

# EURObiz

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p8

## Gig Economy

Retaining millennials through agile development

p16

## Diversity and Inclusion

Organisations could do more to harness D&I's power

p24

## Negative Lists

The European Chamber's handy guide

p26

## The Burning Question

Will the cumulative wage withholding method decrease your disposable income?



# Millennials and Gen Z

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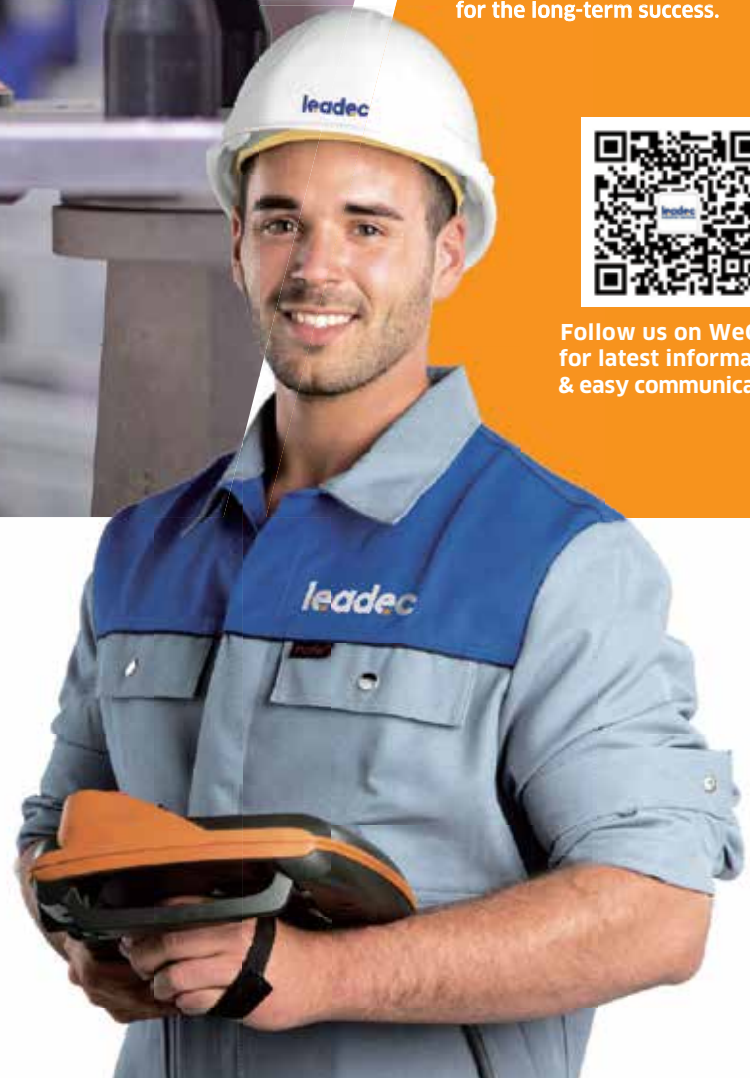
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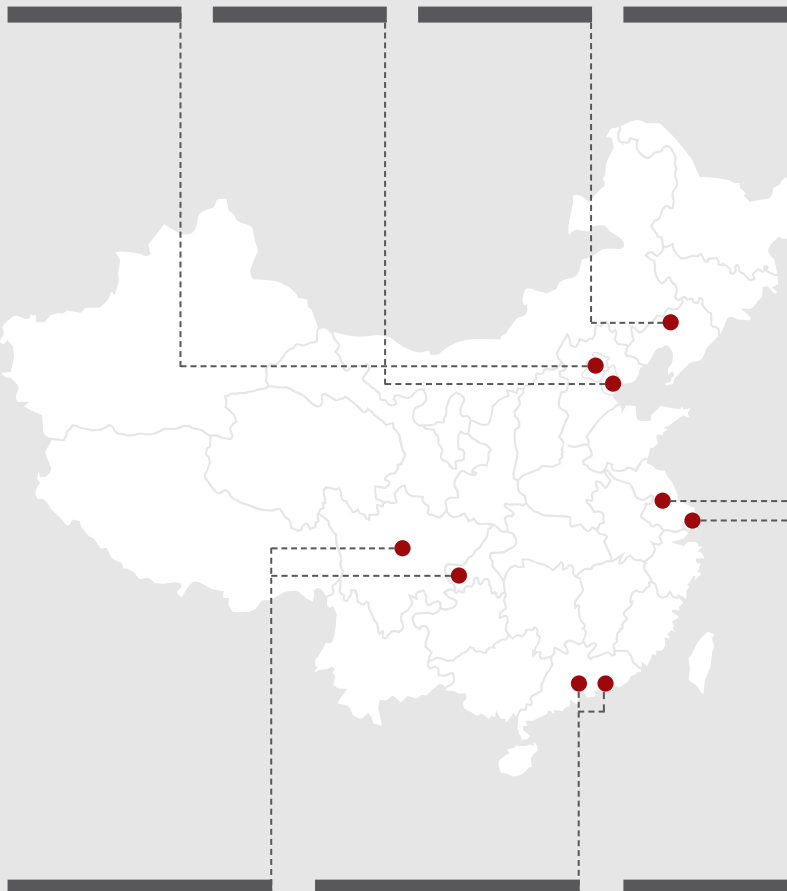
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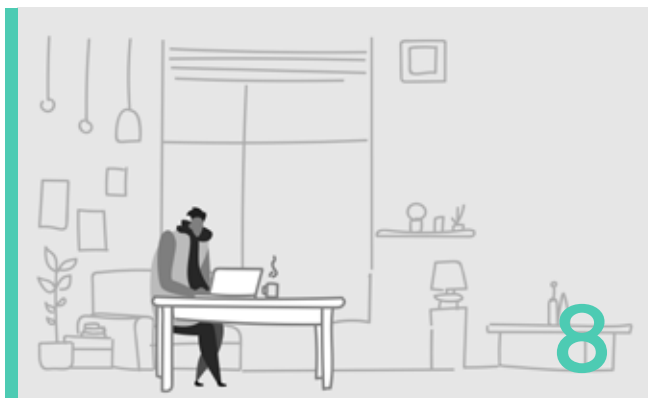


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## Cover Story



## Gig Economy

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## Diversity and Inclusion

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## Features



POLICY

## Negative Lists

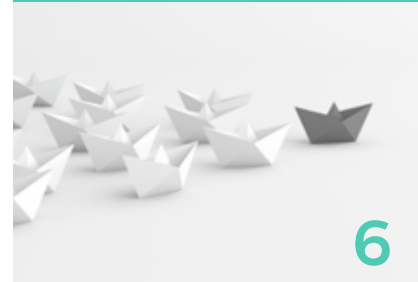
The European Chamber's handy guide.

TAXATION

## The Burning Question 26

Will the cumulative wage withholding method decrease your disposable income?

## Cover Story



### Leading Millennials

The disruptive return of a million-year dilemma.

### Future-proofing

The prospects for enterprise management in the era of millennials.

### Natural Born Cooperators

How returning to our original human nature can help combat stress.

### Save the Data

The roles of the service provider and customer in cloud security.

## Features

IPR

### China's IPR Reform

A window of opportunity.

IPR

### Losing Your Thoughts

IPR protection in China for the creative industries.

LEGISLATION

### Dispute Resolution Developments

Hong Kong-Mainland China interim relief arrangements boost cooperation.

## Regulars

### President's Foreword

### Advocacy Report

### Media Watch

European Chamber in the media.

### Events Gallery and Chamber News

### Advisory Council News

### Chamber Board

### Working Group Chairs

# President's Foreword

## China's looming Corporate Social Credit System

You'd be hard pressed to find a foreign businessperson in China who is totally unaware of the ongoing development of China's Corporate Social Credit System (SCS). However, most commentary on the SCS almost exclusively covers the impact it will have on individuals. Far too few people have considered how it will affect business, even though the potential disruptive effects are substantial and far-reaching.

The mandatory system, to go live by 2020, will usher in a new approach to regulatory compliance through the use of enhanced monitoring and processing systems to collect and then interpret Big Data. This will facilitate immediate detection of compliance/non-compliance, which will raise or lower a company's 'score'. This score then affects everything from tax rates and credit conditions to market access and public procurement opportunities; higher scores mean better operating conditions, lower scores the opposite.

At the moment, the Corporate SCS is still piecemeal, with pilots taking place at the local level across multiple locations in China, as well as in specific industries. However, these will eventually be unified, and the high number and explicit stipulations of recent policies and regulations shows unambiguously that its full implementation is moving forward, rapidly and ineluctably, towards the 2020 deadline.

While the Corporate SCS might pose significant challenges, with decision-making in China becoming further constrained, there may also be some good news for European enterprises. The system could actually create a more level playing field for international companies and their Chinese competitors, since both will be subject to the same corporate social credit rating mechanisms.

Nevertheless, with 2020 just around the corner, European companies need to now face up to the realities of just how the Corporate SCS will affect their operations. Just to cite a few examples:

- The Corporate SCS requires company data to be transferred to the national database by companies themselves. The frequency, amount and depth of data required by government authorities will almost certainly increase over time.
- E-commerce ratings increasingly mix state and private rating information. The data integrated into a company's assessment includes a comprehensive record from the government's database as well as third-party and buyer evaluations and complaints.
- Tax ratings are comprised not only of tax-specific requirements, but also individual ratings of responsible personnel and even media reports.
- Product quality requirements are particularly cross-cutting and demand close coordination between all departments.
- Partner ratings also impact a company's credit score, demanding that its network of suppliers and logistics partners be carefully scrutinised to maintain its own score. Furthermore, production interruptions and delays when locally-based partners get sanctioned due to negative ratings could present a threat.

How can your company better prepare? First, read the upcoming report on the Corporate SCS to be published by the European Chamber and Berlin-based Sinolytics on 28<sup>th</sup> August. Second, start to reinforce cross-departmental coordination in your company to more quickly evaluate the likely impacts of the Corporate SCS and how it will affect your company. Third, stay up-to-date on the issue and be prepared for anything.



**Jörg Wuttke**

**President**

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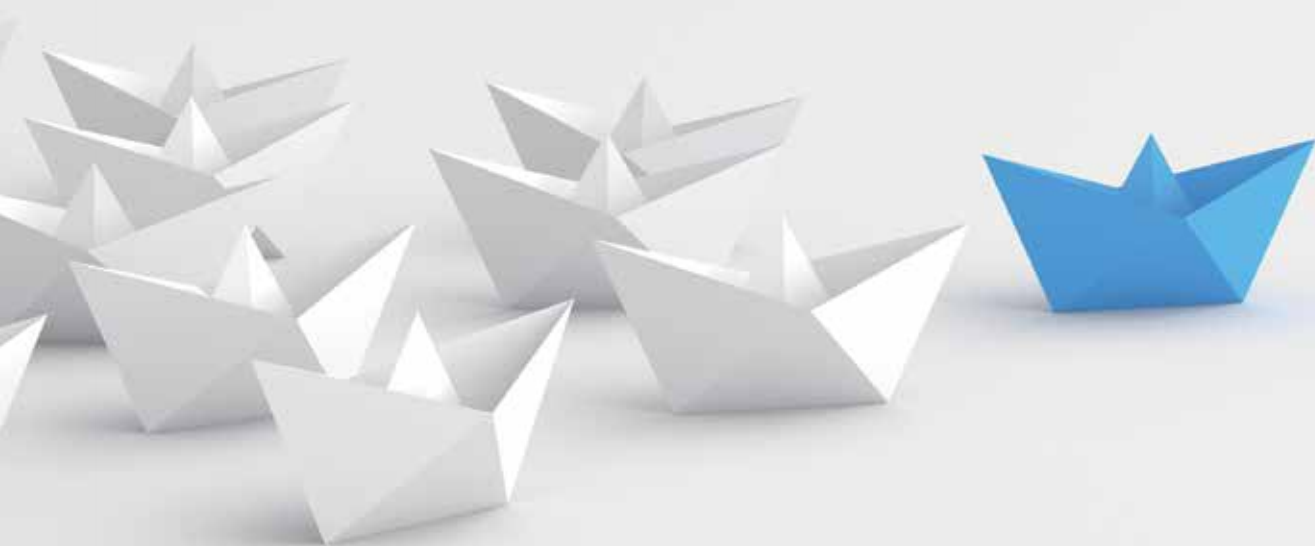
# *Leading Millennials*

The disruptive return of a million-year dilemma  
by Gabor Holch

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Research on millennials makes fascinating reading. Never before have we dedicated so much time and effort to understanding the talents, needs and tastes of next-generation workers. Firms arrange surveys, focus groups and task forces, then initiate disruptive changes according to the outcomes. Flexible work hours are introduced, mission statements reworded, ping-pong tables installed and apps downloaded. Then, companies wait for the inevitable leap in productivity, innovation and profitability. **Gabor Holch** from **Campanile Management Consulting** explains why the expected results may not always arrive that easily.

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Understanding millennials looks easy at first. Research on their wants and needs is plentiful and consistent: give them a strong sense of purpose; an environment where teamwork and learning supersede competition; flexible schedules; and lots of supporting technology. For Generation X and baby boomer workers, this sounds like everything they missed out on in their early careers. And thus, senior management eagerly rearrange entire firms for the same reason someone starts a toy-car collection at age forty: because now they can afford the fun stuff. And indeed, some of the toys magically bring the generations together: many firms already have great experience with Millennial-friendly digital platforms, flexible schedules and mindful communication. But others fail to deliver.

One reason why millennial-proofing is so hard is that both sides are out of their comfort zones: pleasing young people is not traditional corporate vogue. But with recent head-spinning changes in business and society, senior managers have mounting reasons to listen to their younger staff. Digital natives gracefully flicker through technology that creates a level of global exposure that earlier generations could not have dreamed about. Moreover, millennials have enviable optimism: according to a recent study by O. C. Tanner<sup>1</sup>, they see more opportunity, support and appreciation than Gen X and baby boomer colleagues in the same organisation. Add the communication and self-branding skills they learn from progressive education and social media, and you will understand why many confused seniors seek advice from millennials, rather than the other way around.

But Gen X and baby boomer managers should think twice before reversing their baseball caps. Research shows that while it is often productive to reform workplaces according to millennial advice, it can also result in wasteful experimentation. The reason is simple: what people want is not always what they need, and awareness of the difference increases with age. Notice the contradictions between typical millennial demands to employers: they

“

## ...Millennials also admire Elon Musk and Jack Ma because they dictate great visions.

”

want collaboration and disruption; they want leaders to be mentors and revolutionaries, winners and humanitarians.

But while modernity has turned life upside down in many ways, often for the better, there are also ancient wisdoms we should retain. Such as how generations work together. Youthful hormones inspire humans to wild ideas and stubborn follow-through, because early communities needed courageous action to get resources. They also encouraged their youth to take roles befitting their temperament: fighting, exploring, coordinating and organising. But life was short back then, and experience rare, so ageing hormones switch us from doing the risky business to preparing others for it instead. This diversity of nature and nurture served us well for a million years until we started to question it in modern workplaces. But companies are communities where tribal rules of diversity apply. Successful firms encourage creative conflict between courage (sales) and caution (finance), old (leadership) and young (newcomers).

Humans instinctively desire such a balance of roles. To harness millennial talent, senior managers must stop putting them in charge and ensure complementary roles between generations. Junior employees scout the horizon the way young hunters and gatherers used to, and often come up with meaningful requests. That is why calls for digitalisation, diversity-based communication and trends like gamification make sense. But millennials also admire Elon Musk and Jack Ma because they dictate great visions. Providing purpose, strategy and orientation are senior jobs because they require experience. Therefore, corporate leaders should provide the vision and resources, and give millennials constant feedback about progress.

Engaging young workers is not a favour to them. It helps companies survive, because millennial and younger workers will soon outnumber their seniors, according to Accenture.<sup>2</sup> For a successful symbiosis, generations must learn of each other's different value sets and overcome a few bad habits. The first one is pigeon-holing millennials: many young workers defy and resent generational stereotypes. As elders did for millennia, senior managers must notice when a young worker is a non-millennial by temperament, upbringing or preference, and nurture their talents accordingly. Secondly, companies must create shared spaces that serve several generations. Arranging cross-generational meetings and project management methods, creative forums and digital communication takes longer, but supports the emergence of constructive new habits of collaboration.

Finally, seniors must attune their expectations over time. As millennials age, they start resembling previous generations in their attitudes to risk, stability and responsibility. But even as millennials fall in line, companies should remember the lessons learned, for a simple reason: if we can believe researchers, an incoming Generation Z will put management to the same test all over again. **EB**

### Campanile

**Gabor Holch** is an intercultural leadership consultant, coach and speaker working with executives at Asian and European branches of major multinationals. His Shanghai-based team, **Campanile Management Consulting**, has served 100+ clients in 30+ countries since 2005. An expat since age four, China-based for 17 years and working globally, Gabor is a Certified Management Consultant (CMC) in English and Mandarin, certified consultant at the management academies of half a dozen global corporations and licensed in major assessment tools including DISC, the Predictive Index and MBTI.

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# Gig Economy

## Retaining Millennials through agile development

by Magdalena Krzyzanowska-Celmer

Why am I here, and why should I stay? What is the meaning of the work I do? Do they value adequately my skills and contributions? Do I have an opportunity to utilise my tech savvy? These are quite standard questions millennials ask themselves with regard to their work every day. The gig economy—characterised by the prevalence of short-term contracts and freelance work as opposed to permanent jobs and dominated by its growing number of millennials—currently seems to be the greatest dilemma for employers. **Magdalena Krzyzanowska-Celmer** of **DucoPoint** describes how an agile approach is needed to attract and retain millennials.





## Millennials: a dominating generation in the workforce

There are four generations in play nowadays that represent distinct behaviours, attitudes and paradigms: baby boomers (1946–1964), Gen X (1965–1980), millennials (1977–1994), Gen Z (second wave of millennials born between 1981 and 2000).

Millennials, including Gen Z, are the largest and most intensively growing generation. Generation Y,<sup>1</sup> Baby Boom Echo,<sup>2</sup> NetGen,<sup>3</sup> Nexters<sup>4</sup> – these are the most common labels for the generation born between 1977 and 2000. Whereas baby boomers in the workforce are now tending to decline, millennials, including Gen Z, show a strong growth trend. It is forecasted millennials will account for 35 per cent of the overall workforce by 2020 and Generation X 35 per cent, with baby boomers only making up six per cent.<sup>5</sup>

Millennials, whether globally or in China, while indicated by the years in which they were born, are more importantly characterised by the events and significant changes that took place during their lifetime: globalisation; rapid technology development; changes in social values; liberalisation movements for minority groups such as lesbian, gay, bisexual, transgender; and encouragement to openly express needs and desires.

## What makes Chinese Millennials happy?

While **career advancement** (75 per cent) and **better pay** (60 per cent) are the top criteria when considering a career change, **innovation** and **flexibility** are key to attracting modern talent in China.<sup>6</sup> Millennials—extremely techno savvy, born in the era of digital media

and economic expansion, attached to their gadgets—look for ambitious challenges, multitasking, an entrepreneurial work style and a friendly work environment where they can continue to learn.

They are happy to work for famous brands recognised for their innovation and identified as digital technology leaders. These work environments provide them with opportunities to continuously develop their technical skills.

Personal independence, indicated in the survey as a crucial happiness factor for Chinese employees, is reflected in the sense of fulfilment via economic prowess, personal space and time, as well as self-defined happiness.<sup>7</sup> This is particularly important for young talent, including millennials, who consider career advancement and compensation as a direct means to personal independence. Economic independence is considered the cornerstone of happiness, which in turn is reflected in the desire for higher compensation and career advancement.



**...when considering a career change, innovation and flexibility are key to attracting modern talent in China.**



Moreover, Deloitte discovered that the needs and wishes of younger people can be summarised in three M's: meritocracy, mentorship and meaning.<sup>8</sup> These findings seem to be very true for millennials in China.

## Become Millennial-ready

Millennials, in general, express little loyalty to their current employers and many are planning near-term exits. Two in three Mil-

lennials expect to leave by 2020 (see Figure 1). Millennials in emerging markets, including China, are the least loyal to their current organisations. 65 per cent of millennials in China expect to leave their current employers in the next five years.<sup>9</sup> It is said millennials change jobs three to four times in their first two years of work experience after college.<sup>10</sup> Different factors may influence their decisions to leave: underutilised tech savvy; no opportunity to develop leadership skills; a lack of appreciation and attendance; scarce or no opportunities to either continuously learn or teach others; or unsatisfactory compensation and perks. Thus, only tailor-made, in-house solutions developed by companies themselves can help attract and retain millennials.

It is important to start a retention programme for millennials from their orientation day. They want to be given a warm welcome when they come on board. They feel appreciated if they are offered a senior staff as their mentor. This is also a good moment to introduce millennials into the company's culture, values

and business development plan. They need to feel their job is important and brings value to the world. This helps them to see their own growth along with the company's development.

Millennials demonstrate a desire for enormously fast career advancement. They want to face new demanding challenges that will help them to develop and learn new skills, in particular leadership skills. The *Deloitte*

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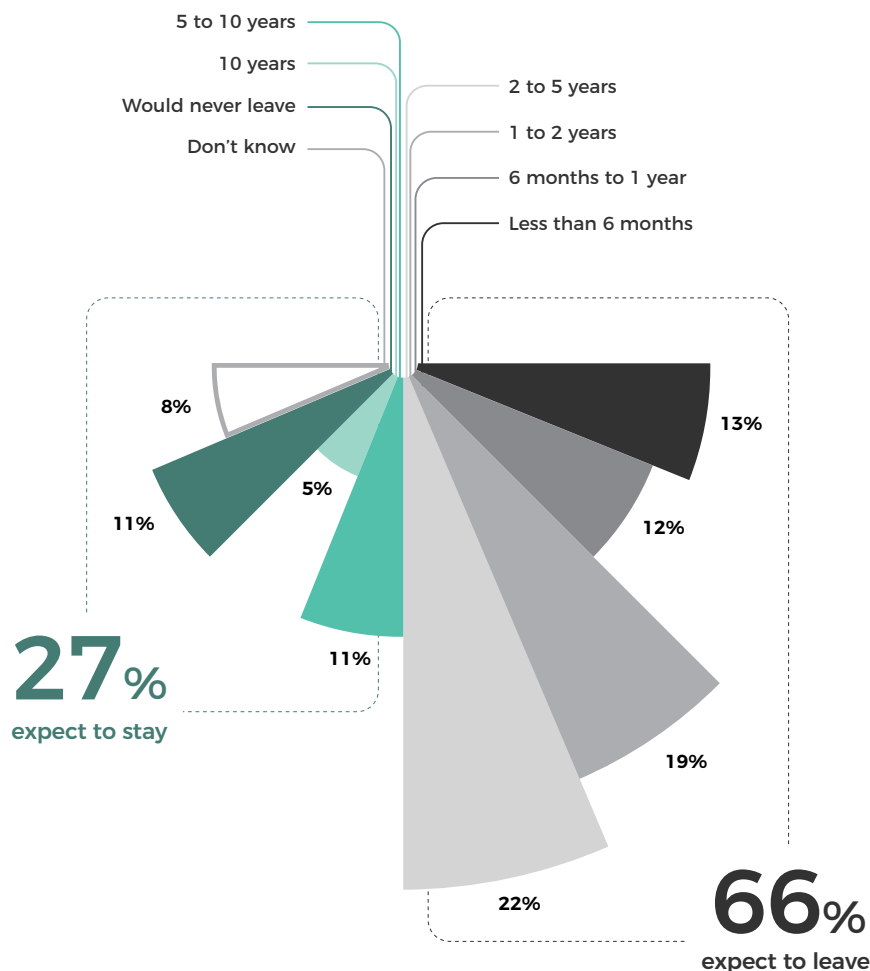
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## Two in three millennials expect to leave by 2020

Percentage who expect to leave in the next...



Source: The 2016 Millennial Survey: Winning over the Next Generation of Leaders, Deloitte, 2016

Millennial Survey shows that 71 per cent of those likely to leave in the next two years are unhappy with how their leadership skills are being developed. Companies must do more to put in place transparent leadership succession plans and provide a lot of support and training for those who wish to take on such roles. Moreover, millennials expect to be continuously encouraged to aim for leadership roles, so companies must make these opportunities transparently available to them.

Millennials expect a degree of autonomy and independence which might be in conflict with their business immaturity and lack of experience. It is important to provide millen-


nials with clear expectations and measurable objectives, so as they know upon what their performance will be evaluated. Honest and real-time feedback will help them feel they always have a chance to adjust their performance and go in the right direction. Millennials like to be recognised and praised for their successes and achievements – they work well if they feel appreciated.

There is at least one area where millennials might not only work fully autonomously and independently but can also provide mentoring or coaching support – digital technology.

Reverse coaching and/or mentoring are win-win solutions to effectively recognise and motivate millennials. At the same time, they're looking for a manager who's more of a coach and a collaborator to support their career path.<sup>11</sup>

Moreover, millennials correlate independence with the adequate compensation level: "There is a need to review their pay status against the market after around 1.5 years of service in the company. (...) They should be paid in line with the market if their competency level is sufficient."<sup>12</sup>

Flexible timing is one of the factors millennials will value highly. They believe that due to technological advances, they can work anytime from anywhere and hate being bound by the standard work timeframe. They are the first generation to ask to work from home or remotely. Companies must better utilise smart devices and wireless internet for the needs of millennials, who prefer to work even beyond normal work hours when they are not physically present in the office. There are certainly types of jobs that will allow for remote working, which companies should start identifying.

Millennials are a great challenge for today's employers. However, it's already known that the value they might bring is far higher than any output needed to make them happy! 

## DucoPoint

Magdalena Krzyzanowska-Celmer is the founder of **DucoPoint Business Consulting Company LTI** ([www.ducopoint.com](http://www.ducopoint.com)). She's an international human resources management expert with 20 years' industrial experience from director and executive positions in global organisations and as an ICC coach, assessor in an Assessment & Development Centre (CAADC), licensed Extended Disc practitioner. She majors in strategic organisation, leadership, organisational change, organisational cultures, cross-cultural management, organisation design, effective teams. She has worked in Europe (Belgium, Finland, France, Italy, Poland, Spain, the Netherlands, Turkey, the UK) and APAC. Currently, she resides in Shanghai (China).

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# Future-proofing

The prospects for enterprise management in the era of millennials by Ines Liu

The digitisation of business functions is not a new phenomenon, particularly in developed economies. However, the adoption of technology for internal enterprise management in developing countries such as China is far less common. Arguably, it is in these countries where such information technology (IT) solutions are the most needed, and could have the greatest transformative effect on business operations. **Ines Liu** from **Dezan Shira** tells us more.

Although China is rapidly developing into a mature economy, the internal enterprise management processes of many companies operating in the country are still paper-based or recorded on rudimentary Excel spreadsheets.

IT solutions are a popular way to deal with management processes in developed countries, but before foreign companies implement their usual system into their operations in China, they should consider local conditions as well as their company's structure and needs. Ultimately, the optimal solution rests on a company's current requirements combined with its long-term growth strategy.

## A glance at China's reimbursement system

In China, invoices (or '*fapiao*' in Chinese) are more than just ordinary receipts. Contrary to other countries, where invoices are usually used simply to record a transaction, in China they are also the way in which the government monitors the tax paid on any transaction. Fapiao are printed, distributed and administered by tax authorities, and taxpayers are required to purchase the invoices they need from the tax authorities. When a company first applies for a licence to issue fapiao, the tax authorities will look at the company's size and business scope to decide what kind and how many fapiao the company may legally issue.

Individuals must collect fapiao to obtain business expense reimbursements, while businesses need special VAT fapiao to claim tax deductions. Businesses unable to produce fapiao upon request face legal jeopardy, making it essential for their fapiao systems to be well organised.

There are multiple types of fapiao—including electronic ones—and complicated systems for their management, issuance and verification. With all these considerations, China's fapiao system invariably causes confusion and accounting issues for foreigners unfamiliar with the concept.

It is always difficult for a company to review and check the authenticity of fapiao; companies must verify them one-by-one on the tax bureau's website. It is almost impossible for a company to check the authenticity of each fapiao they obtain. Employees may inadvertently provide incorrect company information for fapiao, or even present fake fapiao to claim expense reimbursement. These factors inevitably increase the risk of fraud and lead to extra tax burdens for companies.

In terms of the reimbursement process, employees will see delays if the fapiao is not physically submitted to the people who need to review and approve it. Most employees cannot access information on the status of their claims, and will be upset if they don't get expenses reimbursed on time. The sense of dissatisfaction among employees, especially those with intensive travel schedules, can be palpable if their reimbursement process is constantly delayed because they have to wait for their supervisors to be physically present in the office to move their claim forward. Furthermore, if an overseas headquarters always receives their Chinese subsidiary's cost breakdowns a month late, it will diminish their ability to control and supervise their business activities in China.



**Businesses can introduce automation into their org**  
**practical applications that mechanise routine, mon**  
**this improve an organisation's productivity levels, b**  
**business and its employees to be ready for further i**

However, developments in mobile technology and apps may provide new options for the future. A single function reimbursement and expense management tool can allow employees to easily record consumption, submit expense claims and track the status of reimbursement. Such a tool can also grab consumption data from other consumer apps,

which are applicable to all enterprise types and scales. Managers, whether they are on a business trip or in a meeting, can review expense claims and statistical reports in real time, and better control the costs of the organisation. For finance departments, the online platform may facilitate auditing, bookkeeping and reimbursements, greatly saving the time of financial personnel.

Such single-function software has one core use. These solutions are conceptually straightforward, but come in a variety of forms and can have dramatic effects on efficiency and productivity.

## Business automation in HR & payroll

Human resource (HR) departments and payroll processes can also have low levels of transparency, which can impact workflow for overseas managers unfamiliar with the Chinese language and unable to physically access relevant documents.

Advances in automation are forcing businesses to reimagine their HR and payroll processing workflows. Contrary to popular

perceptions, automation is not likely to replace employees, but rather compliment their creative and critical skills – empowering them to be more productive.

Large multinationals invest heavily to establish in-house IT departments, while smaller

companies often enlist a third-party provider for HR and payroll functions. Medium-sized companies often find themselves caught somewhere in between. They may find themselves at a size where outsourcing HR and payroll is no longer economical, but running their own enterprise resource planning (ERP) system is still unaffordable. Such companies are increasingly turning to ERP-based solutions set up by payroll providers familiar with China's payroll landscape. This kind of software allows each employee to set up a profile containing their contractual details, bank information, social insurance obligations, and so on. These profiles can then be configured with organisational HR hierarchies: reporting lines between employees and managers, and different teams and departments.

For example, an employee can scan or photograph the fapiao for a taxi trip and upload it to his or her profile to apply for a work-related expense reimbursement. The relevant manager will be automatically notified by e-mail and can approve or reject the expense. If approved, the expense will be transmitted to HR and payroll staff, and added to that employee's monthly salary payment.

organisation through simple, monotonous tasks. Not only will it will also prime both a innovations in automation.

## Time and attendance software

Time and attendance software products include biometric scanners and mobile phone apps that employees use to clock in and out of work. In China, they come in a variety of different forms to suit different businesses,



such as a physical input (e.g. typing a passcode into a keypad) that also acts as an office key, or digital clocks accessible from any location that track the time spent working on a given project.

These types of software objectively determine when employees arrive and leave, thereby preventing false overtime claims and increasing office security. It facilitates the type of flexible working arrangements preferred by millennial and Generation Z employees. The software slashes the time HR staff spend calculating work hours and reduce the potential for incomplete or inaccurate documentation, thus simplifying payroll processing.

In addition, managers can analyse the data collected by HR and payroll software to make more informed business decisions. For example, project work hours can be objectively tracked, and then compared with the average time spent on similar projects or by different teams. This can measure productivity and determine if profit margins on a given project are accurate.

## Conclusion

Businesses can introduce automation into their organisation through simple, practical applications that mechanise routine, monotonous tasks. Not only will this improve an organisation's productivity levels, but it will also prime both a business and its employees to be ready for further innovations in automation.

## Dezan Shira & Associates

Dezan Shira & Associates is a pan-Asia, multi-disciplinary professional services firm, providing legal, tax and operational advisory to international corporate investors. Operational throughout China, ASEAN and India, our mission is to guide foreign companies through Asia's complex regulatory environment and assist them with all aspects of establishing, maintaining and growing their business operations in the region. With more than 27 years of on-the-ground experience and a large team of lawyers, tax experts and auditors, in addition to researchers and business analysts, we are your partner for growth in Asia.



# Natural Born Cooperators

How returning to our original human nature can help combat stress by Dr Alfred Chambers

Today's younger generations may be better educated, more travelled and best placed to make the most of the digitisation trend, but life is not all rosy for them. The pressures of '996' working hours, unattainable housing prices and the ever more evident impacts of climate change are leading to higher rates of depression and anxiety.

**Dr Alfred Chambers**, a psychologist with **United Family Hospital (Guangzhou)**, says the effects are made worse by our modern lifestyles, which pull us away from our natural human inclinations.

Modern life is fast and overloaded with information, obligations and stimulation. The world seems in an ever more precarious situation, with political, cultural, economic and environmental turmoil on the rise on every continent. Nothing is certain, and there is increasing chaos and disruption as computer algorithms and far-off decision-makers take more and more control over everything – from our children's educational options to our air quality to our choice of dog foods.

Increasingly, all of these processes and situations are becoming 'natural'. From African villages to Singapore bars, from boardrooms to bedrooms, from kindergarten classes to all of the millions of overcrowded streets – money, speed, information, production and especially competition have become our human mantras (and I haven't even mentioned social media, ongoing personal and political violence or the (un)sustainability of the environment for future generations). And we are not only moving faster and faster, we are isolating ourselves more and more.

As a result, what happens to us as precious and fragile



human individuals? Well, we have increasing fear, worry, anger, isolation, health issues, stress, suicide, insomnia, divorce, violence, addictions and various other symptoms we could loosely call anxiety or depression. All of these human reactions are on the rise around the world, and very few individuals or families are untouched by at least one of these troubles.

Why have we evolved such a situation—to what advantage, or imagined advantage—and how can we stop this precarious decline in the quality of our lives?

Of course, many people will read this and think; but my life is better, I have air conditioning, my kids have access to better education, I eat every day, and so on. That may be true; however, in psychology we find no correlation, let alone causation, between happiness (life satisfaction) and various factors such as income, education, attractiveness, status, health, age or race. If we all have the basics of food and shelter, then we all have the same potential for a meaningful and fulfilling life. But the vast majority of humans struggle just for the basics.

Human animals seem to have been naturally designed over hundreds of thousands of years for a simple life of small communities co-operating to ensure the wellbeing and survival of all its members. Without sharing, generosity, empathy, communication, togetherness, support and working for the betterment of all, the human species would not have survived. The idea of 'survival of the fittest' is a misleading and not very useful metaphor. We survive and thrive together, or not at all. We are not fast or big enough to have survived for millennia if being the fittest was the basis of living, but we do have the mental capacity for working together and cooperating, which is natural for us. Competition is not natural.

(I would also suggest that anger is not natural. Aggression is, and aggressive feelings are, but we have the brain power to decide if we want to turn aggressive energy into a manipulating anger or violence, or let it play out naturally as it does so simply in the animal world. A fleeing

antelope is not angry, nor is the pursuing lion. If a rugby player uses anger as a motivator they will not think clearly; the same for a parent who chooses to use anger as a tool, rather than hugs, support and gentle education.)

Sharing food with our neighbours is a natural act, as is helping a stranger struggling with their load. Greed, winner-takes-all, turning our back on others and zero-sum games are not natural. These latter behaviours have been learned, become habits and then taken for granted over the last few thousand years or so; however, again, we were not designed for this world of speed and avarice and isolation. If you do not trust my word on this, then check the works of the great philosophers from both East and West.

Humans have a wonderful triple combination of mind, body and the capacity for caring relationships. These three enable us to experience life, to feel, think, create, love, and also to imagine a different world. Our minds can fly into a bright future or back to a happy past, yet we often use our imaginations to stress about things in a future we cannot predict or change, or obsess about a troubled past we also cannot change. We are blessed and cursed with our amazing thinking minds.

In depression and anxiety, one of the most telling and troubling symptoms is the inability to refocus our thinking from the negative to the neutral (positive is not even necessary!). Our ancestors could probably flow with the ups and downs, good and bad, births and deaths and the turning of the seasons of life in a much smoother manner than we can. But aren't we supposed to be smarter today with our computers and airplanes? Maybe, maybe not; actually, we are living in a world that we are simply not designed for. The most prevalent creation of our modern societies seems to be the production of self-loathing and fear – two of the most important ingredients that help to make up depression and anxiety and their various accompanying symptoms. And where do self-loathing and fear come from? Competition and isolation.

Imagine a world without mirrors where there are no reflections to judge or evaluate ourselves with. What would happen to your stress then? However, in our modern world everything has become a mirror – and sadly mostly negative ones. We are pushed and pulled and pressured and told to win at all costs. Everything is measured and compared and found to be wanting, especially us. And this pressure seems to be increasing for children as the world spins forever faster.

An alternative to all this is to be congruent with our true natures and live a life of cooperation, kindness, gratitude, sharing, openness, self-compassion and the acceptance of the precariousness of all life. I would like to be powerful enough to save all the fishes and trees; however, as an individual I feel very helpless in that endeavor. But one thing perhaps I can do is to make myself a more kind and loving person; and hold the door open for a stranger: that is both good for my heart and makes the world a better place.

Participating in life with grace and expressing who we are with mindfulness ensures a balance between honouring others and being true to ourselves. This makes the world a better place and helps maintain our lives with as little trouble as possible in these confusing times. **EB**

## United Family Hospital

**Dr Alfred Chambers** is section chief of the Mental Health Department of **United Family Hospital (Guangzhou)**. He has over 25 years of experience (18 of them in Asia) as a psychologist, teacher and group facilitator. Dr. Chambers was also a trauma responder for the Asian tsunami, the Bali bombing, SARS in Asia, a Singapore Airlines crash, and a major earthquake in Taiwan. United Family Healthcare is a pioneering, international-standard health system providing comprehensive, integrated healthcare in China in a uniquely warm, caring, patient service-oriented environment since 1997.



# Diversity and Inclusion

Mainland Chinese organisations  
could do more to harness D&I's  
power by Hays



Less than half of organisations in Mainland China have formal diversity and inclusion (D&I) policies and practices in place, a slight decrease from last year. Among those that do, there has been reduced adherence to such policies. **Hays** discusses this and further key findings from a recent survey conducted across Asia.



The *Hays Asia Salary Guide 2019* report reveals that incrementally, fewer companies in Mainland China (51 per cent in 2018 versus 47 per cent in 2019) have been putting diversity policies into place. In addition, the number of employers stating that these policies are ‘well’ and ‘fairly well’ adhered to has fallen from 52 per cent in 2018 to 43 per cent in 2019.

As the diversity of a company is known to translate to greater creativity and innovation, it is alarming to see that the adherence to D&I policies is falling. It is also essential that employers look into tactics to ensure that their policies are not only implemented but also followed.

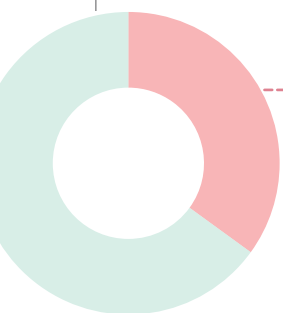
## Overseas hires and gender diversity

Mainland China has seen a decline in overseas candidates employed in its companies, with a decrease from 10 per cent in 2018 to six per cent in 2019. Yet, when it comes to organisations stating that they would employ or sponsor qualified overseas candidates for skills-short areas, this trend is reversed, at 60 and 67 per cent respectively.

Similarly, the number has dropped from 37 per cent to 35 per cent when it comes to the percentage of women in management positions. However, Mainland China leads the way in having female business leaders when compared to the Asia-wide average of 30 per cent.

## Flexible options

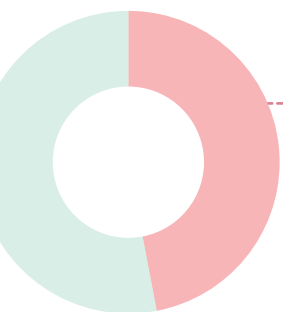
In Mainland China, slightly more than three in five (64 per cent) employers offer some form of flexible working options. Flexi-time (selected by 41 per cent of respondents) is the most common option provided by employers, followed by home or remote working (30 per cent), and informal flexible working at a line manager’s discretion (18 per cent).



• **35%**

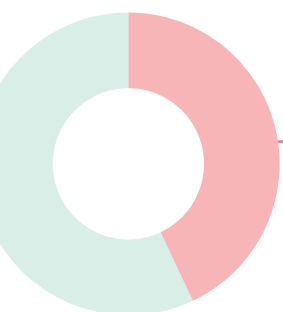
**of management positions are held by women in Mainland China.**

(Higher than the average of 30% across Asia)



• **47%**

**of organisations have diversity policies in place in Mainland China.**



• **43%**

**of employees said these are 'well' or 'fairly well' adhered to.**

Correspondingly, employees are making use of the options available to them, with 34 per cent taking advantage of the work-from-home option and 20 per cent the informal flexible working option. However, only 19 per cent are opting for the flexi-time arrangement.

While flexible working practices can be enjoyed by all staff, regardless of gender, the ability to work from home and flexible working hours are particularly advantageous for working mothers, enabling them to balance family obligations with their careers.

By extending these options further, employers could see even greater improvement in diversity in the upper echelons of organisations, thus enhancing innovation, improving staff retention and attraction rates, as well as encouraging new role models for the next generation of a diverse profile of managers.

## Comparing with Asia

According to the survey, slightly more than half (52 per cent) of Asian companies currently implement diversity policies, a marginal rise from 2018 (51 per cent). Singaporean companies are most likely to have such practices in place, while the highest number of companies (57 per cent) saying they had no such policies are located in Hong Kong (34 per cent). In addition, 56 per cent of Japanese companies, 49 per cent of Malaysian companies and 47 per cent of companies in Mainland China claim to implement diversity policies.

Employers in Asia have noted a decline in the adherence to diversity practices, with those saying that they are adhered to 'well' falling from 22 per cent in 2018 to 15 per cent in 2019. Companies in Japan see the greatest level of adherence with a combined 59 per cent saying

policies were adhered to either 'well' or 'fairly well'. Only 43 per cent of employers in Mainland China could say the same.

Conversely, these positions are reversed when it comes to women holding managerial positions: females constitute 35 per cent of leaders for Mainland China and Malaysia, and just 19 per cent for Japan. Companies in Hong Kong saw a rise of women in management in 2019 with 33 per cent, up from 29 per cent the year before, while companies in Singapore fell one point to 29 per cent.

The proportion of foreign employees rose overall across Asia from 13 to 15 per cent in 2019. These statistics are somewhat skewed by Singapore's increase from 19 to 28 per cent and Hong Kong rising from 14 to 18 per cent. One in ten (13 per cent) of Malaysian employees are from overseas, while the proportion of foreigners in companies in Japan fell to 10 per cent from 13 per cent, and in Mainland China to six per cent from 10 per cent.

Despite the fall in the number of foreign employees operating in Japan and Mainland China, the proportion of companies stating they would consider overseas candidates to deal with skills shortages increased. For instance, 67 per cent of employers in Mainland China and 65 per cent in Japan would do so. Furthermore, almost half (49 per cent) of employers in Malaysia would also employ overseas staff, while companies in Hong Kong (44 per cent) and Singapore (35 per cent) saw a greater proportion saying that they would not consider hiring from abroad. **EB**

## Hays

Hays is a leading global professional recruiting group with 262 offices in 34 markets across 20 specialisms. We are experts at recruiting qualified, professional and skilled people worldwide. Across Mainland China, we operate in five offices: Beijing, Guangzhou, Shanghai, Shenzhen and Suzhou.

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# Save the Data

The roles of the service provider and customer in cloud security by Mathieu Weber and Jarry Xiao

Cloud computing can be traced back to the 1950s (with its ancestors, mainframe computing and time sharing, and the later development of virtualisation). It really took off with the advent of high-speed, broadband Internet connection during the first decade of the 2000s and has since been growing exponentially. As the market gains ever more popularity, **Mathieu Weber** and **Jarry Xiao** of **TekID** look into the issues surrounding cloud security.



According to Gartner, the global cloud computing market totalled United States dollars (USD) 182.4 billion in 2018 and is expected to reach USD 249.8 billion in 2020.<sup>1</sup> The reason for this unprecedented growth is that more and more companies, big and small, are migrating from on-premise to cloud solutions (such as workload, communication, supply chain, Office 365 and Dropbox). This is due in particular to the cost-effectiveness, ease of scaling-up, flexibility and almost unlimited resources and options of cloud computing. Currently, AWS (Amazon Web Services) still dominates with 47 per cent of public cloud market share at the time of writing, followed by Microsoft Azure with 22 per cent and Aliyun with eight per cent.<sup>2</sup>

If cloud solutions become standard, many companies will mainly consider the pros and ignore the cons when making the switch. While cloud computing indeed offers numerous advantages, the risks—which may arise if the service is not managed or controlled properly—must also be acknowledged.

## What is cloud?

In simple terms, cloud is the delivery of computing services, resources and power (such as servers, storage, software, applications, databases, networking and analytics) over the Internet, instead of through on-premise infrastructure or a computer hard drive. The main purpose of a cloud is to allow companies to perform tasks faster and more securely, while getting rid of often huge and costly server infrastructures.

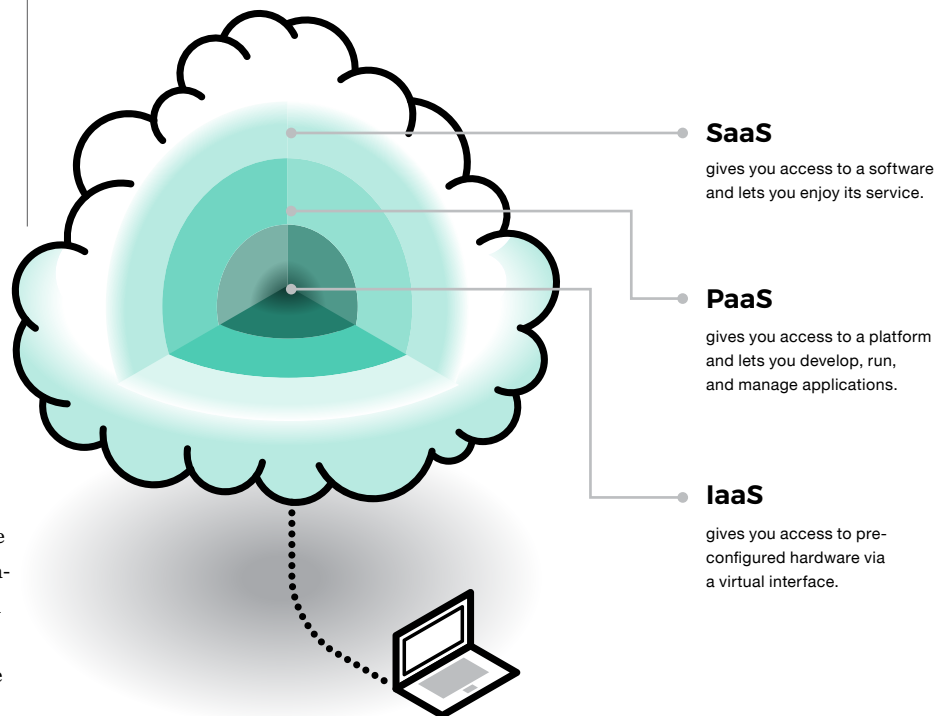
There are three major cloud models: IaaS (Infrastructure as a Service), PaaS (Platform as a Service), and SaaS (Software as a Service).

- IaaS gives you access to pre-configured hardware via a virtual interface and lets you manage your applications, runtime, middleware and operating system and

data, by yourself.

- PaaS gives you access to a platform and lets you develop, run and manage applications without the complexity of building and maintaining the infrastructure.
- SaaS gives you access to a software (together with its maintenance and support) and lets you enjoy its service.

The SaaS model is understandably the most popular, as companies don't have to worry about the technical side and can instead fully focus on their core business.



## Who is responsible for cloud security?

"If people say, 'if I sign with you, can you guarantee I won't be hacked?' If I say yes, I'm lying," says Microsoft's top cloud executive Scott Guthrie.<sup>3</sup> Further illustrating this point, a growing number of staggering Cloud data breaches and related vulnerabilities have come to light in recent years, but who should be blamed? In most cases, such data breaches are due to misconfiguration or incorrect access control, despite cloud providers' commitment to security accompanied by dedicated security teams and regular vulnerability patches.

Today, most cloud providers use a 'pay as you go' model, which has proved extremely effective as it fits the needs of both small vendors and business giants: no flat subscription – customers only pay for what they use.

One can test different cloud service providers (as they often offer a trial period) before making a final decision. However, before migrating to a cloud, one still must take into account the associated security risks.

In fact, most risks originate from customers' lack of cloud security awareness. For example: in 2017, personal data on 198 million American voters was leaked due to the database being unintentionally made accessible to everyone on an open Amazon S3 storage server by the cloud customer.

According to Jay Heiser, research vice

1. Gartner Forecast Worldwide Public Cloud Revenue to Grow 17.5 Percent in 2019, Gartner, 2<sup>nd</sup> April 2019, viewed 18<sup>th</sup> July 2019, <<https://www.gartner.com/en/newsroom/press-releases/2019-04-02-gartner-forecasts-worldwide-public-cloud-revenue-to-grow>>  
2. Stalcup, Katy, AWS vs Azure vs Google Cloud Market Share 2019: What the Latest Data Show, ParkmyCloud, 30<sup>th</sup> April 2019, viewed 18<sup>th</sup> July 2019, <<https://www.parkmycloud.com/blog/aws-vs-azure-vs-google-cloud-market-share/>>

3. Darrow, Barb, Cloud Is Secure If You Do Your Part, Says Microsoft Cloud Chief, Fortune, 7<sup>th</sup> June 2017, viewed 18<sup>th</sup> July 2019, <<https://fortune.com/2017/06/07/cloud-is-secure-says-microsoft-cloud-chief/>>



## A company moving to the cloud without carefully considering and tackling the risks involved exposes itself to a multitude of security, technical, legal, compliance, commercial and financial risks.

president at Gartner, “Through 2022, at least 95 per cent of cloud security failures will be the customer’s fault.”<sup>4</sup>

Cloud security is everyone’s business and cannot be shifted exclusively to the cloud provider: cloud customers also have a critical role to play.

### What can cloud customers do to secure it?

The following are the basic minimum measures to put in place:

- **Even in a cloud, encrypt your data:** Encryption is way under-rated, yet this method ensures the confidentiality, integrity and security of your data even if there’s a breach, as it cannot be read or used when encrypted. However, even in the first half of 2018, only three per cent of all data breaches were ‘secure breaches’, i.e. where encryption was used.<sup>5</sup>
- **Adopt a secured encryption key management service:** While encryption can be a very effective method to maintain confidentiality, integrity and security, if the private key is not properly stored (or is leaked or stolen), all these efforts become useless. Almost all cloud service providers have a key management service you can use.
- **Implement strict access control rules:**



For cloud services, user segmentation must be set up, with roles and ‘principle of least privilege’ – i.e. limiting access to the strict minimum the end-user needs to perform their work.

- **Back up your data:** Implementing encryption and access control may not prevent data loss, which can be permanent unless you have back-ups, with disastrous consequences for your business.
- **Secure your application programming interfaces (APIs):** They are likely to be the entry points of attackers. Perform regular penetration tests and patch any discovered vulnerabilities.
- **Perform a cloud provider due diligence:** Verify the security credentials of your cloud provider.

### What is the impact of the European General Data Protection Regulation (GDPR) and of the China Cybersecurity Law (CSL) on cloud security?


Both the GDPR and the CSL are technology neutral, in that they are applicable to all any and all types of technology, whether existing or future (and therefore apply to cloud computing). Both provide for the mandatory adoption of technical and organisational

security measures.

It’s been a year since the GDPR came into effect and two years for the CSL, and though it’s still too early to assess if they have helped reduce the number of data breaches, they have however forced companies to start taking stock of and patching their security vulnerabilities.

More generally, more and more laws to regulate cybersecurity and data processing are taking effect across the globe, all providing for security obligations. This should have a positive effect by underlining that noncompliance can lead to very serious legal consequences and fines, on top of huge financial losses ensuing from business disruption. For example, on 8<sup>th</sup> July 2019, British Airways was slapped with a USD 230 million fine by the Information Commissioner’s Office (equating to 1.5 per cent of its worldwide turnover for 2017), due to a data breach in 2018 that ended in some 380,000 customers’ credit card data being stolen.<sup>6</sup>

### In brief

A company moving to the cloud without carefully considering and tackling the risks involved exposes itself to a multitude of security, technical, legal, compliance, commercial and financial risks. And in cloud computing, the responsibility for security and mitigating the ensuing risks is shared between the service provider and the customer. Cloud customers must therefore understand this partition of responsibilities and face their own. 

### TekID

**TekID’s** purpose is to help organisations mitigate cyber threats and digitalisation risks by providing business intelligence beyond technical issues. It can be to overcome a compliance program (GDPR, CSL, ISO, SOC etc.), evaluate technology solutions, audit your company, perform cyber forensic investigation (CFI) and cyber threats Intelligence (CTI) or to have technology experts working side-by-side with you.

4. *Is the Cloud Secure?* Gartner, 27<sup>th</sup> March 2018, viewed 18<sup>th</sup> July 2019, <<https://www.gartner.com/smarterwithgartner/is-the-cloud-secure/>>  
5. *Breach Level Index H1 2018 Infographic*, Gemalto, 2018, viewed 18<sup>th</sup> July 2019, <<https://safenet.gemalto.com/resources/data-protection/breach-level-index-2018-h1/>>

6. *British Airways Faces Record £183m Fine for Data Breach*, BBC, 8<sup>th</sup> July 2019, viewed 18<sup>th</sup> July 2019, <<https://www.bbc.com/news/business-48905907>>

7<sup>TH</sup> JUNE  
BRUSSELS

President Wuttke meets with European Commission leaders Jyrki Katainen (left) and Cecilia Malmström (right) during his visit to Brussels.  
Photo: European Chamber

## President Jörg Wuttke meets with EU leaders in Brussels



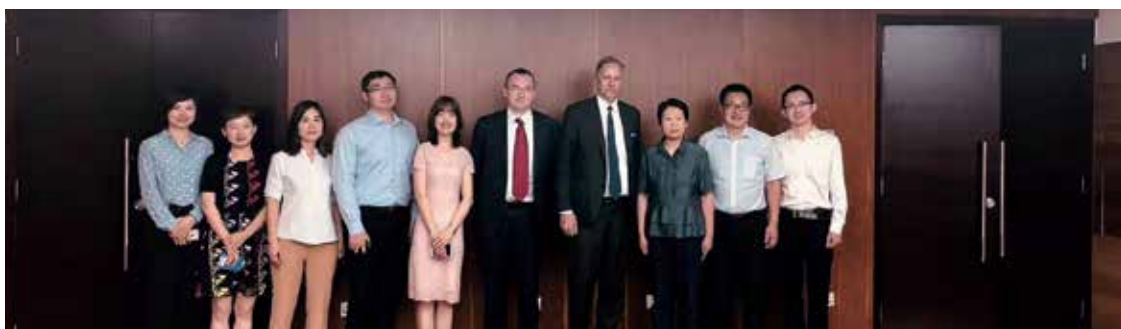
On 7<sup>th</sup> June 2019, Jörg Wuttke, president, European Chamber, met in Brussels with several European Commission leaders to discuss the activities of the European Chamber and the current economic issues surrounding doing business in China. President Wuttke met with Cecilia Malmström, European trade commissioner, to discuss the impact of the US-China trade war on European businesses operating in China. As newly elected president of

the European Chamber, he also outlined his programme for the coming years to the trade commissioner. President Wuttke also held a meeting with Jyrki Katainen, vice president for Jobs, Growth, Investment and Competitiveness at the European Commission. Amongst other things, they discussed the EU-China Summit and the joint statement it had resulted in, as well as China's social credit system and its ramifications for European businesses.

20<sup>TH</sup> JUNE  
BEIJING

Representatives from the European Chamber meet with Deputy Director General Li Li (3<sup>rd</sup> from right) of the Department of Policy Research, Ministry of Commerce.  
Photo: European Chamber

## Chamber representatives discuss new Foreign Investment Law with Ministry of Commerce



Peter Ling-Vannerus, national chair of the European Chamber Banking and Security Working Group, led a delegation of representatives from sectors as diverse as insurance, paediatric nutrition and healthcare equipment to a meeting with Li Li, deputy director general (DDG), Department of Policy Research, Ministry of Commerce, to discuss the new Foreign Investment Law (FIL) on 20<sup>th</sup> June 2019. DDG Li arranged the meeting to hear from

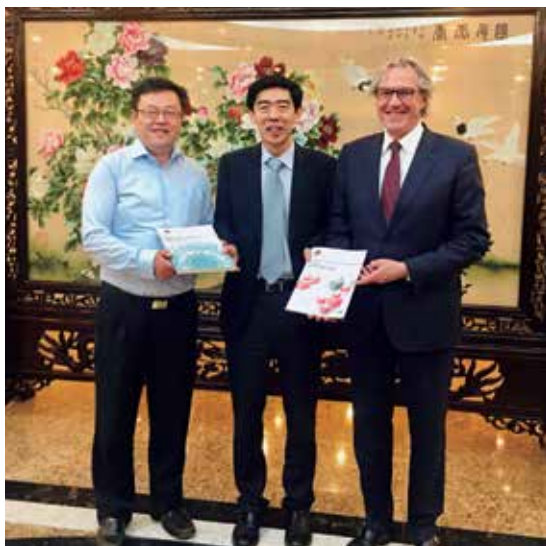
leading foreign companies about difficulties they still face when doing business in China and to consider their feedback on the new FIL. The delegation reiterated the European Chamber's stance on the FIL and discussed several concerns held by the business community. DDG Li thanked the delegation for their input and expressed hope for further engagement in the future.

22<sup>ND</sup> MAY  
BEIJING

## Environment and energy working groups meet with Resource Conservation and Environment Protection Department

Chairs of the Environment and Energy working groups, Jet Chang (left) and Guido D. Giacconi (right) led a European Chamber delegation to meet with Ren Shuben, director general, Resource Conservation and Environment Protection Department.

Photo: European Chamber



On 22<sup>nd</sup> May, the chairs of the environment and energy working groups, Jet Chang and Guido D. Giacconi respectively, led a European Chamber delegation to a meeting with Ren Shuben, director general, Resource Conservation and Environment Protection Department, which falls under the National Development and Reform Commission (NDRC). DG Ren reflected on his recent visit to the EU, where he met with the European Commission and discussed strengthening cooperation between the EU and China on the development of the circular economy. The European Chamber members addressed a variety of topics including plastics and waste management, utilisation efficiency of resources and green pricing mechanisms. At the end of the meeting, the two chairs presented the *European Business in China Position Paper 2018/2019* and the *Business Confidence Survey 2019* to DG Ren.

25<sup>TH</sup> JUNE  
NANJING

## Chamber accompanies EU Ambassador to China to meeting with Jiangsu Party Secretary

Nanjing Chapter representatives accompanied HE Nicolas Chapuis, EU Ambassador to China, to a meeting with Lou Qinjian, party secretary of the Jiangsu Provincial Committee of the CPC, on 25<sup>th</sup> June 2019. Ambassador Chapuis and Party Secretary Lou discussed the effects of the US-China trade war, the local business environment, digital and internet innovation, and two-way investment between the EU and Jiangsu Province. Both sides went

on to discuss in detail local environmental protection policies and safety regulations. Party Secretary Lou spoke highly of the contributions European businesses have made to the development of the local economy, and of their commitment to environmental protection. He said he felt confident that the high standards of the European companies would mean they would not be negatively affected by incoming legislative changes regarding those issues.

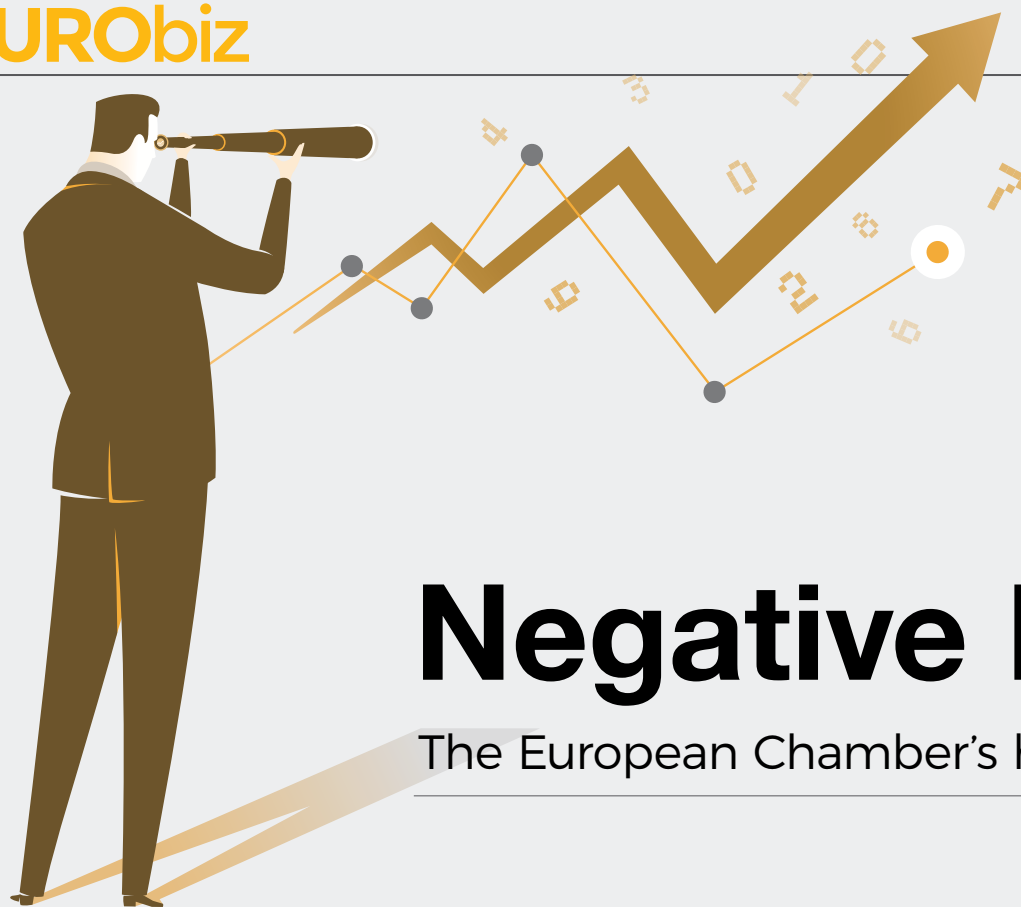
11<sup>TH</sup> JUNE  
GUANGZHOU

## Chamber presents the South China Position Paper to Guangzhou Municipal Bureau of Commerce

On 11<sup>th</sup> June 2019, Ms. Francine Hadjisotiriou, general manager (GM) of the European Chamber South China Chapter, met with leaders of the Guangzhou Municipal Bureau of Commerce led by deputy director general (DDG) Wu Shangwei, to present the key recommendations of the recently published *South China Position Paper 2019/2020*. After GM Hadjisotiriou outlined the chief concerns of the European business community in the city, DDG Wu

expressed his gratitude to the European Chamber for publishing the *Position Paper* and raising these important issues. He stated that Guangzhou is committed to improving the local business environment and facilitating better administrative processes. During the meeting, DDG Wu also briefed Chamber representatives on the current status of the Greater Bay Area.





# Negative Lists

The European Chamber's handy guide

At the end of June 2019, China's two negative lists governing foreign investment were revised and shortened. The *Foreign Investment Negative List (FINL)* and the *Free Trade Zone Negative List for Foreign Investment (FTZL)* each saw changes to several items that were previously restricted or prohibited. The now shorter lists have opened up the door to investment by foreign enterprises in many areas, but market access is more complicated than just these two lists. Secondary barriers—like access to licences and administrative approvals, as well as a whole variety of regulatory matters—also restrict meaningful access to the China market. In addition to these, the less-discussed *Market Access Negative List (MANL)* also serves as a direct barrier to market entry for companies – local ones as well as foreign.

To help our members better understand the relationship between these three lists and what they mean for foreign and local companies, the European Chamber assembled the chart on the opposite page, as well as a couple of case studies to walk readers through the different barriers that exist.

## Case Study One – a foreign law firm

A European law firm is considering investing in China. They look at the *FINL* and find that Item 25 prohibits foreign investment in Chinese legal affairs, though the list notes that foreign investors are allowed to provide services informing customers about the impact of China's legal environment (as consultants rather than lawyers). They would prefer to invest as a proper law firm and decide to check if that is an option in the *FTZL*. Unfortunately, they encounter the same prohibition.

If they are only willing to invest as a proper law firm, then this company would find itself completely blocked out of the market. However, they do have the option to invest on the condition that they do so only as consultants with limited services. If they meet/accept those conditions, they can move on to the *MANL* to check for further barriers. Depending on the type of consulting they plan to provide, they may or may not have to first apply for approval before being allowed to invest.

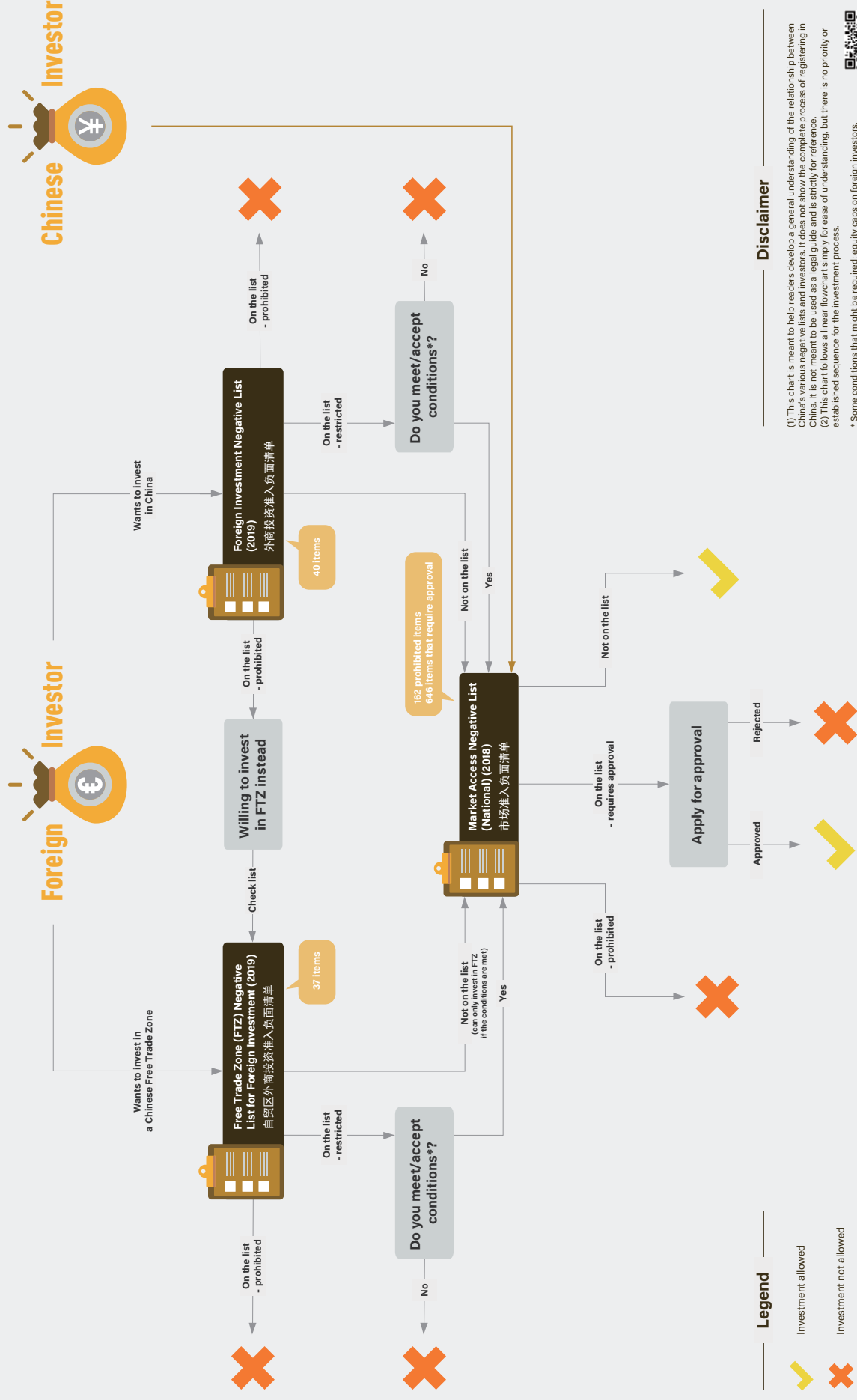
## Case Study Two – a foreign electric vehicle manufacturer

A European automotive company wants to establish a 100 per cent foreign-owned electric vehicle plant in Hebei Province, just outside of Beijing. They check the *FINL* and find that while there are equity caps for foreign ownership in most automotive manufacturing, the caps have been lifted for new-energy vehicles (NEVs), which include electric vehicles. They check the *FTZL* and find that they have no restrictions on either list, so they choose to look into investing in Hebei instead of in a FTZ.

They next check the *MANL* and find that new investments in the automotive sector require approval, according to Item 138. Specifically, any investments made in pure electric vehicles require approval from the Investment Department of the State Council. If they can obtain this approval, they will be cleared for investment, though they will then need to pass a wide variety of administrative hurdles, such as construction permits and licensing for type-approval, before they can establish the plant and begin production. **EB**

# INVESTING IN CHINA:

## HOW TO NAVIGATE THE NEGATIVE LISTS



### Legend

- Investment allowed
- Investment not allowed
- Negative Lists

### Disclaimer

(1) This chart is meant to help readers develop a general understanding of the relationship between China's various negative lists and investors. It does not show the complete process of registering in China. It is not meant to be used as a legal guide and is strictly for reference.

(2) This chart follows a linear flowchart simply for ease of understanding, but there is no priority or established sequence for the investment process.

\* Some conditions that might be required: equity caps on foreign investors, prohibitions on producing certain goods or providing certain services within an industry, the legal representative must be a Chinese national, etc. (For certain investments in FTZs, further approval may also be required) For a full list, please scan the QR code.



# The Burning Question

Will the cumulative wage withholding method decrease your disposable income? by Melody Ma and Rachel Yao

As an employee, how has your daily life been impacted by China's new individual income tax (IIT) reform since it came into effect in January? Are you paying less tax on the same amount of income received compared to last year? "It seems so, but I'm not sure," a taxpayer working in Beijing told Deloitte. "The tax I paid in January was lower than my expectations but the amount has been increasing over the following months." Well, it seems this also happened to other employees. Is this a result of the IIT reform? Is this correct under the amended IIT Law? **Melody Ma** and **Rachel Yao** of **Deloitte Tax China** illustrate how the IIT calculation on salaries and wages works under the amended IIT Law.

A new system for calculating IIT took effect from 1<sup>st</sup> January 2019. For resident taxpayers, IIT on salaries and wages will be assessed using a cumulative withholding method and paid on a monthly basis.

## What's cumulative withholding and how does it work?

The new rule provides that, for salaries and

wages, the withholding agent should calculate monthly IIT by referring to the below formula and withhold the tax on a monthly basis.

### Formula

**Monthly taxable income** = cumulative taxable income (as of the current month under the current employer) – cumulative standard deductions – cumulative tax-exempted income – cumulative itemised deductions – cumulative additional itemised deductions

– other cumulative deductions in accordance with the law

**Monthly tax payable** = (cumulative taxable income \* marginal tax rate – quick deduction) – cumulative tax paid

An example may better explain how the cumulative withholding mechanism works:

### Sample Calculation

Employee A, monthly salary: Chinese yuan (CNY) 50,000

Statutory social security deduction:  
CNY 3,000/month

Additional itemised deduction:  
CNY 2,000/month

Standard deduction applicable:  
CNY 5,000/month

**January tax payable** = (50,000 – 3,000 – 2,000 – 5,000) \* 10% – 2,520 = 1,480

**February tax payable** = (100,000 – 6,000 – 4,000 – 10,000) \* 10% – 2,520 – 1,480 = 4,000

.....

**December tax payable** = (600,000 – 36,000 –

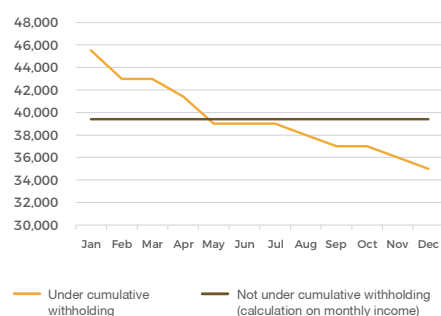


## Net incomes of Employee A under cumulative withholding

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Salary	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	600,000
IIT	-1,480	-4,000	-4,000	-5,600	-8,000	-8,000	-8,000	-9,000	-10,000	-10,000	-11,000	-12,000	-91,080
Net Income	48,520	46,000	46,000	44,400	42,000	42,000	42,000	41,000	40,000	40,000	39,000	38,000	472,920

Currency: CNY

## Comparison of net incomes



Currency: CNY

$$24,000-60,000) \times 30\% - 52,920 - 79,080 = 12,000$$

We know that, for resident taxpayers, the comprehensive income (including salaries and wages) is taxed on an annual basis. With cumulative withholding method, the cumulative salaries and wages are treated as 'annual income'. The tax payable of the current month equals total tax on the accumulated 'annual income' minus accumulated tax already paid in the previous months. As this 'annual income' increases throughout the year, the marginal tax rate also increases (e.g. from 10 per cent in January to 30 per cent in December) and so does the tax payable on the 'annual income'.

The monthly tax withheld under cumulative withholding method is not the final amount, provided that you keep receiving salaries and wages throughout the year. However, if you terminate your employment in the middle of the year and do not receive any salaries or wages for the remaining months—assuming there are no more adjustments to the taxable income or deductions already considered in calculating your tax, and you have no other

source of income in the tax year—the tax you have already paid is the final amount you will owe. That means there is no need to file an annual reconciliation tax return after the close of the tax year, which will be a relief to both individual taxpayers and the tax authority.

Naturally, the monthly disposable income after tax could decrease as the year progresses under the cumulative withholding method. However, taxpayers are not paying more than they should.

Worth noting in relation to the cumulative withholding mechanism is that any deductions claimed in the middle of the year—e.g. late submission of expenses for taking care of elderly parents: additional itemised deductions, which can be submitted from January to July—could significantly decrease the taxable income and cause fluctuations in the net monthly salary.

Taxpayers that operate under the cumulative withholding mechanism should carefully monitor their cash flow, be prepared for the decreases in disposable salary and properly arrange consumption and investment.

## Other thoughts

For foreign employees normally regarded as a non-domiciled taxpayer in China, the cumulative withholding method is only applicable when you are a resident taxpayer for the tax year concerned. If you are a non-resident taxpayer, your IIT on salaries and wages will still be calculated and withheld on monthly basis, just as before 2019. If you are treated by your employer as a non-resident from the beginning of the year, the calculation method for your tax cannot be converted to the cumulative withholding method during the tax year,

even though you eventually become a resident taxpayer during that time. The amended IIT Law only allows taxpayers to adjust their tax liability through the annual reconciliation tax filing at the end of the tax year. Your tax residency is usually determined at the beginning of the year, based on a preliminary estimation of days spent in China in a tax year, and subsequently used for monthly tax filing. Your designation will impact your cash flow throughout the year.

Among the comprehensive incomes—salaries and wages, remuneration for independent services, author's remuneration, and income from royalties—the cumulative withholding method can only be applied to salaries and wages. For the remaining comprehensive incomes mentioned above, though resident and non-resident taxpayers are differentiated, the withholding method cannot be accumulated on a monthly basis for calculating tax, even for resident taxpayers. Resident taxpayers who receive these types of comprehensive incomes and had IIT withheld from the source should file annual reconciliation tax returns to reconcile all comprehensive income received. **3E**

## Deloitte China Tax

Deloitte China Tax and Business Advisory is the only 'Big Four' practice that works as One across the Greater China Region, including the Chinese Mainland, HK, Macau and Taiwan, to advise and assist clients on tax and business issues. Melody Ma (Tax Director) focuses on PR China IIT services to multinational companies, domestic companies, and individuals, and has extensive experience on tax compliance, tax and business advisory and tax planning. Rachel Yao (Senior Tax Manager) specialises in PR China IIT compliance and consulting services.

# China's IPR Reform

A window of opportunity by Xianbo Wu

Intellectual property rights (IPR) infringement has long been a bugbear of foreign investors in China, and arguments over whether and how much it is a problem are at the centre of the US-China trade dispute. However, as **Xianbo Wu** from **North Head** explains, recent events indicate that China is taking steps to improve its overarching system for IPR protection in an attempt to address some of the longstanding issues with implementation. Multinational companies (MNCs) have an important role to play in this process by ensuring that their voices are heard during this transitional period in the evolution of China's IPR framework.





Complaints focus not so much on the lack of IPR laws on the books, but rather on their enforcement. According to the European Chamber's *Business Confidence Survey 2019*, 59 per cent of respondents report that China's written IP protection system is either adequate or excellent, but only 35 per cent report that enforcement is either adequate or excellent.<sup>1</sup> Ineffective enforcement often stems from ambiguous wording and a shortage of details in laws, and consequently arbitrary implementation based on local regulators' willingness and capacity. MNCs are disproportionately affected by this because they often hold unique patents and run up against local protectionism.

## Two key strategies for an improved IPR environment

### All enforcement is local; local relationships matter

Policymakers and regulators are working to improve the system at both the local and central levels. The local level is and will continue to be an important focal area for a company's engagement strategy. IP law enforcement still depends highly on local regulators' subjective assessment of a case, and local level authorities will likely have a greater say in the future as the government continues its programme of delegating power to local levels and streamlining services. However, many MNCs have little access to supplementary channels through which they could make appeals to local officials. These include 'invitation only' forums with local government agencies and participation in semi-official associations. This weakness becomes even more distinct when foreign companies compete with local companies with established government connections, which often results in the discrimination reported by many foreign firms.

Some MNCs have been able to buck the trend with a proactive approach. ABRO Industries,

a US car care product company, has reported success in protecting its IP in China, primarily as a result of explaining the value of its IP to local regulators.<sup>2</sup> ABRO, and other like-minded companies, invest in fostering active cooperation, including sharing resources with local agencies and making clear how their business contributes to local development.



**China's changing attitude towards IPR protection is an important stepping stone in the country's shift to a more outward-facing economy, and the government is seeking constructive input.**



### Direct interaction with the central government

Any significant change to the way IPR laws are enforced at the local level necessarily begins with directives from China's central government. In this regard, MNCs also have a role to play at this level, as a window seems to be opening. Within the past year, Beijing has passed a new Foreign Investment Law, a revised Trademark Law and Anti-unfair Competition Law, an accelerated approval process for amendments to China's Patent Law, and a memorandum co-issued by 38 ministries that links patent infringement to the burgeoning Social Credit System.

One effect of the US-China trade dispute is that it has increased the attention of the Chinese authorities on foreign investors' concerns over IP, which in turn is giving foreign companies an opportunity to voice their concerns. The new Foreign Investment Law lays out IPR protections, as well as a feedback mechanism for foreign investors. At a round-table event with European entrepreneurs in July 2018, Premier Li Keqiang asked them about their experiences with IP violations and

unfair treatment from local governments. He expressed that the government was eager to solve such problems but that they still did not know "where to fight at the moment".

Premier Li also called for the establishment of a government-business communication channel during the annual gatherings of the

legislative and advisory bodies at the 2019 'Two Sessions', after which the State Council issued a regulation that makes collecting enterprise opinions compulsory during the policymaking process. Although an improved communication channel does not necessarily mean the government will act on enterprise feedback, foreign companies should take advantage of this opportunity to add their views and experience to nationwide IPR policy development.

China's changing attitude towards IPR protection is an important stepping stone in the country's shift to a more outward-facing economy, and the government is seeking constructive input. Foreign companies can seize this opportunity to broaden their view beyond the local level and develop their advocacy at the central level for an improved IPR environment in China. 

## North Head

North Head is a public affairs and strategic communications consultancy based in Beijing. For more information please contact the director of our public affairs team, Mike Denison, at [mdenison@northheadcomms.com](mailto:mdenison@northheadcomms.com)

1. *European Business in China Business Confidence Survey 2019*, European Union Chamber of Commerce in China, 2019, viewed 15 July 2019, <<https://www.eurochamber.com.cn/en/publications-business-confidence-survey>>

2. "China's Intellectual Property Protection System Works": Albao Corporation's Director of Intellectual Property, Sina 6 November 2017, viewed 12 July 2019, <<http://finance.sina.com.cn/roll/2017-11-06/doc-ifymvug8951982.shtml>>

# Losing Your Thoughts

## IPR protection in China for the creative industries by the China IPR SME Helpdesk

China's rapidly expanding consumer market creates both opportunities and challenges for European businesses in creative industries. Ideas and designs are the lifeblood of creative businesses and infringement can be particularly costly and damaging. Because intellectual property (IP) that is not adequately protected can easily fall victim to infringement by potential Chinese clients or competitors, European businesses are sometimes reluctant to enter the China market. The **China IPR SME Helpdesk** shows us how to effectively use the Chinese system to protect your company's IP and foster successful partnerships in China.

### Copyright

As in Europe, copyright in China is automatically awarded upon the creation of a copyrightable work. These include: architectural or engineering drawings; works of fine art; applied art; literary works; music or sound recordings; dramatic or cinematic works; compilations; and software, to name just a few.

China also allows you to voluntarily register your copyright. Registration is presumptive evidence of ownership if you wish to enforce your copyright and greatly reduces the preparation of evidence for cases of infringement. Copyright registration in China is inexpensive, easy, and generally recommended.

When creating works for others, or commissioning others to create works for you, make sure your contract clearly states who owns the copyright. In China, the com-

missioned party owns the copyright to the works unless the contract states otherwise.

In addition to using copyright as a form of protection, it is also equally important to make sure you do not infringe upon somebody else's, such as when using their work. For example, this can happen if you download someone else's photograph from the Internet without permission to use in your project proposal. It is important to obtain the permission of the copyright owner when using their work.

### Design patents

A design patent protects the aesthetic features (shape, pattern, colour) of industrial products. To protect a design, it must be registered as a design patent. Designs registered in a foreign country do not enjoy protection in China. For foreign designs to qualify for protection in the Chinese market, it cannot already exist and must

be sufficiently distinguishable from other designs. Currently, it takes approximately nine months to a year to obtain a design patent in China, which gives you the exclusive right to use or allow others to use your design in China for 10 years.

If you disclose your design anywhere in the world (in any way) before you apply for a patent in China, you will be ineligible for protection in China.

### Trade Secrets

Under Chinese law, a trade secret is any non-public information of commercial value that is treated as confidential. Trade secrets include items such as undisclosed designs/sketches/concepts, customer/supplier/price lists, contractual terms, business operational methods, internal emails, and negotiations. To protect their IP, many firms implement measures such as confidentiality agreements tied to disclosure,

non-disclosure agreements with employees, the use of passwords, or marking documents as confidential.

Prevention is the key to protecting trade secrets. Although legal action is available, it is often difficult and not always feasible to prevent the dissemination of sensitive information once it has been disclosed. It is good practice to periodically catalogue what potentially valuable trade secrets you may have so that proper precautions can be taken.

Most cases involving the theft of trade secrets involve former employees or potential clients. It is important to require all employees to sign an employment agreement with non-disclosure and, if necessary, non-compete provisions — where the employee must agree to not set up a competing business once s/he leaves. It is also wise to limit access to valuable information to only employees with a need to know, and to conduct exit interviews.

It is also good practice to insist that third parties, including potential clients or suppliers, sign a confidentiality agreement before you start negotiations or transfer documents. Sometimes, however, a potential client may consider such a request 'hostile'. It is recommended that companies insist on a non-disclosure agreement (NDA), otherwise—according to Chinese law—your documents will qualify as non-trade secrets.

## Takeaway message

Though seemingly daunting, with a few simple preventative steps and appropriate registration of rights, your creative work can be adequately protected in China. Remember these key points:

- Use **preventative measures**: Don't wait to take action. Most of the steps described previously

should be taken before entering the Chinese market.

- Use the system: **Register your IP in China**. China has a robust, effective IP enforcement system. Registered IP should include copyrights and design patents, as well as others such as invention patents and trademarks.
- Use contracts: Protect your business from the inside out. Include **contracts and agreements** with all involved parties, including employees, partners and clients, to properly protect your trade secrets. 

## China IPR SME Helpdesk

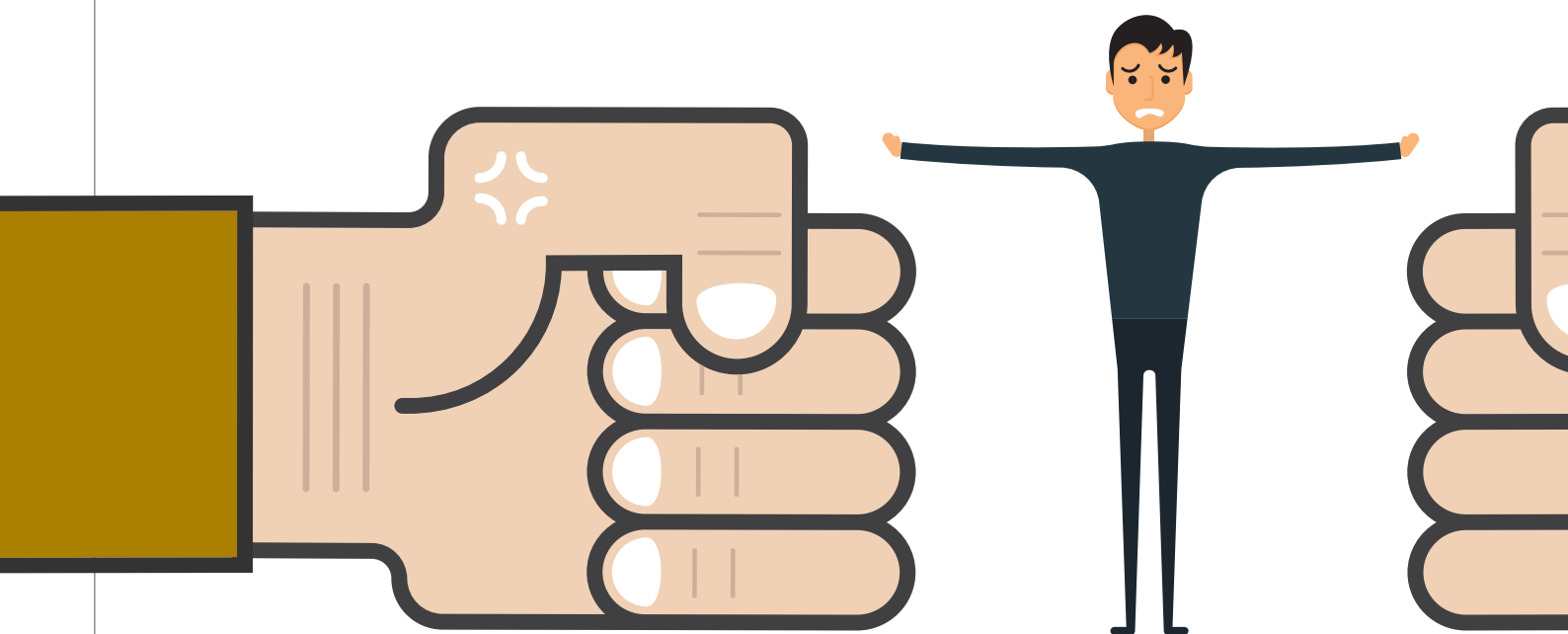
The **China IPR SME Helpdesk** supports small and medium-sized enterprises (SMEs) from European Union (EU) Member States to protect and enforce their intellectual property rights (IPR) in or relating to China, Hong Kong, Macao and Taiwan, through the provision of free information and services. The Helpdesk provides jargon-free, first-line, confidential advice on intellectual property and related issues, along with training events, materials and online resources. The China IPR SME Helpdesk is an initiative by the European Union.



# Dispute Resolution Developments

## Hong Kong-Mainland China interim relief arrangements boost cooperation by Shane Farrelly and Veronica Gianola

On 2<sup>nd</sup> April 2019, the Hong Kong Government and the Mainland Supreme People's Court signed the landmark *Arrangement Concerning Mutual Assistance in Court-ordered Interim Measures in Aid of Arbitral Proceedings (Arrangement)*. This will allow parties to arbitral proceedings seated in Hong Kong to apply, at any time before an arbitral award is made, to the Mainland China courts for interim relief measures. Matters of contention in these cases often include the preservation of property, evidence and/or conduct. The *Arrangement* is reciprocal in nature, as parties to Mainland China-seated arbitration may obtain similar protection from Hong Kong courts. **Shane Farrelly** and **Veronica Gianola** of **D'Andrea & Partners** tell us what this will mean for international arbitration moving forward, and how China's standing in the global business community has been slowly evolving.



### International arbitration and China

A great number of factors influence a party's choice of arbitral institution, such as the transparency and fairness of arbitration rules, the location of the institution and the possibility of enforcing arbitral awards. With regard to international arbitration, Mainland China has traditionally been a less popular choice

than the Special Autonomous Region of Hong Kong. However, the Chinese international arbitration system has matured in many aspects in recent years: the China International Economic and Trade Arbitration Commission (CIETAC), Shanghai International Arbitration Centre (SHIAC) and Shenzhen Court of International Arbitration (SCIA)—as a result of the recent split between CIETAC and its former Shanghai and Shenzhen sub-com-

missions—are now additional independent arbitral institutions available to parties on the Mainland.

However, even in commercial contracts concluded in Mainland China, the arbitration clauses inserted would generally nominate the Hong Kong International Arbitration Center (HKIAC) or the Singapore International Arbitration Center (SIAC) as the preferred venue of arbitration. If the arbitration occurred

outside the Mainland, Chinese courts would regularly decline to grant interim measures. Consequently, parties opting for arbitration in Hong Kong were not offered this kind of protection – only where the arbitration seat was on Mainland China might such interim measures be available.

The *Arrangement* will therefore eliminate this burden on parties and allow them to opt for Hong Kong arbitration, while still being able to obtain interim relief protection in China.

## In practice

The *Arrangement* will apply to Hong Kong-seated arbitrations administered by relevant institutions or permanent offices of international intergovernmental organisations of which China is a member. (The list of relevant institutions and permanent offices was still being prepared at the time of writing.)

may submit the interim relief application to the relevant arbitration institutions in Hong Kong, which would then forward the application to the relevant People's Court in Mainland China.

The *Arrangement* will make it possible to apply for pre-arbitration interim measures in Mainland China in the same way, but the People's Court must receive proof of acceptance of the arbitration within 30 days after the interim measures are granted.

## Developments in China's international legal framework

The *Arrangement* will allow parties to opt for Hong Kong-seated institutional arbitration—relying on the region's well-established arbitration and legal framework—while also obtaining interim relief protection from the courts in Mainland China as and when needed. The *Arrangement* marks a continuing

commercial courts, hosted in Xi'an, Shaanxi—to deal with disputes along the 'belt' or land route—in Shenzhen, Guangdong—for disputes along the 'road' or sea route of the initiative—and a central court in Beijing.

Two main observations about the jurisdiction of the CICC are of note: the dispute resolution methods are not exclusively intended for cases stemming from the BRI; and the CICC is not a mandatory court of dispute resolution for BRI deals. The court is rather another option amongst an increasingly competitive field of dispute resolution forums in Asia, the most notable options being the aforementioned HKIAC and SIAC.

## Conclusion

An uphill struggle is envisioned for international arbitration courts in Mainland China attempting to increase foreign parties' awareness of domestic legal institutions, especially in lieu of the benefits of Hong Kong arbitration

upon the enforcement of the *Arrangement*. However, it is perhaps still too early to judge the true effect the International Commercial Court of China will have on the international arbitration environment. Whether it can truly compete with the well-established arbitral institutions around Asia, only time will tell. **EB**

Previously, in matters where parties sought interim orders in the relevant arbitration institutions in Hong Kong in aid of ongoing or prospective arbitrations seated in Mainland China, under Section 45 of the *Hong Kong Arbitration Ordinance* (Cap. 609), applications had to be made to the relevant People's Court in the Mainland. However, permission was rarely granted.

Once the *Arrangement* comes into force, parties to a Hong Kong-seated arbitration

trend in China's international commercial law arena that has been steadily garnering attention from foreign parties, especially in relation to the Belt and Road Initiative (BRI).<sup>1</sup>

In order to settle disputes with international parties involved in the BRI, the Chinese Supreme Court sought to establish the International Commercial Court of China (CICC) in 2018. The CICC, at the time of writing, currently consists of three international

1. The Belt and Road Initiative is China's multi-trillion dollar project designed to promote economic integration across Eurasia, through infrastructure and energy projects as well as digital connectivity.

## D'Andrea & Partners

**D'Andrea & Partners Legal Counsel**, DP Group, was founded in 2013 by Carlo Diego D'Andrea and Matteo Hanbin Zhi, both of whom have extensive backgrounds in Chinese and EU law. DP Group currently has four service entities: D'Andrea & Partners Legal Counsel, PHC Tax & Accounting Advisory, Eastant Communication and Events, and Chance & Better Education Consulting. DP Group has a variety of branches around the world, with locations in several major developing economies.



# Media Watch

## European Chamber's comment on foreign investment negative lists

The updated *Foreign Investment Negative List* and *Free Trade Zone Negative List* were published on 30<sup>th</sup> June. The two lists, one for foreign investment in the piloted free trade zones (FTZs) and one for the rest of the country, contain fewer access-limiting measures than the previous versions. Pilot FTZs now have 37 listed items for foreign investors, down from 45, while non-FTZ areas are required to implement 40 items instead of 48. They went into effect on 30<sup>th</sup> July. Market access restrictions for sectors not on the negative lists will be fully lifted before the end of 2019.

The European Chamber released an official statement on the newly released negative lists with a quotation from President Jörg Wuttke. Some media reports quoted the statement's point that while the Chamber welcomes the opening up, which has the potential to offer new opportunities for some European companies, other deeper systemic and administrative reforms are still needed.

## Nanjing Tech Week European Chamber High-Level Innovation Conference

On 25<sup>th</sup> June, the 2019 Nanjing Tech Week European Chamber High-Level Innovation Conference was hosted by the European Chamber Nanjing Chapter and Nanjing Stuttgart Joint Exhibition Ltd. The ambassadors of the European Union and Ireland to China both delivered speeches at the event.

The conference caught the attention of the media, with reports introducing the event and covering the speeches given by the panellists and government officials. Some media conducted interviews with the key players. During his interview, Bernhard Weber, chair of the Nanjing Chapter board, mentioned the collaboration between the EU



*Foreign Investment Law + Negative List, Opening Policy will be promulgated intensively in the second half of the year*

Media: Yicai

Date: 3<sup>rd</sup> July 2019



*European Chamber: China-EU joint innovation will not be as centralised as Silicon Valley, but more dynamic*

Media: Huanqiu Finance

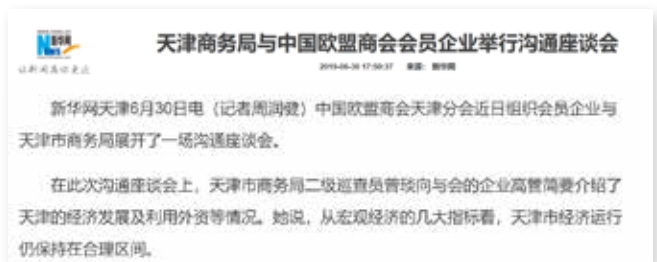
Date: 26<sup>th</sup> June 2019



*Jörg Wuttke, president of the European Chamber, interviewed on CGTN's Global Business*

Media: CGTN

Date: 27<sup>th</sup> June 2019



*The European Chamber Tianjin Chapter and its members had a meeting with the Tianjin Commission of Commerce*

Media: Xinhua

Date: 30<sup>th</sup> June 2019

and China on innovation and research. The reports spoke highly of the contributions of the European Chamber in promoting innovation awareness and building a platform for discussion and exchanges on technology and research.

## President Wuttke talks to CGTN on foreign investment in China

Though facing the spectre of protectionism, rising concerns about globalisation, and the uncertainties all of these factors bring to businesses, Jörg Wuttke, president of the European Chamber, commented on *CGTN's Global Business* that the headwinds have limited impact on China's long-term growth. The key for many multinationals, he said, is to balance the short-term uncertainty from trade disputes with the long-term potential of the Chinese market.

## Exclusive High-level Closed-Door Meeting with Tianjin Commission of Commerce held in Tianjin

The European Chamber Tianjin Chapter's Exclusive High-level Closed-Door Meeting with the Tianjin Commission of Commerce was held on 26<sup>th</sup> June. Nearly 20 member companies attended the meeting and communicated directly with Zeng Yan, deputy director, Tianjin Municipal Bureau of Commerce. Cheung Yip Fan, chair, Tianjin Chapter, delivered an opening speech, followed by participating members raising questions concerning their daily operations or company investment plans.

## European Chamber's Business Confidence Survey 2019 launched in Southwest China Chapter

On 14<sup>th</sup> June, the European Chamber Southwest Chapter launched the *Business Confidence Survey (BCS) 2019* in Chongqing. Of the 14 journalists from eight media that attended, five reported on the

中新网·梳理天下新闻

### 中国欧盟商会西南分会：81%的会员企业有意向扩大投资

中新社成都6月13日电 (岳依桐)记者13日从中国欧盟商会西南分会在四川成都举行的新闻发布会获悉，中国欧盟商会西南

European Chamber Southwest China Chapter: 81% of the member enterprises intend to expand investment  
Media: Chinanews  
Date: 13<sup>th</sup> June, 2019



Eighty percent of the members of the European Chamber Southwest China Chapter are willing to expand their investment  
Media: Comnews  
Date: 17<sup>th</sup> June, 2019

launch, resulting in four articles in Chinese media and one English-language article. After the press conference, Paul Sives, chair, and Dominik Widmer, vice chair, Southwest China Chapter, were interviewed by *iChongqing* and *Chongqing TV*.

Most of the media focused on the positive side of the business environment in China. *Chongqing and World* quoted from Paul Sives' launch presentation that "62% of respondents expressed that China is one of their top three investment destinations; 58% of respondents have the intention to increase their businesses in China." *Chongqing and World* stated that most respondents thought that the innovation ability of Chinese enterprises is as good as or better than European companies.

On 13<sup>th</sup> June in Chengdu, the *BCS* press conference attracted 10 journalists from media including *China News Service*, *Sichuan Daily*, *Economics Daily*, *21<sup>st</sup> Century Business Herald* and *GoChengdu*.

Two of the media reported on the conference, providing a brief introduction to the *BCS* and the European Chamber. They focussed on the results related to the business environment in Southwest China as well as the overall key findings.

BEIJING, 21<sup>ST</sup> JUNE 2019

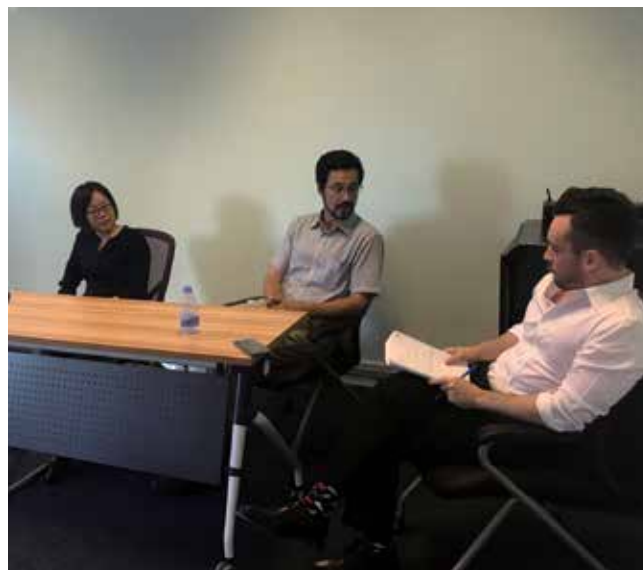
## Exclusive Dialogue with Huang Qifan: New Trends and Patterns of International Trade in the New Era



- Industrial chains, supply chains and value chains are the core competitive assets, and will shape the new global trade structure.
- The US-China trade conflict is a lose-lose situation, as the two sides are complementary; they should work together to promote global economic development.
- China should continuously improve its business environment and get more involved in WTO reform.

BEIJING, 12<sup>TH</sup> JULY 2019

## The Chinese Consumer in 2019



- IIT reform doesn't really stimulate consumption – rich people benefit from it, but not all levels of society do.
- There may not be a government incentive intervention at this moment; trade conflict is a good excuse for results lower than forecasted.

SHANGHAI, 9<sup>TH</sup> MAY 2019

## 2019 Europe Day Reception



- The 2019 Europe Day Reception was organised with the support of the Consulates General of the Member States of the European Union in Shanghai and the German Chamber of Commerce in China
- Over 150 attendees celebrated Europe Day in an evening that included live jazz music and a choice of delicacies from Europe.

SHANGHAI, 31<sup>ST</sup> MAY 2019

## China Economy Conference: Darkening Skies or Passing Clouds



- Companies will have the ability to invest and be relatively protected from tariff problems if supply chains are insulated.
- The impact of AI in the workforce remains unknown; instead of being scared, we should be concerned about the transition process.
- It is crucial for China to get the urbanisation sequencing right. It is not possible to urbanise first and then have high growth rates: if a growth model is right, good urbanisation will follow.



NANJING, 24<sup>TH</sup> JUNE 2019

## Two-way Street: EU-Jiangsu Investment Forum



- The latest Foreign Investment Law is aimed at ensuring fair competition between domestic and foreign businesses.
- The law aims to more strictly enforce intellectual rights protection by stipulating that technology transfer between foreign and domestic businesses can only occur on a voluntary basis.
- The provincial Department of Commerce aims to promote BRI international cooperation through four specific services: information, financial, personnel, and more comprehensive insurance services.
- Jiangsu is rapidly expanding its transportation system, and increasing its pool of high-quality labour, as more and more European businesses have or will be establishing their regional headquarters there.

SHENYANG, 30<sup>TH</sup> JUNE 2019

## Shenyang Railway Museum Tour



- The Shenyang Chapter visited the Railway Exhibition Gallery on 30<sup>th</sup> June 2019.
- Shenyang Railway has a history stretching back 120 years to the time the Qing Dynasty built the Inner and Outer Railways in 1891.
- The museum has a total of 41 steam, internal combustion and electric locomotives.
- Many of the Shenyang Chapter members are from the manufacturing industry, and expressed strong interest in having more of this type of events.

SOUTHWEST CHINA, 13<sup>TH</sup> JUNE 2019

## European Business in China Business Confidence Survey Launch 2019 (Chengdu)



- The press conference attracted 10 media outlets, including *China News Service*, *Sichuan Daily*, *Economics Daily*, *21<sup>st</sup> Century Business Herald* and *GoChengdu*.
- Respondents to the survey said Southwest China local governments/agencies are willing to listen to enterprises' needs and provide practical solutions to create a good business environment.

TIANJIN, 26<sup>TH</sup> JUNE 2019

## European Chamber High-level Dialogue with Tianjin Municipal Bureau of Commerce



- Tianjin's GDP grew by 4.5 per cent in the first quarter of this year, while employment, income, prices and other major measures of macroeconomic performance remained stable.
- A new policy aimed at promoting the upgrading of manufacturing companies in terms of equipment, manufacturing process and environmental protection was introduced to the delegation.
- Discussions also covered issues such as talent acquisition and retention, policies for extending investments and dangerous goods transportation during sensitive time periods, among others.

# Advisory Council News

## BP recognised by Stonewall

Oil and gas multinational BP has been listed in the *Top Global Employers* list by Stonewall—the largest LGBT+ rights organisation in the UK and Europe—for the third year running.

BP is one of fourteen organisations recognised globally by Stonewall. BP's Pride business resource group—which supports lesbian, gay, bisexual and transgender (LGBT+) employees—have worked to establish a safe, inclusive work environment where employees can bring their whole selves to work.

Alan Haywood, CEO of BP's Integrated Supply and Trading (IST) Division and BP Pride UK executive sponsor said: "Recognition is a wonderful way to confirm that we're making a difference; we all work hard to embrace diversity, to make it simply part of who we are and how we work – we do it because it's the right thing to do, but recognition is nice. In BP we embrace the richness of our diverse workforce – supporting LGBT is a source of inspiration and insight for our team, being a powerful example of valuing everyone equally."

Ruth Hunt – chief executive, Stonewall, said: "BP have demonstrated a real commitment to ensuring that all their lesbian, gay, bi and trans staff and stakeholders feel included at work and we're delighted to name them as one of our *Top Global Employers* for 2019. All 14 of these businesses truly are at the forefront of driving global LGBT inclusion in the workplace, which is such a crucial step in getting us closer to LGBT equality."

## ABB wins large power transmission order from China's State Grid

Technology industry leader ABB has won a large order to supply converter transformers and high-voltage equipment for an 800 kilovolt (kV), ultrahigh-voltage direct current (UHVDC) transmission link, owned by the State Grid Corporation of China (SGCC), in China's Shaanxi and Hubei provinces in the North-west and Central regions of the country.

The 1,100-kilometer-long power transmission link will transport up to 8,000 megawatts (MW) of electricity, enough to meet the needs of around eight million people in China. The orders were booked in the first and second quarters of 2019.

"UHV transmission equipment from ABB is an important milestone in realising SGCC's vision of building stronger and greener grids. These UHV super-grids will enable the reliable integration of ever more power sources from remote areas into the power grids of urban centres," said Claudio Facchin, president, ABB Power Grids.

## ENGIE China Innovation Platform launched

On 18<sup>th</sup> June 2019, the ENGIE China Innovation Platform was launched, and is now calling for members from the innovation network. The platform is a milestone for ENGIE's



The 1,100-kilometer-long power transmission link will transport up to 8,000 MW of electricity, enough to meet the needs of around eight million people in China.

Photo: ABB



commitment to China's energy transition and innovation.

The ENGIE China Innovation Platform will focus on China energy transition from a global viewpoint, facilitate and promote startups, entrepreneurs, investors, corporations and innovative project owners to share knowledge and cooperate together. It focuses on green mobility, smart city, energy efficiency, renewable energy, and solutions for industrial and verticals.

Meanwhile, ENGIE will share its market insights, provide mentoring and coaching based on its industrial expertise across nearly 70 countries and markets, and potentially, via ENGIE Corporate Venture Capital, provide investment to promising startups aligned with ENGIE's strategic goals.

As a leader in energy transition, ENGIE welcomes participation and collaboration from all players committed to zero carbon energy transition, to create a sustainable future together.

## China Unicom deploys Nokia optical fronthaul to support 5G deployment in 2019

China Unicom has chosen the Nokia optical fronthaul solution to power its 4G and 5G networks in Beijing and support the operator's ambitious commitment to deliver 5G within the 2019 timeframe. Part of the Nokia end-to-end 5G portfolio, the solution will accelerate the deployment of 4G and 5G base stations and reduce operational costs.

In order to meet its 2019 5G goals, China Unicom requires a robust fronthaul solution—linking centralised controllers and standalone radio heads at remote cell sites—that will speed deployment of 4G/5G radios and simplify the installation and management



Novozymes' enzymes are available online through Alibaba's platform for industrial products, 1688.com.  
Photo: Novozymes

of the network. Nokia's advancements in wavelength-division multiplexing (WDM)—a technology that combines several optical signals in one optical fibre cable—have led to the 1830 Versatile WDM Module (VWM), which provides multiservice WDM optical transport. This makes it ideally suited to the performance needs of advanced 4G and 5G fronthaul in cloud radio access network (RAN) architectures. The Nokia 1830 VWM's low operation costs and integrated backhaul to fronthaul management system are matched by its low latency and jitter performance—ensuring precise synchronisation between cell sites.

Gao Bo, head of the China Unicom CBT at Nokia Shanghai Bell, said: "We share China Unicom's vision and commitment to creating this world-leading 5G service for its customers. The Nokia Anyhaul solutions are a key element in faster network deployment, simpler management and lower operational costs. The optical fronthaul solution will be key to providing top notch performance for China Unicom's 4G/5G subscribers."

## Novozymes opens on-line store on Alibaba

China is a pioneer when it comes to e-commerce, and Alibaba is the country's biggest platform, offering a spectrum of products,

such as clothes, furniture, electronics, food, cars and home products. Now, for the first time, Novozymes' enzymes are available online through Alibaba's platform for industrial products, 1688.com.

"We want to be a frontrunner in providing biological solutions online as well as offline. By partnering with Alibaba, we will get even closer to our end customers, address local market needs faster and explore new application opportunities," says Thomas Videbæk, COO and executive vice president, Novozymes.

1688.com is home to more than ten million enterprises with 12 million daily visitors, and it has become a go-to place for business-to-business transactions.

"Novozymes is a world leader in biological innovation and the first multinational company to partner with 1688.com in the industrial biotechnology industry," says Wang Hai, vice president of Alibaba. "The launching of its flagship store will enrich the platform's supply sources and serve millions of small and medium-sized Chinese enterprises with the most cutting-edge biological solutions."

### Tell Us Your Big News

European Chamber members are welcome to add news items on their own activities to our website, and share it with all the other 1,600 members. Visit our website, [www.european-chamber.com.cn](http://www.european-chamber.com.cn), to find out more.

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