Journal of the European Union Chamber of Commerce in China

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Executive Perspectives on European Business in China

European Chamber
中国欧盟商会

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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

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Ten Years of WTO

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

In December, China will celebrate 10 years of membership in the World Trade Organization. Great strides have been made as a result of China's accession, including the locking in of much liberalisation made in the lead-up to China's signing as well as compliance to various commitments post-accession such as tariff reductions, the abolishment of import quotas and great strides in transparency and consultation. In many ways, the Chamber exists because of this historic agreement: the 51 founding member companies of our Chamber decided to organise in order to assist European business reach its full potential in this dynamic market, to ensure a level-playing field for all companies and to monitor China's compliance with its WTO obligations.

That this initiative was necessary and timely is proven year after year by the recommendations in our yearly *Position Paper*. This year the paper called for 'dramatic shifts in order for China to meet its ambitious goals'.

In recent years, the momentum towards liberalisation has slowed and ownership restrictions as well as compulsory technology transfer remain in place in key industries, including in sectors where China has now emerged as a global market leader. Licensing difficulties that reduce the ease of market access, unpredictable laws and regulations and discriminatory subsidies also continue to prevail. The European Chamber supports statements made on more than one occasion by Premier Wen Jiabao, that companies registered in China and according to Chinese law are Chinese companies. Full implementation of this concept, including at the local level, will help make great strides towards improving fair and healthy competition for all companies operating here, domestic and foreign, private and public alike. Further domestic reforms and opening up are required to make these shifts and are necessary to bring about the new drivers of growth that China has identified in the 12th Five-Year Plan.

In September and October the *Position Paper* was presented in 10 European Member States by a delegation of 22 people from the Chamber's Executive Committee as well as Chairs from various Working Groups. As the voice of European industry in the country contributing most to post-crisis global growth, our messages aimed at developing a focused and aligned approach from all European actors towards China were listened to attentively in the European Commission and Parliament, as well as in the business communities and relevant ministries in the capitals.

Before embarking on that trip, the Chamber paid a courtesy visit to China's Vice Minister of Commerce, Zhong Shan, to present to him the *Position Paper* and to highlight its main issues. In the coming months, much more dialogue based on this document with all relevant ministries will be conducted as a Chamber priority.

The year-end promises to be challenging for many reasons: the global financial crisis, currently at the focus of attention in Europe, has immediate consequences for China. The EU-China Business Summit had to be postponed, and exports to Europe as well as incoming foreign direct investment from Europe have slowed. Given the importance of the European market, China is expected to take an active role in addressing this crisis. By doing so, it will maintain trade and capital flows, which is ultimately in China's interests, as well as the interests of European companies active in this market.

I look forward to continuing to serve you in 2012. I wish you a pleasant holiday season, and prosperity and success in the new year.

EUROPEAN CHAMBER LOBBYING HIGHLIGHTS

European Tour

Testament to both the increasing significance being placed on trade relations with China from both European Union and Member State officials, and to the rising value afforded to the European Chamber's annual Position Paper, the level of access to government officials enjoyed by the European Chamber's European Tour delegation was the highest in its 11-year history.

The Chamber sent a delegation to 10 different European capitals, five of which for the first time. In addition to Brussels, Paris, Berlin, London and Rome, European Chamber delegates also visited The Hague, Prague, Athens, Copenhagen and Warsaw. Of these 10 cities, the largest delegation visited Brussels for meetings with government counterparts in the European Commission and the European Parliament in what has colloquially come to be referred to as the European Chamber's 'Brussels Circuit'.

Brussels Circuit (19th – 23rd September)

The European Chamber took a delegation of 22 members to Brussels. These included the President Davide Cucino; Vice Presidents Piter de Jong, Jens Ruebbert, Miroslav Kolesar and Meiwei Cheng; States Representative Jens Eskelund; Chapter Chairman Paul Sives; and seven Working Group Chairs, four Working Group Vice-Chairs and two Advisory Council members. Four secretariat staff also accompanied the delegation, including Secretary General Dirk Moens. The delegation's working group experience covered 17 different working groups: Construction; Intellectual Property Rights (IPR); Healthcare Equipment; Cosmetics; Renewable Energy; Information and Communications Technology (ICT); Information Security; Retail and Distribution; Aviation; Aerospace; Petrochemicals, Chemicals and Refining; Rail; Maritime Transport; Logistics; Banking; Consumer Finance and Non-Banking Financial Institutions; and Private Equity and Strategic Mergers and Acquisitions.

The access enjoyed in Brussels was not only impressive in terms the numbers of high-level meetings held, but also in terms of the breadth and scope of the departments visited and issues discussed. Of the 30 government meetings with European Union officials in Brussels scheduled over the course of the four-day visit, the Chamber delegates met with one European Commission Vice President, four Commissioners and two Director-Generals. In addition, the delegation also held a lunch meeting with the Ambassador of the People's Republic of China to the EU and 12 meetings with industry associations.

Within the meetings, some general and horizontal topics repeatedly arose. These issues -- including matters as diverse as public procurement, China's desire for market economy status, standardisation, research and development cooperation and participation, and the impact of the economic difficulties in Europe on the Chinese economy -- helped shed further light on the current priorities and primary considerations of European policy-makers. However, the point that was iterated on the most occasions -- and by varying levels and differing Directorate-Generals within the European Commission -- was the importance and instrumentality of the Position Paper in assisting European officials frame governmental trade policy strategy with China. In recognition of the level of regard afforded to the Position Paper as a uniquely credible report of European business interests in China, conversation in the vast proportion of meetings focused almost exclusively on elucidating issues and on discussing recommended points of action that the officials could and should take regarding how to tackle the various concerns outlined within the Position Paper.

Commissioner Level Meetings

Meeting with the European Commissioner for Trade, Karel De Gucht

The meeting with Trade Commissioner De Gucht on Monday, 19th September, was the European Chamber's second meeting with Commissioner De Gucht in two months and the first of two meetings with him in Brussels. It was also the second meeting with DG Trade in a day, as in the morning a group of European Chamber delegates met with Commissioner De Gucht's Director-General, Jean-Luc Demarty, in a meeting that covered various working group concerns and was notable for Mr. Demarty's comment that he planned to read the Position Paper from cover to cover prior to his upcoming meetings with his Vice Minister counterparts in MOFCOM and the EU-China High-Level Economic Dialogue (HED), and for his statement that any investment treaty with China should also cover market access issues. In the meeting with Commissioner De Gucht, in addition to specific working group issues, discussion also went into detail on topics including China's Market Economy Status, the current status of China's non-performing loans, decreasing EU investment

Meeting with the European Commissioner for Information Society and Media, Neelie Kroes

The meeting with European Commission Vice President Kroes constituted the highest-level meeting held during the European Tour. As Commissioner for Information Society and Media, the meeting topics discussed with Vice President Kroes were more focused and industry-specific than those issues covered in the meeting with Commissioner De Gucht. On the concerns of the Chamber's ICT Working Group, which included topics such as unequal access to both standardisation committees and Chinese government-funded ICT R&D projects, Commissioner Kroes stated that she would work jointly with DG Research and Innovation Commissioner Quinn to try to tackle R&D concerns because mutual access for researchers is a must, and that she would work with the Chinese on questions of standardisation and EU best practices when she visits China in early 2012. Regarding the Chamber's concerns regarding China's restrictive regulatory approaches to issues of information security and, in particular, commercial encryption technologies, Vice President Kroes promised that there is still hope for this issue and that it would continue to be raised at high-levels with Chinese government officials. The Chamber was also informed that the European Commission and China are currently discussing opportunities to cooperate with China in a meaningful dialogue on cyber-security issues. Finally, Vice President Kroes expressed her support and agreement with the European Chamber's suggestion that a dialogue between DG INFSO and the Chinese Ministry of Health on issues of healthcare IT and e-health would be beneficial for the development of global policies and fostering interoperability in the relatively young industry sector.

Meeting with the European Commissioner for Taxation and Customs Union, Algirdas Šemeta

The meeting with Commissioner Šemeta on Monday, 19th September, led by European Chamber President Davide Cucino, was the first meeting between the Chamber and the Commissioner. During the meeting, the Chamber was informed that there is no formal dialogue between China and the EU on tax matters because there is no support for such a dialogue from the State Administration of Taxation or other Chinese tax officials. Regarding the legislative process for changes in China's tax laws, Commissioner Šemeta stated that the EU will push China to follow WTO GATT requirements including increased notification periods.

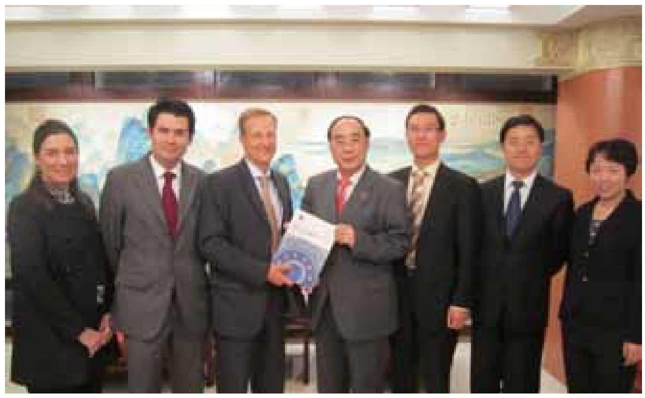
Meeting with then European Commissioner for Environment, Janez Potočnik

The final Commissioner level meeting of the Brussels Circuit was held on Wednesday, 21st September with Environment Commissioner Potocnik. The European Chamber delegation, led by President Cucino outlined a number of issues within the environmental sector to Commissioner Potocnik, including major renewable energy issues, in particular in the wind energy sector. These included the current grid bottleneck situation, as well as issues of discrimination in this sector, such as the recent joint venture requirements for off-shore wind farms and the fact that foreign companies can never win any government concession projects in this area. Other issues raised included China's concerns regarding EU-ETS for aviation, concerns about China's ability at the local level to enforce environmental regulations for ground transport, as well a lack of clarity how China will be able to meet with ambitious and binding targets they have set for emissions reductions. Commissioner Potocnik was very interesting in these topics, but noted that the European Commission needs to improve understanding of the situation in China. He noted that the next HED will likely feature a discussion topic on eco-design and that the European Commission would like to see better coordination amongst Chinese ministries on environmental and energy issues.

Meeting with the European Commissioner for Economic and Financial Affairs, Olli Rehn

In the meeting between Commissioner Rehn and the European Chamber delegation led by President Cucino, European Chamber financial services representatives briefed Commissioner Rehn on recent developments in the financial services sector in China and entered into an interesting discussion on the European debt crisis and its implications for trade and investment relations with China.

Member State Capital Tour (24th September – 5th October)



The effectiveness of EU trade policy with China has in the past been undermined by an approach that has been fragmented and uncoordinated both within the EU and between its Member States. As a result, the European Commission has in recent years endeavoured to develop a harmonised policy towards China, including the development of priority issues and the outlining of common lines of approach for trade policy dialogues with China. The European Chamber welcomes such a move as being necessary to improve the effectiveness of European interaction with China and to reduce the potential for Europe's position to be weakened by internal division. With this in mind, this year's European Tour visited more European Member State capitals than ever before to assist with this aim by promoting key messages to leading stakeholders at the Member State level.

Rome
European Chamber President Davide Cucino led a three-person delegation to Rome on Thursday, 22nd September, to meet with the Italian Ministry of Foreign Affairs and to participate in a large-scale Position Paper presentation to the Italian business community that had been organised in advance by the European Chamber together with Confindustria.

London
Also on the 22nd September, a European Chamber delegation visited London. Led by European Chamber Vice-President Jens Ruebbert, the five-person deputation also took part in a large-scale Position Paper presentation to the business community organised in advance by the European Chamber in cooperation with the Confederation of British Industry. In addition, a United Kingdom Government Roundtable was attended, as well as meetings held with the United Kingdom Trade and Invest, the Chinese Ministry of Commerce mission to Great Britain and City of London representatives.

The Hague
Thursday 22nd September was also the date when European Chamber Vice-President and Shanghai Chapter Chairman, Piter De Jong visited the Hague for the first-ever European Chamber meeting with government representatives of the Netherlands on Dutch soil. Questions on how to approach China, what the role of the member states should be regarding engagement with China, Market Economy Status and bilateral trade treaties were discussed with Simon Smits, Director-General of the Ministry of Economic Affairs, Agriculture and Innovation.

Prague
On what was a busy day for the European Chamber, Vice President Miroslav Kolesar flew to Prague on 22nd September to visit Czech Republic officials for the first time on a European Tour. Over the two days spent in Prague, Vice President Kolesar met with both the Chinese Ambassador to the Czech Republic as well as the Chinese MOFCOM mission. He also represented the European Chamber in a Position Paper presentation organised in advance with the Czech business community.

Copenhagen
European Chamber States Representative Jens Eskelund visited Copenhagen on Thursday, 29th September, in what was again the first visit on a European Tour to Denmark. During his visit, Mr. Eskelund presented the Position Paper to the Danish Ministry of Foreign Affairs. In the meeting with Mr. Soren Kelstrup, Head of Department/Ambassador for Trade Policy, discussion on the particular issues facing Denmark in a China trade context were raised. The Ministry also stated strong support for aligning member state messaging to China; and encouraged the Chamber to help to this regard by recording known instances of misalignment. Finally, the Ministry invited Mr. Eskelund to speak at the Ministry's next Global Public Affairs meeting.

Paris
On 30th September, President Emeritus Jacques de Boisséson led a delegation of five European Chamber members to France, including member of the Shanghai Board, Charles Edouard-Bouée, and three Working Group Chairs. In Paris, they met with the Ministries of Foreign and European Affairs, and also held a Position Paper presentation with approximately 50 representatives of the French business community.

Warsaw
Following a week back in Beijing after his European Tour visit to Rome, President Cucino took advantage of the Chinese National Day holidays to continue the European Chamber's mission, this time visiting Warsaw. In the Polish capital, he held meetings with both the Polish Ministry of Foreign Affairs and the Polish Ministry of Economy. He also represented the Chamber at a large-scale Position Paper presentation to the local business community in cooperation with the Polish Agency for Enterprise Development and at a roundtable with the Polish Institute of International Affairs.

Berlin
The penultimate destination on the European Tour was Berlin where Chamber Treasurer, Andreas Feege led a three-person delegation over the course of 4th and 5th October. During the visit, Andreas Feege gave a Position Paper presentation to the German business community in an event organised together with the Association of German Chambers of Industry and Commerce (DIHK), which was attended by representatives of German Business Associations, the German Ministry of Foreign Affairs, the Ministry of Economics and Technology and leading German multinational companies. The European Chamber delegation also held a meeting with His Excellency Wu Hongbo, China's Ambassador to Germany, during which Ambassador Wu stressed the importance of aligning in issues of common interest like environmental protection, IPR protection and the need for both sides to resist trade and investment protectionism.

Athens
Also for the first time and again led by President Cucino, the European Chamber was represented in Greece on the final destination of the European Tour where another Position Paper presentation with the business community was held in Athens, organised in advance by the European Chamber in cooperation with the Athens Chamber of Commerce.

Chinese Lobbying Highlights

Although the months of September and October tend to be the most European-oriented months of the calendar year owing to the European Tour, the Chamber still continues with its primary lobbying focus directly with Chinese officials. In the days leading up to the release of the Position Paper and in the weeks ensuing until the third week of October, the European Chamber submitted 11 sets of regulatory comments to Chinese officials and held 24 Chinese government meetings, including two at the Ministerial level.

Meeting with the Vice Minister of Commerce, Zhong Shan

Two days prior to the release of the Position Paper on 6th September, MOFCOM Vice Minister Zhong Shan accepted a meeting request from the European Chamber. The meeting was organised as a courtesy visit to discuss European Chamber concerns and messaging prior to the release of the Position Paper. European Chamber President Davide Cucino; President Emeritus Jacques de Boisséson; European Chamber Vice Presidents Jens Ruebbert and Miroslav Kolesar; European Chamber Treasurer Andreas Feege; and Secretary-General Dirk Moens attended the meeting with Vice Minister Zhong and relevant Director-Generals. During the meeting, the European Chamber presented the Position Paper Executive Summary, including the two tables of 10 policy improvements over the last year and the 10 examples of existing major discriminatory policies against foreign-invested enterprises. Other issues discussed included the European Chamber European Tour, as well as the EU-China Summit. The meeting was very cordial and follow up meetings with relevant Director-Generals were promised for specific Working Group concerns.

Meeting with the Mayor of Chongqing, Huang Qifan

In view of the fact that the European Chamber formally established an office in Chongqing recently, European Chamber President Davide Cucino and Secretary-General Dirk Moens requested a meeting with the Mayor of Chongqing Huang Qifan. During the meeting on 25th August, numerous discussion points were raised, including Chongqing's desire to further invest overseas and how the European Chamber could assist with further attracting investment to Chongqing. Mayor Huang was interested in issues elaborated within the Position Paper and gave his full support to the European Chamber's decision to open an office in Chongqing. Indeed, Mayor Huang promised that the Municipality's government will attend the opening ceremony of the Chongqing office later in the year and will continue the dialogue with the European Chamber into the future to develop good cooperation in the region.

Consultative Roundtable with the Mayor of Nanjing, Ji Jianye

On 15th-16th September, the European Chamber was invited by the Nanjing Municipal Government to support the 2011 Nanjing Mayor's Consultative Roundtable, which was focused on the development of Nanjing's logistics industry. The European Chamber delegation was led by Nanjing Board Member Carlo D'Andrea and was represented by nine logistics-related member companies. Prior to the roundtable meeting, Charles Wang, a Director at the China Development Institute, was invited to speak by the Chamber to give a keynote speech as a representative of the City Logistics Projects, which is a project that involved numerous Chamber member companies. Eb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EXECUTIVE PERSPECTIVES:

Discussions of European Business in China

With 2011 moving towards a close, European industry in China is experiencing a dynamic situation that is both challenging and rewarding. The global economy remains slow, with the European Union sliding deeper into crisis in the last quarter of the year. China's economy remained robust, although signs of slowdown, initiated in part by government policy designed to ease inflation, has started to take effect.

This year also saw the initiation of China's 12th Five-Year Plan, indicating a new direction for the nation's economy, as it transitions away from manufacturing and exports and focuses on services for a domestic economy. The Plan also places significant weight on environmental protection and sustainability, as part of an emphasis on improving not just the economic well-being, but the overall quality of life of China's citizens.

While the European Chamber's Business Confidence Survey 2011 indicated European businesses in China foresee greater regulatory uncertainty during the coming two years, at the same time a significant majority of the same firms indicated both greater revenue and profit in 2010, indicating both the difficulty and opportunity that the market here continues to present.

EURObiz's Steven Schwankert sat down with leading executives based in the two regions to discuss the state of European Business in China for their perspective on the current situation, and some insight into what may be expected in the short-term.

Claudio Facchin

ABB (China) Ltd.

With a century of history in China and the development of more than 33 local companies since entering the market in 1992, ABB has become one of the most influential market players here. ABB Group Senior Vice President and President of ABB North Asia Region Claudio Facchin talks with EURObiz about industrial upgrading in China.

EURObiz (Eb): Tell us about the nature of ABB's business in China.

Claudio Facchin (CF): ABB has been working with China for more than 100 years. As one of the early birds, ABB has built more than 33 local companies since 1992, a full-fledged business formed of R&D, supply chain management, manufacturing, service and engineering. ABB is dedicated to providing power and automation technologies and solutions to increase energy efficiency and productivity for utility and industry customers who are key players in power generation, power transmission and distribution, transportation, chemicals, oil and gas, minerals, pulp and paper, automobile, intelligent building construction.

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

CF: Yes, absolutely. The EU-China business relationship is obviously growing in importance, with a total trade well above EUR 400 billion in 2010, with the China share in trade of goods approaching 15% of global trade, and with the strong push from China to increase the value added at home, Europe and China must find a win-win partnership. The ongoing dialogue and cooperation in many fields including energy efficiency and environmental protection, renewables and industrial productivity are a good example. We are enthusiastic about the opportunities such partnership will generate for both parties, China and EU.

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

CF: To my view, it is trust. And to overcome this hurdle there is only one way: is to engage in a transparent and concrete dialogue in those critical areas that have been highlighted already many times. If I look at ABB, experience and success in China is about state of the art technology, great customer base, excellent pool of talents as well as excellent relationship with local partners.

We have more than 20 joint ventures with local partners and the key success factors are trust and respect, on both sides. Foreign direct investment in China is usually an easy process thanks to the government open policy. However, despite the right tone set at the top, multinational corporations still face challenges such as market restriction and transparency of the rules and regulations in few areas. I could see the mutual understanding has improved a lot now, after China making strong efforts through regulations and counterfeiting actions, but a lot of hard work is still in front of us.

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

CF: Help China to improve energy efficiency and emission reduction, environmental protection, industrial productivity and safety, which have also direct impact on improving the life and work quality of the people.

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

CF: In both cases, we should encourage and support Chinese stakeholders to deepen their understanding of the EU system, which is ahead of the Chinese system in terms of level playing field, transparency and rule of law. This can take place at the government, business and educational level. At the same time we need to leverage further the existing EU footprint in China as a growth platform for the EU-China partnership.

China has made significant contributions to the world economy and made huge improvements in the country during the past two decades. These achievements are unprecedented and deserve a lot of respect. We should always bear in mind that being a continent like country, China surely has its share of the issues, just as every country does.

The EU can position itself as a partner to support China's plan to shift into a sustainable economic growth mode, this is certainly an attractive scenario for China and would encourage the partnership on an equal stand.

To attract Chinese investors we should also clearly demonstrate what good investment opportunities lay in Europe. One suggestion would be for Europe to focus on the existing and well developed Chinese partners, with whom we already gained experience through our successful joint ventures.

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

CF: The turbulence in the Eurozone and the increasing risk related to financial system and consequently the currency is certainly triggering concerns from Chinese investments perspective. In addition, China needs to deal with an over-exposure of its investments in U.S. dollars, so the risk is for Europe to lose attractiveness vis-a-vis other markets such as BRICS and Asia Pacific.

Eb: What do you think is the greatest misunderstanding of China in Europe?

CF: Once more, it is the lack of trust. Relationship is built on trust, respect and through long-term efforts, and it should be carefully protected always. Issues do occur from time to time. If they are not responded to efficiently, then they are likely to affect the relationship. In my opinion, all issues can be discussed and resolved by increasing mutual understanding and both sides should concentrate on the opportunity of such a partnership, rather than the risks.

Eb: Conversely, where do you think Europeans mostly misunderstand China?

CF: First, we take China as a single entity, one homogenous country, rather than a large continent. We need to learn about the differences between the Chinese from the west to the east, from the north to the south, from the past to present, from the rich to the poor.

Second, we need to look at the Chinese stakeholders as our peers; this is a cultural shift and a different perspective from just eight to 10 years ago.

Eb: What kind of clients does ABB serve in China? How does the business differ between Chinese and MNC customers?

CF: We serve customers who are key players in sectors including power generation, transmission and distribution, transportation, oil and gas, minerals, pulp and paper, automobile, shipbuilding, intelligent building construction, almost all industries and market segments. We are the leading player with the state of the art technology and complete product portfolio in our industries, and we have energy efficiency, industrial productivity and power grid reliability built in the core of our products, compared with other companies.

The vast majority of our customers in China are Chinese enterprises (private or state-owned enterprises) and our focus is on the domestic market. In that sense there is no substantial difference between Chinese and MNC customers. At the same time we are in an excellent position to support all our customers in their oversee expansion, a development that represents an additional growth opportunity for well established companies in China

Just take a look at companies like Sinopec; they are comparable to any multinational company today.

Eb: Anything you would like to add?

CF: If I can stress one single point, that is: Europe needs China and the Chinese enterprises to support growth in Europe, as much as China needs Europe to shift its economy into the sustainable path.

The win-win partnership I mentioned before should be our goal, for the benefits of the Chinese and European people. Eb

Enrico Lodi

CRIF

CRIF Group Worldwide supports more than 1,800 banks and financial institutions, over 25,000 business clients and provides reports and information on over 150 million companies worldwide. Enrico Lodi, General Manager of CRIF's credit services bureau, talked to EURObiz about the rising need for credit reporting in China.

EURObiz (EB): How does CRIF approach its business here in China?

Enrico Lodi (EL): CRIF is a global company specialising in the development and management of credit reporting, business information and decision support systems, operating over four continents (Europe, America, Africa and Asia) and serving customers in 40 countries.

CRIF also works with local governments and central banks to improve a country's financial systems, as a sound basis for development of corporations and Small and Medium-sized Enterprises (SMEs).

Since 2008 CRIF has been operating in China through Huaxia CRIF China, a joint venture with Huaxia International Credit Group, offering consumer loan management, debt collection, decision support solutions and pre-employment screening to the Chinese domestic market.

In addition, in 2011 CRIF established CRIF Beijing to provide credit risk management solutions to Chinese retail banks, consumers and automobile finance companies. With offices now in both Beijing and Shanghai, CRIF provides decision support systems and software solutions to help local banks and financial institutions to develop more efficient and innovative retail lending procedures and processes; from customer targeting and acquisition, to portfolio management and debt collection. Thanks to CRIF services, Chinese financial institutions are able to respond faster and more effectively to the challenging and ever-changing demands of the customer, the market and regulatory bodies.

CRIF leverages on its international experience in the development of decision support systems for credit risk management and marketing strategies, and combines this with local know-how in order to meet the specific needs of the Chinese market.

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

EL: The main issue is: will the fair enforcement of reciprocal business rules be able to create real win-win opportunities?

Eb: From your perspective then, where are the best opportunities for European industry in China?

EL: As far as CRIF industry is concerned, the biggest opportunity is related to the shortening time to market. Chinese financial institutions could take advantage of solutions already implemented in Europe to solve similar problems.

Specifically, the tightening of credit policies for SMEs and small businesses require the financial institutions to change focus from the volume of credit to the quality of credit, and these are key factors where CRIF supports local institutions and local banks.

Finally, as in China the consumer credit market is growing rapidly and offers challenging opportunities for further development, CRIF's strategic decision to position itself in Asia in the fields of integrated and advanced analytics, IT solutions and consulting services, supporting banks and financial institutions in customer acquisition and credit portfolio management.

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

EL: As mentioned earlier, the fair enforcement of reciprocal business rules is the starting point. Additionally, an open-minded approach as far as knowledge transfer is concerned. Many European companies have strong know-how to share with Chinese companies, which have to understand their cooperation for the legalisation of such know-how is part of the success of the deal. This is especially true as far as our industry is concerned.

Eb: What do you think is the greatest misunderstanding of China in Europe?

EL: The common opinion in Europe is that China is an incumbent competitor and vice-versa. This is the view of people not having had direct contact with each other. We strongly believe that this is not true: China and Europe are complementary; there is room for enhancing cooperation in a fair way.

Eb: What kind of clients does CRIF serve in China? How does the business differ between Chinese and MNC customers?

EL: CRIF provides services mainly to retail banks and financial institutions, supporting them in managing the credit lifecycle, from customer acquisition to loan underwriting, to portfolio management and debt collection. Common retail financial products such as home loans, credit cards and overdrafts can then be managed using CRIF solutions.

The MNC presence in this industry is still focused on consumer and automobile finance, while most international banks are either focused on corporate banking or reinforcing their presence in the retail segment being (minority) shareholders of local commercial banks.

Eb: CRIF has had a long collaboration with several central banks in emerging economies. Please tell us how those relationships developed, and how you work together with them?

EL: CRIF is the largest credit bureau in continental Europe and runs credit bureaus directly, or provides the technology central banks in more than 10 countries around the world including Asia. CRIF is also a member of several credit reporting industry associations, and is then able to provide consultancy and knowledge transfer to central banks of emerging economies in the area of credit reporting and credit bureau management.

In China, People's Bank of China manages the credit bureau and has been able to establish very successfully the national credit reporting system in an extremely tight timeframe. CRIF, both as a company and as a member of industry associations, continues to promote knowledge transfer and information exchange with central banks. Eb

Eric Bouteiller

Beaufour-Ipsen (Tianjin) Pharmaceutical Co., Ltd.

Mr. Eric Bouteiller serves as the Chairman and General Manager of Beaufour-Ipsen (Tianjin) Pharmaceutical Co., Ltd. He is also a former chairman of the European Union Chamber of Commerce in China's Tianjin Chapter. In addition, Mr. Bouteiller servesHe shared with EURObiz his insights into the city's European business community, and its challenges, charms and opportunities.

EURObiz (EB): Please tell us about the Tianjin chapter of the European Chamber. How many members do you have? What are some of the major companies participating?

Eric Bouteiller (EB): The Tianjin Chapter is a relatively young organisation as it was established in 2005, but it is one of the most dynamic. We reached 100 members a few months ago. The Chapter is led by a board that is elected every year. It is a small team of individuals strongly involved in the local life and with a wide geographical representation (four European countries among five people). We have very big corporate names like Airbus and Siemens, but also medium-sized companies like Goglio and Ipsen Pharma. One key of our success is to have built a tight team that makes fast decisions together ensuring that we join all major events we organise in Tianjin. On average, we have four to five events per month, which can be a challenge to participate in all of them when you know our very heavy professional workload.

Eb: Why are these companies establishing a presence in Tianjin, what is the advantage?

EB: Tianjin has many strong advantages from an investment point of view: remarkable transportation infrastructure; strong local market; regulators that are very supportive to business; proximity of Beijing without its cost. There are many more reasons, but probably the most important is a well trained workforce that is quite stable by China standards.

Eb: How does Tianjin compare to its neighbor, Beijing?

EB: The history and nature of the two cities are very different. Today Beijing is the capital of the country and benefits from a level of investment that Tianjin cannot match. But a century ago, the picture was not the same and Tianjin was more developed than Beijing, while the central government was, at that time, forbidding foreign ventures in the heart of the empire. Tianijn was also safer than Beijing and that is why when you walk in the old quarters of the city it is like walking in a history book of China: many important people lived in Tianjin.

Today, Tianjin has capitalised on its excellent location benefiting from its transportation infrastructure but also its proximity to Beijing. Tianjin is now an industrial powerhouse specialised in manufacturing, shipping and logistics. If you are looking for big manufacturing investment, Tianjin is the best candidate in terms of availability of land, quality workforce and cost. Beijing is more suitable for representation and the service industry.

Eb: What is the attitude of the municipal government towards foreign investment and foreign business, especially European business?

EB: The municipal government is very keen to attract foreign investment. With the Binhai New Area, you have a vibrant city that is comparable to Shenzhen. Of course, not everything is rosy, but the mindset of the local officials is positive and they are looking for pragmatic solutions for companies to invest here.

Is there a specific interest or support for European companies? I do not think so. De facto, the most important investors are Korean and Japanese for obvious geographical reasons. But the doors of the various government agencies are always open.

Eb: For purposes of investment and business, would you consider Tianjin to be a first-tier or second-tier city?

EB: In terms of population (13 million according to the recent census) or market size, Tianjin is clearly behind the first-tier cities like Beijing, Shanghai or Guangzhou. But it is already among the biggest of second-tier cities. Also the growth of the economy for the last two years has been the first in China and Tianjin is catching up with first-tier cities.

You can look at this issue from a different angle. In the case of my company, Ipsen Pharma, we have chosen Tianjin as the location for our headquarters in China, since our beginning of operations here in 1992. Currently this affiliate is the second of our group due to several factors: aggressive strategy and careful management of resources, but also because we manage our whole national operations from Tianjin. In brief, we are more in tune with real China than by having our office in the CBD of Beijing of Shanghai.

Eb: What are some of the challenges that companies face in Tianjin?

EB: Basically, we face the same issues in Tianjin as in the rest of China: the difficulties to manage strong growth in the long run, increasing costs, but also changes of regulations and new taxes. The *Business Confidence Survey* [www.europeanchamber.com.cn/view/media/publications] is a good summary of what we are facing.

There are also more specific issues to Tianjin. With its strong economic development, this city is facing a growing pressure on the city's transportation infrastructure. Hardware has been significantly improved over the last few years in terms of connections with Beijing and other economic hubs in the region. Tianjin has been the first city to benefit from a very reliable high-speed train. But more is needed not only on the infrastructure side but also on the soft side.

Eb: Tell us about the quality of talent in Tianjin. Is there an adequate supply available locally?

EB: Tianjin has a huge talent pool at the workshop or management level. There are a lot of high quality educational institutions. And the strategy followed by local officials is dynamic. For example, with the creation of an aeronautic industry in Tianjin, several related universities have been created to support the long-term supply of talents.

But it is true that for some very specific positions, at the national level, you have to identify the expertise you need in Beijing or Shanghai and propose to candidates a specific package to move to Tianjin.

Eb: What don't most people know about Tianjin?

EB: The level of knowledge about Tianjin in Europe is very low. It is important that officials continue to build a better image for the city. The fact that the World Economic Forum's Summer Davos happened here last year is very important.

After its success in manufacturing, the city starts to launch large-scale international business events and exhibitions. A visit to the Meijiang Exhibition Center is compulsory.

Tianjin is also trying to capitalise on its rich history. A tour of the former concession area or a Haihe river cruise are now a favourite of any visit to the city.

Eb: How easy is it for a foreign national to live in Tianjin, how comfortable?

EB: You can find all the basic infrastructure foreigners need from good international schools to English-speaking clinics. But it is quite difficult to find natural space nearby the city or high-level cultural entertainment. Beijing is in sharp contrast. But Tianjin is slowly improving and now you find some good places. Eb

Charles-Edouard Bouée

ROLAND BERGER STRATEGY CONSULTANTS

As one of the world's largest firms of its kind, Roland Berger Strategy Consultants has maintained a presence in China since the 1980s. Charles-Edouard Bouée, the company's President for Asia and member of its Global Executive Committee, discussed with EURObiz the value of the EU-China relationship and its new areas of opportunity.

EURObiz (Eb): Please describe Roland Berger's work here in China.

Charles-Edouard Bouée (CEB): Roland Berger Strategy Consultants, founded in 1967, is one of the world's leading strategy consultancies. We entered the China market in the 1980s and have established our footprint solidly. Of almost 300 consultants in China, 90% of them are Chinese, providing our expertise of local and international markets to our clients, and up to 70-80% of our clients are Chinese companies, public or private. With this fast pace, Roland Berger is very confident to bring more value to the China market.

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

CEB: Yes. Europe is the largest trading partner of China and interdependence between the two is growing fast. The trade relationship represented a volume of EUR 1.75 billion in 1975 when China and Europe re-established diplomatic relations, while today the figure is EUR 240.4 billion! In 1975, there was no European investment in China, while today more than 20,000 European companies operate in China. In terms of tourism, last year, almost two million Chinese tourists visited Europe.

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

CEB: Finding a win-win situation as a lack of balance develops on the trade and investment side.

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

CEB: First, China's 12th Five-Year Plan has given a clear direction for the country's future development, it is especially clear about the opportunities and high-priority industries in China. During the 11th Five-Year Plan, China's share of actual use of foreign investment in the world was on the rise, and hit a record high at 9.44% in 2010. A huge market of 1.3 billion consumers is emerging.

The new plan specifies seven industries for particular development attention: Energy conservation and environmental protection; new generation information technology (IT); biotech; advanced equipment manufacturing; new energy; new materials; and new energy vehicles.

For example, the grid-connected photovoltaic sector has met 12 gigawatts of domestic demand as the Chinese government introduced a series of policies in 2009 that provided support for its applications. China is likely to become the largest photovoltaic market in the world. China is transforming from a global manufacturer into an adopter and consumer.

Another area where European business can play a big role, health and well-being are the main characteristics of the Plan. European companies are very well-positioned in service industries, healthcare and consumer-related industries. Studies show that the EU takes over 60% of China's pharmaceutical imports and the top players in the China market are European brands in the luxury industry.

Lastly, the central and western areas are priorities. They will benefit from approved development plans and from rising costs in coastal areas and major cities. Some foreign firms have already adapted to China's new development blueprint. Citibank has just 10 branches in China, but three are in the western cities of Chengdu, Chongqing and Guiyang. The company has said it will open more branches in the central and western regions to serve multinational and local enterprises.

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

CEB: With the world's largest foreign reserves China has successfully positioned itself as a fast-growing outbound Foreign Direct Investment (FDI) country. Chinese utbound FDI amounted to EUR 40 billion in 2010 and is increasingly making a noticeable presence in Europe, where it has quadrupled since 2005.

Europe's attractiveness is largely based on the fact that it is China's biggest trading partner, with the EU taking more than 20% of China's total exports. But Europe's advantages of a high-quality and diverse labour force, a leading-class capacity in research and innovation; and a stable and predictable business environment make it highly attractive for Chinese investments.

Going forward there will be the need to accompany Chinese enterprises investing into Europe to successfully leverage these advantages. Chinese top managers and investment decision makers have to make use of intermediaries guiding them, building a bridge on the markets they have to approach.

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

CEB: The Euro issues are significant but short term issues. In the 35 years since the establishment of Sino-European diplomatic ties, trade and economic relations progressed steadily and as the EU increased its membership, the relationship has grown closer.

The commitment of China to the Euro, as stated by Premier Wen Jiabao in Dalian at the recent Summer Davos, will remain intact and very important to support. He added that he believes Eurozone countries can overcome these difficulties and grow their economy. The Chinese government's active attitude toward the crisis will therefore continue to improve EU-China relations.

The Euro's devaluation has made EU exports more competitive in China, and this has changed to some degree the trade balance between China and the EU.

Eb: What do you think is the greatest misunderstanding of China in Europe?

CEB: China is often looked at through Western eyes and filters, most of the time with stereotypes; this creates many misunderstandings. Taking the example of the management style of Chinese industry leaders, we cannot say which methodology, either American or European is good, but Chinese leaders are always coming out with the style most suitable for their real situation and culture.

Eb: Conversely, where do you think Europeans mostly misunderstand China?

CEB: China is a complex country with 5000 years of history. It is developing its own way of doing things. It is often analysed from simple angles: aging population, real estate bubble, fixed asset investment-driven GDP, the gap between poor and rich, instead of understanding that it is a very complex self-adjusting system that develops rapidly while keeping balance. Chinese leaders are aware of the challenges and tackling them as they can be handled.

In summary, mutual understanding should be based on the good comprehension of all aspects of political, economic, business, social, cultural and historical factors.

Eb: What kind of clients does Roland Berger serve in China? Mostly MNCs, or do you have Chinese clients also?

Seventy percent of Roland Berger's clients are Chinese companies, government or public institutions.

The Chinese market is a key pillar of Roland Berger Strategy Consultants' international expansion. Since our entry into the China market, the consultancy has grown rapidly: four offices (Beijing, Hong Kong, Shanghai, Taipei) now have almost 300 employees dedicated to working extensively with both leading Chinese and international companies. Eb

Dr. Marc Wucherer

SIEMENS LTD., CHINA

Siemens is one of the largest foreign-invested enterprises in China, with a history here that dates back to 1872. Dr. Marc Wucherer, Executive Vice President of Siemens Ltd., China and President of Industry Sector North East Asia, told EURObiz about the company's approach in China.

EURObiz (Eb): Please describe Siemens' business in China.

Dr. Marc Wucherer (MW): Today Siemens has more than 25,000 staff, 69 operating companies and 64 regional offices across China. In fiscal year 2010, revenue for Siemens in China (excluding Osram and Siemens IT Solutions and Services) has totaled EUR 5.5 billion.

To Siemens, China is a key pillar for our growth. China is the second largest foreign market for Siemens and has become Siemens' second home.

The China market became an important element within the global value chain for Siemens. Customers in China generate seven percent of our total revenue. Some 90% of the products that we sell in the country are high-tech.

Eb: How is the EU-China business relationship changing?

MW: Over the last two years, the Sino-European relationship has had a positive impact. The fact that the global economy recovered sooner than expected is in large part due to the strong growth rates and demand in emerging countries – with China in the lead. Over the next five years, the emerging countries are expected to account for over 50% of the world's economic growth. The four BRIC nations alone will account for 40%. Again, China is in the lead. We are convinced that our success now and in the future hinges on the collaboration between equal partners like China and Europe.

I am taking Germany as an example of all EU countries. China is expected to become Germany's largest sales market outside the EU in 2012 and will continue to be the most attractive market for foreign investors in the future. Today, China is one of the most important regions for Siemens. Chinese customers are responsible for 7% of our total revenue. The products that we sell here in China, about 90%, are high-tech. Most of these technologically innovative products come from Europe.

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

MW: China now is well aware that only sustainable growth is healthy growth. The 12th Five-Year Plan has highlighted the importance of more efficient use of energy and of natural resources, so is the reduction of CO_2 emissions, as well as increased efforts for environmental protection. And this is exactly the chance for EU companies: We can support China's green revolution with innovative technology.

Eb: How can Europe make itself more attractive for Chinese investment?

MW: In the post-crisis global economy, three factors will determine the competitiveness of both companies and countries: sustainability, innovation and most importantly, partnership. China is a leading partner for its impressive economic growth. With a population well over one billion people, China's domestic market is very attractive. The Chinese people are eager to make economic progress and improve quality of life. And this has resulted in the rise of many strong local champions. The large volume of the European Union's common market makes it also very attractive. European and especially German industry is very strong in innovation.

Eb: Where do you think Europeans mostly misunderstand China?

MW: China is an enormous market, the geographic difference could be reflected in people's way of thinking. For European companies, and all international companies as well, to truly understand the diversified demands of Chinese consumers, developing products most suitable for their needs are key to staying competitive in this market.

For Siemens, China is important not only as a market but also as a research location. The country boasts one of our largest research centers, in which we develop products for emerging countries, in particular.

Premier Wen indirectly indicated what China expects from international co-operation when he visited our production plant in Tianjin. He said: Multinationals like Siemens that manufacture in China, employ Chinese staff in China, and do business in China are considered Chinese companies. And those products manufactured in China should be considered Chinese local products. We at Siemens are proud to be recognised as a Chinese company.

Eb: What kind of clients does Siemens serve in China? How does the business differ between Chinese and MNC customers?

MW: Siemens has served a wide range of customers in China. For example, the Siemens Industry Sector is one of the world's leading suppliers of innovative, environmentally friendly products and solutions for Chinese industry customers.

Sinopec Qingdao Refinery Plant is one of our Chinese clients. This company is one of the world's largest refinery plants. It requires highly reliable and efficient industrial production control systems to ensure high performance.

In the near future, the Siemens Industry Sector will focus on serving industrial vertical markets with large growth potential. Examples include: automotive, chemicals, pharma, food & beverage, minerals and pulp & paper.

Eb: What issue is the most challenging for the two sides to engage on?

MW: We have witnessed the great efforts China has been making over the past three decades to construct a transparent and legal business environment, driven by its intention to integrate as a full member of the international community. We understand that it takes time for the country to accomplish what it took the industrialised countries more than a hundred years to achieve.

We share the same vision as the Chinese government and enterprises to construct a fair business environment. In a time of globalisation, enterprises shall not be simply distinguished by its country of origin. This was evident during Premier Wen's visit to a Siemens production facility in Tianjin this May when he emphasized that enterprises that legally register in China, employ Chinese staff, invest and do R&D in China are considered as Chinese enterprises.

Therefore, the highest priority for Sino-EU business relations for the coming years must be to further intensify the already existing good cooperation between the two sides. A stable and long-lasting partnership requires a good climate for discussions, founded on the very essence of all human relationships, which is openness, honesty as well as giving and taking.

Eb: Will currency issues in Europe affect this relationship?

MW: In a highly globalised world today, no country can stay isolated from the global community and a crisis in a single country can be easily translated to another. This is why the current crisis with the Euro requires a group action by especially countries like Germany and China, as well as other EU countries. Most recently we noticed that the Chinese government has expressed the willingness to support countries severely affected by the Euro crisis. This is indeed a responsible attitude.

However, amid crisis always lies opportunity. Chinese enterprises may also take bold actions, such as M&A or co-operation with their counterparts in the affected EU countries. This actually will further build up the business link between EU and China.

Eb: What do you think is the greatest misunderstanding of China in Europe?

MW: China and Europe each have a distinct history, culture and religion. These naturally lead to differences in understanding. However, as mentioned previously, we have witnessed the great development of the Sino-EU relationship. The bilateral trade has also increased dramatically. China is now the EU's second-largest trading partner behind the United States and the EU's biggest source of imports by far. The EU is also China's biggest trading partner. Intensified trade relations, flow of people and goods, cultural exchanges will finally narrow the gaps between different perceptions by the two countries. Eb

Dr. Roch Doliveux

UCB

Dr. Roch Doliveux is the CEO of Belgian pharmaceutical manufacturer UCB. He tells EURObiz about the publicly-listed company's operations in China and how biotechnology meshes with the goals of the 12th Five-Year Plan.

EURObiz (Eb): Please describe UCB's business in China.

Dr. Roch Doliveux (RD): UCB has a long history in China, the company started its first pharmaceutical business operations in the early 1990s.

The company currently employs over 700 people in China, and is continuously expanding its commercial reach, manufacturing and R&D activities. The company's headquarters is in Shanghai and also has an important office in Beijing.

Our plant in Zhuhai manufactures several of UCB's drugs mainly for the Chinese market, but also serving export business in the region. This activity is based on a joint venture with a local Chinese company, Erkang, going back to 1997.

UCB intends to upgrade and expand its manufacturing capacity and is about to acquire new facilities, also in Zhuhai, to move its technical operations.

We are currently working on the clinical development and introduction of several of its new drugs in China and Asia and plans to make these drugs available to Chinese patients and prescribers in the near future.

Consistent with the UCB's Patient Centricity and corporate values, UCB in China invests substantial efforts in Continuous Medical Education in our areas of expertise such as epilepsy, anemia and cardiology. We work closely with the China Association Against Epilepsy to raise awareness of epilepsy treatment among health care providers and patients.

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

RD: The EU and China depend on each other in the global economy, with Chinese and European companies being parts of fully integrated global supply chains.

The continuously growing Chinese market is a top priority for European companies and for UCB in particular. European companies are well-positioned, due to their international experience and strong presence in the Chinese market, Europe's cutting-edge technology and the high quality of European products and services.

Both the EU and China should increase their efforts to further expand the opportunities through stronger bilateral cooperation.

In my business area, the biopharmaceuticals, China's regulatory environment has greatly evolved over the last decade, with greater openness towards global standards and practices.

This has resulted in some significant changes, some of which are inspired largely by the EU.

This high-level regulatory dialogue between the EU and China is a positive sign and shows willingness from both sides to work together.

Reform of the Drug Administration Law is ongoing, which can provide opportunities to shape and further harmonise the regulatory framework in areas such as clinical development, product registration and related intellectual property rights.

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

RD: The main challenge in dealing with China lies in this contrast between openness and control over the economy.

Recently, European companies have been concerned that market access restrictions are on the rise in China. At the same time, Chinese companies are increasingly present in the EU market.

Chinese companies are also increasingly investing in EU companies with specialized industrial technologies. This will stimulate more competition at the high-end of the industrial value chain in the future.

Despite the efforts and improvements made to strengthen the rule of law in China, legal uncertainty remains a disadvantage for European companies.

Weak enforcement notably at local level or openly discriminatory rules on intellectual property rights protection lie at the heart of the challenges.

Since both Chinese and European companies will profit from strengthened intellectual property rights protection, further efforts and commitments should be made on IPR enforcement.

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

RD: The 12th Five-Year Plan identifies several strategic emerging industries: biotechnology, clean energy, high-end equipment manufacturing, energy conservation and environmental protection, clean-energy vehicles, new materials and next-generation IT.

Biotechnology is one of the priorities and we welcome it.

The government is reportedly prepared to spend more than 4 trillion yuan (EUR 434 billion) to support these industries during the five-year period, with an aim to increase those strategic sectors' contribution from today's approximately 5% of GDP to 8% by 2015 and 15% by 2020.

We see this vision as a positive development for biopharmaceutical activities in China.

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

RD: Growing interest in the European market from Chinese companies is positive. It proves that Europe is an attractive and competitive investment destination.

Currently relatively small in number, Chinese investments focus on the eastern and southern parts of Europe.

The EU and China should negotiate an ambitious bilateral investment agreement that would provide legal certainty for both sides.

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

RD: Current issues surrounding the Eurozone require a strong political solution.

European companies need visibility and predictability.

This high level of uncertainty is detrimental to the general business sentiment.

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

Well, I would like to move beyond misunderstandings and focus on what is working, the examples I have mentioned of high level dialogues are living examples of what we can and should be doing more.

It is only by working together and building bridges that we will develop positively in both regions.

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

RD: In UCB, we prefer to speak about the patients and with our highly specialized medicine, our teams aim to bring solutions to help those patients and consequently their families, supported by health care professionals in medical institutions.

Working with those specialists to bring our innovative therapies and alternative solutions, UCB in China invests substantial efforts in Continuous Medical Education of health care professionals in our areas of expertise such as epilepsy, anemia and cardiology.

One example that I can mention here: UCB organizes an annual gathering event for the employees and their families in our different locations in China. During this family day, we invite patients to participate in our activities and share our respective passion and interests.

This educational approach of the healthcare professional and the patient's centricity is probably the most important aspect of the differentiation with local companies.

UCB also brought a tremendous effort to place compliance at the top of our employees' priorities. Eb

World Trade Organization Director-General Pascal Lamy helped negotiate China's WTO entry from the EU side.

CHINA IN THE WTO: THE FIRST 10 YEARS

– and the Next 12 Months

China will end 2011 with a celebration of its first decade as a member of the World Trade Organization. That event will be marked by celebration in China for all it has accomplished – and calls from the European Union to do even more, both at home and abroad. EURObiz's **Steven Schwankert** looks at how far the EU-China relationship has come via the WTO and where it will potentially go.

On 11th December, 2001, the People's Republic of China became the 143rd member of the World Trade Organization, a body founded to supervise the liberalisation of international trade, as perhaps the most important step to that point in the country's policy of reform and opening up.

The last 10 years have been momentous for China and its partners in Europe. China's accession to the WTO was completed just three months after the September 11 attacks, setting the tone for the new decade and in some ways, the new century and millennium. That 10-year period began for China under the leadership of President Jiang Zemin and Premier Zhu Rongji and covered most of the tenure of President Hu Jintao and Premier Wen Jiabao.

Former Minister of Foreign Trade and Economic Co-operation Shi Guangsheng (right) led China's negotiations to enter the WTO.

In this first decade of the 21st century, China began to realise much of the potential that had been touted during the 1980s and 1990s. It became the leading market for many of the world's goods and service sectors. After spending the 1990s upgrading the nation's telecommunications infrastructure, China is now the world's largest user of mobile phones, fixed-line telephony, Voice over Internet Protocol (VoIP) and in 2008 became the number one market for Internet use. At present, there are more Chinese online than there are citizens of the EU. In early 2010, it surpassed the United States to become the world's largest automotive market, selling over 18 million vehicles in total. Earlier this year, China became the planet's top market for personal computers.

Not every milestone it has achieved is positive. In mid-2007, China became the world's largest producer of greenhouse gasses. It is the largest producer and consumer of chromium, a known carcinogen and toxin, and the second-largest producer of electronic waste (e-waste). It consumes more cement, coal and steel than any other nation.

Throughout, China remained the world's most populous nation, growing from 1.26 billion at the start of the period, and ending with 1.34 billion in 2010, according to the most recent census.

China also took significant steps towards the center of the international stage in other areas during the decade, especially its latter half. In 2008, Beijing welcomed the world by hosting the 29th Olympic Games. The People's Republic celebrated the 60th anniversary of its founding in 2009, followed in 2010 by Shanghai hosting the World Expo.

One think-tank lauded China for its work even prior to entering the WTO. "China undertook enormous trade and FDI liberalisation during the 1990s – before WTO accession in 2001 – followed by another big dose of liberalisation in line with its WTO commitments…China is a textbook example of how WTO accession works in tandem with national market-based reforms…In short, China's accession is the WTO's biggest success by far," said the European Centre for International Political Economy, based in Brussels.

In mid-October of this year, Pascal Lamy, Director-General of the WTO, who was the European Union's chief negotiator for China's WTO accession, said of its membership, "The result is a win-win situation where China has received a lot from international trade and other WTO members have also got a lot from the opening of China." Lamy later said that "As a key player in the WTO, other countries have high expectations for China, and I hope China will continue to play a constructive role in the evolution of the WTO. It is in China's fundamental interest to do so."

"There's no question that in almost every respect WTO has been a great success for China. Scale of increase in exports over last 10 years, success in areas not just like textiles, but in other areas also. New areas of exports that for years have been dominated by developed markets like heavy electronics equipment have emerged. The issue of adding value remains a question, but China is managing to add more value in that way. If you look at trade surplus that has piled up over the last 10 years you can see that some value is being added," said Duncan Innes-Ker, Senior Editor and Economist, Asia, for the Economist Intelligence Unit.

For most of the first 10 years, Europe would have been seen as the senior partner, with greater resources for investment, along with generally superior technology. However, from the start of the global economic crisis and intensifying in the last part of this year, China has gained the upper hand, with foreign reserves to invest. Many in Europe, both at the corporate and government level, have begun to look to China as a potential saviour and buyer of EU debt. China so far has been cautious.

"China looks positively at EU development and is following the economic development under the current difficulties with attention,' said President Hu Jintao on the first day of a European tour ahead of the G20 summit in France in early November.

"We are convinced that Europe has the wisdom and the competence to overcome the current difficulties."

– Chinese President Hu Jintao

Issues for Both Sides

On the Chinese side, although the country has noted its own WTO participation as an overall success, there are still groups within China that do not see membership as an advantage. Agricultural firms, for example, have perhaps felt some of the greatest competition from the participation of foreign companies in China's market. However, complaints can come from both ends of the technological spectrum.

"The issue that one tends to hear more is that the level of value added in China is not very high and that foreign companies have been the main beneficiary," said Ker. He cited the example of Apple's iPod music player. "Only a fraction of that price actually ends up back in China and much of it is in the retail chain. I think the argument on that side is quite often miscast and misplaced, not in the least because the iPod is not a good example of the sort of things China produces".

Although China often complains about perceived advantages it has offered foreign companies, or about markets in the EU that it does not see as sufficiently open to Chinese participation, it is that country that remains the main subject for issues regarding a level playing field for all businesses.

As noted in the *European Business in China Business Confidence Survey 2011*, 56% of surveyed European Chamber members said *(continued on page 34)* they believed China was either willing but failing to implement WTO-mandated changes, or actively looking for loopholes to avoid complying with requirements. Only 25% believed it was acting in the spirit of its agreement.

"The current administration is left-leaning and nationalist in many ways and sees no real reason why it should move towards more foreign access in sectors like finance and automotive, for example," Ker said. But at the same time, he cautioned against being seen as protesting too much in a growing market. "In some ways, it's very different for foreign companies to structure their arguments on that, it looks very self-serving, when the market is doing so well."

"China has these foreign companies and governments over a barrel, there's not a lot of growth in developed markets, to the developing markets don't have the same kind of clout, so everyone wants access to China and it's a one-sided argument," Ker said.

While China still remains outside compliance with its WTO obligations in several areas, calls for it to not only meet but exceed those agreed targets may be off the mark, Ker suggested, although restricted markets in their own country may block the way for Chinese corporate expansion overseas.

"We can't expect China to open its markets on a whim or because we ask it to. We need to make a case that China can accept and that's in its interest," Ker said.

"There are only two things that will change that picture, and there is room to be more optimistic than the current situation gives. Chinese companies will eventually start to look to expand to developed countries and if they want to do that, they will have to have some kind of reciprocal agreement, it will be difficult for European legislators to tell their own companies that they are allowing Chinese participation in a way they are not getting in China," he said.

A Mutually-Dependent Future

While the current economic crisis in Europe has put China in the driver's seat, the situation in the medium to longer term will likely be more balanced, with participation from the EU, China and also the United States and developing countries including India. However, the EU is already China's largest partner for exports and imports.

One area presently facing the relationship is the Euro and the value of China's currency. While a larger issue for the United States, especially in an upcoming presidential election year, Ker sees this as a sunset issue – one whose time has past – for all parties.

"The currency issue that attracted a lot of attention in the past, but the argument is already outdated. The second thing is that the currency is only one way of saying the price of goods in China and it's only one factor that feeds in. The other factor is domestic costs in China and those are rising very quickly. Land inflation, rising wages, utilities are rising, the cost of producing in China relative to other parts of the world is adjusting in other routes outside of the currency. It's a distraction from other distortions in the Chinese economy, such as interest rates," Ker said.

One question that remains is: in 10 years, will the 20th anniversary of China's accession to the WTO be as important as its 10th?

"I don't think in 10 years' time we'll be talking about China's membership in WTO in the same terms. The reason why we're looking back is twofold. The first reason is because it was clearly a very landmark moment for China, the economic situation changed here quite dramatically as a result. In many ways, there is a school that would like to highlight the anniversary to show how little is being done and use it as a way to initiate a new reform push," said the EIU's Ker.

"The other reason is that everyone wants access to China now and so it is a way to help gain access to that market. Ten years from now we can be confident there will have been a great deal more reform," he added.

The Present Crisis

In the short-term, China can become a more strategic investment partner for Europe – but not a saviour. "Even if the Euro share [of China's foreign exchange reserves] were to rise to 30-35% [of its total] this would only mean USD 195-228 billion (EUR 150-175 billion) in financing available from China – or 20-24% of [Greece, Italy, Ireland, Portugal and Spain's] total refinancing requirements", Deutsche Bank said in a September research note.

China has also already been active in buying European debt this year, even before the deepening of the crisis and increased calls for China to participate more financially. For example, "China has been a big buyer of AAA-rated bonds issued by the European Financial Stability Facility (EFSF), the bailout vehicle which is guaranteed by the member governments. It has been a less big buyer of European Financial Stability Mechanism (EFSM) issues, which are backed by the EU Commission and which are also AAA-rated," said Standard Chartered Head of Greater China Research Stephen Green, in a recent research note "China – Less America, more Europe," highlighting the country's actions to balance its foreign exchange reserves away from the U.S. dollar.

The move would also potentially be unpopular for the Chinese government at home. "Chinese public opinion towards increased investment is unlikely to be supportive as the general perception is that the troubled Eurozone member countries have lived beyond their means and are now turning to the savings of a country that is still confronted with domestic development needs of its own," Deutsche Bank wrote.

Moving Forward

These financial issues will certainly not be resolved fully by the end of 2011, and therefore will remain prominent in the relationship in 2012 and likely beyond, as both sides work to increase growth and stability.

Since joining the WTO has made great progress – from a developing country with great potential, to realising much of the opportunity available to it and preparing for new stages of growth in areas such as urbanisation, services and the development of its small and medium-sized enterprises. Despite its current financial woes, the EU still has an important role to play in this development, offering experience and technology in market sectors where China still lags. As such, China's desire to be a more integrated member of the world's trade and financial systems can be fulfilled through greater opening of its markets and its own participation in those systems overseas. Eb

A DECADE IN THE WTO

– China's Achievements and Benefits after 2001

By Rachel Wang, Industry Research Department, All China Marketing Research

On December 11th, 2001, China became the 143rd member of WTO (World Trade Organization). As a developing country, China made commitments in decreasing tariffs, reducing and eliminating non-tariff barriers, eliminating trade limitations on agricultural products and opening the services market gradually, such as banking, insurance, tourism and telecommunications.

Over the last decade, China has made considerable efforts to fulfill its WTO obligations and commitments. The average tariff has decreased from 15.3% to the current 9.8%. More than 100 trade departments of services have been opened to foreign companies. Also, China has modified or revoked about 3,000 central laws and regulations, as well as over 190,000 local regulations to establish a trading system in line with WTO rules.

Rapid growth of China's economy

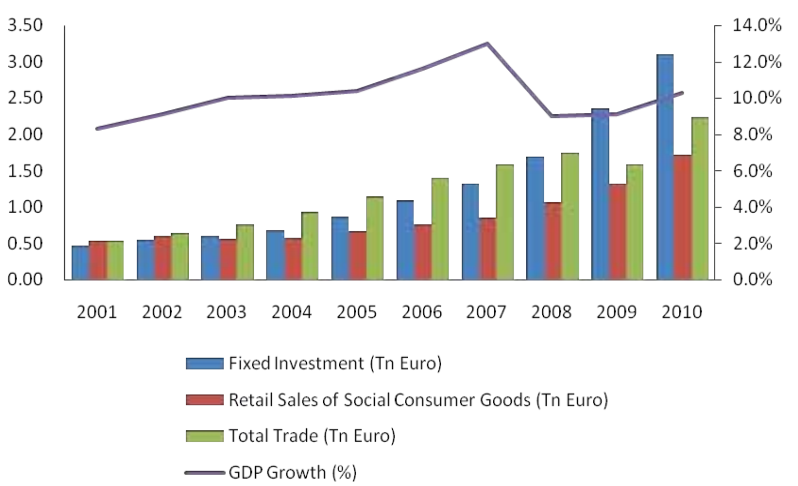
Since the entry into WTO, China's economy has experienced rapid growth in the past decade. During the period from 2001 to 2010, China's GDP increased at an average rate of over 10%, amounting to €4.43 trillion. Per capita GDP in China also grew from about €1,077 in 2001 to €3,314 in 2010.

Investments have always contributed a lot to China's economy growth. The GDP growth contributed by investments increased to about 49.5% in the period from 2001 to 2007, up from 36% during the period from 1990 to 2000. In 2009, China's government issued a stimulus package of €420 billion to stimulate economy growth facing the global financial crisis. In 2010, investments contributed 54.8% to China's GDP growth. During 2001 to 2010, fixed investment in China grew at an annualized rate of 23.5%, reaching €3.10 trillion in 2010.

With the rapid development of China's economy, income levels of Chinese residents also improved. In 2001, the per capita disposable incomes of urban and rural residents in China were about €857 and €296, respectively. By the end of 2010, these figures have increased to €2,129 and €659, at an annualized rate of 10.6% and 9.3%. Increasing income levels have stimulated consumption. Retail sales of social consumer goods totaled €1.72 trillion in 2010, at an average rate of 13.8% per annum since 2001.

In addition, international trade is also increasingly becoming a key driver of China's economy growth. Total trade of China increased from €0.53 trillion in 2001 to €2.24 trillion in 2010, at an annualized rate of 17.5%.

GDP Growth, Fixed Investment, Retail Sales of Social Consumer Goods and Total Trade in China, 2001-2010



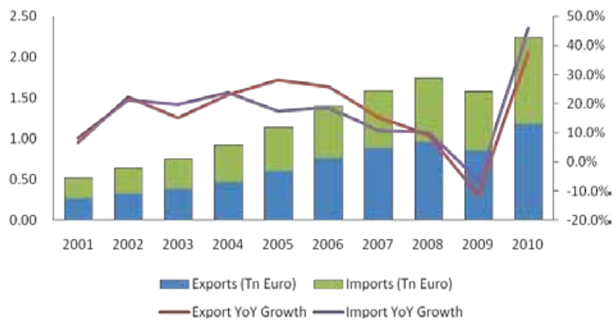
Source: National Bureau of Statistics, China Customs, ACMR

All China Marketing Research Co. Ltd. (ACMR) is a leading provider of business information and market research, focusing on collecting, studying and analyzing data and information on the macro economy, industrial sectors, enterprises and business markets in China. www.acmr.com.cn

Trading with the world

While opening to the world, China benefits from the increasing international trade as well. By 2010, as the biggest exporter in the world, China's exports amounted to €1.19 trillion, which was more than quadrupled compared with 2001. Meanwhile, the country is also the second biggest importer in the world, with imports amounting to €1.05 trillion in 2010, increasing at an annualized rate of 17.2% since 2001.

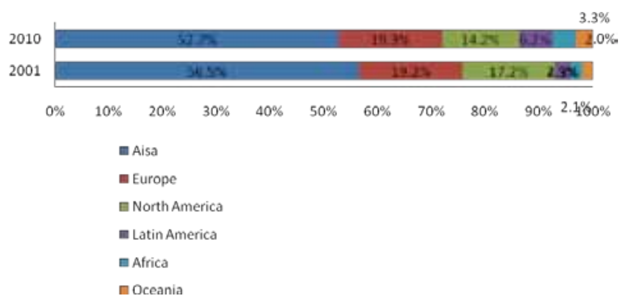
International Trade in China, 2001-2010



Source: China Customs, ACMR

Asian countries (except China itself) still contribute the most to China's total trade, which was 52.7% in 2010, although down from 56.5% in 2001. Since China's entry into WTO, the country has increased trade with more countries, especially with Latin American and African countries, which accounted for 6.2% and 4.3% of China's total trade in 2010, up from 2.9% and 2.1% respectively in 2001.

Geographic Spread by Total Trade of China, 2001 and 2010

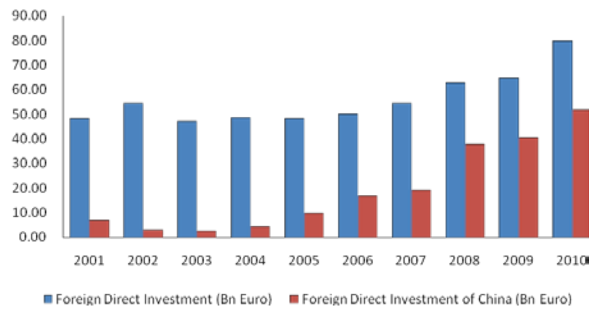


Source: National Bureau of Statistics, China Customs, ACMR

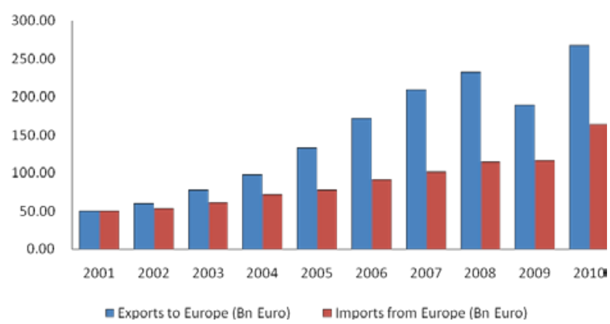
Also, more foreign companies entered or invested in the Chinese market during the past decade. In 2001, there were 203,208 foreign companies operating in China. In 2009, this number was 434,248, more than doubled than 2001. During the period from 2001 to 2010, foreign direct investment in China has increased from €48.47 billion to €79.74 billion, at an average rate of 5.7% per annum.

Meanwhile, more Chinese companies started to invest in foreign countries during the period. In 2010, about 13,000 Chinese companies have established 160,000 companies in 178 foreign countries. Direct investments of China's companies in foreign countries increased from €7.13 billion in 2001 to €51.89 billion, at an annualized growth rate of 24.7%.

Foreign Direct Investment and China's Investment in Foreign Countries, 2001-2010



Sino-Europe Trade



Europe has always been an important trading partner to China. In 2010, China exported €267.87 billion goods to Europe, accounting for 22.5% of China's total export value in the year and increasing at an annualized rate of 20.3% since 2001. Also, China's imports from Europe in 2010 totaled €164.32 billion, making up 15.6% of total import value and increasing at an average rate of 14.1% per annum.

Source: China Customs, National Bureau of Statistics, ACMR

Note: 2001 data in this article were all calculated in 2002 exchange rate of China's Yuan to Euro, which was not available in 2001

7th European Chamber HR Conference 2011/2012 – Beating Limitations

Building on the successful HR Conferences of 2005-2010, the European Union Chamber of Commerce in China's Shanghai Chapter is delighted to be holding its annual 7th HR Conference on 25th November, 2011 at The Longemont, Shanghai. This full-day conference provides attendees with an unparalleled opportunity to obtain insights on the main HR challenges for companies doing business in China for this year and beyond.

The European Chamber HR Conference has evolved into one of the premier gatherings of industry decision-makers and HR professionals. This has given the HR Conference an unrivalled scope of both high-level insight and practical application.

Carrying the title "Beating Limitations", this year's conference will carry an enhanced format drawing input from leading Chinese CEOs and HR Directors alongside the premier European expertise for which the conference has become renowned.

During the conference attendees will have the opportunity to learn more about the many services offered by our sponsors. This event has a reputation for receiving a large turn out of HR directors, HR managers and industry professionals at the full day event. Eb

Tickets are now on sale for just 1000 RMB (Member Price) and 1500 RMB (Non-Member Price).

For ticketing sales, sponsorship opportunities or more information please contact Scott Goodfellow at sgoodfellow@europeanchamber.com.cn / 021 6385 2023 +103.

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November

Tue. 8th
The Power of Leading from Within Training
Shanghai

Wed. 9th
Interchamber Networking Drink
Guangzhou

Thu. 10th
Managing the China Challenge: How to Achieve Corporate Success in the People's Republic
Beijing

EU-Sino Low Carbon and Energy Efficiency Forum
Guangzhou

ISO 50001 Training
Shanghai

Tue. 15th
Compliance Conference
Shanghai

Thu. 17th
GM Briefing: Tianjin Urban Planning & Development of Tianjin Binhai New Area by Mr. Zong Guoying, Chief Director of Tianjin Binhai New Area
Tianjin

Thu. 24th
Low Carbon Business Approach: Developments in Low Carbon Product Initiatives and Certification
Beijing

Shenzhen - EU Film Festival Opening
Shenzhen

Fri. 25th
HR Conference
Shanghai

End of Nov.
Visit of Tianjin Xiqing Industrial Zone
Tianjin

December

Fri. 2nd
Year End Cocktail - 2011 Photo Contest Award Night
Tianjin

Sat. 3rd
Shenzhen - Christmas Smurf Party
Shenzhen

Early Dec.
F&T Workshop: Tax Executive Summary 2011, IIT, CIT, TP and Customs
Tianjin

Early Dec.
HR Workshop: risk management and solutions in regards to labor relations, VS update on current status of social insurance law
Tianjin

January

Sat. 14th
Guangzhou - Gala Dinner
Guangzhou

THE VIRTUES OF 'SHANZHAI' MARKETING

Is China ready for homemade marketing? Maybe not, but as **David Wolf** points out, many domestically-developed marketing solutions are finding traction not only among executives, but with the buyers they are intended to reach.

There is a temptation among many doing business in China to see the nation's challenges through the tinted glass of one's own industries or specialties. As a marketer, for example, a first instinct may be to attribute the troubles or failures of a local company to an issue with their marketing. It is an easy conclusion to reach: if Chinese companies are held to the same standards of marketing performance to which foreign firms are, few would measure up. One observer suggested that in China, "marketing" means "advertising", "branding" means "getting a logo", and "P.R." stands not for "public relations", but "pay the reporter".

Most executives of Chinese enterprises, however, have more fundamental issues to worry about than advertising, public relations, and social media. Poor productivity, insecurity about their own capabilities, insecurity about the future, industrial price wars, rampant counterfeiting, low returns on investment, government (especially local) meddling and the speed of change in almost every industry wind up higher on the priority list than things like branding and reputation. It doesn't help that most of China's enterprise leaders have had little if any formal introduction to what professional marketing can accomplish.

Against that background, a Chinese company doing any organised marketing at all is already a standout. Criticising companies that buy bulk advertising on CCTV, come up with logos that make the viewer laugh or scratch the head, and conduct dog-and-pony press conferences with 300 paid-to-attend journalists misses the point: instead, they should be celebrated for having come that far.

Moreover, Western advertising executives would do well to watch how Chinese companies are marketing and try to learn from them, and with good reason. Not only will marketing in China be different than it has been elsewhere, practices developed in China will change the way marketing is conducted worldwide, especially as Chinese companies begin their inevitable quest for global leadership.

Lacking long experience or formal training, local marketers are building programs based on their own experience, ideas and tactics gleaned from abroad, and a surprising modicum of creativity tempered by common sense. Out of that budget-constrained brutally practical cauldron are coming some practices that make a great deal of sense, especially in finding ways to market to the inland west and rural sections of China. These practices can collectively be called "Shanzhai Marketing".

Literally meaning "mountain stronghold", the term "shanzhai" has emerged in China to refer usually to products that are imitations of better, well-known goods (such as the iPhone), but have a distinct, low-cost and homemade feel to them. With many Chinese companies unwilling to allocate the same resources to marketing as their multinational counterparts, new and distinctly Chinese methods of spreading the message are emerging – and some of them are highly effective.

One example of how China is changing marketing practices for the better comes from public relations. In China, it is possible to forge closer relationships between journalists and PR people that would be possible elsewhere. Such relationships do not imply improper behavior or undue influence on the journalist. On the contrary, it means that journalists have a clearer idea of what PR people can (or cannot) offer them, and the PR people wind up with a better idea of what the journalist wants to write about, and is less likely to spam him/her with stories of marginal interest.

Editors who continue to insist on building a wall between their journalists and corporate spokespeople have understandable concerns, but nothing that would be unmanageable in the face of codified and enforced editorial standards. In a world where Internet speed demands better conduits of information, the practice in China holds genuine merit.

Another compelling aspect of shanzhai marketing is the rejection of quantitative metrics as the sole determinant of campaign success. For all of the virtues of measurement, it is impossible to gauge all of the effects (positive and negative) of a marketing campaign with the tools available. Feelings, beliefs, and unspoken convictions cannot be reduced to mathematics, and the attempt to do so is fraught with increasing peril as segmentation increases. Sadly, marketing in the West is rushing willy-nilly into the waiting arms of quantitative analysis, as if persuasion could be reduced to a mathematical formula, but much of what goes into crafting a superb communications program is intuitive.

And that is precisely the point. Shanzhai marketing, at its best, is an intuitive exercise, one that relies on a deep empathy with and an instinct for the audience over research and quantitative metrics. Western marketers would do well to rely less on models and more on instincts.

Shanzhai marketing is not perfect, and none of this is to suggest that the world's marketers should ape all of China's marketing innovations. Much of what is being done is wrong, even for China. The Baidu scandal in late 2008 that saw the company work with advertisers to eliminate or degrade competitors from search results was a blight on both the marketing and the search business. Allegations last year that one prominent local dairy engaged in a massive online disinformation campaign about its rival, suggesting that the competitor's milk products caused premature puberty in children, damaged both companies in an industry already facing credibility issues. And naturally, those practices that undermine marketing effectiveness, such as the endemic kickbacks and petty corruption that crop up all too often in China, are to be avoided.

This is not about seeking virtue where there is none, or promoting a patronising "noble savage" view of Chinese marketing. But failure to recognise the cultural basis (and bias) of international marketing tools, and to disregard the virtues of the wiser homemade practices will not only undermine marketing campaigns in China, rob international markets of opportunities elsewhere. Eb

David Wolf is President and CEO of Wolf Group Asia, a Beijing-based corporate strategic communications and marketing firm, where he advises Chinese, American, and European companies in the media, entertainment, internet, and telecommunications industries. www.siliconhutong.com

FOOD SAFETY BECOMES A CONSUMER ISSUE

– and an Opportunity for European Agriculture

An estimated one out of 10 meals in restaurants is prepared with recycled or even discarded cooking oil, according to one official Chinese source. **Vicky Dong** looks at the food safety issues that have emerged in China and how they are beginning to change the eating and purchasing habits of Chinese consumers.

Food safety issues are now regular news in China. The "gutter oil" scandal is among one of several incidents in recent years. The first major incident involving fake infant milk powder claimed the lives of over 70 babies and caused the suffering of hundreds more in Anhui Province in 2004. Despite their shock, many people regarded this as unfortunate but distant from their own lives.

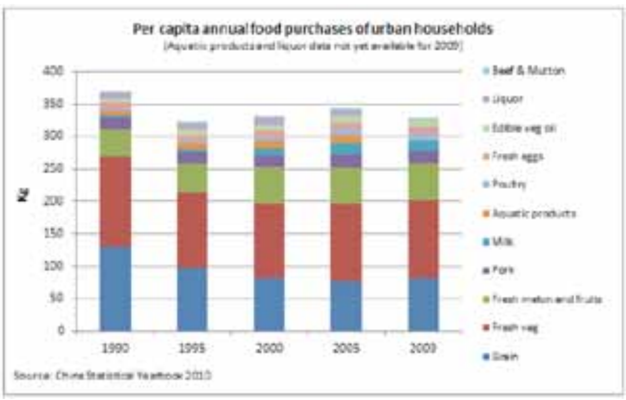
This was followed by the infamous "cardboard bun" in 2007, melamine-tainted milk" in 2008, "fake eggs" in 2009 and a series of incidents involving unnecessary or excessive amounts of food additives in 2010 and 2011. With more people potentially affected, food safety issues have crept into people's attention and sparked widespread concern.

A report titled "The Food and Beverage Market in China" by the EU SME Centre noted the rising of the middle class in China as one of the driving forces behind mounting food and beverage exports from the European Union to China. Coupled with the increased purchasing power and demand from the middle class, soaring food safety concern is identified as another important factor to exert influence to the export from EU to China, according to this report. "Recent food safety scandals ... have to some extent undermined trust in Chinese production processes. Those who can afford to do so will continue to show preference to imported brands," the report said.

Chris Cheung, Market Access Advisor in EU SME Centre and author of the "Food and Beverage" report, sees an increasing interest among Chinese consumers in imported food and beverage, especially in 2009 and 2010. The report contends that "dairy products are among the most popular imported products. Not traditionally part of the diet in many regions in China, milk and yogurt are increasingly considered essential to the diet of growing children ... Domestic food safety crises and continuing concern about the domestic dairy industry have meant that if consumers can afford imported dairy products, they will often favour them over local ones."

Interestingly, this is echoed in the findings of a Food Consumption Safety Public Survey in Guangzhou. According to the Survey, beverages and dairy products are the two top categories of food raising most concerns.

According to the Food Consumption Safety Public Survey conducted in Guangzhou in June 2011, one out of three respondents is concerned about food safety issues and one out of five respondents has actually suffered from food safety issues personally.



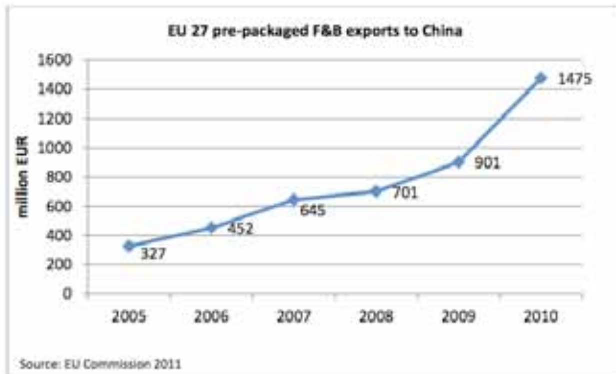
The Survey also identified a tendency among people with higher income and education to worry more about the issue. Among respondents with a monthly income of 1500 yuan or below, 29.3% are worried about the food safety issue; while among those with monthly income of 5000 yuan or above, the percentage jumps to 48.7%. While the level of concern also rises with the level of education, only 29.7% of those with junior high school or below worry, compared to 48.6% of those with college education or above.

The Chinese Academy of Social Sciences released its 2011 City Blue Paper in early August. The paper examined the growth of the middle class in China in recent years. By 2009, the middle class by income in China has reached 230 million, 40% of China's total urban population. Between 2000 and 2009, this group grew at the annual rate of 3.8%. In Beijing and Shanghai, the middle class comprises 46% and 38% of the total population, respectively. The evolution of consumption habits clearly reflects the increase in income.

Shi Yan, the founder of the Little Donkey Farm in Beijing, offers urban residents a chance to learn through experience about sustainable agriculture. She also pointed out that the increasing attention on food safety is closely related to the emergence of middle class in China, i.e. people with high income and education in a broad sense. With the great emphasis on safe and quality food, the rising middle class has partially led the changes of food consumption.

In addition, with more attention on safe and quality food, people are increasingly choosing organic food as a healthy alternative. Shi estimates that only a very small part of organic food sold in the market has been certified properly.

Located northwest of Beijing, Little Donkey Farm was founded in 2009 as the Organic Farming Demonstration Base for People's University. It provides opportunities to urban citizens to rent their own pieces of land to grow vegetables in an organic and sustainable way. By establishing this farm, Shi hopes to provide urbanites a chance to experience organic farming and eventually advocate for



the practice. The farm maintains the field's productivity using crop rotation, a combination of planting and cultivation, ecological diversity, green fertiliser and biological pest control measures. The waste from farm animals can help make perfect compost and fertiliser for plants. As such, the farm establishes a natural and healthy ecosystem without the help of artificial fertilizers or pesticides.

A proper certification involves a series of examinations and inspection by a certified agency, according to Qiu Jianguo, Director of Complaints Centre, China Consumers Association. Most of the food branded as organic available currently hasn't gone through the complete certification process, he agreed.

When purchasing organic food, consumers are recommended to go to organic stores or well-established supermarkets with reliable supplies, according to the Certification and Accreditation Administration. It also suggests that packaging should include two icons compulsory for organic food in China: the Organic Food Icon and the Certified Organic Icon. On the package, consumers should also be able to find details on the maker, such as manufacturers' name, address and telephone and a code that consumers can use to trace the food's production. Eb

DRIVING GROWTH

— The Internationalisation of SMEs

Numerous factors and the size of the market are sending European Union Small and Medium-Sized Enterprises (SMEs) to China. **Anne-Laure Maddy** of the EU SME Centre looks at the opportunities.

Small and Medium-sized Enterprises (SMEs) are the backbone of the European economy, representing around 99% of all businesses across Europe, yet their level of internationalisation remains fairly low. Currently, around 13% of EU SMEs export beyond the internal market, with 9% concentrating their activity in China. This amounts to about 263,250 EU SMEs exporting to China.

In this context, the European Union has put in place a comprehensive SME policy framework and numerous measures in order to help support and promote the growth of European SMEs. One such initiative is the EU SME Centre, which was established in Beijing, to focus on supporting SMEs from the 27 member states to develop commercial activities in China.

Studies show that internationalisation is one of the key engines for competitiveness and growth, driving higher turnover growth, employment growth and innovation processes. For European SMEs the highest level of internationalisation can be seen in the trade, manufacturing, transport and communication and research industry sectors. In China, economic growth and development have taken place against a background of increasing economic and market liberalisation marked by the country's accession to the World Trade Organisation (WTO). The shifting of these macro factors is giving rise to greater business opportunities for European SMEs.

Market Opportunities

There are opportunities for EU SMEs across the board. When exporting to China, EU SMEs have been particularly strong in the transportation, communications, construction and manufacturing sectors; supplying products that are in great demand by China's fast developing infrastructure. As China steps up the value chain, there will be even greater opportunities to offer innovative and technically advanced products in areas such as information and communications technology, industrial textiles, engineering products, green technology – all areas where EU SMEs are known for their strengths. Industries where European member states have strong brand strength and recognition such as the fashion and wine industry will also be promising areas for EU SMEs to explore.

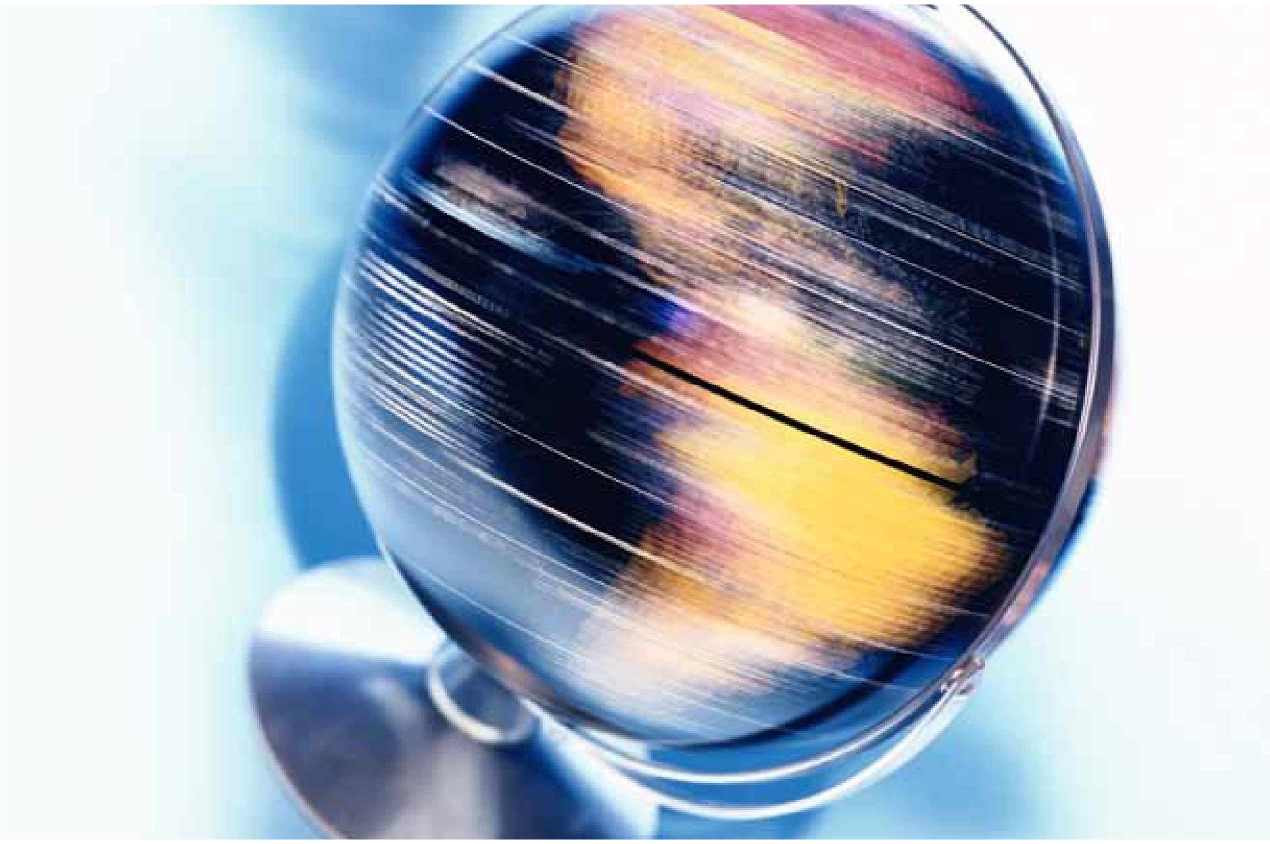
The Role of the Centre in Assisting Internationalisation

Although the Chinese market continues to offer attractive prospects for European exporters and investors, entry barriers still remain, in particular limited reliable information to locate and analyse markets and constraints in identifying business opportunities. In this context, the EU SME Centre raises awareness among SMEs in Europe and adequately supports SMEs to access opportunities in the Chinese market by functioning as a first-line advice, information, matchmaking and training support services provider.

Obtaining Reliable Market Information a Key Barrier

The Centre helps to reduce the burden SMEs face when entering the market, by facilitating access to market information, making legal procedures and regulatory frameworks more easily understood and providing step-by-step practical guidelines to explain export processes and regulations. Furthermore, the Centre acts as a platform facilitating coordination among Member States and European public and private sector service providers to EU SMEs and brings together existing business tools and service provider networks, thus reducing the burden SMEs face when entering the market.

The EU SME Centre has received a wide range of business enquiries from



SMEs across the EU27 since opening its doors earlier this year and has seen a growing number of enquiries originating from the newer member states. Studies indicate that the smaller the size of the SME's home country population, the higher its level of international activity. Member states such as Estonia, Denmark, Sweden, the Czech Republic and Slovenia have a much higher percentage of exporters than the EU average of 25%. Germany, France and U.K. score below average.

SMEs can expect to receive confidential and impartial support from the Centre relating to market opportunities for specific products and services, legal requirements for establishment, taxation and labour and technical export assistance relating to quality requirements and certification. Enquiries range from the more general questions such as 'is there a market in China for my product' or "how to establish a legal entity in China" to more technical questions such as "what are the technical requirements for importing pet food into China" or 'the certification requirements to market a smart boiler in China".

In general, the Centre highlights the need to conduct sound market research before coming to China, carrying out due diligence and seeking professional business advice. China is a vast market full of opportunities, but still poses problems to small businesses that do not understand the local business environment or seek to cut corners when doing business there.

Practical Solutions for Business Challenges

The EU SME Centre's online portal houses a library of practical business materials and aims to be a valuable source of information for professionals, companies and trade promotion agencies developing commercial activities in China. Users can search across a wide variety of publications, browse for upcoming trade fairs, and access a dedicated directory of service providers to find the right information suiting their business needs. There are many examples of successful European SMEs that operate in the Chinese market. For further insight into particular examples, SMEs can browse the online case studies, which show first-hand the challenges that specific companies have encountered and the solutions and best practices that can be shared across the greater business community. Most recently the Centre has published a series of market information covering the information and communications technology, food and beverage, textiles and apparel, automotive, healthcare and green building sectors. Eb

For further insight into the EU SME Centre and the free services it provides, visit: www.eusmecentre.org.cn or contact the Centre at enquiries@eusmecentre.org.cn

Protection of Online IPR in China – Part II

This article from the China IPR SME Helpdesk focuses on the protection of online Intellectual Property Rights in China and is being published in two parts. The first part, published in the September edition, encompassed an introduction to China and the Internet, and explained why domain name protection is so important. This part provides practical advice on how to protect your rights related to online assets.

How can I register a .cn domain name?

You must first check if the particular .cn domain name is available for registration. You can use the China Internet Network Information Centre (CNNIC) domain name registry to search for the availability of your desired .cn domain name at:

English

http://www1.cnnic.cn/en/index/index.htm

Chinese

www.cnnic.cn

Domain name registration must be completed through an accredited .cn registrar. You must download an application form from the registrar website, sign and seal the application form with your company stamp, and send it (via e-mail, fax or print) to your domain registrar, including a copy of your Chinese business certificate, a copy of your 'Certificate of Organisation Code', and a copy of the passport or identification card of your local contact person, who must be a Chinese national. Please note that the required documents must be submitted within five days (not working days) of your electronic application by your registrar. Otherwise, you will have to restart the entire process.

The price of a .cn domain name is still quite affordable, ranging from 50 to 100 euros per .cn domain name per year at European registrars. However, considering the increased workload due to the new regulations, these prices are also expected to increase. Some registrars offer an option for registering domain names for five or 10 years at a time, which may be a cheaper option in the long term.

The new .中国 (.china) top level domain

On 28 April 2010, CNNIC announced that new .中国 (.china) domain names were officially ready for use. By the next day, more than 90% of Chinese ministries and provincial departments and more than 95% of news websites had already activated .中国domain names. The domain name is available in both simplified (.中国) and traditional (.中國) characters and allows Internet users to access websites and E-mail addresses in non-Latin local Chinese script. To experience how .中国 domain names work, visit the website of the Chinese Ministry of Education via the following link: http://教育部.中国.

Rules for registering .中国 domain names

Registrants of existing .cn domain names with Chinese characters will automatically be granted the same domain name using the .中国 top-level domain (TLD) in both simplified and traditional Chinese. The registration of a .中国 domain name in simplified Chinese will automatically give access to the same domain name in traditional Chinese and vice versa.

It remains unknown whether there will be a pre-application round (otherwise known as a 'sunrise period') for owners of Chinese trademarks and company names. Given the latest developments in the .cn domain name regulations, it is possible that the .中国 TLD will only be available to Chinese companies and Chinese nationals. However, there have not been any official statements made yet.

How can I apply for a .中国 domain name?

The new .中国 domain names are expected to become as popular as .cn and .com.cn in the next few years. European SMEs planning on entering the Chinese market or already in China are recommended to take the following steps:

1. Find a domain name registrar that offers .cn domain names (and eventually .中国 domain names).
2. Follow domain registrar newsletters to keep abreast of news about new regulations related to .中国 domain names.
3. Apply during the sunrise period to secure domain names using your trademark or company name. In the case that only Chinese nationals are allowed to register and you do not have a subsidiary in China, consider using a trustee or 'local presence' service, such as a Chinese law firm to register .中国 domain names on your behalf.

The cost for a .中国 domain name is expected to be the same as for .cn domain names. Foreign registrars will likely offer this service for 50 to 100 Euros. However, there may be additional costs during the sunrise period. Typically, these costs range between 200-400 Euros.

How do I choose a registrar?

A list of accredited international registrars can be found here: www.cnnic.cn/html/Dir/2007/06/25/4671.htm

A list of Chinese registrars can be found here: www.cnnic.cn/html/Dir/2007/06/05/4635.htm

While registrars may vary in costs, it is strongly recommended that you choose a registrar you know and trust. Should you choose an unreliable registrar that suddenly ceases operation, your domain name could be lost and/or temporarily deactivated. However, you do not have to go directly to an accredited registrar. In most cases, your local domain name provider will have ties with accredited registrars and also offer .cn domain name registrations.

It is worth noting that a number of Chinese domain name providers are trying, in bad faith, to encourage European companies to register a number of Asian domain name extensions. These providers typically claim that they have received a registration request from another company who wishes to register domain names that is identical to your company name. This is a well known fraud operation known as 'slamming'. The Chinese domain name provider is simply trying to persuade you to register a number of domain names in strictly for profit.

If you receive such an E-mail, you have four options:

1. Ignore the E-mail
2. Reply saying that you will report this E-mail to CNNIC as 'slamming' and an attempt at fraudulent activity
3. Forward the E-mail to CNNIC at service@cnnic.cn
4. Register some of those domain names you may have already considered registering through your local or usual registrar.

The Helpdesk recommends formulating and implementing an online brand protection strategy that is aligned with your general IPR and business strategies. In building the best domain name strategy for your company, you may consider using the following questions as a guide and base for discussion with your lawyer:

Domain Name Strategy

What is the purpose of registering a domain name(s)?

Reasons might include:

Protection of IP
• Increasing visibility (online marketing)
• Infrastructure (E-mails, websites, intranet)
• Security (risk mitigation – avoiding lost E-mails, lost traffic, etc.)

Domain Name Audit
• Which domain names do we want to register?
• How are these domain names being used or how will they be used by our company? (Web content, E-mails)

Domain Name Policy
• Which domain names and keywords should we register?

Monitoring
• Which possibly infringing domain names are registered by third parties?
• Which websites are selling our products or eroding our brand?

Enforcement
• Should we recover a third party domain name?
• Should we attempt to remove an infringing website?
• What kind of legal action should we take, if at all?

How can an infringing .cn domain name be recovered?

The national domain name registry has implemented the CNNIC Domain Name Dispute Resolution Policy. The cost for a domain name dispute case involving one to two domain names is approximately RMB 7,000, exclusive of attorney fees.

It is recommended you seek assistance from IP law firms - either Chinese or international - with expertise in domain name disputes. The main criteria for proving a prior right to a domain name are:

• The disputed domain name is identical to or confusingly similar to the complainant's name or mark in which the complaint has civil rights or interests

• The disputed domain name holder has no right or legitimate interest in respect of the domain name or major part of the domain name

• The disputed domain name has been registered or is being used in bad faith

Note: A domain name dispute must be carried out within two years after the initial registration of the .cn domain name. After this period has lapsed, you must go through the legal system, which can be a timely and costly affair. A new option is to make use of CNNIC´s complaint service by filling in an online form (PDF, can be downloaded from the bottom right of this page: http://www.cnnic.cn/jczyfw/cnym/) or by sending a complaint to supervise@cnnic.cn. Such a complaint should be based on the same criteria that applies to a domain name dispute. Such complaints will also be dealt with by CNNIC, even if the .cn domain name has been registered for more than two years.

By defensively protecting domain names, monitoring for infringements and enforcing their rights, foreign companies can prevent a significant amount of criminal online activities in China at a reasonable cost. Eb

If you have further questions about formulating a tailored IP protection strategy for your business or creative work, please direct to enquiries@china-iprhelpdesk.eu. Your enquiry will be treated with the strictest confidence and will be answered within seven working days by one of our China IP experts.

CHONGQING: China's Chicago

New, brash, alternative and exciting – Chongqing is a city growing at a phenomenal pace. **Tony Brooks** takes a look at the river port and former wartime capital that has transformed into possibly the world's largest municipality.

Nestled under the banks of the Jialing River in central Chongqing is a newly opened "shark bar," where you can sip Qingdao beer or Russian vodka listening to soft music. However, the comparison with normal drinking venues ends there, because one wall of the bar is composed of glass an inch thick, behind which is a swimming pool sized aquarium full of large sharks and tropical fish. In many ways this epitomises 21st century Chongqing:

In one sense, Chongqing is perhaps the world's largest experiment in urbanisation. Formerly an important river city and China's most important inland port, Chongqing was carved out of Sichuan province and made into its own municipality in March, 1997. Now administered directly by the central government, the municipality has a population of over 28 million and is possibly the world's largest such urban area in the world.

Rapid Growth, But the Past Burdens

The municipality is certainly expanding rapidly, as it posted the seventh-fastest economic growth of any city in China in 2010, ahead of many better known urban centres including Wuhan, Hangzhou and Dalian. Recent research by the McKinsey Global Institute predicts that by 2025 Chongqing will become one of the "top urban players in the global economy," with the world's 17th largest urban GDP, and the 11th biggest urban population. The McKinsey report also estimated that in the same time period, the city will have one of the greatest concentrations of middle-class consumers in the world.

Chongqing was not always considered a future engine of global growth, however. Because of its relative isolation from the rest of the country (located 1,800 km west of Shanghai), in imperial times officials were often sent there as a punishment. During World War II Chiang Kai-shek made Chongqing his wartime capital, precisely because it was surrounded by mountain ranges that made it difficult for the Japanese armies to attack. Even then, the city was subject to continual carpet-bombing by the Japanese air force, which meant that when the city was liberated in November 1949, it had to be virtually rebuilt from scratch. Consequently, the first major bridge spanning the Yangzi River (one of two major rivers flowing though the city) was not completed until 1969, although since then another 11 river bridges have been constructed.

Mao-Era Factories and Their Legacy

During the 1950s and 1960s central planners chose Chongqing as the centre of the nascent Chinese weapons industry, mainly because its distance from the sea made it harder for a potential enemy force to attack the city. During the post-1978 reform era many of these factories have been sold-off or changed to civilian ownership, and now they make everything from foodstuffs to motorbikes. As a result, Chongqing has a very strong base of privately-owned companies in industries with military applications, such as electronics and machine engineering. The legacy of central planners' decisions is still visible, however, in that many of the municipality's largest companies are State-Owned Enterprises (SOEs) or former SOEs, including the Chang'an Automotive Group, Chongqing Steel, Taiji Pharmaceuticals and the Chongqing Construction Corporation.

Chongqing is now trying to attract high-tech domestic and foreign companies to invest in purpose built industrial zones. The best known of these is the "Liangjiang New Area," which was set up in May 2009 as a development zone along the lines of Pudong in Shanghai and Binhai in Tianjin. Since its inception, the Liangjiang New Area development zone has attracted over 60 Fortune Five Hundred companies, which have located there not only because of generous tax relief and other incentives, but also because unit production costs are up to 30% lower than in east coast cities.

Logistics and Infrastructure

The State Council's Urban-Rural Master Plan 2007-20 envisages Chongqing as a Yangzi River economic centre, a modern manufacturing base and an integrated transport hub. Bold in its vision, the plan acknowledges Chongqing's greatest obstacle to growth, namely its geography. The city is well placed to serve its surrounding hinterland, but no matter how much investment pours into the government's coffers, there is no getting away from the fact that Chongqing is surrounded by lots of mountains, which massively increases infrastructure costs. As a result, Chongqing has historically been poorly connected with the rest of the country and it is only relatively recently that money has been spent on widening roads, improving port facilities and constructing high-speed rail links. Road improvement in the municipality is now proceeding at such a frantic pace, that road journeys to many neighbouring towns and cities involves negotiating miles and miles of road works.

Chongqing's first metro line opened at the end of July this year, and by the time you read this, the airport 25 km north of the city will be connected by a brand new mass transit line as well. The recently-expanded airport serves all major domestic destinations, as well as Singapore, Seoul, Hanoi, Tokyo and Taipei. With an eye on future growth, officials hope to add more international destinations to this list shortly.

Chongqing as a Place to Live

The cost of living in Chongqing compares very favourably with other major Chinese cities, with median wages of around 1,500 RMB per month (less than half the average wage in Shanghai). Housing prices, while rising rapidly, are not as exorbitant as in many cities, with the Chongqing Daily arguing earlier this year that a family with two wage-earning parents and one child could probably afford to buy a 50-60m2 apartment within six or seven years, although many city residents think that this timeframe is rather optimistic.

The city's signature dish, the eye-wateringly-spicy Chongqing hotpot, can be found on virtually every street corner, as can other Sichuan restaurants. For those who do not like chilli, there are eating houses serving all kinds of Chinese cuisine in Chongqing, although Western restaurants have yet to make much of an appearance. For expats thinking of locating to Chongqing, the city boasts good international schools, a vibrant nightlife and an increasing number of consulates. Lovers of the great outdoors will find lots to do too, as the city is ringed by mountain parks and forest reserves.

A City in Transition

No city is perfect, even ones that are set to become global megacities such as Chongqing. Foreigners complain that obtaining official permits and approvals is often much more time consuming than in cities on the eastern seaboard. Locals complain about the high summer temperatures, where city residents have to cope with almost unbearable heat. In fact, Chongqing has long been known as one of China's four furnaces (the other three are Wuhan, Nanchang and Nanjing) and in August this year newspapers showed pictures of locals frying eggs on pavements — it was that hot! Conversely, in winter the city feels as if it is permanently blanketed in cold fog and drizzle.

In recent years Chongqing has been given a big boost by its high profile Party Secretary Bo Xilai, who has strived to improve the city's policing, investment climate and green spaces. Yet even with Bo Xilai's extensive contacts in Beijing, which has enabled Chongqing to capture extra government funding, it is still very much a city in transition, with decrepit chemical plants existing cheek-by-jowl alongside gleaming new industrial parks and run-down riverside houses next to glitzy new high rise apartments. Many Chongqing residents prefer to think of their city as "China's Chicago", a nickname which encapsulates the dynamism and verve of this western city, which is set to make Chongqing a household name in years to come.

SUSTAINABLE URBANISATION

— A Key Component in China's Development

China's 12th Five-Year Plan highlights sustainable urbanisation as a primary focus for future development, owing to the increased concentration of its population that will live in Chinese cities in the coming decades. The EU China Trade Project (EUCTP) gave EURObiz an overview of the issues and areas where European companies have the greatest cross-over with their Chinese counterparts.

By 2030, it is estimated that China's cities will hold one billion people; by 2050, 75% of the population will be urban, approaching rates seen in major developed countries. 15 Chinese cities will have populations exceeding 10 million, while 220 will have populations over one million.

Supporting such rapid urbanisation requires billions of yuan of investment in water, electricity, construction and social provisions, posing significant challenges to economic, social and environmental sustainability.

The EUCTP supports the EU and China's co-operation on urbanisation issues by providing training, facilitating expert discussion, and exchanges of experience and across the field of urbanisation. In low carbon trade, services, legislative and regulatory development and consultation, renewable energy, smart grids, emissions trading and demand side management, the project is working to bring together the experience of European and Chinese partners.

Emphasis on Urbanisation

Increased urbanisation in China is important for China's sustainable growth path for several reasons. First, urbanisation can strongly contribute to China's social stability. Currently, serious income discrepancies exist between developed urban areas and underdeveloped rural areas. Greater urbanisation – not just migration to cities but also conversion of rural areas into urban areas – encourages job expansion and is a key part of China's development. Already we are seeing a return of migrant workers to their home regions as expanding urbanisation provides greater employment opportunities and increased social provisions in these areas necessary.

In addition to social benefits, urbanisation aids China's ascent up the value chain. As China moves from an export-orientated model to one focused on internal trade and consumption, services will play a larger role in the economy. China's service industry currently constitutes only around 40% of its economy, as opposed to 65-70% of European economies. Urbanisation, which allows for a widebreadth of services and specialisation, is a prerequisite of service-based economies.

Due to the pivotal role urbanisation will play in future development, provincial governments have strong incentives to meet targets in the Five-Year Plan. A key challenge for the central government will be to ensure firm regulatory conditions for urbanisation, as well as a transparent and stable environment for the financing and investment that will fund these new urban areas. Europe's experience in developing clear and well-enforced regulations will be very relevant to China during this process.

Reduction of Energy Intensity

The 12th Five-Year Plan is designed to allow China to move smoothly from a "quantity growth" pathway to a "quality growth" pathway, towards a more sustainable economy and society. China's annual GDP is expected to grow 7% a year but might exceed that estimate during the next few years. Meanwhile, its aim to reduce energy intensity per unit of GDP by 16% is more ambitious than the previous Five-Year Plan and a new aim to reduce carbon intensity per unit of GDP by 17% is also worth following closely. In addition, the 12th Five-Year Plan aims also to reduce water consumption.

In order to achieve these targets,it is crucial that the growing consumption of energy and consequent CO_2 emissions in a rapidly urbanising China are properly addressed. China must develop a clear vision for Demand Side Measures (DSM) that influence not only the type of energy resources consumed, but also how and why consumers use energy. By using DSM such as pricing structures, incentives, and integration of low carbon options into the urban infrastructure, China has an opportunity to mitigate increased urban consumption of energy and drive low carbon consumer behavior.

Europe has extensive first-hand knowledge regarding urbanisation policy and urban planning, as well as its own challenges to address. Energy efficiency in buildings, energy services companies or performance labeling standards are just a few areas where the EU and China could share their experiences and expertise.

Implementing a Uniform Regulatory Framework

China is not a uniform unit in geographical, economic, political, social or environmental terms. The daily hours of sunlight are not the same in Xinjiang or in Yunnan, but they are not the same in Portugal or in Finland either.

Regardless, it is imperative to have core regulatory frameworks emanating from the central government, in the same way Europe has its own EU directives. Then, to account for the differences that exist at the regional level, we will continue to see sets of regional regulatory frameworks developed both in Europe and China.

New Technologies and Systems for Urbanisation

There are an expansive range of technologies and systems that can be mainstreamed for the low carbon and sustainable urbanisation agendas. However, it is not about looking at individual technologies or systems as stand-alone solutions — there is no "silver bullet" out there. Similar to convergences between software and hardware, we need to increase collaboration between policy makers, master planners, engineers, and architects to move forward with integration.

Smart grids are an excellent example of this. The way energy is transmitted and transported between consumption and production centers will become increasingly important and smart grids are superior for monitoring energy flows. In addition, they can facilitate the integration of intermittent renewable sources or work as drivers for implementing additional energy efficiency measures in the urban environment. Despite this, we cannot forget the enormous challenges that China still faces regarding the traditional power lines and energy transportation grids.

Traditional power grid constraints will heavily determine how successful or unsuccessful the implementation of renewables will be, but increasing integration and consolidation of the energy market in Europe and the interoperability of European power grids are prime examples of European practices that can, and are, being shared with China. Eb

China's DSM Regulations – Taking Note of European Experience

In early 2011 the central government passed new national energy efficiency and Demand Side Management (DSM) regulations requiring Chinese grid companies to use a portion of their electricity revenues to promote energy efficiency among their clients.

These measures will lower electricity consumption by 0.3%, or 11 billion KWh, enough electricity to power 10 million Chinese homes for one year. The EU and its Members States are well-poised to bring insight and support to China in this industry.

This EU China Seminar on DSM was supported by the EUCTP, the EU delegation to China and the China Carbon Forum.

Energy Performance in China Construction: EU – China Co-operation

In May, the EU-China workshop on Certification Schemes for Energy Performance was held in Beijing to provide a forum for sharing the EU and China's different experiences managing energy performance in buildings.

China's construction industry is growing at an unprecedented pace, but newly built buildings are a main contributor to China's accelerated energy consumption. To manage future energy demands, China will require the energy performance of all new and converted public and private buildings to be subject to regulation.

The workshop was supported by EUCTP, in partnership with MOHURD and DG ENERGY.

EUROPEAN CHAMBER EVENTS GALLERY

BEIJING

1.A delegation from the European Chamber of Commerce in Taipei visited the European Chamber's Beijing office on 27th October.

2. European Chamber President Davide Cucino presented the European Business in China Position Paper 2011/12 on 8th September in Beijing.

3. European Chamber President Davide Cucino (right), Secretary General Dirk Moens (center) and Senior Business Manager Mark Rushton (right) responded to journalists' questions during the launch of the European Business in China Position Paper 2011/12 in Beijing, 8th September.

4. Reuters correspondent Michael Martina asks a question during the launch of the European Business in China Position Paper 2011/12 in Beijing, 8th September.

NANJING

1. On 24th and 25th August the European Chamber Nanjing visited Xuzhou. Highlight of the visit was the reception by Mr. Zhou Baochun, Vice Mayor of Xuzhou Municipal People's Government.

2. Xuzhou Construction Machinery Group is the largest company in Xuzhou and also a leading construction machinery manufacturer in China since its establishment in March 1989.

3. On 23rd September Mr. Zheng Yunxi, Vice Director of Social Insurance Fund Management Centre of Jiangsu Province provided a presentation on the New Social Insurance law at the Human Resource Forum in Nanjing.

PEARL RIVER DELTA

1. European Chamber President, Mr. Davide Cucino, presenting European Business in China Position Paper 2011/2012 in Guangzhou, 13th September.

2. European Chamber PRD Chapter Chairman, Mr. Holger Kunz, presenting European Business in China Local Position Paper 2011/2012 in Shenzhen, 13th September.

3. The European Business in China Position Paper 2011/2012 Launch in Zhuhai, 15th September.

4. ERP Seminar – Zhongshan & Foshan 27th-28 September, Zhongshan & Foshan – SME Seminar on latest trends in ERP.

5. In Guangzhou, a European Parliament Delegation led by Ms. de Sarnez, Rapporteur on Trade with China for the Committee on International Trade met with the PRD Board Members to discuss about the business environment for European companies in Guangdong Province, 3rd September.

SHANGHAI

1. European Chamber Shanghai Chairman Piter de Jong hosts Maersk Line global CEO Eivind Kolding for a special lunch presentation

2 & 3. The SME Quarterly event, a regular forum tailor-made by the European Chamber SME forum in Shanghai for Small and Medium business.

4 & 5. European Chamber members join an exclusive field trip to Ningbo with a focus on the automotive industry.

TIANJIN

1. 14th October, 2011, The European F&B Celebration. A big family from Airbus Tianjin, one of the major sponsors.

2. 14th October, 2011, The European F&B Celebration. Enjoying the dinner, Siemens people see their friends.

3. 14th October, 2011 European F&B Celebration: Who is the lucky star? The 450m2 presidential suite valued at 68000 yuan offered by the ST. Regis Tianjin.

4. 14th October, 2011 European F&B Celebration: Take a picture and chance to win the best dressed competition!

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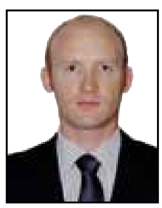
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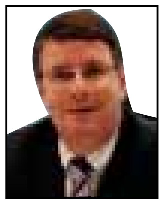
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The European Union Chamber of Commerce in China is driven and funded by its members. The 26 members of the Advisory Council are particularly active in representing and advising the Chamber, and make an enhanced contribution to the Chamber's funding.

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THE EXECUTIVE INTERVIEW:
ANDRE LOESEKRUG-PIETRI

André Loesekrug-Pietri
Chairman and Managing Partner, A Capital
Chairman, Private Equity & Strategic M&A Working Group, European Chamber

A veteran of the Private Equity industry, Mr. Loesekrug-Pietri founded A CAPITAL, the first private equity fund focused on Chinese outbound investments. He also serves as Chairman of the Private Equity and Strategic M&A Working Group of the European Chamber.

EURObiz (Eb): We hear a lot about Chinese investment in Europe, but how much is really happening now? It still seems like Chinese investors are testing the waters.

André Loesekrug-Pietri (ALP): Indeed, there has been a surge of investments in Europe from Chinese companies over the past year with $6 billion of M&A deals this year compared to $4 billion in 2010. Europe is clearly the target among advanced economies for China as it hosts many firms with leading technologies, brands and distribution channels that interest the Chinese government as outlined in its 12th Five-Year Plan. Yet, overall China only represents 2% of all foreign investments in Europe. We are still at the beginning of China's outbound investments in Europe.

EB: Your firm A Capital was involved in the Fosun-Club Med transaction. Please tell us more about that. What was the interest from each side?

ALP: The deal is a milestone in cross border M&A as it was the first time a Chinese company acquired a minority stake in a global brand to boost its development in China. Club Med's interest is to offer its services to the growing number of Chinese tourists, which are the major driving force for the international tourism market in the next 10 to 20 years. It therefore made sense to invest at the group level and not just at the China level, and Fosun's involvement in retail and media (Sina, Focus Media) is unique. Moreover, in order to access the best locations in China for establishing its resorts Club Med needed a strong local partner with real estate development skills. Fosun, for its part, wanted to help a leading foreign brand realise its large upside potential in China. Now, Club Med is one of the companies perceived as having really understood the China market. Interestingly, each side is perceived as a big winner in the transaction, which proves that it is a true win-win partnership. We are proud to have fully imagined and engineered this landmark deal, where both partners are seen as big winners.

EB: The European Chamber will soon be publishing its own private equity report. Can you give us any preview? What did it seek to uncover, and what did it find?

ALP: The survey is unique in that it seeks to document with objective indicators the social and economic role of private equity in China. Many studies focus on the financial side of the story. Here we want to show how much PE is contributing to the society as a whole – yes or no, by tracking the macro indicators that are relevant for governments. By comparing the growth rates of PE-invested firms with those of listed firms we assess the impact of PE investors on those firms. We are building on the findings of the first survey, launched at the end of 2009 and will look at a similar set of indicators including: job creation, corporate governance, profitability, revenue growth, investments in Western regions but also some new ones like ecological impact.

EB: What are the biggest misconceptions Chinese investors have about Europe? And what is it that Europeans misunderstand most often about China?

ALP: Chinese investors have the perception that Europe is bankrupt. There might be severe sovereign debt issues, but many European companies are world leaders and had exceptional 2010 results, showing great resilience, technologies and brands. In Europe there is the misconception that China is buying up the world while China's Overseas Direct Investment (ODI) stock is still less than 6% of its gross domestic product – while Organisation for Economic Co-operation and Development countries have a 27.7% ODI stock/GDP ratio in average. I personally think we in Europe, without being naïve, have much to gain by Chinese investors investing in our industry, creating jobs in Europe, paying taxes and becoming more aware of our local challenges, rather than accumulating larger trade deficits. Eb