Journal of the European Union Chamber of Commerce in China

EURObiz

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March/April 2012

Full Coverage:

The 7th EU-China Business Summit

European Chamber
中国欧盟商会


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China's Premier Wen Jiabao (left) and European Commission President Jose Manuel Barroso shake hands at the EU-China Business Summit in Beijing, 14th February, 2012.

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www.europeanchamber.com.cn

Chief Editor
Steven Schwankert

Art Director
Vincent Ding

Publications Manager
Vicky Dong

Marketing & Communications Manager
Jessica Schroeder

For European Chamber Membership and Advertising in EURObiz:

Member Relations & Sponsorship Manager
Fernando Cutanda
Tel: +86 (10) 6462 2066 ext. 31
Fax: +86 (10) 6462 2067
fcutanda@europeanchamber.com.cn

Advertising & Sponsorship Coordinator
Betty Yin
Tel: +86 (10) 6462 2066 ext. 23
byin@europeanchamber.com.cn

European Chamber Chapters:

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

Chengdu
04-A, F16, Tower 1, Central Plaza, No.8 ShunCheng Avenue, Jinjiang District, Chengdu
成都市锦江区顺城大街8号中环广场1座16楼04-A
Tel: +86 (28) 6155 7184
Fax: +86 (28) 6155 7194
chengdu@europeanchamber.com.cn

Guangzhou – Pearl River Delta (PRD)
Unit 2817, 28/F, Tower A,
China Shine Plaza,
No.9 Linhe Xi Road,
Tianhe District,
Guangzhou, 510613,
P.R.China
广州市天河区林和西路9号
耀中广场A座2817室
Tel: +86 (20) 3801 0269
Fax: +86 (20) 3801 0275
prd@europeanchamber.com.cn

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

Nanjing
Zhujiang No.1 Building,
30/F, E1
1 Zhujiang Road,
Nanjing, 210008, P.R.China
南京市珠江路1号
珠江1号大厦30楼E1座
Tel: +86 (25) 8362 7330 / 8362 7331
Fax: +86 (25) 8362 7332
nanjing@europeanchamber.com.cn

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

Shenyang
Room 20-10.
Office Tower 1, Shenyang Rich Gate Plaza,
No. 7-1 Tuanjie Road,
Shenhe District
Shenyang 110001,
P.R. China
辽宁省沈阳市沈河区
团结路7-1号
沈阳华府天地第一座20-10室
Tel: +86 (24) 2334 2428
Fax: +86 (24) 2334 2428
shenyang@europeanchamber.com.cn

Tianjin
Magnetic Plaza, Building 17,
Room 15A17,
Junction of Binshui West & Shuishang East Road,
Nankai district, Tianjin,
300381, P.R. China
天津市南开区宾水西道（宾水西道与水上东路交口）
奥城商业广场17座15A17室
Tel: +86 (22) 2374 1122
Fax: +86 (22) 2374 1122
tianjin@europeanchamber.com.cn

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

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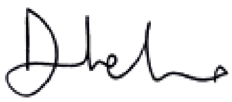
Addressing the Issues

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



In February, the European Chamber was proud to organise the 7th EU-China Business Summit, hosted at Beijing's Great Hall of the People. Along with a full day of workshops and plenary session presentations, over 700 attendees were addressed by European Council President Herman Van Rompuy, European Commission President Jose Manuel Barroso and China's Premier Wen Jiabao. During the plenary business session I had the opportunity to deliver a keynote speech from which I would like to share some statements:

The EU-China trade and business currently constitutes the second largest economic cooperation in the world.

The ongoing trade surplus in favor of China reflects the reality of the market and has substantially contributed to the build-up of the foreign exchange reserves that China enjoys today. In these difficult times, the interdependency in this economic relationship has become even more evident, including a slowdown in consumption and growth in Europe that produced a major knock-on effect in China's largely export-based economy. At the same time, China is the biggest driver of global growth post the 2008 financial crisis. This growth and, the sheer size of the Chinese market, continues to offer major business opportunities for European companies.

The European Chamber is convinced that investment streams between China and Europe have room to grow.

We welcome the important increase of Chinese outbound investments in Europe. Historically, Chinese ODI to Europe has been relatively low compared to European investment into China. Yet over the first 11 months of 2011, there was a 94% year-on-year increase in the growth rate of Chinese ODI to Europe, demonstrating both the rising ability of Chinese firms to 'go global', as well as the growing importance of the European market to Chinese firms.

Our member companies tell us that the regulatory environment for conducting business in China is not getting easier, and this is visible in the day to day implementation of industrial policies and casts doubt upon the chances for European companies to get a fair deal.

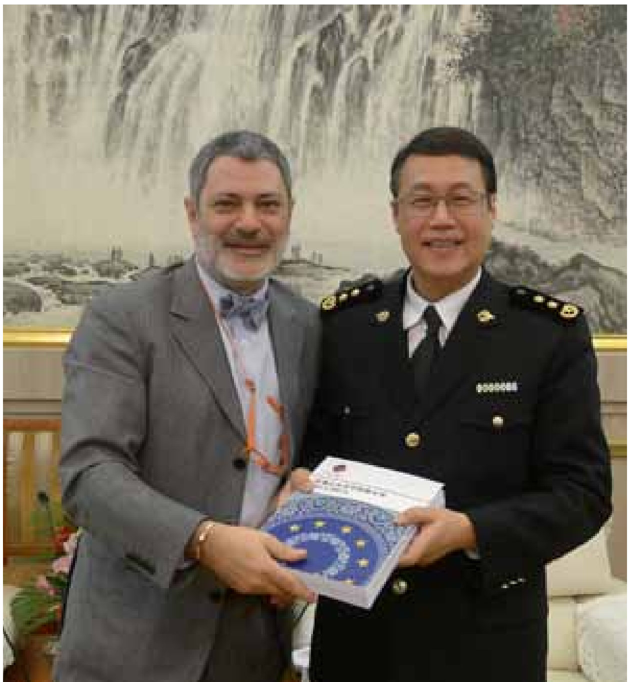
Further market access should remain on the top of our agendas. Chinese companies have the resources and show the capabilities to bid for major participation in infrastructure development in Europe and we believe that similar access should be granted to European companies in China. One important step forward would be a comprehensive GPA offer that reflects not only government – but all public procurement realities; in particular the reality that the vast proportion of China's public procurement is carried out at local levels and through State-Owned Enterprises projects financed with State funds or state-backed financing.

The EU is the largest contributor of technology to China, and the European Chamber firmly believes that transfer of technology works best in the spirit of cooperation. While we welcome the statement by Minister of Commerce Chen Deming that, "Technology transfer and technological cooperation shall be decided by businesses independently and will not be used by the Chinese government as precondition for market access", the requirement that many market sectors must still be entered via minority joint ventures remains a significant impediment to a level playing field for all companies operating here.

The EU-China Business Summit enhanced dialogue between the business and political communities of the EU and China. We believe that it increased the ambition for China to expand in Europe, and hope that China will see the importance of open markets for all players.

I wish you continued success in your business.

EUROPEAN CHAMBER LOBBYING HIGHLIGHTS



European Chamber President Davide Cucino presented the Position Paper to Sun Yibiao, Vice Commissioner of the General Administration of Customs.

Position Paper Presentation Meeting with the Vice Commissioner of the General Administration of Customs, Sun Yibiao

On 18th January, 2012, a European Chamber delegation led by President Davide Cucino met with Sun Yibiao, Vice Commissioner of the General Administration of Customs, to present the Position Paper. During the meeting, Chairs of the European Chamber's Logistics, Energy, Maritime Transport and Aerospace Working Groups, as well as the Vice Chair of the Lighting Group, raised various issues with Vice Commissioner Sun and a number of his Director-Generals who also joined the meeting. These issues included manual changes of cargo manifests, containers with abandoned goods and related customs procedures, the issuance of oil import licenses, the repair turnaround time for aircraft components and the storage of aviation parts in bonded warehouses, as well as HS codes for lighting products. Vice Commissioner Sun and the Director Generals gave direct and concrete answers to many of the issues, recognised the need for further internal discussions on some issues and strongly encouraged all parties present to continue the dialogue in working level meetings.

Roundtable Meeting with the Vice Minister of the State Administration of Industry and Commerce, Liu Yuting

On 12th December, 2011, Miroslav Kolesar, Vice President of the European Chamber, led a delegation of European Chamber representatives to meet with State Administration of Industry and Commerce (SAIC) Vice Minister, Liu Yuting at the 7th annual meeting between SAIC and Chambers of Commerce. The European Chamber representatives raised various concerns and listened to Vice Minister Liu explain how suggestions given at the 6th annual meeting had been addressed over the course of the last year.

Meeting with the Vice Minister of Commerce, Wang Chao

On 15th December, 2011, in Ningbo, Zhejiang Province, the Chair and Vice Chair of the European Chamber's Auto Components Working Group met with Wang Chao, Vice Minister of the Ministry of Commerce. This was the second meeting with the MOFCOM Investment Directorate and it focused on the rights of innovators in the context of the inclusion of patents within national standards.

Dinner with the Commissioner of the European Commission Directorate General for Trade, Karel De Gucht

On 13th February, a day prior to the EU-China Political and Business Summits, Commissioner De Gucht and Director General Demarty of DG Trade joined the European Chamber President, Davide Cucino, Vice Presidents, Miroslav Kolesar and Jens Ruebbert, and 12 representatives of the European Chamber's Advisory Council to discuss recent developments in the Chinese marketplace and to listen to concerns from industry.

Meeting and Breakfast Seminar with the Commissioner of the European Directorate General for Internal Market and Services, Michel Barnier

On 17th January, at the start of Commissioner for Internal Market and Services, Michel Barnier's visit to China, a meeting was held with a number of representatives of the European Chamber, including President Davide Cucino. The meeting, which was held just prior to a breakfast seminar organised by the European Chamber for Commissioner Barnier to speak to European Chamber members, allowed the European Chamber to brief the Commissioner on the main issues affecting European banks and consumer finance.

Other Lobby Highlights

Over the last two months, the European Chamber submitted 13 comments on Chinese regulation to the Chinese government, and held 16 meetings with Chinese government officials. The Chamber has also met 25 times with officials from the European Commission and European Member States. To promote an aligned message to the European Union Member States, the European Chamber has been honoured to hold 16 meetings with Ambassadors to promote the Position Paper. Recent meetings include with Their Excellences, the Ambassadors of Finland, the Czech Republic, Luxembourg, Romania and Estonia.

At the central level of the Chinese government, recent meetings include with the Director of the New Energy and Renewable Energy Division at the National Energy Administration, as well as with the Director of the National Policy & Compliance Division of the NDRC's Department of Climate Change to discuss issues relating to renewable energy and to low carbon development, respectively. The European Chamber also met with the Director of the Cooperative Finance Supervision Department of the China Banking Regulatory Commission who visited the Chamber to speak at a Working Group meeting on recent policy developments in the rural financing and the status of rural credit cooperatives. The Chamber was also contacted by the State Food and Drug Administration for a meeting with the Director General of the Health, Food and Cosmetics Supervision Department to solicit input from industry on the draft re-classification rules for cosmetics.

The European Chamber has also conducted a number of meetings at local levels of Chinese government. In Shanghai, two meetings were held with both the Shanghai Arbitration Committee and two meetings were also held with the Shanghai Food and Drug Administration, both times to discuss cosmetics related issues, including on ledger management and adverse-effect surveillance. On 17th February, the Shanghai Chapter of the European Chamber was also delighted to host the Deputy Director of the Foreign Investment Management Division of the Shanghai Commission of Commerce, who delivered a presentation on the recently released Foreign Investment Catalogue. In Beijing, two meetings were held with the Beijing Administration of Taxation; firstly with the Director General, followed by a more focused meeting with the Deputy Director of the International Taxation Administration Division to discuss issues related to the legal framework governing representative offices of insurance providers.

The European Chamber's PRD Chapter signed a Memorandum of Understanding with the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality (BOFTEC). In the agreement, BOFTEC agreed to communicate the key messages of the European Chamber's Position Paper among Guangzhou municipal government offices and institutions. Also in the PRD, the European Chamber met with the Director of Energy and Circular Economy of Shenzhen's municipal Development and Reform Commission to discuss policies regarding the low carbon economy and the establishment of an emission trading scheme in Shenzhen. The European Chamber also met with another municipal Development and Reform Commission, this time in Chengdu, where the Vice Inspector and Director of Regional Economic Cooperation shared information with Chamber members on the latest policies and strategies for Chengdu's future economic development.

The European Chamber has also been involved in a number of events in recent months. These include the conference on low carbon best practices for standards and certification, which was organized by the Standardisation and Conformity Assessment Working Group of the European Chamber and which invited speakers from government bodies including the China National Institute of Standardisation and the China Quality Certification Centre, alongside European speakers from both the Chamber and from European Standardisation Organisations. The European Chamber also participated in a number of externally organized events, like the China Clean Energy Expo, where European Chamber Secretary General Dirk Moens presented on a panel together with the China Electricity Council, the National Energy Administration and the State Electricity Regulatory Commission on how European companies can assist with China's green economy aims and on how barriers currently restrict them from doing so. Eb

European Council President Herman Van Rompuy (left) shakes hands with China's Premier Wen Jiabao during the last part of the EU-China Business Summit.

A Historic Event: The 7th EU-China Business Summit

Convening for the seventh time in nine years, the EU-China Business Summit brought together political leaders, captains of industry, top executives, key regulators to discuss and strengthen one of the world's most important business relationships. EURObiz's **Steven Schwankert** attended and reports on the year's most important event on the EU-China business calendar.

On 14 February, the European Union Chamber of Commerce in China co-organised the 7th EU-China Business Summit at Beijing's Great Hall of the People. The day-long event, which closed with speeches by European Commission President Jose Manuel Barroso, European Council President Herman Van Rompuy, and China's Premier Wen Jiabao.

Held in partnership with the China Council for the Promotion of International Trade (CCPIT) and Eurochambres, over 700 European and Chinese executives attended the day-long event, which included three morning workshops, followed by the EU-China Business Summit plenary session, and finally, the conclusion of the political summit, which was held alongside the business event.

Convened on an alternating basis between Brussels and a major city in China, the EU-China Business Summit has been held regularly since 2003 to facilitate a dialogue on business and political issues between the two sides, not only among government leaders and officials, but executives and top industry profiles with a deep interest in further improving the environment for business and understanding in both Europe and China.

The morning session of the Summit saw executives guided to workshops related to their industries (see workshop review coverage beginning on page 17). These covered the highly relevant subjects for China's continued economic growth: Opportunities in Urbanisation; The

Role of SMEs; and Investment: Industrial Upgrading and Support. Each of these workshops featured a diverse group of speakers, including business representatives and government officials, presenting on their field of expertise. Moderated by experts in the field, these panels allowed for discussion not only among the participants, but also for a vigorous question and answer session with the attendees.

After a recess for lunch and networking in the Golden Hall dining area, participants convened in the Great Hall's third-floor auditorium for the Business Summit's plenary session. Moderated by Stephen Philips, Chairman of the European Union-China Business Association and Chief Executive of the China-Britain Business Council, panelists included Yu Ping, Vice Chairman of CCPIT; Davide Cucino, President of the European Chamber; Shi Lirong, President of ZTE Corp.; Jorgen Buhl Rasmussen, President and CEO of Carlsberg; Xiang Wenbo, President of Sany Heavy Industry; and Stefan Doboczky, President of DSM Sinochem Pharmaceuticals.

"The 12th Five-Year Plan confirms the direction of China, especially in terms of development of a green economy, urbanisation and industrial upgrading", said CCPIT's Yu Ping in his presentation.

In his opening remarks, European Chamber President Davide Cucino said "The European Union and other countries are looking to China to further comply with World Trade Organization commitments and to more speedily carry out the process of reform and opening up. Not doing so could lead to increased frictions and to the risk of closure of the markets. On the contrary, doing so would bring massive benefits for China at a time when it is aiming to shift its economy to new drivers of sustainable and green growth and to encourage industrial upgrading".

Calling upon political leaders in the audience, ZTE's Shi Lirong said, 'It is up to politicians to help business people to realise the goals of the policies they establish.'

Carlsberg CEO Jorgen Buhl Rasmussen said that operating in China required "a completely different and agile business model". "The new realities require flexibility but also certainty on behalf of government regulators". He expressed confidence that European leadership is up to the task. 'I do believe we will overcome these challenges, and I believe that the EU will emerge from this stronger".

Of changes in the foundations of the Chinese economy and new trends in investment, Stephen Dobczsky, President of DSM Sinochem Pharmaceuticals, said "We are not talking about philanthropy; we are talking about innovation at its most basic", adding that "in China, sustainability, innovation and collaboration with be at the forefront" in the future.

Sany Heavy Industry's President Xiang Wenbo, whose recent acquisitions in Europe had drew significant notice as a possible model for greater Chinese investment in the EU, said that in contrast to the way China and Europe view its relationship, "Americans always worry that if you sell you technology, it will lead to building planes and tanks that will be used to bomb Americans". During the question and answer session, Xiang said that "We don't think of Sany as a Chinese brand, we think of it as a global brand", and as such, making acquisitions in Europe should not be a surprise.

Following their political Summit and a news conference with Chinese

The Great Hall of the People's Macau Room hosted the 'Opportunities in Urbanisation' workshop.

European Chamber President Davide Cucino toasts the success of the Summit with CCPIT Vice Chairman Yu Ping.

and international media, Presidents Barroso and Van Rompuy and Premier Wen arrived to make their presentations and close the session, accompanied by European Commissioner for Trade Karel De Gucht and China's Minister of Commerce Chen Deming. On the night prior to the Summit, representatives of the European Chamber's Advisory Council had the opportunity to meet with Commissioner De Gucht for a frank discussion and exchange of views on European trade policy towards China.

"In every crisis, there is an opportunity", said President Van Rompuy in his remarks, citing the Chinese phrase 'wei ji', which contains the characters for both of those words. "The question must be: what are our shared opportunities to overcome the crisis?" He suggested that discussions in Beijing would continue and become a part of the larger G20 meeting in Mexico, to be held in June. He indicated that both sides China and the European Union are striving to create sustainable and green growth, and facing aging population.

Throughout, he emphasised the need for a stronger partnership between the two sides. "Today more than ever the EU and China's interests converge… There are enormous tasks that we can only take on together", President Van Rompuy said, concluding "Our stagnation is your slower growth. Our success is your success".

He was followed by European Commission President Barroso called on both sides to "use our partnership to address global issues". "We have decided to establish our relationship at the level of strategic partnership", he said, adding that "Balanced economies are wise policy. In the global economy, there is not always this wisdom".

China's Premier Wen was the day's final speaker. He began by noting that he had participated in all seven of the EU-China Business Summits, although this one would be his last.

"China is a responsible, long-term investor. China is willing to assist with the EU's re-balancing [of its economy]. Trade relations are the most holistic facet of the Sino-European relationship", Wen said.

Premier Wen offered suggested steps forward, including "Next will be to expand the scope of the Chinese and European trade relationship. China is willing to import more European products. For mutual investment co-operation, the next step is for fair, open and transparent investment". He also called for increased scientific exchanges, co-operation on aerospace, support for SME funding and European ideas on waste management and other aspects of urbanisation.

Lastly Premier Wen said, "When we encounter difficulties like this, it is even more important that we stand together", closing the 7th EU-China Business Summit.

ABB Group Senior Vice President Claudio Facchin answers questions during the 'Investment: Industrial Upgrading and Services' workshop.

WORKSHOP: INVESTMENT: INDUSTRIAL UPGRADING AND SERVICES

Moderator:
Mr. Wu Qi, Senior Partner and Vice President at Roland Berger Strategy Consultants Greater China

Guest Speaker:
Ms. Magdalena Alvarez Arza, Vice President of European Investment Bank

Speakers:
Mr. Claudio Facchin, Senior Vice President of ABB Group and President of ABB North Asia Region
Mr. Michael Fredskov Christiansen, President of Novozymes (China) Investment
Mr. Caspar Luyten, Chief Regional Officer Asia, Telefonica
Mr. Yu Rumin, President of Tianjin Port Group Co., Ltd
Mr. Ding Hongxiang, Vice President of the China National Machinery Industry Corporation

Industrial upgrading is stressed in the 12th Five-Year Plan, and innovation and productivity are also promoted in the EU 2020 strategy. These similarities in medium-term strategies will bring China and the EU closer together, creating synergies and opportunities, if business leaders and government officials can align their thinking and practices.

Industrial upgrading will also help to bring about other societal goals, for example environmental and energy-related goals. The process of industrial upgrading and the synergies of the two plans will bring massive opportunity for cooperation between Europe and China.

In this area, Europe tends to have the best and most advanced technology and experience. However, industrial upgrading is driven by demand, and the Chinese market is bringing massive demand, creating at the same time significant opportunity for cooperation in various sectors, including new energy, energy efficiency, biotech and infrastructure.

By working together, both sides can develop new markets by utilising their core strengths. "European technologies in these areas are the most advanced in the world and can help be adapted together with China to respond to China's own needs and situation, e.g., using China's massive amount industrial waste and sugar crops into useful materials", said Michael Christiansen, President of Novozymes (China) Investment.

However, policy is also needed to support this process and create the environment for cooperation. At the same time, industry needs to work together to develop standards and technology together through joint research and development (R&D), both in China and in Europe.

"To upgrade, more needs to be invested in R&D and greater proportions of revenue should be allotted to R&D", said Caspar Luyten, Chief Regional Officer Asia of Telefonica.

"Newly introduced EU efficiency legislation will speed up the adoption of smart motor control systems and new energy efficient motors that can save up to 30%. This is one area where joint cooperation can use best practices and experiences to bring about direct benefits, especially at a time when the introduction of new energy efficiency standards are highly expected in China in 2012", said Claudio Facchin, Senior Vice President of ABB Group and President of ABB North Asia Region.

Key to this cooperation is the need to further develop trust and relationships, in particular through greater transparency, planning and closer communication between businesses. That spirit of trust and co-operation, coupled with an open market environment, can create more opportunities for growth and investment.

Schneider Electric China President Zhu Hai addresses attendees of the 'Opportunities in Urbanisation' workshop.

WORKSHOP: OPPORTUNITIES IN URBANISATION:

Moderator:
Massimo Bagnasco, Chair of the Construction Working Group, Beijing

Speakers:
Mr. Li Tie, Director of the China Urban Development Center, NDRC
Dr. Karl-Thomas Neumann, President and CEO of Volkswagen Group China
Mr. Hao Jiebin, CEO of Beijing Vantone Citylogic Investment Corporation
Mr. Zhu Hai, President of Schneider Electric China and Schneider Electric Global Executive Vice President
Mr. Raphael Schoentgen, Chief Representative of GDF Suez China
Mr. Xu Datong (Tony Xu), Director of Tianjin Binhai New Area Commerce Commission

The 'Opportunities in Urbanisation' workshop could not have been held at a better time than mid-February, 2012. Just one month earlier, China had passed the mark where more of its population was residing in cities than in rural areas. As such, the issues and opportunities raised by urbanisation in China took on even greater importance in an area already cited by the 12th Five-Year Plan as a primary driver of the country's next phase of growth.

The migration of populations to urban areas – part of a global trend, but one in which China leads – brings with it a host of issues, including waste management, water management, power generation and environmental concerns.

Moderator Massimo Bagnasco opened the morning's discussion, framing it by saying that one estimate indicates that only 19% of China's land is habitable, making a move towards cities not only desirable, but necessary.

"Between 2010 and 2050, there will be a 40% increase in the population of cities worldwide", said GDF Suez's Raphael Schoentgen. He gave several examples of innovations being introduced in major world cities, including that about half of Paris's power is generated by burning or re-using waste, and that Macau is moving towards in-building and underground waste collection to remove curbside garbage handling.

Although treating waste water to allow further use is both important and common, new systems also allow heat and energy from hot water used for both commercial and residential cleaning and cooking to be recycled, lowering energy bills by 24% and emissions by 66%, he said.

A city can be considered smart when they are efficient, development is sustainable and dwellers enjoy a comfortable urban life, according to Schneider Electric's Zhu Hai. "We need to measure our resources usage, to measure our environmental impact and, third, to treat our impact".

"E-mobility will be a success in China", said Volkswagen China's Dr. Karl-Thomas Neumann, referring to the development of electric vehicles. This serves two ends for China: aside from the obvious benefit of no emissions, it reduces the country's dependence on foreign oil. He also believed that in China, e-vehicles does not necessarily mean automobiles. In this case, scooters and micro-cars would potentially be more suitable in terms of price and charging infrastructure construction.

'The Role of SMEs and Institutional Support' workshop was opened by Mrs. Bozena Lublinska-Kasprzak, President of the Polish Agency for Enterprise Development.

WORKSHOP: THE ROLE OF SMES AND INSTITUTIONAL SUPPORT

Moderator:

Mr. Yang Yunsong, Chair of the APEC Business Advisory Council's SME & Entrepreneurship Working Group and President of XY Group International.

Guest Speaker:

Mrs. Bozena Lublinska-Kasprzak, President of the Polish Agency for Enterprise Development (PARP)

Speakers:

Mr. Stephen Philips, Chairman of European Union China Business Association and Chief Executive of China Britain Business Council (a leading managing consortium partner of the EU SME Centre)
Mr. Martin Malmros, Global CEO of Aura Light
Mr. Enrico Lodi, CRIF Credit Bureau, Managing Director & CRIF Group Board Member
Mr. Tian Chuan, Deputy Director General of the SME Department at the Ministry of Industry and Information Technology (MIIT)
Mr. Zhang Shiming, Vice-President of China Bohai Bank
Ms. Karen Ji, Assistant President of Kingdee International Software Group

The role of small and medium-sized enterprises in any major economy, both developed and developing, cannot be underestimated. About 99% businesses in Europe are SMEs, according to the EUCBA and CBBC's Stephen Philips. Their importance is underscored by two programmes through which the European Chamber assists European SMEs: the EU SME Centre and the China IPR SME Helpdesk.
Room for expansion in the Chinese market is significant. As was noted, while as many as 99% of all enterprises in the EU are SMEs, only 9% of them are currently exporting to China, offering opportunities, especially at a time when exports elsewhere are sluggish.

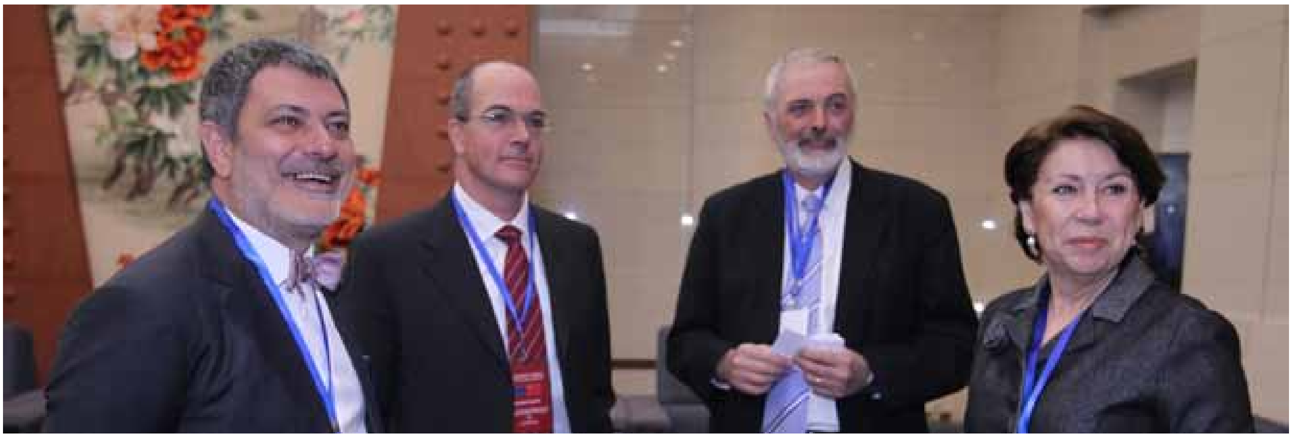
Nowhere in the EU is the opportunity for SMEs more apparent than in Poland. "SMEs are driving the Polish economy, now number one in terms of growth", said Bozena Lublinska-Kasprzak of the Polish Agency for Enterprise Development. Currently about 1.7 million SMEs operate in Poland, with 96% of them as micro-SMEs, employing four or five people. Despite their small individual size, they now account for 50% of Poland's GDP, Lublinska-Kasprzak said.

"We welcome more SMEs to come to China and invest, and we are ready to approve more and new kinds of SMEs", said Tian Chuan of the MIIT. Despite Poland's impressive numbers, China is in some ways able to surpass them: 60% of GDP, 80% of employment, and 50% of tax revenue in China is generated by SMEs, Tian said, although China's definition of SMEs leans more towards medium-sized companies than the small firms that have been recently driving Poland. Tian also noted that development of SMEs is a priority for China's 12th Five-Year Plan, and that as such, resources for them are becoming available, whereas in the past they had difficulty obtaining financing and faced significant red tape in company formation and operation. He also hoped that more Chinese SMEs would look to Europe as a potential market.

Enrico Lodi of CRIF said that the development of credit worthiness assessment systems in China are necessary and will help to alleviate some of SMEs trouble in applying for loans and other forms of credit. Deciding which businesses are and should be able to tap into sources of liquidity remains an impediment to further development of companies at this level, but that China is making progress in this area. Eb

The 7th EU-China Business Summit

A full day of workshops, a plenary session and speeches by the European Union and China's top political leaders highlighted the 7th EU-China Business Summit. Photographers captured the spirit of the day in just some of the pictures seen here.



EURObiz Events

BEIJING

Private Equity Study Afternoon Seminar
Tuesday 13th March
Westin Hotel Chaoyang

Well Being in the Workplace and the Impact on Business
Thursday 15th March
Westin Hotel Chaoyang

Breakfast Book Reading with Nicholas R. Lardy on Sustaining Chinas Economic Growth After the Global Financial Crisis
21st March
Westin Hotel Chaoyang

Annual General Meeting
Thursday 26th April
EU Delegation

Retail & Distribution Half-Day Conference
Wednesday 21st March

Financial Services Mixer
Thursday 22nd March

SEPB Joint Half-Day Roundtable
Wednesday 28th March

Legal Mixer
Thursday 29th March

Gala Ball 2012 - "One Night in Europe"
Saturday 12th May

NANJING

Spring Garden Party
21st April

PRD

Quality Training - Level 1
Wednesday 14th March, Shenzhen
Thursday 15th March, Guangzhou
Friday 16th March Foshan
Thursday 29th March, Zhuhai
Friday 30th March, Zhongshan

2012 MIECF - Green Business Co-operation Day Forum – European Pavilion
29th-31st March

SHANGHAI

InterChamber Spring Mixer
Thursday 15th March

TIANJIN

GM Briefing: EU Commission Dalli's visit to Tianjin
Monday 19th March

InterChamber Networking night
Tuesday 20th March

Conference cocktail: Global Debt in the year of Drag(on) - How will it affect you?
Thursday 22nd March

HR Workshop: HR shared service center
Friday 23rd March

Factory visit in Tianjin Binhai New Area
Middle of March

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

Experience 'One Night in Europe' this May

On 12th May, the European Chamber Shanghai Chapter's annual Gala Ball will be taking our guests on a tour through the best that Europe has to offer. Join us for a night that will evoke the richness of European culture, the flavour of the many ancient and diverse countries. This year's event will be held at the Kerry Hotel Shanghai.

Every May since 2005, members of the European and Chinese business community will converge at the Gala Ball to enjoy an abundance of fine food, wine and performance.

Drawing in many of the European Union member state Consul Generals, senior Chinese government officials and Fortune 500 CEOs, this event has grown into one of the paramount gatherings in the Shanghai social scene. Eb

For more information on how you can be a sponsor for this fabulous evening, please contact Petra Nordin by email at pnordin@europeanchamber.com.cn or call 021-6385 20 23 ext 116

CARLSBERG

Jorgen Buhl Rasmussen

The Group CEO of Carlsberg discusses the company's long history in China, its participation in the 'Drive West', and integrating CSR into every part of the company's operations.

EURObiz (Eb): During your address at the EU-China Business Summit, you mentioned that Carlsberg participated in China's 'Drive West' campaign. Please tell us more about what the company did to take part.

Jorgen Buhl Rasmussen (JBR): We exported our first Carlsberg beer to China as early as 1876; only a few years after we exported our very first beer, making China one of our first export markets. So you can say we have had China on our radar for a long time.

However, our operation in China really picked up speed in the early 2000s where we followed the Chinese government's direction of "going west" and expanded our business considerably in the Western regions of China. Today, we are a proud market leader of the beer market of Western China.

This approach has been a strong platform where we've had very good partners, who helped us gain local insights. In all the Western Chinese regions, we now have local Chinese brands that we complement with our international premium brands. So far, it has worked very successfully, and starting in the West proved to be a win-win situation which further strengthened our position in the Chinese market.

Eb: Beer consumption in China is now double what it is in the United States, but given the population, that means per capita consumption is still relatively low. Where is Carlsberg's opportunity in China?

JBR: That is exactly right. We do expect to see continued strong growth in the Chinese beer market, which at the moment is around 6-7% market growth.

The average beer consumption per capita in China now is around 35L. If we go to Western China, where the figure now is around 19L per capita, there will be a lot of potential for growth.

Meanwhile, Carlsberg is building on strong local brands as well as a great mix of international premium brands which we look forward to bringing to even more people in China.

So we believe there's a lot of opportunity for growth.

Eb: Carlsberg has a long history in China. When did the company first start exporting beer to China?

JBR: The first Carlsberg beer was exported to China in 1876. However, as early as 1869 we have evidence that the founder of Carlsberg Breweries, J.C. Jacobsen was contemplating exports to China. The Carlsberg founder found great inspiration in Asian culture – not least in China – and this continues in the brewery today.

Eb: How is Carlsberg's approach different in China than in other countries?

JBR: China is a dynamic and competitive market, Carlsberg respects and adjusts to the demands of Chinese consumers which vary significantly regionally.

Carlsberg now owns a product portfolio with over 20 brands in China, which caters to these various demands of Chinese consumers. For example, we tailor made Carlsberg Chill for Chinese consumers, which meets Chinese consumers' preference for less bitter beer, as well as Carlsberg Light, a beer for Chinese dinning occasions.

Carlsberg also attaches importance in fostering relationships with local partners to gain local insights, which help Carlsberg to build on strong local brands as well as a great mix of international premium brands.

Eb: In many places in China, beer drinkers are very loyal to their local brand. How does Carlsberg tempt them away from popular local selections?

JBR: Key to Carlsberg's approach in China as well as in other parts of the world is to use a GloCal approach where we build on local strengths and particularities while we contribute with international experience and premium brands. In China, this implies that we will continue to market strong local brands supplemented by our portfolio of international premium beers. So we believe our successful local brands and international premium brands are supporting mutual growth.

Eb: Do European companies have any innate strengths that help them to do business in China?

JBR: I think European companies can learn a lot from doing business in China. But I also believe Carlsberg has a particular strength that will help us become even more successful in China, namely the fact that our company is built on a heritage of strong values of quality, social engagement and the will to always improving.

Eb: CSR plays a significant role in Carlsberg's overall operations. Can you tell us how that is integrated here in China?

JBR: Carlsberg's CSR strategy is embedded throughout our operations. This includes focus areas like environment, responsible drinking, community engagement etc. Carlsberg is today the most efficient international brewer in terms of water usage and energy consumption. This requires strong focus and execution across the group. And in China we are particularly proud that we in December were granted the 'Golden Image Award of Environmental Protection'. We will continue to strive for improvements in this area in order to save natural resources such as water. Eb

COVEX PHARMACEUTICALS

Fernando Calvo

The CEO of Covex Pharmaceuticals discusses the importance of market access and the opportunities that China represents for Europe's drug makers.

EURObiz (Eb): Please tell us about Covex's business in China.

Fernando Calvo (FC): Covex decided to do business in China from the very beginning, firstly through the import of raw materials as early as 1978 after attending the Canton Export Spring Fair, and since 1988 through the export of Vinpocetine (known as Changchunxiting in Chinese) finished dosage drugs and active pharmaceutical ingredients. Vinpocetine is a drug of choice in neurology.

The opportunity in China for Covex has increased exponentially as China has listed Vinpocetine as a product eligible for social security support since 2009.

Eb: Is the EU-China business relationship growing in importance? Why or why not?

FC: Covex was already selling this ready-made medicine in Portugal (from 1986), China (from 1988) and former Soviet Union countries (from 1991) as major markets, and later on to 28 different countries (including nine EU countries). The choice of China over other countries was made based on the market potential. The fast growth of Vinpocetine market in China makes it the largest worldwide.

There is also a new market opportunity that Covex wants to explore, regarding the gradual release of a formulation of Covex Alkaloids for pharmaceutical use, as well as a huge dietary supplements' project. The latter one is focused on a beverage based on Jilin Province ginseng plantations, primarily focused on post-hospital treatment for post-ischemia recovery, or post-stroke situations.

Eb: What is the biggest business issue that the two sides face?

FC: The biggest difficulty for Covex in approaching the Chinese market was the bureaucratic barrier related to the Import Drug Licence renewal that has been delayed. The difference is found in the jurisdiction and court practice to stop illegal activities from competitors. The Courts of Justice and lawyers in Europe are more efficient, give quicker decisions and remain independent from political pressures.

Eb: Where are the best opportunities for European industry in China?

FC: In China, government regulators have kept the public sector as a pillar of the economy as well as have chosen to foster the development of certain sectors of the private enterprise. Consequently, the 'Company Law/Company Act' has been modified, favoring SME establishment.

Eb: How can Europe make itself more attractive for Chinese investment? Or what would encourage greater investment in China?

FC: It is complicated for SMEs to souce funding given the existing banking crisis, therefore, Chinese companies (SMEs) that are larger than those in Europe acquire a stake in companies' capital by injecting new capital, obtaining technology and further modernising it.

Eb: How will the current issues with the Euro affect the EU-China relationship?

FC: Apart from the direct appreciation of the RMB against the Euro following an appreciation of the RMB against the dollar, this would likely produce a depreciation of the Euro against the dollar, thereby correcting the current overvaluation of the Euro. However, the continuation of the current exchange rates for the U.S. and Europe is a continuous source of major problems, including imbalances that can escalate to a larger number of countries in coming years.

There is a parallel (and ultimately increasing) tendency to minimise these problems and assume that China will leverage its balance of payments (thus eliminating major international imbalances) naturally, without having to tweak the RMB exchange rate. This process would occur by a progressive reduction in the saving rate of Chinese families and according to the Chinese government, measures will be implemented to promote consumption and social protection.

If the appreciation of the RMB is therefore essential to correct the current international imbalances, it is even more crucial to resolve the future of business investments in Europe.

Eb: What do you think is the greatest misunderstanding of China in Europe? Conversely, where do you think Europeans mostly misunderstand China?

FC: Some Spanish companies have approached China with a non-justified sense of superiority given the current reality of China. In the pharmaceutical sector, China is the fifth world market and in a few years it will be the first due to the social security law which was approved by the Chinese government. Anyone traveling to a trade show or fair in China will notice the great progress and advanced state-of-the-art, of the Chinese industry.

Eb: Tell us about the partners and companies Covex serves in China. How does the business differ between the Chinese side and multinational corporations?

FC: After importing APIs from China from 1978, Covex went to China in 1988 with a joint venture with a large local state-owned company in the Liaoning province city of Shenyang. Later on, due to different business objectives and processes, Covex left the joint venture and started working with several local distributors.

The Chinese partners approached Covex directly because only two of Vincamine and Vinpocetine alkaloids' companies are real manufacturers, Covex being one of them. Usually pharma labs are aware of this fact, in spite of misleading advertisements in specialised pharma press or the Internet.

As for second-tier cities, Covex is considering Hainan as a location to set up a factory due to the city's splendid climate and infrastructure. This factory will increase Covex's manufacturing capacity for catering to the growing Chinese and U.S. markets. It intends to re-export its products to other Asian surrounding countries as well. Eb

CRIF

Enrico Lodi

CRIF Credit Services' General Manager tells us about the rising demand for credit and related credit information requests, and how China's financial institutions are preparing themselves to do more.

EURObiz (Eb): What is your impression of the state of small and medium-sized enterprises (SMEs) in China, having been a featured speaker on the panel at the EU-China Business Summit's SME session?

Enrico Lodi (EL): I read some reports about the financing difficulties faced by Chinese SMEs who normally could not get loans from the bank. As a common banking practice, loans are distributed upon enough understanding on the enterprise. In China, SMEs could not provide information to meet the loan requirement from the bank, which means SMEs don't collect and archive such important information as accounting and manufacturing, so when applying loans from the bank, they could not complete all the materials required by the bank in a short time. There are two possible reasons: one is that SMEs do not know which information could help them get the loan, the other that there is no effective reflecting system between the info provided by the SMEs and obtaining bank loans, i.e. there is no department to conduct the task of collecting/archiving SME credit info.

Eb: Following the Summit, where do you think the opportunities for business in China are?

EL: CRIF have over 20 years' experience in Europe in collecting and organising SME credit info to the banks for decision solutions. We believe we could and are willing to provide our experiences and technology to the Chinese partners, helping Chinese SMEs improving financing environment.

Eb: What is the demand for consumer credit now in China, and how does that create opportunities for CRIF?

EL: China is still on the starting stage on consumer finance. Chinese economy has been relying on export for a very long time, where China's low-cost labour has re-shaped global economic competition landscape. American and European economies are growing slowly or in standstill, and China is in urgent situation to change economy increase from depending on export to enlarging domestic consumption, where consumer finance is a very effective solution from both European and American experiences. However, risk control is a key concern by financial institutions in developing consumer finance. CRIF is the global leader in providing individual credit information, SME credit information, small loan decision solutions and enterprise business information, therefore, I'm very confident that there are a lot opportunities for CRIF in China. We entered China in 2008 with the HuaxiaCRIF JV, and started our own WOFE CRIF China in 2011.

Eb: How is CRIF's approach different in China than in other countries, especially other emerging economies?

EL: It is well-known China has the largest population in the world, and Chinese people's income is increasing year by year, so there are increasing business opportunities in China. China has over 5000 years' historical culture with its distinguished business culture characteristics. As an Italian company, it's crucial for us to understand both Chinese business culture and political culture. Our WOFE in China has gained quite much business progress and there is still a long road for us to develop in China.

Eb: The European Union and China are now investing approximately the same amount in each other in terms of overseas direct investment. What would it take to increase the flow of investment in both directions, what would encourage each to invest in the other?

EL: Whether it's China investing Europe or Europe investing China, the ultimate fact is Chinese economy catching up European, which is also a very important part in global economy development. Vast in geography , China is in the first stage of urbanization and there is at least 20 years' economic growth in future, which means great opportunities to both Chinese and European enterprises.

Eb: Are Chinese financial institutions well-prepared to address the mature credit requests they are now receiving from consumers?

EL: After China's entrance to WTO, most of Chinese financial institutions have been transformed from state-owned to business enterprises, and some financial institutions has equal capabilities comparing to their international counterparts in dealing with consumer finance. Nevertheless, many Chinese financial institutions are far behind in financial retail business comparing to international counterparts and there is still much to do to shorten the gap. Some leaders of these financial institutions have realized the fact but they need experienced global companies to help put the solutions into practice.

Eb: In which city or cities in China has CRIF chosen to establish a presence, and why?

EL: CRIF has established operation in both Beijing and Shanghai. Beijing is China's political center and where the national banks has the headquarters, while Shanghai China's financial center is where the banks retail department, and specifically the credit cards departments, are usually located.

Eb: Please tell us a bit more about the credit risk management solutions that you are offering in China.

EL: We are now providing risk control solutions in China, such as the credit decision engine StrategyOne, the credit process solution CreditFlow, the debt collection solution CLever, scoring and modeling and relevant consultancy services. Eb

DSM SINOCHEM PHARMACEUTICALS

Stephen Doboczsky

The President of joint venture DSM Sinochem Pharmaceuticals explains his company's origins in mining and its transition to a leader in life sciences.

EURObiz: Please tell us about DSM's transition from being a mining company into the life sciences business.

Stephen Doboczsky (SD): DSM a 110-year-old company that started as a state-owned coal mine in 1902 in the Netherlands. It transformed itself successfully via fertilizers and petrochemicals into a global life science and material science powerhouse active in nutrition, health and the latest and newest high-tech materials.

In 1902, the Dutch government formed the nationalised coal company 'De Nederlandse Staatsmijnen' (Dutch State Mines) that was later to become DSM. DSM managed to convert this by-product into a profitable commodity, ammonia, a key raw material for nitrogenous fertilizers. This marked the first step on a diversification path that ultimately saved DSM from the fate of many other coal mining companies.

By 1970, chemicals and fertilizers comprised the company's chief activity, accounting for two-thirds of its turnover. In the 1970s and '80s DSM underwent major reorganizations to ensure itself of sufficient scale, greater guarantees for market consumption, and diversification into high-quality plastics and fine chemicals. In 1989 DSM was privatized and its shares were floated on the stock exchange.

In 2011, as the transformation of DSM into a Life Sciences and Materials Sciences company active in health, nutrition and materials is complete, a new corporate brand is a logical step. The new DSM brand demonstrates very clearly -– to customers, suppliers, shareholders, the communities in which the company works as well as to DSM employees -– that DSM has turned a page. The new brand is a symbol of the company's transition to 'the new DSM': a Life Sciences and Materials Sciences company addressing key global societal trends.

Today, 23,000 DSM people are active around the globe, with almost 4,000 people in 22 plants and research and development centers in China.

Eb: Where is DSM finding the greatest opportunities in China right now?

SD: DSM started to do business in China in the 1960s. China is changing very rapidly, transforming from the world's manufacturing base into one of the world's leading economies with the highest growth rates, and with innovation playing an increasing role. China has become one of the largest markets in the world, accompanied by an increasing demand for life sciences and material sciences products.

Let me provide some examples to demonstrate how our products applications make impacts to people's life. DSM vitamins in food or supplements, DSM omega-3 acids in baby formula, DSM dairy cultures in yoghurts or the DSM Dyneema, the strongest fiber in the world in mooring ropes and fishing lines, DSM Materials for Solar Panels and Windmills as well as for artificial hips and knee joints, these are all life science and material science innovations made by DSM.

Now, if we benchmark where China is heading in the next five years and based on our own future plan we see a clear alignment. Here are some examples.

First, our approach is to make sustainability a business driver. DSM aims that by 2015, 80% of our innovation products and 50% of our total product sales will be products with a positive environmental impact compared to available alternatives. So balancing growth with sustainability is at the heart of our strategy. Our growth ambitions and the kind of growth we target are clearly aligned with China's 12th Five-Year Plan.

Second, collaborations and open innovation are critical components of our strategy. We have been active in China for five decades, and partner with local Chinese companies to grow together innovatively and sustainably, such as DSM Nanjing Chemical Co., Ltd, jointly owned by DSM and Sinopec. We recently announced plans to double our caprolactam capacity, from 200 kilotons to 400 kilotons, while reducing energy consumption by 30%.

We engaged with Sinochem and jointly created a global JV in the field of pharmaceuticals. Again biotechnology from DSM is used by this JV helps to reduce up to 80% of the emissions and saves up to 90% of the water of our factories compared to other technologies. These are just two examples where DSM paired with great local, leading enterprises creates value for shareholders and the society.

Thid, we are a nutritional science company. Worldwide some 250 million children suffer from anemia that will never allow children to reach their full potential. Very often this is related to poor nutrition.

For example, DSM partnered with the China Nutrition Society and the China Children and Teenage Foundation and we developed unique vitamin and mineral mixes so-called sprinkles. Thanks to these sprinkles children of the poorest families worldwide receive with the staple food the right dose of trace elements and vitamins that ensure that their brain and bones can develop. We help the CCTF to reach almost 8 million children here in China. We see again in China a strongly increasing focus to improve people living standard and quality of life. We have and will continue to contribute to that.

We are committed to do more of this in China to further grow and make people's life brighter by using our eco-technologies.

Eb: How would you describe the level of talent available in life sciences in China?

SD: At DSM China, we believe that our unique competitiveness lies in People. Of course, like many Chinese companies, DSM is faced with the urgent tasks of addressing talent shortages and developing local talents. To fulfill DSM's strategy for 2015, DSM China will need a large number of talented people with skills including management, innovations, and commercialization. This need will be met through our corporate culture, employee values, efficient policies and sound management system.

Eb: What kind of customers does DSM serve domestically in China?

SD: DSM serves global accounts, local strategic partners and customers. We deliver innovative solutions that nourish, protect and improve performance in global markets including China, such as food and dietary supplements, personal care, feed, pharmaceuticals, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials.

Eb: In your presentation at the EU-China Business Summit, you stated that philanthropy is innovation. Can you tell us more about this concept?

SD: We believe that using science and innovative business models you can serve the bottom of the pyramid in a fashion that it serves both the community and shareholders. There are some common interests such as nutrition improvement that allows us to balance the needs of both sides better. For example, DSM teamed up with non-governmental organisations such as the United Nations World Food program to provide our nutrition support.

Eb: What is the biggest stumbling block in the EU-China business relationship right now?

SD: Given the strong cultures and rich history, it is crucial that both sides have an intense and cooperative dialogue, and the willingness to work together in an open-minded way. Most times we will find both sides have a lot to gain from each other.

Eb: Do European companies have any innate strengths that help them to do business in China?

SD: DSM believes that cultural awareness and flexibility are traits that make European companies such as DSM very suitable to serve Chinese companies. Of courses, as European companies, we have our own core values including sustainable technology innovations in related industries, which we can partner with local Chinese companies to build a win-win solution for the society and its people and even for future generations. Eb

Raphael Schoentgen

As his company's Chief Representative Officer, Mr. Schoentgen talks about being on the front lines of urbanisation in China.

EURObiz (Eb): Please tell us about the urbanisation issues that China faces and GDF Suez's role there.

Raphael Schoentgen (RS): To understand GDF Suez's role in urbanisation you have to know we are the number one 'utilities company' in the world. We handle water, waste, power, gas and energy services in 70 countries and have a global turnover of 92 billion Euros. We have been in China for 30 years, mostly in the water and waste business. Today we have 7,000 people and 30 JVs, and we provide water to 14 million people in 20 cities. We have built 200 water treatment plants in the last 30 years in the country.

As 80% of our turnover comes worldwide from gas, power and energy services, with the other 20% from water and waste services, GDF Suez began expanding in China and moving into the energy sector in 2008 to exploit areas in which we were not present despite our expertise.

Since 2008 we started buying carbon credits in China to help foster the development of carbon-friendly projects. Then we looked at investing in heating and cooling networks in China. We are currently running two projects, a trigeneration in Chongqing and a cooling network in Tianjin Yujiapu financial district.

More recently we started also selling liquid natural gas into China, including 43 shipments to China National Offshore Oil Corp. (CNOOC) and provided them with a floating termina in 2011, which allows for faster development of gas distribution. Gas development in China is indeed an excellent way to green cities.

In the water sector, we also had developments and became more active in the sludge business. While it does not sound so lovely, it is key. The treatment rate of water in China exceeds 80%, but the sludge rate is just above 30%. Treating sludge and reusing it is therefore essential to ensure sound urbanisation and avoid soil and water layer pollution. We dry it and send it to a cement plant in Chongqing, or use it as a substitute for coal in Suzhou to generate power, whereas in Shenzhen, it is just incinerated.

Eb: How do you rate the challenge of urbanisation in China?

RS: In China and in general, our view is that the challenge of urbanisation is extremely big. Over the next 20 years China will see the emergence of more than 100 cities with populations of more than 1 million people, as part of a major worldwide shift from the countryside to the cities. And more generally, between now and 2050, the world population will increase by 40% with two-thirds of the population explosion taking place in cities.

Cities consume extremely high levels of resources, and produce a lot of waste and waste water. As a consequence both inflows and outflows are extremely high. Using the technology that's available, we need to reduce the outflow, including recycling what comes out of the city. We also need new models of urbanisation to slowly reduce inflow and outflow and reduce pollutants along the way. We are active in all of these directions.

As an integrated player we focus a lot on gains we can have from better managing the ineractions of the cycles of power, waste and water. Let me give you an example. from treating water we get sludge, a waste and pollutant, but sludge can be used to generate power, and power allows the treatment of water. If you think smartly about an integration of the components of this chain, you save both on pollution levels and on your power bill.

China also faces challenges that will take time to evolve. Firstly energy consumption centers are distant from energy sources. Secondly water stresses are present in many places. Thirdly building practices have not so far integrated energy efficiency from scratch, it is only changing now. Fourthly the primary energy mix is quite high in carbon dioxide, as it is still mainly a coal base. We will see an increasing shift from coal-based to gas-based cities as well as a change in certain patterns of energy distribution and use in cities, but time will be needed.

Eb: Is it all about a change in energy and water resources management as well as construction standards?

RS: No, there are also other issues that will help move to a greener urbanisation. For instance, changing people approach towards energy solutions: when you talk about cooling, it is better to move from individual equipments installed at each window of an apartment building to a central cooling network for a few buildings. You need to have people's acceptance for such changes. Another issue to face is the absence of certain markets. If you look at the waste market for instance, there is not yet a nationwide or unified one, so there is no real price tag on waste. Waste policies are mainly local and it's a market in development. In some places waste treatment works well, in others less.

Eb: GDF Suez is already involved with some significant municipal infrastructure projects in China, can you give us some examples?

RS: Definitely, we are a partner of Chongqing Water for water distribution for almost 10 years. In Hong Kong we handle around 80% of the garbage that we put into two of the largest landfills in the world. We also handle industrial sites and tackle pollution at the source; we are for instance the provider of water treatment services to all industries in Shanghai, Wuhan and Chongqing petrochemical parks.

Eb: More Chinese people now live in cities than in the countryside. Has any other country or region ever seen such rapid urbanisation?

RS: No, we do not believe it occurred before. There are of course other countries with high urbanization levels and issues, such as Brazil and India, but what's key here is that you have a shift in urbanization models and a current development never seen before. It's not just the speed of changes, it's also the size of the changes in China that make us admirative and create the challenge. China definitely needs to use this period to build the best possible models, as they will have not only a huge impact on its environment and population, but ideas developed here can be helpful elsewhere.

Eb: How many of GDF Suez's business lines are operating in China?

RS: All of them now. 'Gas infrastructures' is the latest one to have joined. Gas is a way to green cities and the development of the gas market in China is simply amazing. Right now it's 100 billion cubic meters, which is the size of the German market. It is expected to double in five years, and triple or quadruple in 10. To support properly such gas market development you need gas underground storages and gas volume optimal management. Our colleagues active for the past 30 to 40 years in these areas -- at the time Europe developed its own capacities -- find here people eager to share to put in place what China needs urgently.

Eb: In which city or cities in China has GDF Suez chosen to establish a presence, and why?

RS: Over the last 30 years we have not emphasised one city over another, although we do have large operations in Macau, Hong Kong, Chongqing and Shanghai and special relationships with these cities (our CEO is a member of the international advisory board of the Mayor of Shanghai and Chongqing). We intend to be present all over China, and our targets are major infrastructure projects, new zones, new ports, new cities and districts. It's less about targeting a particular city, it's more about the major projects that cities have, such as a new city center or projects where we can work with our partners to share and bring our experience from 150 years history in 70 countries. Eb

NOVOZYMES CHINA

Michael Christiansen

Novozymes China's President talks about his experiences in China building his company's business, the barriers to further growth and the opportunities that lie ahead.

EURObiz (Eb): Tell us a little bit about yourself. How long have you been with Novozymes? How long have you been in China?

Michael Christiansen (MC): My encounter with China and Novozymes is one and the same. In 1996 I joined in Novozymes (then part of Novo Nordisk) in Denmark and expatriated here immediately to start the China operation. It's a unique experience to see Novozymes grow into 1400+ employees, three production facilities, one regional headquarter and one research and development hub, coinciding with China's skyrocketing growth into the second-largest economy in the world.

Eb: Please tell us about Novozymes' business here in China.

MC: Novozymes is the largest producer of enzyme and microorganisms for industrial purposes in the world, and our products are widely applied in biofuels, textiles, detergents, food processing, paper and pulp industries and more. In the last 10 years China endeavoured to convert economic development pathways to a sustainable, less resources-dependent one, and the transformation ignited our customers' enthusiasm for embracing environmentally-friendly industry solutions. One of our customers, Esquel, a Guangdong-based textile producer who conducts OEM business in conjunction with a variety of intentional brands, reported less energy and water consumption, less GHG emission, less environment impact (by reducing the usage of harsh chemicals e.g. strong acids) and higher profits by upgrading conventional chemical process to mild enzymatic one. Nowadays Novozymes China business contributes around one fifth of our total revenues, and our growth rate here is higher than other regions.

Eb: How is the quality of talent available in China for the biotechnology industry?

MC: I can see China has a large reserve for gifted and devoted biotechnology talents with international perspectives. In our Beijing R&D center, many young scientists got their undergraduate diplomas from accredited domestic universities and then won higher degree from overseas – the US, UK, Europe, etc. The diversity of culture and academia is Novozymes' valued competence. In our latest product, Cellic CTec 3, an enzyme for advanced biofuels that can slash production cost and make it commercially viable, our scientists in Beijing lab contributed several critical genes and are instrumental in making the innovation reality.

Eb: Do you face any barriers to operation here, such as mandatory joint ventures or technology transfer?

MC: As a player in fine chemicals, we didn't see mandates for joint venture. Currently we are operating solely in China, however our partner in Suzhou owns a minority shares in the facility there as legacy back to 1990s. Currently we are quite active in bioenergy and biochemical industry, in which agricultural and metropolitan wastes can be converted into sugar and then ethanol and other fundamental organic building blocks, and we envision a future that our dependence on fossil fuels can be lessened by the usage of renewable sources. In this field we can see more restrictions and more pressure for technology transferring. It's the situation ahead and we have to deal with. One thing is for sure: although the industry is new and uncertain, we will access bigger market values and undertake bigger social responsibilities.

Eb: Science and technology are prominent in the 12th Five-Year Plan. What are some steps have you seen China taking to support scientific research and development?

MC: China's 12th FYP is the cleanest and greenest one ever, and the central government sets the target to disarm the resources bottleneck by unlocking the technology potential. I think it's a wise and realist strategy and echoed with Novozymes believe.
China invested huge funds in basic research and harvested tremendous results. But not all the scientific breakthroughs are translated into productivity and value. Local companies have the potentials to play bigger roles in the missing step, which bridge the fundamental findings into market-oriented products and solutions.

Eb: Do you think the EU-China Business Summit will have a meaningful impact on EU-China relations?

MC: We are facing a complicated dilemma worldwide – limited resources, explosive population growth, climate change and social polarization. No single effort from government or business can solve the problems by its own, and a public-private partnership is a widely-recognized approach to address the challenge. For example, the impasse in climate change-related technology transferring requires a mechanism to encourage the cooperation between companies in developing and developed countries, whilst the innovations are rightly valued and protected. I think the EU-China Business Summit is a good platform to conduct such dialogues and knock out solutions.

Eb: Where are the biggest opportunities for European companies in China right now?

MC: I would like to mention biotechnology. Of course the list will include many more such as wind power, nuclear technology and aviation. I believe biotechnology will be a keystone in the new millennium, which makes our energy and material sources more sustainable and renewable, makes our production and daily life cleaner with less environmental impact, and opens inspiring and exciting possibilities by breaking the limitations of the organic and chemical worlds. The EU and China are complementary in this field, and will enjoy the same benefits from two ends of a shared continent.

Eb: Where are the biggest impasses for EU-China business at the moment?

MC: Fewer political and ideological factors in bilateral trade and economic relations. Eb

SCHNEIDER ELECTRIC

Patrick Gaonach

Schneider Electric's Strategy & Business Development Senior Vice President Patrick Gaonach talks about urbanisation as for the first time, more of China's population lives in cities than rural areas.

EURObiz: Please tell us about the urbanisation issues that China faces.

Patrick Gaonach (PG): It is well-known that China is the world's most populous country, and with the rapid growth of urbanisation, this leads to many unique problems. With such high urban population density, China needs to provide smart infrastructure that can efficiently overcome the downsides of urbanisation that include issues regarding energy, transportation, waste and water, buildings, safety and security and in public services. Schneider Electric considers these problems when developing new smart solutions. We provide smart grid, smart mobility, smart water, smart public services and smart buildings and homes solutions to meet many of these challenges.

Eb: Following the Summit, where do you think the opportunities for business in China are for Schneider Electric, and in urbanization in general?

PG: Schneider Electric sees a lot of business opportunities in China. First, we are expanding into China's western provinces as part of our "go west" strategy. We are investing in China's interior cities and provinces (Wuhan, Xi'an and other regional centers), commercially, in manufacturing and logistically and we are negotiating with regional partners to invest in these areas, including joint ventures and we are recruiting and training talents, including university graduates out of these provinces.

We are helping customers create greener and smarter solutions as part of our commitment to "go green". We are very active in helping our customers save energy in industry, in commercial buildings, data centers and residential programs. Going green is also a top priority for the Chinese government and we are in a position to bring technology and develop partnerships with local Chinese companies to develop new business opportunities and train Chinese talents. We believe that this is the industry of the future.

China's domestic demand has grown rapidly over the past decade and is the primary growth engine in China. Domestic demand is a very strong focus of the Chinese government and our business. So, we are working to "go in", by reaching out to this increase in domestic demand and working to build our pre-existing business clients, while expanding and focusing on the average consumer through business to consumer.

Since China's domestic demand is widely spurred by urbanization, we provide a full Smart Cities solutions package for urbanisation in China that includes smart grid, smart mobility, smart water, smart public services and smart buildings and homes and is a large portion of our future business.

Eb: Schneider Electric is already involved with some significant municipal infrastructure projects in China, can you give us some examples?

Schneider Electric's Smart Cities solutions are already being implemented throughout China.

China is working to take the lead globally on electric vehicles. Through smart mobility. We are providing infrastructure for electric vehicles and is an area where we are developing solutions and partnerships in China such as charging stations for buses and trucks. This also includes solutions for traffic management, public transit and traveler information.

Schneider Electric is working to develop a smart grid. While we do not manufacture solar panel or wind farm supplies, we help the government and companies connect farms to the grid in China through smart integration solutions.

Our smart water solutions help to regulate water distribution, detect leaks and measure water quality. It also works to manage storm water in cases of urban flooding, which has been an issue in cities like Beijing during summer torrential rains.

We also have solutions for smart public services, which include emergency management, public safety and video systems, smart street lighting, and smart eGovernment and city administration.

Finally, we are working to make buildings and homes more efficient.

Eb: More Chinese people now live in cities than in the countryside. Has any other country or region ever seen such rapid urbanisation?

PG: While other countries have experienced major periods of urbanisation, the magnitude of urban growth in China is unprecedented and requires many complex solutions to ensure that the growth is healthy. However, as a European company that has roots in the industrial revolution, we have almost 200 years of experience in helping countries to develop infrastructure for urbanisation.

Eb: How many of Schneider Electric's business lines are operating in China?

PG: Schneider provides the China market with smart business solutions through EcoStruxure, which is focused on increasing energy efficiency and developing a smart grid, we are also involved in energy and infrastructure work, industry solutions, buildings and residential, as well as with data centers and networks. Our business takes a top-to-bottom approach that provides solutions for many different sectors.

Eb: In what sectors or areas has China been particularly successful in terms of urbanisation?

PG: While there are a number of successful cases, the Chinese government's positive attitude for overcoming the challenges that urbanization brings and has been a deciding factor in healthy urban development. Regardless of whether a company is Chinese or international, the Chinese government welcomes a wide range of business and participation opportunities to support smart growth.

Eb: In which city or cities in China has Schneider Electric chosen to establish a presence, and why?

PG: We are investing in China's interior provinces (Wuhan, Xian, regional centers etc) as I mentioned before to take advantage of the rapid growth in those provinces. We have also established 27 successful joint ventures in Shanghai most recently, in the west and throughout China. We hope that our presence can be felt throughout the country as a company that is "in China for China". Eb

Morgan Motors Rolls into China

Ferraris, Lamborghinis, Rolls Royce – residents of China's major cities have grown accustomed to seeing imported luxury and super cars on their roads in recent years. However, for the discerning driver, there's a new mark on the scene, which just happens to be one of the world's oldest car makers: the U.K.'s Morgan Motors Co. EURObiz's **Steven Schwankert** talks to Morgan's Jim James about the future of an old-time auto manufacturer.

Morgan is not the kind of car that a nouveau riche pop star, athlete or stock market wunderkind can walk into the dealer and buy on the spot. These cars – whose design seems to have changed little since the company was first founded in 1910 – are handmade, with a one to two-year waiting time between order and receipt, depending on the model. The company is still run by a Morgan – Charles, the grandson of founder H.F.S. Morgan. The company manufactures its vehicles at the same factory in Malvern Link, part of Worcestershire in England's West Midlands, where it was established. It is still the world's oldest privately-owned car maker.

It took a century for the very first Morgan cars to arrive in China. Fewer than five of its cars are known to be in the country currently.

One of those cars belongs to Beijing-based Jim James, now managing director at Morgan Cars Ltd. (Hong Kong), whose first encounter with the brand was as an owner.

"I purchased a Morgan as it had been a lifelong ambition. The reaction to the car [in China] was fabulous and as a British entrepreneur I had to ask the question of Morgan, could I be given the opportunity to build the brand here in China?"

He experienced first-hand the anticipation of buying and then waiting for his Morgan to arrive in China. A six-month ship journey brought it to China – specifically the Zhejiang province port city of Ningbo – that was followed by two months in customs, a truck journey to Beijing, and then a few more months before the car hit the road, visiting such places as the Forbidden City and the Great Wall.

James was then able to make a successful pitch to the company. "It took a business plan, a visit to the factory, a meeting in Shanghai over a period of 12 months to be finally given the authority to represent the

Despite a jaunt around Beijing hotspots including the Forbidden City (pictured above), Morgan Motors' cars will remain a rare sight for the foreseeable future.

Morgan brand; and worth each step". Sales of luxury cars across China rose to an estimated 60,000 units last year -- a rise of 30 percent -- and industry estimates are that double-digit growth will continue through 2012, indicating room for at least one more player.

"Morgan sells only around 1,000 cars around the world each year -- mainly through Britain, France, Germany and the United States -- but has targeted sales of around 50 in China this year and 100 in 2013", said James.

"For the likes of Rolls-Royce, Bentley or Aston-Martin, all of the press is about how the downturn in the rest of the world has basically been swallowed up by an upturn in China", Morgan Motors operations director Steve Morris. Eb

The Industry Standard

Complying with export standards for multiple markets can be a significant challenge for original equipment manufacturers and others with production facilities in China. Along with foreign players, local companies are stepping up to meet this demand. EURObiz's **Steven Schwankert** spoke with CTI Certification's Deputy General Manager and CTI's Director of Certification Development Zhou Lu to find out more.

Publicly listed in China, CTI offers third-party product testing, inspection, certification, and consulting firm. It provides comprehensive services for numerous consumer products, allowing both European and Chinese exporters to the European Union (EU) and elsewhere to conform the standards requirements of the appropriate market.

CTI also specialises in inspection and auditing for ensure quality throughout the supply chain. CTI inspectors specialise in conducting inspections prior to, during and after production, along with supervision of loading. The auditing team offers factory quality assessment and social responsibility audits for our client's suppliers. CTI also offers Sedex Members Ethical Trade Audit (SMETA) and assists companies with Worldwide Responsible Accredited Production (WRAP) compliance.

Headquartered in Shenzhen, CTI operates offices in 30 Chinese cities, along with branches in Taiwan, Hong Kong, Singapore, the United Kingdom, Germany and North America

EURObiz (Eb): Please describe CTI's business for us.

Zhou Lu (ZL): We operate both testing and certification businesses. For testing, CTI has comprehensive service areas in 14 business lines covering Rohs, envrionmental, toy, electronic, auto, textile and others. For certification we have three categories. One is management system certification (MSC) including QMS, EMS, OHSMS and FSMS, one is sustainability verification including Greenhouse Gas (GHG) and Energy Efficiency (EE). We are currently applying for qualification under the Designed Operation Entity (DOE) under UNFCCC's Clean Development Mechanism for carbon credit validation and verification. If we receive this we can then provide greenhouse gas certification service. In addition, this would allow us to better participate in corporate social responsibility (CSR) verification and support.

We also offer training in all of the services that are related to MSC sustainability and support and second-party auditing for large-scale companies like the Carrefour and Wal-Mart services market.

Eb: Tell us about your customers. Are they primarily European, mostly Chinese, or a mix?

ZL: For testing and most of our customers are export-oriented companies or suppliers within this company on product manufacture, and some local manufacturers as well.

Eb: How does CTI's approach to the business differ from that of your European competitors?

ZL: Our competence is cost efficiency, service efficiency and one-stop efficiency. We have accreditation diversity. We have combined testing wtih certification, auditing and inspection; this is an integrated services package. Compared to international testing orgs, we are smaller, but that is a strength to cooperate and make a conversation valid, within or among different business lines. If the organisation is too big, it is too difficult to cooperate within itself.

Eb: How are standards and compliance growing in importance as a part of the EU-China business relationship?

ZL: I think standards and regulations requirements are very important for import, export and international trade. As a third party, you can, through this kind of channel, safeguard business development and business operations. We have the concept that one part of our business for companies who manufacture in China, the other is made for China.

The first is export. We are just at the gate of the inlet and outlet. I think the third party can move all the processes and create a balance for the regulatory requirements, such as we can provide service and help at facilities, the exporter can export the product to Europe, and so if he enters into that market, he can get a fundamental entry pass.

Eb: Where do companies have the biggest problems with compliance? Is it because they do not understand the relevant standards, or are there other reasons?

ZL: This is an important point. There is no balance in regulatory information, such as between the manufacturing company and the services provider. For especially detailed requirements and local practices, if you don't have a local consultancy for regulatory requirements, it is very difficult to comply with local regulations.

Eb: What's the advantage of being headquartered in Shenzhen? Is the environment for business there as good as it has been in the past?

ZL: The advantage of Shenzhen is that the competitive environment is relatively fair in this area. Also, I think government officials stands on applicable rules to provide service and support. It's not just governing the company. The government also has many professional policies and offers financial support to help small and medium-sized companies, especially compared to in the past.

Eb: Which industry or industries face the most complex testing processes?

ZL: I think the electrical and electronic sectors are subject to a lot of testing and regulatory requirements. Chemical testing and certification is also an area under close scrutiny.

Eb: CTI is a publicly-listed company. Is that a function of the size of the overall testing and compliance market?

ZL: After we listed, we have a five-year plan to be the leading local third-party organisation in the conformity field. The certification company I worked for merged in the Group in 2010. We have this ambition to compare with international testing and certification firms. We adapt well to and understand local practices and local relationships.

IPR Protection in China for the Textile Industry – Part 1

China's textile industry is both an opportunity and threat to foreign businesses. It is a major market for those supplying production technologies and a key supply base for textiles and finished goods. However, foreign technologies and brands that are not adequately protected often fall victim to infringement by Chinese competitors.

This article addresses intellectual property (IP) issues across subsectors of the textile industry, including textile machinery, yarns and specialty fabrics, finished fabrics and brand apparel and accessories. The areas of IP most relevant to the above sectors will be discussed over two parts, with this first part addressing trademarks and patents. The second part to follow in the next issue will address copyrights, transfer of technology and trade secrets.

Trademark Protection for Textile Machinery, Yarns and Finished Fabrics

Trademarks provide protection against use of identical or similar marks on similar goods. China uses the 'first-to-file' system, meaning that companies may not have legal protection here and take the risk of infringing others' trademark if the same or similar mark has already been registered by someone else. It currently takes up to 18 months to register a trademark in China, provided no opposition is filed against the application upon publication.

Because of China's system, it is common for unscrupulous parties to register other's trademarks first. It can be a difficult and expensive process to cancel, oppose or buy back a trademark that has already been registered. It is not uncommon that import agents or distributors register trademarks on behalf of the principal. It is recommended that the trademark is either registered in the name of the principal or transferred back to the principal to avoid later disputes.

In addition to registering the trademark in the original language, it is advisable to register a distinctive Chinese-language trademark, even if this is not the primary mark used. Without a well-promoted Chinese mark, the market may create a Chinese nickname for a product, and this nickname may be registered by other parties to exploit the reputation of a brand.

Trademark infringement can be dealt with through administrative action by the Administration for Industry and Commerce (AIC) or through civil proceedings in the People's Courts. There are also criminal sanctions for trademark infringement, although this only applies if the trademark is exactly copied or if the scale of the infringement is large.

Although it is uncommon to find completely counterfeit machinery, replacement parts may be copied. If a company's spare parts or packaging bearing your trademark, it is important to register this trademark in China as soon as possible.

There is no national trade name registry in China. Trade names are registered locally, within districts. It is not uncommon to find distributors or agents providing maintenance services for branded machinery or equipment and using the brand as a registered trade name without authorisation. Trade names that conflict with prior trademarks can be cancelled. Trademarks should be registered even if there is only are manufacturing but not sales in China.

For the textile industry, a distinctive fabric design may be protected as a trademark if it has become distinctive through long use (for example, the "Burberry" check design is a registered trademark in China). However, such examples are rare and protection of patterns as a trademark is uncommon.

Patent Protection for Textile Machinery, Yarns and Finished Fabrics

Patents must be registered in China; a patent registered overseas is not enforceable in China. China applies an 'absolute novelty' standard for patents, meaning that the patented product or invention should not have been disclosed anywhere in the world before the patent registration application, subject to 12 months 'Convention Priority' in certain countries. Patents may be filed directly in China or through the Patent Cooperation Treaty system.

It may take approximately 24-36 months for an invention patent application to be examined and up to five years for the patent to be granted.

In addition to patents for inventions, China recognises utility model and design patents. These types of patents do not undergo a substantial examination, and as long as they are filed in the correct form, they are issued automatically. Utility models cover minor innovations, which may not be sufficiently inventive to receive invention patent protection. They are usually granted within 12 months of application and last for 10 years.

Design patents cover the exterior, ornamental design of products. Like utility models, they are also granted within eight to 10 months and last for 10 years. It should be noted that the process of protecting designs in China is different from that of Europe, where designs are covered by design rights.

Patents are only valid in the countries in which they are registered, and only those registered in China are enforceable here. Companies that manufacture textile machinery apply for patent protection in China not only as a market, but also to defend against potential infringers who manufacture infringing technology that is exported to other markets.

Competitors often copy the design and shape of machinery and components and mislead customers to believe that the machinery has the same functions or quality as the original, often resulting in lost sales for the original European manufacturer.

Producers of speciality yarns and fabrics should ensure that any patents obtained for their products are also filed in China to defend against Chinese competitors who may copy the technology and attempt to export it to other countries.

Where possible, producers may carry out different parts of various processes in different locations to reduce the likelihood that the entire process can be disclosed or copied.

Furthermore, suppliers of yarns and specialty fabrics should ensure that their licence contract terms are clear when determining the use of trademarks and patents by end-users, and be vigilant against infringement by competing suppliers and end-users of branded textiles who may falsely claim that their products incorporate the branded materials.

The pattern of apparels can be protected through design patents. Since 1st October, 2009, the Chinese Patent Law has enabled designers to register two or more similar designs (up to 10) for the same product within one application. However, these applications are not available for different designs, making them unfeasible for designers that have a very large turnover of new designs. Furthermore, design patent applications may take eight to 12 months to be granted protection, which is often too long to protect fast-moving seasonal designs.

The advantage of a design patent is that it is relatively easy to enforce, and simply owning a design patent may be enough to deter others from infringing your designs.

A Case Study about Textile Machinery

European company X, which sells advanced knitting machinery to manufacturers in China, discovered that a local competitor was offering a competing product that copied the dimensions, exterior covering and even the colours of the original. In addition, the local competitor's brochures and website copied pictures, diagrams and product specifications of the original product, even though the local product did not meet the same performance specifications. The sales agent of company X in China complained that customers were misled into believing that the lower-priced local product offered the same quality as the original.

The European company did not have any patents registered in China, and the competitor was not using the European trademark. Since China does not have any law preventing slavish imitation of designs, the European company could only rely on claims of copyright infringement on their brochure artwork and infringement of the Unfair Competition Law in relation to the false claims on the brochure. To avoid the costs of litigation in the courts, the company engaged a local law firm to send a warning letter to the competitor, followed up with a phone call. As a result, the competitor changed the photographs and some of the contents of the brochure, but there was no legal basis to force them to change the appearance of their product.

In this case, company X was unable to take enforcement action to address the infringement as it had not registered its rights. If the company had owned a design patent, X would have been able to more effectively enforce its rights against the local company, save both time and money, and protect its reputation in the China market. This example serves as a cautionary tale that product design and exterior shape should be protected in China by registering a design patent.

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 intellectual property rights 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. Eb

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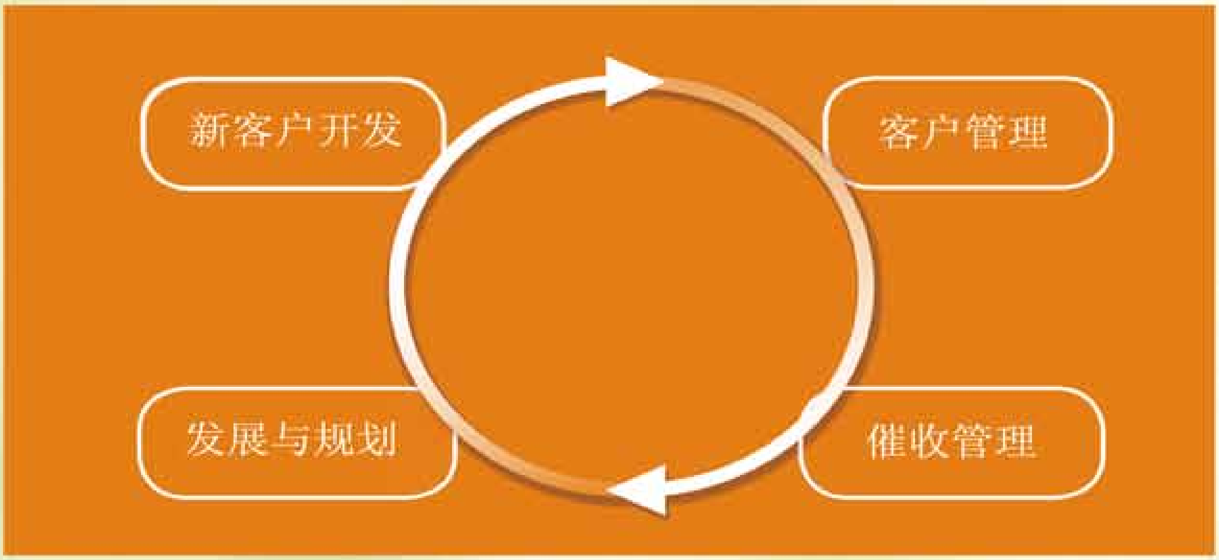

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Landfilling is becoming an increasingly expensive option for waste disposal, leading cities to seek better choices through recycling and reuse.

Urbanisation:
The Cost of Managing Waste

Surprised that you have to pay to throw something away? That may be the case in China in the near future. Garbage and recyclables are about to get a monetary value in Beijing and other cities where pilot projects for waste collection are being implemented. **Vicky Dong** investigates.

Passed by the Standing Committee of the People's Congress in Beijing, the 'Administrative Measures of Waste Management in Beijing' has taken effect as of 1st March, 2012, stipulating in principle a fee structure for the collection of commercial and household waste.

Charging a fee will start with some pilot programmes in commercial organisations, while the implementation plan to charge households is still in discussion. The pilot plan for commercial organisations will be published at an appropriate time, Chen Ling, Vice Director, Beijing Municipal Commission of City Administration and Environment said in a newspaper interview.

Many other areas are also in similar discussions, such as Shanghai, Guangdong province, Hangzhou, Wuhan and Nanjing. Charges for waste disposal are the focus for all these regions. The general purpose is to encourage waste sorting by imposing charges on unsorted waste, to recycle part of the waste for better use, and eventually to minimise the total amount of waste to be treated and its costs to the environment and in land, and finance.

In April 2011, 16 ministries jointly announced 'Opinions on Further Strengthening Urban Waste Management', which initiated the discussions in many regions. The recent policy developments reflect the green development agenda of 12th Five-Year Plan, which aims to establish a comprehensive system of recycling and waste treatment.

Landfills, incineration and recycling are the three dominant methods of the waste treatment. According to statistics from Urban Waste Treatment Committee of the China Association of Environmental Protect Industry, less than 25% of commercial and household waste was recycled, 70% landfilled and 5% incinerated. By comparison, only 10% of the waste ends up in landfills in developed countries, according to www.chinanews.com.

'The informal structure to recycle in Chinese society is very helpful. And there is a very high re-use ratio for plastics, metal, paper, cardboard, secondary raw materials, in some cases even better than Europe', observed Mark Venhoek, CEO of SITA Waste Services Ltd., a part of GDF Suez, a multinational energy group. He speaks from SITA's experience since the early 1990s in Hong Kong, Macau, Taiwan and other parts of China where similar practices are in place. China as a whole still trails in some recycling areas, including electronic waste, hazardous waste, and kitchen waste, he added.

Indeed, kitchen waste is an important concern in China. About 70 percent of Chinese waste is kitchen waste and accounts for about 61 percent of Beijing's total waste, the Beijing Municipal Commission of City Administration and Environment reports. Zhang Boju, a researcher for waste management at Friends of Nature (FON), a non-governmental organisation active in waste management, commented, "it will be extremely helpful to recycle if kitchen waste, also called wet waste, can be separated".

FON is involved in a number of community pilot programmes in Beijing to educate the residents on waste management, especially recycling. One of their pilot programmes involves the Vanke Xingyuan community in north Beijing, where the group works closely with the property management company, the owners' committee, a recycling company and a number of volunteers among the residents.

'One key to push forward progress in the community is cooperation from the property management company. Take Vanke Xingyuan as an example, where the property management company realised that costs can be substantially cut if the waste is recycled properly, they became more willing to support our work," said FON's Zhang.

The property management company usually pays for the waste to be picked up from the community. If recyclable items are separated, the recycling company will come and collect them out of their own interest. The remaining waste to be collected will be significantly reduced, and so will the cost, explained Zhang. In this community, FON regularly sends out flyers and organises events to educate residents on recycling, distributes recycling bins, sets up signs and posters to remind residents of the types of recyclable materials, recruits volunteers, gives out incentives to top performers, and coordinates between residents, the recycling company and the property management company.

"I knew the significance of recycling before they [FON] came. But I only started sorting my own waste since they organised the efforts in our community", said Ms. Guan, a retiree resident in Vanke Xingyuan. She is a great supporter of the recycling efforts. "I really see our efforts are worthwhile. And now I have begun to educate my relatives about it, even buy recycling bins for them so that they start separating their waste." Because the property management company and the recycling company collect the waste so frequently, Ms. Guan barely worries that a bin of kitchen waste placed next to her door for the entire floor will smell.

Li Ziling, a middle school girl in the same community, acted as an advocate for her family to sort their waste. She is also very keen to invite FON to her school and to initiate a similar programme there.

'This is not a big effort from us, but it will make a huge difference', Li said. 'My classmates are eager to know about this issue and take actions too'.

Despite enthusiasm among individuals, Zhang still calls for coordinated efforts from the government across the value chain to make the efforts a success.

'The Beijing Municipal Government started to promote recycling as early as 1995. But unfortunately all the previous efforts failed in a strict sense. In the 1990s, many residents were very supportive and cooperative. But in the end, they found what they sorted was still mixed together when being picked up. A serious gap occurred between different phases of the waste management. 'The Report of Waste Management in China', by Zhang and two co-authors, suggests that separation, collection and transportation be emphasised to complete the efforts in all phases of the waste management process.

Rapid urbanisation in China has put the waste management in the spotlight. A total number of 668 cities in China by 2011 produce over 100 million tons of commercial and household waste each year on average, with a yearly increase rate of 10%, according to Chinanews.com. By now two-thirds of medium and large cities have already been surrounded by waste.

Using Beijing as an example, its output of commercial and household waste in 2008 was 18,400 tons each day, estimated to reach 30,000 tons by 2015. By comparison, waste treatment capacity was 10,400 tons in 2008. Beijing will probably run out of landfill in a few years if no measures are taken, said Wei Panming, Vice Division Director, Division of Solid Waste, Beijing Municipal Commission of City Administration and Environment.

The World Bank report 'Waste Management in China: Issues and Recommendations' in 2005 estimated the budget for solid waste management would increase to 230 billion yuan by 2020.

'For us, it is clearly a strong growth market, which we have been focusing on over the last year. We believe during the 12th Five-Year Plan period, the number of treatment facilities is going to develop rapidly. The Chinese government is thinking about doubling the capacity of thermal treatment, and waste to energy treatment in the next couple of years', said GDF Suez's Venhoek. SITA established the largest hazardous waste treatment factory in China in 2006, and is expecting another two or three projects in China in the next year, he said. Eb

EUROPEAN CHAMBER EVENTS GALLERY

BEIJING

1, On 21st February, Secretary General Dirk Moens participated in the SCA Conference - "China's Low Carbon Future: Best Practices, Standards, and Certification".

2, On 17th January, a breakfast seminar with Mr. Michel Barnier, European Commissioner for Internal Market and Services was held.

3, On 13th February, the AC Summit Dinner with Mr. Karel De Gucht. European Commissioner for Trade, was held.

4, On 24th February, the Chamber co-organised a breakfast with Ms. Pia Olsen Dyhr, Danish Trade and Investment Minister.

NANJING

1. On 13th January, the Finance & Taxation Working Group in Nanjing attended a presentation on "Chinese VAT and Business Tax Reform" provided by Deloitte. The presentation was very well received and provided many new insights to the attendees.

2. On 17th November 2011, the European Chamber in Nanjing and the Nanjing Investment Promotion Commission co-organised a Government Dialogue. Mr. Diao Renchang, Deputy Secretary General of the Nanjing Municipal Government welcomed Mr. Dirk Moens, Secretary General of the European Chamber. Officials from different government departments made presentations and answered questions. More than 90 attendees participated in the event and cocktail networking.

PEARL RIVER DELTA


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1, On 15th February, the European Chamber held a seminar, the "New Value Added Tax Pilot Program - Practical Implementation Advice for Businesses", in Sofitel Guangzhou Sunrich.

2, On 10th January, the Speed Meeting for Business Professionals was held in the Venice Hotel in Shenzhen.

3, On 12th January, the Speed Meeting for Business Professionals was held in the Hilton Tianhe Hotel in Guangzhou.


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SHANGHAI


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1,2 On 17th February, Ms. Liu Zhaohui, Deputy-Director of Foreign Investment Management Division, Shanghai Commission of Commerce, presented the Foreign Investment Catalogue to European Chamber member companies.

TIANJIN


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1. On 12th January, more than 40 HR managers and finance managers attended the workshop for an update on the PRC's annual IIT filing requirement.

3. On 13th January, the Tianjin Chapter organised a GM Briefing event by inviting Ms Yao Wei, China Economist, Société Générale Corporate & Investment Banking, to share her insights on the current global economy with top executives from member companies titled "Outlook 2012: On the Brink".

2. Food safety continues to be an important topic not just for the expatriate community, but for Chinese society in general. The Tianjin Chapter organised a conference cocktail focusing on food safety with Family Physician Dr. Richard Saint from Beijing United Family Hospital and two other experts from Airbus as the featured speakers on 12th January.

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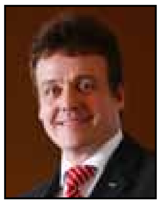
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THE EXECUTIVE INTERVIEW: Jens Eskelund

Jens Eskelund Managing Director, Maersk China Ltd.
Chairman, European Chamber Maritime Transport Working Group

Along with his professional duties, Mr. Eskelund serves as a States Representative to the European Chamber's Executive Committee, and as Vice Chairman of the Danish Chamber of Commerce in China.

EURObiz (Eb): Please tell us how long you've been in China and your responsibilities here.

Jens Eskelund (JE): I arrived in China in permanently in August 1998, and I've been with Maersk since November 2000.

I represent the A.P. Moller-Maersk Group in China. We have three main activities: transport, oil and gas and retail. In China we are primarily active in transport. This includes the world's largest container shipping line, the Maersk Line; Damco, a logistics company; and APM terminals, one of the world's largest terminal management companies. We also have a number of factories producing both dry containers and refrigerated containers.

The first Maersk vessel called at China in 1924. When we became a liner shipping company, although we were founded and still headquartered in Denmark, our first regular service line was between China and North America, in 1928.

We opened our first representative office in Guangzhou in 1984 and established a wholly owned company in 1994. Back in 1994 we had about 300 employees in China, now we employ about 17,000 people here. We are primarily active within transport and marine terminals, and have had the chance to develop on the back of China's significant trade growth. If you look at growth in volume terms, China's international trade has grown by an average of 18% every year since we opened that first representative office in Guangzhou, creating great opportunities for us here.

Today China accounts for about a third of all containers exported globally. With the China-EU trade being the largest trade connecting China with overseas markets it is perhaps natural that six of the ten largest container shipping lines globally are either Chinese or European and it is one reason why some of the world's largest vessels are deployed on that particular route.

Eb: Has the importance of the EU-China trade relationship been reflected in shipping volume?

JE: Right now with the way markets are looking, we are presented with a challenge in the shape of our capacity, and there is a little bit of overcapacity that has put the ability of shipping companies under a bit of pressure. We are confident that China and Europe will continue to be pillars regardless of what's going on in currently in global trade flows. We are seeing growth in other lines including Asia-South America and Asia-Africa.

Eb: What are some of the primary issues facing the European Union and China, and what role does the European Chamber play?

JE: Primarily we face market access issues. There are still some issues on which we are continually engaging Chinese regulators on a positive dialogue. The European Chamber is playing a fundamental role since the 2001 EU-China Maritime Transport Agreement was signed, following up via annual implementation meetings, and the Chamber has been active in that process. It's an agreement that has led to concrete improvements in the maritime industry, which has translated into real savings and real opportunities. We think it's a fantastic platform for an annual review to identify and further efficiencies for the liner shipping industry in China and Europe.

Eb: What other issues are important to understanding the maritime transport industry?

JE: Applying best practices is an important goal as part of our dialogue, and China is becoming very efficient and much better at this. For example, China has some of the most efficient ports in the world.

Europe and China are leading when it comes to transport in particular, and they are each other's largest markets. For the global shipping industry and global trade, this is a relationship of key importance that has served both parties well. Further positive developments would be defining for the future of the industry and we hope that China and the EU will through a dialogue set the standards and aspirations for how they will drive the continuous development of the industry internationally. Eb


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