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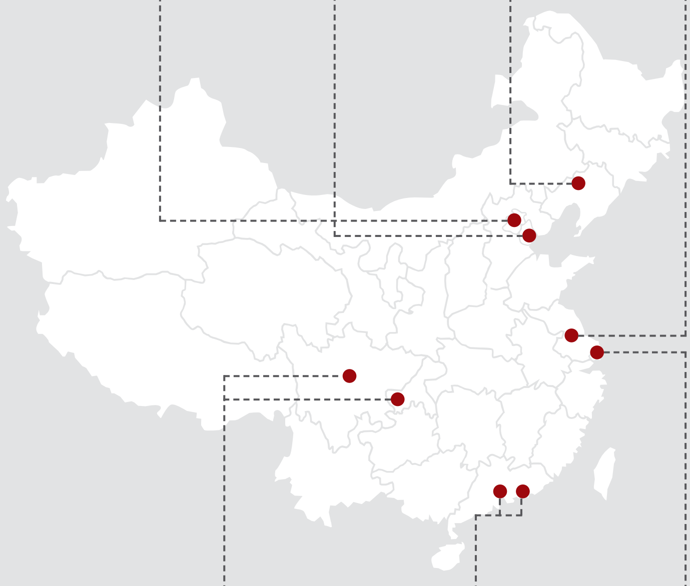

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President's Foreword

More positive signals, some promising steps

Jens Eskelund

President

European Union Chamber of Commerce in China

As the Year of the Dragon began, the Chinese Government continued to send positive signals to business and emphasise its commitment to support the economy. When Premier Li Qiang presented the annual government work report at this year's 'Two Sessions', he said that China would open up more sectors of the economy to foreign investment.[1] Li outlined actions that would achieve this, including further reducing the 'negative list' of industries closed to foreign investment and easing market access restrictions in more sectors. He vowed that issues related to cross-border data transfer and public procurement would also be addressed.

At the same time, the work report retained a clear focus on security. The potentially contradictory objectives of strengthening China's self-reliance, while committing to reform and further opening of the economy, continue to cause uncertainty for business.

On 19th March, the State Council released an action plan listing 24 measures aimed at boosting foreign investment.[2] The plan evoked a sense of *déjà vu*, given that it came seven months after the release of a previous State Council document which also contained 24 points on boosting foreign investment.[3] The two documents overlap in certain areas and have discrepancies in others, but the points listed will resonate with the foreign business community. If implemented in a timely, coordinated and consistent manner, they could go a long way to improving business confidence.

But more than words, business needs to see action. Some progress had been made, such as the four-year extension of the Individual Income Tax benefits for foreign nationals, but businesses are still wondering when they will see implementation of the measures that tackle the key issues they face. One such issue is the facilitation of cross-border data transfers, something the new action plan also mentions. The Cyberspace Administration of China (CAC) issued its draft *Provisions on Regulating and Promoting Cross-border Data Flow* (*Provisions*) in September, which ease at least some of the relevant requirements on business.[4] On 22nd March, the CAC released the final version of the document, which was greatly welcomed by the business community.[5] The European Chamber was particularly pleased that some of the improvements have been made in line with our recommendations. We will continue to assess the concrete impact of the *Provisions*, and look forward to seeing more actions being taken that genuinely improve the business environment in China.

With that in mind, at the start of 2024 we surveyed our members to find out how European businesses are faring in China. I look forward to presenting the findings in May, and providing Chinese and European officials, media and other organisations with a snapshot of how European companies view the business environment, highlighting both the hurdles they face and improvements they have experienced.

[1] *Report On The Work Of The Government*, The National Committee of the Chinese People's Political Consultative Conference, 5th March 2024, viewed 22nd March 2024, <http://en.cppcc.gov.cn/pdf/ReportontheWorkoftheGovernment.pdf>

[2] *China issues action plan to promote high–level opening up, attract foreign investment, Xinhua,* 19th March 2024, viewed 22nd March 2024, <https://english.news.cn/20240319/cf218662696c4f8f9e706ceb09139901/c.html>

[3] *国务院关于进一步优化外商投资环境 加大吸引外商投资力度的意见 [Opinions of the State Council on Further Optimising the Foreign Investment Environment and Increasing Efforts to Attract Foreign Investment]*, State Council, 13th August 2023, viewed 22nd March 2024, <https://www.gov.cn/zhengce/content/202308/content_6898048.htm>

[4] *国家互联网信息办公室关于《规范和促进数据跨境流动规定（征求意见稿）》公开征求意见的通知* [*Notice of the Cyberspace Administration of China on the Public Solicitation of Comments on the Provisions on Regulating and Promoting the Cross–border Flow of Data (Draft for Comments)*], Cyberspace Administration of China, 28th September 2023, viewed 22nd March 2024, < https://www.cac.gov.cn/2023–09/28/c_1697558914242877.htm>

[5] *促进和规范数据跨境流动规定* [*Facilitation and Specification of Regulations for Cross–border Data Flows*], Cyberspace Administration of China, 22nd March 2024, viewed 25th March 2024, <https://www.cac.gov.cn/2024–03/22/c_1712776611775634.htm>

THE EU'S FOREIGN SUBSIDIES REGULATION

A blessing or a curse?

by **Adrian Emch**

The Foreign Subsidies Regulation, enacted by the European Union (EU) in 2023, gave many European companies the hope that it would allow them to compete on a level playing field against non-EU companies benefitting from unfair subsidies. Yet according to **Adrian Emch**, **vice chair** of the **European Chamber's Legal and Competition Working Group**, things are not necessarily working out like that.

European Union (EU) companies with a significant business presence in China probably have mixed feelings about the EU's Foreign Subsidies Regulation (FSR).

During the legislative process and following its enactment, there was widespread satisfaction among EU companies about the FSR. Many observers felt that some companies had enjoyed an unfair advantage by receiving subsidies from non-EU governments, allowing them to outcompete their rivals in the EU market — especially given that the EU's state aid rules prohibit member states from providing such support.

Although the FSR applies to all companies regardless of their nationality, judging from the comments put forward during the legislation consultation process, many stakeholders assumed that the regulation would mainly be enforced against non-EU companies, which were thought to be the main beneficiaries of subsidies granted by non-EU governments. With long-standing concerns about unfair subsidy policies, EU companies with operations in China were especially hopeful about finally achieving a level-playing field with their Chinese competitors.

However, in February 2023, their hopes were dashed when the European Commission (EC) released its first set of draft rules for implementing the FSR. On closer inspection, the rules revealed that EU companies would likely bear a higher burden in complying with the FSR than their non-EU counterparts.

Fast-forward to April 2024, the FSR has been in force for around nine months and the filing regimes have passed the 100-day mark. To mark the occasion, at the end of February 2024, the EC published the *FSR Brief*, recapping developments from the first 100 days of FSR enforcement.[1] The release of the publication makes this an ideal time to take stock and review what the FSR has achieved, and what this means for EU companies doing business in China. This can be achieved by examining each of the three procedural mechanisms under the FSR.

"On closer inspection, the rules revealed that EU companies would likely bear a higher burden in complying with the FSR than their non-EU counterparts."

Ex officio procedure

In an ex officio investigation, the EC examines past conduct by companies, in particular whether they have obtained subsidies from non-EU governments and have used these subsidies to distort competition in the EU market.

Following the investigation, if the EC concludes that a company has indeed obtained subsidies which distort competition in the EU, it can take 'redressive measures' to undo the damage caused by the distortion (but cannot fine the company). The FSR itself contains a non-exhaustive list of quite far-reaching redressive measures, including reduction of capacity or market presence, divestment of assets, changes to governance structure and repayment of foreign subsidies.

So far, the EC does not appear to have launched any ex officio investigations. Since the EC has some discretion on what cases to bring under this procedure, it can reasonably be expected that EU companies will not be among the first targets.

M&A filing regime

The FSR has established a suspensory mergers and acquisition (M&A) filing regime with certain numeric thresholds that are not based directly on the underlying substantive problem (that is, foreign subsidies and distortion in the EU). Instead, the thresholds are two-fold:

- The first threshold looks at whether the parties to an M&A deal (including the creation of a joint venture controlled by at least two parent companies) have received aggregate **foreign financial contributions** above euro (EUR) 50 million in the three years before the deal.
- The second threshold creates a 'local nexus' requiring the target or the joint venture (including their subsidiaries) to have had aggregate **EU turnover** of at least EUR 500 million.

EU companies have grown less enthusiastic about the M&A filing regime since the FSR's enactment. For one, the term 'financial contribution' is much broader than 'subsidy' as it

[1] Moscoso, L, & Stoyanova, I, *Competition FSR brief*, European Commission, February 2024, viewed 21st March 2024, <https://competition–policy.ec.europa.eu/document/download/22197012–2036–4b1e–8b02–0eb8b2d6e666_en?filename=kdar24001enn_competition_FSR_brief_1_2024_100–days–of–FSR–notification–obligation.pdf>

basically means the countervalue of any dealings with governmental entities. For example, selling shares, goods or services to them, or purchasing goods or services from them, amounts to receiving a financial contribution — even if the compensation for the transaction is done at market rates and the company does not obtain an advantage as such.

EU companies doing business in China frequently come across government actors in their commercial activities. For example, paying an electricity bill in China may amount to a foreign financial contribution because the utility is often a state organ or state-owned company, hence many EU companies have realised that their China activities can contribute to triggering filing thresholds.

According to the *FSR Brief*, from 12th October 2023 to 20th January 2024, the EC engaged in pre-notification discussions with parties to M&A deals in 53 cases, 13 of which were EU-to-EU transactions and 33 of which were EU-to-non-EU transactions.[2] Although there is no country-specific information in the *FSR Brief*, anecdotal evidence suggests that there were few, if any, deals involving Chinese companies among the 53 transactions.

In short, EU companies have started to realise that—given the second threshold's focus on EU turnover—they are the companies most likely to have transactions for which the target or joint venture is above the threshold. As a result, EU companies seem to be disproportionately impacted by the M&A filing obligation.

Public procurement filing regime

Similar to the M&A filing regime, the FSR has also established a suspensory filing regime for participation in certain EU public procurement procedures. Again, the thresholds triggering the filing obligation are not based on the substantive problem (foreign subsidies and distortions in the EU), but on financial contributions and a local nexus:

- The first threshold looks at whether a company submitting a bid in a public procurement procedure has received **foreign financial contributions** of at least EUR 4 million per non-EU country in the three years prior to the tender.
- The second threshold creates a local nexus requiring that the **estimated value** of the public procurement procedure be at least EUR 250 million.

Even if a company does not meet the filing thresholds, it needs to make a declaration and disclose foreign financial contributions below the thresholds.

The first threshold is even lower than for the M&A filing regime, and most EU companies with significant business in China will probably need to assume they meet the financial contribution threshold.

In addition, similar to M&A filings, it is likely that EU companies participate considerably more often in large EU tenders compared to non-EU companies, hence the filing obligation will rest heavily on them.

There are no statistics on public procurement filings in the *FSR Brief*. However, on 16th February 2024, the EC announced its first in-depth investigation of a public procurement filing procedure.[3] The company placed under investigation was an affiliate of a large Chinese state-owned producer of rolling stock. On 26th March it was announced that the company had withdrawn from the tender.[4] So far this is the only Chinese company to have entered the in-depth investigation phase.

Takeaways

The enforcement of the FSR is at an early stage. During the initial 100 days following the commencement of filing obligations, the main focus of the EC has been to review notifications filed under the M&A and public procurement filing regimes.

Statistics suggest that many of these filings were made by EU companies or by parties doing transactions with EU companies, hence the filing obligations have increased the compliance burden of EU companies.

Going forward, for EU companies with an important business presence in China, the FSR will continue to be a double-edged sword. On the one hand, the FSR may develop into an instrument helping to create a level-playing field with Chinese competitors. On the other, EU companies' interactions with government entities in China may contribute to them triggering the filing thresholds, thereby raising compliance obligations for their M&A deals and tender projects in the EU.

Whatever their specific exposure, it is clear that EU companies doing business in China will be right in the middle of the fast-developing enforcement of the FSR.

Adrian Emch is a partner at Hogan Lovells, the international law firm, and the vice chair of the European Chamber's Legal and Competition Working Group.

[2] Moscoso, L, & Stoyanova, I, *Competition FSR brief*, European Commission, February 2024, viewed 21st March 2024, <https://competition–policy.ec.europa.eu/document/download/22197012–2036–4b1e–8b02–0eb8b2d6e666_en?filename=kdar24001enn_competition_FSR_brief_1_2024_100–days–of–FSR–notification–obligation.pdf>

[3] *Commission opens first in–depth investigation under the Foreign Subsidies Regulation,* European Commission, 16th February 2024, viewed 21st March 2024, <https://ec.europa.eu/commission/presscorner/detail/en/ip_24_887>

[4] *Statement by Commissioner Breton on withdrawal by CRRC Qingdao Sifang Locomotive Co., Ltd. from public procurement following the Commission's opening of an investigation under the Foreign Subsidies Regulation,* European Commission, 26th March 2024, viewed 1st April 2024, <https://ec.europa.eu/commission/presscorner/detail/en/statement_24_1729>

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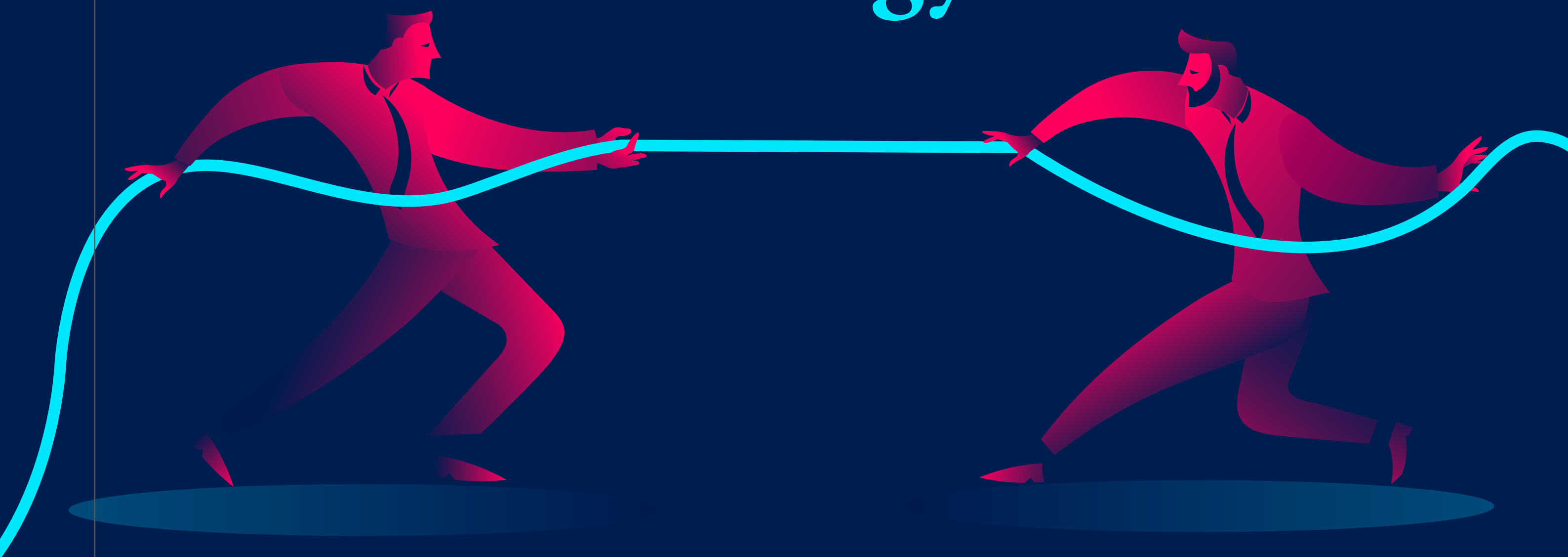
The European Economic Security Strategy



What impact will it have on European industry?

by **Ester Cañada Amela**

On 20th June 2023, the European Commission and the European External Action Service published a Communication on the European Economic Security Strategy (EESS).[1] This was followed by further announcements, most notably an October 2023 recommendation to carry out risk assessments on four critical areas, and a package announced on 24th January 2024 with five concrete initiatives under the EESS.[2&3] In this article, the **European Chamber's head of European government affairs, Ester Canada Amela,** looks at the measures being taken and what impact they may have on European business.

1 *European Economic Security* Strategy, European Commission, 20th June 2023, viewed 21st March 2024, <https://ec.europa.eu/commission/presscorner/api/files/attachment/875428/Factsheet%20Economic%20Security%20Strategy_EN.pdf>

2 *Commission recommends carrying out risk assessments on four critical technology areas: advanced semiconductors, artificial intelligence, quantum, biotechnologies,* European Commission, 3rd October 2023, viewed 21st March 2024, <https://ec.europa.eu/commission/presscorner/api/files/document/print/en/ip_23_4735/IP_23_4735_EN.pdf>

3 *Commission proposes new initiatives to strengthen economic security,* European Commission, 24th January 2024, viewed 21st March 2024, <https://ec.europa.eu/commission/presscorner/api/files/document/print/en/ip_24_363/IP_24_363_EN.pdf>

The need for European Union (EU) policymakers to outline a clear approach towards economic security has become more apparent during the last few years as geopolitical developments and 'black swan' events, from COVID-19 to Russia's invasion of Ukraine, revealed the security risks associated with certain economic flows. A document issued by the European Commission (EC) in June 2024 on the EESS identified four main risks:

- risks to the resilience of supply chains;
- risks to physical and cyber-security infrastructure;
- risks related to technology security and technology leakage; and
- risks linked to the weaponisation of economic dependencies or economic coercion.

What are the principles of the EESS?

The EESS framework is based on two main principles: proportionality (in terms of actions/responses taken) and precision (in terms of sectors/products targeted). The EESS is also not targeted at any particular country.

Key takeaways

The proposals for an economic security strategy demonstrate the paradigm shift taking place in the EU's thinking on how it views trade and investment relations, as well as what it considers to be both a security and strategic risk. This is an acknowledgement of both the changing global economic and geopolitical dynamics and the direction that the EU has been taking as a result, and it presents a framework on how to approach economic relations with third countries from a security viewpoint.

How are economic security risks addressed under the EESS?

Pillar	Existing measures	Proposed/new measures
Promoting the EU's competitiveness and growth	• Industrial policy-related initiatives (the EU's industrial strategy, the Chips Act, the Critical Raw Materials Act, the proposed Net-Zero Industry Act, the proposed Single Market Emergency Instrument). • Enhancing the EU's intelligence gathering framework, the Single Intelligence Analysis Capacity, improving information gathering capabilities.	• A Strategic Technologies for Europe Platform that will create synergies between existing EU funds for strategic priorities and will add euro (EUR) 10 billion to these funds. • Commission white paper on options for enhancing support of research and development (R&D) of technologies with dual-use potential.
Protecting against economic security risks	• Anti-Coercion Instrument. • Foreign Direct Investment (FDI) Screening Regulation (existing regulation is under revision). • Toolkit on tackling foreign interference in research and innovation. • Cyber: proposed Cyber Resilience Act, Directive on the Resilience of Critical Entities and revised Directive on the security of network and information systems (NIS2 Directive), 5G Toolbox, proposed Cyber Solidarity Act. • Export controls on dual-use items (2021 revision).	• Commission legislative proposal to review the existing inbound FDI screening mechanism. • Commission recommendation on conducting risk assessments on four key critical technology areas (advanced semiconductors, artificial intelligence, quantum, and biotechnologies). • Commission white paper on improving the current export control framework of dual-use items. • Commission white paper exploring options for an outbound investment screening mechanism. • Commission proposal for a European Council recommendation on research security.
Partnering on economic security	• Bilateral: through partnerships like the United States (US) and India trade and technology councils, or the Japan Economic Dialogue, as well as free trade agreements and partnerships with developing countries. • Plurilateral: G7, Global Gateway, the Partnership for Global Infrastructure Investments, the Raw Materials Club. • Multilateral: the World Trade Organization (WTO), G20, the United Nations, or multilateral development banks.	• Work bilaterally, plurilaterally and multilaterally will continue.

Similar to other defensive tools and mechanisms previously rolled out by the EU, the EESS and the new proposals under this framework are explicitly country-agnostic, a point that has been reiterated repeatedly by EU leaders like EC President Ursula von der Leyen. At the same time, China has been mentioned by name several times in press conferences (including in acknowledgements that this whole initiative was mentioned during a speech by von der Leyen on China on 30th March 2023).[4]

Both existing instruments and the various proposals under the strategy are likely to have an impact on the China operations and investment considerations of European businesses in the sectors affected by these regulations. Throughout the second half of 2023 and in the first months of 2024, EU leaders have clearly signalled their willingness to put the extensive toolbox that they have been developing to use in instances of distortions originating from China. For example, the EC has already launched an anti-subsidy investigation into electric cars from China and, under the Foreign Subsidies Regulation (FSR), three investigations have so far been announced on tenders submitted by Chinese companies in rail and solar.[5&6&7&8] It is expected that further investigations will be launched throughout 2024.

"...the EC has already launched an anti-subsidy investigation into electric cars from China and, under the Foreign Subsidies Regulation (FSR), an investigation was also announced on tenders submitted by Chinese companies in rail and solar."

At the same time, there are a number of challenges to the ability of EU stakeholders to push forward on new measures. This is because a number of aspects of this strategy fall under member state purview in terms of competencies, due to the potential for unintended impacts resulting from the development and deployment of these tools. This is reflected in the cautious approach to the proposals themselves: three out of the five take the shape of white papers rather than legislative proposals and have extensive timelines for information gathering, reviews and assessments. This cautious approach is generally supported by leading European industry associations such as BUSINESSEUROPE and the Federation of German Industries, which have warned of unintended negative effects on general European competitiveness.[9&10] Industry players in particularly threatened sectors, such as wind and solar, have been calling for more support through industrial policy for European manufacturers and protective measures to address distortions in the Internal Market, as well as for a measured approach to the deployment of trade defence tools.[11&12&13]

From the Chinese side, the China Chamber of Commerce to the EU has shared its concerns over the five measures announced in January 2024, as well as on the electric vehicles and FSR probes.[14&15&16&17] Chinese Government spokespeople have expressed similar views on these investigations, with the Ministry of Commerce (MOFCOM) alleging potential non-compliance with WTO rules.[18] In the meantime, the MOFCOM has launched an anti-dumping probe on imported brandy from the EU.[19]

4 *Speech by President von der Leyen on EU–China relations to the Mercator Institute for China Studies and the European Policy Centre*, Delegation of the European Union to Japan, 30th March 2023, viewed 21st March 2024, <https://www.eeas.europa.eu/delegations/japan/speech–president–von–der–leyen–eu–china–relations–mercator–institute–china–studies–and–european_en?s=169>

5 *Commission launches investigation on subsidised electric cars from China*, European Commission, 4th October 2023, viewed 21st March 2024, <https://ec.europa.eu/newsroom/trade/redirection/document/99093>

6 *Commission opens first in–depth investigation under the Foreign Subsidies Regulation*, European Commission, 16th February 2024, viewed 21st March 2024, <https://ec.europa.eu/commission/presscorner/api/files/document/print/en/ip_24_887/IP_24_887_EN.pdf>

7 *Commission opens two in–depth investigations under the Foreign Subsidies Regulation in the solar photovoltaic sector,* European Commission, 3rd April 2024, viewed 5th April 2024 <https://ec.europa.eu/commission/presscorner/detail/en/ip_24_1803>

8 At the time of writing, China Railway Rolling Stock Corporation, the Chinese company involved in the first investigation under the FSR, had already withdrawn its bid

9 Economic security – Business welcomes clarity and further debate, BUSINESSEUROPE, 24th January 2024, viewed 21st March 2024, <https://www.businesseurope.eu/publications/economic–security–business–welcomes–clarity–and–further–debate>

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13 *Press Release: Race against time: safeguarding the European solar industry is still possible*, European Solar Manufacturing Council, 2nd February 2024, viewed 5th April 2024, <https://esmc.solar/press–release–race–against–time–safeguarding–the–european–solar–industry–is–still–possible/>

14 *CCCEU Statement of EC unveiling "European Economic Security Package"*, China Chamber of Commerce to the EU, 24th January 2024, viewed 21st March 2024, <http://en.ccceu.eu/2024–01/24/c_4020.htm>

15 *CCCEU Statement on the EU's Anti–Subsidy Probe into Chinese EVs*, China Chamber of Commerce to the EU, 4th October 2023, viewed 21st March 2024, <http://en.ccceu.eu/2023–10/04/c_3481.htm>

16 *CCCEU Statement on the European Commission's First In–depth Investigation under the Foreign Subsidies Regulation Targeting CRRC Qingdao Sifang Locomotive*, China Chamber of Commerce to the EU, 16th February 2024, viewed 21st March 2024, <http://en.ccceu.eu/2024–02/16/c_4058.htm>

17 *CCCEU Statement on EC opens two in–depth investigations into Chinese companies under FSR in solar photovoltaic sector*, China Chamber of Commerce to the EU, 4th April 2024, viewed 5th April 2024, <http://en.ccceu.eu/2024–04/04/c_4138.htm>

18 *China expresses strong dissatisfaction with EU probe into Chinese EVs, vows to protect interests of Chinese companies, Global Times*, 4th October 2023, viewed 21st March 2024, <https://www.globaltimes.cn/page/202310/1299228.shtml>

19 *China launches anti–dumping probe into EU brandy, Xinhua*, 5th January 2024, viewed 21st March 2024, <https://english.news.cn/20240105/42a3126849d544b59bee7afb12e6a7de/c.html >

Next steps

In terms of the five new EC initiatives announced in January 2024, the timelines are as follows:

- Proposal to review the existing inbound FDI screening mechanism: the Council of the EU and European Parliament will each begin work to develop a negotiating position on the proposal, after which inter-institutional negotiations commence.
- White paper on outbound investment screening:the deadline for the public targeted consultation is 17th April 2024.[16]
- White paper on export controls: an EC recommendation on a coordination mechanism among member states on new National Control Lists will be issued before the end of the current term in June. An early evaluation of the Dual Use Regulation based on the outcomes of a forthcoming in-depth study, together with the results of the evaluation of the list of critical technologies announced by the EC in October 2023, will be finalised in the first quarter of 2025.
- White paper on options for enhancing support of R&D of technologies with dual-use potential: a public consultation will be open until 30th April 2024.[17]
- Proposal for a Council recommendation on enhancing research security: the Council of the EU will assess the proposal.

Given the potential impact on industry of both these new measures and of further EU actions under the umbrella of the existing defensive toolbox, it will be important for European industry to continue to monitor further developments and to provide feedback to EU policymakers.

Ester Cañada Amela manages the European Chamber's overall engagement with European institutional stakeholders and monitors relevant policy developments in the EU. She is also in charge of the Advocacy Platform at the EU SME Centre, an EU-funded project implemented by the European Chamber and three other partners, as well as the Chamber's Standards and Conformity Assessment Working Group.

[20] Feedback can be submitted at: https://ec.europa.eu/eusurvey/runner/TC_Monitoring_Outbound_Investments_in_Technology

[21] Feedback can be submitted at: https://ec.europa.eu/info/law/better–regulation/have–your–say/initiatives/14060–RD–on–dual–use–technologies–options–for–support_en

January 2024	January – April 2024	January – April 2024	Summer 2025	Autumn 2025
• Adoption of the white paper on outbound investments	• Public consultation on the proposed monitoring and review of certain existing outbound investments and related activities	• Assessment of the results of the consultation and adoption of a European Commission recommendation to member states to launch the proposed monitoring and review	• Conclusion of the proposed monitoring and review by member states and risk assessments of outbound investment transactions	• Assessment by the European Commission of the need for possible policy responses.

11TH JAN.
BEIJING

Chamber president joins panel discussion chaired by Belgian prime minister

European Chamber President Jens Eskelund participates in a panel discussion chaired by Belgian Prime Minister Alexander de Croo
Photo: European Chamber

On 11th January, European Chamber President Jens Eskelund delivered a keynote speech and participated in a panel discussion, as part of an event chaired by Belgian Prime Minister Alexander de Croo during the latter's visit to China. In his remarks, Eskelund provided an update on key issues facing China's economy, including its lacklustre economic recovery in 2023 and the apparent contradiction between promoting security and attracting foreign direct investment.

6TH JAN.
SOUTH CHINA

Chamber vice president meets deputy secretary general of Guangzhou Government

European Chamber Vice President Klaus Zenkel with Deputy Secretary General of Guangzhou Municipal People's Government Huang Guanglie
Photo: European Chamber

On 24th January, European Chamber Vice President and South China Chapter Chair Klaus Zenkel led a Chamber delegation—which included South China Chapter Vice Chair Fabian Blake, along with representatives from member companies—to meet with Huang Guanglie, deputy secretary general of Guangzhou Government. Michaël de Boer, first secretary of the trade section of the European Union Delegation and Wim Peeters, consul general of Belgium in Guangzhou, also joined the discussion.

24TH JAN.
SOUTH CHINA

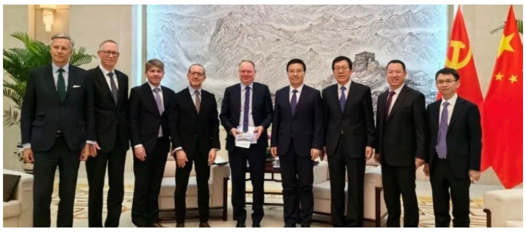
Chamber, Guangzhou Government host 2024 EU-Guangzhou Business Dialogue

The First EU–Guangzhou Business Dialogue
Photo: European Chamber

The first EU-Guangzhou Business Dialogue, organised by the European Chamber, the Guangzhou Bureau of Commerce and the Huangpu District Government, took place on 24th January. The event focussed on addressing policy-related issues as well as challenges faced by Chamber members.

29TH JAN.
BEIJING

President Eskelund meets Assistant Minister Zhao of the IDCPC



European Chamber President Jens Eskelund with Assistant Minister Zhao Shitong (4th from right)
Photo: European Chamber

On 29th January, European Chamber President Jens Eskelund led a Chamber delegation in discussions with Zhao Shitong, assistant minister of the International Department of the Communist Party of China (IDCPC). The two sides discussed recent developments in EU-China relations, geopolitical issues, how to ensure supply chain resilience and the environment for foreign businesses in China.

Other senior Chamber representatives in attendance, including Vice President Stefan Bernhart, states' representatives Gianni Di Giovanni and Peter Ling-Vannerus, and board member Markus Borchert, updated Zhao on operational issues encountered in the automotive, energy, environment/green technology, financial services, and information and communication technology sectors. Both sides agreed to hold similar exchanges in the future.

1ST FEB.
SHENYANG

Chamber holds talks with Shenyang Government on tourism industry

The European Chamber's Shenyang Chapter meets with representatives of Shenhe District Government
Photo: European Chamber

On 1st February, representatives from the European Chamber's Shenyang Chapter held talks with officials from the city's Shenhe District Government on how to further develop the culture and tourism industry. Points addressed included leveraging international cultural and tourism activities, as well as the possibility of organising future events to bring together international and local stakeholders.

28TH FEB.
BEIJING

Chamber president has exclusive meeting with MOFCOM vice minister

European Chamber President Jens Eskelund attends the roundtable held by the MOFCOM
Photo: European Chamber

On 28th February, European Chamber President Jens Eskelund had an exclusive meeting with Ling Ji, vice minister and deputy international trade representative of the Ministry of Commerce (MOFCOM) in Beijing. The pair discussed how the '24 measures', previously released by the State Council, would be actioned.

Vice Minister Ling recognised the significant role played by the Chamber in promoting EU-China exchanges and stated his hope that the Chamber will continue to work with the MOFCOM to further deepen EU-China economic relations and promote the business environment in China. Eskelund noted that Chinese policymakers had provided some positive signals to attract foreign investment, and businesses are now waiting to see if action will be taken to resolve the other points listed in the document.

Following the meeting, Eskelund, together with Chamber member companies, joined a roundtable session on the implementation of the 24 measures.

China joins Hague Apostille Convention

Membership of the convention will make the authentication of documents easier

The Convention Abolishing the Requirement of Legalisation for Foreign Public Documents (Apostille Convention) came into force in China on 7th November 2023, replacing the traditional two-step authentication process of diplomatic and consular legalisation with a one-step apostille certificate. **Hawksford's Sebastian Hoffmann** argues that this change will benefit both businesses and individuals that need to use public documents issued by a foreign government in China, as well as those using Chinese documents abroad.

The objective of the Hague Apostille Convention is to simplify the process of authenticating public documents for use abroad. The convention was adopted by the Hague Conference on Private International Law in 1961 and has been ratified or acceded to by 125 countries and regions. These include the major trading partners of China and most members of the Belt and Road Initiative, the European Union (EU), the United Kingdom, the United States, Japan, South Korea, Australia and Russia.

The convention eliminates the need for consular authentication and streamlines the authentication process by providing a standardised certificate known as an 'apostille' that is recognised by all contracting states. The apostille certificate allows public documents issued in one contracting state to be certified for legal use in another contracting state, after being notarised by a competent authority designated by the issuing state.

The apostille is a form of authentication that verifies the origin, signature, seal and stamp of a document. While it does not verify the content of the document, the apostille has the same effect as the traditional consular authentication procedure among the contracting states.

What are the benefits?

China's membership of the convention will undoubtedly save businesses and individuals time and money. According to China's Ministry of Foreign Affairs (MFA), it is estimated that this will save more than Chinese yuan (CNY) 300 million annually in processing expenses. The time taken for processing and circulating documents between contracting states is expected to be reduced by an average of 90 per cent.

Previously, individuals had to go through a lengthy administrative process of legalising documents through multiple authorities. Foreign documents had to first be notarised and authenticated by local authorities, and then authenticated by the Chinese embassy or consulate in the country where the documents were issued. The process of obtaining a document for use overseas previously took approximately 20 working days, but can now be completed in just a few working days.

Chinese citizens can quickly and easily apply for various documents, such as marriage certificates and drivers' licences. Similarly, foreign nationals can now use an apostilled document to support a range of administrative procedures, such as applying for visa and work permits, or to register a marriage.

China's accession to the convention is also likely to improve the country's business environment, particularly for foreign direct investment (FDI). The MFA reports that around 70 per cent of the commercial documents required for making an investment into China or exporting from the country will be covered by the convention.

This means that businesses engaged in international trade can enjoy a smoother process for using invoices, contracts and other documents with the apostille certificate. Foreign companies can now more easily apply for business licences in China as new documents required for company registration, such as business registration certificates and articles of association, only require an apostille certificate.

Which documents qualify?

Before requesting an apostille, it is important to understand which documents fall under its scope. The Apostille Convention only applies to certain public documents, including:

a) court documents;

b) administrative documents, such as birth, marriage and death certificates;

c) notarial acts; and

d) certificates that are placed on documents signed by persons in their private capacity, such as official certificates recording the registration of a document.

The determination of whether the document is considered public is defined by the law of the state in which it was issued. The need for an apostille certificate depends on whether the document requires traditional consular legalisation in its country of origin before the convention takes effect. The convention typically excludes administrative documents related to commercial or customs activities, as well as diplomatic or consular documents.

Key considerations and good practice

For businesses planning to take advantage of the new, simplified procedures for the authentication of documents, there are a few things to bear in mind.

First, it is highly recommended that companies and investors understand China's laws and regulations governing notarisation and apostille certificates for document authentication. Applicants should familiarise themselves with the requirements and procedures for obtaining an apostille, such as the criteria for what constitutes a public document in China. Companies can seek advice from international business law specialists and make use of government services.

Second, when preparing documents and materials, applicants should pay close attention to additional document verification requirements. Chinese authorities typically require a certified Chinese translation of the original document. Applicants should also keep a copy of original documents and materials for audit and verification purposes.

Finally, it is also recommended to plan a reasonable timeline, budget in advance and ensure that all submissions are completed on time. Efficient processing can help companies and individuals receive the apostille within the expected timeframe.

Conclusion

China's accession to the Apostille Convention is expected to increase FDI by streamlining document authentication for investors and augmenting predictability and transparency. The Chinese market is now more attractive to investors due to the lowering of administrative hurdles, creating a favourable atmosphere for international commercial operations. China's accession to the convention demonstrates its commitment to legislative harmonisation and is in line with international standards.

Hawksford is an international provider of corporate, private client and fund services. It is trusted to deliver efficient administration services to private and publicly listed companies, multinationals and SMEs, entrepreneurs and HNW individuals, global banks and intermediaries.

Sebastian Hoffmann works as an associate at Hawksford as part of the sales and business development team in China, in charge of the Hawksford German Desk. He graduated in communication and cultural science and attended universities in Germany, Poland and China.

Media Watch

Chamber's comments on China's mixed messaging sought by media

Chinese policymakers sent mixed messages to business throughout 2023, simultaneously implementing a wave of security-focussed measures while also stating their goal of restoring China's attractiveness as a top destination for foreign direct investment. Several media outlets reached out to the Chamber for comment on how businesses were being impacted by these developments.

During interviews with *Bloomberg* and *NPR*, Chamber President Jens Eskelund noted that at the top of a growing list of questions about the Chinese market, Chamber members find themselves questioning what kind of relationship China wants to have with foreign companies operating in the country, and often do not know where they stand due to the inconsistent signals being sent by the Chinese Government. This view was echoed in the *SCMP* by Secretary General Adam Dunnett, who noted that such mixed messaging is leading to an erosion of confidence in the Chinese market.

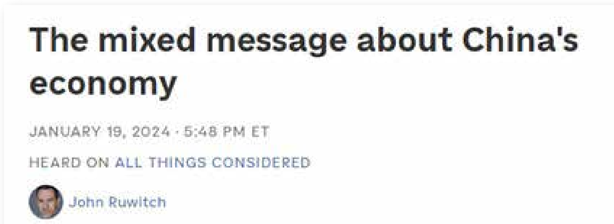
Tianjin Chapter's green electricity workshop covered by media

On 3rd January, *Xinhua* covered a workshop jointly held by the European Chamber and the State Grid Corporation of China on how companies can promote the development of green energy. Tianjin Chapter General Manager Catherine Guo was interviewed on the sidelines of the event. She praised the green electricity purchase scheme and noted that such initiatives are vital for the development of global supply chains in light of efforts to decarbonise.


Xi's Mixed Messages Leave Whiplashed Investors Wary of China

Bloomberg News, Bloomberg News

Bloomberg article on China's mixed messaging and its impact on investors
Media: *Bloomberg*
Date: 3rd January 2024


The mixed message about China's economy

JANUARY 19, 2024 · 5:48 PM ET

HEARD ON ALL THINGS CONSIDERED

John Ruwitch

NPR article on China's mixed messaging
Media: *NPR*
Date: 3rd January 2024


中国绿电助力外企达成碳中和目标

2024-01-03 20:39:52 浏览量：72.2万
来源：新华社

Xinhua article on China's green electricity access
Media: *Xinhua*
Date: 3rd January 2024

The Big Read Chinese business & finance + Add to myFT

The looming trade tensions over China's subsidies

The US and EU are busy 'de-risking' supply chains but Beijing has its own plan for economic autonomy

The *FT* article on China's subsidies
Media: *FT*
Date: 30th January 2024

Leaving China, long-time EU trade group chief says investors remain keen, but with more reservations

- Joerg Wuttke, president emeritus of the European Union Chamber of Commerce in China, is departing after four decades in the country
- Multinationals still want to invest, he says, but obstacles include overcapacity in manufacturing and a lack of candour from top leadership

The *SCMP* article on China's overcapacity
Media: *SCMP*
Date: 30th January 2024

Economy / China Economy

China's foreign firms grapple with upward mobility in post-Covid era as state-owned peers rise

Article published by the *SCMP* on Chinese support for SOEs
Media: *SCMP*
Date: 15th February 2024

Media report Chamber president's comments on overcapacity

With growing concern in the European Union (EU) over the potentially distortive impacts of China's electric vehicle subsidies on Europe's Single Market, the issue of Chinese overcapacity remained in the spotlight throughout January and February. Speaking with the *FT* and the *SCMP*, Jörg Wuttke, former president of the European Chamber, noted that if left unaddressed the issue of overcapacity could lead to an outflow of foreign investment. Chamber President Jens Eskelund, also speaking with the *FT*, warned that Chinese overcapacity-related issues could force the EU to take measures to protect the long-term viability of the Single Market and Europe's industrial base, adding that it is in the long-term interests of both China and Europe to ensure their trading relationship is mutually beneficial.

Chamber's comments on Chinese support for SOEs gain media coverage

The unbalanced growth of foreign companies and state-owned enterprises (SOEs), a trend that predates the COVID-19 pandemic, came under the spotlight again in 2023, with industrial output among foreign entities in China growing by a meagre 1.4 per cent, year on year, underperforming the 5 per cent growth reported among SOEs. The *SCMP* reached out to the European Chamber for comment, publishing an article on Chinese policymakers' renewed emphasis on supporting the development of China's SOEs and the negative impact of this on the upward mobility of foreign firms operating in the Chinese market. Speaking of the impact that this is having on European businesses' China strategies, Chamber President Jens Eskelund noted that while foreign companies have not stopped investing in China completely, they do not see the same growth prospects that they previously saw, leading many to adopt a more cautious approach.

Events Gallery

BEIJING, 16TH JANUARY 2024

China Economic Outlook 2024: Reflections Following the Central Economic Work Conference

- A number of speakers shared their views and reflections on the Central Economic Work Conference during an event in Beijing. The speakers explored topics such as how companies are digitalising their products and services, as well as China's efforts to develop renewables and cut its carbon footprint.
- Wang Dan, chief economist at Hang Seng Bank China, argued that automobiles would be the top direct contributor to China's gross domestic product (GDP) going forward, while highlighting low consumer confidence and the number of Chinese companies moving operations abroad.
- Christopher Beddor, deputy China research director at Gavekal Dragonomics, outlined three economic policy dilemmas for China's government in 2024: policymakers will have to rely on more than industrial policy to maintain current growth rates of 5 per cent, the labour market is probably not as good as current data suggests and a focus on non-economic goals will mean that people need to adjust their economic growth expectations.

BEIJING, 7TH MARCH 2024

European Chamber Women's Day Workshop > Gender Diversity: Empowering Female Leadership In Business

- Women encounter numerous challenges, with one of the most formidable being the struggle to balance family responsibilities with work commitments.
- In contrast to China, Europe boasts a higher number of women who have become successful entrepreneurs.
- Sharing successful business experiences and accomplishments within female and diverse communities may facilitate the growth of success among more women.

SHANGHAI, 5TH MARCH 2024

SBA Series - Sustainability Talk (2) with SBA 2023 Winner Companies

- Boehringer Ingelheim, winner of the Resilient Industry, Innovation, and Infrastructure Pioneer Award at the 2023 Sustainable Business Awards (SBA), shared its Total Stroke Solution project which has helped educate people about the dangers of strokes and provided training and support for rehabilitation efforts.
- Covestro, winner of the Circular Economy Award, shared its circular economy strategies and practices, including green roadmaps, product design, sustainable manufacturing and green supply chains.
- Covestro also won the Diversity, Equity and Inclusion Leader Award due to its efforts to attract talent from a diverse range of backgrounds.

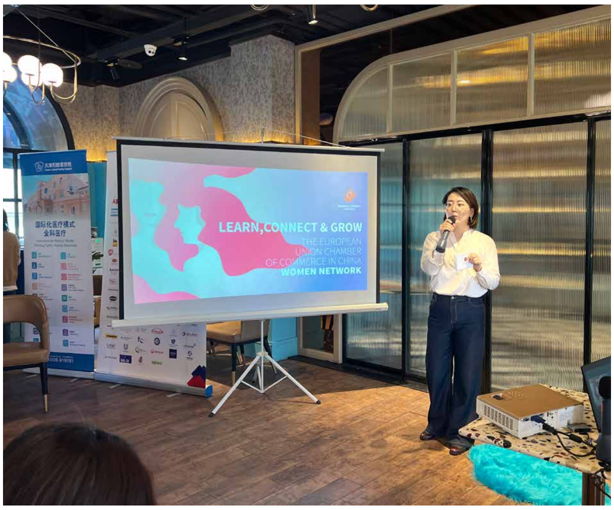
SHANGHAI, 7TH MARCH 2024

Gender Diversity: Empowering Female Leadership in Business

- A panel featuring representatives from business, the European Chamber and the United Nations discussed the importance of gender equality and investing in women in business.
- Panellists shared their personal experiences of the challenges faced by women trying to become business leaders as well as insights on how to overcome barriers to success.
- The importance of building self-confidence, recognising the transformative potential of change, thinking big and cultivating effective stress management strategies were among the behaviours listed as important for achieving success.

TIANJIN, 29TH FEBRUARY 2024

Women Network: Women's Leadership Award 2024



- Seven female business leaders from different sectors were given awards for their achievements and contributions.
- During a panel session and group discussion various topics were debated, including how to make the best use of personal attributes in the workplace.

SOUTH CHINA, 6TH MARCH 2024

Women's Day Networking Dinner

- The evening served as a platform to celebrate and honour the achievements of women in various fields, which helped to underscore the important contributions they have made to the business community.
- Attendees shared their personal and professional journeys, with the power of storytelling and shared experiences frequently mentioned as being important.
- The event showcased the commitment of the European Chamber to creating an inclusive business environment that values and promotes the contributions of women.

SOUTHWEST CHINA, 22ND JANUARY 2024

Exclusive Meeting with EU Delegation Trade Section Counsellor Hélène Juramy

- Counsellor Hélène Juramy stated that we are now living in a different world and a different China, highlighting China's slower than expected economic recovery and the lack of confidence among companies.
- Representatives from member companies spoke about the issues they faced, such as certification for products exported to Europe.

NANJING, 6TH MARCH 2024

2024 European Chamber After New Year Gathering in Changzhou

- China will face a range of challenges as it tries to decarbonise its supply chains.
- Foreign nationals in China continue to experience issues when trying to access online payment services. Members highlighted issues with 'real-name authentication' for people without a Chinese ID.
- Meeting international standards for green electricity is proving to be challenging for companies in China.

Advisory Council News

Photo: volkswagen–newsroom.com

Volkswagen Group strengthens technical development board in China

29th January 2024 - The Volkswagen Group is strengthening its technical development board in China, as part of its 'In China, for China' strategy. Thomas Ulbrich will head up the board for the Group in China from 1st April 2024. In his new role Ulbrich will continue to advance the technological localisation of the portfolio.

"The Volkswagen Group's 'In China, for China' strategy is about systematically adapting to the dynamic changes taking place in China's automotive industry. A high degree of localisation will allow us to cater to the wishes of our Chinese customers," said Ralf Brandstätter, member of the board of management of Volkswagen AG for the China region and CEO of Volkswagen Group China.

In his new role, Ulbrich will also be the CEO of Volkswagen China Technology Company (VCTC) in Hefei, Anhui Province. The Group's biggest development centre outside Germany is the central development unit of Volkswagen Group China, which focusses squarely on intelligent, fully connected electric vehicles.

The VCTC will therefore play a key role in the development of specific models for China. One of the things being developed there is the first local electric platform, which will form the basis for new Volkswagen models in China from 2026. By implementing efficient development processes and using state-of-the-art technologies, the VCTC will reduce the time to market for vehicles and components by 30 per cent.

BASF to divest shares in Xinjiang joint ventures

9th February 2024 - In the fourth quarter of 2023, BASF started the process to divest its shares in the joint venture companies BASF Markor Chemical Manufacturing (Xinjiang) Co., Ltd. and Markor Meiou Chemical (Xinjiang) Co., Ltd. in Korla, Xinjiang Uygur Autonomous Region. As part of BASF's global strategy for 1,4-butanediol (BDO), the company has assessed the market environment and product carbon footprints (PCF) of BDO and its downstream products from different production sites worldwide. BDO value chains are under increased competitive pressure and characterised by global overcapacities. Furthermore, carbide-based BDO and polytetrahydrofuran produced in Korla have a significantly higher PCF, due to the use of coal as a base raw material and the high energy intensity of the production process.
In the future, BASF will customise its global portfolio of BDO and affiliated downstream products to provide competitive low-PCF offerings.

The situation in the Xinjiang region has always been part of BASF's overall assessment of its joint ventures in Korla. Regular due diligence measures, including internal and external audits, have not found any evidence of human rights violations at the two joint ventures. However, recently published reports related to the joint venture

Photo: basf.com

partner contain serious allegations that indicate activities inconsistent with BASF's values.

It is important to note that BASF has no indication that employees of the two joint ventures were involved in human rights violations. The most recent reports relate to BASF's joint venture partner, in which BASF does not have a stake.

BASF's presence in China remains otherwise unchanged, and the company is fully committed to its business activities and planned investments in the country. Greater China currently accounts for around half of global chemical production. Global growth in chemical production until 2030 will be driven by Greater China, which will account for around 80 per cent of the total growth during the period from 2022 to 2030.

ABB graded 'A' for transparency on climate change

6th February 2024 - ABB has been recognised for leadership in corporate transparency and performance on climate change by global environmental non-profit the Carbon Disclosure Project (CDP), securing a place on its annual 'A List'. Based on data reported through the CDP's 2023 Climate Change questionnaire, ABB is one of a small number of companies that received an A grade – out of over 21,000 companies assessed.

The company has submitted its new targets to the Science Based Targets initiative with validation expected in 2024. These include 1.5°C-aligned Scope 1 and 2 targets aiming at a CO_2e emissions reduction of 80 per cent by 2030 and 100 per cent by 2050, versus a 2019 baseline. On a 12-month rolling average, as of Q3 2023, ABB achieved a 72 per cent reduction in Scopes 1 and 2 CO_2e emissions versus 2019.

Additionally, the company has set new Scope 3 CO_2e emissions targets aiming at a reduction of 25 per cent by 2030 and 90 per cent by 2050, versus a 2022 baseline.

Photo: new.abb.com

A detailed and independent methodology is used by CDP to assess companies, allocating a score of A to D based on the comprehensiveness of disclosure, awareness and management of environmental risks and demonstration of best practices associated with environmental leadership, such as setting ambitious and meaningful targets. Those that do not disclose or provide insufficient information are scored an F.

DB Schenker uses electric vehicles for charity event

8th February 2024 - As temperatures plunged in December 2023, a well-known local elementary school in Minhang, Shanghai, initiated a charity campaign and approached the DB Schenker Less-than-Truckload (LTL) Network team for assistance. They sought the swift logistical capabilities of DB Schenker's LTL Network to transport unwanted books and clothes donated by students for children living in remote, mountainous areas of Yushu, Qinghai Province.

The goods were collected by DB Schenker's new electric vehicle and transported from its Shanghai hub, eventually reaching children living in Qinghai. The donations helped bring warmth and comfort to the children during the cold winter months.

Merck signs renewable energy agreement with China Resources Power

26th January 2024 - Merck, a leading science and technology company, has signed a 10-year green power purchase agreement with China Resources Power. This is Merck's first long-term renewable energy procurement in China, with an expected consumption of 300 gigawatt hours (GWh) in 10 years. It will bring the company's usage of green electricity in its Chinese production and operations to 60 per cent and reduce Scope 2 carbon emissions by 185,000 Tons. This initiative advances Merck's goal of increasing its worldwide purchases of electricity from renewable sources to 80 per cent by 2030, with the company aiming to be climate-neutral by 2040.

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

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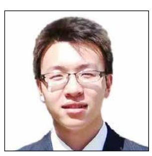
SHENYANG



Leo Liu
Office Manager

SOUTH CHINA

Francine Hadjisotiriou
General Manager

SW CHINA

Sally Huang
General Manager

TIANJIN

Catherine Guo
General Manager

SECRETARY GENERAL

Adam Dunnett

Listed in alphabetical order.

WORKING GROUP CHAIRS

The chairs and vice chairs are responsible for carrying out the working group's overall leadership through hosting working group meetings, leading advocacy meetings, co–leading on the annual *Position Paper*, recruiting new members and representing the group in front of media.

Agriculture, Food & Beverage
National Chair
Silvia Wang

Auto Components
National Chair
David Li

Automotive
National Chair
Wang Pei

Aviation & Aerospace
National Chair
Remi Paul

Banking & Securities
National Chair
Mario Huang Yu

Compliance & Business Ethics
National Chair
Victor Shen

Construction
National Chair
Jinyan Zhao

Cosmetics
National Chair
Jacky Zhang

Energy
National Chair
Zhonghua Xu

Environment
National Chair
Huang Xiaojun

Finance & Taxation
National Chair
Alexander Prautzsch

Healthcare Equipment
National Chair
Annie Yin

Human Resources
National Chair
Jeanette Yu

Information & Communication
Technology National Chair
Michael Chang

Insurance
National Chair
Amy Zhu

Intellectual Property Rights
National Chair
Yajun Bai

Investment
National Chair
Jens Ewert

Legal & Competition
National Chair
Sara Marchetta

Logistics
National Chair
Elaine Chen

Maritime Manufacturing &
Industrial Services National Chair
Tiger Yong

Non-Banking Financial
Institutions National Chair
Renato di Chiara

Petrochemicals, Chemicals
& Refining National Chair
Justin Zhang

Pharmaceuticals
National Chair
Raphael de Garnier
des Garets

Rail
National Chair
Michelle Zhang

Research & Development
National Chair
Ye Li

Standards & Conformity
National Chair
June Zhang

The Advisory Council

of the European Chamber

The members of the European Chamber's Advisory Council are active in representing and advising the Chamber, and make an enhanced contribution to the Chamber's funding.

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Podcast

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