EURObiz
JOURNAL OF THE EUROPEAN UNION CHAMBER OF COMMERCE IN CHINA

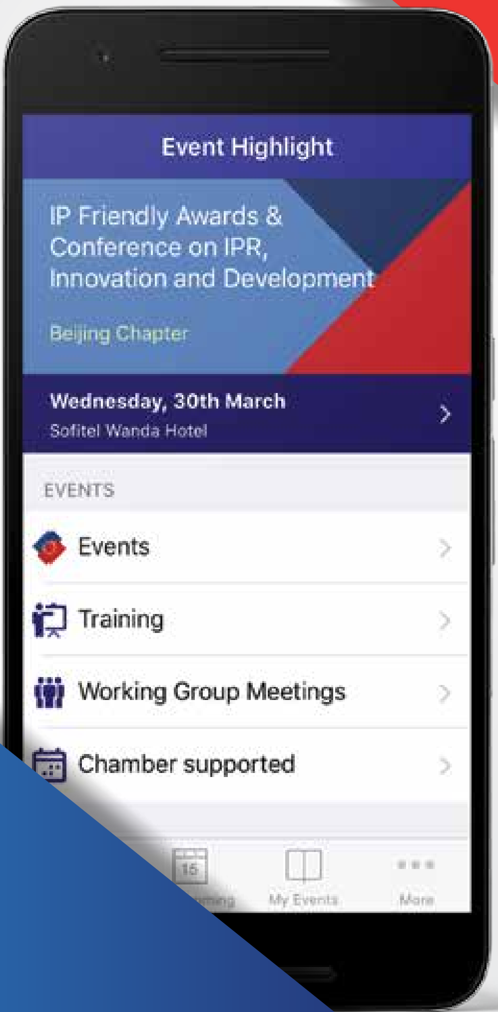
US-CHINA TRADE WAR

January/February 2019

EURObiz Online

The best events in town in your pocket: European Chamber Events App.

Download the EVENTS APP Now!



TOP FEATURES

- Find European Chamber events by date, location and category
- Register for events directly in the app
- Get taxi directions
- Manage your event schedule and be notified about events

The European Union Chamber of Commerce in China is one of the most active organisers of business-focused events in China, organising more than 500 events a year throughout the country.

Manage your European Chamber events calendar from your mobile device.

Available for IOS and Android devices
Search "events" in the following app stores:

www.europeanchamber.com.cn

European Chamber
中国欧盟商会

EURObiz

MAGAZINE

WWW.EUROBIZ.COM.CN

Chief Editor
Orlaith Delaney
Kevin O'Donnell

Art Director
Zhengnan Cao

For European Chamber Membership:
National Member Relations Manager
Kitty Wang
Tel: +86 (10) 6462 2066
ext 82
kwang@europeanchamber.com.cn

For advertising in EURObiz:
Advertising and Sponsorship Manager
Queenie Cheng
Tel: +86 (10) 6462 2066 ext 54
qcheng@europeanchamber.com.cn

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

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

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@europeanchamber.com.cn

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

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@europeanchamber.com.cn

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

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

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

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

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

In This Issue

FOLLOW US:

中国欧盟商会

中国欧盟商会
EUCCC

European Union Chamber of Commerce in China

WeChat QR Code

PRESIDENT'S FOREWORD

It's Time for Good Faith and Meaningful Action

The European business community continues to feel the impacts of the US-China trade conflict, as the 2nd March deadline for resolving the tensions looms. Disrupted by tariffs on USD 250 billion in Chinese imports to the US, and USD 110 billion in American imports into China, global supply chains are eager for stability. European businesses in China report a wide range of negative outcomes, from the need to shift relevant production out of either the US or China and/or change supply chains, to increased market uncertainty, which is resulting in delayed investment decisions.

However, as much as these tariffs are a source of headaches for European firms, the European Chamber's view is that these trade frictions are to a large extent driven by China's 'reform deficit'. It is therefore critical that meaningful change is enacted by the Chinese Government, not only to resolve these tensions and end the tariffs, but also to the benefit of China's own economy. This is especially crucial now that structural problems lingering from China's old economic order are depriving the private sector of the resources it needs to develop efficiently. To achieve this, two things must happen.

First, the US must negotiate with China in good faith. The last year has seen a wide variety of articles, speeches and debates in which some have argued that China simply cannot be trusted to keep any promises it makes. These positions are ill-informed: the progress made over the years between the international business community and the Chinese Government disproves any such assertion. Instead, US leaders should embrace Ronald Reagan's favourite Russian saying, "trust, but verify", as it moves forward in negotiations. Doing otherwise would hardly be befitting of the country most responsible for building a global economic order based on cooperation.

Second, the Chinese side must be similarly bold with the structural reforms it needs to implement. This will require more than just commitments to purchase more American goods to balance the current US trade deficit. It will also be necessary for China to tackle issues related to market access and equal treatment, while positively addressing both its dominant state-owned sector and a financial regime that too often fails to allocate sufficient capital to the private sector.

It is imperative that China shows meaningful progress on these issues in a timely manner to validate the trust extended by the US. Low-hanging fruit like market access can be achieved overnight with the stroke of a pen, but other issues will take time to resolve, meaning that clear timelines and roadmaps for reform should also be integral parts of any deal. In the meantime, European businesses should continue to firmly engage the Chinese Government to show that the constructive approach yields results, with both the relatively easier regulatory optimisation and the more difficult structural reforms that are urgently needed.

Mats Harborn

President

European Union Chamber of Commerce in China

THE US-CHINA TRADE WAR

by Andrew Gilholm

Long-Term Objectives, Shifting Tactics

With US duties on Chinese imports worth United States dollars (USD) 250 billion, and Trump threatening to double that level unless a bilateral agreement is reached by 2nd March, the threat of quantitative tariff escalation hangs over global economic prospects for 2019. However, it is the qualitative evolution of the US-China conflict that poses the greatest uncertainties, amid increasing use of tactics such as politicised regulation and sanctions. **Andrew Gilholm**, principal and director of analysis at **Control Risks**, says the best that can be hoped for by March is probably a temporary, partial deal to limit the scope and speed of escalation, not stop or reverse it. At worst, he says, failure to even extend the current, partial truce would see escalation resume where it left off in November.

The US administration has begun a concerted effort to intensify pressure on multiple fronts, involving multiple agencies. Since September 2018, this has included: sanctioning China's main military procurement agency and one of its leading semiconductor companies; bringing legal action against Chinese firms and individuals over alleged industrial espionage and sanctions breaches; asking several countries to bar China's leading telecoms equipment manufacturer from their 5G infrastructure; and expanding controls on sensitive US exports to China and Chinese investment in the US.

This shift in tactics is likely to be a long-term feature of US-China competition, regardless of how current talks progress. Countering China has broad, bipartisan support in Washington, but most observers want to focus beyond tariffs and the trade deficit, to better target systemic issues of market access, intellectual property (IP) protection and state support for favoured local firms. In an optimistic scenario for trade talks, President Trump will likely restrain action against China, but there will still be periodic 'attacks'—as Beijing sees them—throughout 2019, whether they involve targeting Chinese companies, human rights issues, or various sanctions issues. Additional scrutiny or controls on bilateral trade and investment ties in sensitive sectors also have a momentum that goes beyond the White House.

Faced with such actions, and unable to match US tariffs if Washington resumes escalation on that front, Beijing will be torn between looking weak with continued restraint, or expanding its retaliation to tactics—including going after US companies in China—that risk serious self-inflicted damage. Chinese leaders do not want to exacerbate conflict or scare off US and other foreign firms. This would undermine their focus on domestic stability, summed up in President Xi Jinping's call to "stabilise employment, stabilise foreign trade, stabilise foreign capital, stabilise investment and stabilise expectations". However, as 'Plan A' looks increasingly shaky, China is struggling to decide on a 'Plan B' of retaliation if its enhanced offers of concessions fail to satisfy the Trump administration.

after Chinese companies, Beijing may even be tempted to seek its own 'ZTE or Huawei moment' – a more shocking demonstration of its ability to hurt a top US company. It could target one of the many that make a large share of their global profits in China.

"Businesses should now view the disruption, costs and uncertainty associated with geopolitical adjustment as part of a base-case scenario, rather than a spike in tensions."

"Non-US firms should also remember that most countries are vulnerable to bilateral frictions with China at some point."

Without a clear sense of how to contain this, China will probably feel it has little choice but to tap its own non-tariff toolkit more frequently and aggressively as the US ups the ante. It will remain selective, aware of the collateral damage, but US companies can expect more scrutiny in areas such as antitrust, data protection and product safety, and more problems with issues like licensing and approvals, workplace safety and customs inspections. As recent China-Canada tensions illustrate, it is not only the US and its firms that could be caught in the crossfire of Washington and Beijing clashing.

From semiconductors and software to cups of coffee, top US brands in China have struggled with issues like antitrust and pricing even before the trade war. For Beijing, such regulatory pressure does limited domestic damage and can be passed off as normal regulatory enforcement. Fear of scaring off investors is still a constraint, but if the Trump administration goes hard

Another often-overlooked risk is that a nastier nationalism is waiting in the wings of this dispute. It has been notably absent in China so far, with nothing like the protests against Japan in 2012 and South Korea in 2018. This is not because there is no anti-US sentiment in China; it erupted briefly in 1999 and 2001, and remains abundant online. It is because Beijing, despite stoking nationalism with its 'patriotic education' and 'China Dream' rhetoric, usually suppresses actual organisation and protest.

For now, Beijing's message is that everything is under control. Making concessions to US demands is already awkward for Xi; stronger outpouring of patriotic passion would further constrain him. Hence the propaganda apparatus has told media and online censors to avoid overly-emotive trade war coverage. However, if a slowing economy and socio-economic strain put Xi under more domestic pressure, it will be tempting to unleash the nationalist narrative, directing anger out, not in. The government will not allow widespread unrest and most consumer boycotts in China have been short-lived, but nationalist sentiment remains a concern for US firms—and perhaps 'Western' ones more generally—as local brands in many sectors are already gaining ground.

- China's leaders see their core political-economic model, including a big state-owned sector and rapid industrial upgrading, as non-negotiable. They are determined to deter what they—and most Chinese—consider to be US efforts to contain China's development through economic coercion.

Chinese trade representitives introduce *The Facts and China's Position on China-US Trade Friction* in a media conference held by Information Office of the State Council on 25th September 2018.
Photo: *Chen Yehua, Xinhua News Agency.*

As well as offering big purchases of US goods and a few market access concessions (e.g. accepting USD 1 trillion more in imports over the next six years), Beijing in recent weeks has moved to soften many aspects of its economic and industrial policies attracting the strongest criticism. It has announced steps to accelerate and expand some market access concessions and codify protections for foreign firms, clearly directed at addressing some key US complaints. This implies some opportunities for foreign firms as China seeks to demonstrate positive change, and showcase some major new investments or openings. In this context, compromise is arguably a question of time: how long will it take before trade war pain and domestic pressures reach a point where both sides are ready to make bigger concessions? However, the real drivers of conflict are deep and structural:

- The US sees a more aggressive, authoritarian China seeking to dominate key industries and technologies by exploiting open economies, while directly challenging US security dominance and economic influence in Asia and beyond. The consensus in Washington is that the US cannot continue such open economic ties with China without major changes to China's model or global trade rules.

Even if a superficial deal is struck in the coming months to contain escalation, reconciling underlying US-China grievances in any sustainable way will require deeper concessions – a renegotiation of the bilateral relationship which neither side seems ready for yet.

Foreign multinationals in China have seen difficult times before, and the outlook is not all doom and gloom. Accelerated reforms may prove shallow and selective but still imply opportunities for some. Third-country governments and companies have been quick to see opportunities amid US-China risks. It is no coincidence that European firms seem set to be the first beneficiaries of recent market access concessions in the automotive and financial sectors. As it struggles to find a balance between addressing and deterring foreign pressure, Beijing will be keen to adopt a corporate carrot-and-stick approach.

Businesses should now view the disruption, costs and uncertainty associated with geopolitical adjustment as part of a base-case scenario, rather than a spike in tensions. Non-US firms should also remember that most countries are vulnerable to bilateral frictions with China at some point. While business leaders may have little ability to influence top-level US-China tensions, they are not helpless to manage associated risks, with at least two lessons seeming clear. First, political developments are not exclusively bad news for business, but are certainly more impactful and more volatile than before, and so demand a more central, better-coordinated role in corporate strategy – you cannot predict with certainty but can at least prepare better for uncertainty. Second, the best defence against becoming collateral damage in geopolitical fights may be compliance: minimising exposure to regulatory or other negative scrutiny in China, at a time when even mundane cases could rapidly become politicised and public. Eb

Control Risks *is a specialised risk consultancy committed to helping clients build organisations that are secure, compliant and resilient in an age of ever-changing risk and connectivity. Clients include national and multinational businesses in all sectors, law firms, government departments from many parts of the world, NGOs and SNBs, both national and international.*

CAUGHT IN THE CROSS-FIRE

The Effects of the US-China Trade War on European Companies

by Jacob Gunter

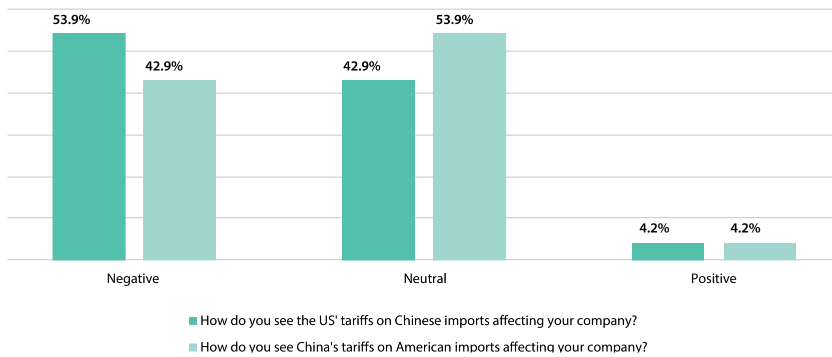
On 3rd September 2018, the European Chamber published the results of a survey conducted earlier in the summer. Members were asked what impact the opening salvo of tariffs and counter-tariffs launched by the US and China had had on their businesses, which, at the time, were levied on USD 50 billion in imports into each market. While much has happened since that has likely magnified the survey, valuable information can still be mined from the survey. **Jacob Gunter**, Policy and Communications Coordinator at the **European Chamber** draws out the implications.

Results

Starting from the headline numbers, it is clear that the tremors of the US-China trade conflict have hit more than just Chinese or American-flagged companies. With 53.9 per cent and 42.9 per cent of respondents viewing the American and Chinese tariffs respectively in a negative light, it is clear that disruptions are far-reaching. However, many respondents also held a neutral view on the conflict. Businesses dealing with trade in goods were, as expected, more impacted than those in the service sector but even so, many of these businesses still maintained a neutral outlook, likely indicating that their products are less intensely tied to global supply chains, especially any chain that crosses the US-China 'border'. Interestingly, while many had speculated that European firms might find new opportunities as a result of the conflict, only 4.2 per cent reported any positive views of the situation.

Moving on to responses, there were a variety of reactions to the bilateral tariffs. While the vast majority of respondents reported that they were merely monitoring the situation, more than a quarter were taking action. A total of 17 per cent said they were delaying further investment and/or expansion,[1] causing obvious harm to growth. More drastic steps were less common, but worrisome nonetheless. Relocation of relevant production capacity out of the US and China were reported by 5.2 per cent and 6.7 per cent of respondents respectively, indicating that neither side is 'winning' the conflict. Finally, 5.2 per cent changed suppliers in response, disrupting some global supply chains.

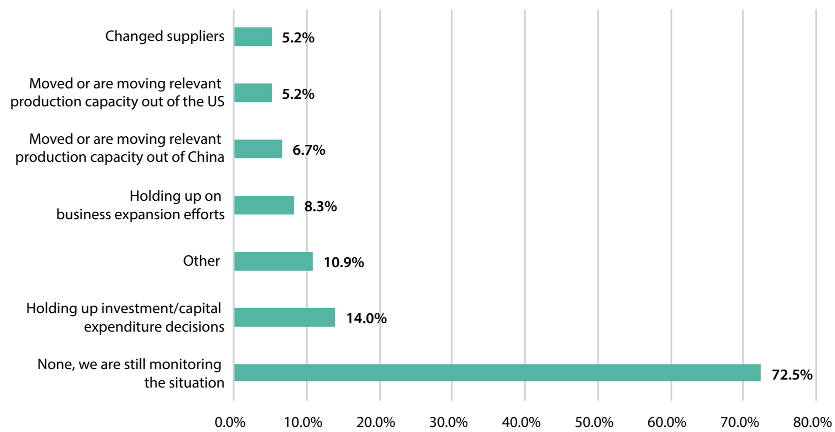
View of European companies



Source: *European Chamber survey on the impact of the US-China trade conflict.*

Response to the conflicts

*Multiple responses allowed



Source: *European Chamber survey on the impact of the US-China trade conflict.*

Deeper analysis

Digging deeper into the data, we find an anomaly that sheds some light on the situation facing supply chains. When broken down by sector, every industry had a higher number of respondents that viewed the US tariffs negatively as compared to those levied by China, save for just one: medical devices. Further conversations with members of that industry revealed the main reason why: suppliers are often highly specialised and produce high-quality parts that simply cannot be sourced elsewhere. Many medical device manufacturers face the challenge of having only a few suppliers to choose from, and sometimes only one. Even if a manufacturer might be able to locate a supplier outside of the US, it may take time for that supplier to ramp up production to meet the new surge in demand. As a result, many China-based European medical device firms are faced with difficult choices: cut into margins, take a temporary loss or pass the price along to purchasers.

This leads to another important question: who is paying for these tariffs? Traditional understanding tells us that consumers are ultimately left with the additional price tag. That may be the case with unilateral tariffs, when one country levies a tariff on all imports of certain goods, regardless of origin. In this case, consumers end up either pay-

1. Total of respondents who selected relevant responses or selected both options.

ing the higher cost for imported goods or losing value and/or choice when they are de facto restricted to only domestically-made products. If taking place in a vacuum (that is, without any other trading partners), the bilateral tariffs between the US and China would lead to the same result. However, with a multitude of other actors in the global market, the situation changes considerably.

Instead of the consumer footing the bill exclusively, bilateral tariffs are being paid for by consumers, end producers and suppliers alike, depending on the degree of elasticity at various points along the supply chain. To better understand this, let's look at a few examples, all of which will be China-based companies.

Company A is an original equipment manufacturer (OEM). Currently it depends on supplies that are relatively common and can be easily sourced from many different markets, but it chooses to use a US-based supplier. China's tariffs suddenly raise the cost of these American inputs. But with other suppliers available, Company A can change to a non-US-based alternative without having to bear considerable new costs. As a result, the US-based supplier must then either give up on sales to Company A or absorb the tariff cost to maintain market-share.

Company B is an OEM in the medical devices industry that relies on a US-based supplier that has only one competitor, which is based in Japan. China's tariffs raise the cost of supplies, leading Company B to look to the Japanese supplier to avoid extra costs. However, the Japanese supplier cannot simply ramp up production, and even if it decided to do so, it would still have to increase prices for Company B by a rate only a bit lower than the tariff rate affecting its US-based competitor. Either way, Company B is left with considerably higher prices due to the inelastic supply chain. Company B must either eat the higher cost or pass it on to the consumer.

Company C is an upstream supplier to an American manufacturer directly affected by the US tariffs. The market is highly elastic, meaning that Company C has competitors across multiple markets that can also supply the US company. Company C must now decide between passing on the cost downstream, which will likely lead to losing considerable market share, or absorbing the cost of the tariff to remain competitive.

Company D is an upstream supplier of a high-quality part to an American manufacturer. In fact, it is the only firm capable of producing this part to the required quality specifications. After the US tariffs impact the industry, the American customer has no alternative competitor to switch to and is unwilling to accept lower-quality parts in the hope that consumers will not notice or be too dissatisfied. As a result, Company D does not have to change prices, and the American manufacturer pays the tariff bill, which it may either eat or pass on to the end-consumer, depending on demand elasticity.

In short, high elasticity is good if you're downstream, and bad if you're upstream, while low elasticity is good if you're upstream, but bad if you're downstream.

Companies at the wrong end of the situation are then left with the difficult decision of passing on prices, absorbing them to retain market share, or balancing both. Making that choice is no easy task. At the moment, the European Chamber has heard from many of its members that those negatively affected have largely tried to minimise any cost increases in order to hold on to market share. Anecdotally, many are hoping that the US and China conclude a deal soon as they are at least temporarily willing to absorb increased costs to retain market share. However, if a deal proves elusive, the calculus may change the longer the conflict goes on, leading to more significant disruptions and tough choices for those affected.

"Companies at the wrong end of the situation are then left with the difficult decision of passing on prices, absorbing them to retain market share, or balancing both. Making that choice is no easy task. At the moment, the European Chamber has heard from many of its members that those negatively affected have largely tried to minimise any cost increases in order to hold on to market share."

For more up-to-date data and even deeper analysis, keep an eye out for the *European Business in China Business Confidence Survey 2019*, which will include a section dedicated to the US-China trade conflict. It is set to be released in May. Eb

TOUGH TALK ON TRADE

A Conversation with James McGregor

As we wait for Chinese and American negotiators to work out a deal, EURObiz talks to experienced 'China hand' **James McGregor** of **APCO Worldwide (Shanghai)**, who shares his views on the current situation.

Q You said last year that "governments and enterprises around the world must keep a close watch on the opportunities and obstacles that emerge" (in China). What opportunities and obstacles have emerged that you think we should be keeping a close eye on?

A What's going on now is a whole different world with this trade war and all of the things that go back and forth between China and the EU, China and the US – basically China and everybody else.

China's under huge pressure right now. Because of the trade tariffs, its economy is fragile at this point. There's a lot of talk about different openings and different reforms, and some of it might even come to fruition this time around. China has been talking about a lot of reforms for a few years, but the business community is not listening so much anymore because it hasn't happened.

But I think we are going to see changes as this gets sorted out, and you've got to stay on top of everything. You've got to really watch closely, and you've got to talk to people because there may well be opportunities, and there may well be new obstacles. It's all driven by policies and politics. It always has been, quietly, but now that's right to the forefront. So those doing business in China who are not paying attention to policy by the day, and who are not talking to people, are probably hurting themselves.

Remember: China needs a lot of what the West has to offer. They need a lot of the technology, they need a lot of the know-how, they need a lot of the products. And they also need to have their market open enough so that the other markets will be open to them. So welcome to the brave new world.

Q The European Chamber has stated that the tariff war we are now going through is "a source of headaches for European firms", and the friction is to a large extent driven by China's 'reform deficit'. Is that a diplomatic way of stating the problem?

A I look at it a different way. I call it 'reform and closing'. Under Deng Xiaoping it was 'reform and opening up', but lately it has been reform and closing – reforming for Chinese companies, but closing or narrowing the opportunities for foreign companies so China can replace them.

Nobody was in favour of the tariffs in the foreign business community in China. We looked at tariffs as kind of a crazy way to do things because we didn't look at the deficit as being a problem. But having gone down the road with them now, I think Trump has stumbled onto a strategy. The tariffs got China's attention.

There has been a sea-change, because China had figured out our systems and they knew how to play us. In Europe they played countries against each other, and in America they played companies against each other. They figured out the political systems of both areas (Europe and the US) and were able to respond in very targeted ways to anything coming their way they didn't like.

The American chambers recently put out an extensive report. One of the key things this position paper calls for is a new form of arbitration outside of China. They are calling for moving more of this stuff over to the WTO over time. China may find that hard to accept, but unless you have enforcement, no matter what China promises, it's not worth anything.

Q Will the Americans, or the Europeans, accept the WTO as a 'supreme court' for business decisions?

A There's a consensus around the trade world that the WTO is absolutely essential and that the WTO doesn't work anymore.

Under the GATT [General Agreement on Tariffs and Trade] there were a small number of countries that ran the thing, and so had the biggest say, so they were able to make some progress as economics and technology changed, and the ways of doing business changed.

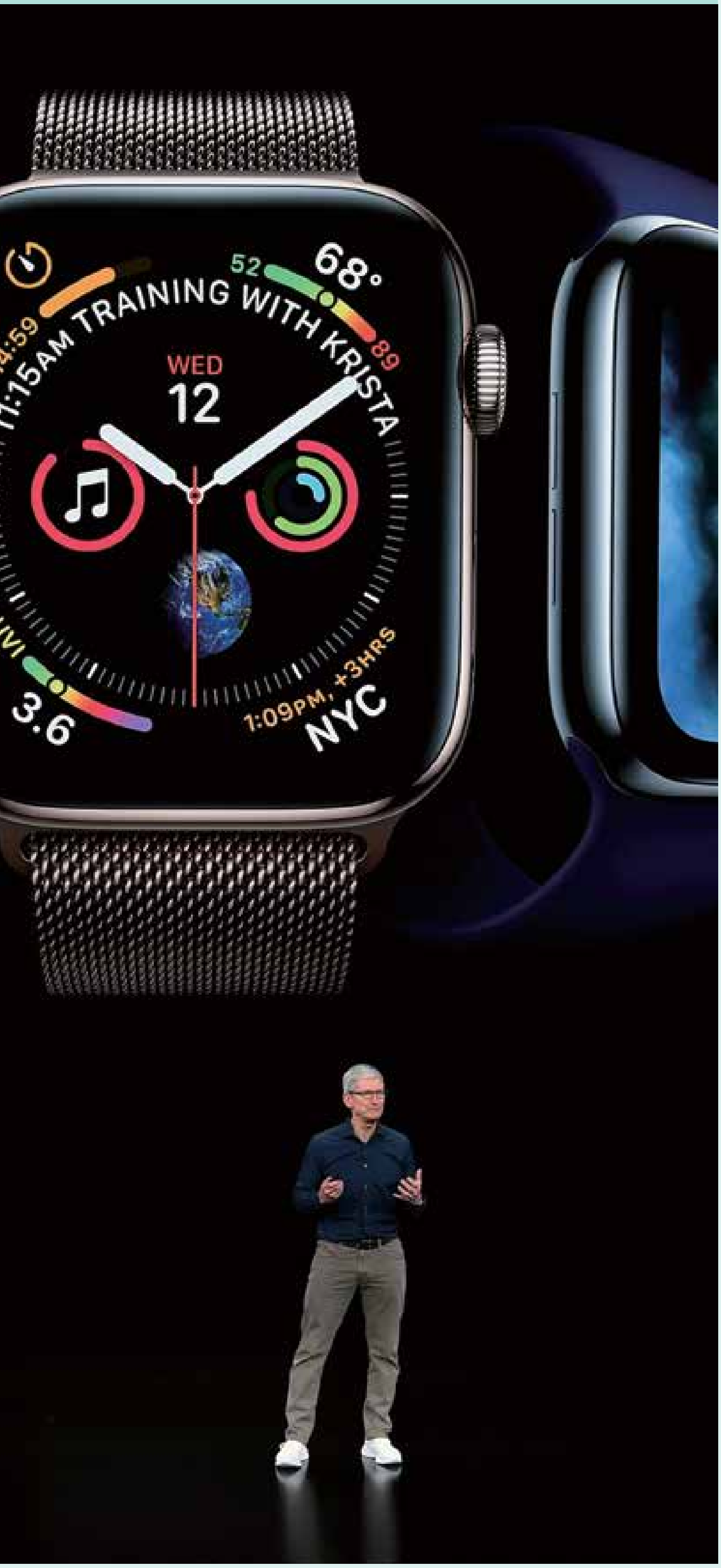
Under the WTO, from day one it's been a full democracy of approximately 160 countries. They all have equal say so nothing can get done. The rules of the WTO are antiquated. The dispute-resolution mechanism in the WTO only works if all members are willing to abide by it and actually let it happen.

Maybe all this [the current trade dispute] will finally drive real WTO reform. God knows.

Q Apple has announced that sales were lower than expected in China in late 2018, and Starbucks has indicated that its numbers are plateauing as well. Is it possible that part of this new phase we're in is that Chinese consumers are no longer enthralled by foreign products?

A I think that for the most part Chinese consumers are agnostic about origin: they're not tied up with where things come from. They're into quality products at a good price.

The Chinese phones—OnePlus, Huawei, Oppo—are really good, and they're cheaper than Apple, so people are turning to them because the price point is so much better. I don't know what that has to do with politics or ideology regarding Apple – they had a good run.



In late 2018, Apple saw sinking sales revenue in China across all of its leading products including iPhones, Macs, and iPads.
Photo: *Wu Xiaoling, Xinhua News Agency.*

The same thing is happening in the auto industry. Some of these local manufacturers, which have been in JVs [joint ventures] with foreign companies, are really learning how to make top-quality cars, or much better cars, at a much better price point, so their sales are feeling it.

I go to Starbucks—there's a Starbucks on every corner in China, or at least in Shanghai and the major cities—and they are all pretty full. So…

But as a general statement, I think that the best days of the MNCs [multinational companies] in China are behind them. They had had an outsized market share because China couldn't do it. Even multinationals that were pretty incompetent in China in the late '90s and the 2000s could make a lot of money because China couldn't do it.

But the Chinese companies are smart, they move fast, they take risks, they make quick decisions, they're on top of their market. So, in addition to politics, you have to be good to compete with them.

Q How much of that could be down to unfair technology transfers, or the undue government support that Chinese companies often receive?

A I've seen more companies commit suicide in China than have been killed in China. Because their headquarters have been very slow-moving: they can't make decisions, they're risk-averse.

I speak to many boards of directors [of Western firms] and when questions come back to me from the directors, 90 per cent or more are about risk, not opportunity. When you talk to Chinese companies, risk does not come up, it's all about opportunities. Sometimes, when we've been rich too long, we move too slowly.

I'm not saying that China hasn't stolen technology and hasn't been unfair and the opportunities haven't been lopsided. All of these charges are true. But equally true is the behaviour of foreign companies in a market where they have to be a lot more agile and smart and quick. They have to be willing to take risks and willing to chase opportunities. Eb

James McGregor *is chairman of* ***APCO Worldwide*** *Greater China region and author of two highly regarded books:* No Ancient Wisdom, No Followers: The Challenges of Chinese Authoritarian Capitalism, *and* One Billion Customers: Lessons from the Front Lines of Doing Business in China. *A former chairman of the American Chamber of Commerce in China, he has lived in China for nearly three decades and is fluent in Chinese.*

STATE OF PLAY OF EU-CHINA RELATIONS

by Gisela Greiger

The Trump Administration considers China a strategic competitor to confront, rather than a country with which to engage. The EU, on the contrary, refers to China as a strategic partner and, despite persistent and considerable differences in position in some areas, continues to engage. **European Parliamentary Research Service** author **Gisela Greiger** sees the need to seek issue-based alliances and to strengthen strategic cooperation with China in areas of common interest.

EU-China ties in a rapidly changing geopolitical context

Since the European Parliament adopted its resolution on EU-China relations in 2015, the geopolitical context has become profoundly less conducive to EU core interests and preferences for multilateral governance and a rules-based international order. The implementation of the Trump Administration's realist foreign, security and trade policy—which has led the USA to withdraw from several multilateral arrangements that allegedly have not delivered, and to unilaterally impose aluminium and steel import tariffs on 'national security' grounds against US allies, seriously impacting EU-US trade ties—has made the USA a less predictable partner for the EU. As a result, China has been able to portray itself as a vibrant advocate of multilateralism and 'free' trade, while pursuing a rather gradual and piecemeal 'reform and opening up' policy.

Haunted by a trade war with the USA for global economic and technological supremacy, and faced with an emerging united front between the EU, Japan and the USA at the WTO on issues such as forced technology transfers, China allegedly tried to capitalise on strained transatlantic relations by urging the EU to form an anti-US alliance, and to expose US protectionism in a joint declaration ahead of the 20th EU-China Summit in July 2018. This, however, did not happen. The leaders' joint statement, including their remarks on climate change and clean energy, however, contains strong EU and Chinese commitments to upholding multilateralism and deepening the EU-China strategic partnership. With Sino-US strategic competition growing into a confrontation, the EU may find it difficult to navigate the EU-China-US triangle with 'middle of the road' positions, and may be forced to 'pick a lane'.

US advice to allies to restrict or ban the purchase of IT equipment for 5G networks from the Chinese firms Huawei and ZTE on national security grounds, is a case in point. At the same time, China's ambitious domestic and foreign policy agenda for a 'new era', set out at the 19th Party Congress of the Chinese Communist Party (CCP) in late 2017, presents significant challenges to the EU, including the Belt and Road Initiative (BRI), whose maritime dimension was extended in 2017 to the Arctic in the EU's neighbourhood, as the 'Polar Silk Road'. With the BRI, China seeks to build geopolitical influence and shape third markets in line with China's interests and terms; this reveals a China-centric rather than a multilateral approach to global governance as embraced by the EU.

Starting in 2011, freight train trips by China Railway Express to Europe reach 10,000 in total by the end of August 2018.
Photo: *Xiao Yijiu, Xinhua News Agency.*

Principles of EU-China cooperation and human rights

Against the backdrop that China's authoritarian political system differs significantly from EU liberal democracies, the European Parliament resolution reiterates that—in line with the 2016 EU strategy for China—the EU's engagement with China should be "principled, practical and pragmatic, staying true to its interests and values". It also reasserts that the principles of reciprocity, a level playing field and fair competition must be strengthened across all areas of cooperation. It furthermore stresses that EU-China cooperation must be grounded in the rule of law and the universality of human rights.

Enhancing cooperation on global and regional challenges

The European Parliament resolution on the state of EU-China relations states that a broad array of global and regional challenges, including security and peace, non-proliferation, counter-terrorism and climate change, require a genuine EU-China partnership, and that the potential of the EU-China Comprehensive Strategic Partnership should be further exploited and brought to bear in the international arena.

Ahead of the October 2018 Asia-Europe Meeting (ASEM), the EU published its EU-Asia connectivity strategy. The strategy reasserts the principles of future EU cooperation with all Asian partners, such as sustainability and transparency, as well as a level playing field for all actors involved. The EU has not portrayed it as a response to

the BRI, but it has been perceived as such by most commentators.

EU-China trade and investment ties: state of play

Given that the EU ran a deficit of euro (EUR) 176 billion in its trade in goods with China in 2017, which totalled EUR 573 billion, and that EU firms face a significant number of trade and investment barriers in China, such as joint venture obligations, discriminatory technical requirements, including forced data localisation and source code disclosure, the resolution underscores the imbalanced nature and unfulfilled potential of EU-China trade ties. As China's investment push, driven by its state-led industrial strategy Made in China 2025—curbed in 2017 due to domestic restrictions and host-country scepticism—has targeted EU high-tech firms and strategic energy and transport infrastructure, the resolution raises concerns about state-orchestrated acquisitions that may be contrary to the EU's strategic interests and undermine its security or public order.

A legislative file, due to be finally adopted in February 2019, addresses related concerns. Since EU firms suffer from discrimination and lack of access to the Chinese public procurement market, which remains largely closed to foreign suppliers, the resolution calls on China to speed up its accession to the WTO Agreement on Government Procurement (GPA), promised in 2001, so as to grant EU firms reciprocal market access. It calls on the EU and China to give new impetus to the slowly progressing negotiations on the comprehensive agreement on investment (CAI) launched in 2013, and on an agreement on geographical indications (GIs) launched in 2010.

EU-China sectoral cooperation: state of play

As an example of deepening sectoral cooperation, the September 2018 European Parliament resolution refers to EU-China cooperation on water policy, which in 2017 saw the creation of the EU-China water policy dialogue. This adds to the China-Europe Water Platform (CEWP), which was established in 2012. Another example mentioned is the recently enhanced EU-China cooperation on China's nationwide emissions trading system (ETS), launched in 2017. Going forward, there is scope to further deepen cooperation on the reduction of greenhouse gas emissions in areas such as electric mobility, renewable energies and energy efficiency, and the development of instruments for green finance, as well as in respect to the strategic partnership for the implementation of the 2015 Paris Agreement on climate change.

While the European Parliament resolution acknowledges the work of the EU-China Bilateral Coordination Mechanism (BCM) on forest law enforcement and governance (FLEG) to tackle illegal logging globally as another successful area of cooperation, it recommends that China adopt mandatory policy guidelines on responsible overseas forestry investment and investigate significant undocumented trade in timber between FLEGT countries and China.

The resolution also welcomes the 2017 agreement to boost EU-China cooperation on research and innovation with flagship initiatives in areas such as food, agriculture, biotechnologies, environment and sustainable urbanisation, surface transport, safer and greener aviation, and biotechnologies for environment and human health.

Stating that there is room to intensify cooperation on building circular economies and on tackling antimicrobial resistance, and on more sustainable agro-food production and consumption systems, the European Parliament resolution stresses that, since most of the supply of new psychoactive substances to Europe originate in China (according to the *European Drug Report 2017*), better law enforcement cooperation is required.

Finally, given China's track record of illegal fishing in foreign waters, the resolution asks China to double down on its law enforcement efforts. Eb

A full, unedited version of this document was prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament.

EUROPEAN CHAMBER ADVOCACY HIGHLIGHTS

20 NOV
BEIJING

Chamber Builds Ties with the CBIRC

President Mats Harborn with vice chairman of the CBIRC Wang Zhaoxing (centre), and delegation members.

On 20th November 2018, European Chamber President Mats Harborn led a delegation of representatives of the European business community to meet with the recently-established China Banking and Insurance Regulatory Commission (CBIRC). The delegation's goal was to lay the foundations for a strong relationship with the commission and to provide feedback to policymakers. Wang Zhaoxing, vice chairman of the CBIRC, reiterated China's commitment to far-reaching reform in the banking and insurance sectors. He stated that opening-up is crucial to create competition so as to improve efficiency and align with global best practices. The Chamber delegation discussed unresolved issues and agreed to follow up with further constructive recommendations on how these issues can be tackled. The situation regarding private enterprises and SME financing was also discussed, with the CBIRC stating that they are acutely aware of this issue and are in the process of devising measures in response. President Harborn expressed appreciation for such direct and open dialogue, and his hopes that this meeting would create a strong foundation for cooperating with the CBIRC in the future.

21 NOV
BEIJING

President Harborn Meets Vice Premier Hu Chunhua

President Mats Harborn with Vice Premier Hu Chunhua

Chamber President Mats Harborn participated in a roundtable with French enterprises in China organised by the China Council for the Promotion of International Trade (CCPIT) and the China Chamber of International Commerce (CCOIC), hosted by Vice Premier Hu Chunhua on 21st November 2018. President Mats Harborn took the opportunity to deliver a speech focused on much-needed structural reforms to China's economy, as well as ways in which good regulations can unlock entire new areas of growth and development that are currently unutilised. During a frank and open dialogue, Vice Premier Hu recognised the issues raised by attendees, and reiterated China's commitment to reform and opening-up and creating a level playing field for businesses operating in China. The vice premier also made special mention of the quality of the European Chamber's working groups and the position papers they produce. As a result of the meeting, a regular dialogue mechanism with senior leadership to address the concerns of the European business community is being further discussed.

6 NOV
SHANGHAI

Chamber Advisory Council meets EU Commissioner Andriukaitis and Ambassador Chapuis

Vice President Carlo D'Andrea and members of the Chamber's Advisory Council with EU Commissioner for Health, Food and Safety Vytenis Andriukaitis and EU Ambassador to China Nicolas Chapuis.

On 6th November 2018, European Chamber Vice President Carlo D'Andrea led representatives from the Chamber's Advisory Council at a dinner meeting with EU Commissioner for Health and Food Safety, Vytenis Andriukaitis and EU Ambassador to China, Nicolas Chapuis. Commissioner Andriukaitis encouraged European businesses to pursue opportunities where they arise, but to speak clearly with one voice when dealing with Chinese authorities. Vice President D'Andrea introduced the Chamber's core messaging, and urged the EU to engage with China to address China's 'reform deficit'. He went on to express the mixed reactions to the China International Import Expo, which did not meet expectations that many held. The business community had hoped the event would be used to announce major opening-up initiatives. Advisory Council members then raised a variety of specific issues, ranging from new drug approval processes and pricing issues for pharmaceuticals to food packaging and recycling incentives for the agriculture, food and beverage industry.

23 NOV
TIANJIN

Tianjin Chapter Organises High-level Dialogue to Discuss Binhai New Area

Tianjin Chapter members meet with vice governor of the Tianjin Binhai New Area.

On 23rd November 2018, the European Chamber's Tianjin Chapter organised an exclusive high-level dialogue for members to meet the Binhai New Area local government. They were welcomed by Vice Governor of the Tianjin Binhai New Area. Tianjin Chapter Chair Cheung Yupfan led the meeting along with more than 30 general managers from Chamber member companies. He introduced the core messaging of the Chamber and called for a formal communication mechanism for foreign companies. Following his introduction, general managers from various European companies raised specific issues they were facing in the Tianjin Binhai New Area so that local authorities could better understand and address their concerns. Eb

China's New E-commerce Law: Good or Bad News for Business?

By Michael Tan

The advent of new technology has been a double-edged sword for many e-commerce businesses: on the one hand it has facilitated rapid growth, on the other, the sheer pace of expansion has resulted in a number of challenges to doing business. **Michael Tan** of **Taylor Wessing** examines the main problems that have arisen, and the new law designed to curtail them.

"...It may seem to be unique to see a specific law being enacted to regulate e-commerce activities, since the topics of concern that fall under the E-commerce Law could seemingly have been regulated by other laws."

The world has seen China growing into one of the largest consumer markets, boosted in particular by its fast-emerging e-commerce sector, which is already a pivotal part of the country's economy. Besides many well-known online marketplaces like Alibaba, JD and the newest force Pinduoduo, there are a host of other players that operate under different business models, including the very popular shopping-from-offshore model (*haitao* or 海淘 in Chinese) in which many foreign brands and players also have a stake.

Governmental agencies have been taking various actions to regulate e-commerce, which resulted in the introduction of the new E-commerce Law on 31st August 2018. The legislative process for this law has taken some time: its unprecedented four rounds of review by the congress attracted heated debate among experts and industrial stakeholders in many fields. Having taken effect on 1st January 2019, below are some of the key highlights of the law that are of particular relevance to those with international operations.

Who and what are covered?

Coverage of the E-commerce Law is very broad. According to Article 2, e-commerce refers to any operational activities that sell goods or provide services via information networks like the Internet. Article 9 further defines e-commerce operators to be individuals, legal persons (companies) and non-legal person organisations who carry out e-commerce, as per the aforementioned definition, including e-commerce platform operators, merchants operating on e-commerce platforms and others selling goods or providing services via self-constructed websites or other "network services". This broad definition could therefore cover all online associated sales activities, of either goods or services, by an individual or a company via a traditional webpage, social media platform or any other internet tool.

In this context, many tricky questions could arise. For example, will the popular overseas buy-on-others'-behalf (*daigou* or 代购 in Chinese), WeChat 'moment marketing' and SMS promotions fall within the scope of this law? The quick answer is 'yes', since they are obviously online-based or closely connected with online tools or use of social media. The same conclusion will also apply to the cross-border delivery model that has been adopted by some foreign brands targeting Chinese consumers while keeping their operations abroad to avoid onshore exposure. Although Article 2 of the law states that it applies to e-commerce activities within the territory of the PRC, the various connection factors (e.g. promotion and performance within China, ICP filing requirements) will bring cross-border delivery models closer within reach of the Chinese authorities. A further hint in this regard can be found under Article 26 of the law, which was newly added in the published final draft and explicitly stresses that those conducting cross-border, e-commerce operations shall abide by the laws and rules on import and export supervision. Considering the tendency of the Chinese Government to often launch an enforcement campaign when a new law becomes effective, many existing business models will need to be legally revisited and adjusted where necessary so as to better accommodate the increased legal exposure brought by the new E-commerce Law.

Increased obligations and burden

One important aspect of the E-commerce Law is obviously to better regulate the market and protect consumers. For example:

- **Business registration:** except for very few types of rare and small personal businesses, Article 10 of this law requires all e-commerce operators to handle businesses' registration (市场主体登记 in Chinese). Where a special licence is required (e.g. food or drug-related), such licences shall be obtained according to law. The registration and licence information should be publicly disclosed. This triggers a tricky question: should an offshore brand targeting Chinese consumers also follow this onshore registration requirement (=incorporation)?

- **Taxation:** according to articles 10 and 14, e-commerce operators are required to pay tax and shall issue paper-form tax invoices (*fapiao*) or electronic *fapiao*, as required by law. A marketplace platform has the legal obligation to report a merchant's identity and other tax-related information to the tax authorities, and shall keep transaction-related information for at least three years. This new mechanism will make all taxable revenue transparent to the tax authorities. Some tax-related grey areas practiced in the past will no longer be feasible.

- **Intellectual property (IP) protection:** both marketplace platforms and merchants are obliged to respect and protect IP rights. Fake goods and rampant infringement of IP have been quite iconic phenomena associated with the rapid growth of China's e-commerce business. Also, many good designs have been pirated. Article 45 codifies the existing judicial practices by clarifying that marketplace platform operators shall assume joint and severable liabilities if they fail to "take necessary measures" to stop sales after it is determined that they knew or should have known of any infringement of IP rights regarding items sold on their platforms. The term "necessary measures" is defined modestly to cover deletion of online advertisements, as well as termination of services by platforms.

- **Market order and competition:** Article 17 of the law stipulates that an e-commerce operator shall fully, truly and correctly disclose information in a timely fashion about the goods or services it is selling, to ensure consumers' right of information and right of choice. Fake transactions, forged comments and misleading promotion is strictly prohibited. A marketplace platform shall establish a credit rating system for consumers, and comments made by consumers shall not be deleted (so as to 'dress up' sales). Cheating/manipulating in marketing and promotion activities has long been a big issue. Such illegal practices will now face penalties, which is a very positive step forward.

A huge amount of parcels were processed by an express company in Hunan Province during the Double Eleven Shopping Festival last year.
Photo: *Cao Zhengping, Xinhua News Agency.*

- **Privacy and data protection:** China still does not have a systematic legal framework to regulate privacy and personal data protection issues. Even though the Cybersecurity Law, effective as of 1st June 2017, incorporated a special chapter addressing personal data protection, privacy and personal data protection regimes still remain a patchwork of fragmented rules found under other laws, measures and sector-specific regulations. The E-commerce Law continues along this path.

Article 18 of the law now addresses the issue of consumer profiling. When offering goods or services, including search results tied in to consumption preferences, an e-commerce operator shall also offer options independent from the concerned consumer's personal profiling so as to respect and treat consumers equally. This clause could impact the very controversial "smart marketing activities", whereby some players intentionally abuse their data-rich position. To avoid circumvention, Article 19 further stipulates that for any linked sale or service (e.g. profiling-based recommendations), a reminder shall be provided with a default opt-in not permitted. Any violation in this regard will result in legal punishment including a fine up to Chinese yuan (CNY) 500,000.

General impact and prospect

It may seem to be unique to see a specific law being enacted to regulate e-commerce activities, since the topics of concern that fall under the E-commerce Law could seemingly have been regulated by other laws, for example consumer protection, competition, contract conclusion or data protection. Again, China takes a very pragmatic approach to house all these topics within the E-commerce Law. However this could trigger some practical implications international operations should pay special attention to. For example, the very broad definition of e-commerce activities and operators and the explicit reference to cross-border operations could likely grant authorities a legal basis to examine and challenge some easy-to-start but risky business models like cross-border delivery from offshore. The statement under Article 4 of the law, that the government shall treat both online and offline commercial activities equally, sounds quite reasonable. However, considering that there were fewer rules regulating online commercial activities, such a statement generally seems to indicate a heavier regulatory burden for e-commerce operators in the future.

As always, enforcement is the key in China and how the regime will develop efficient enforcement tools must be closely observed. Eb

Taylor Wessing LLP *is an international law firm with 33 offices internationally, including in Beijing and Shanghai. The firm has over 300 partners and over 1,100 lawyers worldwide.*

How to Unlock Your Organisation's Data Analytics Potential

By Tom Diplock, Phillip Meier and Stuart Robertson

Tom Diplock, Partner and Head of Data & Analytics, **Phillip Meier**, Principal and **Stuart Robertson**, a manager at **L.E.K. Consulting**, say that the use of data analytics in your company should not be the preserve of a handful of experts – it should be available to everyone to benefit the whole business.

Data and analytics professionals are at the centre of the next big race for talent. In 2015, there was a surplus of people with data science skills. Now there's a significant shortage.[1] By 2020, IBM expects demand for data and analytics talent to reach 2.7 million positions in the US alone.[2]

The competition for talent will be especially intense for companies for whom advanced analytics forms a core part of their proposition – think e-commerce giants, hedge funds and complex system engineers. For them, a dedicated, in-house team of data specialists can be a necessity.

But the rest of us? Not so much. Consider the findings of a Rexer Analytics survey,[3] in which more than a third of data analytics professionals reported that their company never, or only sometimes, puts their analyses to use. This calls into question the practicality of funnelling analyses through centralised teams focused on big-picture challenges.

Complete integration with the business

Most companies don't need a small army of data scientists or bleeding-edge analytical techniques. What they do need are analyses that solve key commercial and operational problems. The good news is that the tools to do so are readily available, and relatively inexpensive. What's missing, more often than not, is a clear strategy and operational model for using these capabilities in ways that are specific to the company's business requirements. Any such effort depends on three basic components:

- People who can combine their commercial expertise with advanced analytics methods and applications in an effective way;
- An evidence-based approach that translates analytical know-how and an understanding of the business problem into actionable insights; and
- A small team of analytics professionals (not necessarily data scientists) to develop appropriate analytical tools and techniques and enable the organisation to deploy them through internal training and advice.

1. *LinkedIn Workforce Report | United States*, LinkedIn, 10th August 2018, viewed 29th January 2019, <https://economicgraph.linkedin.com/resources/linkedin-workforce-report-august-2018>
2. *The Quant Crunch: How the Demand for Data Science Skills is Disrupting the Job Market*, IBM, August 2017, viewed 29th January 2019, <https://www-01.ibm.com/common/ssi/cgi-bin/ssialias?htmlfid=IML14576USEN&>
3. *2017 Data Science Survey*, Rexer Analytics, 2017, viewed 29th January 2019, <http://www.rexeranalytics.com/data-science-survey.html>

Together, these form a solid foundation for closing the gap between technical skills and commercial thinking so that businesses can extract value from analytics.

Building internal capabilities

So how to get started? It is advisable to take your cue from companies that have already started on this journey (see Figure 1).

Getting started

Start small and demonstrate value: Aim for a single, key problem or an important (but limited) area of the business where analytics can have a valuable and immediate impact, then use the results to build credibility, excitement and momentum.

Brewing and beverage company SABMiller, (now a division of Anheuser-Busch) took this track when they decided to make data and analysis available to their business units. To manage risk, they kept their initial investments modest. That way, they could readily abandon any failures while expanding the rollout of the tools and approaches that worked.

Focus on specific commercial problems: Tie analytics to the commercial and operational heart of your organisation (if it doesn't address a core business need, analytics can be a hindrance more than a help). While you're at it, place the analytical capability as close as possible to those doing the commercial thinking.

Scaling up

Identify and empower evangelists: Don't leave business users to figure out the commercial value of analytics on their own. Show it to them instead, via a network of advocates across the organisation. Through these advocates, companies can proactively introduce the capabilities available to the business and provide expert support for those finding their way.

That's what UK supermarket Sainsbury's did when they created a new 60-strong internal team called the Humanalysts.[4] The group's mission? To identify data-driven opportunities for improvement—such as predicting shoppers' responses to new pricing strategies—and, along the way, make believers out of often skeptical business users.

Identify your analytical capabilities – both existing and potential: Many companies already have functions dedicated to strategy, financial planning or business insights, as well as individuals who use analysis to solve business problems. Build on these assets by empowering them with new capabilities.

When Jaguar Land Rover discovered pockets of self-service analytics activity across its departments,[5] the company began offering in-house analytics training. The first 60-seat course was filled to capacity. By last year, an estimated 1,800 to 2,500 employees had become "citizen analysts" – business users who created their own analytics as part of their day-to-day work.

Establish a team to enable effective deployment: Building a small team of analytics professionals will help to ensure the effective deployment of analytics across the business. This team does not need to be comprised of data scientists – just indi-

4. *Here's How Sainsbury's is Using Big Data to Drive Customer Experience*, eTail Europe, viewed 29th January 2019, <https://etaileurope.wbresearch.com/sainsburys-big-data-customer-experience-strategy-ty-u>
5. Carey, Scott, *Jaguar Land Rover turns to Tableau to give staff analytics dashboards that "just work"*, Computer World UK, 21st March 2017, viewed 29th January 2019, <https://www.computerworlduk.com/data/jaguar-land-rover-turns-tableau-give-staff-analytics-that-just-works-3656363/>

FIGURE 1

Building internal capabilities: key areas of focus

- Start small
- Demonstrate value
- Focus on specific commercial problems

- Identify and empower evangelists
- Identify your analytical capabilities – both existing and potential
- Establish a team to enable effective deployment
- Build and rollout an appropriate toolkit

- Expand the toolkit
- Invest in people and processes
- Leverage scale through standardisation

Source: *L.E.K. Consulting.*

viduals who are interested in and capable of developing appropriate analytics tools and techniques, and championing them across the organisation (helping to provide internal training and advice to employees).

Build and rollout an appropriate toolkit: Encourage business users to tap into analytics with self-service tools that preclude the need to learn how to code. The most effective of these have built-in algorithms to navigate company data, create charts and dashboards, and deliver insights to different audiences.

Nike put together a tailored set of software tools for business intelligence, analysis and visualisation – all with an aim of reducing technical barriers and bringing insights to users in the business.[6] The toolkit had to cover the full range of user requirements, from those just wanting key dashboards to those looking for as much data as possible to perform their own 'exploratory' analysis. All users benefit from a central team that provides the governance necessary to ensure a stable, secure and up-to-date environment.

Optimising

Expand the toolkit: As more use cases are identified, it will be necessary to expand the analytic toolkit and the range of techniques used. It is important to retain the agile spirit and desire to experiment from earlier in the journey. Some of the new tools and techniques will work well, but a 100 per cent success rate is unlikely. Assuming sensible, low cost experimentation, a two-thirds success rate on 15 opportunities is better than a 100 per cent success rate on two.

Invest in people and processes: Now is the time to ensure sustainability. This can be achieved by investing in processes that are fit for the longer term and provide clarity on future career paths and opportunities for the core enabling team.

Leverage scale through standardisation: As the level of adoption (and business benefit) grows, there are opportunities to leverage economies of scale. Examples of this include securing better licensing deals for software, increasing utilisation of key analytic resources (both people and hardware) and maximising efficiency (rather than expediency) of workflows as usage becomes more consistent.

Making use of what you have

Wherever you start your journey, keep this in mind: democratising analytics is an unavoidably iterative process. Every step requires a look back to ensure the appropriate controls, training and delivery mechanisms are in place and working the way they need to be. As Voltaire famously observed, with great power comes great responsibility.

It's also a good idea to borrow liberally from those in similar situations to your own. Make generous use of relevant case studies. Prioritise the insights that generate commercial benefits. When reporting back within your organisation, focus on output and impact rather than the underlying analytics. Inspire, and be inspired.

Finally, don't give in to pressures to build great teams of scarce, highly-paid specialists without working out what makes sense for your business. There's nothing so special about analytics that it must be kept from those most intimately familiar with the problems you need to solve, and who work for you already. Analytics should inherently empower anyone with the means to comprehend it. Put another way: data analytics is for everyone – not just the few. Eb

***L.E.K. Consulting** is a management consulting firm headquartered in London (UK). The company's primary service lines consist of corporate strategy, mergers and acquisitions, and operations. It employs a generalist model across all major industries, including a large presence in defence, aviation, life sciences, healthcare, energy, entertainment, transport, retail, consumer products and financial services.*

6. *Self-service business intelligence*, Information Age, 17th June 2013, viewed 29th January 2019, <https://www.information-age.com/self-service-business-intelligence-123457131/>

The Emperor's New Clothes

By Laura Mitchelson

Gaining an Advantage by Acknowledging the Naked Truth About Cultural Differences

Many people may have heard about *The Ugly American*, the late 1950s novel and movie. These fictional works depicted a real problem: the failure of the US diplomatic corps in Southeast Asia, who were insensitive to local languages, cultures and customs. Their indifference led to disaster. Cultural insensitivity is not unique to one country, nor is it yet a thing of the past, and it can be extremely detrimental to companies with overseas operations. **Laura Mitchelson** of **ICUnet Intercultural Consulting (Shanghai) Co Ltd** examines some of the ways to detect and bridge cultural differences that, if left unchecked, can cause businesses to fail.

The story of *The Emperor's New Clothes*, for the uninitiated, is a short tale written by Danish author Hans Christian Andersen. It's about two weavers who promise an Emperor a new suit of clothes that they say is invisible to those who are stupid or incompetent. In reality, the weavers produce no clothes at all, making everyone believe the clothes are invisible to them. When the Emperor parades before his subjects in his new 'clothes', no one dares to say that they do not see any suit of clothes on him for fear that they will be seen as stupid. In the end, a little girl shouts, "But he isn't wearing anything at all!"

As the employees, managers and leaders of China-based multinationals, regardless of our title and job responsibilities, do we sometimes feel that we need to cover up and go along with everyone else on the subject of culture for fear of looking stupid? We perceive an increasing pressure to play down differences. Few people talk directly about cultural differences these days. It's seen as more politically correct to talk about similarities.

The word 'similarities' admittedly does have a nice ring to it. But this is a flawed approach for a couple of reasons:

1. Without diversity and difference, we wouldn't have strong, creative businesses, so long may those diverse behaviours and preferences continue.

2. The reality is that there are cavernous cultural differences in behavioural preferences across cultures as diverse as European and Chinese.

The right approach is to be honest from the beginning and talk about those differences so we can learn from them. That way, we build a culture together in our organisations that is sustainable and authentic.

When we pretend cultural differences don't exist, we allow ourselves to be lazy. We talk about operational, tactical subjects that are familiar to us and that reassuringly keep us off the topic of cultural differences. Hold on though, once we think there are no cultural differences, there is no need to actually ask any questions, right? Phew! That cuts down the workload.

Or does it?

The day you stop being curious in business is the day you lose your competitive edge, some say. Despite current perceived wisdom that the world is getting flatter and that we live in a borderless world, the irritating fact remains that culture and cultural-based communication preferences can get in the way of all sorts of good business practices.

Previously uncharted territory: China leading Europe in many respects

Here's the crux of the issue: we are in danger of glossing over something that has a huge impact on our everyday working lives and on the long-term success of businesses in this competitive market. It's here that we come to something much bigger than individual enterprises too – China's personality, as we know, has changed a good bit over the last two decades. We are now in the previously uncharted territory of China leading Europe in many respects and it therefore becomes even more important to be actively in 'learning mode' about the way things are done here.

Let's take some standard work-related questions that pop up on all our radar screens:

- What makes an effective leader?
- What is the right way to foster innovative thinking?
- How do we improve cross-functional cooperation?
- What is the true meaning of efficiency in my business?
- What does a good feedback mechanism look like?

Any one of these broad topics, if taken to a granular level, will expose significant cultural differences and perhaps some gender and generational ones along the way too. However, companies that talk about it, that air stereotypes and negotiate their cultures, are the ones that will succeed the fastest. They simply seem to get there quicker.

So, what's the best way to do it? Negotiation! Cool, measured, intelligent negotiation is really the only answer but the process of negotiating culture is a bit like a family negotiating a decision on redecorating. Mum wants stylish geometric curtains. Dad wants blinds because curtains take too long to deliver. The children? They think we should be living in a different city altogether!

Successfully bridging the divide: learn together and communicate

- One very successful company brings the top management team together in a different part of the world each quarter and shifts into study mode together for one day about that country's culture. It sends a message to everyone that they should never stop learning.

- A Beijing-based company uses controversial dinner speakers to prompt dialogue about challenging cultural issues within their diverse team. As soon as they start talking about the topic of the cultural impact on their communications, the team is able to relax and align.

- A European CEO improved relations with his team when he was bold enough to get feedback from them on his approach, and in particular how this was perceived by the Chinese JV partner. He encouraged them to talk about the small details of how he is perceived. Overall morale and team spirit, as well as trust and loyalty, have been blossoming ever since.

Engaging colleagues purposefully in dialogue about cultural differences will increase levels of engagement in your business and will lead to the actions that can quickly solve complex problems with members of the team better able to predict each other's reactions. Another side effect of dialogue and a negotiation around culture is likely to be improvements in the whole team's cultural capital – that hard-to-define, intangible ability to behave and communicate in an international style.

Start the conversation about culture early, volunteer to mentor your colleagues who have not yet arrived in China on the differences that exist here and be bold in sharing your lack of understanding of Chinese culture with your colleagues. Europeans are not expected to be experts from day one in China – but we are expected to be humble enough to ask for help with understanding it all and not to pretend that we can see the Emperor's 'new clothes' when we can't. China is complex and there's no shame in saying 'I don't get it' now and again. Just having honest discussion builds trust.

*Founded some 16 years ago in Passau, Germany, **ICUnet Intercultural Consulting Co. Ltd** has spread around the globe. The company helps businesses and their employees going abroad build on their technical expertise by acquiring the necessary intercultural perspectives and skills necessary for success.*

Business as a Force for Good

The European Chamber's 5th Corporate Social Responsibility (CSR) Awards

On 15th November 2018, the European Chamber hosted its 5th CSR Awards & Conference in Nanjing. This event offered a rich platform for promoting the best practices in CSR, sustainability and innovation in China and the EU. **Ilian Mihov**, Dean of **INSEAD**, Professor of Economics and the Rausing Chaired Professor of Economic and Business Transformation, prepared the following remarks based on his identification with the values exemplified by the CSR Awards. He called his presentation ***A New Path to Prosperity: Business as a Force for Good***.

Over the past 30 years, something happened that has never happened in the history of the world. In 1990, 66 per cent of the Chinese population—756 million people—lived in extreme poverty. By 2013, that number had fallen to 26 million, or less than two per cent of the population. This year, the percentage of people in China living in extreme poverty is set to drop below one per cent. For the first time since 1800, fewer than one billion people worldwide will live in extreme poverty. We are witnessing an economic miracle.

There is one overriding cause for this miracle. These dramatic improvements in living standards, healthcare, child mortality rates and other social gains were created fundamentally by one force – economic growth.

Over time, economic growth reduces poverty. Without companies building factories, providing services and hiring people, there is no output, no income, no growth. Business has been a force for good in a way we have never seen before.

Yet over this period, tensions between business and society have risen. Trust in business is faltering. In some countries, only 30 per cent of people trust business. Globally, 60 per cent of people believe that greed drives CEOs more than a desire to make a positive difference in the world.

In this same period, new challenges have emerged, such as environmental pressures, cybersecurity threats, economic strain and geopolitical tension around the world.

The idea that companies must focus solely on expansion and efficiency to create economic wellbeing is dated. It is a narrow definition of business as a force for good. For business to continue to contribute to positive progress, leaders should explore more broad and holistic approaches to business and society.

Moving to the broad view

Practically speaking, this means we need a new kind of development with CSR principles at the core. Achieving this new kind of development will not happen without rethinking the relationship between business and society. There are three fundamental ways the private sector can broaden this role of business as a force for good.

Consider the outcomes: In the process of value creation for any company, leaders must consider the effect of their economic activity on society. Minimising negative impacts and maximising positive outcomes must be fundamental to the business plan. It is not about working with civil society, it is about new beliefs regarding how business interacts with communities and the environment.

Invest in innovation: There are situations when neither private efforts, nor regulatory ones, can solve the problem. Society needs innovation to overcome these challenges. Businesses can tap into the global network of researchers, experts and people with experience to identify the problem and seek solutions. Incredible opportunities are opening for those who innovate new approaches, new technologies and new business models.

Cooperate and collaborate: Sometimes market failures are so pervasive and deep that no single actor can solve the problem alone. Some market challenges are so vast and so complex that coordinated action by all is needed. Regulation certainly has a role to play, but collaboration among businesses, governments and civil society is the catalyst for real-world results.

Transition to a set of new norms

One such shortcoming is that markets tend to undersupply commodities that are valuable assets – clean air, clean water, disaster resilience and disease control, to name a few. Furthermore, there are social issues that businesses do not address because it is generally not profitable, such as electrification in remote areas, biodiversity and habitation protection, CO_2 emission reduction, access to education and more.

The takeaway is clear. To be a force for good under a broad, holistic interpretation of the term, business must integrate the social impact it creates into strategy and decision-making. We must change the fundamental norms and beliefs about the role of business if we are to create a sustainable path for the future of the world. We must consider CSR. It is now up to all of us to deliver equitable and sustainable growth that does not come at the expense of people or our planet.

China leading the way forward

China has been engaging in this conversation for quite some time now. The formalisation of ecological civilisation establishes a new policy framework that facilitates ecologically sound and sustainable development. China has also been active and engaged as a leading voice in multilateral processes that produced the Sustainable Development Goals, the Paris Climate Change, the International Strategy for Disaster Risk Reduction and a host of other agreements that shape global development in our challenging times.

This leadership in China is increasingly apparent, especially on environmental issues such as carbon pollution. We see it at the local level, with projects like the Shenzhen International Low Carbon City, a China-EU Partnership on Sustainable Urbanisation that shows how policy can point to innovative sustainability solutions. At the national level, carbon markets tested in cities across China are now expanding to put a price on carbon pollution in the world's second largest economy. These actions are inspiring, both in China and outside its borders.

Our global responsibility and opportunity

INSEAD takes this responsibility very seriously, which is why we support the European Chamber's 5th CSR Awards. Through our Hoffmann Global Institute for Business and Society, we articulate the need for more responsible and sustainable business models and transformative change at a global scale. We congratulate the winners of the 5th CSR Awards and applaud their efforts to lead this transformation.

The Chamber gratefully acknowledges the support of our sponsors: **BASF-YCP**, **Nestlé**, **DB Schenker**, **FETTE Compacting** and **Maverlinn**.

Winners of the 5th CSR Awards

MNC CATEGORY

- **Responsible Value Chain:** Nokia Shanghai Bell
- **Employee Development:** Bosch Automotive Aftermarket China
- **Excellence in Sustainable Growth and Environmental Protection:** Nestlé China, Merck Holding China, Siemens China, BASF-YCP

SME/SOCIAL ENTERPRISE CATEGORY, FOR EXCELLENCE IN RESPONSIBLE INNOVATION

- Netspring Green IT Programmes

NGO CATEGORY, FOR EXCELLENCE IN SOCIAL INNOVATION PARTNERSHIP

- Shanghai Songjiang Sheshan Service Center for Handicapped People

SPECIAL AWARD FOR EXCELLENCE IN DIVERSITY AND INCLUSION

- Taicang Sino-German Handicapped Workshop

EUROPEAN CHAMBER IN THE MEDIA

President Mats Harborn attends Global Times annual conference to discuss China's reform and opening up

Global Times

On 8th December, President Mats Harborn participated in a panel discussion as part of the *Global Times* annual conference on what more China can do with respect to opening up. President Harborn and other panellists discussed China's achievements over the past 40 years, and made suggestions as to how and in which areas it can accelerate the pace of opening up. He highlighted the role of the government in this process, acknowledging that it would be at the centre of China's development for the next 40 years, while stressing that market forces should play a decisive role in the reform process. He also noted that the drafting of laws and regulations would be more effective and more easily implemented if opinions were solicited from different fields, including industry.

European Chamber's Automotive Working Group comments on China's industrial regulatory environment

Caixin

President Mats Harborn and the Chamber's Automotive Working Group hosted a media roundtable with industry journalists to discuss the opportunities in China's auto industry, and the challenges posed by the current regulatory environment. Working Group representatives stated that foreign auto companies want to be treated the same as domestic companies, and noted that more lead time would be helpful for them to adjust and meet requirements for new regulations. "In an increasingly sophisticated automotive market we need increasingly sophisticated regulations," said one representative. President Mats Harborn also stressed that the Chamber fully supports China's ambition to create a better ecological environment.

Chamber's Secretary General discusses the progress and challenges in the EU-China trade and investment relationship on CGTN

CGTN

Appearing on *CGTN*'s *The Point*, Secretary General Adam Dunnett explained that China's 2018 import tariff cuts, the attraction of the European single market and increasing demands from Chinese consumers have resulted in both a growing and more intensive EU-China trade relationship. The EU still maintains a significant trade deficit with China, he said, although this problem has slowly

improved over time. Despite the EU-China trade relationship being very strong—the EU remains China's largest trading partner—Dunnett pointed out that more could be done on investment, noting that the ongoing EU-China Comprehensive Agreement on Investment represents an opportunity to strengthen the bilateral relationship. While much has taken place regarding China's recent reform efforts, he pointed to the findings of the Chamber's *18 Months Since Davos* report, which analysed actual reform progress since President Xi Jinping gave a keynote speech at the World Economic Forum on 17th January 2017. Dunnett noted that China needs to continue with reforms in the services sector as well as in the legal, construction and telecoms sectors. He said that European companies are still interested in China, but they find that the regulatory environment is still very challenging – in many cases adherence to Chinese technical roadmaps is a requirement to gain access to subsidies and market access in general.

President Mats Harborn meets China Banking and Insurance Regulatory Commission

ScandAsia

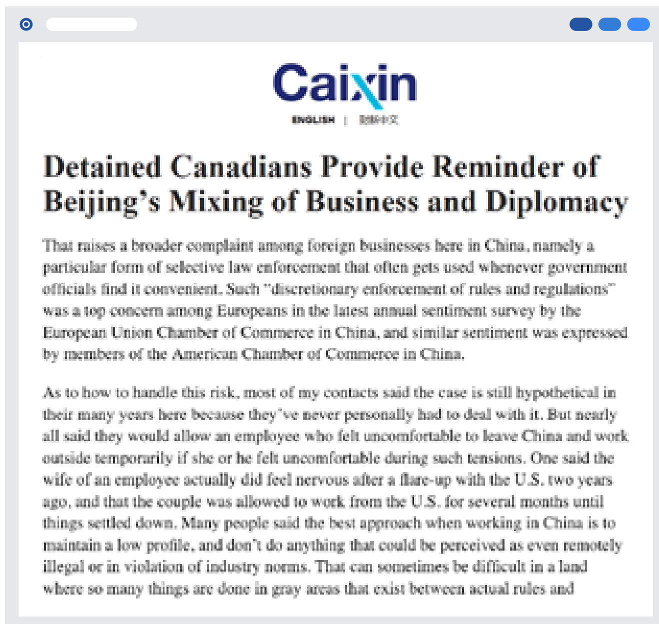
EU Chamber China President Mats Harborn met China Banking Commission

Vice Chairman Wang reiterated China's commitment to far reaching reform in the banking and insurance sectors. He stated that opening up is crucial to create a more level playing field so as to improve the efficiency of China's banking and insurance sectors. The Chamber delegation discussed issues that are yet to be resolved and agreed to provide constructive recommendations to the CBIRC on how they can be tackled. The issue of private enterprises and SME financing was also discussed. The CBIRC stated that they are acutely aware of this issue and

On 20th November, President Mats Harborn led a small delegation to meet with Wang Zhaoxing, Vice Chairman of the newly formed China Banking and Insurance Regulatory Commission (CBIRC). Vice Chairman Wang acknowledged the importance of creating a level playing field in order for China's banking and insurance industry to develop efficiently. Among other challenges, Chamber representatives raised issues related to the private sector and the difficulties SMEs face when trying to access financing.

Ongoing coverage of the Business Confidence Survey 2018

Caixin



Caixin

ENGLISH |

Detained Canadians Provide Reminder of Beijing's Mixing of Business and Diplomacy

That raises a broader complaint among foreign businesses here in China, namely a particular form of selective law enforcement that often gets used whenever government officials find it convenient. Such "discretionary enforcement of rules and regulations" was a top concern among Europeans in the latest annual sentiment survey by the European Union Chamber of Commerce in China, and similar sentiment was expressed by members of the American Chamber of Commerce in China.

As to how to handle this risk, most of my contacts said the case is still hypothetical in their many years here because they've never personally had to deal with it. But nearly all said they would allow an employee who felt uncomfortable to leave China and work outside temporarily if she or he felt uncomfortable during such tensions. One said the wife of an employee actually did feel nervous after a flare-up with the U.S. two years ago, and that the couple was allowed to work from the U.S. for several months until things settled down. Many people said the best approach when working in China is to maintain a low profile, and don't do anything that could be perceived as even remotely illegal or in violation of industry norms. That can sometimes be difficult in a land where so many things are done in gray areas that exist between actual rules and

Worldwide: Digital Protectionism, Trade And The WTO

That said, there are still issues in China. A recent survey by the European Chamber of Commerce in China found that 19% of its members felt obliged to transfer technology to local companies. So while there may not be an official policy requiring it, there is at least a feeling on the ground that China is not this open free trading country that it wants itself to be.

The European Chamber's *Business Confidence Survey 2018* continued to be covered in Chinese media, with outlets focussing on members' feedback regarding technology transfers and their concerns about the discretionary enforcement of rules and regulations they face in China.

EVENTS GALLERY BEIJING

Dialogue on China's First Comprehensive E-commerce Law

Key takeaways:

- Legislative process was unusually long: 5 years, 3 public consultations and 4 hearings and reviews by the NPC Standing Committee when there are normally 3.
- China's vision for leading e-commerce regulation is inadequate in light of relevant international rules.
- The law imposes heavier responsibilities on e-commerce operators in terms of consumer protection, IPR protection, privacy and data protection.

EVENTS GALLERY SHANGHAI

2nd Artificial Intelligence Conference: Reloaded

Key takeaways:

- AI can help to generate real business value in China, and the use of AI elements can facilitate the development of better products.
- The advent of 5G networks will provide growth opportunities for more operational complexity.
- The Chinese are not willing to exchange data privacy for better service.

China Outlook 2019: Tapping into a Rocky or Silk Road

Key takeaways:

- China's growing middle class are demanding better value products but there might be a decrease in consumer confidence.
- Multinational companies remain optimistic about growth forecast.
- Foreign companies will have to face stiffer competition from domestic players.
- Chinese consumers are forecast to focus their spending on housing, healthcare and education in 2019.

Financial Services Conference – Capital Markets

Key takeaways:

- Over the last three years, China has practically fully opened its domestic bond markets to foreign investors.
- China's regulators are taking credit risk seriously, and the banking system has deleveraged to some extent.
- Chinese equities are under-represented in global investors' portfolios, but will eventually become mainstream for them.

EVENTS GALLERY NANJING

Promoting the Value of CSR: the 5th European Chamber CSR Awards

Key takeaways:

- CSR initiatives should be encouraged in tandem with developments in technology and science.
- China's financial system is enabling a transition to a sustainable economy.
- China represents 35% – 40% of all Green Bonds issues globally.

EVENTS GALLERY TIANJIN

Struggling to Retain your Talent? – Five Tips to Unlock your Retention Challenges in China

Key takeaways:

- HR trends to take note of: urbanisation, technology evolution, ageing population and globalisation.
- To motivate the workforce, companies should focus not only on financial compensation but also on other factors such as quality of life, recognition, development and psychological safety.
- Proposed keys for retaining talent: create purpose for the job, strengthen, provide learning and training opportunities, implement a robust performance evaluation system and promote work-life balance.

EVENTS GALLERY SOUTHWEST CHINA

Operational Risks and Challenges in a Complex Environment

Key takeaways:

- Although China still presents opportunities, the business environment is still not transparent. Fraud is still relatively common and the consequences of making decisions based on misinformation can be devastating.
- IP protection in China remains a significant concern.
- We should continuously monitor our internal businesses processes, and strive to prevent unethical practices from being established.

Welcome Cocktail Party for New Austrian Consul General in Chengdu

Key takeaways:

- Advantages of the EU include free trade and non-tariff barriers, free movement of labour and people (Schengen Agreement) and the common currency.
- Austria's top five industrial sectors are machinery, electronics, chemicals, industrial vehicles and food.
- Austria's capital city, Vienna, is home to the headquarters of 30 international organisations, and an important conference city.

ADVISORY COUNCIL NEWS

BP invests in PowerShare, one of China's leading electric vehicle charging platforms

The venturing business of energy producer BP, BP Ventures, has invested in PowerShare, a leading integrated hardware and software solutions provider for electric vehicle (EV) charging in China. The investment is BP Ventures' first direct investment in China, and comes as part of PowerShare's Series A funding round. PowerShare provides an online platform that connects EV drivers, charge point operators and power suppliers. PowerShare's cloud-based system also allows power suppliers to continuously monitor and balance the power demand from vehicles with the grid's supply capacity. China is the world's largest EV market and a key market for BP. The energy producer is committed to a low carbon future, aiming to reduce greenhouse gas emissions in its operations, improve its products and services to help customers lower their emissions, and to create new low carbon businesses. BP is working to being a leading fuel provider for both traditional and electric vehicles, and delivering fast and convenient EV charging networks for customers. To achieve this, the firm has acquired the UK's leading EV charging company Chargemaster, and invested in fast-charging battery technology firm StoreDot as well as mobile-charging company Freewire Technologies. BP also recently set up an EV charging partnership with 66iFuel in China and NIO Capital's US Dollar Fund, with a focus on China's new energy vehicle ecosystem.

Covestro and Haier plan digitalisation joint laboratory

Polymer manufacturer Covestro, and the household appliances brand Haier Group, have agreed to set up a joint laboratory in Qingdao, China, for the digitalisation of appliance production. The laboratory will develop digital solutions for using polyurethane insulation in appliance production.

Dr. Ulrich Liman, global head of research and development in the Polyurethanes segment at Covestro, and the representative of Haier are looking forward to the set-up of a joint digitalisation lab for refrigerator production.

The objective is to set a new benchmark for digitalisation of the chemical industry. Polyurethane rigid foam is the most popular choice for refrigerator insulation. The process involves polyurethane raw materials being injected into the refrigerator's outer cavity to fill it up as foam forms. Fully-automated, smart production depends on a pre-

With its COSMOPlat internet platform, Haier wants to realise the transformation from mass manufacturing to mass customisation of refrigerators. Covestro supports the project with its expertise in chemical digitalisation.

cise characterisation of the polyurethane raw materials– a complex task. Covestro and Haier want to develop measures to continuously improve the process, improve foam quality and reduce manufacturing costs. This will open up new opportunities for the domestic appliance industry in an increasingly digitalised world. For instance, Haier now allows users participate in the whole production process through its online platform. This innovation can transform mass production into mass customisation. Covestro supports the project with its expertise in chemical digitalisation. In recent years, various industries in China have driven the digital transformation. For the chemical industry, this has impacted how its upstream and downstream value chains develop. Covestro and Haier want to enter into a long-term, mutually beneficial partnership. Their joint lab will focus on developing digital solutions related to polyurethane materials to push forward smart manufacturing in domestic appliance and mass customisation in the chemical industry.

Merck and Tencent to collaborate on intelligent digital healthcare services in China

Science and technology company Merck is to collaborate with Tencent, provider of Internet value added services, to increase public disease awareness and provide more accessible healthcare services via digital platforms in China. Merck and Tencent will create intelligent digital healthcare services, to increase public understanding of disease symptoms and effective treatment options. The collaboration will also provide patients with more convenient and smarter medical services to better manage chronic diseases. The focus areas will include all treatment areas of Merck's Healthcare business in China. In allergies, Merck and Tencent will explore digital services to increase awareness of allergy symptoms and encourage adherence to treatment plans. For infertility, the services will build awareness of disease and treatment options, and help patients shorten the medical treatment process. The two companies will also focus on diabetes, thyroid disorders and cardiovascular diseases, as well as

Group photo of Merck China and Tencent Strategic Partnership Signing Ceremony.

oncology such as metastatic colorectal cancer. Merck and Tencent will extend the scope of collaboration in the future to other areas, such as medical service models based on 'A.I. doctors' to provide better disease awareness education and treatment services. Digitalisation is an integral part of Merck's strategy in China. With big data insights, new platforms and partnerships, Merck will adopt a more integrated approach to contribute to the key goals of the national 'Healthy China 2030' blueprint, and to safeguard the health of all Chinese citizens.

Siemens honored with "Special Tribute Award 2018" at China Charity Festival

Siemens received the Special Tribute Award 2018 at the 8th China Charity Festival in January. This is the fourth consecutive year the German firm has been awarded at the event. The award is in recognition of Siemens' long-term commitment to China's sustainable development, fulfillment of its corporate social responsibility (CSR) and support for local social charity undertakings. Launched in 2011, the China Charity Festival aims to promote charity spirit, advocate charity activities and provide a platform for dialogue, communication and cooperation. The festival gave its Collective Award to Siemens in 2015, and Special Tribute Award in 2016-2018. Siemens has committed to supporting sustainable social development as well as science and technology education through its own technological advantages in China. The firm's I-Green Education Program has been rolled out in 11 migrant children's schools in 10 cities since its launch in 2009. More than 2,750 Siemens volunteers contributed to

the programme, which has benefited over 23,500 students. Siemens employees have also participated in various charity activities as individuals. Since the establishment of the Siemens Employee Volunteer Association (SEVA) in 2012, employees have contributed 26,607 hours of charity services. Siemens has also been widely recognised for its sustainable and innovative CSR activities. In September 2018, the firm received the Best Sustainability Award and Best CSR Brand at the CSR China Education Awards. Siemens was also four times awarded with the European Union Chamber of Commerce in China's Sustainability and Environment Protection award.

Safeguarding marine environments at Stora Enso's Beihai Mill

Stora Enso's Beihai Mill, located in south China's Guangxi Province, uses large quantities of water in its production processes.

Beihai Mill in Guangxi, China.

The mill produces renewable board for consumer packaging. The mill is situated beside the South China Sea, which means the manufacturer must have special considerations for the marine environment. The South China Sea is sensitive to pollution, while local communities depend on fisheries and a healthy marine environment for their livelihoods. Beihai Mill, which began operations in 2016, is equipped with the most advanced water purification technology in the world. The mill uses a method called tertiary treatment to remove nutrients such as phosphorus and nitrogen, as well as practically all organic matter from waste water. Beihai Mill's water discharges far exceed industry best practices set by the International Financial Corporation (IFC). The mill says its water discharges are in fact cleaner than the sea water. Beihai Mill's emissions to water are reported annually in Stora Enso's Sustainability Report. Eb

EXECUTIVE COMMITTEE OF THE EUROPEAN CHAMBER

PRESIDENT

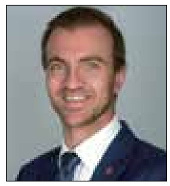
Mats Harborn
Scania

VICE PRESIDENTS

Charlotte Roule
ENGIE China

Massimo Bagnasco
Progetto CMR (Beijing) Architectural Design Consultants

Michael Chang
Nokia



Carlo D'Andrea
D'Andrea & Partners

George Lau
TÜV Rheinland (Guangdong) Co, Ltd

TREASURER

Lars Eckerlein
ABB (China) Ltd

STATES' REPRESENTATIVES

Sara Marchetta
Chiomenti

Bruno Weill
BNP Paribas

Rachel Morarjee
The Economist Group

SECRETARY GENERAL

Adam Dunnett

NANJING BOARD

CHAIRMAN

Bernhard Weber
Baden-Württemberg International - Nanjing

VICE CHAIR

Andreas Risch
Fette (Nanjing) Compacting Machinery Co, Ltd

BOARD MEMBERS

Markus Hermann
BASF-YPC Co, Ltd

Richard van Ostende
NBSO Nanjing

SHANGHAI BOARD

CHAIRMAN

Carlo D'Andrea
D'Andrea & Partners

VICE CHAIRS

Serafino Bartolozzi
MAHLE Technologies

Marcus Wassmuth
Unicredit S.p.A.

BOARD MEMBERS

Stephen Lo
Covestro Polymers

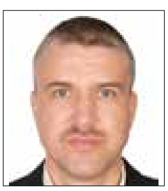
Andreas Odrian
Deutsche Bank

Brigitte Wolff
EIM China

Clarissa Shen
Sanofi China

SHENYANG BOARD

CHAIRMAN



Harald Kumpfert
Dezhong Green City

BOARD MEMBERS

Stephane Gonnetand
Dalian ODC Marine Manufacture Co, Ltd

Thierry Aubry
Renault Brillance Jinbei

Hermann Stoegmeier
BMW Brilliance Automotive Ltd

Martin Verpoorten
Sofitel Shenyang Lido

SOUTH CHINA BOARD

CHAIRMAN

George Lau
TÜV Rheinland (Guangdong) Co, Ltd

VICE CHAIRS

Peter Helis
Helis & Associates

Klaus Zenkel
Imedco Technology (Shenzhen) Co, Ltd

BOARD MEMBERS

Danny Hong
BASF Polyurethanes (China) Co, Ltd

Thomas Rosenthal
Digital Bros

Maurizio Zanatta Miele
Dongguan Hong Da Electric Products Co, Ltd

Ivan Shang
Siemens Ltd, China, Guangdong Branch

SOUTHWEST CHINA BOARD

CHAIRMAN

Paul Sives
Proton Products

VICE CHAIRS

Luc Semeese
Volvo Car Chengdu

Dominik Widmer
Sino Swiss Holding

BOARD MEMBERS

Joachim Kässmodel
Ferrante & Partners Ltd

Chris Drew
Pure Living China (Chengdu)

TIANJIN BOARD

CHAIRMAN

Cheung Yup Fan
Standard Chartered Global Business Services Co, Ltd

BOARD MEMBERS

Frank Schreiber
Airbus (Tianjin) Final Assembly Company Ltd

Emanuele Nespoli
Loto Enterprise Tianjin Co Ltd

Kent Marker
Umicore Catalyst (China) Co, Ltd

Oliver Stitou
Volkswagen Automatic Transmission (Tianjin) Co, Ltd

EUROPEAN CHAMBER OFFICE TEAM

BEIJING

Carl Hayward
General Manager

NANJING

Haiyan You
General Manager

SHANGHAI

Ioana Kraft
General Manager

SHENYANG

Marine Chen
General Manager

SOUTH CHINA

Francine Hadjisotiriou
General Manager

SOUTHWEST CHINA

Sally Huang
General Manager

TIANJIN

Catherine Guo
General Manager

SECRETARY GENERAL

Adam Dunnett

SECRETARY GENERAL AWARD

Jacob Gunter

Beijing Chapter

Awarded for Outstanding Performance for Research and Writing and all-round Team Player.

Jessica Yuan

Beijing Chapter

Awarded for Advocacy Excellence.

Volker Mueller

Beijing Chapter

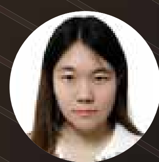
Awarded for Advocacy Excellence.

Joy Yu

Finance Team

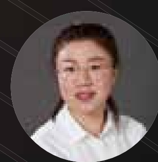
Miya Wu

Finance Team



Catherine Cao

Finance Team



Emily Tian

Finance Team

Awarded for Operational Reliability and Professionalism.

9TH PEER RECOGNITION AWARDS

Helei Fu

Shanghai Chapter

Awarded for her contribution to the events team.

Volker Mueller

Beijing Chapter

Awarded for his passion for work and ability to handle heavy workload.

Annie Zhou

Nanjing Chapter

Awarded for being a good team player.

Xiaowen Ma

Beijing Chapter

Awarded for working efficiently and professionally.

THE ADVISORY COUNCIL OF THE EUROPEAN CHAMBER

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.