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President’s Foreword

Dual Circulation: Potential to be Either a Blessing or a Curse

At China’s 2021 National People’s Congress, the Communist Party approved the country’s 14th Five-year Plan (FYP). The importance of FYPs to China cannot be understated; they function as the foundation for the strategies implemented by the various ministries, provinces and municipalities. The plan is an opportunity for the government to stand back from its day-to-day operations and focus on medium-term targets, coordinate departments that usually do not interact, and build political consensus for the main programmes and policies to be implemented in the five years to come.

I was also serving as president of the European Chamber when the last FYP was unveiled, and cannot help but compare what I wrote in my foreword in EURObiz then to what is included in the new ‘state-planning’ document now.

Five years ago, I wrote that the Chinese Government was capable of bringing unequal treatment to an end, as well as of negotiating an ambitious Comprehensive Agreement on Investment. While we have seen the latter happen just in time for the new FYP, and recent events have thrown ratification of this agreement into doubt, the unequal treatment and discriminatory practices against foreign enterprises endures.

Maybe this time it will be different, though whether for better or for worse will depend on the industry concerned. We live in a time where COVID-19 and geopolitical tensions are muddling the market. China’s answer to these external challenges and decoupling trends appears to be formulated in its ‘dual circulation’ strategy. Though the concept is still somewhat vague—not unusual for new Chinese policies—it seems to imply greater reliance on domestic supply chains and domestic demand as compared to the ‘international circulation’ of overseas trade and technology.

The dual circulation strategy will prove to be either a blessing or a curse for our members, who will be put figuratively speaking, in the ‘business class’, ‘economy class’ or ‘cargo hold’ depending on their sector.

If your company has the technology or expertise to empower the rest of the value chain—like chemicals and machinery sectors—you will find yourself in the business class, welcomed to embark on China’s journey.

The non-contentious industries where consumer goods are produced—like the automotive—are likely to be put in economy class. China will welcome investment in local production sites that will eventually reduce imports of high-quality European goods demanded by Chinese consumers.

That leaves the areas where China’s industrial policy will be to remove foreign competition in the Chinese market so that its national champions can flourish. Unfortunately, this means that foreign companies in sectors where China wants to become self-sufficient or to dominate globally—like network equipment and digital services—will be increasingly pushed out (if they had been let in at all).

How to prepare for the coming five years? Companies should determine which ‘class’ is on their ‘ticket’ and then start to formulate a strategy to maximise opportunities within the boundaries of the FYP, determining where to help China achieve its new goals.

Jörg Wuttke
President
European Union Chamber of Commerce in China
DOUBLE-EDGED SWORD

The implications of China’s dual circulation strategy for international trade
by Freda Zhang and Anthony Marchese

Since first being announced in late 2020, China’s ‘dual circulation’ strategy for building up its domestic economy while maintaining its pivotal role in the international market has generated much concern in European business circles. Will they be able to continue to circulate their goods in the Chinese marketplace? Will the outer loop of global trade keep spinning smoothly? Freda Zhang and Anthony Marchese of APCO Worldwide give us an overview of the thinking behind ‘dual circulation’ and where the best opportunities lie for European firms.

In July 2020, China’s senior leadership convened to review the economic challenges created by COVID-19. While the domestic epidemic had stabilised, Party officials recognised the immense difficulties the country’s economy will face in recovery – with further complications from rising global economic uncertainty and escalating tensions with the rest of the world. Invoking Mao, the Politburo Standing Committee likened the task ahead to fighting “a protracted war”.  

The resulting communique introduced ‘dual circulation’ – the development strategy underpinning China’s 14th Five-year Plan (FYP) (2021–2025). First mentioned during a Politburo Standing Committee meeting in May 2020, the concept aims to “take domestic circulation as the main body, with domestic and international circulation reinforcing each other”.

Dual circulation initially drove fears that China would isolate itself from the international trade system. However, a deeper look into the origins and intentions of dual circulation suggest a
strategic effort to reposition China ever closer to the centre of global trade. In fact, Yu Yongding, director of the Chinese Academy of Social Sciences’ Institute of World Economics and Politics, has argued that China should work to prevent capital outflow by “treating Chinese and foreign companies equally”. This presents both opportunities and challenges for foreign business.

The origins of dual circulation

Dual circulation stems from two key vulnerabilities underwriting the Party’s perception that China may succumb to the ‘middle-income trap’. First, while China has experienced declining economic growth for years, COVID-19 accelerated Beijing’s efforts to rebalance its economy away from high quantity to high quality growth. At the same time, China faces growing scepticism from the international community, driven by greater geopolitical competition with the United States (US). These tensions heightened long-standing fears among officials that China is over-reliant on foreign critical supplies.

Dual circulation, however, is not an entirely new concept. Attempts to bolster domestic production and distribution represent a doubling down on existing industrial strategies, such as Made in China 2025, and efforts to mitigate external shocks to Chinese businesses. To weather global headwinds, China is also recommitting the focus of the 14th FYP to unlock the untapped potential of domestic consumption – a policy objective included in the past three FYPs that remains unfulfilled.

The role of the ‘international cycle’

Foreign trade may no longer be driving China’s economic strategy, but it remains essential if the Party is to realise its ambitious objectives to optimise industry, improve product quality and encourage discretionary spending. As a result, President Xi has repeatedly reaffirmed the importance of foreign trade and investment.

Recent Chinese trade and investment agreements highlight this continued importance. Since dual circulation was announced, China completed negotiations on the Regional Comprehensive Economic Partnership and the EU-China Comprehensive Agreement on Investment (CAI). In many ways, dual circulation is both a solution for the short-term economic storm of COVID-19 and a way to ensure Xi’s goal of positioning China as the economic centre of gravity for international trade.

Understanding challenges and opportunities for European businesses

European businesses may stand to gain the most from China’s shrewd outlook towards great power competition with the US. However, it is important to remain realistic about the Chinese Government’s motivations. Foreign capital will only be called upon to advance areas of strategic importance where the government recognises the need for foreign input. For European businesses, four areas pose the greatest advantages and risks.

1. Technology

Dual circulation aims to empower China’s efforts to achieve technological self-reliance in core technologies, such as semiconductors, 5G and cloud computing. The main tenets of Made in China 2025 have been revived as efforts to leverage ‘new infrastructure’ development and to advance the digitalisation of traditional industries. In the 2021 Government Work Report, Premier Li Keqiang announced that China will increase research and development (R&D) investment by seven per cent annually over the next five years, as well as a 10.6 per cent increase in basic research in 2021.

European businesses with advanced technologies will likely continue to find a welcome home in China for their R&D centres, and a keen market focussed on industrial upgrading. However, the long-term prospects for European
companies are likely to remain clouded by high market access barriers and incentive schemes that favour the “secure and controllable” technologies of domestic champions. This trend is likely to worsen as high-tech commercial flows become increasingly “securitised” in both China and the US.4

2. Manufacturing
Securing domestic supply chains is another key area of both potential risk and opportunity, with the prospects for individual European businesses dependent on their position in global value chains. For example, Beijing’s attempts to stimulate consumption may also increase competition to upgrade existing manufacturing facilities, presenting a massive opportunity for growth.

Beijing’s attempt to direct international circulation to further supply-side upgrading is already evident in the CAI’s preliminary commitments. Currently, 50 per cent of European investment in China is in manufacturing. In terms of industries, 28 per cent of total European investment is in automobiles and 22 per cent in basic materials.9 To attract and facilitate high-quality investment in advanced manufacturing, the Chinese Government has pledged to level the playing field for European investment and to ensure reciprocal market access and opening in most manufacturing industries, eliminating restrictions for automobiles (traditional and new energy vehicles), transport and health equipment.

3. Services
Services are central to Beijing’s efforts to reorientate the economy towards consumption. While services now account for 54.5 per cent of China’s gross domestic product (GDP),10 the sector still significantly lags that of the EU. To advance consumption, the Chinese Government is pushing for the development of a new, ‘Internet Plus’ model for offline services, including in medical services, education and hospitality.11

In the financial sector, dual circulation aims to increase foreign capital flowing into China and deepen financial supply-side reform. Joint venture caps for foreign firms in futures, mutual funds and securities have already been removed, and further opening up is likely. By attracting foreign financial players, the government aims to maximise its financial market capacity to support the real economy, bring financial standards in line with global capital markets and minimise financial risk.

Financial sector opening is also intrinsically linked to another long-term objective of dual circulation: the internationalisation of the renminbi. As the desire to increase capital inflows becomes a greater priority, European companies may benefit from the selective removal of equity caps in banking, trading in securities and asset management.

4. Environmental sustainability
While environmental sustainability is not an explicit component of dual circulation, it is closely connected. With Xi promising to establish an ecological civilisation and achieve carbon neutrality by 2060, sustainability is at the forefront of China’s ambitious industrial upgrading strategies. As a result, dual circulation will necessarily include a drive to reduce the negative environmental consequences of economic production, underlined by commitments in the 14th FYP to reduce carbon intensity by 18 per cent from 2020 levels.

Many European businesses have a significant competitive advantage in sustainability as a result of already adapting to some of their domestic markets’ strict environmental standards. Political pressure may also propel European businesses over the line: despite disagreements in other areas, the CAI aligned the EU and China on tackling climate change by furthering sustainable development principles. This alignment included China pledging to not lower environmental protection standards to attract investment and to promote responsible corporate practices. European businesses may therefore be uniquely positioned to showcase their value-add on a critical issue for China.

Conclusion
While dual circulation has officially been enshrined in the 14th FYP, it will likely take years for the government to successfully rebalance trade. The gap between the announcement of dual circulation and its successful execution offers an important opportunity for European companies to leverage current demand for foreign products and services, and solidify their position in the Chinese market.  

APCO Worldwide is a global advisory and advocacy communications consultancy helping leading public and private sector organisations navigate the challenges of today, act with agility, anticipate social risk, and build organisational reputations, relationships and solutions to succeed. APCO is an independent and majority women-owned business.

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Dual Circulation
Business class, economy and the cargo hold
By Jacob Gunter

Since the term emerged in 2020, dual circulation has been the talk of the town. While China’s policymakers jostle to fit their own preferred economic policy pegs into this new hole, the European business community has questioned what the new theory means for their operations in China. European Chamber Senior Policy and Communications Manager Jacob Gunter walks us through aspects companies should keep in mind when trying to position themselves in the emerging landscape.

At its core, ‘dual circulation’ is fundamentally a rebrand of China’s existing development strategy, albeit kicked into a higher gear than the approach taken by state planners over the last decade or so. Officially, it’s a shift in the Communist Party’s theoretical approach when discussing development goals, moving away from the ‘external circulation’ (export-orientated) growth model to one that adds more emphasis on ‘internal circulation’ (consumption-orientated). China has talked about boosting domestic consumption for a long time, but there are new differences that businesses would do well to take note of.

In their more pessimistic moods, China watchers and foreign business leaders have speculated that dual circulation is an attempt to build self-reliance and push foreign companies out of the country as it closes up again. There is a grain of truth in that, as we will get to later, but this view misunderstands what self-reliance means in China, and how it relates to the country’s market access regime and industrial policy. A better way to understand self-reliance, and with it dual circulation, demands examination of different industries and the ongoing and emerging trends in a broader context, as China’s policies seldom take sharp turns.

To oversimplify it a bit, let's look at China’s chief market access regime...
changes in the last few years, as well as its signature industrial policy, China Manufacturing 2025 (CM2025).

Since 2017, China’s market access regime, mainly its Negative List for Foreign Investment, has loosened considerably in several industries. Most financial services have already been opened up, as have several manufacturing sectors like automotive and shipbuilding. Meanwhile, European and American chemical producers have made breakthroughs in finally getting the necessary approvals to invest in wholly foreign-owned plants.

At the same time, China’s CM2025 initiative has shifted in recent years. The scheme originally laid out bold ambitions to build dominant companies using state aid and worrying market share quotas, so that they could become cutting edge in ten critical sectors. In some industries, state planners clearly gave up, such as in new energy vehicles (NEVs), which saw subsidies dwindle and market access expand to bring in foreign competition. In others, especially in semiconductors, network equipment and much of the digital ecosystem, industrial policy has been reinforced.

These trends indicate that there are certain areas where China believes self-reliance would be best pursued by opening up to foreign companies eager to onshore particular technology, know-how and production. Meanwhile, there are other areas where foreign competition is viewed as a threat to the development of national champions, or considered unreliable due to expanding pressure imposed by foreign governments.

This puts most foreign companies into one of three categories, which the European Chamber outlined in its recent joint report with MERICS, Decoupling: Severed Ties and Patchwork Globalisation.

Business class
China is eager to onshore production in industries where it needs foreign technology, especially in areas upstream in value chains where disruption would limit the ability of Chinese companies further downstream to improve their production. Chemical producers are a good example of this. Without certain cutting-edge chemicals, China’s increasingly advanced manufacturers downstream simply cannot make certain products. While state planners would presumably prefer that foreign chemical companies bring that technology into China through a mandated joint venture (JV), they eventually realised that no sane CEO would agree, as that would amount to giving Chinese competitors company technology and know-how. As it is better to onshore production for the jobs and tax revenue, as well as resilience to trade disruptions like tariffs or export controls, the government may as well roll out the red carpet.

The same is true of financial services, with the government explicitly saying it needed foreign competition to help condition their local champions and to facilitate certain functions that Chinese banks struggle with, like cross-border services.

Economy class
In many sectors, policy-makers seem increasingly ambivalent about which nationality investors hold. Most business-to-consumer goods fall into this category. The reasoning is two-fold. First, any disrupted access to such consumer goods caused by political measures would only affect that specific product. That would be damaging to
consumer expenditure, but far less harmful than lost access to business-to-business goods, which could ripple across multiple industries. Second, many consumers demand high quality European goods, regardless of whether imported or produced locally, so China may as well take the jobs and tax revenue that would come with the investment.

The automotive sector fits into the economy class perfectly. Chinese consumers want European cars, and especially higher-end ones. If a Chinese customer can afford an euro (EUR) 80,000 car, they are likely willing to pay the tariffs on an imported one. Having the cars produced in China employs not just the workers in the automotive plant, but also massive numbers of upstream employees hired by automotive component suppliers.

**The cargo hold**

In areas where market access restrictions remain and where industrial policy is extending massive support to local champions, foreign companies can expect the situation to worsen. The worst hit will be those in sectors most vulnerable to restrictions imposed by foreign governments. Look no further than the industries most targeted by and exposed to United States (US) measures for the best examples.

China’s network equipment companies, most notably in 5G, were hit hard by the US measures, which cut off market access to Chinese suppliers and also severed exports of American semiconductors. In the China market, there are no access restrictions on paper, but the pitifully low market share of European 5G companies suggests that the government is reserving market share for its own players, often under the guise of national security and protecting ‘critical information infrastructure’. As the US-China rivalry intensifies, this shows little sign of abating.

The digital ecosystem is another key example. Equity caps remain on value-added telecommunications services (VATS), which make up much of the digital foundation of the cloud, 5G and data management services ecosystem. Again, this is heavily linked to China’s desire to be able to go it alone if these kinds of services are cut off by foreign governments. As every sector undergoes digitalisation and these services become as important to competitiveness as access to a cutting-edge semiconductor, the impact of lost access could be amplified across much of the economy. As such, foreign VATS providers will have to contend with minority shares in JVs if they hope to overcome official barriers like the negative lists, or less official ones like government guidance for Chinese firms to integrate “secure and controllable” technology.

Therefore, when exploring what dual circulation means for their company, European business leaders would do well to first identify which category they fit into. If they have the right technology or know-how, they can likely anticipate a seat in business class with all the requisite perks. Those in non-contentious sectors, especially consumer goods, can expect to be welcomed and treated with benign neglect in economy class and be largely left to go about their business. Unfortunately, those in the contentious sectors where state planners insist on local champions dominating the market should prepare for conditions to worsen while they sit in the cargo hold and worry about being jettisoned out the back.

Finally, European companies in economy class or the cargo hold should look for opportunities to upgrade. Success in the China market has always been heavily dependent upon positioning a company on the right side of the policy agenda. American NEV producer Tesla did just that by positioning itself not as just another automotive manufacturer looking to sell to Chinese consumers. Instead, it asserted itself as a source of competition that would drive Chinese companies to compete harder, and as a bringer of technology and know-how that would spill over to the rest of the industry. The red carpet was rolled out with extensive support on offer in Shanghai, and Premier Li Keqiang himself attending the ground-breaking ceremony.

It may be harder to jump from the cargo hold to economy class, but if an American company could upgrade from economy to business class at the height of the US-China trade war, there may well be strategies to be found.
China has been issuing FYPs since 1953, detailing a series of social and economic development initiatives ranging from growth targets to implementation of reforms. For the 14th FYP, Chinese authorities like the National Development and Reform Commission (NDRC) drafted specific measures based on the general idea conveyed by the CPC at the Fifth Plenary Session, which were submitted to the top policymaker, the State Council. The plan was officially released once it passed a review during the Two Sessions in early 2021.

Under the 13th FYP, the Chinese Government only capped its total energy consumption at five billion tonnes of standard coal equivalent, while ignoring the carbon intensity of energy sources. Carbon intensity refers to carbon dioxide (CO₂) emission per unit of gross domestic product (GDP). According to the Ministry of Ecology and Environment (MEE)—the authority responsible for energy-related issues—a carbon intensity target will be set for the 14th FYP following the release of carbon emission targets. Increasing GDP paired with measures to decrease carbon intensity indicates that a nation is including carbon reduction efforts while developing its economy.

In other aspects related to energy transition in the 14th FYP, Wang Yi, a member of the Standing Committee of the National People’s Congress (NPC) and a government advisor on climate and sustainability, suggested during the Two Sessions that China should replace the energy consumption limit with a carbon emission threshold. This would, in effect, control coal consumption in a more targeted manner and encourage more use of low-carbon power, as opposed to enacting a blanket energy limit on industries.

**State of Transition**

China’s 14th Five-year Plan’s potential near term, environmental and social effects

By Emilie Wu

In October 2020, the Fifth Plenary Session of the 19th Communist Party of China (CPC) announced plans to publish the 14th Five-year Plan (FYP) (2021–2025) and a long-term goal for 2035. The 14th FYP sets the tone for achieving carbon neutrality while ensuring economic development. It also represents an important step in China’s energy transition and efforts to positively deal with climate change. Emilie Wu from Seneca ESG highlights some of the 14th FYP’s key points on sustainable development.

What does the 14th FYP mean for China’s coal power industry?

Given China’s goal of achieving carbon neutrality by 2060, the energy industry is poised for a disruptive shift from fossil fuel energy to renewable energy sources. Citing the speech on 12th October 2020, made by He Jiankun, the academic chair of the Institute of Climate Change and Sustainable Development at Tsinghua University, China may have to increase non-fossil energy to over 90 per cent of its total power generation by 2050 to achieve carbon neutrality.
However, according to the International Energy Agency (IEA), China at present still relies heavily on coal and oil for energy production. These two energy sources contributed to around 60 per cent of China’s total energy supply in 2018. While a complete shift to renewable energy is difficult, China has been gradually transitioning its energy mix to cleaner sources, such as natural gas, hydro, biofuels, wind, solar and so on. According to the National Bureau of Statistics, in 2019, China’s energy consumption went up 3.3 per cent year-on-year. The use of natural gas, hydro, nuclear and wind power increased by one percentage point, while coal consumption dropped 1.3 percentage points.

To reduce the use of fossil fuels, China is pushing the electrification of industries with heavy energy consumption rates, especially the transportation and industrial sectors. For example, China expects to fully phase out traditional fuel vehicles by 2050. Nevertheless, China is still expanding its coal-fired electricity capacity. At present, the country is constructing coal-fired power stations with a combined capacity of over 400 million kilowatts (kW). These alone will need another 24 to 30 months to come into use and thus will extend China’s coal power capacity expansion through to at least 2025. Meanwhile, China’s established coal power stations have a total capacity of 1.06 billion (bn) kW. According to Sina, China’s coal-fired electricity demand will peak at 1.2 bn kW in 2025, signifying that the country may need policy controls to limit its coal power capacity expansion to meet a carbon neutrality goal.

How will the 14th FYP promote China’s corporate social responsibility (CSR) development?

During implementation of the 12th (2011–2015) and 13th (2016–2020) FYPs, Chinese companies increased their CSR efforts in accordance with policies surrounding domestic consumption, rural revitalisation and low carbon transformation, among others. These policies will continue in the 14th FYP rollout. For example, regarding domestic consumption, due to young people becoming major consumer groups, Chinese firms are expected to launch more innovative and environmentally friendly products that will appeal to this market. Moreover, these groups’ consumption habits are expected to change from favouring a large quantity of cheap products to smaller amounts of higher-quality, sustainable products. The proportion of retail sales of consumer goods satisfying basic living needs to total retail sales will continue to decrease, while that of consumer durables will increase. Consequently, Chinese firms, especially business-to-consumer (B2C) enterprises, will need to consider how they can add CSR to their marketing and product development.

In regard to social responsibility, mainland businesses will increasingly contribute to rural revitalisation, one of the 14th FYP’s goals. Under the 12th and 13th FYPs, the Chinese Government prioritised industrialisation and urbanisation, laying the ground for agricultural modernisation and rural poverty alleviation. In the future, companies will not only support rural areas through donations, but most likely leverage their professional advantages to help those regions create economic value.

Since a transition to low carbon emissions in the 14th FYP will be critical for China to realise its pledge on carbon neutrality, companies based on the mainland also need to seek ways to comply with the newest rules. First of all, it will be necessary for them to more accurately estimate their respective carbon emissions and make disclosures, especially for listed companies. For the last decade, the Chinese Government only required firms to improve their green development, whereas cutting carbon emissions was not explicitly included in the plans. Thus, corporates will be held to a higher standard in regard to their environmental accountability in the coming years.

Seneca ESG is a business intelligence company delivering solutions for corporate sustainability assessment, reporting and integration with financial services. In addition to data acquisition and environmental, social, and governance (ESG) integration services, the company’s flagship Zeno platform facilitates ESG data management, tailored analyses and sustainability-driven business workflows for both corporate and investment manager clients.
Plan Ahead
What businesspeople should know about China’s Five-year Plans
By Gabor Holch

China-watchers will be very familiar with references to five-year plans, which are now in their 14th edition. However, even among such experts, not many know where the Plans originated from. Gabor Holch of Campanile Management Consulting outlines how five-year plans developed in China and where their future may lie.

Once a year, the otherwise secretive political system of the People’s Republic of China hosts the ‘Two Sessions’, a forum whose media footprint rivals global award shows. The Chinese People’s Political Consultative Conference (CPPCC) and the National People’s Congress (NPC) combined exceed five thousand delegates, which includes President Xi Jinping, politicians, local representatives, business tycoons and even faded action movie star Jackie Chan. Twice a decade, this forum is also used to approve the next five-year plan to loud welcome that, like most things coming out of China, echoes what author Luke Patey calls a “dichotomy of overreaction and naiveté”1 – doomsayers see doom, fans hail a new golden age.

Despite China’s growing worldwide importance, little is known about the creation of its five-year plans. But their far-reaching consequences, and perhaps certain similarities between the Two Sessions and general elections elsewhere, raise expectations well ahead of time. Speculations about the 14th Five-year Plan—once again expected to redraw entire sectors of the economy—started last autumn. Within China, firms cautiously shifted investments to a lower gear in expectation of policy changes, while internet connections wobbled under increased scrutiny. Abroad, multinationals’ headquarters held their breath, mesmerised by the nation at the centre of a global logistical spider web and, this pandemic-torn year, seemingly the world’s only healthy economy.

The regular fanfare around new five-year plans includes elements that can confuse outsiders, from the anachronistic rows of motionless apparatchiks and red flags to propaganda material like ‘The 13 WHAT’, a 2015 music video that attempted to make the 13th Five-year Plan hip.2 Though its mere quarter million YouTube views in five years make it a clear flop, the creators of ‘The 13 WHAT’ were right about one thing: Five-year Plans are “a huge deal – like, China huge!” To appreciate the accuracy of that description, China-based or China-facing business decision-makers should become familiar with the origins and future direction of the plan.

 origins of the plan

The system was originally a blanket adoption from the Soviet Union by China, Eastern European countries and a number of other People’s Republics. Following a 1949 trip to Moscow, Chairman Mao Zedong followed Joseph Stalin’s advice to introduce the plan as an economic blueprint and policy manual for China’s politically inexperienced new leaders. The 1st Five-year Plan (1953–1957) started promisingly. Under the tutelage of thousands of Soviet advisors, in three years China developed several devastated cities into production hubs and doubled the nation’s industrial output. It also introduced legal, agricultural and social regimes befitting a complete economic overhaul.

But Beijing’s determination to fix indicators like the urban population or coal and steel production, to reengineer social life, and to pay the Soviet Union in agricultural products for its help, soon backfired with devastating consequences for China’s resources and communities. After Stalin’s death, the two Leninist nations descended into a cold war and the Soviet advisors departed from China. Domestic production fell behind the Party’s soaring targets. By 1957, growth in production and life expectancy had reversed. The next two decades until Mao’s death were overshadowed by the Great Leap Forward and the Cultural Revolution. Mired in successive political campaigns, long-term plans were the last thing on anyone’s mind.

Deng Xiaoping’s 20 years in charge included his 1992 ‘Southern Tour’, reapproaching the World Trade Organization (WTO) and other milestones of economic liberalisation. But ‘Reform and Opening Up’ never implied abandoning Marxist-Leninist ideology.

2 ‘The 13 WHAT’ https://www.youtube.com/watch?v=LhLrHCKMqyM
Party leadership and five-year plans. State officials delegated, as they do today, national targets for indicators that most market economies use to measure rather than manage: gross domestic product (GDP) growth, urbanisation, unemployment and even family sizes. Blanket plans trickle down to specific employment, production and administrative targets for institutions: the armed forces, healthcare, education, and state-owned and private firms. Quotas are set and fulfilled for amounts of coal burned, electricity generated, pills prescribed, babies born, university graduates, new hires at banks, vehicles made, patents registered and fines levied by the police and courts.

Those conducting business with China need to understand the concept of five-year plans due to their pervasive nature. Multinational executives are often surprised to learn that their own firms are also subject to these trickle-down targets. Since the islands of market capitalism in China known as special economic zones attract foreign investment they perform on their own. But, national targets can be pivotal for foreign firms to realise five-year plans. Similar dynamics make foreign investors upbeat about their future prospects in China’s retail, aviation, medical and professional services industries.¹

At times it may seem that Beijing is abandoning five-year plans. The absence of an overall GDP growth target in the 14th Five-Year Plan has inspired such speculations, but it is likelier that a seven per cent annual goal was deemed too unimpressive to include. China’s five-year plans survived Mao’s upheavals, Deng’s economic reforms and political consolidation, and the technocratic terms of Jiang Zemin and Wen Jiabao.

A decade of Xi Jinping’s national revival campaign fortifying national supervision institutions and state–owned firms has further consolidated the role of five-year plans, with the Communist Party at the drawing board. The better the Party’s favourite economic indicators look, the safer the plan’s future. If anything, foreign firms should prepare for closer Party scrutiny in the near future, including the widespread introduction of Party cells in their China branches.²

Ironically, five-year plans can help well-informed foreign firms thrive in China; they know targets linked to key indicators will be met, come hell or high water. But you don’t need a doctorate in economics to see the futility of planning five years ahead in today’s world. Modern five-year plans still retain essential characteristics of the original Soviet blueprint, which was designed primarily to overhaul heavy industry and the supporting labour force. This is why, well into the 21st century, the plans prioritise GDP growth, infrastructure and urbanisation. Issues like social welfare, science, education and services have played a supporting role, leaving wide gaps that must be filled by local and foreign enterprises.

Foreign firms with ambitions for the Chinese market must ask themselves where their business models fit into the current plan. Opportunities abound, especially in sectors the state controls but cannot sufficiently supply. This is how the services of global telecommunication firms like Nokia and Alcatel-Lucent get rebranded under state-owned monopolies like China Telecom and China Mobile. Chips by Dutch technology company ASML power China’s electronics industry, and German industrial firms Siemens, Voith and BorgWarner provide the beating heart of power stations, dams and automobiles produced by Chinese firms to realise five-year plans. Similar dynamics make foreign investors upbeat about their future prospects in China’s retail, aviation, medical and professional services industries.¹

China-based expat executives and their headquarters view five-year plans primarily as a source of stability. China’s market reforms may lag behind WTO schedules, but they unfold safely and steadily. Experienced international project leaders feel prepared to handle associated risks. Toughening import-export and visa requirements can be countered with management localisation and digitalisation. Investment and market strategies can mitigate the impact of sudden policy reversals in fintech, trade and investment regimes or the discreet curbing of Made in China 2025. Meanwhile, China’s emerging walled garden creates a predictably lucrative market for foreign firms. As The Economist Intelligence Unit pointed out, only the Chinese Government has the power to clear entire districts for self-driving cars, to tell companies to produce them and to pressure families to buy them.³

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Hainan Free Trade Port
An intersection point for China’s dual circulation policy
by Alessio Petino

Since first being announced in April 2018, and the publication of the Masterplan for the Construction of the Hainan Free Trade Port (Hainan FTP Masterplan) in June 2020, the Hainan FTP is now fully operational and has already become the most open region in China for foreign investment. This article by Alessio Petino of the EU SME Centre looks at the state of play, opportunities and outlook for European investors and SMEs in China’s largest free trade area.

China’s 14th Five-year Plan (2021–2025) will be key for the Hainan FTP. By 2025, the Hainan FTP should have established all conditions necessary for further relaxing ‘first-line’ — foreign imports in Hainan—customs procedures, while controlling its ‘second-line’ ones — foreign goods exported from Hainan to the mainland. In fact, the Hainan FTP is considered a main pillar of China’s ‘dual circulation’ strategy: to quote regional Party Secretary Shen Xiaoming, “if ‘dual circulation’ can be pictured as a number ‘8’, then the Hainan FTP is the intersection point of the two circles”.

Attractive customs policies, increased market access, cross-border movement facilitation (of people, capital and data) and tax incentives will attract foreign goods, services and talent. The island is also located in a strategic position along the Maritime Belt and Road, is a key hub of the New International Land-Sea Corridor, and is at the heart of the Asia-Pacific region, which recently witnessed the signing of the Regional Comprehensive Economic Partnership free trade agreement.
Nonetheless, the fundamental purpose of the Hainan FTP is to use ‘external’ (international) circulation predominantly to serve the ‘internal’ (domestic) circulation:

- Offshore duty-free shops mean that Chinese consumers can spend in China what they used to spend abroad.
- Top-notch education institutions (mostly foreign but also domestic such as Shanghai Jiaotong and Zhejiang University) and medical tourism mean that Chinese citizens do not need to travel abroad anymore to access such high-level services.
- Tax exemption policies will be applied to manufactured goods, components and auxiliary materials that China considers a priority, thus providing impetus to Chinese supply-side structural reforms and industrial upgrading.
- The three high-technology sectors at the core of the Hainan FTP—seeds, deep-sea and aerospace—support China’s ambitions in key strategic and frontier fields, matching three of the country’s 15 national science-technology megaprojects.
- Strong incentives and support policies aim to attract foreign investors to locate their regional headquarters on the island, and follow their mainland China or even APAC operations from there.
- Finally, the Hainan FTP is expected to become deeply integrated with other domestic initiatives in the region, such as the Greater Bay Area and the Shenzhen Special Economic Zone.

The above suggests that, although European businesses can benefit from expanding opportunities in the short/medium-term, over the long-term they will face increasingly sustained competition from domestic actors whose cultivation they contributed to.

Overview of foreign investment flows in Hainan FTP

Official statistics confirm that there has been significant growth of foreign investment in the island. In 2020, a total of 1,005 new foreign-invested enterprises (FIEs) were registered in Hainan, tripling year-on-year; among these, 855 were registered in the second half of the year, that is, after the publication of the FTP Masterplan.¹

To put things in perspective, the number of FIEs registered in Hainan in 2020 alone accounts for half of all registered there over the last ten years. FIEs signing up include Fortune Global 500 companies and entities from the European Union (EU) such as EDF, Schneider Electric, TU1 Group, KWS and OTP Bank Group.

Other major investment agreements involve multinationals from other regions such as Tesla, General Electric, ITOCHU Corporation and Roc Oil. Many other companies—especially in the healthcare sector—though not yet establishing official branches, are recruiting on-the-ground teams to develop their business on the island.

Top locations in Hainan

Haikou is the top destination for foreign investment. Official figures show that in 2020, around two-thirds of new FIEs in Hainan were established in the island’s capital. In Haikou’s Window to Global Trade complex in the central business district, one-fifth of newly-registered companies are FIEs (from 32 countries, including five EU Member States).³

It is noteworthy that the complex aims to become an international platform for SME cooperation, thanks to various one-stop services for company registration and operations provided within just a few working days, <https://finance.sina.com.cn/tech/2021-01-06/doc-iiznctkf0409744.shtml>.

¹ In connection with Chinese享受 investment in Hainan and the first three years of start-up in China, Department of Commerce Hainan website, 27th January 2021, revised 7th March 2021 — <https://dofcom.hainan.gov.cn/dofcom/zwdt/202101/7270d91f18084f4ea2ecc86aefdbbae4.shtml>.
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has launched intercontinental air freight routes, including to Amsterdam—and Haikou Port. Haikou is also home to four of the 11 key industrial parks at the core of the Hainan FTP, and is well connected to others such as the Yangpu Economic Development Zone, the Wenchang International Aerospace City and the Hainan Ecology Software Park.

Sanya is the second most popular destination for foreign investment in the island. In 2020, 158 new FIEs were registered in Sanya (up 163 per cent on 2019), including Yum! and the Rio Tinto Group. The last year saw a surge of investment from countries outside the region such as the United States, the United Kingdom and Japan. Sanya’s main strengths relate to tourism and cultural industries, but the newly-established Yazhou Bay Sci-Tech City is also starting to attract investors in the information and communication technology (ICT) sector.

Another key area to monitor closely is the Bo’ao Lecheng International Medical Tourism Pilot Zone, located on the eastern side of the island and home to the annual Bo’ao Forum for Asia. The aim is for the zone to become a key destination for medical tourism; several Chinese medical and pharma groups have already established branches there.

Finally, it is noteworthy that almost half (43 per cent) of new FIEs on the island in 2020 were established within Hainan FTP’s 11 key industrial parks, the top three by number being the Haikou Jiangdong New District, the Haikou Fullsing Internet Industry Park and the Hainan Ecology Software Park.

What about foreign SMEs?

The figures above show that foreign investment flows into the Hainan FTP come from large organisations. Indeed, nearly all investment promotion activities carried out by local government agencies are directed at large multinationals, Fortune Global 500 companies or foreign government representations and trade missions. Chinese domestic giants are also key targets: many have already signed investment contracts, including state-owned enterprises like China Telecom, Sinochem, Sinopharm and Shanghai Electric; but also private market giants like Xiaomi, Huawei, Alibaba and Midea.

It is very hard to find any mention of foreign-invested SMEs in official documents. This highlights the clear focus of the Hainan FTP on big names and numbers in the short-term – and the image that it wants to communicate. It is also noteworthy that several foreign SMEs’ applications to participate in the first China International Consumer Products Expo (7th to 10th May 2021 in Haikou) were rejected.

Nonetheless, the Hainan FTP still offers attractive opportunities to European SMEs, especially in the short/medium-term. In addition to the more relaxed market entry requirements for key sectors such as healthcare, education, telecommunications and professional services, European producers of consumer goods (many of which are or will be exempted from import duties) may find lucrative opportunities in the numerous tourism resorts or offshore duty-free shops being opened in Haikou, Sanya and Bo’ao. It is noteworthy that 2020 duty-free sales in Hainan exceeded Chinese yuan (CNY) 27 billion (around euro (EUR) 3.4 billion)—more than twice 2019 figures—and are expected to exceed CNY 150 billion by the end of the 14th Five-year Plan period. 2

There are also opportunities for European producers of key components, raw and auxiliary materials, to export their goods (duty-free) to Hainan-based manufacturers in the machinery, aviation and ICT sector. Finally, European SMEs that locate their operational headquarters in Hainan will be able to expand their business networks across the rest of mainland China, while at the same time enjoying the reduced 15 per cent corporate income tax rate as well as the many other supportive policies.

Our advice to European SMEs is to start testing the waters in Hainan, establishing potential contacts with local partners, but maintain an observant and careful position until the ‘Hainan frenzy’ pumped up by media gives way to tangible results – especially after the first Hainan Expo. 3

Alessio Petino is the Knowledge Coordinator of the EU SME Centre, where he supervises industry reports, training activities and technical assistance provided to European SMEs. Since the publication of the Hainan FTP Masterplan, Alessio has been following closely the developments of the Hainan Free Trade Port, and also undertook two field visits to Haikou to meet with local investment promotion officers. More information and updates on the Hainan Expo, and on the EU SME Centre’s free-of-charge services, can be found at www.eusmecentre.org.cn.

1 http://www.hainan.gov.cn/hainan/zsyz/202101/056f8b10b71d45a890306475fcb1c437.shtml.
2 http://www.hainan.gov.cn/hainan/2021-04/02/content_2475509.htm.
3 http://www.hainan.gov.cn/hainan/2021-03/04/content_2463580.htm.

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Asia’s relatively effective pandemic control in 2020 has enabled a gradual normalisation of domestic demand. The region remains the engine of global growth, powered by best-in-class COVID-19 management that allowed a swift re-opening of the industrial sector. Zhikai Chen, head of Asian Equities, and David Choa, head of Greater China Equities at BNP Paribas Asset Management, believe this trend will continue and strengthen in 2021 as vaccination programmes enable further normalisation.
Asia is rebounding strongly from 2020’s pandemic-induced crisis, which lends a positive outlook for equities in the region. Here are the main points to note:

• Asian equities had a stellar 2020, with the MSCI All Country Asia ex-Japan index outperforming both the MSCI US and MSCI Emerging Markets indices. The mainland China, Taiwan and South Korea markets did particularly well, supported by better control of the pandemic, while ASEAN members and India faced longer lockdown conditions and slower tourism. The gradual recovery will likely continue to be led by North Asia, while the rest of the region catches up.

• China in particular was one of the world’s most resilient economies in 2020. Decisive lockdown and policy measures enabled a quick, broad-based recovery, which translated into stronger earnings growth and one of the best equity returns in 2020.

• Asia remains the engine of global growth, helped by the emergence of significant intra-Asia trade that is helping the region to resist the downdraft from recovering, but slower-paced, global activity.

• The unprecedented fiscal and monetary stimulus to combat the economic downturn has been very supportive. Chinese policymakers are likely to gradually normalise fiscal and monetary policies while continuing structural reforms and opening financial markets further.

• Last but certainly not least, environmental sustainability is now a priority.

Key risks include COVID-19 developments, concerns over increasing debt levels and China-United States (US) tensions. Although technology is expected to remain a sticking point in the China-US relationship, there will be less uncertainty and risk in broader bilateral relations. The Biden Administration is expected to adopt a more rules-based and predictable approach that should benefit both Asian and Chinese equities.

Asian equities: structural changes underway

Asia has been changing structurally towards more service-orientated economies. COVID-19 has further accelerated this transformation. 2020 saw an additional 40 million internet users in ASEAN – bringing the total to about 400 million (60 per cent of the population). The new users have boosted gross merchandise value growth in home deliveries, e-commerce, video-conferencing, streaming and the financial services sectors.

Asia is witnessing a gradual relocation of global supply chains. Domestic demand-orientated fiscal stimulus under the Biden Administration should continue to pull in exports from many emerging markets, particularly Asia. The US trade sanctions on some Chinese technology companies have led a number of US firms to look for suppliers outside of mainland China. This has benefitted Taiwan and South Korea, as well as many ASEAN countries, Vietnam in particular.

Amid the competition with the US, China is deepening its ties with other regions. The recent signing of the Regional Comprehensive Economic Partnership (RCEP) is a good illustration of this. In November 2020, 15 Asia-Pacific countries—including China, Australia, Japan, South Korea and ASEAN members—signed the RCEP, which aims to provide a common platform for regional cooperation, offering a backstop for regional growth. China’s ‘dual
circulation’ policy—using its internal growth impetus to drive domestic and regional growth—should support a bullish view on emerging Asian markets amid COVID-19.

Market technicals are favourable in Asia as flows, positioning and sentiment are supportive. Despite the sharp recovery in Asian stock indices, institutional investors are underweight on Asian equities given their general risk aversion and the uncertainty over Chinese technology due to US export controls on semiconductors.

Asian equity flows could improve in 2021 as vaccine rollouts revive risk appetite and a potentially less volatile China-US relationship creates better visibility on regional technology earnings.

**Chinese equities: taking the driver’s seat**

China remains a bright spot in 2021 after its economy was the only major one to see positive growth in 2020. This should continue, supported by three pillars: technology, sustainability and the dual circulation policy.

China was first-in and first-out of the clutches of the virus. Its recovery has been impressive, broadening from construction through to consumption and services. Chinese exports showed remarkable resilience during the pandemic, while demand for COVID-19-related products appears to be long-lasting and a broader-based recovery in other categories is emerging.

While near-term volatility could weigh on Chinese asset prices, it is unlikely to change the benign outlook given the rapid recovery and room for further stimulus. This macro-policy backdrop is supportive of Chinese asset prices in the medium-term.

**The dual circulation strategy**

China introduced the dual circulation concept in its 14th Five-year Plan. Dual circulation represents a policy shift towards focusing on boosting domestic growth and high-technology infrastructure investment while still engaging, but not relying on, the external sector to sustain stable growth amid the long-term strategic competition with the US.

The emphasis on the green economy, climate control and revitalising manufacturing augurs well for sectors targeted for ‘new infrastructure’ spending, technological innovation and upgrading, artificial intelligence, 5G networks, big data centres and healthcare, as well as environmental protection, water conservation projects and renewable energy.

This suggests that domestic demand growth, import substitution and technological self-sufficiency look set to be key macroeconomic factors for investment opportunities in China in the coming years.

In particular, domestic brands in technological and financial innovation, industrial consolidation and consumer upgrading will likely drive Chinese asset prices in the long term.

**More structural reforms**

The lifting of restrictions in domestic financial markets, accelerating reforms and the inclusion of China A-shares in major global indices are facilitating access to China’s onshore financial assets.

2020 marked the People’s Bank of China’s least interventionist currency policy stance in years. The large rally in the renminbi is expected to extend further into 2021 on the back of China’s balance of payments remaining strong and a reduction in uncertainties over tariffs under the Biden Administration.

Structural reforms should continue, such as the three-year action plan for state-owned enterprise reform through privatisation, consolidation and better corporate governance.

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Note: This article is a synopsis of the BNPP AM report: Asia and China Equities 2021 Outlook in 3-D: Domestic, Digitalisation and Diversification, available on the BNPP AM website.
Chamber President holds exclusive talks with European Commission Executive Vice President Dombrovskis

On 8th March, European Chamber President Jörg Wuttke had an exclusive video conference with European Commission Executive Vice President Valdis Dombrovskis. They discussed the European Union (EU)-China Comprehensive Agreement on Investment (CAI), decoupling-related issues, policy developments in China in the context of the 14th Five-year Plan and the prospects of European businesses in China. President Wuttke reiterated the views of the European Chamber that the CAI, if implemented, could be a step in the right direction for the European business community in China.

European Chamber hosts 2021 Shanghai Government Dialogue

On 18th January, the European Chamber hosted its first Shanghai Government Dialogue in 2021 with Shanghai Vice Mayor Zong Ming, representatives of the Shanghai Commission of Commerce and other relevant municipal departments, as well as district-level representatives. Carlo D’Andrea, Chamber vice president and chair of the Shanghai Board, led a delegation of member company representatives and raised issues of concern for European businesses such as COVID-19 vaccination availability, changes in non-taxable benefits for expats and urban planning uncertainties. Chair D’Andrea also presented the latest Shanghai Position Paper and the Chamber’s Decoupling report to the vice mayor.
European Chamber Vice President (VP) and Southwest China Chapter Chair Paul Sives led an exclusive meeting on 21st January with Mr Zhang Yongwu, director general (DG) of the Foreign Affairs Office of the Chongqing Municipal People’s Government, to exchange views on the local foreign investment policy. VP Sives stated that most European companies “remain in China for China”, but that major change is necessary to respond to COVID-19 and the related downturn. One of the topics discussed was the positive effect that the CAI could have on investor sentiment. Additionally, the European Chamber delegation called on the government to address SOE waste and inefficiencies, as well as technological change to boost productivity and overcome China’s demographic crisis. DG Zhong Yongwu highly praised the Chamber’s Business Confidence Survey 2020 and Position Paper 2020/2021 before introducing the work report of the Chongqing Government.

On 7th February, a European Chamber delegation led by Bernhard Weber, chair of the Nanjing Chapter, met with Sun Jin, deputy director general (DDG) of the Jiangsu Department of Commerce. The European Chamber raised the critical issue of vaccination channels and plans for foreign employees and their families. DDG Sun Jin elaborated on the relevant government measures and reiterated the objective to ensure equal access to vaccines, for both foreigners and locals. He also responded to enquiries on travel policy. Other issues covered by the two groups included disinfection requirements and guidance for imported goods (including infant nutrition) under pandemic-related restrictions, as well as requirements for coming/returning to Jiangsu during and after the Chinese New Year holiday.

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On 19th January, European Chamber Vice President (VP) and South China Chapter Chair George Lau led the chapter’s Vice Chair Klaus Zenkel and General Manager Francine Hadjisotiriou to meet with Xue Kaifang, director of European Affairs at the Guangdong Department of Commerce, to discuss the EU-China CAI. VP Lau stated that the agreement is of keen interest to both parties as Guangdong is one of the more economically progressive provinces in China, and constantly seeks to develop further, as well as to nurture a healthy business environment for foreign investment. The two parties concluded that the CAI could be of benefit to the Greater Bay Area, and expressed hope for more meetings between the two sides in the future.
Trade in counterfeit goods and products continues to rise and is a truly global plague, standing at 3.3% of worldwide trade according to OECD (OECD, 2019). Counterfeit goods originate from every corner of the world. China, as the biggest developing country and the largest world factory, has been a target itself of counterfeiting and fraud for 20 years, today ranking 23rd in terms of economies most impacted by global counterfeiting and piracy (OECD, 2019). Counterfeiting and fraud in China also negatively impacts prospective companies looking to do business there who must weigh the risks and determine if they're better off bypassing the domestic market altogether (Connell, 2012).

In recent years the Chinese government has focused more on anti-counterfeiting and cracking down on fraud. For example, the Chinese Ministry of Industry and Information Technology established the China Luxury Authentication Centre, whose goal is to train a government-licensed authenticators to battle the increasingly high-quality fakes being manufactured and sold (Hall, 2018).

It is no wonder that counterfeiting continues to rise as those doing it are becoming increasingly sophisticated in their quality and tactics. Today, with access to excellent quality packaging material and printing processes, some goods are so skillfully copied that it is difficult to differentiate fakes from genuine products simply by sight. As this has occurred, the worldwide landscape has transformed into a complex, globalized economy, brought about even more so with the coronavirus pandemic. Speedy product lifecycles, complex, multi-national supply chains, and the rise of e-commerce have all increased the risk of fraud such as counterfeiting and diversion.

These issues have necessitated the crucial need to authenticate genuine products through dedicated security features to avoid:

- Revenue losses due to increased presence of counterfeits in key markets.
- Goods and foods compromising public health and safety
- Brand identity erosion due to loss of trust from customers and distributors complaining of:
  - The presence of copies on the market
  - Lack of possibilities/tools/education to differentiate genuine from original
  - Difficulty distinguishing genuine from fake in a speedy and efficient manner
- Uncontrolled production or diversion outside the authorized distribution

SICPA is the premier security technology provider in product and brand protection worldwide. We work with large international corporations as well as medium-size, high-value, niche companies. Over the past 90 years, we have built our expertise working directly with Industries, Central Banks and Governments to deliver true, effective solutions to combat product fraud. We are constantly evolving through continuous R&D led by more than 300 scientists and engineers with nearly 2,000 patents already granted.

SICPA has been active in the Chinese market for more than 30 years, providing state of the art security solutions and services to the government for banknotes and to multinational companies for product and brand protection. Within the Chinese brand protection market, SICPA has:

- protected key pharma brands successfully for 15 years without counterfeits,
- secured major food & beverage brands for 15 years using overt and covert solutions with in-field inspection devices,
• provided security for electronics spare parts for major multi-national corporations, and solved fraud issues for key multi-national brands within 1-year after implementation.

SICPA works with brands as partners, developing solutions to solve your unique problems and needs. We provide the most robust and unique brand protection overt security features available on the market for simple authentication by any stakeholder and combine with covert and forensic features to create multi-layered security solutions. SICPA services include: security design based on customer perception analysis, digital communications and media/educational tools, court level forensic analysis and reports of fakes.

As governments and enterprises are now moving more and more into the digital space, SICPA is pairing our best-in-class material security with next generation technologies that securely connects goods to the digital space, while protecting product integrity. This adds a new defensive line in the brand protection battle and enables brands to build direct links with customers. QR codes and data matrices are increasingly used in the world of packaging. Copy-protected by SICPA’s proprietary graphical security technology, they can be authenticated in real-time with a simple smartphone scan. They empower consumers to rise as actors in the fight against counterfeits and provide a means to attach trusted digital information, such as proof of origin, quality attributes, traceability information and other pertinent product information, secured and immutable with blockchain technology.

SICPA continues to lead the product authentication market because our approach to security technology is different from alternative technology providers. Our proprietary technologies are unique, based on internal knowhow and 90 plus years of continuous state-of-the-art technology development. Experience has led to the development of rules and criteria to manage security in a way that extends beyond simply providing technology into a holistic risk-based approach. At the heart of our commitment is the guarantee that our security solutions are kept safe from duplication and reverse engineering through secure sourcing and a closed loop supply chain and operations. Relying on our discretion, commitment and expertise, companies have put their trust in SICPA long-term to protect their most valuable products, with some clients working with us for more than 90 years.

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These images display a multi-layered product security label incorporating overt, semi-covert, covert and forensic security features for best-in-class brand protection. QUAZAR® overt security (bottom left) offers vibrant colours and engaging visible effects that are quick and easy for end-users to authenticate (in this specimen, an open or closed lock symbol is visible when the label is tilted). SICPA OASIS® (bottom centre) uses liquid crystal to produce a design effect that changes from green to bright red under a dedicated filter, in this label specimen, SICPA GUARD® (bottom right) is a robust machine-readable security solution that encompasses a versatile security marker, and a handheld detection device, enabling on-the-spot authentication. It can be linked to a detection platform enabling in-depth inspection monitoring and analytics (in this label specimen, SICPAGUARD® is used in combination with UV-fluorescent ink). Forensic taggants can be incorporated into the secure label for certified analysis by specialised laboratories.

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TALENT COMPETITION

Attracting and retaining foreign talent in times of COVID-19

by Randstad

In China’s increasingly mature marketplace, multinational companies are going local while local companies are going global— with both processes involving international talent. While the recruitment and retention of foreign staff have always been a challenge, in the face of the global pandemic and changing immigration policies worldwide, cross-border talent mobility has become more challenging than ever. Randstad takes a look at the issues that have arisen for human resources (HR) departments following the COVID-19 outbreak.
Increasing competition for foreign talent

The Chinese Government has adopted a series of policies to proactively attract and retain senior level talent from abroad, which vary for different nationals.

At the beginning of the coronavirus outbreak in 2020, the Shanghai Municipal Science and Technology Commission issued eight measures to facilitate foreign talent returning to work and resuming production. One such measure stipulated that functional departments and employers hiring foreign talent or that have expat staff returning must, while faithfully implementing COVID-19 prevention and control requirements, respond to the employees’ needs in a timely manner and offer both professional and personal support to facilitate their safe return to work.

For foreign talent returning from pandemic-hit countries that can quarantine at home, government departments are required to purchase and deliver daily necessities to the returnees’ doorstep to ensure they can stay at home and in proper isolation hassle-free. For some foreign candidates, due to the serious COVID-19 situation in their home countries, they could not be easily transferred to China, which is why their organisations often decided to allow them to work remotely using email and conference calls.

The pandemic has made it increasingly difficult to navigate immigration procedures successfully. To fill international job vacancies, many companies are now opting to recruit foreign candidates who are already in China. This has led to fierce competition and increased turnover rates for foreign talent.

Strengthening talent attraction and retention

Amid the high talent turnover rates, conventional measures for attracting and retaining foreign talent no longer suffice, and a hard look at policy and practices is needed. If foreign staff or candidates are not able to secure supporting documents for their visa application due to COVID-related border closures, HR departments must come up with a Plan B. Whenever a foreign employee needs to be transferred to another company in China, the company’s HR should prepare the new application package as early as possible so that their staff will not overstay their permits.

When it comes to filling vacancies that require international talent, China has the advantage of being the world’s largest ‘exporter’ of international students – which means it could potentially tap into this significant pool of graduates and entice them to return home.

Companies can also collaborate with specialist recruiters or HR organisations to strengthen their employer brand—the company’s reputation as a place to work, which can impact their ability to retain staff—or deal with any red tape that comes with sourcing and qualifying talent, thus freeing the company up to focus on their core business. Some of the options available to companies during times of heavy competition for talent include flexible employment, outsourcing, staff redeployment and a time-sharing workforce, to name but a few.

Randstad is a global leader in the HR services industry. We support people and organisations in realising their true potential. We do this by combining the power of today’s technology with our passion for people. We call it Human Forward.

Our recruitment services range from regular temporary staffing and permanent placements to inhouse services, professionals, and HR Solutions, including recruitment process outsourcing, managed services programmes and outplacement.

Randstad has active operations in 38 markets around the world and has top-three positions in almost half of these. In 2020, Randstad had on average 34,680 corporate employees and 4,715 branches and inhouse locations. In 2020, Randstad generated revenue of euro 20.7 billion. Randstad was founded in 1960 and is headquartered in Diemen, the Netherlands. Randstad NV is listed on the NYSE Euronext Amsterdam, where options for stocks in Randstad are also traded.
China’s Service Sector at a Glance

Investment opportunities for foreign-owned companies by Ines Liu

Over the past four decades, China’s economic growth was driven mainly by the manufacturing sector, which benefitted from an enormous low-cost labour pool as the country opened to export markets. Now, as labour and land costs rise and its workforce becomes increasingly well-educated, China is transitioning from a manufacturing-heavy economic model to a services-led one. Ines Liu of Dezan Shira looks at the investment opportunities available as a result in Beijing for foreign-invested companies amid this transition.

A country’s gross domestic product (GDP) is contributed to by three main sectors; agriculture as the primary industry, construction and manufacturing as the secondary industry, and services as the tertiary industry. In China, according to government data, in 2013 the primary industry accounted for 10 per cent of GDP, the secondary industry 44 per cent and the tertiary industry 46 per cent. Looking at those same sectors in 2020, services now account for 54 per cent of GDP and contributes 60 per cent of China’s total economic growth.

China’s 14th Five-year Plan (2021–2025) is promoting the development of and access to the country’s service sector in general, which is a positive indicator for foreign investors. There is little doubt that, in 2021, China will continue to prioritise the service sector as a source for innovation and growth. New developments in this sector can give clues as to where investment opportunities lie.
Beijing has been opening up its service sector for many years now. In February 2017, the local government launched financial incentives and investment to encourage high-value-added service exports. With added value in services contributing 83.5 per cent of provincial GDP in 2019, Beijing has steadily developed a reputation as China’s services hub. In 2020, the local government released reform measures aimed at furthering market access in key service industries, in order to develop a more friendly business climate for foreign investors.

Specific service industries with newly relaxed market assess measures

Beijing is now playing a critical role in spearheading and generating new momentum for China’s future market reform. Several sectors that are carrying out or have undergone market access reforms are as follows:

1. Science and technology (S&T) services

Beijing is the unicorn1 capital of China, with 93 registered there by the end of 2020, more than any other tier city. Meanwhile, around 600 foreign companies have established research and development (R&D) centres in Beijing, including Apple, Tesla, Merck and Mercedes-Benz to name but a few. The Chinese Government also approved the creation of the Beijing Free Trade Zone in 2020, which will feature a S&T innovation centre intended to support the capital’s development as a high-tech, digital services hub.

One of China’s core innovation tax incentives is designed for high and new technology enterprises (HNTEs). Qualifying HNTEs can enjoy a preferential corporate income tax (CIT) rate of 15 per cent, as opposed to the standard 25 per cent. However, foreign companies have reported obtaining HNTE status challenging (due to the overall intellectual property (IP) structure) and many find the excessive documentation requirements in applying for the status burdensome. To enhance its attractiveness as a high-tech hub internationally, Beijing has stated the application process will be simplified for companies in high-tech service industries, such as integrated circuits, artificial intelligence, medicine and critical materials sectors. On top of that, IP ownership is not required if the company meets the following three criteria:

- It has operated in China for more than one year.
- The company’s annual turnover is more than Chinese yuan (CNY) 20 million.
- At least 50 per cent of its total R&D expenses were incurred in China.

2. The digital economy and trade sector

In 2019, China opened up market access in industries ranging from elderly care institutions to virtual private networks (VPNs). Foreign telecommunication companies are now permitted to own as much as 50 per cent of VPN provider joint ventures – which is seen as an important step towards improving the cross-border flow of information.

Beijing also announced plans to build a comprehensive demonstration zone to fulfill China’s drive for innovation-based development and further open up its services sector and digital economy. This will involve expanding existing industry clusters and parks, and implementing institutional and supply-side reform, while also promoting the expansion and opening of key industry parks to pull resources and centralise incentives for sectors the government deems a priority.

In Zhongguancun Science Park

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1. A unicorn is a private start-up company with a valuation over United States dollars (USD) 1 billion.
(Z-Park), qualified VC corporations will be exempt from CIT on the profits attributable to individual shareholders. These corporations will be treated as a partnership for individual income tax (IIT) purposes; therefore, individual shareholders will be only subject to IIT on dividends from the corporations. The new pilot zone will be a testing ground for new innovative policies that can be replicated and scaled up nationwide.

3. Financial services
From the perspective of widening market access, an important milestone has been reached in the financial services sector: foreign companies can now establish wholly foreign-owned enterprise (WFOE) financial services companies in Beijing. Private equity can launch asset management activities and conduct equity investment; while foreign banks can act as custodians of portfolio investment funds, or lead underwriter in the inter-bank bond market, and can also obtain gold import licences.

The central government is promoting the implementation of the pilot “separation of business licences from operating permits” programme in Beijing’s financial sector. Officials also called for support for private investors setting up and operating renminbi (RMB)-denominated international investment funds or lead underwriter in the inter-bank bond market, and can also obtain gold import licences.

Most notably, Beijing will trial a cross-border service trade negative list management model in specific regions within the municipality, mirroring the national cross-border negative list. These lists specify the level of foreign access to specific markets.

In addition, Beijing will also test out the integration of domestic and foreign currencies – for example, encouraging foreign investors to use domestic foreign-exchange accounts and allowing foreign institutions to conduct foreign-exchange settlement and sales transactions.

4. Professional services
Beijing now is open to foreign rating agencies, which can set up subsidiaries and conduct rating business in the inter-bank bond market and the exchange bond market.

Regulations on investment in the culture, tourism, education and healthcare sectors have also been relaxed. Running parallel to these measures, Beijing will also grant preferential IIT treatment to qualified high-end foreign staff working in designated fields, similar to IIT incentives in the Hainan Free Trade Port (FTP) and the Greater Bay Area (GBA) in South China.

Institutional innovation and supply-side reform
The remainder of the measures introduced fall into two broad camps:

- **Institutional innovation:** denoting measures for restructuring the systems in which businesses currently operate; and

- **Optimising supply factors:** referring to supportive measures to boost production factors such as labour, land, capital and data.

In 2021, with China’s further reduced investment restrictions, promoting more convenient cross-border flows of capital, attracting professional talent, securing IP and data protection, and digitalising business processes.

For this reason, it is widely understood that, for the service industry to grow, it needs an open and transparent business environment that allows cross-border connectivity of information, data, capital and personnel.

Beijing ranked 28th in the World Bank’s 2020 business environment assessment, and is becoming increasingly open, as it looks to establish itself as a favourable destination for foreign investors seeking business opportunities in the service sector. Beijing’s latest Comprehensive Demonstration Zone Work Plan aims to achieve this, and echoes many priorities of the central government – such as relaxing foreign investment restrictions, promoting more cross-border flows of capital, attracting professional talent, securing IP and data protection, and digitalising business processes.

In 2021, with China’s further reduced 2020 Negative List, Beijing is in a position to show how to achieve these goals, and provide the basis for a replicable and scalable model to accelerate reform at a national scale.

Dezan Shira & Associates, a pan-Asia, multi-disciplinary professional services firm, providing legal, tax and operational advisory to international corporate investors. **Ines Liu** is a manager at Dezan Shira’s Beijing office and a member of the firm’s International Business Advisory team. She advises foreign investors on market entry strategy, corporate structuring, risk management issues, cross-border tax issues, and foreign direct investment-related legal and tax considerations in northern China.
INVIGILATING FOREIGN INVESTORS

China’s new security review measures for speculation in ‘sensitive’ areas
by Jessica Lin and Shirley Sung

China’s Measures for the Security Review of Foreign Investments (NSR Measures), jointly published by the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM), came into force on 18th January 2021. This article by Jessica Lin, legal consultant, and Shirley Sung, director of Corporate Services at Tricor China will provide a brief introduction to the contents of the NSR Measures and how they may affect foreign direct investment.
The NSR Measures are a refinement of the provisions for foreign investment security review in the Foreign Investment Law that came into effect in early 2020, and represent the latest developments in the People’s Republic of China’s (PRC’s) efforts to build a NSR framework for foreign investments. The NSR Measures consist of 23 articles, which are summarised below.

**Review scope**

Under Article 4, the Foreign Investment Security Review Working Mechanism Office (the Working Mechanism Office) must be notified if any foreign investment into certain ‘sensitive’ areas is being contemplated. The parties concerned should not proceed with the contemplated investment before they receive security review clearance from the Working Mechanism Office. The areas for which investment must be approved are divided into two categories; national defence and ‘important’ fields in national security, for example, anti-terrorism, cybersecurity, energy security or public health security.

**National defence**

This includes investment in the arms industry, an ancillary to the arms industry or any other field related to national defence security, as well as investment in a military industry facility or an area surrounding a military industrial installation.

**Important fields**

This category includes investment in areas related to national security, such as: important agricultural products; important energy and resources; critical equipment manufacturing; important infrastructure; important transportation services; important cultural products and services; important information technology and Internet products and services; important financial services, or any other important field; and which results in the foreign investor’s acquisition of actual control of the enterprise being invested in.

“Actual control” refers to cases where:

- The foreign investor....hold[s] 50 per cent or more of the equity interests.
- The foreign investor....hold[s] less than 50 per cent of the equity interests...but its/their voting rights can materially influence the decisions of the board of directors, [or] the shareholders.

- The foreign investor and its affiliates hold 50 per cent or more of the equity interests in the enterprise.
- The foreign investor and its affiliates hold less than 50 per cent of the equity interests in the enterprise, but its/their voting
rights can materially influence the decisions of the board of directors, the shareholders or the general meeting of shareholders.

- There are other factors allowing the foreign investor to have significant influence over the enterprise’s business decisions, or human resources (HR), financial and/or technology matters, among others.

Parties that are uncertain as to whether their contemplated investment requires an NSR may consult the Working Mechanism Office for clarification.

Application mechanism

A proactive application is where parties themselves initiate the application to the Working Mechanism Office for review of any foreign investment that falls within scope of the NSR before proceeding any further.

The Working Mechanism Office also has the power to require parties to apply – a passive application. If a party concludes an investment that falls under the scope of the NSR Measures without obtaining prior approval, the Working Mechanism Office can order it to apply for approval within a specified period of grace.

Procedures and timeframe

According to the NSR Measures, once a foreign investor has notified the Working Mechanism Office of its intention to invest, the following procedures will apply:

- **Preliminary review**: The Working Mechanism Office will decide within 15 business days of receiving the complete notification materials whether an NSR is required.

- **General review**: Within 30 business days, the Working Mechanism Office will notify the relevant party/parties of either the result of the general review or its decision to proceed to a special review.

- **Special review**: Cases with specific national security concerns will proceed to this stage. Generally, the special review will be completed within 60 business days, but this period may be extended if required.

Review decisions and sanctions

The Working Mechanism Office may come to one of the following decisions after the NSR:

- Approval of the proposed investment, if the office is of the view that the foreign investment does not impact national security.

- Prohibiting the investment if it is of the view that the foreign investment impacts national security.

- Approval of the proposed investment with additional conditions, if the foreign investment impacts national security but this potential impact can be eliminated through fulfilment of the additional conditions by the foreign investor.

Enforcement authority

The Working Mechanism Office will be responsible for routine work concerning security reviews of foreign investments. For any violation of the NSR Measures, including any failure to notify the Working Mechanism Office of notifiable investments, submission of fraudulent materials or non-compliance with the specified additional conditions, the Working Mechanism Office may order the relevant investment to be modified or unwound within a specific timeframe. The relevant entity may also be blacklisted in the China’s national credit information system, which would in turn have an adverse impact on the entity’s reputation and commercial creditworthiness.

Conclusion

The NSR Measures are an important provision for security reviews of foreign investment in China, helping to achieve wider opening up, but in terms of areas requiring security review, the relevant criteria for the word ‘important’ are not specified. Therefore, many expect the authority to be more flexible during implementation and enforcement. However, foreign investors should ensure they fully understand whether the field they are investing in involves security issues before taking any action, and apply for security clearance if necessary, so as to prevent their investments from being terminated due to related issues.

With the opening up of the financial sector in recent years, large amounts of foreign investment have entered China. Unlike general investment activities, the investment of funds may involve multiple fields and levels; therefore, foreign funds should first consider the potential impact of a security review on a specific project to make the most appropriate investment decisions.
**Media Watch**

**President Wuttke speaks to media on conclusion of EU-China investment deal talks**

On 30th December, the European Union (EU) and China announced that they had successfully concluded the Comprehensive Agreement of Investment (CAI) negotiation. The European Chamber released a stance on the political approval of the CAI to the media. The following day, 31st December, European Chamber President Jörg Wuttke was invited to join a live broadcast with Bloomberg, and recorded interviews with Xinhua and CGTN, on the significance of the landmark deal and what the CAI means for European businesses operating in China.

**President Wuttke discusses Decoupling report findings with Bloomberg, CNBC**

On 14th January 2021, the European Chamber, in partnership with the Mercator Institute for China Studies (MERICS), launched the thematic report *Decoupling: Severed Ties and Patchwork Globalisation*. President Wuttke was invited to speak live on Bloomberg and CNBC on the potential but considerable costs decoupling will bring for European companies. He also highlighted the current ongoing decoupling in technology and digital areas, which may cause the biggest disruptions.
On 14th January, the decoupling report was mentioned in the Ministry of Commerce (MOFCOM)’s daily media briefing. When asked for comments on the findings of the report, MOFCOM spokesperson Feng Gao replied: “We have noted the report that the European Chamber just released. China has repeatedly emphasised that China has no intention of decoupling from the world, and it cannot be decoupled... We are willing to provide more high-quality services to investors from all countries, including European companies, to create a good business environment and achieve common development.”

Decoupling report brought up in Ministry of Commerce daily media briefing

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President Wuttke’s statement on decoupling costs praised by Foreign Ministry

In an interview with China News Service (CNS) on 25th January, President Wuttke suggested that Europe should stop being complacent and try to learn from China. He also said that companies need to participate in the China market as it generates 30 per cent of global growth every year. The text of the full interview was translated into several languages and distributed among all CNS media channels. A video clip released on their Weibo channel received more than 75,000 views.

This interview was explicitly mentioned in the daily media briefing of the Chinese Foreign Ministry (MFA) on 26th January. Spokesperson Zhao Lijian said President Wuttke’s statement represented European business’ optimistic view of China’s development prospects and a willingness to maintain and strengthen cooperation with China. Zhao went on to state that China will see even closer economic ties globally as it is entering a new stage of development, and that the conclusion of the CAI negotiations will also provide more opportunities and create new space for Europe and other parts of the world to cooperate with China.
BEIJING, 4TH MARCH 2021
[Capital Beat] China’s 14th Five-year Plan: Launching China’s Next Development Stage - Key Policy Shifts and Implications

- COVID-19 temporarily interrupted but did not halt China’s shift to a new growth model – it also strengthened China’s confidence in its state-led economy.
- Decarbonisation will be the key driver for China’s economic and energy policies, starting with the 14th FYP (Five-year Plan).
- This focus on science and technology innovation is a substitute for the more important underlying challenges that China’s economy faces: raising efficiency and productivity, and so on. The challenge of the 14th FYP phase is to see if technology can make a bigger contribution to the economy rather than a drag on total productivity.

BEIJING, 16TH MARCH 2021
Facing Down Decoupling: Building Awareness, Measuring Exposure and Adjusting Accordingly

- Decoupling is driven by more than just Trump; it has also been exacerbated by China’s long-standing managed interdependence and self-reliance, and deteriorating relations with the United Kingdom, Canada, Australia and others as well as the United States (US).
- Companies could opt for ‘dual system’, with one supply chain for China and one for the US, or ‘flexible architecture’, where they maintain technology neutrality as far as possible, and minimise localisation.
- Companies should audit levels of exposure both up and downstream – especially for critical inputs and digital issues.

SHANGHAI, 9TH MARCH 2021
Diversity in Leadership: Bold Promises and a Long Way to Go

- “Where we currently stand in regards to gender gap in education, health, politics and economy is worrisome. At the current pace, closing the gender gap would take between 54 to 163 years, depending on the country.” – Charlotte Roule, CEO, ENGIE China
- “Female or diversity quotas can be a good support to the cause but gender attributes shouldn’t be the sole determinant for a position. This is against our cause. Diversity of real talent is what can make the difference.” – Rosanna Terminio, National Chair, European Chamber’s Human Resources Working Group
- “You can’t just work harder, you have to disrupt.” – Bettina Schoen, Regional Representative Asia, Freudenberg Group

SHANGHAI, 10TH MARCH 2021
Experts Talk: China’s 2021 Two Sessions in Review

- China’s target of 500 million doses of COVID-19 vaccines by July 2021 does not seem attainable, as the process stalled during Chinese New Year and has yet to speed up.
- This year’s 14th FYP has fewer targets, with some relating to environment and resources de-emphasised. Targets such as service sector share and urban hukou were dropped because of their perceived low importance.
The rise of China should not push the EU to contain China, rather to do better in Europe. The EU is far closer to the US and the US is a far bigger market than China.

Decoupling is not really decoupling from China but a way of having different choices.

In the context of the US tariffs, if China’s exports to the US drop by 10 per cent, it will require a 40 per cent increase in imports from ASEAN to the US to compensate... in places like Vietnam and Cambodia, if they suddenly have to handle 40 per cent more cargo, then they need a lot of extra infrastructure, which is not feasible.

TIANJIN, 22ND JANUARY 2021
Chapter 2021 New Year Party

A Lucky Draw took place at the New Year Party. The winners of the prizes are:
- Xuejun Zhu – general manager of Leybold Equipment (Tianjin)
- Fiona Wang – Business Development Director of Qingdao New Continent International Engineering Construction Co Ltd (Tianjin Branch)
- Lulu Xing – Internations

SOUTHWEST CHINA, 25TH FEBRUARY 2021
VIP Meeting with Chengdu Investment Promotion Bureau (IPB) and Wuhou District IPB

- Chengdu has attracted almost 1,350 top-notch enterprises to the city, among which 300 are listed among the Fortune Global 500.
- Chengdu is the first UNESCO ‘City of Gastronomy’ in Asia.
- The Comprehensive Agreement on Investment improves European businesses’ optimism about their potential investments in China.

SOUTH CHINA, 26TH FEBRUARY 2021
Decoupling: Severed Ties and Patchwork Globalisation

- The rise of China should not push the EU to contain China, rather to do better in Europe. The EU is far closer to the US and the US is a far bigger market than China.
- Decoupling is not really decoupling from China but a way of having different choices.
- In the context of the US tariffs, if China’s exports to the US drop by 10 per cent, it will require a 40 per cent increase in imports from ASEAN to the US to compensate... in places like Vietnam and Cambodia, if they suddenly have to handle 40 per cent more cargo, then they need a lot of extra infrastructure, which is not feasible.

NANJING, 4TH MARCH 2021
Localisation of International Companies in the Digital Age – Factory Tour To Phoenix

- A common understanding of ‘trust = responsibility’ needs to be established between headquarters and overseas branches.
- International enterprises should actively integrate into the local industry chain, and take the initiative to assume social responsibility.
- Once the localisation strategy of international enterprises is clear, persistence will lead to victory.

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Infineon’s new Wi-Fi 6 solutions bring reliable, high performance connectivity to smart homes

1st March 2021, Munich, Germany - Digitalisation is accelerating in all areas of life. From health technology to in-car entertainment, the number of connected consumer devices used in homes, workplaces or on-the-go continues to grow, increasing the demand for wireless connectivity. With its new AIROC Wi-Fi 6/6E and Bluetooth 5.2 product series, Infineon Technologies AG is responding to consumers’ demand for secured and convenient wireless connectivity and helping to reduce congestion of home networks.

“In view of the accelerated growth of connected consumer devices in smart homes, Wi-Fi 6 has the power to enable robust and reliable data connections and the best user experience,” said Thomas Rosteck, president of Infineon’s Connected Secure Systems division. “Infineon empowers device manufacturers to easily develop smart and trusted solutions that make the Internet of Things work: from sensors and microcontrollers to power to secured connectivity and software – we now provide all required components from one source.”

Wi-Fi 6, the latest generation to hit the market, is specifically built to improve reliability and performance, even in high device density environments. Driven by the COVID-19 pandemic, people are increasingly working, studying and entertaining at home. Online gaming devices with virtual reality capabilities, sports devices that stream work-outs live or connected kitchen gadgets are all adding to home network congestion.

Sanofi and Translate Bio initiate Phase 1/2 clinical trial of mRNA COVID-19 vaccine candidate

12th March 2021, Paris and Lexington, MASS. - Sanofi Pasteur, the vaccines global business unit of Sanofi, and Translate Bio, a clinical-stage messenger RNA (mRNA) therapeutics company, today announced the start of the Phase 1/2 clinical trial for MRT5500, an mRNA vaccine candidate against SARS-CoV-2, the virus that causes COVID-19. The companies expect interim results from this trial in the third quarter of 2021.

Preclinical studies will continue over the next several months to evaluate whether MRT5500, as well as additional mRNA vaccine candidates, will induce neutralising antibodies against the emerging SARS-CoV-2 variants, with the potential to inform current and future clinical development.

The joint development team is working on improving the temperature stability of the mRNA vaccine candidate and targeting a -20 degrees Celsius (°C) storage temperature for late-stage clinical trials and at launch. Efforts are also underway to enable the product to be stable at routine refrigerator temperature (2–8°C).
Running with CO² technology: Covestro and Plama-pur cooperate to produce foam for sports shoes

2nd March 2021 – Covestro has developed an innovative technology that converts the exhaust gas carbon dioxide (CO₂) into a valuable precursor for plastics, replacing up to 20 per cent of fossil raw materials. The precursor is marketed under the name ‘cardyon’ and is suitable for many different applications. A current example is flexible foams from the Slovenian footwear supplier Plama-pur, which provide greater comfort in the inner padding of running, trekking and ski boots, especially in the ankle zone.

The more sustainable raw material can already be used in many products and industries, and enables similar or better properties than with fossil-based raw materials. New applications are also consistently being developed. Covestro’s CO₂ technology has thus developed into a platform technology that contributes to resource conservation and the circular economy, and to reducing the ecological footprint of goods.

Philips and Disney join forces to improve the healthcare experience of children

3rd March 2021, Amsterdam, The Netherlands – Royal Philips, a global leader in health technology, and The Walt Disney Company (Europe, Middle East and Africa) announced that they are teaming up to test the effects of custom-made animation, including specially-made Disney stories, within Philips Ambient Experience—a solution that integrates architecture, design and enabling technologies, such as dynamic lighting, video projections and sound—to allow patients and staff personalise their environment to create a relaxing atmosphere. Philips’ clinical research project will commence this summer in six hospitals across Europe and the results of the pilot project will be completed later this year. This is the first time Disney has collaborated as part of a clinical research project of this kind.

SAP accelerates climate protection to achieve carbon neutrality by 2023

4th March 2021, Walldorf – SAP SE announced its intention to become carbon neutral by the end of 2023 – two years earlier than previously stated. This announcement coincided with the publication of SAP’s Integrated Report 2020.

Last year, the company exceeded its greenhouse gas (GHG) emissions target, mainly due to changes in the way its 100,000 employees across the world worked and travelled during the COVID-19 pandemic. A sharp decline in business flights contributed significantly to SAP’s reduced carbon footprint in 2020, and with employees working predominantly from home, carbon emissions caused by the daily commute and the operation of office buildings fell. As a result, SAP was able to overachieve by 43 per cent on its target for reducing net carbon emissions in 2020, generating 135 kilotonnes (kt) instead of the anticipated 238 kt. To compare, SAP’s emissions in 2019 were 300 kt. By accelerating toward carbon-neutral operations, SAP anticipates the current development and underscores its role as a front-runner in climate protection.
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