 per cent of companies have more than 50 employees.[4] Although in its nascent stage, the tax incentives from the Lingang FTZ or the focus on AI for social governance in the Shandong FTZ could offer opportunities for smaller AI companies or research institutions to scale up, build a global network, and pursue international partnerships.

Financial opening: opportunities for UK fintech

To counter risks from growing financial instability and market speculation, China has accelerated financial liberalisation measures in recent months. The State Council outlined 11 measures to facilitate increased foreign investment in July 2019, which will remove foreign ownership limits on securities companies, futures companies and fund management companies by 2020, as well as make it more convenient for foreign institutional investors to access China's bond markets.[5] The implementation of these ambitious goals will stimulate demand for companies that can offer a value-add to the management of China's financial markets and financial services industries. This trend offers a potential market niche for UK companies in fintech.

China's fintech ecosystem has significant barriers to foreign participation. However, in August 2019, the People's Bank of China (PBOC) released *China's Fintech Development Plan (2019–2021)*, which includes a pledge to "[d]rive China's fintech development to be at the international forefront". Currently, the UK ranks No. 1 globally in terms of growth in investment in its fintech sector, achieving investment of GBP 4.5 billion between 2015 and 2018.[6] UK companies also have strong capabilities in sub-sectors such as regulatory technology, which complements China's ambitions to create a more mature ecosystem. The UK's commercial strength in fintech is coupled with current political mechanisms such as the UK-China FinTech Bridge,[7] which includes a regulatory cooperation agreement between the UK's Financial Conduct Authority (FCA) and the PBOC that enables both organisations to share best practices in how to regulate financial services innovations.

UK companies planning for post-Brexit should consider how to leverage future demand in China for niche services that can support the development of the country's relatively nascent fintech regulatory ecosystem.

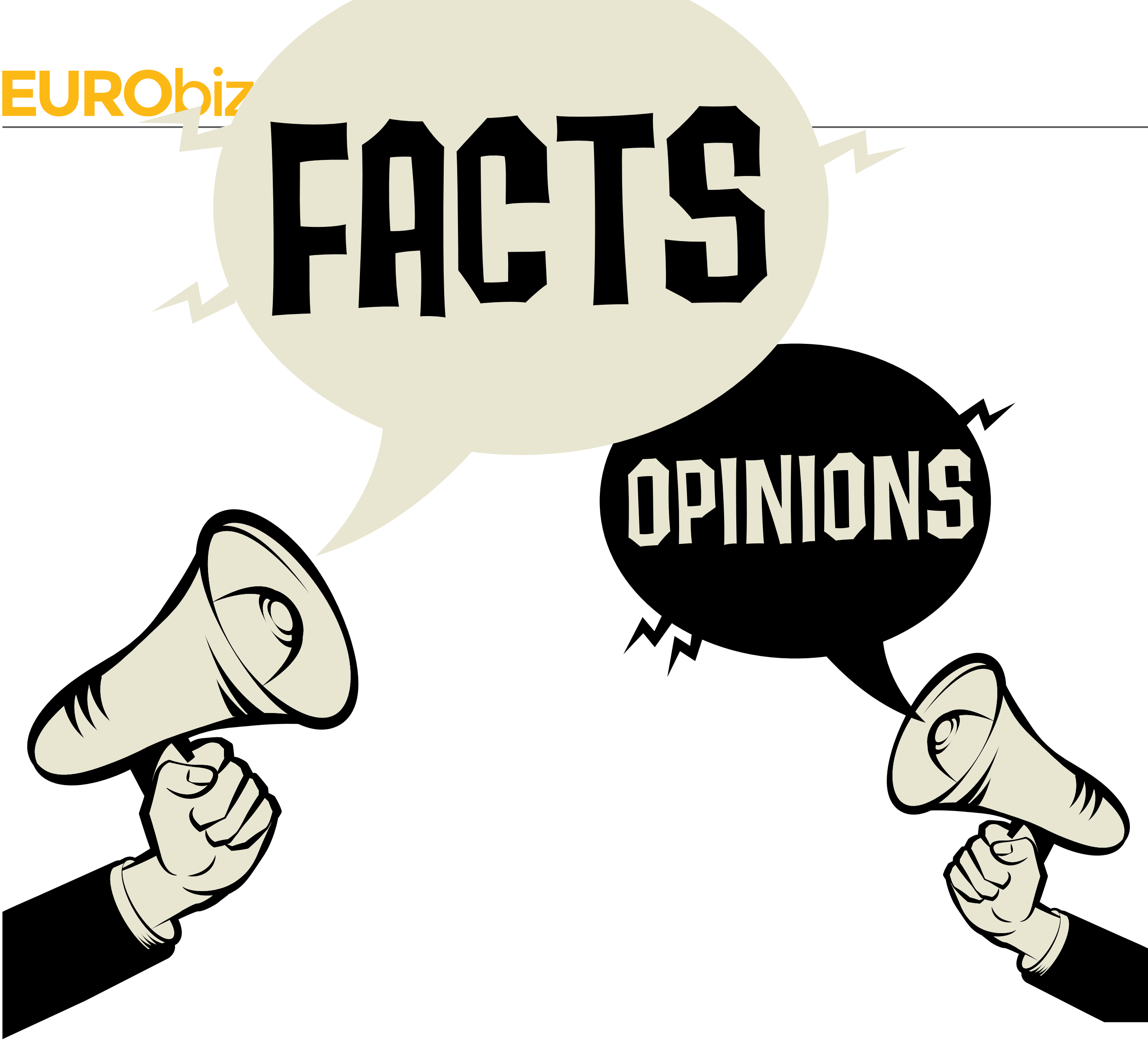
Look beyond the politics

While Brexit contingency planning will remain the priority for UK businesses and many European firms in the lead up to 31st October (or potentially longer), forward-looking enterprises should anticipate growing demand from China into their plans. China needs to stimulate the domestic economy, which could accelerate demand for expertise in areas such as AI and fintech, as well as other industries. European companies, regardless of whether they are based in the UK or the 27 EU member states, should stay on top of the latest macro-level initiatives, blueprints and plans which come out of China to place themselves in a strong position to capitalise. Those which position themselves as an innovative value-add to China's economic new normal have an excellent opportunity to get ahead of the curve, regardless of deal or no-deal.

APCO Worldwide

Toby Tanner is an associate consultant in the Beijing office of advisory and advocacy communications consultancy, **APCO Worldwide**. APCO Worldwide helps leading public and private sector organisations to act with agility, and build organisational reputations, brands, relationships and solutions to succeed. APCO is an independent and majority women-owned business.

2. *Notice of the State Council on Printing and Distributing the Overall Plan of Six New Free Trade Zones (State Document [2019] No. 16)*, State Council, 2nd August 2019, viewed 17th September 2019, <http://www.gov.cn/zhengce/content/2019–08/26/content_5424522.htm>
3. *Notice of the State Council on Printing and Distributing the Overall Plan of the Lingang New Area of the China (Shanghai) Pilot Free Trade Zone*, State Council, 27th July 2019, viewed 17th September 2019, <http://www.gov.cn/zhengce/content/2019–08/06/content_5419154.htm>
4. Holt, Andrew, *AI Investment in the UK Reaches All–time High, IR Magazine*, 11th September 2019, viewed 17th September 2019, <https://www.irmagazine.com/technology–social–media/ai–investment–uk–reaches–all–time–high>
5. Zhou, Stanley, Fei, Andrew, and Huang, Keith, *China's 11 Measures to Further Open up its Financial Sector*, China Law Insight, 31st July 2019, viewed 17th September 2019, <https://www.chinalawinsight.com/2019/07/articles/finance/chinas–11–measures–to–further–open–up–its–financial–sector/
6. *UK Tech on the Global Stage: Tech Nation Report 2019*, Tech Nation, 14th May 2019, viewed 23rd September 2019 < https://technation.io/news/uk–fourth–in–the–world–in–fast–growth–investment–after–us–china–and–india/>
7. *UK–China Fintech Bridge, Fintech Alliance*, 9th June 2019, viewed 17th September 2019, <https://fintech–alliance.com/government/single/fintech–bridges/uk–china–fintech–bridge>



Caught Red-handed

How to secure effective evidence at trade fairs

by the China IPR SME Helpdesk

For companies considering moving into international markets, trade fairs are a key channel to introduce their product to the new market, expand their visibility and customer base and seek partners for manufacturing, distribution and retail. For many European SMEs, exhibiting at a major trade fair in China may be the first step towards internationalisation. However, as well as providing business opportunities, trade fairs also pose risks for exhibitors by exposing new products, technology, designs and brands to those who would copy the efforts of others for their own financial gain. The **China IPR SME Helpdesk** provides some useful tips on how to collect evidence of infringements at trade fairs.

In many ways, a trade fair can be viewed as a supermarket for local counterfeiters looking for the next great product to copy or brand to appropriate, often to be sold at the same fairs the original product developer would like to exhibit at.

Examples of typical infringements found at trade fairs include:

- Displaying and selling counterfeit products bearing the trademark(s) identical or similar to others' registered trademark(s);
- Displaying and selling products counterfeiting other's patent rights;
- Utilising others' copyrighted images, texts from an advertisement and/or company brochure and/or product catalogue;

> In China's People's Court…documentary evidence is far stronger than witness testimony.

- Copying others' products' design; and,
- Copying the design of another's exhibition booth.

Why is collecting evidence important?

Evidence is needed for IPR enforcement. No matter which enforcement action is best suited to the company, the firm will need to produce a significant volume of evidence to prove its IPR has been infringed. In China's People's Court, the burden of proof lies with the plaintiff (claimant), and documentary evidence is far stronger than witness testimony. As well as proving ownership via IPR certificates, companies must prove the infringement via physical evidence, such as contracts, photographs of infringing products and proof of sale validated by a public notary (a public officer or other person authorised to authenticate documents or evidence). If companies wish to seek assistance from an administrative body (e.g. the State Administration for Industry and Commerce (SAIC) for trademarks), they must provide a similar body of evidence for the case to be accepted.

What information/ materials will be accepted by Chinese courts in claims of IPR infringement?

Any evidence provided to the People's Court must have three basic features:

1. **Authenticity:** meaning that the evidence must be genuine both in terms of the actual content and the way the evidence was collected;
2. **Relevance:** meaning that the evidence must be related to the facts of the case; and,
3. **Legality:** meaning that the evidence and the source of the evidence must conform to legal standards and forms. In general, this means that contracts must be correctly formatted, and photographs and proof of sales must be witnessed by a public notary.

Examples of relevant evidence demonstrating infringement include:

- Photos showing the products being displayed and/or sold at a trade fair;
- Photos of the exhibition booth – i.e. the infringer, and copy of their business card and/or copy or photo of business registration certificate;
- Photos of the trade fair where the infringement was found;
- Photos of the infringing products, and/or an actual product;
- Photos showing how the trademark(s) at issue is being used on the product;
- Photos showing where the advertisement that contains your copyrighted images and/or texts are posted and the coverage of such infringing advertisement;
- Copy of the company brochure or product catalogue where the infringing product is mentioned or your copyrighted images and/or texts are used.

Evidence that can prove the infringer's bad faith (i.e. where the infringement is committed with awareness of the existence of another person's IP rights) is also required. If, for example, while talking with the exhibitor, the IP owner discovers that the exhibitor is already aware of the IP owner's brand or product, their conversation could be used as evidence to prove the bad faith of the infringer if it was recorded by lawful means. IP owners are however recommended to consult a lawyer before initiating such conversations to make sure they meet the lawful means requirement.

Similarly, should the IP owner have cooperated with the infringer in question previously, any copies of previous contracts, cooperation agreements or order sheets could also be submitted as evidence to show the infringer's bad faith.

When the IP owner wishes to claim damages from the infringer, it is also important to show the negative impacts arising from the infringement on the reputation of the brand, company and products, and the economic losses the IP owner has suffered or would have suffered. As such, any evidence showing the scale of the infringement, which can indirectly testify to the impact on the volume of potential consumers and profit (e.g. sales performance and/or distribution network of the infringing product; size of the exhibition booth, location of the booth at a trade fair), can be submitted.

China IPR SME Helpdesk

The China IPR SME Helpdesk supports small and medium-sized enterprises (SMEs) from European Union (EU) member states in protecting and enforcing their intellectual property rights (IPR) in or relating to Mainland China, Hong Kong, Macao and Taiwan, through the provision of free information and services. The Helpdesk provides jargon-free, first-line, confidential advice on intellectual property and related issues, along with training events, materials and online resources. Individual SMEs and SME intermediaries can submit their IPR queries via email (question@china-iprhelpdesk.eu) and gain access to a panel of experts, in order to receive free and confidential first-line advice within three working days.

The 'Two-invoice' System for Medical Devices

Reforms do not always make things better

by Volker Müller (Senior Government Affairs Desk Manager)

"Distributors provide a necessary service that neither the doctors nor the manufacturers are able or willing to provide. This concerns the health of all of us; we hope to see even further improvement in the quality of service for medical devices.

The 'two-invoice system' has positive effects on regulating the operation of medical device manufacturers and distributors. It can reduce costs in the distribution process and lower the economic burden of hospitals and patients. But in order to improve after-sales service quality, it's important to re-evaluate the 'two-invoice system'. The European Chamber contributed a lot towards solving this issue, this will have a long-term positive impact on Chinese trade and China's healthcare reform."

"代理商解决医生和厂家都不愿意做的器械服务的问题，这些与我们每个个体息息相关，所以希望都能改进。

医疗器械流通中两票制对于规范厂家与代理商的商业行为，简化及减少流通环节成本，净化商业环境，减轻患者与医疗机构的经济负担具有一定意义。但为了提高代理商的服务质量和专业化水平，加强售后服务，解决医院的实际需要，也有必要探讨对两票制的修正与改良。而欧盟商会在这其中做了大量卓有成效工作，这对于促进欧盟与中国贸易的良性发展及国家医改的意义是巨大且长远的。"

China has made great strides in implementing an agenda that began 41 years ago on reform and opening up. In particular, notable progress and improvements have been made in a variety of areas since China joined the World Trade Organization in 2001.

As the independent voice of European business in China since that same year, the European Chamber actively participates in the legislative process. The Chamber's advocacy activities are widely recognised by the Chinese authorities and maintained through the efforts of its working groups and desks.

We launched the **#BECAUSEOFUS** campaign to show our gratitude for the joint efforts made by all stakeholders: governments, think tanks, member companies and our working group and desk managers. The winning entry by Volker Müller in this round describes the positive impact of advocacy by the Chamber's Healthcare Equipment Working Group.

#BECAUSEOFUS

The 'two-invoice' system demonstrates how well-intended reform efforts may have unwanted side-effects that require the concerted efforts of all stakeholders, including those in the industry, to ward off calamities.

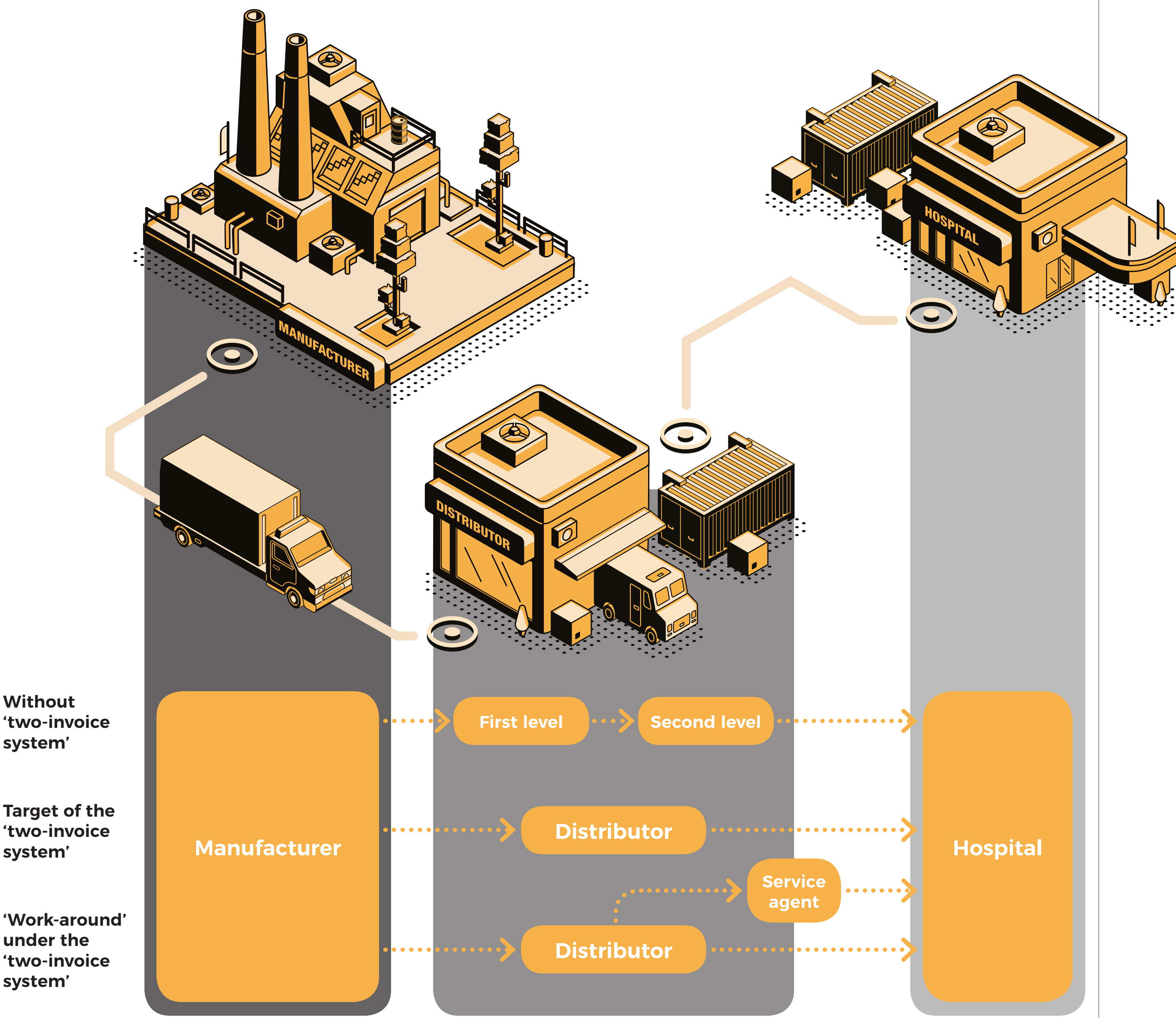
The distribution market for medical devices in China is in a precarious state. In late 2017, the number of trading companies for medium and high-risk medical devices in China reached 410,000;[1] this means on average 34 distributors for each public hospital. Many of the trading companies serve only a few hospitals, lacking qualified personnel as well as high-end means of transportation and storage. Because of hefty mark-ups in the supply chain, the prices of medical devices for hospitals in China are often much higher than in Europe. Despite strong efforts of the government to create a clean market, corruption is still widespread. To paraphrase an official: 'It takes years and a huge amount of money to train a qualified medical doctor, and then we lose him, because we are not able to establish a clean, corruption-free environment.'

One of the government's answers to this malaise is the 'two-invoice system', a unique regulation existing only in China. The name, the 'two-invoice system', is a direct translation of the Chinese '两票制', a set of regulations that limits the number of distributors. The manufacturer (or in the case of imported products, the importer) sells their products to a distributor (first invoice), with the distributor then selling directly to the hospital (second invoice). According to the 'two-invoice system', secondary distributors or local dealers are not permitted. The first phase of the 'two-invoice system' saw it implemented for the distribution of pharmaceutical products, where it yielded some positive results. In the second phase, many provincial governments also wanted to apply the system to the medical device industry.

There is one big difference between pharmaceutical products and medical devices: medical device distributors are not just sales and logistics companies, but are also indispensable service providers for many types of complicated devices. Local distributors offer valuable services, like training for medical doctors, commissioning devices necessary for surgery, and the maintenance and repair of devices. In the case of implants, it is often the distributor who monitors whether the patient is doing well after being discharged from hospital. A distributor must undergo intense

1. China Association of Medical Equipment, *Development of the Medical Device Industry in China* (in Chinese), People's Medical Publishing House, Beijing, 2018, p. 16

Distribution Channels of Medical Devices



training by the manufacturer before it can qualify to deal with a device.

By definition, services need to be close to the customer. Several Chinese provinces are as large as major European countries, and in many cases a single distributor cannot provide high-quality service to all four corners of a province. In a few provinces where the government insisted on implementing the two-invoice system for medical devices, manufacturers came up with a ‘workaround’ of splitting delivery and service, employing one company complying with the two-invoice system for logistics and billing and another local company to provide the service. Obviously, this makes the whole supply system even more complex, and drives expenses up instead of limiting them.

The members of the European Chamber’s Healthcare Equipment Working Group analysed the difficulties of implementing the ‘two-invoice system’, submitted written recommendations to the authorities and held a series of meetings with provincial government agencies. Fortunately, most government officials proved very open to well-founded arguments and constructive recommendations, and did not extend the ‘two-invoice-system’ to medical devices.

Advocacy, if done well, may be a ‘win-win-win’ game, everyone wins; the government, the public healthcare insurance, the hospitals, the patients and finally the industry.

Media Watch

European Chamber launches report on China's Corporate Social Credit System

The European Union Chamber of Commerce in China, in cooperation with consultancy Sinolytics, on 28th August released *The Digital Hand: How China's Corporate Social Credit System Conditions Market Actors*, a comprehensive study on China's Corporate Social Credit System (SCS, or System).

Until now, the discussion about China's SCS has been primarily focused on its potential impact on individuals, with the ramifications for business remaining largely under the radar, despite the considerable disruptions that the System will bring to all companies in China. With the System's rollout set for 2020, the European Chamber has released this major report to address the gaps in public knowledge.

"China's Corporate Social Credit System is the most concerted attempt by any government to impose a self-regulating marketplace, and it could spell life or death for individual companies," said Jörg Wuttke, president of the European Chamber. "For better or worse, China's Corporate Social Credit System is here to stay. Businesses in China need to prepare for the consequences, to ensure that they live by the score, not die by the score."

President Jörg Wuttke's interview with Bloomberg on China's Corporate Social Credit System

Jörg Wuttke, president of the European Chamber, was interviewed by *Bloomberg* at the launch of the Chamber's report, *The Digital Hand: How China's Corporate Social Credit System Conditions Market Actors*, in Beijing on 28th August. The interview covered a range of issues related to the Corporate Social Credit System (SCS), including its potential impact on business and unique mechanism. President Wuttke called on foreign companies and governments to keep abreast of developments in China's Corporate SCS.

Jörg Wuttke, president of the European Chamber, was interviewed by *Bloomberg* at the launch of the Chamber's report
Media: Bloomberg
Date: 28th August 2019

Vice President Charlotte Roule's interview on the significance of Merkel's visit to China
Media: Bloomberg
Date: 27th June 2019

Members from European Chamber Nanjing Chapter were interviewed on their experiences in the city from the perspective of foreign–invested enterprises
Media: Nanjing Daily
Date: 15th September 2019

Francine Hadjisotiriou was interviewed on the development of Shenzhen City in recent years
Media: Trouw
Date: 4th September 2019

President Jörg Wuttke joins CGTN's World Insight on Merkel's visit to China

On 9th September, President Jörg Wuttke joined *CGTN*'s *World Insight* to discuss German Chancellor Angela Merkel's visit to China, President Wuttke said that, as Germany and China have both been hammered by the Trump administration, they need to find common grounds—for example, opening up market access—to balance the loss in global business. President Wuttke added that it's high time for both countries to open up their markets, especially in the economic downturn. He also said he hoped tangible results from the EU-China Comprehensive Agreement on Investment will emerge by the end of 2020 and show business that, despite all the negative news coverage, some markets are prepared to open up even more.

President Jörg Wuttke joined *CGTN's World Insight* to discuss the German chancellor's visit to China
Media: *CGTN*
Date: 9th September 2019

Vice President Charlotte Roule's interview with Bloomberg on the significance of Merkel's visit to China

European Chamber Vice President (VP) Charlotte Roule was interviewed by *Bloomberg* on 6th September on the significance of Merkel's visit to China. VP Roule commented that Merkel's visit is very important for European business. She expressed hope that the visit can address three main issues facing European businesses in China: the Corporate Social Credit System; the EU-China Comprehensive Agreement on Investment (CAI); and the EU-China World Trade Organization reform working group.

Members in European Chamber Nanjing Chapter's interview on local economic development

Members from the European Chamber Nanjing Chapter were interviewed by *Nanjing Daily* on their experiences in the city from the perspective of foreign-invested enterprises. The increased number of European Chamber member companies in Nanjing is highlighted in the report as an endorsement for the city.

South China Chapter general manager's interview with Dutch newspaper

The general manager (GM) of the European Chamber South China Chapter, Francine Hadjisotiriou, was interviewed by *Trouw* (one of the Netherlands' largest newspapers) on 4th September on the development of Shenzhen City in recent years and the city's economic competition with Hong Kong.

Tianjin Chapter's exclusive policy updates with local Customs

European Chamber Tianjin Chapter held an exclusive policy updates and Q&A session with Tianjin Customs on 9th September 2019. Nearly 20 executives from member companies, including Airbus, Novo Nordisk and Siemens, attended the meeting and communicated directly with three officials from Tianjin Customs. The officials shared details on progress in research and surveying for taxation policy-making. Journalists from *Particle Media* and *Science and Technology Daily* also attended the meeting.

BEIJING, 28TH AUGUST 2019

The Digital Hand: How China's Corporate Social Credit System Conditions Market Actors launch

- The Corporate Social Credit System (SCS) is already operational and companies need to be ready for the compliance challenges.
- The primary purpose of the Corporate SCS is for the government to enforce regulatory compliance; non-compliance has immediate, severe consequence.
- Companies need to monitor their business partners' rating because it will also affect a company's own rating results.
- The Corporate SCS is not finalised yet and companies still have time to prepare.
- 99 per cent of the data collected through the Corporate SCS are not sensitive. The remaining 1 per cent pose challenges for companies.
- The system is not designed to target specific companies, but it could it be used in that way.

BEIJING, 18TH JULY 2019

Trade Tensions and China's Proposed Export Law

- If enacted, the Export Control Law will be the country's first law specifically addressing matters of export control.
- The proposed law is widely regarded as a direct countermeasure to the United States (US) Bureau of Industry's Entities list, which includes several Chinese companies and organisations.
- The US believes unfairly traded steel from China in 2014 led to the direct loss of 14,000 jobs in the US industry, and tens of thousands more in related industries.

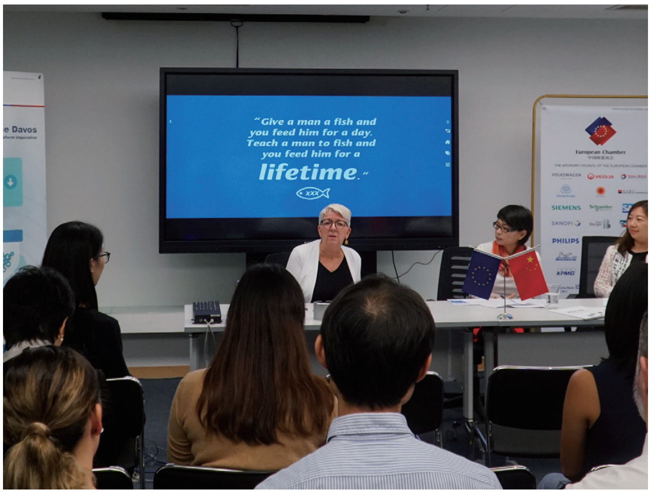
SHANGHAI, 22ND AUGUST 2019

Making Sense of HR: How to Handle Mass Layoff in China

- Consider other alternatives before going ahead with a mass layoff.
- Have an action plan in place before Human Resources communicates the decision to other departments.
- Review employee handbooks and employee agreements in advance.
- Offer job transition assistance.

SHANGHAI, 27TH AUGUST 2019

Sustainable Business Talk: CEO Talk with Carrefour China



- The new round of poverty alleviation is very different from past ones.
- China has reached the stage where it has a strong base from which to tackle poverty from the root causes.
- Corporate engagement is crucial for the overall success of China and to help lift more people out of poverty.

NANJING, 15TH AUGUST 2019

Meeting with mayor of Ma'anshan Municipal Government

- Mayor Zuo Jun outlined Ma'anshan's policy on promoting industrial transformation.
- The regional policy on sustainable development was also covered.
- The potential for future collaboration between European businesses and Ma'anshan was discussed.

SOUTH CHINA, 5TH JULY 2019

Meeting with the Ministry of Commerce in South China

- The meeting was held to discuss the formulation of regulations related to implementation of the Foreign Investment Law.
- The Ministry of Commerce officials also made a report on progress in China's reform and opening up.
- The ways foreign investment is utilized in Shenzhen was also covered.

SOUTHWEST CHINA, 16TH JULY 2019

Plant Visit: FAW-Volkswagen Automobile Co, Ltd (Chengdu Branch)

- FAW-Volkswagen Automobile Co, Ltd (Chengdu Branch) was established on 8th May 2009.
- It was the first vehicle manufacturing base established by FAW-Volkswagen in China outside their Changchun headquarters.
- Attendees were given an introduction to the newest models and enjoyed a production line tour.

Advisory Council News

BMW Brilliance's first comprehensive response to UN Sustainable Development Goals

On 9th September, the *BMW Brilliance Automotive Ltd Sustainability Report 2018* (hereinafter referred to as the *Sustainability Report*) was officially launched. According to the *Sustainability Report*, BMW Brilliance's corporate average fuel consumption reached 5.84 litres/100 kilometres (a 5.3 per cent decrease from 2017), maintaining top ranking among automobile joint ventures in China.

As a member of the United Nations (UN) Global Compact, BMW Brilliance integrated the UN Sustainable Development Goals (SDGs) into its business for the first time and actively fulfilled its social responsibilities to achieve the targets. The *Sustainability Report* is structured to correspond to the SDGs. To reinforce the disclosure of its responsibilities, BMW Brilliance invited an authoritative third-party audit agency to conduct data assurance on 18 prioritised key performance indicators for the first time, on the basis of compiling the report in accordance with the latest GRI Standards for sustainability reporting.

Upholding its vision to be the leading sustainable provider of premium individual mobility across the entire value chain of China's automotive industry, BMW Brilliance has achieved significant results across its three main pillars: Products and Services, Production and Value Creation, and Employees and Society.

BP and DiDi join forces to build electric vehicle charging network in China

BP and China's Didi Chuxing (DiDi) announced on 1st August 2019 their agreement to form a new joint venture to build electric vehicle (EV) charging infrastructure in China, the world's largest market for EVs. The new joint venture plans to develop a network of EV charging hubs across the country.

DiDi is the world's leading multi-modal transportation platform, offering users a full range of app-based options, including ride-hailing, automobile solutions sharing, and other services. Its platform already has approximately 550 million users, and around 600,000 EVs are running on it in China.

BP and Didi Chuxing form a new joint venture to build EV charging infrastructure in China.
Photo: BP

BP has a global fuels retailing and convenience business operating in 18 countries, with over 18,700 retail sites, and with a significant and rapidly-growing presence in China.

The joint venture will develop standalone, reliable and high-quality charging hubs to provide EV charging services to DiDi's drivers and the public. The partners also intend to expand the venture into loyalty and convenience offerings and other fleet services in the near future.

Sanofi and Abbott partner to integrate glucose sensing and insulin delivery technologies to help change the way diabetes is managed

Sanofi and Abbott are partnering to integrate glucose sensing and insulin delivery technologies that would help to further simplify how people with diabetes manage their condition. The two companies will take an innovative approach to connected care by developing tools that combine the revolutionary FreeStyle Libre technology with insulin dosing information for future smart pens, insulin titration (adjusting the dose for maximum benefit) apps and cloud software.

The non-exclusive collaboration will initially enable data sharing, at the consent of the user, between Abbott's FreeStyle Libre mobile app and cloud software and Sanofi's connected insulin pens, apps and cloud software currently in development. This data sharing will enable both people with diabetes and their doctors to make better informed treatment decisions around medication, nutrition and lifestyle.

Sanofi is currently working to provide connected pens, apps and cloud software that will be compatible with the FreeStyle Libre system and its digital health tools. The two companies aim to bring this to people with diabetes within the next few years, pending local regulatory approvals.

Stora Enso to sponsor renewable and circular FIS Nordic World Ski Championships 2021 in Germany

Stora Enso will be the presenting sponsor for the FIS Nordic World Ski Championships 2021 in Oberstdorf, Germany. The sponsorship builds on Stora Enso's experiences from previous ski championships in contributing to the sustainability and circularity of a large-scale sports event. The company will showcase its renewable and recyclable solutions in numerous applications.

Throughout the event, Stora Enso will work to increase awareness of the benefits of renewable products and innovations together with the Oberstdorf local organising committee. Stora Enso's products made from wood fibre provide a climate-friendly and lower carbon alternative to many products made from fossil-based materials. During the World Ski Championships, a variety of products based on renewable raw materials will be available at the event, such as wood for temporary buildings and carton board for packaging.

This marks Stora Enso's fourth time to sponsor the Nordic World Ski Championships, having served as presenting sponsor for the 2019 event in Seefeld, Austria, and 2017 in Lahti, Finland, as well as being the main sponsor in Falun, Sweden in 2015. Stora Enso's wood-based solutions, such as buildings, juice cartons, trays, cutleries, prize podiums and awards, further supported the sustainability of these events. Stora Enso also worked to increase the circularity of the events through recycling.

The Ski Championships in south-west Germany is an excellent opportunity for Stora Enso to have a presence close to its main markets. The company employs approximately 5,000 people in Central Europe, the region close to Oberstdorf.

Nokia appoints Gabriela Styf Sjöman as Chief Strategy Officer and member of the Nokia Group Leadership Team

Telecoms giant Nokia has appointed Gabriela Styf Sjöman, a proven technology and innovation leader, as chief strategy officer (CSO) and member of the Group Leadership team, effective 1st December 2019. Ms Styf Sjöman succeeds Kathrin Buvac as CSO, who continues in the role of president of Nokia Enterprise and member of the Group Leadership Team.

"We are delighted to welcome Gabriela to Nokia at a pivotal moment in our 5G journey. She brings a wealth of international knowledge and a deep understanding of our industry, its customers and technologies," said Rajeev Suri, president and chief executive officer (CEO) of Nokia. "Her insight will be critical in refining our strategy for the future. I also want to thank Kathrin, who has continued to lead our strategy organisation in addition to her role as president of Nokia Enterprise since January this year."

Nokia has appointed Gabriela Styf Sjöman as chief strategy officer.
Photo: Gabriela Styf Sjöman's Linkedin profile

"I am excited to join Nokia at such a pivotal time," said Ms Styf Sjöman. "With its broad portfolio and innovative technology, Nokia is well positioned to help its customers realise the full potential of 5G, and I look forward to being part of further strengthening Nokia in this 5G journey."

Ms Styf Sjöman will be based in Espoo, Finland, and will report to President Suri.

Deutsche Bank receives approval for China Type-A Lead Underwriting Licence

China's National Association of Financial Market Institutional Investors (NAFMII) has granted Deutsche Bank (China) Co, Ltd the Type-A Lead Underwriting Licence (Foreign Banks)

The Type-A Lead Underwriting Licence (Foreign Banks) is a full licence for Debt Financing Instruments by Non-Financial Enterprises in the China interbank bond market, applicable for underwriting debt issuance by both local and foreign corporates ('Panda bonds'). The licence covers all debt instruments such as medium-term notes, commercial paper, private placement and asset-backed notes.

Deutsche Bank Chief Executive Officer for Asia Pacific and Member of the Management Board, Mr. Werner Steinmueller, said: "Deutsche Bank has been an enduring partner for China's economic and financial development since 1872, enabling investment and trade flows between Europe and China for over a century. Today, we actively support China's capital market development, from internationalisation of the *renminbi* to foreign investor access to the onshore bond market, where we are one of the most active foreign banks."

President of Deutsche Bank (China) Co, Ltd Rose Zhu, said: "Deutsche Bank is proud to become a fully licenced foreign lead underwriter in the China interbank bond market. As a global bank with house strength in financing, debt markets and fixed income, we welcome the opportunity to widen our service offering to onshore clients through this new licence."

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European Chamber members are welcome to add news items on their own activities to our website, and share it with all the other 1,600 members.

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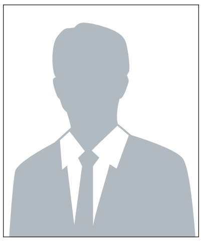

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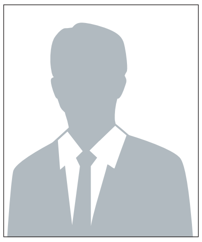

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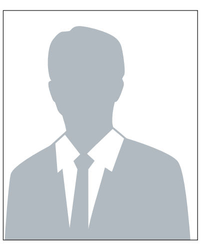

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