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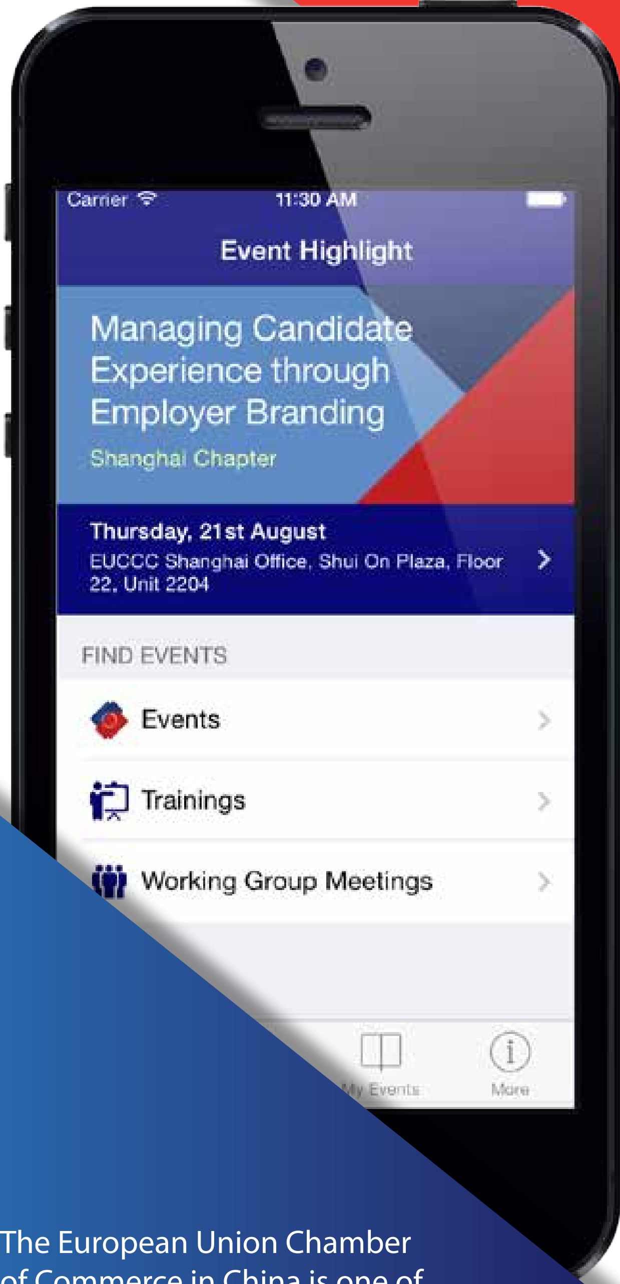

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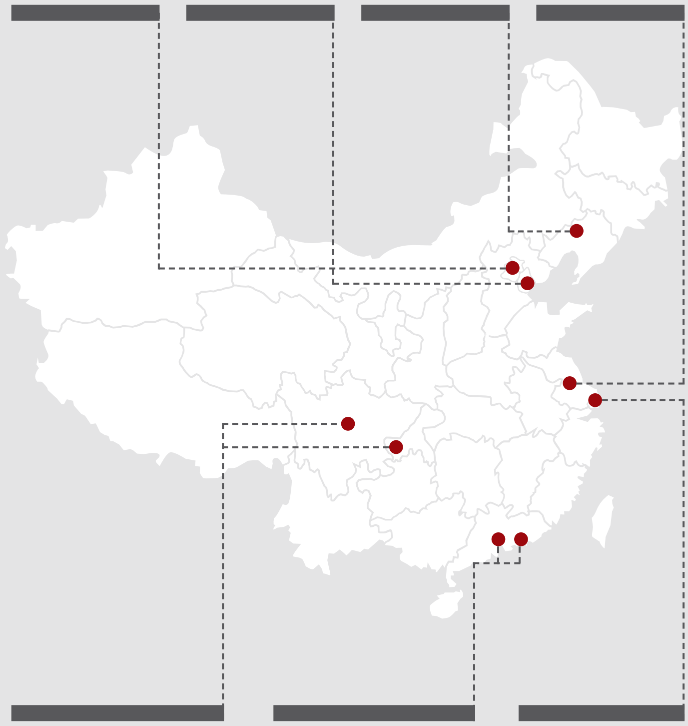

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President's Foreword

China can learn from the European Union in achieving a circular economy

Jörg Wuttke

President

European Union Chamber of Commerce in China

The European business community is committed to assisting China in its goal of developing a robust circular economy. The European Chamber's Environment Working Group has been following China's progress in this respect very closely. It has observed that, although China has long been a frontrunner in resource recycling practices and has shown ambition to develop a comprehensive circular economy, Chinese institutional arrangements are weak and there is no holistic strategy or management system to efficiently advance on this issue. Under the current approach, progress will be limited to the areas where the government chooses to act exclusively, and entire concepts and geographies may fail to see improvement.

Having a circular economy refers to an industrial economy that is, by design or intention, restorative, with as much waste repurposed and recycled as possible. Transition towards a circular economy will foster sustainable economic growth, improve ecological development and generate green jobs, all of which can also contribute to achieving the 2016 Paris Agreement goals on climate change. China now has many initiatives in areas like industrial symbiosis, urban mining, resource recycling and utilisation, and municipal waste separation—all steps in the right direction—but these efforts are led by different ministries without adequate coordination.

In this respect, China can learn from the European Union (EU). In December 2015, the European Commission adopted an ambitious circular economy package, creating a comprehensive framework in order to truly enable the transition. Just over three years later, the EU has delivered on almost all of the 54 actions detailed in the plan, propelling Europe into a position as a global circular economy trailblazer. Such achievements would not have been possible without a detailed action plan.

China is moving in the right direction, though not on the most efficient path, making cooperation with the EU an important opportunity. A good start to such engagement was the signing of the EU-China Memorandum of Understanding (MOU) on Circular Economy Cooperation, demonstrating that the world's two largest economies stand to gain from aligning policies to establish global standards for the treatment and use of waste materials.

However, there is room for further cooperation and acceleration of the process. Rather than just focusing on government-to-government cooperation, China would derive great benefit from looking at the roles industrial players can play. Many European companies have incorporated the development of the circular economy into their business principles, and taken action to walk the talk. Bringing them into the discussion can help China set the right policy direction. Ensuring that they can contribute through equal access to public procurement and public-private partnerships (PPPs) can also leverage what they bring to the table.

At the policy level, I refer to the views in the *Environment Working Group Position Paper*. Their recommendations, such as defining an overall strategy for circular economy development, with a mid- and long-term legislation framework, including targets and roadmaps and potentially implementing a number of circular economy pilot projects, can jumpstart China on the right path towards a more sustainable future.

Closing the Loop for Plastic Waste

by Dr Volker Rehrmann

A high increase in consumer awareness of plastic pollution has given way to a movement with more companies pledging to use recycled material. But there isn't enough plastic being collected to meet the rising demand for recycling. **Dr Volker Rehrmann** of **TOMRA** takes a look at the steps we can take to invigorate the plastics recycling system to keep the material in the circular economy loop.

The plastic paradox[1]

Plastic waste generation is growing rapidly. Both the environment and human health are being negatively affected by society's failure to return plastics into a closed loop. The current linear production model means the end-of-life for plastics is mismanaged and a valuable resource is lost.

Consumer expectations for recycled plastic have increased due to the wave of information on the harm misused plastic is causing. In response, governments and companies are making pledges to use recycled plastic. EU Member States, for example, have signed several legislative proposals on waste, including a 70 per cent recycling rate target on packaging waste by 2030.

In 2019, the European Commission announced that plastic drinking bottles must include a minimum of 35 per cent recycled content by 2025, and that member states must collect and recycle 90 per cent of beverage containers.

According to the Ellen MacArthur Foundation, of the 78 million tonnes of plastic packaging produced in 2013, 40 per cent went to landfill, 32 per cent leaked into the environment, and 14 per cent was incinerated. While the remaining 14 per cent was collected for recycling, sadly only two per cent of this remained in the circular economy.

The problem is amplified by the fact that eight per cent of the plastic we do collect is downgraded, meaning it can only be used once more and does not remain in the circular economy, i.e. the value is lost.

If brands want to switch to recycled content, a considerable amount of material is needed that is currently not available in the market.

Catalyse the circular economy

If society is going to meet its recycling ambitions, we need to catalyse the circular

1. Jim Fitterling, *Our Indispensable Problem: The Paradox of Modern Plastics*, World Economic Forum, 15th January 2020, <https://www.weforum.org/agenda/2020/01/the–paradox–of–modern–plastics/>

economy. At the heart of this is the need to view plastic differently, not as waste, but as a valuable resource that is worth collecting. Plastic must stay in a closed loop by better management throughout its lifecycle.

Design for recyclability

Everybody knows the adage about square pegs not fitting in round holes, and the same can be said for a linear design for a circular economy — it doesn't work.

Plastic packaging must, of course, maintain its current function to protect goods and communicate information about the product inside. If packing isn't fit for purpose, it can't protect the product it is designed for, and the environmental and financial costs only increase. The *2017 New Plastics Economy* report (by the World Economic Forum and the Ellen MacArthur Foundation) suggested that 30 per cent of plastic packaging needed fundamental redesign and materials science innovation. A further 20 per cent could incorporate better design for reuse.

Use more recycled materials in production

Using recycled materials saves resources and lowers carbon emissions. It takes 60 per cent less energy to manufacture recycled PET plastic bottles compared to bottles from virgin plastic. Despite this fact, not enough recycled materials are finding their way back into a closed loop.

Redesign and recycling will go some of the way, but the main challenge is to work together to improve plastic collection and to change the system.

Manufacturers and brand owners with requirements to use recycled content must optimise and identify ways to secure increased amounts of recycled material, if they are to meet their targets.

Change the system to create value

High-profile information campaigns and the media have brought plastic waste to the front of society's environmental conscience. Plastic has become Public Enemy No. 1, but it doesn't need to be. We need to remove single-use plastics. Deposit return schemes (DRS) are a proven system to encourage consumers to recycle their plastic beverage containers and increase collection rates, and they also maintain the purity of the material.

Eight EU nations now have a DRS, with Germany leading the way at a 98 per cent return rate. In Lithuania, for example, innovative reverse vending machines—which enable the automated collection of beverage containers—saw collection rates soar from 34 per cent in 2016 to 92 per cent within two years.

In the current linear production system, plastic with value is being lost. Mixed waste often ends up incinerated or sent to landfill. Optical sorting machinery, currently used in countries like the Netherlands and Norway, enables plastic to be recovered from mixed waste streams and kept win the closed loop. Once collection rates increase, it must be recycled at the highest quality to make sure it can be used in new products.

Quantity and quality are needed to solve the plastic paradox. As quantities of recycled material in the loop increases, the mindset of the industry must turn to quality.

The plastic paradox can be resolved. Redesign and recycling will go some of the way, but the main challenge is to work together to improve plastic collection and to change the system. Eb

The sustainable technology company **TOMRA**—the world leader in reverse vending machines and sensor-based sorting systems—has established a new Circular Economy Division, with the mission to engage people and business to close the loop for plastic waste and to solve the problem of the plastic paradox.

TOMRA is dedicated to increasing the recycling rates of plastic and many other materials, and has been developing solutions since 1972 to do this. By 2030, TOMRA aims to have increased global collection of plastic for recycling from 14 per cent to 40 per cent and increase recycling of plastics in a closed loop system from two per cent to 30 per cent.

China Leapfrogging to a Circular Economy

Opportunities for European companies?

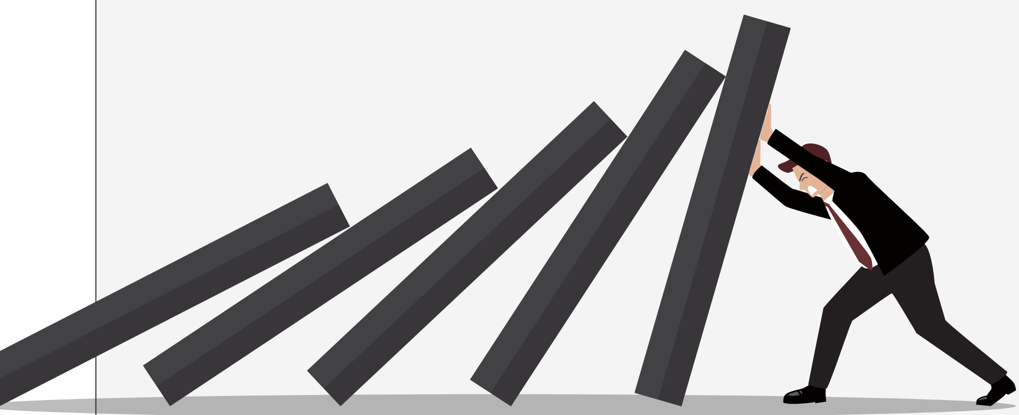
by Johnny Browaeys

2019 wasn't easy for European companies in China. Business interruptions due to strict environmental enforcement, slowing growth and the trade war made many business leaders ponder their China plans. More than the circular economy (CE), business 'resilience' and 'transformation' were high on the agenda. Yet, as **Johnny Browaeys** from **GREENMENT** tells us, CE seems to be the answer to both.

Recent studies by the Ellen MacArthur Foundation (EMF) and McKinsey Company show that the transition to a CE, enabled by the technology revolution, would allow both Europe and China to improve resource productivity and generate substantial economic benefits for EU industries. CE is a paradigm shift that revolutionises the way we design products, production and consumption patterns; in essence, the way we live.

Transformation GDP instead of growth GDP

Both Europe and China have understood this and share this vision for the future. This is illustrated by the European Commission's recent Green Deal and by China's ratification of "ecological civilisation" in its Constitution in 2018.



Europe's approach is one of systematic adaptation of policies evolving from a long history of economic development, balancing many voices. China's approach is what can be called 'piloting policies on-the-go', in a context of explosive economic growth, driven by one Party.

CE is not a new concept in China. Development of a CE became a national-level 'mission' under the National Development and Reform Commission (NDRC) as early as 2004. The Circular Economy Promotion Law was approved in 2008. *China: Promoting a Circular Economy* is the final report of the programme developed by the World Bank in 2009 under the framework of the Italian Trust Fund for Environmental Protection in China.

The establishment of green factories became a strategic task, put forward in the Made in China 2025 initiative issued by the State Council in 2015. The Industrial Green Development Plan (2016–2020) was issued to establish a green manufacturing system by 2020.

In 2016, the first local green supply chain standards were issued in Tianjin: *Green Supply Chain Requirements (DB12/T632-2016)*, *Green Supply Chain Implementation Guideline (DB12/T662-2016)* and *Green Supply Chain Standardisation (DB12/T669-2016)*. These provided guidance for green procurement and for green supply chains in the fields of green buildings, houses, steel and other industries.

In December 2017, the first national-level standard, *Green Supply Chain Management in Green Manufacturing (GB/T33635-2017)*, was rolled out. In 2018, green manufacturing criteria were established by *General Rules for Green Factory Evaluation (GB/T 36132-2018)*, as illustrated on the opposite page.

Specific requirements are put forward regarding major pollutants emissions from key industries, re-utilisation rates for industrial solid waste and energy consumption relative to industrial value added.

Incentives to participate

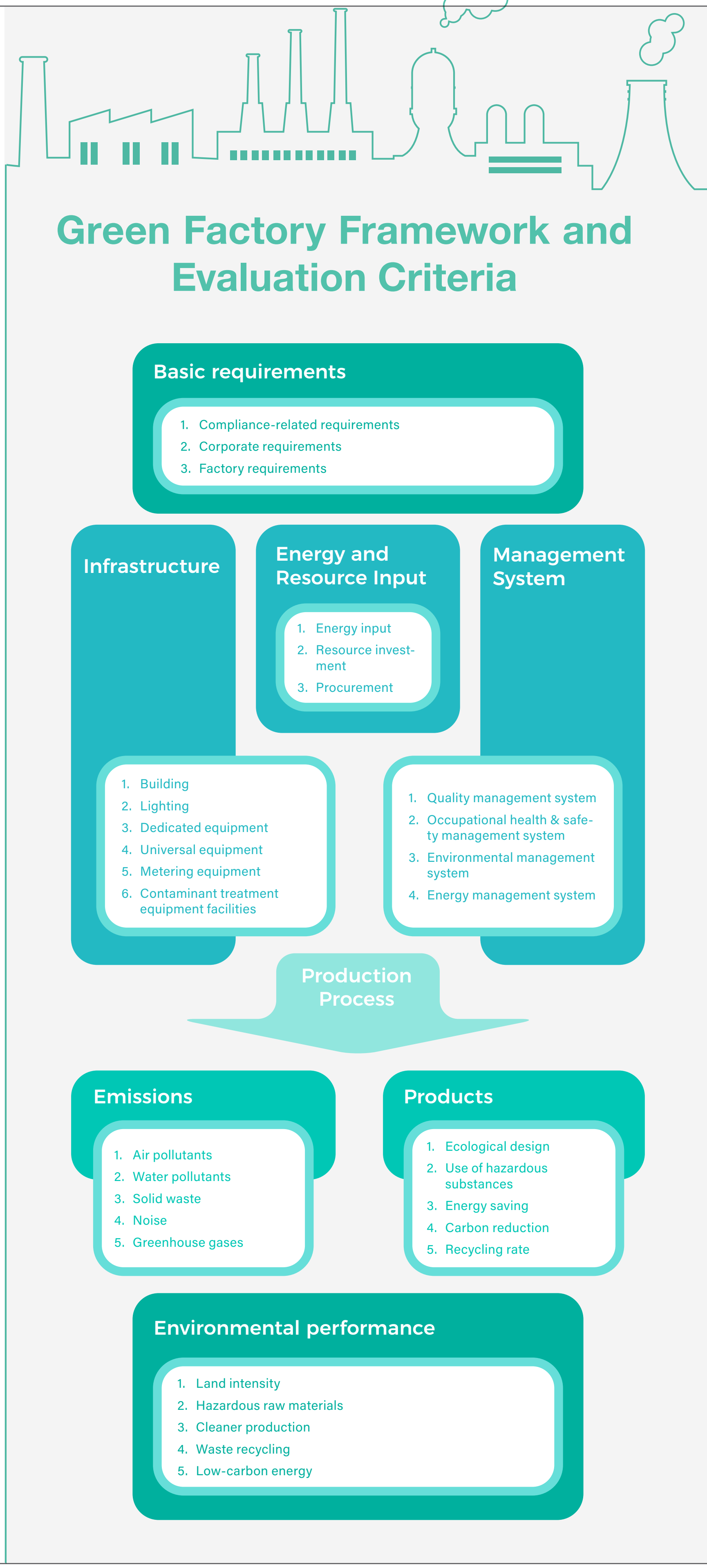
The List of National Green Supply Chain Management Demonstration Enterprises is growing rapidly, and local governments have started issuing various kinds of incentives. For example, Fujian Province has given an award of Chinese yuan (CNY) 2 million to companies on this list. Other examples are found in Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang, Anhui and Guangdong, and individual cities such as Hebi in Henan.

Via green supply chains and manufacturing to an ecological civilisation

The Green Manufacturing Association of China (GMAC), via the Green Manufacturing Alliance, invites companies to participate in laying the foundation for green manufacturing industrial standards and the setup of professional committees.

The GMAC was established in 2017 to combine efforts by government, industry, universities and research institutes to promote the green transformation and upgrading of China's manufacturing industry into a new engine for economic growth and create a new advantage in international competition.

From the above, it is clear that China is using a holistic and participative approach to create its ecological civilisation and that CE lies at its foundation. Green supply chains are required to minimise consumption of energy and resources during production, minimise their environmental impact, and maximise reutilisation. Enterprises are required to consider the ecological and environmental impacts from product design, procurement, production, sales, distribution, usage, recycling and treatments aimed at reuse. The aim is that



green requirements placed on companies are not only passed on to upstream companies, but also extended downstream – eventually achieving recycling and reuse, resulting in economic and environmental benefits.

Enterprises that repeatedly refuse to change and that do not comply with these new requirements will be removed from the manufacturing supplier base, fading them out of existence.

Business risk management in China *anno* 2020

In this rapidly changing environment, compliance with regulations is not enough. Companies need to play ahead of the game, anticipate what is coming and how it will impact their business. A deep transformation of the Chinese industry is happening.

An example is the Jiangsu explosion in 2019, which triggered industrial upgrades, relocations and even closures. In fact, the incident has driven innovation across individual companies, industrial parks, and the industry as a whole. Other examples include cases where poor ambient air or surface water quality has triggered local governments to restrict company operations and/or insist on factory facility upgrades. In parallel, local, provincial and national governments are reviewing urban, industrial and ecological planning, and subsequently planning relocations, closures of factories, and, in some cases, even entire industrial parks.

> **Let's remind ourselves we cannot afford to be distracted by ideological differences.**

This means that external, dynamic, events are impacting companies through 'real-time policy adaptations' raising the bar for the industry, balancing society's need for safe and clean environments and employment.

Environmental credit scoring in 2020 and beyond

China's Corporate Social Credit System, which is set to be rolled out fully by the end of 2020, but is already running as a pilot, uses a 'digital hand' to monitor, score and drive the environmental performances of companies in China.

Some of the mechanisms under consideration in upcoming regulations are disclosure of environmental ratings, differentiated supervision based on credit levels, various market and industry prohibition mechanisms, financing/bonds and transfer of liabilities, to name but a few.

Getting certified as a Green Manufacturing Company for example helps to increase your rating and get exempted from inspections or production restrictions during poor air quality alerts. Under these conditions, environmental protection 'dividends' will gradually increase. Green manufacturing companies building green supply chains will not only be more resilient, but their market share will increase accordingly, as changes are led by leading companies, followed by their followers.

Europe and China

Policy discourse and recent legislation (2015–2017) in both regions are converging to challenge the traditional model of linear economy (take, make, dispose). The Memorandum of Understanding (MOU) on Circular Economy Cooperation signed at the 20th EU-China Summit (July 2018) is an important milestone. The transition to CE in the worlds' two largest economies would accelerate a global "system shift" towards a low carbon regenerative economy, said Arvea Marieni, a CE expert at the international conference 'EU-China 2020 Strategic Agenda for Cooperation' of the College of Europe.

Some thoughts to take home

Global natural resource exploitation is accelerating in the face of resource decline. Population and income growth are driving up demand for energy, materials and food. According to an International Resource Panel report, global material resource usage—which was nearing 90 billion tonnes in 2017—is forecast to double between 2015 and 2050. Humankind is operating beyond the planetary boundaries that allow life on earth.

The way CE rolls out in China and Europe is of such a scale that it has the potential to transform the world. Let's remind ourselves we cannot afford to be distracted by ideological differences. Mutual trust, respect, acceptance and a genuine desire to make it work are key for a sustainable relationship. With the philosophy of only having one 'Circular Earth' in mind, let's focus on getting things done. Or we might as well all call Elon Musk and sign up for a ticket to Mars. Eb

Johnny Browaeys is the national vice chair of the European's Chamber's Environmental Working Group, and director of GREENMENT Environment

GREENMENT was formed in 2012 from the North Asia Division of CH2M, part of the world biggest environmental consulting and engineering group. (CH2M was merged into Jacobs in 2017). GREENMENT has its representative offices in Shanghai, Beijing, Guangzhou, Brussels-Belgium and Silicon Valley.

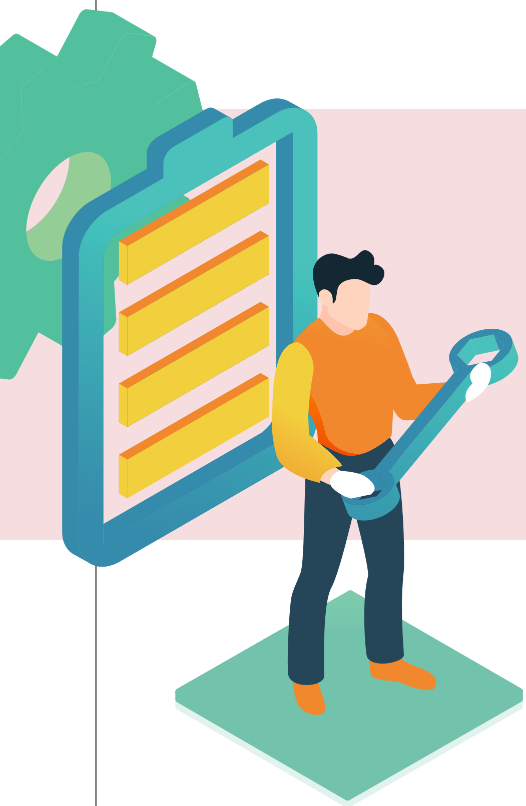
GREENMENT has developed the DERA (Dynamic Environmental Risk Assessment) system which taps into China's new 'big data' channels that allow companies to prioritize, anticipate and mitigate business risks.

GREENMENT is authorised to perform Green Factory Evaluations and holds professional licenses for Soil and Groundwater Remediation, Environmental Impact Assessment and Permitting, and Occupational Health & Safety.

Secondhand, First Choice

What's driving the boom in sales in China's used car market? by Timothy Ang

Note: This is an extract from an article which has been reproduced with permission from CKGSB Knowledge, the online research journal of the Cheung Kong Graduate School of Business.



Buying a used car or anything else secondhand is still uncommon in China, where consumers have a deep desire for the new. But, as **Timothy Ang** explains in this extract from *CKGSB Knowledge*, low prices, online convenience and a slowing economy are beginning to change attitudes.

He Bin, like many men his age in China, started his search for a car on the showroom floors of car dealerships. It quickly became clear, however, that the shiny coupės he was eyeing had a few too many zeros at the end of their price tags. He Bin could just not afford to buy a brand-new set of wheels. That's when he decided to turn to the secondhand car market for a better deal.

With a wife, two young children and a job based 45 minutes away from his rural home in Fujian, the southeastern province opposite Taiwan, the 26-year-old is now the proud owner of a secondhand Volkswagen.

To people from developed countries, buying secondhand items is perfectly normal. But for China, buying used bargains is still the exception, and not something that you would necessarily want to brag about. Yet despite a deep cultural distrust toward anything that is not new, shoppers now have access to a number of efficient and accessible online platforms that offer big-brand items at low prices.

The value of recommerce

According to the China Center for Internet Economy Research, Chinese yuan (CNY) 500 billion (United States dollars (USD) 70.5 billion) was spent on secondhand goods in 2017 by 76 million active online users. This is a modest figure compared to Western economies—the used goods market in the US is roughly four times as large—but as with many sectors in the world's second-largest economy, growth is the real aspect to monitor.

The number of users of online secondhand platforms in 2017 was up 55 per cent year-on-year. Some analysts predict that used goods will be a trillion yuan industry by the end of 2020.

Like He Bin in Fujian, many buyers' first experience of the sector is on one of the so-called 'recommerce' apps. Given the centrality of mobile phones to Chinese commercial activity, from online payments to food delivery, it is not surprising that bright, appealing apps have become the epicentre for the secondhand market's rise.

The platforms usually vary by product specialisation, but three companies together occupy 90 per cent of the market. Uxin targets the car industry, while industry leaders Zhuanzhuan ('Pass on') and Alibaba-owned Xianyu ('Idle Fish'), have become the main trading posts for used bags, clothes and unwanted cosmetics from across the country.

"I use the app to find limited editions of lipsticks, mascaras and sometimes t-shirts," says Zhixin, a recent graduate from Hebei. "I have a student budget, but I can normally still buy what I want."

Young users like Zhixin are the engine of the recommerce trend. A study by the Sootoo Research Institute found that half of recommerce users are under 24 years of age, with another third between 24 and 30. For the Xianyu platform, millennials under 30 constitute around 60 per cent of the user base. The number is slightly lower for vehicle platform Uxin, for which the 30-and-under demographic contributed just 18 per cent of total sales in 2018.

In the auto sector, while sales of new vehicles have fallen, those of secondhand cars have been steaming ahead. There were roughly 13 million used cars sold in China last year, according to official figures, compared to new car sales of around 28 million. In the first half of 2019, sales grew by 17.8 per cent from a year earlier, with over two million units sold in June alone.

"Secondhand car sales used to grow at a slower pace compared to the new car market, which until recently was growing at double digits," says Jochen Siebert, managing director of auto market consultancy JSC Automotive. "But since last year, we've seen the reverse taking place."

But Siebert adds that China still lags industrialised nations when it comes to resales as a proportion of the total market. In the US and Western Europe, secondhand car sales are typically double those of new.

The millennials

The rise of the circular economy comes at a time when many consumers, particularly millennials, are increasingly strapped for cash. Media coverage tends to focus on the loaded pockets of China's urban elites, but such people make up a small section of the population and are concentrated in a handful of coastal cities.

Looking inwards to the rest of the country has proven to be a great e-commerce strategy. The success of Pinduoduo, since its founding in 2015, was in part due to 65 per cent of its customers coming from smaller cities inland. Pinduoduo reached CNY 100 billion (USD 14.3 million) in gross sales after just three years, twice as fast as it took market leader Taobao to reach the same milestone.

A tightening of consumer purse strings has, however, been balanced by the powerful drive of the younger generation to embrace consumerism. Smarter shopping is not only a matter of price and increased acceptance of used goods among the youth – it also offers a solution to the impact of more extreme shopping habits by using apps such as Xianyu to sell excess junk accumulated over the year.

A key driver for Western consumers buying secondhand has been concerns about the environmental implications of buying everything new. The cultural legacy of excessive consumption that has recently dominated China may not be so easily done away with. However, some people

> **"...in urban areas, over half of customers listed environmental concerns among their top reasons for going for secondhand products."**

see the beginnings of a heightened social awareness amongst China's middle class around the industrial footprint created by purchases.

Market consultancy Mintel found that, in urban areas, over half of customers listed environmental concerns among their top reasons for going for secondhand products. This rose to 63 per cent among the well-educated demographic, where environmental issues surpassed affordability as the number one factor.

The secondhand auto market will be one to watch, though not for reasons of sustainability. The central government is working to free up the domestic used-car market, realising that, otherwise, top-tier cities will become overloaded with sellers unable to shift their vehicles. It has already passed legislation prohibiting protectionist policies by provincial governments, and in early 2019 green-lit the export of secondhand cars abroad. Despite this, the market still has a long way to go to reach maturity.

"A big problem is trust," says Siebert. "Buyers generally trust vendors less than in the US or Germany. They are much more likely to assume they're crooks than give them the benefit of the doubt."

That suspicion is well-founded. Even used-car directory Uxin was implicated in fraud earlier this year. This followed a damning report accusing it of overstating its transaction volume and charging extortionate operator fees. Uxin's owner Dai Kun denied all claims.

Early days

It's too early to pinpoint the repercussions of a booming secondhand market. In many key product categories, China lags well behind Western counterparts. Nevertheless, experts expect continued growth, and the main downside, the impact on manufacturers, is yet to become evident in the data.

Take He Bin in Fujian. A few years ago, he would never have considered checking out the used market for his first car. "Now, I don't understand why everyone isn't doing it," he says. Well, maybe soon they will be.

Established in Beijing in November 2002, **Cheung Kong Graduate School of Business (CKGSB)** is China's first faculty-governed, non-profit, independent business school. More than half of CKGSB's 13,000+ alumni are at CEO or chair level and, collectively, lead one-fifth of China's 100 most valuable brands. In 2005, CKGSB pioneered integrating humanities into its curricula. EMBA students—over 80 per cent of whom are at vice president level or higher—are also required to complete six days of community work. In 2014, CKGSB was the first Chinese business school to develop a philanthropy program. The school offers the following courses: MBA, Finance MBA, Executive MBA, Business Scholars Programme (DBA); and Executive Education programmes.

The Fight Against Microplastics in Cosmetics

Industry leaders create environmentally friendly alternatives by Dorothea Wenzel

Plastic materials are part of our modern reality and our daily life. It's difficult now to imagine a world without them. However, there are also consequences for our enormous use of plastic materials. Today—and for the foreseeable future—one of the biggest environmental problems confronting us is that the oceans are littered with tonnes of plastic particles. Among them, microplastics are particularly problematic. **Dorothea Wenzel** of **Merck** explains how microplastics, though very small in size, can potentially do a great deal of damage, and the steps the cosmetics industry is taking to mitigate the problem.

Microplastics – 'small endangerers'

Microplastics are micro-sized particles of plastic that do not break down in the environment or during sewage purification, as they are solid and non-biodegradable. Many end up going down the drain after being washed off with personal care products during cleaning, and wastewater treatment plants cannot decompose or filter them. Consequently, microplastics pollute the rivers and eventually the entire aquatic ecosystem. The microparticles are ingested by sea organisms and come back to us at the top of the food chain via the seafood we consume. The impact on health and further implications—for the sea organisms and ourselves—are not yet completely clear.

In October 2017, the European Commission released the report *Intentionally Added Microplastics in Products*. This carried out risk assessment on personal care products, detergents and other industrial products that use these materials, and discussed potential alternatives.

Moving away from microplastics in cosmetics

Microplastics are used in many cosmetic products such as lotions, make-up, toothpaste and soaps. In personal care products, microplastics are often used because of its safe and effective exfoliating properties, while in cover products such as foundation make-up, it functions as a filler.

Many countries, including Canada, United States, the United Kingdom, Sweden and France, have already released regulations introducing a plastic ban on the use of such material in cosmetics that are rinsed off. Cosmetic companies around the world are striving to redesign their formulations with suitable alternatives, including non-rinse products like skin care and colour cosmetics.

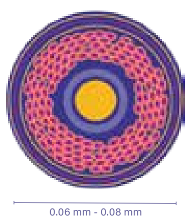
There are a few alternatives available to formulate high performance cosmetics with environmentally friendly raw materials. Carefully designed functional fillers, for example, offer a good scope of action for sensory profile improvement of emulsions or powders. This area of cosmetics is of especially high importance, as higher amounts of microspheres are utilised to provide properties like smoothness, good gliding or an elegant silky feeling – all considered essential aspects for high-quality powders and skin applications.

To help fight against microplastics in cosmetics, science communities and businesses have been exploring and developing environmentally friendly alternatives that can be used in various cosmetic applications. They can vary in terms of basic substance, powder colour, shape and particle size to enable different functionalities in line with the targeted application.

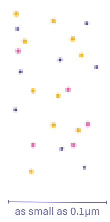
New types of fillers developed include one based on natural minerals, which provides a suitable alternative to plastic microbeads. This functional filler can be used in skin care and colour cosmetic formulations such as powder-based make-up products. Another example is a filler created with environmentally friendly mineral coatings. The spherical particles play a part in leaving skin feeling more supple after a product is used.

Based on performance evaluations like sensorial handling, stability and formulation impact, the two types of filler mentioned above can be used as replacements—especially for nylon-based plastic beads—and are suitable for many cosmetic applications.

Human hair in cross section



Tiny plastic beads



Did you know?

The tiny plastic beads do not dissolve in water. Because they are as small as 0.1 micrometres (μm) in size, wastewater treatment plants cannot filter them out. It takes about 100 years for the microbeads to biodegrade.

Conclusion

Cosmetics is a dynamic and trendy industry. This drives industry leaders to continuously innovate and find new ways to enable both creativity and sustainability. A good number of sustainable options are readily available for environmentally friendly texture enhancement, if we keep searching with a curious mind. Sometimes, just a little step is necessary to continue in the right direction. EB

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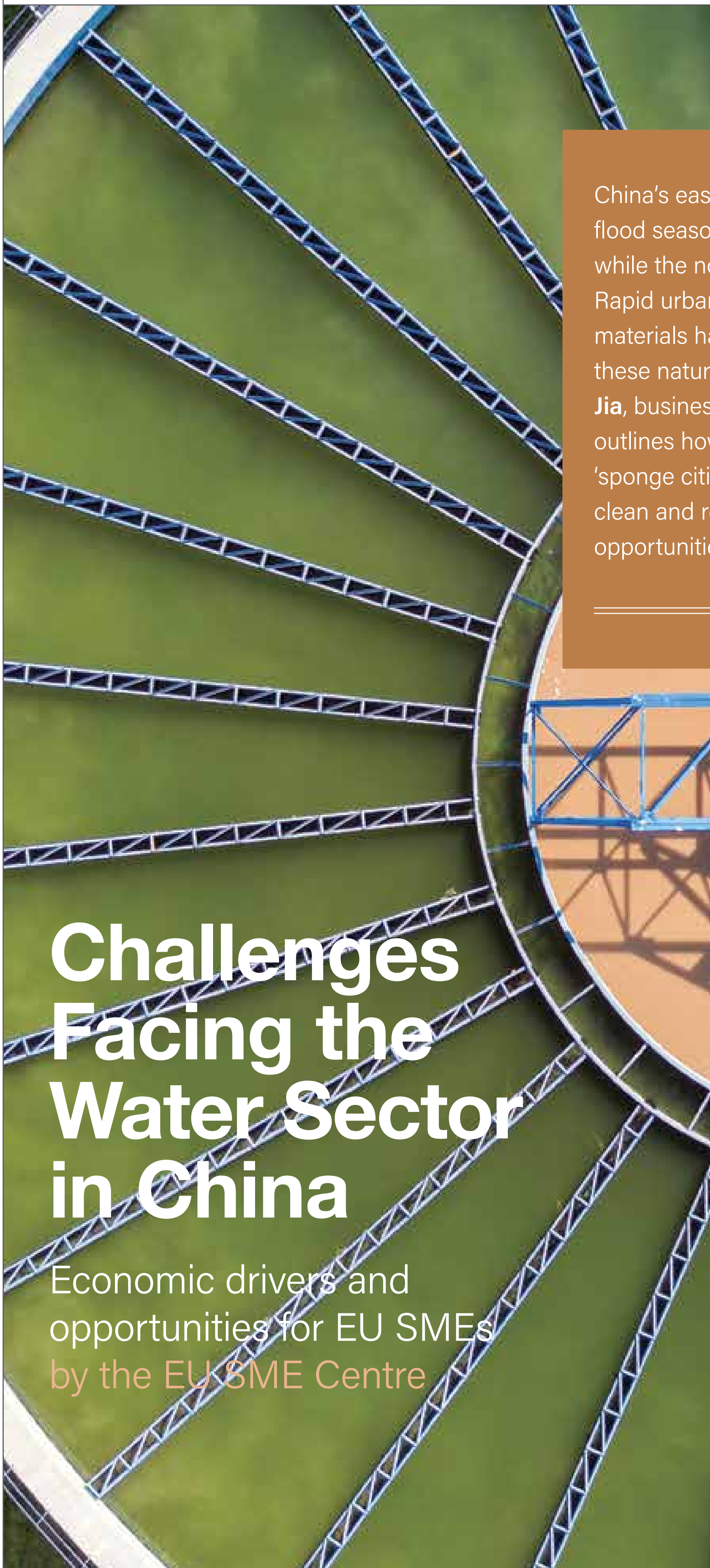
Our Performance Materials business sector comprises the specialty chemicals business of Merck, which provides innovative solutions for displays, computer chips and surfaces of every kind. Merck Performance Materials has four business units: Semiconductor Materials, Delivery Systems & Services, Display Solutions, and Surface Solutions.



Challenges Facing the Water Sector in China

Economic drivers and opportunities for EU SMEs
by the EU SME Centre

China's eastern and southern regions endure flood seasons from May to September annually, while the north can go for months without rain. Rapid urbanisation and impervious building materials have exacerbated the impacts of these natural cycles in recent times. **Liam Z. Jia**, business advisor with the **EU SME Centre**, outlines how China is working with the concept of 'sponge cities'—urban areas designed to absorb, clean and re-use rainwater—and the business opportunities therein for European companies.

The overall policy framework

As early as November 2012, an overall policy framework for an 'ecological civilisation' was declared at the highest levels of the Chinese Government during the 18th National Congress of the Communist Party of China. By October 2015, the policy had been officially included in the 13th Five-year Plan and addressed during several speeches by President Xi Jinping before being eventually included in the constitution during the 13th National People's Congress.

Since the declaration of the policy framework, the Party Central Committee has vigorously promoted the construction of an ecological civilisation, and significant progress has been made in ecological governance systems. In order to curb environmental pollution, a series of laws and policies have been promulgated, such as the new Environmental Protection Law,[1] the Air Pollution Prevention Action Plan,[2]

1. *The Environmental Protection Law of the People's Republic of China comes into force on 1st January 2015*, State Council, 25th April 2014, viewed 14th January 2020, <http://www.gov.cn/xinwen/2014–04/25/content_2666328.htm>

the Water Pollution Prevention Action Plan,[3] and the Soil Pollution Prevention Action Plan.[4]

The ecological civilisation policy framework is driving a transformation of the Chinese economy into one that's more environmentally aware and sustainable. To break the policy down into more simple terms and concrete targets, it means understanding the needs of a diverse and healthy ecosystem that will support human civilisation, and designing infrastructure that can be sustainably operated so people can live in accordance with the goals of an ecological civilisation. These targets are challenging, while at the same time promote the development or acquisition of innovative technologies, systems and methods.

The policy framework also requires new urban developments to incorporate resource efficiency at the design phase, buildings to be energy- and water-efficient, and city landscaping to also provide functional ecosystem services. The policy has now also been codified in the Ministry of Housing and Urban-Rural Development's (MOHURD's) *Sponge Cities Guidelines* and the Ministry of Water Resources' (MWR's) *Water Ecological City Construction Evaluation Guidelines*.[5]

The water sector in China and the 'sponge city' concept

The policy framework aimed to improve the management of the water cycle in terms of resources, chemical quality, ecological quality and interaction with infrastructure. China has a decentralised administrative system for water services; it is devolved to provincial, municipal and county-level government authorities. They are responsible, on different levels, for a wide range of aspects, including water resources management, water treatment and supply, sewerage and collection, wastewater treatment, sludge treatment and environmental quality. They deliver these services based on policy and advice from the central government.

At the municipal level, the 'sponge cities' concept has been introduced and become the Chinese equivalent of Sustainable Urban Design (SUD) in Europe or Low Impact Design in the US. However, the concept is wider than just drainage management and green infrastructure; 'sponge cities' also take into account water capture, storage (including groundwater recharge) and reuse; rehabilitation of degraded urban water courses; wastewater recycling and reuse; and the general improvement in liveability of cities.

Initially, the sponge cities programme was rolled out in late 2015 with the announcement of 16 pilot cities that would get substantial central government funding support (about Chinese yuan (CNY) 500 million per city per year). In 2016, a further 14 cities were added. While there was no obligation for the first 16 cities to employ public-private partnership (PPP) models, some element of private finance is required in all 14 new projects. China's Ministry of Finance reports that 12 sponge city PPP contracts, worth a total of CNY 46 billion, have either been recently awarded or are under preparation.

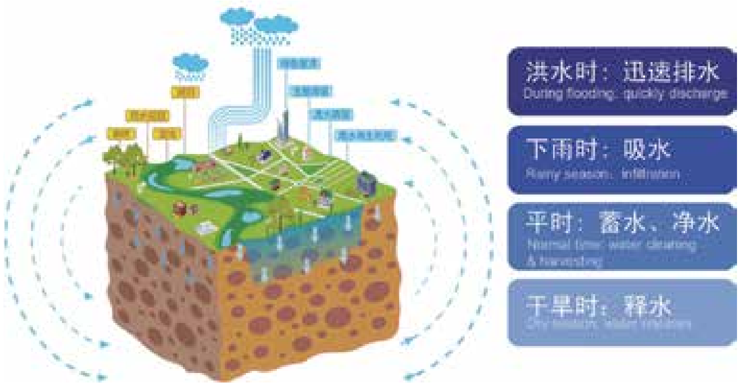
The identification of the 30 pilot 'sponge cities' has opened many opportunities for European planners, designers and engineers to develop innovative integrated designs for decentralised water systems, recycling sustainable drainage, river and

Map of Pilot Sponge Cities

Resource: Hui Li, Liuqian Ding, Minglei Ren, Changzhi Li, and Hong Wang, *Sponge City Construction in China: A Survey of the Challenges and Opportunities, Water*, 2017, vol. 9, no. 9, p. 594, <https://doi.org/10.3390/w9090594>

2. *The State Council issues ten measures of the 'Air Pollution Control Action Plan'*, State Council, 13th September 2013, viewed 14th January 2020, <http://www.gov.cn/jrzg/2013–09/12/content_2486918.htm>
3. *State Council issues 'Water Pollution Prevention Action Plan'*, State Council, 16th April 2015, viewed <http://www.gov.cn/xinwen/2015–04/16/content_2847709.htm>
4. *State Council issues 'Soil Pollution Control Action Plan'*, State Council, 31st May 2016, viewed 14th January 2020, <http://www.gov.cn/xinwen/2016–05/31/content_5078467.htm>
5. *Water Ecological City Construction Evaluation Guidelines SL / Z 738–2016*, MWR.

How a Sponge City Works



Resource: NLUrban Solutions, http://nlurbansolutions.com/

lake rehabilitation and in-situ treatment with ecological landscaping. European firms experienced in developing solutions for energy, water, transport and solid waste management and recycling—as well as seeing past the limitations of entrenched procedures to implement a circular economy—will have an advantage.

Bundling wastewater treatment plants (WWTPs) into sponge city PPPs is a new way of enhancing the environmental and financial benefits. In the past two years, the scope of PPPs in the water sector has expanded exponentially, with many projects now including environmental services without a revenue stream attached, such as river remediation, landscaping and drainage services. This is even happening outside official sponge city pilot areas.

European small and medium-sized enterprises (SMEs) could provide green infrastructure designs or technology, either directly to the municipal governments or—more likely—to the companies bidding for project contracts. These may be national-level companies specialising in water PPP projects—such as Tsinghua Holdings Ltd, Beijing Enterprises Water Group (BEWG), China Everbright and Beijing Capital—or local companies with close connections to the municipal governments. These companies will have to partner with construction contractors for project delivery, and often also design consultants. This differs from the normal WWTP or water supply PPP contract competitions, which are normally bid on by a single company. This trend reflects the more complex nature of sponge city projects, which require urban construction and urban planning, as well as water infrastructure experience.

Examples of recent tenders are the Sanya Sponge City PPP project on Hainan Island, at CNY 4 billion on 6th December 2016, by a consortium comprised of Jiangsu Zhingnan Construction, Beijing Urban Construction and China Wuzhou Engineering.[6] A project open for request for proposal (RFP) as of April 2017 is the United States dollar (USD) 238 million Shenzhen Guangming New District Sponge City.[7]

Challenges facing the sector, market access barriers and opportunities for EU SMEs

Many of the new laws and regulations are driving investment in new technology and innovative solutions that can deliver better environmental and living conditions for the population. All new developments must meet water resource allocation limits, pollution load allocations and water reuse/recycle targets, and comply with sponge cities standards. With these objectives in mind, European SMEs can seek to engage with Chinese partners to supply equipment, infrastructures and services.

After all, many cities in China are still facing severe challenges from water scarcity, pollution, flooding and inadequate infrastructure. Water security is critical to sustainable growth in China and the government is greatly increasing investment in the sector. Water scarcity and pollution issues represent both considerable risks to economic growth and opportunities for growth.

China wants to access the best international practices that have demonstratedly turned risk into potential for growth, but there are many barriers to overcome: localisation, knowledge, language, culture, IPR and finance. Products need to be adapted to local requirements, and companies will need to develop their relationships with partners and clients, while complying with local business processes. Winning contracts and orders will also require an understanding of local procurement processes. To be successful, EU SMEs will have to find the niche for their expertise and premium technology, and clients with the financial resources to procure their services. If they get it right, the opportunities will eventually outweigh the challenges.

EU SME Centre

Liam Z. Jia is a business advisor at the **EU SME Centre**, a European Union initiative that provides a comprehensive range of hands-on support services to European small and medium-sized enterprises (SMEs), getting them ready to do business in China. Liam's areas of expertise include: the Water Sector in China, Food & Beverage Exporting and Distribution in China, E-commerce and Digital Marketing in China. Liam also focuses on China's outgoing strategies and overseas investment vehicles. He is an author/co-author of several EU SME Centre publications and a regular speaker on trade-related topics in China for EU SMEs.

6. *Global Water Intelligence*, subscription service, <https://www.globalwaterintel.com/global–water–intelligence–magazine/project–trackers/sanya–sponge–city–pppproject–hainan–province>
7. *Global Water Intelligence*, subscription service, <https://www.globalwaterintel.com/global–water–intelligence–magazine/project–trackers/shenzhen–guangming–newdistrict–sponge–city>

AIMING FOR LONG-TERM SUCCESS

Corporate social responsibility-driven innovation by Yves Reymond and Chia-Lin Coispeau

Winners of the 6th CSR Awards

MNCs Category

Leadership in CSR & Sustainable Growth
Nestlé China, Epiroc China, Arkema Changshu

Excellence in Responsible Employee Development
Schneider Electric China

Excellence in Environment Conservation
Epiroc China

SMEs Category

Excellence in Responsible Innovation
Inclusion Factory

NGOs Category

Excellence in Social Innovation
Shanghai Guofeng Charity Foundation

The European Chamber gratefully acknowledges the support of the sponsors of our CSR event: BASF-YCP, Nestlé, DB Schenker, FETTE Compacting and Maverlinn.

On 22nd November 2019, the European Chamber hosted its 6th Corporate Social Responsibility (CSR) Awards & Conference in Nanjing. This event provided the opportunity to share and promote best practices on the pressing question of how to reconcile business, environment and society. In this article, **Yves Reymond**, head of the Economic Section of the **Swiss Embassy in China**, and **Chia-Lin Coispeau**, partner with **Maverlinn Impact Innovation**, provide food for thought on CSR and sustainability and the major role European companies can play in these areas in China.

The Baiji dolphin used to be hailed as the goddess of the Yangtze River. However, industrialisation progressively destroyed its habitat. Its population decreased from over 5,000 in the 1950s to just 13 in 1997. The last known dolphin, Qiqi, died in 2002. In 2007, an expedition led by Swiss naturalist August Pfluger failed to find any living specimen. In an interview after the expedition, having noted that the Baiji was the first cetacean species to become extinct as a direct consequence of human activity, Pfluger said he hoped that this would constitute a loud warning signal for humanity.[1]

It is estimated that our oceans now contain at least one tonne of plastics for every three tonnes of fish. Today, we have already lost 90 per cent of big fish due to climate change and pollution.

The magnitude of self-created challenges humanity faces is unheard of, and calls for bold innovation-driven solutions. Public, private and third sectors must reinvent their *raison d'être* and their modes of collaboration. Business has a major role to play and must become a true force for good, as stated by Ilian Mihov, Dean of INSEAD business school.

There is simply no alternative.

Companies are well aware of this urgency. In fact, most have been engaging in philanthropy and looking to be environmentally and socially responsible for decades. However, CSR is not just 'nice to have': it should be a core part of corporate strategies, and go well beyond charity and public relations. To put things simply: it is not about spending money; it is about making money.

This change of perspective has been described by Harvard professors Michael Porter and Mark Kramer as 'shared value'. The central premise is that the creation of economic value and social value can be combined in a virtuous circle. It is possible to generate new business opportunities while also focusing on the needs of our societies and our environment. This idea may be simple, but its implementation can be challenging, since it often requires a complete rethinking of business practices. To deal with this complexity, engagement with key stakeholders along the value chain has proved effective.

> "As China looks into eco-compensation mechanisms, it is important to define frameworks that enable innovation ..."

Empirical evidence reveals three key success factors that open doors to CSR-driven innovation: client and customer engagement, cluster development and leadership commitment.

Client and customer engagement is essential in order to reconceive products and markets that provide appropriate services and deal with unmet needs. Seeing clients and customers as partners also entails the objective of raising their awareness and influencing their behaviour. An example of this from the 6th CSR Awards involves SAP Labs China Digital Supply Chain, which collaborated with one of its clients—a manufacturer of customised shoes—to develop a sustainable supply chain in Chengdu. Artificial intelligence was used to predict global fashion trends, enabling the manufacturer to produce customised shoes at an affordable price. Moreover, the system allowed for inventory reduction and accurate raw material preparation, which reduced consumption and waste, while increasing gross profit and customer repurchase rates.

Enabling cluster developments is also a powerful way to achieve shared value: partners, suppliers and employees are at the frontline of operations and can—if given the chance—identify powerful innovations. For instance, Ferrovial, a Spanish multinational that operates urban and services infrastructure, developed an employee proposition to build a walkway that harnesses kinetic energy generated by footsteps and converts it into electricity. The final product is now installed in European airports.[2] In another success story, P&G created an open innovation platform that allowed cooperation with Brazilian packaging supplier Braskem to turn

1. *China Dolphin Believed Extinct: 'Goddess of the Yangtze' may have fallen victim to shipping, fishing and pollution*, *Al Jazeera*, 8th August 2007, viewed 10th January 2020, <https://www.aljazeera.com/news/asia–pacific/2007/08/2008525185836217966.html>

2. García–Bilbao, Iñaki, *Heathrow Inaugurates 'Flo': a corridor illuminated by travellers' footsteps*, Ferrovial Blog, 27th August 2014, viewed 7th January 2020, <https://blog.ferrovial.com/en/2014/08/heathrow–inaugurates–flow–corridor–illuminated–travellers–footsteps/>

sugarcane into shampoo bottles as a new form of sustainable packaging.

The level of commitment from leadership appears to be a decisive factor in getting an organisation to rethink its business. By pledging to make 100 per cent of its packaging recyclable or reusable by 2025, Nestlé's chief executive Mark Schneider initiated a substantial shift in the company's culture.[3] Indeed, such an objective can only be achieved if the company opens itself up to external partners that will allow it to innovate and move towards the principles of a circular economy.

By moving away from a traditional perspective, Puma's leadership pushed towards an *Environmental Profit and Loss (EP&L) Statement* designed to capture the brand's economic impact on ecological systems. As a result, the company now factors water scarcity into its procurement decisions, and requires its top suppliers to guarantee that sub-suppliers meet core environmental standards. L'Oréal China's management team and their factory in Suzhou carried out a three-step plan from 2014 to 2018 to substitute non-renewable energy sources through solar, wind and biomass energy. In 2019, a third-party environmental assessment acknowledged that the factory's operations met international norms on carbon neutrality.[4]

The question of establishing frameworks and standards at both international and local levels is particularly pressing, since it can clarify objectives, norms and their measurements. In 2015, the United Nations' Sustainable Development Goals provided widely-accepted common objectives across the planet. The Paris Agreement on Climate Change followed shortly after. In 2019, during the G7 summit under the French presidency, the

On 22nd November 2019, the European Chamber hosted its 6th Corporate Social Responsibility (CSR) Awards & Conference in Nanjing.
Photo: European Chamber

Fashion Pact—an initiative led by international luxury brand group Kering—was launched with the aim of promoting industry-wide cooperation to uncover game-changing solutions for climate, biodiversity and ocean protection.

As China looks into eco-compensation mechanisms, it is important to define frameworks that enable innovation rather than shifting the focus onto regulatory compliance, and European companies have a strong role to play in facilitating this. In this respect, a G20 group established under the Chinese presidency in 2016 showed that finance can be a powerful instrument to leverage sustainability. In 2018, the International Network of Financial Centres for Sustainability was created in Geneva. Leveraging the experience of Switzerland and its other members in sustainable finance, the centre provides guidance and best practices on environmental, social and governance (ESG) benchmarks.

In 2017, China banned the importation of numerous types of waste, resulting in disruption of global waste commercial flows. This change also led to the emergence of new forms of cooperation. In 2018, China and the European Union signed a joint Memorandum of Understanding (MOU) on the Circular Economy, a pivotal model for solving global pressing issues. For example, as the digital transformation of our businesses and societies accelerates globally through artificial intelligence and robotics globally, computers and handheld devices are gaining increasing importance in our daily lives. This comes with a high price, such as toxic e-waste pollution in various parts of Guangdong. Netspring, a social enterprise founded in Hong Kong in 2012, has provided a digital inclusion solution by recycling obsolete computers for use in green IT classrooms for underprivileged communities, hence advocating both the 'circular economy' and 'technology for good'.

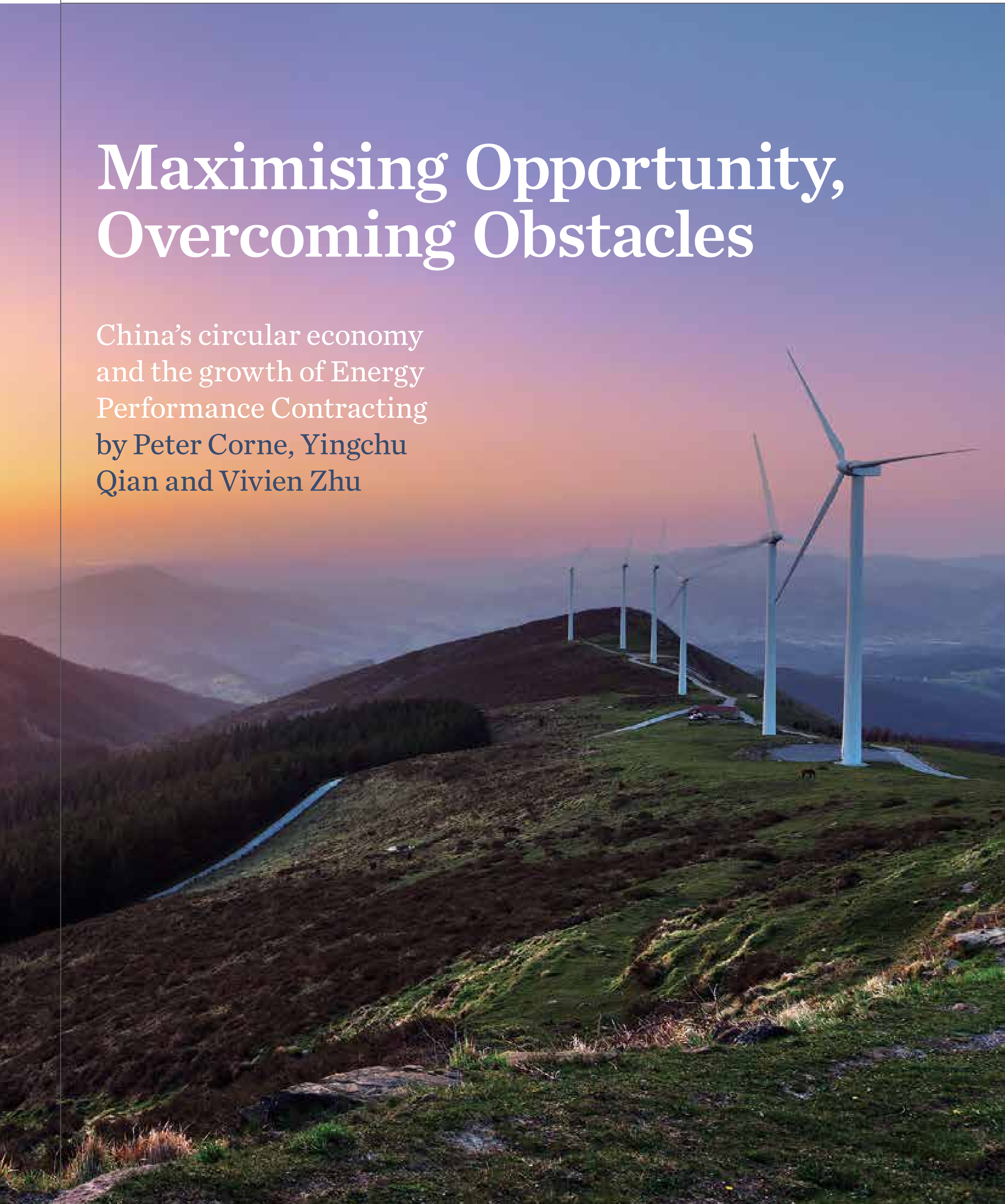
In 2020, the Embassy of Switzerland will engage with a wide range of partners—companies, associations and governmental actors—to continue creating shared value and promoting Sino-European business in a smart and sustainable way. It will encourage the creation of working groups aimed at drafting and implementing actions that will create business while addressing environmental challenges.

Finally, we would like to take this opportunity to thank the European Chamber, the judges, the winners and all applicants, and the speakers at the 6th CSR awards for providing such an enriching exchange and discussion platform.

3. *Nestlé accelerates action to tackle plastic waste*, Nestlé, 15th January 2019, viewed 10th January 2020, <https://www.nestle.com/media/pressreleases/allpressreleases/nestle–action–tackle–plastic–waste>
4. *L'Oreal's 'zero–carbon' factory declared a 'Demonstration Project for Sino–French Industrial Cooperation'*, Suzhou Industrial Park, 20th July 2019, <http://www.sipac.gov.cn/english/news/201907/t20190720_1040948.htm>

Maximising Opportunity, Overcoming Obstacles

China's circular economy and the growth of Energy Performance Contracting by Peter Corne, Yingchu Qian and Vivien Zhu



Energy performance contracting (EPC, also known as energy management contracting) involves an energy service company (ESCO) and an energy consuming entity (ECE) or 'host' drawing up a contract detailing the energy-saving goals of a project, such as a pre-existing factory or a building complex. The ESCO provides services such as energy audits, scheme design, funding, operation and maintenance, training and monitoring. The essence of the EPC model is to pay all the costs of the project out of the ECE's energy savings. **Peter Corne**, **Yingchu Qian** and **Vivien Zhu** look at how the EPC mechanism is growing in popularity in China, and the challenges ahead for stakeholders.

The EPC model began to emerge in western countries in the 1970s, with projects at that time valued at United States dollars (USD) 6 billion. The US Government has since issued a number of policies and enacted legislation, injecting roughly USD 11 billion worth of incentives into the domestic ESCO market, which may reach USD 15 billion by the end of 2020.

The global ESCO market grew eight per cent in 2017 to reach USD 28.6 billion. China continues to underpin market growth, increasing 11 per cent to USD 16.8 billion in 2017. The US market grew to USD 7.6 billion the same year. In Europe, the market remains somewhat underdeveloped compared to other major regions, representing just 10 per cent of the global total.[1]

In the majority of Asian markets, ESCO activity within the industrial sector represents the largest share, primarily as a result of favourable policy measures and because the energy saving from the industrial component is relatively easy to identify. In North America and Europe, on the other hand, industry plays a more marginal role. This is due to a mismatch between the contract durations on offer from ESCOs and the terms desired by companies, as well as a preference of enterprises to draw upon internal expertise to implement efficiency measures.[2]

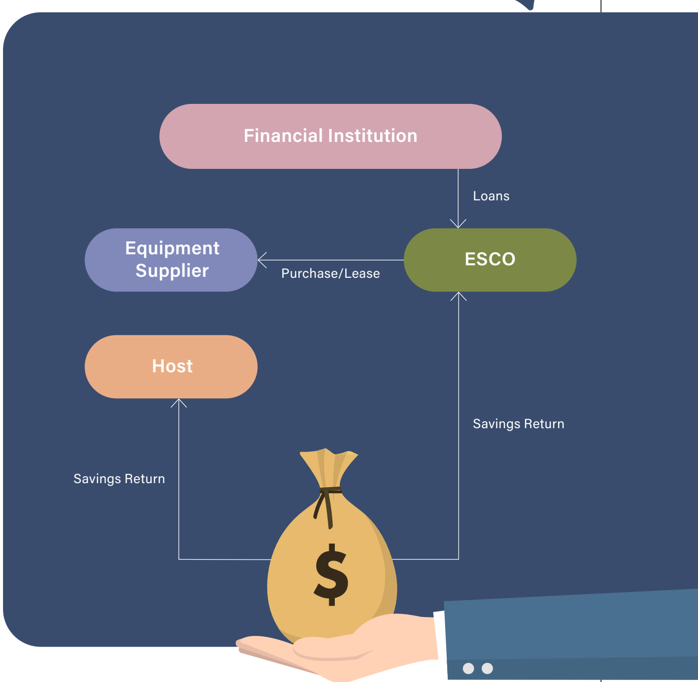
The Chinese ESCO market was launched in 1998, with the World Bank providing back-to-back guarantees under a scheme with certain domestic banks. However, the concept took hold very slowly. Back in 2000, annual EPC volume was Chinese yuan (CNY) 1.3 billion (USD 200 million). In 2010, it reached CNY 2.9 billion (USD 450 million). In 2017, business hit CNY 111.3 billion (USD 16.6 billion), and in 2021 it is estimated it will reach almost CNY 205 billion (USD 30.5 billion). Major ESCOs in China include Aliyun, China Southern Power Grid, ENN and Huadian Fuxin Energy. The most successful ESCOs in China are tied to large enterprise groups and hence have ready access to funding.

EPC projects are implemented in both the industrial and the built environments. Examples of the former are using equipment and technology to reduce energy consumption in factories such as steel, municipal gas heating or petrochemical plants; these types of projects normally involve capturing waste products such as gas or heat and reapplying them to the industrial process to reduce energy usage.

In the built environment, EPCs can involve technologies such as solar panels, waste-to-energy, recycling of water, heating, ventilation, and air conditioning (HVAC), insulation, and special types of windows, to reduce energy usage and manage 'comfort levels'. Providing sophisticated EPC solutions is more complicated in the built environment because of the difficulty of determining an energy usage baseline against which savings can be calculated.

There are two main forms of ESCO energy performance models: the shared savings contract model and the guaranteed contract model. Others less commonly applied are the energy-cost trust contract model and the project finance model.

1. Shared Savings Contract

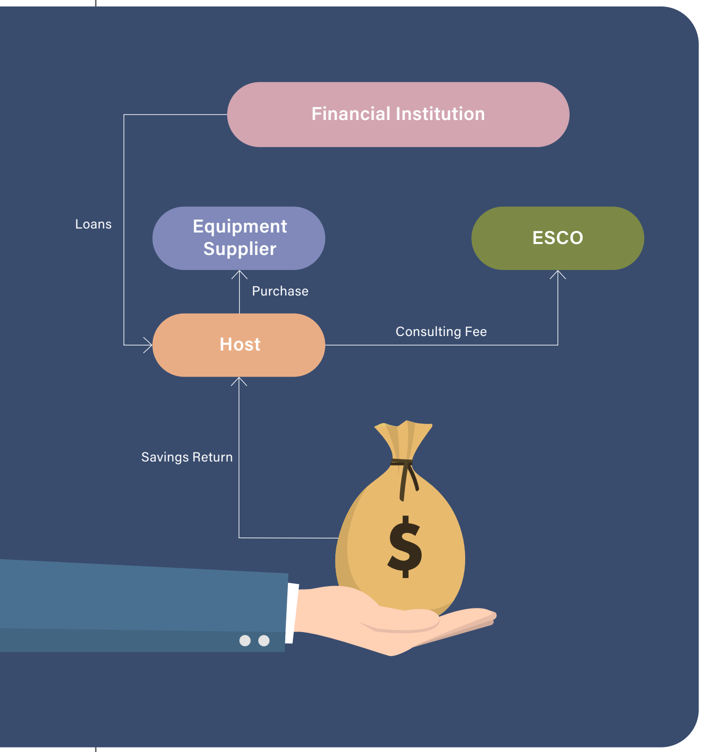


1. *Energy service companies (ESCOs): At the heart of innovative financing models for efficiency*, International Energy Agency, 25th February 2019, viewed 14th January 2020, <https://www.iea.org/articles/energy–service–companies–escos>
2. Ibid.

Under this model, the ESCO and the ECE share any profits derived from the energy savings based on a ratio agreed in the contract. Investment in the project is either made jointly by both sides, or solely by the ESCO, but either way the ESCO tends to bear most of the financial risk. Upon completion of the project, ownership of the enabling equipment will be transferred to the ECE free of charge, and all energy-saving benefits generated in the future will belong to the ECE. The Chinese Government has supported the shared savings model vigorously.

2. Guaranteed Savings Contract

Under the guaranteed savings model, the ECE alone invests in the energy-saving project, while the ESCO provides services and guarantees the benefits. Upon completion of the project and confirmation of the guaranteed saving benefits by both sides, the ECE pays a service fee to the ESCO either in a lump sum or in instalments. If the ESCO fails to realise the guaranteed saving benefits, it will bear the shortfall itself. In this respect, the ESCO bears the financial risk in addition to the ECE.



China's national standards for energy performance contracts

The applicable national standards for energy performance contracts in China are the *General Technical Rules for Energy Performance Contracting* (GB/T 24915-2010), issued by the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) and the Standards Administration of China (SAC) on 9th August 2010, effective from 1st January 2011. This standard only recognises the shared savings contract model.

On 25th January 2019, the National Technical Committee on Energy Fundamentals and Management of the Standardisation Administration of China (NTCEFMSAC) published a new national standard draft for comment, in which the guaranteed savings contract and other models are finally recognised.

The NTCEFMSAC passed the new draft on 14th June 2019, however, it has yet to become effective. Therefore, the 2010 national standard remains in effect even though it is clearly out of date.

National level incentives

For EPC projects that adopt the shared savings model and fall within the *2009 Catalogue of Energy Conservation and Water Conservation Projects*, it is possible for ESCOs to apply for tax preferences, such as income tax exemptions from the first to the third year of the project and a 50 per cent reduction of income tax from the fourth to the sixth year.

Local level incentives

At the local level, many of the old financial incentives previously in place have expired. Following the expiration of its incentives for EPC projects in 2015 and 2016, the Shanghai Government published a number of new rules. In 2017, it promulgated *Measures on Special Support for Industrial Energy Conservation and EPC Projects*, which will remain in effect until 31st December 2021. These measures increased the amount of incentives available while lowering the threshold for qualification. They also, for the first time, include projects under the guaranteed savings model. On 9th November 2019, Shanghai announced a list of 32 EPC projects that would be granted incentives to the amount of almost CNY 152 million. Meanwhile, Jiangsu, Jiangxi, Tianjin, Fujian, Guangdong, Hunan and Chongqing have put in place updated funding programmes for EPC projects that adopt the shared savings contract model.

Barriers in China

The most common problems confronted in the EPC industry in China are the lack of technical capacity, the insufficiency of information, and the lack of monitoring and verification (M&V) standards and tools. Also, a credit system is yet to be put in place that facilitates lending to hosts.

Specifically, under the incentive regimes for EPCs under the shared savings model, the ESCO itself had to undertake the investment in the project, and to incur extra cost and risk. This was exacerbated by the general inability of most privately held ESCOs, due to their small asset base, to provide adequate asset security required by commercial banks for the provision of loans. We have started to see in Shanghai the reorientation of incentives toward project owners with the ability to raise finance and hence invest in EPC projects. It directs incentives toward the investors, which could be either the ESCOs or the project owners.

Conclusion

The prospects for built environment EPCs and the sector's ability to contribute towards China meeting its energy usage reduction goals should be bright. But while the yet-to-be-implemented new EPC technical standard addresses one of the obstacles by broadening the contractual models acceptable under the incentive regime, the M&V conundrum, its impact on the willingness of banks to extend financing, and lack of support by insurers, are continuing headaches. One option would be to allow foreign companies with a proven track record of technical expertise and experience to operate unified platforms to measure and verify energy savings from a multiplicity of sources, and to set up M&V companies in China with the requisite licences. Such licences have so far been out of reach to foreign enterprises. Further, while some local banks such as Xinye Bank and Bank of Jiangsu have made some progress in this area, more banks should establish specialised energy management project finance divisions to support the financing of EPC projects and the taking of pledges over performance-based project receivables based on energy usage baselines.

China needs a healthy, professionally run and well-financed EPC industry that can penetrate those areas of the economy that drag on its march toward energy efficiency. All circular economies need a robust EPC industry. China should enshrine such a goal within its next five-year plan and put in place all of the components outlined in this article to make the achievement of such a goal a reality. EB

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Yingchu Qian is General Manager of HARVENCY, Shanghai Distinguished Green Building Expert, Tongji Green Building Mentor, and Senior Advisor for Green Financing for CERC-BEE.

Vivien Zhu is a legal consultant in Dorsey & Whitney's Shanghai Office.

25TH NOV.
BEIJING

State Council Development Research Centre talks reform, policies with Advisory Council

European Chamber President Jörg Wuttke led a delegation of Advisory Council members on a visit to the Development Research Centre of the State Council.
Photo: LVJZ

On 25th November, European Chamber President Jörg Wuttke led a delegation of Advisory Council members on a visit to the Development Research Centre of the State Council (DRC), for an exclusive meeting with Secretary of the Party Leadership Group and Vice President Ma Jiantang. Key topics addressed by the Chamber delegation included the 14th Five-year Plan, state-owned enterprise reform, competitive neutrality and anti-monopoly legislation. Secretary Ma further elaborated on government measures aiming to ensure equal access to all essential factors, both for foreign-invested enterprises (FIEs) and domestic market players. He added that the DRC shared many views in common with the Chamber's *European Business in China Position Paper 2019/2020*, such as the need for FIEs to be treated equally alongside domestic companies.

28TH NOV.
CHONGQING

Chongqing Commission of Commerce stresses Chamber's importance for local business

President Jörg Wuttke led a delegation from the Southwest China Chapter to meet with Mr Song Gang, deputy director general of the Chongqing Commission of Commerce.
Photo: European Chamber

President Jörg Wuttke led a delegation from the Southwest China Chapter to meet with Mr Song Gang, deputy director general (DDG) of the Chongqing Commission of Commerce, and commission representatives on 28th November 2019. President Wuttke gave an introduction to the Chamber's *European Business in China Position Paper 2019/2020*, and Dominik Widmer, vice chair of the Southwest Chapter, presented the key recommendations of the *Southwest China Position Paper 2018/2019*. DDG Song expressed his appreciation for the Chamber's visit and efforts to improve Chongqing's business and living environments. He said that the European Chamber played an important role in connecting the local government and foreign businesses, by helping the local government learn about foreign companies' concerns and assisting with policy interpretation. DDG Song suggested that regular meetings should be held between the European Chamber and local government at all levels.

22ND NOV.
TIANJIN

European Chamber leaders welcomed to dialogue with Tianjin Government

European Chamber Secretary General Adam Dunnett and Tianjin Chapter Chair Cheung Yup Fan met with Zhang Aiguo, director general of the Tianjin Commission of Commerce. **Photo: European Chamber**

On the afternoon of 22nd November 2019, European Chamber Secretary General Adam Dunnett and Tianjin Chapter Chair Cheung Yup Fan met with Zhang Aiguo, director general (DG) of Tianjin Commission of Commerce, and a delegation of representatives from various departments of the Tianjin Municipal Government. Many topics were discussed in depth during the 2.5-hour meeting, such as developments in the Corporate Social Credit System in Tianjin, local implementation rules of environmental regulations, progress on VAT invoice implementation and plans for improving the local business environment, among others. DG Zhang and his delegation provided thorough responses and requested further specific cases to more efficiently alleviate concerns.

27TH NOV.
GUANGZHOU

China remains a "top priority" for European External Action Force

South China Chapter General Manager Francine Hadjisotiriou led a European Chamber delegation in a closed door meeting with Gunnar Wiegand, managing director of Asia and the Pacific for the European External Action Service. **Photo: European Chamber**

A European Chamber delegation, led by South China Chapter General Manager Francine Hadjisotiriou, held a closed door meeting with Gunnar Wiegand, managing director of Asia and the Pacific for the European External Action Service, on 27th November. Participants provided specific information to Mr Weigand on topics including IPR protection in the Greater Bay Area and comparisons of Shenzhen and Guangzhou. They also discussed industry-specific issues like energy demand in the Greater Bay Area and access to high quality medical services. Findings from the Chamber's Corporate Social Credit System report and the *South China Position Paper* were also covered. Mr Wiegand stated that China remains a top priority and top challenge for the European Union, and the country's continued opening up must be ensured.

4TH DEC.
SHANGHAI

Members' concerns over Corporate Social Credit System raised with Shanghai Municipal Development and Reform Commission

On 4th December, European Chamber Vice President (VP) and Chair of the Shanghai Board Carlo D'Andrea and Shanghai Chapter General Manager (GM) Ioana Kraft met with Deputy Director General (DDG) Zhu Min of the Shanghai Municipal Development and Reform Commission (SHDRC), along with representatives from the offices of Social Credit Promotion and Open Economic Development. VP D'Andrea raised some concerns and questions shared with the European Chamber by the foreign business community in regards to the Corporate Social Credit System (CSCS). Issues covered included whether the CSCS has taken effect in Shanghai, and whether personal credits or those of a supplier will also impact an enterprise's overall rating. In reply, DDG Zhu said that a credit rating system is currently not on the agenda of the SHDRC.

Sector Collaboration

The Joint Audit Cooperation between telecoms operators

by Alex Wang

In today's interconnected world, enterprises are increasingly recognising that their operating activities also have a social and environmental impact. Major negative impacts have in many cases led to consumer backlash. Therefore, many companies now place far more emphasis on ways the corporation and individual employees can give back to society. **Alex Wang** from **Orange** tells us how the telecoms industry has been banding together over the past decade to share best practices on corporate social responsibility (CSR) audits.

The Joint Audit Cooperation (JAC) is a CSR-inspired association between telecom operators founded by Orange, along with Deutsche Telekom (DT) and Telecom Italia, at the end of 2009.

Ten years later, we are 17 brands: AT&T (US), DT (Germany), Elisa (Finland), KPN (Netherlands), MTS (Russia), Orange (France), Proximus (Belgium), Rogers (Canada), Swisscom (Switzerland), Telecom Italia (Italy), Telefonica (Spain), Telenor (Norway), Telia Company (Sweden), Telstra (Australia), Veon (Russia), Verizon (US) and Vodafone (UK). Together, we represent two billion end-users around the world.

The JAC is cooperation beyond competition. Its purpose is to improve the implementation of CSR in the telecoms sector.

The current scope of the JAC is onsite CSR audits at the factories of our common suppliers. We have an agreed audit methodology, unique guidelines and a common checklist comprised of 146 items covering the following topics: social, environment, health and safety, and business ethics.

450+
CSR audits completed since 2010

300
production sites covered

2 billion
end-users around the world

Since 2010, we have completed more than 450 CSR audits, covering 300 production sites and one million workers in 33 countries on four continents. We started with tier-1 suppliers, which are our direct suppliers, and progressed to sub-suppliers from tier 2 , tier 3 and tier 4.

In the audit process, JAC members share costs, information, reports, analysis of findings and best practices. We have found a way to live with very difficult cultures. On top of that, we have created a new culture – that of working together for a common goal. It's a real creative alliance: it's a new entity with more energy, while the individualities of each company are preserved. We are also diffusing this new culture to other sectors.

The spirit of the JAC is co-operation, not only between telecom operators in fierce competition with each other, but also between operators and suppliers.

The benefits of this sector cooperation for us are obvious.

With the same budget as before, we are seeing many more results. Together we have more influence in our dialogues with our suppliers and partners, and in escalation when problems arise. We receive more positive pressure as well to drive the implementation of best practices in each member company—for instance, the online audit on smartphones—directly with workers.

The benefits for our suppliers are substantial as well.

The JAC is considered one of the most effective and efficient remedies to audit multiplication, growing costs and diverging requirements from the buyers in private regulation process. As a result of the JAC, suppliers have one set of guidelines instead of numerous ones, far fewer audits, less costs associated with audit organisation and more motivation to improve.

It's an understatement to say that the management of such cooperation between different cultures is a delicate matter. It requires from its members openness, passion, patience and a good dose of diplomacy.

We are determined to continue. Today, the members of the JAC are mainly European and North American. Our plan is to extend this cooperation to all continents and also to go beyond audits in terms of scope, such as circular economy, climate change and capability building, to name but a few. In a sense, the JAC is on route to become a driving force in bringing about more and more transparency in global telecoms supply chains.

Alex Wang is currently vice president of Global Procurement and Supply Chain of **Orange Group** and CEO of Orange Sourcing Consulting (OSC). He is the initiator of the JAC.

He was assisted by Bernardo Scammacca, who is chair of the JAC Operational Committee. He is in charge of the general management and direction of the Association.

Employees need rules, not regulations

How to transform standards and norms requirements into precise tasks

by Martin Mantz

At present, ISO Compliance—or being compliant with the International Organization for Standardization's rules—is achieved by most companies through countless paper documents or digital document management systems. But there is another option available. **Martin Mantz Compliance Solutions** explains how digital software can now translate standard requirements into precise tasks for employees and replace time-consuming research into internal or external directives and regulations.

Compliance simply means abiding by rules and regulations. Legal compliance refers to compliance in accordance with legal regulations, whereas ISO compliance refers to compliance in accordance with standards and norms such as ISO 9001, ISO 14001, or ISO 45001.

Every organisation requires rules to be able to work together in complex relationships and networks. Certification according to numerous ISO standards is intended to increase confidence in the performance of business partners. However, ISO standards often seem confusing and complicated to non-specialists. In addition, the scope of external and internal regulations has increased tremendously in all areas in recent decades. Some companies and their employees have reported feeling overwhelmed by the flood of regulations and the ever-increasing bureaucracy.

However, supported by new ISO standards, a fresh way of thinking has emerged: employees need rules, but they do not want regulations.

According to the new ISO standards, the appropriate documentation required is based upon the competence of employees. The ISO's former requirement for the production of manuals, and process and work instructions has been dropped. The overall understanding is that any redundant information increases the workload, and therefore lowers the acceptance of the system and reduces organisational efficiency. Only occasionally are documented processes still required. Employees demand clear information about what they have to do, and about when, where and how to do it. In most cases, the documented information is enough to help employees help themselves.

Thus, the task is to reduce the regulations to a level appropriate for employees while still being applicable in practice.

A task-orientated digital compliance management system allows for a clear allocation of precise tasks, the reduction of reading time for countless documents and, consequently, an expected increase in the level of acceptance among employees. Furthermore, such a web-based compliance manager can be made available at all national and international locations.

Task-orientated and focused on employees

A task-orientated compliance manager system aims at ensuring that every employee receives the knowledge required for fulfilling their tasks. Special attention is thus paid to the phrasing of precise and simple tasks. Every employee is given an overview of tasks assigned to her or him with information on:

- tasks (what?);
- responsibilities for implementation (who?);
- date or time of completion of the task (when?); and
- a description of the way the task is to be performed (how?).

If necessary, additional documents can be added or linked to the system.

Experience has shown that it is not sufficient to provide employees with the statutory regulations or the individual

sections of the ISO standards in elaborate documentation systems. Employees require knowledge on how to transfer such information into operational practice.

For this reason, compliance experts preparing laws, standards and guidelines in accordance with the applicable regulations are required to formulate the most straightforward tasks possible. Operational experts can supplement these tasks with the necessary internal instructions for dispersal through the digital compliance management system. The objective is to make life easier for employees, as they no longer need to read and interpret extensive laws, process descriptions, guidelines, and so on.

Moving from standard commands to precise tasks

A particular challenge is the elaboration of such tasks, as these result from standard commands, i.e. the core statements of standards, norms or laws. It is important not to interpret too much or too little into standard requirements and legal paragraphs. Thus, it is not a question of what an individual expert, lawyer or auditor personally considers to be right, but of what the respective ISO standard or law text actually requires.

In accordance with the ISO standards, it is essential to separate the obligation from voluntary exercise. In a similar fashion to legal requirements, compliance experts analyse the ISO standards and work out requirements from the individual sections of a standard or norm. The wording of the standard, the objectives of the individual section and the systematic relationship—such as a customer-supplier relationship—serve as rules of interpretation.

This becomes clear if we take section 6.1 of ISO 9001, ISO 14001, and ISO 50001 as our example. According to this section, risks and opportunities have to be determined with regard to the respective management system. The risk assessment should ensure that the quality/environmental management system or the safety/health and work management system is capable of achieving the intended results.

The task for risk assessment is thus as follows: determine the risks and opportunities for achieving the objectives of the management system; and document the results (e.g. in an Excel spreadsheet). If necessary, a task may be complemented by a process description for risk assessment.

For instance, risks include a lack of acceptance, incorrect or contradictory statements or documents, and possibly also bureaucracy. Opportunities may relate to economic actions through standardised processes, uniform procedures for recurring tasks, documentation of organisational knowledge or transparency of responsibilities.

According to definition, management systems represent interconnected tasks and duties as a method for achieving the objectives of an organisation. Hence, in addition to documented processes, procedures and work instructions, a management system also includes undocumented tasks and duties.

Overall, it matters most to keep tasks and descriptions as short and precise as possible. All tasks are then subsequently assigned by quality managers, environmental managers or safety specialists within their organisation.

ISO 9001, ISO 14001 and ISO 50001 each contain about 50 tasks plus additional internal tasks. Where these tasks are clearly and unambiguously described, they can be assigned directly to the individual people responsible. Such clear assignment allows for a high degree of transparency. The identification of a responsible person by name increases the awareness of responsibility for the implementation of a task. An integrated email notification can report the status of a pending task.

More individual through documented information

This new concept of 'documented information' aims at making companies more individual. As a result, the foundation was laid for a digitally managed compliance system of tasks. As a web-based system, it enables the recording, storage and reproduction of (organisational) knowledge.

By means of a feedback function, it ensures that all employees involved have immediate access to information on requested corrections. This feedback may relate to questions of content, doubts about the correct responsibilities for a task, and deadlines, among other aspects. The compliance system thereby avoids making extensive changes to process descriptions.

Such task-orientated compliance systems can also link and store internal and external know-how. Each employee will receive individual and task-related support. Apart from training on necessary process awareness, there is no need for other courses. Such a digital compliance management system can provide responsible employees with the necessary information in a compact and practical format. EB

Compliance made easy! – Compliance Management and digital organisation are at the core of **Martin Mantz Compliance Solutions**. We specialise in the digitisation of requirements, legal registers, standards and norms as well as internal regulations and guidelines worldwide. We developed the compliance management software GEORG, which is used across the globe by international and local companies.

Martin Mantz Compliance Solutions offers legal compliance focusing on the individual circumstances of companies and their sites. We transform complex ISO standards and other norms, technical permits and all of your internal rules of corporate compliance into effective tasks.

Martin Mantz Compliance Solutions originates from Germany but has reached into international markets including China.

Official Witnesses

How to hire a notary public at a trade fair by the China IPR SME Helpdesk

Trade fairs can provide a perfect opportunity for the holder of intellectual property rights (IPR) to catch a counterfeiter red-handed. But proving in court that the intellectual property (IP) infringement took place may be much more difficult. The **China IPR SME Helpdesk** explains how hiring a notary public to witness the infringement of a product, design or service can add invaluable strength to the plaintiff's case.

Types of notarisation at trade fairs

In practice, the most common ways to secure relevant evidence of infringement at trade fairs by means of notarisation are:

- notarised purchases (i.e. purchasing a sample infringing product at a trade fair whilst accompanied by a notary public); or
- notarised photography of the presence of the infringer and/or infringing products at a trade fair (i.e. taking photos at trade fairs of the infringer's exhibition booth, infringing products/exhibits, or infringing advertisement in the presence of a notary public).

The aim of this type of notarisation is to preserve the relevant evidence that proves the infringer has been committing or has committed IPR infringement at trade fairs.

According to Chinese law, any natural person, legal entity or other organisation can file an application for a notarisation in China at a notary public office either where their home, habitual residence or main administrative/business office is located, or where the IPR infringement is found. If a European small and medium-sized enterprise (SME) does not have a registered company or office in China, it should hire a notary public in the place where the trade fair is held.

> Should the IP owner take enforcement actions—no matter whether with the administrative authority or the courts—the notarised evidence can be used to set up the case.

What is needed to prepare for lodging a notarisation request in China?

Before going to a notary public office, some basic materials must be prepared. These include:

1. Power of Attorney (POA)

If the owner of the IPR being infringed at trade fairs entrusts an IPR agency or a law firm to carry out the notarisation for evidence preservation on their behalf, an executed power of attorney is required. If the POA is executed by a foreign enterprise/individual or from outside Mainland China, it shall be notarised and then legalised by the Chinese embassy or consulate in that country. Some notary public offices may also require any foreign language text to be translated into Chinese.

2. Business Registration Certificate

If the IPR holder is an enterprise, a copy of its business registration certificate is also required. If the IPR holder is an individual, a copy of his/her identity certificate must be provided to the notary public office. Since equivalent certificates from European countries vary in format and content, IPR holders are strongly advised to have such documents translated into Chinese. Where such documents are obtained outside Mainland China, they may also need to be notarised and legalised.

3. Intellectual Property Certificates

These include certificates for trademark registration, copyright recordation and patents. The notary can accept both Chinese and non-Chinese IPR certificates; however, if an IP holder wants to sue the infringer in China, only Chinese IPR certificates are acceptable by the Chinese court.

Do's and Don'ts when conducting a notarisation at trade fairs

Do's

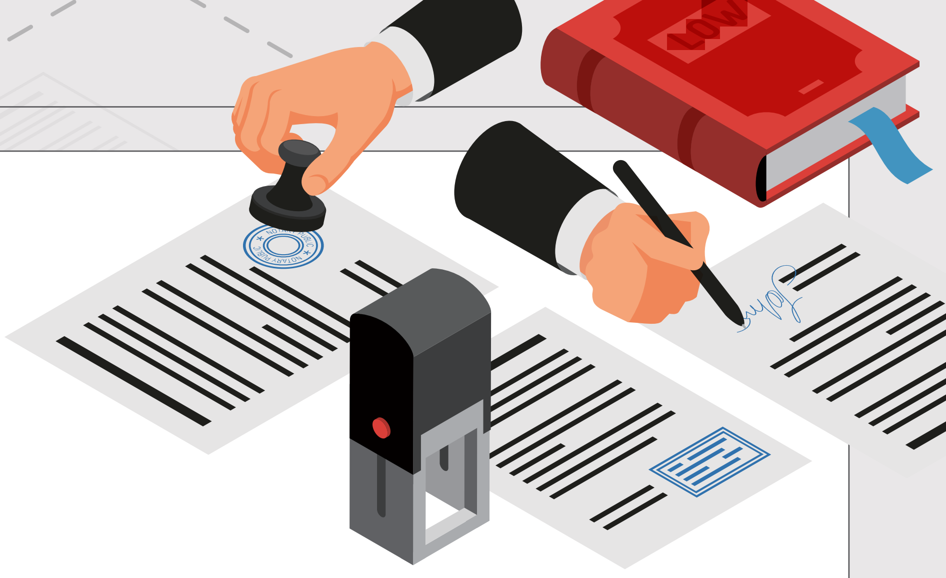
1. Pre-notarisation investigation against the targeted infringer is strongly advised to know which evidence to notarise. IP owners should spend time on the first day of the exhibition walking around the fair to make initial checks.

> **It is also recommended to proceed with the investigation into the scale of the infringing exhibitor's business...**

2. Before conducting the notarisation, IP owners are advised to discuss in detail with the notary public how to notarise evidence, to benefit from their suggestions and experience.

3. IP owners need to make sure all relevant evidence showing the IPR infringement is collected.

4. If a sample infringing product is purchased at trade fairs, the IP owner should ask for an official receipt with the infringer's company seal or relevant person's signature. Such evidence proves where the infringing product was obtained and the price, which will help demonstrate



how much illegal profit the infringer has earned, or the losses the IP owner has suffered.

Don'ts

1. If the infringing exhibitor has ceased offering the infringing product the IP owner earlier found for sale at the trade fair, then the IP owner should not try to induce the exhibitor to sell it during the notarisation, as such behaviour will be regarded by the courts as inducement to IPR infringement.

2. If the infringing exhibitor stops the IP owner from taking photos of their exhibition booth and the infringing product, it is not advisable to argue directly with them. Instead, the IP owner can request the exhibition holder to issue a letter confirming the presence of the infringing exhibitor at the trade fair.

What should be done after notarisation?

As soon as the notarisation is completed, make an appointment with the notary public to fetch the notary deed and the relevant evidence box. Usually the notary public issues two original notary deeds for the IP owner. In practice, three are necessary – one copy each for the IP owner's company, the IP owner's law firm and the court where the case is filed. More copies are required if the infringer is then sued at a different court. Photocopied notary deeds are usually accepted by IP administrative authorities if the IP owner files an administrative complaint. IP owners can usually request an unlimited number (subject to extra payment) of notary deeds.

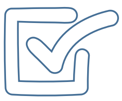
Usually, evidence such as purchased items, company brochures and business cards will be kept in a box closed with the notary public's seal. If the seal is broken or the box has been opened, such evidence will be considered questionable and may not be accepted by the court.

Continue monitoring suspected Infringers

It is important to continue surveilling the infringing exhibitor after the notarisation to verify if the IPR infringement is repeated at any other trade fairs. It is at the IP owner's discretion to decide if any more notarisation of evidence preservation is needed.

It is also recommended to proceed with the investigation into the scale of the infringing exhibitor's business, its distribution network and its business locations before taking any further enforcement or legal action.

Should the IP owner take enforcement actions—no matter whether with the administrative authority or the courts—the notarised evidence can be used to set up the case (using copies of the notary deed is acceptable). The courts will use the original copy to examine the case, together with any other evidence, for instance: on the scale of infringement; volume of sales of infringing products; economic losses sustained by the right holder; illegal gains of the infringer and so on. If the IP holder wins the case, the court will order justified compensation.



1

Pre-notarisation investigation is strongly advised.

2

Discuss in detail with the notary public.

3

Make sure all relevant evidence is collected.

4

Ask for an official receipt with the infringer's company seal or relevant person's signature.

The **China IPR SME Helpdesk** supports small- and medium-sized enterprises (SMEs) from European Union (EU) Member States to protect and enforce their 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. Individual SMEs and SME intermediaries can submit their IPR queries via email (question@china-iprhelpdesk.eu) and gain access to a panel of experts, in order to receive free and confidential first-line advice within three working days.

The China IPR SME Helpdesk is an initiative by the EU. To learn more about the China IPR SME Helpdesk and any aspect of intellectual property rights in China, please visit our online portal at http://www.ipr-hub.eu/.

DOES GLOBALISATION HAVE A FUTURE?

The European Chamber Annual Conference 2019

The European Chamber's annual conference took place in Beijing on 3rd December 2019, just a short walk away from the Forbidden City and Tian'anmen Square; the heart of the Chinese capital. The hosting hotel was one of the first 'luxury' establishments to be set up in Beijing, and provided a base three decades ago for European brands like Louis Vuitton, Chanel and Hermès as they took the plunge into the Chinese market. This history made the location very fitting for the Chamber's 2019 conference themed 'Does Globalisation Have a Future?'

European Chamber President Jörg Wuttke got the event underway with a speech to the gathered business, academic and diplomatic leaders and experts. President Wuttke outlined some of the reasons behind the turn against transnational multilateralism: not everybody was seeing the benefits of globalisation; Francis Fukuyama's 'vetocracy' being played out – where no single entity can acquire enough power to make decisions and take effective charge; and a meltdown in trust in the elite.

The European Union (EU) Ambassador to China, HE Nicolas Chapuis, also addressed the event. He started by describing a photograph he had seen a short time previously of the new European Union leaders: European Commission President Ursula von der Leyen, European Council President Charles Michel, European Parliament President David Sassoli and European Central Bank President Christine Lagarde. The ambassador said while this line-up indicated continuity, people should also expect some changes from the EU, as it has been announced that this executive will be more geopolitical, more outwards-looking. And China will be a major focus. Ambassador Chapuis also said that climate change, digitalisation of societies and migration will also be key areas for the new Commission, all of which will need cooperation and participation by China to have any meaningful impact on the outcomes.

European Union Ambassador to China, HE Nicolas Chapuis, also addressed the event.
Photo: Yichi Zhang

The keynote speech was delivered by Long Yongtu, a former associate minister of China's Ministry of Foreign Trade and Economic Cooperation and a former secretary general at the Boao Forum for Asia. Mr Long was also the chief negotiator for China during the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO) negotiations. In his speech, Mr Long said there are three major elements in globalisation:

- Driving force: such as the force of science and technology, market forces, administration force of government;
- Realisation force: those who make globalisation possible; and
- Outcome – there are many outcomes, e.g. the creation of many jobs, fast economic growth, but most important is the global network of production and supply chains.

Three panel discussions took place during the conference, covering globalisation, the Belt and Road Initiative, and EU–China cooperation/competition.
Photo: Zhengnan Cao

President Wuttke outlined some of the reasons behind the turn against transnational multilateralism.
Photo: Zhengnan Cao

Mr Long said many believed multinational companies (MNCs) were the realisation force because of their huge impact on trade and economy. For this reason, for many years, a key element of China's foreign policies has been to attract foreign MNCs. However, because of the internet, many small and medium-sized enterprises (SMEs) are also joining the globalisation process, including in developing countries.

Mr Long wound up by saying that while he believes globalisation had a future—particularly due to the fluidness of developments in science and technology—it is essential for governments to ensure that the benefits of globalisation are more equally distributed.

The first panel of the conference discussed the disruptive retreat of globalisation, including the impact of the US-China trade war on global sentiment. Panellists looked at the reasons behind the breakdown in trust between Washington and Beijing, and how the situation could be improved. There was a general consensus that all sides have benefitted from China's participation in the global economy; China saw economic growth and an improvement in the lifestyles of its citizens, while other countries benefitted from the cheap goods produced by China and the boost the opening of the Chinese market gave to the global economy. Panellists also discussed the phenomenon of 和而不同 – the essential differences between the two economic systems, which need to be acknowledged and recognised before any trade disputes can be satisfactorily dealt with.

The second panel covered a wide range of issues related to China's Belt and Road Initiative (BRI) and the EU's Connectivity Plan. Representing a wide range of industries, panellists discussed their degree of participation in the BRI and the often limited role they are allowed to play in BRI-related projects. Panellists also covered the ongoing and potential impacts of the BRI on global markets, supply chains and competition, as well as the ensuing opportunities and challenges for companies. Their focus then shifted to the EU and the need for the bloc's Connectivity Plan to be realised in a timely manner.

During the third panel discussion, which looked at cooperation and competition between Europe and China, panellists talked about the activities of Chinese companies in European procurement bids as well as cooperation opportunities in fields like the finance sector and climate policies. Additionally, the strengths and weaknesses of China in the global economy were addressed. Strengths mentioned included China's sheer size, the still growing economy and the country's ability to immediately mobilise necessary resources to develop one specific area so that competing against it would become almost impossible. However, a major weakness is China's inexperience in dealing with risk and crises.

All chapters of the European Chamber organise events throughout the year, with upcoming events listed on our website. To keep up to date on what's scheduled, follow us on social media or download our Events app.

Scan the QR code to download European Chamber China Events app from App Store on iOS/iPadOS devices.

Media Watch

Southwest Chapter vice chair interviewed by iChongqing on local labour market

On 7th November 2019, Dominik Widmer, vice chair (VC) of the European Chamber's Southwest Chapter, was interviewed by local media *iChongqing* on the talent availability and human resources situation in the local labour market. VC Widmer stated that the kind of soft talent European businesses in Chongqing need varies greatly across industries, as do the potential methods to help provide these skills. VC Widmer also said the Hongyan Plan, which aims to attract skilled workers to the area, is an outstanding policy that was renewed in recent years, though he noted that a limited number of foreign experts had qualified for the scheme.

Dominik Widmer was interviewed by *iChongqing* on the talent availability and human resources situation in the Chongqing labour market.
Media: iChongqing
Date: 7th December 2019

President Wuttke, Vice President George Lau discuss Guangdong business with media during CEIICC 2019

The 2019 China (Guangdong)-Europe Investment and Innovation Cooperation Conference (CEIICC) was held from 5th to 7th December in Dongguan City, Guangdong Province. Jörg Wuttke, president of the European Chamber and George Lau, vice president (VP) and chair of the European Chamber South China chapter, were interviewed by local media at the conference. "Guangdong is the best province in terms of technology and innovation", said President Wuttke, "We can cooperate in new gadgets, IT, telecommunications, machinery, industries and finance." VP Lau also shared his opinion on the development of the local business environment. He said, "Our members speak highly of Guangdong's international business environment because the government highlights efficiency, transparency and a solution-orientated mentality."

Jörg Wuttke and George Lau were interviewed by local media at the conference.
Media: NewsGD.com
Date: 9th December 2019

In an interview with *Jiangsu TV*, Bernhard Weber argued that welcoming input from the European business community in China can improve the corporate social responsibility environment.
Media: Jiangsu TV
Date: 22nd November 2019

Jörg Wuttke nterviewed by CNBC on findings of the European Chamber's Trade War Survey.
Media: CNBC
Date: 9th December 2019


CGTN

China implements Foreign Investment Law, aiming to further open up

Carlo D'Andrea was interviewed on China's new Foreign Investment Law and the implementation measures.
Media: CGTN
Date: 23rd December 2019

Nanjing Chapter chair interviewed by Jiangsu TV during 6th CSR Forum & Awards Ceremony

On 22nd November 2019, the European Chamber Nanjing Chapter held its 6th Corporate Social Responsibility (CSR) Forum and Awards Ceremony to promote CSR awareness in China. More than one hundred attendees from both the private and public sectors joined the event. In an interview with *Jiangsu TV,* Nanjing Chapter Chair Bernhard Weber argued that welcoming input from the European business community in China can improve the CSR environment in the country.

President Wuttke interviewed by CNBC on findings of Trade War Survey

On 9th December 2019, President Jörg Wuttke hosted a roundtable with international media in the European Chamber's headquarters in Beijing. The aim was to share the findings and analysis from two separate surveys on the US-China trade war, which were conducted in January and September 2019 to provide comparative data giving an in-depth perspective on how European companies and their business strategies were affected by the tensions. Before the roundtable took place, President Wuttke was interviewed by *CNBC*, and discussed the finding that EU companies are assuming the trade tensions between the US and China are "here to stay".

Vice President Carlo D'Andrea talks to CGTN about new Foreign Investment Law implementation

On 23rd December 2019, European Chamber Vice President (VP) and Chair of Shanghai Chapter Carlo D'Andrea was interviewed by *CGTN* on China's new Foreign Investment Law and the implementation measures, which would come into effect from 1st January 2020. VP D'Andrea mentioned that there are still many indirect barriers for companies doing business in China. He said equal treatment between Chinese and European companies is expected after the implementation of the new law.

Vice President Jens Eskelund delivers keynote speech at Qingdao Multinational Summit

European Chamber VP Jens Eskelund delivered a keynote speech at the Qingdao Multinational Summit on 10th November. VP Eskelund said that state company monopolies have dampened market forces and hurt small suppliers, and could go as far as to harm China's chances of escaping the middle-income trap. His comments were reported by both international and local media.

President Wuttke publishes op-ed on influence of Corporate Social Credit System in Caixin Global

On 26th December 2019, *Caixin* published an op-ed by President Wuttke: 'Crossing the Market by Feeling the Scores'. In the article, President Wuttke emphasised the meaning of the Social Credit System for foreign business: they will either live by the score or die by the score and there will be no turning back. He said companies should start to prepare for this system as early as they can.

BEIJING, 18TH DECEMBER 2019

European Chamber 1st Medical Device Forum

- Reform of the Medical Device Review and Approval System should encourage innovation and closer collaboration with international institutions.
- The standardisation of artifical intelligence medical devices should reflect patients' needs and doctors' opinions.
- If a research and development group is located abroad while the database is in China, it is best to separate common healthcare data and personal diagnostic data.
- Success in transferring patients' files lies in the relationship between specialised data-clearing corporations and hospitals.

BEIJING, 12TH DECEMBER 2019

Sports Marketing: Enhance and Position Your Brand Through Sports

- There will be infrastructure opportunities: more sporting events will be held in China.
- Gen Z and E-sports: Billibilli ads, sponsorship rates almost equal in value to offline.
- SAP helped Germany beat Argentina through penalty analysis, which caught President Xi Jinping's attention.
- Involvement means game exposure without fees, results in brand searches, awareness, popularity.
- If a brand doesn't have a budget for offline sponsorship, digital is an option.

SHANGHAI, 28TH NOVEMBER 2019

3rd Artificial Intelligence Conference: Tapping the Power of AI

- Since AI research began, scientists have argued that intelligent systems should explain certain issues, mostly decisions.
- If a rule-based expert system rejects a credit card payment, it should explain why. Explainable AI can present the relevant rules given to it by humans concisely or explain them in more detail.
- Although most AI technologies are developed globally, China has differentiated advantages to stay in a leading position of converting AI fictions into realities.
- The next three years is the window for organisations to build AI competitive differentiation.

SHANGHAI, 5TH NOVEMBER 2019

Energise Your Autumn — Hydrogen: The Ultimate Future of Energy?

- This was the second event of the Energise Your Autumn series.
- The Chinese Government is placing a lot of focus on hydrogen development.
- Hydrogen has a lot of potential as a clean energy source for China's energy transition.

SOUTH CHINA, 6TH DECEMBER 2019

2019 China (Guangdong)-Europe Investment and Innovation Cooperation Conference

- The development of '5G Industrial Cooperation' and 'Deepening Open Cooperation between Guangdong and Europe' should be better synchronised.
- Guangdong is the best province in terms of technology and innovation.
- More cooperation in new gadgets, IT, telecommunications, machinery, industries and finance was suggested.
- Focusing on European SMEs and providing language support for EU companies would be of benefit to the local business environment.

TIANJIN, 7TH JANUARY 2020

Sneak Peek at the European Chamber's Belt and Road Report

- BRI-related projects have limited participation options for European companies.
- It's undeniable that relatively greater access to new options of logistics is available, which leads to increased trade flow with recipient countries.
- With the ongoing US-China trade wars, China is no longer showing double digit growth, but six per cent.
- Six per cent growth is still significant; it's equivalent to the total gross domestic product (GDP) of the Australian economy in a year.

NANJING, 9TH JANUARY 2020

Jiangsu Government Dialogue

- Opportunities come with integration in the Yangtze River Delta Region and the establishment of the Jiangsu Free Trade Zone.
- Local commerce department officials say Jiangsu Province always pays attention to European companies and supports their development.
- 2020 environmental protection management and inspection will be prioritised.

SOUTHWEST CHINA, 19TH NOVEMBER 2019

Welcome Cocktail Party for New Consul General of France (Chongqing)

- The first French Consulate in Chongqing was opened in 1896, which means the relationship between Chongqing and France has exceeded 120 years.
- The Dassault system invested in Chongqing in October to build an Intelligent Manufacturing Innovation Centre.
- Tourists from Chongqing and the number of visas issued in Chongqing for France have increased rapidly.

Advisory Council News

ABB showcases digital technologies at Marintec China 2019

3rd December 2019—Technology leader ABB showcased a wide range of solutions for safe, efficient and sustainable ship operations at Marintec China 2019, Asia's most authoritative B2B platform for the international maritime industry.

ABB provides comprehensive measurement and analytical products and solutions for the marine industry, which help to optimise operation efficiency and lower costs. Many of these products, particularly for application in ballast water measurement, energy management and emission monitoring, were showcased at the Marintec expo in Shanghai.

ABB showcases digital technologies at Marintec China 2019.
Photo: ABB

The highlights of ABB's innovative products and solutions on display included the ABB Ability™ Marine Pilot product family, electric propulsion system, digital turbocharging solution, energy storage system, the firm's Collaborative Operations Centre, smart motors and drives, and smart power distribution products. These products aim to help ship owners and operators achieve higher levels of performance, profitability, sustainability, safety and reliability.

ABB also showcased a wide range of intelligent power distribution products and solutions including MyRemoteCare asset health management platform, digital LV and MV distribution solutions, ship-to-shore power solutions, compact energy management systems and solid-state circuit breakers.

Start-ups from Schneider Electric and Microsoft's joint accelerator transform the energy sector in Europe with artificial intelligence

France, 9th January 2020—Schneider Electric and Microsoft hosted six start-ups selected for the joint programme, 'AI Factory for Green Energy', at a Demo Day held at the world's largest start-up facility, Station F in Paris.

To accelerate the transformation of the energy sector in Europe through artificial intelligence (AI), Schneider Electric and Microsoft launched a call in July 2019 for projects from start-ups working on improving energy consumption predictions and use through learning, energy optimisation, and database services for buildings.

In September 2019, a panel of employees from Schneider Electric, Microsoft and other programme partners (Inria, the French National Institute for Research in Digital Science and Technology; Sigfox; Elaia; Energize Venture and France Digitale) selected the six start-ups from 40 applications received from seven European countries.

Over the three-month acceleration period, the winning start-ups were supported by Schneider Electric employees and its Innovation at the Edge programme, which aims to transform bold ideas into solutions needed for a sustainable, digital, new electric world. At the end of the 'AI Factory for Green Energy' programme, Schneider Electric plans to continue collaborating with at least one of these young companies, creating new solutions together, marketing some of the solutions developed or even offering direct investment.

Nokia wins Deutsche Bahn tender to deliver and test the world's first 5G-based network for automated rail operation

12th December 2019—Nokia has won a tender to test and deliver the world's first standalone (SA) 5G system for automated rail operation in Hamburg, Germany. The project is part of Deutsche Bahn's highly automated S-Bahn operation project. The proof-of-concept will test whether

5G technology is mature enough to be used as the connectivity layer for future, digitalised rail operations. The project constitutes an early and important step in the development of the Future Railway Mobile Communications System (FRMCS) standard, based on 5G, and sets the stage for the digital transformation of railway operations.

Nokia is a leader in this market, with extensive experience in providing a Global System for Mobile Communications–Railway (GSM-R) service to rail operators in 22 countries, covering 109,000 kilometres of track. Overall, Nokia has provided networking, cybersecurity, Internet of Things (IoT) and analytics solutions to 110+ operators for both mainline and metro rail. This project to deliver the first 5G SA solution for rail operation further emphasises Nokia's leadership position.

The Nokia 5G solution is based on 3rd Generation Partnership Project (3GPP) standards for 5G mobile networks, and allows highly or fully automated trains to exchange relevant data with trackside equipment by 5G radio. This will have positive effects on cross-border operation, capacity of rail infrastructure, punctuality of trains and, last but not least, on customer experience.

Michelin and HDI innovate to improve company fleet road safety

17th January 2020—Michelin and HDI Global SE entered into a partnership to offer company vehicle fleets an innovative approach focusing on the prevention and reduction of road risk.

This collaboration brings together two mobility players to improve road safety. HDI Global SE designs tailor-made insurance solutions for industrial and commercial customers across the world. The century-old group benefits from a global network and expertise in corporate risks. DDI (Driving Data to Intelligence) is a Michelin business created in 2015, whose expertise lies in capturing, processing and analysing driving data. DDI also manages the Better Driving Community – a community of drivers committed to improving road safety.

With this partnership, the two companies are pooling their combined skills in order to prevent fleet road risks.

Top Employer award goes to Volkswagen Group China for sixth time

3rd December 2019—Volkswagen Group China, along with partners FAW-Volkswagen, SAIC Volkswagen, Volkswagen Finance (China) and Volkswagen Automatic Transmission, has been awarded 'Top Employer' at the Top Employer Institute 2020 awards ceremony in Shanghai. The award follows the Group's ongoing commitment to ensuring a sustainable working environment, employee welfare and development. Over 100,000 employees work for the Group in China.

Volkswagen Group China invests strongly in its workforce development. Aside from various additional benefits for employees such as pensions or car purchasing, the company plans for the required skills of the future, helps employees gain international work experience and nurtures an open, community atmosphere culture in the work environment. Furthermore, the international exchange initiative allows employee exposure to multinational work spaces within Volkswagen's global network.

The Italian House of Architecture

At the end of 2019, Progetto CMR inaugurated its new headquarters in Milan. The state-of-the-art premises, dubbed the 'Italian house of Architecture', embodies 25 years of professional experience. It represents a hub that shares know-how and creates synergies between different stakeholders—from those engaged in the design, construction and management processes, to those living in the neighbourhood—in order to increase exchanges with the surrounding urban texture. All companies that are part of Progetto CMR Group are now located in the same venue to improve the synergic service available to its clients.

Progetto CMR inaugurate its new headquarters in Milan.
Photo: Progetto CMR

The 'Italian House of Architecture' is the place where the most innovative and smart working principles are applied. Each space is designed to change in order to adapt to the work plan and objectives. The House provides a high degree of flexibility in continual hybridisation between formal and informal spaces, ensuring comfort, dynamism and creativity. The furniture, lighting fixtures and decor are all designed by Progetto CMR in cooperation with leading Italian suppliers, with the aim of creating an interactive and flexible showroom. In alignment with its main design mission, the building implements advanced technical solutions and high sustainability standards.

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European Chamber members are welcome to add news items on their own activities to our website, and share it with all the other 1,700 members.

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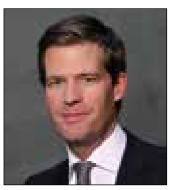

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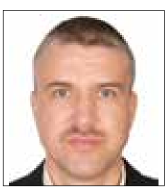

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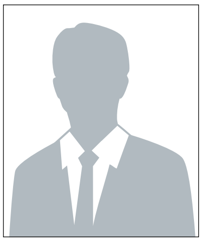
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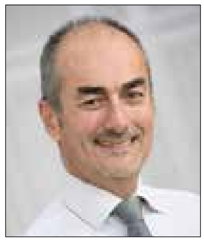
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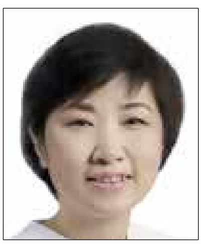
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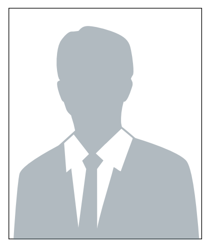
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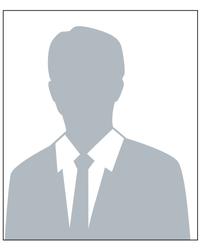
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