Use of blockchain in IP protection
Here’s what it will take for China to make that happen
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Is China the Promised Land for Blockchain?

The European Union Chamber of Commerce in China celebrated its 20th anniversary this year, which has given us a chance to look back and see what has changed in China's business environment and where we have successfully moved the needle. However, while the Chamber has established itself as a reliable and fact-based business organisation, and can point to a number of significant, tangible achievements over the years, it is imperative that we keep looking towards the future and evaluate where we can continue to contribute to China's development.

This issue of EURObiz looks at one of the technological developments that could shape the societies of tomorrow. Since the birth of the Internet, there have been few more promising global catalysts for innovation and efficiency than blockchain technology. Still, there is a cloud of mystery surrounding the concept among people that do not deal with technological theories on a day-to-day basis. This issue of EURObiz aims to shed light on it.

One of the most referred-to aspects of blockchain is the trading and management of cryptocurrencies such as Bitcoin. However, the possibilities for application in business operations and payment processes are far more widespread than this alone. Blockchain can also be implemented as a safe mechanism for data sharing, and stimulate efficiency in business operations and supply chain management. As you will read in this issue, some private Chinese technology companies are already using it to track goods along each stage of the supply chain to the end user, which could help in supervising, as well as locating and solving quality issues.

However, one of the most anticipated developments regarding the use of blockchain technology remains the creation of a Chinese digital currency. In theory, a digital currency based on blockchain technology can better facilitate digital transactions and could potentially be used to securely track where money is being spent. It could go as far as play a role in the internationalisation of the renminbi, particularly with traceability being one of the key issues holding China back from full liberalisation. It is not yet apparent if digitalisation would indeed see it fully internationalise its currency, but the appeal of the technology in this field is understandable.

As with all new, high technology sectors, the race for global blockchain supremacy is being fiercely competed, with China emerging as one of the main contenders. President Xi Jinping prioritised the development of blockchain when he labelled it a core technology in China’s national strategy in October 2019, and Chinese companies are currently being pushed to introduce initiatives based on blockchain technology in their respective sectors.

While the European Chamber has been critical of such top-down industrial policies in the past—as seen with China Manufacturing 2025—due to the way such schemes can distort markets, and result in overcapacity and a severe misallocation of resources, this kind of focussed approach could see China edge ahead in this crucial phase of development of a digital economy based on blockchain. Europe needs to pay close attention and should even look into devising a coordinated response, lest its companies find themselves falling behind in an area of technology that becomes the backbone for how business is conducted in the future.
From Promise to Reality

Global CEOs assess their blockchain options

The concept of blockchain had remained just that—a concept—for many CEOs, despite the best efforts of their technology teams to persuade them otherwise. In the past couple of years, however, organisations are increasingly making plans for practical implementation of the technology. This article by EURObiz is based on a Deloitte Insights global survey on blockchain that shows how leaders now see it as a top-five strategic priority and are increasing their investments in staffing and blockchain technologies.

In 2020, the C-suite has been putting money and resources behind blockchain as a strategic solution in more meaningful and tangible ways—in projects big and not so big—setting in motion more widespread blockchain processes, controls and even new business models. As with any business solution, there are still real-world challenges to overcome. However, this year, in-production proof points across a wide variety of implementation scenarios demonstrate that blockchain technology works—and can work—for many different organisations, businesses and industries.

A key trend has emerged: ever more positive thinking around current blockchain applications, continuing
the acceptance of blockchain observed in surveys from previous years. The number of respondents who strongly or somewhat see blockchain as broadly scalable ticked up to 88 per cent, compared to 86 per cent last year and 84 per cent in 2018. Those who said their company will lose a competitive advantage if they don’t adopt blockchain also increased to 83 per cent, up from 77 per cent last year and 68 per cent in 2018. Some 86 per cent of respondents said blockchain offers a compelling business case, versus 74 per cent in 2018.

Respondents across various regions offered strong positive sentiment. On blockchain’s scalability, for example, respondents from countries and regions such as the Hong Kong Special Administrative Region (SAR), Brazil, Israel and the United Arab Emirates (UAE) registered above-average sentiment. On the issue that organisations would sacrifice competitive advantage by not adopting blockchain, respondents from Mainland China, Ireland and Canada showed above-average sentiment.

Of course, attitude alone doesn’t drive blockchain adoption. But sentiment matters, because it leads to investment and confidence. To that end, the survey reveals that companies continue to put hard-earned dollars into blockchain initiatives. For example, 82 per cent of respondents said they are hiring staff with blockchain expertise or plan to do so within the next 12 months (versus 73 per cent in 2019). That number jumps to 89 per cent for companies with revenue greater than United States dollars (USD) 100 million. APAC (China Mainland China, Singapore, Hong Kong SAR) served as a leading region in hiring, with 89 per cent agreeing with this statement. Other metrics from the survey also point to steady or increasing blockchain investment levels.

To be sure, as companies adopt and implement blockchain solutions—and as leaders increasingly accept blockchain as a fact rather than a future breakthrough—there remains an underlying level of uncertainty about current and future applications of blockchain technologies. Organisations will not sort this all out right away—this process will continue to take time, depending on industry, maturity, risk tolerance and budgets. Some remain skeptical: while respondents generally expressed positive sentiments, several data points indicate that this is not unanimous. For example, the number of respondents who consider blockchain to be ‘overhyped’ actually rose significantly this year, hitting 54 per cent versus 43 per cent in 2019 and 39 per cent in 2018. Additionally, those who think blockchain offers more security than conventional information technology systems fell to 64 per cent from 71 per cent in 2019.

But notwithstanding such cautionary notes, new blockchain implementations seem to find expression on a nearly daily basis. These production proof points are the clearest signs yet that blockchain is making a tangible difference in how business gets done across regions and industries.

**Regional analysis**

**Asia Pacific**

In the Asia Pacific region, there continues to be strong belief in the strategic value of blockchain. There is widespread recognition of blockchain as an important strategic tool, but, in addition, some countries and regions are much stricter than others about the free flow of data and information across—and within—their boundaries.

In China Mainland, for example, there remains some trepidation over how cross-border, multiparty blockchain configurations can and will affect their control over their business and governmental data. While cryptocurrencies remain illegal in Mainland China, the importance of private blockchains—and to some extent, permissioned blockchains—cannot be overstated. That said, because Mainland China also has restrictions on cross-border flow of data, it affects where companies set up shop. It is also worth noting that despite cryptocurrencies’ legal status in Mainland China generally, Beijing does see them—and digital assets more generally—as potential tools to help shake the dollar’s dominance in global financial markets. To that end, the Chinese central bank recently unveiled plans for a digital version of the renminbi, on a trial basis.

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1. Figures represent the percentage of respondents who strongly or somewhat agree with each statement.
Private blockchains should remain a vital technology pursuit, especially given the size of Chinese industrials, their typically large numbers of subsidiaries and the vast amounts of data they produce. However, anyone who does business in China needs to find ways to accommodate the facts on the ground, including regulatory realities that could affect their business. 5

Outside of Mainland China, cryptocurrency remains the coin of the blockchain realm in regions such as Hong Kong SAR and Singapore, which have a more accepting ethos about cryptocurrency than Mainland China has. They’re competing for business. 5

In Germany, blockchain has gained new momentum as policymakers have actively engaged the legislative process. Examples of such legislative initiatives include the publication of a draft law to regulate the offering of cryptocurrency tokens, as well as public support and promotion of lighthouse projects that use blockchain technologies in the national administration.

In the Nordic region, there is continued growth around distributed ledger technology, which both local governments and business are using. 7

The UK market is seeing ongoing and increasingly mature activity across key sectors with several substantial projects now live, typically among industries reliant on complex, multiparty and international supply chains. Additionally, there is a hastening of activity linked to digital assets, both in traditional sectors as well as in areas such as custody services. 8

Concluding thoughts: The road taken

Over the past year, we have witnessed progress in the adoption and implementation of real-world blockchain-enabled solutions across a variety of businesses and sectors.

Attitudes toward blockchain have obviously, and measurably, shifted as executives and business leaders implement blockchain-enabled solutions, whether through the use of digital assets specifically or innovative applications of blockchain more generally. Organisations have stepped up their investments, demonstrating their commitment to blockchain technologies.

Still, progress along the implementation continuum is not always detectable to the naked eye. Only by looking more closely and seeing how organisations are responding to challenges with cybersecurity; global digital identity; compliance with established accounting, audit, internal control, tax and financial reporting frameworks; and governance and other consortium-related issues, can we see that blockchain has already pivoted from the realm of the possible into the world of the practical. The survey demonstrates real doing across industries and regions versus mere planning.

Blockchain was once recognised only as the foundation for cryptocurrency; today, leaders accept it as a robust solution that enables advances in 3D printing, artificial intelligence, digital security and beyond. And this acceptance is not mere words but hard-dollar strategic investments.

Blockchain already is an integral and vital tool upon which—and with which—new, cutting-edge solutions are being created, and blockchain solutions will likely gain even greater traction within the global business community over the next 12 to 24 months. 10

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3 Elena R, Cryptocurrency in the Nordic countries, 2019 results, CoinDesk, 14th December 2019.
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This text is an abridged version of a report by Deloitte Insights, Deloitte’s 2020 Global Blockchain Survey: From promise to reality, the third survey in this series. Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Its global network of member firms and related entities in more than 150 countries and territories (collectively, the ‘Deloitte organisation’) serves four out of five Fortune Global 500 companies.
Access to funding is a common problem for small and medium-sized enterprises (SMEs), and particularly so for European SMEs operating in China where domestic banks prefer to go with the safe option of state-owned enterprises. Renzo Isler, director of the EU SME Centre Phase III, explains how the emergence of blockchain technology may provide new financing options for SMEs.
In many countries, SMEs are the backbone of the economy. These enterprises are crucial to worldwide economic and social development, as they employ more than half of the global population. A large percentage of SMEs tend to be service-orientated and family-owned in nature, and most have relatively light investment in capital goods, reflecting weak tangible business assets in financial/accounting terms. This is associated with high risk and low creditworthiness under the current prevailing lending standards of banks and financial institutions.

As a result, SMEs are less likely to be able to obtain bank loans than large firms; instead, they rely on internal funds or cash from friends and family to launch and get their businesses off the ground. In addition, SMEs are confronted with a number of sector-specific challenges, such as the lack of information required to conduct business efficiently and scale up operations, or inefficient procedures to process payments and recruit other ancillary services necessary to both grow and/or go global.

Current challenges for SMEs

Bank loans

Obtaining loans from banking institutions can be problematic for SMEs, especially for entrepreneurs in the first stages of building their business. This lack of access leads to limited chances of survival for many SMEs; almost 30 per cent shut down in the first three years of operation due to a lack of funding.

Since the banking crisis of 2008, banks are inherently risk-averse, so their tolerance for SME lending is relatively low. A report from the International Finance Corporation (IFC) estimates that 40 per cent of formal micro and SMEs in emerging markets have annual unmet financing needs of United States dollars (USD) 5.2 trillion.

Financing

Another challenge for SMEs operating internationally is obtaining trade finance. Like many forms of credit provision, trade financing is a key component in the success of SMEs, but it is not always easy for them to obtain. SMEs face lots of hurdles in their quest for funding, especially when it comes to accessing traditional trade finance products such as letters of credit, forfaiting—selling dues owed at a discount in exchange for cash—or trade credit insurance for import/export business.

Cash flow issues

Inability to bring in capital causes enormous harm to small businesses stifling growth and causing cash flow difficulties. Businesses need cash flow to pay for materials, start the production process, pay employees or cover other business expenses. For smaller companies, a late payment can be the difference between success and failure.

Limited alternative financing

SMEs nowadays often turn to alternative forms of financing to obtain funds and ease their cash flow issues. Recent years have witnessed—with mixed fortunes—alternative lending vehicles like peer-to-peer (P2P) or crowdfunding, the latter mainly focussed on technology start-ups.

Blockchain technology a promising solution for SMEs

Blockchain and its distributed ledger technology introduces trust and the ability to share data, information or proof of many things in a secure and reliable manner. This means that entities that might not necessarily trust each other can trust a shared ledger, which is immutable and contains information that can’t be manipulated.

While most people associate blockchain with large companies, the technology also opens up new opportunities for SMEs in every sector to solve existing challenges, and enables them to optimise their business and develop new models.

Trade finance

Blockchain-enabled solutions are now deployed in trade finance, where joint efforts by industry participants are creating complete transaction environments that enable documentation, messaging and settlement. Trade finance products are being made more efficient due to transparency and the consensus mechanisms that replace multiple instances of verification and checking.

A joint study by the World Economic Forum and consultancy Bain & Company shows that blockchain technology could play a major role in reducing the worldwide trade finance gap, facilitating trade that otherwise could not take place.
Supply chain finance

Blockchain technology may also contribute to solving the problem of getting supply chain finance (SCF). A bigger segment of the market is nowadays building open account solutions, but because of the difficulty in assessing how deep the supply chain is, financing is often only offered to a few tiers. As blockchain is much more flexible with data than existing digital systems, this technology opens up new possibilities for additional participants in the chain to get SCF.

On the blockchain, both suppliers and buyers have access to necessary transactional information in real-time. Every step of the supply chain process is time-stamped and verified by all parties, so information is accurate and immutable. This added level of visibility may also mean that businesses will have more invoice financing solutions available. This transparency may result in faster transaction processing, improved cash flows for suppliers and potentially better rates from invoice finance providers.

SCF is an area where the opportunity for innovation through a shared trusted blockchain ledger is both evident and large. Imagine if any company could quickly and conveniently agree on the status of shipments, payments and outstanding services with its suppliers. The efficiency to be gained is tremendous.

Smart contracts

One of the most attractive features of blockchain is its potential to offer SMEs smart contracts, which not only define the terms and penalties around an agreement in the same way that traditional contracts do, but also automatically execute and enforce those pre-agreed terms and conditions (without the need for middle agents). Many labour-intensive and expensive business processes can easily be replaced at little cost in this way.

The largest benefit smart contracts could bring is single digital records for customs clearance. Smart contracts can also represent an invoice—or any similar financial document—and be used as collateral to support a loan. Smart contracts would help mitigate credit risk, lower fees and remove barriers to trade.

Funding/collateral

Blockchain technology has the potential to completely transform our approach when it comes to SME funding. Blockchain could help revive P2P lending practices by digitising what was once a manual process, increasing transparency and fostering trust between lenders and borrowers.

The disintermediation element of blockchain makes it significantly easier and faster for SMEs to raise funds through equity. The removal of these barriers reduces the need for complicated paperwork, while the automated nature of the process may mean that commissions, excessive brokerage fees associated with selling shares and other overheads can all be left behind.

Looking forward

The future for SME financing will require a combination of innovation in fintech, financing models and the newly emerging blockchain technology. Blockchain-based applications tracking payments, contract fulfilment and many other aspects of business activity allow capital providers to base their lending decisions on more data, refined algorithms and application-programming interface enabled—defining how various software and devices can interact—transaction environments.

Standardised financial instruments developed in a digital environment enhanced by blockchain will enable all parties to refer to the same calculations, as well as to verified and audited streams of cash flows. Such standards will result in near real-time reporting and allow for the securitisation of loan portfolios, which was previously thought impossible.

The adaptation of blockchain technology, facilitated by the process of asset digitisation, could revolutionise not only the way we look at risk, but also allow innovative solutions to price, hedge and manage risk in financial markets and the real economy as a whole. Its adaptation will eventually give lenders elevated capabilities and renewed confidence to extend credit to borrowers who are currently not considered creditworthy.

The EU SME Centre is a programme funded by the EU, managed by EASME and DG GROW, and participated in by a consortium of four chambers and a business council. The scope of the Centre is to support European SMEs in better understanding the Chinese landscape and help them to develop trade with and investments in China.
Blockchain

Embrace the change, be aware of the risks
by Filippo Sticconi

For a long time, the buzzword ‘blockchain’—simply put, a digital and decentralised ledger that records transaction information—has merely been associated with Bitcoin and other cryptocurrencies. While this specific combination surely was the one that gave the distributed ledger technology (DLT) renown, it is not the only, or perhaps not the most sophisticated, application of blockchain. Currently, many different DLT applications are being studied and implemented. Filippo Sticconi, national chair of the European Chamber’s Intellectual Property Rights (IPR) Working Group and senior associate at Greatway Advisory (GWA) looks at the options available, as well as the potential risks involved.

Theoretically speaking, blockchain could be applied to almost every industry and business, since any database or ledger could be created and maintained using the technology. Furthermore, there are other inherent characteristics of blockchain that led it to be paired with cryptocurrencies and that are now being positively evaluated for different applications, such as: i) the ‘consensus protocol’, the process by which the nodes in the network agree on a shared data history; and ii) the cryptographic fingerprint, which is unique to each block. These features mean the information stored in the distributed ledger should be secure, private, immutable and tamper-proof, opening the technology to an immense number of possible synergies, several of which are already at an advanced stage of experimentation or implementation.

Many may have misconceived the relationship between China and blockchain in the wake of Beijing’s 2017 severe stance towards cryptocurrency and related trading activities, as they perhaps assumed the same treatment would be applied to blockchain-based technology. On the contrary, even if the principles behind blockchain (conceived as purely ‘decentralised’ and safe from third-party influence) have been
revised with ‘Chinese characteristics’ to become a more controlled version, its implementation is nevertheless undeniably extensive and in some cases represents state-of-the-art technology.

**Indications of blockchain gaining momentum in China**

China files the highest amount of blockchain-related patents in the world. Most importantly, blockchain and other data-related technologies (such as quantum computers, artificial intelligence and autonomous vehicles) were included in recent state development plans as an “essential line of development”. Furthermore, the National Development and Reform Commission (NDRC) stated that blockchain will be used alongside other emerging technologies as part of the backbone system for managing information flow in China.

**As blockchain technology matures, what are the emerging trends?**

Trial and pilot implementations are currently being carried out in China, and some applications of the technology might contribute to simplifying and/or overcoming long-standing issues, both in terms of accuracy of information and the time spent obtaining it. For instance, in the field of traceability of goods, some private Chinese tech companies currently provide services to track goods using the DLT along the supply chain from each factory to the end user. Such reliable traceability services could assist in better supervising, tracking down and solving quality issues along the supply chain. It may also be extremely helpful to curb counterfeiting and other intellectual property rights (IPR)-related infringements, which are still a massive phenomenon in China, in offline and online markets alike.

This blockchain-based system might allow for distinguishing more easily between genuine and counterfeit goods (the latter being not registered in the shared ledger or, for example, not traceable back to the rightful owner of the connected IP rights). This can save time in proving ownership of a given IP right, or in investigation and evidence collection (fundamental in anti-counterfeit and infringement procedures, and for liquidation of damages in court).

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**Diagram:**

1. **A wants to send money to B**
2. **The transaction is represented as a block**
3. **The transaction is broadcast to a network of nodes**
4. **The network validates the transaction**
5. **Now the block can be added to the blockchain in a way that is permanent and unalterable**
6. **The money moves from A to B**
Another similar system uses the ‘time stamp’ of the transmission of a given piece of information to the ledger, which can serve as proof of creation (for instance, of a copyright) in a certain time and space. DLT is currently being piloted in China also for notarisation of evidence as a substitution for a notary public.

In Hangzhou (the e-commerce capital of China), a special Internet Court is currently trialling blockchain-related evidence as proof.

When embracing progress, it is also crucial to carefully evaluate possible shortcomings, particularly concerning the importance of the fields where the new technology is often being tested. The great advantages of having a distributed ledger to record information and transactions are easily perceivable in several circumstances. However, the risks connected to each aspect of the same implementations are somewhat more shady and tend not to be as evident at first, also possibly due to the pace of innovation and the highly technical background required to foresee any potential abuse.

In this regard, it is worth mentioning that, even if the distributed ledger is comparatively speaking a secure tool, it is far from invulnerable or impenetrable. According to many experts, even if not in its entirety as a chain, each ‘node’ can be isolated, attacked and possibly tampered with. Further concerns lie within the possible competitive advantages for the providers of the technology (which may be private or not) in accessing the information contained therein. Additionally, any vulnerability in the providers’ infrastructures to malicious external attacks might have critical consequences for all parties.

Another issue that remains unsolved is the human factor, which, if wrongly linked with the technology, can have devastating consequences.

Even assuming that data existing in the blockchain is immutable, it is important to evaluate how to protect against incorrect or false information being inserted into the system, considering that we are in the process of assigning to the same technology the power, for example, to affect a court judgment if applied to IPR registrations, notarisation, evidence collection or smart contracts.

In a recent event hosted by the European Chamber’s IPR Working Group titled: ‘More Than Just Bitcoin: How new technologies and blockchain are changing the way for companies to do business and protect IP’, we explored advantages and disadvantages of these possible new implementations of blockchain in traceability of goods and notarisation of evidence, and how they might influence the fate of European and domestic companies in China. While these potentially remarkable changes were welcomed by all at the event, concerns were raised within many fields. From the narrow perspective of IPR protection, these mainly pertain to:

- the initial reliability of the information as inserted, compounded by the fact that it cannot be changed later on;
- the risks and responsibilities of entities providing the technology to competitors and commercial operators, as well as their eventual ability to access the content, considering that where there is encryption, there is also a key; and
- the need to explore further the actual vulnerability of the system, taking into account the degree of authority that is currently in the process of being assigned to the technology, going as far as to vest the role of evidence in a court of law and/or to replace the functions of a notary public.

These considerations are not intended to be a firm and definitive statement against blockchain; on the contrary, they should stimulate careful consideration of the technology’s shortcomings in order to better prevent them. In this new era, legislative bodies are struggling to regulate in a short amount of time great technological advancements, and to find the appropriate balance between protection of legitimate rights and innovation without slowing progress. Implementing new technologies always comes with the fear of the unknown, but the same should not stop innovation. However, before the widespread application of blockchain to such important functions and roles, we should consider the potential implications to their full extent, or else risk these issues also becoming ‘immutable’ data on the shared ledgers.  

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HASH TAGGING

Use of blockchain in IP protection
by China IPR SME Helpdesk

Blockchain, the technology behind cryptocurrencies like Bitcoin, is finding new and innovative applications in fields not only connected to the fintech sector but also in areas as diverse as the defence industry and notary services. It is even being used in gift card and loyalty programmes. Due to the technology’s high suitability for data management, blockchain is also being increasingly adopted in intellectual property (IP) protection. This article, based on the China Intellectual Property Rights (IPR) Small and Medium-sized Enterprise (SME) Helpdesk Guide on IPR Protection for AI Technology and Application of Blockchain in China, explores current and future uses of blockchain in IP protection in China.
In essence, blockchain is an open digital ledger of information that can be used to record and track any transaction. The information on transactions is shared on a peer-to-peer network allowing all parties to see, exchange and verify it. This allows for transparency among multiple parties, all of whom can see what will be entered onto a ledger in advance, without any single party having the ability to change entries later on. Each transaction or ‘block’ is transmitted to all the participants in the network and must be verified by each participant ‘node’, which involves solving a complex mathematical puzzle. Once the block is verified by all, it is added to the ledger or ‘chain’.

These characteristics make blockchain highly suitable for data management, and thus a useful tool for IP protection also, as it could be used to show evidence of registered and unregistered IP rights. For example, in copyright protection it can be used as evidence of authorship, and in trademark protection it could serve to prove the first use of the trademark. While the use of blockchain technologies in IP protection is still in its nascent phase, there are already some cases of its practical application in China.

**Use of blockchain to register copyright in China**

While copyright registration is not mandatory in China to enjoy the right, the registration certificate is often requested when commencing enforcement procedures, and it can also serve as *prima facie* evidence in court. The use of blockchain can also facilitate copyright registration. If a user logs into the copyright registration website using blockchain technology, they can register at any time or place, enabling a more efficient process than copyright registration agencies alone can currently provide. The registration information is recorded on the chain with an immutable timestamp, which forms a powerful proof of rights. Using blockchain could offer a more effective means of copyright registration.

Blockchain could also be used in China to invalidate a bad faith copyright registration certificate, since the technology can provide evidence of authorship from the moment the work was first created. Bad faith copyright registration occurs when an entity/person maliciously registers copyright that does not belong to them, which regularly occurs in China as copyright registration does not undergo substantial examination. If the true copyright owner has used blockchain to preserve evidence of authorship, this can help invalidate the certificate given to the bad-faith registrant.

**Blockchain to prove prior use of trademark**

Blockchain technology can be used to record the prior use of a trademark, meaning that it can prove that the trademark was used by the claimant at a certain date, for example, if a right owner sells a cup online with their brand on it. When they copy all the website information to the blockchain, they will be able to prove in the future that they are already using that brand for selling. The right holder could also create an information chain with a timestamp of the first time the trademark was used. This method would effectively solve the problem of proving prior use in cases of trademark dispute. While not yet in use, this technology is likely to be available in the near future.
Blockchain as a means of trade secret preservation

Blockchain technology uses a ‘hash algorithm’; it transfers each piece of information on the chain into a unique ‘hash’ (usually a number sequence) with a timestamp. This can be used to encrypt trade secrets. Since the recorded information is in the form of hash value and not that of the trade secret itself, the specific content of the trade secret is not exposed. Therefore, blockchain technology can provide proof of existence without exposing any trade secret content.

Blockchain technology can also track the theft of trade secrets. Cases of trade secret theft usually involve internal employees; after the theft, the employees sometimes use the data to start their own business or join a competitor, while the plaintiff (original owner of the trade secret) often struggles to prove that the data had been stolen. The advantage of using blockchain is that downloaded information leaves a trace, allowing the trade secret owner to locate the source of the theft. This can then be used as valid evidence in a lawsuit, facilitating trade secret enforcement.

Legal basis for preservation of evidence through blockchain

In September 2018, the Supreme People's Court of China issued the Provisions of the Supreme People's Court on Several Issues Concerning the Hearing of Cases by Internet Courts (Provisions). The Provisions stated that the Internet Courts, which specifically handle online infringements, shall accept electronic data as evidence if the submitter can prove its authenticity. This provision legally determines the validity of electronic evidence preserved by blockchain. Both Chinese and foreign companies are allowed to present blockchain evidence in China's Internet Courts.

How does preserving evidence by blockchain work?

Taking copyright infringement evidence as an example, the right holder captures the infringing page, calculates its hash value and uploads that to the blockchain. During a trial, the court ensures that the electronic evidence has not been tampered with and establishes authenticity through a hash value consistency check. There have been cases in China in which the courts approved evidence preserved by blockchain. One of the most famous cases concerns Douyin's (also known as TikTok) claim against Baidu in 2020, where ByteDance, the owner of Douyin, successfully used blockchain evidence in the Internet Courts to prove copyright infringement.

While blockchain is already considerably facilitating SMEs’ IP enforcement, it can be expected that evidence preserved by blockchain technologies will be more widely used in China in the coming years, including outside of the Internet Courts system.

Note:
This article is based on and includes excerpts of the China IPR SME Helpdesk Guide on IPR Protection for AI Technology & Application of Blockchain in China.

The China IPR SME Helpdesk supports 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 IPR in China, please visit our online portal at http://www.ipr-hub.eu/.
Construction companies are not the only entities involved in construction projects. There is often also a project management company, architects, supervisor, surveyors, a security firm, a catering company...the list goes on. When the construction finally comes to an end, people want to get paid, but the settlement of bills between all these parties can be a long-drawn-out affair with many headaches. Warren Wang and Jacky Zhao of EY look at the benefits of blockchain for the construction industry when it comes to project financial settlement.
As a distributed ledger technology—a database synchronised and accessible across different sites and geographies by multiple participants—blockchain features attributes such as decentralisation, multi-party maintenance, immutability and full traceability. The technology is therefore very suitable for building a credible environment, promoting multi-party consensus and building a win-win ecosystem, all of which could solve the above-mentioned project settlement problems.

Digitalised process can improve financial settlement quality and efficiency

The attributes of blockchain can lead to the transformation of offline multi-party processing of project settlement into an ‘on-chain’ digital process. All information uploaded to the chain will be exchanged and shared with all parties, reducing isolation or fragmentation of details. In addition, the whole process can be traced, which effectively builds a trustworthy and business-collaborative operating environment, thus improving efficiency and facilitating reconciliation.

Promote multi-party consensus to ensure essential risk is controllable

With the multi-party consensus feature of blockchain, not only can all parties to a project settlement participate to ensure business authenticity, external regulatory agencies (such as tax authorities) can be included to eliminate special risk through multi-party verification. This helps to realise consensus on information as well as risk governance by effectively avoiding problems and improving risk control efficiency.

Financial services could build inclusive ecosystem

With the digital asset tokenisation technology of blockchain, accounts payable are transformed into supplier equity digital assets, which makes it possible to transfer and deduct them among multi-level suppliers. Meanwhile, the flow of funds in the industry is increased, allowing trustworthy small and micro suppliers to easily obtain loans from financial institutions in order to create inclusive finance services under the industrial ecosystem.

Sample case

A large power company turned to blockchain to transform its project financial settlement system from manual post-event risk control to intelligent pre-event risk control. Blockchain allowed it to change offline multi-party paper document processing to on-chain digital processing, offline manual stamping to digital signatures, and manual reconciliation to intelligent automatic reconciliation between parties. The new blockchain solution helped the company utilise ‘digital banknotes’ and alleviate the financing difficulties of small and micro enterprises in the industry. The company found the quality and efficiency of its project settlements greatly improved, and an industry ecosystem was effectively created as a result of transferring to a blockchain system.

Ernst & Young (EY) has provided professional services in Greater China for 40 years and has 15,000 employees. EY Consulting provides a full range of services such as digital consulting, blockchain consulting, designing, implementation and auditing to create value for clients.
Discussion with cabinet of new EU Trade Commissioner

On 10th September, a group of European Chamber Advisory Council and Executive Committee representatives, led by Chamber Vice President (VP) Jens Eskelund, held a meeting with the Cabinet of European Commission Executive Vice President (EVP) Valdis Dombrovskis, who now also holds the trade portfolio. VP Eskelund gave Head of Cabinet Michael Hager an overview of the key messages of the Chamber’s newly-launched European Business in China Position Paper 2020/2021. Other Chamber representatives provided input on the European Union (EU)-China Comprehensive Agreement on Investment negotiations, and sector-specific issues covering financial services, energy, aviation, and information and communication technology. Both sides committed to maintaining a regular high-level dialogue.

Chamber delegation tours Hainan, meets with vice governor

Led by President Jörg Wuttke, a European Chamber delegation composed of senior representatives of more than 30 member companies met with Vice Governor of Hainan Province Shen Danyang on 23rd September, to discuss the latest policy updates relating to the Hainan free trade port. The meeting was part of a broader Hainan factfinding tour by the European Chamber, with the objective of evaluating opportunities stemming from Hainan’s ambition to become an internationally-competitive free trade port within the next 30 years. Members of the Healthcare Equipment, Pharmaceutical, Food for Special Medical Purpose, Information and Communication Technology, Energy, and Rail working groups attended.

Shanghai Government clarifies new regulations to Chamber members

Representatives of the Chamber’s Fashion and Leather Desk and the Construction Working Group met with officials from Shanghai Municipal Commission of Housing and Urban–rural Development (SCoHURD) on 29th September, in order to get more insights on the local application of the Implementing Measures for Administration of Construction Decoration Repairing Projects (Measures). Director Shen Honghua, from the Department of Construction Market Supervision, highlighted the objective of the Measures, which he said are to further optimise the business environment and ensure the safety and order of Shanghai’s construction market. Other officials from the departments of Safety Quality Supervision, Construction Engineering Safety, station quality supervision and the Design Documents Supervision Office gave detailed introductions on key articles from the Measures and answered members’ questions about operational issues.
President Wuttke raises Nanjing Chapter concerns with provincial, municipal governments

On 19th October, a European Chamber delegation led by Secretary General Adam Dunnett discussed with State Taxation Administration Deputy Director General (DDG) Ye Lin’er the planned cancellation of non-taxable benefits for foreign expatriates. DDG Ye said that, while he understood this is a pressing concern for the European business community, the decision is part of streamlining the overall tax regime for both foreigners and Chinese nationals. The Chamber delegation emphasised that the tax burden for foreign companies would increase by 80 per cent for each expat they employ in China. It also raised the concern that, according to a recent survey conducted by the Chamber, many companies are thinking of moving foreign talent and even investment out of China before the end of the transition period in early 2022.
Against all odds, despite the COVID-19 crisis the 2020 Cybersecurity Conference still went ahead on 22nd October in Beijing, and was also live-streamed for the first time. This was the fourth Cybersecurity Conference to be organised by the European Chamber.

Chamber President Jörg Wuttke gave a welcoming address, in which he highlighted three trends in the cybersecurity realm: first, the United States (US)-China decoupling and the differential political approaches to each other’s cyberspace administration; second, the rising national scrutiny of data in both countries; and third, the efforts arising from strikingly similar concerns on the vulnerabilities of technology and its potential consequences for national security.

President Wuttke’s message was followed by that of HE Nicolas Chapuis, Ambassador of the Delegation of the European Union (EU) in China. The ambassador noted that businesses’ and people’s reliance on the digital economy expanded rapidly as both the economy and technology developed in recent years; cyber attacks are having a much greater impact on society. He said that cybersecurity will determine the future of the world; since it is closely related to a new economic model, it will not only be looked at as a technical issue, but also a societal one. Ambassador Chapuis said that fairness and trust should be the two principles of cross-border cybersecurity solutions. He concluded by urging China to globalise and open up its regulatory system, and build a non-discriminatory cybersecurity mechanism.

Clas Neumann, senior vice president, SAP, and head of Global SAP Labs Network, gave a keynote speech titled ‘The Recovery Will Be Digital’. Mr Neumann noted that the sudden impact of the novel coronavirus has made digital tools an increasingly popular solution in China, with 75 per cent of companies now planning to accelerate their digital transformation. He went on to explain that new technologies, while providing solutions, also increase cybersecurity risks. Mr Neumann said China, with this in mind, has been avidly constructing its own cybersecurity regulatory framework over the past few years, which has in turn increased compliance obligations for companies.

The first presentation themed ‘Evaluation of Data Security Legislative Strategies in China and Other States’, was delivered by Dr Yanqing Hong, researcher at the Beijing Institute of Technology. Dr Hong, an expert in data legislation and standardisation in China, explained the logical rationale behind data regulation in China, the EU and the US by compar-
ing data security, control of data and possession of data in the three locations. In conclusion, he said that the logic behind many regulatory frameworks is in fact sometimes similar; the difference is often found in the implementation and execution phases.

The second presentation, ‘Understanding Cybersecurity Review Measures and Business Compliance’, was given by Mr Jihong Chen, partner at Zhonglun Law Firm. He gave a brief run-through of the Cybersecurity Review Measures, effective since 1st June 2020, which heavily impact the purchase of critical information infrastructure (CII) operators. Mr Chen gave advice on practical steps companies supplying CII operators could take to ensure predictability and compliance, including but not limited to building internal appropriate compliance frameworks and revising bidding mechanisms in a CII-related service provision.

The third presentation, ‘Cybersecurity Market and New Infrastructure Plans’, by Ms Dan Gao, general manager at the China Centre for Information Industry Development (CCID), was a comprehensive analysis of how the cybersecurity regulatory framework could boost the development of China’s ‘New Infrastructure’ plan and related investment opportunities.

The fourth presentation, ‘Open Data and Data Security’, was delivered by Ms Maggie Yin, Strategic Development Officer and Data Protection Officer at RELX Group. It outlined the different possibilities of data utilisation, such as in research development, combatting viruses, reducing risks and costs, and protecting consumer rights. Ms Yin also warned of the need to balance the openness of data with its efficient protection for the future.

The fifth presentation, ‘Understanding Further the Classified Cybersecurity Protection Scheme (CCPS)’, was given by Mr Xinjie Wang, general manager of service provider Beijing Powertime. He first dove into the creation of the CPPS and subsequently explained relevant standardisation regulations. Mr Wang then advised businesses on how to comply, operate and prepare themselves for the enforcement of the CCPS.

After the thematic presentations, two panel discussions took place. The first panel, comprised of Dr Yanqing Hong and Dr Shenkuo Wu, assistant professor at Beijing Normal University, had a lively exchange on ‘International and Chinese Regulations on Data and Personal Information’. In the discussion, they touched upon points such as cross-border data transfer in free trade areas in China, the influence of foreign data regulations on China’s legislative work, and the relationship between the different existing regulations in China with regard to personal information and data protection. The second panel, featuring Mr Jihong Chen, Mr Xinjie Wang and Dr Bangcai Wu, information security expert at the British Standardisation Institute, had a heated debate on the ‘Business Impacts of CII, CCPS and Cybersecurity Review Measures’. The panellists answered questions from the audience on specific steps to be taken in a CPPS self-evaluation, and discussed the definition of CII in China as well as how foreign businesses operating in China should supply, coexist and cooperate with CII operators.

Cindi Yu is the coordinator of the Cybersecurity Sub-working Group and its parent group, the Information and Communications Technology Working Group, at the European Chamber. The Cybersecurity Sub-working Group focuses on advocacy in relation to security-related legislations and any extension of such policies into banking, insurance and other industries. To join or for more details, contact Ms Yu at cyu@europeanchamber.com.cn
Joint Energies
European and Chinese parties collaborate on sustainability

The inaugural China-Europe Energy Technology Innovation Cooperation Forum took place in Beijing on 28th October 2020, with leading industry figures from both Chinese and European enterprises, alongside representatives of Chinese institutions and European Union (EU) member state embassies, in attendance. The event was co-organised by the European Chamber and the China Electric Power Planning & Engineering Institute (EPPEI), and supported by the National Energy Administration (NEA).

European and Chinese parties collaborate on sustainability

The aim of the forum was to provide a platform for Chinese and European enterprises to exchange technical cooperation needs, match projects, and lay a foundation for joint demonstration projects and promoting commercialisation of advanced technology both in China and the EU.

The forum got underway with an opening address by Lin Shanqing, vice administrator at the National Energy Administration. This was followed by welcoming remarks from Xu Xiaodong, vice president (VP) of EPPEI, who also acted as compère for further opening speeches by representatives of the host organisations, including the following:

• Jörg Wuttke, president, European Chamber;

• Octavian Stamate, counselor, Energy Division, Delegation of the EU to China;

• Yu Gang, deputy general manager, China Energy Engineering Group; and

• Du Zhongming, president, EPPEI.

In his welcoming address, President Wuttke said China is facing an energy revolution, to which Chinese President Xi Jinping is key. President Wuttke noted that, in order to realise Xi’s target of carbon neutrality by 2060, China would have to decarbonise while its energy demands are still growing – a very different situation to that faced by the EU. He pointed out that China will have to retire 660 gigawatts (GW) of carbon-producing power sources by 2050, which is enough to power the whole of Europe.

He also said a key issue in developing sustainable sources of power will be energy storage, and ensuring sufficient resources to meet peak demand, while energy-intensive industries—such as information and communication technology, which relies on data centres that use a lot of power supplies—will have to be carbon-neutral in the future.

The main section of the forum was comprised of thematic speeches grouped under three topics: ‘Energy Transition and Green Recovery Fuelled by China-EU Energy Technology Innovation Cooperation’, moderated by Guido Giacconi, chair of the European Chamber’s Energy Working Group; ‘Practice and Experience-sharing on China-EU Energy Technology Innovation Cooperation’, moderated by VP Xu; and ‘Build Supporting Networks Together’, moderated by Mr Giacconi.
The topic of ‘Energy Transition and Green Recovery Fuelled by China-EU Energy Technology Innovation Cooperation’ was examined from both a Chinese and European perspective. He Zhao, director of the International Business Department of the EPPEI, gave the Chinese side of the situation with a presentation entitled ‘China-EU Energy Technology Innovation Cooperation Drives Energy Transition’. Director He first outlined the status quo of the energy transition in China, which he said had a total primary energy consumption of 4.86 billion tonnes of coal equivalent (tce) in 2019, of which non-fossil energy consumption accounted for 15.3 per cent. He said carbon emissions are expected to peak in China between now and 2030, during which time Chinese yuan (CNY) 25 trillion will be invested in the energy sector. Half of that investment will be dedicated to the power sector.

Director He then highlighted the key technical areas and their related challenges. He said that, in terms of consumption, low-carbon technology for long-distance transportation, such as shipping and sea transportation, is still immature. High energy-consuming sectors, such as steel production, still heavily rely on fossil fuels. And while new buildings can be designed to be carbon-neutral, it can be difficult and expensive to convert older buildings.

In terms of supply chains, Director He said the efficiency of renewable energy use is still low, while the control technology needs to be developed further. With transmission, wind and solar energy is quite volatile and may require new types of power grids, and provide financial support for research, development and project incubation of new energy technologies.

From the European side, Mr Giacconi gave a presentation on ‘European Energy Technology Innovation and Green Recovery Plan’. He noted that the issue is not just getting rid of fossil fuels, but also changing the energy grid; for instance, advanced economies mainly replace and digitalise existing grids while elsewhere the focus is on increasing grid intensity in order to meet growing demand. Mr Giacconi said he believed that European Chamber/EPPEI cooperation could drive decarbonisation in both the EU and China. He pointed out that the 27 energy markets in the EU have the lowest energy intensity in the world—meaning that the amount of energy used to produce a given level of
output or activity is lower—due to the technology and methods used in the bloc. Mr Giacconi also said that Chinese companies have already invested in the Italian renewable energy market, leading to Italy now having the highest level of solar and wind power in the EU. He concluded by directing attendees to the recommendations made by the European Chamber Energy Working Group in its *Position Paper 2020/2021.*

The second topic ‘Practice and Experience-sharing on China-EU Energy Technology Innovation Cooperation’ was further divided into sub-topics. Presentations on each sub-topic were as follows:

- **Integrated Energy System**
  - Technical Innovation and Engineering Practices of Integrated Energy System – Xu Yue, deputy director, Technology Innovation and Information Technology Department, China Huaneng Group
  - Urban Integrated Energy Solutions – Roland Schoorl, director, Energy Services Department, EDF Group
  - Zero-carbon and Carbon Capture Technology Innovation – Xu Zhonghua, vice president, Total
  - Regional Energy System Based on High Temperature Fuel Cells – Erkko Fontell, CEO, Convion.

- **Smart Energy**
  - Development, Practice and International Cooperation of Integrated Smart Energy – Zhang Zhi, vice general manager, SPIC Integrated Smart Energy Science & Technology
  - Smart Energy Technology Innovation Promotes Zero-carbon and Low-carbon Development – Damien Dupont, head, Strategy and Business Development, ENGIE

- **Hydrogen**
  - Hydrogen Technology Innovation and Cooperation with Europe – Wan Yanming, general manager, Hydrogen Technology Research Institute, CHN Energy
  - Innovation and Application of Hydrogen Storage and Transportation – Mickael Naouri, director, Corporate Affairs, Air Liquide (China) Holding

- **Renewable Energy**
  - Development of Renewable Energy and Application of Technology Innovation in China – Yan Bingzhong, director, International Department, China Renewable Energy Engineering Institute
  - European Offshore Wind Power Innovation Technology – Wattez Ambroise, SBM Netherlands
  - Experience-sharing on Smart Wind Power Cooperation with Europe – Liu Donghua, deputy director, Wind Energy Technology Centre, China Energy Engineering Corporation (CEEC) Planning and Engineering

- **Energy Storage**
  - Innovation and Application of Energy Storage System – Zhang Xianli, vice president, Solar Power Storage, SUNGROW
  - Technology Innovation of Advanced and Highly Secured Power Storage - Zhou Bo, vice president, Snam

The forum concluded with the topic ‘Build Supporting Networks Together’, with four speakers outlining ways in which the EU and China could cooperate on boosting sustainable energy. Zhao Lijian, chief representative of Carbon Trust, spoke of how collaboration could help share costs, drive development and spread learning, as well as maintaining a leading role in the market by pitching clients together. Alessio Petino of the EU SME Centre described the funding and support options available under the EU’s H2020 Green Deal. Li Zhang, partner with Cathay Smart Energy Fund, outlined their plans to invest in areas such as energy start-ups, battery-charging/swapping facilities, and industrial internet services. And last but not least, Wang Fei, director of International Cooperation at TusStar, shared best practices in global innovative high-speed rail networks.
The Corporate Social Responsibility (CSR) Student Competition is aimed at raising early awareness of CSR among young people. The featured artworks are the winning entries for both themes and age groups.

The themes listed above were chosen to foster students’ imagination and build their early awareness of CSR, as well as to show their analytical, creative and problem-solving skills. Candidates were invited to use one of the themes to outline their thinking, and exercise their creative and analytical skills to see how we should preserve ourselves/our planet.

The general theme reflects on one of our global challenges in light of the forthcoming COP15 on Biodiversity, which will be held in Kunming in 2021. The special theme comes in the context of the COVID-19 pandemic, which is another unprecedented global challenge that is right now touching every community in every nation of the world.
In September 2020, China’s President Xi Jinping went in front of the United Nations (UN) and pledged that his country will be carbon neutral by 2060. This has left many shaking their heads. After all, how could a country that is still building coal power plants today possibly reach carbon neutrality in the next 40 years? Leo Liang, Strategy and Business Development Director of Tera looks at what it would take to transform China from the world’s largest emitter of greenhouse gases to carbon neutrality.

Carbon Neutral by 2060

Here’s what it will take for China to make that happen

By Leo Liang
There’s no miracle or overnight solution for achieving carbon neutrality. Every sector, business and individual contributes to emissions in one way or another, and any serious attempt to reach net-zero carbon will require a solution that takes all of these factors into consideration. To envision holistic action, it can be useful to break down emissions into three primary areas—transportation, commercial/residential and industrial.

Achieving carbon neutrality will require efforts at every level of society to make it work. In all areas and for all actors, the solutions will need to be the same: use fewer fossil fuels and opt for renewables; encourage the development of new technologies to increase energy efficiency; and streamline the regulatory barriers to implementing them.

**Building on a clean energy foundation**

Although China has already made major strides in adopting renewable energy—the country has the most installed renewable power assets in the world—this is still only a tiny fraction of domestic energy production in comparison to fossil fuel use. As of 2018, coal accounted for 59 per cent of China’s energy use, and petroleum another 18.9 per cent. Even the impressive growth in renewable energy production has not been enough to offset the rising energy demands from year to year. One of the biggest challenges is that not every locale is abundant in the wind or sunlight necessary to maintain reliable energy. Although recent advancements such as carbon capture are promising for power plants that continue to use fossil fuels, solving the problem of clean energy distribution is necessary to cut emissions. Luckily, newer technologies are being developed that can store large amounts of zero-carbon power and send it long distances.

Currently, lithium-ion batteries are being used to store renewable power at power plants serving regional grids or at industrial and commercial sites. Capturing the maximum amount of zero-carbon electricity generated is key to its use as a reliable and consistent replacement for fossil fuels, but distribution is often limited to smaller locales. On a national scale, China needs the ability not only to store massive amounts of clean energy but also to transfer it great distances to supply areas that aren’t suitable for renewable generation. That’s where developing technologies such as ultra-high voltage (UHV) power lines and hydrogen cell storage could come in as they mature. Hydrogen cells charge more quickly and can hold up to two hundred times the amount of electricity of lithium-ion batteries; they are cleaner to dispose of; and, if connected to UHV power lines, can send electricity thousands of kilometres—such as the ones that are currently supplying billions of kilowatts per hour (kWh) of clean energy to Hunan. In the meantime, energy decentralisation will play a large part in reaching that goal.

Energy decentralisation would allow commercial and industrial properties to generate clean power and heat onsite in order to replace the coal-powered grid energy on which they still rely. Existing urban commercial and residential properties can easily install solar panels on their roofs, while newer buildings can be designed with clean power in mind and integrate solutions such as geothermal heat and cold storage. Industrial sites, provided they are located in suitable areas, can install wind turbines on as little as 400 square metres. Any serious effort to reach carbon neutrality will need to view energy decentralisation as a cornerstone of its approach. It should also provide the right environment through various forms of incentives and support for the development of new technologies.

**Paving the way for innovation**

Artificial intelligence (AI) and the Internet of Things (IoT) are two innovations in particular that are already showing their value in terms of energy efficiency management. In buildings like office towers, where large amounts of energy are wasted on heating and cooling, installing IoT sensors to capture and run data through an AI platform to automate heating, ventilation, and air conditioning systems can reduce energy use by around 15 per cent. In factories, AI software can be used to identify compressed air leakage or optimise heat production and use. And pairing AI with technologies like
geothermal inter-seasonal heat and cold storage has been proven capable of cutting up to 70 per cent of CO₂ emissions.

Ensuring that the energy we use is used efficiently is as imperative to reach the 2060 target as cutting the use of fossil fuels. But even with all of this new technology and potential, promising a carbon-neutral future requires a full-on mobilisation of resources into research and development of new technologies, as well the removal of barriers and a system of incentives to implement them.

It is up to the government to break down the existing barriers to allow for quicker and cheaper installation of renewable energy equipment, whether that is wind turbines, solar panels or biomass kilns. Businesses encounter many hurdles to implementing a clean-energy plan after they create it. China’s next Five-year Plan will necessarily address these obstacles to streamline and incentivise emission reduction efforts. Based on how such government policies have worked in the past, we can probably assume that this will begin with pilot zones – such as Hainan transitioning to have 100 per cent of new vehicle sales be electric vehicles by 2030. From these pilot zones, the government can analyse what worked, what didn’t work, and how to make the results better for the rest of the country.

Once these doors are open, all businesses and individuals will be expected to play a role. Even if this initiative begins with incentives, you can be sure that there will be punishments in the future. Businesses can, and should, get a head start. Looking at operations and making plans to a) optimise existing equipment and cut back on wasted energy, and b) consider the feasibility of integrating renewable power onsite is extremely valuable right now, but will be a requirement in the future.

All businesses in China should be acting now to get ahead, so that they can reap the full benefits of whatever incentives come, and taking steps to reduce emissions for when penalties inevitably begin.

In the long-term, collaboration between public and private sectors and between domestic and international markets will be essential. China will need to facilitate talent not only within its borders but also outside of them. It will require a multi-lateral effort leveraging supply chains, connecting markets and encouraging mutual benefits across Asia and the rest of the globe. It is a major task, as ambitious as, if not more so than, the Belt and Road Initiative we saw emerge in 2013. The level of cooperation required, and indeed the level of interest the international community should have, in assisting China in achieving this goal could come to be known as the ‘Energy Silk Road’.

Taking drastic action is the only choice

Even though this is an initiative coming from the highest level of government, there will be resistance. Conflicts of interest will spring up, as all energy companies in China are state-owned enterprises. It will be a radical upheaval of the status quo and a complete remodelling of energy in ways that we have never seen done before. Nevertheless, through concerted and persistent efforts and a plan that emphasises collaboration, breaks down barriers and incentivises the implementation of new technologies, we may see that such a goal is reachable – even for a country that is currently the world’s largest emitter of CO₂. If China can even come close to being carbon neutral by 2060, it will be an impressive and important step towards stemming the coming climate change crisis.

Tera Energies is a business-to-business clean-energy company, based in China and focussed on helping commercial, industrial and governmental sectors make clean-energy transitions through funding, installation and long-term operation of onsite renewable energy resources as well as energy-optimisation technologies. Tera is a joint venture between Total-Eren, Eren Industries and the Aden Group.
China is India’s second biggest trade partner behind the United States (US), and as a result, India is heavily dependent on China in matters of trade, technology and investment. However, since the spread of COVID-19 in India, the economic and political relations between the two neighbours have gone through a sea change, with the introduction of several trade sanctions against China by India. Divya Hazra and Veronica Gianola from D’Andrea and Partners analyse how India is attempting to reduce its dependence on China and the potential implications for European companies.
Mounting friction

On 13th April, the People’s Bank of China increased its stake in India’s leading commercial bank, Housing Development Finance Corporation (HDFC), from 0.8 per cent to 1.01 per cent through open market purchases, a move that created a storm among Indian regulators. With Indian stock markets plunging steeply on account of COVID-19, the regulators feared that China’s state-controlled firms could acquire assets of Indian companies at low prices.

Therefore, to curb “opportunistic takeovers/acquisitions of Indian companies” under these circumstances, the central government amended the Foreign Direct Investment (FDI) Policy by introducing restrictions on all direct and indirect foreign investments from seven countries sharing land borders with India – China, Pakistan, Bangladesh, Myanmar, Bhutan, Afghanistan and Nepal. Under the revised regulations, such investments would mandatorily require government approval. While India labelled this as a step to better monitor and protect Indian companies going through a tough financial phase, the Chinese Government claimed it was discriminatory in nature and against the free trade policy of the World Trade Organization (WTO).

In June, a border clash between India and China in the Himalayas—the most significant in the last four decades—left 20 Indian and an undisclosed number of Chinese soldiers dead. This clash incited many Indian politicians to push the government to boycott Chinese products. By September, the Indian Government had banned 118 Chinese apps, including very popular ones such as WeChat, TikTok and Alipay – India is TikTok’s biggest overseas market with over 200 million users.1 The government justified this action on grounds of national security and data privacy, claiming it was necessary to prevent the Chinese Government from having access to the personal information of Indian citizens. On 30th June, Chinese Foreign Ministry (MOFCOM) spokesperson Zhao Lijian, criticised the move, commenting that: “the Indian Government has the responsibility to protect the legitimate rights and interests of international investors in India, including Chinese businesses, in accordance with market principles.”2

The Chinese multinational technology company Huawei has been playing a very important role in the Indian telecom sector for almost two decades now. In December 2019, India permitted Huawei to participate in 5G trials. However, after the border standoff, sentiments changed. According to several newspaper reports, the Indian Government issued unofficial orders to local telecoms companies precluding them from entering into ventures with Chinese service providers, including Huawei.3

China is India’s biggest source of imports, covering a wide range of products such as electronics, chemicals, pharma, fertilisers, automobile parts, furniture, paper, heavy machinery and plastic toys. The COVID-19 outbreak in China had a serious impact on supply chains, which hampered the production capacity of many industries in India. To make India self-reliant and curb imports of non-essential commodities from China, the Indian Government is looking to impose higher tariffs and other measures, such as higher compliance standards for 300 products.4

India’s dependence on China

The trade imbalance between India and China is huge. According to Ministry of Commerce of India data for the fiscal year ending March 2020, India imported more than US dollars (USD) 65 billion-worth of products from China and exported only around USD 16.6 billion-worth in return.5 China accounts for half of India’s total trade deficit.

India’s pharma sector is the third largest in the world by volume. Just as with the pharma industries of many European Union (EU) member states, India’s is heavily dependent upon

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1 Financial Times, viewed 16 November 2020, <https://www.ft.com/content/313833af-92ae-4bbe-8b9e-0f7faaa5faef>
raw materials from China, in particular, active pharmaceutical ingredients (APIs) required to make many medicines for diabetes, antibiotics and vitamins. In the absence of the supply of APIs from China, it may be difficult for Indian manufacturers to meet global demands.

Chinese investments in Indian start-ups and especially in the technology sector have grown significantly in the past few years. Alibaba and Tencent, China’s largest listed firms, are shareholders in over a dozen Indian startups that are collectively worth tens of billions of US dollars. Some of China’s largest venture capital firms such as Qiming, CDH and Morningside have also all made early stage bets in India. The change to India’s FDI Policy is expected to have a large impact on the fundraising efforts of domestic start-ups and micro, small and medium-sized enterprises (MSMEs) at a time when sources of funding are extremely limited.

The USD 30 billion domestic smartphone market—the world’s second largest—may also see major disruption. Xiaomi occupies a 30 per cent share of the Indian smartphone market, followed by other Chinese brands such as Vivo, Realme and Oppo.6 Xiaomi and many other Chinese companies have set up manufacturing units in India to meet the demands of the local market. If Chinese companies are forced to shut shop in India on account of policy changes, the unemployment rates in India will only increase in these difficult economic times. With telecom companies in India struggling to make domestic 4G networks profitable, banning companies such as Huawei from setting up 5G networks in the country is estimated to increase the costs of a switch to 5G by as much as 35 per cent.7

The way forward

For the past five years, the Indian economy has been growing from 5–7 per cent annually. However, the continuous spread of COVID-19 has had a detrimental economic impact. As per the latest International Monetary Fund projections, India’s gross domestic product is expected to contract by 10.3 per cent in 2020.

China is one of the key investors in India’s start-up and technology firms, supplies critical raw materials and absorbs some of the country’s agricultural exports. While India’s dependence on China can be reduced over time, policies targeted towards an immediate decline in trade between the two countries could have an adverse impact on the already bleeding Indian economy. Local policymakers need to have a balanced approach to be able to develop policies and regulations that will attract trade and foreign investment from other countries and foster the growth of Indian MSMEs to meet the demands of the domestic and global markets.

One such means could be to promote trade relations between the EU and India. Talks on a free trade agreement between the EU and India commenced in 2007, however, no visible progress has been made to date. While the EU accounts for 11.1 per cent of total Indian trade, India stands as the 10th largest trading partner for the EU, with just 1.9 per cent of the bloc’s total trade in goods in 2019.8 That being said, both the EU and India have realised that becoming allies could have many mutually beneficial results. The 15th EU–India Summit conducted virtually in July 2020 was a display of enhanced cooperation between the two partners, where both agreed to work together to promote peace, increase employment opportunities, boost economic growth and enhance sustainable growth of member countries. While the EU and India are both looking to diversify their supply chains and reduce dependence on China, a strategic action-orientated plan for enhanced trade partnership between the two partners could be the way forward in today’s global economic scenario.9

D’Andrea & Partners is an international law firm and point of reference for companies that want to enter the global market and be successful. Established by its founding partner, Carlo Diego D’Andrea, attorney-at-law and pioneer in Italian and European law in China, today the firm is made up of professionals coming from various countries around the world. Besides the main operational headquarters in Shanghai, D’Andrea & Partners has a number of branches in China and outside the country in Italy, India, Vietnam and Russia. The firm’s clients include large industrial groups, plus medium-sized Italian, European, Chinese and global enterprises.

Media Watch

Special article series with The Paper (澎湃新闻) on European Chamber’s 20th anniversary

As part of the European Chamber’s 20th anniversary celebrations, the Chamber co-produced with The Paper—one of the most influential media outlets in China—a series of articles to give Chinese audiences a complete picture of how European business in China has developed over the past two decades. The Paper interviewed Chamber President Jörg Wuttke, former World Trade Organization director-general Pascal Lamy, several members of the Chamber Executive Committee and the chairs of local chapters. From 21st to 26th September, ten articles under the series name of ‘European Business in China’ were released on The Paper website.

Local media covers Chamber delegation visit to Hainan

On 24th September, the European Chamber led more than 70 industry experts on a visit to Hainan Province to learn about recent development of the island’s free trade zone (FTZ). The local government organised several media sessions with the delegation during the visit. President Wuttke spoke to Hainan TV, and expressed European business’ expectations on further development of the Hainan FTZ, as well as the Chamber’s hope the region will unleash further potential by leveraging its opening-up policy and natural advantages.

South China Chapter joins CGTN celebration of Shenzhen’s 40th anniversary

On 11th October, China issued a new plan to build Shenzhen into a pilot demonstration zone for socialism with Chinese characteristics within the next five years. Chinese President Xi Jinping also addressed an event on 14th October marking the 40th anniversary of the founding of the Shenzhen Special Economic Zone. The leadership of the European Chamber South China Chapter, Chamber vice president and local chair George Lau and general manager Francine Hadjisotiriou, joined live interviews with CGTN. Both shared European business hopes for Shenzhen’s future development.
In an interview with Tianjin’s local media after the Position Paper launch on 16th October, President Wuttke mentioned that the city has its own unique advantages in education, medical care and service industries. President Wuttke noted that: “Soon after the establishment of the European Chamber of Commerce in Beijing, the Tianjin branch was established.” He added that: “The release of the Position Paper in Tianjin will further strengthen the communication and cooperation between EU companies and Tianjin, and provide more support to SMEs.”

On 21st October, Adam Dunnett, secretary general (SG) of the European Chamber, took part in an exclusive interview with CGTN in Chengdu. During the interview, he reiterated the urgency and importance of more economic reform in China, as many industries are still bogged down by regulatory burdens. When asked to describe the Chamber’s biggest achievements over the past 20 years, SG Dunnett replied that the Chamber is not only operationally growing quickly but institutionally has given the European Union (EU) a strong voice in China.

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• Compliance risks arising from the pandemic include those created by government relief expenditures.

• China’s compliance programme is well-designed; it includes risk assessment policies and procedures, training and communications, a confidential reporting structure and investigation process, and third party management.

• Angela Merkel has been leading Germany for 15 years, which puts to rest the concept that “women can’t lead”.

• Mentorship is a two-way process; not just the mentor teaching the mentee but also the mentor can learn from the mentee.

• This is not a one-off initiative by the European Chamber, but will be continued in the future.

• After many delays, in 2020, almost all product evaluations were completed within the required time frame.

• China encourages the relocation of medical device manufacturers from abroad.

• Innovative medical devices that are registered in developed countries but not yet in China may be used in the Lecheng International Medical Tourism Pilot Zone, provided there are no equivalent devices available in China.

• 16 corporate teams battled it out with an excellent display of sportsmanship and talent, resulting in two final winners.

• 2020 Shanghai Chapter Football Tournament Winners:
  - Cup Champion: Mondragon
  - Plate Champion: tesa Greater China
  - Most Valuable Player: Mondragon – Jokin Marin
  - Top Goal Scorer: Mondragon – Paul Tamayo

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**SOUTH CHINA, 15TH SEP. 2020**

**Invest Hainan – An Island of Opportunities**

- On 1st June 2020, the Chinese Central Committee and the State Council jointly released the Overall Plan for the Construction of Hainan Free Trade Port, a large-scale programme to transform the entire island province into a free trade zone in China.
- This plan lays out a series of special policies for Hainan – liberalisation of trade of goods and services, facilitation of investment, opening-up of key sectors, and free exchange of people, capital and data.
- For European companies, Hainan could provide broader market access – particularly for medical devices, pharmaceutical, cosmetics and telecom industries, among others.

**TIANJIN, 25TH SEP. 2020**

**2020 European Chamber Business Gala Dinner – 20th Anniversary Celebration**

- **Loyal Member Award winners:** International School of Tianjin; NNIT (Tianjin) Technology; Archroma (Tianjin); Regina (Tianjin) Chain & Belt Co Ltd; Wellington College International Tianjin; The Executive Centre; BSI (Tianjin) Foods; Novozymes (China) Biotechnology; Goglio (Tianjin) Packaging; Oetiker Industrial (Tianjin).
- **Active Member Award winners:** Standard Chartered Global Business Services; Tianjin Zapi Motion; Volkswagen Automatic Transmission (Tianjin); Tianjin Laird Technologies; Schlote Automotive Parts (Tianjin); Airbus (Tianjin) Final Assembly; Coficab Wire (Tianjin); Novo Nordisk (China) Pharmaceuticals; Umicore Catalyst (China); Deloitte Touche Tohmatsu Certified Public Accountants LLP Tianjin Branch.
- **New Member Award winners:** Delight Aerospace Technology; Chongqing Himalaya Hotel Property Management Co Ltd Tianjin Branch; LESER Safety Valve (Tianjin); Odelo Auto Light Systems Technology; Housing Real Estate Management Group; Schneider + Schumacher (Tianjin) Architect Design Consulting; ICD Engineering (Beijing).

**NANJING, 14TH OCT. 2020**

**45th Anniversary of EU-China Diplomatic Relations**

- The Chinese economy is going to account for 30 per cent of global growth over next 10 years.
- The EU and China have made ambitious commitments to their shared interests of alleviating the dramatic economic consequences the COVID-19 crisis has had globally.
- The Jiangsu Department of Commerce plans to work towards improving the local business environment and supply chains.

**SOUTHWEST CHINA, CHENGDU, 22ND JUNE 2020**

**Position Paper 2020/2021 Launch and Chamber 20th Anniversary Celebration**

- Persistent issues, such as limited market access and a complex regulatory environment, prevent European businesses from contributing fully to China’s sustainable development.
- It is imperative that the EU and China strive for a political agreement on the Comprehensive Agreement on Investment by the end of 2020.
- Reciprocity is one of the main requests from the Chamber to the Chinese authorities.
Boehringer Ingelheim begins Phase Two clinical trial of a targeted therapy to help people with severe respiratory illness from COVID-19

28th October 2020, Ingelheim, Germany – Boehringer Ingelheim announced the initiation of a Phase Two clinical trial of BI 764198, an inhibitor of TRPC6 [a human gene encoding a protein of the same name that regulates reactive growth or scarring of cells]. This potent and selective inhibitor of TRPC6 may alleviate damage to the lung and decrease the risk or severity of acute respiratory complications in patients hospitalised for COVID-19. The aim of therapy with BI 764198 is to reduce the need for ventilator support, to improve patient recovery rates and ultimately to save lives. Boehringer Ingelheim is committed to fighting COVID-19 and contributing its expertise and resources to develop new therapeutic options for patients suffering from the virus’ severe complications.

Covestro to acquire leading sustainable coating resins business from DSM

30th September 2020 – Covestro has signed an agreement to acquire the resins and functional materials (RFM) business from Royal DSM. By expanding its portfolio in the attractive growth market for sustainable coating resins, Covestro is taking a significant step in its long-term corporate strategy to strengthen its sustainable and innovation-driven businesses. The integration of RFM will add about euro (EUR) 1 billion in revenues and an earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 141 million (2019), and is a substantial strategic growth opportunity to expand revenues of the coatings, adhesives and specialties (CAS) segment of Covestro by more than 40 per cent to about EUR 3.4 billion (2019 pro-forma). The acquisition creates a leading supplier in the field of sustainable coating resins, with one of the most comprehensive and innovative product portfolios that enables a compelling customer value proposition. Covestro agreed to a purchase price of EUR 1.61 billion, which will be financed through a combination of equity and debt instruments.

Schneider Electric launches EcoStruxure™ Plant Advisor to help enterprises improve profitability through data analytics

9th October 2020 – Schneider Electric, a leader in the digital transformation of energy management and automation, has launched EcoStruxure™ Plant Advisor, the next evolution in industrial Internet of Things (IIoT) digital plant management. A scalable, open IIoT platform built within the company’s EcoStruxure™ architecture, Plant Advisor gives industrial enterprises focussed insights to understand process and operational data, and uniquely enables common cross-function, live monitoring and application data-sharing. This leads to faster improvements in collaboration hub (VCH) for organisations to better manage vaccine supply distribution, and to help governments and their industry partners coordinate and successfully deploy mass vaccination programmes. SAP’s VCH is built on the industry-award-winning SAP Information Collaboration Hub for Life Sciences. The VCH covers the end-to-end process from manufacturing to controlled distribution to administration and post-vaccine monitoring. Businesses that are part of the vaccine production process—from manufacturers, logistics service providers and pharma companies to wholesalers and dispensers—can run their critical vaccine processes on SAP software. Building on its deep expertise in the industry, SAP has designed the VCH as an extension to its business network–enabled drug supply chain, to help facilitate collaboration among the network partners and monitor the order fulfillment of vaccines, all the way from vaccine suppliers to the dispensing units.

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Photo: covestro.com

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Photo: covestro.com

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UK’s largest ever EV infrastructure contract awarded to bp Chargemaster

8th October 2020, London, United Kingdom (UK) – bp Chargemaster has been awarded a contract worth up to British pound sterling (GBP) 21 million by Police Scotland to supply electric vehicle (EV)-charging infrastructure across its estates. The project will be delivered in partnership with WGM Engineering, one of Scotland’s leading engineering companies.

More than 1,000 charging points are set to be installed at 265 locations over the length and breadth of Scotland, including 35 ultra-fast chargers, making Police Scotland one of the first fleets in the UK to introduce this level of charging technology.

Matteo de Renzi, CEO of bp Chargemaster, said: “bp’s ambition is to become a net zero company by 2050 or sooner, and to also help the world to get to net zero. This includes not only reducing our own emissions but supporting our customers in reducing theirs. We are incredibly proud to be able to support Police Scotland through this landmark contract—the largest of its kind ever awarded in the UK—as they transition their fleet and contribute to the Scottish Government’s 2045 net zero target.”

Deputy Chief Constable Will Kerr said: “Police Scotland’s Fleet Strategy is highly ambitious, with the aim of having the UK’s first ultra-low emission (ULE) blue light fleet by 2030. This substantial contract marks a major step towards that goal by making ULEV’s accessible to more of our officers and staff.”

The Police Scotland contract is the second countrywide public sector fleet contract awarded to bp Chargemaster in Scotland, following the start of a charging infrastructure rollout for the Scottish Ambulance Service—also in partnership with WGM Engineering—with 35 sites already completed and the next 34 underway.

Maersk’s first block train from China arrives in Georgia

9th October 2020, Tbilisi, Georgia – Maersk’s intercontinental rail product portfolio is expanding, with the recent introduction of a block train solution connecting China and Georgia, the first such product developed specifically for the needs of Georgian imports. On 4th October 2020, the first train from Xi’an (Shaanxi Province), China arrived in Tbilisi, inaugurating the new rail connection. The route compliments Maersk’s current coverage of the Caucasian republics (Georgia, Azerbaijan and Armenia), based on ocean shipping products.

“We are extremely happy to manage the first-ever block train shipment under a product based entirely on intercontinental rail. We arranged this special service specifically for Georgian customers, and we plan to develop block train solutions for the whole Caucasus Region”, said Irakli Danelia, Georgia Commercial Representative at A.P. Moller – Maersk.

In addition to providing yet another connection between Asia and Europe, further expansion of the product will also strengthen Georgia’s role in the New Silk Road development. Xi’an has traditionally been the starting point of the Silk Road, the land routes that connected East and West for over a thousand years.

The first China-Georgia block train left Xi’an on 10th September 2020 and arrived in Tbilisi on 4th October with 41 containers on board.

“Deploying EcoStruxure™ Plant Advisor has upgraded our own resilience and productivity. It has also equipped our smart factory teams with the tools to optimize operations at a local and global level. Having perfected the platform, we are delighted to extend the benefits of EcoStruxure™ Plant Advisor to the marketplace,” said Sophie Borgne, senior vice president of Digital Plant Business, Schneider Electric.
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