EURObiz

Journal of the European Union Chamber of Commerce in China

ISSUE 56 MAY/JUNE 2020

https://www.eurobiz.com.cn/

Keep calm and go digital.

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MAY/JUNE 2020

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EURObiz
Journal of the European Union Chamber of Commerce in China

EURObiz online
www.eurobiz.com.cn

Chief Editor
Orlaith Delaney

Art Director
Zhengnan Cao

National Member Relations Manager
Laura Alvarez Mendivil
+86 (21) 6385 2023 Ext. 113
lamendivil@europeanchamber.com.cn

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

BEIJING

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

TIANJIN

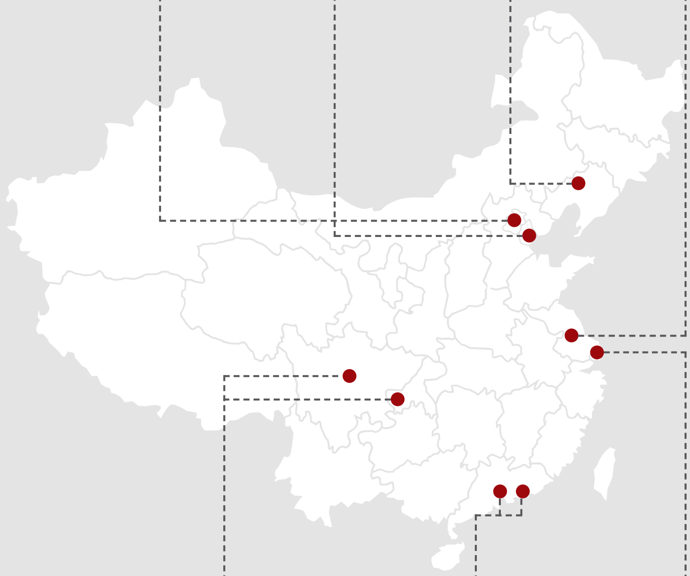
41F, The Executive Centre, Tianjin World Financial Centre, 2 Dagubei Lu, Heping District, Tianjin, 300020, PR China
天津市和平区大沽北路 2 号
天津环球金融中心
41 层德事商务中心
Tel: +86 (22) 5830 7608
tianjin@europeanchamber.com.cn

SHENYANG

Room 646, Sofitel Shenyang Lido, 386 Qingnian Street, Heping District, Shenyang, 110004, PR China
沈阳市和平区青年大街 386 号
丽都索菲特酒店 646 室
Tel: +86 (24) 6683 4376
Fax: +86 (24) 6683 4376
shenyang@europeanchamber.com.cn

NANJING

13A07, No.99 Zhongshan Road, Gulou District, Nanjing, 210008, PR China
南京市鼓楼区中山路 99 号 13A07 室
Tel: +86 (25) 8362 7330 / 8362 7331
Fax: +86 (25) 8362 7332
nanjing@europeanchamber.com.cn



SOUTHWEST CHINA CHENGDU

04-A, F16, Tower 1 Central Plaza, 8 Shuncheng Avenue, Jinjiang District, Chengdu, PR China
成都市锦江区顺城大街 8 号
中环广场 1 座 16 楼 04-A
Tel: +86 (28) 8527 6517
Fax: +86 (28) 8529 3447
chengdu@europeanchamber.com.cn

SOUTHWEST CHINA CHONGQING

1-1, 23F, B4 Block, Chongqing Foreign Business District, 12 Yun Shan Nan Lu, Yubei District, Chongqing, PR China
重庆市渝北区云杉南路 12 号
涉外商务区 B4 栋 23 楼 1-1 室
Tel: +86 (23) 63085669
chongqing@europeanchamber.com.cn

SOUTH CHINA GUANGZHOU

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

SOUTH CHINA SHENZHEN

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

SHANGHAI

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

President's Foreword

Digitalisation Progress Highlights Growing Distrust

Jörg Wuttke

President

European Union Chamber of Commerce in China

In the last issue of ***Eurobiz***, I spoke about the challenges for European businesses operating in China in the midst of the COVID-19 pandemic. The ensuing stress on supply chains and operations will be omnipresent over the coming years. However, we should not be paralysed by that challenge and waste this crisis. One of the fields where we have seen immense progress since the outbreak is the digitalisation of business. This makes it even more critical that China updates its policies regarding data security and internet governance. Without doing so, the considerable progress made in the country's digitalisation will be of limited value, and may even drive a wedge between the very different emerging digital environments in China and Europe.

Effective digital communication within companies, but also between businesses and organisations, has proven to be a light in the darkness cast by the shadow of COVID-19. In many ways, it is fortunate that the worst pandemic in a century came at a time in which the importance of physical space is able to be somewhat replaced through digital solutions – who knows how we could have managed the last few months without a reliable virtual world? It has helped many businesses, and even the European Chamber itself has been able to maintain nearly all of its operations, continuing to add value for our members despite these trying times.

Every European Chamber chapter has seen digital communication channels open between them and the Chinese Government, local and central alike. Additionally, we have been able to connect our members with global thought leaders through our recent May VIP webinar series. It is clear that China, and the world, will move towards a more digital way of working. The COVID-19 crisis is merely accelerating some global trends that were already underway.

At the same time, there is the downside of heavier reliance on China's digital infrastructure in daily life. Concerns over privacy and safety in China's cyberspace need to be addressed to boost trustworthiness. Our recently published *Business Confidence Survey 2020* shows that 80 per cent of respondents still report that internet instability, slowness or access restrictions in China are hindering company operations.

In January 2020, a study by the Berlin-based think tank Bertelsmann Foundation on Europe's view of China and the United States (US)-China tensions reflected these concerns with the finding that only six per cent of Europeans believe that Chinese companies will handle their data responsibly. Much needs to be done to demonstrate to Europeans that China and its companies handle consumers' data in a responsible manner, while respecting privacy concerns and rules.

Mutual trust between the European Union, China and the US is at an all-time low at a time when it is most necessary. Decoupling of one kind or another is expected and disconcerting, especially on the digital and tech fronts. To try and stay ahead of the curve, the European Chamber plans to launch a study on decoupling in December 2020. We encourage members to participate in our related survey in September 2020, and open their doors for interviews.

LOG IN...

Radically Digital

Creative innovation during COVID-19

by Carsten Wierwille

As the pandemic unfolds, we're experiencing its effect in every aspect of our lives, but we're adapting – and at pace. For businesses, the changes have been unprecedented. Already, the highly contagious nature of the virus has made the world radically more digital and is accelerating the rate of innovation. Companies that were previously slow to digitise their products and services are now paying their 'digital debt'. Even in industries usually held back by red tape, decisions are being made and actions set in motion infinitely faster than before. In this article, **Carsten Wierwille**, CEO of **Ustwo**, asks, when we're finally able to get back to our 'normal' routines, how will our different digital world be shaped?

A critical shift in digital health services

Usually hamstrung by delays and suffering from a chronic lack of investment in digital technologies, many healthcare providers have—until now—prioritised the digitisation of records and administration, stopping short of reimagining the patient experience. Understandable, since when the chances of failure are numerous and the cost is loss of life, it is a risk not worth taking.

With COVID-19 sending digital health services into overdrive, some healthcare providers are suddenly conducting more virtual visits in a day than they did in the entirety of 2019.

Governments are being forced to sink money into digital health services and take decisions at unprecedented speed in order to safeguard as many lives as possible. In the United Kingdom, for example, the National Health Service selected eleven suppliers to provide video consultations for primary care after an impressively short 48-hour tender.

Pre-coronavirus, the European Commission passed the *Medical Device Regulations* (MDR), stating that all health and wellbeing-related software and medical supplies must comply by May 2020. However, the Commission has since extended that deadline so digital innovations in the healthcare space can be accelerated to help deal with the crisis.

Digitising more of our medical services long-term could bring significant advantages. For instance, if we were able to consult a family doctor remotely, they would not need to be based locally to us, which could assist with load-balancing between physicians covering high- and low-density population areas. In the United States (US), the Federal Communications Commission has announced a US dollar (USD) 200 million programme to bankroll telecommunications equipment for healthcare providers, which suggests intent to make digital consulting an ongoing change.

Smart digital solutions for home and telecare can improve the reach, efficiency and effectiveness of modern healthcare systems and reduce their exorbitant cost. In the US, the Johns Hopkins Schools of Medicine and Public Health care scheme Hospital at Home (HaH), which provides hospital-level care for the elderly at home, uses biometrically enhanced two-way televideo, virtual physician visits as part of its service. A pilot study found that a scalable model of HaH could reduce readmissions and improve patients' satisfaction with their treatment.

Rise of escapism and mindfulness

We're seeing a huge spike in people using gaming and online entertainment for escapism (or to pass the time they'd previously have spent commuting/travelling, seeing friends, running errands).

People are also turning 'stay at home' orders and the availability of technology into an opportunity to work on their wellbeing. Apple Store has set up a 'Guided Meditation' section featuring apps like Calm, Breethe and Headspace, which huge numbers of people are now downloading to help them deal with new levels of anxiety. Trainers and fitness professionals are taking their classes online, with some—like the 'world's [physical education] teacher' Joe Wicks—reaping mass audiences through YouTube. Others are offering more personal two-way tuition through teleconferencing apps.

While their initial hope was merely to stay afloat for however long the lockdown lasts, those who have successfully pivoted their offering online and tapped into a need are actually accelerating their business and doing better than they were before.

Rapid adoption and longevity

Governments' insistence that people stay at home has pushed many to scramble around at short notice for technological solutions that facilitate minimum disruption to their work. Consequently, tools that would ordinarily take years to be adopted are going mainstream in days, like the video conference/chat apps Zoom and House Party.

Such services, which had perhaps being enjoying steady growth before the COVID-19 outbreak, are now seeing user numbers going through the roof – obviously, this is wonderful for their growth trajectory, but it is also putting them under huge pressure to meet demand and ensure continuity of service. It is important that brands consider the longevity of their digital solutions, so that they can continue to engage people long after society emerges from fire-fighting mode and returns to some semblance of normality.

> **It is remarkable to see exactly what is possible when one's hand is forced, and this dramatic situation demands dramatic measures.**

Useful, practical and thoughtful solutions—and those that can be used in different ways—are most likely to remain in people's virtual kit bag beyond the crisis. Whatever they do, brands will need to strive for fairness in their digital services, and work to reduce the socio-economic divide between factions of society that felt the consequences of the pandemic differently.

Traditionally call centre-based, customer service teams are now working online from home, and these employees' work has seldom been so critical. Brands largely focussed on product development and customer acquisition would do well to concentrate more on keeping people happy and finding solutions for them when things go wrong. People will remember, in the months and years to come, how brands treated them during this period – both the good and the bad.

5G (finally) coming into its own

As technology giants became increasingly excited about the prospect of launching 5G services, it was hard for many consumers to envisage what 5G could add to their lives.

That—like many other things—has all changed. With so many of us now conducting every aspect of our lives within our homes, we are heavily reliant on technology to stay well connected with family, friends and co-workers, and to entertain ourselves. 5G really comes into its own through its capacity to deliver rapid streaming, seamless gaming experiences and events like live online festivals. Consequently, the 5G penny has finally dropped, and demand for it is skyrocketing.

Digital-first policy blazing a trail

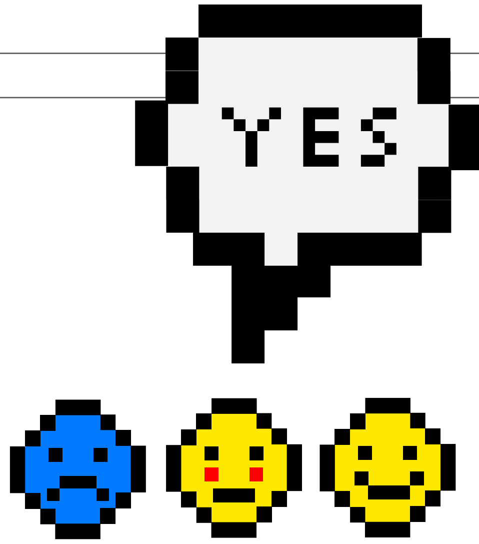
Governments are also facing building

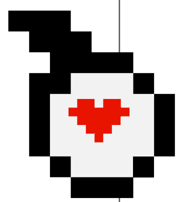
"It's becoming abundantly clear that those systems should be bumped up the list for investment to meet citizens' needs."

pressure to accelerate the development of digital administrative systems that have hitherto been considered something of a luxury. It's becoming abundantly clear that those systems should be bumped up the list for investment to meet citizens' needs.

We can learn a great deal from Estonia, the first radically digital nation in the world. The only experiences that still demand people to be physically present in Estonia are marriage, divorce and the transfer of property. The tiny country of 1.3 million people has applied digital technology to elections, prescriptions, tax filings, birth registry, education, and medical and pharmaceutical records – and, in a brilliantly progressive piece of user-centric thinking, Estonians can control which medical professionals can access their personal data.

To bridge any gaps between the haves and have-nots, the Estonian Government furnished every classroom with computers and offered free computer classes for adults. This way, they could be confident that their investment in innovation would prove useful to—and be widely adopted by—everyone.





Giant leaps

It is remarkable to see exactly what is possible when one's hand is forced, and this dramatic situation demands dramatic measures. The advances in digitalisation being made right now are extraordinary, and governments and brands alike are investing in digital technology in ways they would likely have resisted (or at least advanced at a slower pace) in a world without COVID-19.

When the pandemic comes under control and we see a degree of normality restored, we can expect these organisations to seek to maximise and further develop the investments they have had to make.

Carsten Wierwille, CEO of Ustwo, is a member of WARC's CEO-contributor network. WARC is part of Ascential, the path-to-purchase company that combines intelligence, data and insights to drive growth in the digital economy. We do this by delivering an integrated set of business-critical products in the key areas of product design, marketing and sales.

For over 30 years, WARC has been powering the marketing segment by providing rigorous and unbiased evidence, expertise and guidance to make marketers more effective. WARC services include 18,000+ case studies, 90,000+ best practice guides, research papers, special reports and advertising trend data, webinars, awards, events and advisory services. WARC has 1,200+ client companies, 21,500 active users in 100+ countries; collaborates with 50+ industry partners; and has offices in the UK, US, China and Singapore.

Artificial Intelligence in Healthcare

A question of how, not if

by COCIR

Artificial intelligence (AI) in healthcare is already a reality.[1] Healthcare providers have embedded the technology into their workflows and the decision-making processes. The introduction of AI in healthcare has brought improvements for patients, providers, payers and other healthcare stakeholders, as well as society at large. However, the **European Coordination Committee of the Radiological, Electromedical and Healthcare Information Technology Industry (COCIR)** says there are key challenges that must be dealt with for the full benefits of AI in healthcare to be realised.[2]

The foundational concepts of AI were laid more than fifty years ago. However, it was only relatively recently that the twin effects of an exponential increase in computational power coupled with the omnipresence of data made AI a powerful, practical reality.

The introduction of AI into healthcare has brought improvements at various levels. For example, at the patient level, it allows for more accurate and/or rapid detection, diagnosis and treatment, resulting in improved outcomes.

However, the full benefits of AI in healthcare will only be realised if the key challenges we currently face in the fields of access to data; go-to-market; regulatory and technical matters; legal matters; and the ethical framework are appropriately identified and addressed.

Access to data

The efficacy of AI applications relies heavily on access to datasets on which the system has been trained. The higher the quality of data that goes into the system, the better the outcome of the AI-specific task. Without unhindered access to high quality data at scale, the huge potential of AI will not be realised in healthcare.

On the one hand, it is a matter of quantity: the more data available, the larger the datapool and sample patient group(s) on which the system can be trained to detect patterns. On the other hand, and even more importantly, there is a need for high quality data. Although data is all around us, it can be challenging to get access to material that meets the required standard.

Data that is available may require additional curation before it can be put to good use, for instance, by cleaning or labelling it, or linking several data repositories together in relation to a single patient. Furthermore, it is important to identify whether the available data sets may create or strengthen any bias in the outcomes.

To ensure a level playing field and spur innovation, it is vital that access to high quality data is fair, transparent and non-discriminatory.

> “It is clear that AI in healthcare has great potential, and the best possible conditions should be created to enable further growth and expansion into uncharted healthcare territories.”

Go-to-market

The various possible AI applications, methodologies, use cases and so on that are either already on the market, or will be in the future, may have different go-to-market plans lined up. This section outlines a couple of the most reasonable scenarios in a non-exhaustive list.

Healthcare providers are interested in supportive tools to improve their decision-making for diagnostic and therapeutic procedures, or any clinical decision at the point of care.

While there are already useful stand-alone algorithms in clinical use for medical image interpretation, AI's broader use in daily healthcare requires versatile platforms to support procedures and decision-making in a streamlined way, so that all necessary applications can be easily integrated into existing workflows and information technology (IT) infrastructure.

Traditionally, AI algorithms are developed to solve a well-defined clinical problem. However, in reality, healthcare is much more complex—e.g. reading a chest CT scan and distinguishing between emphysema and lung nodes, coronary arteries, the aorta, the vertebrae—so multiple algorithms need to work together to best support decision-making.

The go-to-market and deployment scenarios, and by extension the adoption of AI in healthcare, will not so much depend on the question of whether or not to use the software, but more on how to integrate different applications into existing infrastructures and physician workflows.

Examples of such scenarios might be offering AI solutions embedded in a picture archive and communication system (PACS) reading workstation in a radiology department, or deploying them through some form of app store where healthcare providers can access a wide collection of applications and algorithms.

Each vendor will need to carefully consider the best way of deployment to fulfill the clinical needs of healthcare providers. Many different scenarios can apply, ranging from smaller vendors

1. A library of use cases will be published on the COCIR website, http://www.cocir.org/
2. This article is an abridgement of COCIR's *White Paper on Artificial Intelligence in Healthcare*, released in April 2019, which can be downloaded from the COCIR website.

focussing on single-use applications to bigger vendors offering AI platforms, assistance-like systems or online marketplaces.

In this respect, it is also crucial to consider the appropriate business model. Traditionally, the main business model was to still sell licences and support services. However, other options are being explored and introduced, one of the most prominent being subscription or volume-based Software-as-a-Service (SaaS) models. These models are also increasingly used for AI applications.

While these business models run as ‘transactional models’ and can be performed between all market participants (providers, payers, vendors and others), it is mission-critical that there is a transparent and robust ‘order to cash’ process, which can also be audited and prove accuracy in billing of the transactional volume.

Regulatory and technical matters

To a large extent, AI may be simply considered as a specific type of software. The general safety and performance requirements are generic principles, which do not necessarily require adaptation to a new technology, hence existing regulations should be applied.

As different AI approaches, such as machine learning and deep learning, may be applied by different industries, current standardisation work ongoing within various standardisation bodies aims to establish good practices. Such standards should be endorsed to create a reliable pathway to market for manufacturers, notified bodies and regulators alike.

Legal matters

AI does not operate in a vacuum. Any deployment in the field will trigger a number of legal obligations under existing frameworks and may raise a number of critical questions.

There is, for instance, the matter of liability. In this respect, a distinction can be made between applications that support decision-making and those that can make autonomous decisions (e.g. autonomous driving).

The healthcare industry is offering AI applications in support of clinical decision-making; for instance, by highlighting suspicious regions in an image. However, the physician performs any downstream decision to further manage patients, and therefore the liability lies with the user/physician.

Liability needs to be considered in various scenarios, such as unforeseen use, off-label use, user errors, inadequate training, lack of maintenance or defective products.

The development of AI may also raise a number of questions regarding intellectual property rights (IPR). In cases where AI algorithms are being built in close collaboration with clinical partners, questions referring to IPR need to be addressed in advance.

Ethical framework

On 25th April 2018, the European Commission announced its Strategy on Artificial Intelligence, one of the main pillars of which is to ensure an appropriate ethical and legal framework.[3] Whereas much power has been attributed to AI, the algorithms that run these systems are developed by humans. Consequently, any bias or ethical considerations that consciously or unconsciously are programmed into the system will determine the output of these AI systems.

The *Ethics Guidelines for Trustworthy AI* were published by the European Commission on 8th April 2019.[4] They list seven key requirements that AI systems should meet in order to be deemed trustworthy:

- human agency and oversight;
- technical robustness and safety;
- privacy and data governance;
- transparency;
- diversity, non-discrimination and fairness;
- societal and environmental well-being; and
- accountability.

The *Ethics Guidelines* present an assessment list that offers guidance on each requirement’s practical implementation. This assessment list will undergo a piloting process in order to gather feedback for its improvement.

Conclusion

It is clear that AI in healthcare has great potential and the best possible conditions should be created to enable further growth and expansion into uncharted healthcare territories, bringing benefits to patients, physicians and healthcare providers, as well as society at large.

COCIR is the European Trade Association representing the medical imaging, radiotherapy, health information and communications technology, and electromedical industries. Founded in 1959, COCIR is a non-profit association headquartered in Brussels with a China Desk based in Beijing since 2007. COCIR is unique as it brings together the healthcare, IT and telecommunications industries. Our focus is to open markets for COCIR members in Europe and beyond. We provide a wide range of services on regulatory, technical, market intelligence, environmental, standardisation, international and legal affairs. COCIR is also a founding member of DITTA, the Global Diagnostic Imaging, Healthcare IT and Radiation Therapy Trade Association (globalditta.org).

1. *Artificial Intelligence for Europe*, European Commission, 25th April 2018, viewed 6th May 2020, <http://ec.europa.eu/newsroom/dae/document.cfm?doc_id=51625>
2. *Ethics Guidelines for Trustworthy AI*, https://ec.europa.eu/futurium/en/ai–alliance–consultation/guidelines

Catalyst for Change

Breaking through the digital barrier in mainstream higher education

by Dr Juan Caldero and John Fowler

COVID-19 has been the catalyst for unprecedented change within higher education (HE) institutions that previously favoured traditional modes of teaching. Whereas the reaction of the education sector during the Severe Acute Respiratory Syndrome (SARS) outbreak of 2002/2003 was wholesale suspension or postponement of classes, the response in 2020 has been characterised by a dramatic pivot towards digitally based, student-orientated learning. Technological capabilities that laid relatively dormant within Chinese HE for a significant period of time have raced to the forefront of educators' minds, and, according to **Dr Juan Caldero** and **John Fowler** from **Coventry University in Chongqing**, the sector will be irrevocably changed as a result.

Chinese scholars have long been predicting the sweeping changes that occurred in western HE in the 2000s would reach the Chinese sector. These changes included integration of the student learning experience into a virtual learning environment (VLE), a shift towards online collaborative platforms and more widespread use of Socratic methodologies – collaborative argumentative dialogues instead of teacher-led lectures. In spite of significant innovation in research and well-documented social change driven by digital technologies, HE in China has always retained a penchant for the face-to-face teaching mode and paper-based learning technologies. A visitor to a Chinese university teaching building might be forgiven for thinking they have been transported back to an education setting in the 1990s. Lecture halls are large and the static rows are filled with students managing small piles of textbooks.

In response to the fast-moving challenges of the COVID-19 pandemic, which has caused extraordinary levels of disruption and uncertainty for lecturers and students alike, academic institutions temporarily closed campuses and moved to remote working for campus-based faculty and administrators. Domestic and international programmes followed suit quickly. However, institutions and educators that had already invested time and effort in the transition to remote teaching delivery, student support and assessments are far better placed than those that did not. These institutions have achieved in an extremely short period of time the capacity to build digital capability, create new staff and student experiences, and maintain effective support for home and overseas students.

Chinese institutions face significant challenges in migrating the student experience online whilst adhering to internal and external policies, especially in the area of assessment. European institutions with operations in China can and should rely on their established online procedures and track record during the COVID-19 pandemic; maintaining, where possible, open communication channels and sharing examples of best practices with partner institutions.

Some documented benefits of online collaborative learning tools include improving learner input and efficiency. In turn, this helps students seek clarification, reduce anxiety and solve learning difficulties. In other words, learners do not feel isolated due to the sense of having a learning identity within the VLE. This learning identity can provide both instructors and learners with immediate feedback and reflective thought. Online team debates, online conversational topics and role play simulations can create multiple forums for discussions and

consolidation of students' learning.

The long-term benefits of digitalisation for academic institutions are fundamentally clear: It provides:

- access: the advantages of digital search over print or hard copy issues;
- preservation: digital data will not deteriorate or disintegrate with time;
- cost reduction in terms of storing and duplicating textbooks, academic journals, theses, dissertations and ongoing research; and
- clear and precise organisation and dissemination of all data.

The jump to digital platforms such as massive open online courses (MOOCs), integrated learning applications and team resource management suites has not all been smooth sailing. Online learning creates communication issues and an uneven playing field in certain cases: poor internet connections, intermittent accessibility, home environmental issues and time differences can all limit meaningful interaction online. Educators must be aware of the limitations. In response to these issues, institution administrators will need to work to ensure a standard experience for students and revisit the customer journey.

There are further concerns regarding the long-term effects of restrictions in face-to-face learning. Some scholars have argued learners might lose the sense of reality of the physical world and, therefore, trust in other people.[1] Also, there is the criticism of online forums, particularly with lectures or larger classes, in which few learners "are active or sophisticated enough to read regularly and actively participate".[2] Thus, it is imperative that institutions manage the pastoral dimension of virtual delivery and provide training for students where necessary.

These concerns extend to educators themselves. Poor time management or questionable institutional practices might lead to teachers feeling overwhelmed. In face-to-face classes and under academic regulations, lecturers allocate specific time during the week for 'drop-in hours', when students can go to the lecturer's office to discuss their academic work. Online learning provides both a forum and individual communication between students and lecturers. This therefore increases the number of hours and amount of work lecturers deliver weekly in order to accomplish optimal pedagogical outcomes. In some cases, lecturers might feel that the amount of work can become excessive. However, scholars argue it would be advisable to explore the use of small peer groups to support all students engaging in their learning.[3] In other words, students will also be part of the academic community and best practice.

Challenges related to digital migration persist but, as the education sector has no other choice at the moment, such issues are being quickly surmounted. Regardless of any appetite to return to traditional education values, the legacy of the COVID-19 pandemic will be one of greater acceptance of the digital learning experience, even for great institutions once thought immovable.

Dr Juan Caldero is lecturer in Legal English and Academic English and **John Fowler** is assistant professor and programme manager of the Sino-UK Collaborative Law Programme. The Sino-UK programme is collaboratively delivered by Coventry University and the Southwest University of Political Science & Law in Chongqing (SWUPL). This is a unique globally-oriented double degree Commercial Law LLB programme for tier 1 Chinese students. CU@SWUPL has set the bar in terms of delivering high quality education by combining one of the United Kingdom's best modern universities with one of the top three Chinese institution for Law; and by being the only China-UK project to have an academic team permanently based in Southwest China.

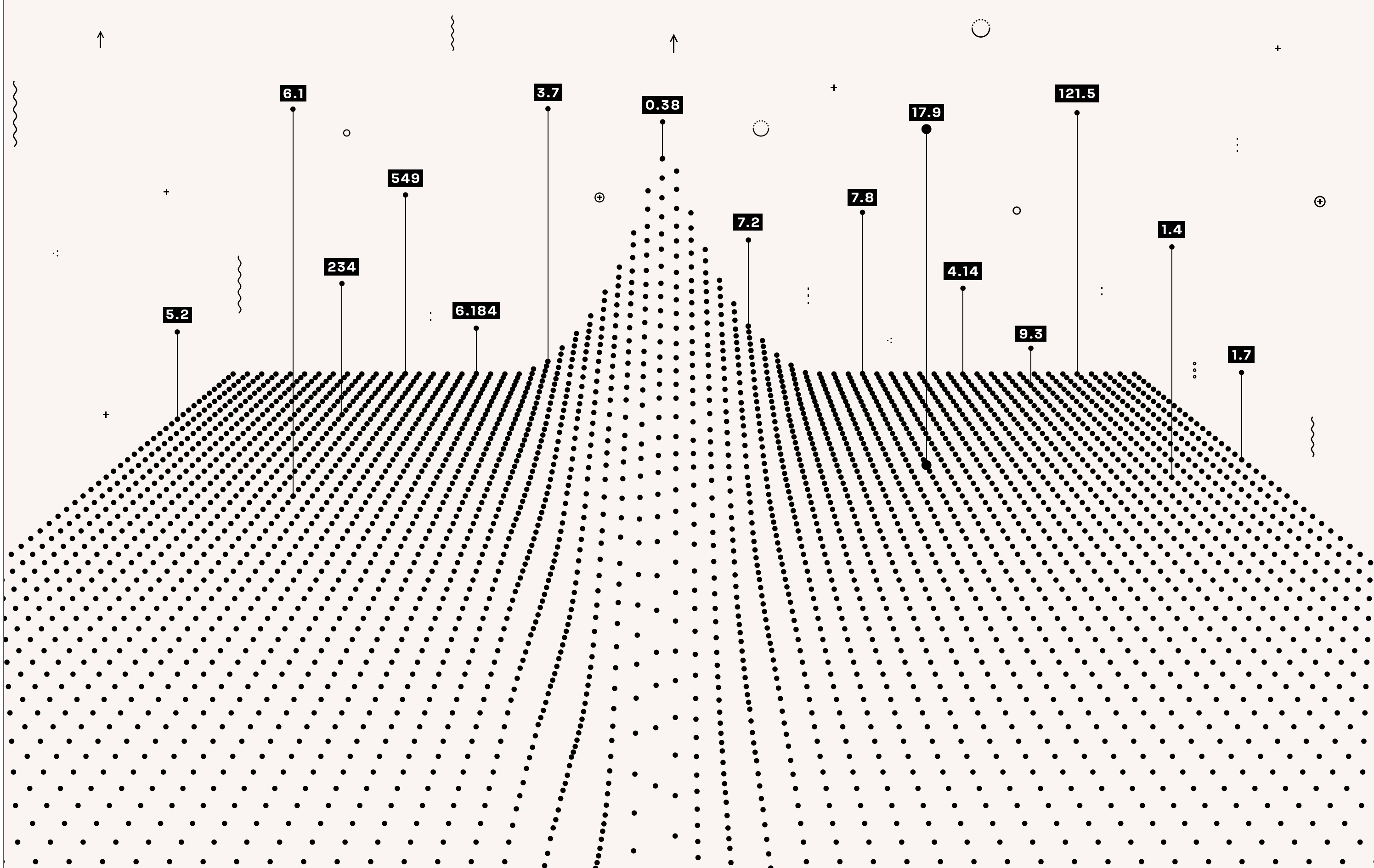
1. Dreyfus, H, *On the Internet*. Routledge, London, 2001; Hunt, R. Affordances and Constraints of Electronic Discussions, 1999, viewed 22nd May 2020, ERIC, item: ED454508.
2. Hunt, R. (1999). *Affordances and constraints of electronic discussions*. New Brunswick: ED454508.
3. Towndrow, A., et all, 2013, *Quad–blogging: promoting peer–to–peer learning in a MOOC. eLearning Papers*, vol. 33, no. 1–4. Retrieved from http:// openeducationeuropa.eu/en/download/file/fid/27045

Data Fabric

How to create a consistent data experience across your data ecosystems

by Chandra Devarkonda

Companies are increasingly migrating from fragmented, monolithic data platforms to more streamlined and flexible data ecosystems. This is in order to respond to the changing market and provide tailored customer services, as well as a more consistent digital experience. And, in times of unexpected crises like COVID-19, a unified and flexible data ecosystem is critical. **Chandra Devarkonda** of **EY** tells us more.



New data ecosystems, such as those offered by public cloud providers, are attractive migration options. However, instead of moving all of their data to a single public cloud provider, many companies are mitigating risk by diversifying across several providers, as well as retaining some critical data within their internal private data ecosystems. This hybrid approach opens up several new opportunities for business agility, but also presents new challenges in data management.

Customer trust, system capacity and managing costs are critical to survival in times of unexpected crises, like the one the world is currently going through. Fortunately, these challenges can be resolved through a more modern architecture approach called the 'data fabric', or data plane, that provides a unified, elastic method to data management across any number of ecosystems.

What is data fabric?

Data fabric is a set of independent services that are stitched together to provide a single view of your data, irrespective of the repositories where it is generated, migrated to or consumed from. These services, built using artificial intelligence (AI) methods and modern software engineering principles, include business services, data management services, monitoring services, a data catalogue and more. Services can also track data and attribute value to it through its lifecycle, thereby informing data resiliency and lifecycle management planning while also providing the flexibility to apply tiered data quality, privacy and security solutions.

As a result, organisations will be better able to evolve alongside changes in business needs as well as technology. This approach is designed to be long-lasting and forward-looking, and can cater to a variety of upcoming technology trends.

What you gain through data fabric

A data fabric approach to provisioning and managing large-scale networks of services that abstract—or reduce to essentials for the end user—business, data and infrastructure functions across hybrid and multi-cloud data ecosystems enables organisations to reliably manage data, while simplifying the implementation of consistent policies across these ecosystems.

In this digitally disruptive age, automatic abstraction of commonly used business functions, centralising key data management functions and better managing infrastructure for storage, computation and access will help organisations increase focus, mitigate infrastructure costs and better allocate resources for creating business value. Let's explore these benefits in greater detail.

Abstraction

Each of the independently hosted services that comprise the data fabric help organisations abstract the functions the services provide. While the services are primarily targeted at the chief data officer (CDO) and chief information officer (CIO) levels to manage data and infrastructure, they also impact functions such as marketing, customer service and finance.

Consider the marketing function. If marketers want to more nimbly test new offers or services, such as by comparing the effectiveness of different web pages or product offers by customer segment and rolling out continuous updates, they can use specific services hosted on the data fabric that encapsulate all the necessary functions and provide that visibility.

Likewise, in finance functions, independent financial calculation functions such as loan amortisations or cash flow calculations are hosted on the data fabric and updated without disrupting how they are accessed. Data usage by these functions is also independent of where such data is stored. Data quality checks are automatically built so the trust in usage of the data significantly increases.

Trust and risk mitigation

Improved lineage, traceability, explainability and transparency form the core of future-focussed governance.

By consistently applying identification, tagging and controls to your data elements, along with privacy screening as needed, you mitigate risk. And consistent data experiences, privacy applications and data quality improve trust between the organisation and its customers.

To gain insight into the type of privacy screen to be applied

data fabric

A set of independent services that are stitched together to provide a single view of your data

networks of services

A data fabric approach to provisioning and managing large-scale networks of services enables reliability

abstraction

Each of the independently hosted services that comprise the data fabric help organisations abstract functions

Trust and risk

Improved lineage, traceability, explainability and transparency

Economic modelling

An economic utility service on the data fabric determines data storage and computer needs when data is consumed, an organisation can tag sensitive data non-intrusively, track and assign qualitative metrics based on cost of acquisition, and process and store consumer data using operational logs and business rules. The privacy group of services can enable such functionality while also using AI to apply configurable privacy screens. They also enable use of natural language processing to digitise new privacy rules and incorporate them into the screening services without much human intervention needed.

Economic modelling

At the infrastructure level, an economic utility service on the data fabric determines data storage and computer needs through a cost-benefit analysis, for when multiple data centres are being managed. The economic model uses workload costs and several historical analyses of similar workloads to help make a more informed decision on the type of infrastructure needed to execute the tasks across public cloud ecosystems. Additionally, an organisation can better match and distribute workloads across data centres through simulations.

Data fabric architects and engineers can design and implement the specific services that will help you manage diverse data ecosystems across several cloud platforms. Consultants may use a pilot prototype for demonstration and as part of a workshop to assess your needs and evaluate where you need help.

Data fabric in action

To illustrate the challenges, we'll use a case from a global insurance organisation that is considering using a product-pricing application across its internal data centre and on a public cloud.

The application needs to scan through terabytes of data (not all of which is available on the public cloud), select valuable data points as inputs and then execute a complex set of mathematical functions iteratively to arrive at a possible price.

This price needs to be accessible by a customer through the organisation's website and mobile app. It also needs to be recorded internally.

The organisation carries out the pricing calculations on the public cloud, where it is far easier to spin up the hardware and software that match the needs of the pricing application, as well as to access the data, perform the calculations and generate the prices. However, the organisation also needs to continue using its internal data systems due to dependent applications and incumbent business processes.

This poses several different challenges, including:

- How does the organisation know beforehand how much infrastructure it would need to run the pricing calculations?
- What if the organisation has some idle capacity in its internal data systems that could be used along with the additional public cloud capacity?
- If the organisation uses multiple cloud vendors, how can it decide quickly how to federate the application execution to optimise the overall costs?
- How can the metadata being captured in internal data systems be linked on a continuous basis with that on the cloud to provide a consistent experience?
- If the application needs to provide a price to millions of customers worldwide in real-time, how can one be sure it is providing an accurate price that is calculated at the speed demanded, as well as transparency on how it arrived at that price in a consistent manner?
- How can new business rules be injected into the pricing application that incorporate changing market factors as well as local market regulations in a globally consistent manner?

This multitude of different challenges is addressable by using the menu of services offered and hosted on the data fabric. Each service will address a specific data challenge, and is itself composed of several sub-services, each performing an independent function. For example: one sub-service would capture relevant data; the second perform validation checks; the third apply advanced algorithms to learn about the data; and the fourth could offer a recommendation or provide an alert. Each of these sub-services can be managed and updated without disrupting the overall service. The data fabric services, while independently functioning, are meshed together through the public cloud platforms and hosted in a cloud-based data centre of the organisation, removing the need to manage infrastructure to host the services.

This makes data management more automated, anonymous and scalable across ecosystems. It also allows organisations to manage data across myriad platforms though a unified layer, greatly abstracting from their data infrastructure while also providing transparency.

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Protecting the Dots

Cybersecurity challenges arising from the work-from-home mode

by Ben Wootliff

On 23rd January 2020, when the city of Wuhan went into lockdown, cybersecurity changed forever.

Within a month, millions of employees around the world were working from home. But although the way in which organisations work had altered dramatically—possibly forever—the threat actors were still out there. And, as working modes change, so do the risks. **Ben Wootliff** of **Control Risks** discusses the common cybersecurity challenges encountered by organisations as their workforces logged in from home, and other key findings from a recent survey.

In April 2020, as remote working became established as the global norm in response to the COVID-19 outbreak, 16 chief information officers (CIOs), chief information security officers (CISOs) and security advisers took part in a survey on the demands the new situation has placed on them. Collectively, these security leaders are responsible for securing almost 750,000 employees. The respondents, who work at multinational companies, financial institutions, small fintech firms and manufacturing startups, described the outbreak of COVID-19 as among the most challenging periods of their careers.

Companies, governments and non-governmental organisation (NGOs) are all facing multiple challenges. Initially, these were tactical and logistical: "How do I get 10,000 new users onto my [virtual private network] VPN?" As we move, however, from the 'response' phase of the crisis to the 'recovery' phase, the challenges are becoming strategic: "How do I plan cybersecurity when the whole organisation has been upended?"

When governments first imposed lockdowns, organisations were forced to ramp up their remote access capabilities. "We had to massively increase our VPN capacity to 150,000 users from 25,000," said an Asia CISO of a multinational financial institution. Another had to increase capacity 20-fold overnight. Yet from a performance perspective, most organisations say the infrastructure on which they ran their systems was able to deal with the sometimes exponential increase in demands.

In the early stages of the COVID-19 outbreak, organisations faced challenges in continuing operations. For example, information technology (IT) teams had to work 24/7 to provide employees with laptops and peripherals such as two-factor authentication tokens. Another issue faced by some organisations, particularly law firms and financial institutions, was printing and scanning documents. "Lawyers like to print out their documents, as well as read, review and sign them," said an information security manager of a large global law firm. "We had to find a way of doing this securely." A law firm chief information officer (CIO) said: "We were tempted to use a scanning app but decided that the risks were too high and refused to compromise." Multinational companies (MNCs) have faced similar difficulties. A CISO of a company that employs 30,000 staff said: "[Printing and signing] were problems for the tax department and the legal team."

While most organisations had previously

rolled out two-factor authentication for certain employees, with the COVID-19 outbreak, this has often been extended across the entire operation. Implementation was relatively uncomplicated: "We had to roll this out across the organisation, but with Microsoft [software], it was relatively straightforward," said one CISO.

Remote-working technologies have been a security challenge. Zoom, a video-conferencing tool, initially was very popular, but users were divided over using it due to privacy concerns. One IT specialist in a startup felt compelled to move away from the app because their company was in the process of raising funds and some investors were uncomfortable using the service. Others surveyed decided to move to Microsoft Teams to sync with their use of the company's Office365 software suite. Meanwhile, organisations are having to identify ways of managing incident response and updates remotely. "Patching and updating was often done through the intranet. We've had to design workarounds because this isn't available," said one security expert.

Not all cybersecurity challenges have been technical in nature. Fears over COVID-19, and a desperate thirst for information on the virus, made it a classic phishing lure. Indeed, nearly all respondents reported phishing attacks stemming from the COVID-19 outbreak. Most had responded by alerting users to these attacks and providing warning messages from their human resources teams. A few organisations, however, took a more aggressive approach by sending out their own COVID-19-related phishing tests. One law firm revealed that it had "sent out [phishing test] emails with Centers for Disease Control and Prevention and World Health Organization branding on them – which people clicked on!" Another law firm said that the IT security team wanted to do this but the firm's partners had vetoed the idea, deciding that it was not an appropriate time to do so.

The misuse of legitimate communication tools by employees and the need for new options have obliged organisations to review their approach to managing cybersecurity: "[Working from home] has forced discussion about software management—particularly with regard to exceptions, whitelisting and acceptable use policy—on a global scale. This was triggered by widespread, unapproved adoption of Zoom by individuals with their work email account for internal work," said an Asia CISO.

These tactical problems have been mostly solved by massive efforts on the part of IT teams. One CIO described this as "cyber heroics", with his team working 24/7 to ensure his organisation could operate remotely.

As a next step, cybersecurity leaders would do well to think strategically about the post-COVID era. This is proving difficult for some business leaders who are still in 'fire-fighting' mode. A CISO of an investment bank said: "Our biggest challenge is sustaining the pace [of response]...[I am concerned about] how are people coping mentally and physically." Furthermore, financial and organisational constraints are forcing companies to downgrade their capabilities: "We have a hiring freeze and the director of information security has resigned, so there is no formal second line of security in place," said an employee from a global manufacturing company. Consequently, long-term strategic cybersecurity planning and management are falling behind. "The

biggest challenge is that all my strategic work has gone out of the window. I can't think more than a week out at the moment," said a global CISO.

COVID-19 has also accelerated the cloud computing trend. "We have expedited the release of some applications because of this. If this had taken place six to nine months from now, all this would have been in place," said a regional CISO of a large investment bank.

This aligns with the ongoing redefinition of how an organisation is structured and executes its work, and therefore what cybersecurity means to it. For example, erstwhile office-focussed law firms are evolving a new work culture that revolves around remote working. "Our London partners had been opposed to working from home, but this will now be different after COVID-19," said a law firm CIO.

And given that large global companies have multiple lines of business, their resources do not tend to be distributed evenly. "We have a number of smaller businesses and offices in Asia that don't have their own capability... keeping them secure has been a real challenge," said a CISO for a global apparel company.

The new forms of working are only going to increase this challenge, with the breakdown of boundaries between home and office also impacting those between the enterprise network and domestic network. As one CISO said: "Security has now moved from the perimeter... [and] we are now operating a zero-trust framework... we are moving from defending lines to defending dots... "

Here are a few takeaways:

- While organisations have been addressing both tactical and logistical challenges, such as increasing their VPN capacity tenfold, they need to think more holistically by asking: What will cybersecurity look like in the post-COVID 19 world?
- While cloud adoption has gained significant traction in the corporate world, it is now integral to the new distributed operating model.
- Cybersecurity has traditionally been viewed as defending a perimeter – or "protecting the line". Working from home has effectively upended this and shifted to "protecting the dots", that is, securing the individuals and endpoints that comprise a post-COVID business.

"This aligns with the ongoing redefinition of how an organisation is structured and executes its work."

Control Risks is a specialised risk consultancy committed to helping clients build organisations that are secure, compliant and resilient in an age of ever-changing risk and connectivity. Clients include national and multinational businesses in all sectors, law firms, government departments from many parts of the world, NGOs and SNBs, both national and international.

Note

The findings in this article came from a survey carried out by Control Risks in April. For further detail on COVID-19 business recovery, visit their website.

May You Live in Exciting Times

How COVID-19 may act as a tipping point for the digital economy

by Charlotte Svensson

The world is going through an economic revolution, driven by technological innovation and increased online activity. While these underlying secular drivers have been working their way through our global economy for a few years now, the COVID-19 crisis appears to have shocked the system. In many ways, the crisis has become a catalyst for a number of trends that have been shaping the general business environment, as well as new work habits and human behaviour, as the situation developed. Going forward, COVID-19 will have permanently changed the financial services industry. **Charlotte Svensson**, **Working Group Coordinator with the European Chamber**, looks at how deals are executed, capital structured and risks assessed by corporate management, who will now have to take into account the fact that a second wave or even a new pandemic might occur in the future.

The digital economy is a complex phenomenon. Whereas traditional linear business models create value through products or services sold directly to customers, platform-based business models create value by connecting users (both providers and customers of products and services) with each other through an online network. A successful platform requires both sides of a market to have sufficient market players. The platform must provide measures to ensure confidence is maintained among all parties in the triangular relationship it constitutes: the platform, the producer and the consumer. In essence, the emergence of third-party payment platforms provided a basic guarantee for online economic activities, which gave rise to new practices surrounding the sharing of physical assets and selling of services online.[1]

In the early days of the Web 2.0 era, the construction of the Chinese electronic banking system by state-owned commercial banks had just begun, and it was still too weak to accommodate internet companies. Therefore, big internet companies were forced to develop their own trademark virtual currency that could be purchased by fiat currency to trade and exchange on digital platforms. It was basically with the introduction of Alibaba's Alipay[2] that the foundation for the Chinese online payment system was laid.

But the digital economy entails so much more than just business conducted on an online platform; it is about the interconnectivity of people, organisations and machines that results from artificial intelligence. If anything, the current pandemic crisis has brought to the surface the fact that the world is more interconnected than ever before.

The need for strategies around digital banking, insurtech and loan management was clear before the pandemic hit. The question has now become whether financial service providers will remain committed to new models of daily operations post-COVID. Financial players will be encouraged, and expected,

1. Ma Yide and Haorang Zhang, 2019, *Innovation*, In *Economic Development, and Intellectual Property in India and China, Development of the Sharing Economy in China: Challenges and Lessons*, Springer Publications, pp. 467–484, https://link.springer.com/chapter/10.1007%2F978–981–13–8102–7_20
2. The basic model of Alipay is that the user pays first to the third–party payment platform, and the service provider delivers the goods. After the user confirms the receipt of goods, the third–party payment platform completes the payment to the service provider. The third–party payment platform functions as a transaction guarantor.

to provide financing for platform firms as they themselves go through their own digital transition. The presence of digital giants in financial services, and their significant advantage in data and customer access, however, highlights the dilemma for financial service providers of whether or not they should act more like internet companies or financial service providers.

There are a variety of reasons why businesses fail in times of crisis, but ultimately, it is because they run out of cash, despite great ideas and sound business models. Cash is the lifeblood of any business. Although there has been extensive reform to China's financial system (such as a complete restructuring of the regulatory bodies) as well as some meaningful opening-up measures (such as removing some limits on foreign investment and entry barriers), the opportunities for European financial service providers to participate in China's digital economy remain limited for the foreseeable future. Among others, the country's stringent data localisation requirements and prescriptive cybersecurity risks break financial institutions' global operational models, and increase European banks' operational risks and associated costs.

Furthermore, in order to operate as an e-commerce platform, both European insurance providers and consumer finance companies can obtain the B21 licence (a sub-category of the value-added telecom services licence), but the application process is reported to be very long and complex. Another approach is to operate as an online service provider under the B25 licence, which requires the percentage of foreign ownership to be less than 50 per cent, thereby disqualifing most European companies. Although there are other options available—for example, the special treatment for Hong Kong-based businesses under the Closer Economic Partnership Arrangement (CEPA), or establishment in a free trade zone—the best option for all would be for China to establish a level playing field between foreign and domestic players in this area.

The function of financial institutions extends beyond money alone. For financial services, COVID-19 comes at a time of transition and conflict between the traditional and the blended/online model. Banks, insurance providers, loan operators and leasing companies are vital for any modern economy to function properly, but also for ordinary citizens to live a decent life, run their businesses and achieve their dreams.

COVID-19 could be the driving force behind the largest historical shift in business habits. The direct benefit of this is the forced adoption of digital processes and technology. For some, embracing the digital economy will be a struggle. Others already find themselves more closely aligned than ever with the new way of managing business operations. Financial service providers that had already substantially invested in building up their digital capabilities have been more likely to weather the storm. Not to mention that the impacts of pandemic can also result in different synergies across various sectors: for example, whereas falling interest rates would weigh heavily on the insurance industry, it would be welcomed by consumer finance and non-bank loan operators. This is one of many conclusions executives are likely to make following the COVID-19 crisis; that digitalisation is a must, change is inevitable and customer behaviour changes.

This is a time to better understand how customers expect financial service operators to support their financial needs. It is also a time to reevaluate how technology and analytics can accelerate future organic growth. For instance, in the 2019 report *Banks Brace for a New Wave of Digital Disruption* by the Boston Consulting Group, the authors concluded that "bank leaders know that digital technology and changing customer behaviours will take the industry in new directions. However, many of them no longer think that disintermediation is likely in the near term. They expect an inflection point that will signal it's time to move quicker."[3] Only half a year later, the inflection point arrived in the form of a global pandemic.

If China is truly recovering from COVID-19 and restarting its economy and Europe is easing lockdowns, then the rest of Asia—especially its growing middle class—will continue to be prime consumers of tech-savy adoptions, and that is a situation also ripe for technological innovation. Not to mention that Asia Pacific has by far the largest share of banking revenue pools in the world.[4] For these reasons, despite all the doom and gloom the crisis has brought, it has never been a more exciting time to be part of the digital economy.

3. Kumar, Monish et al, *Banks Brace for a New Wave of Digital Disruption*, Boston Consulting Group, 25th July 2019, viewed 18th May 2020, https://www.bcg.com/publications/2019/banks–brace–new–wave–digital–disruption.aspx
4. Ibid.

Disclaimer

The opinions and statements in this article are those of the author, and not necessarily those of the European Chamber.

ADAPTING TO

A POST-COVID-19 WORLD

The need for multinationals in China to adopt a portfolio-like mindset

by Norbert Meyring and Mark Harrison

Adaption has long been integral to the success and longevity of any business. Yet, for multinational corporations (MNCs) in China, adapting to a post-COVID-19 world—in addition to the existing challenges of a slowing economy, maturing markets and disruptive technologies or market entrants—is no easy feat. Combine this with increasing directives or expectations from head office or shareholders, and some C-suite executives in China might be feeling the pinch. But as the country progresses in its united front to eradicate the virus, the prospects of an orderly return to growth improve daily. **Norbert Meyring**, head of Multinational Clients and **Mark Harrison**, partner, Deal Advisory, **KPMG**, argue that the potential rewards for getting it right in China remain of such amplitude that to not put serious effort into assessing the potential growth or cost-saving options—and then executing a practical strategy—would be remiss.

As COVID-19 has now spread globally, MNCs' head offices are becoming even more focussed on cash and profitability. It is anticipated that they will adopt strategies to address underperforming parts of their business portfolio and potentially to raise cash through sales of non-core assets.

Typically, the operational focus for MNCs in China is now not just about growth, but profits (or even damage control) as well. There is less headroom to justify balance sheet losses at the cost of building market share.

Unfortunately, no one-size-fits-all solution exists to counter the challenges each MNC might be facing. But regardless of any perceived source of woe, an initial high-level assessment can help shed light on the current business scenario and outcomes.

Realistically, if your China operations are struggling in any way, there are four routes to consider: 1) a 'fix' strategy; 2) a joint venture (JV) partner; 3) selling the business; or 4) closing the business.

While such options may initially sound fairly rudimentary, the respective scenarios may be intrinsically different and more complex than even one or two years ago. A fix strategy, for example, may entail new products (along with various intellectual property (IP) issues) or a shift to services, supply-chain diversification or re-shoring, or formulating new operating models and factoring in digitalisation, licensing, outsourcing or omnichannel considerations.

Likewise, aligning with a JV partner, or selling or closing the business also have a host of respective complexities that must be weighed against one another when assessing the options. Liquidation, of course, is a last resort and not a favoured option given the protracted process and reputational damage, which could impede the future feasibility of the MNC's efforts to re-enter the China market.

However, to help mitigate any such adverse scenarios—and indeed to improve prospects in terms of business profitability—applying a portfolio mindset to your China operations can be highly beneficial. By grouping or categorising the various operations, processes, assets or services (potential or otherwise) of the business, it becomes easier to stand back and assess what's critical and what's not. Knowing which levers to pull back on or ramp up, or which to add or remove, requires a portfolio-like dashboard that covers the full business scope to be clarified.

Here are three brief case studies that exemplify just some of a multitude of strategies MNCs have taken as they adapt to the business terrain in China.

Case study A: Turnaround of a building/industrial equipment manufacturer

A building or industrial equipment manufacturer was facing declining sales, as it struggled to compete with very thin margins and local players putting out some very good products. The manufacturer's own product was globalised to extremely high standards, and it encountered difficulties selling into lower-tier markets. It had also become entirely reliant on agents, with no visibility into their channel. The manufacturer needed a transformational strategy; a whole re-design of their commercial key performance indicators (KPIs) was formulated, with a practical roadmap that enabled them to shift course and offer high-value-added after-sales services, reduce spending, increase monitoring and ramp up localised research and design (R&D). While some reticence to the plan from local management was apparent (given the perception that acceptance may constitute admission of historical inattention), the head office was quick to accept the new strategy immediately upon seeing the review. This business subsequently turned around its sales markedly.

Takeaways:

- Management rotation can bring fresh perspectives and need not be an admission of failure. A more regulated service time for private sector expatriates can help reduce barriers to change. Conversely, a robust, transparent handover plan will help ensure continuity where required.

- Products need to be localised. The gap between MNCs and local players has narrowed; relying on brand alone or overseas origin as a differentiator is no longer enough. Localised R&D for products/services suited to the various China markets is key.

Case study B: Packaging manufacturer teams up with local entity in partnership of equals

A general-packaging manufacturer was struggling for growth as, despite having a very good factory, they had high manufacturing costs and were overly reliant on MNC clients. To amend this situation, a suitable potential local JV partner company was found, based around sensible manufacturing, customer base, and IP alliances. Unlike many cases regarding JV arrangements in the wider market historically, this arrangement encapsulated a partnership of equals, with complementary strengths and weaknesses, and culminated in profitable outcomes.

Takeaways:

- Be honest about strengths and weaknesses. Going it alone or dismissing full recognition as an equal to a potential partner could cost dearly.
- Within the greater corporate structure, think like a business owner for your China operations. What might not be customary for a MNC does not mean certain initiatives might not be applicable or necessary in China.
- Collate all necessary data and options and deliver to head office to ensure they have a solid understanding of what's happening in China, rather than gloss over potential structural issues or wait for directives from overseas.

> "Know when to cut your losses."

Case study C: Retailer underperforming due to changing market

A retailer that had initially done well in the sector missed a couple of key trends: the shift from department stores to malls, and the need to establish a stronger position in online sales. Given their struggles, they began broad discounting, which eroded brand image and made it difficult to recover. Despite fairly rapid successive changes in management, the issues compounded. Ultimately, a vendor due diligence was initiated to sell the China operations (where the due diligence report can be shared with all potential investors, on a reliance basis, making the process simpler and less disruptive). The business was sold and is still operating, although with significant downsizing and restructuring.

Takeaways:

- Monitor and spot changes early, but most importantly, act quickly. The business could have been saved, and it relates to autonomy – giving local management the power to make the required decisions. It is likely the industry trends were spotted to a degree, but management at head office was resistant to change and/or was not fully abreast of the rapid changes in the industry in China.
- Know when to cut your losses.

As shown in the above case studies, adopting a portfolio-like mindset can be highly beneficial when assessing your optimal business options.

Upon applying an initial high-level assessment of your business and adopting a portfolio-like approach, the following steps can then be taken:

1. **Assess your current portfolio versus future opportunities:** for example, evolving consumer trends, ageing population, digitalisation, government policies and new regions such as the Greater Bay Area.
2. **Identify the non-core or under-performing businesses/units within your portfolio:** bearing in mind whether they are cash-generative or part of a global supply chain and thus still important.
3. **Understand the root causes of the under-performance:** it might be a fast-changing market—revising costs, poor agents, government policy, to name but a few—but full understanding is needed before acting.
4. **Think about messaging:** exiting China is not advisable; reinvesting where you have competitive advantage and can differentiate (or inject IP), or reducing capital investment (i.e. move to services), is preferable.

Future opportunities, trends, and/or new markets can then be gauged against the various aspects of your operations to provide solid rationale, reduce risk, and facilitate optimal adjustments or transformation–in essence to bolster your capacity and ability to adapt successfully.

KPMG China is based in 23 offices across 21 cities and regions with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Wuhan, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. Working collaboratively across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

Virtual Humanity

Culture still matters in online teamwork

by Gabor Holch

For millions of people around the globe, virtual workspaces have provided a safe and productive refuge from the surreal circumstances of the COVID-19 pandemic. Remote work allows isolation from infection hazards of the daily commute, like subway cars and door handles, as well as colleagues exhaling who-knows-what in offices and meeting rooms. Digital channels transfer information while stopping people and viruses: an ideal combination. After the initial shock over the sudden change, many companies wondered why the digital transition had taken so long. Technology, they realised, saves time and money, and focusses attention on what really matters. But, as **Gabor Holch** from **Campanile Management Consulting** points out, there are reasons why it took a global cataclysm to make businesses run for digital shelter.

While seemingly sterile, orderly and efficient, technological solutions fail to keep out one pervasive bug in human interaction: conflicts between different workstyles. Conference apps and artificial intelligence (AI) solutions are culturally just as neutral as a Cadillac parked beside a Lexus. Humans transfer their traditions, beliefs and even personality onto the technology they create.

Meanwhile, the traumatic switch to remote working that resulted from the pandemic has put people under pressure, and amplifies both differences and conflict. When forced out of their comfort zones, people argue, snap or withdraw in virtual offices just as much as in brick-and-mortar ones.

Most companies try to remedy the situation by standardising tools and behaviours. But these still include hidden biases with the potential to undermine not only motivation, but also productivity. Teamwork thrives on the synthesis of diverse opinions and talent the way our physical health requires balance between activity and rest, hot and cold, stimulus and introspection. Going virtual can be credited with saving lives in recent months but, like most life-saving emergency shelters, it comes with certain limitations and risks. Managers of newly virtual teams must be aware of those factors in order to keep their people healthy, productive, and yes, happy.

Many managers are reluctant to touch the cultural side of technology, hoping that virtual reality rescues them from bothering with human nature. No more bouncing among impatient fellow commuters. Adieu, interruptions by colleagues with random questions. If Sir Ken Robinson was right about managers only using their bodies to get their head to meetings, telecommuting is the next logical step to conclude that equation. But as one business function after another goes online, many managers realise penetrating virtual technology also requires deeper knowledge of people's behaviours in this new dimension of interaction. Here are a few unavoidable cultural aspects of technology that managers should take note of and try to engage with.

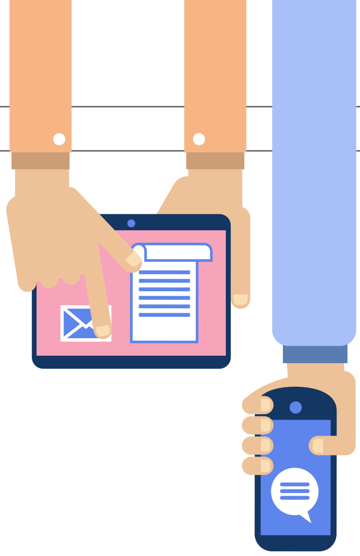
Age

That virtual convenience is inversely proportional with age is no secret, but we often overlook the significance of that fact for organisations. Problems go far beyond seniors being slow to catch up with new technology. Generations also differ in terms of personal values like privacy and detail orientation. When cherished principles are consistently violated, as they often are in speedy virtual teams, the brain's alarm centres activate, and people start avoiding stressful situations. That is easier to do in a virtual workplace than in physical spaces. Organisations can soon find themselves split along age lines; millennials collaborate online, Gen-X and above hold landline-based conference calls or one-on-ones. The different approaches can interrupt information flow and teamwork exactly at a time when pulling together could rescue the company.

Practical tip: Find tech-savvy senior managers and tech-cautious youth, and appoint them to coordinate meetings and collaboration. Initiate cross-generational peer coaching in both the technological and intuitive aspects of virtual teamwork.

Tradition

This is what we often call 'culture', and expect it to



vanish when we go online. But traditions shape trust and cooperation even in their absence. Researchers found that the lack of non-verbal greetings like bows and handshakes weakens trust at virtual meetings. When discussions take place without some team members, Asians tend to follow decisions made in their absence, while Europeans often demand renegotiation. Technology itself includes cultural biases. Experts noticed that the AI of Asian self-driving cars is more protective of the elderly, while western AI prioritises the safety of children.[1] In telecommuting, similar biases include different privacy settings between apps, or the fact that American conference software automatically tunes cameras and microphones to the loudest participant. When firms use advanced AI for complex tasks like hiring, the resulting distortion can be considerable.

Practical tip: Find and appoint collaboration team leaders who are familiar with the diverse cultures represented in the team, and relatively comfortable with technology. This may be a great opportunity for younger colleagues from minority backgrounds.

Personality

"I am coming from a meeting that should have been an email," said the favourite T-shirt of my computer technician at the United Nations. Managers often ignore how unfair virtual work can be to different personality styles. Introverts excel at minute work (including Excel) but hate online discussions. Extroverts suffer from the isolation of telecommuting and crave attention at virtual meetings, but activity does not guarantee productivity. In teamwork, leaders must make introverts speak up, and often need to convince extroverts to shut up. In project work, leaders must maintain a balance between focussing on results and nurturing trust within and between teams.

Practical tip: The framework for virtual teamwork that engages all personalities is a quarter preparation, a quarter teleconferencing and half follow-up. Leaders must decline extroverts when they volunteer to chair meetings, and find coordinators who balance discussion with clear tasks.

Gender

This is the most obvious and yet the most profound source of diversity, certainly the most sensitive, and one that somehow followed us into 21st century cyberspace. Half of the world is online, says a recent report by the remote work app creator Zapier, but more men use the internet than women.[2] The pay gap between genders is smaller online, but still remains. Men at large firms find it easier to negotiate partial or full telecommuting deals than women. When COVID-19 disrupted our lives, it disproportionately challenged mothers with grounded children, including single mothers. If you wonder why that is the case, here's a hint: the technological solutions we use overwhelmingly come from places that struggle with gender equality issues themselves, including countries like the United States and China, Silicon Valley firms, conglomerates like Microsoft and ambitious rivals who demand antisocial 9-9-6 work weeks.

> **"As we learn to live with a prolonged COVID-19 crisis, this is a good time to think, discuss and plan."**

Practical tip: Follow the example of airlines and police forces in progressive countries, and put female-male pairs or task forces in charge of virtual technology decisions. Consider gender issues a business risk and manage them accordingly: identify, prevent and mitigate.

As we learn to live with a prolonged COVID-19 crisis, this is a good time to think, discuss and plan. Emergencies suspend normalcy and consequently push trust, teamwork, engagement, motivation and other 'soft issues' to the back seat. That is justified for a while: security guards do not say "please" when the building is on fire. But telecommuting and virtual collaboration looks like it will stay, even in industries where it was previously unthinkable. If that is true, clenching our teeth and grabbing the mouse will not be enough; managers must find ways to engage people in their entirety in this two-dimensional workspace. Only then can we build a great post-COVID-19 world, something we are all itching to do regardless of age, background, personality or gender. EB

1. https://qz.com/1447109/how-east-and-west-differ-on-whom-a-self-driving-car-should-save/

2. https://zapier.com/blog/remote-work-report-by-zapier/

Gabor Holch is an intercultural leadership consultant, coach and speaker working with executives at Asian and European branches of major multinationals. His Shanghai-based team, Campanile Management Consulting, has served 100+ clients in 30+ countries since 2005. An expat since age four, China-based for 18 years and working globally, Gabor is a Certified Management Consultant (CMC) in English and Mandarin, certified consultant at the management academies of half a dozen global corporations and licensed in major assessment tools including DISC, the Predictive Index and MBTI.

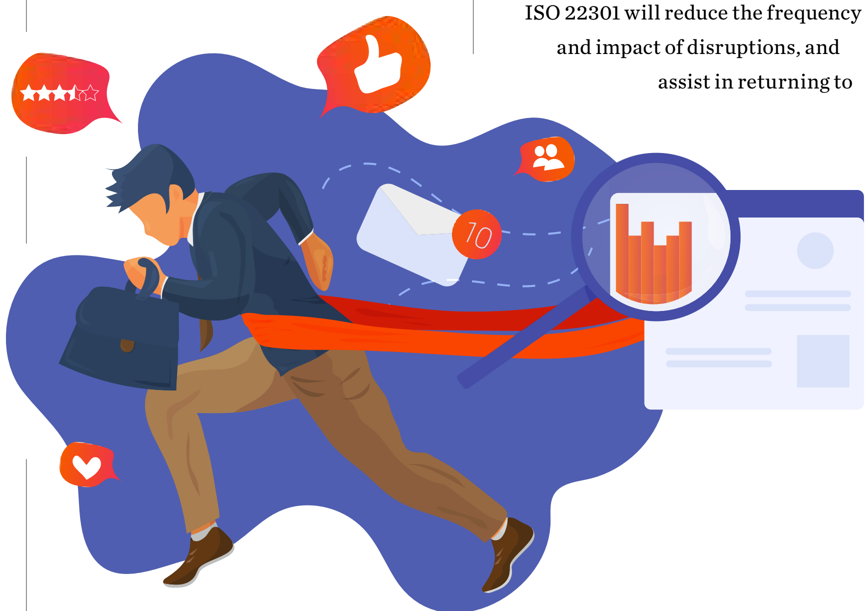
Building Organisational Resilience in a New Era

by Paulo Lopes

The world is entering a new era of circumstances never experienced before, changing operations, societies and economies. A dramatic restructuring of the economic and social order is taking place following the COVID-19 outbreak. As China leads the recovery and shows a path towards overcoming this pandemic, organisations will have to reinvent themselves in order to not only survive but also to thrive in these challenging times. In other words, as **Paulo Lopes** of the **British Standards Institution (BSI)** explains, to ensure lasting success, organisations must become 'resilient' and foster this quality throughout their operations.

Any system will break if put under sufficient stress, and when it does, it must have the ability to spring back. The same can apply to opportunity; is an organisation capable of mobilising to maximise its market openings? Organisational resilience provides a framework for leaders to do both, helping them and their organisations adapt and succeed.

Great leaders understand that truly resilient businesses innovate, creating new products and markets, always staying one step ahead of competitors. Executives want to build resilience but often are unable to see the path to reach that goal, though our interconnected world demands that they be ready for near constant change. Using a standards-based approach to guide your resilience strategy is the most effective way to protect corporate reputation, stakeholder sentiment and the bottom line.



Many organisations already use standards to manage risk in three major categories: cybersecurity, supply chains and operations. Some examples include:

- ISO 27001, which addresses cybersecurity risk by building systems that bolster information security, reduce the likelihood of an incident, optimise responses if one occurs and mitigate any resulting damage;
- ISO 28000, which helps teams build awareness of all associated risks in supply chain security management, as well as relevant mitigation and control measures; and
- ISO 9001—the world's most recognised quality management standard—which emphasises continuous improvement, cost reduction and sustainable management strategies.

Setting up a strong business continuity management system (BCMS) such as ISO 22301 will reduce the frequency and impact of disruptions, and assist in returning to 'business as usual' as swiftly as possible despite obstacles. With such a BCMS in place, employees, partners and clients can all trust that the organisation can endure major disruptions, such as the coronavirus outbreak. Business continuity requires an organisation to look at its specific circumstances and come up with solutions to ensure it can look after its people and stay operating no matter what happens.

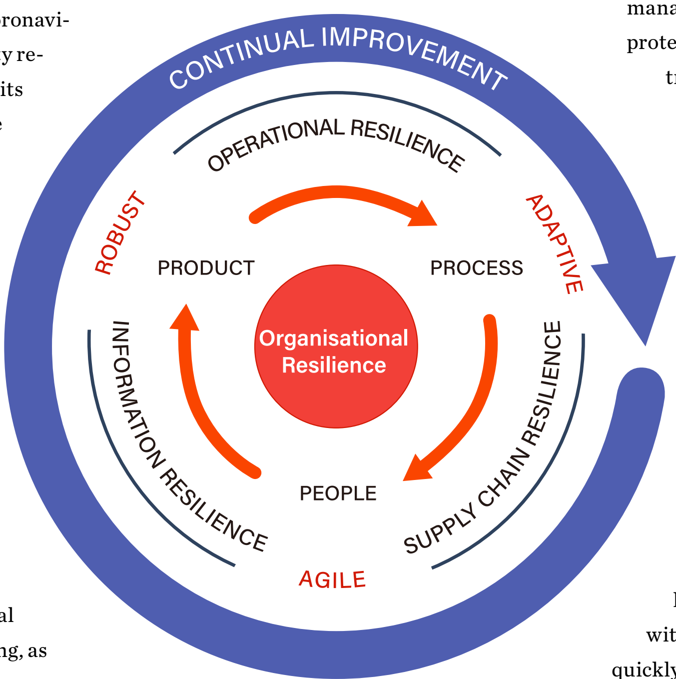
More and more organisations are using the standards listed earlier, and integrating and coordinating them efficiently is critical to creating a truly resilient organisation.

Organisational resilience is a vital next step in management thinking, as it encompasses all the different management systems, processes and operations. The standard BS 65000 provides a framework for leadership to build resilience, not only within an organisation but across networks and in partnership with others. The standard defines organisational resilience as "the ability of an organisation to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions in order to survive and prosper."

There are clear similarities between organisational resilience and the theory of evolution. As Charles Darwin famously said: "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change, that lives within the means available and works co-operatively against common threats."

To achieve resilience, it is key to have clear insights and intelligence on the organisation and its supply chain, so that informed, tactical and strategic decisions can be made in a timely manner. Reliable processes, delivered consistently over time, are fundamental to achieving and maintaining high customer satisfaction.

The model in the chart below illustrates



the framework to achieve resilience. It features three elements: product excellence, process reliability and people behaviour, which combined provide the customer with the best overall experience.

In addition, there are three core domains that are often identified by organisations as issues and are critically important in achieving organisational resilience:

- **Operational resilience:** includes quality, health & safety, environmental, business continuity and other business processes with the objective to address customer needs, run operations smoothly, value staff and effectively govern the business.
- **Supply chain resilience:** ensures supply chain continuity, minimises security risks, protects brand reputation and mitigates social risks by focussing on supply chain partners and their visibility, transparency and continuity by asking about their identity, location, products, processes and behaviour.
- **Information resilience:** focusses on managing and securing information, protecting infrastructure, enabling trust and reputation, ensuring regulatory compliance and safeguarding both digital and traditional sources of physical, digital and intellectual information security.

When this model is implemented correctly, organisations are able to drive strategic adaptability through a common vision and purpose; create an agile leadership by allowing leaders to take measured risks with confidence, and respond quickly and appropriately to both opportunities and threats; and implement robust governance demonstrating accountability across all organisational structures, based upon a culture of trust, transparency and innovation.

This Darwinian approach will help European companies operating in China become the most adaptable to change and create truly resilient organisations that will not only survive but thrive and prosper in this remarkable era we are currently living in.

BSI was founded in 1901, became the world's first national standards body and a founding member of the International Standards Organization (ISO). BSI became a globally recognised expert in best practice, serving 84,000 clients in 193 countries in a number of sectors including aerospace, automotive, built environment, food, information and communications technology and healthcare.

Paulo Lopes is the director of Strategic Partnerships Greater China at BSI. He has more than 12 years of global work experience in strategy, consultancy and standards. At BSI, Paulo builds partnerships with multinational companies and government organisations in China to enable them to become more resilient in their management systems.

GOING DIGITAL DURING COVID-19 AND BEYOND

by Barbara Li

The spread of the coronavirus pandemic since the spring of 2020 has devastated the world economy, and left many companies in China and globally facing huge challenges. However, businesses that adopted a proper digital strategy in response to the crisis are able to reduce their exposure and, furthermore, capture opportunities presented by the special conditions arising from COVID-19. Industry expert **Barbara Li** tells us more.

Online business booming

In order to control the spread of coronavirus, governments across the world have imposed lockdowns and strict social distancing restrictions, which in turn has had a heavy impact on industries such as aviation, shopping, catering and entertainment. However, e-commerce, online gaming, telemedicine, online education and information technology (IT) services supporting remote working have increased exponentially. Even in sectors which traditionally rely on 'brick-and-mortar' models to deliver services, many businesses have shifted to online channels, using innovative ways to provide products and services and engaging with their customers. For example, in March, over thirty financial institutions in China worked with AliPay to roll out 'contactless wealth management products' for customers. Property companies also changed their approach by using artificial intelligence (AI), virtual reality (VR), live streaming and internet celebrities to sell apartments online.

Smart manufacturing enabled by digitalisation

The global outbreak of the coronavirus has led to a severe shortage of masks, gowns, gloves and other personal protective equipment (PPE). Many companies—including BYD, Gree and Foxconn—acted quickly to switch their production lines to manufacturing medical supplies and PPE. Such efficient transition cannot be achieved without digitalised management of inventories, manufacturing materials and the labour force, as well as a high level of industrial automation based on digital design, modelling and 3D printing. Moving forward, digital capabilities will become an increasingly important factor for manufacturers' ability to respond to changing customer demands, better manage supply chains, build resilience and maintain sustainable growth.

Digital transformation by SMEs

In general, small and medium-sized enterprises (SMEs) lag behind large firms on digitalisation, due to the cost of revamping the IT and digital infrastructure and their lack of resources for addressing cybersecurity risks. SMEs are being hit worst by the pandemic, because they tend to lean heavily on a small number of suppliers and customers and do not have the cash reserves and funding support large companies do.

Research has shown that there is a clear connection between digital transformation and revenue growth.[1] By leveraging modern technologies such as big data, cloud, AI, data analytics and blockchain, SMEs will be able to reduce operation costs, optimise the manufacturing process, provide better customer services, and unlock their maximum potential. We expect that SMEs will fast-track their digital transformation in the years to come.

Governments have used various data technologies to trace and contain the COVID-19 outbreak. For instance, China has encouraged the deployment of digital technologies for big data, AI and

1. *2019 Digital Business Research*, IDG, 21st May 2019, viewed <https://www.idg.com/tools–for–marketers/2019–digital–business–research/>

> ...it is anticipated that digitalisation will gain extra growth momentum post-COVID-19.

cloud computing to help in assessing the pandemic situation. These have been used for allocating resources, tracing the spread of the virus, preventing further infections and treating confirmed patients. SMEs are playing a significant role in this process, along with large companies.

New Infrastructure campaign and the digital economy

In February 2020, China launched a new campaign to offset the economic slowdown and boost sustainable growth. The focus of New Infrastructure is the digital economy and innovation, for example: 5G networks, big data centres, Internet of Things (IoT), blockchain, industrial automation, inter-city transit systems, high-voltage energy transmission, smart transportation and electric vehicle charging stations.

10.6 trillion
Direct economic output forecast to arise from 5G between 2020 and 2025

24.6 trillion
Indirect economic output forecast to arise from 5G between 2020 and 2025

New Infrastructure is aimed at upgrading China's existing key infrastructure and further boosting the data economy, which is already leading on many aspects. Take 5G as an example: with the accelerated construction of networks for the technology, China will become the largest 5G market in the world. The direct economic output arising from 5G between 2020 and 2025 is expected to reach Chinese yuan (CNY) 10.6 trillion, and the indirect economic output CNY 24.8 trillion.[2] This will create tremendous opportunities for companies specialising in telecom, digital technologies, data analytics and integration, smart cities, autonomous driving, energy efficiency and smart manufacturing.

Cybersecurity and privacy concerns in digitalisation

In the era of digitalisation, cybersecurity and privacy risks are unavoidable. In recent years, many countries have passed laws and rules to regulate these areas. In Europe, the General Data Protection Regulation, implemented from May 2018 onwards, imposes comprehensive and strict requirements on businesses when collecting and processing of personal data. In China, the cybersecurity and data regime is based on the China Cybersecurity Law, supported by various administrative regulations, industry specifications and best practices. Non-compliance can lead to severe penalties and also cause reputational damage. It is extremely important that companies fully understand the relevant cybersecurity and data protection requirements, analyse the implications for their business operations and take proper action on compliance and risk management.

Conclusion

There is no doubt that the coronavirus has accelerated the process of digital transformation. With the easing of lockdowns in China and many other countries, it is anticipated that digitalisation will gain extra growth momentum post-COVID-19. Companies are advised to tap into the opportunities arising from the new wave of digitalisation and related schemes like New Infrastructure, while also building up a robust compliance mechanism in response to cybersecurity and privacy risks.

2. Estimates released by China Academy of Information and Communications Technology, <http://caiec.mofcom.gov.cn/article/g/202003/20200302943423.shtml>

Barbara Li is a lawyer specialising in corporate and technology, media, and telecom (TMT) matters. Barbara has practised in the Beijing and London offices of leading international law firms for almost 20 years. She has counselled many multinational enterprises and major Chinese companies and financial institutions on cybersecurity, data protection and data privacy, big data and cloud computing. Barbara is regularly invited to industry platforms to speak on China regulatory and legal developments in the TMT sector because of her deep knowledge and expertise in China cybersecurity and data privacy matters.

8TH APR.
BEIJING

Beijing Bureau of Commerce highlights priority of economic recovery in roundtable discussion on pandemic impact

On 8th April, the Beijing Bureau of Commerce organised a roundtable discussion to understand the impact of COVID-19 on foreign business in China. The discussion was hosted by bureau Deputy Director Liu Meiying and joined by experts from think tanks, as well as representatives of the European Chamber, American Chamber and foreign-invested enterprises (FIEs). Participants shared insights regarding recent developments in the COVID-19 situation and the issues for foreign firms.

Deputy Director Liu said economic recovery has become the priority of the government now that the outbreak has been largely brought under control. He added that foreign investment plays a critical role in China's economy and it is important to strengthen FIEs' confidence in the Chinese market. The deputy director said the Beijing government would like to understand the challenges and difficulties faced by FIEs in China/Beijing and is willing to help address these problems.

15TH APR.
SHANGHAI

Chamber provides recommendations on how best to implement Foreign Investment Law in Shanghai

European Chamber representatives participated in a meeting initiated by the Shanghai Municipal Commission of Commerce (SCOFCOM) on a draft of the *Regulation on Promoting Foreign Investment in Shanghai*.
Photo: European Chamber

European Chamber representatives participated in a meeting on 15th April initiated by the Shanghai Municipal Commission of Commerce (SCOFCOM) on a draft of the *Regulation on Promoting Foreign Investment in Shanghai*. This document can be seen as outlining how the Shanghai Government plans to implement the Foreign Investment Law. The European Chamber had provided extensive comments earlier in the drafting process. Besides the SCOFCOM, participants included officials of Shanghai's Municipal Development and Reform Committee, Justice Bureau and Municipal People's Congress Finance and Economic Committee. The European Chamber raised issues regarding market opening, the *Encouraged Industry Catalogue for Foreign Investment*, trade secret protection, public procurement, complaint mechanisms, standards and intellectual property rights protection. According to the officials, the draft regulation will be available for public comment in the next couple of months and finalised by the end of the year.

24TH APR.
SHANGHAI

European Chamber delegates in Shanghai address issues for leasing companies in China

On 24th April, five leasing member companies met representatives from the Shanghai Municipal Financial Regulatory Bureau at the European Chamber's Shanghai Chapter office. Olivier Rambert, vice chair, Consumer Finance and Non-Banking Financial Institutions Working Group, gave a brief introduction on the working group to the officials. Ms Li Maoju, deputy director, Department of International Cooperation, then outlined

Five leasing member companies met representatives from the Shanghai Municipal Financial Regulatory Bureau at the European Chamber's Shanghai Chapter office. **Photo: European Chamber**

Shanghai Government policies in support of business operations during the COVID-19 outbreak. Chen Wei, director, Regulation Department II, introduced the local government's equipment leasing policy. A discussion on issues faced by European leasing companies in China amid the pandemic followed, covering topics including protection of ownership of lease assets, e-signatures, factoring, risk/asset ratio and cross-border guarantees.

9TH APR.
CHONGQING

Chongqing Government officials discuss work resumption, investment promotion with Chamber members

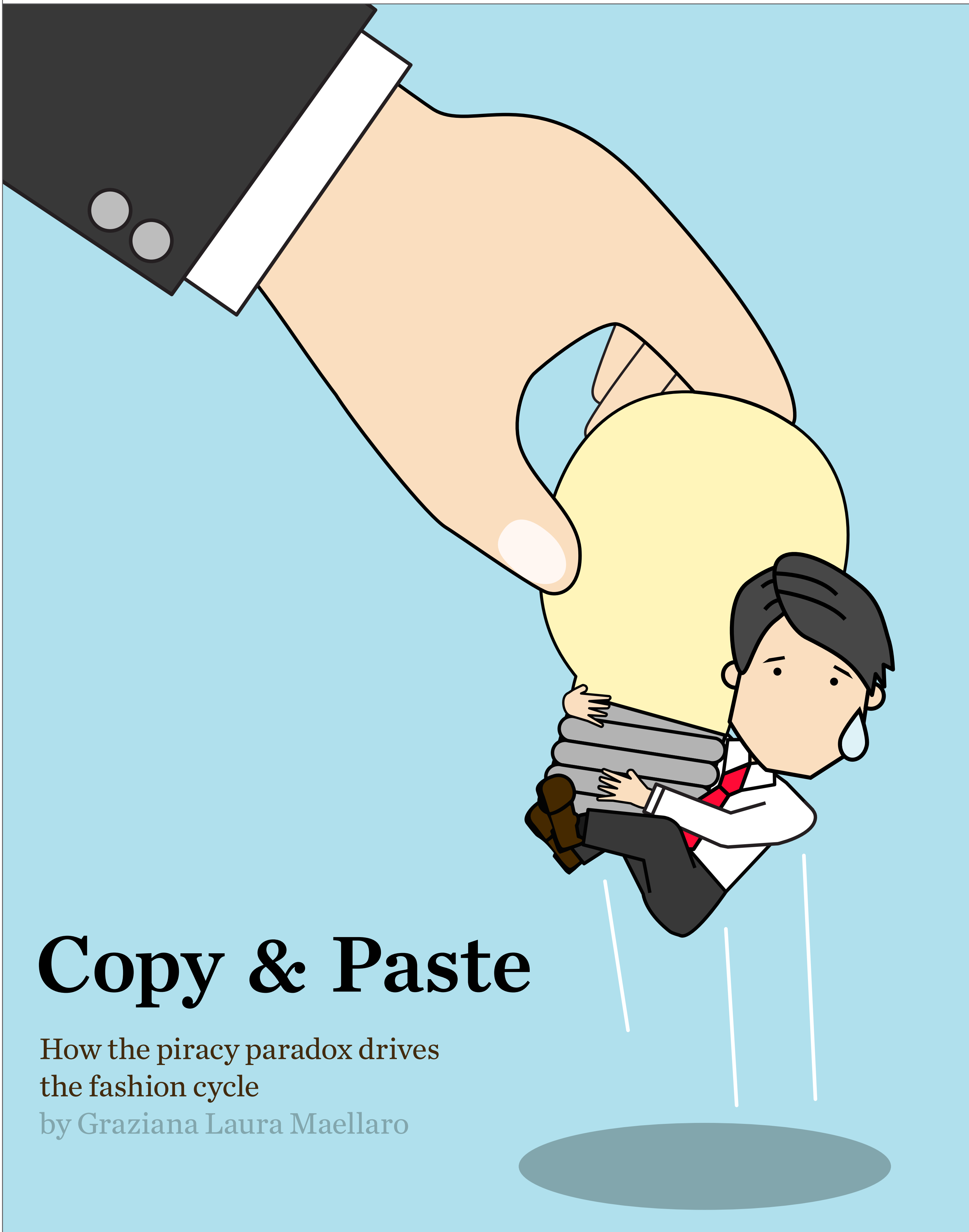
The European Chamber Southwest Chapter organised a webinar with the Chongqing Municipal Government on the supportive policies available to help foreign companies resume work after the COVID–19 outbreak. **Photo: European Chamber**

On 9th April, the European Chamber Southwest Chapter organised a webinar with the Chongqing Municipal Government on the supportive policies available to help foreign companies resume work after the COVID-19 outbreak, as well as new investment promotion policies. Mr Li Bo, vice mayor of Chongqing, and European Chamber President Jörg Wuttke briefly presented respectively the Chongqing Government's and European Chamber's efforts to combat the outbreak. Representatives from Chongqing's Municipal Commission of Commerce, Liangjiang New Area, High-Tech Industrial Development Zone and Economic and Technological Development Zone then outlined their policies aimed at supporting work resumption, encouraging investment and addressing participants' top concerns. More than 70 companies and organisations attended the webinar.

24TH APR.
TIANJIN

European Chamber engages with Tianjin Government in webinar on post-COVID-19 recovery

On 24th March, the European Chamber hosted a webinar with Tianjin Vice Mayor Jin Xiangjun and officials from several departments of Tianjin Municipal Government to discuss the implementation of policies related to work resumption and business development amid the pandemic outbreak. Vice Mayor Jin Xiangjun and Adam Dunnett, secretary general, European Chamber, gave the opening speeches. The policy introduction was followed by a 30-minute Q&A session. Furthermore, the Tianjin Municipal Science and Technology Bureau shared the specific incentive and supporting measures relating to its five-year plan for introducing and cultivating high-tech enterprises in the region.



Copy & Paste

How the piracy paradox drives the fashion cycle

by Graziana Laura Maellaro

Many of us have pulled a coat or a suit out of mothballs in our parents' or grandparents' wardrobe and realised, "Hey, I could wear that." Fashion trends come back over time, usually in a more refined manner: the flared trousers of the seventies became a joke in the eighties, then bootcut jeans in the new millennium. Some fashion designers pay homage to their mentors or the greats that went before them by incorporating their signature style into new collections. **Graziana Laura Maellaro** of the **Istituto Marangoni Shanghai** explains why, although all fashion brands despise fakes, being copied is truly considered a compliment in the fashion industry.

Copying is not a crime, especially in fashion. The fashion industry is able to quantify the cost of being copied, but it is notoriously difficult to quantify the benefits of being copied. According to the 'piracy paradox',[1] copying is "the engine driving the fashion", while the pioneering idea that copies keep trend cycles turning was first proposed by Paul Nystrom in 1928 in *The Economics of Fashion*.

The fashion cycle is inspiration, creation, diffusion, copy and re-invention – and copying is not necessarily a sin. Italian conceptual artist Maurizio Cattelan's projects, *The Artist is Present*, offer a different prospective and talks about how originality is overvalued. The exhibition is actually a remake of the famous performance by Marina Abramović at the Museum of Modern Art (MoMA) New York. It represents Cattelan and Gucci paying homage to the Serbian artist, exploring how she gets to originality through repetition and imitation.

In this way, thinking about fashion is like thinking about energy and its law – nothing is created, nothing is destroyed but everything is transformed.

In Gucci's 2017 resort show, one of the outfits model Alana Henry wore, in particular her jacket made of shiny fabric covered with Gucci's famous double-G monogram, caused a controversy: it is remarkably similar to Dapper Dan's 1989 creation. The Harlem-based designer was already aware of the power of a logo: "The label is the thing the gangster clientele use to let the other gangsters in the street know, 'You ain't got what I got.' The label or logo sets you apart."

Thanks to the digital wave, attention is focused on visual statements. The tradition of using logos was last big in the nineties, too. While some catwalk brands—including Maison Margiela, and labels such as Fuct—copied from other industries' famous logos, they used the same font and design but with their own preferred message. Of course, everything was copyrighted and they would have received a cease-and-desist letter, but it did not matter because, by that point, they had moved on to the next idea.

An amusing example is the DHL t-shirt, a global name that is familiar to everyone and which became an icon of Vetements' spring/summer 2016 collection. Instead of taking legal action against the brand, DHL enjoyed the 'cool factor' on social platforms. Ken Allen, chair of DHL, was photographed wearing the Vetements t-shirt and the image appeared on men's magazine *GQ*'s website. The designer, Demna Gvasalia, in an interview with *The Guardian* declared: "We give existing pieces new life". In March 2017, it was announced that Gvasalia himself would receive the Council of Fashion Designers of America's (CFDA's) International Award for his work at both Vetements and Balenciaga.

In Gvasalia's collections, the border between originals and copies is extremely narrow. With his catwalk show 'The Elephant in the Room', the designer explained that Margiela is intended as influence and muse, but the Instagram account Diet Prada—renowned among fashionistas for pointing out similarities between designs—did not condone Gvasalia. Duo Tony Liu and Lindsey Schuyler openly referred to plagiarism more then Margiela-ism.

Fashion is an industry based on intellectual property and intangible assets. Fakes on parallel channels will dilute one brands' equity but, being copied, it's a compliment and it's part of the game. How to protect originality? Intellectual property is the tool but sometimes a very limited one. Being a good player means you are able to create, evolve, reinvent and repeat when others copy you.

That's why styling customisation and story-telling are more and more key factors to success in the fashion industry. Inspire and feed your creativity, set the trend and then make a wish, wish to be copied. Then start again!

Graziana Laura Maellaro is a senior lecturer at Istituto Marangoni Shanghai. **Istituto Marangoni** was founded in Italy in 1935. Today, the school comprises seven international campuses and is one of the largest fashion education institutions, with a student body in excess of 4,000 students. Famous alumni include Julie de Libran, creative director of Sonia Rykiel, and designer Umit Benan. Through its Interschool Project, students can move between campuses while completing their studies, attending classes in Paris, London, Milan, Florence, Shanghai and Shenzhen, or any variety thereof.

1. https://www.businessoffashion.com/articles/intelligence/fashions–copycat–economy

Mi Dominio Su Dominio

Registering top level domain names in China

by the China IPR SME Helpdesk

With more than 854 million 'netizens' (as of July 2019), China connects more people to the internet than any other country. In fact, every fourth person on the Internet is from China. Facilitated by the increasing availability of broadband technology and the love of online shopping, the internet is an attractive business and marketing platform for many European small and medium-sized enterprises (SMEs). Overseas companies and individuals can register domain names in China with the China Internet Network Information Centre (CNNIC). The **China Intellectual Property Rights (IPR) SME Helpdesk** recommends European SMEs take advantage of this facility if they are planning on entering the Chinese market or are already operating in China.

Domain name requirements

Since May 2012, .cn and .中国 domain name registrations have been available for private individual registrations (both Chinese and overseas). Domain name registration must be completed through an accredited registrar. The process currently takes around 15 working days and costs euro (EUR) 40–100.

The following steps are required:

- Translate your domain names into Chinese and find an accredited registrar on the CNNIC website, which is also available in English, for both .cn and .中国 domains.
- Check (the registrar can do this on your behalf) if the particular .cn domain name you want is available for registration by referring to the CNNIC registry.
- Complete an application form with the business seal of the applicant company (to be provided by your registrar);
- Provide a copy of your local business certificate from your home country (or, if you apply as an individual, a copy of your passport, driving licence or other official identification); and
- Sign a 'Letter of Commitment' (to be provided by your registrar).

Submitting originals is not required, nor are copies of trademark certificates to prove a prior right to the requested domain name.

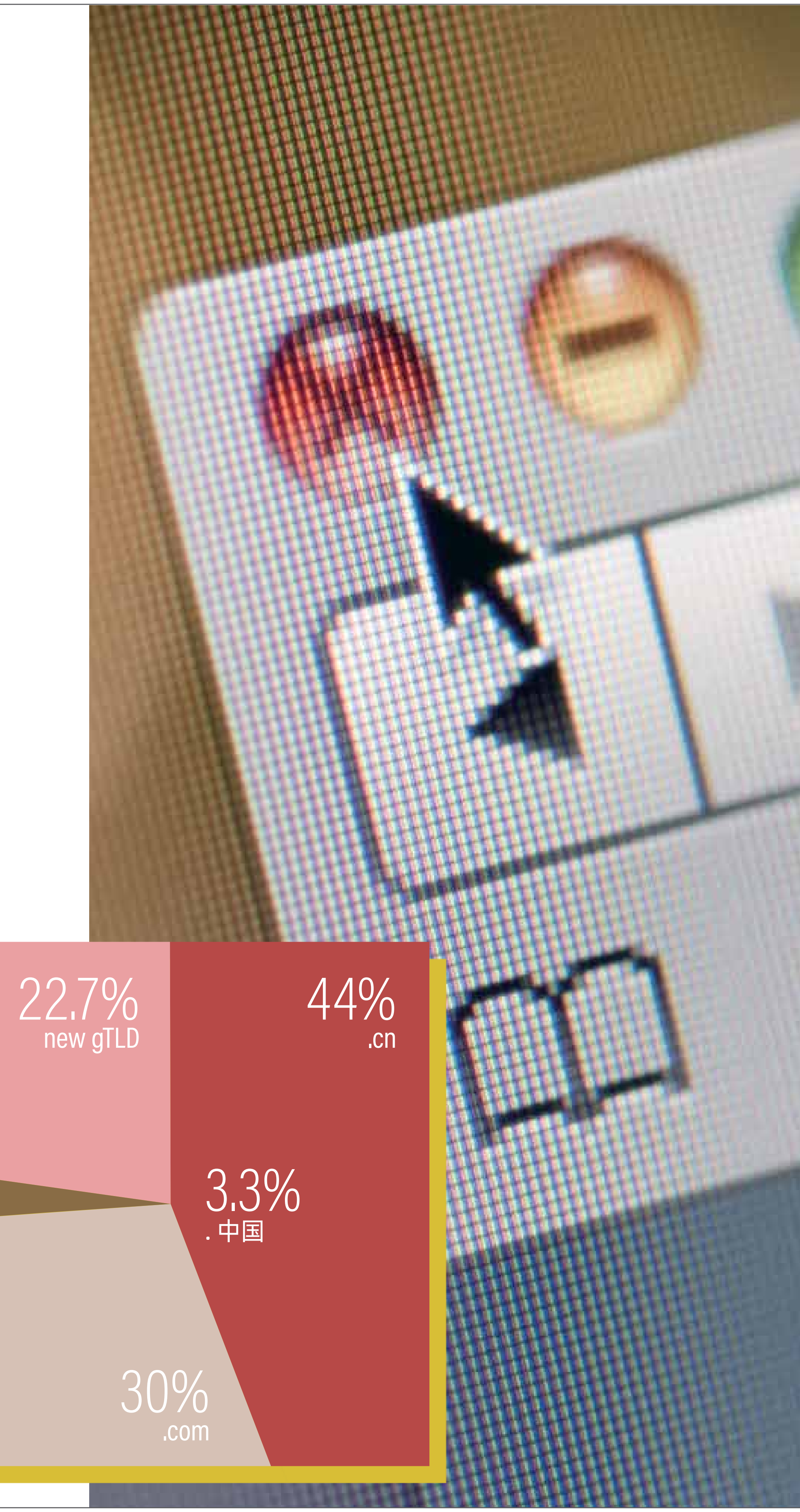
These requirements are both good news and bad news for European SMEs. The good news is that the removal of the local presence requirements enable European SMEs to register .cn and .中国 domain names using their European company data and business certificates. This eliminates the need to establish a local business unit within China.

The flipside of the coin, however, is that after an immense effort by the Chinese authorities to clear the .cn name of fake registrants, the removal of local presence requirements may again make this and the .中国 domain name an attractive space for cybersquatters—an individual or firm that registers a domain in bad faith, with the intent to sell it to the rightful owner at an inflated price—and other online criminals. By requiring copies of business certificates and passports for private individual registrations, one can hope that the .cn domain space will not be as attractive to cybersquatters as completely automated top-level domain (TLD) names, such as .com and .net.

The .中国 (.China) top-level domain

The .中国 TLD was intended to promote Chinese content on websites. Meanwhile, for European businesses, the .中国 TLD provides an inexpensive and efficient way to reach Chinese consumers in their own language.

As of December 2019, China had 50.94 million domain names. Among them, there were 22.43 million .cn domain names or 44 per cent of the national total, up 5.6 per cent from the end of 2018; the number of .com domain names was 14.92 million or just under 30 per cent; .中国 domain names accounted for 1.7 million or



3.3 per cent; and new generic top-level domains (new gTLD) reached 10.13 million, or one-fifth of the national total.

What are the rules for registering .中国 domain names?

Registrants of existing .cn domain names with Chinese characters—such as for instance 中文.cn—will automatically be granted the same domain name using the .中国 TLD in both simplified and traditional Chinese.

If a company wishes to register a new domain name containing Chinese characters both under .cn (中文.cn) and .中国 (中文.中国), they will have to file two registration applications.

Furthermore, it is possible to combine Chinese scripts with Latin characters, Arabic numbers (0–9), and hyphens when registering under .中国.

Take-away message

Registering Chinese domain names is now a quick, cheap and relatively simple process. To reap the business rewards of reaching Chinese internet users in their own language, European SMEs should take care to register their company and trademark domain names as early as possible in China.

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/.

THINKING SMALL TO SUCCEED BIG

Achievements of the EU SME Centre

by Peter Pronk

The **European Union (EU) Small and Medium-sized Enterprise (SME) Centre** is an EU-funded project that aims to help European SMEs enter and operate in the Chinese market. The Centre provides four core services: the Knowledge Centre, the Advice Centre, the Training Centre and the SME Advocacy Platform. With Phase II of the project now concluded, the Centre's Director **Peter Pronk** looks back at the impact this initiative has had on the business environment in China for European SMEs.

It feels as if it was only yesterday that the then European Commission Vice President for Industry and Entrepreneurship Antonio Tajani hailed the establishment of the EU SME Centre as "an important step in the implementation of the Small Business Act (...) and in the realisation of the 'think small first' principle that embodies European SME policy." Yet, believe it or not, ten years have already passed. A decade, two project phases and three EU leadership changes later, the Centre has not only fully delivered on its initial expectations, it has further evolved to incorporate new ways to support and empower European SMEs in their quest to conquer the Chinese market.

The end of Phase II of the EU SME Centre came on 6th April 2020. As our organisation takes a break in preparation for an upcoming phase, allow me to walk you through our successes and achievements so far.

Our people and partners

At its core, the EU SME Centre is an initiative based on cooperation. This is clearly exemplified in its structure, with six implementing partners—the China-Britain Business Council, the European Union, French, Italian and Benelux chambers of commerce and EUROCHAMBRES—that have seen our activities through to success. However, as we believe in strength in numbers when it comes to reaching out to European SMEs interested in or already doing business in China, we did not stop there. Throughout the years, the EU SME Centre has created synergies with other EU projects, such as the Intellectual Property Rights (IPR) SME Helpdesk, the European Network of Research and Innovation Centres and Hubs (ENRICH) and the Enterprise Europe Network (EEN). The Centre has also worked to develop a strong network of more than 270 partners in China and in the EU, with which we have cooperated multiple times on events, training courses and publications, among other projects. Throughout the whole process, we have had the unwavering support of the European Commission, both in Brussels and in China.

Additionally, every organisation relies on the people working behind the scenes, and we have been lucky to have always had a group of knowledgeable, passionate and engaged professionals on our team. The commitment to excellence of our Centre employees, both past and present, has been key to achieving its mandate to support European SME internationalisation in China.

Our services

It is no secret that the Chinese market is a very complex one to navigate, especially for companies with limited resources like SMEs. This is why the EU SME Centre's services structure was designed to provide hands-on support to these SMEs throughout the journey of exporting to or establishing themselves in China. More often than not, this journey would start in Europe, with small business owners attending our events there, watching our webinars, sending inquiries to our experts or reading some of our reports and guidelines.

Between 2014 and 2020 alone—Phase II of the project—the Centre rolled out more than 100 publications, responded to almost 2,000 enquiries from SMEs from across all member states, organised more than 300 training courses in China and Europe, and developed almost 100 webinars. Additionally, Phase II saw the introduction of the Advocacy Platform, which gave voice to the concerns and recommendations of European SMEs in China, and also established a platform for interaction between European small businesses and institutional stakeholders from the EU, individual member states and China.

Looking ahead

Our past achievements and the feedback from our key business and institutional stakeholders are proof that the EU SME Centre has thoroughly fulfilled its mandate to become an effective and useful tool for European SME internationalisation. According to the EU SME Centre's *2019 Satisfaction Survey*, almost 80 per cent of respondents evaluated our services positively. This is why the European Commission decided to continue to place its trust in our project and opened a call for tenders in February 2020. Although our services and activities are for now on hold pending a final decision on the allocation of the grant by the Commission, our website and our reports are still accessible. We look forward to coming back to you in the near future with a stronger and better EU SME Centre.

> **"Our past achievements and the feedback...are proof that the EU SME Centre has thoroughly fulfilled its mandate..."**

Navigating in the Dark

European Business in China Business Confidence Survey 2020

by Rachel Rapaport

In February 2020, when European Chamber members had completed the Business Confidence Survey (BCS), the economic impact of the COVID-19 outbreak had just started to become apparent. Initially, many European companies expected one or two extra weeks to be added to the Chinese New Year holidays. Instead they faced weeks of near complete economic paralysis. **Rachel Rapaport**, **Working Group and Communications Coordinator** with the **European Chamber**, tells us how the comparatively rosy picture of China's business outlook painted by members in early February is now vastly different to the one today, just four months later.

China-based European companies now find themselves navigating in the dark, trying to find the best way forward. In February, nearly half of BCS respondents had reported optimism about growth over the next two years. When the virus hit, a patchwork of local fiefdoms sprang up throughout China, in which officials imposed their own rules, bringing the movement of goods and people to a standstill. National chambers noted that even towards the end of April, significant numbers of companies were still not fully staffed or back to full capacity. The situation is in constant flux, with uncertainty at levels not seen in generations. This has left companies, as one member put it, "not moving towards the light at the end of a tunnel, but feeling your way in the dark for an exit". Although the situation has improved in China, it has worsened in the rest of the world, and the fragility of global supply chains has been exposed as economy after economy is hit by rolling outbreaks.

Although many of these issues fall outside of the immediate control of the Chinese authorities, survey respondents have provided extensive data pinpointing underlying, structural issues in the domestic economy on which Beijing can act. So, while the government may not be able to

Scan the QR code to download the *Business Confidence Survey 2020* do much to patch holes in global supply chains, it can accelerate its reform agenda and, by doing so, vastly improve business sentiment during this difficult period.

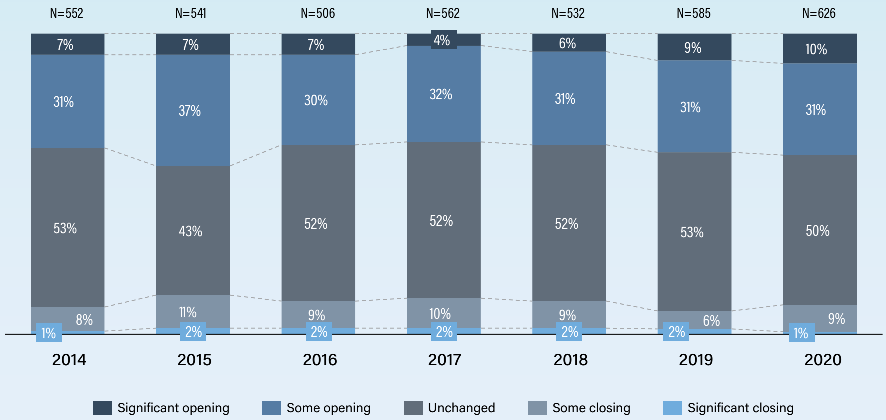
Even before the virus, financial reporting indicated significant downward trends, with year-on-year revenue growth hitting the lowest level in a decade. Less than half of Chamber members report that their earnings before interest and tax grew. These downward trends are reported disproportionately by small and medium-sized enterprises (SMEs). To offset the widespread economic shocks from COVID-19, China must boost the attractiveness of its markets by prioritising meaningful opening-up and reform, an area that has only seen modest progress in recent years.

That said, there has been some improvement in the sentiment of European businesses towards the China market. In 2019, 53% of members reported that doing business in China had become more difficult in the previous year. In 2020, this percentage dropped four points. Meanwhile, 30% of members feel more welcome in the Chinese market now than when they entered, the highest rate since 2017.

At the same time, market access barriers and regulatory obstacles continue to encumber European member companies. Nearly half face market access barriers; 15% are constrained by direct barriers such as the negative lists for foreign investment, and nearly twice that suffer from indirect barriers like licensing and other administrative issues. Although the revisions to the negative list that took place in June 2019 were trumpeted by China as a major advancement of its opening-up policy, only 41% of members report seeing any market opening in their sector, the same as a year ago. Such stagnancy calls into question the real value of these reforms.

Most openings bring limited results for major European players

Has there been any market opening in your industry in Mainland China for foreign companies (year-on-year)?



It is therefore no surprise that, even before the pandemic, European businesses were maintaining a cautious outlook. Almost half expected to see an increase in regulatory obstacles over the next year. More than a quarter don't expect to ever see a level playing field, and 40% report that they are treated unfairly compared to domestic companies.

As the global economy suffers, China's growth will depend on the development of a robust and liberalised market. Unfortunately, the data indicates that the Chinese Government has continued to favour state-owned enterprises (SOEs) at the expense of private business. Almost half of BCS respondents believe that SOEs will gain opportunities at the expense of the private sector in 2020, up seven percentage points from the previous year. It is from this divide that a 'one economy, two systems' model emerges. In one 'system', market forces and modern regulatory mechanisms look increasingly international; in the other, critical sectors are dominated by state-owned national champions, while private enterprises are at best stifled or at worst forced out of the market entirely.

The uncertainty of the pandemic means the Chinese Government may look to SOEs as a source of stability and economic growth. This would be the wrong choice. China has been the first country to emerge from the worst of the pandemic. To prove that it can be a leader in a global recovery, it must show its commitment to free and fair markets. Rather than draining more resources from the private sector, China should seize the opportunity to push on with concrete and meaningful market reforms that can reinvigorate business confidence and attract new investment. The strategy of responding to economic crises with reforms has been employed by the Chinese leadership many times before. This crisis should not be any different.

"The uncertainty of the pandemic means the Chinese Government may look to SOEs as a source of stability and economic growth."

Putting 2019 into Perspective

European Chamber holds its Annual General Meeting

The European Chamber's Annual General Meeting (AGM) took place on 28th May 2020. Due to the circumstances brought about by the coronavirus outbreak, the AGM was conducted online for the first time ever, which had the added benefit of allowing all members to participate.

Keynote speech by European Union Ambassador

The meeting was opened by the European Union (EU) Ambassador to China, His Excellency Nicolas Chapuis. He wished the Chamber a happy birthday and praised the recent series of VIP webinars hosted by the Chamber, which would conclude after the AGM. The ambassador said the high profiles of the webinar guests showed the reach of the European Chamber. He went on to speak about the requirements the EU will ask of China to ensure a strong relationship: rebalancing market access, a level playing field with regard to state-owned enterprises and meaningful progress on sustainable development.

Report by Chamber president

European Chamber President Jörg Wuttke delivered the annual report for 2019. He said the goal for the year had been to put the Chamber "back on the map", and the organisation now has a number of achievements to show for it. Pivotal to these successes have been the Chamber's three 'pillars' – advocacy, business intelligence and community:

- 55 high-level and 221 working-level meetings with Chinese authorities, and 24 high-level and 62 working-level meetings with European institutions and business associations
- More than 400 events, with a cumulative total of over 15,500 participants
- A year-on-year increase of more than two per cent in total membership
- An unprecedented 774 original media mentions worldwide
- World-class content through national publications, local reports and ad hoc surveys.

President Wuttke did not just focus on 2019, but also addressed the global crisis the COVID-19 pandemic has caused in 2020:

"Looking ahead to the remainder of 2020, we are preparing for key events, like high-level visits to China from the European Union (EU) and member state leaders, as well as the EU-China summit set for Leipzig in September. However, we also anticipate many other challenges down the road. Now more than ever, European companies need to be engaged with government stakeholders both in China and back home."

Local chapter chairs' reports

Following President Wuttke's address, each of the chairs of the local chapters gave a brief presentation on the major achievements of their teams.

Bernhard Weber, chair, Nanjing Chapter Board, spoke about the chapter's second local *Position Paper*, which was released in 2019, as well as the continuing success of their regular events; the Nanjing Municipal Government Dialogue, the Innovation Fair and the Corporate Social Responsibility Awards.

Carlo D'Andrea, vice president, European Chamber and chair, Shanghai Chapter Board, highlighted the chapter's continued growth in membership, which he said the Shanghai team had even managed to achieve during the COVID-19 outbreak.

Harald Kumpfert, chair, Shenyang Chapter Board, said that while some smaller members had been lost as a result of COVID-19, the chapter had a very strong

and loyal membership base.

George Lau, vice president, European Chamber and chair, South China Chapter Board, also spoke about the success of their local *Position Paper* in 2019, which encouraged Guangdong to go from "locally good to globally great".

Paul Sives, chair, Southwest China Chapter Board, emphasised the chapter's strong connection with the local government, which means that when members have a local issue, the chapter can get something done about it.

Cheung Yup Fan, chair, Tianjin Chapter Board, noted the success of the Tianjin Government Dialogue, at which Chamber representatives were able to raise 20 issues of concern directly with local government officials and get immediate feedback.

By-election of treasurer

As the Chamber's treasurer, elected in 2019, stepped down from his role earlier this year, a by-election was held at the AGM to select a treasurer for the remainder of the current term. Marko Tulus, Sandvik, a Swedish-based high-tech and global engineering group with about 2,500 employees in China, was the sole candidate. Mr Tulus is the chief financial officer of Sandvik, and has previous experience in leading finance, manufacturing and supply chain, and marketing functions at either global or regional levels over the past 20 years. Mr Tulus also presented the Chamber's financial report to the members attending the event.

The meeting was opened by the EU Ambassador to China, His Excellency Nicolas Chapuis.
Photo: European Chamber

European Chamber President Jörg Wuttke delivered the annual report for 2019.
Photo: European Chamber

The European Chamber was also delighted to welcome a new vice president, Paul Sives, to the Executive Committee.
Photo: European Chamber

New European Chamber vice president

The European Chamber was also delighted to welcome a new vice president to the Executive Committee. Paul Sives, chair of the Southwest Chapter, joined the ranks of vice presidents as his chapter's membership had grown to account for 10 per cent of the Chamber's total. This is the first time a chair of the Southwest China Chapter has become a vice president of the European Chamber since the Chengdu office was opened in 2005.

Mr Sives' addition is a promising start to the Chamber's next 20 years, and the vice president from the Southwest Chapter will no doubt play a large part in advocating for the future of our organisation.

IN-DEPTH INTERVIEW WITH JÖRG WUTTKE

EUROPEAN CHAMBER PRESIDENT AND FOUNDING MEMBER, BASF CHINA CHIEF REPRESENTATIVE AND VICE PRESIDENT

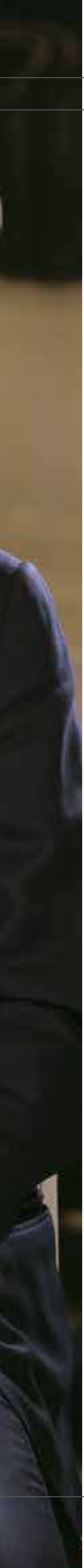
What were the main reasons for forming a European Chamber, when national chambers were already established?

In 1999, when China was negotiating its World Trade Organization (WTO) accession with Europe, Pascal Lamy, who was the European Trade Commissioner, attended a meeting at the European Union (EU) Delegation to China and said something along the lines of, "I don't want to meet Germans or Italians or French, I want to meet insurance, I want to meet chemicals and I want to meet banking." I and others felt that this approach made a lot of sense, and that we should try to establish something along those lines. So, 51 of us determined Europeans founded the European Chamber, which then was agreed to be complementary with the national chambers. I was then on the German Chamber board, and I could feel some resistance from the bilateral chambers, in the sense of "why do we want a new kid on the block?"

With people like [former presidents] Peter Batey and Ernst Behrens, we felt the proposition we had was something that the national chambers could not cover. The conditions under which this was accepted was that companies had to have membership of their national chamber in order to become a member of the European Chamber. With this straightjacket, we started our show in 2000. During my previous terms as president, I worked to remove this condition in 2008 and, after initial wariness, the European Chamber now has a good relationship with the national chambers.

After having personally launched seven position papers, did they really make any difference?

I think that they have made little differ-



ence to the Chinese authorities when you really look into what's been implemented. But they have had a huge impact on the Chamber's self-confidence and pride, and we speak the truth. I think that's where we make a difference, because it is a much sought-after and well-read document by Chinese officials. We produce a huge amount of content, the language we use is technocratic, and it is an unbiased, bottom-up assessment from industry. So, from the Chinese side, they clearly have great respect for us, but that doesn't mean they're going to give us anything free of charge.

What it also does, is that it puts us on the map when it comes to member states, Washington and Tokyo –we really set the benchmark. So, I would say it makes a difference with our governments, it makes a difference in that it really promotes awareness of our Chamber and it promotes self-awareness among our members. I think it really shows that we care about China, we know what we are talking about and that we really see the potential for China to change.

Do you feel that interacting with the European Chamber is considered important by the Chinese authorities?

During the COVID-19 outbreak, government communication endured, even at its peak in March 2020. Several high-profile virtual meetings were held between the European Chamber and Vice Minister Wang Shouwen of the Ministry of Commerce in March that allowed for very frank and direct communication on key issues.

All of the European Chamber's seven chapters have enjoyed unprecedented access during the outbreak to local leaders, who have been forthcoming with key information during a variety of different meetings. Such opportunities are meaningful to European companies that are eager to develop clarity on policy. Furthermore, these meetings have already produced some tangible results, such as the creation by MOFCOM of a new communication mechanism with the Chamber.

The European Union marked 45 years of diplomatic relations with China in May 2020. How is the pandemic Impacting EU-China relations?

At the turn of the new decade, the EU-China relationship was under serious strain: China's '17+1' scheme was a major irritant to Paris and Berlin in particular; Huawei was a significant bilateral conflict bubbling under the surface; and China's flagship Belt and Road Initiative was revealed as being far less universally beneficial than had been previously portrayed by China.

Yet there was real hope that the new EU Commission, along with a China-focussed European Council in the second half of 2020, could reinvigorate relations. Chancellor Merkel was lining up the September Leipzig summit to seal the long-negotiated EU-China investment agreement.

Then came COVID-19. Nobody knows, of course, how the COVID-19 pandemic will end up changing Europe-China relations in the long term. Member states are in national self-isolation. But everyone recognises that this crisis is too good to waste. In the best case, it might just be a moment of breakthrough to more European solidarity between the northern European and southern European members of the Eurozone, which will be crucial to a larger renewal of the EU.

The noun 'crisis' comes from the Latinised form of the Greek, 'krisis', meaning 'turning point in a disease'. At such a moment, the person with the disease could get better or worse: it is a critical moment. The current situation calls for bold decisions by both the EU and Chinese authorities that could change the face of globalisation forever. We urge them not to waste this crisis, and instead treat it as the turning point that it is.

What role do you envision for the European Chamber in the post-COVID-19 future?

When COVID-19 appeared in China, we continued to fulfill our mission, both in China and overseas with our annual EU Tour. We kept our offices open, as allowed under local regulations, while implementing home/virtual office solutions where needed. We launched a 'VIP Webinar Series' with the world's leading industry experts, scholars, political consultants and strategists to keep our members up-to-date on the latest stances, opinions and approaches to dealing with the rapidly changing pandemic situation.

Equally vital for the Chamber is the need to fill the void left by our partners in the EU and its member state governments, who now have their hands full with their own outbreaks. Major meetings like the Brussels High-level Economic Dialogue, the Beijing meeting with Executive Vice President Timmermans and the EU-China Summit have already been cancelled or postponed. It is therefore our duty to enhance our advocacy and keep up the pressure to conclude a meaningful Comprehensive Agreement on Investment by the Leipzig Summit in September.

The European Chamber continues to move forward during times of great uncertainty, with a strategy of preparedness, action and solidarity. We cannot predict the future; but we can shape it.

Now more than ever, European companies need to be engaged with government stakeholders both in China and back home. We at the European Chamber will continue to provide the best platform in China for the business community to do just that, and I am eager to see our members, the Chamber secretariat, and the Executive Committee rise to the challenges on the horizon, just as we have done for the last two decades. The European Chamber will continue to speak up because that's the theme for this year. We are advocating for the future.

What value has the European Cl to you/your company/your indu

BEIJING CHAPTER

One of the biggest differences between Europe and China is the heterogeneity and diversity of our macroeconomy versus the well-aligned Chinese state-owned players executing a long-term economic strategy. The European Chamber manages not only to bridge that gap, but also helps us to manage our diversity, identify common interests and turn it into a strategy in the Chinese market environment. Europe speaking with one voice – a big achievement, guaranteeing the significance of our lobbying voice to the Chinese regulators.

Dr Matthias Göbel

Chief Representative for China, Lufthansa Group
States' Representative of the European Chamber

NANJING CHAPTER

I understand that a country like China cannot negotiate deals and make agreements with each European country. Before the European Chamber, we Europeans have always been handled in line with China-United States interests. Sitting at the table as one Europe gave us the size, leverage and significance we needed to negotiate agreements with China. We definitely got better deals than any European country could have achieved on their own.

Helmut Güsten

Former Chair of Nanjing Chapter Board

SOUTH CHINA CHAPTER

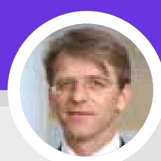
We are able to share our experience and challenges among the other member companies and government bureaus. At the same time, we can gain ideas and information to master our operations in China. This is a great value and benefit of being a member at the European Chamber.

Klaus Zenkel

Imedco Technology (Shenzhen) Co Ltd
Vice Chair, South China Chapter Board

SHANGHAI CHAPTER

Some of the organisations I worked for in China were rather small, despite having a strong international background. The Chamber is organised in a way that small member organisations also have a voice, depending on the motivation and activity of their representatives within the Chamber. The Chamber grew into a good combination of multinational corporations and small and medium-sized companies. For years, heading a local office with just a few employees, I was able to make a difference with the support of the European Chamber in gaining direct access to Chinese and European officials on the highest levels.



Marcus Wassmuth

UniCredit S.p.A.
Member of the Shanghai Chapter Board

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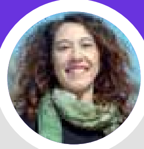
SHANGHAI CHAPTER

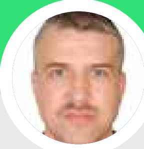
As an SME with mainly SME clients, my view of the business in 2011 was more limited. The opportunity to join a more international platform where I could cooperate with more senior professionals working in the same kind of company as me, but also in bigger or multinational firms, provided an important learning platform to improve myself and my company. This opened up the possibility to have more clients and work with bigger firms.



Rosanna Terminio
Vice Chair, Human Resources Working Group

SHENYANG CHAPTER

During the twenty years of the European Union Chamber of Commerce in China's existence, it has played a positive and proactive role during China's transformation into an economic powerhouse. As a critical voice, the European Chamber was a vital player in influencing the regulatory framework and policy implementation that shaped this economic landscape, and therefore became a respected counterpart for the central and local governments. This fact also made the European Chamber invaluable for our members and is one of the main reasons for our successful development."



Harald Kumpfert
Chair of the Shenyang Chapter Board

SOUTHWEST CHINA CHAPTER

Besides being a very valuable institution for networking, I see the European Chamber's lobbying capabilities as its biggest asset. The European Chamber is a unique, independent, multinational and renowned channel, where European businesses and institutions are able to address anonymously sensitive issues for greater market access and improved operating conditions in China."

Dominik Widmer
Vice Chair, Southwest China & Chongqing Representative

TIANJIN CHAPTER

The European Chamber has been acting as a relay between stakeholders, providing the means for improved understanding between all parties.

Frank Schreiber
Vice Chair, Tianjin Chapter Board, General Manager of Airbus (Tianjin) Final Assembly Co Ltd

#BECAUSE OFUS

Advocacy successes of the European Chamber's working groups

As the independent voice of European business in China since 2000, the European Chamber actively participates in China's legislative process. Our advocacy activities are widely recognised by the Chinese authorities and maintained through the efforts of our working groups (WGs) and desks.

In 2019, we launched our #becauseofus campaign to show our gratitude for the joint efforts of all stakeholders: governments, think tanks, member companies and our own WG and desk managers. In *EURObiz* in 2020, we will present five examples of our successful advocacy work, one of which will be selected as the winner of the 2020 #becauseofus campaign.

For this edition, we look at the establishment of the European Chamber Innovation Centre and its significance for the **medical devices industry**.

Introduction

Innovative medical devices bring demonstratable benefits to patients.

Using an orthopaedic surgical robot to assist surgery, for example, can shorten the operating time by 20 per cent, reduce intraoperative radiation by 70 per cent and reduce costs by 15 per cent on average.

As the COVID-19 epidemic began to rage globally in early 2020, a series of innovative medical devices such as antibody test kits and nucleic acid detection kits have been widely used. Molecular monitoring is helping more people undergo COVID-19 testing and identify those infected. Antibody testing will be of great benefit for the next stage of combating the virus, as it provides additional detection options that can help medical personnel screen for immunity and conduct more in-depth research into it.

Patient demand is the motivation for enterprises' innovation; a conducive policy environment is necessary for innovative technology transformation

Innovation is one of the five major principles of development concepts proposed in the 13^{th} *Five-Year Plan* *for Economic and Social Development*. Innovation has always been a driving force behind the development of medical device technology. According to a report from PwC's Health Research Institute, innovative medical devices have become "a direct response to a growing number of modules and plug-and-play healthcare ecosystems determined by consumer needs and desires."

To raise the quality of Chinese pharmaceuticals and medical devices to meet international advanced standards and also make them affordable, in October 2017, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the *Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (Opinions)*.

However, when the *Opinions* were first published, an imbalance still existed in innovative development between domestic and foreign-invested enterprises (FIEs). A former official of the National Medical Products Administration (NMPA) noted this gap by saying: "According to reports, from 2001 to 2016, a total of 433 new drugs were approved in developed countries, while there were only over 100 listed in China, accounting for only 30 percent." Since the *Special Review and Approval Procedure for Innovative Medical Devices* was issued in 2014, 54 innovative medical device products had been approved by 31st December 2018, all of which were domestic products.

Since 2018, Chinese high-level political figures have promised to ease market access and improve the business environment for FIEs in China on multiple occasions. Following the removal of the need for innovative medical devices to be listed in their country of origin and other encouraging policies, for foreign medical device manufacturers and the working group, getting devices approved quickly so that Chinese people can benefit from world-class innovative medical technology as soon as possible has become a common concern.

European Chamber Innovation Centre established

Ms Annie Yin, chair of Healthcare Equipment Working Group:

"The quantity and time of approval for listing for innovative medical devices in China lags significantly behind developed countries and regions such as Europe, the US and Japan. Although the NMPA opened a special approval channel for innovative medical devices in 2014, foreign enterprises are still unable to participate in expert review through the same process as domestic companies. This, to a certain extent, has affected foreign enterprises' qualification application for innovative medical devices. Based on this background, after repeated negotiation and careful deployment between the European Chamber and the Centre for Medical Device Evaluation (CMDE), the European Chamber Innovation Centre (Innovation Centre) was launched in May 2019. The Centre provides special approval of innovative medical devices, and also promotes the type of open and fair communication mechanism the CMDE has always pursued. This creates a new way for accelerating the approval of innovative medical devices for listing in China and, ultimately, providing more Chinese patients with quicker access to these technologies."

THE SIGNIFICANCE OF THE ESTABLISHMENT OF THE INNOVATION CENTRE

Discussions are conducted through video conference, which makes the review process for innovative medical devices declared by FIEs more transparent and provides opportunities for more efficient communication.

For approved innovative medical devices, CMDE personnel can be involved from an early stage and be responsible for testing and system verification, with the listed innovative medical devices then being prioritised for review.

First-hand official opinions and feedback can be obtained during the preparation of clinical materials.

So far, several expert review meetings have been organised for enterprises, and 10 imported medical devices have passed innovation reviews.

The application of cutting-edge technology to the medical industry accelerated, stimulating the vitality of enterprise innovation.

Chinese patients will be able to access innovative medical technology faster.

This model could be extended to other industries that require technical review, such as pharmaceuticals, cosmetics and food for special medical purpose.

For many years, the working group has maintained a close and friendly partnership with the NMPA and the CMDE. The working group formally submitted materials to the CMDE, recommending the establishment of a review and communication platform for the reporting of FIEs' innovative medical devices. The proposal received strong support from the CMDE. The working group then conducted a series of feasibility discussions with the NMPA. On 17th May 2019, the Innovation Centre was officially established.

Looking to the future

The Innovation Centre's efficient and transparent review process and modern communication methods have brought momentum to the innovative medical device industry. It is hoped that similar methods could be applied to the technical review mentioned above so that the high-quality products and services can be delivered faster to promote social welfare.

Media Watch

Vice President Eskeland discusses supply chain disruptions due to pandemic

On 26th February, Jens Eskeland, vice president (VP) of the European Chamber, was interviewed by *N-TV* on COVID-19's disruption of supply chains. VP Eskeland pointed out that foreign businesses in China are facing serious logistics difficulties and workforce shortages because of the outbreak, which has brought global supply chains to a near standstill.

Southwest Chair Sives interviewed by South China Morning Post on impact of outbreak on foreign firms

On 26th February, Southwest Chapter Chair Paul Sives was interviewed by *South China Morning Post* on the impact the COVID-19 outbreak has had on foreign firms. Chair Sives highlighted how the virus had heightened the difficulties facing foreign businesses operating in the region: "After more than 19 months of uncertainty and difficulties caused by the US-China trade war, the signing of an interim deal to end the conflict gave many foreign firms reason to be optimistic", Chair Sives said, "But their hopes were short-lived, as the virus outbreak delivered a painful double whammy."

President Wuttke talks to CNBC about difficulties for companies in shipping PPE

On 8th April, President Jörg Wuttke was interviewed by *CNBC* on the difficulties that European companies are facing in shipping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China ist der größte und wichtigste Produktionsstandort der Welt. Und wenn in der Volksrepublik Industriezentren unter Quarantäne und viele Bänder still stehen, kommt die Lieferkette der ganzen Welt ins Stocken. Auch wenn die Millionenstadt Wuhan, in der das Coronavirus zuerst ausgebrochen war, Reisebeschränkungen

Vice President Eskeland discusses supply chain disruptions due to COVID–19.
Media: N–TV
Date: 26th February 2020


South China Morning Post
Coronavirus, trade war a 'double whammy' for foreign firms in China, EU chamber

The coronavirus epidemic has dashed the hopes of foreign companies operating in China that trading conditions in the region might be about to improve, according to the head of a European Union industry group.

After more than 19 months of uncertainty and difficulties caused by the US-China trade war, the signing of an interim deal to end the conflict on January 15 gave many foreign firms reason to be optimistic. But their hopes were short-lived as the virus outbreak delivered a painful "double whammy", said Paul Sives, chairman of the southwest branch of the European Union Chamber of Commerce in China.

Southwest Chapter Chair Paul Sives was interviewed on the impact the COVID–19 outbreak has had on foreign firms.
Media: South China Morning Post
Date: 26th February 2020

President Jörg Wuttke talks to CNBC about difficulties for companies in shipping PPE.
Media: CNBC
Date: 8th April 2020


中国欧盟商会副会长：走出冠状病毒危机后，中国将比以往更加强大

VP D'Andrea op–ed published in *Milano Finanza*, reposted by *China.com*
Media: China.com
Date: 18th February 2020

European Chamber and German Chamber release details of joint COVID–19 survey.
Media: CNBC
Date: 27th January 2020

PPE made in China to Europe. President Wuttke said the key problem was the weak capacity of cargo transportation, as international passenger planes— which used to play a key role in freight transport—have mostly stopped flights between Europe and China.

VP D'Andrea op-ed published in Milano Finanza, reposted by China.com

Chamber VP and chair of the Shanghai Chapter Carlo D'Andrea published an op-ed in *Milano Finanza* on 18th February entitled *Dalla crisi del coronavirus la Cina riemergeràancora piùforte di prima* (*China to re-emerge even stronger than before from the coronavirus crisis*). This op-ed was summarised, reposted and highlighted by *China.com*, a key Chinese state media outlet, which complimented VP D'Andrea's impartial views on China's efforts in combatting COVID-19.

European Chamber and German Chamber release details of joint COVID-19 survey

The European Chamber and the German Chamber released details of a joint survey on the effects of COVID-19 on European business in China on 27th February. International media reported a number of concerns brought up in the survey, including that most European companies are forecasting revenue decreases in the first half of 2020, with 59 per cent of companies reporting that the outbreak and China's containment measures have had a "high impact" on their business. Some media also highlighted that European companies said they had learnt the need to be more diversified, rather than just relying on a single source/region. With such high interest in the survey findings among international media, President Wuttke took the opportunity to emphasise the practical difficulties businesses are currently facing and the need for China to continue with its efforts to contain the virus while ensuring it also does everything possible to get the real economy back on its feet.

VP Roule joins CGTN's Dialogue on the COVID-19 outbreak's effect on global economy

On 24th March, VP Charlotte Roule took part in *CGTN*'s live panel discussion programme, *Dialogue with Zou Yue*. VP Roule noted that just relying on the recovery of one economy is impossible, as we have now global supply chains that were made for maximising efficiency at the cost of resiliency. She also mentioned that China can leverage the situation to further open up its market, as this would both support China's recovery and strengthen ties with Europe.

Cross-chapter online media briefing on impact of pandemic on foreign business

On 13th April, the European Chamber held its first online cross-chapter media roundtable, with journalists from key international and Chinese media attending. President Jörg Wuttke hosted the meeting, with local chapter chairs and Davide Cucino, chief representative of the European Chamber in Brussels, all sharing their insights and local perspectives. During the meeting, President Wuttke recognised the resurgence of the manufacturing industry in China. However, he also expressed worries that the shutdown of global markets has severely hit both the demand and supply sides of European companies in China. Following the roundtable, nearly all chapter chairs were mentioned in key media. For example, the Tianjin Chapter chair was mentioned in *New York Times*, both South China and Southwest China chapter chairs were quoted in the *Financial Times* and the Nanjing Chapter chair was mentioned in *CGTN*'s report.

BEIJING, 9TH APRIL 2020

The European Union's Response to COVID-19

- The European Union (EU) is planning to provide member states all the flexibility they need to support their financial needs.
- Social distancing or quarantine proves to be a very effective method for dealing with current situation.
- The EU expects to be treated in an equal way; all that has been delivered in the United States-China 'phase one deal' should be part of the investment deal the EU and China are negotiating at the moment.

BEIJING, 30TH APRIL 2020

Asia Infrastructure Investment Bank COVID-19 Crisis Recovery Facility

- The construction sector in China started to suffer years ago and the situation is worsening due to the virus outbreak.
- Close cooperation with upstream suppliers and downstream customers is vital to mitigate the risks and challenges during the crisis.
- The financing scheme in China is quite different from the EU or North America. The AIIB can provide support in this respect, by clarifying what financing is available, helping to secure investment and setting criteria to make sure projects are sustainable.

SHANGHAI, 17TH MARCH 2020

Government Policies Supporting Business Operations during COVID-19: A Discussion with Shanghai Local Authorities

- The webinar was organised jointly by the European Chamber and the Shanghai Association of Foreign Investment.
- Officials from the Shanghai Municipal Commission of Commerce, Shanghai Municipal Development and Reform Commission, Shanghai Municipal Human Resources and Social Security Bureau, Shanghai Customs and Shanghai Municipal Centre for Disease Control shared the latest policies that support business resumption.
- Topics covered included quarantine measures, school opening timelines, social insurance payments, customs clearance for hazardous chemicals, and rental deduction and exemption.

SOUTH WEST CHINA, 22ND APRIL 2020

The Dividend of the Times - Blockchain and Us

- The traditional economy is severely affected by COVID-19, but the blockchain industry has shown good development momentum.
- China has developed its own new sovereign digital currency, called the Digital Currency Electronic Payment or DCEP.
- Trends in the development of blockchain, such as its core value and industry value, were also covered.

SOUTH CHINA, 24TH APRIL 2020

Cross-border Care: How to send Medical Products from China to the EU

- The decrease in passenger flights has effectively removed the most flexible and economical portion of global airfreight capacity, while freighters cannot completely fill the gap and are more expensive to operate.
- Manufacturers must assess medical devices for conformity prior to placing them on the market.
- Manufacturers sending devices are fully responsible for quality, as no approval system has been established in the EU.

NANJING, 2ND APRIL 2020

Dialogue with Nanjing Municipal Government on Incentive Policies During the COVID-19 Outbreak

- While the current electrical reduction is not applicable to the high energy consumption industry, enterprises can see if they qualify as a key material production enterprise for epidemic prevention and control, so as to benefit from other preferential policies.
- Foreign employees in China, who meet national requirements but cannot renew their visas because of the outbreak, will have a grace period of two months.
- If foreign employees that cannot re-enter because of the current entry and exit restrictions expiring before the restriction is lifted, they can apply again according to the relevant policy.

TIANJIN, 6TH MAY 2020

E-Learning and Challenges for International Schools in Tianjin When Preparing for Campus Re-opening

- High-tech tools for teaching are not a preferred method, classroom teaching will eventually resume as normal.
- Concerns were raised that different school grades' arrangement/schedules/calendar might be compromised by government policies on campus re-opening dates.
- Schools may arrange for children to go to open areas from time to time while maintaining social distancing so that they can take off their masks for a period of time.

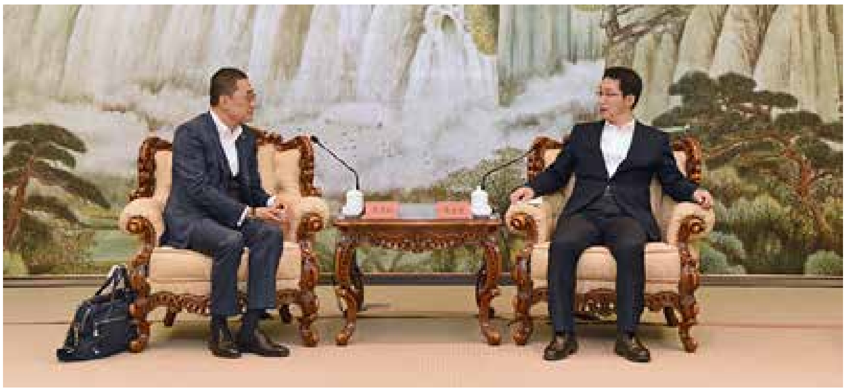
Advisory Council News

KPMG enters Suzhou

On 23rd March, KPMG China's Suzhou branch completed its registration with the Administration for Industry and Commerce. This office will be the fifth that our firm has formally opened in the Yangtze River Delta region.

Suzhou is located in the centre of the Yangtze River Delta region, and the city's gross domestic product is ranked sixth nationwide, reaching two trillion yuan in 2019. There are 153 listed companies in the city, making it rank fifth nationwide, and over 400 projects being invested in by over 150 of the world's top 500 companies (ranking third nationwide).

The KPMG Suzhou office—which will answer the country's call to 'Start Again for Reform and Opening-up'—will mark the next stage of KPMG's development in Jiangsu Province and in the Yangtze River Delta region.



On 23rd March, KPMG China's Suzhou branch completed its registration with the Administration for Industry and Commerce.
Photo: KPMG

The KPMG Suzhou office will mark the next stage of KPMG's development in Jiangsu Province and in the Yangtze River Delta region.
Photo: KPMG

Philips helps to remotely monitor hospitalised COVID-19 patients with smart biosensor technology

The University Medical Center Utrecht (UMCU) in the Netherlands is monitoring COVID-19 patients in isolation rooms using Philips biosensor and patient-monitoring technology. Together with Philips, UMCU has developed a solution to monitor these patients continuously yet remotely, reducing the number of times nursing staff need to enter the patient's room. UMCU hopes this will reduce the risk of its nurses being infected with the coronavirus, as well as reducing

Philips helps to remotely monitor hospitalised COVID–19 patients with smart biosensor technology.
Photo: Philips

the hospital's consumption of personal protective equipment (PPE) such as single-use gloves, face masks and aprons. UMCU currently has 26 isolation beds equipped with Philips' smart patient monitoring technology.

The system is supported by Philips' automated early detection and warning solution IntelliVue Guardian – software that continuously analyses data from Philips' biosensors, 'spot-check' patient monitors and nurses' manual input to detect subtle deteriorations in a patient's vital signs. Based on this analysis, the software can generate an early-warning score that is sent to a patient's caregivers, allowing nursing staff to intervene at an early stage if necessary.

Société Générale finalises the acquisition of Commerzbank's Equity Markets and Commodities activities

13th May 2020 — Société Générale has announced the finalisation of the acquisition of the Commerzbank's Equity Markets and Commodities' (EMC) business with the integration of the exchange-traded investment solutions. It covers the activities of exchange-traded funds (ETF) market-making, which consists of ensuring the market liquidity for ETF issuers and of executing orders for institutional clients, as well as the listed investment products offered to sophisticated retail investors, such as warrants and certificates.

With the combination of Société Générale's strengths in cross asset derivatives and Commerzbank's leading expertise as exchange-traded products' provider and market maker, clients will benefit from an enlarged product range, diversified across multiple countries and asset classes, as well as enhanced services.

This is the last step of the integration of EMC activities within Société Générale, which has taken place gradually from the second quarter of 2019. The integration of Commerzbank's active and passive investment solutions, including the ComStage ETF range, was finalised at end of 2019 within Lyxor with the launch of a new asset management branch in Germany.

Issuer of the first warrant on the Paris stock exchange in 1989 and with more than 30 years of know-how in derivatives, Société Générale aims to offer an enriched range of services and flow investment products, well-suited to the needs of investors, by capitalising on its culture of innovation, its structuring capabilities and the established expertise of Commerzbank's teams on exchange-traded products, especially in Germany.

Michelin commits to a green economic restart

6th May 2020 — In line with its 'Everything Sustainable' strategy, Michelin is planning a green economic restart for the post-COVID-19 period, in close collaboration with the foundation Solar Impulse and 11 other major players.

The vision promoted by the foundation Solar Impulse and its partners—who together employ more than one million people worldwide—is to build a new sustainable economic and industrial model; a world that is at once cleaner and more sustainable, fairer, more efficient and more respectful of biodiversity and the climate, with no trade-offs between environmental, economic and industrial interests. It was only natural for Groupe Michelin to embrace sustainability in its plans to restart the economy, in line with its ambitions and 'Everything Sustainable' strategy. "Tomorrow, everything will be sustainable at Michelin," says the Group's CEO Florent Menegaux. "Our aim is to achieve sustainable growth that creates a value balance, meaning it is profitable for the company and beneficial for our employees, the planet and its inhabitants."

Merck invests in recently established China Seed Fund

6th May 2020 – Merck announced its investment in SynSense (formerly known as aiCTX), a neuromorphic computing startup based in China and Switzerland. The startup's artificial intelligence (AI) processors and sensors provide an unprecedented combination of ultra-low power consumption and low latency for a broad range of edge applications in smart home, smart security, autonomous driving, drones or robots.

Merck invested in SynSense via its China Seed Fund, which was established in October 2019 by its corporate strategic investment arm M Ventures and the Merck China Innovation Hub. Neuromorphic computing is generally considered a key enabler of next-generation AI.

As a spin-off from the joint Institute of Neuroinformatics at the University of Zurich and ETH Zurich (lab of co-founder Professor Giacomo Indiveri), SynSense is leveraging the vast know-how of one of the leading academic research institutions in this space.

The current deal marks the third investment of M Ventures in the advanced computing technologies space in less than a year, which underlines the importance of the field for Merck. With its broad footprint as a leading science and technology company, Merck has a unique exposure to next-generation computing.

Tell Us Your Big News

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

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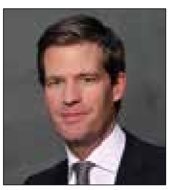

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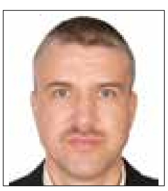

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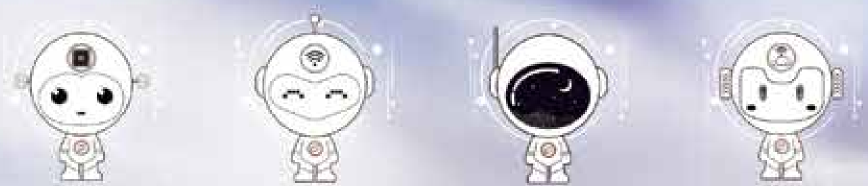

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