Journal of the European Union Chamber of Commerce in China

EURObiz

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January/February 2013

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The Chamber's first major study of the year

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A young girl uses her scarf as protection against the heavily polluted air in Lanzhou, Gansu Province.

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宝地广场

Baoland Plaza

IN order to create the East Bund Business Centre in Yangpu District, Baoland Real Estate built Baoland Plaza to a high standard under the strong support of the Government of the District.Baoland Plaza a comprehensive project covering total GFA of 156,400 ㎡ including two modern office buildings and commercial and leisure facilities.

Two 25-storey office buildings with the Office GFA of 80,840 ㎡ featuring 10-meter ceiling height, elegantly decorated office lobby, the upright and practical column-free layout and the excellent facilities of international Grade A office buildings will definitely be the ideal office place for business elites. The retail space which covers over 35,000 ㎡ offers a self-contained environment to its tenants with extensive selection of dining, shopping and leisure facilities, including bank, convenient store, supermarket, fitness centre, coffee shop, restaurants and many more. The lush greenery, ample high-speed elevators, over 700 parking lots, an international team of property management experts and a full range of professional service make Baoland Plaza a distinctive landmark in the East Bund.

- *International Grade A office building*
- *Convenient transportation network with 2 metro lines and 2 tunnels in the immediate vicinity*
- *Comprehensive dining and leisure facilities catering to the needs of discerning tenants*

A Brand-new Landmark in the East Bund CBD

The Advantages of Timing, Location and Working Team

The project of Baoland Plaza has united the advantages relatively of Timing, Location and Working team.

·Regional advantage —— With the trend raised by Yangpu District that "Yangpu with Knowledge and Science", located in the center of Dalian Road Headquarters Agglomeration in Yangpu District, Baoland Plaza is regionally linked with northern Pentagonal Square functional area, injecting brand-new driving force into the development of science and finance in this region, and forming a completed business district mode step by step.

·Geographical advantage —— Baoland Plaza is located at the core area of East Bund and the intersection of Dalian Road and Kunming Road. The close proximity to Dalian Road Tunnel and Xinjian Road Tunnel offers an easy access to Lujiazui in Pudong and the proximity to Zhoujiazui Road and Bund Tunnel allows convenient access to People Square, Nanjing Road and Huaihai Road CBD. Embraced with a convenient transportation network, it' s within walking distance to Metro Line #4 and #12.Travelling to Hongqiao and Pudong Airports only requires 45 minutes driving ,which makes the business activities extremely convenient and effective. Baoland Plaza is also adjacent to several high-quality business office buildings including Siemens Centre, Continental AG and Embry Form Mansion.

·Item advantage —— The office building area of Baoland Plaza is divided into two buildings, the Office Block A and the Office Block B. Each building is 25-storey tall and contains the low zone and the high zone. The office GFA is up to 80,840 ㎡ . Baoland Plaza is a highly quality office building equipped with international standard facilities and amenities. Spacious and elegantly decorated office lobby, ample high-speed elevators, over 700 parking lots, efficient floor layout and lush greenery inevitably meet the requirements and expectations of discerning multinational tenants, which highlights its exceptionally gifted item advantage.

Baoland Plaza retail assembles numerous fashion brands that brings abundant choices ,including Tesco, Decathlon, Watsons and Physical. Besides, various types of catering outlets like Starbucks, Wagas, Pacific Coffee, Pepper Lunch, Paris Baguette and Spring are available as well.

Target Client Base of Baoland

With the continuous development of economy, the enhancement of traffic convenience and the population extension, the development tendency of city office buildings changes with market demand. The limited supply of office buildings in Shanghai Central Business District can no longer satisfy the fast expansion of the companies and the rising rent makes the enterprise leasing costs escalating. Many large companies that are planning relocation and expansion often fix their eyes on those office buildings in sub CBD areas also with convenient traffic network, excellent quality and comprehensive facilities allowing enjoying spacious office GFA as well as the rental advantage which is impossible in prestigious CBD area. It has become the main tendency of the current office building leasing market and Baoland conforms to this demand exactly. Baoland will certainly become the first choice of large enterprises at home and abroad when they move and expand.

In the coming 5 years, Yangpu District will strive for the target of financing 10 billion RMB respectively from stock market and government guarantee, centralizing an industrial fund of 10 billion Yuan and gathering 100 organizations of science and technology and finance. At present, Dalian Road Headquarters R&D concentration area where Baoland Plaza is located has gathered a number of noted financial organizations from domestic and overseas including Pudong Development-Silicon Valley Bank, Shanghai International Venture Capital Co., Ltd and Noah Private Wealth Management, taking science and technology, finance and advanced manufacturing industry as its main development formats. Baoland Plaza's entering the market will contribute to the further establishment of attractiveness in this region.

The favorable business atmosphere and the strong support from the government will certainly attract quantities of scientific research and finance-oriented enterprises to put their eye on newly-developed business districts like Dalian Road Headquarters R&D concentration area .Baoland Plaza is definitely located in the center of this area, owning a considerable number of potential client bases. We sincerely hope that a large amount of industry related to science and technology and finance can be attracted to set up in Baoland Plaza, improving the business function of Dalian Road headquarters R&D concentration area.

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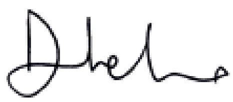
Infinite Growth in a Finite World

Mr Davide Cucino
President of The European Union Chamber of Commerce in China



During the 18th Party Congress back in November 2012, the new leadership underlined the importance of China's ecology by designating environmental protection as a key issue in the next stage of China's development. This is certainly welcome news, but it is not until after the National People's Congress in March that we will see if this will be transformed into tangible policies.

In this issue we focus on the environment, and examine the ways in which China can benefit from the considerable expertise that European companies can offer on this subject.

Reports on China's air pollution may have stolen international headlines in recent weeks, but domestic media attention has also been drawn to the issue of China's water supply, notably the aniline contamination of the Zhuozhang River. In turn, these issues have raised questions about the sustainability of those industries that are having a direct impact on the environment.

Probably mankind's biggest global challenge is sustaining infinite growth with finite resources. China's continued rapid development compels them to confront this challenge.

Despite the many differences between China and Europe, the European experience of sustainably managing a large urban population is the closest model that can be adapted to the current situation in China. The expertise that Europe has acquired from our urbanisation process has driven the adjustment of technologies, and their application, to suit diverse climate zones across the different member states.

At the core of both the EU's 2020 Strategy and China's 12th Five Year Plan is the drive for green and sustainable growth based on an innovative economy. As China rebalances its economy, the economies of the EU and China will converge. This should not be viewed as bringing the economies into greater competition, but as an opportunity for enhanced synergies.

At the Chamber we are already engaged in a number of initiatives that positively impact the environment in China, such as the China Europe Water Platform, in which we function as the 'business arm' of the project, and the Low Carbon Energy Platform run by the EU-China Trade Project, which gives stakeholders a platform to share their experiences on low-carbon solutions. We are also supporting the EU-China Partnership on Urbanisation in many ways. One of which is through our active involvement in the EU-China Sustainable Urbanisation Park, which enjoys the backing of the Shenyang Government.

As Europe stands together with China in facing these environmental challenges, it is only through cooperation and healthy market competition that we can best innovate and develop the new solutions we need to progress towards a global, sustainable future.

We also take a look at the Chamber's first major publication of 2013, *China's Outbound Investment in the European Union*. For this important study we spoke to 74 Chinese enterprises and listened to their concerns regarding the EU investment environment. Based on their responses we made a number of recommendations to both China and Europe. You can see a summary of this report on page 26.

As we settle into the New Year, it is natural for us to look forward in anticipation of the fresh challenges and opportunities that lie ahead, and the inevitable changes that this will bring. Here at the Chamber we bid an extremely fond farewell to outgoing Secretary General, Dirk Moens, who decided to retire from this position after four years. I would like to extend my heartfelt gratitude to Dirk for all of his excellent work.

Looking to the future, I am extremely pleased to announce the appointment of Adam Dunnett, who succeeded Dirk as the new Secretary General. Adam was previously the General Manager of the Chamber's Beijing Chapter, so we are delighted to welcome him back into the fold. He brings with him intimate knowledge of the Chamber, as well as a strong government affairs and management background, so we are excited to move forward with him steering the ship.

Finally I would like to take this opportunity to wish you all a healthy and prosperous year of the snake and hope that you can meet your own challenges with renewed (and sustainable) energy.

GOODBYE BLUE SKY

Air pollution is nothing new to people living in China, but the recent extreme conditions – referred to by some as the "airpocalypse" – witnessed in Eastern China placed the issue under the scrutiny of international media. On Saturday 12th January, Beijing's real-time, air-quality index broke the magic value of 500µg/m^3 (anything above this is recorded as "beyond index") while the US Embassy reported that they had recorded a level of 886µg/m^3. Beijing, apparently, was not even the worst-affected city.

Yang Jin and **Alban Renaud** of **Adamas** law firm say that China has been steadily addressing the issue of air quality by gradually introducing improved legislation, and believe this recent environmental catastrophe has had the positive effect of pushing the agenda at central government level. However, as they discuss below, the real challenge is not just enacting this legislation but making sure that it is properly enforced.

Figures recorded on 12th January, 2013, using the Air Pollution Index App. For each city the US Embassy or Consulate reading comes first and the offical figure second. Note the US Consulate figure for Shanghai is actually lower than the official figure.

Clean air is considered to be a basic requirement for human health and well-being. For many years, people living in China have been facing severe problems with air quality. This situation was brought into sharp focus in mid-January when Eastern China was cloaked in a thick blanket of smog, which cut visibility and sent people flocking to buy face masks in an effort to protect themselves and their families.

The recent air quality went far beyond the level designated as 'hazardous'; official readings taken in Beijing during the weekend of 12th – 13th January exceeded 700µg/m^3 on the air quality index (AQI) that measures PM2.5, according to Beijing Municipal Environmental Monitoring Centre (BEMC)[1]. To put these figures in perspective the BEMC considers a level of over 300µg/m^3 to be so hazardous that everyone may experience serious effects, while the World Health Organisation considers a PM2.5 index of more than 25µg/m^3 as being unacceptable.

Also known as fine particles PM2.5 are particles less than 2.5 micrometres in diameter or roughly 1/20th the width of an average human hair. The reason they are considered to be the most harmful of all air pollutants is because, due to their small size, they can be easily absorbed deep into the lungs where they settle in the air sacs causing a decrease in lung function and can lead to severe respiratory problems. Sources of fine particles include all types of combustion activities (motor vehicles, power plants, coal and wood burning, etc) and certain industrial processes.

Although much of the time air pollution is invisible, its effects are not. Millions of people in China have to breathe dirty air, the consequences of which can permanently affect their lives in the form of respiratory infections, heart disease and even lung cancer. These long-term, sometimes fatal, consequences are borne by the public but they also place an inevitable strain on China's healthcare infrastructure too. This legacy left by nearly three decades of unfettered economic growth has been ignored for too long. The health of China's population is at risk: cardio-vascular

1 BEMC Real Time Release: http://zx.bjmemc.com.cn/

2 BEMC Environmental Science: http://www.bjmemc.com.cn/g327/s968/t1259.aspx

3 WHO Air Quality Guidelines 2005

disease is China's biggest contributor to mortality; respiratory disease is just behind, responsible for an alarming 15 per cent of the country's total deaths every year.[4]

The root of the problem lies in the rate of China's urbanisation and industrial expansion. With an ever-increasing demand for energy, China has had to build new coal-fired power plants at an astonishing rate. Today, coal provides 80 per cent of China's electricity and 70 per cent of its total energy, and also accounts for a large proportion of its air pollutants. In addition to this China also needs to address the issue of pollutants from motor vehicles, which are another major contributor to PM2.5 levels.

There is no overnight solution, but to improve air quality the path is straightforward: it requires government legislative action, transparency in information and enforcement of the law.

The amount of work the Chinese Government put into developing its legal framework for air quality improvement has been accumulating. The overall framework for China's environmental legislation is the Environmental Protection Law (EPL 1989), which provides basic principles for protection of the air. Since the promulgation of the EPL 1989, China's environmental law framework has expanded to include many major statutes and countless State Council regulations, standards, and other legal documents. The major laws now governing air pollution include the Law on Prevention and Control of Atmospheric Pollution and the Environmental Impact Assessment Law.

In recent years frequently polluted skies, compounded by complaints from citizens across the country, have accelerated the rate at which legislation is being implemented. In May 2010, The State Council, for first time outside of the special provisions for the Beijing Olympics and Shanghai Expo, released guiding opinions and set up a structure for improving air quality across multiple provinces[5]. These guidelines include stricter air quality and emission standards for Beijing, Shanghai and Guangzhou.

On 29th February, 2012, the Ministry of Environmental Protection (MEP) and the State Administration of Supervision, Inspection and Quarantine jointly released the official (trial) revisions to the Ambient Air Quality Standards. The new Standards, which will take effect on 1st January, 2016, include mandatory monitoring of PM2.5. Because of the ease with which PM2.5 particles are absorbed into the lungs, measuring them is considered a more accurate reflection

of air quality.

The MEP then followed with announcements that PM2.5 would be additionally measured in all four municipalities, 27 provincial capitals, and key economic regions such as Beijing-Tianjin-Hebei, the Pearl River Delta, and the Yangtze River Delta. In 2013, 113 key cities and environmental protection-model cities will be added.

The undeniable effects of deteriorating air quality has led to the media putting increased pressure on the Chinese Government to address the underlying causes, which in turn has led to improved transparency of information. During the heavily polluted period in mid-January, not only did the Beijing local government release an unprecedented alert warning vulnerable people to stay indoors, they also activated a new plan restricting construction and industrial activity, curbed vehicle use by government officials and ordered schools to limit outside activity. This is a positive sign.

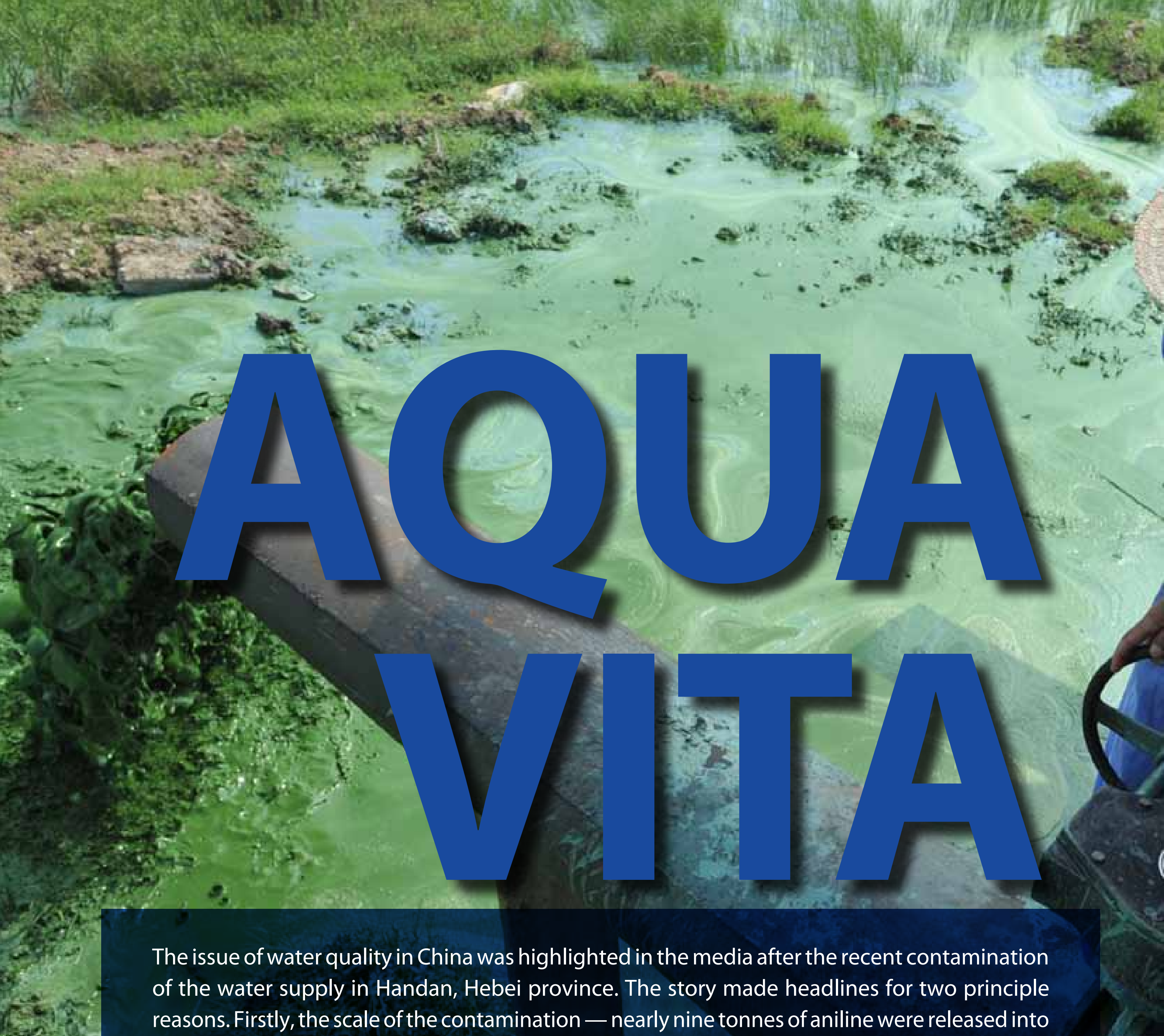
Of course, the success or failure of laws depends on how effectively they are enforced, especially at the local level. Enforcement now still remains the real problem in China. The new draft EPL stresses that the government should play the leading role in environmental protection and officials will be subject to administrative punishment if they fabricate environmental statistics or refuse to release information that should be published. Regardless of this new trend of law, the time-honoured method employed by authorities to deal with public complaints, and the principle of placing development ahead of all other concerns, including ecological, are not going to be changed overnight.

The silver lining to the recent extremes of pollution is that it has forced the government to finally acknowledge the elephant in the room. Having breathed foul air for such a long time, Chinese society is finally coming to a consensus: although China will have to walk a long and hard road before it reaches clean, blue skies, the costs of a 'pollute first control later' strategy are way too high, and the government should not hesitate to take action. Eb

ADAMAS *is a European law firm and the oldest existing foreign law firm licensed by the Ministry of Justice of PRC to practice in the field of law in China. The Environmental Affairs Team of elite lawyers have a high reputation in their field.*

[4] WHO country profile 2011: http://www.who.int/nmh/countries/chn_en.pdf

[5] Notice of the General Office of the State Council about *Forwarding Guiding Opinions on Pushing Forward the Joint Prevention and Control of Atmospheric Pollution to Improve the Regional Air Quality* developed by the Ministry of Environment Protection and relevant departments



AQUA VITA

The issue of water quality in China was highlighted in the media after the recent contamination of the water supply in Handan, Hebei province. The story made headlines for two principle reasons. Firstly, the scale of the contamination — nearly nine tonnes of aniline were released into the Zhuozhang River — meant that the leak affected the drinking water supply of hundreds of thousands of people. *Xinhua* reported that the levels of aniline were 720 times the acceptable level in water samples taken from the Shanxi/Hebei border. Secondly, the way that the incident was handled caused public outrage as provincial government officials of Changzhi City, Shanxi, where the leak occurred, did not publicly announce it for several days causing concern among Handan citizens who feared they may have already ingested contaminated drinking water.

Simon Spooner is Technical Director at **Atkins China Water & Environment** and Chair of the EU Chamber's Beijing Water Working Group. He led the water quality component of the EU-China River Basin Management Programme and is coordinating the business opportunities component for its successor, the China Europe Water Platform. In this article he addresses the issues that the Chinese Government faces in their challenge to provide clean, sustainable sources of water to the population, and explains the crucial role that the EU is already playing in helping them to achieve this goal.

> **"Water is the source of life, production and ecology"**
>
> No 1 Policy Document 2011: *Decision of the Central Committee of CPC and the State Council on Accelerating the Water Conservancy Reform and Development*

The rivers, lakes and groundwater in most areas of China are severely depleted, contaminated and overexploited. This reduces their capacity to support a healthy ecosystem as well as a happy and healthy human population. Urgent action is required to redress this imbalance between the demands being placed on the freshwater resources of China and the ability of the natural systems to renew, recover, refresh and self-purify.

These problems are fully recognised by the Chinese Government and policies and laws have been put in place to improve the situation drawing on the best experiences of turning around water quality, especially from Europe. But these are complex problems that require massive, long-term investment, as well as a shift in people's attitude towards the environment. The general policy and legal framework requires detailed regulations, administrative guidance, technical tools, human capacity and enthusiasm to implement. However, this body of systematic approaches is now building and the situation shows signs of improvements in some areas.

The causes of the problems are from all areas of society – agriculture, industry and urban development – and they have been compounded by the fact that dealing with water pollution on an everyday basis is not treated as a high priority. In agriculture excess fertilisers, pesticides and animal wastes are allowed to run into the rivers and seep into the ground. In industry costs are saved by minimising expenditure on non-productive environmental protection services.

In cities wastewater treatment is an unglamorous job that only benefits the people downstream. But this is not the full picture. Clean water is *the* most undervalued commodity and failure to secure access to clean water will lead to problems in food production, health problems and ultimately social instability and risks to national security.

For a long time China has run campaigns to reduce wasteful pollution from agriculture, set discharge standards for industry, close the most polluting enterprises and require the construction of wastewater treatment plants for cities. Such actions help but if the ultimate environmental improvement goals are not achieved then it is difficult to enforce and cannot be guaranteed to achieve a healthy environment.

The current approach is to define each body of water and set environmental quality standards, not just chemical standards but also for the biology and ecosystem it supports. This results in much better indicators and the problem is broken down into manageable units. In order to achieve the target, the carrying capacity – the amount of pollution that any part of the environment can absorb and still meet targets – is calculated. Measures can then be planned to reduce total pollution loads to fall within this value. Though simple in principle this process is very complex to implement, requiring meticulous monitoring, data management and analysis and then enforcement through regulation and permitting systems. These full systems do not yet exist but a great deal of work is going into the development of them.

Setting the Biological and ecological targets is a major step forward in China's environmental management. Much work is already underway to develop a comprehensive river health assessment system based on a five-part combined analysis. This analysis monitors each river section to asses: 1) chemical water quality; 2) flow regime; 3) ecological and biological biodiversity status; 4) the physical structure of the river channel; and 5) the social function that the river provides.

Ultimately the goal is to integrate management of water quantity and quality to within healthy and sustainable levels that will support the most productive ecological system for people to live within.

The main policy approach for achieving these goals is set out in the 'Three Redlines' policy which defines: 1) water use allocations for each region and user to control total water use to be within renewable resource capacity; 2) targets for water use efficiency in industry in terms of water use per unit of GDP, and in agriculture in terms of proportion of abstracted water actually reaching the crops; and 3) total pollution load allocations to each section of the river, to be within the carrying capacity of the river and meeting the water quality standards for the defined water functional zones within a timetable with stages up to 2030.

Realising these goals for water management in China will require the development, and enforcement, of a permitting system to control the abstraction and discharge of surface and groundwater. In Europe and the US such permitting systems are based on procedural processes supported by technical guidelines, which are enforced through environmental law in courts operating at local and national levels. In China such environmental law enforcement is not yet well established and the process of policy enforcement is much more through the Party and the cadre assessment processes, which set specific targets for senior officials to achieve with penalties for non-performance. Therefore a slightly different and unique approach needs to be taken in China to build an enforcement framework, that encompasses both legal and political instruments.

As part of the programme for implementing the 'Three Redlines' and wider environmental improvement goals, China has set out national plans for the prevention of pollution, coordinating major technical and policy research programmes with the drafting and implementation of the *12th Five Year Plan* and a range of related river basin and sector plans.

These include the *National 12th Five-Year Plan for Environmental Protection*, the *National 12th Five-Year Plan for Comprehensive Energy Saving and Pollution Discharge Reduction*, *Water Pollution Prevention Planning for Key Basins (2011-2015)*, *National Environmental Protection Plan for Drinking Water Source*, and the *National Groundwater Pollution Prevention and Control Plan (2011-2020)*.

Together with other water quality management regulations these plans set out programmes for defining and implementing the pollution load allocation management system, abstraction and discharge licensing and the river health assessments. They also tackle other key issues such as protecting drinking water source areas, identifying key pollution source risks and groundwater pollution risk reduction.

Drinking water source areas are accorded specific protections to ensure that contamination is reduced and healthy and reliable supplies can be secured. Sudden pollution incidents, such as those resulting from accidents, illegal discharges from industry, mine tailing dam collapses or flooding washing pollution into rivers are still very common in China and can cause great disruption, interruption of water supplies and ecological and human health impacts. Systems are being put in place for the more effective detection, reporting and response planning for when incidents occur but the most important thing is to prevent the incidents in the first place by identifying the sources of risk and then ensuring that measures are taken to minimise the chances of accidental spills and, if accidents do occur, reducing the risk of any pollution entering the river courses or soaking into the groundwater.

Even as surface water pollution issues are being tackled there remain huge problems of contaminated groundwater in aquifers (a body of saturated rock through which water can easily move). The assessment and remediation planning for this is just beginning but the first step is to ensure that there is awareness of the risks of polluting groundwater and that measures are taken to prevent further damage occurring. Once contaminated it is a long and difficult process to remediate the aquifers. Thus this will sadly remain as a legacy of the industrialisation of China.

China is greatly increasing investment in addressing the problem. Most developed counties have already gone through the process of implementing environmental protection and achieved massive reductions in water pollution, thus through exchange and cooperation China can make this same transition more rapidly.

The EU has been engaging with the Chinese Ministry of Water Resources and Ministry for Environmental Protection to assist with this process over the last five years through the River Basin Management Programme (RBMP) and now through the China Europe Water Platform, which help to drive the policy development process and implementation of integrated river basin management.

Further, Europe is engaging in joint research through the Environmental Sustainability Programme and through research projects under the European Commission's Seventh Framework Programme (FP7) as well as, from next year, the new Horizon 2020 Programme. Specific opportunities are arising for European business to engage with the water investment programmes and the European Chamber of Commerce in China's Water Working Group has been established to facilitate engagement with government programmes and to help build bridges between European and Chinese companies. Eb

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Managing water for more desirable cities

A decent sewer system is one of the most important infrastructure elements of a city without which civilised, healthy living and protection from flooding is just not possible.

Modern populations demand flushing toilets, regular showers, washing machines and pleasant, well watered gardens and parks. Not all of these functions require water that is treated to drinking standards, transported into the city, then collected and transported back out of the city as wastewater. For some major water uses, treated wastewater effluent can be re-used, reducing the overall water requirement by about 30 per cent.

In those areas where water resources are scarce water use needs to be optimised but the possibilities for achieving greater efficiency with centralised systems are limited by costs. The solution is to decentralise networks and reuse water at a local level. 'Waste' water needs to be seen as a resource instead of an environmental problem. With wastewater treated at a community level the effluent can be piped back short distances to the 'source' buildings for toilet flushing, while a part can be stored and used for irrigating green areas.

The organic components of wastewater are also a potentially useful resource; as they degrade they can release biogas as an energy source and residuals can be incinerated to release energy. These biosolids can also be a source of phosphorous and nitrogen which, if suitably processed, can be a useful soil fertiliser and conditioner.

Such decentralised wastewater treatment and reuse requires additional infrastructure and operational expenditure at the level of the local community but there are wider savings from reduced infrastructure loading on the city-wide water supply and wastewater collection and treatment systems. These regional savings can be used to help offset some of the additional local costs.

Some of the recent advances from Europe could be applied in China to minimise risks of flooding and pollution from overflow spills to rivers. These highly efficient solutions start with the use of computer models to analyse and optimise investments in the drainage network. Real-time controls can actively operate gates and storage tanks in response to weather conditions by feeding rainfall radar data in to the model and predicting the best configuration of the system to respond to the conditions and maximise capacity.

The capacity and reliability of existing sewers can also be increased by regular flushing to remove sediments and blockages. This is normally an inconvenient and unpleasant task but, with the installation of automatic tipping gates in the sewers, a portion of the flow can be held back and then released in one go to send out a regular wave to clear the system. This is particularly relevant in China where the design codes for sewers allow for relatively shallow gradients.

Another major change in Europe in recent years has been the application of sustainable urban drainage systems (SUDS). These work on the principle of source control, reducing the speed and amount of water flowing into the sewers and so attenuating the flood peaks. Instead of using impermeable hard concrete and tarmac for car parks and squares, permeable paving, green roofs and soakaways, and green-grassed channels leading to urban ponds and wetlands can be employed to allow water to seep back into the soil. Together these advanced water and drainage management solutions can be used to build more efficient, more aesthetically pleasing and more sustainable cities to live in.

DO THE RIGHT THING

When considering the industries that can have an adverse effect on the environment, it's easy to fall into the trap of just laying the blame at the feet of the more visible culprits – chemical plants, power stations, steel manufacturers etc – and overlook the fact that every business generates its own carbon footprint and impacts the environment in less obvious ways. Conducting an energy audit is a proactive way of dealing with this problem and can have other cumulative, positive effects beyond appeasing your conscience. **Li Hong** and **Leon Wang** from **Bureau Veritas** Construction Business Line detail why energy audit is the responsible thing to do, and how it can benefit your business.

The term energy audit applies to a broad spectrum of energy studies encompassing a quick walk-through of a facility, identification of major problem areas and a comprehensive analysis of the implications of alternative energy efficiency measures sufficient to satisfy the financial criteria of sophisticated investors. Auditing is required to identify the most efficient and cost-effective energy conservation opportunities (ECOs) or measures (ECMs). ECOs (or ECMs) consist of more efficient use, or partial or complete replacement of an existing installation.

To ensure that a proposed audit meets specific needs you should spell out your requirements in a detailed scope of work. This will also assure the building owner of receiving competitive and comparable proposals.

The American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) identify four levels of analysis:

1. Level 0 – Benchmarking: This first analysis consists of a preliminary whole building energy use (WBEU) analysis based on an analysis of the historic utility use, costs, and on the comparison of the performances of the buildings to those of similar buildings. This benchmarking of the studied installation allows determining if further analysis is required;

2. Level I – Walk-through audit: Preliminary analysis made to assess building energy efficiency to identify not only simple and low-cost improvements but also a list of energy conservation measures (ECMs or ECOs) and to orient future detailed auditing. This inspection is based on visual verifications, study of installed equipment and operating data, and detailed analysis of recorded energy consumption collected during the benchmarking phase;

3. Level II – Detailed/general energy audit: Based on the results of the pre-audit, this type of energy audit consists of an energy use survey

Financial analysis example of Energy Conservation Measures

Energy Conservation Measures (ECM) Recommendations	Potential Energy Savings [KWh /year]	Potential Energy Savings [RMB /year]	Estimated Investment [RMB]	Payback time [years]	Priority
Ventilation System					
Upgrade and retrofit the existing ventilation system. Configure automatic management instead of the current manual management. Put in place free-cooling via the building management system	240,000	216,000	1,000,000	4	
Equip air handling unit (AHU)-K9,K3,K6 and chilled water pumps, the secondary hot water pumps with variable-frequency drive (VFD)	94,528	85,075	150,000	2	
Maintenance of AHUs	21,000	18,900	No Investment	Immediate	

Immediate (ROI< 1 year)

Priority (1 year < ROI < 3years)

Useful term (3 years < ROI <7 years)

Long term (ROI>7 years)

in order to provide a comprehensive analysis of the studied installation, a more detailed analysis of the facility, a breakdown of the energy use and a first quantitative evaluation of the ECOs/ECMs selected to correct the defects or improve the existing installation. This level of analysis can involve advanced on-site measurements and sophisticated computer-based simulation tools to precisely evaluate the selected energy retrofits;

4. Level III – Investment-grade audit: Detailed analysis of capital-intensive modifications focussing on potentially expensive ECOs requiring rigorous engineering study.

As of today, most people are interested in energy savings but some do not have a clear plan for achieving higher energy efficiency. Consider the following:

1. Are you aware of all beneficial efficiency measures applicable to your facility or just a few?

2. Are you able to prioritise your measures based on their financial benefits, e.g. replacing lighting or upgrading refrigerators?

3. If necessary, do you have a solid reason for why you chose one measure over another?

4. Are your decisions being fuelled by unbiased, good quality facts or parties interested in selling their product?

Good quality energy audits will help you address the above and more. Performing a quality energy audit can:

1. Evaluate your facility as a whole; their goal is not to evaluate single measures but to consider a wide range of available alternatives;

2. Provide you with financial analysis. This will enable prioritisation based on financial benefit and return on investment;

3. Provide you with solid, easy to understand technical information regarding the proposed energy conservation measures;

4. Analyse your historical energy use and find potential issues using statistical methods;

5. Provide you with emissions analysis to help you understand the benefits of your decisions from an environmental standpoint;

6. Help you understand where energy is used and which areas are worth focusing on the most (energy hogs);

7. Provide you with benchmark information to help you understand your energy use performance compared to others in your field and area.

The cost-benefit analysis of the audit report helps decision makers prioritise opportunities and evaluate them as investments. These indicators include rate of return, net present value, cash flow analysis, and payback.

An energy audit is a part of a green building-related service. Green building services help buildings save energy, use less water, generate less waste and provide higher levels of indoor quality and comfort. Eb

*Created in 1828, **Bureau Veritas** is a global leader in Testing, Inspection and Certification (TIC). Present in 140 countries with 1,300 offices and laboratories and 60,000 employees, Bureau Veritas is recognised and accredited by major national and international organisations. In China they have 9,000 employees in 100 offices and laboratories. For more information go to: www.bureauveritas.com*

Image courtesy of KPMG's study, *China's Chemical Industry Enters a New Era with Sustainability*

China's Chemical Industry Enters a New Era with Sustainability

One of China's key challenges as it continues its ineluctable progress towards becoming the world's largest economy is balancing growth with its environmental responsibilities. The new leadership acknowledged as much at the 18th Party Congress, pledging to designate environmental protection as a key project, cut energy consumption and pursue a cleaner, more sustainable energy model. A **KPMG** report published in October 2012, written by **Norbert Meyring** and **Leah Jin**, highlighted the chemical industry as one of the key industries that needs to support this government plan to help China achieve a 'cleaner economy'. Below is a summary of their report.

China is in the midst of a great transition. No longer willing to be slotted in the class of big polluters, it has undertaken one of the most comprehensive sustainability action plans in history, and the chemical industry will be fundamental to turning this vision into reality.

Change, however, cannot come at the cost of growth, and China will need to perform a delicate balancing act as it moves from the older, fast-paced industrial model to a slower pace of development based on upgraded value chains and energy-efficient business.

The chemical industry, meanwhile, has to deal with the current macroeconomic forces brought on by a slow US economy and lingering debt crisis in Europe that is dragging down end-user demand.

Early in 2012, the Chinese Government cut its annual economic growth target to an eight-year low of 7.5 per cent compared to the actual 9.2 per cent GDP growth of 2011, aiming to promote a steady and sustainable pace of development, keep prices stable and guard against financial risks by keeping the total money and credit supply at an appropriate level. This is the first time since 2005 that China has lowered its annual economic growth target after setting it around 8 per cent.

In the next few years, the chemical industry in China will face several challenges, but there is room for optimism too. According to a survey conducted by KPMG, in April and August 2012 among chemical industry players in China, the mood was positive. Chemical enterprises surveyed by us predict a ten per cent growth for their companies in the next five years, mainly from the China market.

In China, the forces driving sustainability will come from its new environment-friendly laws. Under the *12th Five-Year Plan* (*5YP*), the country is evolving its regulatory regime to clamp down on energy-guzzling industries and incentivising clean and green energy sectors. Its ambitious urbanisation drive is now being tweaked with 'green' regulations requiring buildings to be energy efficient. There is greater demand for smart transport that consumes less fossil fuel and an urgent need to stabilise water sustainability. All these factors and large government investment will act as major growth drivers for chemical companies by generating a need for new materials, advanced polymers and speciality chemicals.

Companies will need to constantly assess, manage and format their risk mitigation strategies so as to remain compliant with regulatory regime changes and other macro economic factors. Sustainability targets are unleashing new waves of demand for upgraded material and companies will need to apply themselves intensely into product innovation and invest more in research and development.

In order to leverage the opportunities generated by sustainability and streamlining business costs, KPMG suggests a four-pronged strategy for chemical companies in China to achieve their next stage of growth:

Enabler's Role with Product Innovation

The chemical industry plays its biggest and most important role as 'enabler' of a sustainable economy with its product innovation skills. While sustainable development means achieving a balance between people, planet and profit, for the chemical industry the most fundamental element remains 'products'.

Innovative products and initiatives from the chemical industry will play a crucial role in addressing the challenges the world faces today, and in helping provide solutions to those that lie ahead.

Stakeholders Extend Sustainability Dialogue

The chemical industry's products and services play a crucial role in addressing environmental concerns by providing sector-wise solutions. An important aspect of this is conducting stakeholder dialogue at every level. Externally, joining forces with stakeholders ranging from governments, suppliers, vendors, to local communities and customers in order to communicate a company's beliefs and targets is an essential part of operations these days. Internally, communication flow between shareholders, directors and employees is also becoming critically important to modern companies.

Greening the Supply Chain

Over the last 30 years, China's turbocharged industrial policy has helped push it to the centre of the international stage, transforming it into the world's most confident manufacturer, the largest exporter and destination for investment. But the strategy of the past may not be the model to take the country to a sustainable future. China needs a sustainable industrial and trade policy that involves entire supply chains.

The scope and size of environmental challenges linked to Chinese economic activity through various global product chains is mammoth, but the need now is to quantify the explicit nature of those challenges and seek solutions along respective product chains. Adopting recognised environmental management systems, such as the international ISO 14001 standard and EU Eco-Management and Audit Scheme (EMAS II), that emphasise environmental performance indicators will make Chinese businesses internationally competitive and open up new markets.

Companies in China are focussed not only on manufacturing, logistics, distribution and exports, but also on growing consumer demand for sustainable products. The development of China's supply chain infrastructure and its sustainability is one of the priorities of the government.

Shifting away from the earlier emphasis on low-cost manufacturing and energy-intensive industries, Chinese Government policy is now focussing more on positive contributions to corporate social responsibility (CSR) initiatives. The *5YP* prioritises sustainable development of supply chains through social responsibility.

Forging a green chemical supply chain, however, involves deep scrutiny, communication and collaboration. Increased regulation, cost optimisation measures, and rising consumer concerns about business ethics need to be at the core of supply chain operations.

Sustainability Reporting: Buzzword for Future Growth

Chemical companies which manage to integrate product innovation with enlightened supply chain

Image courtesy of KPMG's study, *China's Chemical Industry Enters a New Era with Sustainability*

management and transparent communication with stakeholders will have an edge over others. The fourth and final step in this sustainability management programme is sustainability reporting — a process for publicly disclosing an organisation's economic, environmental and social performance and the way it is being managed.

Today, companies are beginning to discover that corporate reporting not only provides financial value but new business opportunities as well.

According to a KPMG study, financial value overwhelmingly comes from two sources: direct cost savings and enhanced reputation in the market. 'Green' products, for example, not only reduce waste and cost to provide direct savings, but also provide dividends by way of enhanced reputation, from both investors and consumers.

Over the years, companies have evolved to produce corporate sustainability reports for both internal and external reasons. Internally, it can identify and manage sustainability risks and opportunities; assess the progress of its initiatives and ensure employee welfare. Externally, sustainability reporting protects and enhances a company's brand and reputation; meets regulatory, legislative, government and listing requirements; addresses stakeholder demands and demonstrates a management that is proactive.

Applying a 'sustainability lens' to corporate reporting can result in four major benefits: revenue growth, risk management, corporate reputation and brand enhancement, and cost optimisation.

Recently, companies surveyed by KPMG agree that sustainability will be crucial and will become an integral part of strategic planning process and key business decisions. The difficulty lies in overcoming the knowledge gap as most organisations are unable to link their business strategies to larger sustainability goals.

These hurdles will need to be worked out. In the coming years, China can make a smooth transition to a cleaner economy only if chemical companies succeed in making sustainability a core business practice, deeply embedded in their cost and profit structures.

***KPMG** is a global network of professional firms providing Audit, Tax and Advisory services. They operate in 146 countries and have 140,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative. Each KPMG firm is a legally distinct and separate entity and describes itself as such.* Eb

KPMG China has 13 offices (including KPMG Advisory (China) Limited) in Beijing, Shenyang, Qingdao, Shanghai, Nanjing, Chengdu, Hangzhou, Guangzhou, Fuzhou, Xiamen, Shenzhen, Hong Kong SAR and Macau SAR, with more than 9,000 professionals.

***Norbert Meyring** is partner in charge of the Chemical Sector in Asia Pacific and China, based in Shanghai. **Leah Jin** is an advisory partner based in Shanghai dealing with climate change and sustainability. The full report can be downloaded at http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/China-chemical-industry-sustainability-201209.pdf*

THE SOLAR CELLS TRADE WAR

By William E. Perry

In September 2012, the European Commission launched an antidumping investigation into the import of Chinese solar panels and key components. The investigation centres on claims made by a group of solar companies from EU countries, led by German company SolarWorld, that Chinese solar companies had been selling solar panels in Europe well under their market value. Chinese companies reacted by calling on their government to retaliate against the investigation. Marc Vanheukelen, head of EU trade commissioner Karel de Gucht's cabinet, responded saying, "We may take to court countries that we don't think are playing fairly," during a speech in Brussels, sparking fears of a trade war.

According to **William Perry**, an international trade law and customs partner at the firm of **Dorsey & Whitney**, this war has been raging in the US for more than a year, and has *already* spread to Europe. He has won more than 50 antidumping cases for US importers and Chinese exporters. In the Solar Cells case, he represented Upsolar and was successful in persuading the ITC to lift the critical circumstances determination. Here he gives detailed analysis of how this trade war began, which provides essential insight into how events may unfold in Europe.

We have a trade war with China in the renewable energy area in the United States, which has morphed into a worldwide trade war pitting China against the US, EC and now India. The date the trade war started was 19th October, 2011, when Solar World America filed major antidumping (AD) and countervailing duty (CVD) petitions on Crystalline Silicon Photovoltaic Cells, Whether Or Not Assembled into Modules from China (Solar Cells from China) at the Commerce Department (Commerce) and the US International Trade Commission (ITC). In response to the US Solar Cell cases, the Chinese Government launched its own AD and CVD cases aimed at US polysilicon exports to be used in the Chinese solar cells.

Although these petitions were filed in October 2011, there were signs that a case was coming because in September 2010, the United Steel Workers Union had filed a massive anti-subsidy petition against Chinese renewable energy products with the United States Trade Representative's Office (USTR). As a result of that petition, throughout 2011, there were strong rumblings in Washington DC about the subsidies the Chinese Government was giving to the Chinese renewable energy/solar sector. Then in the summer of 2011, Solyndra, a company which had received USD 500 million in guaranteed loans from the US government, declared bankruptcy blaming the Chinese Government and Chinese solar cell companies.

In order to win an AD and CVD case, a US industry must establish dumping and subsidisation at Commerce and injury to the US industry at the ITC. After the petition was filed in October 2011, the ITC issued a preliminary injury determination in December 2011. The case then moved to Commerce.

Despite all the noise about subsidies from the Chinese Government to Chinese solar cell producers, in its mid-March preliminary CVD determination Commerce found that those subsidies were equivalent to only 3.6 per cent of the entered value, the countervailing duty rate to offset Chinese Government subsidies on imports of solar cells from China.

But on 25th May, 2012 the Commerce Department issued its preliminary determination in the AD case with antidumping rates ranging from 31 per cent to 250 per cent for Chinese companies that did not participate at the Commerce Department.

These AD rates were not based on prices and costs in China. In normal cases, dumping is defined as sales in the United States at prices below those in the home/foreign market or below the cost of production. The Commerce, however, treats China differently as a nonmarket economy country. It therefore collects factors of production — how much raw materials, such as polysilicon, labour and electricity, the company uses to produce a certain amount of photovoltaic/solar cells — and then goes to a third market economy country, usually India or Thailand, to value those factors of production. Based on these findings Commerce calculates a cost, which it compares to the exporter's prices in the United States, to determine whether there is a dumping margin, a difference between the US price and calculated cost.

In the US Solar Cells antidumping case, the real fight was not over prices and costs in China, but which surrogate country to use — India with a mature solar cell industry or Thailand with a much younger industry. Commerce agreed with the US industry and used Thailand.

The real target of US AD and CVD cases is not the Chinese companies. The real target is US companies that import products that are subject to AD and CVD cases. In the Solar Cells case, a number of the US importers are subsidiaries of Chinese companies, but in addition, many US importers are small and medium independent US companies.

In the Solar Cells case, the US importers' pain was palpable because in October 2011 petitioners had alleged critical circumstances. Under critical circumstances, AD and CVD duties can be levied on imports 90 days prior to Commerce's preliminary determination if Commerce finds that the Chinese companies knew they were dumping and that there has been a surge in imports after the petition was filed, as compared to the period before the petition was filed and the ITC makes an affirmative critical circumstances decision. The Petitioners filed in October 2011, knowing that pursuant to Section 1603 Treasury Cash Grant Programmes, contracts had to be signed by 31st December, 2011 for US developers/installation companies to take advantage of the US subsidy programmes for the installation of the solar cell panels.

Many US importers simply did not understand that they were the real target of the AD and CVD case. They negotiated contracts in late 2011 and continued to import substantial quantities of solar cells until the AD preliminary determination at the end of May. Those importers, many of which are SMEs, faced an estimated liability for antidumping duties of USD 100 million and bankruptcy.

At the ITC hearing in October 2012, we continued fighting the critical circumstances decision at the ITC. For critical circumstances to take effect, the ITC must find that increased imports undermined the remedial effect of any AD or CVD order. The objective of critical circumstances is

to prevent stockpiling. We argued that since the imports were made in response to contracts there was no stockpiling and thus the remedial effect of the orders would not be undermined.

On 7th November, 2012, the ITC voted affirmatively in the Solar Cells final injury determination, but negatively as to critical circumstances. As a result, US importers liability for past imports prior to Commerce preliminary determinations was lifted.

In December 2012, the ITC's affirmative injury determination was published in the Federal Register followed by antidumping and countervailing duty orders against Solar Cells from China. US antidumping and countervailing duty orders can stay in place for 5 to 30 years. In the CVD order, the present CVD rates for Chinese exporters range from 14.78 per cent to 15.97 per cent and the present AD rates in the AD order for Chinese exporters range from 18.29 per cent to 250 per cent.

More importantly, once the ITC's final determination was published in the Federal Register, US importers faced retroactive liability for increased AD and CVD rates on solar cell imports after the publication date of the ITC decision. If AD and CVD rates go up in the subsequent review investigation, which will start up in December 2013, US importers will be retroactively liable for the difference plus interest.

One bright spot in this case, however, was the third country loophole. If the solar cells are produced in third countries, such as Taiwan, and installed in the panels and modules in China, those panels and modules from China will be not be subjected to AD and CVD duties. But Commerce and US Customs require very strict certification from the Chinese company and the US importer that prove the solar cells in the Chinese modules and panels and are not Chinese produced.

In addition to the Chinese companies and the US importers, the next victim is US exporters. As stated above, in retaliation for the US AD and CVD cases against solar cells from China, the Chinese Government has initiated antidumping and countervailing duty cases against the United States on approximately USD 2 billion of polysilicon being exported to China to be used to produce the Chinese solar cells imported back into the United States. The Chinese Government is also looking at critical circumstances so it can hit Chinese importers retroactively for past imports. We should hear about the Chinese decision in February 2013.

Meanwhile, the EC has started up Solar Cell AD and CVD investigations against the Chinese companies. EC investigations are different from US cases because it is very difficult for state-owned companies to get their own AD rates in EC cases. Also EC cases focus on producers, where US cases focus on exporters. The Chinese Government has also started up antidumping and countervailing duty cases targeting EC polysilicon. This is truly a trade war.

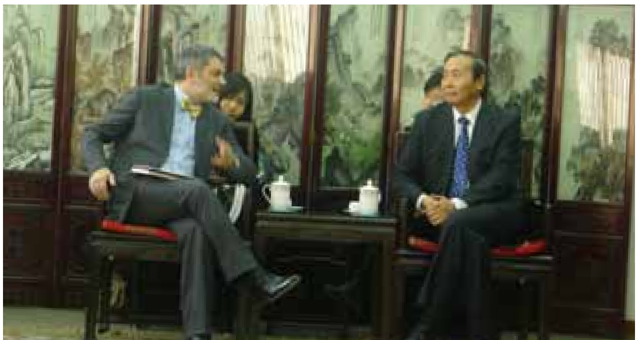
Finally, the trade war has spread with India announcing in November 2012 the initiation of an AD case against Chinese solar cells. The trade war has also spread into other renewable energy products with Commerce announcing in a final December 2012 determination on Wind Towers from China CVD rates ranging from 21 to 34 per cent and AD rates ranging from 44 to 70 per cent. Eb

From 1980 to 1987, ***William Perry*** *was an attorney in the Office of General Counsel, US International Trade Commission (ITC), and in the Office of Chief Counsel and Office of Antidumping Investigations, US Commerce Department.*

For more information on the Solar Cells case and other trade and litigation actions against China, please read Mr Perry's blog: www.uschinatradewar.com.

EUROPEAN CHAMBER LOBBYING HIGHLIGHTS

Position Paper presentation meeting with Xia Xinghua, Vice Chairman of the Civil Aviation Administration of China


European Chamber President, Davide Cucino, meets with Vice Chairman of the Civil Aviation Administration of China, Xia Xinghua

On 17th January 2013, European Chamber President, Davide Cucino, and Chairs and Vice Chairs of the Aviation and Aerospace Working Groups met with Vice Chairman Xia Xinghua to discuss issues of concern to the European aviation and aerospace industries. This was the Chamber's fourth bilateral, ministerial-level meeting with the CAAC in five years. Vice Chairman Xia spoke highly of the role of the European Chamber as a bridge between government and business. The meeting touched upon a number of issues, including tax issues and the passenger service charge, as well as the possibility of a bilateral aviation safety agreement between China and Europe for the aerospace industry.

Meeting with Madame Martine Aubry, former French Minister of Labour and First Secretary of the French Socialist Party

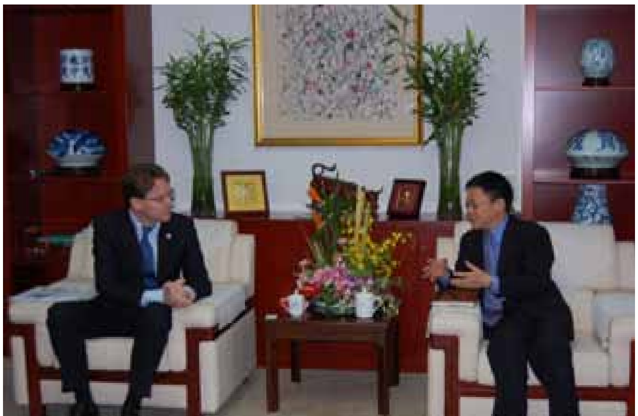

European Chamber President Davide Cucino presents the *Position Paper* to Madame Martine Aubry

On 23rd January 2013, representatives of the European Chamber's Executive Committee and Advisory Council met with Madame Aubry, who is currently responsible for developing French business relations with China, at the European Chamber in Beijing. Discussions centred on the business environment for European firms in China and the best ways to better engage economically with China. Four themes in particular were focussed on: intellectual property rights; the public procurement system and China's most recent third revised GPA offer; Chinese imports to Europe; and the market access situation for EU companies in China. Chinese outbound investment in to the European Union was also discussed.

Position Paper presentation meetings with the Embassies of the United Kingdom, Romania and Sweden.


HE Doru Romulus Costea, Ambassador of Romania, receives the *Position Paper* from Chamber Vice President, Juan Ignacio Motiloa

The Chamber held high-level *Position Paper* presentation meetings with, respectively by date, Their Excellencies, the Romanian Ambassador, Doru Romulus Costea; the British Ambassador, Sebastian Wood; and the Swedish Head of Mission, Jakob Kiefer. Representatives of the China IPR SME Helpdesk, a European Commission funded project providing guidance to European SMEs on intellectual property protection in China for which the European Chamber is an implementing consortium partner, also attended the meetings to highlight the project and to explain how SMEs could take advantage of its free services. Another issue of note is a discussion that took place with the British Ambassador on intellectual property. Led by European Chamber States' Representative Executive Committee member, Patrick Horgan, the discussion was focussed on a recent European Chamber publication on how patent-related policies and practices hamper innovation.



European Chamber Vice President, Piter de Jong, meets Liao Min, Director General of the Shanghai Banking Regulatory Commission

The EU-China Customs and Industry Workshop on IPR in Guangdong

General Manager of the Shanghai Chapter, Ioana Kraft, and other Chamber representatives meets with the Shanghai Municipal Urban-Rural Development and Transportation Commission

Other Lobby Activities

Members of the European Chamber **Renewable Energy Working Group** met with a Deputy Director General of the **Department of Renewable Energy of the NDRC's National Energy Association** where topics such as feed-in tariffs, renewable portfolios and life-cycle costs related to solar, wind and biogas industries were discussed in an informal and friendly manner. The Chamber visited the **Ministry of Commerce** to present a short overview of the main survey results of our report on **ODI in to the EU**, and to give them the opportunity to raise a number of questions regarding the survey prior to publication.

Jens Eskelund, the Chamber's Maritime Transport Working Group Chair, attended the **EU-China Maritime Agreement** implementation meeting held at the Deputy Director General-level of China's **Ministry of Transport** and the European Commission Director-level of the **Directorate General for Transport.**

In Guangdong, the Chamber's PRD Chapter supported an **EU-China Customs IPR Workshop** that was co-organised by the **Guangdong Administration of Customs** and the **EU Delegation**. A delegation of Chamber members, led by Benoit Stos, met with **European Commission** representatives on 20th December in order to discuss the 'Guangdong experience' and also discussed recent regional reforms, opportunities and challenges for European companies operating in Guangdong with Walter Deffa, the Director General of DG REGIO, the top-level civil servant of the **European Commission for Regional Policy**.

In Shanghai four meetings were held with Shanghai Government administrations namely: Director Generals of the **Shanghai Banking Regulatory Commission** and the **Shanghai Municipal Urban-Rural Development and Transportation Commission**; the Deputy Director of the **Shanghai Bureau of Commerce** and representatives of the **Shanghai Foreign Investment Centre** at a meeting and dinner to promote Shanghai investment partnerships; and **State Food and Drug Inspection Bureau, Ministry of Health** and **National Food Safety Risk Assessment Centre** officials at the Shanghai Food and Drug Administration seminar.

Chinese outbound investment in the European Union: rolling out the red carpet?

By Anthony Robinson

The European Chamber advocates the mutual openness of both Chinese and European markets, so the trend of increasing Chinese investment in the EU is therefore viewed positively. It is hoped that this will be a factor in the increasing openness of China's markets to European companies in the future.

Therefore, in early-summer 2012, the European Chamber commissioned an initiative to examine Chinese outbound direct investment (ODI) in the EU. To help with this, two major multinational firms with experience assisting Chinese companies invest in Europe – **KPMG** and **Roland Berger Strategy Consultants** – agreed to contribute by providing access to Chinese enterprises with experience of investing in the EU.

The result was the publication *Chinese Outbound Investment in the European Union*, which was released on 31st January 2012 in Beijing. What follows is an overview of this report.

Chinese ODI across the world is a phenomenon that has been gathering increasing attention in recent years. Rarely a week goes by without an article appearing in mainstream media detailing the latest figures or analysing a recent deal. Commentary flows from prominent think tanks, and conferences spring up across China and the rest of the world. Clearly this aspect of China's continued economic rise is one of great interest across economic and political spheres as people look to better understand it and work out the implications.

Background information: Chinese ODI in context

Since market reforms began in 1978, and particularly since the 1990s, there has been a large and fairly constant stream of foreign direct investment (FDI) from other countries into China, which has contributed to its economic growth. Chinese ODI on the other hand remained relatively small for much of this period, yet in recent years there has been a notable increase and ODI has become a prominent part of Chinese Government strategy. As stated in China's *12th Five Year Plan:* "China must adapt to a more balanced growth model, in which we place equal stress on imports, exports, attracting foreign capital and promoting outbound investments, instead of the current dependence on exports and foreign capital."

The world of FDI statistics is a fairly murky affair, with large discrepancies between official data sources, but according to data from the United Nations Conference on Trade and Development (UNCTAD), China's ODI flows in 2011 were USD 65 billion and total ODI stock had reached USD 366 billion. Chinese Government information states that by the end of 2011 more than 13,500 Chinese enterprises had established over 18,000 overseas enterprises in 177 different countries across the world.

With regards to China-EU investment relations, in 2011 EU FDI flow to China amounted to EUR 17.5 billion and Chinese ODI flow to the EU totalled EUR 3.2 billion. This would mean that Mainland Chinese investments only accounted for 1.4 per cent of total ODI into the EU in 2011, whereas the EU accounts for around 20 per cent of investment into China.

From the statistics, though, it can be seen that Chinese ODI to the EU is increasing year-on-year and this drive to increase Chinese ODI can also be seen in the Chinese Government's own targets relating to ODI for the period of the *12th Five-Year Plan* (2011-2015). These include:

- ODI will increase at an annual rate of 17 per cent and will total USD 150 billion in 2015;
- The amount of China's overseas contracted projects will reach USD 180 billion and turnover will be USD 120 billion by 2015, with an annual growth rate of six per cent;
- 550,000 Chinese nationals will go to work overseas during 2012, with the total number exceeding one million by the end of 2016.

The methodology

The basis for the study was a uniquely compiled questionnaire which was completed by 74 enterprises originating from Mainland China with experience of completing at least one investment in an EU country.

In addition to the questionnaires, qualitative information was gathered from a number of face-to-face interviews with senior figures from Chinese enterprises, from Chinese Government bodies with scope over ODI, representatives of European investment promotion agencies in China and other figures from European companies in China involved in facilitating such investments.

The findings

Evidence from the study suggests that Chinese companies are motivated to look outside of their home market primarily for reasons related to increased domestic competition. This leads them to a) seek new markets for sales and/or b) become more competitive by acquiring new technologies, brands or expertise.

The European market is therefore primarily considered by Chinese companies as a market to sell their goods and services, while a smaller, but increasing, number are looking to acquire technologies, expertise and brands through mergers & acquisitions (M&A) with European companies to improve their capacity to compete both at home and abroad. Data gathered, both through this study and from external sources, indicates that to date the majority of Chinese investments into the EU so far have been relatively small in size but larger M&A deals are becoming more common.

There are differences across sectors though, as illustrated in this survey response:

"China has a number of leading IT & Telecommunications enterprises that are capable of competing in the European market on the strength of their products, however, this is not the case for Chinese auto-components enterprises where they need to start small and gradually build up the capacity to compete in overseas markets." – Chinese survey respondent enterprise.

Chinese enterprises perceive the EU as a stable invest-

ment environment with advanced technologies, skilled labour and a transparent legal environment.

Within the EU, Chinese companies decide the destination according to various factors such as the local market for sales, having a local business partner, the availability of technologies and labour, the tax regime and logistical factors. The different 27 member states of the EU are also differentiated according to their business environment and industry strengths as well as soft factors such as language and presence of a Chinese diaspora.

Key statistic: *85 per cent of respondents are in Europe, for Europe and are primarily looking to sell their goods and services in the EU market.*

EU FDI Policy

It is reported by Chinese companies that the EU is perceived as a relatively open market, with few market access barriers and little history of opposition to Chinese investments on national security grounds:

"We have not encountered the opposition on the grounds of national security in the EU which we have in the US and other regions." – Chinese survey respondent enterprise.

Key statistic: *48 per cent of respondents report encountering regulatory approval obstacles in Europe, with these mostly arising at the local level.*

EU operating environment

The EU is not regarded as a particularly easy market to operate in, however, and is reported to suffer from bureaucratic barriers and high costs. In this regard the EU is not necessarily viewed as having a particularly favourable operating environment in comparison to other major regions.

Key obstacles reported relate to obtaining visas and work permits for Chinese employees, dealing with European labour laws, human resources (HR) costs, and cultural differences in management style. Understanding various operating regulations such as tax laws are an issue as these are complex due to the lack of uniform legislation across the 27 EU member states and the reality of 23 different EU languages.

"Currently transferring knowledge from the parent company in China is difficult due to difficulties in temporarily transferring staff to Europe." – Chinese survey respondent enterprise.

"Labour laws are the key issue. Lack of labour market flexibility and working hours are hard to cope with, especially in France. Taxes on labour are very high too. This is probably a cultural issue that we need to adapt to." – Chinese survey respondent enterprise.

Recommendations by Chinese enterprises to EU policy makers captured in the study focus on these operational issues. Notably few respondents made recommendations relating to the lifting of market access barriers in the EU market, which can be contrasted with the priorities of European businesses in China.

Key statistic: *78 per cent of respondents report encounter-*

ing operational difficulties in the EU, mostly related to issues of bureaucracy and high costs.

Chinese ODI Policy

Chinese enterprises report that government ODI encouragement policies are largely viewed to be of assistance to State-Owned Enterprises (SOEs) only, with private enterprises getting little help. Outbound investment approval processes from within China are seen by some as in need of further streamlining and this has been recognised by the Chinese Government with, for example, foreign exchange control liberalisation steadily taking place, which should reduce administrative burdens in this regard. Recommendations made here by Chinese investors to the Chinese Government focus on the desire for improved advisory and support services both in China and in Europe, and the greater streamlining of outbound investment approval processes from the relevant regulatory bodies in China.

"[We recommend that Chinese policy makers should] provide more convenient outbound investment procedures. MOFCOM, SAFE and other relevant authorities should provide integrated services." – Chinese survey respondent enterprise.

Key statistic: *27 per cent of respondents report encountering outbound investment approval processes from within China as an obstacle.*

Future outlook and strategy

The future outlook for Chinese investment in the EU is overwhelmingly positive with nearly all respondents indicating that they will make future additional investments in the EU, with the vast majority of these planning to invest at higher amounts. Companies are looking to expand investments, localise to a greater degree and invest in technology and human resource development.

"Investing overseas is an opportunity to gain experience, even if it means failing sometimes. We start small and progressively expand." – Chinese survey respondent enterprise.

Key statistic: *97 per cent of respondents indicate that they will make future additional investments in the EU, with the vast majority of them planning to invest higher amounts than their current investments.*

Conclusions and recommendations

Based on the findings of the study, a number of conclusions and recommendations are made:

European policy makers with responsibility for inbound investment should examine the comments and recommendations put forward in this study by Chinese enterprises and examine what can be done to better encourage future investment, including:

- Look to address the operational issues relating to bureaucracy and cost which are frequently raised here;
- Look to offer practical solutions to minimise the complexities of a market of 27 separate legal and tax regimes with 23 different languages, such as establishing a source of consolidated legal information for all EU member states in one language;
- Investigate the reported obstacles in the FDI approval processes and see if these can be streamlined;
- Better communicate the openness of the EU market due to the reported lack of awareness amongst potential Chinese investors.

Chinese Government bodies charged with encouraging ODI should likewise examine the opinions put forward by their domestic enterprises, this should include:

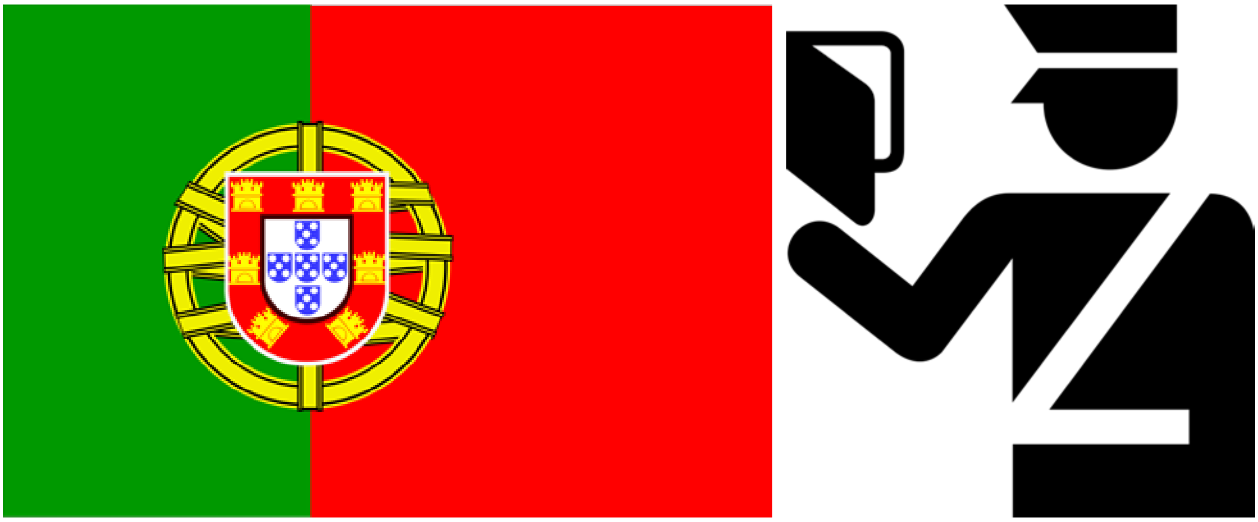
- Reviewing existing advisory and support mechanisms for Chinese enterprises looking at making outbound investments from within China;
- Reviewing on-the-ground support in Europe and establish a chamber of commerce for Chinese enterprises with coverage for the whole EU;
- Reviewing outbound approval processes and further streamline where possible.

Further recommendations

From a macro perspective, the EU should maintain its openness for foreign investment and continue to encourage ODI from China. China should look to develop various aspects of its international relations for the benefit of Chinese enterprises going overseas through means such as opening up the domestic market to foreign firms and, in particular, remedying situations where Chinese companies can invest in certain European sectors when the reverse is not possible.This should nullify this issue as an irritant and lessen the chance of greater opposition to Chinese investment as a retaliatory measure in return.

"As China's economic strength and foreign investment increases, the risks of intervention and restrictive policies from foreign governments may also increase." –National Development and Reform Commission, July 2012, 12th Five-Year Plan on Foreign Investment Utilisation and Outbound Investment. Eb

To download a full copy of this report please go to: www.europeanchamber.com.cn/en/publications-chinese-outbound-investment-eu-european-union



Easier Entry And Residence In Portugal

The European Chamber's study, *Chinese Outbound Investment in the European Union*, found that regulations for obtaining residence and work permits is one of the most commonly cited obstacles for Chinese enterprises investing in the EU, with over a third of respondents raising it as an issue.

In order to attract and facilitate higher investment in the Portuguese territory, the Portuguese Government has created more favourable rules regarding nationals of countries outside the EU wishing to engage in investment activities in Portugal, which ease conditions for obtaining residence permits. The previously essential prerequisite of obtaining a valid residence visa is no longer required. As of late last year residence permits will now be granted without the need for said visa provided that certain conditions are satisfied.

In addition to the general requirements applicable to all third-country nationals, which were already provided for in the previous law, it is also required that these investors cumulatively have a valid Schengen visa (but no longer a valid residence visa); have their situation in Portugal regularised within 90 days from the date of the first entry into Portugal; and that they come to pursue an "investment activity", for a minimum period of five years.

For this purpose the law considers an investment activity to be:

- Capital Transfer in the amount equal to, or greater than, EUR 1 million (with the exception of investment in shares of non-listed companies)
- Creation of at least 30 jobs (and the respective Social Security registration of the workers)
- Acquisition of real estate with a value equal to, or greater than, EUR 500 thousand (provided that the investor has full ownership of the real estate and that said real estate is free of any covenants or encumbrances)

This investment activity may be engaged in person or through a company, in which case the Residence Permit for Investment Activity may be obtained within the limits corresponding to the proportion of the applicant's shareholding in the company that carries out the investment.

These measures, which intend to be a focus for foreign investment, were also accompanied by the "EU Blue Card", a special system of entry and residence for highly qualified professionals, also covering their families and common to all Member States, which aims to facilitate and promote the entry of these workers into Portugal, provided that, among other requisites, they have an employment contract with a duration of at least one year and an annual income of at least 1.2 times the national average gross annual income. Eb

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Foreign Exchange Control Liberalisation: A Step Forward in the Investment Arena

Driven by its ambition to play a more dominant role in the world economy, make the *renminbi* more convertible and remain attractive to foreign investment, China has been taking steady steps to streamline its foreign exchange control. **Dr Michael Tan** and **Cara Meng** from **Taylor Wessing** discuss the latest development and its significance to foreign-invested enterprises in China.

On 21st November, 2012, the State Administration of Foreign Exchange (SAFE) published their Circular on Further Improving and Adjusting Direct Investment Foreign Exchange Administration (Circular 59), which has a substantial impact on direct investment by foreign companies in the People's Republic of China. By explicitly abolishing eleven old rules while simultaneously making public detailed implementation guidance for both banks and SAFE's local branches, SAFE takes positive steps in further liberalising capital account control over foreign direct investment (FDI). We have outlined some of the circular's highlights:

1. Easier Company Establishment

For the incorporation of a foreign-invested enterprise (FIE) in China, opening up a bank account to receive foreign currency for the purposes of handling pre-establishment expenditures and acquisition of assets (e.g. land use rights) was always a convoluted process. In the past SAFE gave such accounts a specific classification, such as expenditures and assets acquisition, and their opening was subject to approval by SAFE on a case-by-case basis. Under Circular 59, the opening of a pre-establishment expenditure account no longer requires

approval from SAFE. In connection with such an account, settlement in *renminbi* (RMB), payment for incorporation expenditures, transfer into a capital account of the established FIE and the returning abroad as a result of establishment failure will now involve only bank procedures.

Similar liberalisation also applies to the opening of FIE capital accounts to receive capital contribution and reinvesting by using RMB profits from existing investment projects in China.

2. Facilitated M&A

Foreign companies have been legally allowed to enter China via mergers and acquisitions (M&A) since 2006, with strict foreign exchange control being exercised over all M&A activities. For example, previously payment by a foreign company to acquire equity from a Chinese party used to require the Chinese vendor to open a special account (i.e. an assets disposal account) upon SAFE approval, and the receiving of the equity purchase price required further SAFE approval. Under Circular 59 these SAFE approval requirements have been rescinded. The Chinese vendor can now directly open an account with its bank, and not necessarily in the city where the vendor is registered. After the foreign purchaser pays the full purchase price in cash the receiving bank will handle payment inflow filing, which will be automatically transmitted to SAFE to complete the related foreign exchange registration.

3. Change of Stance Towards Holding Companies

Due to the special nature of a foreign investment holding company (FIHC), i.e. it mainly functions as an onshore investment arm of the foreign mother company, investment made by a FIHC has historically been treated as foreign investment under the related regulations. Circular 59 has now taken a quite different stance. First, it explicitly stipulates that a FIHC is no longer treated as foreign, but shall be treated as a 'Chinese' shareholder when making an investment in China. This means that a FIHC's investee companies are no longer required to conduct foreign exchange registration which applies to FIEs. Secondly, to verify capital contributed by a FIHC, Certified Public Accountants (CPAs) are no longer required to get an official confirmation from SAFE. Finally, and most importantly, SAFE no longer requires approval for transfer of investment funds from a FIHC to its investee companies or for collection of dividends by a FIHC from its investee companies. Although certain foreign exchange related formalities still need to be submitted to banks for verification, the results of which will be filed with SAFE, a FIHC is now treated more like a Chinese company making an investment in China.

4. Improved Exit Scenario

Historically, withdrawing from an existing investment project in China has always proved more difficult than entry. Now, though, exit strategies have been eased with Circular 59 abolishing SAFE approval requirements in the following areas:

- Repatriating proceeds from capital reduction, liquidation or early recovery of investment from China projects
- Obtaining payment from Chinese purchasers who acquire an equity stake in a FIE
- Repatriating proceeds from sales of real properties owned by representative offices or branches in China
- Remitting out of China balance of a pre-establishment expenditure account when the planned establishment fails

In addition, some earlier restrictions on purchase and payment of foreign exchange in a different city are also lifted by Circular 59.

5. New Possibility for Financing Optimisation

Besides generally shrinking SAFE's administrative interference in investment related foreign exchange matters, Circular 59 further creates room for foreign investment activities which were not possible in the past due to strict foreign exchange control. For example, it permits a FIE to lend to its mother company an amount equalling the profits owed to its mother company. This is another significant step in China's capital account control liberalisation, since foreign exchange related regulations have previously been focussed on regulating lending at a national level by a FIE's mother company to the FIE, but not the other way around.

As of 1st August, 2009, SAFE, via its Circular 24, permits domestic companies, including a FIE — within a quota amount as approved by SAFE — to grant direct lending to its foreign subsidiaries or companies in which it holds a stake. Such lending may be conducted directly and does not need to follow the entrusted loan model . Circular 59 now further expands the scope of borrowers to include a FIE's foreign mother companies. In addition, it also permits a domestic lender (which theoretically includes a FIE) to borrow foreign exchange loans in China for the purpose of further lending such loans to its foreign affiliates. Considering the withholding tax implication connected with FIE dividend repatriation and the different interest rates between China and foreign markets, Circular 59 presents the possibility of enabling foreign companies to benefit from the potentially better cash position of its Chinese subsidiaries.

6. Summary and Outlook

Considering China's ambition to make the RMB internationally convertible and the pressures it faces to consume the world's largest foreign exchange reserve, opening up its capital account control further will be an inevitable step to take. According to a research report announced by China's central bank earlier in 2012, a short term roadmap for capital account liberalisation is to release control over direct investment activities that have a true transactional background. This fits in with SAFE's plan of deliberation for 2012 as reported by public media earlier that year, and is now reflected by the launch of Circular 59.

This circular represents a big step forward, even though a number of questions are still yet to be clarified. As has been witnessed under the various new regulations rolled out in recent years (e.g. equity investment and RMB direct investment), new opportunities are emerging in the Chinese FDI market, which still remains one of the most favoured FDI destinations. Foreign companies are recommended to keep a close eye on the deregulation progress in China's capital account control which has a direct impact on all general FDI activities. Eb

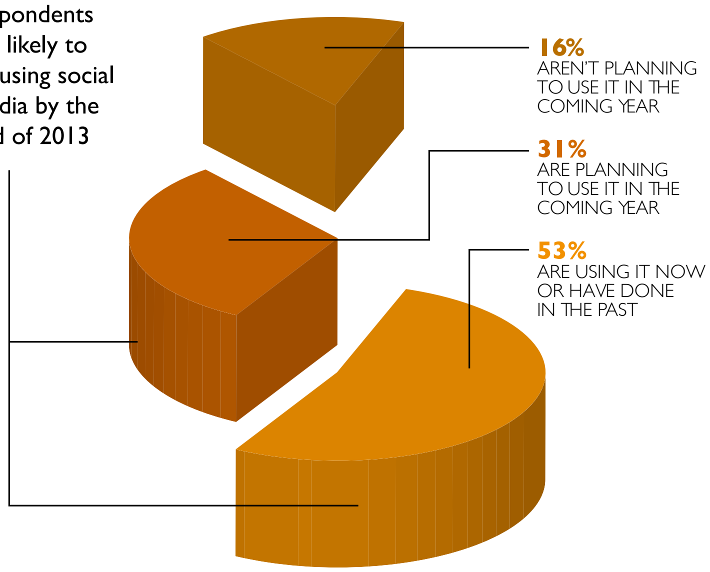
Taylor Wessing is an international law firm with 22 offices around the globe. Dr Michael Tan is Senior Counsel in Shanghai with profound experience in supporting multinational corporations in China, particularly in the corporate and commercial fields. He is also experienced in dealing with finance and foreign exchange control issues, and has an industrial focus on aerospace, aviation, TMT and other technology driven sectors. Contact Michael at m.tan@taylorwessing.com.

Cara Meng, an Associate in Shanghai, specialises in general Chinese corporate and commercial law, and has substantial experience advising on foreign exchange related matters. She advises foreign companies on all aspects of Chinese laws in various industries with regard to their strategy and business in China. Contact Cara at c.meng@taylorwessing.com.

Social Media for Talent Acquisition

HOW WIDELY USED IS SOCIAL MEDIA?

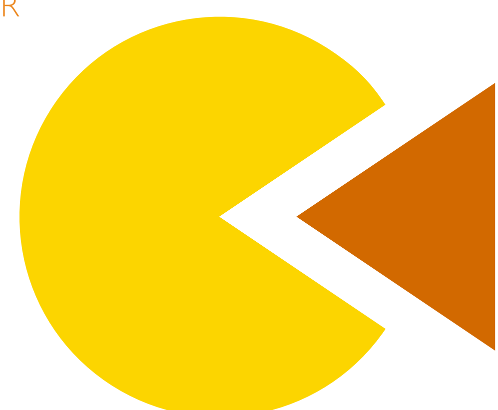
84% of respondents are likely to be using social media by the end of 2013



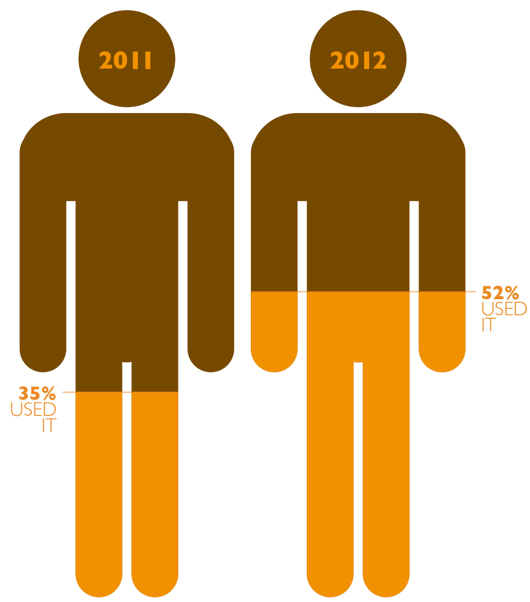
Sourcing and hiring the right talent in China remains as challenging today as it has ever been. As social and professional networks become more pervasive HR professionals are under increasing pressure to utilise them as additional resources for recruiting, company branding and disseminating corporate messages. Admittedly these tools are not only potentially disruptive to traditional recruiting practices, there is also the danger that a badly managed social media campaign could actually damage an employer's brand, yet for those that get it right the benefits can be huge. **Mark Baldwin**, Managing Director of OXUS Employer Branding and one of the Chairs of the Beijing HR Working Group, explores the potential of social media as an HR recruitment tool, and provides guidelines on how to get the best out of it.

81%
OF HR PROFESSIONALS USE SOCIAL MEDIA FOR **CORPORATE PURPOSES**

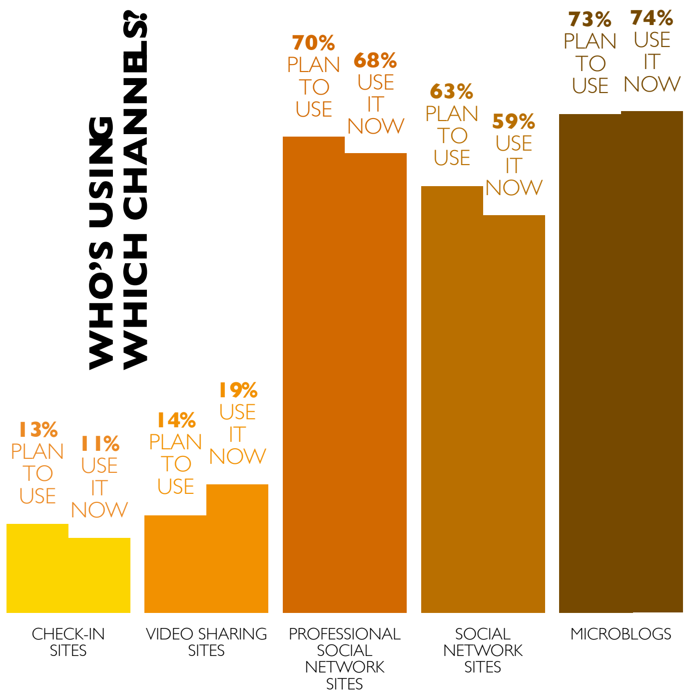
19% DON'T

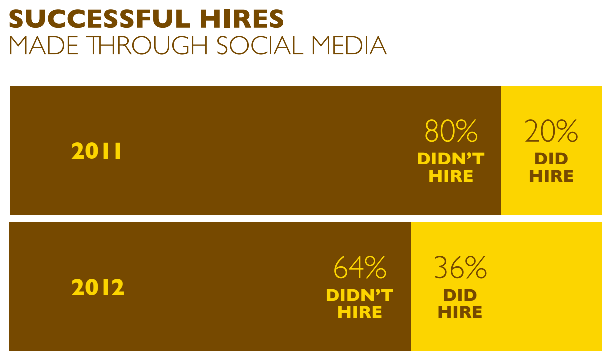


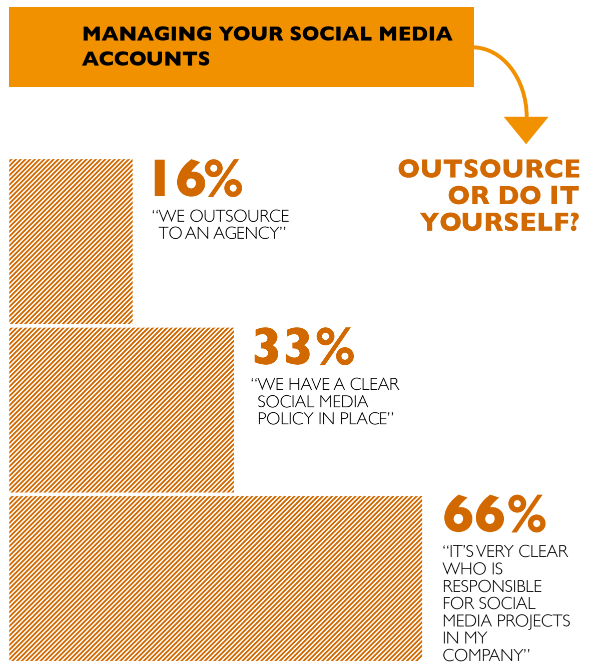
ARE MORE HR PROFESSIONALS USING SOCIAL MEDIA **TO TARGET PASSIVE JOB SEEKERS?**

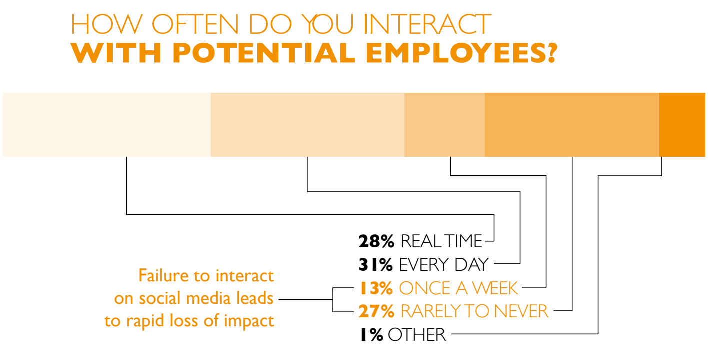


2013 China Social Media Infographic ©2013 Maximum Employment Marketing Group www.mxmm.cn









Social media is the interaction between people sharing ideas and content. Much of its power as a recruitment and marketing platform derives from the fact that candidates trust information received from a friend or colleague way more than corporate, commercial messages delivered through paid advertising. Of course, for some, directly advertising jobs may still be the right approach, especially if your company does not have the time or resources to engage fully, so don't rule it out but be aware that you may not get the most out of the medium this way.

In addition to platforms such as Sina Weibo, Renren, Linkedin, QQ and Youku, social media also encompasses blogs, BBS platforms, podcasts and myriad others. Recruiters have long used such services, especially BBS for campus recruitment but until now few have taken a strategic approach to social channel management. Interactions occur across all of these platforms – people may be talking about your company whether you are aware of it or not – so a comprehensive HR strategy for social media should consider all channels. One of the overriding characteristics of social media is 'open participation'. Social platforms encourage the creation of groups and communities, where people of similar interests or backgrounds come together. The ease by which HR can identify and engage individuals and communities of talent already formed into networks based around common interests is a major feature of new media.

While a few professional networks, notably Linkedin, officially offer database searches, recruitment advertising and employer branding 'products', logging in to simply post recruitment advertising undervalues the potential of these platforms to engage and connect your employer brand with talent. Despite this it seems there are still many corporate HR people who are content to pay their recruitment agencies nice fees for simply finding candidates on Linkedin, a resource that is available to everybody free of charge.

To turn social and professional media to a competitive advantage HR should focus on three key areas: managing your reputation as an employer; building talent pipelines of self-selecting candidates; and integrating all channels into existing platforms – corporate career site, applicant

The table below outlines a structured process of developing a social media branded recruitment strategy taking all stages of the Employee Lifecycle into account:

The Employee Lifecycle	**Listen:** Brand Monitoring; To seek insights and identify issues	**Engage:** Where appropriate, to establish a presence on selected platforms	**Grow:** Your Presence on each 'foothold' to expand your influence	**Steer:** Influence perceptions to achieve strategic goals within your communities
Consideration	Brand Monitoring	Issues around Attraction	Referral Programs And Social Campaigns	Perceptions affecting Attraction
Evaluation				Perceptions affecting serious Consideration
Application		Issues around Recruitment and On Boarding		Approachability and 'personability'
Experience			Internal Communications (Inside-out Branding)	Bridging 'Gaps' between Internal and External Employment Perceptions
Advocate		Issues around The Employment Experience		
Exit			Alumni Community	Ensuring positive reporting and re-application

tracking system (ATS) and processes – to better manage the candidate experience.

The role of a company's employer value proposition (EVP) and execution of the employer brand is the key to long term success here. Organisations seeking to engage talent communities and manage their reputations on social media must have a clear strategy to guide all messages, content development and discussions. Neglecting this and accepting an ill-thought-out messaging approach is likely to damage your reputation over time, which is the opposite of what you want to achieve.

What a company communicates, potentially across multiple channels via employees' and followers' re-posts, should be consistent, differentiating and drive a deeper understanding of the employment experience. Crucially messages must be felt to be 'true' in the eyes of current and potential employees. Without consistency you face the danger of confusing and alienating the talent you're aiming to engage. Without some degree of truth you risk a back-lash from employees or candidates that have had a bad experience during the hiring process. Those who have direct experience of the company are likely to react badly to false corporate claims by publically refuting or ridiculing the organisation, potentially causing long-term damage to your reputation.

The lesson here is that what you claim online should follow through into actual behaviour within the company. If you tell candidates on Weibo you have a friendly and open culture, recruiters dealing with candidates better make sure they are friendly and open. Integrating the employer brand values into the corporate website, recruitment process, and recruiter behaviour needs to be taken more seriously to ensure consistency between what you preach and what you actually do.

In the brave new world of 'big data' metrics loom increasingly large. Social media gives you a cheap way to test talent brand perceptions against your EVP, as well as the standard measures of cost and speed of hire. Think more about 'engagement' and quality of 'fit'. Try to measure whether or not your campaigns are changing, or at least challenging, misconceptions and whether or not people are reposting and recommending your company to their networks. What you are ultimately trying to achieve is to grow a larger, more suitable talent audience that identifies with your brand messages, not simply generate more and cheaper random applications.

Find your niche

Opportunities for European SMEs in the green tech market in China

China has emerged as the global leader in green technology within just a few years due to massive investments by the Chinese Government and state-owned enterprises (SOEs). Even though the last two years have been somewhat difficult for Chinese green tech companies, the market will remain the world's largest for many years to come. **The EU SME Centre** explains that European small and medium-sized enterprises (SMEs) will be able to take part in China's green revolution only if they can offer substantial advantages in terms of technology, know-how, performance or pricing.

Growth drivers

China uses more energy and emits more greenhouse gases into the atmosphere than any other country in the world today. The country's huge industrial sector, together with rapid urbanisation and development, creates a hunger for energy unsurpassed anywhere else. Faced with the task of balancing the need for perpetual economic growth with ever-dwindling reserves of fossil fuels, the Chinese Government is pushing hard for a gradual transition towards producing cleaner energy and more efficient energy consumption.

The *12th Five-Year Plan* (*FYP*, 2011 – 2015) outlines investment priorities for the next five years. It clearly defines energy issues as one of the key areas for government policies. The plan mentions seven strategic areas which are to receive investment of up to EUR 1.1 trillion: alternative fuel cars, biotechnology, energy-saving and environmentally friendly technologies, alternative energy, high-end manufacturing and advanced materials, and new generation information technology. New energy and energy saving technologies are said to receive more than 50 per cent of the planned investment.

Opportunities for European SMEs

Progress on the ground has been impressive so far but much more remains to be done if China wants to meet its ambitious targets. By next year, the Chinese green tech market is expected to reach a minimum of EUR 364 billion, with some estimates as high as EUR 728 billion.

For European SMEs the main market opportunities will be found in areas where large SOEs or multinationals have not yet invested and where they can leverage their know-how and technologies, such as alternative energies, China's new smart power grid and wastewater treatment.

While generation of wind, solar and hydropower is well-developed in China, with some companies even struggling with over capacity during 2011 and beyond, some sub-sectors, especially alternative energies like biogas, remain underdeveloped. It should be noted, though, that as soon as the central government establishes adequate subsidies and publishes regulations to support the development of the industry Chinese companies, who have not focused on this sector up until now, will start entering the market fast and in large numbers.

Both energy efficiency targets and usage of renewable energy require a stronger and more advanced electric power grid. Thus, China began the construction phase of its 2009-2020 Strong and Smart Grid Plan in 2011, the world's largest effort to build a reliable, efficient and smart power grid. The State Grid, China's largest electricity supplier, plans to invest RMB 3.45 trillion (EUR 422.5 billion) in infrastructure upgrades by 2020, which includes RMB 384 billion (EUR 47 billion) on smart grid and more than RMB 300 billion (EUR 36.7 billion) on ultra-high voltage (UHV) transmission. China Southern Power, State Grid's only competitor, is likely to follow suit.

Another promising growth area for European SMEs is wastewater treatment. China is facing severe water shortages and pollution in its water system. The number of municipal wastewater plants has more than tripled in recent years, from 792 in 2005 to 3,000 in 2011. The massive south-to-north diversion project has been initiated and desalination projects are planned in many urban areas. Between 2010 and 2020, RMB 4 trillion (EUR 490 billion) will be invested in water infrastructure improvements.

Thus, even though the market is dominated by domestic companies, experts at the EU SME Centre in Beijing expect that highly specialised European SMEs offering higher quality and technology standards and aiming for higher service or product markets will be able to benefit from ongoing, large-scale investment schemes in China's green tech sector.

Market challenges

The vast size of the Chinese green tech market does not necessarily translate directly into opportunities for European SMEs. Missing or insufficient regulations and investment incentives, the importance of strong relationships with local governments and SOEs and the increasing competition by Chinese companies are amongst the main factors inhibiting more extensive involvement by non-Chinese companies. Eb

Case study: White Pavilion

Belgian engineering company White Pavilion set up shop in China in 2010 hoping to capitalise on strong possibilities in the green building sector in the next ten to 15 years especially in engineering, consultancy and energy expertise. "China was a natural choice for growth, as alternative energy sources in buildings are still in its infancy and building activity is just enormous," says Managing Director Raf Vermeire. The company's core business is designing solutions for geothermal, solar, wind and biogas installations as alternative energy sources in buildings and urban areas.

According to Vermeire, China is actively working towards "best practices" since the adoption of the latest Five-Year Plan, which creates opportunities for providers of the best technologies available. Central government commitment translates into more pressure on all government levels in China to come up with policies that support the new goals.

To develop the private market further, Vermeire has identified five key challenges: 1) All market participants need to be educated on the benefits of green building, which is very time consuming; 2) Small companies can benefit from the creation of networks with complementary companies, enabling them to share contacts in industry and government; 3) More and more local governments tend to "buy Chinese", so reliance on the good reputation of European products has to be supported with real results; 4) Financing is a huge bottleneck for the green building sector due to the lack of investment funds; and 5) Finding and retaining the right staff with adequate skills.

To read the whole case study, go to: http://www.eusmecentre.org.cn/content/white-pavilion-%E2%80%93-green-energy-buildings

The EU SME Centre is a project funded by the European Union. The report on the green tech market in China, on which this article is based, along with more reports, case studies and guidelines can be downloaded for free on the website of the EU SME Centre at www.eusmecentre.org.cn.

FIGHT FOR YOUR RIGHTS

Copyright Protection in China: Part I I

In Part I of this study, which can be found in the previous edition of EURObiz, the China IPR SME Helpdesk discussed what can be protected as copyright and why taking care to do so can prove beneficial to your business in China. In this concluding instalment they give details on how copyright ownership is determined, how copyright can be registered and how to enforce your rights in China.

How is copyright ownership determined?

A copyright of a work belongs either to its creator or the creator's employer. Protected creative acts include those intellectual activities that directly result in the creation of the work. Acts of support, such as rendering services or material or financial resources, are not considered creative acts. For example, if you provide only managerial support to the creation of a work, you will not be considered an author of it. If it is expected that a copyright will be licensed, transferred, or used as an in-kind contribution to registered capital for the establishment of a legal entity in China, you must clearly determine the ownership of the copyright. Without evidence to the contrary, the person or entity whose name appears on the work will be considered its author.

Commissioned works

The copyright of a commissioned work belongs to the commissioned party by default. This means that if you commission a third party to create a work you do not own the copyright unless a relevant contract states otherwise.

In all other cases your employee owns the copyright to the service work. However, your business enjoys preferential rights to use the work within your business scope and can opt to prevent your employee, for a period of two years, from licensing the work to a third party without your consent. Alternatively, if you agree to your employee licensing the work in this way, you can benefit from an agreed share of the licensing fee. Employment contracts should clearly state who owns the copyright to works created by employees and declare, where

desired, that copyrights to works created by employees be assigned to the employer in exchange for compensation.

Acquiring the copyright of another

If you are not the author of a work or the employer of the creator you may obtain the copyright to the work by license, assignment, succession, or by other contractual arrangement with the copyright holder.

Fair use and statutory licences

In China certain reasonable or personal use of copyrighted works without permission or remuneration is permitted where the use falls within the scope of fair use. For example, quoting a small portion of a work in a scholarly article is considered non-infringing fair use. The Copyright Law contains a list of twelve acts which constitute fair use. Types of acts considered fair use in China are similar to those in Europe.

The Copyright Law also allows certain types of works to be used without permission as long as royalties are paid to the copyright owner. This is called a statutory licence. A statutory licence often applies to producers, broadcasters, and publishers who may use published works without the permission of the copyright owner but remuneration is paid and moral rights are respected.

Why should I register my copyright?

Registration of copyright is not necessary for obtaining copyright protection in China but there is a voluntary registration system. Registration is strongly recommended in certain circumstances, such as situations where you expect to license or enforce the copyright-protected work. Although the registration certificate does not definitively prove copyright ownership, it can save you from extra complications if problems arise at a later date.

How do I register my copyright?

Registration of copyright in China is administered by the Copyright Protection Centre of China (CPCC). You must complete the copyright registration application form and mail the application materials to CPCC. The application should also include supplemental documents, such as the identification documents of the applicant, any documents of copyright ownership, samples of the work and a brief description of the work. After receiving the application, the CPCC will review the application materials, determine the cost (this is a one-off payment which can range from RMB 100 – 2,000), and notify you. Once you pay the fee you will receive a notice of receipt of payment and notice of application acceptance. The examination of the application takes approximately 30 working days to complete from the date of acceptance. After the successful completion of the examination you will receive a Copyright Registration Certificate. You may apply directly for copyright registration or entrust an agent to apply on your behalf.

If I discover an infringement, how can I enforce my rights?

The two most common ways to enforce your copyrights is through administrative and judicial routes. First of all, you need to confirm any suspected infringement and gather and preserve evidence which may be needed at a later stage. For example, if suspected infringing goods are encountered at a trade show you should attempt to gather business cards, take photographs and ask questions about the source of the goods. Where suspected infringement is discovered on the internet you need to determine the identity of the seller or user of the copyrighted work and the ISP network on which the infringing content is stored. For serious cases you may want to consider hiring a lawyer or a private investigator to conduct an investigation to confirm the infringement, assess the scope of infringement and identify the infringers.

While administrative enforcement through the National Copyright Administration of China (NCAC) is often a faster and less expensive alternative to judicial proceedings, NCAC is not empowered to issue damages. It can, however, order infringers to stop infringement of copyright, confiscate illegal income, confiscate and destroy pirated goods and the equipment and materials used to manufacture them, and issue fines.

Meanwhile, the People's Courts hear judicial enforcement cases. You may make a request to the court for preliminary or permanent injunctions, to preserve evidence of infringement and property of the defendant and to order the defendant to destroy any infringing goods or instruments of infringement, pay damages, negate the effects of the infringement, and make a public apology.

If damages can be proved with reasonable certainty, there is no limit on the amount of damages a court can award. If your actual losses or illegal income of the infringer cannot be determined, the court may order the defendant to pay compensation up to a maximum of approximately EUR 60,000, although in reality most damage awards for copyright infringement cases have been relatively low. In circumstances where copyright infringement is at a large enough scale to constitute a crime you can submit a criminal complaint and supporting evidence to the People's Court or the Public Security Bureau for public prosecution.

In minor cases, or as a first-step to enforcing your copyright in serious cases, you may send a cease and desist letter to the suspected infringer requesting the infringer to stop the use of the copyrighted material. In the letter, you should identify the copyrighted work, ownership of the copyright and the alleged infringing activity. The letter may also include a demand that the recipient immediately cease all infringing acts under threat of litigation or further legal action, but you should seek legal advice in advance to determine whether it is appropriate.

It is estimated that approximately 80 per cent of all counterfeit goods worldwide come from China. Thus, copyright infringement and piracy in China is a concern for European SMEs in other markets in addition to China. Fortunately, border protection of copyrighted works and products by the General Administration of Customs (GAC) can be a cost-effective way to prevent counterfeit goods from entering or leaving China. You may apply directly to Customs to seize goods suspected of infringing a copyright, or record your copyright with the GAC to take advantage of Customs' routine screening of shipments at all ports of entry/exit in China and facilitate seizures.

Take-away messages

• It is recommended that you take the step to voluntarily register your copyright as part of a holistic and multi-layered IPR protection strategy. For example, if your company logo is your own creative work it can enjoy double protection as both a trademark and a copyright. In addition, should you encounter infringement issues, a copyright registration will save you from extra complications by easily proving you are the rightful owner of the copyrighted work in dispute and increasing your chances of successful copyright enforcement actions.

• Make sure that you carefully structure and check your contracts and license agreements to ensure that ownership of copyright is determined in the manner in which you intended.

• Try to facilitate enforcement proceedings as much as possible. For example, make sure that you include as much documentation of your copyrightable work as possible in the registration application to make it easier for the courts to determine that the Copyright Registration Certificate you possess does actually pertain to the work it registers. Eb

CHINA IPR
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*The **China IPR SME Helpdesk** is a European Commission funded project that provides free, practical business advice relating to China IPR to European SMEs. To learn about any aspect of intellectual property rights in China, visit our online portal at www.china-iprhelpdesk.eu. For free expert advice on China IPR for your business, e-mail your questions to: question@china-iprhelpdesk.eu. You will receive a reply from one of the Helpdesk experts within seven working days. The China IPR SME Helpdesk is jointly implemented by DEVELOPMENT Solutions and the European Union Chamber of Commerce in China.*

Chen Yuan, Governor of China Development Bank

Upsetting the Established Order

By Carl Hayward

China Development Bank reinvented the rules of financing for local government projects, before rolling this model out to domestic Chinese companies, enabling them compete in, and then dominate, certain global markets. They are financing enormous deals in parts of the world where many others have failed, have become China's biggest overseas lenders of foreign currency and are now nearly three times the size of the World Bank. Along the way they have helped to drag millions of people out of poverty. This has occurred over a 14-year period under the guidance of one individual. The bank remains state owned.

China's Superbank: Debt, Oil and Influence – How China Development Bank is Rewriting the Rules of Finance, written by **Henry Sanderson** and **Michael Forsythe**, shines a light on this financial powerhouse and reveals the extent of their influence, both domestically and globally. It could prove to be one of the more important books written about China's financial system to date.

"This bank is a great lens through which to view the evolution of China, financially and socially, because it has been at the heart of so many things that have impacted China and the world, and has also helped stoke economic development in China." Michael Forsythe

The spark that ignited the interest of Sanderson and Forsythe was a 2011 visit to the small town of Loudi in Hunan province, which was undergoing a real estate boom. Significantly a large stadium and sports complex had been built in the centre of the town, replete with Olympic rings. The incongruity of this structure in such a small, previously agricultural town prompted them to conduct some research. They discovered that the local government in Loudi had financed and built the stadium, where the money came from was the question that caused them to dig further.

Back in 1998, in the midst of the Asian financial crisis, China's economy was in a precarious state and CDB was basically in ruins with a non-performing loans ratio of nearly 40 per cent. It was a "zombie bank" as Sanderson and Forsythe call it in their book. It was at this time the bank was taken over by Chen Yuan, a hugely powerful and influential figure — Chen's father, Chen Yun, had been integral in the formation of the People's Republic — who set out to rebuild. Chen and CDB came up with a solution to the issue of government lending. It's become known as the Wuhu Model, named after the first town where this type of financing took place.

"To sum up this model, it really allowed local

The elaborately-domed government building in Loudi, Hunan provice, dubbed 'The Whitehouse' by locals

governments to borrow by by-passing the rules, because they weren't supposed to borrow, that was really the whole point of the 1994 law," explains Sanderson, "What they did was, they formed a company, a 'Wuhu company', an LGFV [local government finance vehicle], and they put all the good assets into it. The company gets loans from CDB, and the city guarantees the loan from the budget or maybe from land sale."

It was the Wuhu Model that had been used in Loudi and, as it turns out, thousands of other towns and cities across China.

CDB raises its funds by selling enormous amounts of bonds: "Chinese banks buy them and they're then considered zero risk, so they don't have to put any capital against them," says Sanderson. The fact that the Chinese Government is standing behind this debt that has been raised by CDB over the last decade is incredible. A few defaults on major loans and it is plausible that the whole financial system might start to unravel. Although today CDB's non-performing loans ratio is less than one per cent, by the end of 2011 their outstanding loans were in the region of RMB 2.4 trillion.

The book also explores CDB's flair for nurturing domestic companies before taking them global. With a typical flash of innovation Chen was able to heed the government's call for Chinese companies to go global, and use it to make CDB a more international bank. One example is their relationship with Chery Auto who, coincidentally, was founded in Wuhu.

Chery was actually founded the year before the LGFV model was introduced, however the assets of main ownership of Chery is in LGFVs, so they became a big client of CDB. As of 2011 the total line of credit extended to Chery Auto by CDB was RMB 23.7 billion.

"So we've got the local government part of CDB, and now we've got the going global part, because Chery is expanding into Africa and Venezuela and it's supported by CDB funding." Says Forsythe, "and that's the good side."

This illustrates what Sanderson and Forsythe believe lies at the heart of CDB's success:

"We say in the book that it's a great fallacy of the free-market systems that they think innovation can't take place in a state-planned system," says Sanderson. "I think what makes CDB special is that it is state-owned, innovative and so far hasn't made huge losses in the form of non-performing loans. In terms of guiding philosophy, I think that's the real reason for its existence."

Special attention is reserved in the book for Venezuela, with whom China enjoys a unique relationship. Over the last four years China has loaned them more than USD 40 billion — an unprecedented amount of money. The structure of this deal is in the form of an oil-for-loans programme. In that China has a huge thirst for oil and Venezuela is able to quench that thirst, it seems to be a win-win situation. In that the money is used by Venezuela for financing infrastructure projects, contracts for which have been handed back to Chinese companies to the tune of about USD 11.6 billion over the last four years, it appears that "China wins twice", says Forsythe.

So what's the downside? Well, Chavez's health for one. He is not a well man, and as Forsythe rightly asks, "Will the new Venezuelan government be as good a friend to China?"

The West's financial system completely failed in 2008/09 leaving tax payers with enormous burdens. CDB, with its unique finance model, is having an enormous impact on China and, increasingly, the rest of the world. As the West struggles to deal with the way they operate, it will be interesting to see if they can accept CDB, or whether CDB will be forced to adapt to the rest of the world. That, however, is a book yet to be written. Eb

Henry Sanderson *and* ***Michael Forsythe*** *are both respected journalists for Bloomberg. Their book,* China's Superbank: Debt, Oil and Influence – How China Development Bank is Rewriting the Rules of Finance *is currently unavailable for purchase in China, but it can be downloaded as an ebook from www.wiley.com/buy/9781118176368*

Image courtesy of Ulrich O. Birch

Spearheading development in Western China

Most Europeans know little, or perhaps nothing, about this megalopolis in Southwest China. Until 1997 it was part of Sichuan province, thereafter it was separated from the province and began to emerge as the main hub for development amongst China's western regions. It is the youngest of the four municipalities under direct control of the central government in China, the others being Beijing, Shanghai, and Tianjin. Located at the confluence of the Yangtze and Jialing rivers it is the economic centre of the upper Yangtze and is a natural logistics and transportation hub. **Ulrich O. Birch**, Senior Consultant at **Consenec Ltd**, takes a closer look at **Chongqing**, one of China's three 'ovens'.

With an area of 82,400 square kilometres, Chongqing Municipality is as big as Austria, or twice the size of the Netherlands. The urbanisation rate increased to 57 per cent in 2012, and of its 33 million inhabitants — about half France's population — roughly one third live in the main city, one third in other urban areas, and one third in rural areas. Its annual, mass migration sees around half a million people — equivalent to a sizeable European city — moving from the country to the city every year.

One of the chief architects of Chongqing's development has been Huang Qifan. After driving development in Shanghai, he continued his efforts in Chongqing when he became the municipality's Mayor in January 2010. He is pragmatic, and has forged close ties to the local business community. In general the government is very business-orientated and cooperative at all levels. Due to its status as a municipality, Chongqing also enjoys a direct link to the central government in Beijing.

Its per capita GDP is slightly above average at around USD 6,191 in 2012, and GDP growth over the last 15 years has been consistently higher than national average — it was 13.6 per cent in 2012.

Its abundance of coal, natural gas, aluminium, strontium, manganese, and water make Chongqing a natural base for manufacturing. However, the service sector is expanding fast, with a 37 per cent share of the total economy in 2012, and is a major focus for future development. It is also aiming to become a centre for the financial services industry.

Currently the main industries are automotive, motorcycles and parts, engines, power transformers, wind power, natural gas, chemicals, steel and aluminium, IT and notebook computers, and home appliances. A major export hub, its total foreign trade volume in 2012 reached USD 50 billion, which ranks number 11 nationwide. Europe is its second largest recipient of exports after Asia.

In 2010, the Liangjiang New Area was established, China's third largest development zone behind Shanghai Pudong and Tianjin Binhai. It offers highly attractive incentives and simplified administration, as well as a bonded zone, which is bringing in an increasing number of domestic and foreign investors.

Already more than 220 of the global Fortune 500 companies have a presence here. Some major industrial or consumer goods companies such as 3M, ABB, Acer, Asus, BASF, Fiat, General Electric, Ikea, Shell, and Volvo have all made a home in Chonqing. Development of five-star hotels is also booming; there are already close to 20 such hotels with another 14 under construction.

Foreign direct investment (FDI) increased about five times over the last 15 years and reached over USD 10.6 billion in 2011. The lower tax rates – 15 per cent corporate income tax for qualifying companies, as part of the development policy in western China – is a major incentive for companies to settle here.

As Chongqing is one of the first regions to take advantage of the gradually opening skies for private aircrafts it is attracting some major aircraft manufacturers. The new regulations for low-altitude flights are offering opportunities for manufacturers and service companies in the domain of general aviation.

Logistically the municipality is well developed with about 120,000 kilometres of highways, 2,000 kilometres of railway and 4,300 kilometres of navigable waterways. It is linked to the capital, Chengdu, by a high-speed railway with another, even faster, railway under construction, which will reduce travel time to less than one hour. It has two main civilian airports with two more being added. It boasts an increasing number of international air connections with the non-stop Finnair flight to Helsinki being the shortest hop to Europe. Opened in 2008, the Cuntan river port on the Yangtze is the biggest deep-water port in the western region offering connections to the Yangtze delta as well as to international sea freight within five days.

Of course Chongqing has its share of challenges too. The issue of environmental pollution needs to be made a priority. Vocational and professional education needs to be upgraded and focussed more on the real needs of industry, and living conditions for foreigners have room for improvement too. Certain areas of government would benefit from some oversight, and reducing the income disparity between the urban and rural populations would be a welcome advance — average annual incomes in 2012 for urban and rural residents were RMB 22,968 and RMB 7,383 respectively. This would also help to reduce the migration to urban areas, which in turn would alleviate some pressure on existing urban infrastructure.

But although there is still much that needs to be done the commitment of municipal and district governments to the economic development of Chongqing, as well as their dedication to making general progress, inspires great confidence and indicates that Chongqing has a very bright future indeed. Eb


Dr Afnan takes care of a patient

Health, Wealth and Happiness

When China's new leadership designated improvements to public healthcare as a priority it was made clear that private hospitals would need to play an important role in facilitating this plan. By increasing the number of private hospitals, which will cater primarily to middle class Chinese, the Ministry of Health hopes to increase overall inpatient and outpatient visits to private facilities from eight per cent in 2012 to 20 per cent by 2015[1]. This should ease pressure on currently overstretched public hospitals, which in turn should free up limited funds to make improvements, particularly to facilities in rural areas that are badly in need of expansion and modernisation.

This opens up fresh opportunities for foreign direct investment in the private healthcare industry. As of January 2012 China's Foreign Investment Catalogue moved investment in private healthcare into the 'encouraged' category . Private healthcare operations can also now be 100 per cent owned by foreign investors. This is positive news for foreign players like Chindex International Inc., the first, and largest, foreign-invested healthcare provider in China who operate United Family Healthcare in Beijing, Shanghai, Guangzhou, Wuxi and Tianjin,.

Carl Hayward met with **Dr Masoud Afnan**, Chief Medical Officer, Obstetrician and Gynaecologist at **Beijing United Family Hospital**, to discuss some of the differences in the approaches to European and Chinese healthcare. Currently expats make up around 50 per cent of Beijing United's total patients, but it is wealthy Chinese that are their growth area, so defining a model of care that works for Chinese patients will be vital to their continued success. Dr Afnan, a specialist in In Vitro Fertilisation (IVF), was Clinical Director at the Birmingham Women's Hospital in the UK prior to his move to China in May 2010.

How developed is the field of IVF in China?

There are about a dozen or so IVF units here, each of which do around ten thousand IVF cycles per year, which is a lot. Most programmes in the UK will do around a few hundred. Having said that there are also many IVF units here that do a few hundred per year as well. I'd say the training system here is very different too, in fact to do IVF you only need go on a three-month course and observe, so I think there is a risk that there are some people who aren't as well trained, although I think the top people here are internationally renowned.

What do you think is the key to providing better patient care?

I think it's a commitment to real bottom-up quality. The way that healthcare in China is generally run is that you have these academies in various specialities, and they send out their guidelines, which is a very efficient way of doing things but it is very top-down. I think there needs to be a real commitment at the individual level to quality, not just ticking a box because that's what they have to do to comply with whatever gets sent down, and that requires a really good understanding of the issues at the local level.

What are the areas China can learn from European medical practices, and vice versa?

Taking the UK as an example, it's a very socialist set up so cost effectiveness is a very important factor. In China logistics isn't really an issue, if you need to get something done you can just put more people on it. I think doing things effectively and efficiently but having the pressure of trying to work within a fixed budget actually improves care. Having family medicine or general practice as the gatekeepers to the more expensive, hospital-based, specialist services will also improve things. This model doesn't currently exist in China, although we've just started a centre for Primary Care to show what it could look like, so I think that's something else that can be learned from.

In terms of what we can learn from the Chinese, they're very holistic, whether it's TCM [traditional Chinese medicine] or acupuncture, they tend to look at the bigger picture and I think that's useful. Also the Chinese can make things happen very quickly, which comes from this top-down approach. In the last decade they've pretty much halved maternal mortality. I don't know if that's the best in the world but it's a huge achievement. They can do things on a societal level and a policy level very efficiently. There is a government structure that lays out policy and everybody follows it.

Have you come across a TCM treatment in IVF here?

Yes. One of the doctors that we work with, she is a very senior Chinese professor, she does IVF and will often use TCM.

Do you believe in the benefits of TCM?

I'm always someone who wants to see the evidence. If there is evidence of benefit then I would go down that route, if there is evidence of harm then obviously I wouldn't, and if there is no evidence then I would explain to the patient that we don't know what does or doesn't work, but this *might* work.

What are the main differences in the priorities between Chinese and Western patients?

If you go to see a GP [general practitioner] in the UK they might say to you "wait two days and if you don't get any better come back to me for treatment", whereas here they really want a treatment. They want their antibiotics - two tablets might be better than one, IV is certainly better than tablets. Of course, that's not right, but they want an active treatment prescription. Also in a hospital like this Chinese patients can be very demanding. If they're paying a lot of money they want a perfect outcome, and of course medicine is not perfect. There is always a risk of complications, so managing expectations amongst Chinese patients can be challenging. Eb

[1] http://www.cnbc.com/id/49250873/China_Taps_Private_Hospitals_in_OverhaulmdashWill_It_Work

EUROPEAN CHAMBER EVENTS GALLERY

BEIJING


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Anti-Corruption & Compliance (1)

This half-day seminar took place at the Westin Beijing Chaoyang on 22nd January, 2013. Discussion centred around the implications of new Party Leader Xi Jinping's highly publicised anti-corruption drive and how it compares to similar enforcement efforts in the other countries.

Book Presentation (2&3)

Authors Henry Sanderson and Michael Forsythe presented their book, China's Superbank: Debt, Oil and Influence - How China Development Bank is Rewriting the Rules of Finance, on January 16th, 2013, at the Kempinski Hotel, Beijing. The breakfast event saw a full house take part in an engaging discussion on China's finance system.

Insight China: China's Economic Outlook 2013 (4-8)

On December 12th, 2012, The European Chamber hosted the final Insight China of the year, China's Economic Outlook for 2013, with renowned economists Wang Xiaolu, Xingdong Chen and Tao Ran at the Marriott Beijing Northwest.

SHENYANG


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Shenyang Chapter Christmas Party (1&2)
The Shenyang Chapter hosted their Christmas party at Noble Mansion, Shenyang on December 19th, 2012. Former Secretary General of the European Chamber, Dirk Moens, was the guest speaker at the event attended by more than 200 people. Guests celebrated with German food, beers and mulled wine and were entertained by Christmas Carols.

SOUTHWEST CHAPTER

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2

Southwest Chapter's Christmas Party (1)
The inter-chamber, Charity Christmas Party was held on 8th December, 2012, at the Crowne Plaza Chengdu City Centre. Around 300 guests from local Consulate Generals, business and trade promotion associations, and leaders from Fortune 500 companies and other famous foreign enterprises all gathered together under one roof for this spectacular evening.

Wine Tasting (2)
The Marche Region Fine Wine Tasting was held on 4th December, 2012 at the Shangri-la Hotel in Chengdu. The event, jointly organised by the European Chamber Southwest Chapter, Unioncamere Marche and Marchet, attracted over 100 participants and 50 local wine companies and distributors. This was the first opportunity for the 12 Italian wine companies from the Marche region to present their wine to the Chengdu market.

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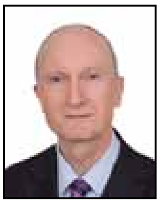
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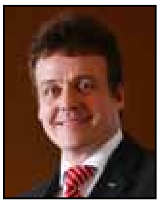
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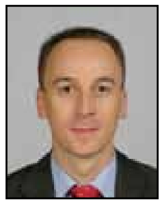
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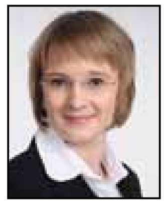
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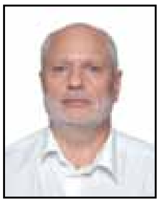
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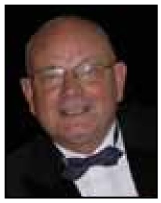
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The 30 members of the European Chamber's Advisory Council are particularly active in representing and advising the Chamber, and make an enhanced contribution to the Chamber's funding.

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amadeus Your technology partner	AnsaldoSTS	BASF The Chemical Company
Bayer	BNP PARIBAS	Deutsche Bank 德意志银行
ESI Euro Sino Invest	EVONIK INDUSTRIES	GDF SUEZ
KPMG	MAERSK	米其林轮胎 MICHELIN
Nokia Siemens Networks	novozymes Rethink Tomorrow	PSA PEUGEOT CITROËN 标致雪铁龙集团
PHILIPS sense and simplicity	Roland Berger Strategy Consultants	SAP
SCANIA	Schneider Electric	SIEMENS
SOCIETE GENERALE	ThyssenKrupp	TOTAL 道达尔
TÜVRheinland® Precisely Right.	UPM	

CALENDAR

A preview of some of the European Union Chamber of Commerce in China's major events in 2013.

Beijing

9th May 2013

The Road to Reform - European Chamber Summit

The European Chamber will hold its annual conference on 9th May at the China World Summit Wing. Leading China experts from the political, business and academic fields will join an open debate on the critical steps that lie ahead of China as they move towards political, economic and social reform.

7th June 2013

Annual Human Capital Conference

The annual Human Capital Conference takes place in Beijing on 7th June, 2013 at the Four Seasons Hotel. This full-day event will feature CEO's and Human Capital practitioners from some of China's top performing companies who will share their experiences, insights and ideas for the future and answer questions on the most important issues that they are facing this year.

5th July 2013

Annual M&A Conference

The European Chamber will host a full-day conference on Chinese investment in Europe at the Renaissance Hotel on 5th July, 2013. Over 200 representatives from companies with investment interests in Europe will be present along with senior representatives from the European Union, European Member States and Chinese Government.

For further information on all of these events, please contact Danni You at: dyou@europeanchamber.com.cn

PRD

9th March 2013

European Chamber Annual Gala Dinner in Guangzhou

The European Chamber PRD Chapter's One Night in Europe Gala Dinner will be the region's premier networking event of the year, with a night of European food, drinks and entertainment.

Last year the event was attended by around 400 people, including guests from EU-member country's Consulate Generals in Guangzhou, Chamber-member companies and friends from the European business community.

For further information please contact Jiali, at jlzhang@europeanchamber.com.cn.

THE EXECUTIVE INTERVIEW: Yuan Xiaoyu

UPM, Director Corporate Relations, China

When **UPM** entered China nearly 15 years ago they brought with them a wealth of experience drawn from more than a hundred years of paper production in Europe. Their China operation now has an annual production capacity of 900 thousand tonnes which, along with their label production facility, represents approximately 14 per cent of UPM's total worldwide business. Following a newly announced investment of EUR 390 million in 2012, **Ms Yuan Xiaoyu**, who has been working for UPM for nearly 12 years, spoke with us about how sustainability is at the core of UPM's philosophy.

Can you tell us about UPM's environmental initiatives in China?

In China environmental protection is a very big challenge. UPM has paid a lot of attention to this. We have been applying the same standards here as we do in Europe, so we can meet the national, local and provincial standards of environmental protection, and we can operate at a very, very low level of waste discharge. One hundred per cent of our solid waste is treated and re-used for our in-house power plant to supply energy to our company. In China we use less than ten per cent of the recommended standard for water consumption per ton of paper, which makes us an industry leader in this respect.

UPM has a very strict supplier code. Can you tell us if this gives you a competitive advantage in China, and, if so, can you explain how?

It does, not only in China but in the Asia-Pacific region as a whole. We aim to strictly control our supply of raw materials to ensure we only use certified forestry resources. We also try to ask all of our suppliers, such as coal, to provide certification to prove that the raw material is coming from legal and official channels. The same goes for chemicals and other materials that we use. This helps us when we compete with some other companies who are neither able to prove that their raw materials are coming from 100 per cent certified forests, nor provide necessary certifications to meet the required chain of custody.

UPM is at the forefront of developing wood-based biodiesel for transportation, with the first global bio-refinery in Finland. What are some of the advantages of this fuel?

This has very big future potential as we aim for sustainable development. It is a global issue. We believe that biodiesel will help to alleviate the pressure on fossil fuel consumption and we can use less crude oil products and other non-sustainable energy sources.

When would you estimate a product of this nature will be available and ready for commercialisation in China?

We have only just started to investigate this really. First of all, you need to develop a large plantation of forestry before you can see if it is possible to sustainably support mass production. Also, even if there are many forestry plantations, the availability and access to those materials is another consideration. So I can't say it will happen soon, it will take a few years.

Do you believe it would be welcomed by the Chinese economy?

Definitely, our products have drawn the attention in China. Some science and technology, as well as energy administration departments are very interested in it. Also some big companies, like China Petroleum and Sinopec, are interested in developing in this sector, so they are looking to learn from abroad from new and advanced technologies, and also see our practices. We hope that it can be introduced into China in the future, but from UPM's point of view we need to make sure that we properly prepare and ensure the market is ready for our product.

So do you think this an area where UPM could be a leader?

If UPM can secure a large and consistent supply of the raw material at a reasonable price, and meet relevant criteria, I think it is possible that we would be the leader because we have unique technologies. The Chinese Central Government realises that it needs to find sustainable development methods for industries like paper production, like chemicals, like steel, like all industries. Back to UPM operations, we should stick to our own development in China, and wait for new opportunities to present themselves.

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