Journal of the European Union Chamber of Commerce in China

EURObiz

www.europeanchamber.com.cn
July/August 2015

AN EDUCATION IN CHINA

EAST MEETS WEST
The future of business education in China

A QUESTION OF LANGUAGE
China's need for multilingual schools

WIN, LOSE OR DRAW?
Partnering with Chinese universities

ALSO IN THIS ISSUE:

THE NEW 'NEW NORMAL'
China's National Security Law

A SLOW DEATH?
China's draft Foreign NGO Management Law

European Chamber
中国欧盟商会


EY 安永
Building a better working world
Fraud Investigation & Dispute Services
Integrity delivers benefits
Companies that act with integrity in addressing fraud, bribery and corruption have an advantage with real business benefits. To that end, we help companies manage risk, investigate alleged misconduct and measure the financial implications of disputes.
When unusual financial activity is suspected, we can investigate, perform electronic evidence discovery, and review financial reports – all with the sensitivity and urgency required. And if necessary, we can provide expert witness testimony to explain our findings.
That's why some of the world's largest companies – and many of its best-known law firms – turn to EY.
▸ Our areas of focus include:
▸ Anti-Fraud
▸ Corporate Compliance
▸ Dispute Services
▸ Forensic Technology and Discovery Services
▸ Fraud Investigations
Visit ey.com/FIDS
2015 Ernst & Young, China. All Rights Reserved. APAC no. 03002055 ED None.

TABLE OF CONTENTS

Journal of the European Union Chamber of Commerce in China

EURObiz

www.europeanchamber.com.cn

Chief Editor
Carl Hayward

Art Director
Wenwen Gu

For European Chamber Membership:

National Membership Manager
Remei Lluch Pont
Tel: +86 (21) 6385 2023 ext 106
rlluch@europeanchamber.com.cn

For advertising in EURObiz:

Advertising and Sponsorship Coordinator
Erica Wang
Tel: +86 (10) 6462 2066 ext 27
ewang@europeanchamber.com.cn

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

European Chamber Chapters:

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

Nanjing
806, No.99 Zhongshan Road, Xuanwu District, Nanjing
南京市玄武区中山路99号806室
Tel: +86 (25) 8362 7330 / 8362 7331
Fax: +86 (25) 8362 7332
nanjing@europeanchamber.com.cn

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

Shenyang
Room 1606, Office Tower C, Shenyang Land Centre international Plaza,
No. 2-3 Wuai Road,
Shenhe District,
Shenyang 110016, PR China
辽宁省沈阳市沈河区五爱街2-3号，地王国际C座，1606室。邮编110016
Tel: +86 (24) 2334 2428
Fax: +86 (24) 2334 2428
shenyang@europeanchamber.com.cn

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

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

Southwest - Chengdu
04-A, F16, Tower 1 Central Plaza
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) 8527 6517
Fax: +86 (28) 8529 3447
chengdu@europeanchamber.com.cn

Southwest - Chongqing
Lobby Gallery, 1F, Hilton Chongqing, 139 Zhongshan San Lu, Yuzhong District,
400015 Chongqing
重庆市渝中区中山三路139号
重庆希尔顿酒店1楼大堂精品廊
Tel: +86 (23) 8832 9803
chongqing@europeanchamber.com.cn

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

BUSINESS IN CHINA, ALWAYS AN EDUCATION

Jörg Wuttke
President of The European Union Chamber of Commerce in China

The past few months have been anxious times for European business in China. First, we saw with the promulgation of the National Security Law, and the releases of the *Trial Measures for the National Security Review of Foreign Investments in China's Pilot Free Trade Zones (Trial Measures)*, the Foreign Non-Governmental Organisation (NGO) Management Law (Draft) and the Cyber Security Law (Draft). These pieces of legislation will all potentially have a large, adverse impact on the investment environment in China.

Second, the Chinese Government's response to the recent stock market crisis is very much contrary to the free market principles espoused in the reform vision of the Third Plenum's *Decision* to "let the market play the decisive role in allocating resources". The government's reaction to the stock market crisis has been a sobering experience, and the credibility of the Chinese stock markets is now at stake.

These developments have prompted the Chamber's members to ask two important questions: *Do we have more legal certainty in this country?* and, *Where are market forces still lacking?* Our task as the independent voice of European business in China is to seek answers to these questions through closer engagement with the relevant government authorities.

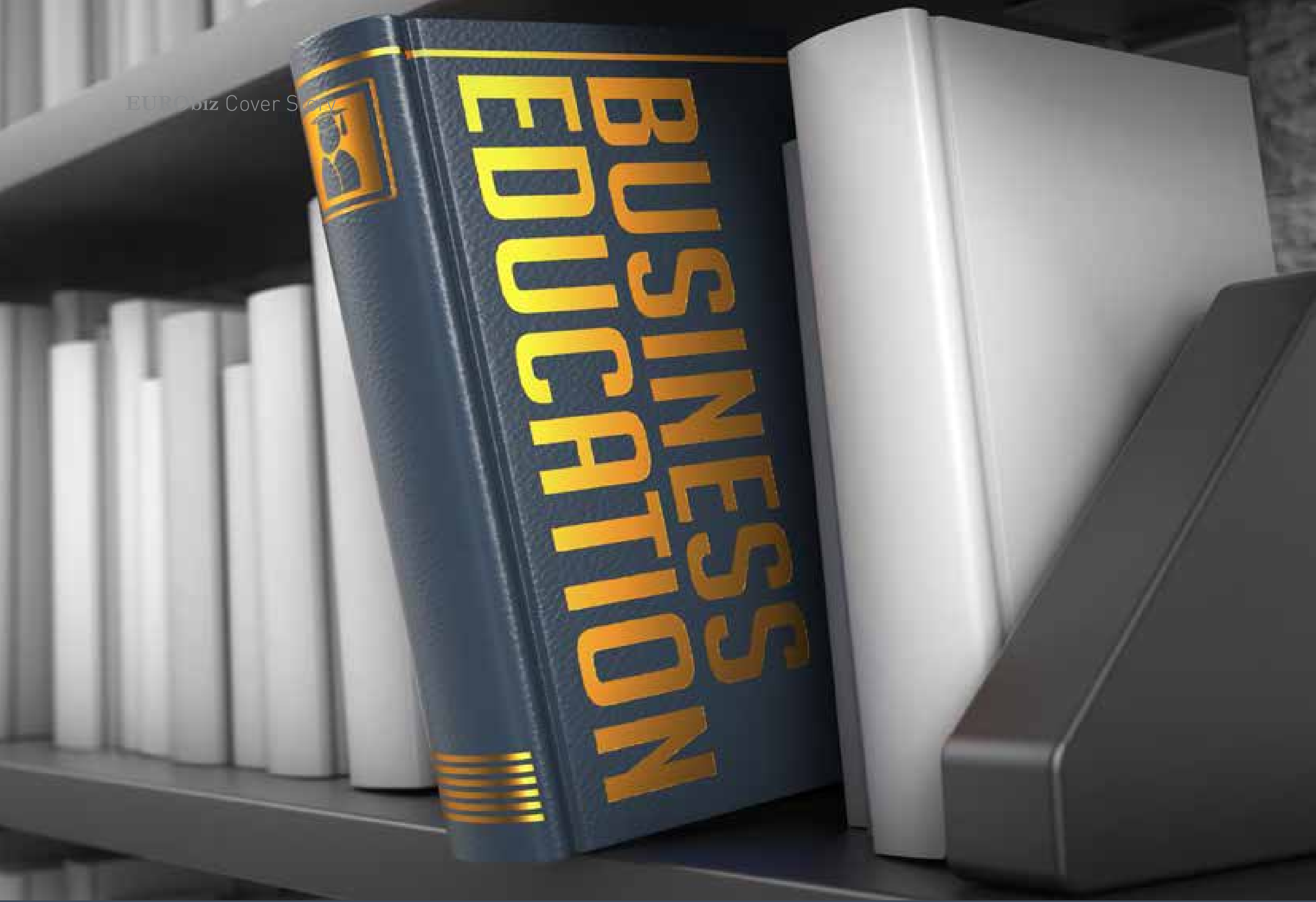
The Chamber spoke out on the national security-related laws, and requested that the National Security Law (Draft) ensure greater legal certainty for foreign investors by removing the economic references as well as the vague criteria pertaining to social and industrial security. It was extremely consternating to see that the final version of the law is in fact worse in certain clauses.

This is yet another case that reinforces the sentiment of our members that the unpredictable legislative environment is the main regulatory obstacle to conducting business in China, as highlighted in our *Business Confidence Survey 2015*. The elusive definition of what exactly constitutes 'national security', inherent in all of these broad pieces of legislation, has created a great deal of uncertainty for foreign business. The government is essentially at liberty to tacitly undermine foreign market access at any time, based on unclear and far-reaching national security considerations.

This situation bears striking similarities to the pending promulgation of the Foreign NGO Management Law. Whereas NGOs are currently registered with and regulated by the Ministry of Civil Affairs and local Civil Affairs Bureaus, under the new draft, promulgated on 5th May this year, registration and regulation will fall under the purview of the Public Security Bureau (PSB). One of the ideas behind this shift is to improve regulation of NGOs to ensure that they are operating responsibly. In reality the operations of many legitimate foreign NGOs could come under scrutiny if, for example, their advocacy activities are deemed to be negatively impacting 'national security'.

The Chamber is extremely concerned about this draft law as many of our members would fall under its jurisdiction once promulgated, including foreign companies in the education sector, the sector that is the focus of this edition of *EURObiz*. Many international NGOs—from education institutions through to industry associations and environmental organisations—play an integral part in our members' daily operations in China and make valuable contributions towards improving Chinese society. If promulgated, this law will make daily work impossible for some foreign NGOs, resulting in many of them being forced to leave. China's citizens clearly have a stake in this, too.

In many ways, the current debate surrounding national security is reminiscent of last year's debate on the enforcement of China's Anti-Monopoly Law (AML), in the sense that, as they stand, these laws will leave the enforcement authorities with ample scope for non-transparent conduct. When the Chamber spoke out on AML enforcement last year, our stance was positively responded to by the National Development and Reform Commission, who invited us for consultation on the matter. In much the same vein, the Chamber will continue this sort of on-the-ball engagement with the relevant government authorities on these national security-related laws for as long as it takes to secure a better outcome for our members.



EAST MEETS WEST

THE FUTURE OF BUSINESS EDUCATION IN CHINA

When China first began the process of integrating into the global economy there was a necessary and rapid assimilation of Western business practices. Business schools in China were therefore geared towards producing curricula to meet this need. As China prepares to shift to an economy based on qualitative growth, business schools in China will need to adjust accordingly, says **Dr Ding Yuan**, Dean of **China Europe International Business School (CEIBS).** Curricula at these schools will be increasingly based on a dialogue between East and West as China begins to export, as well as import business education.

When modern, systematic business education was first introduced to China 20 years ago, knowledge dissemination was the most urgent task – multinational companies wanted to bring their Chinese employees up to the level of their Western counterparts as quickly as possible, and Chinese companies also wanted to dramatically improve the management skills and general competencies of their employees. Much of the curricula of business schools in China was designed to satisfy these needs.

Today, as its economy continues to mature and becomes increasingly globalised, China is facing many new challenges. This, in turn, poses new challenges for enterprises in China. How can Chinese companies in the manufacturing sector innovate and upgrade in order to move up the value chain? How do we implement reforms at state-owned companies (SOEs) to create mixed ownership between SOEs and the private sector? How do Chinese family enterprises deal with the succession over their founders by the second generation? These are all new issues for China and the curricula of business schools must evolve to help share solutions from more mature markets while continuing to train an innovative and globally-minded workforce.

I believe that this second wave of learning at business schools here will be different from the way in which we previously imported knowledge into China. Business education will need to be more interactive and enable a new creative dialogue between Chinese executives and their counterparts in more mature economies.

Many mature economies in Europe, Japan, Hong Kong, Singapore and others have already developed effective approaches for handling the challenges of moving up the manufacturing value chain, mixed ownership, and family business succession. China can study their knowledge and best practices, and localise them for the Chinese market by creating a two-way interactive learning and summarisation process.

France, for example, has operated with a mixed economy for years. They have significant experience in vitalising SOEs by injecting private capital and establishing appropriate corporate governance practices. We can easily work with these experts and develop new models for SOE reforms in China. German companies, many of whom are family businesses, are champions in the manufacturing sector and have remained productive and competitive over the long term despite an ageing society and high labour costs. To a lesser extent you can also see this in Japan.

There is much that Chinese companies can learn from these foreign practices. Business schools in China must therefore ensure they have the right resources in place to facilitate this learning exchange and bridge the knowledge gap between mature economies and China. We need international standards, high quality researchers and faculty with a 'China Depth, Global Breadth' mind set to dig into these issues. The faculty must be well trained and well informed about existing methodologies and international literature, yet still be rooted in China in order to be able to assimilate and disseminate these practices in a way that will be relevant to Chinese executives.

Another way in which we see business education in China changing is that companies within China have developed management practices and business models that are not seen in other parts of the world. China is growing into a very large and sophisticated market. There is also a large demand for China-based business schools to put these practices into models and theories, incorporate them into their curricula and spread them among Chinese companies. It is also important to summarise these Chinese best practices into case studies, just as the Japanese did many years ago with the Toyota model. These case studies are interesting and instructive, not only for China but also the rest of the world, particularly companies in emerging economies.

One current, hot example from China is the success of Alibaba. Founder Jack Ma married elements of Amazon.com and eBay, which had been very successful in the West, with the unique conditions of the Chinese market to create a world-class e-commerce powerhouse in China, which ultimately beat the foreign giants. The smooth and efficient distribution networks in the United States are unknown in China, so Alibaba developed a new e-commerce business model that bridges C to C (consumer to consumer) and small B to C (business to consumer) users, creating a lot of value for these people as well as for Alibaba itself. It also had to create a new platform, Alipay, to provide financial services in order to help facilitate financial transactions between its users.

Creating case studies of successful Chinese business models and management practices will require a large group of Chinese companies who are willing to open their practices to researchers. China-based business schools will need access to high-level, international partners who can facilitate access to the latest research and knowledge and help to validate their research findings.

This new creativity dialogue between East and West, and business and academia will put business schools in China at the forefront of creating new and innovative teaching methodologies and curricula for business education. It will then be only a matter of time before we begin to see these innovations being adapted by the more established educational institutions in the West. Eb

Dr Ding Yuan *is Vice President and Dean and Cathay Capital Chair Professor in Accounting at* ***CEIBS****. Launched in 1994 as a not-for-profit joint venture between the Chinese Government and the European Commission,* CEIBS *is the only Asian business school to have achieved global ranking for its MBA, EMBA and Executive Education programmes and is the first business school in mainland China that has earned an internationally recognised EQUIS accreditation.*

A QUESTION OF LANGUAGE

CHINA'S NEED FOR MULTILINGUAL INTERNATIONAL SCHOOLS

Since China's second stage of opening-up took effect in the 1990s, the number of international schools for foreign students in China's first- and second-tier cities has grown rapidly. At present there are 654 international schools in China, with almost one third of that number in Hong Kong. The European Chamber's *Position Paper 2014/2015* recommends further improving access to schools by "the development of more foreign schools to offer consumers a wider choice".[1] **Elaine Whelen**, founding head of **ISA International School Guangzhou**, says that today's China doesn't just need more foreign schools, it needs more schools that offer multilingual curricula, to develop truly international talent.

1 *Human Resources Position Paper 2014/2015*, European Union Chamber of Commerce in China, 2014, p. 71, <http://www.europeanchamber.com.cn/en/publications-position-paper>

English has historically been the most desirable first language in international schools in China. Parents and students understood that it is the gateway language to gain access to schools and universities in the three most desirable study destinations – the United States (US), the United Kingdom (UK) and Australia. China's economic success story has seen the pendulum swing, though, with Chinese emerging as an equally powerful gateway language. People now want to learn Chinese, study in China and do business with China.

Student migration trends are also changing. Overseas schools are sending students to China to learn Chinese and China is starting to rival the UK and the US as an overseas study destination. According to a 2011 projection by the Organisation for Economic Cooperation and Development (OECD),the number of students studying outside their home country in 2020 will be seven million, compared with 3.67 million in 2009 and 2.07 million in 2000.[2]

Three distinct groups are in need of a new type of international education in China:

1. **Returning Chinese passport holders:** This group have no choice but to enter the local school system, but often lack reading and writing skills in Chinese. The Human Resources Working Group/Forum rightly recommends that these children be allowed to enter international schools. However, they need quality Chinese language programmes to catch up, not merely three hours or less per week.
2. **Returning Chinese with foreign residency or passports:** This group emerged in large numbers over the past 10 years, and are now able to enrol in international schools.
3. **Students attending local schools with an integrated curriculum where up to one third of the curriculum is delivered in a Western style:** The 'untouchable' subjects are Chinese, Mathematics and English. These must be taught according to national, provincial or municipal requirements.

International schools in China must respond to this dramatic demographic change in student population to provide access and opportunities for all students, Chinese and foreign, with more substantial Chinese language instruction. It is time for a new model of international schools to emerge, embracing the best of Eastern and Western curricula, philosophies, and educational practices with a more diverse teaching staff. A blend of English and Chinese language is required to prepare students for the future. 'International' does not mean 'being Western' – a truly international education should equip students with the skills to become part of a global workforce, providing them with the linguistic and other skill sets they require to become the innovators, problem-solvers and team players needed in the 21st century workplace.

Parents expect to have a choice and a growing number are choosing bilingual and multilingual schools for their children. The choice, or lack, of schools has a direct impact on China's ability to attract a global workforce: twenty-five percent of European Chamber members ranked schools as one of their top three challenges when trying to attract and retain expat talent.[3]

Recent research in the US has shown that students who learn bilingually have higher cognitive and executive function and outperform their monolingual peers in all subject areas, including maths and science.[4] Given the importance of the Chinese and English languages and this added benefit of producing higher-performing students, international schools need to adapt or become fossilised.

Wherever a person is from, they need to navigate a globalised world. Too often, students enter a foreign country or an international school and think that they need to assimilate by rejecting their mother tongue or adopting accents and mannerisms of their new environment to 'blend in' with their peer group as quickly as possible. Through this process they lose more than their native language skills, they sacrifice their cultural identity too. That is not 'international'. We need an additive, not a subtractive, approach to language acquisition.

Chinese students locked into preparation for the *zhongkao* and *gaokao* are denied a broad and balanced curriculum. Many of them can access international schools as an alternative, but they must sacrifice their literacy and fluency in their mother tongue, which is a high price to pay. A recent article in *EURObiz* makes a link between the needs of the 21st century workplace and the dearth of useful skill sets due to the narrow focus on examination preparation in local schools.[5]

Chinese and foreign families require quality bilingual and trilingual programmes. English should no longer be seen as the only gateway language and schools should not allow students to sacrifice literacy in their mother tongue in order to learn English. It is time to review what it means to be an international school, to understand the changing demographics and to build on student's cultural and linguistic capital to help develop the next generation of international talent. Eb

Elaine Whelen's *experience in education spans three decades, with 15 years as the leader of four international schools around the world, including schools in Europe, Asia and Africa. Her experience and expertise in the fields of mother tongue and multilingual programmes is significant.*

2 *Education at a Glance 2011: OECD Indicators*, Organisation for Economic Cooperation and Development, OECD Publishing, 2011, <http://dx.doi.org/10.1787/eag-2011-en>

3 *Business Confidence Survey 2014*, European Union Chamber of Commerce in China, June 2014, page 17, <http://www.europeanchamber.com.cn/en/publications-business-confidence-survey>

4 Bialystok, Ellen (2011); Cummins, Jim et al (2008); Collier, Wayne & Thomas, Virginia (1997)

5 Hoey, Patrick, *Going Global with Education, EURObiz*, July/August 2014, <http://www.eurobiz.com.cn/going-global-education-internationalising-chinese-curriculum-means-european-businesses/>

WIN, LOSE OR DRAW?

PARTNERING WITH CHINESE UNIVERSITIES

In order to successfully develop a globally-recognised brand, educational institutions often find the quickest route is to partner with overseas counterparts. As is so often the case, though, the quickest route is not necessarily the easiest. In this article, **Dr Ying Zhang, Rotterdam School of Management, Erasmus University (RSM)**, looks at how the partnership model has developed in China and outlines some of the difficulties of this process.

The concept of globalisation is certainly not new to China and has been demonstrated generally by China's emergence as an economic superpower and specifically with the recent 'one belt one road' initiative, which has exemplified China's determination to take a greater role in world affairs.

China's astonishing economic growth has been a key factor in Chinese companies going global. A number of models, such as direct investment, mergers and acquisitions, greenfield investments and joint ventures, have long been available to Chinese enterprises looking to get a foothold in the international market and enhance their brand influence. Chinese companies increasing their local capacity and going global has been supported by more than three decades of economic and institutional policy development that has focussed on entrepreneurial growth.

Similar to Chinese companies, Chinese universities have followed a rapid growth path, and have had to employ a diverse range of development models along the way. But they differ in that universities have acted as the hub of China's national innovation system, feeding into industry, and have connected stakeholders through multiple levels of education, be they undergraduate, graduate, doctorate, (executive) MBAs or other programmes.

Three major factors have contributed towards helping Chinese universities to catch up with modern China: first is the focussed investment that they have received from central and local governments, as well as industry; second is China's top-down, centralised leadership approach that makes for more efficient implementation of new ideas and policies; third is the strong connection that Chinese universities have with their local communities, particularly local industry. With the development of China and Chinese firms, higher education institutions have played an explicit and implicit role in generating and disseminating knowledge, while serving stakeholders and the local community.

However, in comparison to foreign universities Chinese universities have had less freedom to adapt their own development models. A top-down approach may be efficient in many ways, but it has prevented universities from being able to effectively evolve and meet the needs of the market, as they have had to follow the central government's development standards and rigid framework.

Current practices such as the promotion system for faculty and the *Gaokao*—the national university entrance exam—cannot be easily revised. For a university to try and build itself into an international brand is not an easy path, but it has spurred them into being more creative by closely collaborating with an expanded group of stakeholders including local governments, local industry, other universities, students and alumni. In this respect,

the creative development of Chinese universities mirrors that of China as a whole.

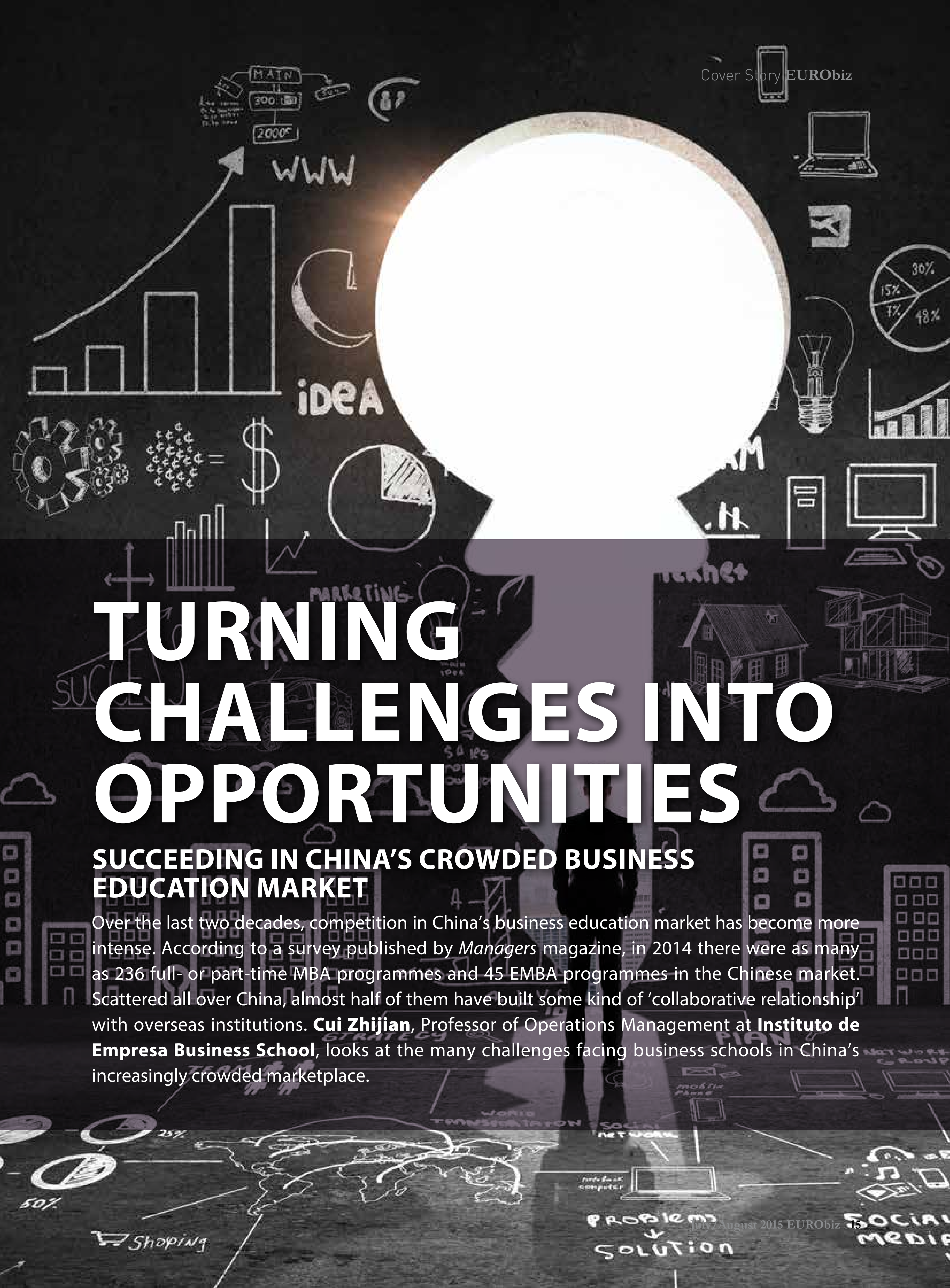
The evolution of Chinese universities partnering with overseas counterparts has gone from small-scale, single-scope (research only) collaboration in the mid-1990s to large-scale, wide-scope (including research, education, and social outreach) collaboration today. The most recent modes of collaboration between foreign and Chinese universities has been open-platform based. The aim of this is to bring together Chinese and overseas universities, as well as industry players, and pool resources to help build a credible, global brand founded on the respective strengths of each stakeholder. A good example of this is the CEMS Global Alliance in Management Education that is founded on the cooperation between 29 universities/business schools, 71 multinational corporations and four non-governmental organisations across five continents. Partnerships at this level require a much higher understanding of cross-cultural management and the ability to implement globalisation and localisation strategies.

However, despite the multitude of potential benefits, partners can be overwhelmed by the difficulties they encounter. Western partners often find it hard to figure out Chinese partner's institutional strategies and implementation processes – for example they may struggle to comprehend the reaction of Chinese universities to China's anti-corruption policy at the leadership level as well as their reaction to internationalisation policies.

Confusion and misunderstanding between parties has brought many potential collaborations to a premature ending. Language differences play a role, but differences in cognition and value systems are more likely reasons. Most misunderstandings occur during the post-contract phase, when Chinese universities often have different views from their Western counterparts on implementation processes and how to adapt to new circumstances, and this is sometimes interpreted by Western partners as a reluctance to commit, or even an intention to dissolve the partnership.

To solve these kind of problems fundamentally, partners on both sides need to surrender individualism and try to build collective cognition together. There needs to be a willingness to learn from each other and provide support to each other and find appropriate ways to communicate. Only by doing this will both sides bring maximum value to the partnership, and to all other stakeholders. Eb

***Rotterdam School of Management**, Erasmus University (RSM) is a top-tier European business school, ranked among the top three for research. It provides ground-breaking research and education excellence in all aspects of management with a first-class range of bachelor, master, MBA, PhD and executive programmes. **Dr Ying Zhang** is a professor and Associate Dean for China Business and Relations at RSM. She is also one of 40 best business school professors worldwide under 40 years of age selected by Poets & Quants among academics from HBS, INSEAD, Yale, MIT Sloan, and LBS.*



TURNING CHALLENGES INTO OPPORTUNITIES

SUCCEEDING IN CHINA'S CROWDED BUSINESS EDUCATION MARKET

Over the last two decades, competition in China's business education market has become more intense. According to a survey published by *Managers* magazine, in 2014 there were as many as 236 full- or part-time MBA programmes and 45 EMBA programmes in the Chinese market. Scattered all over China, almost half of them have built some kind of 'collaborative relationship' with overseas institutions. **Cui Zhijian**, Professor of Operations Management at **Instituto de Empresa Business School**, looks at the many challenges facing business schools in China's increasingly crowded marketplace.

In the face of increased competition, many Chinese business schools are struggling to design differentiated curricula, offer better internship or study exchange opportunities, and/or encourage innovation and entrepreneurship. Despite these efforts, more and more MBA applicants are clustered around a few top-tier business schools, such as Tsinghua University School of Economics and Management and Peking University Guanghua School of Management. Other less-renowned schools are experiencing difficulties attracting enough applicants. An additional, unrelated problem is the significant drop of enrolment numbers in EMBA programmes since China's broad anti-graft campaign began in earnest. As a result, the financial stability of many Chinese business schools is at stake.

The current dilemma faced by many of these schools sheds light on the tension between research and teaching in general, as well as the characteristics of different business models for running a business school in an extremely competitive marketplace.

Among all Chinese business schools there are three basic models. The first is a school of business embedded in a comprehensive public university, a category into which many first-tier business schools fall. As Dr Qian Yingyi, Dean of Tsinghua University School of Economics and Management said in an interview, the main strength of this model is "integration". Backed by other schools within the same university, business schools using this model are able to offer a variety of curricula to students, from sociology, history and international politics, to *fengshui*. Business schools with such a model can easily benefit from the reputation of the entire university – the so-called 'halo effect'. On the other hand, faculties in these schools are often under huge research pressure, and regulations imposed at the university-level can be quite rigid.

The leading players in this category often own the strongest academic reputation and alumni network in the market. They also have a sufficient amount of resources to support academic research, such as providing reduced teaching loads for research-active faculties and regularly inviting 'star teachers' from both academia and industry. The benefits compensate the drawbacks, namely, low flexibility in the Chinese public university system. However, less-renowned universities may experience difficulties staying in the market. Compared with the leading players they gain little from the 'halo effect', and the rigid system, including student entrance exams, faculty evaluation and promotion, and monetary incentives, could become a big hurdle, limiting their growth in near future.

The second category are public universities specialised only in economics, business and management. Famous schools falling into this category include Shanghai University of Finance and Economics, and Southwestern University of Finance and Economics. These types of schools are not particularly common in the business education markets in the United States (US) and Europe. As with the first category, schools or universities adopting this model operate under rigid government regulations. Their reputations among academia and practitioners, generally speaking, are lower than the leading universities from the first category. For example, not a single school from this category is part of the elite university club dubbed 'C9' (China's nine major universities) or the '985 project' generously funded by the Chinese Government. Without a clear positioning and differentiation strategy, these schools will experience difficulties attracting promising applicants and maintaining their market share.

The third category is independent business schools that are usually self-financed via donations or tuition fees and do not belong to any public university. Schools falling into this category include China Europe International Business School (CEIBS) (affiliated with Shanghai Jiaotong University) and Cheung Kong Graduate School of Business (CKGSB). The number of independent business schools is growing quite fast. However, barring a handful, most lack a strong brand in the Chinese market. In addition, their survival heavily relies on the income from tuition fees, especially fees from executive education.

A few of these independent business schools have started to slowly invest in research. For example, CEIBS has built a collaborative PhD programme with IESE Business School. Cheung Kong Graduate School of Business employed a different approach: it hires a small amount of research-only faculties while maintaining a pool of teaching-only adjunct faculties. However, the approach of having both research-only and teaching-only faculties could prove quite costly and the entire business model may become vulnerable if income from tuition fees drops, particularly after the anti-graft campaign, which has seen many government officials dropping out of executive education programmes. Given the current economic and social conditions in China, it is highly likely that these schools will need to further cut research budgets in the near future.

For foreign business schools attempting to enter the Chinese education market, the main opportunity may well lie in building collaborations with 'second-tier' business schools that fall into the first and second categories of business model outlined above. Due to strict government regulations and the resistance of so-called 'cultural aggression' in Chinese politics, foreign business schools cannot build a completely independent school in China, meaning a reliable local education partner is compulsory. Nowadays, 'being international' is hardly viewed as a differentiator in the Chinese education market. Most leading schools in China have already built an extensive network with major business schools in the US or Europe. In these leading schools, overseas exchange programmes or dual degrees have become pretty much standard. However, 'second-tier' Chinese schools are still struggling to offer a programme that is at least comparable with those in leading schools, though in comparison to independent business schools they are funded by government and usually have strong financial stability, an academic reputation and an alumni network in China.

Besides exchange or dual degree programmes for students, a potential new format for collaboration could be the exchange of faculties. Many Chinese schools believe a major strength of US or European schools is their faculties, who can deliver something with a different approach from their existing faculties. In addition, having a foreign partner in the team will help Chinese schools to obtain research funding from different levels of government. For US or European schools, Chinese counterparts may provide curricula that are either quite specific to the Chinese context or related to general emerging markets.

Another form of collaboration that appeals to many Chinese business schools, are collaborative doctorate programmes, for example, a DBA (Doctor of Business Administration). In contrast to those in the US or Europe, Chinese officials often hope to obtain a doctorate to justify their intelligence and the strength of their academic background, and enhance their chances of being promoted. However, since the launch of the anti-graft campaign it is becoming increasingly difficult for them to get doctorates from local Chinese universities, and this could provide new opportunities for foreign schools.

Online education programmes are becoming more popular in the US and Europe. Before receiving popularity in the Chinese market, however, these programmes still need to overcome several hurdles, including government recognition and current negative market perception. Traditionally, online programmes are perceived by many Chinese students and government officials as being of a low quality. A smart strategy would perhaps to be to wait until the market perception changes, and become a 'second mover' in this education sector. Eb

Cui Zhijian *has been Professor of Operations and Technology Management at* ***IE Business School*** *since 2011, a Visiting Assistant Professor of Operations Management at Hong Kong University of Science and Technology Business School since 2015, and is an adjunct professor at several top-tier Chinese universities. Zhijian was nominated 'Best Professor of the Year' by Shanghai International Studies University in 2014. Zhijian hold Ph.D in Management from INSEAD, an MBA from Pepperdine University and a Bachelor of Engineering from Tsinghua University.*

SO MUCH TO GIVE

INTERNATIONAL STUDENTS IN CHINA

The number of foreign students in China has been growing annually since December 1950, when Tsinghua University enrolled the first batch of overseas students since the People's Republic of China was founded.[1] In 2014, there were 377 thousand international students from 203 countries, studying at 775 different educational or research institutes across 31 provinces, autonomous regions and municipalities.[2]

Nancy Wang, Publications Coordinator at the **European Chamber**, looks at the reasons why China is becoming increasingly popular with overseas students, and identifies what China could do to increase its standing as a study destination.

1 *International Students Education*, Tsinghua University, 2014, viewed 25th June, 2015, <http://www.tsinghua.edu.cn/publish/newthu/newthu_cnt/education/edu-3.html>

2 *Data Statistics of International Students coming to China in 2014*, Ministry of Education, 2014, viewed, 25th June, 2015, <http://www.moe.gov.cn/publicfiles/business/htmlfiles/moe/moe_850/201503/184959.html>

Among all the international students that came to China last year the largest group came from Asia, accounting for 59.8 per cent, with European students in second spot, accounting for a not inconsiderable 17.9 per cent. A large proportion chose Beijing as their preferred destination, followed by Shanghai, Tianjin and Jiangsu.[3]

Why do they come?

American NGO Project Atlas has monitored the number of international students in China since 2004, and report that the number has been increasing every year.[4]

Young people want to come and experience China for various reasons. Some believe that there is simply more happening here than in their own countries. While China struggles to maintain a GDP growth rate of around seven per cent, this is still relatively high compared to other countries, and China is still developing. As China gears up to transition to the 'new normal', industries are looking to increase the quality of their output and international graduates believe they can play a valuable role here.

China remains a vital market for many foreign enterprises who are looking to grow and contribute to China's burgeoning economy and overall development. Job-seeking graduates who have a practical understanding of China's situation will naturally hold a competitive advantage over those that have never been here. If they have gained an internship or other work experience in China then it's not hard to imagine how much higher their employment currency will rise, both here and back in their own countries.

On a practical note, for many international students studying in China is more economically viable. For example, the cost of tuition fees for an international relations degree at Tsinghua University for international students is CNY 60,000 for two years. An equivalent degree at the University of Glasgow takes only one year, and costs CNY 66,000. Though the difference in actual cost is not remarkable, taking the cost of living into account education in China is far more affordable for international students. The Chinese Government has also opened scholarship opportunities to more overseas students: in 2014, 10 per cent of all foreign students received scholarships.

The problems they face: air quality, transport, visas and curricula

The general conditions for foreign students in China needs to be put in perspective, however. Poor air quality, inadequate transportation in many cities, low quality curricula and visa restrictions for internships and full-time jobs post-graduation are some of the main challenges that overseas students face.

Air quality is a huge concern, particularly when "only eight out of China's 74 biggest cities passed the government's basic air quality standards in 2014."[5] Of these, Beijing and Shanghai—China's two most popular destinations for international students—failed the assessment.

A 2015 CCTV survey on living conditions in China found that one in 10 working people spend more than two hours getting to work.[6] According to a report released by Chinese digital mapping and navigation company AutoNavi, Beijing, Shanghai and Hangzhou—all top destinations for international students—are the three most congested cities.

Gaining an internship is not only a great experience, for some university courses it is a pre-requisite for successful graduation. Although interpretation and application of visa regulations varies throughout China, theoretically international students are permitted to take internships after receiving the relevant stamp from the local Public Security Bureau. In reality though, these stamps are very rarely awarded to international students. An example of different regional interpretation of visa regulations is in Shanghai: students who are successfully awarded the required documentation are restricted to interning with entities that are legally incorporated in Shanghai. This is extremely restrictive for students who want, or need, to take an internship in China.

When it comes to working long-term, foreigners are required to obtain a Z-visa. However, successful application is dependent upon two years' of work experience. Each province has some degree of flexibility. In Guangdong, there is a focus placed on the relevance of the work experience. Beijing interprets this regulation much more strictly compared to other first-tier cities[7] – if a foreign graduate in Beijing wishes to remain and work in China after graduation they are simply not allowed: they have to return home, or elsewhere, to gain the required work experience before returning to compete in China's job market. Conditions changed recently in

3 Ibid

4 *International Students in China*, Project Atlas, 2014, viewed, 3rd July, 2015, <http://www.iie.org/Services/Project-Atlas/China/International-Students-In-China>

5 *Most China cities fail to meet air quality standards*, bbc.com, 3rd February, 2015, viewed, 30th June, 2015, <http://www.bbc.com/news/world-asia-china-31110408>

6 *Fortune, opportunity, time, happiness, where are they going?* CCTV, 2nd March, 2015, viewed, 30th June, 2015, <http://jingji.cntv.cn/2015/03/02/ARTI1425258144122325.shtml>

7 *European Business in China – Beijing Position Paper 2015/2016*, European Union Chamber of Commerce in China, April 2015, p.21, <http://www.europeanchamber.com.cn/en/publications-archive/331/Beijing_Position_Paper_2015_2016>

Shanghai when the first work permit for an international graduate was granted as part of city's new policy aimed at attracting talent. Although only applicable to international graduates applying for work in the China (Shanghai) Pilot Free Trade Zone, or the Zhangjiang National Innovation Demonstration Zone, it is still an encouraging first step in the right direction.

These conditions are not only a disadvantage to foreign students, but also to China whose economy would benefit from a larger talent pool – especially in the areas of science and technology. A diverse group of young, talented people are required to develop a thriving atmosphere conducive to innovation – one of China's key policy goals as it looks to embrace the 'new normal' and move up the global value chain.

Although the global ranking of many Chinese universities has increased in recent years, the quality of curricula is still below the expectation of foreign students in many cases, especially in the areas of arts and social sciences. Professors are often better at conducting research than they are at presenting material in lectures. For international students with high expectations of a complete academic experience in China, a low quality curriculum can be disappointing.

What can be improved?

The government has declared war against air pollution and China already has strict laws and regulations in place: the thing that will make everything click is enforcement. There have also been policy initiatives to improve transportation, such as the licence-plate lottery to reduce the number of new cars entering the roads each year. More market-based methods should be introduced to reduce the number of people driving and encourage use of public transportation. This would help to reduce congestion in China's cities and positively impact air quality at the same time.

There should also be a reasonable easing of restrictions on visa requirements for students looking for internships, or post-graduates looking to remain and work in China, particularly in industries that require a young, energetic workforce to help drive innovation. It's true that international graduates provide competition to domestic ones, but they can provide inspiration and vitality, too. The Ministry of Education has already launched a system to manage international students, and this could be employed to good effect, to identify how they could best contribute to China's needs. Finding a balance between the benefits of nurturing an international workforce and protecting the local workforce is key.

There is certainly a need for university curricula to be improved. Professors who are currently highly valued based on the number of articles and academic papers they have published in top-tier magazines should also be evaluated on their ability to disseminate knowledge and how well they can identify and understand the needs of their students – this could be done via properly-structured student feedback. If this takes place, local students would reap the benefits too. Students that have highly-developed critical research skills can only add to China's research and development capacity, and this will be crucial for easing China into the 'new normal' and making the transition both smooth and productive. Eb

ALIGNING WITH TECHNOLOGY AT YCIS BEIJING

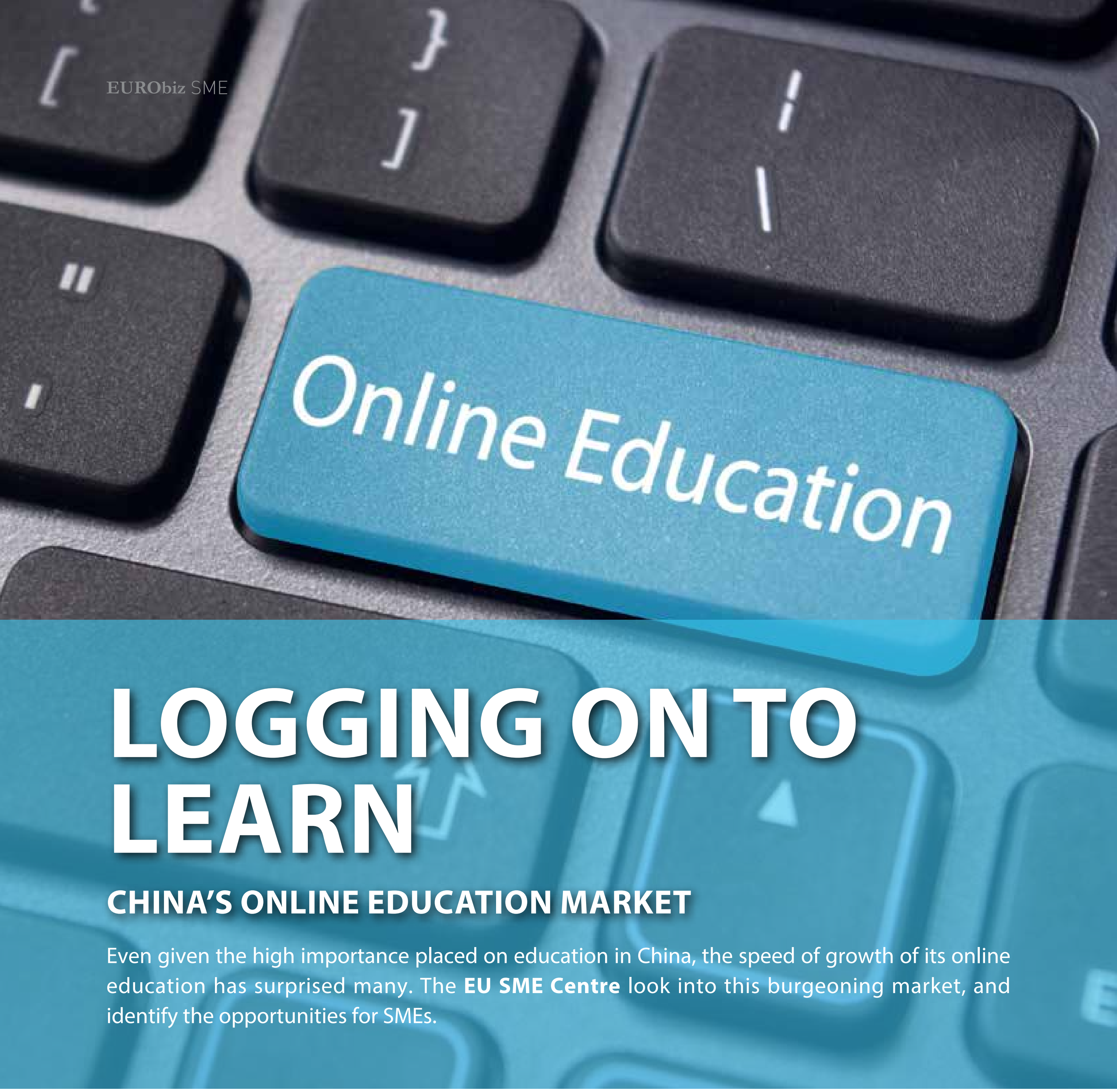
Arguably the largest change within schools—both state and international—in the last ten to fifteen years has been the increasingly important role technology plays within the classroom. Information and Communication Technology (ICT) in itself is not just limited to being a subject of study. The crossover of technology into other subject areas is making knowledge of technology and computer use a necessity for both teachers and students. As a result of this educational change, schools are doing their utmost to provide students with the best possible opportunities to keep pace with the rapid technological demands of the 21st century.

At **Yew Chung International School of Beijing** (YCIS Beijing), Matthew Broughton has the role of Primary Technology Integrator at the school. Broughton discusses his key responsibilities within the school as a whole, in a job that may not have even existed several years ago: "My position at YCIS Beijing is as a full time ICT integrator. My sole responsibility is to enhance the use of ICT in the primary curriculum. I work with primary classroom teachers and students to enrich their ICT skills. I also find authentic links to technology in the primary curriculum so that technology becomes less of a stand-alone subject and more of an integrated subject."

Creativity in particular is an asset that ICT nurtures, as is witnessed in our everyday lives. When we look to the past, it is very hard to imagine some of the activities and projects that students are currently undertaking, even at such a young age. Broughton explains some of the ways he has incorporated technology into the daily study of students at YCIS Beijing: "Throughout this past year, we've really tried to push the boundaries of how we use technology in the classroom. We use iPads in the classroom but the focus is not on consumption. Replacing a book with an e-book does not allow for any educational advantage apart from simple convenience. Instead, we focus on creating something new that the students would not otherwise be able to do through the more traditional equipment present in most schools. Examples of how we have used iPads this year have included our Year 2 students creating e-books, a radio broadcasting unit in Year 3, creating comic strips in the Chinese classes to aid the learning of characters and stop motion animation in Year 5. As long as we continue to highlight creativity through technological advancement, we are on the right track."

One vital part of YCIS Beijing's motto is to align with Science and Technology. With the presence of a Technology Integrator, regular use of iPads in classrooms and three ICT suites equipped with current iMac and Macbook Pro computers, this is certainly something that the school is continuously striving to achieve. Information and Communication Technology learning skills are not simply important for the development of students, they are essential and provide a foundation of knowledge that students can build on throughout their education and eventually within their careers.

*To find out more about **YCIS Beijing**, please visit **www.ycis-bj.com***

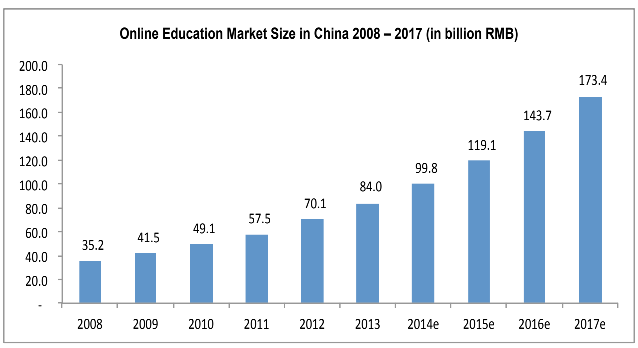


LOGGING ON TO LEARN

CHINA'S ONLINE EDUCATION MARKET

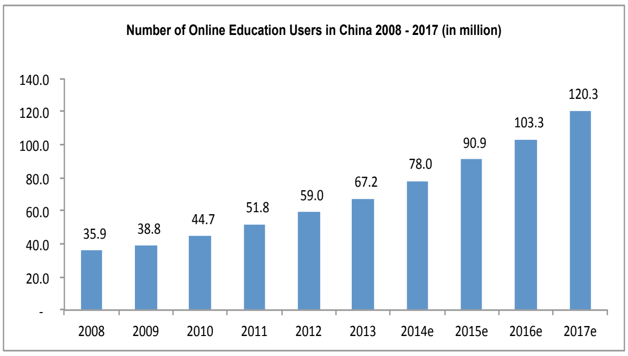
Even given the high importance placed on education in China, the speed of growth of its online education has surprised many. The **EU SME Centre** look into this burgeoning market, and identify the opportunities for SMEs.

Driven by the Internet boom and Chinese families' increasing investment in education, China's online education market share has nearly tripled from CNY 35.2 billion (EUR 4.59 billion) in 2008 to CNY 84 billion (EUR 12 billion) in 2013. Many offline education institutions have shifted online and the market has attracted big Chinese technology companies hungry for a share. With the development of new technologies and a growing number of users, it is anticipated that more niche markets will emerge, presenting opportunities for European small and medium-sized enterprises (SMEs).



(Source: Online Education Development in China 2014, iResearch)

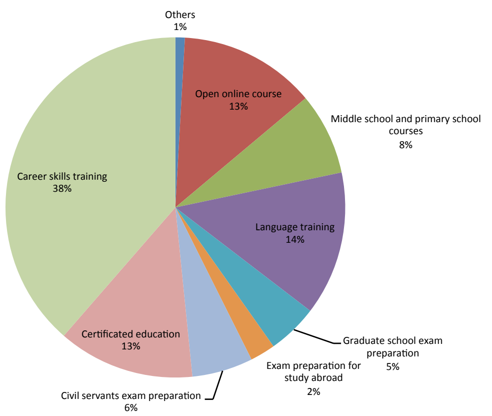
Meanwhile, the number of online education users in China has been growing rapidly, reaching 67.2 million in 2013, and is expected to reach 120.3 million by 2017.



(Source: Online Education Development in China 2014, iResearch)

Chinese choose to study online for various reasons, with the top two identified being to obtain career skills training and language training, according to iResearch's report in 2013.

Chinese Users' Top Reasons for Studying Online 2013



(Source: Online Education Development in China 2014, iResearch)

Knowing Your Partners and Competitors

The online education market in China is highly competitive, with both local and international companies looking to gain a larger share.

Active local players in the market include New Oriental (新东方), Xueda (学大教育), Xue'ersi (学而思培优) and Hujiang (沪江). International players such as Pearson and McGraw-Hill Education are eyeing the market as well.

Since 2011, with the explosion of the US online education market, about 10 Chinese online education companies have received angel investments. The market in China is continuing to boom, and estimated to hit CNY 173 billion (EUR 25 billion) in 2017.

Since 2011, 11 Chinese education enterprises have been listed in America, including China Education, New Oriental, Xue'ersi and Xueda. Most of them have opened their platforms to online education.

As of December 2013, eight of the US-listed Chinese education companies, including New Oriental, had a total market capitalisation of USD 7.7 billion (EUR 5.75 billion). This is a 29.5 per cent increase from USD 5.5 billion (EUR 4.1 billion) in December 2012.

Because online education is a new frontier for education and a lucrative market, it has also attracted big Chinese technology companies such as Tencent and Alibaba. For example, Alibaba's Taobao developed an online platform known as Taobao Xuetang to promote and sell online education tools and packages.

It is anticipated that the market will continue to be competitive during the next few years as more Chinese and international companies will be attracted to enter it. Chinese consumers will not only demand more diverse content but also more interactive and user-friendly platforms. Specific opportunities for European SMEs include corporate E-learning programmes, career skills training platforms, child learning mobile applications, language learning mobile applications, and educational games. To learn more about China's online education market, download the sector report on the EU SME Centre's website.

*The **EU SME Centre** in Beijing provides a comprehensive range of hands-on support services to European small and medium-sized enterprises (SMEs), getting them ready to do business in China. From first-line advice to in-depth technical solutions, we offer a variety of services through our Knowledge Centre, Advice Centre, Training Centre and SME Advocacy Platform.*

The Centre is implemented by a consortium of six partners - the China-Britain Business Council, the Benelux Chamber of Commerce, the China-Italy Chamber of Commerce, the French Chamber of Commerce in China, the EUROCHAMBRES, and the European Union Chamber of Commerce in China.

All services are available on the Centre's website after registration, please visit: www.eusmecentre.org.cn.

POSCO Center: Leading the New Wave of Fourth Generation Office Buildings

Beijing is striving to become an international metropolis. Part of this developmental plan will include accelerating the growth of Beijing's office building market and bringing its current crop of office buildings up to an international level. Located in Wangjing, northeast Beijing, the POSCO Center incorporates international characteristics in its design, facilities, services and other aspects that set a new standard for the office building industry and make the POSCO Center the benchmark for fourth generation office buildings.

A focus on international office functions

As Beijing is set on the road to developing into a modern international metropolis, many international enterprises are increasingly expecting new requirements from office buildings. The primary factor for a company when choosing an office building is its location: companies often want an office building that is near to their current and potential customers to allow them provide services to them more effectively. Another prerequisite for office locations is proximity to developed transportation systems. Neighbouring supporting facilities like banks, business and hotel facilities, convention centres and training facilities are also necessary. Of increasing importance is the building's 'emotional feel' and ergonomic design: people want to feel comfortable where they work.

Invested in and constructed by world-famous iron and steel company Pohang Iron and Steel Co Ltd, the POSCO Center's Wangjing location has well developed supporting facilities and convenient access to transportation. Consisting of two towers (Tower A has 33 storeys, and Tower B 25 storeys[1]) the POCSO Center's architectural plane is an irregular curve, reflecting the dynamism of a city in a constant state of flux. The buildings have been proportioned to allow sufficient natural light and afford residents extensive views.

The POSCO Center's hardware, such as its lobbies, elevators, air conditioning systems and glass curtain walls, have all been constructed to a standard on a par with international office buildings. During the construction phase, the 3-Star Green Building System was adopted, which is China's highest level of green-building certification. Adhering to this system required a large investment and involved extreme technical challenges, but demonstrates a commitment to building in an environmentally friendly and sustainable way. Located in close proximity to the beautiful Grand Park in Wangjing, the POSCO Center has adopted advanced, energy-saving and green technologies such as automatic carbon dioxide adjustment, solar heating and automatic humidity adjustment. As well as using green building materials, the building also employs a system for collecting and utilising rainwater.

In addition to office spaces, the POSCO Center has other service functions, such as business centres, catering facilities and conference systems, to meet the diverse needs of internationalised companies. Meanwhile, the property management company has an international background meaning that it can more easily understand

1 Total construction area off the project is about 160,000m^2 with 100,000m^2 above ground and 60,000m^2 underground.

the standards that international companies expect and can tailor its services to meet their requirements.

The rigorous construction criteria along with the installation of international-standard facilities has endowed the POSCO Center with a more global view: as a platform for international business it is committed to spreading international culture and promoting international dialogue, and will keep pace with domestic and global economic and business developments to continually provide the support services that international business demands.

The journey to fourth generation office buildings

The development of the office building market has become an indicator of city development and the enterprises that reside in them, and even reflect China's development as a whole. The first generation of office buildings, introduced when China was operating a planned economy system, were 'administration buildings', which could only meet basic office requirements. Following the period of China's reform and opening up, there was an influx of foreign-invested enterprises (FIEs), and domestic enterprises went through a period of rapid development. The requirement for more office buildings with better facilities went up correspondingly. This period saw the inner space of office buildings being divided in a more flexible way to meet customer demands, and a more intellectual approach began to be applied to the business office environment. Third generation office buildings began to appear towards the end of the 20th century, and these developments were guided far more by customer demands, focussing on intellectual and technical requirements. At the same time, the concept of a green environment began to be incorporated, increasing the level of comfort of these buildings.

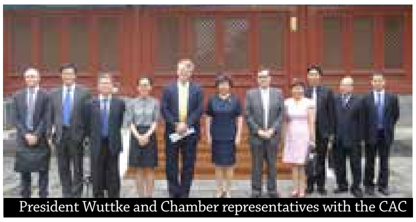
The fourth generation of office buildings was born at the right time: at the beginning of the new millennium as China acceded to the World Trade Organisation and began the process of embracing globalisation in earnest. This new generation of buildings view multinational companies, powerful domestic enterprises and large FIEs as their main customer base, and pay close attention to meeting their requirements, whether it be the level of comfort required or improving work efficiency through intelligent design and use of space.

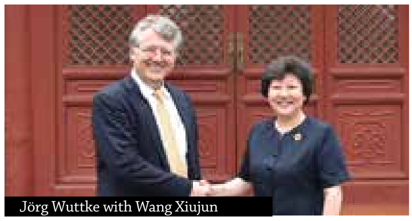
The general environment of fourth generation buildings is an essential consideration. In addition to a beautiful outdoor landscape, the POSCO Center also has a shared inner atrium space, with shared communication functions. By going beyond the traditional use of space of private offices and public corridors, fourth generation buildings provide shared business spaces, which helps to open up interaction and greater opportunities for communication and interaction.

Right from its early planning stages, the POSCO Center has been truly representative of fourth generation office buildings, adopting high performance architectural design and low-carbon, energy-saving technologies. It takes into account the real needs of top international enterprises, building attractive, bespoke office environments. The POSCO Center aims to become a centre for international business and home to headquarters of top domestic enterprises, while exemplifying the high standards that the regional modern service industry has to offer.

*For more information please call the **investment hotline: +86 (10) 8471 7777.***

EUROPEAN CHAMBER LOBBYING HIGHLIGHTS


President Wuttke and Chamber representatives with the CAC


Jörg Wuttke with Wang Xiujun

Meeting with Vice Commissioner, China Cyberspace Administration

On 23rd June, European Chamber President Jörg Wuttke met with Madame Wang Xiujun, Vice Commissioner of the Cyberspace Administration of China (CAC) to discuss issues related to cyber security and the Internet. Vice Commissioner Wang stated that there is room for Sino-European cooperation in Information and Communication Technology (ICT) and Internet-related industries, particularly in the context of the Made in China 2025 agenda. Representatives of the ICT, Information Security and Banking and Securities working groups were in attendance.

At the end of the meeting, President Wuttke presented Madame Wang with the *European Business in China – Position Paper 2014/2015* and the *Business Confidence Survey 2015*.


Ambassador Schweisgut meets AC Members in Beijing

Lunch meetings with EU Ambassador to China

On 6th July in Shanghai and on 13th July in Beijing, the European Chamber's Advisory Council members met with HE Hans-Dietmar Schweisgut, EU Ambassador to China. Ambassador Schweisgut provided a briefing on the recent EU-China summit—the first since the new European Commission took office—that took place in Brussels on 29th June, which placed a large emphasis on trade and investment issues.


President Wuttke addresses the summit

European Chamber President speaks at the 10th EU-China Business Summit

On 29th June, 2015, Chamber President Jörg Wuttke spoke at the 10th EU-China Business Summit held in Brussels. President Wuttke addressed several points in his speech, such as the importance of an ambitious EU-China Comprehensive Agreement on Investment, China's ongoing reform efforts and the results of the Chamber's *Business Confidence Survey 2015*.

Secretary General Adam Dunnett on CCTV

European Chamber Secretary General live on CCTV

On 30th June, European Chamber Secretary General Adam Dunnett appeared live on CCTV and discussed EU-China relations in light of the ongoing Greek sovereign debt crisis. He also commented on how increased cooperation between Chinese and European companies in third-country economies can help to alleviate global underinvestment.


Vice President Marchetta with Huang Xinmin and Shi Xinzhang

Exclusive Dialogue with SAIC on the New Advertising Law

On 14th July, Chamber Vice President Sara Marchetta hosted an Exclusive Dialogue with Deputy Director General Huang Xinmin and Division Chief Shi Xinzhang of the State Administration of Industry and Commerce to discuss the major amendments to China's Advertising Law. The event provided an opportunity to clarify some ambiguous formulations in the law for our members and to lobby on their behalf.

Exclusive Dialogue with MOFCOM on China's Free Trade Zones

On 4th June, the Chamber hosted an Exclusive Dialogue with Deputy Director General Huang Feng, Director Wang Jing and Mr Luo Xi of the Department of Foreign Investment of MOFCOM to discuss China's Free Trade Zone (FTZ) strategy. The event clarified several questions relating to the revised *Negative List* and the new National Security Review system for our members.

Advisory Council members meet Romano Prodi

On 30th June, former Chamber President Davide Cucino hosted a European Chamber Advisory Council dinner with Romano Prodi, former European Commission President and former Prime Minister of Italy. Mr Prodi shared his perspective on the problems that beset the EU today, focussing on the ongoing Greek sovereign debt crisis.

Other Lobby Activities

Meeting with European Parliament's Delegation for Relations with the PRC

On 20th July, European Chamber Vice President Sara Marchetta and working group representatives met with the European Parliament's (EP) delegation for relations with the People's Republic of China. Vice President Marchetta presented the EP's delegation with the *European Business in China – Position Paper 2014/2015* and the *Business Confidence Survey 2015* and briefed it on some of the most pressing issues that European businesses invested in China are faced with.

Vice President Marchetta also highlighted that the Chamber will soon be publishing its *Position Paper 2015/2016* and told the EP delegation that the Chamber hopes to meet with them again when a Chamber delegation will present the paper in Brussels.

Meeting with Shanghai DRC

On 18th June, the European Chamber was invited to discuss the impact of China's economic slowdown on trade relations with the EU. The meeting was organised by the Shanghai Development and Reform Commission in order for officials from the National Development and Reform Commission to meet Shanghai-based corporate representatives and gain a better understanding of local conditions. Helei Fu, Senior Government Affairs Manager of the European Chamber's Shanghai Chapter presented the results of *Business Confidence Survey 2015* and the European Chamber's stance on a number of national security-related draft laws and the detrimental effect their implementation would have on foreign investment in China.

Meeting with CPPCC Shanghai

On 7th July, Helei Fu, Senior Government Affairs Manager of the Chamber's Shanghai Chapter led a delegation of Chamber representatives to meet Director Wang Junwei of the Chinese People's Political Consultative Conference in Shanghai and present the European Chamber's *Business Confidence Survey 2015*.

Seminar on infant formula with CFDA

On 7th July, the European Chamber's Paediatric Nutrition (PN) Desk hosted a seminar with Ping Wang, Deputy Director General, Department of Food Safety Supervision I, of the China Food and Drug Administration (CFDA) to discuss the registration of infant formula milk and Foods for Special Medical Purposes in Beijing. The PN Desk shared the industry's concerns as well as suggestions on how to improve the relevant regulations.

A RISING COUNTRY WITH RISING CONCERNS

THE NEW 'NEW NORMAL': CHINA'S NATIONAL SECURITY LAW

National security is a priority for all countries, but this topic seems to carry particular significance where China is concerned. On 1st July, 2015, the National Security Law (NSL) was endorsed by China's top legislature and adopted with immediate effect. The term 'national security' itself is rather neutral, but it becomes more profound in a China context where it is being absorbed as part of a national strategy that many foreign companies feel is already closely associated with many of the various difficulties they are experiencing in the Chinese market. In the following article, **Dr Michael Tan, Yang Cui** and **Lynn Zhao** of law firm **Taylor Wessing** examine why this new law has set alarm bells ringing for foreign investors in China.

New concerns in the new era

Since colonial times, issues of national security and defence have been emotive to the Chinese people. The fact that China is now a socialist regime brings further sensitivity to the topic: the term 'national security' seems more poignant to a nation that is constantly under pressure from Western governments to 'peacefully evolve' this regime. Therefore when the National People's Congress (NPC) presented the second draft of the NSL for public comments on 6th May, 2015, there wasn't a ripple of concern among the Chinese public. This is not the first time that China has had such a law either: an earlier law with the same name had been in existence since 22nd February, 1993, remaining effective until 1st November, 2014. So why is the foreign business community so concerned about the new law?

The main reason is that it appears that the content and reach of the NSL goes far beyond that of its predecessor, and could have a significant impact on foreign enterprises dealing with or operating in China. For a long time, China's national security concerns were largely focussed on military aspects like defence and espionage, and this is exactly what the first National Security Law was concerned with. Now, as China's rise to the world's second largest economy has seen it face more challenges—both internally and externally—China has seen fit to re-evaluate the scope of 'national security' to ensure the peaceful, sustainable development of the country as envisaged by its new leadership. As a result it has now been extended beyond conventional concerns to others, such as the economy and even general society, and it is this expansion of scope that has triggered concerns among the foreign business community.

"...THIS WILL BECOME ANOTHER 'NEW NORMAL' OF THE CHINESE BUSINESS ENVIRONMENT..."

The legal framework

The NSL seeks to establish a comprehensive system safeguarding—among others—the country's opening up and modernisation, with the aim of realising China's great rejuvenation. The term 'national security' is defined as being a condition under which China's government, sovereignty, unification, territorial integrity, well-being of its people, sustainable and healthy development of its economy and society, and other major interests are relatively safe and secure from internal and external threats. That this secure status is sustainable is implicit.

All of these points seem perfectly standard, until one starts to analyse the exact meaning of 'national security' under this law. The NSL itself remains silent on the precise meaning, opting instead to outline various themes which shall fall under the meaning of this term. These include routine things like defence, territorial integrity and political and social stability, but also stretch to the economy and society in general and it is these areas that have potentially far-reaching implications. The inclusion of some of these 'sensitive' themes is that they have a strong political underpinning, such as upholding moral standards or protecting overseas interests. Others are more controversial, such as ensuring market order and safety in key industries and sectors, preventing financial risks, promoting indigenous technologies and encryption technologies, and enhancing cyber security, including controllable security. To implement these, a nationwide security safeguarding system shall be established, which includes intelligence, evaluation, alerts, prevention, review and crisis control. It is here that vagueness begins to creep in and concerns among the foreign business community are raised.

National security review

The NSL stipulates the establishment of a national security review system which shall also cover foreign investment. By explicitly mentioning coverage over foreign investment under the final version of the NSL, it now provides a more consolidated and higher-level legal basis for the existing national security review mechanism to be implemented in the area of mergers and acquisitions (M&A), a notion that was initially established by a State Council notice on 3rd February, 2011. Under that notice, only a very general framework for national security review was addressed, and the scope of the review was further limited to M&A cases with the aim of ensuring defence safety, economic and social stability and research and development (R&D) competence regarding key technologies. In general, it appears that China is going to follow the US CFIUS model[1]

1 Resource Centre, The Committee on Foreign Investment in the United States (CFIUS), 20th December 2012, viewed 3rd July, 2014, <http://www.treasury.gov/resource-center/international/Pages/Committee-on-Foreign-Investment-in-US.aspx>

to keep a closer eye on economic deals which might have security implications. However, China appears to be even more cautious and hands-on. Prior to the NSL, the draft Foreign Investment Law (FIL), introduced by the Ministry of Commerce (MOFCOM) early this year, already expanded the scope of matters subject to a national security review of foreign investment activities. The reach is extended from the typical greenfield set up and M&A scenarios to all kinds of investment including acquisition of properties and financial ties like lending. This is very far reaching, as it more or less means that any kind of foreign investment into China might potentially trigger a national security review and face transactional uncertainties. Under the related procedures, a foreign investor may not withdraw their applications for national security review without the MOFCOM's prior consent, and there is also no chance for administrative adjudication or administrative litigation with regard to a decision made. The NSL adopts a position of silence regarding legal remedies available to a foreign company concerned with a national security review case (although a certain right to report and appeal is mentioned with regard to Chinese citizens and organisations, e.g. Article 82).

Cyber security

Articles 24 and 25 of the NSL set forth the general principles with regard to cyber security issues. They stipulate that a national network and information security safeguard system shall be established to raise the capacity to protect network and information security. In this context, a concept of 'secure and controllable information technology' is mentioned. This is not the first time this concept has been presented, and it matches the various political and legislative actions taken in recent years by the Chinese Government accelerated by the Snowden revelations and the disclosure of the US PRISM project. This topic is now treated with strategic importance by China.

On 12th November 2013, the Chinese Communist Party announced under its communiqué the decision to build up a national system to handle cyber security concerns. A special agency, the Cyberspace Administration of China (CAC), was quickly established on 27th February, 2014, which was then followed by the so called De-IOE campaign. This campaign is aimed at abolishing IT systems supplied by the three major US players—IBM, Oracle and EMC—and replacing them with equipment and technologies developed by Chinese companies, particularly in the banking sector. Legal bases for the campaign appear to be some internal guidelines from industrial regulators to banks at the end of 2014, of which the detailed contents remain unknown to the public but obviously include requirements such as submission of source codes to authorities, locally-owned intellectual property (IP), and local R&D and customer service centres. And there might be more coming, such as the provisions under the draft Counter Terrorism Law which further requires all telecommunication operators and Internet service providers to set up technical interfaces and submit encryption solutions to enable invasive audits by government agencies. In addition, their equipment and data concerning domestic users must be kept within China. All these measures come under the name of national security, but will have a substantial impact on foreign companies operating in these sectors.

Welcome to the new 'new normal'

There might not be too much to say about the NSL itself, with most of its contents remaining general and vague. To foreign companies, what matters more are the complex implications behind the scenes. There are parallels with the recent discussion about the draft Foreign Investment Law. On one side, the Chinese Government is displaying a strong desire to further liberalise the market by pushing forward with the streamlining of administrative procedures applicable to foreign investment activities. On the other side, the outside world is perceiving an increase in government oversight of the market, in particular where foreign investment is concerned. This may be a natural phenomenon, with China trying to learn how to use and adapt Western models to handle its own security concerns. But in certain aspects it appears to go quite far, particularly in comparison to its Western peers which are more confident and proficient in handling such matters. Since all this is now a firm strategic priority on China's political agenda, there is no question that this will become another 'new normal' of the Chinese business environment which international companies will need to accept and adapt to. Eb

Taylor Wessing *is a full service law firm with approximately 900 lawyers in Europe, the Middle East and Asia, with offices in Shanghai and Beijing. For more information please visit www.taylorwessing.com.*
Dr Michael Tan *is Senior Counsel (Chinese Partner) in Shanghai with an industrial focus on aerospace, aviation, TMT and other technology-driven sectors.*

A SLOW DEATH?

CHINA'S DRAFT FOREIGN NGO MANAGEMENT LAW

If promulgated in its current state, the second draft of the Foreign NGO Management Law,[1] published on 5th May, 2015, could completely alter the way foreign NGOs operate in China. With the proposed layers of government control and final oversight by China's Public Security Bureaus (PSBs), NGO work will become extremely difficult. While foreign NGOs will feel the initial pinch, **Elizabeth M. Lynch** of **China Law & Policy** says the true victims will be the Chinese people.

1 Foreign NGO Management Law (Second Reading Draft), Standing Committee Legislative Affairs Office (SCLAO) of the National People's Congress (NPC), 5th April, 2015, viewed 31st July, 2015, <http://chinalawtranslate.com/foreign-ngo-draft-2/?lang=en>

Currently in China, Chinese NGOs—grassroots groups that seek to alleviate poverty, eliminate discrimination and conduct other activities that benefit society's most vulnerable — are largely funded by foreign NGOs, particularly those that champion issues considered 'too political'. Even where foreign NGOs do not offer funding, they provide essential training, informal advice and moral support that helps grow China's nascent civil society.

Unfortunately, though, the current draft Foreign NGO Management Law will result in fewer foreign NGOs able to work in China and, as a result, will set the Chinese people back in their ability to vindicate their own rights.

Why would the Chinese Government seek to squash civil society at this juncture? Many of the government's own social reform agenda items—ending corruption, ending re-education through labour, reforming the *hukou* system—have come from these civil society groups. So why would they now look to pass a law that could severely limit the growth of civil society?

This is not about greater transparency

Foreign NGOs have largely remained unregulated in China, so there is something to be said about a law that adds greater transparency to the sector. For groups that are lobbying government officials or seeking to change the law, knowing the source of funding—even if the funder does not meddle in the organisation's daily affairs—is something we deem important to know. The Chinese Government is no exception, nor should it be. Only months ago, Americans were shocked to learn that foreign governments donate money[2] to many US think tanks, with the implication being that this source of funding impacts the organisation's research direction.

But transparency is not what this law is about. If it was, foreign NGOs could easily continue to be regulated by the Ministry of Civil Affairs (MOCA). But the MOCA is nowhere to be found in the draft law. Instead, it has largely been replaced by China's public security apparatus. It is the PSB that has ultimate say if the foreign NGO can establish a representative office or conduct temporary activities in China (Article 47). The PSB can, of its own volition, conduct on-site inspections of the China office, question individuals involved with the "matter being investigated," copy or "seal" documents and, when the PSB determines necessary, "seal" the venue related to the "matters being investigated" (Article 49). The law is silent on what would give the PSB cause to disrupt the work of a foreign NGO, allowing for potential harassment.

Will foreign NGOs even have the resources to follow the new law?

The law itself does not seek to shut down foreign NGOs in China or prevent foreign NGOs from hosting events in China. Instead, through an onerous, supervisory structure, it makes getting anything done in China time-consuming and expensive. Survival of the fittest will dictate which NGOs go and which stay.

Under the draft law, foreign NGOs that want to establish a representative office in China must first have the consent of a Professional Supervisory Unit (PSU) (Article 11), presumably a government agency or government-approved organisation in the foreign NGO's field. A legal-oriented foreign NGO would therefore seek to establish a relationship with the Ministry of Justice as its PSU. Only after it receives this consent can the foreign NGO apply for approval with the PSB (Article 12(6)).

But here is the rub, how many foreign NGOs can one government organisation sponsor? Would the Ministry of Justice establish a relationship with every legal-oriented foreign NGO seeking to establish an office or would it pick one, two, or maybe a handful? It's not the Ministry of Justice's business to sponsor foreign NGOs and presumably these government agencies have limited capacity to do so. Even if a foreign NGO can partner with a quasi-government organisation, there are still not enough of these to cover the number of foreign NGOs with offices in China. As a result, some will inevitably be forced to leave China because of their failure to establish a relationship with a Chinese PSU.

But the relationship with the PSU does not end with registration. Every year, the foreign NGO will have to submit two documents: (1) an activity plan that delineates the implementation details for the following year's projects (Article 24); and (2) an annual work report which must include financial accounting and audit reports (Article 37). For smaller foreign NGOs with limited resources, hiring someone to handle this paper work might not be the best use of its funding. Even if a foreign NGO can establish a relationship with a Chinese PSU, at some point it will become debatable if it is even worth it economically.

If that isn't enough to discourage a foreign NGO from establishing a representative office, the procedures are required to be repeated every five years (Article 15).

Even academic exchanges aren't exempt

2 Lipton, Eric, Williams, Brooke & Confessore, Nicholas, *Foreign Powers Buy Influence at Think Tanks*, *New York Times*, 6th September, 2014, viewed 3rd August 2015, <http://www.nytimes.com/2014/09/07/us/politics/foreign-powers-buy-influence-at-think-tanks.html>

Foreign NGOs that think working from abroad will be less onerous will have a rude awakening. Under the draft law, they must also establish a relationship with a PSU before applying for a "temporary activity permit" from the PSB (Article 20(3)). Again, it will be interesting to see how many eligible PSUs will establish relationships with foreign NGOs.

As the law stands now, foreign universities are not exempt from the draft law. What type of foreign NGO is covered by the law is unclear and the vagueness implies that anything that is a not-for-profit abroad is covered. Even the state-run *Global Times* highlighted the negative impact the first draft of the law could have on academic exchanges. It appears those issues remain in the second draft as well.

Where will all the funding go?

Any argument that this draft law will lead to necessary transparency is belied by the rigorous regulations that will make it impossible for a lot of foreign NGOs to legally do work in China. For many that will mean a decision to leave. But, as highlighted in the prescient report *Closing Space: Democracy and Human Rights Support Under Fire*,[3] some organisations committed to staying in a country with increasingly harsh laws against foreign NGO funding, might implement a policy of "distancing". Distancing is essentially the opposite of transparency – trying to hide the source of funding through various offshore means.

But this avenue, with its greater risks to the foreign NGO, and in particular to its partners in China, will be used by very few. The ultimate result of the draft Foreign NGO Management Law is that a large number of grass-roots Chinese NGOs that are doing essential work in China will close.

***Elizabeth M. Lynch**, is a legal services attorney in New York City and the founder of **China Law & Policy**. From 2007 to 2009, Elizabeth was a research fellow at NYU Law School's US-Asia Law Institute where she worked with Professor Jerome Cohen on criminal justice reform in China. In 2015, Elizabeth was named a New York Law Journal 'Rising Star'. She received her JD from Harvard Law School and her BA in Chinese Studies and Political Science from the State University of New York at Albany. In between undergrad and law school, Elizabeth was a Fulbright Scholar researching rule of law issues at Peking University in Beijing.*

This article is adapted from the original published at www.chinalawandpolicy.com, on 10th May, 2015.

3 Carothers, Thomas & Brechenmacher, Saskia, *Closing Space: Democracy and Human Rights Support Under Fire*, Carnegie Endowment for International Peace, 2014, viewed 31st July, 2015, <http://carnegieendowment.org/files/closing_space.pdf>

HUNTING HIGH AND LOW

IPR AND THE SEARCH FOR BASIC COMPANY INFORMATION

When establishing business operations in China, finding local business partners and customers can be a major task. On top of this challenge, how can you have confidence in the honesty and reliability of your potential partners? How can you verify whether companies really have the scope and capabilities that they claim? And if you find out that your intellectual property (IP) in China has been infringed how can you start to research the infringer? To help answer these questions, **Reinout van Malenstein,** IP Expert, **China IPR SME Helpdesk**, has put together some practical advice on conducting company searches in China.

Information on companies registered in China is publicly available and can be accessed via the electronic database of each local Administration of Industry and Commerce (AIC) (http://gsxt.saic.gov.cn/). This search can reveal, among other details, if the company is officially registered in China, who can legally represent the company and sign contracts on its behalf, what the business scope of the company is and where the company is located. A step-by-step guide on how to conduct this search is published on the website of the China IPR SME Helpdesk.[1]

1 http://www.china-iprhelpdesk.eu/sites/all/docs/publications/How_to_search_for_company_information.pdf

Why should I do the search?

This search is relevant to any European Union (EU) small and medium-sized enterprise (SME) that is searching for, or is approached by, a potential Chinese business partner, or is dealing with a potential infringer of their IP.

Some examples of situations in which you should conduct a company search in order to find the officially-registered, basic information of a Chinese company include when:

- You want to produce in China and are looking for a Chinese manufacturer;

- You want to find a distribution partner to sell your products on the Chinese market;
- You want to license your technology to a Chinese company;
- You want to engage in research and development (R&D) with a Chinese company;
- You are considering entering into a joint venture or are considering investment via mergers and acquisitions (M&A); and
- You have discovered the name and location of a company that has infringed your IP, and you want to know more about that company, for example their address, information about their shareholders or the amount of their registered capital, in order to decide if you want to take action to enforce your intellectual property rights (IPR).

After the search

If the company is in the database, compare information

In order to verify the information that you have found online, you can ask your potential Chinese partner to send you their business licence for comparison. Every Chinese company has a hard copy of their business licence and reviewing it is common practice in China. A Chinese company that is serious about doing business with you and has nothing to hide will provide the document. Compare whether the business licence is the same as the registered information on the AIC website or if there are discrepancies between them. Also look for differences between the company's officially-registered, basic information and the information you can find on its Chinese or English website, or even information that the Chinese company has provided via email. If there are any inconsistencies—for example, the name of the person claiming to be the legal representative or the business scope is different—it could be an indicator that something is wrong.

If the company is not in the database, visit the local AIC

Please be aware that the information on the AIC websites might not always be up-to-date or complete. After conducting the initial search, we highly recommend you contact a lawyer to conduct further due diligence. Chinese lawyers have permission to visit an AIC in person and to take copies of official registration records, including the business licence and the articles of association of a company. In certain cases, in order to get access to the AIC documents, the lawyer will require approval from the Chinese company whose records are being verified. Please bear in mind that in cases where a lawyer does not need approval from the Chinese company the AIC may still inform the company that a lawyer came to check their registered documents.

General advice

Please be advised that the online search will only give you a first indication with regard to the officially-registered, basic information of the Chinese company you conducted a search on. The information resulting from the search might not be up-to-date and does not in any way give you a comprehensive answer as to whether or not you should go into business with that company. Even if the company information matches, please still act cautiously. We highly advise you to consult Chinese experts to carry out complete due diligence, in accordance with Chinese law, of the Chinese company you want to interact with.

IP Specific

As a next step you can search for some IP-specific information on the company by searching the China Trademark Office (CTMO) database to find out if the company has registered any trademarks in the past and flag up any suspicious trademark registration behaviour. Suspicious behaviour may include registering multiple, different trademarks for a very wide range of products or cancelling multiple trademarks. However please be advised that conducting IP-specific searches should only be considered another tool as part of your overall due diligence, and is not exhaustive. For advice on how to use the CTMO database, please see the China IPR SME Helpdesk's *How to Conduct a Trademark Search Guide*.[2]

At the time of writing, the English version of the CTMO database was offline. If the database is still offline when your company wants to conduct a trademark search, the China IPR SME Helpdesk will be more than happy to conduct this search for EU SMEs for free.

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

2 http://www.china-iprhelpdesk.eu/sites/all/docs/publications/China_IPR_Guide-How_to_Conduct_a_Trade_Mark_Search.pdf

U Ambassador to China, HE Hans-Dietmar Schweisgut

CELEBRATIONS IN THE SOUTH

40 YEARS OF EU-CHINA DIPLOMATIC RELATIONS

By Anna Rudawska

As part of the celebrations of the 40th anniversary of the establishment of diplomatic relations between the EU and China, the Delegation of the European Union to China and the European Union Chamber of Commerce in China, with the support of Consulate Generals of EU Member States in Guangzhou, organised a business seminar for European and Chinese entrepreneurs on 20th May in Guangzhou. The guest of honour, Hans Dietmar Schweisgut, Ambassador of the European Union to China, was joined by Mr Xu Shaohua, Vice Governor of Guangdong Province and Ambassadors to China and Consul Generals of 23 EU Member States.

One of the key points of discussion between Ambassador Schweisgut and local government authorities in Guangzhou was the Guangdong Free Trade Zone (GFTZ). Established on 21st April, 2015, the GFTZ covers an area of 120 square kilometres and comprises parts of Guangzhou's Nansha New Area, Qianhai-Shekou in Shenzhen and Hengqin in Zhuhai. Mr Ren Xuefeng, Party Secretary, and Mr Chen Jianhua, Mayor of Guangzhou Municipality, stated during a meeting with the EU Ambassador that the recently-established GFTZ is helping to make Guangzhou a more attractive investment destination.

Mr Zheng Jianrong, Director General, and Mr Zhu Xiaojun, Deputy Director of the Coordination and Guidance Division of the General Affairs Office outlined the developments of the GFTZ to Ambassador Schweisgut. They clarified the different functions of the separate areas within the GFTZ and elaborated on the government's aims to further develop ties with Hong Kong and Macau and to establish Guandong as a hub on the Maritime Silk Road to ensure that the province is at the forefront of reform in China.

Guangdong Governor, Mr Zhu Xiaodan, pointed out to Ambassador Schweisgut during his visit that the EU has remained a key partner to Guangdong during its period of opening up to the rest of the world. The GFTZ presents an opportunity for European companies to continue close cooperation with Guangdong through the piloting of international trading rules, particularly those related to national treatment and the negative list for foreign investments, which would make for easier investment in the region.

Ambassador Schweisgut emphasised that the strong presence of Ambassadors from EU Member States attested to the importance that the EU attaches to Guangdong, and in particular Guangzhou where 11 EU Member States have established Consulate Generals.

This message was echoed by Francine Hadjisotiriou, General Manager of the European Chamber's South China Chapter. "This unprecedented visit by EU Member States embassies and consulate generals, led by the Ambassador of the European Union to China, is recognition of the importance of the region, the important role that EU companies play here and the importance of the European Chamber as the sole organisation in the region offering support to the EU business community," she said, adding, "It is our top priority to ensure that this business community is well informed and well connected."

There is a strong European business presence in the South China region, and the European Chamber's South China Chapter, established in 2006, with offices in Guangzhou and Shenzhen, work with and support over 300 EU companies active in a diverse range of industries.


Tadeuz Chomicki, Ambassador of the Republic of Poland to China (2nd from right) and Joanna Skoczek (right), Consul General, Consulate General of Poland in Guangzhou, with event participants.

Christian de Lannoy, Consul General of Belgium in Guangzhou (centre) with event participants

From L-R: Alberto Vettoretti, Chairman, South China Chapter, Vivian Desmont, Vice Chairman, South China Chapter, Wong Yushun, Board Member, South China Chapter and Fei Luo, Chairman and CEO, Bisotime Group

EU Ambassador to China, HE Hans-Dietmar Schweisgut

The importance of the South China region to EU business was underlined in June this year with the launch of the first ever *European Business in China – South China Position Paper*. In this publication the challenges that EU companies face in South China are outlined, including rising labour costs, the bite of the Chinese and global economic slowdown, RMB volatility and increasing competition from Chinese, privately-owned enterprises. The paper reveals that if South China is to remain an attractive destination to foreign investment there needs to be an overall upgrading of its economy.

"South China needs to ensure what we call the 'three flows'—the flow of people, goods and services, and information—on a larger scale than ever before," said Alberto Vettoretti, Chairman of the European Chamber's South China Chapter.

He continued, "If the region is to reinvent itself as a 21st century destination of choice, it needs to attract and retain local and international talent, develop high-tech hubs and invest in the services sector. There is still a lot of work that needs to be done to change the overall image of the region in terms of openness to investment, overall quality of life and the protection of intellectual property, all of which are equally important for fostering a healthy and attractive business and living environment."

A full copy of the *South China Position Paper* can be downloaded from the European Chamber's website: http://www.europeanchamber.com.cn/en/publications-archive/338/South_China_Position_Paper_2015_2016.

Acknowledgements: The European Chamber would like express its sincere appreciation to the EU Consulate Generals present in Guangzhou for being the co-organisers of this event and in particular the Consulate Generals of Italy, Belgium, France, the Federal Republic of Germany, the Kingdom of the Netherlands, Poland and Spain for their support.

BETTER HEALTHCARE FOR EUROPE

COCIR'S INTEGRATED CARE WHITE PAPER

On 15th June, ***COCIR*** *launched its white paper,* Integrated Care: Better Healthcare for Europe. *The paper emphasises the critical role medical technology and eHealth play in driving a better integration of care to the benefits of European citizens, patients, the economy and society at large.*

Limits to the sustainability of European healthcare systems are already visible. Projected growth in demand and cost linked to the rise in chronic diseases and an ageing population are likely to result in increased rationing. Accordingly, there has never been a greater need to develop and implement new integrated care strategies that will drive healthcare efficiencies and improve clinical outcomes for people, and there is growing recognition that such investment not only derives clinical benefits but can also drive economic prosperity.

The white paper *Integrated Care: Better Healthcare for Europe* argues that adopting an integrated care-approach; taking advantage of the development of personalised medicine and of connected health; diversifying financing and adopting more flexible financial models; and moving from a 'fee-for-service' towards a 'payment-for-outcome' model can efficiently and measurably improve the experience and quality of care, whilst reducing the demand on more costly and resource-intensive services.

Nicole Denjoy, COCIR Secretary General, said, "Our industry sectors are instrumental and have a key role to play in enabling integrated care. Our highly-innovative technologies combined with new business models are already contributing to better quality, access and efficiency of healthcare and our membership continue to focus their innovation on providing healthcare professionals with the tools to transform our healthcare systems to be more efficient and inclusive."

The paper provides detailed analysis and promotes six priorities for European Action that recognise the importance of the medical technology and eHealth sectors in enabling the delivery of integrated care strategies. It calls for EU institutions and EU Member States to act and focus their efforts in healthcare with particular emphasis on:

- Promoting the use of EU Funds to transform healthcare systems;
- Using technology to improve access and efficiency;
- Adopting and deploying eHealth solutions;
- Using data smartly;
- Rebalancing healthcare toward prevention and early diagnosis; and
- Driving better regulations to ease market access.

Forecasts for the delivery of healthcare within the EU point to the emergence of a major gap between available resources and anticipated demand. European healthcare systems therefore need a transformational redesign to be sustainable for the next 30 years and it is the responsibility of all stakeholders involved to identify the key elements of what such systems should look like.

"COCIR proposes to systematically adopt an integrated care approach with key enabling roles for innovative financing, the adoption of new technologies and a focus on prevention, early diagnosis, and appropriate care to deliver efficient, high quality healthcare to Europe's citizens," says Denjoy, "COCIR is working together with European Institutions, national governments, providers, healthcare professionals and patients to bring long-term value to our healthcare systems. Industry has its role to play but we need collective responsibility and actions if EU patients are to derive the benefits from an integrated care approach."

To download a copy of the white paper, please go to: http://cocir.org/uploads/media/COCIR_Integrated_Care_White_Paper.pdf. Eb

COCIR *is the European Trade Association representing the medical imaging, health ICT and electromedical industries. Founded in 1959, COCIR is a non-profit association headquartered in Brussels (Belgium) with a China Desk based in Beijing since 2007. COCIR is unique as it brings together the healthcare, IT and telecommunications industries.*

For more information, contact: ***Nicole Denjoy,*** *COCIR Secretary General (Tel: +32 (0)2 706 8961, denjoy@cocir.org);* ***Jessica Yuan****, COCIR China Desk (Tel: +86 10 6462 2066, jyuan@europeanchamber.com.cn).*

EXECUTIVE COMMITTEE OF THE EUROPEAN CHAMBER


President
Jörg Wuttke
BASF


Vice President
Bertrand de la Noue
TOTAL


Vice President
Mats Harborn
Scania


Vice President
Sara Marchetta
CHIOMENTI


Vice President
Stefan Sack
Comau


Treasurer
Lars Eckerlein
ABB


States Representative
Massimo Bagnasco
Progetto CMR


States Representative
Bruno Gensburger
Sanofi


States Representative
Eduardo Morcillo
InterChina


Secretary General
Adam Dunnett

NANJING BOARD


Chairman
Helmut Güsten
EMZ


Petra Grandinson
Atlas Copco


Udo Looser
Willi Elbe Steering Systems


Andrea Raviolo
Brembo


Bernhard Weber
BSH Home Appliances Holding (China) Co Ltd

SHANGHAI BOARD


Chairman
Stefan Sack
Comau


Vice Chairman
Mick Adams
Somerley


Vice Chairman
Carlo D'Andrea
D'Andrea & Partners


Celina Chew
Bayer


Iris Duchetsmann
Clyde & Co


Manuel Ramos
Bureau Veritas


Marcus Wassmuth
Landesbank Baden-Würtemberg

SHENYANG BOARD


Chairman
Florian Schmied
Shenyang Qianyuan ESI Real Estate


Harald Kumpfert
Smartheat


Stephen Magor
Individual Member


Martin Winter
BMW


Kemal Yener
Star Mall Real Estate

SOUTH CHINA BOARD


Chairman
Alberto Vettoretti
Dezan Shira & Associates


Vice Chairman
Vivian Desmonts
DS Avocats Law Firm (Guangzhou)


Sandra Fuld
International SOS


Pan Huaiyu
Siemens Shenzhen Magnetic Resonance Ltd


Donato Vairo
Meta System Electronics (Shenzhen) Co Ltd


Saul Vazquez
Gates Management


Yushun Wong
TÜV Rheinland (Guangdong) Ltd

SOUTHWEST BOARD


Chairman
Ulrich O. Birch
Consenec Ltd (ABB Group)


Vice Chairman
Paul Sives
Proton Products


Alan Chen
Leman International School


Shirley Ling
KPMG Advisory


Robin Niethammer
Bayer Healthcare

TIANJIN BOARD


Chairman
Christoph Schrempp
Airbus


Gabriele Castaldi
Flexbo

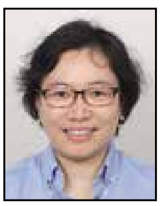

Stephane Metay
Veolia


Frank Redecker
Asia Power Systems


Michael Stengele
Siemens

EUROPEAN CHAMBER OFFICE TEAM


Beijing Office General Manager
Maggie Xie


Nanjing Office General Manager
Mei Zhang


Shanghai Office General Manager
Ioana Kraft


Shenyang Office Office Manager
Oliver Schlaebitz


South China Office General Manager
Francine Hadjisotiriou


Southwest Office General Manager
Sally Huang


Tianjin Office General Manager
Kitty Wang


Secretary General
Adam Dunnett

EUROPEAN CHAMBER EVENTS GALLERY

BEIJING CHAPTER


1


2


3


4

2015 Anti-Corruption Conference (1)
On 27th May the Chamber hosted a conference providing crucial information on anti-corruption practices. We thank our sponsor Control Risks.

Exclusive Dialogue with MOFCOM: China's Free Trade Zones (2)
On 4th June the Chamber held and Exclusive Dialogue with Deputy Director General Huang Feng from Foreign Investment Department of MOFCOM on the implications of China's free trade zones.

Launch of the European Business in China: Business Confidence Survey 2015 (3)
On 10th June the Beijing Chapter and Roland Berger Strategy Consultants co-launched the *Business Confidence Survey 2015*, the annual barometer of European business in China.

SME Conference 2015: Inside Affairs (4)
On 30th June the European Chamber, EU SME Centre, and the China IPR SME Helpdesk co-organised the fifth EU SME Conference on finance and human resources issues. We thank our sponsors LNP China and The Better Lifestyle.

NANJING CHAPTER


1

Media Roundtable Discussion: Business Confidence Survey 2015 (1)
On 14th July the Nanjing Chapter held a media roundtable discussion with Joerg Wuttke, President of European Chamber and Bernhard Weber, Nanjing board member, on the challenges European Businesses are facing in Nanjing.


2

Workshop on Communication Skills (2)
On 17th July the Nanjing Chapter held a free workshop with Ramil Cueto, trainer at C2C Consulting & Training China on how to communicate in an influential way.

SHANGHAI CHAPTER


1

2

3

Exclusive Seminar: China (Shanghai) Pilot Free Trade Zone (CSPFTZ) (1&2)
On 4th June Shanghai Chapter held an exclusive seminar with Mr Jian Danian, Vice Governor of Pudong Development Zone Government and Deputy Director Cao Lei of investment Promotion and Regulation Department of Pudong Commerce Commission, about the expansion of the CSPFTZ.

Launch of the European Business in China: Business Confidence Survey 2015 (3)
On 10th June the Shanghai Chapter and Roland Berger Strategy Consultants co-launched *Business Confidence Survey 2015* to present the survey results and methodology.

SOUTH CHINA CHAPTER


1


2


3

Launch of the European Business in China: Business Confidence Survey 2015 (1&2&3)
On 26th June, the Tianjin Chapter launched the *Business Confidence Survey 2015* with Adam Dunnett, Secretary General of European Chamber, presenting the survey results.

EU·CHINA 中欧
IP DIALOGUE
MECHANISM
知识产权对话机制
2005/2015

Celebrating 10 years of the EU-China IP Dialogue Mechanism

庆祝中欧知识产权对话机制成立十周年

2005-2015

WWW.10IP.ORG

WHO'S YOUR FRIEND?

CHINA'S INAUGURAL IP-FRIENDLY AWARDS

The occasion of the 40th anniversary of diplomatic relations between the European Union (EU) and China coincides with the 10th anniversary of the EU-China IP Dialogue Mechanism this year. The European Commission has decided to mark this historic occasion by organising a special awards ceremony to recognise China's most 'IP-friendly' regions. The European Chamber is delighted to have been commissioned to organise this event, which is currently expected to be held in late September or October 2015, to coincide with the visit of a senior delegation from the European Commission's Directorate General for Trade.

The European Chamber, in close consultation with our Intellectual Property Rights (IPR) Working Group, has defined five evaluation indicators which will make up the award categories:

1. **Transparency:** this will be applied in the judging criteria in two different ways: (1) if judgements or administrative decisions published and accessible on the Internet; (2) and if the enforcing administrative authorities treat the IP owner as the victim and allow their active participation in judicial proceedings.
2. **Efficiency:** measures the level of availability, speed and thoroughness of enforcement authorities in a given region.
3. **Cooperation:** takes into consideration the level of cooperation between the different enforcement authorities. This factor is often the key to a successful case.
4. **Deterrence:** measures the ratio between the 'size' of a given case and the corresponding penalty/damages handed down at the end of the enforcement procedure.
5. **Fairness:** refers to the authorities—mainly judges—exercising discretion to make full use of the law in a 'constructive' way in order to obtain a fair result; this is the opposite of a 'restrictive' approach, which may still be within the boundaries of the law but leave a feeling of unfairness.

The European Chamber is currently soliciting opinions from our members for each of these five award categories. In particular we are inviting members to submit detailed reasons—including actual case studies—to illustrate why they made their choice. Once received, the nomination forms will be submitted to a judging committee who will select the winning regions judged to have demonstrated outstanding performance in one or more of the five categories. Government officials representing the province, municipality or autonomous region will then be invited to attend the award ceremony in Beijing.

To learn more about these awards please contact ***Daniel Pedraza at dpedraza@europeanchamber.com.cn.***

THE ADVISORY COUNCIL OF THE EUROPEAN CHAMBER

The 31 members of the European Chamber's Advisory Council are particularly active in representing and advising the Chamber, and make an enhanced contribution to the Chamber's funding.

ABB
AIRBUS
AkzoNobel
amadeus
Atlas Copco
BASF
Bayer
BNP PARIBAS
Deutsche Bank
engie
ESI Euro Sino Invest
EVONIK INDUSTRIES
FINMECCANICA
KPMG
MAERSK
MICHELIN
NOKIA
novozymes
PHILIPS
Progetto CMR
Roland Berger
SCANIA
Schneider Electric
SGS
SIEMENS
SOCIETE GENERALE
storaenso
ThyssenKrupp
TOTAL
VEOLIA
VOLKSWAGEN GROUP CHINA


There's a new artist in
Amsterdam
QATAR