Journal of the European Union Chamber of Commerce in China

EURObiz

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November/December 2013

The 9th EU-China Business Summit

THE DECISION IS MADE
Outcomes of the Third Plenum

HAS THE WORM TURNED?
The pilot reform scheme for AIC registration

ANTI-MONOPOLY LAW IN CHINA
An NDRC overview

SME
China exit strategies

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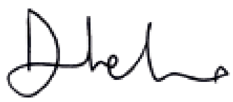
European Chamber
中国欧盟商会

DECISIONS, DECISIONS, DECISIONS…

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



The Chamber was proud to co-organise the ninth EU-China Business Summit, which was held at the Great Hall of the People on 21st November. Personally, this was the third EU-China Business Summit that I had the honour of speaking at as President of the Chamber. In my first speech the 12th Five-Year Plan had already been released but it still felt like there wasn't full consensus about the urgent need for reforms to bring about economic rebalancing. By the time of my second speech, although there was widespread agreement about the need for reforms, it seemed that vested interests were causing governmental inertia.

This year, in the days just prior to the Business Summit, the 'Decision on Major Issues Concerning Comprehensively Deepening Reform' (Decision) from the Third Plenum of the 18th Central Committee of the Communist Party of China was released. The Decision went beyond the European Chamber's expectations. The breadth of reforms laid out in the Decision is impressive and we are encouraged by what it seems to represent in terms of the political will of China's top leadership. It finally feels like meaningful change may be afoot. So I took the opportunity of my speech at this year's plenary session of the Business Summit to outline some of the Chamber's thoughts—and remaining concerns—on the Decision, in particular outlining how the reforms detailed in the Decision tally with the recommendations the Chamber offered in our *Position Paper*.

The Chamber's overarching recommendation was that a better use of market forces should be the catalyst to direct China's increasingly limited resources to the most productive areas of society and that this must inevitably entail the government to step back in order to strengthen market forces. Likewise, the Decision stated the core issue for economic structural reform to be an improvement in the relationship between the government and the market and a more decisive role for the market in resource allocation.

In the area of financial reform the Chamber argued that the use of market price signals—in particular higher interest rates—would restrain high levels of credit growth and incentivise economic efficiency. Therefore, the Chamber was happy to see that the Decision vows to accelerate a liberalisation of interest rates. Other notable points that meet our recommendations include vows to improve IPR protection and set up IPR courts, encouraging language regarding public procurement opening and rule of law strengthening, as well as fiscal reforms to balance expenditure and revenues between central and local governments.

There are a few aspects of the Decision that still concern the Chamber though. It underlines that greater market access will be given in services sectors and in sectors that encourage resource saving. However, other than stating the adoption of a negative list approach, further specifics are not given, meaning it's hard to tell if the opening will be broad enough.

There are also concerns about whether a distinction made between foreign-invested companies and Chinese private companies will continue to be applied in areas earmarked for market opening in the Decision. This distinction has been made increasingly frequently in recent years by opening sectors to *minjian ziben*: a term that roughly translates as private capital but which seems to only include domestic private firms. Continuing this distinction in the Decision's implementation would be a mistake.

The Chamber also recommended that state-owned enterprises (SOEs) can play an important role by providing public goods and services and can also play a role in strategic interest sectors but should not be protected from competition. These points were mirrored in the Decision, however the Chamber is still concerned that SOE reforms do not go far enough and that a dominant position is still reserved for SOEs. Strengthening the power and influence of the state-owned economy on the one hand seems to run counter to the aim, and on the other seems to establish an open-market system and develop private companies.

The Decision in its ambition has the potential to steer China's sustainable growth forward, but it will not be easy. Crossing the river by feeling for stones is prudent, but it is now also dangerous to cross the river too slowly.

This is the last EURObiz of the calendar year, so I'd like to take this opportunity to thank all of the Chamber's members, in particular our board members, working group chairpersons and Chamber staff, for all of your hard work over the last year. I wish you and your families a very happy festive period.

THE 9TH EU-CHINA BUSINESS SUMMIT

By Carl Hayward

The 9th EU-China Business Summit took place on 21st November, 2013, at the Great Hall of the People in Beijing. The event was jointly organised by the European Union Chamber of Commerce in China and the China Council for the Promotion of International Trade (CCPIT), under the patronage of the European Commission and the Ministry of Commerce (MOFCOM), and with collaboration from the EU-China Business Association and BUSINESSEUROPE.

Attended by more than 700 business leaders from Europe and China, and concluding with speeches by European Commission President Jose Manuel Barroso, European Council President Herman Van Rompuy and Chinese Premier Li Keqiang, the EU-China Summit is the most important annual event for promoting and reinforcing EU-China relations.

Wan Jifei

Davide Cucino

Emma Marcegaglia

Restructuring for Sustainable Growth

Under the theme Restructuring for Sustainable Growth, the day kicked off with three concurrent workshops: Creating an Innovation Driven Economy; Investment in Society; and The Role of Business in Global Economic Integration.

Following a networking lunch the afternoon continued with the Business Plenary Session moderated by Stephen Philips, Chief Executive of the China-Britain Business Council. Panellists included Mr Wan Jifei, Chairman of the CCPIT; Davide Cucino, President of the European Chamber; Emma Marcegaglia, President of BUSINESSEUROPE; Mr Wang Hongzhang, Chairman and Executive Director of China Construction Bank; Francois Desprairies, Senior Vice President of Airbus; Mr Yu Liang, President of China Vanke Co Ltd; and Dr Axel Schweitzer, Chief Executive Officer of Alba Group.

There was a general consensus among the panellists that the recent reform agenda announced after the Third Plenum would lead to increased opportunities for Chinese and European business, and that cooperation and sharing of knowledge and best practices would be hugely important to the future of EU-China development.

Wan Jifei: importance of the summit

In his opening address CCPIT's Wan Jifei spoke of the importance of the summit as a way of strengthening strategic partnerships between the EU and China and emphasised its stature as the most significant, high-level platform for business dialogue between the two regions. "Both sides need to be flexible to respond to challenges," he said, "but both sides have many common interests." Following the Third Plenum Decision Mr Wan also said that it was now time to deepen the implementation of proposed reforms and that the EU would have a large role to play in this.

Davide Cucino: The Decision mirrors Chamber Position Paper

President Cucino spoke at length about The Third Plenum Decision and how much of it mirrored key recommendations in the Chamber's *Position Paper*.

"The Chamber's overarching recommendation was that a better use of market forces should be the catalyst to direct China's increasingly limited resources to the most productive areas of society and that this would inevitably entail a fundamental reassessment of the government's role in the economy," Cucino said. He continued by pointing out that the "Third Plenum Decision stated the core issue for economic structural reform to be an improvement in the relationship between the government and the market and a more decisive role for the market in resource allocation."

Emma Marcegaglia: bilateral investment agreement welcomed

President Marcegaglia concentrated on the anticipated announcement of the blueprint for increased cooperation between the EU and China in the form of negotiations for a bilateral investment agreement. "We are calling for an agreement with a high level of ambition, covering both market access and investment protection, creating a genuine level playing field for European and Chinese companies," she said. "We know that such negotiations will be challenging, but we also know they will be very valuable to investors in the EU and in China."

Wang Hongzhang: opportunities abound

Mr Wang was optimistic about the improvements to the Chinese economy that have already taken place, particularly the strengthening of domestic consumption which has been identified as an integral driver of future economic growth. He pointed to further improvements that are required, in particular how financial


Wang Hongzhang


Francois Desprairies


Yu Liang

institutions can contribute more to China's ambitious urbanisation plans by supporting more industries involved in sustainable and environmentally-friendly technologies. He also acknowledged that "*renminbi* convertibility still requires much work, as do many areas of the financial markets, but all of this presents new opportunities."

Francois Desprairies: EU-China civil aviation cooperation crucial

Mr Desprairies identified aviation as a key industry for supporting exchanges between the EU and China. Referring to the EU-China Civil Aviation Project (EUCCAP) as a flagship for EU-China cooperation in the industry, Desprairies spoke of how much has already been accomplished and how much more the EU can contribute. He said that although "the EU has a strong aviation sector with a powerful industry and advanced technologies, the growth of air traffic is here in China". With China's air traffic set to double in volume over the next decade, he said, it will become the number one aviation market, making "the interest of [continued] cooperation between the EU and China obvious."

Yu Liang: sustainable development is *the* global challenge

Vanke's Yu Liang shifted the emphasis to green growth identifying sustainable development as "*the* global challenge". He said that China is working hard to achieve its targets in this area but acknoweldged that urban waste from construction is a large challenge that needs to be addressed. During the Q&A session that followed the presentations, Yu answered a question on how 'selling' green initiatives to other property developers was progressing, responding that "facilities are often not up to scratch, but the awareness is there."

Axel Schweitzer: second earth required

Continuing the theme of sustainable development, Dr Schweitzer said that this was a "shared challenge and a common task…for Europe and China". Speaking about the alarming increase in the consumption of natural resources, Schweitzer said, "If, over the next few years, we do not succeed in achieving economic growth without increased resource consumption, we will need a second earth in 18 years time!"

The summit was brought to a positive close with speeches from the political leaders who had taken a short walk from the Political Summit which had been taking place in parallel with the Business Summit.

Herman Van Rompuy: more can be done

President Van Rompuy was deligted to announce that an agreement to commence negotiations on the EU-China Bilateral Investment Agreement had been reached, which he described as a "major outcome" of the EU-China Summit. He underlined that "the current level of bilateral investment is too low compared to the level of engagement."

Last year, Van Rompuy pointed out, during one quarter the volume of trade between the EU and China actually surpassed that between the EU and the United States for the very first time. This "positive rivalry" between the EU, China and the United States, he said, should be encouraged and was good for the global economy and society as a whole. He also highlighted China's urbanisation process and the greening of its economy as a major opportunity for EU and Chinese companies.

Jose Manuel Barroso: people matter

President Barroso also expressed his satisfaction at the announcement of negotiations, but added a note of caution saying that "without concrete actions the vision is meaningless," continuing, "deep and significant reforms must support sustainable growth in China."

Of the EU-China Summit he said,

Axel Schweitzer

Herman Van Rompuy

Jose Manuel Barroso

Li Keqiang

"This is no ordinary summit. There cannot be an ordinary summit between two extraordinary partners." He went on to underline the important role that individuals and business played in EU-China relations saying, "Ulimately, strategic partnerships do not rely on contact between officials and policy committments alone, they rely on people. People like you, from the business community. People who translate political views into tangible actions and results."

Li Keqiang: strong message sent

Premier Li's speech echoed positive sentiments on the negotiation agreement and said that at the preceding joint press conference the three leaders had "sent a strong message to the rest of the world."

Li said that the current strategic partnership between the two regions was based on trust and mutual benefit but that, although the volume and scope of bilateral trade has grown rapidly, two-way investment is still "yet to reach its full potential." To achieve sustained and healthy growth Li said, "We must advance trade facilitation and expand hi-tech cooperation, increase high-tech imports to China and promote two-way investment."

Acknowledging that the two regions are in different stages of development Li said there are still many areas for potential cooperation, explaining that cooperation should be advanced through the World Trade Organisation and that both sides should eshew protectionism.

"We want to see a level playing field for EU and Chinese companies," Li said.

From L-R: Hellmut Schütte, Zou Jiefu, Allesandro Barberis, Liu Hang, Markus Borchert, Zhang Dong and He Yuping

Creating an Innovation Driven Economy

Moderator: Professor Hellmut Schütte, Vice President and Dean, CEIBS

Guest Speaker: Allesandro Barberis, President, EUROCHAMBRES

Speakers:

Mr Zou Jiefu, Chief Engineer, China Energy Conservation and Environmental Protection Group

Mr Liu Hang, Senior Vice President, Hanergy Holding Group

Markus Borchert, President, Nokia Solutions and Networks Greater China

Mr Zhang Dong, Vice President, Inspur Group

Mrs He Yuping, Head of Public Affairs and Communications, Novozymes China

The ability to innovate is regarded as one of the fundamental factors that both China and the EU will need for their future economic development. For China, innovation is rightly being promoted as key in its economic rebalancing and movement up the value chain.

China has in many regards already transformed into an innovation base and has a lot of important resources. For example, there are now more scientists employed in China than in all of the EU and US combined, and new graduates in China already outnumber those from the EU, US and Japan combined.

There are a number of factors in addition to resources that create innovation, but what is most important is the market and the fear of elimination that derives from competition.

The right ecosystem is also required. This includes a culture of innovation and the fostering of a risk-taking mentality. International cooperation between companies is additionally important in terms of driving standardisation and for allowing the development of products on a global scale. Global scale allows costs to be reduced by increasing the potential market and revenues at the same R&D costs.

The government also has a role in terms of providing the right framework for innovation. Government policies to encourage innovation could include tax incentives, the provision of the right talent, the development of specialised industry clusters, IPR protection and a general business and R&D environment that encourages cooperation. Innovation and most technologies are now international in nature, showing that nationalistic approaches to innovation should not be followed.

From L-R: Stefan Sack, Li Haixing, David Frey, Bi Hua, She Duanzhi, Jiang Yafei and John Williams

Investment in Society

Moderator: Stefan Sack, Vice President, European Union Chamber of Commerce in China

Speakers:

Mr Li Haixing, Deputy Director General, International Cooperation Department, State Grid Corporation of China

Mr David Frey, Partner, Management Consulting, KPMG

Mr Bi Hua, CEO & Executive Director, Greatview Aseptic Packaging Company Ltd

Mr She Duanzhi, Head of Public Affairs Greater China, Vice President, Royal Philips Electronics

Mr Jiang Yafei, Vice President Huawei Technology

John Williams, Managing Director, International SOS China

China's ambition to create a consumption-based economy presents multiple challenges and opportunities. Much of their plan is predicated on their urbanisation drive, which will create more desirable cities, higher-level jobs and better social conditions for its citizens, which in turn should lead to a more prosperous society and therefore more consumers.

Europe's experience in urbanisation has already led to meaningful EU-China cooperation in this area and looks set to continue, and more and more EU companies are establishing research and development (R&D) facilities in China to help China meet its societal challenges.

China has also made considerable contributions to society in the EU—investments in, and acquisitions of, European companies have helped to maintain and create jobs at a time where the economy has taken its toll on European business. The announcement to commence talks for a bilateral investment agreement is a very encouraging development and means that this cross-border cooperation and support should be set to increase.

Investment in the workforce and working conditions in China needs to increase. In order to acquire and maintain new talent companies must provide improved working conditions, including healthcare packages, training and further education. With increased bilateral investment comes the need for improved administration of cross-border travel and a relaxing of labour laws too. This will enable labour from both sides move more freely.

From L-R: Lin Shunjie, Angel Gallego, Qiu Jibao, Daniel Cukierman, Chen Xiaojun and Benjamin Denis

The Role of Business in Global Economic Integration

Moderator: Mr Lin Shunjie, Secretary General, China Chamber of International Commerce

Speakers:

Angel Gallego, President, Amadeus Asia Pacific

Mr Qiu Jibao, President, Feiyue Group

Daniel Cukierman, Advisor to President of Transdev

Mr Chen Xiaojun, President and CEO, League Co Ltd

Benjamin Denis, Vice President China, Mixel Operation in China, Sales and General Manager, Mixel (Beijing) Agitators Ltd

Chinese manufacturers have had to evolve rapidly since 2008 due to shrinking export markets, lack of international brand recognition, re-evaluation of the *renminbi* and rising labour costs.

Over this same period, although many European companies owned famous brands, advanced technologies and capabilities, many were suffering from the affects of the financial crisis. Orders were drying up and many companies were bankrupted.

This situation presented opportunities for both sides to cooperate, transform and thrive.

Chinese investment helped many EU companies survive, while acquired European brands and know-how provided Chinese companies with the opportunity to compete globally, this in turn opened the door for many EU companies looking to penetrate the China market: a real win-win situation.

Chinese companies can still learn much from European companies in terms of international management, and market access issues could be improved on both sides of the fence.

China would also benefit from levelling the playing field for foreign-owned enterprises, privately-owned enterprises and state-owned enterprises.

But given the fact that many companies face the reality of 'go global or die', the potential for increased cooperation and bilateral investment between the EU and China presents the best possible solution for both parties.


Markus Borchert

EU-CHINA COLLABORATION ON 4G TECHNOLOGY

In a recent interview **Markus Borchert**, President of **Nokia Solutions and Networks** for Greater China, discussed the opportunities and challenges China's economic transformation is creating for the development of the information communication market. He also expressed his views on how to ensure the successful development and globalisation of the fourth generation (4G) mobile-telecommunications technology and standard.

China's far-sighted innovation transformation

China is currently shifting from an investment- and cost-efficiency-led growth model to one whose core tenets are consumption and innovation. According to Miao Wei, Minister of the Ministry of Industry and Information Technology (MIIT), the next generation of information and communication technology, which has internet at its core, has become a vital force in the next global technological innovation and industrial revolution. This reality means it is essential that information and communication technology plays a leading and supporting role in the development of modern industrial systems.

Borchert believes it is very forward looking of the Chinese Government to transform the economy from labour-driven to innovation- and knowledge-driven structures that will enable a healthy and rapid development of the Chinese economy.

Nokia Solutions and Networks (NSN) has the vision of '1GB/day/person' by 2020, meaning in less than seven years the amount of mobile data consumed by an individual on a daily basis will be one gigabyte; this requires the current network capacity to be increased be a factor of 1,000. Nokia Solutions and Networks is committed to helping operators address the opportunities and challenges that this further explosion of mobile data consumption will bring, in an efficient and cost-effective manner.

15 Years Commitment and Growth of TD-LTE

Since China formally submitted Time Division Synchronous Code Division Multiple Access (TD-SCDMA) as the third generation (3G) international standard proposal to the International Telecom Union (ITU) in 1998, the world has witnessed the rise of China as an innovation power house over these past 15 years. Borchert says that NSN is honoured to have contributed to this unforgettable journey side by side with

NSN's Flexi Lite Base Station (far left): its main application is to provide fill-in coverage and capacity both indoors and outdoors.

Chinese partners and is very proud to see that the long-term adherence and dedication of NSN has helped TD-SCDMA, and now 4G TD-LTE, to become world-class standards and technologies.

Borchert highlighted that the key for the 4G TD LTE success is the collaboration on joint research and development (R&D) and innovations between Europe and China:

"Nokia Solutions and Networks has been committed to the development of TD technologies in China for the past 15 years. This is an excellent example of successful EU-China cooperation in technology development and commercialisation.

"If we look at TD LTE using the analogy of building a house, the basement is developed in Germany and Finland while the first floor and roof are developed in China.

"We built the full value chain for TD-LTE in China, which includes product management, R&D, manufacturing, logistics, marketing, sales and service. This allows us to work very closely with our Chinese partners and react to their demands," says Borchert.

Accelerating the Success of TD-LTE's around the World

TD-LTE has been successfully selected as a 4G international standard. However, the 3G TD-SCDMA experience has taught the lesson that real success with 4G TD-LTE cannot be achieved by relying on the Chinese market alone.

It has to become a global technology with a rich, global eco-system and supply chain. This is why NSN is not only focusing on the Chinese market but also actively driving the global market development for TD-LTE. Borchert says that NSN have TD-LTE deals inked in all continents except for Antarctica.

China and Europe play an increasingly important role in the global economy. This level of successful EU-China technology and market development can serve as an example for other industries. There are no quick wins though and you have to stay committed for the long term, says Borchert.

He also commented that NSN will continue to play an important role in TD-LTE innovation and globalisation. China Mobile has recently chosen NSN to implement a significant share of its TD-LTE network, adding to their impressive list of 12 TD-LTE references, including Sprint in the United States and Optus in Australia. Ten out of these networks have already been launched commercially, representing half of the commercial TD-LTE networks around the world.

Borchert finished by stressing that NSN will continue to increase investment and actively cooperate with China's operators to jointly further the successful development and globalisation of TD-LTE.

- Time-Division Long-Term Evolution (TD-LTE), is a 4th generation (4G) mobile-telecommunications technology and standard currently being adopted by China Mobile, with the strong support of the Chinese Government.
- China hopes that TD-LTE will be adopted as a global standard, in order that a scalable eco-system is developed around the technology.
- TD-LTE value chain would include chip-set makers, devices makers, network suppliers, operators, and hardware and software suppliers, which will benefit the Chinese players in this sector.

***Nokia Solutions and Networks** is the world's specialist in mobile broadband. From the first ever call on GSM, to the first call on LTE, we operate at the forefront of each generation of mobile technology. Our global experts invent the new capabilities our customers need in their networks. We provide the world's most efficient mobile networks, the intelligence to maximise the value of those networks, and the services to make it all work seamlessly. With headquarters in Helsinki, Espoo, Finland, we operate in over 150 countries and had net sales of approximately EUR 13.8 billion in 2012.*

MORE FOR LESS: INVESTING IN INNOVATION FOR CHINA'S SUSTAINABLE GROWTH

In the wake of the global economic crisis, dwindling natural resources and ever-increasing needs of a growing population we face a stark question: how do we achieve global growth which does not cost the earth?

Peder Holk Nielsen, President and CEO of **Novozymes A/S**, believes the answer to this lies partly with industry, which must turn these challenges into a unique opportunity to build a biobased economy founded on a sustainable, low-carbon approach to energy and production. He believes that Novozymes' innovative technology can help steer China on the path towards sustainable growth.

Biotechnology is already making the transition to a more ecologically sustainable economy possible by greening value chains in diverse industries such as textiles, paper and detergents. Biobased products are boosting agricultural yields, helping develop plastics based on renewable biomass rather than oil, and making biofuels from industrial and domestic waste a commercially viable alternative to gasoline.

The benefits include lower energy and resource costs for businesses, higher living standards for millions of consumers, clean industrial production, and a green infrastructure that fosters innovation, jobs and global growth. However, realising the full potential of the biobased economy demands sustained investment in innovation which is scalable and meets market needs.

Innovating for the market

Innovation is the cornerstone of the biobased economy, and lies at the heart of Novozymes, the world's biggest producer of industrial enzymes. Research and development (R&D) absorbs more than 20 per cent of the company's global workforce and 13-14 per cent of its revenues. A unique industrial biotechnology platform helps it undertake innovation in step with market needs, and in close collaboration with customers. Their ultimate goal is to help their customers make more with less: more and better-quality products using less energy and fewer raw materials.

In order to gain a better understanding of which solutions in the company's R&D pipeline could reduce environmental impact in the industrial area in which it is deployed, Novozymes employ life cycle assessments—a cradle-to-grave measure of a product's environmental footprint. These considerations inform the process which determines whether a particular product is market viable. Typically, Novozymes introduce six to eight new products to market per year, and they hold some 7,000 granted or pending patents. These innovations serve a market need: helping their customers improve manufacturing processes and save resources and costs, which in turn improves overall sustainability.

China blueprint

China is a strong growth engine in Novozymes' globalisation strategy representing their second largest market. The first China office was opened in Hong Kong in 1992 and moved to Beijing in 1997. It is one of the largest Danish investments in China with a total realised investment of more than USD 500 million by 2012.

Novozymes' R&D Centre in Zhongguancun Science Park in Beijing employs around 200 scientists and researchers. It is the first foreign-invested biotech research institution in China, and the company is expecting to increase the staff and general operations here too.

Nielsen says that at Novozymes they closely observe the changes in

the Chinese economy and hopes the business will grow faster than 10 per cent in China. The areas he has identified as having the most potential are in food, household care and bioenergy.

"We will have more and more people in China," says Nielsen, "Today every fifth employee of Novozymes is a Chinese and I expect that over a period of five years there will be more people in China, relatively speaking, working for Novozymes: so more customers, more sales and more people in the company."

Doing laundry, doing good

Take, for example, the detergent industry, where enzymes have revolutionised how we do laundry. Enzymes are proteins that help speed up biochemical reactions in all living organisms. As they have one unique function and degrade into harmless compounds, enzymes are ideal tools for use in clean industrial production. Enzymes such as protease, lipase and amylase improve stain removal even when clothes are washed at 30 degrees Celsius, down from typical wash temperatures of 60 degrees, thereby cutting energy and chemical use, as well as reducing carbon dioxide (CO_2) emissions.

As water is a critical sustainable development issue, Nielsen believes that Novozymes' innovative biotech solutions could contribute to water saving in China. It has entered strategic partnerships with large detergent companies in China, Liby and Nice:

"Water is taking up a larger and larger piece of the agenda. In particular in China, there is a large textile industry. We have a lot of offerings for the textile industry which essentially reduces the requirements for rinses, so you don't have to rinse as much and that's where most of the water is spent," he says.

Similarly, enzymes can replace chemicals in many stages of the textile manufacturing process. The enzyme pectate lyase, for instance, degrades pectin and removes wax from raw cotton, thereby enabling the textile scouring process to take place at lower temperatures and reducing the number of rinsing baths needed. By adopting enzymatic solutions, manufacturers could save 70–90,000 litres of water and around one ton of CO_2 emissions per ton of knitwear. Were these solutions applied in the textile industry globally there would be potential annual savings of 630 billion litres of water and nine million tons of CO_2.

Investing in tomorrow

Greener detergents and textiles may seem unlikely flagships for innovation in a world of smartphones, aerial drones and robotic limbs, but they are proof of technology that works, helps business earn bigger profits, delivers savings to consumers, and mitigates climate change. In 2012 alone Novozymes helped customers reduce their CO_2 emissions by an estimated 48 million tons—corresponding to CO_2 emissions from 12 large, coal-fired power plants—by the application of its various biosolutions across diverse industries. It is their ambition to significantly contribute to the goal a 75 million ton reduction in CO_2 emissions in 2015.

Although many biotechnological solutions needed to support the greening of value chains in key, global industries already exist, more investment in innovation and research is needed to hasten and scale-up the transition to a biobased economy. More innovation is also needed to continuously optimise the biosolutions demanded by industry. Biotechnology and the biobased economy offer a realistic path to stimulate economic recovery in the post-crisis world and foster sustainable growth. Industries and governments must seize the opportunity to support this transition.

***Novozymes** is a biotech company with a strong focus on enzyme production; they have a global market share of 47 per cent (2011). They are committed to changing the very foundations of our industrial system for the better by using industrial biotechnology. They have more than 5,800 employees working in research, production, and sales around the world and are committed to shaping the businesses of today and the world of tomorrow.*

MOVING THE NEXT BILLION TRAVELLERS IN CHINA

For the first time in history international visitor arrivals surpassed one billion globally (1.035 billion)[1] in 2012. At the same time, 2.9 billion people used air transport for business and leisure travel.[2] These numbers show a marked increase in the amount of people travelling, with Asia dominating the growth.

By 2032, Asia is expected to account for one third of all air traffic while global passenger traffic will more than double from what it is today, up to 6.9 billion passengers. **Angel Gallego**, President of **Amadeus Asia Pacific**, says that the loosening of visa restrictions for Chinese travellers, combined with a shift in their travelling habits, will contribute to further growth in this industry over the coming years. Advances in technology are vital to ensure that the industry can keep pace with this increasing demand.


Angel Gallego

What is driving this growth in travel?

Travel in China and across Asia is becoming more accessible and more accepted; people's propensity to travel is growing, bolstered by important shifts in demographics, a burgeoning middle class and positive adoption of technology.

Heavy visa restrictions for Chinese travellers are expected to be gradually removed resulting in an even higher level of growth in travel. Perhaps more significantly Chinese travellers are seeking a more personalised travel experience. They will no longer be seen as a monolithic group travelling in large, organised parties. They will become more individualistic, travelling to a wider range of destinations, often in smaller groups or even alone and for a broader range of reasons.

This evident change in traveller behaviour will no doubt have a marked impact on the travel players in China. They may need to react and adapt and, where necessary, rethink business models to provide a more service-oriented, tailored offering to consumers.

A key piece to his puzzle will be technology

Technology will be one of, if not *the,* driving force behind the growth of travel in China.

However, we haven't always been able to rely on sophisticated technology. Rewind 15 or 20 years ago and the business of travel was done with a dot matrix printer or pen and paper.

Thankfully the situation today is very different. We wouldn't even consider starting a business day without an internet connection, a laptop or mobile phone. You could say these tools or technologies have become synonymous with successful business. Take mobile technology for example—it has completely transformed the way we connect and interact. In China, this couldn't be more pertinent: China is now the largest Smartphone market in the world.

Almost half of China's population has access to the internet, through a mobile device or fixed computer. Two hundred and forty-two million people in China shopped online last year, while 451 million users are searching the mobile web. This shows just how technically savvy the majority of the Chinese public are and, more importantly, highlights the huge online retail opportunity in the market.

McKinsey, a global management consulting firm, estimates that by 2020, online retail, or 'e-tail' in China could generate up to USD 650 billion in sales, and that China's market will, based on today's figures, equal that of the United States, Japan, the United Kingdom, Germany, and France combined.[3]

How can the travel industry leverage this huge opportunity?

Interestingly, while Chinese travellers are very tech savvy when it comes to booking travel online there is some room for improvement.

Face-to-face travel agencies continue to flourish in China because it provides the mix of comfort and convenience that travellers demand. A lack of credit cards has meant that only 14 per cent of Chinese Internet users have visited a travel website, according to PhoCusWright. However, in Chinese terms, 14 per cent still represents more users than any other country except the United States.

Like all travellers Chinese want to reduce the amount of time spent on the process of travelling. From booking to boarding, they want maximum convenience and they see better technology as the answer.

The travel industry in China is set for continued growth, but industry progress in areas of liberalisation and technology must continue to keep up with new demands from Chinese travellers as they spread their wings. One thing is certain; leveraging technology is crucial to successfully moving the next billion travellers in China.

Amadeus *a leading technology partner for the global travel industry. Amadeus employs over 11,000 people worldwide, across 195 markets with 71 local Amadeus Commercial Organisations including offices in Beijing, Shanghai and Guangzhou in China.*

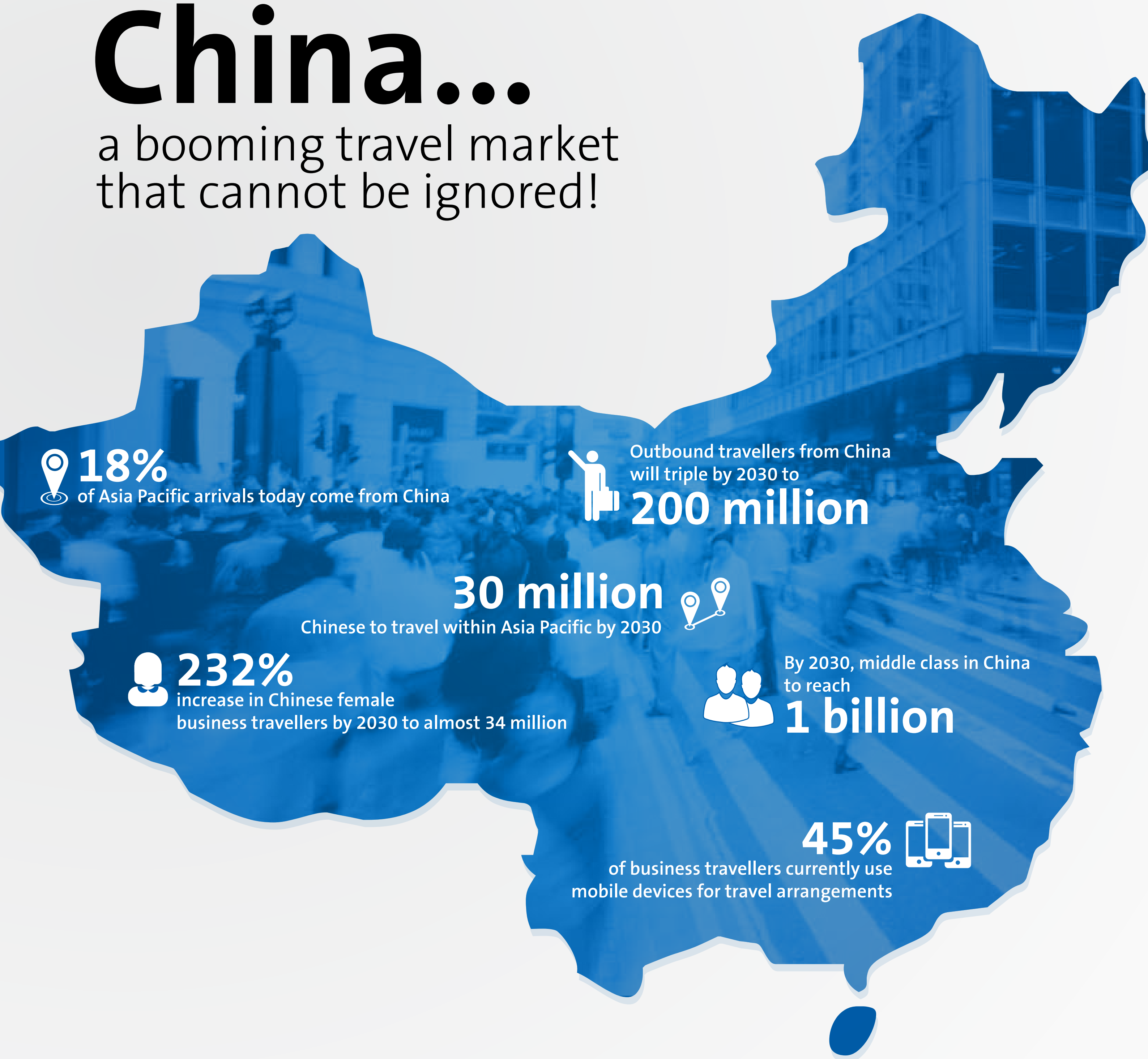
1 International tourist arrivals defined by UNWTO as overnight visitors not linked to air travel. Source: http://media.unwto.org/en/press-release/2013-01-28/international-tourism-continue-robust-growth-2013

2 Source : http://www.icao.int/Newsroom/Pages/annual-passenger-total-approaches-3-billion-according-to-ICAO-2012-air-transport-results.aspx

3 Source: http://www.mckinsey.com/insights/asia-pacific/china_e-tailing. This e-tailing market-size forecast is based on regression analysis of 17 countries from 2003 to 2011.

China...

a booming travel market that cannot be ignored!



China is shaping the future of travel in Asia Pacific and technology is driving that change. Are you ready to take advantage of the opportunities ahead? Because we are.

Rather than react to industry changes, we anticipate them. With over 2000 employees in the Asia Pacific region and offices in Shanghai, Beijing and Guangzhou, Amadeus powers the global travel industry, providing cutting edge technology solutions to leading travel providers (airlines, hotels, cruise, and rail lines) travel sellers (travel agencies, search providers and websites) and travel buyers (corporations and travel management companies).

Read more about the trends impacting the Chinese travel industry in our *Shaping the Future of Travel in China - The Big FOUR Travel Effects* whitepaper available for download at **www.apacwhitepapers.amadeus.com**

ON THE ROAD

BY XAVIER SANS-POWELL

The Chamber took to the road once again to present the *European Business in China Position Paper 2013/2014* to European Union institutions in Brussels and cities of other member states. The growing importance of the *Position Paper* continues to improve the level of access to government officials: this year the Chamber delegation met with European Commission President José Manuel Durão Barroso for the second consecutive year and four Vice Presidents of the Commission.

The delegation also met with the European External Action Service, the Service for Foreign Policy Instruments and the European Council for the first time. The visit to Brussels was also very timely in that the Chamber was able to present the main key findings to the International Trade Committee of the European Chamber before the vote on the EU-China Investment Agreement.

Between September and November, the Chamber visited 20 cities in different member states.

Brussels

A delegation, composed of 34 people and led by Chamber President Davide Cucino, visited Brussels from 16th to 18th September. The delegation included Vice Presidents Jens Ruebbert, Mats Harborn and Stefan Sack; Treasurer, François Bernard; Chairman of the Shenyang Chapter, Florian Schmied; Shanghai board members Frederik Cornu, Iris Duchetsman and Dan Zhu; Secretary General Adam Dunnett; and General Managers of the Beijing and Shanghai Chapters, Jaspal Channa and Ioana Kraft.

During the three-day trip, the delegation took part in over 60 meetings. These included high- and working-level meetings with officials from the different EU institutions and bodies, think tanks and industry associations. This year the Chamber met with:

- José Manuel Durão Barroso, President of the European Commission
- Joaquín Almunia, Vice President and Commissioner for Competition
- Siim Kallas, Vice President and Commissioner for Transportation and Mobility
- Neelie Kroes, Vice President and Commissioner for Digital Agenda
- Antonio Tajani, Vice President and Commissioner for Enterprise and Industry
- Karel De Gucht, Commissioner for Trade
- Connie Hedegaard, Commissioner for Climate Action
- Gunther Oettinger, Commissioner for Energy
- Algirdas Semeta, Commissioner for Taxation and Customs Union
- Dacian Ciolos, Commissioner for Agriculture and Rural Development
- Tonio Borg, Commissioner for Health
- David O'Sullivan, Chief Operating Officer, EU Diplomatic Corps, European External Action Service
- Jean-Luc Demarty, Director-General for Trade
- Tung-Lai Margue, Head of the Service of Foreign Policy Instrument
- Cabinet of President Herman Van Rompuy, European Council
- Commissioners for Agriculture & Rural Development, Internal Market & Services, Research, Technology & Development
- The International Trade Committee and the Delegation for Relations with PR China of the European Parliament
- Bureau of European Policy Advisers












The delegation also met with PRC Ambassador to the European Union HE Wu Hailong for the second consecutive year.

A large-scale event, addressing the business community in Brussels, was held with the cooperation of the Flanders-China Chamber of Commerce, BUSINESSEUROPE and the EU-China Business Association. The speakers at this event were President Cucino and Comissioner Karel De Gucht, and it was moderated by Stephen Phillips, Chairman of the EU-China Business Association.

Vienna

On 11th September, Johannes Dietsch, Vice Chairman of the Shanghai Board, and Shanghai General Manager Ioana Kraft presented the *Position Paper* at the Austrian Chamber of Commerce (WKO) in Vienna for the second time.

Berlin

Ioana Kraft and Shanghai board Vice Chairs Johannes Dietsch and Frederik Cornu joined a delegation led by Jens Ruebbert in Berlin. They met with Ambassador Shi Mingde and presented the *Position Paper* at the annual international gathering of German Chambers in Berlin. Afterwards Ioana Kraft met Duan Wei, General Manager of the Chinese Chamber of Commerce in Germany (CHDK)—the first Chinese Chamber in Europe.

London

On the 19th September, a European Chamber delegation, led by Jens Ruebbert, visited London. The trip included a roundtable with UKTI, CBI and CBBC, meetings with Mark Boleat, Policy Chairman of the City of London and the Official Monetary and Financial Institutions Forum.

Paris

Former Chamber Vice President Bruno Gensburger and treasurer Francois Bernard led the visit to France on 19th September where they had meetings with:

- Comité France-Chine (MEDEF);
- Representatives of Paris Vice Mayor's cabinet, DG Treasury, Ministry of Economy & Finance, DG Bilateral Economic Relations, Ministry of Industry, DG Competition, Ministry of Sustainable Development and Ecology and the Minister's Diplomatic Adviser;
- French enterprises;
- Department of the EU's External Relations, Deputy Chief of Staff to the Minister and the Department of Asia;

- The President's Diplomatic Advisor;
- Administrator of the Foreign affairs commission; and
- The adviser of the Foreign Trade minister.

Rome

On the 19th September, President Cucino led the meetings with the Chargé d'Affairs of the Chinese Embassy in Italy and Consigliere Diplomatico Amb. Varricchio, Cabinet President Letta.

Stockholm

On the 19th September, Chamber Vice President Mats Harborn presented the *Position Paper* to the Sweden China Trade Council.

Köln

On 19th September, the Chairs of the Aerospace Working Group met with the newly appointed Secretary General of the European Aviation Safety Agency (EASA) in order to present the *Position Paper* and in particular the proposal of the Working Group regarding the Partnership Instrument.

Milan

On 20th September, President Cucino presented the *Position Paper* at an event with la Fondazione Italia-Cina, in collaboration with Assolombarda.

Hamburg

On 20th September, Stefan Sack, Iris Duchetsmann and Thorsten Eckhoff, Vice Chair of the European Chamber's Aerospace Working Group, presented the *Position Paper* at the Hamburg Chamber of Commerce. This was the first time the paper was presented in Hamburg, venue of the biennial EU-China business conference—The Hamburg Summit: China meets Europe.

Antwerp

Dan Zhu presented the *Position Paper* to the Dean of Antwerp Management School, his advisor and the school's former Dean.

Rotterdam

Dan Zhu presented the *Position Paper* at the Rotterdam Chamber of Commerce.

The Hague

Dan Zhu met with Director Generale Smits, Foreign Economic Relations from the Netherlands Ministry of Foreign Affairs.

Amsterdam

Dan Zhu also visited Amsterdam in order to present the *Position Paper* to Royal Tropic Institute and the Nyenrode Business University. She also had a courtesy meeting with the Chinese Embassy to The Netherlands

Tallin

On 26th September, States Representative Ms Maija Kurte presented the European Chamber and the *Position Paper* at the business forum 'Latvia and Estonia: Separately or Together?' with the participation of the Ambassador of Latvia in Estonia, the Ambassador of Estonia in Latvia, the Minister of Economics of Estonia and the Minister of Economics of Latvia.

Riga

On 27th September, Ms Maija Kurte presented the European Chamber and its *Position Paper* to Rita Ozoliņa, Head of Foreign Affairs Department, Latvian Chamber of Commerce and Industry.

Athens

On 1st October, Stefan Sack visited Athens and met Mr Panagiotis Mihalos, Secretary General for International Economic Relations and Development Cooperation, Ministry of Foreign Affairs and presented the *Position Paper* to an audience of over 80 members of the Athens Chamber of Industry and Commerce and invited government guests.

Ljubljana

On 4th October, President Cucino presented the *Position Paper* at an event organised by the Slovenian Chamber of Commerce and Industry. Afterwards he met with Mr Boštjan Skalar, Acting Director, SPIRIT (Public Agency of the Republic of Slovenia for the Promotion of Entrepreneurship, Innovation, Development, Investment and Tourism), Ms Tanja Permozer, Head of Division for Internationalisation, Ministry of Economic Development and Technology, Directorate for Tourism and Internationalisation and Matej Skočir, Head of Division for Promotion of internationalisation and FDI, SPIRIT. This was followed by a meeting with Igor Senčar, State Secretary at the Ministry of Foreign Affairs of the Republic of Slovenia.

Madrid

On 10th October, Vice President Edurardo Morcillo met the following authorities in Madrid in order to present the Position Paper:

- Minister of Economy/Trade & Tourism
- Secretary of State of Economy/Trade, Ministry of Economy
- Antonio José Fernández-Martos, Director General of Trade, Ministry of Economy
- Maria del Coriseo Gonzalez-Izquierdo, President of ICEX
- Director General of ICEX
- Director General of COFIDES
- President CEOE/ Director International Affairs CEOE

Copenhagen

On 31st September, States Representative Tom Behrens Sorensen presented the *Position Paper* to the Danish Ministry of Business and Growth, the Ministry of Foreign Affairs, the Confederation of Danish Industry and the Danish Chinese Business Forum.

EUROPEAN CHAMBER LOBBYING HIGHLIGHTS

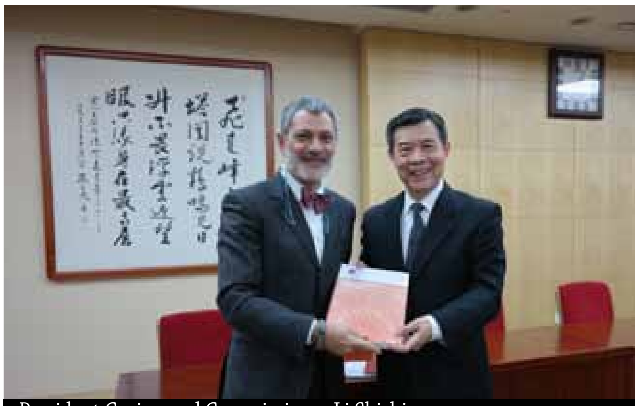
Meeting with MOST Vice Minister Cao Jianlin

President Cucino and Vice Minister Cao Jianlin

On 14th October, Chamber President Davide Cucino and other Chamber representatives met with Vice Minister Cao Jianlin from the Ministry of Science and Technology (MOST). President Cucino presented the key recommendations from the *Position Paper 2013/2014*, focusing on international sustainable growth and structural reform, with particular emphasis on the internationalisation of standards, access to funds, as well as limitation of catalogues.

President Cucino thanked the Minister for MOST's continued support and expressed the Chamber's intentions to contribute to China's 2020 innovation targets. He also mentioned the Chamber's participation in the EU-China Summit, the Urbanisation Forum and the Innovation Dialogue.

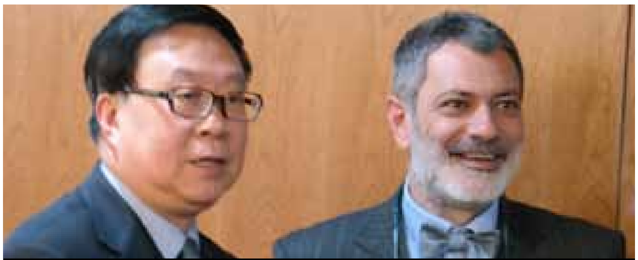
Meeting with Commissioner, Legislative Affairs Commission, NPC



President Cucino and Commissioner Li Shishi

On 14th October, European Chamber representatives met with Commissioner Li Shishi and a delegation from the Legislative Affairs Commission of the National People's Congress (NPC). During the meeting, President Davide Cucino gave a briefing on the Chamber and introduced its participation in the NPC's previous legislative activities. Commissioner Li and his team appreciated the Chamber's feedback on the Law of the Protection of the Rights and Interests of Consumers and the Trademark Law. Comments submitted by the Chamber have been carefully reviewed and reflected in the final version of both laws. The NPC welcomes more working-level dialogues with the Chamber.

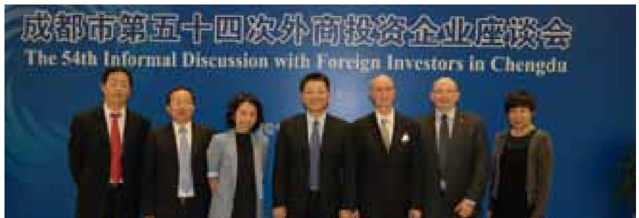
Meeting with Assistant Minister Bian Zhenjia, CFDA



Assistant Minister Bian Zhenjia and President Cucino

On 18th October, a Chamber delegation, led by President Davide Cucino, presented the *Position Paper 2013/2014* to Assistant Minister Bian Zhenjia of the China Food and Drug Administration (CFDA). During the discussion, President Cucino reviewed previous cooperation between the Chamber and the CFDA and shared members' appreciation of both the CFDA and the Assistant Minister himself. Representatives from the Agriculture, Food and Beverage, Cosmetics, Health Care Equipment and Pharmaceutical working groups brought up sectoral issues, which were responded to during the meeting and afterwards through correspondence. Both parties agreed to further enhance cooperation and communication.

European Chamber Present Position Paper to the Mayor of Chengdu



Mayor Ge Honglin (centre), flanked by Min Colinot and Ulrich O. Birch with Paul Sieves (2nd from right) and Maggie Xie (far right)

On 17th September 2013, the Chamber presented the *Position Paper 2012/2013* to Mr Ge Honglin, Mayor of Chengdu, during the 54th Informal Discussion with Foreign Investors in Chengdu.

The European Chamber delegation was led by Ulrich O. Birch, Chairman of the European Chamber Southwest Chapter, together with Paul Sives, Southwest Chapter Vice Chairman, Min L. Colinot, Southwest Chapter General Manager, and Maggie Xie, National Director of Government Affairs.

Other Lobby Activities:

On September 27th, European Chamber **Shanghai Chapter General Manager Ioana Kraft** was invited to attend the investment promotion symposium hosted by **Anhui's Deputy Governor Hua Jianhui.** During the symposium Ms Hua and other cities' mayors in Anhui highlighted how lower land and labour costs have created a convenient transportation system which makes Anhui a better investment environment. During the meeting Ioana also emphasised that European SMEs are an active stream for investing abroad.

Throughout the month of October, **Eduardo Morcillo, Vice President of the Chamber**, presented the *Position Paper* to various officials in Spain. The Chamber received positive feedback from government officials about the *Position Paper*.

On 9th October, Chamber representatives met with representatives from the **China Centre for Urban Development** (CCUD) to discuss the EU-China Exhibition on Urban Development 2013 and a potential visit to Shanghai Baoshan District. During the meeting Ms Liu Yue briefed Chamber representatives on the latest developments, such as the list of participating cities, side event updates and European exhibitors (seven Chamber members have already secured booths and more companies are under discussion). Ms Liu also expressed gratitude to Chamber's support on expo delivery and CCUD's willingness to work further with the European Chamber on other joint initiatives in the near future.

Upon the releases of **General Plan for the Shanghai Free Trade Zone** (FTZ) and its accompanying Negative List on 30th September, the Chamber translated the relevant documents and shared with its members for reference. Before and after the official launch of the FTZ, the Chamber held meetings with the **Shanghai Committee of Commerce** and Foreign Investment Administration Department of the **Ministry of Commerce** to discuss policy implications and industry recommendations. The Chamber also had various meetings with Shanghai local and central government agencies to discuss this topic.

THE DECISION IS MADE: OUTCOMES OF THE THIRD PLENUM

On 15th November the 'Decision on Major Issues Concerning Comprehensively Deepening Reform' (Decision) from the Third Plenum of the 18th Central Committee of the Communist Party of China (CPC) was released. It provided details on the reform programme put forward by the new administration of Xi Jinping and Li Keqiang, and compared to documents released after previous plenums its breadth and relative specificity exceeded the expectations of most commentators. In the following article **John Russell** from **North Head** summarises its key points and gauges the impact that it may have on European Chamber members.

Outcomes of the Plenum

Institutionalised change management

To effect economic reform and transformation, the CPC has embarked on an ambitious programme of change management. Notably, a Leading Small Group on Deepening Reform will be established to help to clarify priorities and sequencing. Later it will coordinate and drive the reform process.

More efficient statist system

State-owned enterprises (SOEs) will continue to play a predominant role in many sectors, with additional emphasis on making them more efficient through market mechanisms and more accountable via increased dividend payments. Efforts to promote markets will also give more space to private capital and increased latitude for private businesses.

Shifting patterns of market management

Market access and regulation are both increasing as the government changes its role from that of market manager towards that of policy-maker and regulator. Investment approvals, registration procedures and administrative hurdles are being reduced and/or simplified. Concurrently, environmental regulations and those regarding food, drug and product safety are becoming increasingly stringent with more punitive enforcement. Notably, the Bureaux of Public Security are tasked with regulatory duties in some areas.

'New urbanisation' and domestic consumption

Incremental changes to the household registration (*hukou*) system and one-child policy signal a clear direction for further easing. Restrictions for *hukou* will persist for the very large cities, channelling urbanisation into small- and medium-sized cities. Policies that will expand social safety nets, increase wages and liberalise financial markets will likewise contribute to increased consumer spending and should drive growth in healthcare, fast-moving consumer goods, logistics and other services.

Investment promotion and financial services

The Shanghai pilot Free Trade Zone (FTZ) is expected to be replicated elsewhere across China. These FTZs will be instruments for promoting overseas direct investment (ODI) and the emergence of Chinese multinational companies (MNCs). Free trade zones will also test further opening up of financial services that could facilitate the establishment of robust regional headquarters for international MNCs on the mainland. Nationwide, permitting small and medium private banks should enhance competitive markets.

Innovation and R&D

Innovation was less prominent than past years as a prime vehicle of economic transformation; previous policies of "indigenous innovation" and "strategic emerging industries" were not mentioned. Having achieved rapid growth of R&D funding, policy emphasis has shifted to efficiency reforms, reduction of waste and increased transparency and accountability. Significantly the establishment of IPR courts is to be explored.

Fiscal reform and incentives for CPC/government officials

Local governments will attempt to address revenue shortfalls by expanding the tax base with property, consumption, resource and environmental taxes. Incentives for officials are evolving with less focus on growth and more on environmental protection, social welfare and economic efficiency. Importantly fiscal soundness is a new criterion. This changes officials' key performance indicators and, consequently, their expectations for business. Understanding official incentive structures is important for anticipating policy directions and optimising business operations.

Xi Jinping's leadership

Xi has seemingly consolidated his position among CPC factions and proven himself an effective leader thus far. Establishment of the Leading Small Group on Deepening Reform and a National Security Commission will centralise power over domestic and foreign affairs. He headed the Decision drafting group, then took the unprecedented step of issuing a public explanation of them. His political reputation now rests on carrying out the reform plan.

Conclusions

The Decision sets out an ambitious reform agenda that has the potential to profoundly affect the business environment in China. However, it is still early days. Details of how to implement the reforms have, for the most part, not been decided. Implementation will be difficult due to the complexity of reforms and the capacity of vested interests for creating inertia and resistance; effective enforcement is another hurdle.

The composition of the new Leading Small Group on Deepening Reform and a series of high-level meetings this winter should help to further clarify the pace and sequencing of reforms.

Xi has emerged from the plenum appearing to be a strong leader capable of coordinating interests and instituting change. His reputation now rests on fulfilling high expectations set by the plenum. He faces another challenge at the fourth plenum in late 2014 where the thorny issue of political reforms will be addressed.

For European Chamber members the overall direction of change seems to be one that will benefit business. Broadly speaking, markets will be given an expanded role in determining economic outcomes. However, it must be remembered that expanding market forces is not a terminal objective for the party, but rather an enabling objective to create a stronger national economy and a stronger party.

While the proposed reforms should widen market access and create a more level playing field for MNCs they will also, in the long run, create stronger Chinese competitors from both the state-owned and private sectors.

Neither Brussels nor Washington has been able to drive an economic reform agenda of such ambition and latitude. China is the only major economy where 'reform' is institutionalised in the very structures of governance. It is an important reminder that China is constantly changing at a pace that those accustomed to mature markets would find disconcerting.

The plenum will initiate a complex set of new regulations and policies that present companies with both opportunities and risks. To optimise operations companies will need to ensure that they have robust methods for monitoring the policy reforms, accompanying regulatory changes and market developments.

North Head *is a public affairs and strategic communications consultancy that has a clear China and Asian focus. It is headquartered in Beijing with offices or affiliates in Shanghai, Singapore, Brussels, Washington and Ottawa. Its clients are a balanced mix of multinational corporations and governments from China and the Asian region, with similar from Europe and North America. Additional information can be found at www.northheadcomms.com.* ***John Russell*** *can be contacted at jrussell@northheadcomms.com.*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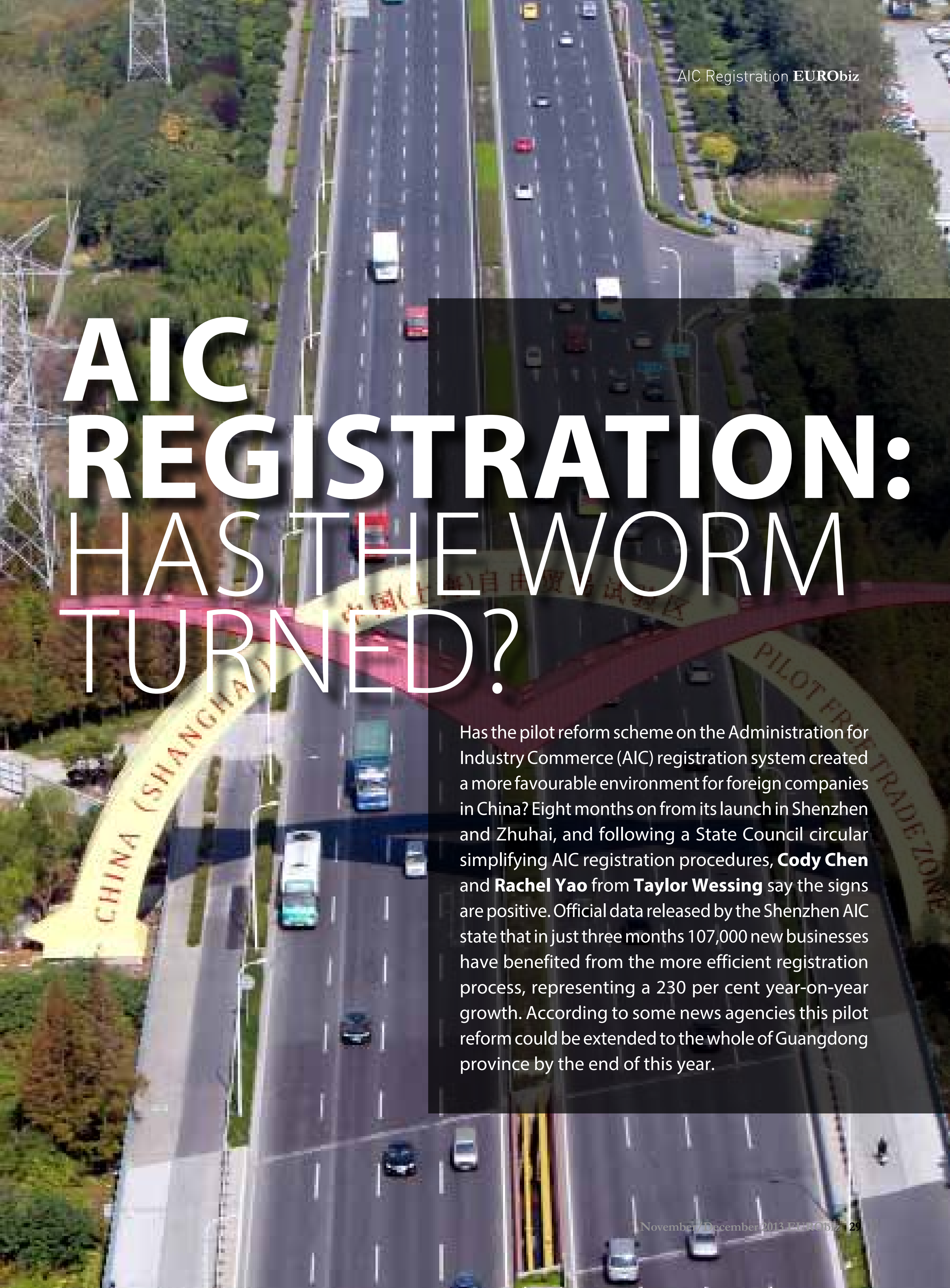


AIC REGISTRATION: HAS THE WORM TURNED?

Has the pilot reform scheme on the Administration for Industry Commerce (AIC) registration system created a more favourable environment for foreign companies in China? Eight months on from its launch in Shenzhen and Zhuhai, and following a State Council circular simplifying AIC registration procedures, **Cody Chen** and **Rachel Yao** from **Taylor Wessing** say the signs are positive. Official data released by the Shenzhen AIC state that in just three months 107,000 new businesses have benefited from the more efficient registration process, representing a 230 per cent year-on-year growth. According to some news agencies this pilot reform could be extended to the whole of Guangdong province by the end of this year.

Several months ago Taylor Wessing questioned whether the new pilot scheme would lead to easier registration for foreign-invested companies (FICs) in China in the article *Going Back to Basics*, published in the July/August edition of *China Law and Practice*. Perhaps it is not surprising that the first draft rules from the State AIC—expressly requested in March by the State Council to be completed by July 2013—has still not materialised.

The newly launched Shanghai Free Trade Pilot Zone (FTZ) has demonstrated more positive progress. Its rules on commercial registration partially followed some of the steps taken in Shenzhen and Zhuhai but then moved further and initiated some bold new trials. On 26th September the State Council released Several Opinions on Supporting the Construction of Shanghai Free Trade Zone (Opinions) which specify a number of liberalising measures regarding commercial registration in the FTZ.

At a meeting of the State Council on 25th October, Premier Li Keqiang openly urged nationwide commercial registration reform, advocating the abolition of the minimum capital requirement and time limit for mandatory capital contribution for all types of company (Li's Agenda).

Registered capital

Current PRC Company Law states that shareholders of a limited liability company must pay the registered capital in full within a two-year period from the issuance of the business license; depending on the type of company, a minimum registered capital of RMB 30,000 (limited liability company), RMB 100,000 (one-shareholder limited liability company) or RMB 5 million (company limited by shares) is required. In practice local governments set much higher levels of registered capital for FICs, although this is not actually written in the regulations.

Companies, including FICs, in Shenzhen, Zhuhai and the FTZ are not subject to minimum capital requirements; the steps of mandatory capital verification and the business registration item of 'paid in capital' have also been removed. Shareholders should be granted the freedom to agree a more flexible timetable of capital contribution in the articles of association.

When considering liberalisation of registered capital a concern for the legal profession is that it has no solid legal basis when looking specifically at the aforementioned points in relation to the PRC Company Law and the State Council's PRC Company Registration Administration

Regulations; it could even be argued that it is a violation of the law. The National People's Congress (NPC), the national legislative body which enacted the PRC Company Law, has not empowered the State Council nor the Shanghai Government to cease (partial) implementation of the PRC Company Law in the FTZ, let alone nationwide.

From a strict legal perspective, the related provisions in the PRC Company Law and the Company Registration Administration Regulations should be amended before any ministerial or local rules are issued simplifying the AIC formalities. This leads us to believe a nationwide AIC registration liberalisation can be reasonably expected when there is an indication to amend such national and State Council regulations.

Following the introduction of simplified AIC registration formalities, investors and shareholders may need to consider related legal implications. For example, how should the capital contribution timetable be realistically and legally formulated in the articles of association, and how to combine this with the related shareholder powers and benefits including, in particular, the right to profit distribution? Is it possible to transfer any equity which has not been fully contributed by the subscribing shareholder? Is it possible to create different classes of equity in the articles of association subject to capital contribution status of the subscribed equity?

FIC approval vs filing

In the Shenzhen and Zhuhai pilot rules, the Ministry of Commerce (MOFCOM) and its local arms did not concede too much of its power. The normal FIC approval is still a prior approval before the foreign investor can turn to the AIC for company registration. The Industrial Guidance Catalogue for Foreign Investment (Catalogue) still plays a rather important role in MOFCOM's approval procedures. This prolongs the FIC setup timetable and creates some problems for foreign investors in the event of differing opinions between MOFCOM and the AIC, for example on the provisions of the articles of association or business scope wordings.

The FTZ has employed the newly adopted mechanism of a negative list. For those FICs that are not caught by the negative list, the prior approval requirement is replaced by a filing procedure with the FTZ Administration Committee. A foreign investor wishing to establish a FIC within the FTZ would be able to, after obtaining the name pre-approval from AIC, set up the FIC via a 'one-stop' service window and receive, within a short period of time, the filing receipt, business license and other corporate registrations altogether.

Although it is not ideal that filing can be carried out after the FIC has obtained the business license, we still view this as a great step forward in optimising FIC setup procedures in the FTZ. Legally speaking, filing is just a requirement for the investor to notify the authority in writing about the setup and should not be twisted into an administrative licensing.

There is still a long way to go before such a filing practice for FICs is rolled out nationwide. From a legislative perspective, foreign direct investment-related laws first need to be amended by the NPC. Currently such laws are empowered by the NPC to be (partially) suspended for implementation in the FTZ. It remains to be seen if and when the related provisions in such laws are to be amended and therefore become applicable nationwide. We also foresee a political power struggle between different ministerial authorities over the replacement of the Catalogue by a negative list.

Annual inspection vs annual filing

It is inconvenient for existing FICs to carry out the mandatory annual inspections with multiple authorities every year from April to June. Li's Agenda expressly requests replacing such inspections with annual filing. Although no detailed rules on this are available it can be reasonably expected that the old annual inspection formalities will be substantially simplified.

However, entities may need to rely on additional legal support to perform due diligence before entering into a deal with a business partner; there will be no annual inspection chops on the business license which has long been viewed as an indication of business stability.

Registered-capital-related criminal offences

Based on the paid-in capital mechanism the PRC Criminal Law provides three criminal offences related to registered capital: false capital contribution, withdrawal of paid-in capital and fraudulent capital registration.

However, through many years of judicial practice these criminal offences are widely viewed by jurists as bad laws. Partly because these penalties do not legally protect creditors as there is no real connection between solvency and registered paid-in capital of a company; partly because these criminal offences were sometimes abused by local government and state-owned enterprises to strike out private business competitors.

Li's Agenda has clearly called for abolishing the concept of paid-in capital and mandatory capital contribution time limits, and mandatory capital verification processes also look set to be eradicated. One may reasonably expect that such bad laws connected with the old paid-in capital rules will be amended or abolished soon too.

Cody Chen *is Senior Counsel at* ***Taylor Wessing*** *in Shanghai. Taylor Wessing is a full service law firm with approximately 900 lawyers in Europe, the Middle East and Asia, with offices in Shanghai and Beijing. For more information please visit www.taylorwessing.com.*

ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS IN CHINA: PART I

If you have registered your intellectual property (IP) and found it being infringed you will want to enforce it, but what recourse do you have in China? Below is a summary of a recent report written by the **China IPR SME Centre** explaining the available enforcement options

The intellectual property rights (IPR) in China are very similar to those in Europe; registered rights available include invention patents, utility patents, design patents and trademarks (TMs). Copyright can also be recorded.

If you receive information that your IP is being infringed you need to gather evidence detailing the nature and scale of infringement. Once you have gathered sufficient information you can begin to explore enforcement options.

Enforcement proceedings

There are four main enforcement options in China: administrative actions, civil litigation, criminal sanctions and customs seizures.

Administrative actions

The key Chinese administrative bodies are the Intellectual Property Offices (IPOs), the Administrations for Industry and Commerce (AICs), the Copyright Office, and the Quality and Technical Supervision Bureaus (QTSBs—local divisions of the Administration for Quality Supervision, Inspection and Quarantine). These bodies between them have the power to:

- Raid defendants' premises and to seize and destroy infringing items;
- Impose injunctions to force the infringing party to

desist; and

- Levy fines on the infringing party for TM infringement, copyright infringement and counterfeiting patent certificates, (but not patent infringement).

Administrative bodies offer a relatively fast and cost-effective way to deal with trademark and copyright infringements and to gather evidence for patent infringements. They are generally comfortable when dealing with trademark cases, however, administrative bodies are less confident when it comes to analysing the scope of protection of a patent and the infringement thereof. The main use of an administrative action in a patent infringement case or complicated copyright case is to obtain evidence.

A simple trademark, copyright or QTSB administrative action lodged with a local administrative body would likely last between three and six months and cost RMB 20,000–50,000.

An application to an IPO to obtain evidence in relation to the infringement of a design patent would cost in the region of RMB 30,000–80,000, with a civil action to follow.

Civil litigation

Civil litigation is equivalent to a court case in Europe. The usual remedies sought are injunctions, damages and delivery up, and destruction of, tools and/or products. A civil action will generally take six to 12 months from the issuance of proceedings until handing down of the judgement.

Infringing acts under Chinese Patent Law include sale, offer for sale, use, manufacture and export. It is usually easiest to obtain evidence of sale or offer for sale, but even this is not entirely straightforward because Chinese courts require this type of evidence of infringement to be given by a notary public. Even if this evidence can be obtained it may not be sufficient to persuade a court to grant a worthwhile damages award. An Evidence Preservation Order (EPO) may be used to obtain evidence of manufacture.

An EPO is an action in which the court will seal and/or take photographs of infringing articles at the defendant's premises. A bond of between RMB 20,000–1million might be payable to the court, depending upon the size of the claim and the requirements of that particular court.

Once evidence of infringement has been obtained, either by way of a sample purchase or an EPO, then the main proceedings can commence. The conventional rules apply on jurisdiction and the defendant must therefore be sued either in the place where the tort (a civil wrong i.e. an infringement) was committed, or in their home city or province.

If the home province of the defendant is known to have an inexperienced court system then it is best to try to ensure that the sample purchase is completed in another jurisdiction with more experienced IP judges, such as Beijing, Shanghai, Shenzhen or Guangzhou.

Once the right owner has gathered sufficient evidence, they might also consider applying for an Asset Preservation Order (APO). This is an action in which the court will freeze bank accounts and/or other assets of the defendant. Again, the court may require the payment of a bond commensurate with the level of damages claimed.

Once the right holder has gathered sufficient evidence, seized/frozen assets of the defendant and built a strong case for infringement, then the matter will proceed to a brief trial. The trial is usually preceded and followed by settlement negotiations mediated by the judge. If no settlement can be agreed then the judge will retire to consider his decision and will hand down a judgement in due course.

Criminal sanctions

Criminal sanctions are only used in relation to patents where the counterfeiting of the patent certificates themselves has taken place. Such actions are rare; criminal proceedings are more common in relation to trademark and copyright infringements. There are three methods of bringing criminal sanctions:

- The IP owner reports to the Public Security Bureau (PSB).
- An administrative agency transfers its case to a criminal agency when it comes to suspect the damage inflicted by the defendant exceeds certain thresholds.
- A trademark owner can choose to file a criminal lawsuit with the court known as a private prosecution.

The PSB has sole discretion on whether to accept a criminal case and if they accept the case it will begin proceedings by collecting evidence. Once they have sufficient evidence they will then pass the case to the prosecution agency which assesses whether or not the case may proceed to trial.

The prosecution agency presents the case at trial. The Court will decide liability and the appropriate sentence. Punishment may include imprisonment of up to seven years and/or penalties. It is important to bear in mind that the IP owner cannot recover damages through this process, but of course a favourable ruling would be a valuable deterrent to potential future infringers.

Using customs to halt exports and gather evidence

While practice, as ever, varies across China, many Chinese customs authorities will proactively enforce trademarks registered with them. However, generally they will not do the same for patents nor copyright and therefore patent/copyright owners wishing to have infringing goods seized by customs must inform the customs officers of the precise details of each shipment to be seized, including the container number. In practice, obtaining this information entails extensive use of private investigators.

If product is seized and the claimant wishes to pursue legal action then it must pay a bond equal to the value of the goods seized. The defendant may then pay a counter-bond of an equal amount in order to have the goods released.

Goods seized by customs are strong evidence of extensive infringement. This means that even though customs release the infringing goods on payment of a counter-bond, claimants can use the evidence to claim a high-damages award. Further, the damages award will be paid out of any counter bond posted by the defendant, thereby mitigating the risk of non-payment.

Take away messages

The important points to remember are:

- Register your IPR. If you haven't registered your rights you have almost no recourse in China.
- Be vigilant. Patrol trade fairs and surf the various b2b and b2c websites, such as Alibaba and Taobao, on the lookout for infringing articles.
- When you identify infringement, enforce your rights. If you build a reputation for being litigious then companies will be less likely to infringe your rights in future. The resources required to achieve such a reputation very much depend on the extent of the infringement.
- Build your case carefully. Ensure that you are taking action against the right company in the right way.

Part II of this report will be available shortly on www.eurobiz.com.cn.

*The **China IPR SME Helpdesk** is a European Commission funded project that provides free, practical, business advice relating to China IPR to European SMEs. To learn about any aspect of IPR in China, visit our online portal at www.china-iprhelpdesk.eu. For free expert advice on China IPR for your business, e-mail your questions to: question@china-iprhelpdesk.eu. You will receive a reply from one of the Helpdesk experts within seven working days. The China IPR SME Helpdesk is jointly implemented by DEVELOPMENT Solutions and the European Union Chamber of Commerce in China.*

European Commission

CHINA IPR SME HELPDESK

ALL'S WELL THAT ENDS WELL

When doing business in China, preparation is everything. Legally winding up a company can be just as time-consuming as establishing one, so it is advisable to consider your options and prepare for phase-out well in advance.

Legal experts at the **EU SME Centre** have recently compiled a comprehensive guideline on the topic to help SMEs achieve an efficient exit. In the following article we take a look at some of the available options.

Closing down a representative office

As a representative office (RO) is not allowed to engage in any profit-making activities in China, shutting it down is a relatively straightforward process. It can be divided into two parts:

- Tax clearance and cancellation of the tax registration.
- De-registration at the State Administration of Industry and Commerce (SAIC).

Even though tax clearance might appear simple for an RO that has not generated any profits, in China it usually takes much longer than expected. Audits by certified public accountants tend to be very thorough and collecting and checking all necessary documents takes time. Representative offices will often be required to reimburse taxes during the process—usually unpaid income taxes for the office's (foreign) employees or taxes on unreported income—which can further lengthen the process.

Once the notice of cancellation of tax registration has been received, the customs certificate has been cancelled and bank accounts have been closed, the official deregistration of the RO at the SAIC can take place. To fully close the office, all other documents issued by government authorities will have to be cancelled as well. In all, closing down an RO usually takes three to six months.

Closing down a wholly foreign-owned enterprise

The starting point for closing down a wholly foreign-owned enterprise (WOFE) is the decision by the shareholders to do so. According to Chinese law it can be due to:

- expiry of business operation;
- poor operations and serious losses;
- incapacity and serious losses due to force majeure; or
- any termination reason given in the WOFE's articles of association.

Once the decision has been made, a liquidation committee has to be formed to manage the process. The members are made up of representatives of the shareholder companies with the legal representative of the WOFE acting as the person in charge. The duties of the committee are:

- clearing the company's property and verifying creditor claims;
- preparing an inventory list and balance sheet;
- formulating principles for property evaluation and calculation;

- drafting a liquidation plan;
- notifying known and unknown creditors in writing and through public announcements;
- paying overdue taxes;
- clearing credits and debts;
- preparing a liquidation report; and
- participating in civil lawsuits on behalf of the company.

One of the main tasks of the committee will be to deal with remaining creditors. Whereas known creditors have to be informed about the imminent closure of the WOFE directly, a detailed announcement has to be placed in a provincial-level newspaper for the benefit of any unknown creditors. After the deadlines for the reporting of any claims have passed and they have been verified, the liquidation committee draws up a liquidation plan with payments being prioritised in the following order:

1. Expenses incurred during the liquidation, such as management costs, lawsuits or arbitration.
2. Salaries and social insurance contributions for employees.
3. Taxes.
4. Secured credit rights.
5. Unsecured credit rights.

If the assets prove to be insufficient to cover all costs, the committee can apply for bankruptcy at the appropriate People's Court.

After the liquidation of the company the employment contracts with the employees can be terminated. One hundred and eighty days after the establishment of the liquidation committee the liquidation report has to be submitted to the registration authority. Following this the company books will be audited by a certified public accountant and all outstanding taxes need to be paid before the final tax clearance certificate can be issued.

Finally, the WOFE can apply for the cancellation of the tax registration at the local and national tax bureaus as well as the cancellation of the registration at the SAIC. Only then can the remaining funds be divided amongst the shareholders. Depending on the business scope and the completeness of the necessary documents, the whole process normally takes six to twelve months.

Closing down a joint venture

The procedures for closing down a joint venture (JV) are similar to those for winding up a WOFE, differing only in details. First, there are two additional acceptable reasons for the dissolution of a JV: the failure of one of the partners to fulfil the obligations prescribed in the agreements and the inability to achieve the business operation objectives and development in the future.

Second, the decision to close down the JV has to be made unanimously by all directors present at the respective board meeting.

Finally, all accounting books and materials have to remain in the custody of the Chinese partner once the process has been successfully completed.

Taxes and suspension of staff

The Chinese authorities check any company's tax records meticulously before issuing a deregistration certificate. This usually involves an audit of all tax and accounting data from the past three years including, but not limited to, accounting books, contracts, original receipts, invoices and so on. It is therefore highly recommended to familiarise oneself with the clearance procedures, requirements and timelines.

Authorities and local governments also keep a watchful eye on layoffs, especially mass redundancies. Failing to handle these issues with adequate care can lead to delays in the business exit, especially if disgruntled employees decide to take legal action. Liaising with the local labour department and trade union in due time to arrange for proper procedures will help, as will careful negotiations on tailored solutions with all employees.

For more resources on this and related topics, including a full version of this report, guidelines on dispute settlement with Chinese companies and the importance of internal labour rules as well as recordings of webinars on contract terms and due diligence to protect your company's assets, please visit www.eusmecenter.org.cn.

*The **EU SME Centre** assists European SMEs by providing a comprehensive range of free, hands-on support services including the provision of information, confidential advice, networking events and training. The Centre also acts as a platform facilitating coordination amongst Member State and European public and private sector service providers to SMEs. The EU SME Centre is a project funded by the European Union.*

EUSME Centre

ANTI-MONOPOLY LAW IN CHINA

Recent Anti-Monopoly Law (AML) investigations by the National Development and Reform Commission (NDRC) into certain industries created a stir. Large sections of the media focussed on the investigations into Western companies; this generated concern in the foreign business community and created a perception among many that the investigations were being used as a mechanism to readjust certain sectors in favour of Chinese companies.

The European Chamber strongly supports the development of an anti-monopoly legal framework in China. We believe it is beneficial to the development of a fair, competitive and transparent market economy in China. Many Chamber members have in fact contributed to the AML since its introduction in 2008. In an effort to understand the law more clearly, and seek clarification of some of our member's concerns, the European Chamber organised a dialogue event with an NDRC official.

Ms **Zhi Shengmin, Director of Competition Policy and International Cooperation Division, NDRC,** gave a breakdown of AML duties by ministry and explained the process for implementing the law including selection, investigation and cases where leniency may be introduced.

Breakdown of duties

The State Council has designated three ministries responsible for the AML: the Ministry of Commerce (MOFCOM), the NDRC and the State Administration for Industry and Commerce (SAIC):

MOFCOM (Anti-Monopoly Bureau): Investigation of concentration of undertakings (i.e. M&A); international cooperation over competition policies.

NDRC (Price Supervision and Anti-Monopoly Bureau): Investigation of price-monopoly agreements; national and provincial DRCs share administrative enforcement powers, while municipal and county-level DRCs are only authorised to assist in investigations; for cases across provinces, the NDRC lead and coordinate the investigation.

SAIC (Anti-Monopoly and Anti-Unfair Competition Enforcement Bureau): Non-price cases including monopoly agreements, abuse of market domination, abuse of administrative powers to exclude or restrict competition etc.

The State Council itself has an AML Commission with an office based in the MOFCOM, but it does not deal with enforcement. Previously under the purview of Vice Premier Wang Qishan the Commission is now supervised by Vice Premier Wang Yang. There are four deputy directors within the Commission; three of these have responsibilities for dealing with the three ministries—MOFCOM, NDRC and SAIC—and the fourth is the Deputy Secretary General of the State Council.

Case selection

Contrary to prevailing public opinion, cases for investigations are not actually selected by the NDRC. When it comes to determining who should be investigated the NDRC rely on external sources to report potential abuses of the AML. These include:

- the general public (hotline: 12358);
- competitors;
- consumers;
- industry associations; and
- media.

Basically, any individual or entity is entitled to report concerns or make complaints, and written complaints *must* be investigated. If the NDRC receive a report and do not deal with it they are considered as being in violation of the law.

Investigation

All sectors are of potential interest for investigation, and all entities too, be they privately owned, state-owned enterprises, domestic or foreign. Even associations and chambers of commerce are potentially liable. Method's of investigation include on-site inspections, summoning of individuals, photocopying company documentation, confiscating goods and reviewing financial accounts.

In terms of price monopoly agreements, which fall under the NDRC's responsibility, they investigate anti-dumping cases where the price of a product is lower than the cost of its production, and also cases where prices have been set unreasonably high.

Procedures that are followed in the course of investigations are clearly defined in the Anti-Monopoly Procedure Regulations, comprising 26 articles. During daily investigations the procedures are actually a combination of the procedural regulations themselves and the Administrative Penalties Law.

Termination

According to the AML, there is an article relating to case termination. During an investigation the party involved has the right to apply in writing that a case be terminated. If the price supervision bureau decides that the promises made in this application are able to offset the monopoly behaviour then a decision to terminate the investigation may be issued. However, if it is decided that the promises made in the application are not able to offset the monopoly behaviour there are normally two different approaches: the NDRC will lay out a list of recommendations detailing new actions to be taken, or the application is simply refused.

If the application fits the first category, after a decision has been made to terminate the investigation supervision of the party involved will take place to ensure that they complete the necessary actions. After this period of supervision and internal evaluation an official document to terminate the investigation is issued. However, if one of the following three situations arises the investigation can be relaunched:

1. The operator fails to completely fulfil his promises within the agreed time frame.
2. The facts that the investigation is based on are subject to multiple changes.
3. The decision to terminate the investigation is based on incomplete or false information submitted by the operator.

Leniency

Companies can qualify for leniency by voluntarily completing reports to reveal the facts of their investigation. Early cooperation and communication may result in reduction of the penalty. The overall penalty can include both fines and also confiscation of any income obtained after the law was violated, however, according to the Administrative Penalties Law, the NDRC can only rescind the fines, they cannot return any confiscated income. Circular number eight makes specific reference to leniency and has actually borrowed a lot from European laws:

- The first article states that the fine can be rescinded if the operator reports the circumstances relating to the pricing agreements, or where they voluntarily provide important facts or evidence. The company has to be the first to come forward with this information.
- The second article states that if a company is the second party to complete a self report, providing information and evidence, then a reduction of 50 to 90 per cent of the fine can be applied.
- The third article states that if the company is not the first or second party to come forward with a report and facts of the case then they can only hope to have a maximum reduction of the fine of up to 50 per cent.

For a more detailed report on the AML please visit ***www.eurobiz.com.cn****. The NDRC is open and willing to respond to questions. However, it is requested that the nature of questions have a certain degree of specificity. Vague questions cannot always be answered. Call: +86 (10) 6850 2595.*

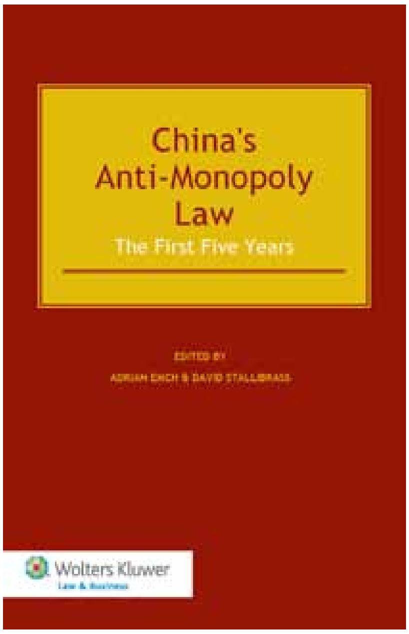

From L-R: Adrian Emch, Bill Kovacic and David Stallibrass

CHINA ANTI-TRUST: CAN A BOOK MAKE YOU COMPETITION LAW COMPLIANT?

A recently published book on Chinese competition law, *China's Anti-Monopoly Law – The First Five Years*, provides the perfect combination of analysis and guidance to help foreign companies negotiate the complicated landscape of the Chinese antitrust world. In light of increased media interest and booming competition-enforcement activity, it has become more important than ever to understand what the legal obligations are on firms operating in China, and how (and why) those obligations may be interpreted differently by Chinese enforcement agencies and courts than by their counterparts in other countries.

The book contains 27 articles by Chinese government officials and judges, Chinese and international academics, and employees of a range of private-sector law firms, consultancies and companies. It is edited by **Adrian Emch**, a partner at **Hogan Lovells** in Beijing and lecturer at Peking University, and **David Stallibrass**, a special consultant for **Charles River Associates** in Guangzhou.

"Amid the excellent modern commentary on the AML, *China's Anti-Monopoly Law – The First Five Years* now stands atop the ladder." — Bill Kovacic



In most jurisdictions anti-trust, or competition, law is a standard fixture. It affects mergers and acquisitions, joint ventures, the negotiation of the supply chain, interaction between government and the market, and the business practices of powerful (or 'dominant') companies. However, for most of its history, China was not known as an anti-monopoly power.

After the communist party established the 'new China' in 1949, both political and economic decision making became highly concentrated. Even before 1949, monopoly, not anti-monopoly, was a well-known word. For instance, salt has been a state monopoly in China for over 2,000 years.

Clearly, anti-monopoly efforts are a very new phenomenon in China. Indeed, in 1890 when the Sherman Anti-trust Act was passed in the United States, the Guangxu Emperor (and his aunt) still ruled China from the enclave of the Forbidden City, and communism was little more than a few influential books and ineffectual political parties. When the Treaty of Rome was signed in 1958, including the two articles that now make up the backbone of European Union competition law, China was about to launch The Great Leap Forward—arguably one of the largest attempts at collectivisation in modern human history.

However, in August 2008, 118 years after the Sherman Act and 50 years after the Treaty of Rome, China's own Anti-Monopoly Law (AML) came into effect. While unlikely to have been predicted in either 1890 or 1958, it appears like a natural development in the regulation of the vigorous market economy that the Communist Party has nurtured from tentative beginnings in the late 1970s to what is now the world's second largest economy.

Five years have passed since the AML came into force and during these years its enforcement has seen significant progress as well as considerable challenges. Most recently a series of high-profile cases and pronouncements have shot competition law in China to the top of the agenda. The National Development and Reform Commission (NDRC) reached a decision in July censuring manufacturers of baby milk powder, and more recently has confirmed that they are investigating producers of lenses and eyeglasses.

In August, the Shanghai High People's Court ruled against Johnson & Johnson in private litigation involving retail price maintenance. The Ministry of Commerce (MOFCOM) has, sometimes controversially, intervened in mergers between foreign firms with a seemingly minimal Chinese nexus such as the purchase by Marubeni, a Japanese firm, of Gavilon, a firm whose area of operation is mostly North America.

To make sense of what is similar and what is different about competition law in China, this recent book introduces new readers to the complexities of anti-trust law in China, and also tries to provide new insight for old hands.

The 27 articles that make up the book are grouped into nine chapters and largely follow the content of the law itself. However, rather than simply provide a 'getting the deal done' guide to the law, a large number of the articles also provide a level of analysis and contextualising information missing from most similar volumes. This makes it ideal for foreign readers who want to understand the thinking behind the AML and how enforcement and compliance are likely to differ from competition laws in other countries.

Indeed, Bill Kovacic (former chairman of the US Federal Trade Commission and currently Global Competition Professor of Law and Policy at George Washington University) says, "Amid the excellent modern commentary on the AML, *China's Anti-Monopoly Law – The First Five Years* now stands atop the ladder."

To comply with a young and powerful law enforced by three different agencies is hard at the best of times; when you have to bridge the sometimes substantial cultural divide between Europe and China it can be even harder. This book helps shorten that bridge and lighten that load.

A full version of this review, which includes an overview of each chapter, is available online at www.eurobiz.com.cn. China's Anti-Monopoly Law – The First Five Years *(Wolters Kluwer, 2013), is available from Wolters Kluwer (please write to sales@kluwerlaw.com) and its affiliate company CCH (please write to charles.yeung@cch.com.hk) for USD 209, or from online retailers such as Amazon.*

URUMQI: POWERING WESTERN CHINA'S GROWTH

Despite being the most remote city from any sea in the world, Urumqi thrived as a trading hub along the Silk Road during the Tang and Ming dynasties. Located on the eastern frontier of Central Asia, Urumqi, or 'beautiful pasture' in Mongolian, is the capital of China's Xinjiang Uyghur autonomous region. **Lisa Quatch** from **Dezan Shira & Associates** explains how its well developed transportation network and wealth of natural resources has seen it become the centre of industry, retail and commerce in Western China, as well as the primary point of entry into Central Asia.

Economic Overview

In 2012, Urumqi's GDP reached CNY 200.4 billion, an 18.5 per cent increase from 2011. Primary industry contributed CNY 2.5 billion and secondary industry contributed CNY 82.9 billion. Urumqi's tertiary industry sector showed the highest growth, contributing an overwhelming CNY 115 billion to the city's overall GDP, up from CNY 90.8 billion in 2011. The city is strategically important to the nation's growth because it sits on one of China's largest coal fields, with estimated reserves of 10 billion tons.

It hosts the annual China-Eurasia Expo, which boosts economic activity and strategic ties in the region. At the third annual expo this September total domestic deals signed were worth CNY 738.7 billion with over CNY 3.73 billion in foreign trade deals sealed as well.

From 2006–2011, GDP per capita increased from CNY

33,900 to CNY 52,900. Rapid growth of disposable household income is driving demand for consumer goods. In 2012, total retail sales of consumer goods were valued at CNY 83 billion. The booming retail industry is a result of a shifting demand from basic necessities and general merchandise to more trendy, medium- or higher-grade products. Besides local residents, Urumqi's prime transportation networks make the city an ideal shopping destination for all of Xinjiang province.

Transportation

Urumqi's strong infrastructure and transportation networks sees it serve as the transportation hub of Xinjiang Province, which shares borders with eight different countries.

- Rail: Urumqi Railway Station provides trains to Kashgar in the south, Kazakhstan and Europe to the west, and Beijing to the east. The Beijing and Lanxin Lines form part of the Trans-Eurasian Continental Railway, which goes from Rotterdam through the Alataw Pass (located on the Kazakhstan border) to Urumqi, and on to Lanzhou and Lianyungang. Construction of a high-speed rail line connecting Urumqi with Xining and Lanzhou is expected to be completed by next year.
- Air: Urumqi Diwopu Airport offers international flights to Hong Kong, Macau, South Korea and the former Soviet Republics, as well as domestic flights throughout China. It also thrives as a hub for China Southern Airlines.
- Road: Urumqi is connected via three main national highways: No. 216 runs through Xinjiang Province, No. 312 connects to Shanghai and No. 314 runs to the Pakistan border.

Administrative Divisions

Urumqi is divided into seven districts: Tianshan, Shayibake, Xinshi, and Shuimogou make up the urban sections; Toutunhe, Dabancheng and Midong are the suburban districts.

Development Zones

A priority target of the central government's Go West policy, Urumqi has benefited from two development zones:

- Urumqi Economic and Technological Development Zone (ETDZ) enjoys a prime location within 10 kilometres of Urumqi's downtown area, railway station, highways and airport. In 2003, the zone's activities increased with the addition of an Export Processing Zone. Major industries are machinery, power transmission equipment, new energy, biopharmaceuticals, food and beverages, chemicals, and plastics.
- Urumqi High-tech Industrial Development Zone (HIDZ) was established in 1992. In 2011, it was merged with Xinshi District for a combined land area of 263 kilometres. Major industries include information technology, biopharmaceuticals, new materials, new energy, petrochemicals, unique resources processing, and machinery.

Investment Opportunities

Accessible transport networks have guided its transformation into Western China's premier commercial and business centre. Urumqi is also an industrial hotspot—last year its total value of import and export was CNY 10.39 billion. To encourage growth, the Chinese Government has laid out numerous preferential investment policies.

Xinjiang Province is becoming more accessible to foreign investors as the local government gains more autonomy. This has had positive benefits for Urumqi. Traditionally, foreign investment into the region has been focused on food processing, mining, wholesale and retail, accommodation and services. Urumqi will continue to thrive in these industries, in addition to emerging growth in high value-added industries including energy and logistics.

The National Development and Reform Commission and the Ministry of Commerce have listed some priority industries for foreign investment in Xinjiang:

- Construction of high-quality wine grape bases and production of grape wine.
- Cultivation and deep processing of special agricultural products.
- Comprehensive utilisation of associated oil and gas resources.
- Recovery and utilisation of vented natural gas.
- Cultivation and processing of medicinal plants with local characteristics and development of new medicines.

Investments are encouraged in projects that will leverage Urumqi and Xinjiang Province's natural resources and geographical advantages to develop new technologies and high-value-added industries.

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For further details or to contact the firm, please email china@dezshira.com or visit www.dezshira.com.

EMPLOYER BRANDS IN CHINA

A recent survey published by **Career International** researches the ways that different demographic groups view employer brands. It underlines that in the current war for talent companies need to increasingly market themselves as brands in order to appeal to and capture potential employees.

The report was launched to HR professionals at the Second Employer Brand Strategy (Asia) Summit in Shanghai. In the article below Ms **Li Jie**, Operations Leader for Career International Asia Pacific, explains some of the findings of this survey.

Regional differentiation

Certain trends can be found regardless of the generation or geographical location of the respondents. For example, 93 per cent of respondents from second- and third-tier cities 'care' or 'highly care' about an employer's brand, which is only one per cent more than those in first-tier cities.

However, if we analyse some of the data in more detail we can start to see differences emerge. For example, respondents from first-tier cities rank employment that is 'fun, interesting and challenging' as the eighth most important factor. In contrast, a 'legal employment relationship' is ranked at number eight by respondents from second-tier and third-tier cities.

These details in these results allow us to profile employees more precisely. The fact that respondents from second- and third-tier cities place more importance on the legal employment relationship indicates that they may be more conservative in nature, perhaps due to a relative lack of employment opportunities.

In contrast, employees based in first-tier cities generally have more channels to pursue more job opportunities. This means that their priority shifts more towards employment that is more personally gratifying rather than employment that is just safe and secure.

Generational differences

Our survey recorded variations in how different generations prioritised their employer preferences. Interestingly it is the youngest generation, the Post-90s, that place the least importance on an employer's brand:

Importance of employer's brand by generation:

- 94% of Post-70s 'care' or 'highly care'.
- 93% of Post-80s 'care' or 'highly care'.
- 90% of 50s-60s 'care' or 'highly care'.
- 87% of Post-90s 'care' or 'highly care'; 1% ticked 'Don't care at all', the only generation to do so.

Because Post-90s employees have grown up in the era of the 'information explosion', their opinions towards a particular employer's brand may have already been largely formed by a multitude of outside influences. It follows then that they would care less about the perceived influence of an employer's brand, and instead concentrate on an employer that can offer self-fulfilment by providing a more satisfying role.

It is the Post-90s generation that place most importance on jobs that are 'fun, interesting and challenging,' although the importance of this may decline over time; entry-level jobs that are 'fun, interesting and challenging,' are not so prevalent. Often these jobs involve elements of repetition so it becomes more important for this generation to explore opportunities for improving their career prospects, such as developing smart approaches to working.

Although current graduate unemployment rates remain high, it is this Post-90s generation that companies are competing for. A good idea is to select and groom Post-90s candidates through internships. During the life of an internship employers can set evaluation programmes to help them recruit permanent staff members based on work competency and their fit with the overall corporate culture.

One of the noticeable differences between Post-70s and Post-80s generations, is that while both ranked 'salary' and 'opportunities for personal development' in their top three employer brand elements, 'benefit package' rounded out the top three for Post-80s, while Post-70s selected 'corporate culture'. To explain this we need to understand that these two groups are at different stages of life: Post-80s are, generally speaking, in the process of getting married and having children, so benefits are a higher priority; Post-70s have, by and large, passed this stage and are raising children, taking care of elderly family members and seeking stability and safety. They are looking for an employer that shares these values, so corporate culture becomes more important.

Differences among employee positions

There are also differences in the importance ascribed to an employer's brand when the survey data is analysed according to the position held by the respondents. The highest was from employees at management level, 94 per cent of whom 'care' or 'highly care' about an employer's brand; the lowest was entry-level staff, where 91 per cent 'care' or 'highly care'.

Leadership and management place more importance on corporate culture, operational performance and social reputation and corporate image. Professionals and entry-level staff pay more attention to opportunities for personal development, benefits packages, jobs that are fun, interesting and challenging, and interpersonal relationships.

For more information on this research, please contact Angeline Hang on +86 (21) 6160 2718 or at angeline-hang@careerintlinc.com.

*As the leading total recruitment solutions provider in Asia, **Career International**, established in 1996, has over 1,000 professional recruitment consultants working in 36 offices across Asia, serving clients across 18 fields and industries. Over the past year alone, we have successfully recommended more than 20,000 permanent and dispatched hires for our clients, including 16,000 senior management, professional and technical employees. For more, please visit www.career-intlinc.com.*


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EUROPEAN CHAMBER EVENTS GALLERY

BEIJING CHAPTER


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Position Paper Launch (1)
On 5th September, the European Chamber Beijing Chapter held the official 2013 Position Paper Launch at the Four Seasons Hotel.

People Matters HR Forum (2)
The European Chamber held the HR Forum, People Matters, at the Westin Chaoyang Hotel on 17th September. Mr Xin Guo from Career International, Mr Wells Tian from Aon Hewitt, Ms Minna Yu from Nokia Siemens Networks and Ms Yanbing Zou from Bayer Healthcare were invited to share their views on human capital related issues.

NANJING CHAPTER


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Jiangsu Government Dialogue (1)
On 7th November the European Chamber of Commerce in Nanjing presented the first edition of the European Chamber–Jiangsu Government Dialogue at the Sofitel Galaxy.

Meeting with Changzhou Municipal Government (2)
On 17th October, Vice Secretary General of Changzhou Municipal Government Mr Chai Chu Qiu was presented with the *Position Paper 2013/2014* at a meeting in Changzhou. The Chamber was represented by Carlo D'Andrea, Chairman of the Nanjing Chapter, Mirella Savegnago, GM of the Nanjing Chapter and Simon Campostrini, Membership Manager of the Shanghai Chapter.

SHANGHAI CHAPTER

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Shanghai International Financial Forum 2013 (1)
The Shanghai International Financial Forum discussed Shanghai's transformation into an international financial centre. Gold Sponsor of this event was HSBC Bank (China) Company Ltd.

First China Investment Conference (2)
The first edition of the China Investment Conference attracted more than 120 attendees on 8th November. The event was sponsored by FTI Consulting.

Insight China (3)
'Shadow Banking & Overcapacity: On the verge of collapse?', held on 23rd October. Joerg Wuttke, BIAC/OECD, Liu Shengjun, Executive Deputy Director, CEIBS Lujiazui Institute of International Finance, and Andy Rothman, China Macro Strategist, CLSA presented.

New Exit-Entry Administration Law seminar (4)
On 23rd October, Mr Cai Baodi, Vice Director of the Visa Department at the Exit–Entry Administration Bureau of Shanghai Public Security Bureau (PSB), to explain the impact of China's new Exit-Entry Administration Law.

SHENYANG CHAPTER

Liaoning-European Chamber Trade and Economic Cooperation LOI Signing Ceremony and European Business in China Position Paper 2013/2014 Launch

On the afternoon of 22nd October, the Liaoning-European Chamber Trade and Economic Cooperation Letter of Intent Signing Ceremony and the *European Business in China Position Paper 2013-2014* Launch were held at the Shenyang Maritime Hotel.


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SOUTHWEST CHAPTER


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Chengdu Position Paper Launch (1)

On 17th September 2013, the *Position Paper* was launched at the Crowne Plaza Chengdu City Centre. Ulrich O. Birch, Chairman of the Southwest Chapter and Paul Sives, Vice Chairman, presented.

Meeting with Chengdu Customs (2)

On 18th October 2013, the Chamber met with Mr Chen Guang, Division Chief of Audit-Based Control, Chengdu Customs.

InterCham Mixer (3)

On 5th September, the Chamber co-organised the second Welcome Back Interchamber Mixer, supported by United Kingdom Trade & Investment, the China-British Business Council, Association des Entreprises Francaises en Chine, Chongqing International Women's Association and Maxxelli.

Chongqing Position Paper Launch (4)

On 15th October, 2013, the launch of the *Position Paper* was held at the Harbour Plaza Hotel Chongqing. Ulrich O. Birch, Chairman of Chamber's Southwest Chapter and Torbjorn Sternsjo, Chongqing representative in the Southwest Chapter, delivered the presentation.

TIANJIN CHAPTER


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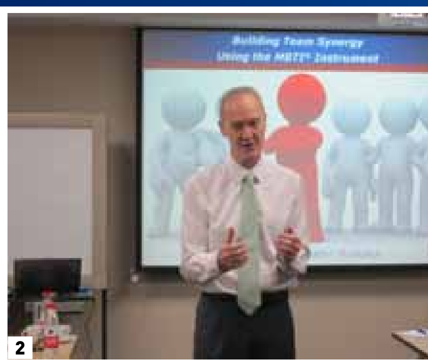
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2013 European Business Gala Dinner - One Night in Europe (1)

The Chamber's Tianjin Chapter hosted their 8th Annual Gala Dinner on 11th October at the St Regis Tianjin Hotel. We would like to take this chance to thank all our sponsors for their support: Airbus, Cintas, Goglio, HengAn, Jones Lang Lasalle, SIP, Siemens, Caissa, Royal Caribbean, Chantal, Heneiken, Business Tianjin, JIN, Taylor Printing, H&B, CITS, Indigo, Westin, Nikko and St Regis hotels in Tianjin, Beijing, Chengdu, Sanya and Bangkok.

Self Awareness Using the MBTI® Open Session (2)

On 14th October, participants took part in an open MBTI® session. MBTI® is the world's most widely used personality indicator.

The Strategic Leader: Simple Techniques to Enable Managers to become Successful Future Leaders (3)

In this highly interactive workshop on 14th October experts shared key findings based on the leadership practices and effectiveness of over 40,000 managers and leaders across 144 countries and 27 industries.

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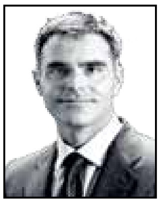
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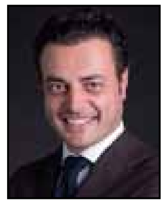
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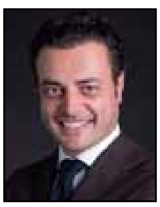
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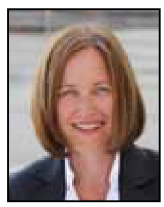
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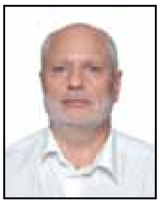
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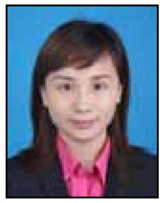
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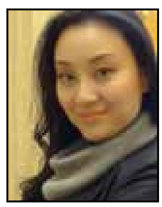
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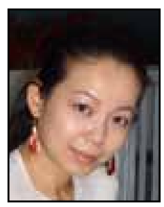
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THE EXECUTIVE INTERVIEW:

She Duanzhi

Vice President, Head of Public Affairs Greater China, Philips

She Duanzhi spoke at the EU-China Business Summit on the subject 'Investment in Society'. He talked to EURObiz about what this means to **Philips** as well as the strategic importance of China as an R&D centre.

Philips' healthcare products were being used in China more than a century ago during the late Qing Dynasty, and their first lighting products entered the China market in the 1920s. They were one of the first multinationals to return to China after the country reopened its doors to the outside world, establishing their first joint venture here in 1985.

Why was it important to open R&D facilities in China?

To succeed in a large market such as China, we need to provide locally-relevant and innovative products, services and solutions to meet China's needs, which can be quite different from elsewhere in the world. In this sense, localised R&D is of critical importance. As China is playing a more strategically important role in Philips' global landscape we're building China into another global home in addition to the Netherlands and the United States. China has become one of the increasingly key innovation and operation hubs for Philips globally in terms of value creation. Now, Philips Research China is Philips' second largest research lab—we have nine R&D centres with over 2,100 R&D staff, and an annual investment of more than EUR 110 million.

Is the focus of your China R&D centres to just create products for the Chinese market, or are your innovations here rolled out globally?

We do both—local for local and local for global. An example of the former is our air purifiers, which were developed to meet local consumer needs for good indoor air quality.

Two examples of the latter are the noodle maker and soymilk maker developed by the local China R&D team based on local consumer insights; these products have been used as a pasta maker and soup maker respectively in the European market.

Can you tell us what Investment in Society means to Philips?

At Philips we strive to make the world healthier and more sustainable through innovation. Our goal is to improve the lives of three billion people a year by 2025; our EcoVision programme is a main driver to realise this. Investment in Society to us means taking our social responsibility for health, education and environment and using it as a global blueprint for sustainable development. We see it as an 'investment' because it makes business sense to do it.

What do you see as China's major societal challenges?

We see, among others, ageing, energy efficiency and sustainable urbanisation as the most critical challenges China faces going forward. However, we see more opportunities than challenges. With leading technologies in healthcare, consumer lifestyle and lighting, solid R&D capacity and local customer insights, we are convinced that Philips is well positioned and committed to China in providing innovative products and solutions to improve Chinese people's lives in China.

What are some of the CSR initiatives that you are involved with in China?

In environmental protection Philips has partnered with the Climate Group and Overseas Chinese Charity Foundation in our 'Lighting the Future' programme, donating energy saving lamps to 264 rural schools in Yunnan, Gansu, Guizhou, Henan, Shanxi and Shandong, benefiting 109,434 students while reducing 264 tons of CO_2 emissions at the same time. In health and education, we have implemented a programme in Yunnan province where Philips provides nutritious breakfasts to over 800 schoolchildren who previously had none. Other programmes include a partnership with hospitals in Beijing and Shanghai to save the lives of children with congenital diseases; a 'SimplyHealthy@schools' programme to promote health and hygiene awareness in schoolchildren and purify drinking water; and a cooperative programme with the Ministry of Health to screen breast cancer and cervical cancer for rural women and train rural doctors.

Aside from CSR projects, what other ways do you invest in society?

Our businesses provide innovative solutions that address major trends affecting the world—the demand for affordable healthcare, the need for greater energy efficiency and the desire for personal well-being. We continuously work on global societal challenges as well as stimulating business growth through our people.

We also invest in the development of Green Technologies and enable our consumers to contribute to a healthier world on a day-to-day basis by choosing green products. We take actions to continuously reduce the environmental impact of our operations and secure healthy ecosystems.


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