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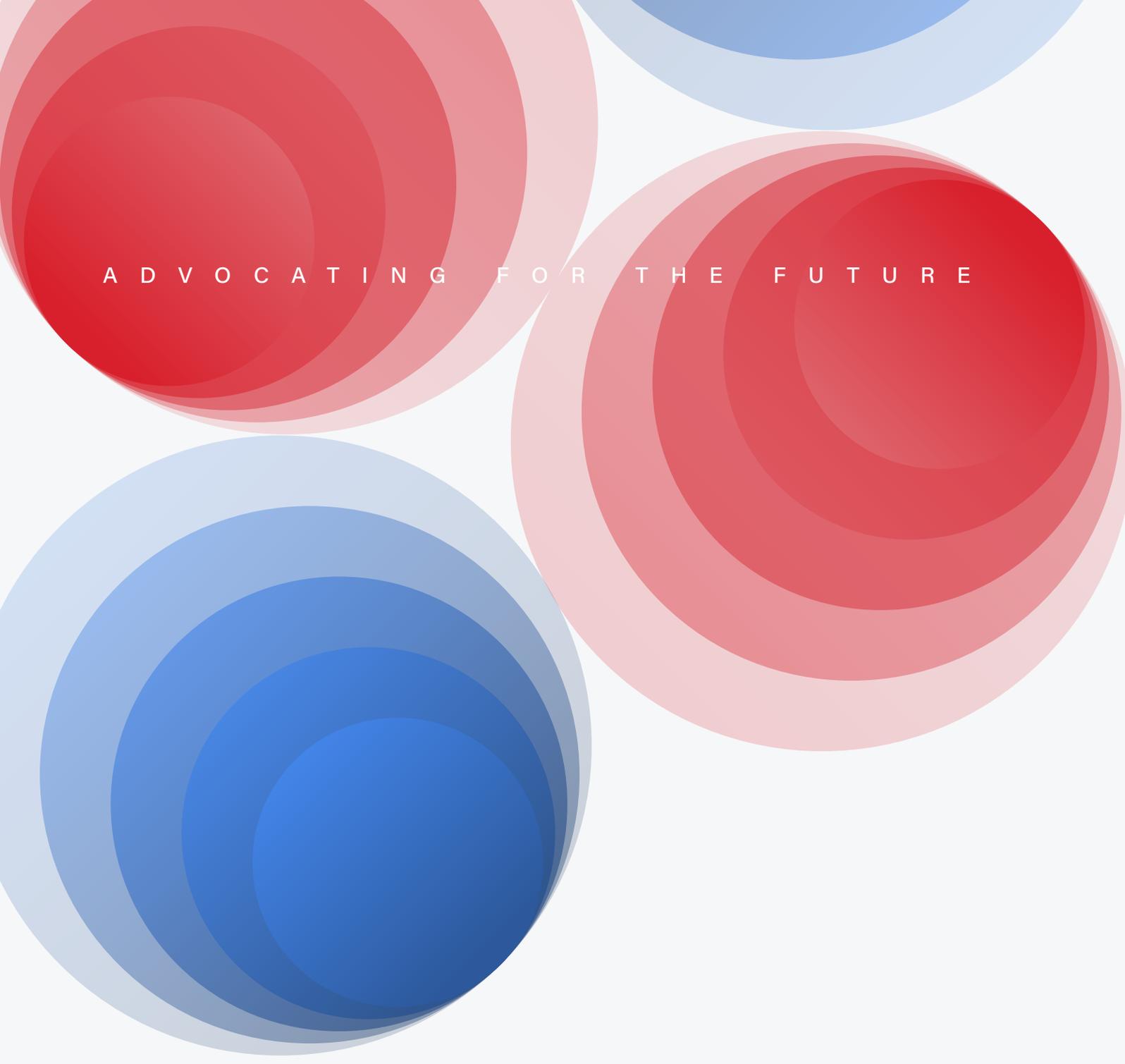
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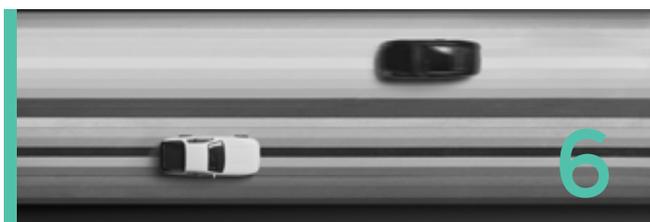


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European Chamber
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EURObiz

Journal of the European Union Chamber
of Commerce in China

EURObiz online

www.eurobiz.com.cn

Chief Editor

Orlaith Delaney

Art Director

Zhengnan Cao

National Member Relations Manager

Laura Alvarez Mendivil

+86 (21) 6385 2023 Ext. 113

lamendivil@european-chamber.com.cn

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

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Office C412,
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Centre,
50 Liangmaqiao Road,
Beijing, 100125, PR
China
北京市朝阳区亮马桥
路五十号
燕莎中心写字楼 0-412
室
Tel: +86 (10) 6462 2066
Fax: +86 (10) 6462 2067
euccid
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com.cn

TIANJIN

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

SHENYANG

Room 646, Sofitel
Shenyang Lido, 386
Qingnian Street, Heping
District, Shenyang,
110004, PR China
沈阳市和平区青年大
街 386 号
丽都索菲特酒店 646
室
Tel: +86 (24) 6683 4376
Fax: +86 (24) 6683 4376
shenyang@
european-chamber.
com.cn

NANJING

13A07, No.99
Zhongshan Road,
Gulou District,
Nanjing, 210008, PR
China
南京市鼓楼区中山路
99 号 13A07 室
Tel: +86 (25) 8362
7330 / 8362 7331
Fax: +86 (25) 8362
7332
nanjing@
european-chamber.
com.cn



**SOUTHWEST
CHINA
CHENGDU**

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

**SOUTH CHINA
GUANGZHOU**

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

SHANGHAI

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

**SOUTHWEST
CHINA
CHONGQING**

1-1, 23F, B4 Block, Chongqing
Foreign Business District, 12
Yun Shan Nan Lu, Yubei District,
Chongqing, PR China
重庆市渝北区云杉南路 12 号
涉外商务区 B4 栋 23 楼 1-1 室
Tel: +86 (23) 63085669
chongqing@european-chamber.
com.cn

**SOUTH CHINA
SHENZHEN**

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

President's Foreword

Challenges abound for European business, making effective communication critical

The start of 2020 has not been kind to European companies in China. We began the year with the steadily creeping outbreak of COVID-19 emerging around the same time that the US-China 'phase one deal' raised serious concerns on how European companies could be hit. The ensuing challenges have been considerable, with entire supply chains disrupted by changes first in China, then abroad as the disease has spread. Throughout this period, the European Chamber has sharpened its communication tools to ensure that concerns are voiced, recommendations made clearly, and that a clear flow of practical information is maintained between our members and governments in both China and Europe.

Since the early days of the COVID-19 outbreak, European companies have sought to contribute to containment efforts while also trying to maintain operations in a way that keeps their staff safe. By early February, the European Chamber had already begun engagement with local officials at each of our chapters, as well as through the central authorities, to facilitate communication. We also arranged a meeting with Zhang Ming, Chinese Ambassador to the European Union (EU), to help connect our European business networks with Chinese healthcare providers in need of donated medical supplies to fight the coronavirus.

As the outbreak seemed to come under control in China, the European Chamber called for input from our members. In a joint survey with the German Chamber, we accurately pinned down the costs of the outbreak. We also identified where there was a clear need for better coordination between the levels of government to ensure that COVID-19 mitigation efforts were effective, while also allowing the economy to get moving again. The results of the survey were shared with the Chinese authorities, who then organised follow-up meetings with the Chamber; first through a smaller conversation with Chamber leaders, then in a large virtual meeting with our membership to communicate clearly how the government was changing its response.

Our communication efforts have hardly been limited to reactive positions. At the same time that COVID-19 and the phase one deal were dominating the conversation, we launched our thematic report on European involvement in the Belt and Road Initiative, *The Road Less Travelled*. Our groundbreaking report was pushed to media, embassies, the Chinese authorities and more, securing follow-up meetings and opportunities for proactive engagement.

Effective communication was also applied in the Chamber's annual EU Tour in early February. Despite bringing only a self-quarantined delegation, we found ourselves blocked from meetings with the European Commission due to COVID-19 safety measures. We could not meet with them, so we made them read about us instead. Through a media blitz, we propelled our messaging into the headlines in Brussels and across Europe. We leveraged other opportunities with think tanks, Members of the European Parliament and industry associations, among others, to ensure that our member's voices were heard.

The European Chamber will continue to influence public opinion, and produce top quality content reflecting our members' views. We shall calibrate our messaging to reach the right stakeholders with the 'cry for action', and properly leverage the opportunities that follow.



Jörg Wuttke

President

European Union Chamber
of Commerce in China

The Belt and Road Initiative

Globalisation's next chapter

by Mukhtar Hussain

produced by (E) BrandConnect

The China-led initiative to connect economies across the continents of Asia, Europe and Africa by facilitating the building of infrastructure has grabbed media headlines and governments' attention since it was announced to the world. **HSBC** have examined how the Belt and Road Initiative (BRI) is evolving in response to the lessons and challenges so far, and what this could mean for the global economy, from climate change to regional economic development, and from project governance to trade connectivity. This article by **Mukhtar Hussain, HSBC's Head of Belt and Road Initiative for Asia Pacific**, explores the themes of participation and governance.

Launched in 2013 by China's president, Xi Jinping, the BRI envisaged a massive infrastructure build-out that would retrace the 'silk roads' that once traversed Eurasia and the seas connecting China to Africa.¹

In the seven years since, billions of dollars have been invested in everything from ports and power to railways, stretching from Southeast Asia to central Europe,

along a 'belt' of overland corridors and a maritime 'road' of shipping lanes.

As the BRI evolves, it is prompting discussion and debate as to its optimal scale, design, benefits and impact. As is natural for any venture of such ambition, there are diverse views among stakeholders involved in the initiative – and those outside it. For its advocates, the BRI could reinvigorate a sluggish global economy, foster connectivity and give emerging markets a much-needed infrastructure boost.

Critics, on the other hand, have expressed

1. China's Belt-and-Road Plans are to be Welcomed—and Worried About, *The Economist*, 26th July 2018, viewed 6th March 2019, <<https://www.economist.com/leaders/2018/07/26/chinas-belt-and-road-plans-are-to-be-welcomed-and-worried-about>>





...wider participation and world-class project governance—are now leading priorities for the initiative’s new chapter.



concern about challenges including debt sustainability, environmental impacts and the terms of deals; from bidding, tendering and feasibility assessments to transparency over project participation and negotiation dynamics. All of these are important questions that are best analysed against the facts.

The BRI can be seen as an historic opportunity to improve economic connectivity globally. It is a counterbalance to economic unilateralism, showing the mutual benefits that stem from working together. But, to be sustainable and deliver on its promise, the BRI must benefit all participants and continue to evolve. Many observers believe the initiative is entering a new phase that promises to do just that.

A widening cast

In April 2019, the second Belt and Road Forum for International Cooperation took place in Beijing. This provided a valuable opportunity to take stock of successes so far, understand challenges and put in place structures, policies and frameworks to ensure that the BRI benefits all participants.

One detectable shift at the summit was the widening cast of stakeholders, show-

ing that the BRI is an open, international partnership and not just a ‘China club’. Over 30 heads of state and thousands of government representatives attended. More than half of the EU’s 28 member states have signed BRI-related agreements with China, and in March 2019, Italy became the first G7 country (the world’s seven largest developed economies: the United States (US), the United Kingdom, Germany, Canada, Japan, France and Italy) to fully sign up. Around US dollars (USD) 64 billion-worth of transactions were reportedly signed at the forum, and the BRI’s project portfolio now stretches across the world, from a trans-Malaysian railway to the Greek port of Piraeus.²

The second, linked, shift is the increasing focus on governance. The BRI has created concerns in some quarters about debt sustainability and the opacity of tender and bidding processes, but China has made it clear that projects should meet the highest standards in environmental and social impact assessments, open and competitive protocols for tendering and bidding, and fiscal soundness. A joint communique published at the summit highlighted the importance of “open, transparent and non-discriminatory public procurement procedures in accordance with national laws and regulations” and welcomed the “exchange of good practices”.³

Debt sustainability is an especially important governance issue, since the BRI includes lower-income countries from Djibouti to Cambodia.⁴ The scheme’s benefits could be greatest in these resource-constrained, infrastructure-poor countries, but this needs to be balanced against fiscal risks. China is taking the issue seriously. Yi Gang, governor of the People’s Bank of China (China’s central

bank), said recently that the country will build an “open, market-oriented financing and investment system”. China’s Ministry of Finance has published a framework arguing that debt sustainability needs to be taken into account when mobilising funds to finance the BRI, in order to achieve “sustainable and inclusive growth”.⁵

This is not merely a public-relations exercise. China has no desire to be sole financier of the BRI and will not benefit from partner countries falling into unmanageable debt. Furthermore, private capital will only flow in if projects are structured sustainably. This focus on fiscal soundness shows that debt sustainability is in everybody’s interests – and that China supports it.

China is also taking seriously the risk of corruption with BRI infrastructure projects. The country’s Central Commission for Discipline Inspection (CCDI) launched a pilot programme in Laos in late 2017 to oversee a railway project being built by a Chinese state-owned enterprise. The CCDI has also set up a joint inspection team with its local counterpart, and more recently has pledged to introduce this approach in other countries.⁶

These signs indicate that two critical elements of the BRI’s success—wider participation and world-class project governance—are now leading priorities for the initiative’s new chapter. Close monitoring and scrutiny will help to ensure that these pledges play out on the ground. **EB**

Mukhtar Hussain is head of the Belt and Road Initiative for Asia Pacific at **HSBC**, one of the largest banking and financial services institutions in the world, with operations in 64 countries and regions. Our global businesses serve more than 40 million customers. They range from individual savers and investors to some of the world’s biggest companies and governments. This article was produced by **(E) BrandConnect**, a commercial division of **The Economist Group**, which operates separately from the editorial staffs of **The Economist** and **The Economist Intelligence Unit**. Neither (E) BrandConnect nor its affiliates accept any responsibility or liability for reliance by any party on this content.

2. China Daily, *Belt and Road Projects: Past, Present and Future*, *The Telegraph*, 2nd May 2019, viewed 6th March 2020, <<https://www.telegraph.co.uk/china-watch/business/belt-road-projects-list/>>
3. *Belt and Road Cooperation: Shaping a Brighter Shared Future: Joint Communique of the Leaders’ Roundtable of the 2nd Belt and Road Forum for International Cooperation*, Ministry of Foreign Affairs, 27th April 2019, viewed 6th March 2020, <https://www.fmprc.gov.cn/mfa_eng/xxxx_662805/11658766.shtml>
4. Andrew Nachemson, *Chinese Investment in Cambodia is Bringing Phnom Penh Closer to Beijing – and Further from the EU*, *SCMP*, 1st May 2019, viewed 16th March 2019, <<https://www.scmp.com/news/asia/southeast-asia/article/3008451/chinese-investment-cambodia-bringing-phnom-penh-closer>>
5. *Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative*, Ministry of Finance, 25th April 2019, viewed 6th March 2020, <<http://im.mof.gov.cn/cxwx/201904/P020190425513990982189.pdf>>
6. *China to Tackle Corruption in Belt and Road*, *Financial Times*, paywall, <<https://www.ft.com/content/a5815e66-a91b-11e9-984c-fac8325aaad4>>

The Difference One-fifth Makes

by Jacob Gunter

Starting in 2013, Chinese companies were encouraged, some may even say pushed, by the government to go abroad and expand their footprint into other markets. This 'go out' campaign expressed itself in a variety of different ways. Headlines in the EU, and eventually back in China, were often dominated by trends like the massive shopping spree of Chinese investors buying up European football clubs or concerns about state-directed capital buying up Europe's technological and industrial 'crown jewels' like Kuka. However, as **Jacob Gunter, Policy and Communications Manager** at the **European Chamber** notes, another trend could ultimately present a major threat to European business if left unchecked. This trend is connected to the 'go out' campaign, but even more so to the subsequent development of the Belt and Road Initiative (BRI), with both pulling China's national champions into global markets.

China's national champions have grown and developed under the protective shield of a system that erected barriers to foreign competition. Initially, this was an issue for the foreign companies that were eager to bring their goods and services to China's consumers. Being blocked out meant lost opportunities to do business with one-fifth of the world's customers, but it didn't have a large effect beyond China's borders.

However, this has fundamentally changed. European companies can no longer view a market access barrier in China as just a lost opportunity, but must instead treat it as a threat to long-term global competitiveness. This is for the simple reason that Chinese firms in key sectors can build scale, leverage cheap domestic financing and enjoy

the benefits of innovation driven by 20 per cent of the world's population that foreign companies cannot access.

For example, when China was first building its high-speed rail network, barriers to foreign competition through opaque procurement measures, as well as serious intellectual property infringement for anyone daring enough to try to participate, meant lost potential revenue. Years later, Chinese firms that build railways and the trains themselves are now scaled up from their protected market and fueled by favourable financing back home. When they compete for tenders in other markets, or simply win them without competition like in many BRI projects, the Chinese firms come with a scale and purse large enough to be able

to submit shockingly low bids. Essentially, market access barriers in China have gone from a local problem to a global one.

This is also a major concern in terms of interoperability. Protectionism in China is often found not only in direct barriers like the negative list for foreign investment, but also in indirect ones like licensing and administrative approvals. This is especially pronounced in the tech sphere through barriers like the Great Firewall and administrative hurdles like those required for value-added telecom services (VATS) providers. Historically, these made it a challenge to develop market share within China, but they now present a considerable challenge as interoperability is a key advantage for those providing digital solutions.

At first glance, accessing a VATS licence may seem a problem that affects only telecoms service providers and some tech companies. In reality, VATS cover many of the emerging technologies that will leave few, if any, industries untouched. Cloud services, which fall under this category, are coming into use even in highly traditional sectors like shipping. In conjunction with other services like blockchain, cloud offers digital solutions that can more efficiently sort cargo, move containers through customs more swiftly and improve tracking for customers.

A European shipping company that develops digital solutions to gain a competitive edge needs to be able to get a corresponding VATS licence to make their system interoperable in China. Otherwise, not only will they miss out on a fifth of global producers and consumers, but also nine of the world's twenty busiest ports.

If Chinese shippers were mainly focused on shipping between China and other markets exclusively, that would already represent a significant lost opportunity. However, through the BRI, Chinese shippers like COSCO are cementing stronger footholds in other markets to provide shipping services not only between, say, Pakistan and China,

but also Pakistan and third markets. If CO-SCO then provides the same sort of digital solutions, for which the state-owned shipper can easily obtain a VATS licence from the very government that owns it, then it suddenly has unique access to the China market. At that point, a customer with global shipping needs has to decide between a Chinese shipper that can access all consumers or a European one that can access only four-fifths of them.

Essentially, market access barriers in China, be they direct like in the negative list or indirect through opaque procurement systems or arbitrary licensing requirements, are now allowing China's national champions to uniquely leverage a protected home market as they begin to compete in third markets.

Grappling with this issue raises serious questions that will challenge the European approach. Doing nothing is no option, lest European companies steadily lose out to scaled-up, protected competitors. However, choosing what to do will inherently require a questioning of some of the core economic values of the European Union. At the extreme end of the spectrum of responses is for Europe to play China's game: to roll back competition law and allow European champions to scale up, while imposing market access barriers to Chinese competitors.

Such extreme steps would be a betrayal to European values and a race to the bottom. However, intermediate options also exist that can be implemented with due process and in a pin-point way. Europe does not need a wall, which blocks anything and

everything trying to come in, but instead needs a shield that can selectively be raised against unwanted behaviour. Stronger investment screening to identify non-competitive and state-directed moves—

allow European companies that find themselves blocked out of certain markets, by something like an arbitrary VATS licensing process, to seek redress in Europe through due process. If ruled appropriately, such a mechanism could



especially by state-owned enterprises—and tools like the proposed International Procurement Instrument (which would leverage Europe's procurement markets to push for positive reciprocity for European firms in other markets) would be good to add to the toolkit.

Further along the spectrum would be targeted reciprocity review mechanisms to

allow for targeted restrictions to be imposed on companies from the offending market until positive reciprocity is achieved.

Balancing European economic values with the need to find

ways to address the concerns of China's scaled-up national champions and how they impact European competitors in third markets will not be an easy conversation. However, the longer such topics remain completely off the table, the more market share and scale China's industrial hegemon will be able to secure. Better to have that talk sooner rather than later. 

Note: The views expressed in this article are not necessarily the views of the European Union Chamber of Commerce in China.

Vital Hubs along the Belt and Road

ASEAN and Singapore's Role
by Dario Acconci



China's Belt and Road Initiative (BRI) is a prime example of the 'reaching-out' policy the Asian giant has promoted after decades of isolationist political thinking, an approach now more popular among some governments in the West.

By investing in strategic infrastructure projects abroad, China's BRI stimulates and triggers demand for materials and goods at home. But the economic side of it does not come alone; on the contrary, it involves developing diplomatic and political ties along the old Silk Road to Europe, as well as establishing newer maritime links in and around Southeast Asia (SEA) and Africa. **Dario Acconci** of **Hawksford** looks at the role Singapore could play in connecting European business to BRI projects in the region.

As the aim of the BRI is to enhance global supply chains and find new destinations for increasing outputs, primarily through debt-financed infrastructure projects across more than 65 countries, China expects annual trade with the states and regions involved to be worth United States dollars (USD) 2.5 trillion within a decade – up from USD 1 trillion in 2015.

The economic importance of the Association of Southeast Asian Nations (ASEAN) to China, its geographical proximity and the two sides' long-established cultural and heritage ties, have made the bloc a key focus of the BRI as a means of providing China with a strong link with its neighbouring continents.

2016 marked the 25th anniversary of the open dialogue between China and ASEAN. While China has been ASEAN's largest trading partner for 10 years now, the first two months of 2020 marked

ASEAN's overtaking of the US and the European Union (EU) as China's largest. And it's a two-way surge: China's investments and construction contracts in the region in the first six months of 2019 were double the amount in the prior semester. Measures arising from the US-China trade war have turned ASEAN into a major destination for Chinese tech companies looking to expand in thriving hubs.

Bilateral trade has also increased massively, from USD 7.96 billion in 1991 to USD 291.85 billion in the first half of 2019. ASEAN and China are seeking to double their trade value, setting a target of USD 1 trillion by the end


65+
countries enhanced global supply chains and increased outputs through the BRI


2.5
trillion USD
expected annual trade with the BRI states and regions for China


5.1
per cent
slipped on China's exports to ASEAN economies in January and February 2020


7.2
per cent
soared on China's imports from ASEAN economies in January and February 2020

of 2020. The BRI, together with China's stated desire to acquire more commodities, will play a key role in achieving this target. In January and February 2020, China's exports to ASEAN economies slipped by 5.1 per cent year-on-year (y-o-y) while imports, a long-discussed issue of sustainability for the region's links with China, soared by an unprecedented 7.2 per cent. Of particular note, China's imports from Vietnam reached a record surge of 24.2 per cent, with imports from other developing economies like Indonesia also rising by 13 per cent y-o-y.

For ASEAN member countries, the BRI is already helping to address an infrastructure deficit, and has lifted industrial development in less developed and globalised economies like Cambodia and Myanmar. While the formation of the ASEAN Economic Community brought SEA economies together as a single market and production base, the BRI might actually provide them with the integration balm they need by developing physical routes for people and goods exchanges. The region stands perfectly positioned to sit at the centre of global value chains, and has provided alternatives to global suppliers looking to escape trade scrambles with the US and location-dependent outputs.

It is in this context that Singapore is already increasing its significant

position on the global stage.

Singapore: the adaptor and reading key for the treasures in the region

Singapore is one of ASEAN's five founding member nations and also the most developed of the bloc. Its advanced levels of technology, educated and integrated working class, and global networks have enabled the city-state to operate a world-class economy. Hence, it is expected to be the natural leader of ASEAN.

Historically embodying the safest port of choice along the Straits of Malacca for East to West maritime routes, Singapore and its pivotal geography within SEA makes it also well positioned to play an important role in the BRI's Maritime Road.

Singaporean financial, energy, trade and infrastructure industries and companies are already key players in several SEA economies, consolidating the nation's position as one of the most attractive jurisdictions in the region.

Among the alternative trade routes China is trying to offer, one worth noting is the Southern Transport Corridor. This is a network of railway lines linking western Chinese cities and provinces, including Chongqing Municipality, to southern Guangxi Province, and from there to Singapore and beyond by sea. This is a vital alternative to the Mainland coastal ports for China's inner provinces; the corridor is the "first substantive link" between the two ancient Silk Roads.¹ Once completed, it will cut transport times for goods between Chongqing and Singapore from three weeks to approximately one week, and provide mountain- and desert-locked regions with access to waterways and ports down in SEA.

1. Chong Koh Ping, *Belt and Road Opens New Front in Singapore—China Ties*, *The Straits Times*, 6th July 2018, viewed 30th March 2019, <<https://www.straitstimes.com/asia/east-asia/belt-and-road-opens-new-front-in-singapore-china-ties>>

As the BRI unfolds, two main types of roles have emerged: communities and regions have either been recipients of infrastructure investments or were simply considered supporters of such investments, for example, on the financing side. Singapore's advantages qualify it as best fit for this second category, offering structural financial expertise.

One could easily state that the success or failure of the infrastructure building plan rests largely on whether the projects are financially feasible. Getting investments and financing right is something key Singaporean corporates can boast broad knowledge and expertise in.

As the world's second largest wealth management centre, the third-largest financial market and a thriving commodities hub, Singapore hosts many financial institutions and key industry players with the expertise to undertake infrastructure project structuring and financing. Singapore is in a strong position to complement, augment and even provide alternatives to the funding methods provided by multilateral organisations like the Asian Infrastructure Investment Bank (a multilateral development bank that aims to support the building of infrastructure in Asia), putting the Lion City in a sweet spot when it comes to intermediating capital and trade flows linked to the BRI.

BRI, Singapore and FDI: The Road to Travel

The long-term impact of the BRI on ASEAN countries is already a trending topic for regional governments, which expect the economic benefits of those infrastructure investments to trickle down to other sectors of their developing economies.

Foreign direct investment into ASEAN and Singapore increased dramatically this past year, and could continue to do so the more European and western companies:

- see value in participating in tenders as localised contractors for the various BRI infrastructural and consequential ancillary projects;
- decide to set up local production facilities; or
- cater to the new spending power of ASEAN economies as a result of the BRI and the creation of growing middle classes.

For European companies wishing to invest in the various ASEAN jurisdictions involved in the BRI, structuring their direct investments remains favourable. Singapore's strength as a key infrastructure, financial and legal hub in the region ensures it is the ideal jurisdiction in which to establish holding vehicles that can benefit from the extensive list of double taxation agreements in place with all ASEAN countries. As ASEAN jurisdictions are also familiar with Singaporean structures, these holding vehicles could avoid the hurdles foreign entities might otherwise face.

There's little or no doubt that the BRI is giving rise to new opportunities for foreign companies looking to expand in the ASEAN region. For European businesses and investors looking to seize those outcomes by participating in BRI-related projects—not just infrastructure but also in trade, professional services, e-commerce, consumer goods, technology, and other internationalising sectors—Singapore remains the perfect partner. 

Dario Acconci is the managing director of Asia Business Development at **Hawksford**. Hawksford is a leading provider of corporate, trust and fund administration services. We help clients to make the most of their business decisions and their wealth by taking on the burden of regulatory, financial and tax compliance, corporate governance and reporting obligations. We have helped families to take care of their wealth, entrepreneurs to succeed, multinational companies to operate and transact, and funds to maximise their returns.

Supply and Demand

Talking logistics along the Belt and Road with Maersk China Ltd



Most of the projects associated with the Belt and Road Initiative (BRI) centre around infrastructures like bridges, ports and railways, but the over-arching theme is connections – linking up supply chains from landlocked or far-flung regions with markets and consumers. When it comes to supply chains, one of the most informed players in the industry is the shipping giant Maersk. That is why *EURObiz* grabbed the opportunity to interview **Jens Eskelund, managing director of Maersk China Ltd**—who also serves as vice chair on the European Chamber’s executive committee—and gain some insights on the impact the BRI is having on the logistics industry.

You played a major part in helping the European Chamber research and promote its report on the Belt and Road Initiative. Could you give a synopsis of the challenges and opportunities this initiative brings for European shipping and logistics companies?

Other things being equal, we think all players in transportation should welcome the BRI. With a faltering global economy, slowing trade, deflation and over-capacity, a systematic effort such as the BRI to drive growth and expansion of trade is to be welcomed. Whether you are a shipping company, terminal operator, or logistics service provider, there are opportunities to benefit from the new growth potentially unleashed from these initiatives. This is so because the investment in infrastructure will facilitate increased trade, providing more demand for our ships, terminals, trains and supply chain management systems. Specifically, in shipping, the BRI could enable us to open up new routes and services and deploy our excess tonnage. Logistics companies can develop new inland and multi-modal services, e.g. block train services on the overland routes to Europe and so on.

But reality is complex, and there are a number of questions which will need to be resolved before the BRI can live up to its potential. For example, how do we balance the need for planning with allowing the market to play its role as the most efficient means of allocating resources? How do we balance the needs and wishes of the many participating nations when we must accept the fact that not every country can become the home of an international hub port and shipping centre? How do we address concerns about China’s strategic intentions behind the initiative?



most

BRI-related projects are not open to third party participation.

Many countries and regions have already signed up to the BRI, but are there ways more participation in the initiative could be encouraged?

The private sector must be allowed to participate to a higher degree than we see today. Private companies can contribute not only with investments, but also with expertise. And all historical evidence points to the private sector being more efficient than government entities at allocating capital, ensuring adequate returns and, not least, in understanding the needs of customers. Also, we must ensure that the BRI is open and inclusive to everyone who wants to play a positive role. Bilateral agreements excluding other parties, or reserving business for some companies of a certain nationality, must be avoided at all costs. Protectionism and trade barriers are poison for connectivity and poison for the Belt and Road initiative. I think this is a point with which most Chinese companies would also agree.

But in regard to these matters, there seems to be some work to do still. According to the recent European Chamber study, most BRI-related projects are not open to third party participation. Only a few companies indicated that they played a role in the BRI, and when participating nearly all indicated that they were playing niche roles by providing specific technologies or facilitating projects because of their extensive experience in third markets. According to the study, foreign companies are chiefly brought in to fill in the gaps that Chinese providers cannot. Also, most respondents indicated that they had not learned about opportunities through publicly available procurement information. Nearly all said that they were pulled in by either Chinese business partners or the government with little or no prior knowledge that a project

was even underway. The lack of publicly available information and engagement of the business community remains an issue, which is not only a lost opportunity for private businesses but may also lead to costlier and less optimal project solutions.

Chinese state-run logistics companies benefit from subsidies the Chinese Government gives them as incentives to take part in the BRI. In your opinion, does this affect the SOEs' motivation to ensure they deliver the best services? How can European companies compete with subsidy-backed SOEs?

Chinese state-run companies are not alone in benefitting from subsidies. Many foreign companies are receiving subsidies as well to ensure the success of some initiatives which may not otherwise be economically viable for businesses. But as the European Chamber's report states, the experience of members is that these are not provided in equal measure to foreign and domestic Chinese companies. Moreover, as a matter of principle, we are not fans of subsidies as they distort the mechanisms of the market, create an uneven playing field, increase opacity and impact fair and free competition.

The European Chamber has addressed the cabotage problems for foreign-flagged vessels in Chinese ports, while similar restrictions do not affect Chinese-flagged vessels in Europe. What steps do you think European shipping firms or the European Union (EU) itself should take to push back against the current Chinese policy?

I am not sure 'push back' is the preferred term here. European companies are avid supporters of free trade and, instead of pushing back, we would rather hope that China, in line with statements made at the

highest level of government, will continue to further open markets and accordingly offer market access on reciprocal terms to European shipping companies. Chinese shipping companies are not only benefitting from having protected access to the world's largest domestic market—the Chinese market—they are also benefitting from unhindered access to ship between EU countries. The levels of access are clearly asymmetrical, so we do hope that China will walk the talk on free and reciprocal trade terms. If no change happens, then of course EU regulators should ask themselves if such a discrepancy in terms of market access is sustainable in the long term.

Some Chinese-funded projects along the BRI have been accused of being insensitive or inflexible when it comes to adapting to local conditions and cultures. What advice do you have on adjusting the personnel and culture of a corporation to the needs of a local community?

I think one should be careful about generalising on this point. But I also think the experience of European companies in China could be useful. Just 30 years ago, there were only a few European companies in China, many of which were struggling to find their place and succeed in a business environment so different from what they knew at home. First and foremost, I think European companies have succeeded by hiring and training local talent and placing them in managerial positions in all functions. It takes time to train an executive, in China as elsewhere, but many companies are now beginning to reap the benefits of having invested so heavily in local talent. This



Jens Eskelund participates in the launch of the European BRI report, *The Road Less Travelled*.
Photo: Yichi Zhang

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has also made it easier for companies to integrate themselves into local communities and to understand and contribute to the realisation of Chinese development goals. It takes trust, courage and an open mind to succeed. I think many Chinese companies are already aware of this and are succeeding abroad. So maybe the solution is to look at these Chinese and foreign successes for inspiration. 

Jens Eskelund is the managing director of **Maersk China Ltd**, an investment company of the Maersk Group in China. The main focus of Maersk China Ltd is to engage with Chinese Government entities, institutions and trade associations on matters of policy, regulatory environment and business development on behalf of the companies within the Maersk Group. Maersk is the world's biggest container shipping company by capacity and goods volume for the past two decades.

International Lawyers Association

A guiding hand along the BRI

by Shane Farrelly and Veronica Gianola

In light of the launch of The Belt and Road International Lawyers Association (BRILA) by the All China Lawyers Association at the tail end of 2019, **Shane Farrelly** and **Veronica Gianola** from **D'Andrea & Partner Legal Counsel** examine what influence such a body could have on both legal issues and cohesion along the new Silk Road.

The BRILA was launched by the All China Lawyers Association in Guangzhou, Guangdong Province, in order to promote legal cooperation among countries and regions involved in the Belt and Road Initiative (BRI). The BRI is based on a lofty ideal of bringing about cohesive cooperation and trade connectivity throughout the global project which aims to provide freight access to over 60 per cent of the world's population by both rail and sea.

The 85 founding members of the non-governmental, non-profit professional law

organisation include bar associations, law firms and individual lawyers from various countries and regions; 35 members from China and 50 members from 35 other countries and regions.

As the first international bar association registered in China, the BRILA's main purview will be generating a regular communication mechanism for lawyers from countries and regions involved in the BRI, whether this is achieved by organising conferences, visits and training, studying key legal issues, providing legal services to support economic exchanges, or generally

improving BRI regional trade rules.

All of the aforementioned aspects seemingly mirror the five major goals of the BRI, namely policy coordination, connectivity of facilities, unimpeded trade, financial integration and people-to-people bonds.

As the pioneering nature of the BRI requires an equally far-reaching approach to manage any legal issue arising from the operation of this vast project, the long-term impact of this association may benefit China's specialised BRI arbitration forums.

Future integration

A major factor within BRI projects is dispute resolution, as outlined in our previous *EURObiz* article in early 2019.¹ BRI projects generally involve more than just a domestic party and Chinese party, as it has become common practice to



engage with professional advisors from third countries, thus further complicating matters.

For truly international and increasingly complex disputes, involving participants from many countries, it is best to resolve cases in a forum that is very familiar with the BRI. A number of jurisdictions are already seeking to establish themselves as the main hub for BRI dispute resolution. However, China's Supreme People's Court (SPC) has also developed a dispute-resolution method in order to handle international disputes arising from BRI projects, namely the China International Commercial Courts (CICC) in Shenzhen, Guangdong and Xi'an, Shaanxi. Considering that the BRILA was established with the primary aim of becoming a regular communication mechanism for lawyers from countries and regions along the BRI, it would undoubtedly present the CICCs to members as the most favourable option in regards to arbitration proceedings.

Steps towards a common goal

Multiple BRI-related arbitration proceedings have already taken place in various international courts, and more can be expected, as the importance of dispute settlement instruments was stressed at the 2019 Belt and Road Forum. One of the deliverables from this event was the

establishment of an International Dispute Prevention and Settlement Organisation between over 30 countries.

Thus far, the CICCs have accepted only a handful of cases since their inception in 2018. None of these have been directly tied to the BRI and many were passed down from the SPC. The purpose of the CICCs were to alleviate the concerns of both local and foreign parties regarding the gravitas attached to major BRI infrastructure investments that involved multiple parties from various different countries/regions.

However, the fact that the CICCs retain a dependent relationship to the SPC emphasises that the courts are not differentiated in terms of autonomy from other Chinese judicial instruments. This has made it more difficult to promote the CICCs' legitimacy to foreign parties. The creation of the CICCs' foreigner-composed International Commercial Expert Committee, introduced to compensate for the lack of foreign judges in the courts, has been noted as a step in a positive direction, but the establishment of the BRILA offers a more expansive, future-orientated and cooperative approach.

Communication exchanges between law firms and bar associations throughout the BRI on both macro and micro-level concerns would benefit all and establish a notion of reciprocity and cohesion between China and BRI states. Upon this basis, a level of understanding and

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...within BRI projects... it has become common practice to engage with professional advisors from third countries, thus further complicating matters.

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validity can develop organically for the CICCs, which could eventually lead to a steady stream of cases and allow the courts to gain experience and trust.

Conclusions

As the CICCs have found it difficult to amass the same kind of prestige afforded to their competitors, especially at this early stage, the extent to which they will sway BRI investment parties to accept them as their courts of choice remains unclear.

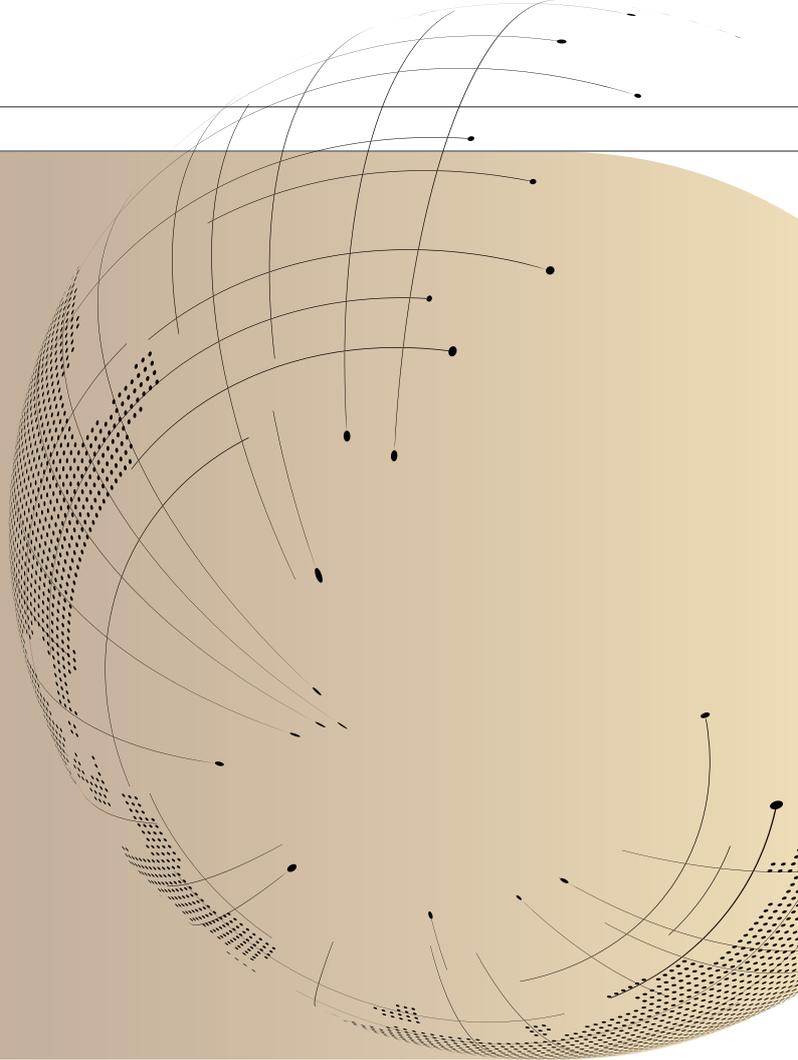
The BRILA, with its wide-ranging reach to legal practitioners across the BRI, could lead to a more nuanced approach to increase both foreign parties' awareness of and appreciation for Chinese legal institutions and Chinese legal and judicial experts' exposure to best practices in international commercial law. 

D'Andrea & Partners Legal Counsel, DP Group, was founded in 2013 by Carlo Diego D'Andrea and Matteo Hanbin Zhi, both of whom have extensive backgrounds in Chinese and EU law. DP Group currently has four service entities: D'Andrea & Partners Legal Counsel, PHC Tax & Accounting Advisory, EASTANT Communication and Events, and Chance & Better Education Consulting. DP Group has a variety of branches around the world, with locations in several major developing economies.

1. BRI: Dispute Resolution and Jurisdictional Issues, EUR0Biz, Jan/Feb 2019, <<https://www.eurobiz.com.cn/bri-dispute-resolution-and-jurisdictional-issues/>>

BUILDING A ROAD MAP

Proactively addressing
compliance strategies for
overseas investments
by Selina Shi



With the Chinese Government's 'going out' strategy introduced in 1998, and the Belt and Road Initiative (BRI) announced in September 2013, Chinese companies' overseas investment projects have increased rapidly over the past 20 years. Many companies have realised they face various risks when taking on offshore investment projects in developing countries or emerging markets, some of which have poor governance and high levels of corruption. Investors are often also unfamiliar with the cultures, laws and regulations of these regions. **Selina Shi** of **Grant Thornton** provides some advice on how enterprises should prepare their compliance systems before financing projects in unfamiliar jurisdictions.

Transparency International's (TI's)

Corruption Perceptions Index (CPI) 2019 report covers 180 countries worldwide.¹

These include 59 of the countries along the Belt and Road, spreading across East Asia, North Africa, Central Asia, Mongolia, Russia, and Central and Eastern Europe. The report indicated that the CPI scores of 35 of these countries are below average, which could be a clear indicator of the existence of poor governance and corruption.

1. <https://www.transparency.org/cpi2019>

Quite often, companies fail to appreciate the risks involved in investing overseas, particularly in countries and regions with corruption problems. A slow response to these risks might lead to the failure of the investment. Establishing a robust compliance system is therefore crucial, since it can help companies avoid such risks and minimise compliance issues that may arise in the course of daily operations following investment.

On 26th December 2018, China's National

Development and Reform Commission (NDRC) issued the *Guidelines for Compliance Management of Overseas Operations of Enterprises*. This document clarified the content required and key aspects of compliance management for overseas operations, while also providing some essential guidance. The *Guidelines* recommend that, in the process of establishing a compliance system, enterprises should also consider creating corresponding mechanisms to evaluate and monitor the system's effectiveness. Some of these are

outlined below:

- When an enterprise targets a new market, there are various entry modes it could consider. However, whether it intends to set up a wholly-owned subsidiary, form a joint venture (JV), or merge with or acquire a local company, the enterprise should first carry out targeted compliance due diligence. Companies are increasingly adopting compliance due diligence as an essential means of compliance management. This strategy can expose any potential risks from violations by business partners and help companies make advance judgements in order to avoid trouble further down the line.

For example, if an enterprise plans to establish a JV in its target market, when it conducts detailed due diligence on potential partners, in addition to investigating the other firms' basic information and commercial qualifications, the enterprise should pay attention to the others' compliance background, litigation records and government relations. The investing enterprise needs to understand how it or its key management personnel will connect with the JV company, taking into account factors such as whether their relations could end up being competitive rather than collaborative.

If we take as another example an enterprise planning an acquisition of a local company, their compliance due diligence should also include on-site visits to properly assess whether the target company has any compliance

management weaknesses and to evaluate any possible risks.

- Once a company has entered the market, compliance management becomes a priority. The company will need to develop compliance policies and effective training for staff, identify and assess risks, and build transparent communication channels and proactive monitoring procedures.

The company should ensure that its compliance policy and procedures are as transparent and straightforward as possible, and in line with local customs, to help local employees easily understand what is required of them. If employees feel confident in using internal reporting channels, this will allow the company to closely observe its ethics environment.

It is essential for an enterprise to assign people who understand the cultural differences between the company and its local employees to carry out the training. Engaging local professional lawyers and accountants to assist in training may be an approach worth encouraging.

The policies of developing countries and emerging market countries are usually in flux, so companies should be able to identify and track any relevant developments in a timely manner. Moreover, a company must be able to position itself in line with the new regulations. The company should also consider conducting industry analysis to understand the market benchmarks to identify any risk areas and determine the potential degree of risk.

If a company lacks systematic, strict and efficient compliance management, it will likely experience huge losses, especially in terms of capital. Therefore, improving internal audits and supervision will give investors not only in-depth understanding of a target company's business conditions

but also access to its compliance status. In day-to-day project management, compliance due diligence can be applied to business partners, such as suppliers, agents or third-party intermediaries.

For construction projects—such as BRI-related infrastructure projects—companies inevitably need to deal with upstream suppliers. To avoid entering into partnerships with vendors that may lead to compliance problems, careful handling of the contract negotiations, project subcontracting and bidding processes is vital. For example, at present, the general norm internationally is that anti-corruption laws do not distinguish between a company and any third parties that pay bribes on their behalf. Therefore, enterprises must be cautious when selecting partners.

Since enterprises wishing to compete globally are faced with ever-increasing government supervision worldwide, compliance has become a new normal. Establishing a sound compliance system and culture internally can give a company 'soft' competitiveness when it comes to dealing with and resisting the related risks of conducting business overseas. Without this type of competitiveness, it is difficult for enterprises to adapt to the changes in global competition. Compliance is not only an inevitable trend for overseas investment, but also provides a guarantee for healthy development of these business operations. 

Grant Thornton China invests in improving services in diversified areas to help our clients unlock their potential for growth. Grant Thornton Forensic Advisory Service delivers solutions of cross-border investigations, litigation, and dispute settlement.

Selina Shi is an experienced senior manager in the Forensic Advisory Services Practice in the Shanghai office. She has over 15 years of experience in forensic investigations, compliance monitoring, assurance, and internal control review and risks assessment. She is a Certified Fraud Examiner (CFE) and a Certified Public Accountant (CPA).

The Road

European Involvement in China's Belt and Road Initiative

Since its launch in 2013, China has systematically promoted the Belt and Road Initiative (BRI), raising its profile in every corner of the world. Some observers have compared it to the Marshall Plan while others interpret it as a strategy for creating vassal states through debt-trap diplomacy. Much of the commentary on the BRI has been on its political, economic and strategic implications, with far less attention being paid to the business perspective. To address this, The European Union Chamber of Commerce in China (European Chamber) surveyed its member companies and carried out extensive follow-up interviews to produce a report that could fill this significant gap.

Since the BRI's inception, European businesses have continuously sought ways to contribute in order to introduce greater competition, and thereby drive better project quality and sustainability, both environmental and financial. However, they have come up against a variety of barriers to participation, including, at the most basic level, being unable to access information on project tenders.

The data from the European Chamber's BRI survey bears this out. It shows

that one of the most notable aspects of BRI-related projects is that they are rarely transparent. Only two survey respondents report having learned about project opportunities through publicly available procurement information. Nearly all say that they were brought into projects by either Chinese business partners or the government. This lack of transparency and a fair procurement mechanism contributes to the surprisingly low level of participation from multilateral development banks like the World Bank and the Asian

Infrastructure Investment Bank (AIIB), both of which have very strict criteria for investment. Instead, European companies see nearly all of the financing coming from China's policy banks, commercial banks and even Chinese companies themselves.

Just 15 per cent of surveyed companies have bid on a BRI-related project. Of those that have, only a dozen or so say they won roles in a moderate number of projects. A select few have participated in more than 50 projects; however, nearly all who have participated indicate that they played niche roles by providing specific technology or facilitating projects through their extensive experience in emerging markets. This 'filling-the-gaps' role is very similar to European companies' participation in China's market in general, particularly with respect to public procurement.

“**The Chinese Government has for a long time carefully controlled access to its market.**”

Procurement contracts for BRI projects are predominately won by Chinese state-owned enterprises (SOEs). It is well known that, within China, SOEs enjoy extensive state support and a heavily protected market. The BRI helps to shine a light on the tight coordination between SOEs under their managing entity, the State-owned Assets Supervision and Administration Commission (SASAC), as well as the diplomatic support they enjoy when going overseas. Around 40 per cent of respondents report seeing a kind of 'vertical integration' of Chinese companies in BRI-related projects, which enables them to provide everything from project management, financing, materials and construction services, all the way to post-completion services. This comprehensive approach makes it much easier

for these companies to quickly secure projects in third country markets.

So, in many ways, the BRI is business as usual for European companies that have operations in China, which have grown accustomed to competing against formidable opposition for opportunities that are limited and selective.

However, the BRI also brings additional challenges. The Chinese Government has for a long time carefully controlled access to its market, in large part to increase the chances of its companies becoming global leaders in certain critical industries. Historically, this posed a problem mainly for foreign companies eager to access the Chinese market. These problems now are being spread much further afield as many of China's formidable national champions—which emerged in China's restricted sectors—are going abroad after having achieved extraordinary economies of scale. This situation is compounded by the fact that the BRI is providing them additional support.

Challenges to participation in BRI projects are perhaps even greater for European companies that provide digital services. China has largely withheld necessary licences from foreign companies in its own market that are eager to

offer digital goods and services like blockchain, cloud and 5G, putting Chinese information and communication technology companies at a massive advantage. Now, the Digital Silk Road, a vital component of the BRI, is encouraging extensive digital infrastructure projects in many countries involved in the initiative. These are mainly being executed using technology standards set by China. Furthermore, the telecoms infrastructure being built is often done end-to-end by a single Chinese provider. This gives them a huge head start in these countries, making it difficult for European firms to compete anywhere along the hardware and software value chain.

Even in areas where European companies are in a position to offer alternatives, they are competing with Chinese providers that can easily operate in Europe. Customers then have the choice between a Chinese digital product that can operate globally, or a European one that can operate

everywhere except in China, home to a fifth of the world's consumers.

These issues call into question the manner in which the BRI is currently functioning. While European companies note that, since the plan was first launched, there have been improvements in the feasibility, sustainability and quality of BRI-related projects, the severe lack of openness to foreign participation is at odds both with China's claims that the BRI is a global development strategy and Beijing's broader commitments to upholding the multilateral economic order. The resulting lack of competition causes market distortions to ripple across the world.

It is therefore imperative that the European Union begins to seriously consider not only how it can protect its common market from the distortions emanating from China and the BRI, but also how to address competition in third country markets. 

15%

of surveyed companies have bid on a BRI-related project

40%

of respondents report seeing a kind of 'vertical integration' of Chinese companies in BRI-related projects

2.6%

of respondents learned about project opportunities through publicly available information

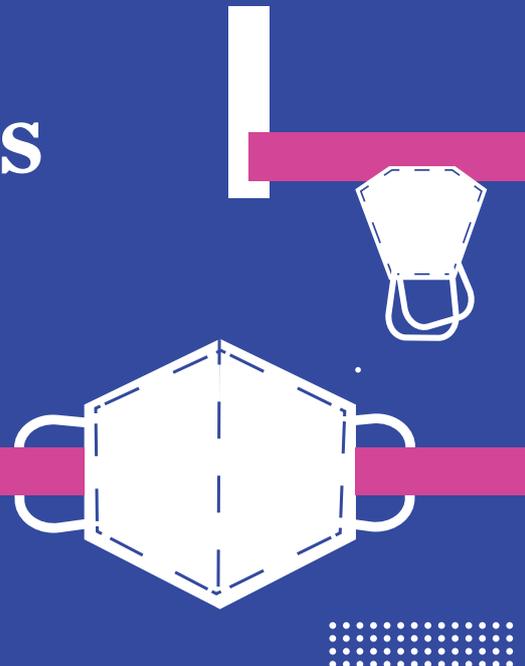
54%

of BRI participants won a bid by offering unique goods/services

Less Travelled

Surgical face masks

Filtering out counterfeit copies by Alison Wong and Anthony Wilkinson

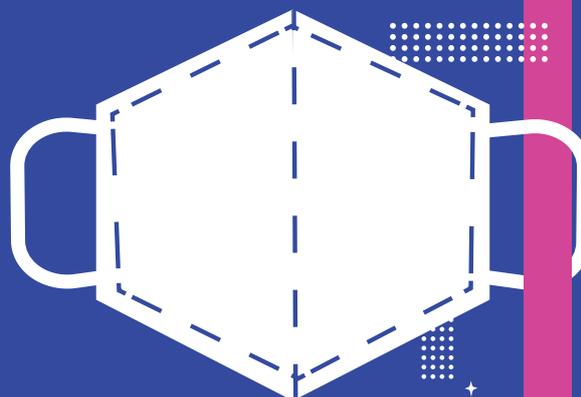
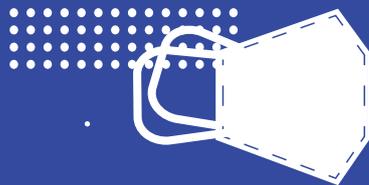


The current global concern around the COVID-19 outbreak is to a large extent rightly focussed on how to contain its spread. Many believe the wearing of surgical face masks is best, but, as recommended by the World Health Organization (WHO), the optimal protection methods are frequent washing of hands, covering the nose and mouth when sneezing/coughing and wearing masks only in specific circumstances (e.g. in close proximity to an infected person).

Despite this, the public have clamoured to arm themselves with face masks. The global press has reported widely on this unprecedented run on face masks in China (and worldwide), which has resulted in a significant lack of availability. Given the demand, it is not surprising that there are widespread reports of counterfeit masks being sold online and offline. This article by **Alison Wong** and **Anthony Wilkinson** of **Bird & Bird** discusses the key intellectual property (IP) and regulatory issues related to surgical masks and penalties for the production of counterfeit products.

What are the surgical mask specifications?

Surgical masks are specialist pieces of medical equipment designed predominantly for use in the hospital environment to protect patients and healthcare staff from spreading and contracting disease. A basic surgical mask has three layers: the innermost absorbs moisture (from the wearer's breath, cough, sneezes and so on), the middle layer is a filter (for particles and infectious agents) and the outer layer repels liquid (e.g. water, blood etc.). There are varying levels of quality for surgical masks and the extent of protection depends on the specifications of manufacture. Manufacturing standards have been created to ensure quality and protection, for example, the European Union's (EU's) standard: *BS EN 14683:2019 – Medical face masks: Requirements and test methods*; or the US' *ASTM2100 (American Society for Testing and Materials) Standard Specification for Performance of Materials Used in Medical Face Masks*.



To demonstrate what these standards mean for mask performance, an EN14683 Type II mask must meet the following specifications:

- Bacteria filtration efficiency (BFE): >98 per cent (size of typical bacteria at 3–5 microns)
- Particulate filtration efficiency (PFE): >99 per cent 0.1 micron particle size
- Differential Pressure (Delta P): <3.0 mm (breathability - pressure difference, low value is better)
- Fluid resistance: 80 millimetres of mercury (mmHg) (measures the ability to resist fluids at a specified pressure; level 1 = 80mmHg, level 2 = 120 mmHg, level 3 = 160 mmHg)

Chinese standards for surgical masks (*GB 19083-2010 Technical Requirements for Protective Face Mask for Medical Use*, *YY 0469-2011 Surgical Masks*) provide the mandatory specifications for these products in China.

What are the regulatory requirements for surgical masks?

As in many parts of the world, surgical masks are regulated as a medical device in Mainland China. The *Medical Device Classifications Catalogue* (effective 1st August 2018) lists both surgical masks (141304) and protective face masks for medical use (141401) as Class II medical devices. This leads to legislative requirements on specifications, licence to manufacture, quality control and recording of business operations. In addition, there are specific measures that must be taken to sell medical devices online.

Enforcement actions to tackle counterfeit surgical masks

Given the potential risk associated with inadequate surgical masks, governments and manufacturers are concerned that fake or counterfeit products may infiltrate

the market. The Chinese Government has been quick to respond to local media reports of counterfeit masks being found for sale on major online platforms and retail outlets. One example was the seizure of 50,000 fake masks in Yiwu, a manufacturing hub in eastern China's Zhejiang Province.

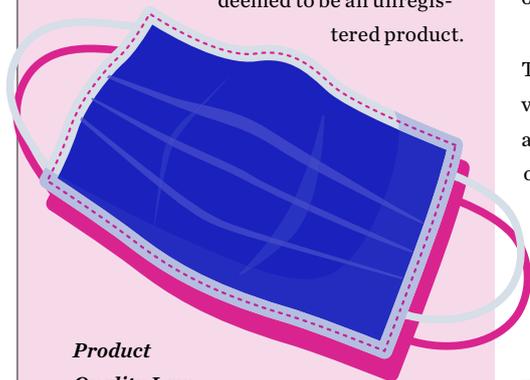
Against this background, we examine enforcement options legitimate mask manufacturers may have against counterfeits, and the penalties that exist for companies making counterfeit masks.

Medical Device Regulations

The *Regulations on Supervision and Administration of Medical Devices* prohibit the sale of unregistered medical devices and institute penalties for failing to register a medical device, manufacturing in an unlicensed facility and selling unregistered devices (fines of Chinese yuan (CNY) 50,000–100,000 if the total value of illegal products is under CNY 10,000 or 10–20 times the value of sales if more

than CNY 10,000; and possibly banned from applications for five years). These regulations also have penalties for the false advertising of medical products (for example, making false claims of product effectiveness).

A counterfeit product is, under the law, deemed to be an unregistered product.



Product Quality Law

The Product Quality Law makes selling a counterfeit surgical mask a potential legal violation. Producing or selling a product that does not comply with national or industrial standards for ensuring human health and personal safety can result in confiscation, a fine (up to three times the value of all illegal products) or potential criminal liability.

This law also contains penalty provisions if there is fabrication or fraudulent use of certification marks or other quality marks (confiscation of product and any illegal gain, a fine up to the total value of the illegal products and potential revocation of the business licence).

Ecommerce Law

The Ecommerce Law that came into effect in January 2019 makes it illegal to sell products that do not comply with specified safety requirements, or infringe on another's IP rights (patents, copyright, trademarks).

Criminal Law

The Criminal Law contains penalties for

producing/selling counterfeit products. Specifically, it covers counterfeiting registered trademarks and forging or making others' registered trademarks and logos. A significant element is the penalties for producing and selling fake or substandard commodities, and for selling medical devices that do not comply with national or industrial standards.

These latter two penalties carry more severe punishments, such as imprisonment and fines up to twice the sales amount or confiscation of property, if they occur during periods of prevention and control of sudden infectious diseases.

Trademark Law

The Trademark Law makes it an offence to use and/or sell goods that violate another's exclusive trademark. There are both civil and administrative actions that can be instigated against an infringer. Under the civil provisions, the court can order the infringer to cease manufacture/distribution and pay damages. The court can also order punitive damages of up to five times the infringement amount.

Under the administrative provisions, if the market regulation administration deems the infringement a crime, it will lead to a criminal investigation. Other penalties include confiscation and destruction of the counterfeit items and tools used to manufacture and a fine of either up to five times the illegal turnover if greater than CNY 50,000, or up to CNY 250,000 if less than CNY 50,000.

Anti-unfair Competition Law

The Anti-unfair Competition Law makes misleading buyers and false representations a violation. It states that a business operator shall not use the marks, names, packaging or other branding items of another so as to confuse their products with those of well-known brands/products. The penalty will depend on where

the case is filed. The statutory damage is up to CNY 5 million if filed with the court (though the final damages may be higher), or up to five times the illegal turnover if greater than CNY 50,000, or up to CNY 250,000 if less than CNY 50,000. The business licence may also be revoked. Under the false representation provision, a business operator shall not attempt to mislead consumers about a product. The market regulation administration may issue an order to cease, and a fine of up to one million yuan. Serious cases can result in a fine of one to two million yuan and revocation of the business licence.

What does this mean for manufacturers?

Surgical masks are more than just simple material that cover the nose and mouth; they are precise products that are required to meet certain specifications in order to provide sufficient protection. Counterfeit surgical masks have the potential to expose wearers to significant harm. As only certain products meet the requirements, manufacturers of these goods do not wish to see their logos or names associated with substandard and counterfeit products.

The important point for manufacturers to remember is that there are mechanisms in place in China that can protect their trademark and product name should they become aware of counterfeit products. As this article shows, there are severe penalties for using another's trademark or selling counterfeit products. 

Alison Wong is a Partner in **Bird & Bird's** Intellectual Property Group in Hong Kong and Head of Life Sciences & Healthcare Sector Group in Asia Pacific. **Anthony Wilkinson** is a lawyer in the Intellectual Property Group in Hong Kong and also a registered medical practitioner and pharmacist. Bird & Bird is an international law firm specialising in delivering expertise across a full range of legal services with more than 1,350 lawyers and legal practitioners across a worldwide network of 30 offices in Europe, Middle East and North America.

Workforce Mobilisation During Crises

A practical approach driving motivation, accountability and results **by Mira Lioleva**

The outbreak of COVID-19 is testing the capacity of businesses to deal with a genuine crisis situation. Many are having to juggle the disruptions to their supply chains and client demand with a workforce mostly confined to home. **Mira Lioleva** of **Direct HR Group** discusses how an objectives and key results (OKR) performance management approach can help keep enterprises functioning smoothly during a crisis.



If I have to adapt the famous Bible verse to the context of early 2020, it would sound like this: “COVID-19 has hard pressed us on every side, but we are not crushed; we may have become perplexed, but not in despair; persecuted without a mask, but not abandoned; struck down, but not destroyed!”

In a nutshell, we started 2020 in China with a very unexpected set of circumstances that affected every area of our lives, including business, manufacturing, trade, travel and entertainment. It heavily affected the industrial supply chain, not only in the Middle Kingdom but also around the globe. And although the virus turmoil is starting to subside in China, unfortunately it is now heavily affecting other major economies worldwide.

On the positive side, we all have learned a lesson – many organisations and their employee management systems are not well suited to dealing with a crisis of this kind. In the past few years, we heard numerous times the term ‘agile’ and how organisations need to transform themselves into nimble ecosystems integrating technology, people and processes. In a brief space of time, COVID-19 did us a favour by leading us to the realisation that many firms are not even close to this ideal.

The COVID-19 outbreak showed us how organisations that have been able to manage the crisis effectively have five things in common—an elevated sense of urgency, rapid communication on goals and priorities both internally and externally, a high financial sensitivity, an almost instant mobilisation capacity, and an efficient decision-making process—all stemming from strong leadership executing a very simple but effective performance management system.

Strong leadership links an organisation and its staff, and creates the mental and psychological connection that is so necessary in maintaining employees’ confidence and trust. The leaders’ ability to escalate urgency, acknowledge the situation and com-

municate rapidly internally and externally is key to controlling any unexpected crisis situation. In this communication process, the actions of the immediate team leader, supervisor and manager speak louder than any official communication distributed from the top. Forming WeChat groups or other messenger platforms, local social media channels, and an open helpline for employees’ questions provide a good technical platform for inert information-sharing. However, leaders should take an active role via virtual team coaching, holding digital weekly operational meetings or other small team and individual interactions to re-instill the corporate values, maintain psychological stability and positive mindset, and call for action. The leader knows his or her people by name and is best suited to bond them closer and keep spirits high.

Instant mobilisation capacity

As a result of the COVID-19 outbreak across China, whole families remained locked at home for a couple of weeks or more. Eventually, many companies had to adopt the work-from-home approach. The home-office comes with both its advantages and challenges – advantages include allowing higher flexibility in the working schedule and ability to take care of dependant family members; disadvantages include the numerous distractions, the feeling of isolation, and a lack of focus and self-motivation. Thus, one of the most common challenges for organisations during the COVID-19 crisis is keeping track of employees and their ability and availability to rejoin the regular working schedule from home. Combining high organisational and departmental transparency with regular updates on employees’ remote working statuses, connecting virtually and plugging back into daily operations is key to maintaining a well-connected and bonded workforce.

Whether it is COVID-19, a natural disaster, a company or economic crisis, or other

force majeure situations, three important attributes can help any organisation – agility, resilience and innovation. Agility is the ability to think, understand and move quickly and easily. Resilience is the capacity to recover quickly from difficulties and adversity. Innovation is a “change that creates a new dimension of performance”, as the Austrian-American management guru Peter Drucker once said.

So how do we get there? The objectives and key results (OKR) management system works effectively on two different levels – the organisation as a whole and the employee as a single functioning cell. On an organisational level, it has four main attributes – simplicity, agility, alignment, and visibility; and on an individual employee level, it uplifts five main advantages – clarity, accountability, key results ownership, intrinsic motivation and continuous pursuit of achievement. These combined provide unbeatable organisational nimbleness, resilience and generation of ideas, where each individual feels involved in fighting back the crisis situation.



OKR is primarily effective in re-assessment of short- and mid-term goals and objectives and the corresponding key results. The ability to quickly formulate, co-create and prioritise individual and team goals based on knowledge and transparency of the key organisational short- and mid-term goals in the time of crisis is pure gold.

It also serves as an intrinsic motivating factor for employees to remain focused, driven, clear-minded and accountable. When goals on various levels remain transparent, individuals and cross-functional teams can align their specific objectives and priorities and support each other better. Knowing individual and team goals helps managers delegate better and limit micromanagement practices. Meanwhile, employees take higher levels of ownership on the set goals, and become more proactive to achieve these. Cascading OKRs from top to bottom helps each employee to get a clear picture on his or her responsibility and corresponding added value to the organisation during the crisis.

In the process,



employees increase engagement within their specific function and improve their intrinsic motivation through autonomous work within one body and under one vision.

Individual OKRs help home-office employees become more time sensitive and contribute to keeping morale high.

When working from home, work goals clash with family responsibilities during the day more often. Employees, however, become better owners of their time as they are motivated to both achieve their key results as an important link in the crisis-fighting chain and to work effectively so they have more time to take care of home-schooled kids or other family members. Employees are less likely to engage in activities that may show them as busy bodies lacking outcomes. Co-created specific and time-bound key results encourages self-managed efficiency and effectiveness, which over time cultivates improved performance behaviour.

A higher level of accountability both on an individual and cross-functional team level is promoted via the OKR approach.

Many organisations were trying to check on employees' schedules when working from home, which is cumbersome and turns managers from strategic agents into boarding-school supervisors. Instead, a smarter approach is to promote employees' individual accountability within the team and across different teams, where they monitor their own activity and deliverables based on objectives they have co-created. Knowing that everyone in the organisation is able to see group and individual OKRs helps employees feel they are part of a common effort dependent on each other's efforts. Psychologically, no one would want to be a public hindrance to the joint crisis-fighting efforts.

Agility is best developed through simplicity on objectives, succinct clarity on key results that can be changed as often as needed. Organisational clumsiness became the main constraint in managing the COVID-19 crisis effectively. As the



Setting a top management core crisis team is perhaps the first step to take.



situation changed frequently with regard to supply chain hurdles and transportation bans as the virus spread, the ability to quickly re-orientate actions became priceless. Objectives and key results have a simple structure that can be reviewed quickly, and in a crisis situation can be aligned on a weekly basis in response to daily developments. Timely and regular communication from the management to team members is important, however, the individual's ability to respond swiftly remains key – it requires employees' capability to create their own result-focused action plan to meet these new objectives flexibly. The organisation becomes a synchronised ecosystem where employees add value to the whole within their specific functions and talents.

Last but not least, execution is what makes the difference, and the key is not intentions but actions facilitated by a fast decision-making process. Setting a top management core crisis team is perhaps the first step to take. The crisis team guides the priorities and vision on an organisational level, however it is the individual employees and functional teams that execute these on a daily basis. Empowering each individual and team with the autonomy to take the best decisions within their own objectives and key results is fundamental to successful execution. 

Direct HR Group and its Development Solutions Business Unit specialises in organisational effectiveness and talent management for foreign-invested enterprises in China. As a member of PAWLİK Group, it covers markets in Europe, North America and Asia-Pacific and provides global expertise in building leadership excellence, salesforce excellence, learning organisation excellence and digital transformation for people in business. Yet It ensures proximity to its clients in China, serving them from four locations based in Shanghai, Beijing, Shenzhen and Ningbo.

HOW HEALTHCARE FACILITIES CAN PROTECT EMPLOYEES AND PATIENTS FROM COVID-19

by Beijing United Family Hospital



The outbreak of COVID-19 has been the leading public health story since it was first identified a few months ago. Initially detected in China, cases have now been reported across the globe. While coronaviruses themselves make up a large family of viruses that are common in people and other species, this new strain, identified as SARS-CoV-2, is not fully understood. Although the majority of cases have been considered mild, older people and those with certain underlying health conditions, such as heart disease, lung disease, diabetes and other chronic ailments are at increased risk of developing serious illness.

With offices now slowly returning to work, **Beijing United Family Hospital's** (BJU's) expert team of human resources professionals and managers share insights on how best to keep workflows operational and safe. This article provides guidance on how to protect those in healthcare settings during this time, supported by policies and regulations from the United States Centers for Disease Control and Prevention (US CDC) and other sources.

Despite the low risk of exposure in most job sectors, employees in some fields should take precautions when returning to work. Workers at increased risk of COVID-19 include those involved in healthcare (including pre-hospital and medical transport workers, healthcare providers, clinical laboratory personnel, and support staff); coroners, medical examiners, and funeral directors; those involved in airline operations and waste management; and those traveling to areas with increasing numbers of identified cases. Therefore, ensuring an efficient healthcare system—one that is functioning and continually able to diagnose and treat patients—is paramount to the successful containment of the disease. It is vital that healthcare institutions continue to provide care for all patients, regardless of their COVID-19 infection status. This must be done at all levels (home-based care, outpatient or inpatient and emergency room). Generally, the goals of any response should be to reduce morbidity and mortality, minimise disease transmission, protect healthcare personnel and ensure the healthcare system remains effective.

Several major impacts that could affect the operational capacity of healthcare facilities can be expected during a severe outbreak such as COVID-19. These include: an influx in the number of patients seeking care; a potential increase in workforce absenteeism due to personal or family illness; and other measures, such as school closures, as we have seen throughout China and now overseas. In response, healthcare facilities can adjust the way they triage, assess and care for patients, particularly adapting measures that do not rely on face-to-face care, hereby reducing transmission of diseases and decreasing the burden on the healthcare system.

At hospitals, a temperature reading must be taken from any visitors. These could then be appropriately dealt with based on the results of their temperature scan



and a further epidemiological screening assessment. In order to reduce the number of patients coming to the hospital and risking exposure, some facilities offer online consultations to the community, with a few hospitals providing this service for free. This step reduces the number of people physically present in the hospital, while also supporting those in the community. Other healthcare providers could consider similar protocols in order to stay engaged in the community while protecting staff and patients.

Additionally, as mentioned, healthcare personnel are at increased risk for COVID-19, as they are on the front line caring for patients. Healthcare providers (HCPs) can minimise their risk of exposure by following infection prevention and control guidelines, including the proper use of personal protective equipment (PPEs). They should use standard precautions, contact precautions, and airborne precautions and eye protection when caring for patients with confirmed or possible COVID-19. Performing proper hand hygiene with soap and water or alcohol-based hand rubs before and after all patient contact, contact with potentially infectious materials, and before putting on or removing PPE, including gloves, is essential. This will mean facilities will have to optimise their supply of PPEs, which can be done by identifying additional mechanisms and supply chains that can help procure such items.

Lastly, education is key to fighting any epidemic. It is prudent to keep healthcare staff informed and up to date on any new

information regarding COVID-19. It is recommended to train all workers and educate staff on workplace protocols in place to prevent the likelihood of exposure. Training can include information about how to isolate individuals with suspected or confirmed COVID-19 and how to report possible cases. Staff must be kept up-to-date on the most recent epidemiological information, government policies, infection control measures and PPEs. This is to ensure that all staff are competent in dealing with patients who may have COVID-19, and guarantee a safe environment for both staff and patients.

The true impact of COVID-19 across the globe still cannot be accurately estimated. As the disease continues to spread across borders, including back into China, we must unite together and support our communities to protect the health and wellbeing of all. All healthcare facilities can take the proper steps now to protect both patients, their families and staff. Be prepared, communicate with staff and patients, and protect your workforce and patients. [3](#)

BJU is part of **United Family Healthcare**, a pioneering, international-standard health system providing comprehensive, integrated healthcare in China in a uniquely warm, caring, patient service-oriented environment since 1997.

To help support efforts in our hospital and in the community to combat the spread of COVID-19, we at BJU have posted online several knowledge-sharing posters about how to properly wear and dispose of masks, along with the proper way to wash hands. These can be found on our official WeChat channels and are available upon request. We at BJU are with you all the way.

26TH FEB.
BEIJING

Chinese Government certification expert joins Chamber webinar on force majeure

On 26th February, the European Chamber hosted a webinar featuring Ms Zhang Hanrong, head, Business Certification Centre, China Council for the Promotion of International Trade (CCPIT), and Mr Ian Lewis, partner, Mayer Brown, to explain *force majeure* from the perspective of the People's Republic of China (PRC) general rules on the *Civil Law* and *Contract Law* and the certificate regarding force majeure facts due to the outbreak of COVID-19.

The COVID-19 epidemic in China has understandably

resulted in some companies being unable to fulfil contractual obligations. In response, the CCPIT has started issuing force majeure certificates to qualifying enterprises.

During the webinar, Ms Zhang Hanrong gave a brief introduction to the CCPIT, the responsibilities of its Business Certificate Centre and the definition, effectiveness, and online application process for force majeure certificates. She also responded to questions from enterprises on their key concerns.

26TH FEB.
BEIJING

Cooperation between the European Chamber and the PRC Mission to the EU raised to new level

On 28th February (Beijing time), a webinar jointly organised by the Mission of the People's Republic of China (PRC) to the European Union and the European Chamber took place – an unprecedented event in the history of relations between the two sides. HE Ambassador Zhang Ming and Minister Xia Xiang, Economic and Business Department, hosted the webinar and listened to the challenges facing European business due to COVID-19.

European Chamber President Jörg Wuttke, several Advisory Council members and two local chapter chairs participated in the webinar. President Wuttke expressed appreciation for a series of Chinese government measures that had been taken to tackle the situation.

He then introduced the results of a recent survey by the Chamber on the impact of the outbreak on European business in China.

Representatives of the Chamber shared their concerns on hurdles to production resumption, cut-off supply chains, difficult inland logistics and transportation, inconsistent policy implementation by the government at different levels and the current lack of labour and financial challenges, among others. Many topics relating to European Union (EU) and China relations were also touched upon, such as the EU-China Comprehensive Agreement on Investment negotiations, the EU-China Summit and other high-level political exchanges.

28TH FEB.
BEIJING

MOFCOM vice minister expresses appreciation for Chamber's, members' efforts to combat COVID-19

On 28th February, Mr Wang Shouwen, vice minister (VM), Ministry of Commerce (MOFCOM) and deputy China International Trade Representative, held a conference call with Jörg Wuttke, president of the European Chamber, during which VM Wang expressed his great appreciation for the European Chamber and its member companies' great work and contributions

made during the COVID-19 outbreak.

During the one-hour call, MOFCOM recognised the recent efforts the Chamber has put into compiling surveys and regular policy updates on the COVID-19 for members. VM Wang stated that the MOFCOM attaches high importance to the survey results. Ministry officials

would also take them into account in future discussion with local commerce departments and bureaus trying their best to assist foreign-invested companies resume their work and production in a timely manner.

In addition, VM Wang thanked European businesses for

their generous donations, both cash and supplies, the total value of which has now surpassed Chinese yuan (CNY) 1 billion. Contributions from pharmaceutical and healthcare equipment enterprises were specifically mentioned.

13TH MAR.
BEIJING

MOFCOM vice minister dedicates over two hours to exclusive webinar with Advisory Council members, Chamber staff

On the afternoon of 13th March, Wang Shouwen, Vice Minister (VM), Ministry of Commerce, and deputy China International Trade Representative, hosted a cross-departmental conference call lasting over two hours with the European Chamber's Advisory Council members and industry desk representatives. VM Wang participated in order to respond to the work and production resumption issues faced by foreign-invested companies impacted by the COVID-19 epidemic outbreak.

European Chamber President Jörg Wuttke, together with twenty CEOs, presidents and vice presidents (VPs)

of the Chamber's Advisory Council member companies, joined the call. Alongside VM Wang and other representatives from MOFCOM, officials from eight other government departments—the Ministry of Foreign Affairs, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the National Medical Products Administration, the State Administration for Market Regulation, the Civil Aviation Administration of China, the Ministry of Transportation and the State Taxation Administration—also attended the meeting.

17TH MAR.
SHANGHAI

Shanghai officials from five bureaus discuss local supportive policies online with members

The European Chamber hosted a webinar with nine officials from various government departments in Shanghai to discuss work resumption amid the COVID-19 outbreak.
Photo: European Chamber



On 17th March, the European Chamber hosted a webinar with nine officials from various government departments in Shanghai to discuss work resumption amid the COVID-19 outbreak. Officials from Shanghai's Municipal Commission of Commerce, Municipal Development and Reform Commission, Municipal Human Resources and Social Security Bureau, Customs Office, and Municipal Centre for Disease Control shared the latest policies

supporting business resumption. The policy introduction was followed by a one-hour Q&A session. A total of 110 Chamber members joined the online discussion, which also covered topics such as quarantine measures, school re-opening timelines, social insurance payments, customs clearance for hazardous chemicals, and rental deductions and exemptions.

The EU Tour

Breaking from the tradition of an annual trip to Brussels at the end of September, the European Chamber sent a delegation to the European Union's (EU's) capital in the first week of February to meet with the new European Commission and other key stakeholders. With the COVID-19 outbreak spreading across China at the time, the delegation self-quarantined and only sent the representatives that had already been outside of the country during the previous weeks – most of whom were out of China on holiday for Chinese New Year. Unfortunately, even after taking those precautions, the delegation was unable to go through with most of the planned meetings with the Commission, due to internal rules that were announced just prior to the EU Tour regarding meetings with anyone coming from China. Despite this setback, the delegation endeavored to meet with other key stakeholders across the city and to ensure that if the Commission could not meet with the Chamber, then they would read and hear about it instead.

Chair of the European Parliament INTA Committee – Bernd Lange



The European Chamber delegation met with Bernd Lange, chair of the International Trade (INTA) Committee, to whom Chamber President Jörg Wuttke introduced the key findings of the Chamber's *Position Paper 2019/2020* and report on the Belt and Road Initiative, *The Road Less Travelled*. Chair Lange noted that the INTA Committee has also highlighted a number of the same issues, including the BRI, market access and level playing-field concerns, World Trade Organization reform and the Comprehensive Agreement on Investment (CAI). He went on to point out the significant shifts in attitudes across the EU towards China, both in terms of deepening cooperation in some areas while sharpening competition in others.

Chair of the European People's Party (EPP) – Manfred Weber



After an introduction on the key messages from the European Chamber by the delegation, Chair Weber queried which direction the Chamber was asking the EU to take. President Wuttke responded that a 'Trumpian' path would be wrong for Europe, but that instead, the EU must leverage strengths like the single, sizeable market and its critical technological exports in its engagement with China to push for market access and a level playing field. On reciprocity issues, Chair Weber inquired as to how the Chamber responds to China's 'developing economy' claims. Chamber Banking

and Securities Working Group (WG) Chair Peter Ling-Vannerus responded that non-reciprocal access has meant that European banks may need more than a year to open a branch in China, while a Chinese bank like ICBC opened eight branches in Europe in a

single month. Chair Ling-Vannerus said this not only demonstrates the lack of reciprocity, but the very fact that China has such globally present banks calls into question the ‘developing economy’ argument.

Chinese Ambassador to the EU – Zhang Ming



Following up on previous meetings with the Chinese Ambassador to the EU, Zhang Ming, the Chamber delegation was invited to the China Mission to the EU's offices in Brussels. Discussion topics ranged from the key concerns and recommendations of the Chamber's *Position Paper 2019/2020* and its report on the BRI, to the experiences of European businesses in China during the coronavirus outbreak and their recommendations on measures to support businesses and streamline the provision of key supplies. Key topics for EU-China

relations in 2020 were also touched upon: on the CAI, the Chamber urged both the EU and China to not interrupt negotiations, all while reiterating EU businesses' desire for a high quality agreement; there were also discussions on upcoming high-level meetings such as the High Level Economic Dialogue, the EU-China Summit in March (which has since been cancelled due to the outbreak) and the Leipzig Summit.

European Think Tanks

During the EU Tour, the Chamber delegation also engaged with a wide range of think tanks in Brussels, both to spread its own messaging but also to get a better grasp on emerging perspectives in Europe. Throughout the week, the delegation met with Bruegel, the European Institute for Asian Studies, the Egmont Institute, the European Policy Centre and Friends of Europe. Meetings generally focused on the messaging found in the European Chamber publications and reports, including the *Position Paper 2019/2020*, surveys on the effects of the US-China trade war, the report on China's corporate social credit system, *The Digital Hand*, and the report on the BRI, *The Road Less Travelled*. However, as different think tanks cover topics from economics to political economy to European geopolitical strategy, each discussion zoomed in on the most relevant topics to them.

Media Roundtable

Due to the COVID-19 outbreak, the delegation was unable to meet with the European Commission throughout the week. In order to ensure that the Chamber's messaging still made it to their desks, President Wuttke called for a media roundtable with Brussels-based media. Not only did this result in significant coverage from local media, but it also helped cement relationships with journalists in the city for future reporting.

The conversation covered a broad range of topics, from the standard messaging of the Chamber and its publications to industry-specific issues. However, the COVID-19 outbreak took centre-stage and was the main subject of much of the reporting.



Stimulus Packages

A guide to funding and public incentives available to SMEs in China

by Alessio Petino

Access to public incentives and funding instruments on acceptable terms is a key factor for the execution of research and innovation activities. This is especially the case for early-stage and small-sized enterprises, which often have complex technologies and products, untapped markets and intangible assets. **Alessio Petino** guides us through the public funds and incentives foreign-invested small and medium-sized enterprises (SMEs) operating in China can investigate. He carried out this work through an European Union (EU) funded project.

Government administrations in

China, at all levels, have been extremely active in establishing a wide range of incentives and funding instruments to support the growth of innovative companies. These instruments target different company development stages and cover all types of innovation activities. Though dominated by domestic actors, Chinese public incentives and funding instruments are also available to foreign-invested enterprises (FIEs); awareness of these opportunities, however, remains low. Incentives and funding instruments available for SMEs—though larger enterprises are, in most cases, equally eligible to apply—can be divided into five key groups:

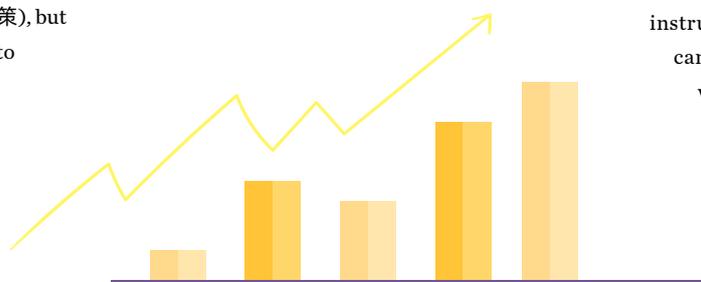
- **Market entry incentives**; made available by local administrations (especially at district or park level) to attract innovative international companies looking to enter the Chinese market. These incentives are very diverse and could cover areas such as tax exemptions/reductions, leasing and rent subsidies, and research and development (R&D). These incentives are generally specified in local regulations (优惠 / 扶持政策), but ad hoc incentives tailored to a company's specific needs may be negotiated in cases of particularly innovative/strategic investments.

- **Status recognition**; namely certain statuses that can be granted to companies or recognised (认定) for different purposes, for instance: tech-based SME, high- and new-technology enterprise (HNTe) (as well as 'HNTe cultivation funds', which have lower requirements), or technology advanced service enterprise (TASE) (easier to obtain as there are no intellectual property rights (IPR) requirements, and still grants a corporate income tax (CIT) deduction of 15 per cent). Such statuses are considered key requirements (written or unwritten) for obtaining access to most government funding programmes, subsidies and services.
- **Subsidies (补助) and rewards (奖励)**; offered *ex post* at all levels of administrations for basically any type of innovation activity, for example: local science and technology (S&T) departments offer them for R&D expenses, conversion of scientific achievements, new patents filed, loans taken, and so

on; or local departments of industry and information technology for 'industrial transformation'/'technological upgrading' projects.¹ This group of incentives is considered the most accessible, with successful cases involving foreign-invested SMEs regularly identified.

- **Research grants (资助)**; to support activities such as R&D, demonstration and application in key priority areas and topics specified in annual calls (年度申报指南, published on the websites of local S&T departments). The grants only cover a certain percentage of the total project's budget (generally one-third), to ensure maximum commitment from the applicant. 'Industry-university-research' cooperation is always encouraged (or even mandatory). Several local administrations have also established specific research grants for international cooperation projects (as the international partner must be based abroad, these are mainly intended for European headquarters; the China-based affiliate can, nonetheless, be delegated or facilitate daily operations).
- **Innovation vouchers (科技创新券)**; to purchase at discounted rates specific services provided by certain local providers, including testing, measurement, IP counselling, training and coaching, and so on. These are provided at all levels of administration (e.g. high-tech zone/district, municipality).

With the exception of the first group and where the foreign partner must be based abroad, all incentives and funding instruments discussed in this article can only be accessed by entities with legal personality in China – regardless of their specific



1. 产业(技术)转型升级. These refer to projects involving the introduction of new intelligent equipment, digitalisation of production lines, purchase of advanced and environment-friendly equipment, sale of first sets of new high-tech equipment, etc. in key priority areas.

form (e.g. wholly foreign-owned, equity or cooperation joint venture).

Some chapters of the Shanghai Science, Technology and Innovation Action Plan focus on international cooperation projects between a Chinese entity and a foreign partner based abroad.

Enterprise international S&T cooperation

Supporting cooperation projects between enterprises in priority fields (e.g. biomedicine, information and communications technology, new materials, advanced manufacturing), to generate new IPR to be applied and commercialised in Shanghai. Up to Chinese yuan (CNY) 1 million per project.

Intergovernmental S&T cooperation

Supporting joint projects in priority fields with partners (also universities) from countries which have signed cooperation agreements with the Shanghai S&T Commission, including: the United Kingdom, Hungary, Lithuania, Croatia, and Finland; but also regions such as Baden-Württemberg (Germany), Rhone-Alpes (France), and Midtjylland (Denmark). Up to CNY 500,000 per project.

Belt and Road cooperation

Supporting the establishment of joint laboratories and young scientist exchanges, as well as technology transfers between a Chinese entity and a partner from a country participating in the Belt and Road Initiative. From CNY 300,000 to CNY 1.5 million per project.

Calls for each chapter are published on the website of the Shanghai S&T Commission.

(either in-house or external consultants) should be allocated for monitoring funding opportunities and preparing applications. This is vital also in view of the pace at which changes and reforms occur in China.

- Start the journey from 'status recognition' programmes, first from the tech-based SME, and then TASE/HNTE status. These are in fact key requirements (written or unwritten) that one company must possess before applying to any funding programmes or subsidies at any administrative level.
- At the same time, one should first aim at programmes from lower administrative levels, especially high-tech zones or districts. These are perceived as easier to access, and will allow one to become more acquainted with the Chinese funding system and to obtain

relevant experience and credit for implementing larger, higher-level programmes in the future.

- Always encourage one's personnel (both foreign and Chinese) to apply to individual talent programmes (e.g. Pujiang Talent Programme in Shanghai, Peacock Plan in Shenzhen, etc.). Chinese research grants, particularly large ones, tend to be awarded to renowned talent: hence, the higher the number of recognised talent in one team, the higher the chances of obtaining funding.

- Local authorities are generally open to discuss opportunities and challenges encountered by foreign-invested enterprises for research and innovation activities – including applying to subsidies and funding programmes. Government affairs departments of European companies should actively engage with them – for instance, to be invited to join training regularly organised for domestic actors.

European companies should understand that the granting of incentives and funding in China is directly linked and proportional to the contributions enterprises make to the local innovation ecosystem. The company needs to show strong commitment to increase its credit and trust amongst local administrations and decision-makers, for instance through sustained investment in research and innovation, filing of invention patents, conversion of technology results generated by research institutions, expansion of partnerships with local actors, or fostering of talents.

Last, but not least, one should always keep in mind that applying to Chinese funding is a complex process that takes time, energy and resources. Rejected applications are frequent at the beginning. The key is to persist and be resilient. **EB**

The views expressed herein are those of the project team and do not represent the official view of either the European Commission or the Delegation of the European Union to China.

Alessio Petino is an individual consultant currently working under an EU-funded project in the field of research and innovation policy in China. The work presented above was carried out through an European Union Foreign Policy Instruments (FPI) project, 'Improving EU Access to National and Regional Financial Incentives in China' – which, under the guidance of the Delegation of the European Union to China, had the objective of monitoring the effective implementation of the EU-China 'Joint Roadmap on Ensuring Reciprocal Access to Respective Research and Innovation Funding'. This article is a summary of the *Guide for European Tech SMEs on China's Public Incentives and Funding for Innovation*, produced under the project; the full *Guide*, which includes detailed case studies from various regions in China, is available to download from the project's website: www.chinainnovationfunding.eu.

Considerations and recommendations for European SMEs

Public incentives and funding can be attractive for European tech companies in China. However, below are a few considerations that should be kept in mind – all of them drawn from experience and case studies:

- The obtainment of public incentives and funding must be an effective component of the corporate strategy. Dedicated resources and personnel

EUROPEAN CHAMBER'S

PEER RECOGNITION AWARDS 2020



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Working Group
Coordinator
Shanghai Chapter



**Laura Alvarez
Mendivil**

Senior Membership and
Events Manager
Shanghai Chapter



Mo Jingqian

Office
Assistant
South China Chapter



Luyang Syvänen

Membership
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EUROPEAN CHAMBER'S

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Joy Yu

15 years
Finance Director



Helei Fu

5 years
Director of Government Affairs
Shanghai Chapter





Flattery Comes Cheap

How to protect the interior design of shops in China by the China IPR SME Helpdesk

In order to stand out from the crowd, many businesses, shops and restaurants have carefully designed and developed their customer-facing outlets: if you've ever been to an Apple store or a Luckin Coffee shop, you will easily recognise another of their outlets. Meanwhile, boutique stores or bars may carve a niche for themselves by using décor to create a customer experience that wins them loyal patrons. The **China IPR SME Helpdesk** outlines the protection available to enterprises, both big and small, if they find the interior design of a competitor's shop looks a little too much like their own.

When Brent Hoberman, founder of online interior design and furniture store Mydeco.com, made a trip to China, one man was particularly keen to meet him. When they met, the man explained that he wanted to launch a web business but had no idea how to do it until he found Mydeco.com and copied it. He was eager to express his appreciation personally to Hoberman.

In 2011, the residents of Kunming, the capital of Yunnan Province in China's southwest, were delighted to find an IKEA shop had opened up there. The newly-owned store was an enormous, multi-level shop selling modern self-assembly furniture similar to that in other IKEA stores. The building was even decked out in the distinctive blue and yellow colours of the Swedish brand. The Kunming residents soon realised the store was a fake, but continued to shop there; they have little choice, as the closest real IKEA is in Chongqing, 940 kilometres away.

Store layouts, colours and designs become synonymous with a brand, so imitation of a store interior can be very damaging to companies by taking customers away from them or creating negative impressions of the brand. At times, it can be extremely difficult to separate the real from the fake.

There is a saying in China, 山高皇帝远 (shāngāo huángdìyuǎn), which means "the mountains are high and the emperor is far

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Despite imitation being the sincerest form of flattery, the number of counterfeit shops in China is diminishing and there is greater emphasis on the need for creativity and authenticity.

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away”, This perfectly encapsulates the reason why counterfeiting still happens in China, particularly in more remote places such as Kunming.

There are three types of intellectual property protection relating to the interior design of shops/premises available in China: trade dress, copyright and design patents.

Trade dress covers the theme and elements of the interior design of a commercial space. It must be unique with distinctive characteristics so as to be able to signify the source to consumers. It is contentious as to whether a design is source-designating or just decorative, as this is usually determined by the reaction of customers. So, if a theme is not distinctive, then it is necessary to show that the interior design has become distinctive in the minds of consumers who associate it with the source. China's Anti-unfair Competition Law provides some protection for unregistered trade dress, as well as trademarks, packaging and trade secrets.

Copyright covers instructions, architectural designs, and industrial and graphic designs. Unlike patent and trademark protection, copyrighted works do not require registration for protection. China grants protection to copyright owners from countries belonging to international copyright conventions of which China is a member. However, copyright owners may also wish to voluntarily register with China's National Copyright Administration to establish evidence of ownership, should enforcement action become necessary.

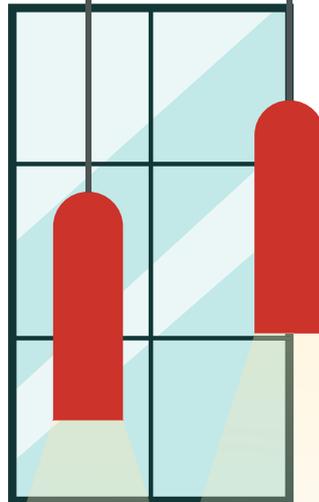
Design patents cover ornamental designs of functional items, such as furniture. Unlike in Europe, no protection is

offered to unregistered designs in China; it is a first-to-file jurisdiction. On top of that, designs must be novel to be eligible for registration. This means the design cannot have been disclosed to the public before the application is filed, otherwise the application or patent could be invalidated later. Therefore, if you plan to apply for a design patent in China, make sure your design is treated as a trade secret and not made public in any other country before the application has been made in China.

Despite imitation being the sincerest form of flattery, the number of counterfeit shops in China is diminishing and there is greater emphasis on the need for creativity and authenticity. Chinese consumers are more discerning and affluent than ever before, and want to display these attributes by buying genuine, not fake, products. This trend at least should inspire more confidence in European businesses thinking about entering China, and help to reassure them that, if they put in place the right intellectual property strategy, then it more often than not will pay off. 

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

The China IPR SME Helpdesk is an initiative by the EU. To learn more about the China IPR SME Helpdesk and any aspect of intellectual property rights in China, please visit our online portal at <http://www.ipr-hub.eu/>.



#BECAUSE OFUS

Advocacy successes of the European Chamber's working groups

As the independent voice of European business in China since 2000, the European Chamber actively participates in China's legislative process. Our advocacy activities are widely recognised by the Chinese authorities and maintained through the efforts of our working groups (WGs) and desks.

In 2019, we launched our #becauseofus campaign to show our gratitude for the joint efforts by all stakeholders: governments, think tanks, member companies and our own WG and desk managers. Over the remaining editions of *EURObiz* in 2020, we will present five examples of our successful advocacy work, one of which will be selected as the winner of the 2020 #becauseofus campaign.

For this edition, we look at the Chamber's advocacy campaign focusing on the new **Foreign Investment Law** and related implementation guidelines.

Work achievements of the European Chamber

Since 2013, when the *Framework Plan for China (Shanghai) Pilot Free Trade Zone* was approved at a State Council Executive meeting—in which the 'National Treatment plus Negative List' administrative system for foreign investment was piloted for the first time—the European Chamber has attached great importance and actively participated in the reform of foreign investment administration. Thanks to the joint efforts of relevant government departments, the European Chamber and many of its member companies have witnessed a series of amendments to the legal framework related to foreign investment over the past seven years. This article presents a selection of results of the Chamber's advocacy efforts reflected in the Foreign Investment Law (FIL) promulgated in 2019.

1. Consultations on drafts

The European Chamber actively participated in public consultations on and discussions of the FIL initiated by the Ministry of Commerce (MOFCOM), the Ministry of Justice (MOJ), the Shanghai Municipal Commission of Commerce, and other central and local government departments. More than 20 of the European

Chamber's WGs (out of a total of 33 WGs and desks) were involved in the discussion, collection, coordination and submission of comments and opinions representing the voice of foreign-invested enterprises (FIEs) operating in China across multiple industries, such as automotive, energy, pharmaceutical, chemical, financial services and legal consultation. We were delighted to see that our concerted efforts brought actual changes to the proposed FIL and its *Implementation Regulations*: compared to their draft texts, wider access to participation in standards setting is provided for, details on the government's legal liabilities are clearer and the policy and procedures are more transparent.

2. Seminars and Conferences

While the FIL and its *Implementation Regulations* were still under drafting, European Chamber representatives participated in many thematic seminars and conferences held by relevant associations and institutions, including:

- a seminar on the draft FIL held by the Legislative Affairs Committee of the National People's Congress (NPCLAC) on 9th January 2019;
- a seminar on the draft *Implementation Regulations of the FIL* held by the China Council for the Promotion of International Trade on 20th November 2019;
- a private session on regulations for the implementation of the FIL at the Qingdao Summit of the Top 500 Multinational Corporation Leaders in 2019; and
- a FIL roundtable meeting held by the China Centre for International Economic Exchanges.

The European Chamber considered participating in these conferences as opportunities to gain perspectives from different industries, as well as to voice opinions and feedback on behalf of our member companies.

Since the FIL and *Implementation Regulations* were promulgated, the European Chamber held a number of seminars and events to facilitate discussion and interpretation of the legislation, such as a seminar on the *Measures for the Reporting of Foreign Investment Information (Draft for Comments)*, and policy interpretation on the *Implementation Regulations of the FIL*.

3. Post-promulgation efforts

In the post-FIL era, the European Chamber has also been paying close attention to any updates and adjustments to relevant laws and regulations, and providing opinions regarding the *Measures for the Reporting of Foreign Investment Information*, issued by the MOFCOM.

The European Chamber has established a direct and stable communication mechanism with central government departments, such as MOFCOM and the NPCLAC, in order to discuss FIL-pertinent issues and affairs.

European Chamber's stance on the FIL

"The Chamber fundamentally disagrees that a legal distinction should be maintained between foreign and local companies, unless it is to provide exceptions for legitimate reasons such as specific national security concerns. Furthermore, the Chamber notes the use of broad terms and vague language throughout the FIL and its *Implementation Regulations*, as many of its articles read more like policy commitments than binding legal clauses, which leaves room for discretionary implementation.

"Nevertheless, the European Chamber appreciates the aim of streamlining existing legislation by unifying into a single law the three previous legal foundations that governed foreign investment. It also recognises the attempt of the FIL and its *Implementation Regulations* to address some of the biggest challenges faced by foreign businesses, such as unfair technology transfers, intellectual property rights protection and equal opportunities in public procurement. The Chamber

expects to see relevant laws and regulations updated according to the FIL and its *Implementation Regulations* in a transparent and timely manner." 



Media Watch

President Wuttke talks to CNBC on COVID-19 impact on EU-China trade deal

On 11th February, President Jörg Wuttke joined *CNBC's Squawk Box Europe*, sharing his view on the impact of the novel coronavirus on the EU-China Comprehensive Agreement on Investment (CAI). President Wuttke noted that for now the top priority for the Chinese Government is to contain the coronavirus. Meanwhile, the situation is making face-to-face meetings extremely difficult, which adds uncertainty to plans for the EU-China Summit and CAI negotiations in the coming months.



President Jörg Wuttke joined *CNBC's Squawk Box Europe*, sharing his view on the impact of the novel coronavirus on the EU-China Comprehensive Agreement on Investment (CAI).

Media: CNBC

Date: 11th February 2020

President Wuttke's quote selected as Quotation of the Day by The New York Times

On 11th February, in a *New York Times*' report on the COVID-19 outbreak, European President Jörg Wuttke was quoted as saying that the situation in China at that time was "like Europe in medieval times, where each city has its checks and crosschecks". This statement was selected as the newspaper's *Quotation of the Day*.

Quotation of the Day: Virus Lockdown Stifles Economy in a Wary China

Feb. 10, 2020



"It's like Europe in medieval times, where each city has its checks and crosschecks."

[JÖRG WUTTKE](#), the president of the European Chamber of Commerce in China, on the measures taken to contain the coronavirus.

President Wuttke's quote selected as *Quotation of the Day* by *New York Times*.

Media: *New York Times*

Date: 11th February 2020

Vice President D'Andrea interviewed by Rai Uno on COVID-19 impact on European business in China

On 7th February, VP Carlo D'Andrea took part in a live interview with *Rai Uno*, the Italian state broadcaster, sharing his views about the COVID-19 outbreak and its influence on European business in China.



Vice President Carlo D'Andrea interviewed by *Rai Uno* on COVID-19 impact on European business in China.

Media: *Rai Uno*

Date: 7th February 2020



President Wuttke praised Shenyang's efforts to foster a better business environment.
Media: Dalian Network
Date: 8th January 2020



President Wuttke interviewed by Bloomberg on Belt & Road report and US-China phase one deal.
Media: Bloomberg
Date: 16th January 2020

President Wuttke joins CGTN to share findings of Belt and Road Initiative survey report

On 16th January, President Jörg Wuttke sat down with *CGTN* to discuss the findings of the Chamber's Belt and Road Initiative (BRI) survey report, *The Road Less Travelled*. He said that while the BRI is bringing many benefits to the world, there's still a lot of room for improvement. He highlighted the relatively peripheral role currently played by European businesses in BRI projects and called for their greater involvement.

President Wuttke discusses local business environment with Shenyang City mayor

On 8th January, Shenyang local media covered a meeting between European Chamber President Jörg Wuttke and Chaowei Jiang, the mayor of Shenyang City. President Wuttke praised Shenyang's efforts to foster a better business environment, saying that the development of Chamber members such as BMW, Michelin, BASF and other companies in Shenyang had further strengthened European business' investment confidence in the city and wider region.

President Wuttke interviewed by Bloomberg on Belt & Road report and US-China phase one deal

On 16th January, President Jörg Wuttke was interviewed live by *Bloomberg Markets: China Open*. He shared findings from the Chamber's recent report, *The Road Less Travelled*, on the difficulties European firms encounter when trying to engage with China's BRI. He also discussed the 'phase one' trade deal between the United States and China and its implications for European businesses.

Secretary General Dunnett talks to CGTN's Liu Xin on coronavirus' impact on European business in China

On 12th February, Adam Dunnett, secretary general (SG) of the European Chamber, joined *CGTN's* live panel discussion programme, *The Point with Liu Xin*. SG Dunnett shared the Chamber's understanding of COVID-19's impact on China's economy, and pointed out that the virus may affect the EU-China Comprehensive Agreement on Investment, due to the postponement of negotiations that are otherwise supposed to happen monthly.

BEIJING, 16TH JANUARY 2020

The Road Less Travelled: European Involvement in China's Belt and Road Initiative



- China's colossal national champions—boosted by state-aid and cheap financing—are securing an unusually large proportion of BRI contracts compared to other multilateral development schemes.
- China's vertically-integrated state-owned enterprises (SOEs), which are able to provide everything from financing to materials and construction services and beyond, are blunting competition for BRI-related contracts.
- Europe needs to determine how to respond to this export of the China model to shield itself from market distortions and stay competitive in third-country markets.

BEIJING, 17TH JANUARY 2020

Tour to Airbus and Sinelson Aero & Seminar on EU-China Win-Win Aeronautical Cooperation



- China is the fastest growing country in the aviation and aeronautical industries, while the EU has the most advanced aeronautical technology in the world.
- The Airbus Tianjin project is the best example to demonstrate the success of EU-China cooperation in the aeronautic industries: it has created the growth of employment, safety, sustainability and profitability for both sides.
- 30 members and guests attended the visit to Sinelson and Airbus.

BEIJING, 27TH FEBRUARY 2020

Survey on the Impact of the COVID-19 Outbreak on European Companies in China



- Between 18th and 21st February 2020, a total of 577 member companies of the European Union Chamber of Commerce in China and the German Chamber of Commerce in China participated in a joint flash survey on the impact of the COVID-19 outbreak on European business in China.
- The results show the patchwork of conflicting rules that emerged from the fight against COVID-19 has produced hundreds of fiefdoms, making it next to impossible to move goods or people across China.
- China finds itself performing a precarious balancing act with two important but divergent tasks: keeping firm with virus prevention measures while fighting for a return to economic normalcy.

SHANGHAI, 14TH JANUARY 2020

2020 Members' Reception



- The New Year reception provides Chamber staff with an opportunity to meet new members and catch-up with long-term members.
- It also helps members network, mingle and put names to faces.
- Highlights of the Shanghai Chapter's plans and the Chamber's hopes for 2020 were also presented to attendees.

SHANGHAI, 21ST JANUARY 2020

India's Business Landscape: Investing Insights for Newcomers



- The Indian economy is well-known for its information technology and business process outsourcing sectors, but it also ranks second worldwide in farm output and 12th in the world in terms of nominal factory output.
- These industries have propelled the country's economy to become the third-largest in the world based on purchasing power parity.
- India is currently working on and scheduling improvements to infrastructure like airports, highways, bridges, all of which will need investment.

SHENYANG, 8TH JANUARY 2020

Kick Off and Sneak View of the Forthcoming BRI Report



- The European Chamber's Shenyang Chapter has confidence in its ability to cooperate with the Shenyang Government.
- The Chamber could play a role in supporting Shenyang and the local business environment during the current economic slowdown and other challenges.
- Participants called on the Shenyang Government to update and promulgate policies intended to facilitate investment in a timely manner.

NANJING, 9TH JANUARY 2020

European Chamber Business Dialogue with Jiangsu Government



- This event aims to build a platform for communication between enterprises and government departments in Jiangsu, to jointly improve the level of opening up of Jiangsu, to facilitate high-quality development and to improve the local business environment.
- Nearly 20 government representatives from a variety of provincial departments and nearly 120 representatives from more than 70 European enterprises gathered together to discuss the issues of most concern to the business community.
- Representatives from local government departments of Commerce, Industry and Information Technology, and Ecology and Environment also interpreted the most updated and relevant policies, such as the Integration of Yangtze River Delta.

SOUTHWEST CHINA, 8TH JANUARY 2020

Plant Visit: Balluff Sensors (Chengdu) Co Ltd



- Over 20 people participated in the visit to the Balluff plant in Chengdu.
- Erik Oortwijn, CEO, made a presentation to the group introducing the company, with a Q&A session afterwards.
- Participants shared their experiences on the challenges facing SME manufacturing companies in Southwest China.

Advisory Council News

Atlas Copco wins 2019 Corporate Social Responsibility Industry Model Award

15th January, 2020 – The 9th China Charity Festival, the most influential annual event in China's public welfare and charity field, was held in Beijing. The manufacturing corporation Atlas Copco won the 2019 Corporate Social Responsibility Industry Model Award for its outstanding performance in integrity management, sustainable development, social welfare, employment attraction and employee development. This award is full recognition of Atlas Copco's active performance in corporate social responsibility (CSR).

Since its establishment in 1873, Atlas Copco has practiced CSR. For example, every new product or solution is innovatively designed in a life-cycle manner to make it more energy-efficient and durable. What the customer gets is not just high-quality products, but also reliability and respect for people and the planet. In creating employment and employee development, Atlas Copco ensures that everyone has a safe and healthy working environment, is respected and is given sufficient space for growth and equal opportunities for development.

Access to clean water is a human right. This is the core idea of the 'Water for All' project, which was established in Atlas

Copco in 1984 with the aim to provide long-term facilities for clean drinking water and sanitation to those in need. By the end of 2019, the Water for All project has been in China for 10 years, and a total of nine projects have been completed. So far, the projects have helped more than 26,000 local villagers to obtain clean drinking water, including approximately 9,200 children.



The 9th China Charity Festival, the most influential annual event in China's public welfare and charity field, was held in Beijing.
Photo: Atlas Copco

In the future, Atlas Copco will continue to take ethics as a criterion and innovation as a driving force to further promote the organic integration of corporate growth and fulfillment of social responsibilities to create more value for customers, employees and all stakeholders.

KPMG signs an agreement to open a new office in Ningbo

On 9th March, KPMG China marked a new milestone in our regional penetration strategy by officially signing the contract

for a new office in Ningbo with the local government in a virtual format. The Ningbo office will be our firm's fourth in the Yangtze River Delta region and our 24th office nationally.

Qiu Dongyao, deputy secretary of the Ningbo Municipal Party Committee and mayor of Ningbo City, attended the virtual contract signing ceremony, which was hosted by Li Guanding, the deputy mayor. At the ceremony, over 62 programmes were signed between the government and a range of companies. William Gong, KPMG Senior Partner, Eastern & Western Region, delivered a speech on behalf of the companies.

As the economic centre of the Yangtze River Delta's southern area, Ningbo is rapidly developing to accommodate modern industries. The city's aim is to be open to the world with an improved business environment and become the 'Golden Southern Wing' of the Yangtze River Delta region.

During the China International Import Expo 2019, Zheng Zhajie, secretary, Ningbo Municipal Party Committee, met with 10 companies—including KPMG—to introduce Ningbo's development plans. At that time, KPMG was already planning to expand in the Yangtze River Delta region, and our China Strategy's regional penetration priority is aligned with the nation's development strategy for the



KPMG signs an agreement to open a new office in Ningbo.
Photo: KPMG

area. Therefore, KPMG decided to open a new office at Ningbo.

During the Covid-19 outbreak, Ningbo responded promptly, taking strong measures to help control the epidemic and support companies in the city. These actions give confidence in Ningbo's development despite adversity and our prospects to grow in the region.

Philips and Paracelsus Clinics enter eight-year strategic partnership

2nd March, 2020 – Royal Philips, a global leader in health technology, and Paracelsus Clinics, announced they have entered into a strategic partnership for the next eight years. The partnership is focused on continuous modernisation of Paracelsus Clinics' medical imaging systems. Based on the evolving needs of a hospital, the partnership will offer solutions that maximise imaging system availability and standardise equipment operation, leveraging digitalisation and process optimisation to realise efficiency improvements, while at the same time increasing quality.

"Paracelsus is committed to providing integrated care close to where people live in Germany," said Dr Martin Siebert, CEO of Paracelsus Clinics. "With Philips, we now have a partner by our side who will support us in expanding this position and strengthen our future viability through its strengths in innovation and its digital competence. As an exclusive supplier, Philips will take care of new and replacement imaging system procurement, together with management and the training of our employees. The scope of delivery includes CT, MRI, angiography, x-ray and ultrasound systems. Philips offers the greatest possible flexibility in designing a

tailor-made equipment pool that matches our changing requirements over time."

"In addressing the challenges of the future, offering the latest technological innovations is only the first step," said Peter Vullings, senior vice president and general manager, Philips GmbH Market DACH. "In our strategic partnership with Paracelsus we want to firmly anchor quality and efficiency as key success factors, not only at the structural level but also at the process level. It's the only way we can achieve more together."

Audi have enhanced role in Volkswagen Group

Volkswagen AG is enhancing the role of Audi in the Group. To that end, Audi headed by its new CEO Markus Duesmann will take over the lead for research and development (R&D) in the brand alliance. Furthermore, Ingolstadt is to be



Audi headed by its new CEO Markus Duesmann will take over the lead for R&D in the brand alliance.
Photo: Audi

the organisational focus of the Car.Software organisation. In the context of more efficient steering, Volkswagen AG plans to take over the 0.36 percent of Audi free-float shares. Volkswagen AG is currently the majority shareholder, holding approximately 99.64 percent of the subscribed capital of AUDI AG.

The Volkswagen Group is responding even more proactively to the challenges of the transformation with an optimal positioning and effective structures. Dr Herbert Diess, CEO of Volkswagen AG and

Chair of the Supervisory Board of AUDI AG, said: "Given the strong dynamics of change in our industry, we are pooling our strengths in the Volkswagen Group and positioning ourselves competitively for the future. Going forward, the Audi brand with Markus Duesmann as its new CEO will take over the lead for R&D in the Volkswagen Group and thus swiftly assume technical leadership."

With reference to the start of the new premium platform electric (PPE), Ingolstadt is also to become the organisational focus of the Group's new unit, the Car.Software organisation. The newly-founded company centralises the software development activities at the various locations in the Volkswagen Group. The aim is to boost the in-house share of car software development to at least 60 per cent by 2025.

As part of the realignment of competences and responsibilities, Volkswagen AG is planning a squeeze-out according to German stock corporation law to increase its shareholding in Audi from the present 99.64 per cent to 100 per cent. To that

end, Volkswagen AG today transmitted to AUDI AG a request for the transfer of minority shares under which the squeeze-out according to German stock corporation law is to be completed by resolution at this year's Annual General Meeting of AUDI AG. [E3](#)

Tell Us Your Big News

European Chamber members are welcome to add news items on their own activities to our website, and share it with all the other 1,700 members.

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The members of the European Chamber's Advisory Council are particularly active in representing and advising the Chamber, and make an enhanced contribution to the Chamber's funding.





MEET THE INTERCEPTOR™

The Ocean Cleanup is a non-profit organization, headquartered in Rotterdam, the Netherlands, that designs and develops advanced technology to rid the world's oceans of plastic.

By cleaning up the legacy plastic floating in our oceans and stopping it at the source via rivers, The Ocean Cleanup aims to remove 90% of floating ocean plastic. In October 2019, The Ocean Cleanup unveiled their solution for rivers: the Interceptor.

The Interceptor™ is the first scalable solution to prevent debris from entering the world's oceans from rivers.

It is 100% solar-powered, extracts debris autonomously, and can be placed in the majority of the world's most polluting rivers. To learn more:

