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JOURNAL OF THE EUROPEAN UNION CHAMBER OF COMMERCE IN CHINA

## STATE-LED DEVELOPMENT

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The new rules for governing  
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A closer look at Industry 4.0 and  
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# CONTENTS

## >> COVER STORIES

### 06 LEARNING FROM JAPAN'S 'LOST DECADE'

The new rules for governing Chinese overseas investment.

### 10 A NEW INDUSTRIAL REVOLUTION

A closer look at Industry 4.0 and CM2025.

### 14 OUTWARD FDI FROM CHINA

A new direction for a new China.

### 16 MADE IN CHINA 2025

Modernisation with Chinese characteristics.

### 20 TECH TRANSFER PREVENTION IN CHINA

IP protection and licensing are the keys to success.

## >> FEATURES

### 22 BANKING ON DEVELOPMENT

AIIB's importance in the new financial order.

### 28 SME

Understanding new rules for market access in China.

### 31 TIME TO PLAY CATCH-UP

New EU regulations and advancements in fintech.

### 34 NEW DEVELOPMENTS IN INNOVATION

The role Panjin has played in China's growth.

## >> REGULARS

### 05 PRESIDENT'S FOREWORD

### 26 ADVOCACY REPORT

### 36 MEDIA WATCH

European Chamber in the media.

### 38 EVENTS GALLERY AND CHAMBER NEWS

### 40 CHAMBER BOARD



# STATE-LED DEVELOPMENT: SHORT-TERM GAINS FOR LONG-TERM LOSSES

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**Mats Harborn**

President  
European Union Chamber of  
Commerce in China



Every student in a macro-economics class learns that developing nations may benefit from a measure of economic protectionism before they gradually open up to the outside world. China's World Trade Organization (WTO) accession agreement did just that and allowed China to protect businesses while they were still in their infancy. However, after 17 years, Chinese companies have become so competitive that their long-term health is being hindered by protectionism and state aid. Unfortunately, in China we still see the significant use of state support and state aid to pursue goals laid out by Chinese authorities. The goals which have the largest impact on European businesses are the Belt and Road Initiative (BRI), the acquisition of foreign technology and the creation of powerful state-owned enterprises (SOEs).

The BRI is an undeniably ambitious and potentially world changing project that is attempting to knit together the vast trade network China has created by investing in foreign infrastructure and providing capital for development opportunities in the surrounding region. However, there are concerns over the transparency and fairness of the tendering process, and questions have been raised by European Chamber members on procurement. At the Bo'ao Forum, President Xi Jinping promised that China would soon accede to the WTO's Government Procurement Agreement (GPA). Using the same standards found in the GPA would help China implement the BRI more effectively, while showing it is adhering to the principles of free trade.

The most frequently cited worry when businesses discuss Chinese state-led development is China Manufacturing 2025 (CM2025). The Chinese Government outlining a plan to advance the domestic economy is not inherently problematic. However, like the BRI, the policy's opaqueness and the tools used to generate market gains, such as subsidies, give an unfair advantage to domestic firms. These methods that are employed by CM2025 run the risk of creating overcapacity. In order to fight industrial inefficiency, China instead must ensure openness and access to global supply chains.

Rather than cherry-picking the advancement of certain technologies, the government should establish benchmarks for the market. For example, if a government wants to cut back on automobile pollution it should establish fuel efficiency goals or emission limits rather than forcing automakers to abide by a particular technical roadmap. By not hav-

ing to conform to these preconceived ideas, auto manufacturers could tackle a problem by crafting a novel and innovative solution.

Acquiring technological competency is a perfectly legitimate practice for any privately-owned enterprise. However, problems arise when the acquisition is opaque and questions of hidden state-led financing are raised. To clear up any misunderstanding when acquiring new technology, it is important to declare state support and ensure that any purchase follows internationally accepted norms on trade – such as the ones put forth by the Organisation for Economic Co-operation and Development.

While the BRI and state-led acquisitions are problematic for European businesses in China, the most important issue for many in the Chinese market is state aid. While some subsidies are given to SOEs for use in tackling domestic issues, using these businesses to address social ills is outdated. A more appropriate method of dealing with social ills is to have funds directly put to use in tackling problems, rather than funnelling money through market players. By removing the social role from SOEs, these businesses would be forced to compete equally alongside their privately-owned counterparts.

State-led industrial policy is not inherently problematic, as other governments have set benchmarks that pushed industrial innovation, created infrastructure projects and provided public goods. However, some of the issues foreign businesses have with China's current state-led strategy is its lack of transparency, the restrictions on businesses' ability to innovate and unequal treatment in the market.

This issue of *EURObiz* examines how the Chinese Government is directing economic development, which presents a series of opportunities and challenges for European businesses operating both in and outside China. By better understanding this issue, your business can hopefully be spared any confusion from having to navigate this increasingly complicated business environment.

# LEARNING FROM JAPAN'S 'LOST DECADE'

## The new rules governing Chinese overseas investment

In late-2016, China's international buying spree was paused in the face of a crackdown, while Anbang, one of the country's largest overseas direct investment (ODI) players, wound up falling under state control earlier this year. Despite what it may look like, Beijing wants its companies to continue investing overseas as long as they are 'rational'. **Erlend Ek** and **Sophie Hassam** from **China Policy** explain the rules that will guide Chinese investment overseas and force it to conform with national economic priorities and geopolitical strategies.

After a sharp dip in 2017, overseas direct investment (ODI) has started to grow again in 2018. However, under a new and emerging management system, planners are getting involved in investment decisions to stop reckless bets and advance strategic priorities. The Chinese Government and the national banking system will push investments deemed rational by economic planners, develop rules to manage ODI and protect the interests of rational overseas investors.

## Misusing China's money

The central government announced its intention to increase ODI, starting in 2014, by ending a requirement that all foreign investments be pre-approved by regulators. After the regulatory repeal, in 2015 Chinese ODI overtook foreign direct investment into China for the first time. According to the Ministry of Commerce (MOFCOM), the amount of ODI grew by 44 per cent or United States dollar (USD) 170 billion in 2016.

However, free-flowing capital does not fit China's state-led growth model. To fuel the domestic economy, this model subsidises credit for large investment projects. The State Information Centre, a leading government think tank affiliated with the National Reform and Development Commission (NDRC), warned in 2016 and 2017 that this system incentivises risky bets on overseas assets. If you are borrowing at rates found in the Asian growth model, dubious, over-priced assets start looking like good investments. Since banks and markets believe the State will bail out debts from large, bad investments, they continue to fund reckless bets made by over-leveraged companies. At home, speculators have bid up the price of land and local governments have poured money into supporting companies in state-favoured sectors, creating waste and duplication. However, some have found this to be a price worth paying on the domestic side, as it creates jobs and the occasional good company. All-in-all, the state has been willing to bankroll some

bad investments at home to ensure that good investments are funded.

Despite the government's intentions, it has created an arbitrage. The State gives insiders access to cheap capital to help them invest in the domestic economy, but if that capital gets out of China and into a market where credit is scarcer, it receives a better rate of return. Thus, insiders with access to state capital have a powerful incentive to take it overseas and little incentive to invest carefully. If this continues, the NDRC's experts have warned that China risks replicating Japan's 'lost decade'.

Despite fearing a lost decade, 'appropriate' ODI is still seen as a source of strength. Experts have written that ODI could bring the country "mature technology, excellent management experience, advanced production equipment and global marketing networks" from developed markets, while allowing China to offshore low-end production and ensure access to natural resources in developing countries.<sup>1</sup> However, so far the market has failed to sort the wheat from the chaff. The central government's solution has been targeted state intervention, which includes cutting off cheap credit for ODI and having economic planners decide which investments are rational.

## Red light, green light

In late 2016, the State moved to limit ODI and threatened to impose controls on what was deemed 'irrational' investment. This threat to limit outside investment resulted in ODI cratering. The volume of ODI fell by 52.8 per cent year-on-year (y-o-y) in the first two months of 2017. Major players who tried to get around these limits suffered harsh consequences as companies, like the Wanda Group and Anbang Insurance Group, used a model called "onshore guarantee, offshore loans" to secure

loans from overseas banks that were guaranteed by Chinese lenders. With a Chinese bank on the hook for covering the risk, these were effectively onshore loans using overseas banks as agents. A February 2017 crackdown cut off this form of credit, causing flash crashes in the stocks of most irrational investors. Seeing this, regulators made an example of Anbang in February 2018 by arresting its chair and seizing control of the company.

The days of anything goes are over, with the authorities only promising to support rational ODI. Xu Shaoshi, former director of the NDRC, said in 2017 that the State Council aimed to optimise the flow of investments. Mr Xu went on to say, that irrational ODI made by enterprises outside of their core business would be regulated to guide investment "prudently, precisely and rationally".

In August 2017, the State Council laid out an ODI guidance framework which divided investments by sector into encouraged, restricted and prohibited. For the encouraged sectors, the State provides favourable taxation, foreign exchange channels, insurance, customs procedures and information for investors. For the restricted sectors, the State will "guide" investors so they may "participate with caution".

The State has moved to block public money from being used for ODI and promoted the use of privately-funded outbound investment. Buyers who are denied certificates have found alternative ways to fund deals, says Qian Jun from the Fudan University Institute of International Finance. These complex financing structures spread risk, claims Mr Qian, making them appropriate for suboptimal ODI. A prime example is ChemChina's record-setting USD 43 billion deal to buy the Swiss agrochemical giant Syngenta.

## The gatekeepers

Since 2014, China has allowed non-restricted ODI by ending an earlier

1. Zhang, Shaolan, and Zhao, Shuogang, *Contemporary Chinese and 1980s Japanese Overseas Investment: Comparison and Lessons*, NDRC State Information Centre Economic Forecasting Department, 14<sup>th</sup> February 2016.

## WHAT'S ENCOURAGED, WHAT'S NOT

 <b>ENCOURAGED</b>	 <b>RESTRICTED</b>	 <b>PROHIBITED</b>
<ul style="list-style-type: none"> <li>• Infrastructure promoting the BRI and connecting BRI countries</li> <li>• Overseas investment in advanced capacity, high-quality equipment and the promotion of Chinese standards abroad</li> <li>• Investment cooperation with overseas high-tech and advanced manufacturing companies</li> <li>• Participation in overseas energy exploration and development based on careful economic calculations</li> <li>• International cooperation in agriculture</li> <li>• Gradual promotion of overseas, investment services industries that include culture, logistics, commerce and trade</li> </ul>	<ul style="list-style-type: none"> <li>• Investment in countries currently lacking diplomatic ties with China that are war-torn or considered sensitive areas</li> <li>• Where bilateral or multilateral investment treaties restrict investment</li> <li>• Investment in sensitive sectors such as weapons, military equipment and associated research and development, cross-border water resource development, news and media</li> <li>• Investment in industries including real estate, cinemas, hotels, entertainment and sports clubs</li> <li>• Setting up investment platforms or private equity funds without real business projects</li> <li>• Investment using technology that fails to meet the standards of destination countries</li> <li>• Investment that fails to meet environmental, energy efficiency or safety standards of destination countries</li> </ul>	<ul style="list-style-type: none"> <li>• Investment involving core technology and defence industry products without state approval</li> <li>• Investment in technology, design, and products prohibited by China for export</li> <li>• Gambling and pornography</li> <li>• Investment in areas outlawed by international treaties signed by China</li> <li>• Investment that harms or potentially risks national interests and security</li> </ul>

requirement for all overseas investments to be reviewed with limited post-facto supervision. To prevent irrational ODI, the emerging regulatory framework will bring back pre-approval requirements for investments that have certain risk factors or are especially large. Under new implementation rules on overseas investment, which took effect 3<sup>rd</sup> March, projects in sensitive areas must be certified by the NDRC. In non-sensitive areas, state-owned enterprises (SOEs) and other enterprises with registered capital exceeding USD 300 million must report projects to the NDRC or local development and reform commissions.

These rules will be enforced by three organisations—the NDRC, the MOFCOM and the SAFE—but their roles are still unclear. In theory, the macro-focused NDRC writes the rules, identifying encouraged, restricted and prohibited sectors, while the MOFCOM reviews, provides advice and gives support to those investing in restricted sectors and countries. The SAFE is responsible for authenticating and okaying the legality of funding transfers, and it delegates the day-to-day verification to banks by conducting post-facto oversight. However, the updated rules give the NDRC authority to oversee almost all ODI activities and empowers it to suspend or

terminate deals.

Financial regulators are watching what capital is going to ODI. They have moved to stop banks and insurance companies from making risky overseas bets by issuing new regulations on their use of capital and penalising insurers who persist in using the onshore guarantee, offshore loan back door.

Even with the new implementation rules, the framework still has large holes, says Feng Lei, researcher at the China Academy of Social Sciences Financial Strategy Research Institute, with existing regulatory powers scattered among different departments.

### A matter of national security


With new regulations in place, ODI has started to grow again. In the first quarter of 2018, Chinese investment in 2,023 firms spanning 140 countries and regions shot up to USD 25.5 billion, up 24.1 per cent y-o-y. During that same period, 1,867 Chinese enterprises were approved to invest USD 34.65 billion abroad, 1,861 were involved in ODI, accounting for USD 33.53 billion in total.

Eager to see ODI in more strategic sectors, Beijing faces challenges abroad

as the United States, European Union, Australia and others conduct increasingly aggressive foreign investment screenings in national security, basic infrastructure and high-technology sectors. These screenings, states Liu Lifeng, researcher at the NDRC's Investment Institute, are arbitrary and non-transparent. On 26<sup>th</sup> June 2017, a Deepening Reforms Leading Group meeting reviewed the *Opinions on Improving the Security of Enterprises Going Overseas and Outbound Investment* and stressed that the security of overseas enterprises and foreign investment constitutes an important part of China's national interest. When rational investors face trouble overseas, the government has promised to better protect them.

### Relying on the visible hand

New guidelines encourage investment in favoured sectors like manufacturing, agriculture, energy, advanced technology, medicine, infrastructure projects, resource development, and national geo-economic priorities like Going Global, the BRI, capacity cooperation and the BRICS (Brazil, Russia, India, China and South Africa).

However, these guidelines do not eliminate the market incentives that initially drove the ODI boom. As long as the state relies on high real estate prices and low interest rates to sustain domestic growth, reckless ODI will remain tempting. Under these conditions, markets will not allocate resources wisely, and while recent reforms seek to give the market more autonomy, for now China will rely on the visible hand of economic planners. 

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# A NEW INDUSTRIAL REVOLUTION

## A closer look at Industry 4.0 and CM2025

All over the world, businesses and governments are undertaking policies that take advantage of what is commonly referred to as the fourth industrial revolution. The German and Chinese governments believe this digital transformation will result in economic prosperity for both nations and have undertaken steps to capitalise on this change. In this article, **Dr Tim Klatte**, partner and head of **Grant Thornton's** Forensic Advisory Services in Shanghai, takes a closer look at China Manufacturing 2025 (CM2025) and compares this strategic initiative with existing European practices, such as Germany's Industry 4.0.

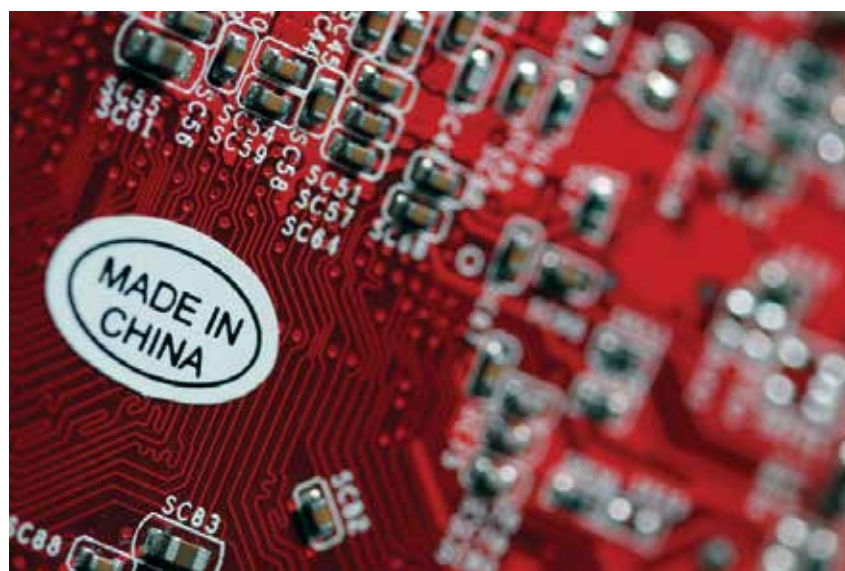
China and Germany have worked hard on establishing an ‘industrial internet’ (a network of communications between an entire supply chain), by using new computer technology for large data analytics, artificial intelligence and machine learning techniques to optimise the manufacturing process. The reason for encouraging this shift is to make business more efficient, similar to the reasoning behind previous industrial revolutions. Outlining the importance of these changes, this article looks to compare the goals and challenges of Germany’s Industry 4.0 and CM2025 and lend insight into digital investment decision-making.

## Industry 4.0

Germany has utilised a government-sponsored platform called Industry 4.0. The Federal Ministry for Economic Affairs leads the platform and looks for policy issues that might arise from enacting this new initiative. The ministry uses standardisation and legal necessity to ensure the ethical and secure progression of this program. They hope to create an environment that not only contains robust standards for development and intellectual property protection but sound ethics as well. As of 2017, the ministry publicly invested euro (EUR) 200 million in a variety of companies through a verification program that ensures companies appropriately utilise funds for innovation and technology purposes. They have actively assisted in upgrading various logistics programs by digitising transportation production systems and sponsoring the construction of technologically integrated research labs throughout Germany. The ministry is looking to facilitate investment in smart manufacturing by working with industry leaders, think tanks and trade organisations to see what changes could be made to encourage further investment.<sup>1</sup>

The approach taken by Industry 4.0 is bottom up, pushing firms to take advantage of the incentives provided by the platform to grow Germany’s economy.<sup>2</sup>

Industry 4.0 is not without its criticisms and concerns. Some experts are worried that the potential of the concept is overstated, or not as prominent as its proponents would like investors to believe.<sup>3</sup> Critics suggest there are significant barriers to creating industrial networks and smart factories. Many firms are providing digitisation services at a very steep price which has caused



A printed circuit board made in China.  
Photo: Arkadiusz Komski

companies to question whether now is the optimal time to digitise their factory. Additionally, with any advancement in network technology, security concerns become heightened. Firms are having a difficult time protecting their data and having more of their operations in the cloud, or on the Internet, will constitute a security risk. Thus, the incentives provided by Industry 4.0 may not be enough to attract investment.

## CM2025

The CM2025 initiative operates on a similar principle to Industry 4.0 but differs in its implementation. Outlined in the CM2025 initiative, China is looking to enhance its manufacturing ability by utilising the Internet of things, improved sensor and machine learning technology, and large data analytics. The Ministry of Industry and Information Technology (MIIT) announced its plans to invest an estimated Chinese yuan (CNY) 10 billion to support CM2025 from 2016–2020. According to the

MIIT, China’s pilot projects have been successful thus far, seeing a 38 per cent increase in productivity for the 109 existing smart manufacturing plants.<sup>4</sup> In addition to productivity, this initiative is also trying to make Chinese goods more competitive and businesses more innovative. The expansion of smart manufacturing is just one small part of the overall plan. They would also like Chinese manufactured goods to start being perceived as high end. This is part of a three-stage plan to move China beyond the middle-income trap to become

1. The background to Plattform Industrie 4.0, PLATFORM INDUSTRIE 4.0, 2018, <<https://www.plattform-i40.de/I40/Redaktion/EN/Standardartikel/plattform.html>>

2. Digital Transformation Monitor: Key lessons from national industry 4.0 policy initiatives in Europe, European Commission, May 2017, <[https://ec.europa.eu/growth/tools-databases/dem/monitor/sites/default/files/DTM\\_Policy%20initiative%20comparison%20v1.pdf](https://ec.europa.eu/growth/tools-databases/dem/monitor/sites/default/files/DTM_Policy%20initiative%20comparison%20v1.pdf)>

3. Industry 4.0: Digitalisation for productivity and growth, European Parliament, September 2015, <[http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/568337/EPRS\\_BRI\(2015\)568337\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/568337/EPRS_BRI(2015)568337_EN.pdf)>

4. China to invest big in ‘Made in China 2025’ strategy, Xinhua, 12<sup>th</sup> October 2017, <[http://english.gov.cn/state\\_council/ministries/2017/10/12/content\\_281475904600274.htm](http://english.gov.cn/state_council/ministries/2017/10/12/content_281475904600274.htm)>

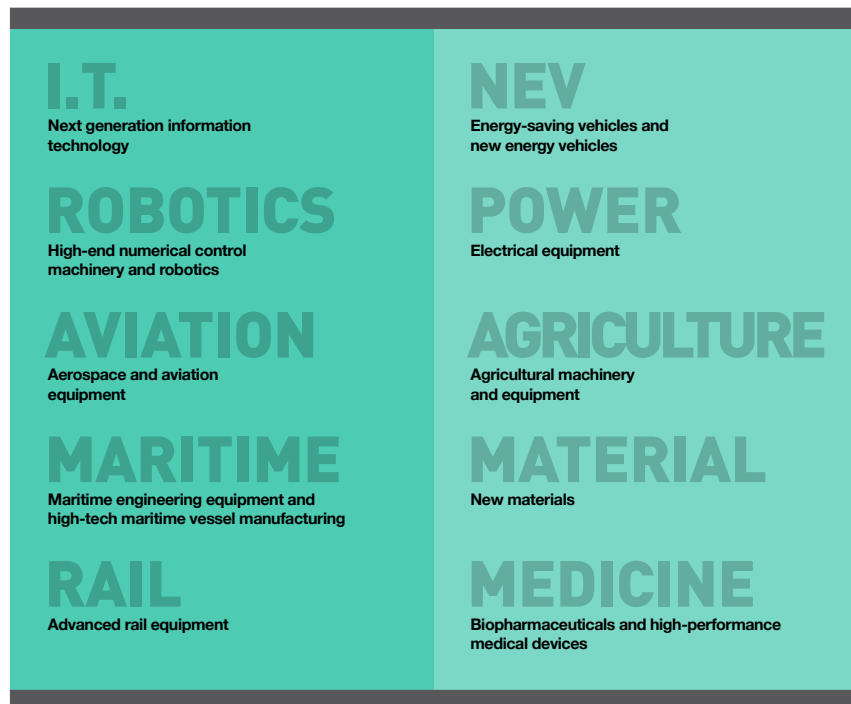


the top producing economy in the world by 2049 — the 100<sup>th</sup> anniversary of the founding of the People's Republic of China. The MIIT hopes to have 15 innovation centres by 2020 and 40 by 2025 to fuel domestic innovation.<sup>5</sup> These centres are meant to research new manufacturing technologies domestically and to combat the idea that Chinese manufacturing is “large without being strong”.<sup>6</sup> There are also 10 focus industries outlined in CM2025 that the MIIT has set goals for and hopes will expand with new investment.

The Chinese Government has several policy tools it can use to promote industry growth, including forced technology transfers, subsidies and standardisation. As Chinese companies become increasingly competitive and the Chinese market continues to evolve, technology transfers from foreign companies have been increasing. The MIIT also has plans to subsidise many Chinese companies, creating a price advantage for domestic businesses compared to foreign enterprises operating in the Chinese market. As for standardisation, the Chinese Government is striving for a more important seat at the negotiating table to reduce licensing costs incurred by Chinese companies when they utilise foreign technology.

Much like Industry 4.0, China increasing its domestic investment and rapidly shifting their manufacturing and economic infrastructure will be challenging. With this shift, foreign firms worry Chinese businesses will have an unfair advantage from government subsidies,<sup>8</sup> creating tension that could hurt Chinese exports overall. Additionally, China's diversity in the manufacturing market is also a concern, as the domestic labour force may not have the ability to transition into smart factories without causing significant unemployment.

## MIIT FOCUS INDUSTRIES FOR CM2025 <sup>7</sup>




### A different economic approach

Industry 4.0 and CM2025 are fundamentally different in their approach. While China has specific, quantified goals for industry improvement, the German platform is focused more on research and development (R&D) to lower manufacturing costs. China is focused on rapidly improving their economy in a variety of ways, whereas Germany seems only concerned with increasing the efficiency of German manufacturing firms. The vast difference in public funding between the two countries underlines the fact that Germany is adopting more of a hands-off approach while China is very much state run.

The two countries also diverge on how to direct domestic research. Germany and other European countries are focusing their R&D on making technological breakthroughs, while China's emphasis

is on applied research. Governments in the European Union are only providing tax incentives for research, not direct subsidies like the MIIT.

Going forward, foreign businesses must be careful when determining the costs and benefits of entering or remaining in the Chinese market and be aware of the emerging global marketplace for smart technology. 

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5. Hsu, Sara, *Foreign Firms Wary of 'Made in China 2025,' But It May Be China's Best Chance At Innovation*, *Forbes*, 10<sup>th</sup> March 2017, <<https://www.forbes.com/sites/sarahsu/2017/03/10/foreign-firms-wary-of-made-in-china-2025-but-it-may-be-chinas-best-chance-at-innovation/#26c9101524d2>>

6. *China Manufacturing 2025: Putting Industrial Policy Ahead of Market Forces*, European Union Chamber of Commerce in China, 2017, <<http://www.europeanchamber.com.cn/en/china-manufacturing-2025>>

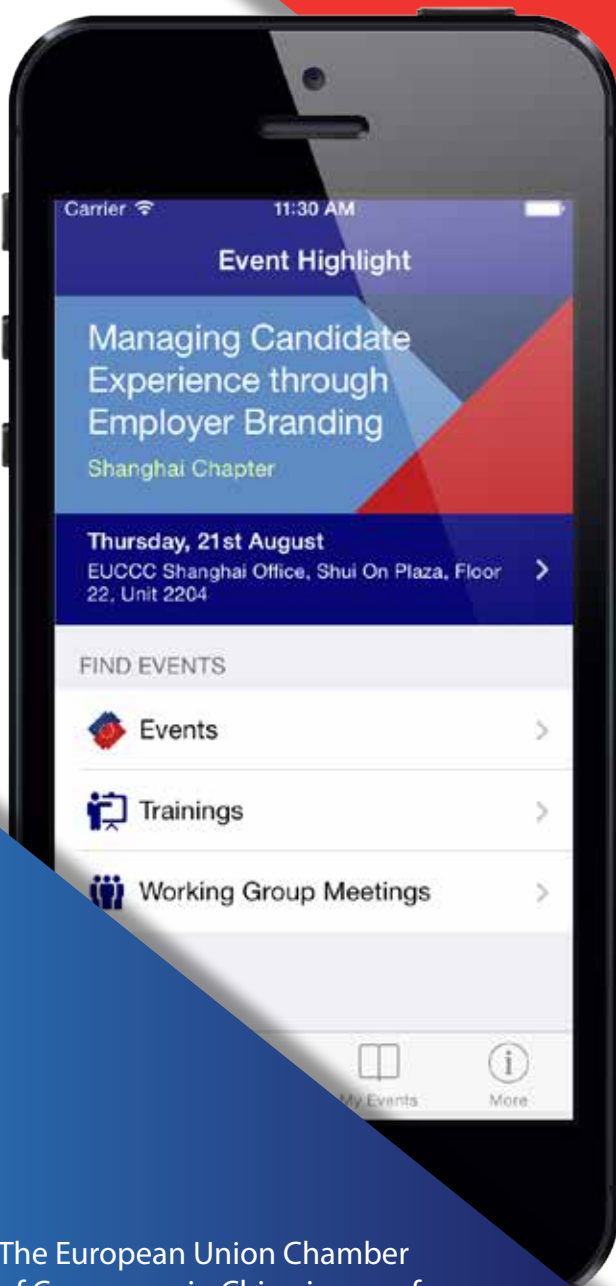
7. Ibid.  
8. Ibid.



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# OUTWARD FDI FROM CHINA

## A new direction for a new China

Outbound foreign direct investment (FDI) from China slowed significantly in 2017, as more stringent controls were placed on certain types of capital outflow. In response to these changes, China's outward investments continue to mature and develop in order to adjust to the country's current trajectory. In this article, **Veronica Gianola** and **Shane Farrelly** of **D'Andrea & Partners** discuss which industries and government policies have helped to shape China's future outbound FDI.

### Policy changes

In 2016, China had the second-largest source of global outbound FDI, with Chinese companies concluding a record 622 outbound merger and acquisition deals totalling United States dollar (USD) 221.7 billion<sup>1</sup>. However, the following year China saw a precipitous drop in capital outflow, a year-on-year decline of 29.4 per cent, as the Chinese Government in an attempt to strengthen national capital controls and rein in

overseas investments placed restrictions on certain areas of outbound FDI.

After the Chinese yuan (CNY) dropped in value by seven per cent in 2016, the government attempted to stabilise China's currency, at the beginning of 2017, by establishing a national negative list on investment projects for state-owned enterprises (SOEs)<sup>2</sup>. In August 2017, the Chinese Government stated that investments in areas of entertainment, sports, film and luxury real estate would be heavily discouraged, while invest-

ments in gambling would be banned outright. At the end of 2017, the National Development and Reform Commission sought to further restrict outbound capital by requiring that Chinese companies seek regulatory approval for foreign acquisitions conducted through offshore entities.<sup>3</sup>

While Chinese outbound FDI had initially been directed towards the country's domestic manufacturing base, recent acquisitions have been in areas described as 'irrational outbound investment' (e.g.

1. *China's outbound investment spike set to ease*, China Daily, 14<sup>th</sup> May 2017, <[http://usa.chinadaily.com.cn/business/2017-04/14/content\\_28929785.htm](http://usa.chinadaily.com.cn/business/2017-04/14/content_28929785.htm)>

2. *Measures for the Supervision and Administration of Outbound Investments Made by Central Enterprises*, State Council, January 2017.

3. *Administrative Measures for Enterprise Outbound Investment*, National Development and Reform Commission, December 2017.

hotels, football clubs and high-end real estate).

## Internationally strategic investments

It is important to note how the State has helped to guide Chinese companies when it comes to investing abroad. As China aims to gradually move away from its image as the world's manufacturer, changes in strategy were bound to arise, with a conscious shift to higher-quality international investments. These changes are now supported by government policies that are looking to promote China as a world leader.

Made in China 2025 is one such policy initiative. Inspired by Germany's Industry 4.0, Made in China 2025 has the government aiming to upgrade 10 strategic industries in order to innovate China's manufacturing capability through the utilisation of information technology (IT). The plan aims to upgrade all industry, however, there are 10 strategically highlighted industries: new advanced IT services, automated machine tools and robotics, aerospace and aeronautical equipment, maritime equipment and high-tech shipping, modern rail transport equipment, new-energy vehicles and equipment, power equipment, agricultural equipment, new materials and biopharmaceuticals, and advanced medical products.

In order to avoid the middle-income trap, China must invest in their high-tech industries and adopt cutting-edge industrial improvements already seen in many other countries around the world, luckily this is a direction which the central government already seems to be heading in. The government has theorised that if it pushes Chinese firms to internationalise, businesses will then be forced to innovate their manufacturing processes to compete. Chinese companies that have already invested abroad in high-value sectors can

push their whole industry to globalise and meet the increased demands of foreign and domestic customers in an increasingly globalised market. Recent examples of this include ChemChina acquiring the Swiss pesticide and seed producer Syngenta AG for USD 43 billion and Tencent's takeover of Supercell, the Finnish mobile game developer, for USD 8.6 billion.

The maturation of Chinese investments abroad has not only been seen in high-tech and innovative industries but also in trade, logistics and cultural projects. As the Chinese Government places greater emphasis on the Belt and Road Initiative (BRI), the Silk Road Fund and the Asian Infrastructure Investment Bank will assist Chinese companies in supporting the building of infrastructure across the Asia-Pacific region. This means improving connectivity and co-operation between Chinese investments located around the world. Connectivity is becoming increasingly important as China collaborates with countries like Indonesia, Laos and Thailand to help build projects such as the Jakarta-Bandung high-speed railway, the China-Laos railway and the China-Thailand railway project.<sup>4</sup>

Infrastructure-based cooperation can be seen in countries along the 'belt' portion of the BRI, especially in developing economies that are ripe for investment. SOEs have started to form partnerships with local operations in countries that participate in the BRI, as the Chinese Government sets out to improve existing international relationships and increase the amount of outbound investments. An example of this can be found in COSCO, the global shipping carrier. The company recently acquired manage-

ment responsibilities of the Piraeus port in Greece for euro (EUR) 500 million, and since that acquisition business has tripled, with 6,000 containers a day being transferred through the port. Furthermore, Chinese companies that have invested in Greece now have an access point to the rest of the European Union.<sup>5</sup>

## Conclusion

Like other countries which enjoyed rapid economic development, China's outbound investments have grown exponentially fast. Chinese companies have looked globally to diversify and have seized on market opportunities to help strengthen their business not only in China but abroad as well. However, the rationale for some of these investments has been questioned by the government in recent years. Restrictions on investments considered frivolous were put in place, and government policies were enacted to encourage more development-orientated growth and assist companies in areas of outbound investment. Outbound investments have already seen growth in the first quarter of 2018,<sup>6</sup> and opportunities for Chinese companies to globalise and invest abroad will continue to arise as China begins to develop more sustainably. **Eb**

**D'Andrea & Partners** is an international law firm and point of reference for companies that want to enter the global market and be successful. Established by its founding partner, Carlo Diego D'Andrea, attorney at law and pioneer in Italian and European law in China, today the firm is made up of professionals coming from different countries around the world. Besides the main operational headquarters in Shanghai, D'Andrea & Partners has a number of branches in China and outside the country in Italy, India, Vietnam and Russia. The firm's clients include large industrial groups, plus medium-sized Italian, European, Chinese and global enterprises.

4. *Riding the Silk Road*, EY, March 2015. [http://www.ey.com/Publication/vwLUAssets/ey-china-outbound-investment-report-en/\\$FILE/ey-china-outbound-investment-report-en.pdf](http://www.ey.com/Publication/vwLUAssets/ey-china-outbound-investment-report-en/$FILE/ey-china-outbound-investment-report-en.pdf)

5. *Chinese carrier Cosco is transforming Piraeus and has eyes on Thessaloniki*, the Guardian, 19<sup>th</sup> June 2014, <<https://www.theguardian.com/world/2014/jun/19/china-piraeus-greece-cosco-thessaloniki-railways>>

6. *China's outbound investment up by more than a third in January-April*, GB Times, 18<sup>th</sup> May 2018, <<https://gbtimes.com/chinas-outbound-investment-up-by-more-than-a-third-in-january-april>>

# MADE IN CHINA 2025

## Modernisation with Chinese characteristics

China is undergoing a historically significant transformation in its manufacturing sector. However, by driving industrial policy with the forceful hand of the State, Made in China 2025 runs the risk of patching old problems with new ones. Amid growing voices of concern, **David Maurizot**, Greater China director at **Advention Business Partners**, explains what implications this development will have for both European businesses and the broader Chinese economy.

China is at a crossroads. After four decades of unbridled economic growth it is now finally time for the country to be treated as a political superpower. However, balancing political aspirations with their economic agenda is proving to be a challenge for Chinese leaders. Currently, the country faces an aging population amid rising labour costs which makes the old economic model based on inexpensive labour and infrastructure expansion unsustainable.

How has Beijing responded to this

balancing act? They have responded by blending timeworn Soviet-style centralised planning with modern manufacturing ambitions that echo Germany's Industry 4.0 initiative. This combination has resulted in an ambitious masterplan titled Made in China 2025. The initiative's goal is to make China the leading global manufacturer in the coming decades—in time for the centenary of the People's Republic of China (PRC) in 2049—and transition the country from relying primarily on low value-added products to high-tech goods and

advanced manufacturing. This shift includes a new focus on industries ranging from robotics, new energy vehicles and aviation to information technology (figure 1).

Reflecting the enormity of this transformation, the plan's quantitative objectives are characteristically ambitious in both their breadth and the time given to reach them. True to form, the heavy hand of the State is visible everywhere, as targeted industries are supported with subsidies, low-interest loans and



tax breaks.

Staring down the barrel of potentially seismic shifts in the manufacturing industry, not only in China but all over the world, the question must be asked: Where do foreign-invested enterprises (FIEs) operating in China stand on this initiative and can they benefit from this massive economic intervention?

## What is Beijing's rationale?

The old manufacturing industry is currently being squeezed by cheaper wages in developing economies, while being outpaced by technology-driven efficiency gains in developed countries. The central government is concerned that—in the absence of a major upgrade—the domestic manufacturing sector risks having uncompetitive pricing and unsophisticated product offerings.

To avoid the middle-income trap and fulfil its ambition to become an advanced manufacturing superpower, China must transition into industries now dominated by developed economies. However, the country currently lags far behind its competitors, and centrally-planned incentives including subsidies and other forms of market protection are being provided to domestic enterprises to drive the whole manufacturing sector in the desired direction (figure 2).

## Opportunities exist for FIEs in the short term

This sweeping transition, despite emphasising Chinese technological independence, presents a range of opportunities for European firms that are capable of aligning themselves with China's policy objectives. European firms possess extensive experience in moving production up the value chain, and in doing so they have refined their skills in innovation, standardisation, productivity

and supply-chain integration, with each being central to implementing the Made in China 2025 initiative. While there is certainly heightened competition from Chinese companies and a push to buy local, benefits stand to be had by those European companies that can form strategic partnerships with Chinese companies and provide needed critical components, technology and management skills. Doing so should result in select European firms taking a modest share of China's economic pie while riding the coattails of Chinese industries that are experiencing accelerated growth.

## Domestic firms will replace foreign firms

While short-term benefits may exist, policymakers have made it clear that China aims to eventually replace foreign technology with domestic competitors and groom national champions that can compete in global markets. The State Council's original notification on Made in China 2025 included market share targets for China to "realise guarantees of self-sufficiency" for 70 per cent of their "basic core components and important basic materials" by 2025. This also meant the country had to achieve a "clear decline in China's dependence on



Figure 1: 'Made in China 2025' policy outline.  
Sources: Adventon, State Council of the People's Republic of China

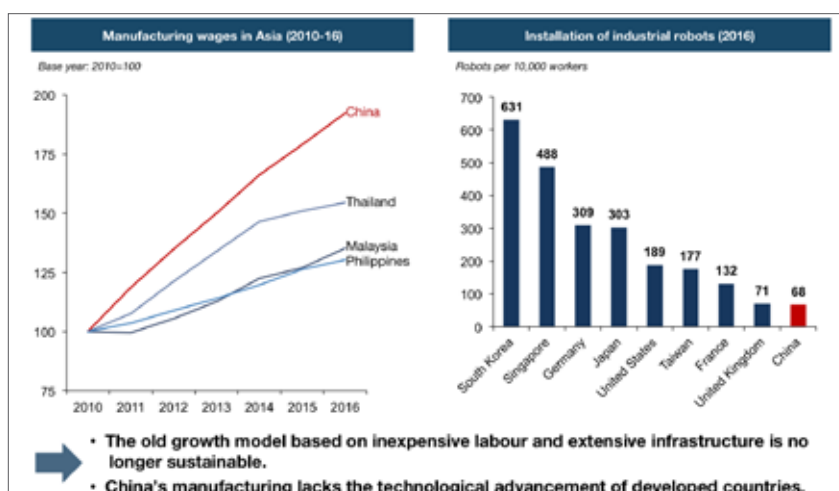


Figure 2: Motives behind the 'Made in China 2025' policy.  
Sources: Adventon, Bureau of Statistics, iEconomics, International Federation of Robots

foreign technologies” (figure 3).

With such clear autarkic ambitions for the long term, FIEs in China are expected to continue playing on an uneven field.

## Operating conditions for FIEs in China will become increasingly difficult

One way China will achieve this shift towards domestic dominance is by increasing the barriers to FIEs entering and operating in the country. As observed on multiple occasions, Chinese regulators obediently follow strategic policy objectives in a largely predictable fashion. Domestic markets are initially open to foreign technology and outside investment, however, once Chinese companies have made significant progress in bridging the technology gap, policymakers systematically intervene to increase domestic market share by erecting barriers to foreign competition.

After a period of relative openness, European firms operating in the key sectors found in Made in China 2025 are now feeling the pinch of tightening regulations and market access (figure 4).

China's leaders understand that China is lagging behind in key sectors and hence are pursuing a strategy of forced technology transfers. While this is nothing new for FIEs, there has recently been a push for even more advanced, proprietary technologies to be shared before entering the market. Conditions are also tightening for firms already operating in China, with over half of European firms in the automotive and machinery sector reporting business becoming more difficult in 2017. Meanwhile, one quarter of European firms in the machinery and aerospace sectors were required to transfer advanced technology to maintain market access. These forced technology transfers not only run

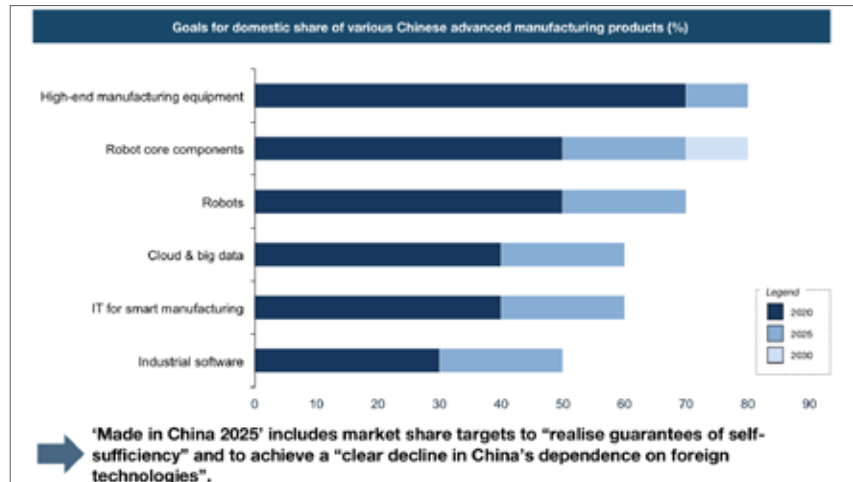


Figure 3: Challenges: substitution of foreign firms.

Sources: Advention, Expert Commission for the Construction of a Manufacturing Superpower

contrary to rhetoric on increased market openness but also threaten the long-term competitive advantage enjoyed by European firms.

## Outbound technology acquisitions threaten competitive advantage

In contrast to the more domestically-focused initiatives of the past, China is increasingly looking to cross-border investment for acquiring the cutting-edge technology needed to advance policy objectives. Over the course of the past three years, there has been an unprecedented wave of outbound investments into European firms that hold relevance

to Made in China 2025. In itself this is neither surprising nor objectionable. However, many of these investments have been in areas where European businesses are unable to make equivalent investments in China. These investments are often backed by a complex and opaque network of companies that disguise the government's guiding role and undermine the principle of fair competition (figure 5).

## Who is most at risk?

Made in China 2025 will have an impact not just domestically but abroad as well, with select countries feeling the effects of this ambitious policy more than others. In particular, countries with

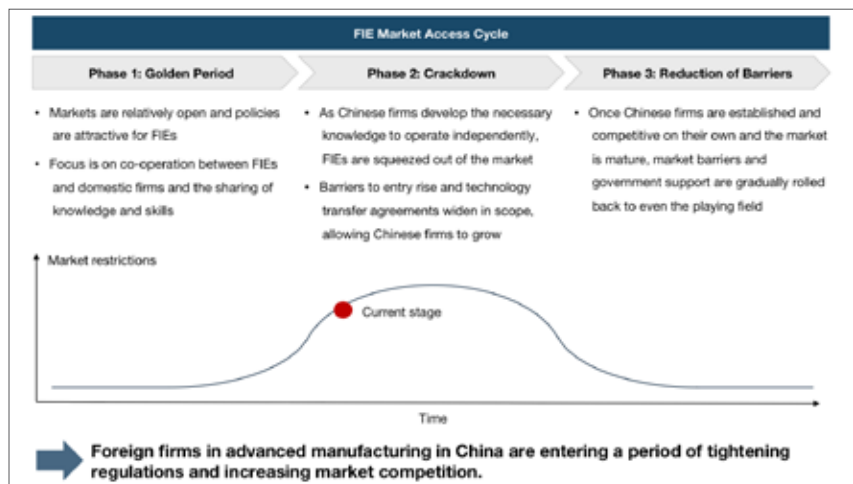


Figure 4: Challenges: tightening market conditions for FIEs in China.

Source: Advention

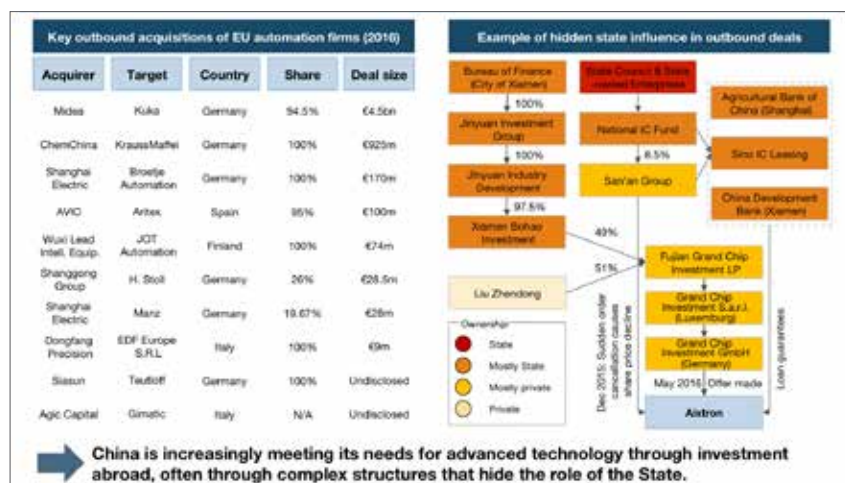


Figure 5: Challenges: managing increased Chinese investment abroad.  
Sources: Adventon, Bloomberg, MERICS, desk research

high-tech industries that specialise in manufacturing will be exposed to the wider effects of Made in China 2025. Within Europe, the nations expected to be impacted the most include Germany, Hungary, Ireland and the Czech Republic, which each generate more than 50 per cent of their manufacturing output from high-tech industries. China's industrial policy will invariably alter the competitive landscape of these industrial economies (figure 6).

## Long-term implications of overcapacity and an unbalanced economy

Reflecting on contemporary examples

where the government has provided incentives to promote industrial development, it is not unreasonable to expect that the problem of overcapacity may arise. A fixation on quantitative targets and the inefficient allocation of funding may diminish Made in China 2025's impact, with overeager provincial governments pursuing ambitious projects that result in excess aggregate supply.

As overcapacity depresses profit margins in the short term, Chinese firms with access to subsidies and favourable funding conditions may make incremental gains towards bridging the technology gap. However, in the long term, as previously seen in the steel and aluminium sectors, government-led misalloca-

tion of resources will result in significant costs that will be felt throughout the global economy.

## Greater emphasis should be placed on reciprocity and market forces

There is no doubt that China's attempts to encourage its domestic industries in higher value-added manufacturing have a great deal of merit. However, the broad set of policy tools being employed to facilitate Made in China 2025 are highly problematic. In the face of this new challenge, European industrial firms and European Union (EU) authorities must reconcile short-term benefits to be gained from accessing China's growing market with the legitimate need to prevent the erosion of their long-term competitive advantage. To ensure not only that China reaches its full technological potential but that Europe enjoys a competitive business environment, China should employ a domestic industrial policy that is focused on market-led decision-making, greater reciprocity and a collaborative ecosystem that fosters innovation. These tactics should be used, rather than the current dose of heavy economic interventionism that has proven problematic not only in recent years but since the beginning of the People's Republic of China. **EB**

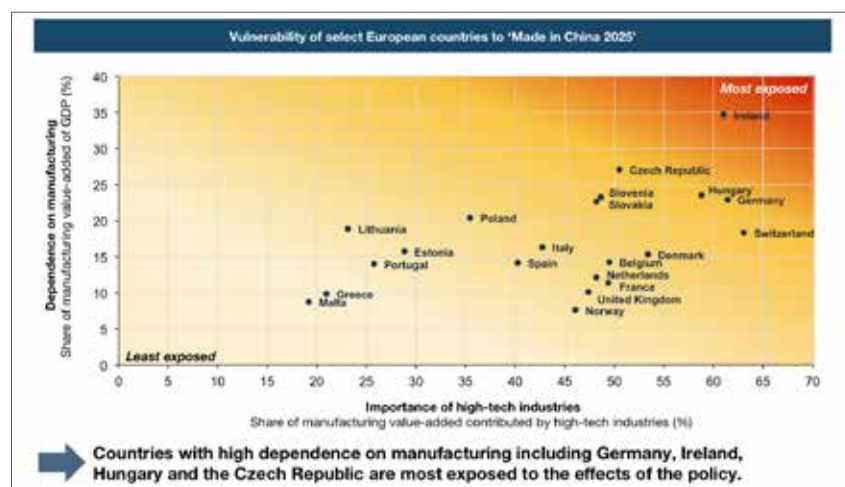
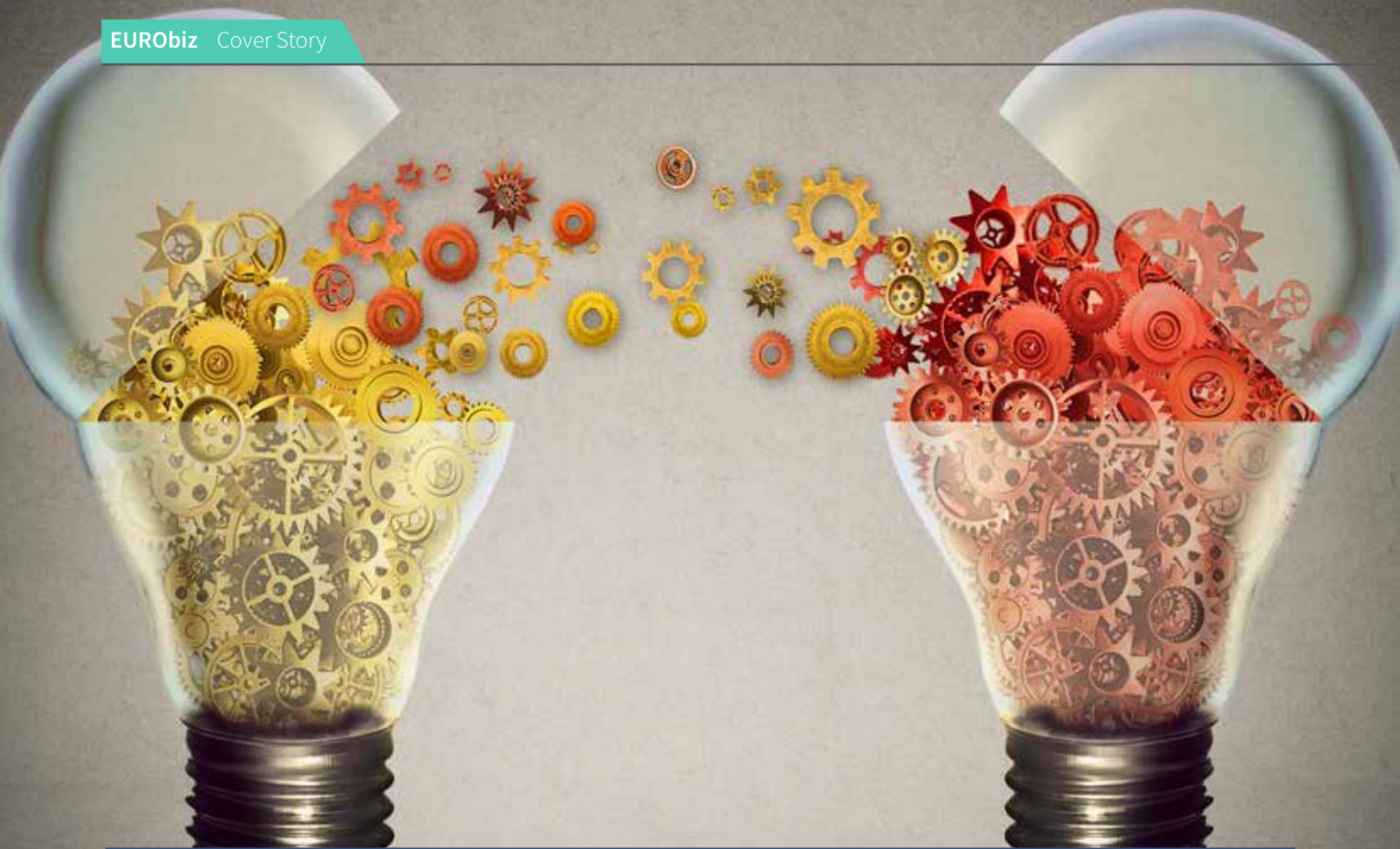


Figure 6: Challenges: substitution of foreign firms.  
Sources: Adventon, MERICS, World Bank

**David Maurizot** is the Greater China director of **Adventon Business Partners**, a European-based strategic advisory firm, and a board member of the French Chamber of Commerce in China. A fluent speaker of Mandarin Chinese, he has provided strategic advice to European companies (financial investors, MNCs and SMEs) in China for more than a decade.

Mr Maurizot also serves as the vice chair of the European Union Chamber of Commerce in China's Investment Working Group in Shanghai.





# TECH TRANSFER PREVENTION IN CHINA

IP protection and licensing are the keys to success

The threats of a trade war between the United States (US) and China have their foundation in disagreements over intellectual property (IP) and technology transfers. It is interesting that right after the Trump administration made their initial threats, the State Council passed the *External Transfer of Intellectual Property Rights Measures (Measures)* that went into effect on 29<sup>th</sup> March 2018. In this article, **Reinout van Malenstein**, senior counsel at **HFG Law and Intellectual Property (Shanghai)** and vice chair of the European Chamber's Intellectual Property Working Group, explains how these new *Measures* might complicate the transfer of IP and technology and prevent the acquisition of a Chinese company.

It is good to know that China's recently passed *Measures* are not entirely new. Since 2002, China has restricted technology imports and exports. These restrictions separate which technologies

may be imported and exported into three areas: allowed, restricted and prohibited. Apart from that, the regulations have certain special provisions. For example, the foreign technology provider

is liable for ensuring that the technology is not infringing the IP of anybody else.

However, these new *Measures* widen existing restrictions and impose a



mandatory review by the Ministry of Commerce and the relevant authorities when an IP transfer takes place. In addition, the *Measures* subject intellectual property to a security review in the case of a merger and acquisition by a foreign party in China. The *Measures* assess tech transfers and acquisitions on how they could possibly affect China's national security and the country's 'interest' as a whole. Further clarification on what constitutes the Chinese interest or is a national security concern has not yet been given and is desperately needed. At the moment, these *Measures* could allow China to potentially block the acquisition of Chinese companies by European businesses on IP grounds.

This vagueness has resulted in European companies remaining uncertain on how China will respond to a European company's IP. It is important to realise that Chinese wholly foreign-owned enterprises (WFOE) and joint ventures are both understood to be Chinese companies. As such, European companies that carry out research and development in China may not be able to transfer intellectual property (including patents and software) and technology to their European parent company.

## A response to US threats, or a long-term plan?

China and the US are currently in the middle of threatening a trade war, with tech transfers and IP violations being the initial reasons the US gave for threatening retaliatory action. The question of whether these new *Measures* were in response to President Trump's demands or were already in the works has arisen. However, if one looks to the China Manufacturing 2025 initiative it appears that this is part of a long-term strategy by the Chinese Government to acquire foreign IP and technology, and these new *Measures*, that ensure certain

acquired technology or IP stays in Chinese hands, are aligned with this long-term strategy. Therefore, in the future, European companies can assume that IP and tech transfers, along with the foreign acquisition of a Chinese company, could become more difficult.

## Protecting IP and technology in China

Naturally, trade with China is a good thing. However, a long-term plan for European companies is needed to ensure that the European Union (EU) remains in a competitive position in tech and their innovative IP is not lost.

As part of a long-term plan to protect the EU's IP, European businesses should register their IP in China and protect their trade secrets not only by using proper contracts (non-disclosure, non-use and non-circumvention agreements in accordance with Chinese law) but also by implementing physical and technological protection measures. The Chinese intellectual property rights (IPR) system actually works quite well, provided it is applied by the company in question. A company's IP is territorial, meaning that if a business files their IP in China the government's protection only extends as far as the country's borders. Since more than 80 per cent of all counterfeit and pirated articles seized at EU borders comes from China, it is important to register IP there even if a company is not active on the Chinese market. Only by registering their IP in China can companies act against infringers and make the infringements stop by using local administrative and judicial forms of enforcement.

It is understandable that companies would want to sell their technology, trade secrets and IP to receive money. However, selling IP could help China obtain a monopoly on both technology

and IP which might harm the EU economy in the long term. Look to the current Dutch football team as an example. The Netherlands did not qualify for the 2018 World Cup after failing to qualify for the European Cup in 2016. The Dutch Premier League (Eredivisie), used to be competitive with the top European football teams. However, nowadays, great young Dutch players get bought by larger Italian, Spanish, German and English clubs resulting in the quality of Eredivisie going down and the Dutch clubs of Ajax, Feyenoord and PSV Eindhoven no longer being able to compete with the best in the sport. For the EU, the football example can be seen as a warning to not lose its competitiveness and innovation by selling the majority of its IP and tech. Instead, good remuneration can instead be obtained through licensing, as it allows the company to retain ownership over their IP.

China's plan is clear, by buying IP it wants to create a more innovative economy. There is nothing wrong with this plan, as it is in China's best interest. However, with these new measures the country has all the means to regulate what IP stays in China. Only with proper contracts and the correct IP strategy can European companies achieve a successful business outcome in China without losing their IP. 

**Reinout van Malenstein** is a senior counsel at the Chinese law firm **HFG** in Shanghai where he advises companies on Chinese corporate law, contract law and IP law.

Mr Van Malenstein is also the national vice chair of the Intellectual Property Working Group at the European Union Chamber of Commerce in China and is an external IP expert for the European Commission.



# BANKING ON DEVELOPMENT

## AIIB's importance in the new financial order

The China-led Asian Infrastructure Investment Bank (AIIB) is set to give Asia a boost in development funding and a voice to developing nations who have often been sidelined in international finance. However, this new institution has received a mixed welcome from the West and especially from major institutions that are heavily influenced by the United States (US). In this article, **Chris Russell** from **CKGSB Knowledge** explains how the AIIB can influence development finance and investment not only in Asia but throughout the world.



For decades, China has steadfastly operated in accordance with Deng Xiaoping's dictum "hide your strength, bide your time". However, if there has been a defining feature of President Xi Jinping's time as president it is that this rule no longer applies.

From overseas investments by leading companies to new bilateral free-trade agreements, China is going out into the world with a new vigour. Nowhere is this better demonstrated than with the AIIB. Asia faces a potentially massive shortfall in infrastructure investment, with the Asian Development Bank (ADB) estimating in 2009 that the region would require United States dollar (USD) 8 trillion in infrastructure funding between 2010 and 2020. Having opened for business in January 2016, the AIIB, with 84 members, 25 approved projects and USD 4.39 billion in loans, has confirmed that China is stepping into the spotlight of international economic decision-making.

## In-group/out-group

The AIIB was born into a system of decades old development banks that played a defining role in the post-World War II international order. From an Asian perspective, the most important of these financial institutions are the World Bank and the ADB. The former was initially known as the International Bank for Reconstruction and Development and came into being during the 1944 Bretton Woods Conference, which laid out the new global financial order after World War II. Today, the World Bank continues to work on eradicating poverty. In contrast, the ADB, as its name implies, was established to focus on facilitating growth in Asia. However, its focus changed to poverty reduction in 1999.

Despite being headquartered in Manila, the ADB has and continues to be a Japan and US-dominated institution. That has led to frustration on the part of

the world's developing economies, such as China and India, whose increased economic clout has gone unrecognised. Although the AIIB's articles specifically state that its intent is to complement existing institutions it is nonetheless meant to redress this imbalance.

"The creation of the AIIB is intended to contribute to a more multipolar organisation of the international financial system that in Beijing's view should no longer be exclusively shaped by US-dominated institutions," says Sandra Heep, head of the Economic Policy and Financial System Program at the Mercator Institute for China Studies in Berlin.

Even though the AIIB is seen to play a crucial role in giving a greater voice to developing countries, the organisation is still only one part of China's attempts at changing the post-war international order. In addition to the Belt and Road Initiative, China is also a member of the New Development Bank (NDB), an organisation created by a group of countries collectively known as the BRICS (Brazil, Russia, India, China and

decision-making power is distributed equally between countries in the NDB, the AIIB is squarely aimed at bolstering China's international influence.

## Means to an end

The AIIB's stated aim is to promote "sustainable economic development", and as its name indicates this will primarily be done through infrastructure investment. There is a clear need for that in Asia, but the project nonetheless represents something of a throwback, as other development banks now shy away from such projects due to the controversy they can generate. "By defining an institutional mission squarely around infrastructure investment, the AIIB's architects are clearly responding to the priorities of developing countries and are returning to the roots of all of the MDBs (multilateral development banks), which were much more focused on infrastructure at the time of their founding," says Scott Morris, senior associate at the Center for Global Development.

The bank has also sought to differenti-

*"Given the fact that the AIIB's creation is at least partially aimed at establishing China as a responsible global stakeholder, Beijing will be careful to avoid the impression that it is trying to overrule the supporters of its development initiative."*

**Sandra Heep**

*Head of the Economic Policy and Financial System Program  
Mercator Institute for China Studies*

South Africa). The NDB differs not only on its wider geographical focus but also on its contingency reserve arrangement, which will provide liquidity to countries hit by a future financial crisis. While

ate itself from other development institutions by aiming to be a faster, leaner organisation with less bureaucracy – reflected in its use of a non-resident and unpaid board of directors. "The AIIB

may well be able to facilitate infrastructure funding more effectively than the ADB,” says Leslie Young, professor of Economics at the Cheung Kong Graduate School of Business, “some countries are reluctant to borrow from the ADB due to its bureaucratic processes”.



AIIB's headquarters in Xicheng District, Beijing.  
Photo: Kaixiang Wu, Xinhua News Agency

Beyond the AIIB's immediate aims, there is of course a wider strategic context for China creating this bank. For all its outward focus it is at least partially aimed at addressing domestic issues, as Ms Heep clarifies, “China wants to lend support to its domestic economy and provide the construction sector that

is suffering from overcapacity with new markets and investment opportunities.”

Bidding for projects isn't limited only to members, and countries like the United Kingdom, Germany and South Korea will have an eye on their own industries as they work with the AIIB. Infrastructure projects, in particular, will represent a real opportunity for China's cement, steel and high-speed rail sectors, although it is questionable whether the sums involved are truly large enough to soak up the current excess capacity.

Explaining why China benefits comparatively more than most, Mr Young goes on to say, “Economics ensures China the most benefits from the AIIB... the return on infrastructure investment depends on the value added by the trade that it enables; the highest returns on such investment in Asia will involve its dominant economy — China. Both in construction and operation, Asian infrastructure opens avenues for China's expansion through thinly-populated areas where its workers, manufacturers and industrial skills have few competitors.”

### Bridge to nowhere?

The success of the AIIB will depend, at least in part, on its ability to act responsibly and to placate countries when it comes to setting standards and safeguards, which could potentially create tension with the bank's desire for efficiency. This is unfamiliar terrain for China's leaders who have not led such a high-profile multilateral institution before. “Given the fact that the AIIB's creation is at least partially aimed at establishing China as a responsible global stakeholder, Beijing will be careful to avoid the impression that it is trying to overrule the supporters of its development initiative,” says Ms Heep.

At any rate, China still has various means of pursuing projects that other

AIIB members might find more contentious. “[China] can afford to be more relaxed about AIIB governance and strategy,” says Mr Young, “Its deep foreign exchange reserves can fund infrastructure investment that does not meet these [world] standards via other vehicles like the China Development Bank, the Exim Bank and state-linked enterprises.”

This reflects a broader issue, as such projects are often problematic for a number of reasons. “Infrastructure projects (particularly large-scale ones) are prone to controversy around issues of corruption, environmental issues and problems in the local community — managing all of these risks continues to be a challenge for existing MDBs and will no doubt be challenging for the AIIB,” says Mr Morris.

Even then, Mr Young points out that infrastructure projects can encounter “institutional weaknesses in recipient countries, such as a weak bureaucracy that cannot carry out project studies and project design”. Taken together, that means there is a likelihood that not all of the AIIB's investments will be successful.

Although the impact on recipient countries might be mixed—and previous cases, such as South Korea and China, would arguably have developed successfully anyway without the aid of international institutions—the AIIB is certain to lead the way in remedying shortfalls in funding. **Eb**

**CKGSB Knowledge** is the quarterly English language publication of the Cheung Kong Graduate School of Business (CKGSB). Providing Chinese business insight, CKGSB Knowledge reaches an international audience across China, North America and Europe in print and online via [knowledge.ckgsb.edu.cn](http://knowledge.ckgsb.edu.cn).



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# EUROPEAN CHAMBER ADVOCACY HIGHLIGHTS

3  
MAY

## Chamber Discusses Foreign Exchange Management and Reform with SAFE



On 3<sup>rd</sup> May, Adam Dunnett, secretary general of the European Chamber, led a delegation from member companies to meet with the State Administration of Foreign Exchange (SAFE) on deepening reform and foreign exchange management. Secretary General Dunnett briefed Pan Gongsheng, deputy governor of the People's Bank of China and administrator of SAFE, on recent developments at the European Chamber and provided recommendations on opening up capital markets, along with suggestions on promoting investment and finance facilitation. Mr Pan responded by stating that the appropriate authorities would continue to reform, promote the opening up of capital markets and facilitate trade.

8  
APRIL

## Chamber Focuses on China-Europe Urbanisation Opportunities in Xiong'an New Area

On 8<sup>th</sup> April, Massimo Bagnasco, vice president of the European Chamber, led a delegation of members to visit the Xiong'an New Area and attend the Seminar on China-Europe Urbanisation and Industry Sustainable Development: From Shenzhen Speed to Xiong'an Quality. Vice President Bagnasco addressed the seminar on potential contributions from European businesses and emphasised the necessary incorporation of small and medium-sized enterprises into Xiong'an New Area projects. While on the trip, Kevin Gao, working group coordinator at the European Chamber, also presented the EU-China Innovation Platform on Sustainable Urbanisation Projects under Horizon 2020.





16  
APRIL

## Chamber Shows Initiative at First China International Import Expo

On 16<sup>th</sup> April, Dr Ioana Kraft, general manager of the European Chamber's Shanghai Chapter, spoke at the symposium on the first China International Import Expo. The meeting was attended by representatives from consulate generals, foreign chambers of commerce and the business community. In her address, Dr Kraft spoke on the importance of removing market access restrictions in certain industries and the necessity of China developing international business relationships. Suggestions were also put forward on how to pilot new measures for facilitating customs clearance, licensing, inspection and quarantine.

10  
MAY

## Chamber Meets with Hunan HFPC on Healthcare Reform Implementation



On 10<sup>th</sup> May, a delegation from the European Chamber's Healthcare Equipment Working Group met with Chen Xiaochun, director of the Hunan Health and Family Planning Commission (HFPC). At the meeting, the European Chamber discussed the online procurement system, which started in 2018, and Hunan and Shaanxi authorities' cooperative efforts in compiling the *Standard Procurement Catalogue*. The procurement platform lists the maximum price of each product, with hospitals having the option of entering into a second round of price negotiations.

25  
APRIL

## High-level Engagement with Tianjin Authorities

On 25<sup>th</sup> April, the European Chamber's Tianjin Chapter organised an exclusive high-level dialogue with Tianjin government authorities. Zhang Aiguo, director general of the Tianjin Commission of Commerce, and Gao Lijuan, deputy director general of the Tianjin Commission of Commerce, provided updates on efforts to improve Tianjin's business environment. The event began with a keynote address from Dr Christoph Schrempp, vice chair of the Tianjin Chapter, on the benefits of deeper engagement with the local government before presenting on the local implementation of State Council documents No. 5 and No. 39 and *Tianjin Circular No. 26*. Following Dr Schrempp's speech, Director General Zhang updated those in attendance on Tianjin's economic performance in the first quarter of 2018 and outlined how the municipal government was planning on improving the local business environment.



# What's in the List?

## Understanding new rules for market access in China

In 2016, the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) jointly issued the trial *Notice on the Release of the Draft Negative List for Market Access (Negative List for Market Access)*, which affected European Union (EU) small and medium-sized enterprises (SMEs) looking to do business in China. The implications of this notice are far-reaching and complicated given its implementation in free-trade zones (FTZs). **Helen Ju**, legal advisor at the **EU SME Centre**, explains the ins and outs of this change in policy and what it means for business-related activities in China.



Like many countries, in China there are some business-related activities that market operators are restricted from engaging in. Prior to this notice, restrictions and prohibitions were previously scattered across various laws, regulations and orders from the State Council.

Investors, whether foreign or domestic, needed to search and find regulations that were applicable and check to see whether the entities they proposed to set up were

12<sup>th</sup> National People's Congress, in March 2015, he emphasised the need to "formulate a market access list". That same month, the NDRC and the MOFCOM invited all departments and authorities with market access administrative duties to comprehensively review industries, areas and businesses where investments and operations were restricted and to compile them into a list.

os exist. One scenario is administrative authorities making decisions for allowing or not allowing companies to submit their applications for accessing the Chinese market. An example is the licensing requirement for engaging in telecommunications (including commercial trials). Another scenario is market operators entering into relevant industries, areas and businesses that comply with conditions specified by the government. For instance, advertising registration is needed for broadcasting stations, television stations and newspapers in order to advertise.

*"all sorts of market operators may enter into areas outside of the list on an equal basis and according to the law"*

### Communist Party of China's Central Committee

November 2013

allowed or if any special conditions existed.

It was not always easy to find those relevant provisions and most people had no idea if the proposed investment was actually allowed. The need for a unifying document that clearly lists all existing prohibitions and restrictions for market access was clearly necessary.

The Communist Party of China's Central Committee first raised the idea of a unified market access system in November 2013 and by its third plenary session, it proposed that "all sorts of market operators may enter into areas outside of the list on an equal basis and according to the law". Then in June 2014, the State Council issued its opinion on *Promoting Fair Competition and Maintaining the Normal Order of the Market* in order to "implement market access reform and formulate a negative list for market access".

Additionally, in the Government Work Report given by Premier Li Keqiang at the

### What's in the list?

The trial *Negative List for Market Access* is based on the State Council's current laws, administrative regulations and orders. Currently it includes 96 business activities and investment projects in the prohibited category and 232 in the restricted category. All activities and projects are further divided into 762 sub-sections in the prohibited category and 867 in the restricted category, in accordance with the *Classification of National Economic Industries*.

For those in the prohibited category, all market operators are not allowed to engage in such activities or participate in those listed projects, and administrative authorities shall not approve, verify, or engage in anything that falls in that category. For example, the trading of rhino horn and tiger bone is prohibited, while investing in projects that use out-of-date production techniques and equipment in certain listed industries is also prohibited.

In the restricted category, two scenari-

### The negative lists for foreign investment

In China there are currently two negative lists for foreign investment. One is based on the *Special Administrative Measures for the Access of Foreign Investment in Pilot Free Trade Zones (Negative List for Foreign Investment for FTZs)* and is only applicable in FTZs, while another makes up part of the revised *Catalogue of Industries for Guiding Foreign Investment 2017* and is applied in every area except FTZs.<sup>1</sup>

Currently the trial *Negative List for Market Access* is being piloted in four FTZs—Tianjin, Shanghai, Fujian and Guangdong—where it applies to all investors and imposes unified requirements on all market operators. Additionally, all market operators can equally access industries, areas and business activities outside the trial *Negative List for Market Access*.

If a foreign investor ascertains that their proposed investment in the four pilot FTZs is outside the trial *Negative List for Market Access* or can meet the conditions listed for specific investment in the restricted category, then they need to further check the negative list for foreign investment in FTZs. Both the trial *Negative List for Market Access* and the *Negative List for*

1. In total, there are 12 free trade zones in China (Shanghai, Guangdong, Tianjin, Fujian, Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan, Shanxi and Hainan).



State Council announced the Notice on the Release of the Draft Negative List for Market Access on 30<sup>th</sup> October 2015.  
Photo: Xu Pan, Xinhua News Agency

Foreign Investment for FTZs govern foreign investment in the four pilot FTZs.

## Practice and future development


At present, the trial *Negative List for Market Access* does not apply to foreign investment in areas other than the four pilot FTZs. Governmental authorities in these areas, though they may not admit it publicly, may refer to this document when reviewing and approving proposed investment since this list was based on the existing State Council laws, administrative regulations and orders.

By the end of 2018 the unified *Negative*

*List for Market Access* will be published and implemented nationwide based on its pilot implementation in the four FTZs. After its implementation, foreign investment in the 12 FTZs will all be subject to the *Negative List for Market Access* and the *Negative List for Foreign Investment for FTZs*, while foreign investment in other areas will be subject to the *Negative List for Market Access* and the *Negative List for Foreign Investment*.

The Chinese Government's motivation in formulating and implementing the *Negative List for Market Access* is to establish a market access system that is unified, open, transparent and orderly. For example, to prevent local protectionism from

arising, local governments may propose adjustments to the unified *Negative List for Market Access*, but they are not allowed to make any adjustments without authorisation from the State Council.

Senior government officials have stated that the State Council will regularly review the unified *Negative List for Market Access*, which will be subject to dynamic adjustments based on market development in the future. 



### About the EU SME Centre

The EU SME Centre in Beijing provides a comprehensive range of hands-on support services to European small and medium-sized enterprises (SMEs), getting them ready to do business in China.

Our team of experts provides advice and support in four areas: business development, law, standards and conformity, and human resources. Collaborating with external experts worldwide, the centre converts valuable knowledge and experience into practical business tools and services easily accessible online. From first-line advice to in-depth technical solutions, we offer services through Knowledge Centre, Advice Centre, Training Centre, SME Advocacy Platform and Hot-Desks.

The centre is funded by the European Union and implemented by a consortium of six partners - the China-Britain Business Council, the Benelux Chamber of Commerce, the China-Italy Chamber of Commerce, the French Chamber of Commerce in China, the EUROCHAM-BRES, and the European Union Chamber of Commerce in China.

To learn more about the centre, visit website [www.eusmecentre.org.cn](http://www.eusmecentre.org.cn)

# Time to Play Catch-up

## New EU regulations and advancements in fintech

Financial technology (fintech) is strategically important to each industry. In line with this belief, on 8<sup>th</sup> March 2018, the European Commission published a fintech action plan that was designed to boost fintech innovation across Europe. In this article, **Moey LI**, Beijing representative at **Dewit Law Office**, will outline the current developments in the European Union's (EU's) fintech rules and regulations and will explain what is being proposed in the latest iteration of Europe's fintech action plan.

Fintech refers to the technology-enabled innovation of financial services that are spurring new business models, applications and processes. Fintech is having a transformative effect on financial markets and institutions and on the provision of financial services in general.

Technological innovation in finance is not new, but the amount of investment and the pace of innovation has increased significantly. There has been rapid advancement in artificial intelligence, mobile applications, cloud computing, big data analytics and distributed ledger technologies like blockchain. This has changed the business models of established financial institutions, technology companies and new market entrants, while affecting services for both consumers and markets.

For this reason, public authorities around the world have started to investigate the impact fintech has on financial services. For instance, the European Commission (EC) has already attempted to regulate the activities of fintech firms by enacting *Payment Service Directive (PSD 2)* and the *Financial Instruments Directive (MiFID II)*. And recently, on 8<sup>th</sup> March 2018, the EC published an action plan on fintech being used in the European financial sector.

## Crowdfunding

Crowdfunding is an innovative way to raise funds that allow entrepreneurs to make an 'open call' for financial support that goes to a specific business project. This is generally done through an internet-based platform, which matches the amount of funding to the public's demand for the project. Crowdfunding is vital, as it helps companies tap into new sources of funding while providing new investment opportunities.

Although there is currently a lack of EU-level legislation or regulation in this area, the fintech action plan pays special regulatory attention to this type of funding. In the action plan, the EC proposes a new regulation on investment-based

and lending-based crowdfunding service providers (ECSP). This will create a European cross-border passporting regime for market players that choose to apply for the ability to operate as an ECSP under the supervision of the European Securities Markets Authority (ESMA).

## Crypto/virtual currencies and ICOs

Cryptocurrency or virtual currency is a digital representation of value that is not issued or guaranteed by a central bank/public authority, not backed by a legally established currency and not entitled to the legal status afforded to currency or money. Cryptocurrency is accepted as a legal means of exchange that can be transferred, stored and traded electronically.

An initial coin offering (ICO) is an innovative way of raising money from the public by using 'coins' or 'tokens' and can also be called an 'initial token offering' or 'token sale'. In an ICO, a business or individual issues coins and tokens for sale in exchange for fiat currencies, such as the euro, or virtual currencies, such as Bitcoin and Ether.

Currently, virtual currencies and exchanges used to trade ICOs are not regulated under EU law. Therefore, the European Banking Authority, the ESMA and the European Insurance and Occupational Pensions Authority has issued a series of warnings regarding the risks of buying and/or holding virtual currencies. They make it clear that these virtual currencies are generally not backed by any tangible assets and are unregulated.

Other actions are being undertaken to minimise risks associated with virtual currencies, including money laundering and the financing of terrorism. The European Commission will continue to assess the challenges and opportunities of Crypto-assets and ICOs and consider if the EU should take further regulatory action.

## Open banking

Open banking refers to an emerging idea in fintech where banks allow third-party companies to build applications and provide services using a bank's data. It involves the use of application programming interfaces (APIs) to create a connected network of financial institutions and third-party providers (TPPs).

For open banking, the *PSD2* is the main focus, although, regulations that include the EU General Data Protection Regulation (GDPR), the fourth *Anti-money Laundering Directive* and the *EBA Standard on Secure Customer Authentication* should also be considered. According to the *PSD2*, banks must use API technology that will grant third-party service providers, account information service providers and payment initiation service providers (PISP) open access to a customer's bank accounts.

The TPPs will have to follow the same rules as traditional payment service providers when it comes to registration, licensing and supervision by the competent authorities. Additionally, the *PSD2* will oblige payment service providers to step up security around online payments.

## Robo-advisory services

Robo-advisors are online platforms that automate investment advice using financial algorithms and aim to replicate many of the activities, at a (supposedly) lower cost, performed by wealth or insurance managers.

Legislation that pertains to robo-advisory services differs depending on the product and distribution model. Broadly speaking, robo-advisory services for insurance would be subject to registration requirements, information requirements and conduct of business obligations under the *Insurance Distribution Directive*. Whereas similar services provided for investment advice and portfolio management are subject to the *MiFID II* and future guidelines on assessing suitability (finalised in the first half of



2018).

## About the fintech action plan

On 8<sup>th</sup> March 2018, the EC published a fintech action plan that will help the financial industry make use of the rapid advances in technology, such as blockchain. This will benefit consumers, investors, banks and new market players.

This plan is part of the EC's efforts to build a capital markets union and single market for consumer financial services. The EC also wants to have a set of EU-rules that are more future-oriented and aligned with technological development in the financial sector.

The action plan sets out steps for innovative business models to scale up, it supports the uptake of new technologies, it increases cybersecurity and it improves the financial system's integrity. The new action plan is looking to achieve its goals by doing the following:

### Licensing, crowdfunding and monitoring ICO development

- The EC is presenting a proposal for an EU-regulation on investment-based and lending-based crowdfunding service providers. The proposal aims to ensure an appropriate and proportionate regulatory framework that allows crowdfunding platforms to operate across borders with a comprehensive passporting regime.

- The EC will also monitor developments in crypto-assets and ICOs and assess whether regulatory action is required at the EU-level.

### Institute guidelines on regulatory sand-boxes/innovation facilitators

- The EC invites the European Supervisory Authorities (ESAs) to conduct further analysis and identify best practices by the fourth quarter of 2018 and, where

appropriate, issue guidelines on sand-boxes.

- The EC will also present a report with the best practices for regulatory sand-boxes by the first quarter of 2019 based on the work of ESAs.

### Put in place standards for increasing competition and cooperation

- The EC will help to develop a more coordinated approach by establishing standards for fintech in the fourth quarter of 2018, and it will support joint efforts by market players to develop standardised application programming interfaces that are compliant with the PSD2 and the GDPR for a European open-banking ecosystem.

### Host an EU fintech lab

- The EC will host an EU fintech lab where European and national authorities will be invited to engage technology solution providers in a neutral, non-commercial space during targeted sessions starting in the second quarter of 2018.

### Follow through on the EU blockchain initiative

- The EC will consult the public on the further digitisation of regulated information in EU-regulated market listed companies in the second quarter of 2018 and will continue to work on a comprehensive strategy that addresses distributed ledger technology and blockchain.

### Enhance the security and integrity of the financial sector

- The EC will organise a public-private workshop in the second quarter of 2018 to explore and assess barriers that limit information sharing on cyber threats between financial market participants.

- The EC also invites the ESAs to evaluate, by the fourth quarter of 2018, the costs and benefits of developing a coherent cyber-resilience framework

for market participation within the EU financial sector and to map, by the first quarter of 2019, existing supervisory practices across financial sectors based on information, communications technology and governance requirements.

### Review its applicability

- An expert group will be established by the second quarter of 2019 to review the current regulatory framework's applicability to financial innovation.

- The EC will have the ESAs explore the need for guidelines on outsourcing to cloud service providers by the first quarter of 2019.

Fintech is rapidly evolving not only in Europe but around the world. Understanding what the EU is doing to try and regulate and utilise these advanced changes to financial services is important for businesses if they hope to operate throughout the region. This new action plan will not only have long-term effects on European firms but Chinese businesses as well. 

**Dewit Law Office**, established in 1945, is headquartered in Brussels, Belgium. Dewit Law Office has always provided professional legal services to clients and dealt with a number of cases throughout Europe. As a member of SILFA, Dewit Law Office has a long-term relationship with law firms spanning the Netherlands, Luxembourg, France and Germany and provides efficient legal services to clients there.

Dewit Law Office established their Beijing office in 2009, where they not only provide legal services for European clients, but also assist Chinese firms when it comes to developing their business in Europe.

# New Developments in Innovation

## The role Panjin has played in China's growth

Panjin, a Chinese coastal city, is located in southwest Liaoning Province, centred in the Liaohe River Delta and is on the north bank of the Bohai Sea. Called Crane's Town and Hometown of Black-headed Gulls, it is also increasingly becoming known as a fixture of industrial innovation and an essential component of the Belt and Road Initiative (BRI). In this article, **Ye Zhang** and **Mingxin Zhao** from the **Panjin Development Zone Management Committee** outline the importance of this city to China's financial future and the role it will play in helping the country internationalise.

Xianghai Avenue, Panjin

Photo: Panjin Development Zone Management Committee

Panjin's gross domestic product reached Chinese yuan (CNY) 115.4 billion in 2017, an increase of six per cent from the previous year. Investment in fixed assets reached CNY 60.39 billion, the use of foreign capital was United States dollar (USD) 197.4 million and the total export value was CNY 2.13 billion.

Panjin is located at the core of the land transport network in the three northeastern provinces and is one of the most important transport hubs in the region. Contributing to the city's economic development is the high-speed rail system and the Panjin port, the most direct seaway out of northeastern and eastern Mongolia.

## Development zones

The BRI has helped develop Panjin. Jointly established by the China North Industries Group and Saudi Aramco, the Fine Chemicals and Raw Materials Project is an important BRI project being cooperatively handled by China and Saudi Arabia, with investment totalling CNY 69.5 billion.

The Panjin Fine Chemical Industry Development Zone is key to the coastal region of Liaoning Province and is designated a provincial-level specialised chemical development zone. With a planning area of nearly 30 square kilometres, it was established in January 2008. Relying primarily on the Petro China Liaohe Oilfield and the North China Huajin Chemical Group, the development zone focuses on high-end equipment manufacturing, the production of new materials, smart manufacturing, intelligent energy and fine chemicals. In 2017, with over 100 companies' entering the development zone, the total value of the area's industrial output was CNY 30.12 billion.

This development zone is committed to creating a first-class business environment and to building a new area for international investment and business development. Enterprises are supported by the four no's management model: no permits required

out of the zone, no additional fees, no regular inspections and no non-existent services. The development zone has the first incubator base for fine chemicals and has designated a 2025 High-end Manufacturing Innovative and Entrepreneurial Industrial Park in the northeastern part of the province to provide development opportunities for high-precision enterprises.

As the first incubator for fine chemical companies in Northeast China. The Panjin Fine Chemicals Incubation Base covers an area of 407 acres and 52 standard workshops, providing a full range of services for companies. It focuses on the development of surfactants, electronic chemicals, oil chemicals, catalysts and industrial additives, and biochemicals. Additionally, the base also functions as centralised storage for sewage pre-treatment and as a public warehouse for dangerous goods.

The 2025 High-end Manufacturing Innovative and Entrepreneurial Industrial Park, with an area of 117 acres and a total investment of CNY 270 million, offers services, which include providing enterprises with original and auxiliary materials for production and supporting the development of new materials and smart manufacturing industries.

## Strategic advantage

From a development perspective, Panjin has obvious comparative advantages in certain industries versus other cities in China. One area Panjin has a specific advantage in, is the fine chemical industry. Fine chemicals is an area with some of the greatest potential for development. It encompasses a large variety of products and serves as a good platform for further developing China's chemical sector. With Panjin's help, China will become an important transfer destination for chemicals in the BRI, due to the country's large demand and adequate supply of raw materials.

When it comes to manufacturing, the

Chinese Government has made a major strategic decision to revitalise its old industrial base in Northeast China. The goal is to return the northeast part of China to the country's industrial base. If this revitalisation successfully takes place, the northeast could end up having an enormously positive role to play on China's economic growth. At present, the world is slowly shifting from simple manufacturing



Red flowers planted on the wetland in Panjin.  
Photo: Gang Liu

to equipment manufacturing and heavy chemical industries. The northeast is the country's largest heavy chemical industry base, and since this region, including Panjin, has expertise in equipment manufacturing and a cheap labour pool, it is expected to be the best location for undertaking China's expansion in the chemical sector. **Eb**



# EUROPEAN CHAMBER IN THE MEDIA

1

## Chamber's Stance on President Xi Jinping's Speech at Bo'ao Forum



On 10<sup>th</sup> April, President Xi Jinping spoke at the Bo'ao Forum's opening ceremony. His speech covered a wide variety of topics ranging from geopolitical concerns to environmental challenges faced in Asia. The final section of the speech was the most relevant to European businesses in China. It covered four broad areas aimed at further opening up the Chinese economy to foreign investment: China will significantly broaden market access, a more attractive investment and business environment will be created, IPR protection will be further improved and imports will be expanded to address trade imbalances. The European Chamber published an official press release on President Xi's speech and was quoted by media.

2

## Secretary General Adam Dunnett Provides Insight on NDRC Announcement



On 17<sup>th</sup> April, the National Development and Reform Commission (NDRC) announced that China would remove foreign ownership caps for companies making fully electric and plug-in hybrid vehicles in 2018, for makers of commercial vehicles in 2020 and the wider car market by 2022. In response, the European Chamber shared Secretary General Adam Dunnett's insights on the issue with the media.



3

## Shanghai Chapter's General Manager Interviewed about China International Import Expo



On 20<sup>th</sup> April, the Shanghai Chapter's General Manager, Dr Ioana Kraft, was interviewed by CGTN on the China International Import Expo (CIIE). She explained why the event was important and elaborated on how it could pave the way for further opening up in China's market. Dr Kraft went on to say that the expo could also be an opportunity to pilot specific administrative reforms, such as product licensing in China.

4

## Shenyang Chapter Chairman Harald Kumpfert Gives Opening-day Speech at Shenyang Canadian International School

### 这所国际学校吸引更多外籍人士来沈

中国欧盟商会沈阳分会董事会主席孔海，与很多欧盟在辽企工作的外籍人士共同参加活动。他表示，高水平的国际教育，对一个地区的国际化发展至关重要。当我们决定在辽宁投资发展的时候，这也是我们非常关注的一项内容。“在给辽宁省和沈阳市政府关于打造国际营商环境的建议书上，我们就曾经提出过，我们需要一所真正能够为辽宁工作的外籍人员子女提供优质教育、能够与国际课程接轨的国际学校。所以，我今天非常高兴，这对于在辽宁及沈阳工作的外国人和外资企业真是一大幸事。”

On 18<sup>th</sup> April, Harald Kumpfert, chairman of the European Chamber's Shenyang Chapter, gave an opening-day speech at the Shenyang Canadian International School, emphasising the importance of international education. Mr Kumpfert also encouraged the Shenyang Government to increase the number of international education offerings in the city.

5

## Shenyang Chapter Chairman Harald Kumpfert Discusses IPR at Liaoning Intellectual Property International Exchange and Cooperation Base



On 23<sup>rd</sup> April, the Liaoning Intellectual Property International Exchange and Cooperation Base opened its National Strategic China-Germany (Shenyang) High-end Equipment Manufacturing Industrial Park. Harald Kumpfert, chairman of the European Chamber's Shenyang Chapter, gave an opening speech and encouraged the local government authorities to continue protecting intellectual property rights (IPR).

# EUROPEAN CHAMBER EVENTS GALLERY

## BEIJING CHAPTER



**China's New Super Ministry and the Battle for Blue Skies (1)**

On 23<sup>rd</sup> March, the Chamber held a seminar with Lauri Myllyvirta from Greenpeace, Xie Yanmei from Gavekal Dragonomics and Ether Yin from Trivium/China on China's recent reduction in pollution.



**Workshop: Compliance with Chinese Data Protection Obligations (2)**

On 18<sup>th</sup> April, the Chamber hosted a workshop on the main differences between the European Union General Data Protection Regulation and the Personal Information Security Specifications.



**European Chamber's Annual General Meeting 2018 (3)**

On 10<sup>th</sup> May, at the Chamber's 2018 Annual General Meeting, Charlotte Roule, chief executive officer of ENGIE China, was elected vice president and the president presented the *Annual Report 2017*.

## NANJING CHAPTER



**Europe Day in Jiangsu: Prospects for EU-China Economies (1)**

On 14<sup>th</sup> May, the Nanjing Chapter co-hosted a Europe Day event with the Jiangsu Department of Commerce at the InterContinental Hotel in Nanjing. During this event, guests and speakers representing European institutions and organisations discussed Europe-China economic relations.



**Annual Jiangsu Government Dialogue 2018 (2)**

On 27<sup>th</sup> March, the Nanjing Chapter held its annual Jiangsu Government Dialogue. This event helped to facilitate dialogue between European businesses and the Jiangsu Government.



**EUCCC Nanjing Summer Badminton Tournament (3)**

On 22<sup>nd</sup> April, the Nanjing Chapter held its summer badminton tournament.

## SHANGHAI CHAPTER



**Corporate Venture Capital Conference: Corporate Venturing – Strategies and Pathways (1)**

On 20<sup>th</sup> March, the Shanghai Chapter held its first Corporate Venture Capital Conference. At the event, managers of corporate venture capital (CVC) funds, advisers and academics talked about how to make a successful CVC unit and what these units look for when making a deal.



**HR Excellence Conference 2018: Turning Companies into a Talent Magnet (2)**

On 22<sup>nd</sup> March, the Shanghai Chapter held its annual HR Excellence Conference. This conference brought together senior human resources (HR) professionals to discuss industry challenges for HR firms and share their views on China's talent and HR market.





3

### Europe Day Reception (3)

On 9<sup>th</sup> May, the Shanghai Chapter, with the support of Consulates General from Member States of the European Union in Shanghai, hosted its annual Europe Day Reception.



4

### Sustainable Business Talk: Corporate Social Profitability with L'Oréal (4)

On 16<sup>th</sup> May, the Shanghai Chapter welcomed Laure Lemarquis, sustainability director of L'Oréal China, to share with members L'Oréal's objectives and explain how sustainability is incorporated into the company's core business development.

## SOUTHWEST CHINA CHAPTER



1

### Chamber Visits HRSIP Chengdu (1)

On 12<sup>th</sup> April, the Southwest China Chapter and eChinaCareers co-organised a visit to Chengdu's Human Resource Services Industrial Park (HRSIP).



2

### Southwest China Chapter's Annual General Meeting 2018 (2)

On 24<sup>th</sup> April, over 200 participants including five Consul Generals from eight Consulates General in Chengdu and Chongqing attended the Southwest China Chapter's Annual General Meeting 2018.



3

### Europe Day Party in Chengdu (3)

On 10<sup>th</sup> May, the Southwest China Chapter held a Europe Day Party. At the event, a Europe-China Tourism Cooperation Signing Ceremony was held, along with the Business & Innovation Centre for China-Europe Cooperation lighting ceremony.

## TIANJIN CHAPTER



1

### Dialogue with Tianjin Commission of Commerce (1)

On 25<sup>th</sup> April, the Tianjin Chapter met with Zhang Aiguo, director general of the Tianjin Commission of Commerce, and Gao Lijuan, vice director general of the Tianjin Commission of Commerce, to discuss difficulties foreign businesses are facing in Tianjin.



2

### Auto and Environment: China-Europe Automotive Industry Innovation Forum 2018 (2)

On 9<sup>th</sup> May, the Tianjin Chapter, together with the TEDA Investment Promotion Bureau, held its first Auto and Environment: China-Europe Automotive Industry Innovation Forum. During the forum, experts and professionals provided analysis on China's automotive sector.

## EXECUTIVE COMMITTEE OF THE EUROPEAN CHAMBER



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