Journal of the European Union Chamber of Commerce in China

EURObiz

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May/June 2011

Europe's New Leadership in China

JOSEPH STIGLITZ
Right Direction, But a Long Way to Go

AUTOMOTIVE INDUSTRY FOCUS
China Drives into the Future

ALTERNATIVE VEHICLES
Feeling the Electricity

EUROPEAN FOOTBALL
China a Tough Market to Score

THE EXECUTIVE INTERVIEW
Stephen S. Roach, Morgan Stanley Asia

European Chamber
中国欧盟商会


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Continuing Our Success

Mr. Davide Cucino
President of The European Union Chamber of Commerce in China

Dear Members and Friends of the European Chamber:

As a founding member of the Chamber and a former Vice President, it is my great honor to begin this term as President, to serve you, our members, as we continue a period of growth and seek to further raise our efforts on behalf of European business in China.

Continuity will be a main theme over the next 12 months, as I believe we have made great strides and undertaken some superb initiatives during the last year. I want to bring our Executive Committee (ExCo) closer to our Working Groups and the critical lobbying that they undertake, and seek a greater level of accuracy in our publications so that we may address both European business stakeholders and our Chinese counterparts, with a single, unified voice. I also would like to see greater participation from smaller and younger European Union member states, through cooperation with their embassies and where possible, their own Chambers of Commerce.

Over the past two months the European Chamber has been pleased to host some of the top minds in global business, including Nobel Prize-winning economist Dr. Joseph Stiglitz, Morgan Stanley Asia non-Executive Chairman Dr. Stephen Roach and Prof. Roland Berger. We held insightful events for our members with each, and we are now pleased to present further in-depth interviews with them in this issue of EURObiz.

During April our Shanghai chapter published the Asia-Pacific Headquarters Survey, where the home city was rated as the top choice of corporations to position their Asia headquarters. The survey underlines the importance of China not just as a market, but reinforces that the business infrastructure has developed to the point where European companies can undertake executive administration here, not just manufacturing, sales, research and development.

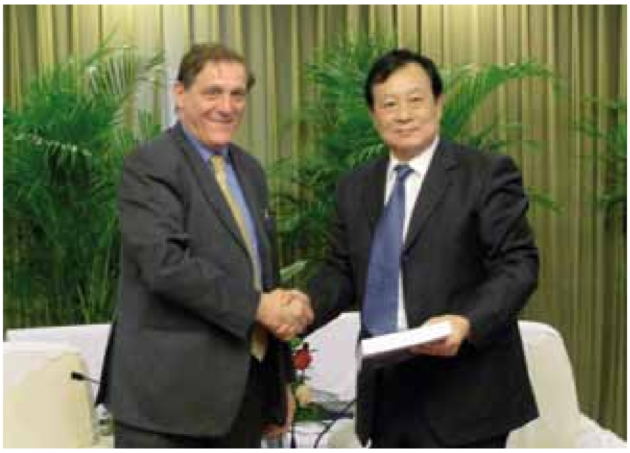
I would like to thank all of you for the confidence you have placed in me to serve as your president. I am grateful to my fellow members of ExCo for their support, and I look forward to continue the work that we have begun. I welcome the participation and feedback of our membership in order that our Chamber may constantly improve.

And finally, I would like to thank Mr. Jacques de Boisséson, our outgoing President who will continue to serve on ExCo, for his work over the past year, and for setting such a high bar for me to follow, with record membership and revenue numbers in 2010. Thank you, Jacques, I heartily welcome this challenge.

Let us work together to build European business in China and our European Chamber.

EUROPEAN CHAMBER LOBBYING HIGHLIGHTS

Position Paper Presentation to Vice Minister of the State Administration of Industry and Commerce (SAIC)



A delegation of the European Chamber led by President Jacques de Boisséson met with the SAIC Vice Minister Fu Shuangjian on 23rd February to present him with the Position Paper 2010/2011. Vice Minister Fu Shuangjian welcomed the delegation, and commented that regular communications with the European Chamber and its Position Paper is of great assistance to SAIC's work. Following the presentation, the Chamber representatives of the Automotive, Aviation, Cosmetics, Healthcare Equipment, IPR and Lighting Working Groups introduced and discussed the key issues of their Working Groups with the Vice Minister and SAIC delegation. This included, among others, new regulations for representative offices and inconsistent implementation of rules and regulations in different regions.

Meeting with European Commissioner Michel Barnier

A delegation of European Chamber Working Financial Services Working Groups, led by Hans-Joerg Probst, Chair of the Insurance Working Group, and Miroslav Kolesar, Chair of the Consumer Finance Sub-Working Group, met with the European Commissioner for the Internal Market Mr. Michel Barnier on 21st March. Commissioner Barnier was particularly interested in meeting representatives of the Working Groups as he takes special interest in China. This meeting was held to both update the European Chamber about the latest news on current EU financial reforms and to highlight the concerns of European business operating in China. This meeting was held prior to Commissioner Barnier's meeting with Chinese financial regulators and the Minister of Finance.

The meeting was preceded by a dinner for Commissioner Barnier, and Director Bertrand Carsin of the Directorate General for Internal Market and Services of the European Commission, who were joined by the European Chamber's Public Procurement Working Group Chair, Gilbert van Kerckhove. Commissioner Barnier is responsible in the European Commission for the ongoing EU financial regulatory environmental reforms. During the dinner, issues relating to public procurement in China, as well as financial services were discussed.

Third Quarterly Dialogue Mechanism Meeting with the Shanghai Municipal Commission of Commerce (SCOFCOM)

Headed by European Chamber Vice President and Chair of the Shanghai Board, Piter de Jong, a European Chamber delegation held its third quarterly dialogue mechanism meeting with Vice Chair Ms. Jian Heping and other representatives from SCOFCOM on 9th March. Prior to the launch of the European Chamber Asia-Pacific Regional Headquarters Study on 7th April, the European Chamber offered a preview presentation of the study and invited SCOFCOM to give input. The dialogue mechanism meeting between SCOFCOM and the European Chamber was first established in July 2010 to enhance communications. This is the first mechanism of its kind that SCOFCOM has formalised with a foreign Chamber of Commerce.

Welcome Reception for the New EU Ambassador to China Dr. Markus Ederer

On 1st March, the European Chamber held a welcome reception for the new Ambassador of the Delegation of the European Union to China, H.E. Dr. Markus Ederer. European Chamber President Jacques de Boisséson opened the session with a warm welcome to the Ambassador on behalf of the Chamber and all member companies. His Excellency Dr. Ederer briefed the group on the current EU-China relationship as well as strategic issues between the two important trade partners. The Ambassador also highlighted the importance of social opinion and social issues such as human rights for the operation of European business in China. Ambassador Ederer's presentation was followed by a lively Q&A session with the audience. The session closed with President de Boisséson and Ambassador Ederer promising continued cooperation andexpressing a wish to have similar engagements in the near future.

Position Paper Presentation to the Ambassador of the Netherlands Rudolf Bekink

On 18th February, a delegation of the European Chamber led by Enrico Perlo, Executive Committee member, met with the Ambassador to the Netherlands H.E. Mr. Rudolf Bekink and his delegation at the Netherlands Embassy in Beijing. At the meeting, the European Chamber delegation presented the Position Paper 2010/2011. The two parties discussed the Chamber's approach to lobbying, the business environment for SMEs in China, key market access issues for foreign enterprises in China, and intellectual property rights (IPR)-related issues and developments. His Excellency Bekink commented that it was a fruitful meeting and that he looked forward to continuing to work with the European Chamber in the future.

Position Paper Presentation to the Ambassador of Spain Eugenio Bregolat Obiols

On 18th March, the European Chamber delegation led by Vice President Davide Cucino, met with H.E. Ambassador Mr. Eugenio Bregolat Obiols to present both the European Chamber's Position Paper 2010/2011 and the recently re-launched magazine EURObiz, and to update him on the Chamber's recent activities. The two parties exchanged views on the main concerns of European business operating in China and discussed the Madrid Circuit 2010 in which some representatives of the European Chamber presented the Position Paper 2010/2011 to several public institutions and industry associations. The Ambassador assured the full support of the Embassy of Spain to the European Chamber and expressed his interest to ensure cooperation with the Chamber in the future.

Position Paper Presentation to Ambassador of Slovenia Marija Adanja

On 24th March, Mr. Michael Fredskov Christiansen, European Chamber Executive Committee member, led a European Chamber delegation to meet with the Ambassador of Slovenia H.E. Marija Adanja to introduce the Chamber and to present the Position Paper 2010/2011. The Chamber delegation explained in detail the various Working Groups of the Chamber as well as how the Chamber can help and support European SMEs in China. The Slovenian Ambassador expressed particular interest in the IPR issues facing European SMEs in China, and mentioned it as a particular concern for Slovenian companies considering moving to China. The European Chamber invited Embassy staff to attend the Working Group meetings as observers in order for them to have a better understanding of how the Chamber operates and brings benefit to European businesses. The Ambassador showed great interest in working more closely with the European Chamber, especially since there exists a lot of potential cooperation opportunities between China and Europe. Eb

The European Chamber of Commerce in China's 2011 Annual General Meeting

The European Chamber of Commerce in China held its Annual General Meeting (AGM) on 25th April, at the Kempinski Hotel in northeastern Beijing. Convened each year primarily for the purpose of electing the Chamber's board, the AGM also serves to inform members of the overall state of the Chamber, including its financial situation and ongoing programs.

After being introduced by European Chamber Secretary-General Dirk Moens His Excellency Dr. Markus Ederer, Ambassador of the Delegation of the European Union to China, opened the evening with some general remarks.

"It's been a pleasure working with Jacques, too short a pleasure," the Ambassador said, complimenting outgoing Chamber President Jacques de Boisséson. "You always have the highest attention from the Chinese leadership and the leadership in Brussels."

In his final act of office, President de Boisséson offered the President's Report.

"Thanks to all of you, our membership numbers keep increasing, and our finances are healthy," he said.

"I believe we are the most efficient foreign chamber in China, and this is not only me saying that, it is said by all observers. We have increased visibility and relevance, particularly in the media."
He offered special thanks to the Ambassador and to Marianne Gumaelius, Head of the Trade & Investment Section of the Delegation of the European Union to China and Mongolia for their assistance in arranging meetings with top European leaders.

President de Boisséson noted a greater lobbying influence in Shanghai, in part because of the attention the city received during the Expo, but also due to the efforts of local board chair Piter de Jong.

He cited that despite the year's many high points, including the Chamber's 10th anniversary and all-time high membership numbers, there was room for improvement in all sectors, including membership, the new website, the Position Paper, and events and programmes including the EU-China Business Summit, the EU SME Center, SWITCH Asia and the IPR Helpdesk

"I think the Chamber has a lot of things to do, and I am happy to leave my successor with a lot of work," he concluded.

Thierry Labarre of Mazars then publicly approved the independent auditing of the Chamber's annual report, based on China auditing standards.

To begin the process of electing board members, Chamber Vice-President Davide Cucino of Fata Group, running unopposed for President, presented his position speech.

"You have to dedicate yourself. You have to spend a lot of time. You have to have a family that will allow you to spend a lot of time," he said. "I can't wait. I hope to start working as soon as the election is over."

The assembled members and Chamber staff then heard from the five candidates for Chamber Vice President. Of the five, only Jens Ruebbert of Deutsche Bank stood as an incumbent, the other four were all new candidates: Mike Blackburn of Mott MacDonald; Tony Chen of DHL; Mei-Wei Cheng of Siemens Ltd. China; and Miroslav Kolesar of Czech PPF.

The final candidate was Andreas Feege of KPMG Huazhen Certified Public Accountants, who ran unopposed for Treasurer.

Following the speeches, eligible attending members or proxies were asked to cast their votes for their candidates of choice. After all ballots were returned, guests were invited to enjoy light refreshments while the votes were counted by three representatives of Chamber staff – Senior Business Manager Alex Bell; Member Relations and Sponsorship Manager Fernando Cutanda; and Chief Editor Steven Schwankert – under the supervision of Marianne Gumaelius. Ballots were counted twice and verified.

Upon returning to the ballroom, the Delegation's Marianne Gumaelius informed the members of the election results. Along with the election of Davide Cucino as President and Andreas Feege as Treasurer, Mei-

Wei Cheng, Miroslav Kolesar and Jens Ruebbert were elected as Vice Presidents. Piter De Jong, Chairman of the Shanghai chapter's board of directors, will also serve as Vice President. States representatives will scheduled to be chosen on 10th May.

Newly-elected President Cucino said, "This is a proven organization. I said that we will work on the continuity and for me that means not wasting the four or five months that remain for Jacques, so we will co-opt Jacques as a member for the newly elected Executive Committee."

Just as he had begun the proceedings, Ambassador Ederer closed them, returning to the podium to make final remarks. "I would have liked at least a woman as a candidate," he said. "Our strength is our soft power, and our soft power is our diversity. Diversity and mixed teams makes great teams."

The meeting was then officially declared closed. Eb

Interview: European Chamber President Davide Cucino

Shortly after his election at this year's Annual General Meeting, European Chamber President Davide Cucino talked to EURObiz about his Chamber plans for the upcoming year, about spending half his life in China and how he started wearing his signature accessory.

EURObiz (Eb): What are your big themes for the Chamber for the upcoming year?:

European Chamber President Davide Cucino (DC): First is continuity with the previous Executive Committee (ExCo). There could be more interaction between ExCo and our Working Groups. We should continue to deliver a homogenous message and continue to communicate that message through our Position Paper.

I am impressed by the level of enthusiasm I saw during my meeting with the all the Working Group chairs recently. We need to be more proactive in involving ourselves with smaller member states and younger member states. We need to work on creating a single voice, rather than many voices from smaller member states. In order to do that, we likely need to work more with the local embassies, organise more events with them, get help from them for our Position Paper and to extend the number of our meetings in Europe.

Eb: Tell us about your long history with the Chamber.

DC: I was one of the founding members of the Chamber, back when it came together 10 years ago. Having that history, it allows me to seek advisory support from our former Presidents, which is of great help.

Eb: What's the biggest challenge for the Chamber?

DC: The biggest challenge has to be that since we have become more relevant than before, we need to pay more attention to the accuracy of what we do and what we say. We need to pay more attention to our relations with the media to deliver the right message. This level of accuracy also allows us to have a better dialogue with Chinese officials and with the Delegation, with whom we already have a very satisfactory relationship.

The most important thing for me is that we be accurate in what we do, write and state, without losing our focus on raising the strong and united voice of our 1,600 members, who are the core of the Chamber, without whom it would be impossible to have such a high profile to the rest of China and the world.

Eb: You've spent over half your life in China. How did you come here and what led you to stay?

DC: Yes, it has been 23 out of 45 years. I studied Chinese language and culture at the University of Venice. As with all students in this field, you need to spend a certain part of your life in China, and I immediately found a job here, and that did not allow me to go back. So after one job to another, I decided to remain here.

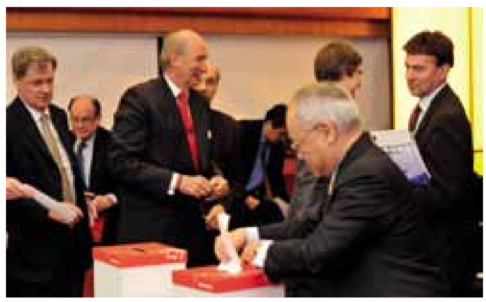
When you cross that line of more than half your life, you really start to think about it. One of the things that has helped during my stay is that I have always enjoyed being involved in organizations, including the European Chamber and also the Italian Chamber of Commerce.

Eb: How did you start wearing a bowtie?

DC: My first bowtie was a gift, and when I received it, I didn't know how to tie it. And it's ended up that now I don't know how to tie a necktie. Eb

Annual General Meeting, 25th April, 2011, Beijing

From left: European Chamber Treasurer Andreas Feege; Vice President Miroslav Kolesar; Delegation of the European Union in China Ambassador Dr. Markus Ederer; President Davide Cucino; Vice President Jens Ruebbert.

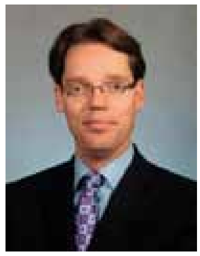


Biographies of the 2011 European Chamber Board of Directors

Position:
Vice President
Name:
Mei-Wei Cheng
Company:
Siemens Ltd., China
Chapter:
Beijing

Mei-Wei Cheng assumed his current position as CEO Siemens North East Asia, President and CEO Siemens Ltd., China on July 1, 2010, with full responsibility for all Siemens activities in China Mainland, Hong Kong, Taiwan, Korea and Mongolia.

Before joining Siemens, Cheng spent more than 10 years at Ford Motor (China) Ltd. from 1998 to 2009, where he, as Chairman and CEO, and later Executive Chairman, steered the company to continuous successes and established Ford among the top auto brands in China. He was also a Corporate Group Vice President of Ford Motor Company. Cheng joined Ford in 1998 from General Electric Corp.



Position:
Vice President
Name:
Piter de Jong
Company:
ING Bank
Chapter:
Shanghai

Piter is responsible for the ING Branch in Shanghai. This is in addition to his role as Asia Head of MNC Client coverage.

Piter has 19 years of banking experience in Financial Markets and client relationship management. He has been serving corporate customers for over 12 years from Shanghai, is very familiar with local regulations and speaks Mandarin.

Prior to joining ING, Piter worked at Commerzbank in Shanghai and ABN AMRO Bank in Amsterdam and Chicago, in the areas of Financial Markets and Corporate Banking.

From 2000 to 2004, Piter presented weekly economic updates on TV programme China Bizzwatch.

Position:
Vice President
Name:
Miroslav Kolesar
Company:
Czech PPF Group
Chapter:
Beijing

Miroslav Kolesar is one of the establishing members of PPF Group presence in China in 2004. PPF Group represents one of the largest privately-owned financial groups in Central and Eastern Europe, providing a wide range of financial services including insurance, banking, consumer finance and others. In his position as Chief Representative of PPF Group in China, Mr. Kolesar key responsibilities are government relations and strategic partnerships, including communication with various central and regional government agencies as well as major strategic partners in China, in particular banks and other financial institutions.

He is also one of the establishing members of operations of Home Credit in China.

Position:
Vice President
Name:
Jens Ruebbert
Company:
Deutsche Bank (China) Co., Ltd.
Chapter:
Beijing

Jens Ruebbert is Managing Director and Chief Operating Officer* (COO) of Deutsche Bank (China) Co., Ltd. based in Beijing.

In his capacity as Chief Operating Officer, Jens is overseeing all infrastructure, risk management and support functions in China.

Jens joined Deutsche Bank in 1991 and held various senior positions in Corporate Banking/Corporate Finance in Germany, Turkey, Singapore and Hong Kong. Jens holds a diploma in business administration.

*subject to CBRC approval

Position: Treasurer
Name: Andreas Feege
Company: KPMG Huazhen
Chapter: Beijing

Andreas grew up and studied in Frankfurt, lived for two years in New York and moved four years ago from Munich to Beijing with his wife and their now eight-year-old daughter.

He has been working for more than 20 years with KPMG. He is a German and US CPA, German Tax Advisor and partner with KPMG Europe LLP; in China he serves mostly German, Swiss and Austrian foreign-invested companies..

Andreas has extensive experience in the area of international audit engagements, IPO, bond offerings and internal control reporting.

EU Ambassador to China H.E. Dr. Markus Ederer

Before arriving in Beijing to take up his new post in January, Dr. Markus Ederer served as Director General, Head of Policy Planning for the German Foreign Office in Berlin. In a wide-ranging interview with EURObiz's Steven Schwankert, Dr. Ederer talked about his vision for Sino-European relations going forward, including his views on trade, business opportunities and the benefits of a close relationship between the two sides.

Eb: What are your top priorities for the next six months?

Ambassador Markus Ederer (AME): My first priority is to keep the EU-China relationship on track and even expand it at a time when the human rights situation gives us reason for concern. While we should always look at the positive elements of this strategic relationship and not mainly at its limitations, it must also be clear that we will stand up for universal rights and freedoms such as stated in the United Nations Charter for Human Rights.

In this vein, we have a number of meetings at the highest level coming up, which give us the opportunity to chart the way forward and narrow our differences.

Having a strategic relationship also means identifying joint strategic responses to domestic and global challenges. Rapid urbanisation in China is such a strategic challenge where Europe and China can and will work closely together.

Eb: What has been the biggest surprise so far?

AME: It is not a surprise, but what strikes you positively when you come from Europe is the incredible dynamism and the confidence that drives the Chinese economy.

Behind this veneer of confidence I have often also found a great deal of thoughtfulness with my counterparts. Thoughtfulness, when it comes to the political ingredients for true, long-term stability.

Eb: What are some of the new mechanisms for communicating business concerns? For example, you mentioned the Trans-Atlantic Dialogue and market access teams in a previous meeting.

AME: I believe that the European Chamber is doing a very good job on that. The EU Delegation and Member State embassies also strongly support the European business sector in their contacts with Chinese authorities.

There is already a structure in place for yearly meetings between EU and Chinese leaders and the business community – the Business Summit. In my view these fruitful contacts between industry and political leaders could be further developed into a process. For example on the basis of a structure similar to what we see within the Trans-Atlantic Dialogue. Businesses on both sides work together in an efficient manner advising the U.S. government as well as EU leaders. This may be the same for the U.S.-China Business Council (USCBC), which has had a stabilising effect on U.S.-China relations. I would be happy to engage with the EU business community in China to look further into this matter.

We have a number of important problems with regards to market access for European companies. I intend to do my utmost to ensure that we make progress on this issue. An important tool to develop and to ensure that we fully coordinate our actions, the EU Delegation is currently, together with the European Chamber and the EU Member States, setting up specific Market Access teams.

Eb: What has been your impression of your first few meetings with the Chinese Government?

AME: I have found them welcoming and hospitable. I am struck by their high level of professionalism, pragmatism and their recognition of the interdependency of the EU and China in many areas including on the political, economic and trade fronts. On the difficult questions, I feel that both sides need to move from a passive hearing mode to a more active listening mode, and then hopefully towards more mutual understanding, trust and cooperation. This is important as I have no doubt that the 21st century needs the closest EU-China relationship possible.

Eb: What has changed in EU-China relations since the beginning of the economic crisis?

AME: We have become even more interdependent.

For China, the stronger-than-expected recovery in core EU economies in 2010, on the back of determined political action in dealing with the crisis, is of utmost importance since the EU is China's largest export market.

Moreover, and recalling EU Commissioner for Economic and Monetary

Affairs Olli Rehn's message on the margin of G20 meetings in Nanjing last week, the EU also welcomes China as an investor in the EU, thereby contributing to secure stability in the financial markets in the region and at large. This displays, in no small measure, the growing responsibility China is showing on the global stage.

As the biggest investor in China, the EU also offers a welcome investment opportunity to China, providing one of the few capital markets that is liquid and deep enough to provide a viable alternative to other investment destinations, a market with advanced technology along with well-trained labour.

Eb: In which areas does China's 12th Five-Year Plan and the EU complement each other, in terms of needs and strengths?

AME: There are clearly areas in which the EU and China can complement each other. For example: on knowledge, science and technology. The field of green technology in particular offers important opportunities for close cooperation. Regarding innovation and development of high-tech products related to green technology/urbanisation, the EU can represent part of the solution for Chinese challenges related to sustainable development. Wind turbines, smart grids, electric cars represent only a few examples.

The EU and China are key partners with common interests, as outlined in our respective long-term growth strategic programmes, Europe 2020 and China's 12th Five-Year Plan. Indeed we all share the same overall objective of securing smart, sustainable and inclusive economies." While the starting position differs, the objectives and means have more in common. No doubt China can play a key role in helping to stabilise Europe's economic recovery; while the EU can greatly contribute to China's objective to rebalance its economy and move towards a greener, more innovative and more sustainable economic growth model for the benefit of Chinese citizens' well-being. The EU would like to be part of the solu-

(continued on next page)

tion to the challenges China is facing. Indeed, the European industry is well placed to respond to the opportunities created by the Five-Year Plan.

Eb: On which issues are China and the EU furthest apart?

AME: Generally speaking, China and the EU differ on issues related to what some people see as their respective levels of development, their different international commitments and last but not least their internal priorities. While the EU is the biggest recipient of foreign direct investment (FDI), EU industry is concerned about increased difficulties regarding market access in China. Also, the EU is providing a safe environment for innovation and creation. At the same time, the lack of enforcement of intellectual property rights in China remains a matter of concern for EU business.

Eb: How can China reconcile its national and global champions with the further development of a level playing field for international business?

AME: China must give this answer itself – and future FDI will depend on it. China is focused on transforming itself into an innovative and modern country. Observers of this dramatic transformation often say that to pursue this objective, China uses a wide range of policy instruments ranging from industry-specific subsidies, favourable bank loans, preferential government procurement to compulsory transfer of technology and customs controls.

At the heart of this policy the creation of global champions has also been mentioned. At the same time, China has given clear indications that it welcomes EU investment. We believe fairness and openness is the right approach and that this will lead to further economic development of China as well as the EU. China's accession to GPA is key in this respect, and I have no doubt it will be beneficial for both sides.

Eb: How does the EU work with the member states in terms of roles and responsibilities?

AME: The European Union is a unique structure, neither a federation like the United States, nor is it simply an inter-governmental organisation, like the United Nations. The 27 countries that make up the EU remain independent but they decided to pool their sovereignty in order to gain strength and world influence none of them could have on their own. The Treaty of Lisbon pushed this integration process one step further, creating the European External Action Service, a common European diplomacy, headed by Catherine Ashton. The Member States believe that EU integration is in their national interest. In short, the European Union has soft power with a hard edge that allows us to pursue our interests and live our values.

"We Europeans are probably not as good as the Chinese at studying the best practices abroad, while the Chinese are very good at learning from others."

As for trade policy – this is a community competence executed by the European Commission in close understanding with the Member States on the basis of weekly meetings in Brussels. Besides coordinating within the EU, working together with industry is key for us. Cooperation between the EU Delegation and the Chamber has always been very good. My firm resolve is certainly to continue this or hopefully even further expand our contacts.

Eb: What potential has the EU-China relationship not realised yet?

AME: The EU and China have a growing mutual interest in stability and prosperity in the world around us. Our partnership is increasingly focused on addressing global challenges where the EU and China play a decisive role. China's 12th Five-Year-Plan and the EU's 2020 Strategy will offer us the great potential of uniting our visions of development for the coming years. From a global perspective, we will need to cooperate closely on issues ranging from climate change to piracy in the Western Indian Ocean. The EU and China will need to make full use of the comprehensive strategic partnership to take responsibility for world affairs.

The mega-trend of urbanisation in China offers another promising avenue for the Sino-EU relationship. For the EU, the motto of the Shanghai Expo "Better City, Better Life" was not a circumstantial gimmick, it is a long-lasting commitment to share experiences with China in all aspects of future cities: urban planning, green buildings, public transport, resource efficiency, architectural authenticity and social inclusiveness. We encourage communication channels at all levels, and new initiatives such as the launch of an EU-China Mayors' Forum would certainly be very enriching for both sides.

We would welcome a focus of the next EU-China summit to look programmatically and pragmatically at synergies, along with mutual business opportunities in supporting China on green growth, social rebalancing and urbanisation.

Eb: What do you think Europe can learn from China?

AME: First and foremost, Europe needs to learn how to learn from China. We Europeans are probably not as good as the Chinese at studying the best practices abroad, while the Chinese are very good at learning from others. One area to look at might be the Chinese way of doing many and varied pilot projects and then expanding the ones that work well and discarding the ones that don't. This is a very good way of winning the future and I think something from which we could learn. Eb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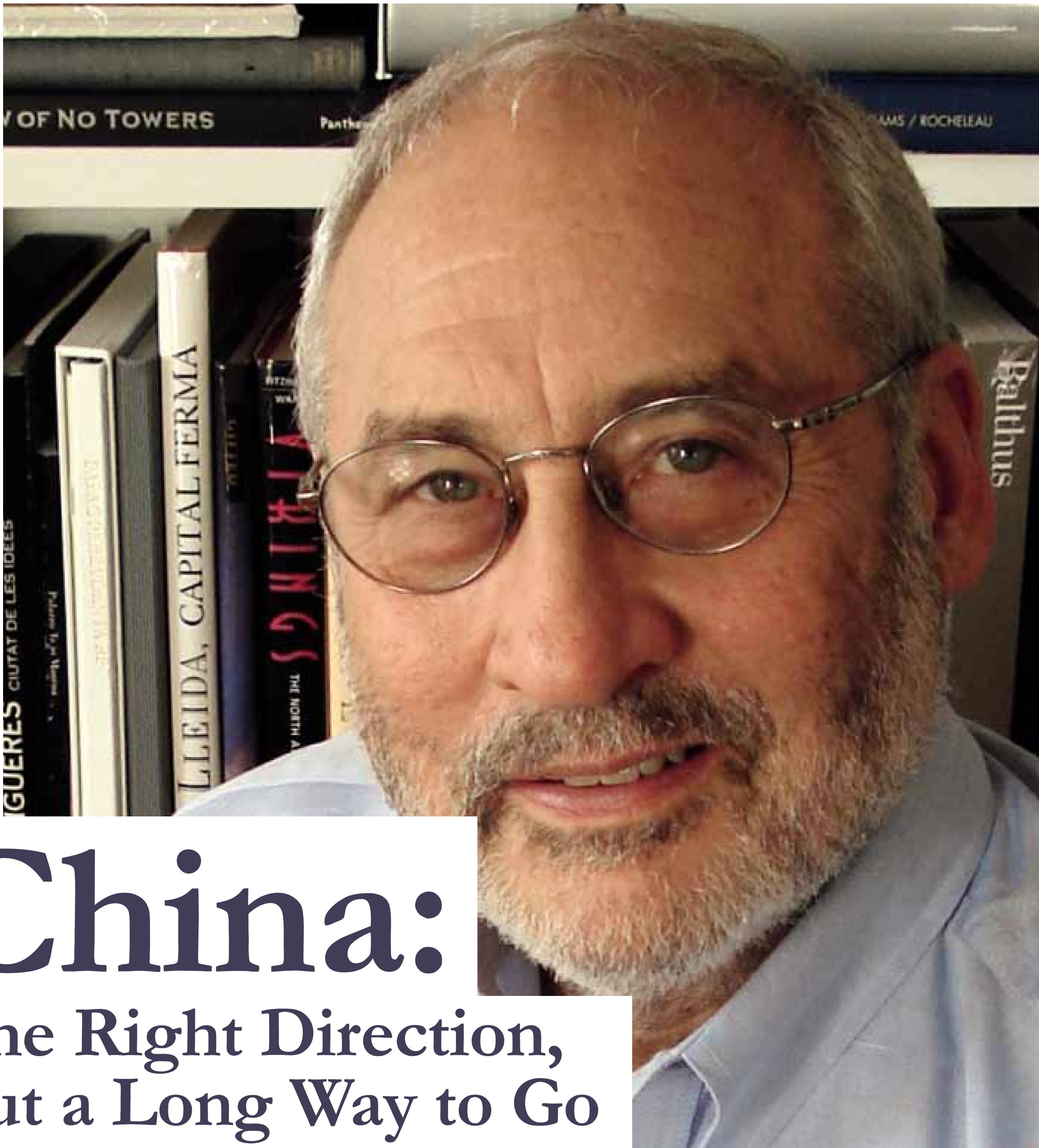


China:
The Right Direction, But a Long Way to Go

Prof. Joseph E. Stiglitz shared the Nobel Prize for Economics in 2001. He is a member of the Columbia University faculty of economics, and founded the think-tank Initiative for Policy Dialogue. He is a former senior vice president and chief economist of The World Bank, an honorary professor at the Tsinghua University School of Public Policy and Management, and the author of *Freefall: America, Free Markets, and the Sinking of the World Economy*, his latest book. He spoke with EURObiz's Steven Schwankert just before a recent European Chamber's Insight China event.

EURObiz (Eb): Would you say the characterization of China having weathered the economic crisis well is accurate, and where does China go from here?

Joseph Stiglitz (JS): China did a very good job of weathering [the crisis] well and doing exactly the right thing using what I would say are Keynesian stimulus policies, that were well-designed in the sense that the money went out quickly, much of the focus was on investment, much of it was targeted to areas where there would be big gaps from reduction in exports, and much of it targeted to social issues that needed to be addresses in any case. So in terms of criteria, which I talk about in my book *Freefall*, of what should be a well-defined stimulus, it would get a good grade. The problem now is, with the recovery in Europe and America being so anemic, will China be able to continue as it faces down its stimulus and I think that question highlights the key issue of the 12th Five-Year Plan, which is moving away from dependence on exports. It would be in a much better position if it were less dependent on exports, and it has been trying, and the big challenge is, will it succeed?

Eb: Inflation is now a big concern, but one of the stated goals of the 12th Five-Year Plan is to increase household income above GDP. How does China balance those two things? Where does the so-called property bubble fit into those two situations?

JS: First, the nature of the inflationary problem has been a little bit mischaracterised and exaggerated. In the United States, the Federal Reserve Bank always focuses on core inflation. In China, core inflation is running between 1-2%, which is not serious. But what's called headline inflation, including food, is somewhat higher than that, it is about 4-5%, which is not very high, but still a concern.

Another concern is the affordability of housing, or the property bubble. The reason why I focused on the source of the inflation is that to the extent that food inflation is a commodity, that it is an internationally produced commodity, it's what's called imported inflation – not much you can do about that. To the extent that it is vegetables that come from a bad harvest – not much you can do about that. So the good news and bad news is that raising wages, especially household income, is not going to affect this inflation, nor will raising interest rates. It is what you might call a political problem for the government, and the risk is over-reacting with the wrong response.

The problem with affordable housing is that it is a serious concern, but it appears that the measures they've taken are beginning to work. That can probably continue to be handled in using administrative measures, to require people to put more down payment, I think they should put more taxes on capital gains, property taxes, things that would make it less attractive particularly for people to speculate in housing. There are other actions they can take. So from my point of view, the measures of trying to increase household income, of raising wages, are a good thing.

EURObiz (Eb): What about currency? We hear a lot about U.S. pressure to revalue the currency. Will China eventually bow to that pressure or does China have no real reason to do that?

JS: I think most people recognise the following: exchange rate is only a small part of the global imbalance problem. Between 2005 and 2008, China appreciated its currency by about 20% and trade imbalances grew. At the same time, economists say that what matters is not the nominal exchange rate, but the real exchange rate, and inflation is another adjustment mechanism. The real exchange rate has been adjusted. There are different ways of measuring it: wages have gone up 10-15%. That adjustment process has been going on. Most forecasts indicate that the trade surplus will diminish rapidly as a percentage of GDP, and it will get below the four percent target, if it's not already there, it will be there quickly. Of course the economy is growing very quickly, so it's 4% of a bigger number. So in my mind, it's a mistake for the U.S. to focus on that so heavily.

If growth got restored to the U.S. economy and to the overall global economy, the adjustment of the exchange rate would be both easier and a non-issue. It would be a non-issue because people would have jobs and people wouldn't be grousing. And it would be easier because China could say, we can change our exchange rate and still export, but if your export market is stagnating, you become more sensitive to adjusting your exchange rate.

EURObiz (Eb): In terms of China's stated goal of moving more towards a service economy instead of export-based manufacturing, what's the biggest challenge that China is going to face? Are there financial structures in place to assist small and medium-sized enterprises (SMEs)?

JS: I think there are two challenges that I've identified. One is finance. You need to create more local and regional banks that finance SME lending. The service sector tends to be SME, and you need to have the financial institutions that correspond to that. The big banks are better at making big loans.

The second one is that many of the services that people want are education and health. Those are services that typically are underwritten by government. Not necessarily provided by government, but underwritten by government. So the government will have to take a bigger role to figure out how it wants these activities to be organised. You can see the beginning steps like they now have 90 or 95% coverage with their national health insurance, but the government contribution is only about 200 or 300 RMB per citizen. That's not what we would think of that a as a comprehensive health care programme. It's a start, and it's better than nothing, and it's sort of recognition of the public role. Education is now about 4% of GDP. These are moves in the right direction, but there's a long way to go. Eb

A Worrisome Road to Global Recovery

Prof. Dr. h.c. Roland Berger is the chairman of the company that bears his name, Roland Berger Strategy Consultants, Munich. EURObiz's Steven Schwankert spoke with the man many credit with predicting the global economic crisis following his recent European Chamber event.

EURObiz (Eb): You take a more holistic view of the global economic situation, including items such as water and other natural resources, not just total national GDP. How much do those other factors come into play in determining economic strength, both locally and on a larger scale?

Roland Berger (RB): I think every economy can be as good or as productive as its resources. It starts with natural resources, like fresh air, blue sky, fresh water, reasonable food prices for healthy food, and it goes on to education and knowledge infrastructure, including research, science and learning. It then goes on to governance, both of the nation and of corporations. There is also the legal framework and its reliability, if you don't have a reliable legal framework you won't do business because you can't enforce a contract, if it is broken your rights are not protected, then you won't make contracts and you won't make investments as a result. There are many basic things that surround and impact economic issues and business.

Business can really only be developed in a context of many factors. There is an old economic theory that says we have three productive factors, the first is nature, the second is labour, the third is capital. Today we say we have four productive factors, the fourth is knowledge. Those are the factors you are working with. The more you combine these factors successfully the more you have an environment that is available, relevant and sustainable. You can work within that reliable environment that determines your degree of freedom, but that environment also limits your freedom, where your behaviour influences the third-party's well-being. These kinds of observations have got to be made before you talk about business and the long-term.

Eb: You don't seem to be so positive that the worst is over for the global economic crisis.

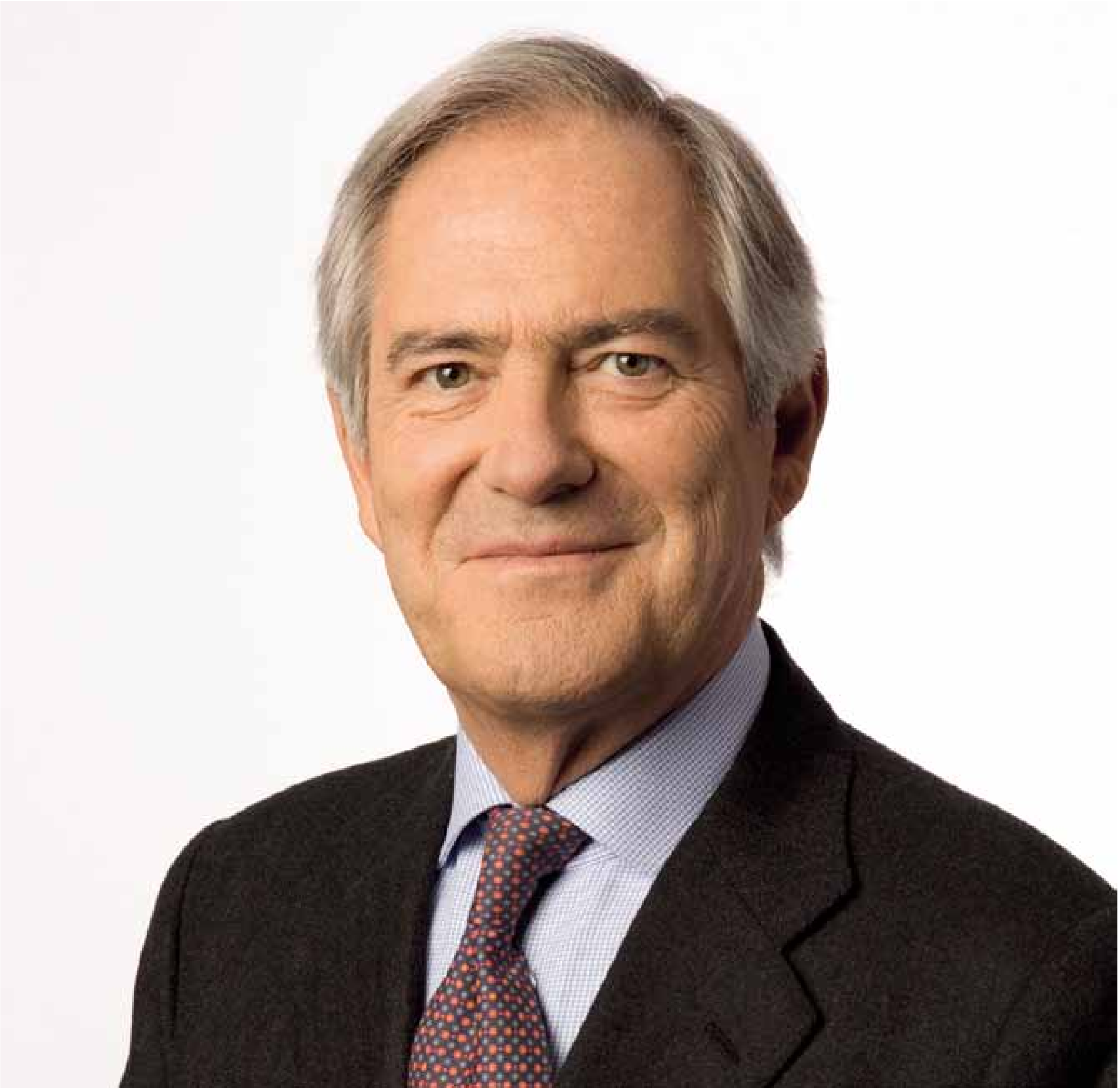
RB: I am positive but I also say that we have to be cautious. The recovery is solid, and if the world behaves well and prevents potential crises in an effective manner, then the recovery can be solid.

But I must say at the moment, we have many, many things to worry about. Still the banking situation in some countries is not solid, the financial markets are very volatile still, you obviously have the danger of inflation around the world, including China, including the Eurozone. You have the issue of sovereign debt, which is one of the major disturbing factors, particularly U.S. debt which seems to explode, but also imbalances within the Eurozone. The sovereign debt issue is mostly an issue for developed countries, not so much for developing countries, maybe also because nobody gave them credit in the early days, now it is because they have a very high savings rate, and many of them depend on raw materials and raw material pricing to help them maintain their budgets.

India is not that well off yet, because India has all the problems of an old economy without having had in the past at least the advantages of a new economy, but this has changed a lot in the last seven or eight years. Brazil is now enjoying its raw material boom, in particular agricultural raw materials and iron ore, maybe some oil in the future, but still Brazil does not have a very diversified economy like Russia, so they have to work on it, but they are better than Russia with regards to their material supply and pricing.

So there are many things to take into account here, and you have political tensions everywhere in the world, particularly in the Middle East and Africa. Who knows if this will extend to Saudi Arabia and how this will be handled, and the effect it will have on the oil market? If it reaches Saudi Arabia and Qatar, then it affects about 20% of the world's gas reserves and about 30% of the world's oil reserves, so it must have an impact on oil prices but also on oil supply, therefore on the supply chain of the whole world economy.

This is also true if we have some disturbances in Japan. Who knows where the next crisis will come from? The main thing is that we have to be alert, we have to be conscious that this recovery is a bit more on unsecure ground, because of the depth of the crisis. This was an economic crisis plus a financial crisis, and the last



time we had this was in the 1930s, and this crisis is also the first global crisis we have experienced, with an impact on emerging markets. That has also saved the world economy to an extent, so it has added a new dimension and one must say that world politics, especially the G20 and their central banks, in particular the Federal Reserve Bank, the Bank of England and the Bank of Japan, have reacted very well, and they have demonstrated that politics can act globally on business if their action is required. I think we have experienced a new dimension of crisis but maybe also a new dimension of political action and business reaction, and maybe a new dimension of recovery, which might have its underlying volatilities, but has great opportunities in the future.

EURObiz (Eb): Where does China fit into all of this? Do you think China has weathered the crisis as well as it appears to many outside observers?

RB: I think so. You can say a lot about China and its potential sources for crisis – internal tensions like social imbalances, the difference between rich and poor. You could also include corruption, or maybe a lack of transparency. But China has enormous resources and still half the Chinese human resources are not employed in a modern way by a modern industrial economy. China has to add a lot of new resources, plus it has a lot of productivity opportunities to raise technology and add value. So the underlying growth model of China, I think is very solid and very much in place.

We should remember that the United States of America was an emerging

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economy 200 years ago and Europe was at the same stage more or less, growth always goes this way, it always goes in cycles. This will happen also to China. However, since the Chinese government has a very strong impact on the economy and on budgets, China has a high savings rate and low public deficit, so the room to maneuver for a Chinese government, a Chinese central bank, and for Chinese enterprises is much larger than that of many Western governments because of their debt. If you have a debt of 200% of GDP like Japan or 100% like the U.S., then you have less room to maneuver, unlike China, which has only 25 or 30% of GDP debt.

In the rest of the world you find mature markets, and in China you find unsaturated markets, and regarding growth opportunities, it is easier and faster to grow by imitation, which China does and should do. Germany grew by imitation of the British technology. Now they've reached a certain limit and they have to innovate, as the U.S. had to innovate, as Europe has to innovate.

I don't think China will have any major problems. I think we have the typical problems of an emerging market, of transparency, which is inequality. Inequality is an important issue. Social injustice, these kinds of things are governance problems, and you have overreacting capitalist behavior. I don't know whether Mr. Rockefeller was an example of ethical behavior, but the same is true for many young Chinese entrepreneurs. In the U.S. you had the Enron scandal and in China you have many scandals as well. In China the framework has to grow for the need of creating wealth, in order to keep the government and the overall environment stable. China will grow rather consistently and reliably.

Eb: China has managed its currency very carefully, and received a lot of criticism for it, especially from the U.S. government. Do you think that it's on the right road in terms of currency management?

RB: It's a strange thing about the discussion of Chinese currency. It reminds me exactly of the discussion we had in the 1970s in Germany about open currency markets. Germany had a super trade surplus especially vis-à-vis the dollar, on the other hand we had a fixed exchange rate. There was big pressure on Germany to finally liberalise its currency, and after some time Germany did, and it resulted first of all in an increase of competitiveness of the German economy because under global competition, you increase competitiveness or you die. Germany decided not to die at that time, so we survived and became more competitive, so this discussion is a little bit similar.

The Chinese are afraid of opening their currency immediately, they have these small-step revaluations of their currency, but sooner or later the more important the Chinese economy becomes to the world economy, and the opportunity for foreign direct investment grows, the more they will open their currency and they will become a very normal capitalist power.

This can also be said for intellectual property rights. The more innovation you have in your own country, the more it is in your interest to respect your own intellectual property and the more respect you will have for intellectual property of third parties. We have seen exactly this in Japan. The Japanese began imitating foreign products. When the Japanese began imitating German cutlery, they actually renamed a village with a German name so that they could say the product came from what sounded like a famous place in Germany. Now Japanese corporations are as far ahead as the Americans or the Europeans, and they have the same interest in protecting intellectual property.

Prof. Berger talks with European Chamber Chief Editor Steven Schwankert.

The same will be true in China in the future. The West has to protect its interests and challenge China on those issues, like currency, transparency, governance, intellectual property and a level playing field, which is an important issue, like free investment opportunities and trade barriers. Over time the Chinese government will understand more and more that for the development of its economic strength these are issues that are in the best interest of the Chinese people, business, and government also, to gradually approach international standards.

In the future those standards will be increasingly influenced by China. We are not talking about adjusting to American, Japanese or European standards, we are saying adapt to international standards that will be a mixture of interests and standards, so it will be a different world from the one we are living in now. Eb

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Dermatology and Laser Skin Center
Emergency Medicine
ENT (Ear, Nose, and Throat)
Eye Clinic
Family Medicine (Primary Care)
Health Screening for Immigration
Integrative Medicine
Chiropractic Services
Intensive Care Medicine
Neonatal Intensive Care Medicine
Internal Medicine
Cardiology
Pulmonary Medicine
Nephrology
Hepatology
Gastroenterology
Obstetrics & Gynecology
Oncology Services
New Hope Center
Orthopedics
Pediatrics
Psychological Health Center
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European Football Clubs Find China a Tough Market to Score

Arsenal, Real Madrid, and Liverpool will be coming to China this summer, seeking not goals, but gold. China may seem like a football-mad country, but European football teams enjoy big brands here, bridging the gap between brand value and actual sales has provedto be difficult. Steven Schwankert looks at the top clubs' efforts to score in the sport's largest potential market.

While the Gunners were still in the running for the English Premier League (EPL) title, manager Arsene Wenger said the words that Arsenal supporters in China have been waiting 16 years to hear. "We will go to Malaysia and China," the venerable Frenchman proclaimed, adding, "We have less financial potential than the other [teams] so we cannot fall behind with commercial income."

Wenger's begrudging agreement to allow his team to visit China and other Asian countries for the first time in his tenure as manager was made for one simple reason. "Ideally I wouldn't want to go but I go because we get sponsorship money that is higher than in Europe," Wenger said bluntly.

European football clubs face a unique conundrum in China: despite enjoying massive popularity, television ratings, and rabid fan bases, when it comes to actually selling fans a product, even the top clubs fall short of the goal in the form of broadcast licensing fees, gate receipts and merchandising.

Arsenal's Wenger prefers to avoid the long travel, and potential wear-and-tear of the journey, to Asia for preseason exhibition matches. However, the potential importance of China's fan base to European teams – and the bottom lines that critical to success in their leagues and cup competitions – seems now to outweigh concerns over the merit of making the trip.

Others have been more eager to visit. Manchester United (Man U.) came to China in 2005 and again in 2009; Spanish giants Real Madrid played here in 2003 (which was David Beckham's first match for Real) and 2005. Chelsea Football Club played in Guangzhou in 2008. Inter Milan and Lazio participated in a competition at the Beijing's National Stadium (the Bird's Nest) in 2009, in a rare visit by Italian Serie A teams. Last year, 2010 La Liga winners FC Barcelona, commemorated the second anniversary of the Beijing Olympic Games with a friendly at the Bird's Nest on August 8.

An artist's rendering of one of two Manchester United cafes due to open in Shanghai later this year.

A host of other European teams will visit China this summer, as 2011 is neither a European Football Championship nor World Cup year. Arsenal will be joined by English rivals Liverpool, who will play in Guangzhou before continuing on to Malaysia and South Korea. Real Madrid will play in Guangzhou August 3 and Tianjin August 6. Chelsea, Aston Villa and Blackburn are set for an EPL-sponsored, four-team tournament in Hong Kong in July, and this summer will see a return of the Italian Super Cup format that will feature Italy's Serie A league winner and the winner of the domestic Italian cup, along with Beijing's own Guo'an team and another Chinese side.

"People here have no geographic or other affinity for teams that play and live thousands of kilometers away."
– Stuart James, Helios Partners

Most European marketers can only dream of the visibility of the major clubs. During its jersey sponsorship with Manchester United, mobile telecommunications provider Vodafone, despite having no product to sell in China (it sold its 3.2% stake in China Mobile in 2010 for £4.3 billion), created a strong brand identity among consumers here. However, creating actual sales in China, including at live events featuring the teams, has proven elusive.

"People here have no geographic or other affinity for teams that play and live thousands of kilometers away,"said Stuart James of sports marketing firm Helios Partners, which represents Arsenal in China. "It's hard to generate loyalty to a single team if you don't have a particular reason to like them or dislike them," he said. Arsenal is working to generate interest by sending a Chinese blogger to live in London and attend the club's matches, focusing more on the experience than individual players.

In April, *Forbes* magazine named Manchester United the world's most valuable soccer team, with a value of 1.28 billion Euros, followed by Real Madrid at 960.1 million Euros and

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Arsenal, which has been the target of a takeover bid by American Stan Kroenke, at 816.1 million Euros. Rounding out the top five are Bayern Munich (713.2 million Euros) and FC Barcelona with (668.6 million Euros).

While the big teams may come to China in search of sponsorship revenue, they must be careful not to appear greedy, or to be visiting only for financial reasons. Real Madrid was heavily criticized during its 2005 visit, when fans sat in the rain for a match between Real and local side Beijing Guo'an but never saw David Beckham – who claimed he was injured – appear on the pitch. The world's second-most valuable club also played before at Beijing Workers Stadium that was only half-full, during a week when both Real and Man U. played in Beijing. Man U.'s audience also filled only about half the stadium. Real's four-day trip was estimated to net the club 2.74 million Euros.

Fans are also increasingly wary of marketing bait-and-switch. Barcelona came to Beijing in 2010 without World Cup-winning goal scorer Andres Iniesta or Spanish star David Villa. The team only announced that the stars would not be making the trip after tickets to the match at the Bird's Nest had been on sale for about three weeks. However, Argentine Lionel Messi, who won a gold medal with his home country's side at the Bird's Nest during the Beijing Olympics, made the trip and played 30 minutes. FIFA World Player of the Year for 2010, Messi holds sponsorship deals in China including automaker Chery.

"There is an expectation among fans that they will have a certain experience, including interaction with the players, that is often not met," Helios's James said.

"Teams believe their brands have massive value in China and a national position. They believe that people should pay for anything they want to do with the team in China," said British-born Rowan Simons, chairman of the European-owned China Club Football FC and author of *Bamboo Goalposts: One Man's Quest to Teach the People's Republic of China to Love Football*. However, Simons points out that unlike supporters elsewhere, fans here may like multiple teams, perhaps one per league.

That overlapping fan base also leads him to believe that the message many teams are presenting is not in line with Chinese supporters. "The message is 'like the EPL, don't like La Liga, or like Man U., don't like Inter Milan."

Manchester United cafes and restaurants are designed to help the club build a "harmonious community" among its local supporters.

The main source of revenue for teams from China is not sales of consumer products to fans, but the marketing of television rights for match broadcasts. However, despite football's seeming popularity, the price of those rights packages has dropped over time. While Italy's Serie A and Germany's Bundesliga have long-term broadcast agreements with China Central Television (CCTV), the EPL has shopped its product to various providers, including formerly to Guangdong Provincial Television owned pay-TV company WinTV. But offering EPL matches on a fee basis to fans was a losing proposition for WinTV, having reportedly paid 33.7 million Euros for a three-year EPL rights package. Starting with the 2009-10 season, English football was back on free TV.

"China was not ready for pay-TV sports," said Simons. "Interest in football, especially the EPL, was not high enough that people would pay for it."

"The Red Devils Are Here!" the sign proclaims, for the site facing Shanghai's People's Square and occupying a ground floor space at the Great World entertainment complex. It is one of two Manchester United Café Bars planned for Shanghai in the next few months, and part of what will be 10 in the Shanghai area over the next two years, according to Stanford Zheng of Manchester United (Shanghai) Restaurant & Bar.

Designed as both restaurants and retail outlets, the café bars emulate the Hard Rock Café in their overall approach of combining entertainment with retail. The concept exists so far only in Asia, in seven countries, with an outlet in Hong Kong already open for China.

The cafes are a way to establish a sense of community first with Man U. supporters, and then with the city at large. "During the day, it's British and family-style, lunch is intentionally reasonably priced. At night, it becomes a bar, and people can watch the match here if there's one on," Zheng said. Building a "harmonious" community is at the core of Man U.'s philosophy, Zheng said, noting that in its marketing efforts, the team never depicts a player by himself; even greats like Ryan Giggs and Wayne Rooney are always shown with at least one or two other teammates.

Club Football's Simons sees teamwork lacking among the top clubs and their governing body, the Union of European Football Association (UEFA), who he feels should be doing more to promote the game itself.

"The reason football is a disaster in China is because people here just don't play enough," he said. "Under UEFA, the leagues and the clubs should organize to get people to play."

Simons cited a lack of playing space – he estimated there may be as few as 80 dedicated football pitches in Beijing for a city of over 17 million – and a cultural belief that children should study and not waste their time playing sports for poor participation rates in sports, especially football. The rising cost of land in major cities makes reserving the space for football difficult to justify, he said.

"China will become a basketball nation if support for the game of football is in front of it, not behind it." – Rowan Simons, Club Football FC

While Chinese players have appeared for European clubs – such as Li Tie for Everton and Sun Jihai for Crystal Palace and Manchester City – there is no Yao-like star on the horizon for Chinese football. Hot prospect Dong Fangzhuo was recruited by Man U. in January 2004, but over four years made only three appearances for the team. China's national side is derided even by the most ardent local football fans. China qualified for the 2002 World Cup, but failed to score a goal in the tournament, and hasn't been back since.

In contrast, South Korea, which co-hosted and reached the semi-finals of the 2002 World Cup, has produced Park Ji-sung, a Manchester United midfielder who has made over 100 appearances in six years with the club, including 16 goals, and who captained the South Korean national side while making 100 appearances for his country. He also scored in three consecutive World Cups. Such a player simply does not exist in China at this time.

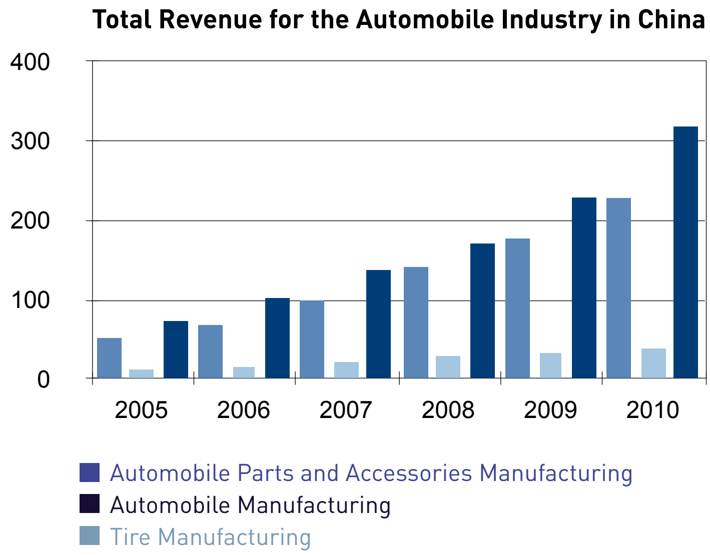
Simons is guardedly hopeful for football's prospects, stating that for the first time in its history, Club Football's youth program enrollment now has more young Chinese players than foreign. However, those efforts must be supported at all levels, including by top European clubs.

"China will become a basketball nation if support for the game of football is in front of it, not behind it," Simons said. Eb

Rapid Growth of the Automotive Industry in China

By Rachel Wong, Analyst, ACMR

Key Selling Industries

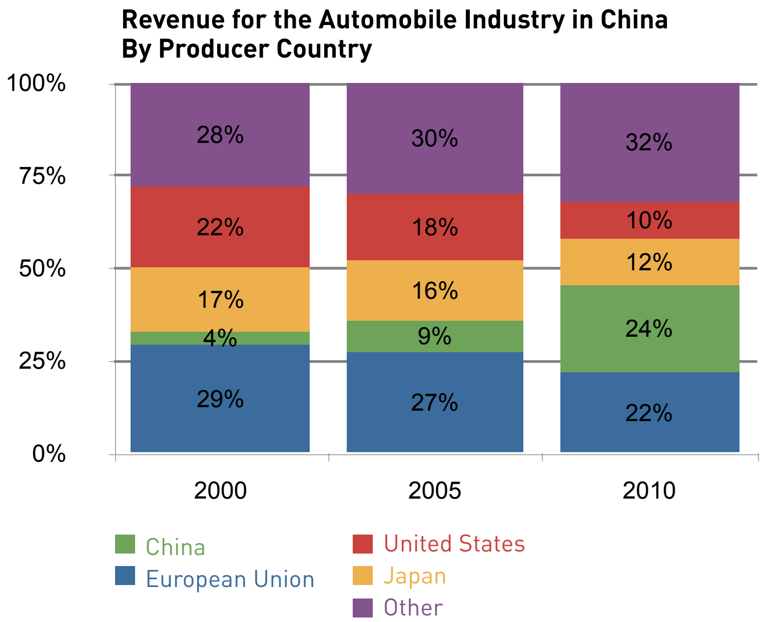


Source: National Bureau of Statistics, ACMR

In the past five years, the automotive manufacturing industry in China experienced rapid growth due to the prosperity of the automotive market in the country. For instance, in 2010, total revenue of the automobile parts and accessories manufacturing industry in China was expected to reach €228.1 billion, showing an annualised growth rate of 34.4% in the period from 2006. The Tire Manufacturing Industry in China was forecast to generate revenue of €38.7 billion, representing an average growth of 26.1% in the same period. From 2006 to 2010, total revenue of the automobile manufacturing industry in China was expected to amount to €318.2 billion, showing an annualised growth rate of 34.1%. Output of automobiles increased at an average rate of 26.2% in the period, reaching 18.26 million units by the end of 2010.

Global Automobile Producers in China 2000-2010

In 2009, China surpassed the U.S. to become the largest and most competitive automobile market in the world. The Automobile Manufacturing Industry in China is expected to continue expanding rapidly for the next five years. Key drivers for future growth include China's substantial domestic demand, the large rural market and development of foreign markets.



Source: China Automobile Industry Association

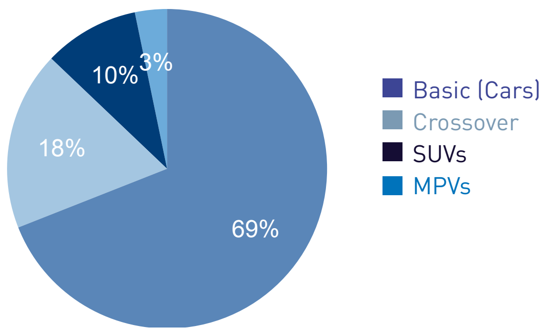
2010 Top 10 Provinces of Automobile Sales Revenue in China

Jilin	13.68%
Shanghai	12.86%
Guangdong	10.53%
Shandong	10.50%
Hubei	8.41%
Beijing	6.27%
Chongqing	5.29%
Jiangsu	4.40%
Liaoning	3.84%
An'hui	3.67%

Source: China Automobile Industry Association

Passenger Vehicles Market in 2010

Major Passenger Vehicle Market Segments in 2010

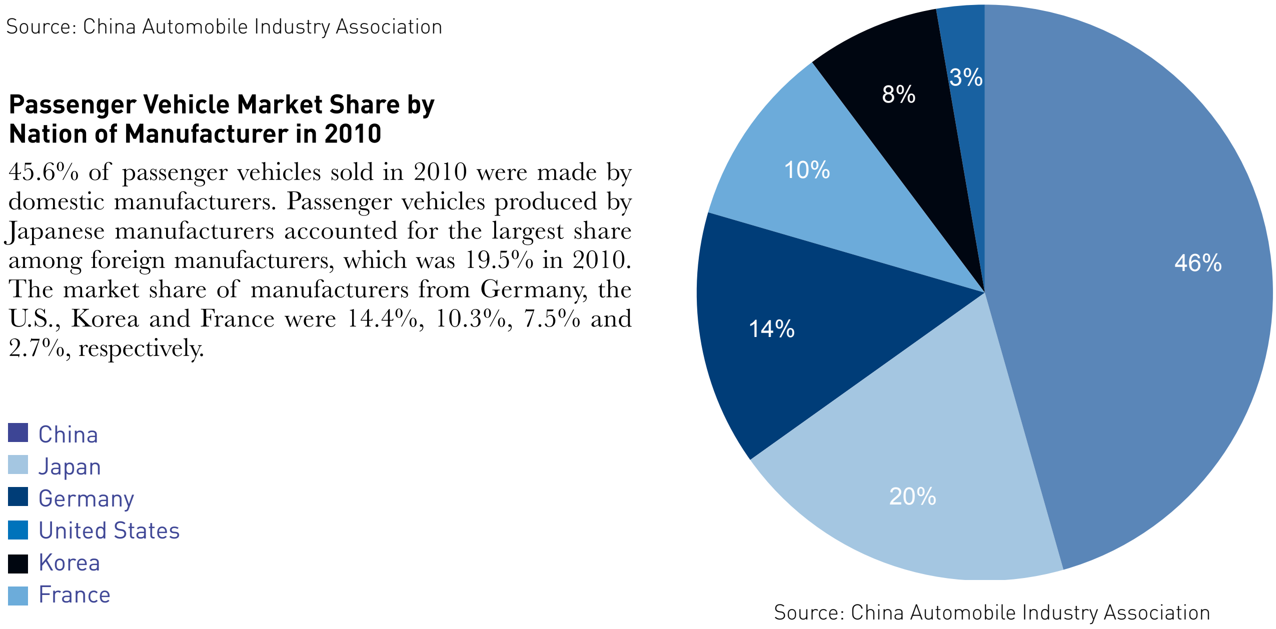


Source: China Automobile Industry Association

In 2010, the sales volume of passenger vehicles in China amounted to 13.76 million units. Basic-type vehicles (or cars) accounted for the largest share of sales volume, which was 69.01% in the year. Crossover vehicles accounted for 18.11% of the total. The market share of multi-purpose and sports utility vehicles were 3.24% and 9.64%, respectively.

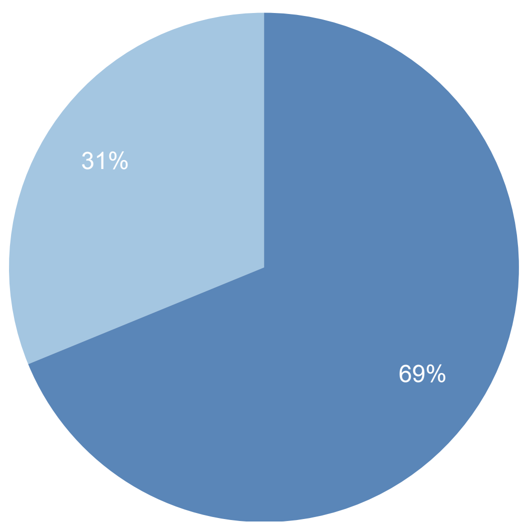
Passenger Vehicle Market Share by Nation of Manufacturer in 2010

45.6% of passenger vehicles sold in 2010 were made by domestic manufacturers. Passenger vehicles produced by Japanese manufacturers accounted for the largest share among foreign manufacturers, which was 19.5% in 2010. The market share of manufacturers from Germany, the U.S., Korea and France were 14.4%, 10.3%, 7.5% and 2.7%, respectively.



Source: China Automobile Industry Association

Major Passenger Vehicles Market Segments by Displacement in 2010



Source: China Automobile Industry Association

Due to a reduction in purchase tax on vehicles with engine displacement of less than 1.6L, sales volumes of vehicles with less than 1.6L displacement increased significantly, to 9.46 million units by 2010, accounting for 68.8% of total sales volume of passenger vehicles in China. The purchase tax on vehicles with less than 1.6L displacement was cancelled as of 1st January, 2011.

<=1.6L
>1.6L

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DRIVING TOWARDS THE FUTURE

Volkswagen's statistics in China are almost as superlative as those that China itself regularly produces. The first Volkswagen Santana assembled here rolled off the line in April, 1983. At one point in the mid-1990s, Volkswagen Group had almost 60% market share in China. Today, with China now the world's largest and most competitive automotive market, in 2010 the group sold 1.92 million vehicles.

The Wolfsburg, Germany-based automaker's portfolio in China includes diverse marks with Volkswagen and Skoda at the lower to mid-range, the higher-end Phaeton and Audi, and the venerable brands Bentley and Lamborghini at the top of the line.

Since September 2010, Volkswagen Group China has been led by Dr. Karl-Thomas Neumann. An avid runner, during his stay in China he has already completed the Hong Kong and Macau Marathons. Dr. Neumann spoke with EURObiz's Steven Schwankert.

EURObiz (Eb): Please tell us about the new products that were launched at the Shanghai Auto Show.

Karl-Thomas Neumann (KTN): We had one local premiere and two world premieres. The local premiere was our new Passat, which we build in Shanghai. I think we're the only ones who have done a world premiere for two new models, the next generation Beetle, and also the Audi Q3 [a luxury compact SUV], which is very important for us, the latter will be built in China. The Beetle is a kind of symbol, it's really the "people's car." We thought, looking back at our history of over 30 years in China, we put China on wheels, and the Beetle is a good symbol to be launched in Shanghai. It worked well, the world looked at it, we got good attention, and I think everyone was very happy with this choice. Volkswagen also introduced another innovation in urban mobility at the Auto Show: the Volkswagen e-Scooter rental concept.

Eb: In the first quarter of this year, sales were up year on year just under 20%. To what do you attribute that level of growth?

KTN: It's two things. For Volkswagen in general, I do believe we have very good products. We take great care not to compromise on the quality, on the performance, and really look at every detail. The whole company is run by engineers and we love the things we do, and you can see it here, the product is outstanding. In China specifically we have a long history, so we know how to establish sales, how to establish marketing, what the customer expectations are, and we are even starting to design the cars here while keeping them German and European at the core, but maybe with a little twist so that they fit better to the market. Our main business here is cars built in China and even to an extent engineered here.

Eb: What are the advantages and disadvantages of being a generally foreign and specifically European car manufacturer in China?

KTN: The disadvantages obviously are that we are very exposed, and that we have a very high profile. But the advantages greatly outweigh any disadvantages. We have experience with our partners, which is very important in China, we have two relatively different joint venture partners, and we trust in the relationship that we have built with them over the years. Customers know us well, and having the right products is a big advantage. It's extremely difficult to build up something like this now.

Eb: In some of China's largest cities, including Beijing and Shanghai, there are measures in place to limit the number of cars sold. Does that have any undue influence on foreign car manufacturers, which make many of their sales in first-tier cities?

KTN: I wouldn't say there is an undue effect on Volkswagen, but we should begin by saying that at the beginning of the year, there was a lot of confusion about what this meant, and some media saying this was the end of the strong growth we had seen in China. In 2009, the market grew by more than 50%, and in 2010, it grew by more than 35%, and this year our forecast is about 8%, and at the beginning of the year we thought it was conservative enough that we did not have to revise it based on what's happening in Beijing.

In Beijing, what is much overlooked is that if you have a license, and you wish to replace your old car with a new car, that is permitted, and that represents about 50% of the market, 50% that is not affected by the new regulations. So we're only talking about additional cars, and those are impacted, and it is slowing down the market, but it's nothing new, in Shanghai you've had this for years. But will it slow down the market to below annual growth of 10%? I don't think so. There's enough growth within those cities and in tier two and tier three cities, so I tend to look at personal wealth and that the ratio we have now is still about 50 cars per 1,000 people, and that tells me, wow, there's still a lot of potential.

We have grown recently about 20%, and the market has grown about 15%. One of our biggest limitations now is how fast we can build our factories, as we are almost immediately selling every car we make in China. We have the opposite problem: do we have enough cars to sell?

Eb: How do you differentiate Volkswagen Group's products and product lines in China's different regions? Are the contrasts more economic, or are they purely regional?

KTN: There are regional differences. We have been less strong in the southern part of China. I think it has to do with the fact that having less focus there traditionally, but it also has to do with we have not produced cars in southern China, but now we are moving there. This gives us more visibility politically, in the local press and in the taxi fleets and so on. With our "Go South" strategy, we could already increase our market share by 2%. Also, in terms of design and brand positioning, it is a bit more of an emotional market, and a bit more feminine in terms of design, but we can address that through our brands and focus on what those brands require.

We have identified Hong Kong as a lead market, a place where people really look at what's cool, and we have increased our market share there through dedicated initiatives and marketing efforts, and bringing very fancy cars there.

We also have a "Go West" strategy, including extending our factory in Chengdu. You have to understand China not as one market but more like the European Union, it is many markets with different local expectations, and we try to match that with local marketing. Our product spectrum is broad enough to address it. In the countryside it is also an economic question, but for that we already have some very good, not lowest-cost, but low-cost solutions. We had the Santana and the Jetta and we are refreshing these products, but we also want to make sure we are not pricing ourselves out of that segment. However, I think you could see some

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The next generation of Volkswagen's iconic Beetle had its world premiere at the Shanghai Auto Show.

uncertainty about the lowest low-cost segment because with the increased requirements for CO2 and emission reductions, there is technology needed to do that, and it has its cost.

How do you distinguish the brands from each other, for example, the Volkswagen range with the Skoda range?

KTN: We are very careful to position all the brands into their particular niche. Skoda is positioned as very smart, family-oriented and natural. Volkswagen has different assets, even between the two joint ventures, one being sportier, one more stylish and classic. Price-wise they are positioned very exactly to meet a certain market segment and to give customer groups the ability to really identify with that product in particular.

What about the top-end brands under Volkswagen's umbrella, Bentley and Lamborghini? How are you attracting apex customers for that?

KTN: Lamborghini is the no-compromise sports car, and China is now their biggest market. They do a lot to attract the customer by showing them what the car can do, driving opportunities, and even some use of racetracks like the Formula One track in Shanghai. In some cases customers can keep the car at the track and just drive it there if they want. For Chinese drivers as much as those elsewhere in the world, a car like that is a statement, the same is true for Lamborghini, or Bentley, or a high-end model like the Volkswagen Phaeton, which stands for German craftsmanship, and top of the line quality. Every second Phaeton that is sold in the world is sold here. China is also the biggest market for the Audi A8. This demonstrates the level of wealth here in China, and people here really appreciate the luxury of these cars, the workmanship, and this is a great market and opportunity for the high end.

Are there any Bugattis on the road in China?

KTN: Yes, there are a few. We actually brought one to the auto show, and it was sold before we even put it on display.

Tell us a bit more about how Volkswagen as a company here. What are some of the corporate social responsibility initiatives that you've undertaken?

KTN: Of course we want to show that we approach the market responsibly and that we are responsible citizens in this country. We try to find areas that are related to our products, so one such subject is environmental protection. We have initiatives for schoolchildren to educate them about their CO2 footprint, and have summer camps for them.

We invest in our factories to improve their CO2 footprint. This is not about the product – I am always very proud to say that we don't bring old technology to China, it is the right thing. The requirements here are very tough, and because China is following European standards, very soon they will be at the same level.

We also emphasise safety, wearing seat belts, following driving regulations. We are doing television spots, Internet films, and we give DVDs to our drivers on how to use child seats properly, showing drivers that it's not safe to just hold the child in their arms, and we also plan to start selling child seats at a very reasonable price.

You have been in China since September. How do you find it so far, and specifically, how do you find driving in Beijing?

KTN: I knew I would like it because I traveled here for many years and had a lot of business here, but I didn't know I would like it as much as I do, especially since January, when my family arrived. Every day you can find something exciting, something new. The only downside is that time is running so fast here!

I enjoy driving here, actually. For me it's a lot of fun. Once you get used to it, you have to adjust the way you drive. It's safer than I thought it would be because everyone is really paying attention. But it has also affected the way I drive when I go back to Germany.

What do you drive here in China?

KTN: For business I am driven in a Phaeton, which I really like. To be driven in it, it's really the perfect car, it's quiet, and it's comfortable. Privately, I drive a sports car, an Audi R8. I use it to get my breakfast on weekends. I get out early and then it's great, the streets are empty, and it's fun, it's just fun. Eb

Feeling the Electricity: Alternative Vehicle Solutions Come to China

This year's Shanghai Auto Show didn't disappoint in delivering what gear heads love most: big engines, sleek designs and well, car models. But while flashbulbs popped all around the stands of super cars like Ferrari, Lamborghini and Maserati, one thing was for sure: everyone was talking about electric automobiles. EURObiz's Steven Schwankert reports.

Volkswagen Touareg hybrids and electric Polos drive through Beijing's Tiananmen Square.

Excitement over more environmentally-friendly vehicles began earlier this year, not at the Auto Show, but during the National People's Congress, when environmental protection and the development of cleaner energy sources were discussed as main planks of the 12th Five-Year Plan. Along with receiving support from the highest levels of government, alternative vehicles are receiving local incentives, such as being exempt from Beijing's strict new car registration lottery.

But for the moment, electric cars are still more science fiction than science fact. Infrastructure for charging in public and at workplaces remains minimal at best, and the technology remains expensive, both for industry and the consumer.

"China's central government is getting serious about electric cars," said Jack Perkowski, Managing Partner of JFP Holdings, a merchant bank for China, and founder and former head of auto parts manufacturer ASIMCO. "For example, the government announced last June that it would offer as much as RMB 50,000 ($7,700) subsidies for the purchase of plug-in hybrid electric vehicles and RMB 60,000 ($9,230) for pure electric vehicles, in Shanghai, Changchun, Shenzhen, Hangzhou and Hefei. The city of Beijing then followed through last November with a plan of its own, by announcing that it would offer similar subsidies, as well as commit to build a transformer substation and a transport management system for new energy vehicles."

"In this new competitive market, where the Japanese automakers got a head start, both runner-ups in Europe and China have adopted two very distinct approaches. European automakers have opted to protract their R&D phase in an attempt to surpass in quality the market leaders. Chinese automakers seem to be leveraging their cost advantage in order to set up aggressive pricing strategy models to undercut and gain market share," said Oliver Rothert, Director of the Mobility Division, TÜV Rheinland Greater China.

Local manufacturers may not even be car makers, or perhaps were not until recently, but built up their expertise on battery power systems either by making them, or by tailoring them to other battery-powered vehicles. "Although European players have the 'brand' advantage, Chinese have gathered extensive expertise in electric vehicles with now mature electric bicycles, wheelchairs and special vehicles manufacturers who can transfer their have hands on expertise from notably batteries to the electric vehicle realm. Electric vehicles expand the scope of mobility into whole new sectors which range from extraction of rare earths, power generation, distribution & charging, utilization, payment settlement and lastly recycling," said TÜV Rheinland's Rothert.

"We are sure that this is a major change for the auto industry, and we are dedicated to being in the lead if change this takes place, even though we may have some doubt about when the cars will be fully developed," said Dr. Karl-Thomas Neumann, President and CEO of Volkswagen Group China.

"We are trying to take advantage of China's strong focus on the electric car and say, we need to do more here, we need to develop here, we need to have better electric car offerings at both of our joint ventures, and we need to start communicating with Chinese officials and the Chinese public about what their expectations are," Neumann said.

"Right now there is optimism for electric cars, but that is based on a daily commute of 20 to 30 kilometers," said said Franz Fehrenbach, Chairman of the Board of Management, Robert Bosch GmbH. "The technology is still very expensive and somewhat experimental."

"The Chinese government is very engaged and ambitious regarding the electric car, and so are we. We are just not sure how swift the uptake will be and when it will become mainstream or mass-market."
– Dr. Karl-Thomas Neumann, Volkswagen Group China

The problem for electric cars, and specifically charging them, is at least partially situational. Unlike petrol-powered vehicles, which are refueled in a matter of minutes during the driver is using the car, electric cars require hours of charging that takes place when the owner is idle, either at home or at work. Although carrying additional batteries and swapping them is one option, the demand for charging facilities at office complexes and in residential areas has yet to be addressed.

Also, while many European and American drivers keep their cars in garages, which allow for easier construction and deployment of charging equipment, street, or at least outdoor, parking is almost universal in China, and retrofitting of such areas could be difficult and expensive.

Despite the current disconnect between policy and practice, electric cars are slowly appearing in China. Volkswagen used the re-opening of the National Museum in Beijing in order to showcase prototypes of its electric car models.

"For our demonstration at the National Museum, we put people in the car and got their feedback. I had the chance to drive around with some bloggers, and it's interesting what they think and what they tell you. The Touareg Hybrid is official now, it's a product that is available in China, and it has had a great reception so far in the market. Not only the government but also the people are interested in this new technology. They are open to it, and for Volkswagen this is a great opportunity," Neumann said.

Perkowski described a system being developed by Beijing KeyPower Technologies Co. Ltd. targeted at taxis that typically drive 300 kilometers per day in Beijing. "Since a single charge is only good for between 100 to 150 kilometers, depending upon driving conditions and habits, the taxi driver must have the ability, quickly and conveniently, to exchange a depleted battery for one that is fully charged." He cited Beijing's plans to have 30,000 battery swapping and charging stations in place by 2015 as a possible solution, along with KeyPower's own plans to reduce swap time to fewer than the three minutes currently required.

However, doubt remains about the time it will take not only for infrastructure catch up, but also the timeline for the standardisation of parts and critical mass required to reduce the overall production costs of electric cars, both for the industry and the consumer.

"There are two limitations for elec-

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tric cars. One is the range from one charge. You can make the case that people drive 60 kilometers in a day and then they charge it at night, even with a slow charger it is fine. But what about on those occasions when they go further? Are there solutions that can be offered? Can they rent a car, or is there quick charging?" said Volkswagen's Neumann.

"The second limitation is the sheer cost of the technology. Batteries now are expensive, although they have now come down in price, but I have always been saying that the price needs to come down to about one-third of what it is today to really become a mass-market product. It's a bit of a chicken-and-egg problem: we are building tens of millions of combustion engines in this industry and how many batteries are we going to make this year, and in five years, and in 10 years?" he said, adding, "From this point of view maybe the Chinese government is right to really push it and incentivise the process. But you can't build an industry based on incentives. At some point the cost has to come down to a point where people can afford it and the total cost of ownership equation makes sense for the electric car."

Gains can also continue to be made using current technology. "On the engine side, we can reduce the production of CO_2 by 30%. That can become 50% overall by modifying and improving the brakes and other parts," said Bosch's Fehrenbach, at the opening of the German company's new, energy-efficient China headquarters in Shanghai in April.

"It is important to design cars specifically for electricity and electric motors. It is too expensive just to swap current drive trains for ones that use electric."
– Franz Fehrenbach, Robert Bosch GmbH.

"Diesel is still a good choice for the next 20 years given its efficiency," he said. "Transformation to electric is expensive – the volume is too low, the cost is high and not yet standard. Therefore, offering standard parts early allows everyone to reap the cost benefits."

While domestic makers like Guangdong-based car manufactuer BYD have been quick to take advantage of government support and specifically subsidies for electric cars, there is concern that foreign auto makers may get pushed aside in that process. Still, access and cost of technology remain the primary barriers.

"As we see ourselves as a strong contributor and that we live up to the expectation that we do development here in China, including the development of intellectual property, we expect that in exchange we are treated in the same way that Chinese companies are treated. The market will in the end have a great deal of influence. I was on the team that supported the electric car in Germany, and they set the goal of having 1 million electric cars by 2020. Here in China, they have a goal of 5 million cars by then. But there is no one that's going to buy an electric car if it's too expensive, or if it doesn't work, or if the range is not far enough," Neumann said.

"You can only reach that goal if you have an attractive product, if you have something you really want to buy. But there I think Volkswagen can make a large contribution, and also the government and the business framework here can support that ultimately," Neumann said. Eb

The ACEA: Pressing the Issues

EURObiz's (Eb) Steven Schwankert asked Dr. Dominik Declercq (DD), Chief Representative, China, European Automobile Manufacturers' Association and the Chamber's Automotive and Automotive Components Working Group Chair about the top issues facing European car and parts makers.

DD: The Chinese government, in a number of important cities, is recognizing that investing in infrastructure cannot keep pace with the growth of the automotive industry. For example, China will limit to 240,000 per year for the coming three years the number of car license plates that can be sold in Beijing. Other cities might likely follow this example.

Since European cars tend to be more predominantly in the luxury category, sold primarily in major cities, it will disproportionately affect us, while we do of course sympathise with the Chinese government.

Eb: What are other top issues for the automotive industry?

Also of concern to us is the drive by China to introduce electric and other alternative energy cars. The Ministry of Industry and Information Technology (MIIT) plans to determine what number of new vehicles must use electric or alternative energies. It is very clear that this push is a way of promoting Chinese companies to move into new markets, such as Europe and the United States.

Because they want to push their own industry, much of what [the government and the manufacturers] are doing is out of bounds for European automotive companies. This is understandable, but it may mean that China will develop different technical standards than the rest of the world, and therefore different production requirements for China than for the rest of the world.

It should be noted that the European regulatory framework for emissions is reference number one for China. China's next milestone would be to implement Phase III of the fuel consumption standard for passenger cars, which adheres to the EU Commission's CO_2 directive. China's standard has to be defined this year.

Eb: Tell us about the ongoing work of the Group.

DD: The Automotive and Automotive Components Working Group is involved in all the standardisation work that is taking place in China. Its main platform is to push for harmonized technical standards, both of which are written into the Chamber's annual Position Paper.

One thing we might include in the Position Paper is to impress upon the Ministry of Commerce that pushing down sales of imported cars will not be positive for the trade balance between the EU and China. Currently, European cars represent about 25-30% of total sales, but that is part of a growing pie. Eb

Environmentally Friendly Manufacturing for a Greener China

In mid-April, Bosch China inaugurated its new national headquarters in Shanghai, making significant use of its own products to reduce overall energy consumption, including a roof covered with solar panels and technology that taps underground geothermal sources. Despite those innovations, the majority of Bosch's market in China is for its automotive products. Bosch China President Dr. Chen Yudong talked to EURObiz's Steven Schwankert about opportunities in the world's largest automotive market.

EURObiz (Eb): What kind of market innovation opportunities does Bosch see for environmental concerns in China?

Chen Yudong (CYD): Bosch is a company focused on environmental protection. Our products really try to help the environment. For example, from our automotive technology, we provide the best solutions for environmental control, to meet Euro II, Euro III and Euro IV standards, and we also have some products for Euro V now in China. From a product perspective, this is the state of the art for the China market. We are also working with Chinese cities and the Chinese industry to improve environmental conditions.

Outside of our automotive group, we also make products that are environmentally focused. We have a solar energy business and we also produce key components for wind turbines. For consumer use, we produce thermal technology products of much higher energy efficiency, which of course is environmentally beneficial.

From a production perspective, we have a team that specialises in environmental protection and the health and safety of our workers so that we provide good conditions not only for our workers, but for our society – we don't want to be a polluter. Our own internal regulations are very strict, we have a big team, 60 people, which works only on health, safety and environmental protection. We won an award earlier this year from the Chinese Federation of Environmental Protection as an Environmentally Friendly Enterprise. From these two perspectives, we try to be good corporate citizens, in terms of being environmentally friendly both in our products and our production.

Eb: How does Bosch balance its automotive and non-automotive businesses in China?

CYD: Our automotive business in China is about 60%, some years plus or minus a few percentage points. For the rest, we have our industrial technology, to provide products for industrial use, including hydraulic applications, used by many power stations, and also sensing implements and controllers. The third part is building technology and the consumer group. Building technology includes energy-saving thermal controls and products like closed-circuit television systems. There are also consumer products like refrigerators, washers and dishwashers.

Eb: What are the major issues for Bosch on the R&D side, especially here in China?

Bosch spends roughly more than three billion Euros for R&D globally. We have close to 2,000 automotive engineers, including products, applications and manufacturing. We have roughly 26,000 people. Here we are focused on localisation of mature products, developing products for the local markets and adapting European applications to the local market and finally, platform development. Right now we have some global platform development in Shanghai for worldwide applications.

Eb: What are some of the human resource issues the company is facing in China?

CYD: Every year there is a fight for the talent pool. There are millions of University graduates, but we battle for that talent. How do we attract talented people? How do we retain them? How do we make sure that they fit to the needs of our business environment? Every year we look ahead 10 years when we plan for our recruitment. We expend a lot of effort to mature our whole organisation so that we can attract, grow and retain talented people.

I joined Bosch in 2007 from the outside. Bosch had the vision to localize the management team, so I was hired locally and then sent to Germany for 15 months to learn about German culture, the company structure, and to develop a network within the company. I returned from Germany in May 2008, and became Bosch's President for China from 1st January of this year.

Eb: There's a big emphasis on energy and energy-saving technology in the 12th Five-Year Plan. What are we going to see from Bosch in that area, especially on the automotive technology side?

CYD: We are working on new energy vehicles, which include electrical, hybrid, and flying hybrid, which originally used the traditional internal combustion engine. We produce for both in China and we believe both have a great future.

For traditional power trains, we focus on Diesel engines and we believe, if we can improve 1% of usage that would save a lot of oil and CO2. Also, advanced technology can improve the gasoline engine, such as direct injection (DI) and adding turbo, which can allow the use of a smaller engine to power a bigger car, as smaller engines are producing more power, and that saves a lot of energy. We have undertaken a lot of projects and also localisation of components for DI and we are a major supplier of DI engines in the market. A lot of OEMs in China, both local and foreign, have DI projects.

For new energy projects, we have a localized 40-person team in one of our joint ventures dedicated to new energy vehicles, including electrical engines and also power electronics used in new energy vehicles and electric vehicles. We are working with local OEMs and international OEMs to get these products to market. We are also looking at how we can localise our batteries to sell in China.

We have a very simple product called a start-stop. It's an easy-to-use, low-cost solution and it can save at least 5%.

EURObiz: Do you feel that a European company like Bosch is as welcome as a Chinese company competing in the same space, especially in areas like new energy vehicles?

CYD: Bosch should have a position in the China market. We believe we hope to provide the best technology, and the best economical technology for China. No matter what, we are a German company, but we try to act as local as possible. Maybe regulation-wise we are treated a little bit differently, but our customers do not feel any differently. We compete against domestic and international companies, we do not feel we are excluded from bidding because we are a foreign company, we have not experienced that. It's hard to say what future regulations will be, but for now, our customers in China use the technology that's most suitable for China.

I've worked in China in automotive for the past 20 years, and I have not experienced that if you work for a foreign company you are excluded from the bidding process.

Eb: What kind of trends are you seeing in terms of auto safety, and what are you doing to take advantage of those trends?

CYD: Bosch is working actively in automotive safety. We are the market leading for Anti-lock Braking Systems (ABS). We see that the installation rate for ABS is already very high, but the installation rate for Electro-Static Discharge (ESD) systems is very low. We believe that the ESD market will have a very strong future and can do a lot to stabilise a car in urgent conditions. You can see that for drivers, especially for drivers in mountainous areas, ESD can at minimum potentially save a lot of lives. Right now luxury cars all have ESD, but not so many in the smaller category. The technology is now affordable for all segments, and so we hope we'll see an increase in the ESD installation rate in the near future.

Eb: What about thermal technology in China, both automotive and for consumer and home use?

CYD: We offer electronic cooling fans, a localized product, to OEMs for automotive customers. Bosch also has a thermal division for our building technology, which specialises in using different heating sources, including thermostats for building and houses. We also have devices that use geothermal heat, which we use in our new headquarters in Shanghai, and solar products, which have been used in places including Tibet, where it was used to provide hot water. Our solar panels are also used on the roof of our new Shanghai headquarters. We were a little bit late to that market but we are trying to have a market position there as it is a growing business.

Eb: How does the availability of rare earth minerals and recent volatility in that market affect Bosch?

CYD: Honestly speaking, at Bosch China, our production here has no such difficulties, I'm not aware of any issues relating to that, it hasn't affected us. Eb

Ensuring Export Compliance in China

Aside from trade barriers and intellectual property rights, not to mention fierce competition from both domestic and foreign manufacturers, automotive components makers in China face rigorous product standards, especially for export markets in the European Union. Having performed the same standarisation oversight on almost every continent in the world, TÜV Rheinland is ensuring that parts produced in China meet mandated levels of quality, EURObiz's Steven Schwankert reports.

TÜV Rheinland's Director of the Greater China Mobility Division Oliver Rothert.

EURObiz (Eb): In terms of the companies you serve, are they mostly foreign or Chinese automotive manufacturers?

Oliver Rothert, Director of TÜV Rheinland Greater China's Mobility Division (OR): Compared to other industries, the automotive industry has a relatively limited number of clients due to the size of the players upstream. Our contribution to the automotive industry comes mainly from two units that deal respectively with the outbound and inbound markets. Both combine German know-how and local experts to ensure solutions tailor-made for the Chinese reality. We started our mobility business here in China in the early 1990s, mainly dealing with export vehicles and components. Our homologation experts serve mainly local manufacturers by ensuring that their products are ready for delivery to Europe, South America, Africa, Russia, Southeast Asia and the Middle East. Our job consists in investigating an auto manufacturers' target market, assisting them in passing the technical barriers there and applying on their behalf to the local authorities for entry approval. Although these services focus mainly on whole vehicle export business, we also make available component testing projects and consulting. India and Taiwan represent the main exporting regions for this service.

Later, in 2005, we introduced our second unit, which focuses on China Compulsory Certification (CCC) consulting – the Chinese mandatory requirement for imported vehicles and components. We work with foreign vehicle and component manufacturers who wish to enter this market. The main focus here is on components since all vehicle manufacturers who enter China must get CCC approval for each individual components be they simple parts – the likes of lamps, glass, safety belts – or more complex ones such as engine blocks and navigation systems.

Eb: How is the market in China different than the market in Europe?

OR: As opposed to Europe where the market has hit a plateau, the Chinese market is still a growing market and full of opportunities. However, there are many uncertainties that come from this rapid growth where third-party inspection companies like ours can greatly serve to mitigate risks. Overall, in terms of opportunities, one can see the size and the space to grow has not yet stabilized and there are clear cases where companies have run profitable operations here but failed at home. It is obvious that the market is big enough, yet competition remains incredibly fierce, notably with driving down costs. In terms of uncertainties, the regulatory business is still outpaced by the rate of development. As local authorities accelerate the publication of new regulations to bridge this gap, it becomes increasingly important for local and foreign players alike to have the flexibility to adjust to the requirements. That's not an easy task for this industry as many players employ thousands of workers. Finding a reliable partner who follows the market standards is a great asset to navigate here.

China also differs from Europe in the way it attracts foreign original equipment manufacturers (OEMs) to establish their supply chain here. Although a cost-saving tactic at the start, this may also be seen as a marketing initiative to show increasingly discriminating local buyers that vehicles made here have the trademarked foreign components and know-how that are behind the brand. This localisation has a great impact on improving quality downstream since there is a clear trend to source locally and push local manufacturers to be at par with the foreign component suppliers. In parallel to this, foreign component manufacturers wishing to keep their market share from global automakers choose to relocate closer to the latter's OEM. The mid-2000s migration of Japanese auto component suppliers to the suburbs of Guangzhou or more recently the 360-million-Euro investment of a major German player in the market illustrates this. One thing is clear, auto and component manufacturers alike are well aware of the fact that if you cannot reach 80% localisation, you need to pay higher duties on your exported vehicles.

Eb: What are the greatest barriers that foreign components manufacturers face in China?

OR: For the most part the challenges are not particularly specific to the auto industry but rather share commonalities with foreign companies entering China. One common challenge is to negotiate contractual employment and land usage with local authorities. This is very different from other countries as relations need to be developed and nurtured. Another recurring delay is the time required to establish and plug into a reliable supply chain. Payment terms are longer than encountered in Europe and therefore cash flow can also become an issue. Particular to foreign component manufacturers is the difficulty for them to expand their scope to provide for local automakers. Beside the need to develop the capacity to engage in local business modalities, there is the challenge of competing with the lower production costs of small suppliers. Lastly, government authorities are more likely to monitor closely foreign players on conformity of product checks and to ensure that production chains follow local regulations.

Eb: How important is intellectual property protection to foreign components manufacturers?

OR: Looking back, in the 1980s, some European automakers established production in China of already discontinued models. This ensured technology transfer without the risk of gambling core brand know-how. However, this era is over. Twenty-five years later, global players know that if they do not introduce their latest vehicles and components, they will miss out on the world's most dynamic market. Consequently, much thought is required to protect the latest technology.

Intellectual property rights (IPR) infringement is a serious matter, especially when vehicle components that perform clearly defined safety functions are copied. In terms of prevention, some locally-based foreign manufacturers outsource their core expertise from Europe and establish their assembly here. However, in the long run this is not sustainable as the imbalance created between a cost-driven market and increased R&D cycle costs condemn this model in the long run. Others have established their R&D centers here and are working with the local authorities and their partners to nurture a climate where IPR protection brings positive gains to all stakeholders by ensuring foreign direct investment, securing jobs, contributing to local universities and improving competencies. This is a long-term process but in the end it empowers partners to also protect the brand. Lastly, one way to prevent IPR infringement is to leverage foreign and local clients to request authenticated components, by using online tracking platforms or resorting to third-party certification providers who can confirm the origin of shipment.

IPR legislation is already there but many foreigners know little in terms of how to appeal for it or at times, skip the legal proceedings required to build a case in front of authorities. The best advice we have is to consult with experienced legal firms who can provide the best advice. All in all, there must be continuous support in government and industry dialogues for IPR protection, which requires a concerted approach at many levels .

Eb: How much of an advantage is it that China has begun to adopt EU emissions standards for various classes of vehicle?

OR: TÜV's clients benefit from this since they are able to unify the development of their vehicles and engine parts in parallel for the local and European market. What is beneficial for us is that the Chinese authorities are pushing for regulations that refer to the EU's End-of-Life, which specifies methods for disposing of vehicles and their materials when they are scrapped. In this field we are working closely with the Chinese Automotive Technology and Research Center, the local standards automotive bureau, to find out ways to support our clients in reaching foreign markets and respecting local standards. Eb

ASIA-PACIFIC HEADQUARTERS STUDY: SHANGHAI RISES ABOVE

By Tony Robinson

Shanghai ranked highest out of 15 Asian cities as the top choice for European businesses establishing an Asia-Pacific headquarters (APHQ), but Hong Kong and Singapore remained competitive, according to the Asia-Pacific Headquarters Study released 7th April by the European Chamber and Roland Berger Strategy Consultants.

The study examines how European multinational corporations select the location of their headquarters in order to compare the perceived competitive advantages of various cities in the region.

The results were obtained through both quantitative surveys and qualitative interviews conducted with senior representatives of European companies in the Asia-Pacific region over Q4 2010 and Q1 2011.

Findings

Respondents were asked to rank 15 major Asian cities regarding their overall attractiveness as a location for APHQs, choosing Shanghai first, followed closely by Hong Kong and Singapore.

Shanghai

Despite the many advantages of the established Asia-Pacific business hubs included among the choices, the respondents in the survey ranked Shanghai first if they were to select a location for their APHQ today. That potentially surprising choice, given the strengths of Hong Kong and Singapore, might be explained by the high importance respondents placed on Shanghai's primary advantage: its location in central, coastal China with direct access to the largest market in the Asia-Pacific region.

The main challenges for Shanghai-based headquarters lie in the regulatory and tax environment, which create less favourable business conditions compared to Hong Kong or Singapore. Low levels of predictability and transparency in the regulatory environment were noted as well as high levels of bureaucracy. Furthermore, there is a reported perception of discrimination against foreign enterprises. Shanghai also has high levels of both corporate and individual taxation when compared to these other two major centres.

A further concern is the difficulty for foreigners to obtain visas and the hukou (household registration) system for Chinese individuals from outside of Shanghai. Importantly, Chinese staff cannot easily obtain visas to travel to many other Asian cities – a real barrier when trying to run regional operations from within China which may require staff to travel quickly to other countries to deal with situations.

A number of recommendations based on the findings of this study will be formally presented to the governmental authorities of Shanghai:

- Improve the overall regulatory environment and overcome bureaucratic burdens.

- Design a more competitive individual and corporate taxation system.

- Ensure the availability of qualified talent in sufficient numbers.

Hong Kong

Hong Kong was perceived by respondents to have a favourable legal and regulatory environment, a stable and mature financial market, and an extremely competitive corporate income tax structure. Compared to Shanghai, which respondents perceive as highly regulated, Hong Kong is regarded as "very straightforward" when it comes to regulatory, administrative, and financial processes.

The living conditions in Hong Kong

City Ranking By Attractiveness		Attractiveness Assessment	Named in Top 5 (#) 1	2	3	4	5
1	Shanghai	12.13	17	15	17	7	1
2	Hong Kong	11.89	19	17	5	3	4
3	Singapore	11.54	17	12	9	7	2
4	Beijing	10.58	6	10	8	12	6
5	Guangzhou	7.53	2	1	4	4	6
6	Shenzhen	7.37	0	1	3	4	8
7	Tokyo	7.31	0	2	3	7	5
8	Kuala Lumpur	7.04	0	1	2	4	6
9	Bangkok	6.64	1	1	3	2	5
10	Seoul	6.61	0	1	3	0	2
11	Taipei	5.81	0	0	2	2	2
12	New Delhi	4.09	1	0	1	0	2
13	Jakarta	3.40	0	1	0	1	0
14	Hanoi	3.28	1	0	0	1	0
15	Manila	3.19	0	0	0	2	3

Source: European Chamber of Commerce in China/ Roland Berger Strategy Consultants

are also perceived as being excellent, but the cost of living and the environmental conditions (i.e. the air quality) are noted concerns. The study's findings suggest that for Hong Kong to maintain its strong position in the region it should look to enhance its business and trade relations with the rest of China. It was suggested that further liberalisation and promotion of cross-border trade and investment should be pursued, alongside developing infrastructure links. Furthermore, the level of Mandarin spoken in Hong Kong was noted as a challenge.

Singapore

Singapore scored highly on many of the criteria ranked as most important with respondents pointing to the competitive corporate and individual taxation rates, transparent and predictable regulatory regime and legal environment and investment in the skills and knowledge of its multicultural workforce.

It was emphasised by interviewees that the living conditions in Singapore are particularly good – including well-established education, healthcare and childcare systems. It is a truly global city with over 26% of its population coming from abroad (this can be contrasted with 4.85% in Hong Kong and 0.78% in Shanghai) with visa processes being regarded as very straightforward and easy. Furthermore, the standard of English language is particularly high.

However the survey respondents view its distance from the China market as a key challenge and it is perceived as being an expensive location in comparison to other regional centres.

Beijing, Guangzhou and Shenzhen followed the top three, reinforcing the growing importance of major cities in China as primary locations for APHQ.

Shanghai ranks first on the most important criterion - proximity to clients and markets.

Methodology

After ranking the 15 major cities for their overall attractiveness as destinations for APHQ, respondees were then asked to rank approximately 25 criteria based on the level of importance in influencing their decision to the decision to locate their APHQ in one of the top three cities.

In response to the question "please rank the following selection criteria according to their importance for locating the Asia-Pacific headquarters," respondents chose the top 10 out of 25 possible criteria, in the following order: proximity to clients/markets; favourable legal & regulatory environment; stable and favourable political environment; favourable business environment; favourable tax environment; access to human capital; lower cost of operations; transparent and easy market access; proximity to production facilities; and access to distribution channels

The performance of Shanghai, Hong Kong and Singapore was then compared according to their respective assessments on the top 10 most important criteria.

In resopnse to the question, "please evaluate how Shanghai/Hong Kong/Singapore is performing on the following criteria, respondents ranked Shanghai ranks first on the most important criterion - proximity to clients and markets – but it lags behind both Singapore and Hong Kong when assessed on the other four out of the five criteria considered most important by respondents.

Hong Kong placed only slightly ahead of Singapore and is also remarkably strong in terms of administration, regulation and taxation.

Singapore performed best on many key selection criteria including favourable legal and regulatory environment as well as stable and favourable political environment. Eb

The full PDF version of the study can be downloaded from our website. To obtain a hard copy please contact Ms. Ada Du at shanghai@europeanchamber.com.cn, tel: +86 (021) 6835 2023 Ext. 100.

IPR Protection for the Creative Industries in China

China's rapidly expanding consumer market creates both opportunities and challenges for European businesses in creative industries. Ideas and designs are the lifeblood of creative businesses and infringement can be particularly costly and damaging. However, creative ideas and designs that are not adequately protected often fall victim to infringement by potential Chinese clients or Chinese competitors.

There are three key intellectual property (IP) issues often faced by creative businesses in China such as architectural design, product and graphic design, photography and cinematography. Each must manage the protection of their copyright, industrial designs and trade secrets.

Copyright

As in Europe, copyright in China arises automatically upon the creation of a copyrightable work. Copyrightable works include architectural or engineering drawings, works of fine art, applied art, literary works, music or sound recordings, dramatic or cinematic works and software. It is important to remember that copyright protects only the expression of an idea, not the idea itself.

China also allows for the voluntary registry of copyright. Copyright registration is presumptive evidence of ownership to enforce copyright and greatly reduces the preparation of evidence. Copyright registration in China is inexpensive, easy, and generally recommended.

However, if copyright is not registered or registration is not planned, it is important to retain evidence of creation and ownership so that both can be proven later. Always indicating the author's name, date of creation, and using the © symbol on the work (including on all drafts) are simple steps that can be taken throughout the creation process. Having a copy of the work notarised by a Chinese notary is also an easy and relatively inexpensive way to establish admissible evidence of creation and authorship. "Poor man's copyright," which refers to the practice of sealing and mailing a copy of the work to oneself to establish evidence of the date of creation, authorship, and the work itself is not as reliable as notarisation because its authenticity can be challenged in court.

Unlike in many other countries, in China, the scope of protection of the copyright in a two-dimensional drawing does not extend to three-dimensional applications. For example, copyright in a two-dimensional architectural design does not extend to the actual buildings based on the design. To fill in this gap in protection, a contract for the work should clearly state that creator retains the copyright of any three-dimensional applications based on the original two-dimensional designs.

When creating works for others or commissioning others to do so, make sure that the contract clearly states who owns the copyright of the work ultimately produced. Unlike in many other countries, in China, the commissioned party owns the copyright to the works unless the contract states otherwise.

Industrial Designs

Industrial designs protect the aesthetic features (shape, pattern, colour) of industrial products are protected as design patents in China and must be registered. Designs registered in a foreign country do not enjoy protection in China. To qualify for protection, a design must be sufficiently distinguishable from other designs. Currently, it takes approximately nine months to one year to obtain a design patent in China. A design patent gives the holder the exclusive right to use or allow others to use the design in China for 10 years.

An existing design, including one you have created, cannot be registered. The creator is given six months from the date a design is first used publicly or published to apply for a design patent or file an international patent application. Therefore, it is strongly recommended that seeking design patent protection be considered before any public use or publication.

In some cases, if an industrial design exhibits a high degree of creativity and its aesthetic elements can exist separately from the functional features of the design, it can also be protected as a copyrightable work. For example, a design for a lamp with a statue base enjoys copyright protection as to the statue base. It is important to know whether or not the design can be protected as a work of applied art, and appropriate measures taken to protect it. Most industrial designs do not enjoy copyright protection as works of applied art and can only be protected as industrial designs.

Trade Secrets

In China, a trade secret is any non-public information of commercial value that is treated as confidential. Trade secrets include undisclosed designs, sketches, models, customer lists, supplier lists, price lists and contractual terms. However, protection of trade secrets is lost as soon as the information becomes public. Measures to ensure confidentiality include the use of confidentiality agreements tied to disclosure, non-disclosure agreements with employees, the use of passwords and the demarcation of documents as confidential.

Prevention is the key to protecting trade secrets. Although legal action is available, it is often difficult and not always feasible to prevent the further dissemination of sensitive information once it has been disclosed. It is a good practice to periodically catalogue what potentially valuable trade secrets a company holds so that proper precautions can be taken.

Most cases involving the theft of trade secrets involve former employees or potential clients. It is important to require all employees to sign an employment agreement with non-disclosure, and if necessary, non-compete provisions. It is also important to limit access to certain valuable information to only certain employees with a need to know and to conduct exit interviews.

A good practice is to insist that third parties, including potential clients or suppliers, sign a confidentiality agreement before the commencement of negotiations or transfer documents.

However, a potential client may refuse to sign a confidentiality agreement because they may consider such a request to be hostile. In these instances insist, but if they continue to refuse, it is important to disclose only very preliminary work product such as rough sketches or previous designs that are not considered to be operational or of high value.

Preventative Measures for the Protection of IP

Although there are effective legal and administrative remedies for IP infringement in China, cost-effective protection of creative ideas and designs in China generally requires a combination of knowledge, prevention and business savvy. Preventative strategies for the protection of IP generally include the registration of IP, contractual protection and preventative operating measures.

Insist that third parties, including potential clients or suppliers, sign a confidentiality agreement before the commencement of negotiations or transfer documents.

IP is most protected when properly registered. Industrial designs, invention patents, utility models, and trademarks must all be registered for them to be protected in China. Although copyrights do not need to be registered, registration is useful in the event that enforcement is required. It is important to have a plan in place to determine what IP will be registered and to take other proper measures for IP that will not be registered.

In addition to or in lieu of registered IP rights, protect IP contractually by ensuring that contracts clearly stipulate the ownership of any IP produced and contain proper confidentiality provisions. However, contractual protection only is available once negotiations have matured to a point where a contract can be discussed and signed. In lieu of a full contract, insist on having a confidentiality agreement before negotiations start or documents are transferred.

Finally, business savvy and employing preventative operating measures can go a long way to ensure that IP is protected. It is important to draw a line prior to negotiations to determine an acceptable level of IP risk should the business opportunity not mature to fruition. Protecting IP may require turning down certain opportunities. This may be extremely difficult, particularly for small creative businesses, but a potential client who is not willing to recognise protection of IP is also the client most likely to steal it or not pay for work as agreed.

Often in the early preliminary stages or at the bid soliciting stage, potential clients will insist that on the submission of full conceptual designs and three-dimensional renderings. In such circumstances, it is difficult to insist on confidentiality measures. It is at this point where registering IP and thoroughly documenting the transfer of documents is critical. Although circumstances will vary in each instance, try to meet your potential clients face-to-face to get a feeling of their professionalism and to develop a personal relationship, show them only preliminary sketches of ideas, ask for payment up front or in increments based on performance targets, seek references from colleagues or acquaintances, or ask them to visit your business premises to be shown full conceptual designs or three-dimensional renderings.

Although seemingly daunting, with a few simple preventative steps and appropriate registration of rights, creative work can be adequately protected in China.

If you have further questions about formulating a tailored IP protection strategy for your business or creative work, please direct to enquiries@china-iprhelpdesk.eu. Your enquiry will be treated with the strictest confidence and will be answered within seven working days by one of our China IP experts.

The European Union China Trade Project II

– Working Towards Common Goals

The European Union China Trade Project (EUCTP) II is the EU's largest technical assistance project in China. The project supports the work of the EU Delegation and the EU China political and economic dialogues by helping to develop co-operation between the two sides on trade issues.

"China's fast economic growth is changing the global trade and investment landscape, and creating a growing market for goods and services .Although this is helping to reduce poverty in China and raise living standards across the country, this export led development strategy is reaching its limit," said Phil Bartley, EUCTP II team leader. This means that China has to refocus its attention on domestic demand, and from an industrial perspective it wants to move up the value chain and promote a low carbon agenda, requiring a shift in trade policy and its implementation. The EU believes that supporting that work is good for China and its main trading partner Europe, he said.

The European Union is China's largest trading partner and market, and the EU and China form the second-largest trading relationship in the world. Like its predecessor, 'EUCTP',,the new project will continue to support policy reform and legislative drafting at the central government level, it will also prioritise provincial level enforcement work, Bartley said. "As the component expert for cross-cutting policy issues within the project, I work on policy developments in China on low carbon issues, fair competition, public procurement, public consultation, IPR and investment rules. Europe has a lot of experience in all of these fields, ranging from its experience in improving trade policy development through public consultation in legal drafting, through to its experience in ensuring good enforcement of trade rules across 27 member states."

The project's other key focus areas include the development of the services sector, ensuring safety of both food and non-food products, improving China's compliance with quality infrastructure and international standards, and finally the modernization of China's customs regime, Bartley said. The project is designed to highlight Europe's policy and regulatory experience as a good reference point for China's own development. Ultimately improving legislation, regulation and enforcement will create a better business environment for Chinese and European companies. Europe has experience in doing that, and wants to share knowledge with China. "It is worth noting that EU policy makers are more and more asking the question, what can the EU learn from China?" he added.

During its five-year mandate, the project will deliver around 400 training events, policy conferences and seminars, trade research studies as well as study visits for Chinese officials to Europe, according to Bartley. "One important part of our work will be to provide expert input in China's trade legislative drafting process."

"We try to work only on those themes that will have the biggest impact. The previous EUCTP project [2004 – 2009] provided a European perspective on the drafting of China's Anti-Monopoly Law, which was promulgated in 2009. That law actually incorporated principles that are close to the European competition regime. EUCTP II will continue work with the competition authorities as they develop the secondary legislation and regulation that will define Chinese competition policy," Bartley said. A strong, transparent and well-enforced competition regime will improve China's overall business environment, he said.

As for the scope of the EUCTP II's other main components, trade in services will be an important focus because services contribute close to 40% of China's GDP, compared with a global national average of around 70%, Bartley said. The Chinese government has identified services as an important area of development of its newly launched 12th Five-Year Plan.

"As our services expert, Madame Huang Danhan, points out, better regulation and more competition in this field will provide better, cheaper services for Chinese consumers and more opportunities for European business. A more open market and more stable environment for business will also provide new sources of employment. One of our key goals will be to support China's development of a robust regulatory framework, and the creation of an advanced service sector in areas including financial services, telecoms, environmental services and healthcare," Bartley said.

"Quality infrastructure is an important building block for innovation and work in this field will help to lay out quality and safety requirements for products in line with international standards. The government has emphasised China's push to become an 'innovative society', and the work we do in this area will co-ordinate with that agenda, while also highlighting the importance of ensuring a level trade playing field and alliance with international standards," said Charles Barker, EUCTP II expert for quality infrastructure and technical barriers to trade. "All of these points recognise that emergence of 'global supply chains' and the fact that regardless of their nationality, companies need to be able to rely on common principles and rules for standards development and enforcement," he said.

The project also covers areas that have emerged as great concern to the Chinese government and public. "Food safety is a critical issue and a massive priority for the Chinese government. China is the world's largest agricultural producer and is a significant food exporter. This means that food safety in China is not only a domestic concern but also an international one," said Javier Burchard, key expert for agriculture and sanitary and phytosanitary concerns (SPS).

"The project will support the EU's efforts to increase co-operation between the Chinese authorities on food safety, developing regulations and improving enforcement. This will help to deliver safer food for consumers," he said.

EUCTP II is also working with the European Commission and the Chinese government to support their ongoing negotiations on a Geographical Indications (GI) agreement. "The GI sector in Europe is very well developed and makes a significant contribution to Europe's agro-food exports with products such as champagne, parma ham and feta cheese," Buchard said."China too is a country rich in agricultural and traditional agro-food practices and an agreement would further enforce these practices, support rural development and facilitate trade. Our project will help to bring some of Europe's experience in developing a GI system to China," he added

China has to refocus its attention on domestic demand, and from an industrial perspective it wants to move up the value chain and promote a low carbon agenda.

Also handled by the EUCTP II is customs reform, designed to create greater efficiency and transparency in trade between the two sides. "Our activities in the Customs component will support the implementation of the EU-China Customs cooperation agreement, which is a part of China's customs modernisation program. This modernisation will facilitate trade, by making Chinese customs controls more efficient. Modernisation will simplify procedures, reduce transaction costs and time, and increase transparency - all of which will facilitate the import and export of goods," said Li Zhongzhou, key expert for customs. The General Administration of Customs of China has made modernisation a priority, and the EU customs blueprints will be used to support customs reform. "This work will not only be mutually beneficial for European business, as Europe is China's largest trading partner, but will also support joint EU-China efforts to clamp down on IPR infringement and smuggling activities," Li said.

In all of its activities, the EUCTP II is emphasising the importance of sustainable development and stringent targets for low-carbon growth on both sides.

Europe's 20/20/20 goals will reduce greenhouse gas emissions to at least 20% below 1990 levels, and ensure that 20% of EU energy production will come from renewable resources by 2020. Similarly, China's aim to dramatically reduce its energy intensity (16% by 2015) is an important focus of its 12th Five-Year Plan and will require large-scale structural reform and huge investment in clean production, energy-saving technology and new environmental technology.

It is estimated that China's policy shift towards achieving a low-carbon economy will require infrastructure and technology investments of as much as 350-700 billion Euros annually, equal to 15% of China's forecasted GDP in 2013. As well as encouraging investment, policies to meet these ambitious targets will be geared to encourage international cooperation in science and technology and homegrown technological innovation.

The EU is at the forefront of regulation of renewable energy, standards for energy efficient buildings, demand management and other low-carbon policies. The EUCTP II will work with the EC and the Chinese government to exchange knowledge, provide training and help develop policy and regulation in the following key areas:, support and development for legislative drafting such as energy storage legislation and renewable energy production; smart grid standardisation and connection to clean energy sources including wind and solar power; energy efficiency standards and codes in the buildings sector including the drafting of performance certificates and related standards; development of the electric vehicles sector; and the feasibility of an emissions trading scheme in China. Eb

To learn more about the project and the EU and China's co-operation on low carbon, contact visit www.euctp.org.

EURObiz Events

Event information is subject to change. For full details, please visit our website:www.europeanchamber.com.cn/view/events

BEIJING

European Chamber SME Conference 2011-4-29

12th May, 8:00 am – 12:00 pm,
Westin Chaoyang Hotel

Following the success of its SME Focus events, the European Chamber is pleased to be holding its first large-scale conference in May to provide a platform for European SMEs to receive expert advice and insight on the key issues that face SMEs in China.

SMEs are the backbone of the Chinese economy and make an immense contribution to China's economic growth, competitiveness and employment. At the same time they are increasingly recognizing the opportunities available for SMEs in China.

Together with all these opportunities come a multitude of often unique difficulties and issues that SMEs often do not have the resources to deal with effectively.

This conference aims to provide a platform for sharing expert knowledge in these key areas for our SME members and to further expand their network.

European Chamber Business Confidence Survey 2011

25th May, Time TBC,
Kempinski Hotel Ballroom

The European Chamber of Commerce in China launches its annual Business Confidence Survey.

The European Chamber Business Confidence Survey 2011 was conducted over February and March 2011 and achieved response from nearly 600 European companies operating in China. The results are the most comprehensive and wide-ranging set of data yet collated for this annual publication.

This event unveils the results of this year's survey, and is then followed by a seminar for members and the public explains the findings.

ISO 31000: The Standard for the Management of Risk: Full-Day Training

26th May, 8:30 am. – 5:00 pm,
European Chamber Beijing Office,
Beijing Lufthansa Center

An in-depth training on how to perform effective risk management in your organisation, according to the International Standards Organisation specifications.

The training workshop will be led by Kevin W. Knight, Chairman of the ISO Project Committee 262 - Risk Management, who has unparalleled experience in the field, as a leading contributor to the writing of the internationally-accepted ISO standard on risk management. Mr. Knight will be travelling to China for the sole purpose of giving this training opportunity to European Chamber members and friends.

Attendees at this training will receive a certificate that confirms completion of this full-day workshop.

CHENGDU

Europe Day Party 2011

20th May, 18h30 till late
The Crystal Room, Intercontinental Hotels Group-century City Chengdu

An annual celebration of Europe Day: this Chamber event will welcome government officials, European Chamber delegates from Beijing, European Chamber Chengdu members and foreign partners, Chinese business executives, and members of the local media.

NANJING

Spring Garden Party 2011

28th May, 4:00 pm,
Sofitel Zhongshan Golf Resort Nanjing

The European Chamber and Nanjing International Club are happy to invite you to celebrate with the "Jinling Dragon World Music Band" the arrival of the springtime at its third Garden Party.

For this event, 20% of all ticket sales will go to support Hopeful Hearts and Pfrang Association.

SHANGHAI

Shanghai Gala Ball 2011: An Evening on the Silk Road

7th May, 6:30 pm
Pudong Shangri-La Ballroom,

Since 2005, the annual European Chamber Gala Ball has developed in to a Shanghai institution, promising an unparalleled cocktail of food, drink, dancing and entertainment.

Every May, members of the European and Chinese business community will converge at the Gala Ball to enjoy an abundance of fine food, wine and performance. Drawing in many of the European Union member state Consul Generals, senior Chinese government officials and Fortune 500 CEOs, this event has grown into one of the paramount gatherings in the Shanghai social scene.

Traveling in the footsteps of Marco Polo and exploring the ancient pathway between China and Europe, this year's European Chamber Shanghai Gala Ball will be taking guests on a journey along the legendary Silk Road. For an evening of exotic mystique such as this, the venue could only be the Shangri-La!

ISO 31000: The Standard for the Management of Risk: Full-Day Training

26th May, 8:30 am. – 5:00 pm,
European Chamber Shanghai Office
2204, Shui-On Plaza, 333
Huaihai Zhong Lu.

An in-depth training on how to perform effective risk management in your organisation, according to the International Standards Organisation specifications.

EUROPEAN CHAMBER EVENTS GALLERY

CHENGDU

1. 2011 Local Board Election:
From Left to Right - Mr. Wang Changmin, Board Member; Mr. Wayne Tan, Board Member; Mr. Dieter Vanonckelen, Board Member; Ms. Zhou Yue, GM of Chengdu Chapter; Mr. Dirk Moens, Secretary General; Mr. Paul Sives, Chairman; Mr. Jan Scheidgen, Board member; Mr. Adam McWhirter, Chongqing Representative.

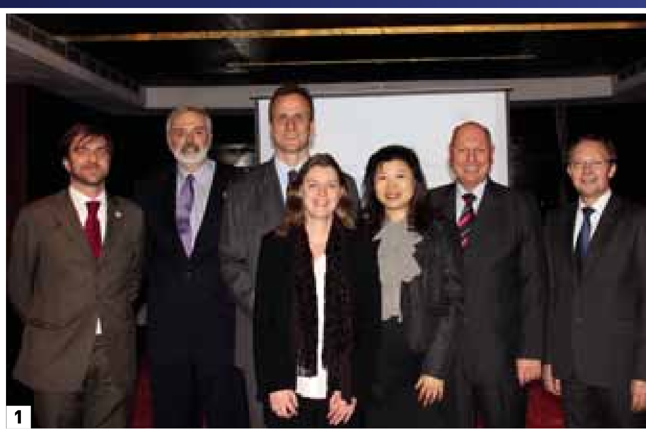
2. Chongqing VIP-Dinner: Meeting with 2011 New Board
Mr. Paul Sives, Chairman of European Chamber Chengdu.

3. Lobbying meeting with Chengdu Customs.

4. Mr. Paul Sives, Chairman of European Chamber Chengdu Chapter, led a chamber delegation and joined the meeting with Mr. Ge Honglin, Mayor of Chengdu on 20th April. Representatives from British and French consulates also attended the meeting.

5. Chongqing March VIP-Dinner: Work Visa Application
Mr. Liu Chang Yong, Deputy Director of Division of Exit-Entry Administration of the Chongqing Public Security Bureau.

NANJING



1. The newly elected board in Nanjing (from left to right):
Carlo D'Andrea (Picozzi & Morigi), Dirk Moens (Secretary General, European Chamber), Helmut Guesten (EMZ, Chairman of the Nanjing board), Patricia Enzmann (General Manager, European Chamber Nanjing), Li Dongjie (Lufthansa), Gerhard Roeck (BSH Home Appliances Co., Ltd.), Wilhelm Hummerjohann (BASF-YPC). The Nanjing board election took place on 13th April, 2011 at the Sofitel Galaxy.

2. The 4th annual Business Women Networking event: This year we took the event outside and spent a great day kayaking and barbequing at the Jinji Lake in Suzhou on 16th April.

PEARL RIVER DELTA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1./2./3./5. Seminar on "Increase the Autonomy of Your Local Team - Strategies and Organization for Operational Reporting": The European Chamber of Commerce in PRD Chapter organised this seminar in Zhongshan Sheraton hotel on 29th March, a bi-monthly seminar.

4. Meeting between the European Chamber Chengdu board and the Mayor of Chengdu, supported by the British, Danish, French, German and Hungarian consulate generals.

SHANGHAI


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1. Press conference for the release of the Asia-Pacific Heaquarters Report in Shanghai.

2. Piter de Jong presents a memento to Prof. Roland Berger following his speech to Shanghai members.

3. Presentation on the Shanghai section of the 12th Five-Year Plan from Weng Huajian, Chief Economist from the Shanghai Development and Reform Commission.

4. Visa presentation from the Shanghai Exit & Entry Administration to European Chamber Shanghai members, in cooperation with the Hungarian Presidency of the EU in China.

5./6. Huchu Xu from Booz & Co. and Prof. Zhang Zitai from Fudan Unversity shed new light on the industrial and environmental aspects of the 12th Five-Year Plan.

TIANJIN


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1. Visit to Novo Nordisk.

2. Visit to Bongrain.

3. Member companies were welcomed by the TEDA government.

4. Member visit to the the TEDA development hall

5. Informative Workshop on Nuclear Security/Intervention "The Fukushima Crisis: Myth and Facts" by the Nuclear Counsellor from French Embassy.


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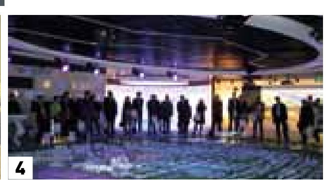
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The European Union Chamber of Commerce in China is driven and funded by its members. The 26 members of the Advisory Council are particularly active in representing and advising the Chamber, and make an enhanced contribution to the Chamber's funding.

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TÜVRheinland Precisely Right.		

THE EXECUTIVE INTERVIEW: DR. STEPHEN S. ROACH

Dr. Stephen S. Roach is a Professor of Economics at Yale University, and the non-executive chairman of Morgan Stanley Asia.

Known for his extensive writing and speaking on Asian economic issues, the former chairman of Morgan Stanley Asia moved to a non-executive role last summer in order to begin teaching at Yale University in New Haven, Connecticut. He spoke with EURObiz's Steven Schwankert before addressing the European Chamber's Insight China event.

EURObiz (Eb): How would you describe China's current place in the world economy?

Stephen Roach (SR): China has a very strong economy and has been certainly moving very rapidly up the ladder of economic powers. It's still a poor nation when it comes to per capita GDP. It has a long way to go in terms of raising the standard of living of the average person.

Eb: How can China balance its goals of raising household income while controlling inflation?

SR: It must really go after the inflation problem as quickly as possible. The core strategy of the 12th Five-Year Plan requires massive change in the structure of the Chinese economy. China must first address inflation before it can embark on the heavy lifting of pro-consumption structural change.

Eb: What will be the biggest challenge of the 12th Five-Year Plan?

SR: The biggest issue of the 12th Five-Year Plan is to fund a comprehensive social safety – namely, social security, private pensions, unemployment and medical insurance. I am confident China will be able to do that – but it won't be easy.

Eb: What challenges does China face in boosting its service sector?

SR: China doesn't have much of a service culture, and therefore it's going to need a lot of joint ventures with multinational corporations in order to do that. The obstacles are not that serious on the labor front, especially for low value-added services, including distribution (wholesale and retail trade), domestic transportation, supply-chain logistics, hospitality, leisure, and some portions of health care. These industries can all be staffed with relatively short training programs, and China has an ample reservoir of labor for that. For consultants, doctors, lawyers, accountants, and actuaries, that will take more investment in human capital and education reform.

Eb: Has China survived the global economic crisis as well as it might appear on the outside?

SR: China went in quickly with fiscal stimulus in the eye of the storm in late 2008, but it's not clear that the global crisis is over. China's main macro risk is that of another shortfall in global demand. High oil prices, Europe's sovereign debt problems, and the Japan catastrophe certainly underscore important risks in that regard. As such, it is urgent that China moves aggressively to draw greater support from internal demand.

Eb: What do you think China will do on the currency side moving forward? Will it favor the dollar or the Euro, or neither?

SR: I see no change in China's basic currency reform strategy. This means a 3-5% appreciation per year relative to the dollar, unless there's another crisis or some other factor like we saw. China will not bow to political pressure from the West that continues to insist on a large, one-off RMB revaluation. China's currency is far too important for the issue to be subjugated to Western political concerns.

Eb: What should European businesses in particular be looking at regarding opportunities in China?

SR: China is about to unleash the greatest consumer story that the world has ever experienced. Consumption currently represents only about 37 percent of GDP. That figure will probably move up by about five percentage points over the next five years. That spells enormous opportunities for Europe, the United States and other economies that provide consumer goods and components that can help satisfy the untapped demand of China's 1.3 billion consumers. Eb

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