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Contents

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Chief Editor
James Skinner

Art Director
Zhang Ye

Advertising and Sponsorship Manager
Queenie Cheng
+86 (10) 6462 2066 Ext. 54
qcheng@europeanchamber.com.cn

National Member Relations Manager
Luyang Syvänen
+86 (10) 6462 2066 Ext. 37
lsyvanen@europeanchamber.com.cn

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BEIJING

Office C412,
Beijing Yansha Centre,
50 Liangmaqiao Road,
Beijing, 100125, PR China
北京市朝阳区亮马桥路五十号燕莎中心写字楼C-412室
Tel: +86 (10) 6462 2066
Fax: +86 (10) 6462 2067
euccc@europeanchamber.com.cn

TIANJIN

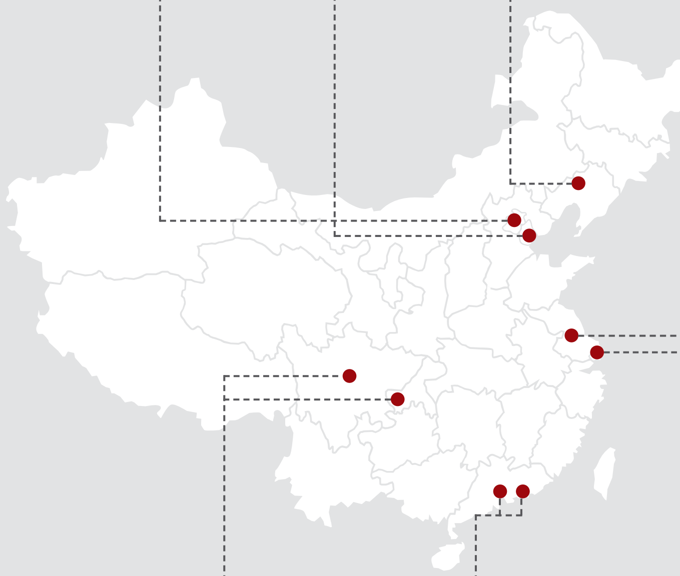
41F, The Executive Centre, Tianjin World Financial Centre, 2 Dagubei Lu, Heping District, Tianjin, 300020, PR China
天津市和平区大沽北路 2 号天津环球金融中心 41 层德事商务中心
Tel: +86 (22) 5830 7608
tianjin@europeanchamber.com.cn

SHENYANG

Room 1208, World Financial Center 2, No. 43, Beizhan Road 1, Shenhe District, Shenyang
沈阳市沈河区北站一路 43 号环球金融中心二期 1208 室
Tel: +86 (24) 3198 4229
Fax: +86 (24) 3198 4229
shenyang@europeanchamber.com.cn

NANJING

Room 951, World Trade Center, 2 Hanzhong Road, Gulou District, Nanjing, 210008, PR China
南京市鼓楼区汉中路 2 号世界贸易中心 951 室
Tel: +86 (25) 83627330
Fax: +86 (25) 83627331
nanjing@europeanchamber.com.cn



SOUTHWEST CHINA CHENGDU

04-A, F16, Tower 1 Central Plaza, 8 Shuncheng Avenue, Jinjiang District, Chengdu, PR China
成都市锦江区顺城大街 8 号中环广场 1 座 16 楼 04-A
Tel: +86 (28) 8527 6517
Fax: +86 (28) 8529 3447
chengdu@europeanchamber.com.cn

SOUTH CHINA GUANGZHOU

Unit 2817, 28/F, Tower A, China Shine Plaza, 9 Linhe Xi Road, Tianhe District, Guangzhou, 510613, PR China
广州市天河区林和西路 9 号耀中广场 A 座 2817 室
Tel: +86 (20) 3801 0269
Fax: +86 (20) 3801 0275
southchina@europeanchamber.com.cn

SHANGHAI

Unit 2204, Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai, 200021 PR China
上海市淮海中路 333 号瑞安广场 2204 室
Tel: +86 (21) 6385 2023
Fax: +86 (21) 6385 2381
shanghai@europeanchamber.com.cn

SOUTHWEST CHINA CHONGQING

105, A2 Block, SinoSwiss Technopark, Jinzhou Avenue, Yubei District, Chongqing, 401147, PR China
中国重庆市渝北区金州大道平和路 5 号，中瑞产业园 A2 栋 105
Tel: +86 (23) 63085669
chongqing@europeanchamber.com.cn

SOUTH CHINA SHENZHEN

Room 808, 8F, Tower1, Novel Park, No.4078 Dongbin Road, Nanshan District, Shenzhen, 518067, PR China
深圳市南山区东滨路 4078 号永新汇 1 号楼 808 室
Tel: +86 (755) 8635 0974
southchina@europeanchamber.com.cn

President's Foreword

Thinking long-term about China's industrial policy

Jens Eskelund

President

European Union Chamber of Commerce in China

According to the 2025 *Report on the Work of the Government* released at the beginning of the National People's Congress, the top task for this year is "vigorously boosting consumption and investment returns and stimulating domestic demand across the board,"[1] a measure intended to boost China's economy and increase consumption's share of China's gross domestic product (GDP).

This differs from 2024 when "striving to modernise the industrial system and developing new quality productive forces at a faster pace" was prioritised.[2] This year, a similar directive, "developing new quality productive forces in light of local conditions and accelerating the development of a modernised industrial system," was placed second on the list.[3]

While boosting consumption is of long-term importance for China's economy, its inclusion as this year's top priority is intended to address what is, hopefully, a relatively short-term economic downturn. Although developing 'new productive forces' has fallen to second priority, it continues to represent the most significant long-term strategic ambition of China's leadership.[4]

'New productive forces' was introduced as a term in 2023,[5] but its principles are not new. The European Chamber's latest thematic report, *Made in China 2025: The Cost of Technological Leadership*, argues that the introduction of 'new productive forces' is essentially a continuation of Made in China 2025 (MIC2025) tweaked and expanded to encompass more industries.[6] China's 'future industries' initiative is one example of this, with targeted industries like MIC2025.[7]

China's industrial policy ambitions did not start nor end with MIC2025, but the plan—which set specific market share targets in its 10 key sectors—drew global attention in 2015. A decade later, many of the MIC2025 targets have been achieved and China's ability to manufacture advanced products has dramatically improved, but the plan's impact is far more nuanced. In some sectors, despite extensive policy support, China has still fallen short of its ambitions.

In sectors that are, in many ways, MIC2025 success stories, like new energy vehicles (NEVs), the plan has led to overcrowded industries struggling with involution and overcapacity. Domestic companies in these sectors, with higher capacity than the domestic market can absorb, have turned to export markets to close the gap, leading the European Union (EU) to take trade defence actions in many of MIC2025's most successful sectors, including NEVs, wind energy, telecommunications equipment and maritime manufacturing.[8, 9, 10 & 11]

European companies that operate in these sectors have felt the impact directly, through market access barriers, eroding margins and under-utilised capacity.

As China attempts to work its way out of the ongoing economic slowdown, the long-term effects of industrial policies, from MIC2025 to 'new productive forces', should be front and centre. If MIC2025-style industrial policy continues, China may be able to meet more of its targets on paper, but at a hefty price financially and structurally, and with an impact on its trade relationship with the EU.

1 *Full text: Report on the Work of the Government*, *Xinhua*, 12th March 2025, viewed 20th March 2025, <https://english.www.gov.cn/news/202503/12/content_WS67d17f64c6d0868f4e8f0c10.html>

2 *Full Text: Report on the Work of the Government*, *Xinhua*, 13th March 2024, viewed 20th March 2025, <https://english.www.gov.cn/news/202403/13/content_WS65f0dfccc6d0868f4e8e5079.html>

3 *Full text: Report on the Work of the Government*, *Xinhua*, 12th March 2025, viewed 20th March 2025, <https://english.www.gov.cn/news/202503/12/content_WS67d17f64c6d0868f4e8f0c10.html>

4 'New productive forces', or 'xinzhishengchanli' in Chinese, is also often translated as 'new quality productive forces'

5 *Explainer: What do "new productive forces" mean?*, *Xinhua*, 21st February 2024, viewed 18th March 2025, <https://english.news.cn/20240221/3e0d1b79a39f4e6c89724049558e1082/c.html>

6 *Made in China 2025: The Cost of Technological Leadership*, European Union Chamber of Commerce in China, 16th April 2025, viewed 17th April 2025, <https://www.europeanchamber.com.cn/en/publications–archive/1274/Made_in_China_2025_The_Cost_of_Technological_Leadership>

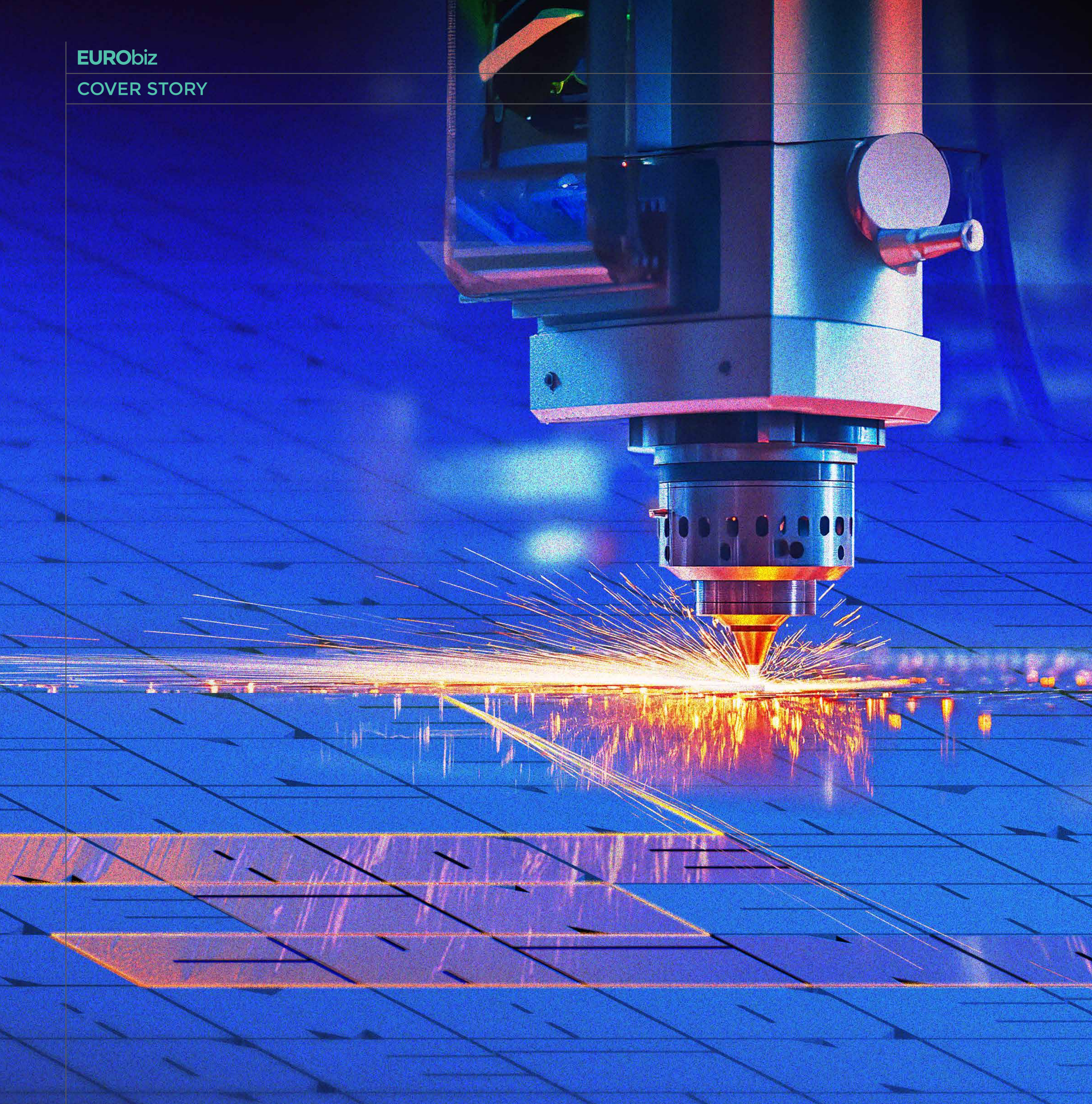
7 *Opinions of implementation on the promotion of future industrial innovation and development from the Ministry of Industry and Information & Technology and seven other departments*, Ministry of Information and Technology, 31st January 2024, viewed 21st March 2025, <https://zwgk.mct.gov.cn/zfxxgkml/kjjy/202401/t20240131_951102.html>

8 *Commission opens first in–depth investigation under the Foreign Subsidies Regulation*, European Commission, 16th February 2024, viewed 22nd January 2025, <https://ec.europa.eu/commission/presscorner/detail/en/ip_24_887>

9 *EU imposes duties on unfairly subsidised electric vehicles from China while discussions on price undertakings continue*, European Commission, 29th October 2024, viewed 22nd January 2025, <https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5589>

10 *EU starts investigation into Chinese wind turbines under new Foreign Subsidies Regulation*, Wind Europe, 9th April 2024, viewed 24th February 2025, <https://windeurope.org/newsroom/press–releases/eu–starts–investigation–into–chinese–wind–turbines–under–new–foreign–subsidies–regulation/>

11 *Commission moves to protect EU mobile access equipment industry from dumped imports*, Directorate–General for Trade and Economic Security, 9th January 2025, viewed 24th February 2025, <https://policy.trade.ec.europa.eu/news/commission–moves–protect–eu–mobile–access–equipment–industry–dumped–imports–2025–01–09_en>



MADE IN CHINA 2025

The cost of technological leadership

While manufacturing has traditionally been a pillar of China's economic growth engine, overreliance on low-tech manufacturing carried the risk of leaving China stuck in the 'middle-income trap'.[1] Made in China 2025 (MIC2025), an industrial policy plan launched in 2015, was a key part of China's overall strategy to prevent this by developing new growth drivers through the expansion of advanced manufacturing capabilities. The plan stood out from previous Chinese industrial policies for its ambitious market share targets,[2] including an overarching goal of achieving 70 per cent domestic market share for "core basic components and key basic materials" by 2025. It also prescribed specific technological targets, calling on domestic firms in its 10 key sectors to launch domestic versions of core technologies by 2025.

A decade on, MIC2025's core principles have been tweaked, expanded upon and repurposed to fit a wider scope of strategic industries, indicating that China will continue with renewed ambition many of the practices that MIC2025 either introduced or reinforced. In addition, during this time period, the overall aim of MIC2025 has been gradually aligned with China's new policy priorities – namely 'dual circulation' and the drive to achieve self-reliance, even to the point of realising "self-sufficiency in scientific and technological infrastructure."[3] In short, the plan is not just about creating more globally competitive domestic companies, it is about creating the conditions that will allow China to lead in the technologies that will define the future global economy.

76 PER CENT

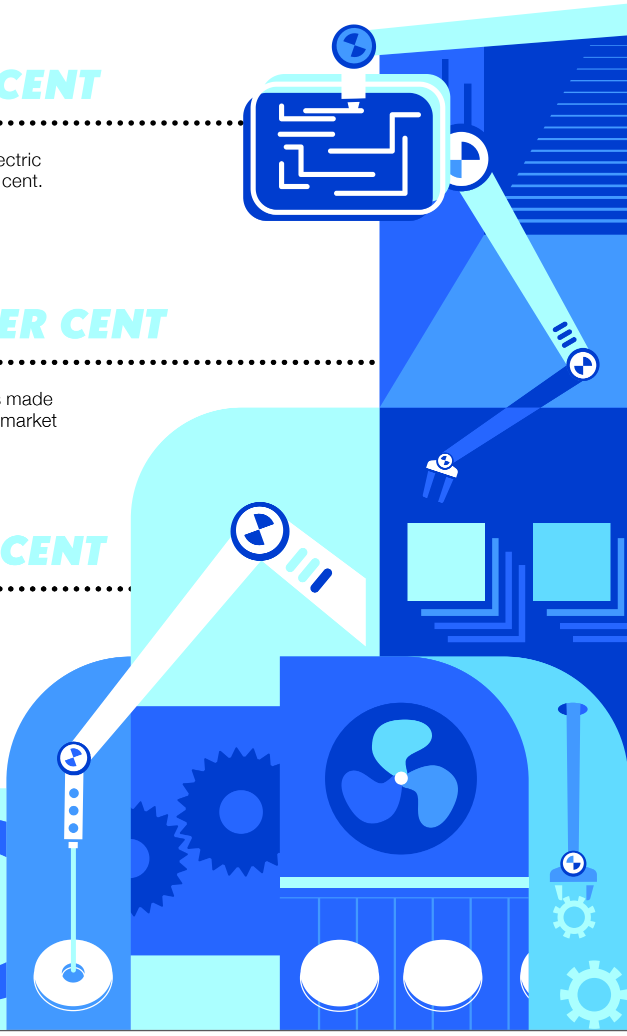
China's share of the global electric vehicle market rose to 76 per cent.

80+ PER CENT

In 2024, Chinese solar panels made up over 80 per cent of global market share.

70 PER CENT

In 2024, China's shipbuilders took around 70 per cent of new global orders.



Different shades of success

While some of MIC2025's specific sectoral targets have not been achieved, its general goal of further modernising China's overall manufacturing sector has been advanced significantly. For example, in 2024, China surpassed Germany in the number of industrial robots per 10,000 workers, meaning that, at least by this metric, China's level of industrial automation is now greater than that of any European country.[4] Since 2015, more Chinese companies in MIC2025 sectors have become world leaders, allowing China to capture significant global market share: in 2024, China's shipbuilders took around 70 per cent of new global orders;[5] China's share of the global electric vehicle (EV) market rose to 76 per cent;[6] and Chinese solar panels made up over 80 per cent of global market share.[7]

Despite, impressive progress on paper, MIC2025's implementation has resulted in a number of challenges and negative externalities. For example, the mixture of subsidies and policy support has led to countless—often significant—inefficiencies, with some industrial segments becoming saturated as a result. This, in turn,

1 The 'middle–income trap' refers to countries that fail to become high–income despite experiencing economic growth and decreased poverty rates. Feingold, S, *The 'middle–income trap' is holding back over 100 countries. Here's how to overcome it*, World Economic Forum, 4th September 2024, viewed 10th March 2025, <https://www.weforum.org/stories/2024/09/middle–income–trap–world–bank–economic–development/>

2 From 1978 onwards, China used direct intervention in priority, long–term industries to achieve its development goals. By the 1990s, China began to identify and develop high–tech and 'pillar' industries. The country dialled back on industrial policy following its entry into the World Trade Organization in 2001, but embraced it again in earnest during the global financial crisis in 2008. Into the mid–2010s, China further ramped up its industrial policy with more ambitious targets, like MIC2025. Wei, J, *China's Industrial Policy: Evolution and Experience*, United Nations Conference on Trade and Development, July 2020, viewed 7th November 2024, <https://unctad.org/system/files/official–document/BRI–Project_RP11_en.pdf>

3 The official English translation of the decision of the Third Plenary Session of the 20th Communist Party of China Central Committee uses the term 'infrastructure', however the Chinese version of the same text uses the term '*jichu tiaojian*' or '*basic conditions*', a broader term which is inclusive of physical infrastructure. *Full text: Resolution of CPC Central Committee on further deepening reform comprehensively to advance Chinese modernization, Xinhua*, 21st July 2024, viewed 21st February 2025, <https://english.news.cn/20240721/342df6c6e05c4e1a9ce4f6e3b933007b/c.html>; *Resolution of CPC Central Committee on further deepening reform comprehensively to advance Chinese modernisation, Xinhua*, 21st July 2024, viewed 21st February 2025, <https://www.gov.cn/zhengce/202407/content_6963770.htm>

4 *Global Robot Density in Factories Doubled in Seven Years*, International Federation of Robotics, 20th November 2024, viewed 22nd January 2025, <https://ifr.org/ifr–press–releases/news/global–robot–density–in–factories–doubled–in–seven–years>

5 *China secures 70% of global green ship orders in first three quarters of 2024: report, Global Times*, 10th October 2024, viewed 6th February 2025, <https://www.globaltimes.cn/page/202410/1320959.shtml>

6 Hawkins, A, *China's share of global electric car market rises to 76%, The Guardian*, 3rd December 2024, viewed 6th January 2025, <https://www.theguardian.com/business/2024/dec/03/chinas–share–of–global–electric–car–market–rises–to–76>

7 *Solar PV Global Supply Chains – Executive Summary,* International Energy Agency, viewed 22nd January 2025, <https://www.iea.org/reports/solar–pv–global–supply–chains/executive–summary>

has resulted in 'involution', a term which, in an industrial context, refers to unhealthy competition, leading to companies investing ever increasing resources without generating commensurate returns. Several of the MIC2025 industries that performed best on sectoral targets—namely NEVs and wind turbines—have also experienced damaging price wars.[8&9]

There are also areas in which MIC2025 underperformed by its own targets, evidence that industrial policy alone is not enough to ensure success. For example, China's self-developed commercial passenger jet, the C919, is still predominantly reliant on foreign suppliers for key components components, leaving it far from the degree of self-reliance that China is aiming for.[10]

China's pursuit of near self-sufficiency in advanced semiconductors—something no single country has achieved—is also evidence of MIC2025's limitations. China has made advances in key semiconductor technologies, but its inability to produce extreme ultraviolet (EUV) lithography machines has so far prevented it from being able to produce the most cutting-edge chips at a scale that would allow commercialisation. While it is possible that a sudden advance or shift in technology could see China surge ahead, there is no way to guarantee that it would stay there. Therefore, despite being difficult in the face of US restrictions, the only plausible way for China to ensure a reliable supply of the most advanced chips is to regain access to the global semiconductor ecosystem, something that its pursuit of self-sufficiency is at odds with.

FIEs a useful bridge

For foreign-invested enterprises (FIEs), individual outcomes of each MIC2025 sector vary largely based on the level of technology that their Chinese competitors possess. For sectors in which China has achieved a high level of self-reliance, FIEs are more likely either to face challenges selling their product or find themselves uncompetitive.

Taking high speed trains as an example, China has achieved a high degree of self-reliance, with only a couple of components—bearings and screws—still sourced from overseas.[11&12] Because of this, European Chamber members in the rail sector have suffered a significant loss of market share in recent years. Another example, in the middle of the 'self-reliance spectrum', is biopharmaceuticals, a sector in which Chinese firms have some advanced products but are not yet able to produce every type of drug at the same quality or price. European Chamber members in the biopharmaceutical sector have found success concentrating on high-end products, relying on their long-standing reputation for quality and safety, as well as innovation, to lead in this segment. A final example, at the far end of the spectrum, is aviation, a sector in which China is still reliant on foreign suppliers – likely not out of choice, but because these suppliers act as a bridge, enabling China to produce a product—the C919—that would otherwise be several years away.

Exporting MIC2025's side effects

China's trade with the EU in products from MIC2025 sectors is a good proxy for measuring the technological capabilities of Chinese companies. For sectors in which China has had the most success, exports to the EU have risen. Key examples of this include NEVs, rail technology, electrical power equipment and some next generation IT products such as telecommunications network infrastructure. Interestingly, all of these sectors have seen the EU take defensive action to protect the Single Market from perceived or potential market distortions.[13, 14, 15&16]

Some of the spikes in exports from China to the EU seen in some MIC2025 sectors reflect increasing international concern over China's industrial policies. When subsidies and other forms of policy support create an overcrowded environment in their home market, Chinese companies turn to exports as a source of relief.

While this practice can be viewed positively, in that it makes key technologies—including those important for the green transition—more affordable, it also exports many of the market distortions that the MIC2025 plan has created in the China market.

Many FIEs have suffered significant damage

For FIEs in many of MIC2025's sectors, it is too late to reverse the negative effects of China's industrial policies. For example, in the automotive sector, the emergence of NEV technology made market access barriers intended to constrain FIEs in the internal combustion engine (ICE) segment unnecessary. Even the requirement to enter into a joint venture

[8] Ren, D, *A bleak 2025 awaits China's 30,000 car dealers as price war piles on US$24 billion losses, South China Morning Post*, 5th January 2025, viewed 6th February 2025, <https://www.scmp.com/business/china–business/article/3293353/chinas–30000–car–dealers–face–bleak–2025–price–war–piles–us24–billion–losses?module=inline&pgtype=article>

[9] Xue, Y, *China's wind–turbine makers vow 'self–discipline' in pledge to end price war, South China Morning Post*, 17th October 2024, viewed 6th October 2025, <https://www.scmp.com/business/climate–and–energy/article/3282739/chinas–wind–turbine–makers–vow–self–discipline–pledge–end–price–war>

[10] Kennedy, S, *China's COMAC: An Aerospace Minor Leaguer*, Chinese Business & Economics, 7th December 2020, viewed 22nd January 2025, <https://csis–website–prod.s3.amazonaws.com/s3fs–public/201204_Kennedy_COMAC.pdf>

[11] *Are Chinese bearings really that lousy? As Chinese high–speed trains are being exported, this one part must still be imported*, Wang, Tengxun, 29th December 2023, viewed 5th February 2025, <https://news.qq.com/rain/a/20231229A05QFL00>

[12] *China's high–speed trains have a critical dependency on Japanese screws*, *China really can't make screws that never loosen?, Sohu,* 27th April 2023, viewed 5th February 2025, <https://m.sohu.com/a/671540313_121687414/?pvid=000115_3w_a>

[13] *Commission opens first in–depth investigation under the Foreign Subsidies Regulation*, European Commission, 16th February 2024, viewed 22nd January 2025, <https://ec.europa.eu/commission/presscorner/detail/en/ip_24_887>

[14] *EU imposes duties on unfairly subsidised electric vehicles from China while discussions on price undertakings continue*, European Commission, 29th October 2024, viewed 22nd January 2025, <https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5589>

[15] *EU starts investigation into Chinese wind turbines under new Foreign Subsidies Regulation*, Wind Europe, 9th April 2024, viewed 24th February 2025, <https://windeurope.org/newsroom/press–releases/eu–starts–investigation–into–chinese–wind–turbines–under–new–foreign–subsidies–regulation/>

[16] *Commission moves to protect EU mobile access equipment industry from dumped imports*, Directorate–General for Trade and Economic Security, 9th January 2025, viewed 24th February 2025, <https://policy.trade.ec.europa.eu/news/commission–moves–protect–eu–mobile–access–equipment–industry–dumped–imports–2025–01–09_en>

(JV) with a Chinese company to produce vehicles in China—which was perhaps the most significant market access barrier—has been removed.[17, 18&19] This indicates that many of the barriers that have been traditionally faced by FIEs are there to provide a temporary boost to domestic industry, and can be dismantled once market conditions favour domestic competitors.

The impact of these types of market access barriers is long lasting, and simply removing them does not eliminate competitive disadvantages that have arisen as a result of years of unequal treatment, rather it starts a vicious cycle that is difficult to exit. For instance, a loss of business due to market access restrictions can result in less willingness from European companies' headquarters to invest further in China, which can have the consequence of rendering the China subsidiary less competitive even if its market conditions eventually improve overall.

The opposite can be true for Chinese companies, where, in some cases, market access barriers have helped ease them into a virtuous cycle. The ability to rapidly gain domestic market share, often contrary to market forces, can quickly improve their profitability allowing them to scale up and expand globally.

MIC2025 core principles live on through 'new productive forces'

Despite the negative externalities and inefficiencies created by MIC2025, China looks set to continue and expand the same industrial policy playbook. 'New productive forces', introduced in 2023, encapsulates the main MIC2025 ideas of developing and then leading in strategic and emerging industries, but extends the scope beyond the 10 sectors that MIC2025 identified.[20] The pursuit of self-reliance, and even self-sufficiency, in critical industries will therefore continue, but through a framework that is not only broader but also lacking in specificity. While some FIEs will have an important role to play in some sectors at certain times, the ultimate goal appears to be to make them easily controllable and substitutable.[21]

> **"It would be in China's interests to demonstrate to the EU that it is willing to compete fairly..."**

This approach, however, overlooks the fact that developing critical technologies is a dynamic, continuous pursuit that requires a predictable outlook. Even if China can achieve all of its MIC2025 targets, doing so in a way that puts the country at odds with other major economies could be costly in the long run, potentially cutting it off further from access to future technologies as other countries seek to protect their own industrial capabilities and positions in home and third-country markets. It does not account for the fact that all major economies are now far more cognisant of China's industrial policy practices and the negative impact that they can have on their own respective markets, and are prepared to tackle any resulting market distortions accordingly.

At a time when the United States is bringing unprecedented uncertainty to the future of global economic interdependences, it would be in China's interests to demonstrate to the EU that it is willing to compete fairly in a way that allows for a long-term, mutually beneficial EU-China economic relationship. This could be achieved, at least in part, by shifting away from the highly coordinated industrial policy framework that MIC2025 introduced—and which seems will live on under 'new productive forces'—and returning to bold market-orientated reforms that will allow Chinese and foreign companies to compete on a level playing field. This would also have the added benefit of reducing the prevalence of 'involution' and overcapacity, which have characterised many of the MIC2025 industries and the Chinese economy in general in recent years.

[17] *Special Administrative Measures for Foreign Investment Access (Negative List) (2021 Edition)*, National Development and Reform Commission (NDRC) and Ministry of Commerce (MOFCOM), 27th December 2021, viewed 6th February 2025, <https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202112/t20211227_1310020.html?code=&state=123>

[18] *Special Administrative Measures for Foreign Investment Access in Pilot Free Trade Zones* (Negative List) (2021 Edition), NDRC and MOFCOM, 27th December 2021, viewed 6th February 2025, <https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202112/t20211227_1310019.html?code=&state=123>

[19] In practice, foreign–invested vehicle manufacturers still face regulatory barriers that prevent them from optimising their investments in China, including through the restructuring of existing operations, adjusting the foreign equity ratio of existing JVs and building new vehicle production plants. For more information, see the *European Business in China Position Paper 2024/2025*, European Union Chamber of Commerce in China, 11th September 2024, viewed 6th February 2025, pp. 188–189, <https://www.europeanchamber.com.cn/en/publications–archive/1269/European_Business_in_China_Position_Paper_2024_2025>

[20] Introduced by President Xi Jinping in September 2023, the "term refers to new productive forces that emerge from continuous breakthroughs in science and technology, driving strategic future and emerging industries that may introduce disruptive technological advancements in an era of intelligent information." *Explainer: What do "new productive forces" mean?*, *Xinhua*, 21st February 2024, viewed 6th February 2025, <https://english.news.cn/20240221/3e0d1b79a39f4e6c89724049558e1082/c.html>

[21] For more information on how FIEs are being moulded into more controllable and thus substitutable entities, please see *Siloing and Diversification: One World, Two Systems*, European Union Chamber of Commerce in China, 9th January 2025, viewed 22nd January 2025, p. 6, <https://www.europeanchamber.com.cn/en/press–releases/3682>

Austin Bliss is a policy and communications coordinator at the European Chamber and was the lead writer of *Made in China 2025: The Cost of Technological Leadership*.

The full report can be downloaded here: https://www.europeanchamber.com.cn/en/publications-archive/1274/Made_in_China_2025_The_Cost_of_Technological_Leadership

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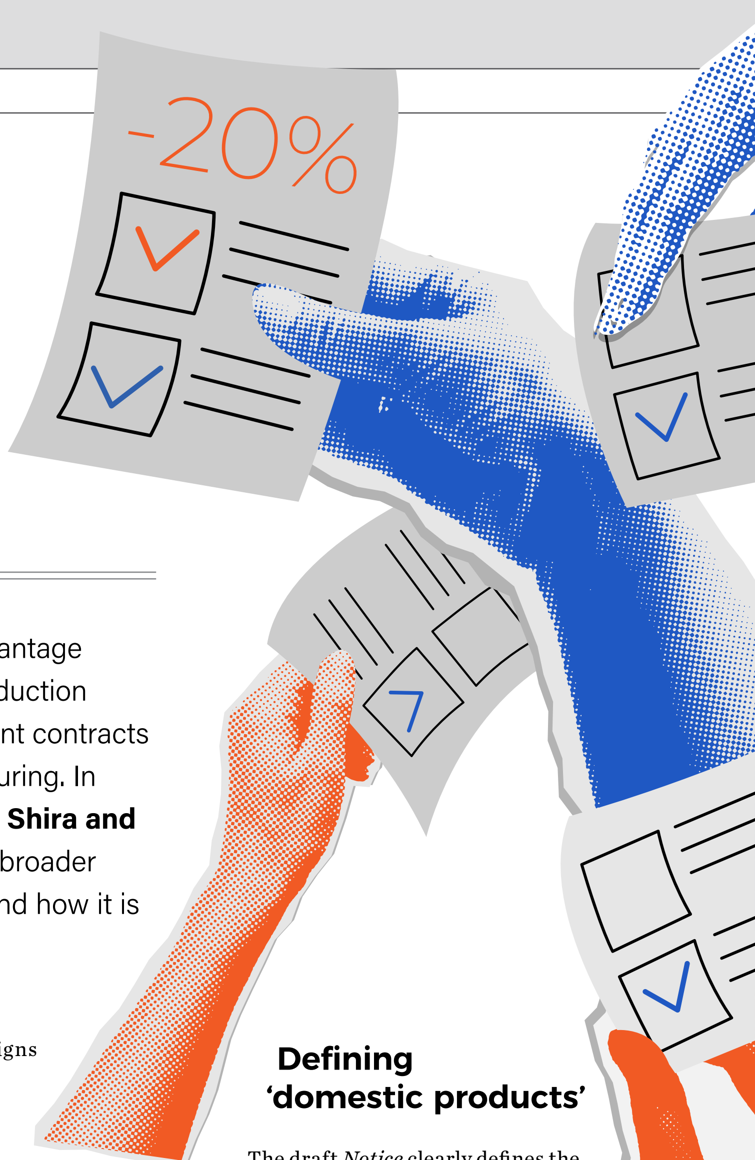
Discount procurement

The implications of the 'made in China' price advantage



The introduction of an automatic 20 per cent price advantage on goods and services that meet certain domestic production standards when considering bids for public procurement contracts signals a decisive move to support domestic manufacturing. In this article, **Giulia Interesse** and **Qian Zhou** of **Dezan Shira and Associates** explore how this policy is anchored in the broader goals of the Made in China 2025 (MIC2025) initiative and how it is likely to impact European businesses.

China's evolving procurement policies signal a decisive move to support domestic manufacturing while providing opportunities for both local and foreign enterprises operating in China.

On 5th December 2024, the Ministry of Finance (MOF) released the draft *Notice on Matters Related to Domestic Product Standards and Implementation Policies in the Field of Government Procurement* (*Notice*).[1] The *Notice* and its related annexes seek to:

- establish a clear definition for 'domestic products' used in government procurement;
- outline criteria and processes for determining eligibility for preferential policies; and
- ensure transparency and fairness for all types of enterprises participating in government procurement, including state-owned, private and foreign-invested businesses.

This policy initiative aligns with China's strategic focus on modernising its government procurement systems to reflect global best practices while advancing domestic economic goals.

The introduction of an automatic 20 per cent price advantage for products that meet domestic production standards when considering bids for government procurement contracts, highlights the government's intention to bolster local supply chains while maintaining a level playing field for all enterprises. This policy shift, valued in the context of China's expansive government procurement market, worth over Chinese yuan (CNY) three trillion annually, is expected to incentivise foreign businesses to localise operations and invest in the country's industrial ecosystem, and discourage existing businesses from reshoring.

Defining 'domestic products'

The draft *Notice* clearly defines the criteria for recognising 'domestic products'. A product must meet three key requirements to qualify:

- **Manufactured in China:** The product must undergo a substantial transformation within China's territory, changing its attributes from raw materials or components to a new product. Basic operations such as packaging, labelling or simple finishing do not qualify as transformations.
- **Domestic component costs:** A significant proportion of the product's components must be sourced and manufactured within China. The exact thresholds for this requirement will vary by industry and product category, with details

[1] *Notice on Matters Related to Domestic Product Standards and Implementation Policies in the Field of Government Procurement*, Chinese Government Procurement Network, 5th December 2024, viewed 21st March 2025, <https://www.ccgp.gov.cn/news/202412/t20241205_23796937.htm>

to be determined through industry consultation.

- **Key Components and processes:** For certain products, additional requirements may mandate that key components be made in China or critical processes be carried out domestically.

Application scope

The draft policy specifies that the standards for domestic products apply exclusively to goods, including those procured for government procurement projects and service contracts that involve goods purchases. As a result, the policy does not extend to the procurement of standalone services. However, the policy will apply to the goods procurement component for infrastructure and construction projects, which constitute a significant proportion of government procurement and typically involve both goods and services.

Support policies and domestic products

The draft *Notice* stipulates that for government procurement contracts where both domestically produced and non-domestically produced products compete, domestically produced products will benefit from a 20 per cent price advantage. This means the quoted price will be assessed at 80 per cent of the actual bid price during the evaluation process.

Meanwhile, for procurement projects or packages involving multiple products, if domestically produced products account for at least 80 per cent of the supplier's total product cost, the supplier's entire offering will benefit from the 20 per cent price advantage.

Equal treatment across enterprises

The *Notice* explicitly prohibits discrimination based on ownership type, investor nationality and/or product branding.

Implementation and verification:

- Suppliers must provide declarations or supporting documents verifying compliance with domestic production standards.
- Procurement entities are required to accept these declarations without demanding additional evidence.
- False declarations will result in penalties under the Government Procurement Law.

How to understand the new 'domestic product' standards in government procurement?

A new regulatory framework for origin rules in government procurement

Whether a product is considered 'domestic' is currently determined by whether it requires import clearance procedures, a relatively straightforward but imprecise criterion. The 'domestic goods' classification involves legal, economic, political and international trade considerations. Given the complexities of global supply chains, defining domestic products has become increasingly difficult. Additionally, in China, interdepartmental coordination presents further challenges, which is why explicit regulations on this matter have been lacking in existing laws and policies.

The MOF's draft *Notice* proposes specific standards and calculation formulas for determining domestic products and establishing a structured regulatory framework for origin rules in government procurement. It also reserves space for defining industry-specific domestic cost ratios over the next three to five years. Once formally implemented, this will create a new framework governing the origin standards in government procurement.

The *Notice* adopts an origin-based approach, emphasising the localisation of key components and core manufacturing to retain high-value industries. By securing core technologies through domestic production, it aims to drive industrial upgrading, prevent technology outflows and strengthen China's manufacturing competitiveness.

How does the policy fall under the broader MIC2025 initiative?

The draft *Notice* aligns closely with MIC2025 in supporting local manufacturing, promoting supply chain localisation, facilitating industrial upgrading and responding to international competition. Through adjustments in government procurement policies, it provides concrete support and implementation paths for achieving the goals of MIC2025.

Promoting localisation of core technologies

The strict domestic product standards proposed in the draft policy—such as requiring that key components and processes be produced within China—will ensure that high-value supply chains remain local. This approach is in line with MIC2025's goal of 'enhancing core manufacturing capabilities' by preventing technology outflow and encouraging domestic firms to move up the industrial value chain.

Optimising government procurement support mechanisms

By offering a 20 per cent price advantage for domestic products, the policy uses demand side incentives to drive increased research and development (R&D) investments. This 'precision support' model echoes MIC2025's principles of innovation-driven, quality-first development, helping to establish a virtuous cycle where market demand leads to technological breakthroughs, which in turn promote industrial upgrading.

Strengthening supply chain resilience

By setting production cost ratio requirements across industries, the draft *Notice* targets 'bottleneck' sectors—such as semiconductors and medical devices—where supply chain vulnerabilities have been a concern. This targeted support reinforces MIC2025's special action to "strengthen the chain and supplement the chain", enhancing the overall autonomy and resilience of China's industrial supply chains.

In summary, MIC2025 is a long-term strategy, while the *Notice* serves as a specific policy tool. Through government procurement, the *Notice* provides policy support and market assurance for the realisation of MIC2025's goals. Both work together to support China's manufacturing growth by aligning their policy goals.

What are the implications for European businesses and investors?

The *Notice* underscores the government's commitment to fostering a competitive, orderly and market-orientated procurement environment. However, it also reflects broader industrial policy goals, such as promoting domestic innovation and reducing reliance on foreign imports.

> "The clear pathway to qualify as a domestic producer reduces uncertainties that previously hindered foreign participation in China's procurement market."

Internationally, these policies have drawn scrutiny, particularly from the European Union (EU). The EU has raised concerns over China's practices favouring domestic procurement in sectors like medical devices, as highlighted in its investigation under the International Procurement Instrument (IPI).[2] The EU's findings suggest that China's procurement policies, such as the 'Buy China' initiative and requirements for high localisation rates, disadvantage foreign suppliers and may violate fair trade principles.

The EU has underscored specific concerns, such as the mandate that public hospitals procure a significant proportion of high-value medical devices from domestic suppliers. Additionally, stringent rules for approving imported products, including the application-evaluation-approval process and offset requirements, are viewed as barriers to market access for foreign firms.

Nevertheless, European companies may benefit from the greater clarity and transparency offered by the new guidelines. The clear pathway to qualify as a domestic producer reduces uncertainties that previously hindered foreign participation in China's procurement market.

Can European companies satisfy the localisation standards proposed in the Notice?

European companies aiming to meet 'domestic product' standards should consider the following key aspects:

Localisation of production

The *Notice* mandates that products must undergo substantial transformation within China's customs territory, excluding simple processes such as labelling or packaging. European firms with manufacturing facilities in China, where significant production stages occur, may satisfy this requirement.

Proportion of locally sourced components

Products are required to have a certain percentage of their components produced domestically, with specific thresholds varying by product category and subject to periodic adjustments. European companies with products that incorporate a substantial proportion of locally manufactured components that meet these thresholds, could meet this criterion.

Domestic production of critical components and processes

For particular products, the *Notice* specifies that essential components and key manufacturing processes must be completed within China. European companies that localise these critical elements of production may qualify their products as domestic under these standards.

Transitional provisions

A transitional period of three to five years is provided, during which

[2] *Factual findings of the IPI investigation on the procurement market for medical devices in the People's Republic of China*, Council of the European Union, 15th January 2025, viewed 24th March 2025, <https://data.consilium.europa.eu/doc/document/ST–5377–2025–ADD–1/en/pdf>

products manufactured within China are provisionally considered domestic for procurement purposes. This offers European companies time to adjust their production strategies to comply with the evolving standards.

In general, European companies can meet China's domestic product standards by strategically localising production processes, sourcing components domestically and ensuring critical manufacturing stages occur within China. By doing so, they can benefit from government procurement policies designed to support domestic manufacturing, provided they adhere to the specified criteria.

How should businesses prepare for the draft policy?

Currently, two of the three criteria mentioned in the *Notice*—the proportion of domestic component costs and the requirements for key components and critical manufacturing processes—are expected to take three to five years to be fully refined. Until then, as long as a product is manufactured within China, it will be classified as 'domestically produced' when being considered for a government procurement contract. If the final policy maintains this language, government procurement in the initial years will primarily require that products be produced in China.

That said, foreign-invested enterprises should closely monitor legislative developments regarding the two criteria. For businesses that heavily rely on imported components or critical manufacturing processes conducted overseas, it will be important to gradually enhance local production in response to policy changes. This includes increasing the share of domestically sourced components and shifting key manufacturing processes to China.

Reviewing supply chains, investing in innovation and developing documentation systems

To align with China's evolving government procurement policies, businesses need to adapt proactively by refining their strategies and operations. A thorough review of supply chains is essential, ensuring that all components meet the defined domestic content thresholds. This requires evaluating whether raw materials, intermediate goods, and finished products are sourced and manufactured within China, as per the clarified requirements of the 'domestic product' classification in the draft *Notice*.

Investing in local R&D and production facilities is crucial for businesses aiming to adopt the 'in China for China' strategy. Establishing these facilities not only enables companies to innovate within the framework of local demands but also aligns with the broader governmental objectives of promoting indigenous innovation and achieving high localisation rates in key industries such as medical devices.

Businesses must also focus on building robust documentation and compliance systems to streamline their participation in government procurement. With detailed rules for proving domestic content and the possibility of dynamic adjustments to ratio thresholds, having transparent and well-maintained records can mitigate the risk of disqualification and enhance the efficiency of procurement processes.

Key takeaways

China's domestic procurement standards are poised to reshape its market dynamics, offering opportunities for businesses and investors that can adapt effectively. While these policies aim to enhance local innovation and industrial self-reliance, they also raise questions about compatibility with international trade norms.

For businesses and investors, the evolving landscape presents both challenges and avenues for growth. Companies must navigate the complexities of compliance while leveraging opportunities in high-priority sectors. Policymakers, on the other hand, have the responsibility to ensure fair implementation, balancing national interests with global commitments.

The discourse around China's procurement policies is likely to intensify as international stakeholders, particularly in the United States and the EU, monitor their impact. While these standards offer clarity on domestic content requirements, their broader implications for global trade relations will depend on how they are enforced and perceived by international partners.

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Giulia Interesse and Qian Zhou are editors 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.

European companies and Made in China 2025

Adaptability and strategic foresight are key to survival

In 2015, Made in China 2025 (MIC2025) was unveiled. The ambitious industrial policy aimed to transform China into a global leader in advanced manufacturing and technological innovation. Designed to reduce dependence on foreign technology and elevate domestic industries up the value chain, the initiative targets 10 strategic sectors, including robotics, artificial intelligence (AI), aerospace, green energy and semiconductors. As the plan reaches its conclusion, **Fabian Blake** of **AMS Assembly Foshan** reflects on its successes, shortcomings and evolving strategies that are reshaping the corporate investment landscape in China – particularly for European businesses navigating competitive pressures and geopolitical complexities.

MIC2025 set clear benchmarks: increasing the domestic content of core manufacturing components to 40 per cent by 2020 and 70 per cent by 2025, while boosting research and development (R&D) spending and patent filings. China has made significant strides in sectors like renewable energy and high-speed rail, where it now dominates global markets. For instance, Chinese companies supply over 60 per cent of the world's solar panels and 70 per cent of high-speed rail infrastructure. Similarly, electric vehicle (EV) production has surged, with domestic brands like BYD capturing 22.2 per cent of global EV sales in 2024.[1]

However, progress has been uneven. Semiconductors, a cornerstone of MIC2025, remain a critical weakness. Despite state-backed investments worth United States dollar 150 billion since 2015, domestic chipmakers supply only 16 per cent of China's semiconductor needs, far below the 40 per cent target for 2020. United States (US) export controls on advanced chipmaking tools have exacerbated delays, forcing China to prioritise legacy chip production rather than cutting-edge designs.

Missed targets and structural challenges

While MIC2025 has accelerated automation and digitalisation—China installed 45 per cent of the world's industrial robots in 2023—the reliance on foreign intellectual property (IP) persists. Sixty-five per cent of critical industrial software used in Chinese manufacturing remains imported, undermining self-sufficiency goals. Additionally, overcapacity in sectors like steel and EVs has triggered anti-subsidy investigations by the European Union (EU), reflecting tensions between MIC2025's state-driven model and global trade norms.

The policy's opaque subsidies and preferential treatment for domestic firms have also deterred foreign investors. European businesses report increasing hurdles in accessing China's market unless they agree to joint ventures (JVs) or technology transfers.

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[1] *What are the global EV market's most successful brands?*, AUTOVISTA24, 17th February 2025, viewed 18th April 2025, <https://autovista24.autovistagroup.com/news/what–are–the–global–ev–markets–most–successful–brands/#:~:text=BYD's%20global%20EV%20success,points%20(pp)%20from%202023.>

Investment shifts: opportunities and risks

MIC2025 has reconfigured China's investment ecosystem. In 2023, foreign direct investment (FDI) into high-tech manufacturing rose 22 per cent year-on-year, driven by tax breaks and streamlined approvals for greenfield projects. European automakers like Volkswagen (VW) and BMW are doubling down on EV partnerships to leverage China's supply chain efficiencies, with VW investing euro 2.5 billion in a Hefei R&D centre focussed on autonomous driving.[2]

However, there are clouds on the horizon. Overcapacity in renewables and EVs has squeezed profit margins, with Chinese solar panel prices dropping 40 per cent since 2022. Meanwhile, the EU's Carbon Border Adjustment Mechanism (CBAM) and 'de-risking' strategy are prompting firms to diversify supply chains away from China. MIC2025's focus on import substitution could further alienate foreign investors, particularly in sectors where China's innovation lags.

European businesses: adaptation and resistance

European companies in China face a dual reality. While MIC2025 has created opportunities in smart infrastructure and green tech, it has also intensified competition. Siemens and ABB now compete with state-subsidised rivals like CRRC and Huawei when bidding for smart grid contracts, often at lower margins. Conversely, Danish wind turbine maker Vestas has thrived by localising production, securing 15 per cent of China's offshore wind market in 2023.

The policy's emphasis on self-reliance has also spurred regulatory crackdowns, with the recent raids on Capgemini and Bain & Company underscoring rising compliance risks.

The road ahead: strategic considerations

With MIC2025 now in its final stretch, corporate executives must weigh several factors:

1. **Sectoral prioritisation:** Invest in areas where China still seeks foreign expertise (e.g., advanced materials, biotech) while avoiding oversaturated markets like EVs.
2. **Local partnerships:** JVs remain a double-edged sword but are often essential for market access. Structuring agreements to safeguard IP is critical.
3. **Geopolitical agility:** Diversify supply chains and prepare for retaliatory or defensive measures as Western governments counter Chinese subsidies.

It is predicted that FDI growth will slow to around four per cent annually through 2025, down from eight per cent pre-pandemic. However, China's vast consumer base and innovation clusters in cities like Shenzhen will continue to attract ventures that are aligned with MIC2025's goals.

Conclusion

MIC2025 has undeniably reshaped global manufacturing dynamics, offering both promise and peril for foreign investors. For European businesses, success hinges on balancing collaboration with caution. Companies need to leverage China's industrial ambitions while mitigating the risks of overexposure.

European firms can partner with Chinese companies in areas where China still lacks expertise, such as specialised materials or precision manufacturing equipment. For example, German chemical giant BASF has collaborated with Chinese EV battery manufacturers to co-develop advanced cathode materials but retains ownership of proprietary formulas through tightly negotiated joint venture agreements. This allows access to China's booming EV market without surrendering core intellectual property.

In order to sidestep overcapacity and geopolitical risks, some companies, like Siemens Energy, have localised production of wind turbine components in China exclusively for domestic buyers, while sourcing critical parts (e.g., high-performance bearings) from Europe. Simultaneously, they have shifted export-orientated manufacturing to Southeast Asia to avoid EU tariffs on Chinese clean-tech imports. This dual approach balances market access with de-risking.

By combining innovation-driven partnerships with agile supply chains, European businesses can navigate MIC2025's dual realities – allowing them to compete in China's high-tech market while insulating themselves from its systemic risks. As the policy evolves under global scrutiny, adaptability and strategic foresight will define winners in the next phase of China's economic ascent.

Fabian Blake is the managing director of AMS Assembly Foshan. He has lived and worked in China since 2008, accumulating close to 17 years of valuable experience in Asia.

AMS Assembly Foshan is a Dutch-owned company that operates in the Pearl River Delta and has provided manufacturing services in South China since 2003. The company currently boasts a workforce of 80 employees, with 71 staff members based in AMS facilities located in Foshan and Shenzhen. The company is actively involved in the development, manufacturing and assembly of hardware devices, primarily serving customers in Europe.

[2] *Volkswagen invests 2.5 billion euros to expand innovation hub in China, China Daily,* 12th April 2024, viewed 15th April 2025, <https://www.chinadaily.com.cn/a/202404/12/WS6618d113a31082fc043c1a6e.html>

9TH JAN.
BEIJING

European Chamber vice president presents Position Paper to National Healthcare Security Administration

On 9th January, European Chamber Vice President and South China Chapter Chair Klaus Zenkel, together with representatives from the Chamber's Healthcare Equipment and Pharmaceutical working groups, met with Director General Zhu Yongfeng of the General Office of National Healthcare Security Administration (NHSA), to present the *European Business in China Position Paper 2024/2025*.

During the meeting, working group representatives raised issues relating to China's volume-based procurement system, intellectual property rights infringements and the quality of innovative drugs.

15TH JAN.
BEIJING

European Chamber vice president speaks at MOFCOM investment event

Vice President Stefan Bernhart speaking at the Chinese and Foreign Investment Promotion Agencies Exchange Meeting
Photo: European Chamber

On 15th January, European Chamber Vice President Stefan Bernhart spoke at the Chinese and Foreign Investment Promotion Agencies Exchange Meeting, a signature event held by the Ministry of Commerce's (MOFCOM's) Investment Promotion Agency.

Bernhart encouraged the relevant MOFCOM agencies to work with the European Chamber to create a more predictable and profitable business environment in China, emphasising the need for reforms to be undertaken if the country is to restore its position as a leading global destination for foreign direct investment. The MOFCOM officials highlighted the attractiveness of the Chinese market due to its size, the full spectrum of supply chains and the role of innovation in economic development.

20TH JAN.
SHENYANG

Shenyang Chapter Chair Kaiserseder speaks at foreign business event

Shenyang Chapter Chair Erich Kaiserseder speaking at the event
Photo: European Chamber

On 20th January, the European Chamber's Shenyang Chapter Chair Erich Kaiserseder participated in a Spring Festival gathering of foreign-invested enterprises (FIEs) and business associations, hosted by the Liaoning Department of Commerce. Department Director General Pan Shuang and Deputy Director General Li Jun attended the event.

Kaiserseder highlighted the need for the Chinese Government's policy pledges to be followed by meaningful action if business confidence is to be restored and Liaoning is to realise its huge economic potential. He also underscored the need for continued cooperation between governments and FIEs.

21ST JAN.
BEIJING

European Chamber, MOFCOM host roundtable for European companies

A European Chamber delegation led by President Eskelund meeting with MOFCOM
Photo: European Chamber

On 21st January, European Chamber President Jens Eskelund had a one-to-one closed-door meeting with Ministry of Commerce (MOFCOM) Vice Minister Ling Ji. The meeting marks the second time that Eskelund has met with Ling in the past year. After the closed-door meeting, Eskelund and 77 Chamber member companies attended the MOFCOM's first roundtable for foreign-invested enterprises of 2025, hosted by Ling.

7TH FEB.
BEIJING

Chamber representatives visit Brussels

A delegation led by President Jens Eskelund meeting with EU representatives in Brussels
Photo: European Chamber

From 3rd to 7th February, a delegation of European Chamber representatives visited Brussels to meet with senior policymakers, industry associations and think tanks. During the week-long tour, over 60 meetings were held—including with four European commissioners, three heads of cabinet, nine director generals and the Chinese ambassador to the European Union (EU)—at which Chamber delegates presented the Chamber's key messaging and recent reports.

28TH FEB.
BEIJING

Exclusive meeting with National Medical Products Association

The Chamber delegation meets with Yang Sheng, deputy commissioner of the NMPA
Photo: European Chamber

On 28th February, European Chamber President Jens Eskelund led a delegation from the Chamber's Pharmaceutical Working Group, along with several representatives that participated in the EU-China Biopharmaceutical Industry Regulatory Roundtable 2025, to meet with Yang Sheng, deputy commissioner of the National Medical Products Administration (NMPA), in Beijing. Officials from relevant NMPA departments and affiliated units were also in attendance.

Eskelund acknowledged recent progress made by the NMPA in reforming the review and approval system for new drugs entering the China market, and on further aligning Chinese regulatory practices with international standards. He emphasised that it is essential that progress is made in these areas if China is to boost its attractiveness as a destination for foreign direct investment in the pharmaceutical sector.

RETIREMENT DELAYED

China's workers must labour for longer

For the first time in more than 60 years, China has decided to raise its statutory retirement age. In this article, **Jeanette Yu** of **CMS China Legal** analyses the likely impact this will have on employers and what companies need to bear in mind when adjusting their human resource policies.

China's society is ageing. Over the next few decades, the large number of employees retiring from the workforce will begin to cause a labour shortage. Seeking to reduce the severity of the problem, the Chinese Government decided to reform the statutory retirement age. The reform marks the first time in more than 60 years that the retirement age has been changed.

On 13th September 2024, the Standing Committee of the National People's Congress approved the *Measures on the Implementation of the Gradual Postponement of the Statutory Retirement Age* issued by the State Council.[1] From 1st January 2025, China will—over a 15-year period—progressively raise the statutory retirement age of employees and take 10 years from 2030 to progressively raise the minimum number of years of pension contributions that employees need to accumulate to receive pension benefits. In addition, employees will have some flexibility on when they retire. On 31st December 2024, the Ministry of Human Resources and Social Security, together with two other departments, released the *Interim Measures for the Implementation of the Flexible Retirement System*, providing more detailed rules on implementing the new retirement policies.[2] The details are as follows:

1. The statutory retirement age of employees will be raised progressively.

   According to the new retirement policies, starting from 1st January 2025 and until the end of 2039, the statutory retirement age of male employees whose original statutory retirement age was 60 and female employees in managerial or technical positions whose original statutory retirement age was 55, will be raised by one month every four months to 63 and 58 respectively. The statutory retirement age of female employees in blue-collar positions whose original statutory retirement age was 50 shall rise by one month every two months and be progressively raised to 55.

   From 1st January 2030, the minimum number of years employees need to contribute to the public pension fund to become eligible to receive benefits will be gradually increased—rising six months per year until the end of 2039—from 15 to 20 years. The exact new statutory retirement ages as well as the minimum number of contribution years employees need to contribute to the pension fund can be checked in the comparison tables published by the State Council.[3]

2. Notwithstanding the changes to the statutory retirement age, employees are still entitled to choose to retire up to three years before reaching their new statutory retirement age, if the below conditions are fulfilled:

   - The employee must have reached the original statutory retirement age, i.e. 60 for male employees, 50 for female employees in blue-collar positions or 55 for female employees in managerial/technical positions. The employee must also have contributed to the pension fund for the minimum number of years required by law.

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[1] *Decision of the Standing Committee of the National People's Congress on the implementation of the gradual postponement of the statutory retirement age*, State Council, 13th September 2024, viewed 24th March 2025, <https://www.gov.cn/yaowen/liebiao/202409/content_6974294.htm>

[2] *Notice of the Ministry of Human Resources and Social Security, the Organisation Department of the Central Committee of the Communist Party of China, and the Ministry of Finance on Printing and Distributing the Interim Measures for the Implementation of the Flexible Retirement System,* State Council, 31st December 2024, viewed 24th March 2025, <https://www.gov.cn/zhengce/zhengceku/202501/content_6995747.htm>

[3] *Decision of the Standing Committee of the National People's Congress on the implementation of the gradual postponement of the statutory retirement age*, State Council, 13th September 2024, viewed 24th March 2025, <https://www.gov.cn/yaowen/liebiao/202409/content_6974294.htm>

- The employee deciding to retire earlier must notify their employer in writing about the expected retirement date at least three months in advance. However, an employer's permission is not needed in the case of early retirement.

3. An employee that has reached the new statutory retirement age may choose to further delay their retirement for a period of up to three years, providing the following conditions are met:

- To delay retirement, the employee must reach an agreement with the employer on the delayed period one month before reaching the new statutory retirement age. Once the delayed retirement period of an employee is decided, it shall not be further extended. However, the employee may still retire at any time with the consent of their employer during the delayed retirement period.

- During the delayed retirement period, the employee will retain an employment relationship with the employer and the employer shall continue to pay social insurance for the employee.

4. When an employee reaches the statutory retirement age or decides to retire, the employer shall promptly handle the retirement procedures for the employee.

In China, retirement and receipt of pension benefits are subject to the approval of the competent social insurance authority. Employers have an obligation to promptly apply for pension benefits for their employees from the competent authority. Applications need to be made by the month when the employee reaches the statutory retirement age or decides to retire. Upon approval from the competent social insurance authority, the employee will start to receive pension benefits from the month following their retirement date.

Upon reaching the statutory retirement age, if an employee has not yet fulfilled the minimum contribution years to the pension fund, he or she may make a lump-sum contribution to the pension fund to reach the minimum number of contribution years.

When implementing the new retirement policies, companies may wish to pay attention to the following:

- The new policies apply to employees in all industries but only to those who reach statutory retirement age after 1st January 2025. However, for employees engaged in certain high-risk/special occupations specified by the government, statutory retirement ages will not be delayed, i.e., a male employee can still retire at 55, and a female employee can retire at 45 or 50.

- The new statutory retirement ages will not be decided based on a uniform standard. An employee is entitled to decide when to retire, either when reaching the new statutory retirement age, or to retire earlier at his/her discretion, or upon agreement with the employer to retire even after reaching the new statutory retirement age. Therefore, managing the retirement of employees will become more complicated.

- Under the new retirement policies, the statutory retirement ages of female employees in blue-collar positions or managerial/technical positions are still different, i.e. employees in blue-collar positions will reach the statutory retirement age earlier than those in management/technical positions. Since no clear legal definition has been provided to identify the nature of the work position of female employees, disputes may occur when determining the statutory retirement age of female employees at different work positions in the company.

- When employees choose to retire early or delay their retirement, under the new policies it must be an entirely voluntary decision. When discussing retirement matters with employees, companies must avoid forcing or implicitly forcing employees to make decisions regarding retirement.

In conclusion, the new retirement policies will affect employers' daily human resources management and present challenges. Companies may wish, in consideration of their business and employee needs, to formulate new strategies and policies to handle retirement issues. For example, human resource departments may design new internal retirement policies and procedures—to ensure compliance with the revised retirement rules—which can be followed. To mitigate the risk of disputes when deciding the retirement ages of female employees at different work positions, companies may set up their own work position categories according to the law to clarify the nature of work positions in advance.

Jeanette Yu is partner and head of Employment and Pensions Practice Group at **CMS Legal China**. She is based at their Shanghai office and has more than 20 years' experience in providing legal advice to international companies on Chinese labour law and compliance management issues. Chambers & Partners and Legal 500 have recognised her as a leading partner in labour and employment among foreign firms in Greater China. Since 2017, Jeanette has also been acting as the national chair/vice chair of the Human Resources Working Group of the European Chamber of Commerce.

Waste reduction

Managing the F&B industry's environmental impact

China's food delivery industry is the largest in the world. In the space of a decade, its exponential growth has transformed the food and beverage (F&B) sector, and the convenience of innovative mobile platforms has made delivery a part of daily life in Chinese cities. In 2020, a game-changing year for the industry, 17 billion orders were delivered throughout China.[1]

On the flip side of the industry's success is the large volume of plastic waste that it generates. Despite efforts to phase out single-use plastics (SUP), production and use are still rising. Food delivery accounts for half of the total SUP use in China and generated 1.6 million tonnes of plastic waste in 2020 alone.[2] Only around 30 per cent of this plastic gets recycled; the rest is buried in landfills or incinerated.

As China continues to strengthen its environmental regulations, in line with its commitment to reach peak carbon dioxide (CO_2) emissions before 2030 and achieve carbon neutrality by 2060, the food delivery industry faces mounting pressure to reduce waste and move towards a circular economy model. This creates new opportunities for European companies

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[1] *Waste Reduction and Recycling in China's F&B Sector*, EU SME Centre, 27th November 2024, viewed 25th March 2025, <https://www.eusmecentre.org.cn/publications/waste–reduction–and–recycling–in–chinas–fb–sector/>

[2] Wen, Z, and Zhang, Y, *Mapping the environmental impacts and policy effectiveness of takeaway food industry in China*, Science of the Total Environment, Volume 808, 2022, viewed 25th March 2025, ScienceDirect, <https://www.sciencedirect.com/science/article/abs/pii/S0048969721070996>

that offer sustainable solutions essential to shaping the sector's future.

Green commitments in the regulatory framework

In recent years, China has revised its key environmental laws and introduced a series of policies aimed at curbing emissions and promoting sustainability. While some of the regulations have a broad scope covering pollution and public health, others target the F&B industry's role in reducing plastic waste.

In the first group, the 1989 Environmental Protection Law was revised in 2014 with stricter penalties for polluters. The Law on the Prevention and Control of Solid Waste Pollution, introduced in 1995 and revised in 2020, does not explicitly mention F&B but restricts the production, sale and use of non-biodegradable bags. It also requires takeaway platforms to report their use and recycling of disposable plastic products.[3]

Targeting F&B waste specifically, in 2021 the Anti-food Waste Law prohibited restaurants from promoting overconsumption and encouraged businesses to adopt waste-reduction policies or face fines for violations. A year earlier, the *Opinions on Further Strengthening Plastic Pollution Control and the Notice on Further Strengthening Plastic Pollution Control in the Commercial Sector* had already banned single-use plastic straws in catering nationwide, followed in 2022 by a ban on single-use utensils, and a stated goal of cutting the use of disposable plastic by 30 per cent in catering and takeaway food by 2025.[4]

The current 14th Five-year Plan (2021–2025) (14FYP) includes an *Action Plan for Plastic Pollution Control* with policy recommendations to further improve the management of the entire chain of plastic pollution by eliminating single-use plastics, encouraging recycling and promoting alternatives to plastic to effectively curb 'white pollution'.[5]

Enforcement and fragmentation issues

Since the turn of the decade, delivery platforms have taken action to incorporate more sustainable practices. For instance, with 'nudge measures', consumers are made to opt in to receive disposable cutlery instead of cutlery being included as a default. Many restaurants have replaced plastic containers and straws with biodegradable alternatives derived from plant fibres. However, such changes still fall short.

Although the regulations are strict and potential penalties steep, in practice, many local authorities struggle to enforce them. Weak enforcement has so far been the highest hurdle. An example of this is often visible inside delivery bags. Even when consumers select the no-cutlery option, many businesses provide it anyway. Restaurants have to process orders quickly and do not want to be exposed to the risk of negative reviews from users who had opted in to receive utensils. For the same reason, takeout containers are often tightly wrapped in extra layers of plastic packaging film, as any spill could trigger a bad review and lower a restaurant's ranking on the platforms, leading to fewer orders.

> "Only around 30 per cent of this plastic gets recycled..."

Overlapping responsibilities also make effective environmental oversight difficult. The Ministry of Ecology and Environment (MEE) deals with industrial pollution, while the State Administration for Market Regulation (SAMR) oversees food safety and formulates standards. Local environmental protection bureaus also play a role in monitoring compliance.

This fragmentation can lead to unclear accountability. Businesses may face conflicting regulatory requirements, creating confusion and compliance failures. For European small and medium-sized enterprises interested in the market, navigating this complex landscape can be daunting without local expertise or partnerships.

Recycling challenges

Food delivery currently relies on several types of plastic, which makes sorting and recycling more complex. One of the most recyclable types of plastic is the polythene terephthalate (PET) used for bottles and clear containers, but it makes up only about 15 per cent of SUP use in China. Polystyrene (PS) is convenient for lightweight foam containers; although technically recyclable, it easily breaks into pieces, making collection and recycling more difficult. Durable and heat-resistant polypropylene (PP), found in 60 per cent of the disposable plastic used in the industry, is also recyclable. However, like PET and PS, its actual recycling rates do not exceed 30 per cent.[6]

Food-grade recycled PET (rPET) requires high purity levels, which sophisticated recycling plants can achieve. However, rPET for food contact applications

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[3] *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, State Council, 30th April 2020, 25th March 2025, <https://www.gov.cn/xinwen/2020–04/30/content_5507561.htm>

[4] *Opinions on Further Strengthening the Control of Plastic Pollution*, National Development and Reform Commission, 19th January 2020, viewed 25th March 2025, <https://www.ndrc.gov.cn/xxgk/zcfb/tz/202001/t20200119_1219275.html>

[5] *Notice of the National Development and Reform Commission and the Ministry of Ecology and Environment on Printing and Distributing the Action Plan for Plastic Pollution Control in the 14th Five–year Plan*, State Council, 8th September 2021, viewed 25th March 2025, <https://www.gov.cn/zhengce/zhengceku/2021–09/16/content_5637606.htm>

remains under fragmented regulations in China, with unclear standards on decontamination and cleaning. The commercialisation of food-grade rPET is still pending approval in the country.

Some other green options introduced in recent years bring their own issues to the table. Corn starch-based boxes can replace PP containers and be incinerated without causing a spike in carbon emissions. However, the environmental gains from using degradable meal boxes depend directly on their disposal conditions. Similarly, the phasing out of ultra-thin plastic bags, initially in first-tier cities and later in all urban areas, has led many businesses to turn to non-woven bags. However, these bags are harder to break down. They only become eco-friendly if they are reused many times, not if they are provided with each new delivery order.

Food contamination adds another layer of difficulty to the F&B sector. When containers are mixed with kitchen waste, additional cleaning steps and costs bring recycling rates down. Many recycling plants cannot effectively process plastics soiled with oils or sauces. In practice, this means that many recyclable containers end up in landfills or incinerators.

Overall, cost remains a significant barrier. Down the line, recycling can benefit F&B businesses directly, helping them reduce waste disposal fees and allowing for the recovery of valuable materials. Currently, however, producing virgin plastic is cheaper.

In the case of rPET, industry experts estimate that achieving price parity with virgin plastic will remain difficult for the next decade. However, the photovoltaic experience has shown that large-scale production and incentives can quickly make a product more competitive. Ultimately, cost reduction will be key to the mass adoption of sustainable alternatives to disposable plastics.

Key drivers and areas with potential

With the commitment of reaching peak emissions before 2030 and achieving carbon neutrality by 2060, China is explicitly encouraging foreign investment in sectors such as waste reduction, waste management and recycling, as detailed in the 2022 *Catalogue of Encouraged Industries for Foreign Investment* released by the National Development and Reform Commission and the Ministry of Commerce.[8] Incentives include tax rebates, administrative support and favourable land-use terms.

In F&B, actions towards a circular economy model will need to consider the whole value chain. This means giving priority to reducing inputs and minimising waste, with reusable and returnable products. The plastic used by the F&B industry could be recycled into new food-grade containers, which could be achieved using the 'bottle-to-bottle' closed-loop system for rPET used in other parts of the world.

Many companies in the European Union (EU) and China have become specialised in producing food-grade rPET. However, in the absence of regulations permitting its use in food-contact materials in China, the rPET produced in the country is either used in textiles, fibres and non-food packaging, or is exported to other markets.

Other areas with growth potential include product designs that consider the reusability of plastic products and solutions to make packaging fully recyclable, for instance, with washable inks and shrink sleeves that can be directly processed with PET. Waste-to-energy solutions and technologies for high-level physical recycling and chemical recycling will also be part of a more sustainable F&B industry in the coming years.

Even in encouraged sectors, navigating the market requires proper planning to comply with the relevant standards and obtain the necessary licences and certifications. Due to their direct impact on public health, most standards related to the F&B sector are mandatory. Several, but not all, are based on international ISO standards, which can contribute to making European entities well placed in the market. Benefitting from years of experience in European markets with a relatively high demand for green solutions and the need to comply with stringent EU regulations on sustainability and safety, many European companies have developed an edge and patented new recycling technologies over the past decade. However, they need to be prepared to compete with fast-developing Chinese companies. Industry players should closely monitor regulatory developments and be ready to act as changes take place. Eb

This article is based on a recent report by the EU SME Centre, 'Waste Reduction and Recycling in China's F&B Sector'. You can download the full report at: https://www.eusmecentre.org.cn/wp-content/uploads/2024/11/Report-Waste-Reduction-in-FB-2024.pdf

The EU SME Centre is an initiative funded by the European Union under the Single Market Programme (SMP). The EU SME Centre provides a comprehensive range of first-line support services to European small and medium-sized enterprises (SMEs), assisting them to establish, develop, and maintain commercial activities in the Chinese market. The Centre's resources include a Knowledge Centre, a Training Centre, an Advocacy Platform, and an Ask-the-Expert enquiry service offering information and confidential advice to European SMEs. Find out more on the EU SME Centre's website: www.eusmecentre.org.cn.

[6] *Managing Plastic Waste in the People's Republic of China*, Asia Devleopment Bank, June 2023, viewed 25th March 2025, <https://www.adb.org/sites/default/files/publication/891876/managing–plastic–waste–prc.pdf>

[7] *Unlocking Green Opportunities: China's F&B Waste Reduction and Recycling Market*, EU SME Centre, 12th March 2025, viewed 25th March 2025, <https://www.eusmecentre.org.cn/publications/unlocking–green–opportunities–chinas–fb–waste–reduction–and–recycling–market/>

[8] *Catalogue of Encouraged Industries for Foreign Investment (2022 Edition)*, State Council, 26th October 2022, viewed 25th March 2025, <https://www.gov.cn/zhengce/zhengceku/2022–10/28/content_5722417.htm>

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.

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Media Watch

Chamber launches Siloing and Diversification Report

On 9th January, the European Chamber launched its *Siloing and Diversification: One World, Two Systems* report, with 25 journalists joining—either online or offline—the report's official launch event. Prior to this, an embargoed media roundtable was held on 7th January. Chamber President Jens Eskelund was interviewed by *Phoenix TV* and *CCTV* on the morning of the launch. Within 24 hours of its release, 18 original articles were published on the report.

Top-tier international media showed a strong interest in the report, with journalists from outlets including *Bloomberg*, the *FT* and the *WSJ* all joining its embargoed media session. On the day of the report's official launch, *Bloomberg* ran an article dedicated to its content. International media coverage largely focussed on the risks posed by European companies siloing certain China-based functions, or even entire operations, from those in the rest of the world, including increased costs and a loss of competitiveness. Domestic media also emphasised the risks of siloing, mostly pointing out how it leads to increased costs and decreased competitiveness. *Phoenix TV* pointed out the need for both the European Union and China to strengthen dialogue and cooperation to address the relevant issues.

Chamber comments on China's investigation into generic drugs

On 20th January, China's National Healthcare Security Administration (NHSA) announced that it had launched an investigation into the quality of generic drugs used in public hospitals through the volume-based procurement (VBP) system. On 26th January, the NHSA concluded the investigation, stating that their evaluations found these concerns to be unsubstantiated. On 27th January, the *FT* published an article on the investigation. It quoted a Chamber statement which noted that the Chamber hopes to see steps taken to ensure that the procurement system for drugs does not prioritise low prices at the expense of product safety and clinical outcomes.


European Firms Say China's Pressure to Go Local Is Raising Costs

By Bloomberg News
9 January 2025 at 09:30 GMT+8

Bloomberg article on the Chamber's report
Media: *Bloomberg*
Date: 9th January 2025

Phoenix TV screengrab of the report launch
Media: *Phoenix TV*
Date: 9th January 2025


Drug prices + Add to myFT

China investigates generic drugs over safety concerns

Anaesthetics are not putting patients to sleep, doctors warn, in call for greater access to foreign medicine

FT article on China's investigation into the quality of generic drugs
Media: *FT*
Date: 27th January 2025

CHINA ECONOMY

China's latest action plan shows it's trying to boost foreign investment amid geopolitical tensions

CNBC article on the *Action Plan*
Media: *CNBC*
Date: 23rd February 2025

CHINA, LATEST NEWS

China-based EU business calls for robust protection

Borderlex article on China's heightened focus on economic security
Media: *Borderlex*
Date: 5th February 2025

China-EU relations China / Diplomacy

EU signals pragmatic tone as it walks 'fine line' between China and the US

Ahead of high-level summits, diplomats prepare to seek new agreements amid volatile relations with Beijing, Washington

SCMP article on the EU's position amid escalating US-China tensions
Media: *SCMP*
Date: 8th February 2025

Media report on Chamber's EU Tour 2025

From 3rd to 7th February, a European Chamber delegation travelled to Brussels to meet with European Union (EU) officials, think tanks and industry associations. On 4th February, a media roundtable was held, focussing on the current policy and business environment in China. Interviews with the *SCMP*, the *WSJ*, and *The Guardian* were also conducted with Chamber President Jens Eskelund on the sidelines of the tour. In addition, *Borderlex* published a piece centred on China's heightened focus on economic security.

In his interview with the *SCMP*, Eskelund discussed the prospect of the EU signing new agreements with China, following the election of Donald Trump and the United States adopting a more hawkish approach towards the EU.

Chamber comments on State Council's investment action plan

On 19th February, the State Council published the *2025 Action Plan for Stabilising Foreign Investment* (*Action Plan*). The *Action Plan* reiterates a number of pledges made by the Chinese Government in recent years that are aimed at improving the country's business environment for foreign investment. It also calls on the relevant authorities to effectively implement the listed points in 2025.

On 20th February, the Chamber published a statement on the *Action Plan*, which was also proactively shared with the media, and featured in articles by *CNBC*, the *Global Times* and the *China Daily*. The statement highlighted that it is positive that the document includes a point on the need to define what qualifies as a 'domestic product' for government procurement and reinforces the principle of providing equal access to government procurement for foreign firms that manufacture their goods in China.

On 21st February, *CGTN* interviewed Chamber Vice President and Shanghai Chapter Chair Carlo D'Andrea on the plan. He noted that stimulus policies aimed at improving the business environment in specific sectors mark a step in the right direction. However, the most significant determining factor in improving business sentiment will be the timelines and supporting measures for implementation.

Vice President and Shanghai Chapter Chair Carlo D'Andrea speaking with *CGTN*
Media: *CGTN*
Date: 21st February 2025

Events Gallery

BEIJING, 27TH FEBRUARY 2025

The German Election: Which Way Forward for EU-China Relations?

- German industries are grappling with a structural crisis characterised by rising energy costs, regulatory challenges and labour shortages, leading to a notable decline in investment.
- Germany's approach to its economic relationship with China is shifting towards risk management and diversification, amid polarised public sentiment and evolving global dynamics.
- Friedrich Merz, Germany's likely next chancellor, has a critical stance on China, and beyond his tough rhetoric, the country's new government may take actions like establishing a national security council, focussing on 'defensive de-risking'.

BEIJING, 14TH MARCH 2025

Beyond Two Sessions 2025: Charting the Course for Business

- Efforts are being made to attract more foreign investment, including the approval of a 2025 action plan aimed at stabilising foreign investment and exploring opportunities for further market opening.
- However, foreign firms operating in China face heightened geopolitical risks.
- The next four to five years could mark a new phase in EU-China relations, with opportunities for cooperation in investment, trade and technology. However, this requires building mutual trust and addressing existing trade imbalances.

SHANGHAI, 27TH FEBRUARY 2025

EU-China Biopharmaceutical Industry Regulatory Roundtable 2025

- Enabling chemistry, manufacturing and control (CMC) changes during development through expedited pathways addresses critical pathway issues, helping to accelerate timelines and resolve challenges.
- CMC life-cycle management ensures continuous innovation and supply security by integrating relevant standards and post-approval processes.

SHANGHAI, 17TH MARCH 2025

Chat with Joerg Wuttke: What to Expect in Trump 2.0

- The Trump administration is making significant changes to to the United States' foreign policy and trade regulations.
- To address the challenges posed by Trump's policies, China needs to focus on stabilising foreign investment through various measures, including expanding market access and encouraging foreign direct investment.
- The European Union needs effective strategies to manage its trade relations amidst rising tensions and economic challenges.

SHENYANG, 26TH FEBRUARY 2025

The CEO Within: Mastering Self-connection for Resilient Leadership

- Perfectionism can lead to excessive control and difficulty delegating.
- Leaders with strong self-connection empower their teams instead of micromanaging.
- Recognising and processing emotions in real time helps maintain resilience and reduce stress.

SOUTH CHINA, 18TH FEBRUARY 2025

EU-China Trade & Investment Debriefing and Discussion

- European businesses must prioritise agility to address evolving regulatory frameworks, geopolitical tensions and shifting market dynamics in EU-China trade relations.
- Proactive measures on export controls, investment screening and procedural tools, as well as investments in training/partnerships can diversify trade and mitigate risks/dependencies.
- Tailored support for small and medium-sized enterprises in South China includes access to resources for navigating regional regulations and enhanced advocacy platforms to address challenges specific to smaller businesses.

SOUTHWEST CHINA, 25TH FEBRUARY 2025

Meeting with European Union Delegation to China's Minister Counsellor for Trade

- There are serious trade imbalances and growing barriers to market access in China.
- The EU has taken countermeasures, including countervailing investigations and foreign direct investment screening mechanisms, while calling for reciprocal market access.
- The EU takes a rules-based approach to trade.

NANJING, 6TH MARCH 2025

2025 European Chamber Jiangsu Government Dialogue

- Post-2023, a provincial-level international route promotion mechanism was established with incentives to accelerate the restoration of flights.
- Air links have been slowly restored to short-haul destinations such as Japan and South Korea, but there has been limited progress on restoring links to Europe.
- Jiangsu authorities are addressing challenges by seeking Civil Aviation Administration of China support and optimising transit procedures at Nanjing Lukou Airport.

Advisory Council News

Nokia Bell Labs celebrates 100 years of pioneering innovations

Nokia's renowned industrial research arm behind the invention of the transistor, the solar cell and the laser, Nokia Bell Labs, is celebrating its centennial in 2025, marking 100 years of groundbreaking discoveries and innovations that blazed the trail for the digital age and pushed the boundaries of what is possible.

Nishant Batra, Nokia's chief strategy and technology officer, said: "The last century would be unrecognisable without Nokia Bell Labs. We established the foundations for modern communications, computing and the internet, setting the standard for the telecommunications industry, with a profound impact on people and communities worldwide. Our legacy is embedded in every bit within the billions of terabytes that flow through global networks each year and our dedicated researchers are tirelessly working on the groundbreaking innovations that will shape the future."

Over the past 100 years, Nokia Bell Labs researchers have made revolutionary discoveries in radio astronomy, semiconductors, information theory and cellular communications that have driven United States and global innovation, and laid the groundwork for the digital age. These breakthroughs and many others have resulted in 10 Nobel Prizes and five Turing Awards, as well as three Emmys, two Grammys and an Academy Award.

Photo: nokia.com

Today, its legacy lives on in wavelengths, wires and bits as it charts new paths in space communications, quantum, artificial intelligence, foundational technologies and sensing that address humanity's most pressing challenges. Nokia Bell Labs is setting world-record optical speeds to meet the insatiable global demand for high-speed communication, deploying cellular networks that will underpin sustained human presence on the Moon and beyond, and conducting industry-leading sixth-generation (6G) research that will fuse the physical, digital and human worlds.

Peter Vetter, president of Bell Labs Core Research at Nokia, said: "At Nokia Bell Labs, we don't just follow trends, we create them. Our researchers focus on solving hard problems that have a real human need in order to come up with the next big thing. From pioneering concepts for 6G and world-firsts in fibre technology to innovations in sensing and understanding that fuses the physical, digital and human worlds, we are redefining how we perceive the world around us and augmenting our capabilities."

Thierry E. Klein, president of Bell Labs Solutions Research at Nokia, said: "For the last 100 years, Nokia Bell Labs has been harnessing the extraordinary imaginations of our researchers to push the boundaries of what is possible and create transformative real-world solutions. In our next century, we are delivering the communication building blocks here on Earth as well as for a rapidly growing space economy that underpins sustained human presence on the Moon – and beyond."

Leveraging Nokia Bell Labs' pioneering technology, Nokia helps propel society, industry and the environment toward a more sustainable future – expanding possibilities and redefining how we live, work and care for our planet.

DHL Group enhances Asia-Pacific electric vehicle and battery supply chain solutions

DHL Group (DHL), the world's leading logistics company, is enhancing its end-to-end electric vehicle (EV) logistics and supply chain solutions for the Asia-Pacific market, with the opening of three EV Centers of Excellence (COEs) within the region in 2024. These COEs build on DHL's offering of customised solutions covering capital equipment for new EV-related factories, inbound-to-manufacturing (I2M), finished vehicles and aftermarket logistics in the region.

"Over the next five years, Asia is expected to account for 63 per cent of the 115 million new EVs sold worldwide. A robust and compliant logistics supply chain ecosystem is needed to support this growing demand, and our EV Centers of Excellence in Shanghai, Singapore and Indonesia serve as hubs of competencies and resources for the growing EV industry across the Asia Pacific," said Fathi Tlatli, global auto-mobility sector president of DHL Customer Solutions and Innovation.

An EV COE is a centre of knowledge and know-how, showcasing existing EV logistics expertise, capability and resources, and demonstrating DHL Group's commitment to further enhance its EV offerings. These centres cover a wide range of solutions, offering modular and integrated end-to-end logistics across the EV supply chain.

Photo: DHL Group

Eni Ghana and partners promote inclusive economic development

Eni Ghana and its Offshore Cape Three Points (OCTP) partners—Vitol Upstream Ghana (Vitol) and Ghana National Petroleum Corporation (GNPC)—have handed over a number of social projects in the areas of health, sanitation, education and economic diversification to local authorities and communities within OCTP's area of influence in the Ellembelle District of Ghana's Western Region.

The projects include the renovation of the Sanzule/Krisan School Canteen, which will provide meals to over 300 students, contributing to support both their academic performance and well-being; four fishing sheds for the Bakanta, Ngalekpole, Ngalekyi and Baku communities, which will benefit over 7,000 fishermen, fish traders, processors and community members by offering secure spaces for fish processing and storage; five modern household latrines using Bio-Digester Technology to improve sanitation, promote environmental sustainability and enhance public health; and 17 community argon welders trained, certified and given start-up kits, to empower them with the skills and resources necessary to enter the workforce and expand their employment opportunities.

These initiatives are intended to enhance the health and academic performance of primary school students, support small businesses, improve hygiene, reduce post-harvest losses and provide efficient waste management and sustainable sanitation solutions for households.

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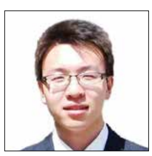

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- Advocating for EU-China cooperation on decarbonisation
- Facilitating coordinated efforts among the Chamber's membership
- Working with China to achieve its 2060 carbon neutrality goal