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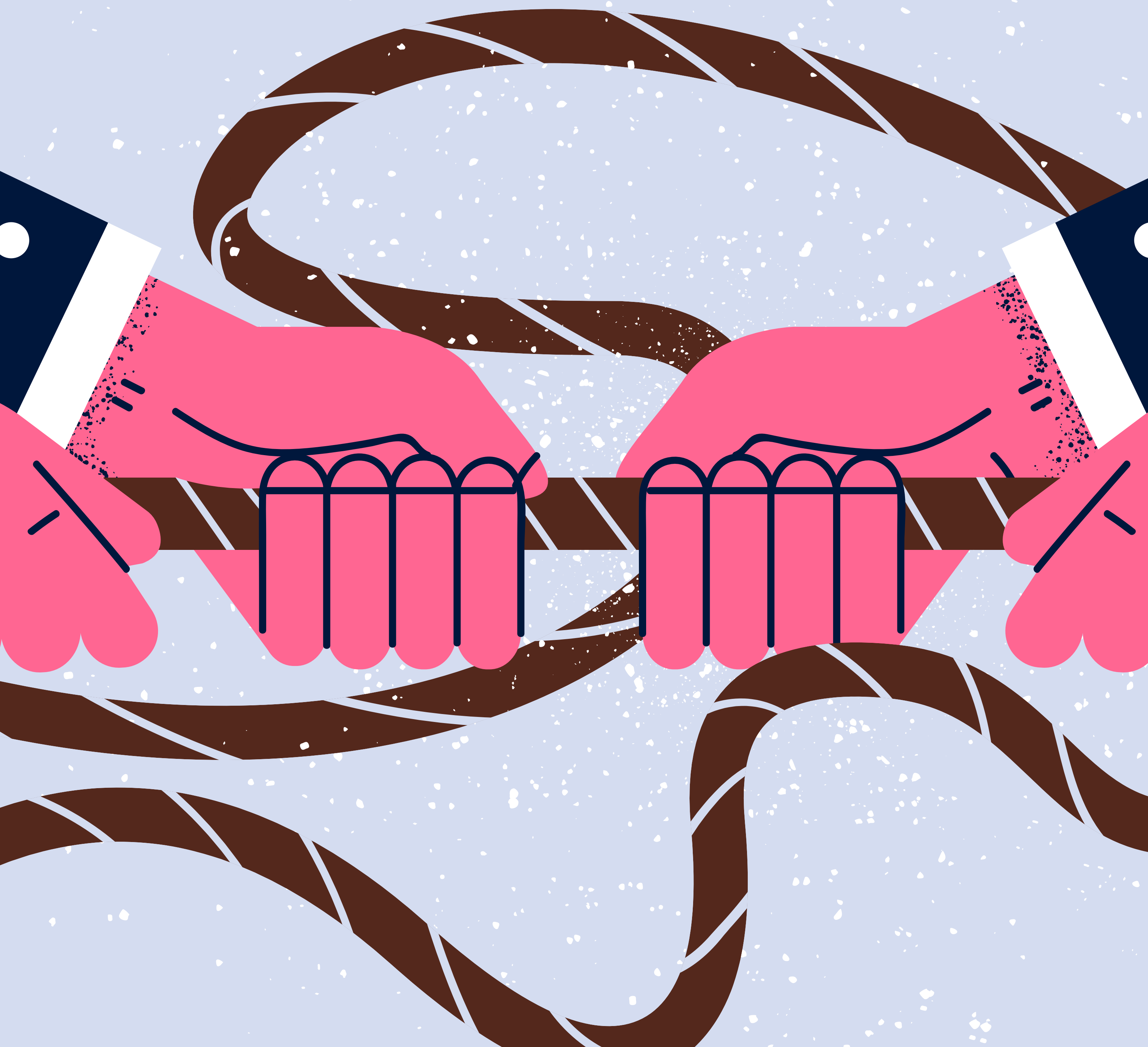

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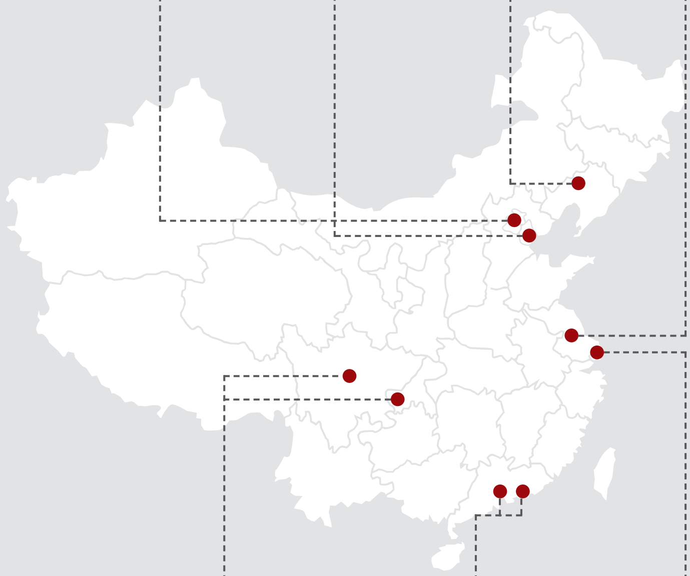

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President's Foreword

EV tariffs highlight need for meaningful solutions to EU-China trade imbalance

Jens Eskelund

President

European Union Chamber of Commerce in China

One consistent trend in the European Union (EU)-China trade relationship is that most Chinese exports to the EU are doing very well, growing at the fastest rate for several years.[1]

However, the same cannot be said about goods moving in the other direction: in volume terms, EU exports to China have been down since 2017, a period in which the Chinese economy has grown by 40 per cent.[2&3] While in value terms EU exports to China have grown slightly, the value of imports from China has outpaced this growth, resulting in an increased trade deficit.[4] Given that the EU has successfully increased exports to other markets, this issue seems to transcend competitiveness.[5]

Despite making up just short of two per cent of total imports from China to the EU,[6&7&8] electric vehicles (EVs) have been the focus of recent EU-China trade discussions. On 29th October, the European Commission concluded its year-long anti-subsidy investigation into EV imports from China.[9] The resulting decision—to impose countervailing duties on EVs imported from China to the EU for five years—has raised serious concern about the future of the EU-China trade relationship.

Overemphasising this relatively small fraction of trade, however, risks losing focus on the more than 98 per cent of exports from China to the EU that are not EVs.

This is not to say that the findings of the EU's investigation are insignificant. In fact, the probe highlighted a serious structural issue in EU-China trade: the need for Europe to be able to compete with China on a level playing field. EVs are a strategic sector, meaning that despite the relatively small portion of trade they make up, it still has significant implications for Europe.

The EU has stated that it intends to continue working with China on solutions to address the distortions that its EV probe found, highlighting its commitment to deal with such problems through dialogue.[10] While we should take encouragement from this, to ensure that trade can continue to flourish, we need to address imbalances and distortions whenever and wherever we encounter them. If they are glossed over or pushed to one side, there is a risk that other sectors will come under threat, leading to similar trade defence actions being directed towards China. That is a situation that nobody would benefit from.

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1 Container Trade Statistics is an organisation that provides aggregated trade volumes in twenty-foot equivalent units (TEUs) between various regions as a paid-for service. The ratios referenced here are for trade in TEUs between Greater China—including Taiwan and Hong Kong—and continental Europe, including the United Kingdom. See: <https://www.containerstatistics.com/>

2 *Ibid.*

3 *GDP (current US$) – China*, World Bank, viewed 7th November 2024, <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2022&locations=CN&start=1961&view=chart>

4 *International trade in goods by partner*, Eurostat, June 2024, viewed 8th November 2024, <https://ec.europa.eu/eurostat/statistics–explained/index.php?title=International_trade_in_goods_by_partner#Focus_on_EU_trade_in_goods_for_selected_partners>

5 *Ibid.*

6 *Fact sheet: EU-China vehicle trade*, ACEA, 12th June 2024, viewed 4th November 2024, <https://www.acea.auto/fact/fact–sheet–eu–china–vehicle–trade–2024/>

7 China-EU - international trade in goods statistics, Eurostat, February 2024, viewed 4th November 2024, <https://ec.europa.eu/eurostat/statistics–explained/index.php?title=China–EU_–_international_trade_in_goods_statistics>

8 The total value of goods imported from China to the EU in 2023 was euro (EUR) 514.4 billion, while the total value of EV imports was EUR 9.7 billion.

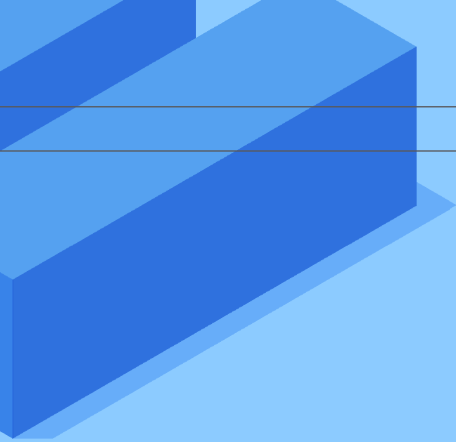
9 *EU imposes duties on unfairly subsidised electric vehicles from China while discussions on price undertakings continue,* European Commission, 29th October 2024, viewed 4th November 2024, <https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5589>

10 *EU imposes duties on unfairly subsidised electric vehicles from China while discussions on price undertakings continue,* European Commission, 29th October 2024, viewed 4th November 2024, <https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5589>

THE TARIFF LAW

What companies need to know

With the new Tariff Law set to come into force on 1st December 2024, there are a number of things that companies need to be aware of. In this article, **Nicolas Zhu** of **CMS China** outlines some of the law's key areas and how its provisions are likely to impact businesses.



On 1st December 2024, China's new Tariff Law will come into effect.[1] The *Import and Export Customs Tariff Nomenclature Rules*,[2] which are an appendix to the new Tariff Law, along with the *Imported and Exported Goods Taxation Administrative Measures* and 33 customs regulations under *Customs Decree No. 273*,[3&4] will also enter into force the same day.

The new Tariff Law replaces the *Import and Export Customs Tariff Regulation* (the previous legal basis for levying customs duties)[5] and forms the new underlying legal provisions in the form of a law governing all customs tariff matters in China. Both the Tariff Law and the Customs Law[6] (which is currently under revision) will now form the legal basis for all customs matters in China.

In addition, from 1st December 2024, China will unilaterally scrap customs duties on the most underdeveloped countries that have diplomatic ties with China in order to further business ties.

1. Overview

The new Tariff Law is the first law governing customs tariff matters in China. The purpose of the law is to standardise customs tariff administration to the same degree as other tax laws, and bring it into line with national laws, such as the Taxation Administration Law,[7] the Legislation Law[8] and the Administrative Enforcement Law.[9]

The law also governs new business models, such as cross-border e-commerce (CBEC), and enhances the administrative powers of customs to implement administration and enforcement of customs tariff issues with regard to the customs harmonised system (HS) code classification, the place-of-origin determination and calculation of customs duties. The new law provides a strong legal basis for customs officers to enforce customs duty-related administrative measures, with customs enforcement previously having been underpinned by weaker administrative regulations. Customs control is likely to become more and more stringent in the coming years, with the entry into force of the Tariff Law.

2. The Tariff Law and daily operations

(a) Withholding liabilities on CBEC

The new Tariff Law clarifies that for CBEC, e-commerce platform business operators, logistic enterprises or customs declaration enterprises and/or other entities or individuals who have the withholding obligation under laws and administrative regulations shall act as the withholding agent for customs duty payments. Failing to act as a withholding agent can incur a customs fine of 50 to 300 per cent of the outstanding customs duty.

Neither the Customs Law, the *Tariff Regulation* nor the *Customs Administrative Sanction Administrative Regulation*[10]—nor the previous version of the *Imported and Exported Goods Taxation Administrative Measures*—contain any provision regarding the obligation of the withholding agent for customs duties and related penalties. Only a circular jointly issued in 2018 by different ministries (including the General Administration of Customs and the Ministry of Commerce)[11] provides for such a withholding obligation, but no provisions provide details on potential sanctions for breaches.

Foreign-invested enterprises involved in CBEC need to be aware of the potential penalties if customs duties are not properly withheld.

(b) Determining customs dutiable value

Article 26 of the new Tariff Law mentions that warranty repair service fees must now be included in the scope of customs dutiable value.[12] If any warranty repair service fee needs to be stipulated in a sales contract, the fee must be included in the customs dutiable value.

Apart from the aforementioned, the Tariff Law does not provide any new provisions related to determining customs dutiable value for royalties and services compared with the *Tariff Regulation*. In practice, quite a few local customs departments tend to use the opinions in the *Guideline Book of the General Administration of Customs* as a legal basis when determining the customs dutiable value, and tend to include all sorts of services in the final valuation.[13] If local customs departments continue to use this interpretation, foreign-invested enterprises can request that customs officers not use theoretical opinions

[1] *Tariff Law*, National People's Congress, 26th April 2024, viewed 19th November 2024, <http://www.npc.gov.cn/c2/c30834/202404/t20240426_436843.html>

[2] *Announcement Regarding the Promulgation of the Import and Export Customs Tariff Attached to the Tariff Law*, State Council, 26th April 2024, viewed 19th November 2024, <https://www.gov.cn/zhengce/zhengceku/202404/content_6947938.htm>

[3] *Imported and Exported Goods Taxation Administrative Measures*, General Administration of Customs, 28th October 2024, viewed 19th November 2024, <http://www.customs.gov.cn/customs/302249/302266/302267/6176833/index.html>

[4] *Decision No. 273 on the Modification of Certain Regulations of the General Administration of Customs*, General Administration of Customs, 28th October 2024, viewed 19th November 2024, <http://www.customs.gov.cn/customs/302249/2480148/6176885/index.html>

[5] *Import and Export Customs Tariff Regulation*, State Council, 23rd November 2003, viewed 19th November 2024, <https://www.gov.cn/gongbao/content/2017/content_5219152.htm>

[6] *Customs Law*, National People's Congress, 22nd January 1987, viewed 19th November 2024, <https://www.gov.cn/banshi/2005–08/31/content_27749.htm>

[7] *Taxation Administration Law*, National People's Congress, 4th September 1992, viewed 19th November 2024, <http://www.npc.gov.cn/npc/c1772/c21116/c21297/c21305/201905/t20190521_180282.html>

[8] *Decision of the National People's Congress on Amending the Legislation Law*, National People's Congress, 15th March 2015, viewed 19th November 2024, <http://www.npc.gov.cn/zgrdw/npc/xinwen/2015–03/18/content_1930129.htm>

[9] *Administrative Enforcement Law*, National People's Congress, 30th June 2011, viewed 19th November 2024, <https://www.gov.cn/flfg/2011–07/01/content_1897308.htm>

[10] *Customs Administrative Sanction Administrative Regulation*, General Administration of Customs, 19th September 2004, viewed 19th November 2024, <http://www.customs.gov.cn/customs/302249/302266/302267/356578/index.html>

[11] *Circular related to the Improvement of Import Supervision on Cross-border E-commerce Retail*, 28th November 2018, viewed 19th November 2024, <https://www.gov.cn/zhengce/zhengceku/2018-12/31/content_5437823.htm>

[12] According to Article 26 of the Tariff Law, the following expenses listed in the price of goods at the time of importation shall not be included in the customs dutiable value: expenses related to the construction, installation, assembly, repair and technical services after the importation of the plant, machinery and equipment, other than warranty repair service fees. This means that the customs dutiable value will now include warranty repair service fees.

[13] Examples of services that might be included in the customs dutiable value include fees for various services, such as consultation and design.

as a legal basis when determining the customs dutiable value, in the absence of explicit provisions in this regard under the new Tariff Law.

However, the possibility cannot be excluded that customs departments may arbitrarily enlarge the general anti-tax avoidance rule under the Tariff Law (point 2 (e) below) to assimilate such services as a kind of tax-avoidance measure. More attention needs to be paid in this regard when concluding any service agreement between a foreign-invested enterprise and its foreign affiliates.

(c) Customs duties: No longer a prerequisite for administrative review

To facilitate customs declarations and payments, Article 66 of the Tariff Law provides that a company that applies for an administrative review of customs administrative sanction decisions no longer has the obligation to pay customs duties before applying for an administrative review, whereas paying duties was a prerequisite condition under the *Tariff Regulation*. This provision is aimed at mitigating the cash flow burden of companies that are subject to administrative sanctions.

(d) Extension of clawback period for overpayments

Article 51 of the new Tariff Law provides that an individual or organisation that overpays customs duties can apply for a refund, as long as the application is made within three years of the payment, whereas under the *Tariff Regulation*, the period is limited to one year. This modification is intended to correspond with the Taxation Administrative Law, which also provides a three-year period for tax adjustment.

The new provision seems likely to open the door to requests for customs duty adjustment due to the corporate income tax transfer pricing adjustment under the transactional net margin method (TNMM) method.[14] The short period of time offered by the *Tariff Regulation* in the past made it almost impossible to apply for such a transfer pricing adjustment with customs departments because corporate income tax transfer pricing adjustment often occurs relatively late in the year, or even much later, leaving insufficient time for the Chinese entity to make such a request to customs. The three-year retroactive adjustment makes such an adjustment possible from a technical perspective.

Customs adjustment is extremely important for foreign companies, especially in the luxury goods industry, as it avoids the issue of double taxation by the tax authorities of different countries.

However, other than the general provisions for such retroactive adjustment, the new Tariff Law does not explicitly introduce any provision regarding the customs duty adjustment due to corporate income tax transfer pricing adjustment. Also, the new Tariff Law does not state if adjustments can be made in the case of any mutual agreement procedure,[15] or advanced pricing arrangement reached between two countries' tax authorities.

The above new provision still needs to be observed in practice with local customs officers to determine whether such a customs duty adjustment is achievable.

(e) Tax avoidance measures

Article 54 of the Tariff Law provides that in case of any action without reasonable commercial purpose to avoid provisions under Chapters 2 and 3, for the purpose of reducing the customs dutiable amount, the authorities can take tax-avoidance measures to adjust the customs duty.

This provision is very similar to the provision of the general tax avoidance measures under Article 47 of the Corporate Income Tax Law. Also, Article 54 states that the authorities can take such measures, which implies that the legal right to take tax-avoidance measures is not limited to customs departments.

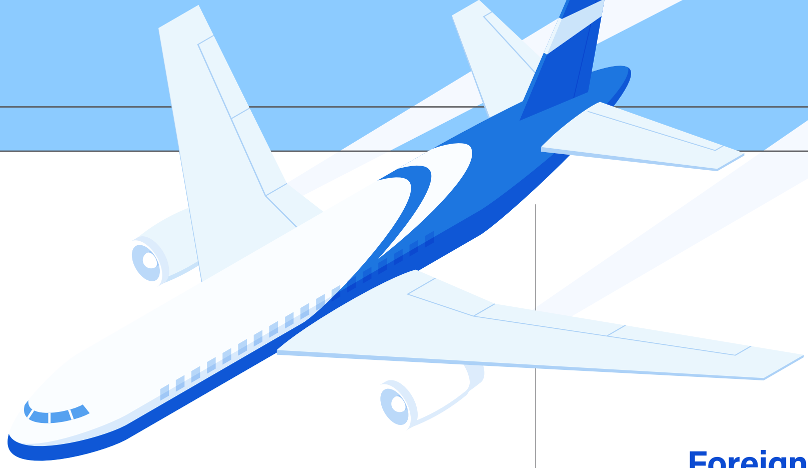
The tax-avoidance clause is vague and gives considerable leeway to customs departments to make customs duty adjustments. Also, the Tariff Law provides a period of three years for customs departments to confirm the customs dutiable value. In practice, companies may find it difficult to locate all the relevant documentation from previous years. It is recommended that relevant documents be prepared beforehand to prove the commercial nature of the arrangement.

(f) Enhancement of administrative power

The Tariff Law increases the power of customs departments to take administrative measures and to secure payment of customs duties. This expansion of power seems to be in line with the Chinese Government's desire to implement more stringent tax collection measures.

[14] The TNMM method compares the net profit margin relative to an appropriate base, such as costs or sales.

[15] It is possible to use a mutual agreement procedure in China, according to an announcement by the State Administration of Taxation. See: *Announcement on the Issuance of the Administrative Measures for the Adjustment of Special Tax Investigation and Mutual Agreement Procedures*, State Administration of Taxation, 17th March 2017, viewed 19th November 2024, <https://www.chinatax.gov.cn/chinatax/n810341/n810765/n2511651/201703/c2712540/content.html>



Among the measures, the following needs to be taken into account:

a. Measures to restrict legal representatives from leaving China

The Tariff Law empowers customs departments to ask the immigration authorities to prevent those responsible for paying customs duties or their legal representatives from exiting China if customs duties and any related penalties are not paid and no deposit guarantee has been provided. In practice, it is highly likely that the scope of payment can be extended to administrative penalties.

This provision, which previously only existed in the tax regulations, has now been extended to customs regulations, demonstrating a new diligence when it comes to collecting customs duties.

It is recommended to take this legal risk into account when appointing a company's legal representative. For example, some companies may choose to appoint a legal representative that resides abroad to help mitigate legal risks to the individual.

b. Right to directly order payment of outstanding customs duties from banks

Article 50 of the new Tariff Law empowers customs departments to directly order the payment of duties from an individual's or organisation's bank account. Although such measures are already stipulated in the *Tentative Measures Regarding the Customs Tax Preservation and Enforcement Measures* published in 2009,[16] the Tariff Law again emphasises this measure to secure customs duty payments. In addition, the scope of the parties on which customs duties can be levied has been enlarged to include withholding agents. As withholding agents are mainly related to CBEC, the Tariff Law is designed to secure the payment of customs duties by consumers who purchase goods abroad through the CBEC business model.

(g) Tariff-related measures

The new Tariff Law also clearly stipulates that tariff-related measures, such as anti-dumping customs duties[17] and anti-subsidy customs duties, will continue to be subject to the current regulations. Also, in addition to penalty customs duties,[18] the Tariff Law introduces a new provision that if any country or region refuses to offer most-favoured-nation treatment or customs preferential treatment clauses under an international treaty or protocol concluded with China—or for which China is a contracting party—China can take reciprocal measures following approval by the State Council.

3. Suggestions

Foreign-invested enterprises should check with their local customs agents, logistic providers and professional legal advisors to see whether the customs tariff nomenclature has changed due to the new Tariff Law, and what the impact is on customs duty procedures and related matters. It is vital that all relevant documentation is prepared beforehand, especially any paperwork related to tax avoidance, otherwise considerable work may be required to prove that all service transactions had a reasonable commercial purpose.

> **"Foreign-invested enterprises should check with their local customs agents, logistic providers and professional legal advisors to see whether the customs tariff nomenclature has changed due to the new Tariff Law, and what the impact is on customs duty procedures and related matters."**

Nicolas Zhu is a Partner at **CMS China**. He has spent more than two decades working extensively for mainly European clients in the areas of luxury brands, consumer goods, life sciences and healthcare. He is one of the main authors of two editions of the book *Chine juridique et fiscal* ("China Law and Tax").

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[16] *Tentative Measures for Customs Tax Preservation and Enforcement Measures*, General Administration of Customs, 1st September 2009, viewed 19th November 2024, <https://www.gov.cn/flfg/2009–08/24/content_1399595.htm>

[17] On 11th November 2024, the Ministry of Commerce announced a temporary anti-dumping tax on imports of brandy of EU origin. The tax applies to containers holding less than 200 litres, however, any attempt to import in containers holding more than 200 litres and bottling the product in China may trigger the tax-avoidance provision of the Tariff Law. See: *Notice No. 50 [2024] of the Ministry of Commerce on the Implementation of Provisional Anti-Dumping Measures on Imported Cognac Originating from the European Union*, Ministry of Commerce, 11th November 2024, viewed 26th November 2024, <http://www.cacs.mofcom.gov.cn/article/ajycs/jkdc/202411/182414.html>

[18] Penalty customs duties refers to penalty customs tariffs levied by China in case any state or region violates an international treaty or protocol concluded with China or for which China is a party, and imposes prohibitions, restrictive trade measures or increases customs tariffs or other customs measures which may impact normal trade.

Implementing the Carbon Border Adjustment Mechanism

The road ahead

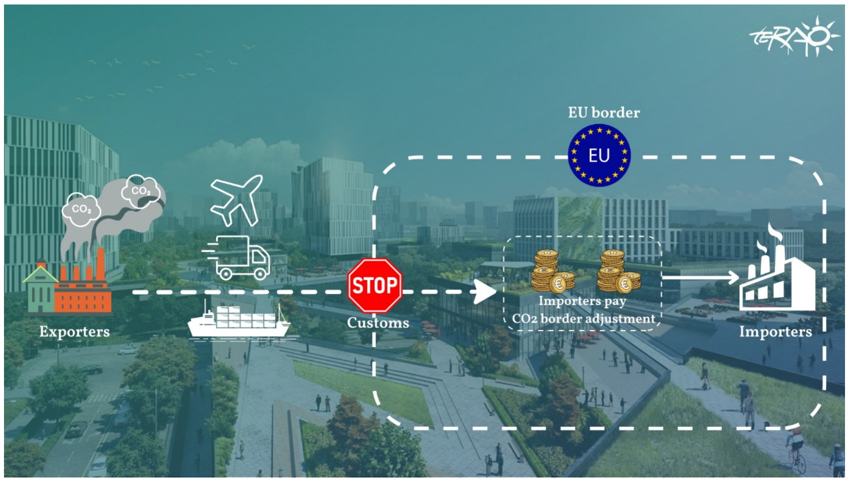
The Carbon Border Adjustment Mechanism (CBAM) represents a significant policy initiative by the European Union (EU) to limit carbon emissions and address climate change. The CBAM aims to level the playing field for EU producers by imposing a carbon cost on imports of certain goods from outside the EU, thereby preventing 'carbon leakage' – the transfer of production to countries with looser emission restrictions. In this article, **Thanh Tran** and **Nora Zhang** of **TERAO** set out what businesses need to do to prepare for the CBAM.

Set to be fully implemented in 2026, the EU's CBAM is designed to ensure that imported goods are subject to the same carbon pricing as products produced in the EU. It will initially target sectors that are particularly carbon intensive and at risk of carbon leakage. These sectors include iron and steel, aluminium, cement, fertilisers, electricity and hydrogen. Companies in these sectors must now account for the carbon emissions embedded in their products, aligning their practices with EU standards. The mechanism will expand gradually, potentially encompassing more than half of the emissions covered by the EU Emissions Trading System (ETS) by 2034.

The CBAM affects EU importers that import goods from the targeted sectors and non-EU producers exporting these goods to the EU. Companies in sectors such as automotive manufacturing, aerospace and capital goods, which rely on materials like steel and aluminium, are particularly impacted. They must adapt to the new regulations and potentially face big choices, such as finding suppliers with lower carbon emissions or investing in cleaner production methods. They will also need to plan for higher costs due to the need to buy CBAM certificates. Companies must also ensure that they report emissions correctly and buy the correct number of certificates.

The mechanism requires EU importers to purchase CBAM certificates that reflect the carbon price of EU ETS allowances. Importers can deduct any carbon costs already paid in the country of origin from their CBAM charge. The mechanism is designed to be compliant with World Trade Organization (WTO) rules and will replace the free allocation of EU ETS allowances currently provided to EU industries.

The transitional phase of the CBAM began on 1st October 2023 and will run until 31st December 2025. During this time, businesses must report the carbon emissions of their goods. It aims to help importers and producers prepare for the full implementation of the CBAM in 2026. From then on, reporting becomes mandatory and importers must purchase CBAM certificates. Non-compliance could lead to penalties, delayed customs clearance and negative records. A negative record has several implications: future shipments may be subject to more stringent inspections and delays, and additional fees or fines may be applied for continued non-compliance. A history of non-compliance might damage a company's reputation with customs authorities and business partners; in severe cases, persistent non-compliance may result in legal action or restrictions on import and export activities.



CBAM Mechanism (Credit: TERAO)

CBAM Timeline (Credit: TERAO)

> **"The mechanism requires EU importers to purchase CBAM certificates that reflect the carbon price of EU ETS allowances."**

The calculation of CBAM charges involves determining the embedded emissions in imported goods. Initially, one must identify the goods subject to the CBAM, which typically include high-carbon products. The next step is to gather the necessary emissions data, which can be either estimated or actual data from suppliers using default values provided by the EU. If actual data is unavailable, emissions can be estimated by multiplying the weight of the imported goods (in tonnes) by the emissions factor, which represents emissions per tonne. This calculation is important for companies to comply with EU regulations and prepare for the financial period starting in 2026, when they need to purchase CBAM certificates corresponding to the carbon cost of imports. The price of CBAM certificates is pegged to the weekly average auction price of EU ETS allowances. Importers must declare these emissions and submit the corresponding number of certificates annually.

$$\textit{Emissions} = \textit{Weight of imported goods (in tonnes)} \times \textit{Emissions per tonne}$$

The CBAM aims to level the playing field and reduce carbon leakage, but it presents several financial risks and challenges for European businesses operating in China. These businesses need to adapt their strategies to manage the impact of the CBAM effectively.

- **Increased costs:** European businesses importing goods from China will face increased costs due to the need to purchase CBAM certificates. The cost of these certificates will be based on the carbon emissions embedded in the imported goods, which could vary significantly depending on the sectors and the carbon intensity of the production process.

“The CBAM is a bold step towards a greener economy, encouraging global industries to align with the EU's ambitious climate goals.”

- **Supply chain disruption:** The introduction of the CBAM may lead to supply chain disruptions as businesses adjust to the new requirements. Companies may need to look for alternative suppliers or invest in reducing carbon emissions in their supply chains to mitigate the financial impact.

- **Market access risks:** Non-EU suppliers, including those in China, may face the risk of losing market access if they cannot comply with CBAM requirements. This could lead to a reduction in the competitiveness of Chinese exports to the EU, affecting European businesses that rely on these imports.

- **Regulation compliance costs:** Businesses will incur additional costs related to compliance with CBAM regulations, including monitoring, reporting and verifying carbon emissions. These compliance costs could be significant, especially for companies with complex supply chains.

To comply with the CBAM, companies need to establish robust systems to monitor and report greenhouse gas emissions across their supply chains. This includes both direct and indirect emissions embedded in imported goods. Non-compliance could lead to increased carbon tax costs and reduced competitiveness in the EU market.

The CBAM is a bold step towards a greener economy, encouraging global industries to align with the EU's ambitious climate goals. Companies must proactively engage with the CBAM requirements to avoid potential fines and loss of market share. It is time for businesses to invest in sustainable practices and prepare for a future in which environmental accountability is not only encouraged but enforced. EB

Thanh Tran is marketing manager at **TERAO**. **Nora Zhang** is the company's China sales manager.

TERAO is a French building sustainability consultancy with three decades of experience. Since 2008, the company has extended its presence in Asia through five primary hubs (China, Vietnam, Thailand, Singapore and Malaysia), with plans for further expansion in the rest of Southeast Asia, India, the Middle East and beyond. Specialising in reducing the environmental impact of buildings, TERAO offers expertise for both new construction and existing assets across diverse sectors and building types, including hospitality, manufacturing, retail and healthcare.

EUROPEAN CHAMBER'S

SERVICE AWARDS 2024

Betty Feng

5 years
Publications Manager
Beijing Chapter

Angel Zhang

5 years
Senior Business and Government Affairs Manager
South China Chapter

Shuo Zhang

5 years
IT Officer
Beijing Chapter

European Chamber
中国欧盟商会

13TH SEP.
SHENYANG

Shenyang chair speaks at Global Industrial Internet Conference

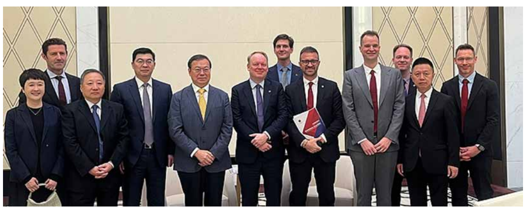
Shenyang Chapter Chair Erich Kaiserseder at the 2024 Global Industrial Internet Conference
Photo: European Chamber

On 13th September, European Chamber Shenyang Chapter Chair Erich Kaiserseder attended the 2024 Global Industrial Internet Conference, at which he delivered a keynote speech during a session on German-Chinese industrial internet exchanges.

Kaiserseder acknowledged recent efforts by the region's officials to improve the local business environment, while noting that more needs to be done if China's Northeast region is to become a leading centre for business.

24TH SEP.
SHANGHAI

Chamber meets president of Shanghai People's Association for Friendship with Foreign Countries



A European Chamber delegation meets representatives of the Shanghai People's Association for Friendship with Foreign Countries
Photo: European Chamber

On 24th September, European Chamber President Jens Eskelund, Vice President and Shanghai Chapter Chair Carlo D'Andrea and members of the Chamber's Advisory Council, met with President Chen Jing of the Shanghai People's Association for Friendship with Foreign Countries. Eskelund called on the Shanghai authorities to take further measures to promote EU-China cooperation in the field of artificial intelligence and cross-border data transfer, as well as talent attraction and retention. Chen thanked European businesses for their contribution to Shanghai's economy, as well as the Chamber for its recommendations on how to optimise China's business environment.

25TH SEP
SOUTHWEST CHINA

Vice President Bagnasco speaks at Sichuan investment promotion conference

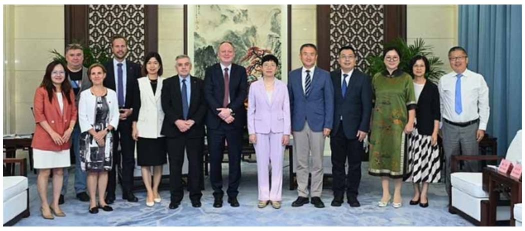
European Chamber Vice President and Southwest China Chapter Chair Massimo Bagnasco speaks at a roundtable in Chengdu
Photo: European Chamber

On 25th September, European Chamber Vice President and Southwest China Chapter Chair Massimo Bagnasco spoke at a cooperation roundtable for foreign-invested enterprises in Chengdu, attended by Sichuan Vice Governor Zuo Yongxiang and officials from 16 provincial and municipal government departments.

Referring to the *European Business in China Business Confidence Survey 2024,* Bagnasco said that Southwest China respondents reported the most market opening and the highest rate of revenue and profit increases in 2023 compared to other Chamber chapters. He also said that doing business has become more difficult for European companies operating in the region and more needs to be done to improve air quality.

17TH OCT.
SOUTH CHINA

European Chamber meets Guangdong Deputy Secretary General Guo Yile



A European Chamber delegation led by President Jens Eskelund meets Guangdong Deputy Secretary General Guo Yile
Photo: European Chamber

On 17th October, a European Chamber delegation led by President Jens Eskelund met with Guo Yile, deputy secretary general of the Guangdong Government. Eskelund presented the findings of the *European Business in China Position Paper 2024/2025,* highlighting how the risks of doing business in China are increasing and the rewards decreasing. He said that many investors are now confronted by the reality that their approach to China requires a strategic rethink. European Chamber Vice President and South China Chapter Chair Klaus Zenkel highlighted the need for more clarity when it comes to cross-border data transfer rules and regulations, as well as for policies geared towards assisting firms in attracting talent to be more effectively implemented.

Guo acknowledged the significant role that European businesses play in Guangdong's economy and reiterated the province's commitment to improving its investment environment and market access for foreign companies. He also emphasised the provincial government's focus on achieving carbon neutrality and promoting innovation and technological advancement in the Greater Bay Area.

18TH OCT.
BEIJING

President Eskelund speaks at China-Nordic Economic and Trade Cooperation Forum

President Jens Eskelund speaks at the China-Nordic Economic and Trade Cooperation Forum
Photo: European Chamber

On 18th October, European Chamber President Jens Eskelund delivered a keynote speech at the 2024 China-Nordic Economic and Trade Cooperation Forum in Wuhan, during which he emphasised the urgent need for the Chinese authorities to back recent reform policy pledges with action. He also called for the authorities to engage in frequent and frank dialogue on how China can enhance its attractiveness as a destination for foreign investment.

23RD OCT.
SOUTHWEST CHINA

Vice President Bagnasco speaks at CCPIT meeting

Vice President Massimo Bagnasco attends a meeting organised by the China Council for the Promotion of International Trade
Photo: European Chamber

On 23rd October, European Chamber Vice President Massimo Bagnasco spoke at a closed-door meeting organised by the China Council for the Promotion of International Trade (CCPIT) for foreign enterprises, attended by officials from Chongqing. Bagnasco highlighted the challenges members operating in Southwest China face when recruiting foreign talent. He called on the region to introduce further policies to facilitate talent attraction, roll out tax incentives and promote green development.

Yuan Jiajun, secretary of Chongqing Municipal Party Committee, noted that the committee will continue to improve connectivity in the Chengdu-Chongqing Economic Circle, including by facilitating cross-border investments and promoting people-to-people exchanges.

Staff retention at SMEs

How can smaller firms win the battle for talent?

Talent retention is a hot topic for companies worldwide. This is particularly true for small and medium-sized enterprises (SMEs), which face more challenges than larger businesses. In this article, **Ada Zhang** of **Goglio** outlines some of the steps SMEs can take to retain their staff.

According to LinkedIn's 2023 *Workplace Learning Report*, 93 per cent of organisations worldwide are concerned about talent retention.[1] Significant impacts of employee turnover on organisations include increased recruitment and training costs, decreased productivity due to new hires, damaged customer relationships and decreased employee morale.

Employee retention challenges

SMEs often have limited resources to offer remuneration and benefits comparable to those offered by large enterprises. This puts them at a disadvantage when it comes to attracting and retaining talent. Large enterprises usually have stronger brand influence and are able to attract employees with better skills; SMEs are relatively weak in this regard and need to compensate in other ways. Compared with large enterprises, SMEs may offer more limited career development paths, which may affect employees' long-term career planning.

Increased employee expectations

With China's ageing population and changes in the labour market, the new generation of employees will pay more attention to factors such as a company's corporate culture, employee experience, working environment and management, which places higher requirements on the enterprise. Companies that are not able to satisfy the expectations of the new generation of employees will be unable to retain new recruits or motivate existing employees.

How can SMEs address these talent attraction and retention challenges?

1. Maintain a compensation structure that is competitive in the labour market and fair internally

A fair compensation structure is the foundation of employee

[1] *2023 Workplace Learning Report*, LinkedIn, 2023, viewed 12th November 2024, <https://learning.linkedin.com/content/dam/me/learning/en-us/pdfs/workplace-learning-report/LinkedIn-Learning_Workplace-Learning-Report-2023-EN.pdf>

retention. One way companies can establish a compensation structure that motivates existing employees and is competitive in the labour market, is by using the '3P model' developed by MERCER consultancy.[2] The model takes into account an employee's position, performance and individual skills, while also seeking to factor in the labour market rate of pay. A company's position in the local labour market should be determined, with salaries for key positions set not lower than the median market salary to ensure that talent can be recruited and retained.

2 Flexibility and fast decision-making

The organisational structure of large enterprises is relatively complex, and the decision-making process is long and cannot adapt to ever-changing market demands. SMEs are able to react quickly to changes in the market due to their short decision-making chain, and this agility allows them to quickly iterate their products and adjust their strategies to meet customer needs, thereby attracting and retaining workers that want to work in a fast-paced environment. Shorter decision chains also mean that decisions can be implemented quickly, and problems and challenges can be quickly identified and resolved as they do not need to go through multiple levels of approval processes. This efficient implementation can increase job satisfaction levels as employees can see their work's direct impact and results.

3. Allow employees greater autonomy and more development opportunities

Companies can provide a platform to encourage employees to organise their own development opportunities. Giving employees more autonomy and opportunities to participate, as well as allowing them to complete tasks at their own pace, can make work more flexible and improve efficiency. At the same time, it also helps to make employees feel trusted and respected, and facilitates cross-departmental communication at all levels. This open communication environment helps to break down the barriers to information, so that employees can better align their personal goals with the organisation's goals. What companies need to do is establish an effective reward mechanism that encourages employees to create mutually beneficial results for both the company and the individual. In this case, SMEs need not be limited by their size when it comes to providing managerial positions to their employees. Instead, they can offer more autonomy to their employees to create value-added results.

4. Work to build company culture

It is very important to tell a company's story and to spread its culture. This is a key part of the long-term and continuous work to attract and retain staff, enhance the employee experience and strengthen brand value. American management scientists John Kotter and James Heskett (authors of *Corporate Culture and Performance*)[3] spent 11 years researching the relationship between corporate culture and business performance. Their research showed that companies that emphasise corporate culture perform significantly better than those that do not, with the former outperforming the latter by four times in terms of average revenue growth and more than 10 times in terms of stock price appreciation.

Companies need to clarify their core values and sense of mission so that employees understand the importance of their work to the company and enhance their sense of belonging and responsibility. This can be achieved through the establishment of open communication channels and regular feedback to enhance employees' sense of participation and identity. It is important to recognise employees' outstanding performance and contributions to encourage their enthusiasm and creativity. By ensuring employees are consistently recognised companies can help to ensure their job satisfaction and loyalty.

In summary, the key to hiring the right employees and retaining them is to offer sustainable development paths and the ability to work across disciplines, an opportunity that is rarely available in larger organisations. Company culture is an important part of talent retention. Building a company culture is a long-term endeavour that needs to be managed, and is especially important for winning the hearts and minds of new generations as they enter the workforce.

Ada Zhang is human resources director at **Goglio**. She earned her MBA from Nankai University and has more than 20 years of experience in human resource management at manufacturing companies.

Goglio is a family-owned multinational company established in Milan in 1850 that specialises in packaging solutions. The company's Fres-co system for coffee and fruit enables processors to expand the shelf life of products and reach more markets. Goglio's most iconic product is its one-way degassing valve for coffee packaging: in the 1970s its introduction dramatically extended the shelf life of roasted coffee beans.

[2] *3P Salary: The Most Standard Way Of Calculating Salary For Employees*, talentnet, 17th October 2022, viewed 15th November 2024, <https://www.talentnetgroup.com/vn/featured–insights/rewards/3p–salary–most–standard–way–calculating–salary–employees>

[3] Kotter, JP, and Heskett, JL, *Corporate Culture and Performance*, Free Press, 2011

Navigating China's evolving labour market: Challenges and opportunities

China's labour market, a cornerstone of its economic success, is changing rapidly in the post-pandemic era. While presenting unique opportunities for businesses, these changes also bring new challenges. In this article, **Roland Brouwer** of **BIPO** explains why understanding this evolving landscape is essential for European firms operating in China.

Key challenges in China's labour market

Talent shortages

Despite its vast population, China is grappling with a mismatch between workforce skills and industry demands. This mismatch stems from a blend of rapid industrial shifts, gaps in education and training systems, and regional and cultural differences. China's shift from a manufacturing-based economy to a high-tech, services and innovation-driven economy has created new demands for specialised skills. The technology, healthcare and advanced manufacturing sectors are especially impacted by shortages of highly skilled professionals.

For global businesses, attracting and retaining top talent requires strategies, such as:

- offering competitive compensation and benefits;
- prioritising professional development and upskilling programmes; and
- emphasising long-term career growth.

Structural workforce challenges

Various segments of the workforce face unique challenges:

Young workers: Many young graduates encounter limited job opportunities, with unemployment rates in this group significantly exceeding the national average. Skills mismatches and the economic slowdown further exacerbate this issue.

Mid-career professionals: Workers in their 30s and 40s face barriers due to age-related biases and rising employer preferences for younger, lower-cost staff.

Gig and rural workers: These groups face precarious employment conditions, including unstable wages and limited access to training and/or benefits.

Women in the workforce: Societal expectations and employer biases continue to restrict career opportunities for women, especially in leadership roles.

Shifting worker expectations

Post-pandemic, employee priorities have shifted dramatically: younger workers, especially Gen Z employees, value job stability, flexibility and alignment with personal values, such as sustainability and corporate social responsibility. Professionals increasingly prioritise their work-life balance and meaningful engagement in their roles, forcing companies to rethink traditional work models.

Chinese companies are adapting to growing demands for work-life balance by offering flexible work arrangements such as remote and hybrid models. There is an increased focus on employee well-being through enhanced benefits, mental health support

and stress management initiatives, while some firms are piloting shorter workweeks to reduce burnout.

Progressive companies are actively moving away from the traditional ‘996’ culture by promoting healthier work-life integration, fostering engagement through career development, corporate social responsibility programmes and employee feedback platforms. Additionally, workspaces are being redesigned with relaxation zones and recreational facilities to improve the workplace experience. These shifts reflect a broader cultural change, positioning businesses to attract and retain talent in a competitive market.

New labour regulations

China’s labour laws have become more stringent, with a focus on improving workplace conditions. Key developments include:

- enhanced protections for gig workers in response to the rise of the digital economy; and
- stricter enforcement of overtime laws to promote work-life balance.

Businesses must navigate these regulations carefully, ensuring compliance to avoid legal risks while maintaining trust with their workforce.

Emerging opportunities in the labour market

Digital transformation

China’s emphasis on digital transformation is creating significant demand for skilled professionals in areas such as artificial intelligence (AI), big data and advanced manufacturing. Businesses that invest in upskilling and reskilling programmes can not only bridge skill gaps but also position themselves as innovation leaders.

Diverse talent pool

China’s labour market remains one of the most diverse globally, offering opportunities for businesses to foster creativity and innovation through inclusive hiring practices. Tapping into a wide range of skills and perspectives can provide a competitive edge.

Growing service and blue-collar sectors

Demand for blue-collar roles, such as delivery workers and technicians, has surged. Simultaneously, the services industry is expanding rapidly, particularly in travel, retail and wellness. These sectors offer businesses opportunities to grow while addressing changing consumer demands.

Local expertise and partnerships

Collaborating with local human resources (HR) professionals, talent agencies and employer-of-record (EOR) services can simplify compliance, payroll and recruitment. These partnerships allow businesses to focus on strategic growth while ensuring alignment with local labour laws.

Best practices for businesses

1. Tailor HR strategies

Localised recruitment and retention strategies are critical to align with cultural norms and market demands. Businesses should focus on building strong employer branding to attract talent. Companies should align recruitment efforts with local practices, leveraging platforms like 51job and Zhaopin and participating in campus events. Companies should also offer competitive compensation packages that include salaries, housing allowances and social security contributions.

2. Invest in employee well-being

Flexible work arrangements, meaningful engagement and career development opportunities are key to attracting and retaining top talent, particularly younger professionals.

3. Leverage digital talent

Businesses must prioritise hiring and training in digital skills to meet the demands of China's rapidly modernising industries. As sectors like advanced manufacturing, AI, fintech and e-commerce increasingly rely on technological innovation, the need for a digitally adept workforce has become critical. Companies can leverage this trend by recruiting professionals skilled in areas such as data analytics, cybersecurity, AI engineering and digital marketing, which are in high demand. Companies should also provide staff with upskilling and reskilling programmes to ensure they remain competitive in a fast-evolving technological landscape.

> "Localised recruitment and retention strategies are critical to align with cultural norms and market demands."

4. Build compliance frameworks

Proactively managing compliance with local labour laws not only helps to prevent legal challenges but also builds trust with employees and stakeholders.

China's labour rules are getting stricter, so keeping up with laws about wages, social security, work hours and employee protections is crucial to avoid fines, legal issues and business disruptions. But it is not just about avoiding risks – companies that demonstrate they are serious about compliance build trust with employees who want fair treatment and job security. It also helps them earn respect from partners, regulators and customers by demonstrating that they are ethical and responsible. Setting up strong systems, like regular checks, locally tailored HR policies and management training, makes it easier to stay on top of changing rules. Working with legal experts and HR professionals who know China's labour landscape can also make a big difference.

5. Adapt to market trends

Staying informed about emerging trends and adjusting strategies accordingly ensures businesses remain competitive in a rapidly changing labour market. China's economy is driven by fast-paced technological change, evolving consumer preferences, new regulations and shifting workforce expectations. By staying in tune with these trends, businesses can better meet local needs, tackle challenges and unlock new opportunities.

Conclusion

China's labour market is a complex and evolving ecosystem of challenges and opportunities. While workforce shortages, regulatory changes and shifting worker priorities pose obstacles, businesses that embrace innovation, invest in talent and adapt to local dynamics can achieve long-term success.

Global companies, particularly those from Europe, can benefit from leveraging local expertise and focussing on workforce inclusivity and adaptability. By aligning strategies with China's evolving labour market, businesses can secure a competitive edge in one of the world's most critical economic hubs.

Roland Brouwer is regional director of corporate and industrial relations for Europe at **BIPO**.

Established in 2010 and headquartered in Singapore, **BIPO** is a global payroll and people solutions provider. Designed for businesses of any size, from small and medium-sized enterprises to multinational corporations, BIPO's total HR solutions include Human Capital Management (HCM) solutions, Global Payroll Outsourcing (GPO), and Employer of Record (EOR) services across 150+ global markets.

China ShortCuts

The European Chamber launched its new, short-format podcast series in October 2022.

China ShortCuts is a five-minute weekly catch-up about the Chinese business landscape.

Tune in to stay informed on the latest economic data, market trends, and policy and regulatory updates that could shape your industry.

China ShortCuts is available on Apple Podcasts, Spotify and Google Podcasts, or you can subscribe to the RSS feed:

RSS

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WeChat

Podcast

#BECAUSE OFUS

Strengthened ownership protections for leasing companies

As the independent voice of European business in China since 2000, the European Chamber actively participates in China's legislative process and our advocacy activities are widely recognised by the Chinese authorities.

We launched our #becauseofus campaign in 2019 to show our gratitude for the joint advocacy efforts of all stakeholders: governments, think tanks, member companies, and our own working groups and desk managers.

In this edition of *EURObiz*, we look at **how the European Chamber advocated for strengthened ownership protections for leasing companies.**

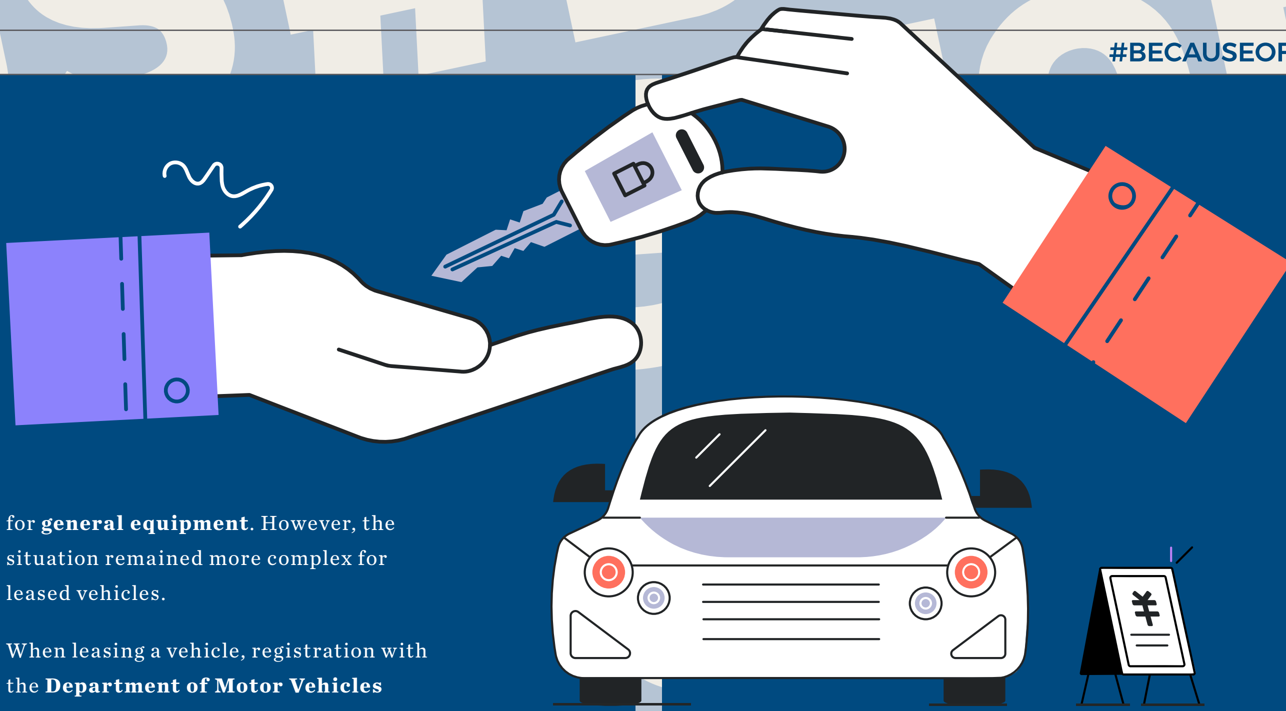
Background

Until recently, leasing companies in China faced the risk that their assets might be transferred or sold without their consent. In 2020, a court in Ningbo ruled that a leasing company was not the legal owner of its asset, despite the firm having purchased it under a **sale-and-leaseback contract** (through which an asset that has been sold is leased back by the original owner).

Why did this happen?

Article 745 of the Civil Code indicates that in order to safeguard the ownership of leased assets, the **lessor should register the ownership publicly**. Failing to do so means that the lessor cannot claim the leased asset back in the event that it is transferred or sold to a third party by the lessee.

In 2020, *Zhongdengwang*, the People's Bank of China's (PBOC's) Credit Reference Centre of Moveable Financing Registry Platform, was designated as the unified centre for **registering financial leasing transactions**. This effectively safeguarded a leasing company's ownership rights



for **general equipment**. However, the situation remained more complex for leased vehicles.

When leasing a vehicle, registration with the **Department of Motor Vehicles (DMV)** was made in the name of the lessee. In the case of sale-and-leaseback contracts, the name of the lessor was not mentioned in the registration certificate, which placed leasing companies at risk of the registration certificate being transferred to one or more third parties without their consent. This is what happened in the Ningbo case.

To avoid losing ownership of their assets, leasing companies often practiced 'double registration' – registering a mortgage on the vehicle in the DMV platform (mortgage of self-owned property) and registering the vehicle in the *Zhongdengwang*. This process increased their costs, thereby negatively impacting financing pricing.

Advocacy efforts

The Non-banking Financial Institutions Working Group (WG) advocated for improvements to the *Zhongdengwang* platform in line with international practices, where registration platforms containing fields for entering invoice numbers and additional unique identifiers of assets help avoid duplicate registrations. The WG recommended establishing links between the DMV and the *Zhongdengwang* to enable checks for existing ownership rights on a vehicle to be carried out, and to obtain consent from the legal owner prior to authorising any change in ownership/registration.

Since 2020, the WG has regularly communicated with the Chinese authorities and relevant associations, including the National Financial Regulatory Administration (formerly the China Banking and Insurance Regulatory Commission), local financial regulators in Beijing and Shanghai, and the China Leasing Business Association. The issue was also brought to the attention of European stakeholders, including the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA); the Economic and Trade Counsellors of the European Union (EU) Delegation to China; and EU Member States.

In March 2024, the issue was presented to John Berrigan, director general of DG FISMA, ahead of the EU-China Working Group on Financial Cooperation, co-chaired by Berrigan and Vice Governor Xuan Changneng of the PBOC. It was also presented at the China-EU Financial Services Roundtable.

Advocacy Success

In early 2024, a dedicated field was added to the *Zhongdengwang* registration system for entering invoice numbers and additional unique identifiers of assets. Regulators have confirmed that this change to the system will enable leasing companies to protect their assets (including vehicles), even under sale-and-leaseback contracts. By rescinding the requirement for additional collateral registration on vehicles, the operational burden for industry players has been significantly reduced.

In cases of a defaulted asset, whereby a leasing company must initiate recovery proceedings, this protection and dedicated new registration field provides a favourable basis for a court to confirm the asset's return.

Media Watch

Chamber launches annual Position Paper

The European Chamber launched its *European Business in China Position Paper 2024/2025* on 11th September, with 38 journalists in attendance at the official launch event. Within 24 hours, 46 original articles had cited the report.

European Chamber President Jens Eskelund had an exclusive live interview with *CNBC* on the morning of the launch, and was also interviewed by *DW, NZZ* and *FT Chinese*. Additional interviews with the *BBC, Finanz und Wirtschaft* and *China.Table* took place in the week that followed.

International media coverage largely focussed on how, for a growing number of companies, a tipping point has been reached, with the risks of investing in China growing and the rewards decreasing, causing investors to scrutinise their China operations more closely as a result. Domestic media coverage predominately focussed on the challenges currently facing China's economy, as well as the need for further action to be taken when it comes to the implementation of pro-business measures outlined in recent policy pledges.

Chamber comments on China's probe into PVH Corp

On 24th September, China's Ministry of Commerce announced that it had launched an investigation into the PVH Corp—the parent company of brands Tommy Hilfiger and Calvin Klein—following allegations that the group had violated market trading principles. While the details of the case have not been made public, it has been widely reported in the media that the development follows a decision taken by the company to cease using partners and/or products from Xinjiang, possibly to remain compliant with globally binding legislation.

On 25th September, the Chamber proactively sent a statement to media on the development, which stated that the investigation raised concerns among foreign companies operating in China, particularly given the challenges companies face when it comes to conducting independent, third-party audits in the country. The Chamber's comments were published by media outlets including the *NYT* and the *SCMP*.

President Jens Eskelund being interviewed by *CNBC* on the Position Paper
Media: *CNBC*
Date: 11th September 2024


FINANCIAL TIMES
US COMPANIES TECH MARKETS CLIMATE OPINION LEX WORK & CAREERS LIFE & ARTS HTSI
Chinese business & finance + Add to myFT
Foreign companies hit 'tipping point' in China
EU chamber of commerce warns Chinese market barriers and slow growth are prompting businesses to look elsewhere

A *Financial Times* article on the report
Media: *Financial Times*
Date: 11th September 2024


China–EU relations China / Diplomacy
'Nightmare' ahead: EU companies warn of coming regulatory clash with China
Human rights and environmental audit requirements are expected to put European firms on a collision course with Chinese laws

SCMP article on the coming regulatory clash
Media: *SCMP*
Date: 27th October 2024


For Companies in China, Pulling Out of Xinjiang Poses 'Messy Dilemma'
Beijing's investigation of the parent of Calvin Klein and Tommy Hilfiger, which stopped buying goods from Xinjiang, has put global firms in a difficult position.

China's probe into PVH Group is reported in the *New York Times.*
Media: The *NYT*
Date: 4th October 2024

EU Tests Mettle to Take On China With New EV Tariff Fight

- The bloc voted to impose tariffs of up to 45% on China EVs
- China has threatened duties on Europe's car and dairy sectors

Bloomberg article on EU BEV tariffs
Media: *Bloomberg*
Date: 4th October 2024

欧盟决议征收中国电动车反补贴关税，中欧将继续谈判

财经汽车 财经杂志 2024年10月07日 19:20 北京

Caijing story on EU-China discussion on trade tensions
Media: *Caijing*
Date: 7th October 2024

China-EU relations China / Diplomacy

China-Europe trade war 'unavoidable' on current trends, EU business leader says

Jens Eskelund, head of the EU Chamber of Commerce in China, says Beijing must look at the role its own policies are playing

Article published by the *SCMP* on EU-China trade tensions
Media: *SCMP*
Date: 10th October 2024

NEWSLETTERS › CHINA WATCHER

Bracing for China's reaction to Lai's speech

POLITICO newsletter on the trade imbalance between the EU and China
Media: *POLITICO*
Date: 10th October 2024

Chamber shares take on EU-China trade tensions

European Chamber President Jens Eskelund visited Brussels from 8th to 10th October, and was interviewed by several high-profile Europe-based journalists. Speaking to the *SCMP*, he noted that, "a full-blown trade war looks more and more likely if nothing changes", with his remarks widely requoted in other media outlets including *RFI, El Pais, VOA* and *Ejinsight*. He was also interviewed by *POLITICO* on EU-China trade relations and emphasised the growing trade imbalance between the two markets.

Media seek Chamber's views on EV tariffs

On 4th October, European Union (EU) Member States voted on whether to impose tariffs on battery electric vehicle (BEV) imports from China. Ten member states voted in favour of levying tariffs, 12 abstained and five voted against the motion, meaning that the EU obtained the necessary consensus required to impose definitive countervailing duties.

On 5th October, the Chamber published a statement on the development. It called for the EU and China to continue to work towards a negotiated solution that ensures a level-playing field for foreign companies operating in the country and addresses the two-sides' current trade imbalance. The statement featured in articles published by *Bloomberg* and *Caijing*.

Chamber comments on new anti-dumping measures

On 9th October, China announced that it would be taking anti-dumping measures against European brandy imports. That same day, the Chamber published a statement which noted that its members are disappointed by the development, and that the measures risk undermining recent bilateral progress made in the food and beverage sector. The statement was quoted by *DW, EFE* and *ADN*.

China defiende medidas 'antidumping' sobre brandy de la UE

09/10/2024

China afirmó que las medidas 'antidumping' sobre el brandy de la UE son "legítimas" y se toman en consonancia con las normas de la OMC.

DW article on China's announcement of anti-dumping measures against EU brandy
Media: *DW*
Date: 9th October 2024

Events Gallery

BEIJING, 6TH SEPTEMBER 2024

Fifth Medical Device Forum

- Government regulation in the medical device industry needs a scientific foundation, domestic/international collaboration and resource integration.
- China's medical service prices need overall structural adjustments.
- New price formation systems should involve dynamic adjustments, quality control and categorised pricing.

BEIJING, 19TH SEPTEMBER 2024

Understanding Current Trends in French Politics and Their Impact on EU-China Relations

- French public opinion has shifted towards the right and far right, with the country's political system facing issues like reforming its pension system.
- The European Commission's new composition affects France's interests, especially in the contentious area of energy policy.
- The Chinese electric vehicle industry is having an impact on Europe in terms of competition, consumer pricing and the situation of European manufacturers.

SHANGHAI, 13TH NOVEMBER 2024

The New Company Law: Corporate Governance and Employee Representatives

- The new Company Law significantly alters corporate governance by redefining responsibilities around capital contributions and enhancing shareholder rights.
- Companies must now comply with new mandates regarding employee representation on boards, necessitating a thorough understanding of related compliance processes.

SHANGHAI, 14TH NOVEMBER 2024

Compliance Conference 2024: Navigating Compliance in a Changing Regulatory Landscape

- It is important for companies to create a workplace culture that values ethics, especially in China's changing regulatory environment.
- The new Company Law will bring more responsibility and potential liabilities for company leaders.
- Companies need to go beyond just following laws and adopt strong ethical standards, sharing ideas on how to build integrity into their business practices.

TIANJIN, 29TH OCTOBER 2024

European Chamber Tianjin 2024 Supply Chain Annual Review

- The main purpose of a supply chain is to meet customer demand, ensure production stability and manage stock costs. Moreover, an efficient supply chain and an agile supply chain must be balanced.
- Many companies' China operations previously conducted research and development (R&D) to develop products exclusively for the Chinese market. After years of strong performance, companies are now utilising the Chinese market and workforce characteristics (speed, agility, availability, resourcefulness) to conduct R&D to develop products for international markets.

SOUTH CHINA, 17TH OCTOBER 2024

Position Paper 2024/2025 Launch - VIP Roundtable

- The risks of doing business in China have started to outweigh the rewards for European businesses.
- Critical issues include market access limitations, regulatory barriers and a highly politicised business environment.
- Companies should explore alternative markets, enhance localised operations within China, and address overcapacity concerns amid slow economic growth and weak consumer demand.

SOUTHWEST CHINA, 7TH NOVEMBER 2024

Empower Your Leadership: Strengthening Personal Relationships for Peak Performance

- Maintaining an open attitude towards different perspectives is essential for developing leadership skills.
- Keeping a journal can be a powerful tool for reflecting on emotions.
- It is important to accept both strengths and weaknesses while avoiding comparisons, jealousy and self-denial.

NANJING, 23RD OCTOBER 2024

Nanjing Position Paper Launch and Business Confidence Survey 2024

- The profitability outlook for European companies in China has significantly deteriorated. Challenges include market access issues, regulatory barriers, a politicised business environment, and an emphasis on national security and self-reliance.
- Despite a commitment to market reforms, there has been a lack of follow-through on reform pledges, leading to 'promise fatigue' among European businesses.
- Urgent action is needed to restore foreign investor confidence, including improvements to market access and better protection of intellectual property rights.

Advisory Council News

Photo: Merck

Maersk opens first bonded warehouse in North Vietnam

Maersk has opened its first bonded warehouse in Vietnam. Operated by Maersk Contract Logistics, the bonded warehouse is located at SLP Park in Hai Phong Province. The facility marks an important milestone for the company in its journey of footprint expansion and development in northern Vietnam, in the context of increasing import and export demand from businesses.

Boehringer Ingelheim secures prestigious Shanghai award

The 2023-2024 Shanghai Quality Gold Award Ceremony, alongside the 2024 Shanghai 'Quality Month' Launch Ceremony, was successfully held on 4th September. Boehringer Ingelheim Shanghai Pharmaceuticals (BISPL) was honoured with the 2023-2024 Shanghai Quality Gold Award at the event. The award was attributed to BISPL's innovative 'three-in-one' high-quality development model. The model, which is supported by a sustainable development strategy and propelled by digital process reengineering, has established BISPL as a pioneer in advanced quality management. BISPL is the only multinational pharmaceutical company to win an award this year.

Photo: Boehringer Ingelheim

Bayer participates in 7th China International Import Expo

The 7th China International Import Expo (CIIE) concluded in Shanghai on 10th November. Bayer, a global leader in life sciences, participated for the seventh consecutive year with its three divisions: Pharmaceuticals (and Radiology), Consumer Health, and Crop Science, underscoring its ongoing commitment to the event. For the third time, Bayer exhibited in two subsections, setting a new record

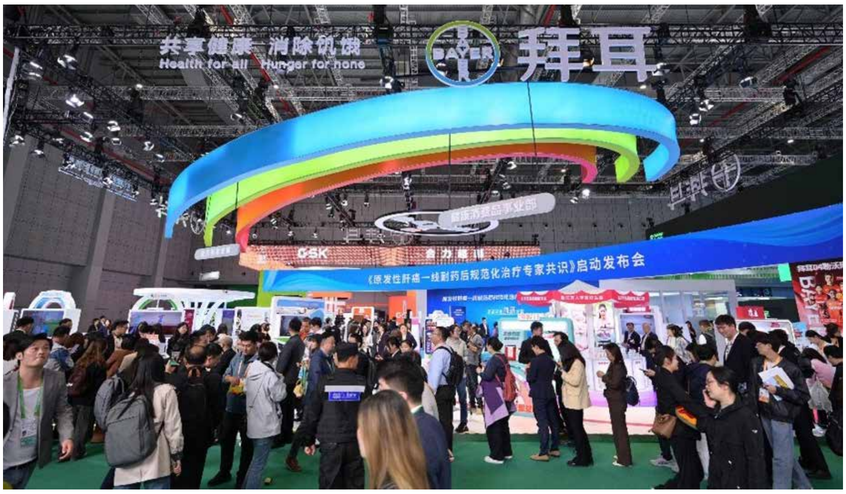


Photo: Bayer

for total booth space. With around 30 new product launches, strategic partnership ceremonies and health education events, Bayer accelerated the introduction of innovative products to benefit the Chinese population, while strengthening local collaborations to deepen its commitment to China. Additionally, Bayer has already signed up for the 8th CIIE, pledging to continue its collaboration with partners to create a healthier and brighter future via the platform.

"As a long-standing participant in the CIIE for seven consecutive years, Bayer holds great respect and deep affection for this event. The CIIE serves not only as a crucial window for showcasing China's openness to the world but also as a platform for Bayer to exhibit its innovation strengths and broaden international collaboration," said Zhou Xiaolan, president of Bayer Greater China. "Guided by our bold mission of 'Health for All, Hunger for None', Bayer, as an innovative life sciences company, will continue to actively pursue breakthroughs and innovations, striving to make a positive impact on humanity and our planet."

The CIIE is a vast platform that brings together a multitude of new products, technologies and services. This year, over 400 notable new products, technologies and services were showcased, empowering the development of 'new quality productive forces'. Bayer featured its own range of exhibits, spanning from products launched for the first time in China to those making their debut at the CIIE.

Bayer continues to deepen its unwavering commitment to the Chinese market through leading innovations and deep integration with local partners across the entire value chain. The company looks forward to partnering with like-minded collaborators once again at the next CIIE, bringing even more benefits to patients and consumers in China.

TotalEnergies will supply 2 million tons of LNG per year to Sinopec

As part of its strategy to grow its liquefied natural gas (LNG) business, TotalEnergies has announced the signing of a sales agreement (HoA) with Sinopec for the delivery of two million tons of LNG per year for 15 years, starting in 2028.

Thanks to this major agreement with one of the leading LNG players in the country, TotalEnergies has strengthened its long-term position in the LNG market in China, the largest market in the world. This agreement comes within the strategic cooperation agreement signed earlier this year between TotalEnergies and Sinopec during President Xi Jinping's state visit to France. In China, natural gas is a key component of the energy transition as it mitigates the intermittency of rapidly growing renewable energies and helps reduce greenhouse gas emissions when it replaces coal in electricity production.

"We are delighted to have been chosen by Sinopec to supply two million tons of LNG to China, the largest LNG-importing country in the world. This new agreement demonstrates the competitiveness of TotalEnergies' LNG business and allows us to continue growing our long-term sales in Asia," said Stéphane Michel, president of Gas, Renewables and Power at TotalEnergies.

Niu Shuanwen, senior vice president of Sinopec Corporation, said, "Sinopec and TotalEnergies are strategic partners. This HoA further strengthens the cooperation between the two companies in natural gas. Natural gas is an important enabler for realising energy transition and dual carbon goals. Sinopec is committed to building the world's leading clean energy and chemical company and will continue to promote energy transition and the clean, diversified and secure supply of energy. Sinopec strives to make positive contributions to global energy governance and climate change."

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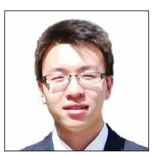

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European Chamber
CARBON NEUTRALITY ACTION
WORKING WITH CHINA TOWARDS 2060

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- Advocating for EU-China cooperation on decarbonisation
- Facilitating coordinated efforts among the Chamber's membership
- Working with China to achieve its 2060 carbon neutrality goal