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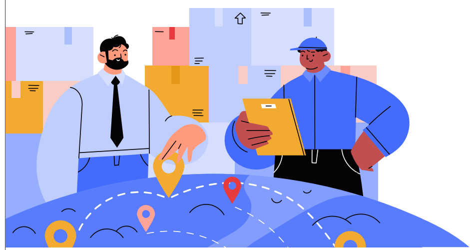

Regulars

The End of Globalization?

Germany's Successful Economic Model Could Be Finished

China and the U.S. are isolating their economies and supporting industry with billions in subsidies. Will the German economy be crushed between the two blocs? Domestic industry faces tough choices.

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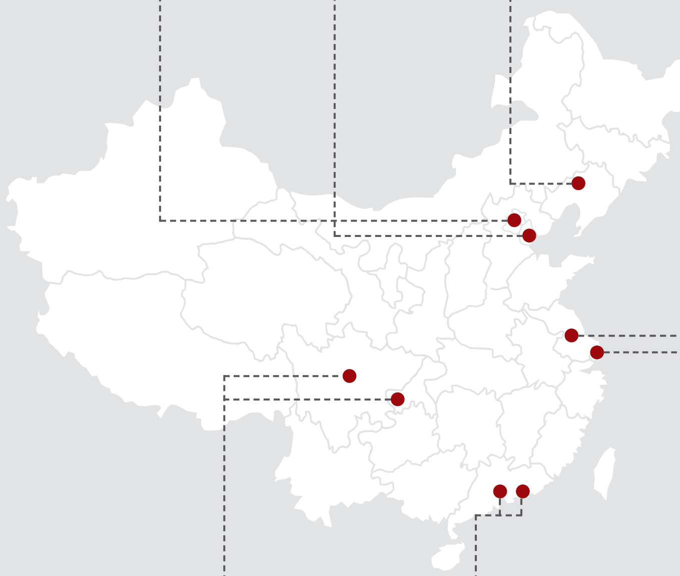

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President's Foreword

Siloing and diversifying supply chains: A rethink on globalisation

Jens Eskelund

President

European Union Chamber of Commerce in China

Global supply chains are undergoing a reset, with China at the centre of the shift. According to the European Chamber's Business Confidence Survey 2024, three quarters of member companies have reviewed their supply chains in the past few years, with the majority of respondents making changes as a result.[1] While the Covid-19 pandemic served as a catalyst for this rethink, the trend of European companies in China localising or diversifying supply chains is rooted in deeper structural issues.

China's dual circulation strategy put the country on course to reduce reliance on the rest of the world through industrial policies that disproportionately support domestic companies. In a bid to remain competitive in the China market, by having their products recognised as 'made in China', many European companies have localised their operations—including supply chains—to a point that they are Chinese companies in all but name.

A survey conducted for *One World, Two Systems: Siloing and Diversification* found that over half of respondents' companies have undergone a significant level of supply chain localisation.[2] Some attribute this mainly to commercial factors – to compete with Chinese companies on both price and speed, a local supply chain makes sense. However, other companies have taken this a step further—largely in response to regulatory challenges rather than commercial logic—and siloed their supply chains by separating them from the rest of the world. The problem with supply chain siloing, just like other forms of siloing, is that it surrenders global competitiveness by creating an autonomous Chinese subsidiary that neither benefits from nor contributes to the group's global operations.

At the same time, companies are facing pressure at home to shift supply chains away from relying on a single source – a core facet of the European Union's (EU's) derisking strategy. European companies in China are also exposed to global diversification trends, with some markets erecting trade barriers in an attempt to not just reduce reliance on China but eliminate it all together.

This means that just as companies are looking to localise their supply chains in China, they also need to find alternatives to China to supply global markets. The resulting rebalancing may have advantages for long-term supply chain stability but leads to a clear loss of efficiency in other areas. For example, some companies are now forced to exclude United States (US)-made components in products meant for the Chinese market, while they are simultaneously forced to exclude Chinese-made components in products destined for the US.

At first it may appear as though China is achieving exactly what it set out to do with dual circulation, and that companies have the most to lose. However, in China's case, almost as many companies are choosing to further offshore their supply chains from China as onshore.[3] Siloing's biggest downside is that it leaves the China operations of European firms less integrated globally and less important to headquarters. The result is a less important China in a more deglobalised world.

1 *European Business in China Business Confidence Survey 2024*, European Union Chamber of Commerce in China, 10th May 2024, viewed 18th December 2024, p. 34, <https://www.europeanchamber.com.cn/en/publications–business–confidence–survey>

2 *One World, Two Systems: Siloing and Diversification*, European Union Chamber of Commerce in China, 9th January x2025, viewed 9th January 2025, p. 16, <https://www.europeanchamber.com.cn/en/publications–siloing–diversification>

3 Three quarters of respondents (76 per cent) have already reviewed their supply chains over the past two years. Of those that are taking action, 18 per cent are further onshoring supply chains into China, with an additional three per cent fully onshoring to ward off the risk of external disruptions to their China operations. A further 12 per cent are diversifying their supply chains by setting up alternative sourcing of supplies outside of China, while maintaining their existing supply chains in the country. Only one per cent are fully shifting current supply chains from China to other markets. *European Business in China Business Confidence Survey 2024*, European Union Chamber of Commerce in China, 10th May 2024, viewed 18th December 2024, p. 34, <https://www.europeanchamber.com.cn/en/publications–business–confidence–survey>

SILOING AND DIVERSIFICATION

One world, two systems

The diversification of supply chains has been a key trend of recent years, as events such as the Covid-19 pandemic and the war in Ukraine exposed the fragility of global sourcing, production and distribution networks. Companies operating in China have been looking to build resilience through a combination of onshoring parts of their supply chains while offshoring others.

Onshoring and localising functions or entire operations in any market is an organic process that follows commercial considerations, such as increasing efficiency by moving production closer to customers. However, a step further from this trend lies siloing, whereby certain functions or a company's entire operations in a certain market get cut off from the rest of the world.

Siloing is a rational response to market changes in order to mitigate risks and meet regulatory requirements at both the local and global level. In the China context, the siloing of operations is intended to ensure that a company is fully compliant with Chinese regulations, while being recognised as a trusted, local supplier so that it can continue to work with Chinese partners and qualify for procurement.

Some European Chamber members have invested considerably in this process so that they now resemble Chinese companies in all but name: they have localised their supply chains, workforce, sales and procurement functions, and have siloed their research and development (R&D), data and information technology (IT) systems.

To identify the key drivers behind the trends of siloing and diversification in the areas of supply chains, human resources, data and IT systems, and R&D, and determine how best to shape related advocacy, the European Chamber conducted an online survey and follow-up interviews with its members between August and November 2024.

Summary of key findings

While siloing might alleviate some issues, it also carries negative side effects. Duplicating processes leads to higher costs, while undermining companies' efficiency and economies of scale. Compliance risks are likely to increase, as the siloed subsidiary's ability to assess its own role in global compliance is undermined by local functions being cut off from global operations.

It also poses the risk of weakening companies' global competitiveness. As Chinese regulations leave a relatively broad space for interpretation in practice for what exactly qualifies as being 'domestically manufactured', foreign companies are driven towards becoming more risk averse to maintain their status as a 'reliable partner' in the eyes of their local customers and policymakers. However, as they are increasingly facing the need to replace key components to fulfill a role in China's supply chain, they are in turn making their products easier to replace. Moreover, even if a company has siloed its China operations, it may still not be recognised as a 'domestic manufacturer' and allowed access to China's procurement market.

1. Siloing of HR

The degree of staff localisation in China is already extremely high and staff movement in and out of the country has become limited. These

> "While siloing might alleviate some issues, it also carries negative side effects. Duplicating processes leads to higher costs, while undermining companies' efficiency and economies of scale."

trends contribute to an erosion of trust between China subsidiaries and company headquarters (HQs).

At the same time, the local talent pool is becoming shallower for foreign companies: top graduates in China now favour job opportunities at government agencies or state-owned enterprises (SOEs). This makes bridging the gap between HQs and Chinese regulators more challenging.

2. Siloing of data and IT

Companies that silo their data management and IT systems in China do so to ensure compliance with China's data regulations and national security laws. This comes at a high cost, and contributes to the growing disconnect between company HQs and their China operations. Furthermore, separating data pools undermines efficiency and creates barriers to companies' global innovation efforts. Establishing separate IT systems for different markets renders global systems obsolete, which puts foreign companies at a significant disadvantage to their Chinese competitors whose systems can operate globally.

3. Siloing of R&D and standards

Companies that silo their R&D in China are typically firms offering products/services that are deemed sensitive. However, siloing R&D leads to duplicate work, while increasing costs and decreasing efficiency. It jeopardises innovation, as the focus shifts from improving existing products or developing new solutions, to supplementing already working components. It also risks undermining a product's competitive edge, as in some cases the components that firms are pushed to replace are ones that

"Presenting foreign companies with no alternative but to silo also poses risks to China's economy and its companies."

they have developed specifically to add value. In addition, it is harmful even to those companies that derive benefit from China's R&D ecosystem, because their global operations miss out on China-driven innovation.

One of the ways that foreign companies could better counter the push for siloing is by increasing their influence in standard-setting activities in China. However, while surveyed European companies have observed a general improvement in terms of their access to certain standardisation activities in China in recent years, this has not increased the impact they have been able to have on the development of the country's domestic standards, which are still heavily influenced by its industrial policies.

Having little or no say in the development of China's domestic standards poses an additional risk to foreign companies' global competitiveness if these standards go on to be adopted internationally.

Conclusion

While the perils that siloing poses to companies that resort to this solution are more imminent, there is also a long-term risk that siloing accelerates deglobalisation. This could lead to a reversal of global economic and productivity growth.

Presenting foreign companies with no alternative but to silo also poses risks to China's economy and its companies. Although some European companies are onshoring supply chains into China to increase resilience, a similar number are moving their supply chains out for the same reason. The outflow of investment to other markets, which is already taking place, is likely to accelerate, leading to a significant loss of jobs and tax revenues for China. Some markets have already begun looking into tools that can better protect their own companies against Chinese competition on their own turf, a trend that is likely to pick up pace if there is no change in the current policies that compel foreign companies in China to silo. Eb

Mariann Nagy is a policy and communications manager at the European Chamber and was the lead writer of *Siloing and diversification: One world, two systems*. The full report can be downloaded here: https://www.europeanchamber.com.cn/en/publications-siloing-diversification

Scan the QR code to read the full report

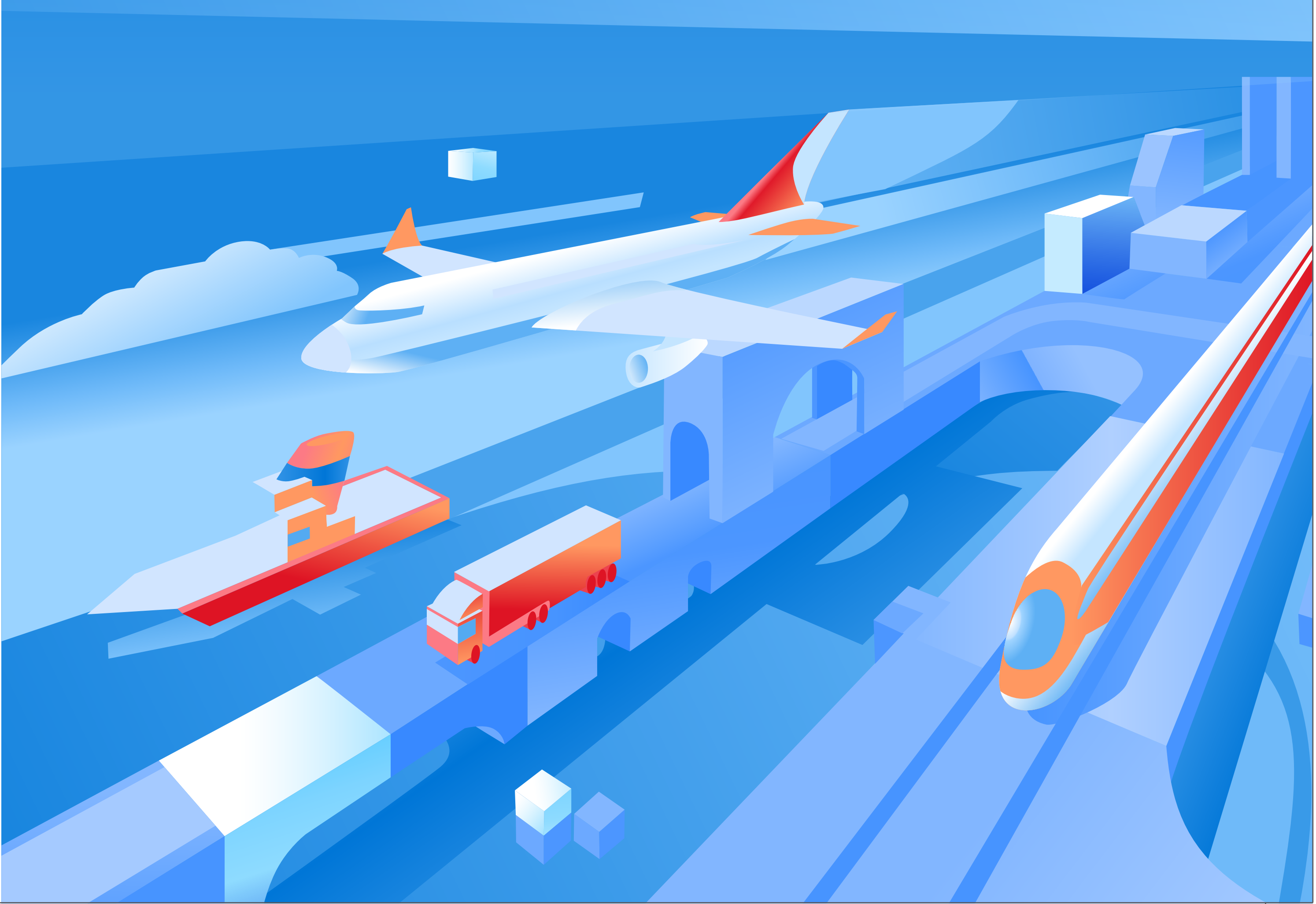
Logistics

Globalisation is alive and well

After several years of increasing geopolitical turbulence and the launch of a 'tariff war' by the new president of the United States (US), it might seem reasonable to conclude that globalisation is in retreat. However, as **Elaine Chen** and **Jane Su** argue, the data does not necessarily support this.

Is globalisation now in reverse? With wars raging in the Middle East and Ukraine, rising protectionism and low levels of international consensus, this might seem like a fair conclusion. Donald Trump's recent launch of a tariff war on China and several US allies only adds weight to this view.

However, the latest edition of the *DHL Global Connectedness Report* (*Report*), published by New York University in partnership with DHL, unveiled a remarkable finding: globalisation reached a record high in 2022 and remained close to that level in 2023. Trade growth is forecast



to accelerate substantially in 2024, growing at a slightly faster rate than gross domestic product (GDP).[1]

This finding was based on a comprehensive analysis of data on global trade, capital, information and people flows since 2011. Given the widespread debate about the end of globalisation, this result might come as a surprise to many, but the data speaks for itself. It is further supported by the growth of China's logistics industry, the engine of global physical flows. According to the China Federation of Logistics & Purchasing, China's logistics market size in 2024 is expected to rank first in the world, a position the industry would then have held for nine consecutive years.[2] Also, according to statistics for 2024 released by the State Post Bureau, the volume of express business increased by 21.5 per cent year-on-year. Even under challenging trade conditions, the volume of international express business still increased by 26.3 per cent year-on-year, much higher than any other service category.[3]

Resilience and growth of international trade flows

According to the *Report*, the share of international trade in global GDP declined significantly after the 2008 global financial crisis, but was back to a record high in 2022, driven by strong growth of merchandise trade volumes, elevated commodity prices and recovering services trade.

Accelerated growth of cross-border e-commerce is one example of this. E-commerce boomed during the pandemic due to lockdowns and changes in consumption habits (such as more online purchases and less in-person contact in retail stores). This brought new opportunities to access overseas

21.5%

Increase in the volume of express business year-on-year in 2024.

26.3%

Increase in the volume of international express business year-on-year in 2024.

markets for Chinese sellers, and industry experts forecast the industry's continued growth. The dynamic has changed a little: Chinese merchandise now flows less to top destinations such as the US, and instead flows more to emerging markets in Southeast and South Asia, South America and the Middle East. Also, direct shipping has become less popular than overseas warehousing or consolidated shipping, with the lower costs of the latter two leading consumers to buy more.

Globalisation vs. regionalisation: the shifting landscape of global trade

Geopolitical tensions and concerns about supply chain resilience have prompted many observers to predict a shift from globalisation to regionalisation. But is it actually happening?

Ties between the US and China, the world's two biggest economies, continue to diminish: the shares of both countries' trade flows involving the other have fallen by about one quarter since 2016. This trend accelerated in 2023, and may worsen under the new Trump administration. At first glance, this might seem like bad news for globalisation. However, the US and China still have the largest bilateral trade flows in the world.[4] Furthermore, global trade flows show no general split of the world economy between rival geopolitical blocs. The share of trade between the major trade partners of the US and China actually increased during the Covid-19 pandemic, because countries around the world relied more on goods from Asia, especially from China. Besides, trade between the two sides is often routed through third countries. Trade continues, but flows less directly than before.

International trade flows are now covering longer distances than they did before, partly due to geopolitical tensions, with declines happening inside some geographical regions. Focussing specifically on trade, only North America shows a clear nearshoring trend. Another reason for the longer distances is that more trade growth is happening in emerging economies, which has expanded opportunities for exchange between geographical regions.

Corporate globalisation continues to advance too, as companies are making more of their sales abroad and the value of announced international business deals is at its highest level relative to global GDP in more than a decade. The cross-border share of mergers and acquisitions is holding steady, as is the share of global output that companies produce outside of their home countries.

A mixed picture: challenges and opportunities

The second Trump administration may cause uncertainty and challenges for China, the European Union

[1] Altman, S.A., and Bastian, C.R., *DHL Global Connectedness Report 2024*, NYU Stern School of Business, 2024, viewed 21st February 2025, p.8 <https://www.dhl.com/content/dam/dhl/global/delivered/documents/pdf/dhl–global–connectedness–report–2024–complete.pdf>

[2] *China's logistics market is expected to rank first in the world for nine consecutive years*, China Federation of Logistics and Purchasing, 25th December 2024, viewed 19th February 2025, <http://www.chinawuliu.com.cn/zixun/202412/25/642802.shtml>

[3] *The State Post Bureau announced the operation of the postal industry in 2024*, State Post Bureau, 20th January 2025, viewed 19th February 2025, <https://www.spb.gov.cn/gjyzj/c100276/202501/460d02f2e54c4d0ebbba3a4f431d0042.shtml>

[4] Altman, S.A., and Bastian, C.R., *DHL Global Connectedness Report 2024*, NYU Stern School of Business, 2024, viewed 21st February 2025, p.16 <https://www.dhl.com/content/dam/dhl/global/delivered/documents/pdf/dhl–global–connectedness–report–2024–complete.pdf>

and many other major economies. Although extreme protectionist moves might be impractical for most economies, using tariffs and sanctions is likely to become more common. The looming threats are pushing more outbound Chinese investments, and diversified trade relations with economies other than the US to help Chinese companies mitigate geopolitical risks. Amid insufficient domestic demand and increased competitiveness, China's business leaders are increasingly looking for global opportunities. The new wave of 'going overseas' is not limited to increasing exports from China, but also involves directly investing in other countries, especially emerging markets. A representative example is the opening of Chancay Port in Peru in November 2024, a Chinese-funded mega port which is seen as China's new gateway to South America.

The second challenge is the difficulty with international data flows and technology partnerships. Tensions between the US and China have weighed on technology exchanges, and many countries have imposed data transfer restrictions. The release of DeepSeek is one example: while it attracted global attention at an unprecedented speed, it was also quickly subject to restrictive measures from many major economies.

Challenges and opportunities coexist because the world's absolute level of globalisation remains limited, and domestic flows still far exceed international flows. The world's current depth of global connectedness is only 25 per cent on a scale from zero per cent (no flows across national borders) to 100 per cent (borders and distance no longer matter). Even after decades of globalisation, the world is still far from globalised.[5]

How logistics is changing

The post-pandemic era is often referred to as the 'new norm', but the current trade climate is dynamic and is constantly shifting and evolving, driven by new business models and technologies. Logistics, as an essential part of daily life, must adapt to this dynamic and always be ready for transformation. In 2024, two trends stand out the most in logistics worldwide: artificial intelligence (AI) and sustainability.

AI technology can be used in a multitude of ways within the logistics sector. A prime example is computer vision, which tracks the end-to-end movement of goods by scanning their unique identifiers, such as QR codes, thereby enhancing the punctuality and accuracy of order fulfilment and increasing the transparency of the shipping process. Additionally, advanced analytics facilitates mass personalisation by sifting through big data to discern patterns in customer behaviour and preferences, helping e-commerce businesses to strategise proactively and offer a more tailored service. Furthermore, AI-driven route-planning software can revolutionise 'last-mile' logistics by analysing real-time traffic data to determine the most efficient delivery routes.

The sustainability trend is spotlighted by the utilisation of sustainable fuels, which is essential to reduce carbon emissions and improve logistics efficiency, especially in aviation, a top source of carbon emissions. Use of sustainable aviation fuels (SAF) can help cut CO_2 emissions by up to 80 per cent. The RefuelEU Aviation Regulation already mandates a two per cent SAF target for airport fuel suppliers from 2025 and six per cent by 2030.[6] China is following suit and authorities took a series of actions in 2024: the Development Research Center for Sustainable Aviation Fuel was established in July for policy and standards research and formulation; a nationwide pilot programme for the application of SAF was launched in September, and 12 flights departing from four airports were refuelled with SAF. Production of SAF has also started to take off. Against the backdrop of the EU's anti-dumping duties on Chinese biodiesel imports, Chinese biodiesel companies have begun to develop new markets, and China's SAF production capacity is expected to increase dramatically in the next few years.

Conclusion

In the coming years, there will likely be more discussion of globalisation evolving, rather than ending or reversing, especially in the logistics sector. Companies might need to reconsider their global logistics networks to ensure they are secure, efficient and environmentally friendly. Diversified shipping lanes, multiple transportation modes and the utilisation of sustainable fuels can help logistics firms better prepare for changes and disruptions, as well as contribute to decarbonising their operations.

Elaine Chen is the national chair of the European Chamber's Logistics Working Group.

Jane Su is public affairs manager of DHL Group China.

DHL is the leading global brand in the logistics industry, offering an unrivalled portfolio of logistics services ranging from national and international postal service, parcel delivery, e-commerce shipping and fulfilment solutions, international express, road, air and ocean transport to industrial supply chain management. With sustainable business practices and a commitment to society and the environment, the Group makes a positive contribution to the world. DHL Group aims to achieve net-zero emissions logistics by 2050.

[5] Altman, S.A., and Bastian, C.R., DHL Global Connectedness Report 2024, NYU Stern School of Business, 2024, viewed 21st February 2025, p.7 <https://www.dhl.com/content/dam/dhl/global/delivered/documents/pdf/dhl–global–connectedness–report–2024–complete.pdf>

[6] ReFuelEU Aviation, European Commission, viewed 21st February 2025, <https://transport.ec.europa.eu/transport–modes/air/environment/refueleu–aviation_en>

Exporting dual-use items

How foreign firms can navigate China's new rules

On 1st December 2024, new regulations on the export of dual-use items drafted by the State Council were put into effect. In this article, **Carlo Diego D'Andrea** and **Aris Xie** of **D'Andrea & Partners Legal Counsel** explain the major issues and impact on foreign companies.

The *Regulations on the Export Control of Dual-use Items* (*Regulations*) aim to address issues such as the relatively scattered nature of existing laws and insufficient control measures, which have important implications for the supply chain.

Definition of 'dual-use items'

Article 2 of the *Regulations* explicitly defines 'dual-use items' as goods, technologies and services that have both civil and military applications, or that contribute to enhancing military capabilities. This includes items that can be used for the design, development, production or use of weapons of mass destruction and their delivery systems, as well as related technical data.

The specific scope of dual-use items is currently outlined in documents such as the *Catalogue for the Administration of Import and Export Licences for Dual-use Items and Technologies*, the *Control List of Nuclear Dual-use Items and Related Technologies Export Control*, and the *Control List of Missiles and Related Items and Technologies Export Control*.[1] Article 11 of the *Regulations* stipulates that the export control list for dual-use items will be formulated, adjusted and published in coordination with relevant national departments in accordance with procedures.

[1] *Dual-use Items and Technologies Import and Export Licence Management Catalogue*, Ministry of Commerce, 31st December 2024, viewed 25th February 2025, <http://images.exportcontrol.mofcom.gov.cn/uploadfile/attach/202501/03/20250103101345172.pdf>

Export activities subject to the Regulations

The *Regulations* cover the transfer abroad of dual-use items from China, as well as the provision of dual-use items by Chinese citizens, legal entities and unincorporated organisations to foreign organisations or individuals. This includes trade-related exports and transfers through donations, exhibitions, collaborations and aid. Imagine a scenario in which an enterprise's exports involve technologies, goods or services listed in an export control list or are covered by temporary control announcements. In such a case, it must fulfil the compliance obligations stipulated in the *Regulations* and apply for an export licence from the Ministry of Commerce (MOFCOM).

Dual-use item export licensing system

To determine whether an export requires an export licence, enterprises should compare their goods and technologies against the export control list and temporary control announcements. If they are unable to make a determination on their own, they should consult the MOFCOM to avoid potential legal risks.

The *Regulations* have abolished the registration system for dual-use item export operators, allowing export operators to apply directly for export licences without prior registration. Licence types include single-use licences and general licences.

Furthermore, under Article 13 of the Export Control Law, when reviewing applications for the export of controlled items, the national export control authority will approve or deny the request based on considerations such as national security interests, the sensitivity of the controlled items and the destination country or region. These considerations are crucial in aligning export activities with national security interests and safety requirements. If, after evaluation, an application is denied by the MOFCOM, it is crucial to note that the affected company has the legal right, outlined in Article 41 of the same law, to seek administrative reconsideration if they wish to challenge the rejection of their export licence. This legal provision offers a formal mechanism for companies to dispute decisions made by regulatory authorities in matters related to export controls.

Conclusion

The new developments in China's dual-use items export legislation have significant implications for the supply chain. European companies with operations in China, should pay careful attention to the following aspects of the *Regulations*:

- If enterprises need to apply for a general licence, they must establish an export control compliance management system and ensure its proper operation in accordance with the *Regulations*.
- Enterprises should choose stable and reliable export channels and verify the authenticity of the end users and intended purposes of the exports.
- Considering that the *Regulations* explicitly require export operators to properly preserve documents related to the end users and intended purposes of dual-use item exports—such as certificates, contracts, invoices, accounts, records, documents and business correspondence—for a retention period of no less than five years, enterprises should establish a corresponding document management system.

In conclusion, to thrive in today's dynamic global environment, businesses must proactively adapt by enhancing compliance frameworks and cultivating agile, diversified supply chains to reduce vulnerabilities to geopolitical shifts, trade disputes and regulatory uncertainties. Strengthening compliance requires robust internal audits, real-time monitoring systems and cross-border legal expertise to align with evolving regulations, thereby minimising exposure to fines, sanctions and reputational risks. Simultaneously, by diversifying suppliers across regions and fostering strategic partnerships, companies can reduce their dependence on a single supplier or region and mitigate the risk of supply disruptions. Beyond risk mitigation, companies should leverage technologies like artificial intelligence, predictive analytics and blockchain to enhance supply chain transparency and responsiveness. By integrating these strategies, organisations can not only navigate complex political and economic challenges but also position themselves as competitive, forward-thinking players in an interconnected yet unpredictable marketplace.

Carlo Diego D'Andrea is managing partner at D'Andrea & Partners & Legal Counsel. **Aris Xie** is a counsel at the firm.

D'Andrea & Partners Legal Counsel is a leading international law firm, with European headquarters situated in Milan, Italy, and its Asia-Pacific headquarters based in Shanghai, China. The firm has a strong presence across major cities in China. The firm is one of the very few international law firms in China duly authorised by the Ministry of Justice to operate as a representative office of a foreign law firm in China.

China's environmental policies

The impact on global supply chains

China's ambitious environmental policies, including carbon peaking and neutrality targets, are reshaping global supply chains, presenting both challenges and opportunities for European businesses. By investing in green technologies, diversifying supply chains and collaborating with suppliers, European companies can thrive in the country's evolving regulatory landscape, argues **Giulia Interesse** of **Dezan Shira & Associates**.

In recent years, China has increasingly prioritised environmental sustainability as part of its broader economic and social development strategy. As the world's largest emitter of greenhouse gases (GHGs), China's ambitious goals of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060 represent a major shift in its approach to climate change.[1] These policies have global implications, particularly for industries that rely on Chinese manufacturing and supply chains. The country's focus on reducing emissions, enhancing energy efficiency and promoting cleaner technologies is reshaping how businesses operate both within China and internationally.

For European companies operating in or sourcing from China, understanding the impact of these environmental policies is crucial. With China moving towards stricter environmental regulations, European businesses face the dual challenge of complying with new standards while navigating the evolving regulatory landscape.

China's environmental policies

China's approach to environmental sustainability is framed by a series of ambitious policies and targets aimed at reducing the nation's carbon footprint. In 2021, the country submitted an updated Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC), outlining its commitment to reaching carbon

[1] *The Carbon Brief Profile: China*, Carbon Brief, 30th November 2023, viewed 9th January 2025, <https://interactive.carbonbrief.org/the–carbon–brief–profile–china/index.html>

neutrality by 2060 and peaking CO_2 emissions before 2030.[2]

These targets are complemented by the *14th Five-year Plan for Economic and Social Development*, which sets clear guidelines for reducing coal consumption, enhancing energy efficiency and boosting the share of non-fossil fuels in the country's energy mix.[3]

Key objectives shaping the trajectory of China's environmental policies include:

- **Carbon peaking and carbon neutrality targets:** These targets outline the roadmap for reducing carbon emissions.
- **Energy transition plan:** China aims to reduce its reliance on coal, increase the share of renewable energy in its energy mix, and support large-scale wind and solar power projects.
- **Forest carbon sink programme:** Through large-scale reforestation and landscape restoration, China has significantly increased its carbon sink capacity, absorbing a notable percentage of the country's GHG emissions.

Recent regulatory developments underscore the urgency of these goals, as seen in the establishment of comprehensive frameworks like the '1+N system', which includes detailed action plans for carbon peaking and carbon neutrality.[4]

In addition to these long-term targets, the country has enacted robust environmental laws, including the 2015 amended Environmental Protection Law, which introduced stringent penalties for non-compliance, including heavy fines and criminal charges.[5] Regulations also target specific pollution reduction goals under the *Air Pollution Prevention and Control Action Plan*,[6] the *Water Pollution Prevention and Control Action Plan*[7] (also known as the 'Water Ten Plan') and the *Soil Pollution Prevention and Control Action Plan*[8] (also known as the 'Soil Ten Plan'), further reinforcing China's commitment to reducing environmental harm. Moreover, in July 2021, China introduced its national emissions trading system (ETS), the largest carbon market in the world, covering five billion tons of CO_2 from more than 2,200 fossil-fuel power plants.[9]

Meanwhile, as China's carbon intensity decreases, it faces increasing pressure from foreign markets, including the European Union (EU), to meet stricter environmental standards.

Alignment with global standards: a comparative analysis with the EU

In terms of alignment with global standards, China's policies bear notable similarities to international frameworks such as the European Green Deal.[10] Both China and the EU are advancing ambitious climate goals through systemic policy changes. China's 1+N policy framework echoes the EU's Fit for 55 package, which comprises targeted measures to achieve emissions reductions and foster sustainable practices across key sectors like energy, industry and transportation.[11]

Both sides are also prioritising energy transition. The EU's commitment to increasing the share of renewable energy to 42.5 per cent by 2030 is mirrored in China's push for a greener energy mix, with significant investments in renewable energy sources such as solar and wind. Additionally, both frameworks emphasise energy efficiency. While the EU targets a 1.49 per cent annual reduction in final energy consumption, China's policies include stringent efficiency standards and the promotion of green manufacturing practices.

However, a key area of divergence lies in the international dimensions of these policies. The EU's Carbon Border Adjustment Mechanism (CBAM), effective from 2026, extends its climate obligations to trading partners, requiring imports of high-carbon products to comply with EU carbon pricing.[12] China's approach, by contrast, remains more focussed on domestic implementation, though its policies increasingly recognise the importance of global cooperation in addressing climate change.

Overall, while China and the EU pursue similar objectives in their environmental policies, their methodologies and areas of emphasis vary. Both demonstrate a commitment to integrating sustainability into their economic frameworks, setting a benchmark for other regions to follow.

Impacts on supply chains

- **Regulatory compliance and costs**

China's environmental regulations are becoming increasingly stringent, particularly with the introduction of

[2] *Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy*, National Development and Reform Commission, 24th October 2021, viewed 14th January 2025, <https://en.ndrc.gov.cn/policies/202110/t20211024_1300725.html>

[3] Wong, D, *What to Expect in China's 14th Five Year Plan? Decoding the Fifth Plenum Communique*, China Briefing, 12th November 2020, viewed 9th January 2025, <https://www.china–briefing.com/news/what–to–expect–in–chinas–14th–five–year–plan–decoding–the–fifth–plenum–communique/>

[4] *China to release implementation plans to achieve carbon goals: Xi, Xinhua*, 12th October 2021, viewed 9th January 2025, <https://english.mee.gov.cn/News_service/media_news/202110/t20211012_956262.shtml>

[5] Qian, Z, *Green Compliance in China – How to Prepare for Environmental Regulations*, China Briefing, 20th June 2022, viewed 9th January 2025, <https://www.china–briefing.com/news/chinas–environmental–regulations–compliance–for–foreign–companies/>

[6] *Air Pollution Prevention and Control Action Plan,* State Council, 10th September 2013, viewed 18th February 2025, <http://english.www.gov.cn/policies/latest_releases/2013/09/10/content_281475127013234.htm>

[7] *Water Pollution Prevention and Control Action Plan*, State Council, 16th April 2015, viewed 18th February 2025, <https://english.www.gov.cn/policies/latest_releases/2015/04/16/content_281475090170164.htm>

[8] *Soil Pollution Prevention and Control Action Plan*, Ministry of Environmental Protection, 13th December 2016, viewed 18th February 2025, <https://english.mee.gov.cn/Resources/Plans/Plans/201712/P020171213578786221890.pdf>

[9] Koty, A, *China Launches Carbon Trading Market as Urgency to Cut Emissions Grows*, China Briefing, 26th July 2021, viewed 9th January 2025, <https://www.china–briefing.com/news/china–launches–carbon–trading–market–as–urgency–to–cut–emissions–grows/>

[10] *The European Green Deal: Striving to be the first climate–neutral continent*, European Commission, 11th December 2019, viewed 14th January 2025, <https://commission.europa.eu/strategy–and–policy/priorities–2019–2024/european–green–deal_en>

[11] Erbach, G, and Jensen, L, *Fit for 55 package*, European Parliamentary Research Service, 14th July 2021, viewed 14th January 2025, <https://epthinktank.eu/2024/08/01/fit–for–55–package/>

[12] *REGULATION (EU) 2023/956 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 10 May 2023 establishing a carbon border adjustment mechanism*, European Union, 16th May 2023, viewed 14th January 2025, <https://eur–lex.europa.eu/eli/reg/2023/956/>

the national carbon trading system in 2021 and the revised Environmental Protection Law, which imposes hefty fines and even criminal charges for non-compliance. This is driving up costs for businesses that must invest in cleaner technologies, energy-efficient machinery and pollution control systems. According to the National Development and Reform Commission (NDRC), sectors with high emissions, such as steel, cement and coal face stricter enforcement, leading to increased production costs.

For example, manufacturing plants must meet air, water and soil pollution reduction targets under the *Air Pollution Prevention and Control Action Plan*, and companies operating in these sectors must bear the cost of upgrading infrastructure to comply. Companies unable to comply face temporary shutdowns or hefty penalties, leading to delays in production and supply chain disruptions. This has caused ripple effects in global supply chains, particularly for industries reliant on Chinese manufacturing.

As a result, businesses are also seeing an increase in transportation and raw material costs, as supply shortages can occur when non-compliant suppliers are forced to shut down. While there may be short-term cost increases, businesses that invest in cleaner technologies will eventually reduce operational expenses, especially with energy-efficient equipment and renewable energy sources that lower energy consumption over time.

- **Shifting production models and innovation**

China's energy transition plan, which focusses on reducing coal consumption and increasing renewable energy share, is driving manufacturers to adopt cleaner technologies. The push for greener energy sources such as solar, wind and hydroelectric power is reshaping production models. China aims to have 25 per cent of its total energy mix generated from renewable sources by 2030.[13]

The transition to sustainable manufacturing practices has spurred innovation across multiple sectors. For example, China's solar and wind energy industries are booming as companies work to meet the country's energy goals. The push for greener practices is also leading to advances in clean technologies like electric vehicles, energy storage and green building materials.

- **Supplier selection and management**

As environmental regulations tighten, selecting and managing suppliers that comply with China's sustainability standards is becoming more critical. Chinese authorities now require businesses to report emissions data and environmental practices, creating an increasingly transparent supply chain. Companies that fail to meet emissions reduction targets or fail to demonstrate adherence to environmental laws face sanctions, including fines or shutdowns.

For European companies sourcing from China, this means the need for greater diligence in supplier selection. Firms are increasingly conducting environmental audits and requiring suppliers to provide certifications such as ISO 14001 (Environmental Management) to prove their environmental compliance.

- **Logistics and transportation**

With the introduction of carbon pricing mechanisms such as the national carbon trading system, businesses are likely to see higher transportation costs, especially for carbon-intensive products. According to the International Energy Agency (IEA), the transportation sector is a significant emitter of GHGs, and stricter emissions regulations are expected to increase the costs associated with shipping.[14]

Moreover, China's commitment to reducing carbon emissions has led to a growing focus on green logistics, including the use of electric trucks, energy-efficient shipping methods, and carbon-neutral warehouses. The Chinese Government has been promoting green transportation infrastructure, with a target of 20 per cent of all vehicles on the road to be 'clean vehicles' by 2025. As a result, businesses will need to factor in the rising costs associated with green logistics and shipping options.

- **Challenges for small and medium enterprises (SMEs)**

SMEs may face particular challenges as they adapt to China's environmental regulations. While large multinational corporations typically have the resources to invest in compliance measures, SMEs often struggle to bear the cost of upgrading their operations to meet new standards. For example, installing energy-efficient systems or complying with pollution-reduction targets may be prohibitively expensive for smaller businesses.

However, there are also opportunities for SMEs to thrive in this regulatory environment. By adopting green technologies and sustainable practices early on, SMEs can differentiate

[13] Stanway, D, and Xu, M, *China plans to raise minimum renewable power purchase to 40% by 2030: government document, Reuters*, 10th February 2021, viewed 9th January 2025, <https://www.reuters.com/article/us–china–climatechange–renewables/china–plans–to–raise–minimum–renewable–power–purchase–to–40–by–2030–government–document–idUSKBN2AA0BA/>

[14] *Transport*, IEA, viewed 14th January 2025, <https://www.iea.org/energy–system/transport>

themselves in global markets that increasingly prioritise sustainability. For example, SMEs can leverage certifications like ISO 14001 to gain a competitive advantage and access green procurement networks.

- **Ripple effect**

China's environmental policies are not only transforming its domestic manufacturing sector but also influencing global supply chains. As the world's largest exporter, China's regulatory shifts are having a profound impact on international businesses.

In response to these challenges, many companies are diversifying their supply chains to mitigate risks associated with China's tightening environmental standards. The 'China Plus One' strategy has become increasingly popular, and involves companies expanding their operations to neighbouring regions such as Southeast Asia, where environmental regulations may be less stringent.

At the same time, China's push for sustainability is encouraging increased cross-border collaboration. This alignment not only helps businesses meet their own environmental objectives but also opens doors to new markets, especially in regions where sustainability is a key consumer demand. As a result, the global supply chain landscape is evolving towards greater cooperation and innovation in clean manufacturing.

Adapting to Chinese environmental policies: strategies and opportunities for European businesses

As China's environmental regulations continue to evolve, European businesses must recognise the challenges and opportunities these changes present. While the tightening of environmental laws may seem daunting at first, these regulations should be viewed as part of a larger global shift towards sustainability.

By proactively adapting to China's stringent environmental policies, businesses can ensure compliance and set themselves apart as leaders in a rapidly evolving marketplace. Key strategies include:

- **Investing in green technologies:** One of the most effective ways to navigate China's environmental regulations is to invest in clean technologies and energy-efficient manufacturing processes. These investments not only reduce long-term operating costs but also enable businesses to stay ahead of the curve in terms of compliance.

- **Strengthening supplier networks:** A crucial aspect of navigating these regulatory changes is working closely with suppliers who are already compliant with China's environmental standards. By building stronger relationships with these suppliers, businesses can ensure continuity in their supply chains while avoiding the risk of disruptions caused by non-compliance.

- **Diversifying supply chains:** While aligning with compliant suppliers within China is essential, it is equally important to diversify supply chains across different regions. By working with international suppliers who meet similar sustainability standards, European businesses can reduce their exposure to regulatory risks and disruptions.

- **Leveraging technology for compliance and efficiency:** The rapidly changing regulatory landscape in China demands that businesses invest in technologies that provide real-time compliance tracking and visibility. Tools such as the internet of things, artificial intelligence and blockchain can enhance transparency and streamline supply chain operations, making it easier for companies to monitor their adherence to environmental standards.

- **Engaging with policymakers and industry networks:** To stay ahead of regulatory shifts, businesses should engage with policymakers, industry groups and local authorities.

China's environmental policies are reshaping global supply chains, but they also present European businesses with a significant opportunity to lead the way in sustainability. By embracing China's regulatory framework, adopting green technologies, diversifying supply networks and strengthening supplier partnerships, businesses can ensure their long-term growth and competitiveness. Sustainability is no longer just a regulatory requirement – it is a key differentiator in the global marketplace.

Giulia Interesse is an editor at Asia Briefing, a subsidiary of Dezan Shira & Associates.

Dezan Shira & Associates assists foreign investors in China and has done so since 1992 through offices in Beijing, Tianjin, Dalian, Qingdao, Shanghai, Hangzhou, Ningbo, Suzhou, Guangzhou, Dongguan, Zhongshan, Shenzhen and Hong Kong.

The company has offices in Vietnam, Indonesia, Singapore, the United States, Germany, Italy, India and Dubai (UAE), as well as partner firms assisting foreign investors in the Philippines, Malaysia, Thailand and Bangladesh.

5TH NOV.
SHANGHAI

Vice President D'Andrea speaks at CIIE sub-forum

A European Chamber delegation at the China International Import Expo
Photo: China International Import Expo

On 5th November, European Chamber Vice President Carlo D'Andrea spoke at a sub-forum of the Seventh Hongqiao International Economic Forum—focussed on China's role in World Trade Organization (WTO) reform—held by the Ministry of Commerce as part of the China International Import Expo. Vice Minister of Commerce Li Fei opened the session.

D'Andrea said that China should play an influential role in advancing WTO reform by expanding the country's institutional openness, as well as by optimising its business and regulatory environment. He also called on the Chinese authorities to take action to strengthen intellectual property protection in the country, accelerate the implementation of policies relating to free trade zones and to better support small and medium-sized enterprises.

15TH NOV.
BEIJING

Chamber joins MOFCOM roundtable on 24 Measures

On 15th November, the European Chamber participated in a roundtable on the implementation of the 13th August 2023 *Opinions of the State Council on Further Optimising the Environment for Foreign Investment and Increasing Efforts to Attract Foreign Investment* (24 Measures), organised by the Ministry of Commerce. Vice Minister of Commerce Ling Ji hosted the meeting.

The event took place shortly after the Chamber published its *European Business in China Position Paper 2024/2025*, which detailed its assessment of progress made on the 24 Measures based on feedback gathered from the Chamber's working groups and local chapters. The Chamber welcomed the opportunity to discuss the 24 Measures, and expressed its intent to continue working closely with the MOFCOM and other Chinese ministries to ensure that the points outlined in the document are properly implemented.

25TH NOV.
BEIJING

President Eskelund meets Chinese Premier Li Qiang

President Jens Eskelund with Chinese Premier Li Qiang
Photo: European Chamber

On 25th November, European Chamber President Jens Eskelund participated in an exclusive closed-door meeting with Premier Li Qiang, held on the sidelines of the 2nd China International Supply Chain Expo.

Li highlighted the important role that China plays in global supply chains, as well as the importance of maintaining global supply chain stability. Eskelund outlined the need for a more balanced European Union-China trade relationship, as well as a more predictable policy environment, improved market access and a level-playing field for foreign-invested enterprises (FIEs) operating in China. Eskelund also stressed the Chamber's intent to continue to engage in regular exchanges with the Chinese Government, in order to ensure that the challenges experienced by FIEs operating in the country are well understood.

2ND DEC.
BEIJING

Vice President Stefan Bernhart meets German foreign minister

Vice President Stefan Bernhart with German Foreign Minister Annalena Baerbock
Photo: European Chamber

On 2nd December, European Chamber Vice President Stefan Bernhart met with German Foreign Minister Annalena Baerbock. He provided Baerbock with an overview of the state of the Chinese economy and the business outlook for European companies operating in the country. Bernhart also highlighted the key findings of the *European Business in China Position Paper 2024/2025* and the Chamber's key recommendations for rebuilding investor confidence in the China market.

16TH DEC.
BEIJING

European Chamber president meets with European Economic and Social Committee

President Jens Eskelund with European Economic and Social Committee President Oliver Röpke
Photo: European Chamber

On 16th December, European Chamber President Jens Eskelund met with a visiting delegation of representatives from the European Economic and Social Committee (EESC), headed by the organisation's president, Oliver Röpke.

Topics discussed included China's economic slowdown, low consumption, the diversion of investment from real estate to manufacturing and the subsequent increase in Chinese exports to regions including Europe. Eskelund outlined how, compounded by existing market access and regulatory barriers, these factors negatively impact the operations of European businesses operating in China, with some Chamber members adjusting their China strategies as a result.

19TH DEC.
SHANGHAI AND SHENYANG

European Chamber delegation visits Liaoning Department of Commerce

A European Chamber delegation led by Vice President and Shanghai Chapter Chair Carlo D'Andrea and Shenyang Chapter Chair Erich Kaiserseder visiting Liaoning Department of Commerce
Photo: European Chamber

On 19th December, European Chamber Vice President and Shanghai Chapter Chair Carlo D'Andrea and Shenyang Chapter Chair Erich Kaiserseder led a delegation to visit the Liaoning Department of Commerce, where they met with Director Pan Shuang and Deputy Director Li Jun, as well as other regional officials.

The Chamber delegation outlined the challenges faced by members operating in the region. Pan stated Liaoning's strong commitment to improving foreign investor confidence, and said that she would instruct the relevant government departments to ensure the concerns raised were addressed.

Corporate social responsibility

The 11th European Chamber Corporate Social Responsibility Awards

On 14th November 2024, the European Chamber hosted its 11th Corporate Social Responsibility (CSR) Awards in Nanjing. More than 120 participants attended to celebrate over a decade of CSR promotion and advocacy by the European Chamber. In this article **Chia-Lin Coispeau**, partner at **Maverlinn Impact Innovation**, explores CSR and sustainability in challenging and uncertain times.

2025: a pivotal year for CSR

The start of 2025 has already seen a number of key events that will impact the course of CSR work.

On the international stage, 2025 marks the halfway point of the 2030 target for achieving the 17 United Nations (UN) Sustainable Development Goals (SDGs). Signed by all 191 UN member states, they provide a common vision and a guiding framework to uncover possible pathways to sustainability for governments, companies, organisations and individuals. It is worth exploring the state of progress on some of the UN SDGs that businesses have been involved in tackling through CSR initiatives: No Poverty (Goal 1), Quality Education (Goal 4), Responsible Consumption and Production (Goal 12), Climate Action (Goal 13), and Peace, Justice and Strong Institutions (Goal 16).

On Climate Action for example, 2025 marks the pivotal 10th anniversary of the Paris Agreement, which was signed by 189 countries. However, in its sixth assessment report released in 2023, the

Intergovernmental Panel on Climate Change (IPCC) outlined how industry emissions have already led to a 1.1°C increase in current temperatures compared to pre-industrial levels.[1] The report also mentions that the 1.5°C target limit above pre-industrial levels is still achievable and that the largest gains in well-being could be obtained by focussing actions on lower-income and marginalised communities. At COP29, which was held in Baku in November 2024, the new goal of tripling annual climate finance[2] for developing countries to United States dollar (USD) 300 billion was announced.[3] This builds on the significant achievements made on global climate action at COP27 (Sharm El-Sheikh, 2022), which agreed an historic Loss and Damage Fund, and COP28 (Dubai, 2023), which delivered a global agreement to transition away from all fossil fuels in energy systems. However, the United States, one of the world's leading greenhouse gas emitters, recently announced its withdrawal from the Paris Agreement and the end of the Green New Deal.

2025: The final year of China's 14th Five-year Plan (14FYP)

In China, 2025 also marks the final year of the 14FYP, which has covered the challenging 2021–2025 period. Alongside the climate crisis, the period has featured considerable geopolitical turbulence, such as the wars in Ukraine and the Middle East, along with the Covid-19 pandemic.

In 2020, as the pandemic caused supply chain disruptions and a global economic slowdown, China orchestrated two macroeconomic shifts. First, credit conditions were tightened for the real estate sector, which has represented up to 25 per cent of China's gross domestic product (GDP) in the last two decades, triggering a real estate crisis. Second,

the transition to net zero became a new driver of China's economic growth. In September 2020, President Xi Jinping announced the dual 30/60 goals: peaking carbon emissions before 2030 and achieving carbon neutrality by 2060. Thus, in March 2021, China adopted the 14FYP focussed on increasing 'high-quality' economic development and consumption. It also featured a particular emphasis on building an 'ecological civilisation'. As an illustration, SKEMA Business School in China highlighted sustainability-related consumption markets such as health and outdoor lifestyle products, which reached a market size of Chinese yuan (CNY) 200 billion in 2023. It also underlined that consumption in China represents just 40 per cent of GDP versus an average 70 per cent in developed countries.

Halfway through the 14FYP, Xie Zhenhua, then China's climate representative, made the point that China could not do without fossil fuels while the technologies, particularly for storing renewable energy, are not mature. Besides, at COP28 China did not sign the global commitment on the tripling of installed renewable energy capacities, the doubling of energy efficiency by 2030 and the commitment to stop building new coal-fired power stations. This demonstrates China's pragmatic approach to its energy mix, with coal still playing a role alongside renewables. More recently, on 1st January 2025, the Energy Law also came into effect.[4] It describes green and low-carbon energy development as being crucial, due to the country's relative lack of natural resources. It aims to promote renewable energy development, meet energy demand, and develop a safe and efficient energy system. It is also worth noting a document issued on 31st July 2024 by the State Council, which lists significant targets to be hit by 2030 in key areas of green transformation.[5]

EU-China cooperation possibilities

There are areas where the European Union (EU) and China could explore cooperation. Take the development of carbon markets as an example: the EU first launched a carbon market in 2005 and China has been conducting carbon emission trading pilots since 2011.[6] In this regard, the EU and China have much experience to share. In the carbon market, enterprises buy quotas

[1] *AR6 Synthesis Report: Climate Change 2023*, Intergovernmental Panel on Climate Change, 2023, accessed 17th February 2025, <https://www.ipcc.ch/report/sixth–assessment–report–cycle/>

[2] Funding to tackle the impacts of climate change and help countries transition to low–carbon economies.

[3] *COP29 UN Climate Conference Agrees to Triple Finance to Developing Countries, Protecting Lives and Livelihoods*, United Nations, 24th November 2024, viewed 21st February 2025, <https://unfccc.int/news/cop29–un–climate–conference–agrees–to–triple–finance–to–developing–countries–protecting–lives–and>

[4] *The significance of the promulgation and implementation of the Energy Law State Grid: Ensure national energy security and promote high–quality energy*, National Energy Administration, 13th December 2024, viewed 21st February 2025, <www.nea.gov.cn/2024–12/13/c_1310787559.htm>

[5] *Opinions on the comprehensive green transformation of economic and social development*, State Council, 31st July 2024, viewed 21st February 2025, <https://www.gov.cn/gongbao/2024/issue_11546/202408/content_6970974.html>

[6] *About the EU ETS*, European Commission, viewed 24th February 2025, <https://climate.ec.europa.eu/eu–action/eu–emissions–trading–system–eu–ets/about–eu–ets_en>

to obtain carbon emission rights for trading, and industries covered by this mechanism have seen faster emission reductions. According to the Climate Action and Environmental Affairs representative of the EU Delegation to China, legislation is crucial for responding to climate change as companies need legal certainty to make investments.[7]

In 2023, the first EU-China High-Level Policy Dialogue on Circular Economy was also held in Beijing, marking a significant milestone in reaffirming the commitment to close cooperation on environmental matters between the two sides.[8] The dialogue resulted in the extension of the Memorandum of Understanding (MoU) on Circular Economy for another five years. In 2024, the EU and China also agreed on a joint action roadmap for cooperation on the circular economy.

The actions agreed focus on plastics, including the ongoing negotiations for a global plastics treaty, as well as battery value chains and remanufacturing.

From crises to new opportunities?

The climate crisis calls for bold innovation and strong investments. It also offers many opportunities. Other crises, such as the recent pandemic, increased global poverty for the first time since 1998. Global supply-chain disruptions and containment measures caused massive job losses, notably amongst women and lower-educated workers. Education inequalities were worsened by school closures and the digital divide became wider. However, according to the Organisation for Economic Co-operation and Development, the pandemic also encouraged more open cooperation and exchange between global biomedical scientists.[9]

Some companies have already undertaken bold CSR initiatives in the areas outlined in the SDGs, including the winners of the 11th European Chamber CSR awards. These companies succeed in managing both complexity and uncertainty, and are skilled at using their creativity to design or support innovative strategies that will ensure sustainable economic growth, societal progress and the creation of impactful innovation ecosystems. In this regard, European companies operating in China must continue to play a leading role.

Acknowledgements

I would like to take this opportunity to thank the European Chamber, the judges, the winners, all applicants, and the speakers at the 11th CSR Awards for providing such an enriching platform. Eb

NOTE: This text is partly inspired by elements of speeches delivered during the European Chamber 11th CSR Awards, in particular by Professor Wenyu Dou, keynote speaker and academic dean of SKEMA Business School, and by Jason Hua, vice president of DB Schenker Global IT, and general manager of DB Schenker Global Technology Solution Center Nanjing.

Chia-Lin Coispeau is partner at **Maverlinn Impact Innovation**, an advisory firm aimed at creating impact and reducing social and environmental issues in China and Europe. The company crafts innovative strategies to deliver superior value to industry leaders. Maverlinn is committed to promoting a model of humane development through constant attention given to personal empowerment and the common good.

[7] *EU official: Climate governance requires leadership from Europe and China*, China News, 19th December 2024, viewed 21st February 2025, <https://www.chinanews.com.cn/gj/2024/12–19/10338953.shtml>

[8] *EU and China agree to further cooperation on circular economy*, European Commission, 25th April 2024, viewed 21st February 2025, <https://environment.ec.europa.eu/news/eu–and–china–agree–greater–circular–economy–cooperation–2024–04–25_en>

[9] *OECD Science, Technology and Innovation Outlook 2023: Enabling Transitions in Times of Disruption*, OECD, 16th March 2023, viewed 21st February 2025, <https://www.oecd.org/sti/science–technology–innovation–outlook/crisis–and–opportunity/thepandemichastriggeredanunprecedentedmobilisationofthescientificcommunity.htm>

Winners of the 11th CSR Awards

Leadership in CSR & Sustainable Growth

BASF-YPC

BSH

Syensqo

Green Impact Pioneer Award

Bosch Aftermarket

Philips China

Climate Action Leader Award

Arkema

Excellence in Gender Equality & Empowerment Award

SAP

Ericsson

Employee Development and Engagement Award

DB Schenker

SUSPA

BASF (China) Company Limited Nanjing Branch

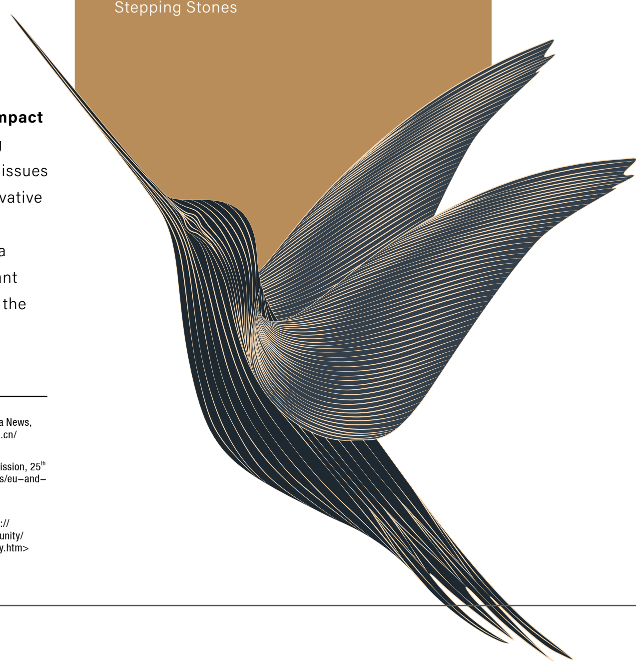
Daimler Truck

Sustainable Supply Chain Award

Schaeffler China

NGO/Social Enterprise-Excellence in Social Innovation

Stepping Stones



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:

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Podcast

Media Watch

Chamber comments on foreign investor confidence

Following the launch of the *European Business in China Position Paper 2024/2025* (*Position Paper*) in September, European Chamber President Jens Eskelund was interviewed by several international media outlets on the attitude of foreign companies towards the Chinese market. Speaking with *The Wire China* and *Spiegel*, Eskelund noted that with the risks of doing business in China increasing and the rewards decreasing, many investors are now confronted with the reality that their approach to the market may require a strategic rethink.

The End of Globalization?

Germany's Successful Economic Model Could Be Finished

China and the U.S. are isolating their economies and supporting industry with billions in subsidies. Will the German economy be crushed between the two blocs? Domestic industry faces tough choices.

Spiegel interview with President Eskelund on business confidence in the China market
Media: *Spiegel*
Date: 5th November 2024

COVER STORY

The Tipping Point

Foreign companies face a reckoning in China as the risks of staying are generating diminishing returns.

Article by *The Wire China* on companies' changing China strategies
Media: *The Wire China*
Date: 10th November 2024

Chamber comments on declining number of foreign workers in China

On 17th November, the *SCMP* ran an article on the dwindling number of foreign nationals working in China's major cities. Roy Ren, vice chair of the European Chamber's Human Resources Working Group, was interviewed by the publication on the main reasons for this decline. He pointed out that labour costs are one of the key reasons for the change—with foreign professionals typically demanding higher salary packages—along with companies increasingly choosing to localise their workforces, in part due to domestic talent having a better understanding of local market conditions.

Why China's big cities are losing foreign workers even as post-Covid travel picks up

More workers from developed countries are leaving China, with one observer citing a 'changing environment' amid patchy post-Covid recovery

SCMP article on the exodus of foreign workers from China
Media: The *SCMP*
Date: 17th November 2024

Chamber comments on China International Supply Chain Expo

The China International Supply Chain Expo (CISCE) took place from 26th to 30th November at the China International Exhibition Center in Beijing. Chamber President Jens Eskelund attended the event and spoke with several major domestic media outlets on recent global supply chain developments. On 26th November, *China Daily* ran an article on the event which included Eskelund's comment that there is a need for Europe and China to discuss how supply chains can be made more resilient. In an interview with *Caixin*, Eskelund also noted that supply chains are being transformed by the introduction of new technologies, companies' changing operational strategies and the increased emphasis on ensuring sustainability.

"链"通世界——推动全球产业链供应链更加完善

China Daily article on the China International Supply Chain Expo
Media: *China Daily*
Date: 26th November 2024

中国欧盟商会主席：全球供应链正经历大转型，2025年将有很多不确定

President Eskelund speaking with *Caixin* on global supply chains
Media: *Caixin*
Date: 27th November 2024

Chamber representative interviewed at China International Import Expo

From 5th to 10th November, the China International Import Expo (CIIE) 2024 was held in Shanghai. On 6th November, Vice President and Shanghai Chapter Chair Carlo D'Andrea was interviewed live by *Bloomberg* on the sidelines of the event. Commenting on Premier Li Qiang's keynote CIIE address, in which Li pledged to further expand opening up, D'Andrea emphasised the importance of backing up pro-business rhetoric with action if business confidence is to be restored.

Vice President and Shanghai Chapter Chair Carlo D'Andrea being interviewed by *Bloomberg* on the CIIE
Media: *Bloomberg*
Date: 6th November 2024

Chamber shares take on China's visa-free transit policy

On 17th December, the National Immigration Administration announced a loosening of the country's visa-free transit policy, allowing passport holders from eligible nations to stay in the country for up to 240 hours (10 days) without a visa. That same day, the Chamber shared a statement with the *SCMP* and *Lianhe Zaobao* on the development, noting that policies aimed at facilitating travel to China are welcome and important for deepening people-to-people ties. However, by themselves, they are unlikely to improve companies' ability to attract and retain foreign talent.

China expands visa-free travel to 10 days for international visitors

SCMP on China's revised visa-free transit policy
Media: The *SCMP*
Date: 17th December 2024

中国进一步放宽外国人入境政策 分析：带动经济也展现开放姿态

Lianhe Zaobao article on China's visa-free transit policy
Media: *Lianhe Zaobao*
Date: 17th December 2024

Events Gallery

BEIJING, 13TH NOVEMBER 2024

Exclusive Dialogue | A Deep Dive on the Chinese Economy with Scott Kennedy

- Trump's victory will likely lead to a more confrontational United States (US)-China relationship, marked by higher tariffs and increased pressure on Chinese exports, which could disrupt existing trade dynamics between the two nations.
- Europe faces a complex challenge as it seeks to strengthen ties with China in areas like trade and climate cooperation, while also aiming for greater strategic autonomy to protect its own interests amid shifting US-China relations.
- European countries must navigate the potential impacts of US protectionist policies on their economies, carefully balancing relationships with both the US and China to minimise negative consequences and maintain global stability.

BEIJING, 27TH DECEMBER 2024

The New EU Leadership, Its Priorities, and the Implications for EU-China Relations

- The new European Commission faces many challenges, including fostering economic growth, managing the transition to a low-carbon economy and addressing heightened security concerns, which have become more pressing in the current geopolitical climate.
- The business community has reacted positively to the European Union's (EU's) moves to enhance competitiveness and strengthen the economy.
- There is a growing focus on economic security within the EU, and trade defence mechanisms are anticipated to be used more frequently in response to perceived economic threats.

SHANGHAI, 3RD DECEMBER 2024

2025 China Outlook Conference: A Strategic Rethink of Doing Business in China

- European businesses are navigating a rapidly changing landscape in the complex Chinese market, facing new trends and challenges that require adaptive strategies.
- Maintaining competitiveness in China is essential for multinationals, as various obstacles demand innovative solutions and proactive approaches.
- Emerging trends in technology and artificial intelligence present significant opportunities for growth. Leveraging innovation can help businesses thrive even in challenging economic conditions.

SHANGHAI, 12TH DECEMBER 2024

European Competitiveness Redefined: Insights from the Draghi Report

- Strengthening supply chain resilience is essential for enhancing strategic autonomy.
- The European Union (EU) should increase the computational capacity dedicated to the training and fine-tuning of artificial models.
- To enhance the effectiveness of offshoring, China should actively participate in establishing transparent and objective regulatory standards within the EU.

TIANJIN, 13TH DECEMBER 2024

2024 Annual Finance and Taxation Regulation and Updates Review

- The government is currently looking to optimise the taxation structure.
- Resolving tax inspection disputes, clarifying tax policy uncertainties, and balancing tax planning and risk are the top three challenges for business tax management.
- A specialised tax adjudication court is now available in Shanghai for dispute resolution, helping to improve transparency and efficiency.

SOUTH CHINA, 15TH NOVEMBER 2024

2024 South China HR Conference

- Enhanced talent policies and tax incentives in the Greater Bay Area provide new opportunities for businesses to attract and retain top talent.
- Generative artificial intelligence is revolutionising human resources (HR) by transforming recruitment, employee management and operations.
- Amid the economic slowdown, HR must align with policy changes and technological innovations to ensure long-term competitiveness and adaptability.

SOUTHWEST CHINA, 28TH DECEMBER 2024

Position Paper 2024/2025 Launch in Chengdu

- Long-standing business challenges in China, including market access and regulatory barriers, still exist.
- At the same time, new challenges such as a slowdown in China's economy, sluggish domestic consumption and overcapacity have emerged.
- Members' commitment to China remains high, but for a growing number of companies, a tipping point has been reached, with investors now scrutinising their China operations more closely as the challenges of doing business are beginning to outweigh the returns.

NANJING, 29TH NOVEMBER 2024

Dialogue with Jiangsu Department of Ecology and Environment

- In 2025, Jiangsu will introduce several carbon footprint accounting rules and standards for key products, and strive to complete the carbon footprint accounting work for 400 products.
- A carbon footprint background database for key industries such as batteries, photovoltaics and steel will be established, and a provincial carbon footprint public service platform will be launched.
- Environment, health and safety staff should log daily environmental data in the Ecological Environment Smart Supervision Platform.

Advisory Council News

Bayer welcomes three new resident companies to China

Bayer recently announced that it has entered into agreements with Epigenic Therapeutics, Shanghai Immunocan Biotech and AccurEdit Therapeutics. The three biotech companies will join Bayer in China as resident companies, harnessing Bayer's extensive innovation and collaboration network to access worldwide resources and expertise, and accelerate breakthrough innovations in cell and gene therapy.

Photo: Merck

Covestro, China's GAC join forces to pioneer material solutions for flying cars

Photo: Boehringer Ingelheim

Materials manufacturer Covestro has formed a partnership with GOVY Technology, a subsidiary of Guangzhou Automobile Group (GAC), to jointly drive innovation in materials for flying cars, more specifically in 'electric vertical takeoff and landing' (eVTOL) aircraft. This collaboration aims to accelerate the commercialisation of cutting-edge material solutions that enable more efficient and sustainable urban air mobility.

Covestro is one of eight companies, including partners from the fields of artificial intelligence (AI), information technology for low-altitude aviation and carbon fibre composite materials, to sign a Memorandum of Understanding (MOU) with GOVY, a newly established subsidiary of GAC dedicated to the development of eVTOL aircraft. As a key partner in this ambitious project, Covestro brings its unique expertise in high-performance materials and sustainable solutions for the advancement of next-generation flying cars.

"Our collaboration with GAC represents a significant step forward in transforming urban air mobility. By leveraging Covestro's expertise in sustainable and innovative materials, and GAC's visionary leadership in flying car development, we are poised to create solutions that redefine the possibilities of urban transport," said Lily Wang, president of the Engineering Plastics Business Entity at Covestro.

China is making significant strides in the development of eVTOL aircraft, leveraging its advancements in battery technology to integrate these innovations into urban transportation systems. This strategic focus is driven by the potential of eVTOL vehicles to alleviate urban congestion, reduce pollution and enhance connectivity, aligning with consumer desires for efficient transportation and the government's goals for technological innovation and sustainable urban development. These vehicles are designed for short-distance urban travel, with current models offering ranges suitable for inter-city commutes.

Photo: Bayer

Philips strengthens strategic partnership with Sim&Cure

Royal Philips announced the expansion of its strategic partnership with Sim&Cure, a leading provider of advanced digital solutions for neurovascular therapy. The partnership between the two companies started five years ago and is now entering a new phase. The aim is to further enhance Philips' position in the interventional neuro domain by integrating Sim&Size™ software into Philips' next-generation image-guided therapy platform, Azurion.

Veolia China wins France-China Committee Innovation Award

The Waterl'Ogic innovative water network solution, independently developed by Veolia China's Municipal Water business line, was selected by the France-China Committee as the winner of the innovative product category.

Photo: Bayer

The France-China Cooperation Team Innovation Award was launched on the 50th anniversary of the establishment of diplomatic relations between China and France in 2014, aiming to promote exchanges and cooperation in the field of innovation between the two countries. The Innovation Award has three categories: R&D Award, Innovative Product Award and Innovative Initiative Award. This year, the Veolia China Waterl'Ogic project stood out following rounds of selection and competition, winning the Innovative Product Award.

Waterl'Ogic is an innovative solution for urban water supply networks developed by Veolia China's Municipal Water business line. This solution uses digital twin technology based on a hydraulic model to achieve automatic updates of the web-based hydraulic model, solves the problem of difficult updates of the water company's model, and ensures efficient and safe delivery of drinking water from the water plant to end users.

In China, Waterl'Ogic has been successfully applied in cities including Shanghai, Kunming, Tianjin and Changzhou. With a total water network length of more than 20,000 kilometres, it serves a population of 18.5 million people, greatly improving the pipe network management abilities of water companies and achieving efficient management of water supply networks. EC

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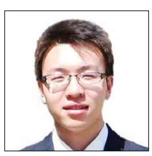

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European Chamber
CARBON NEUTRALITY ACTION
WORKING WITH CHINA TOWARDS 2060

Join our working groups to make your contribution

- 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