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Lisa Zhang (张丽) - Chinese / German / English
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Shifting Gears in China's "Going Global" Strategy

In the last few years, worldwide foreign investment of Chinese state-owned enterprises and private firms increased. The investments vary from the manufacturing sector, service sector, luxury industry, to the sports industry, and beyond. The record year of outbound M&A deals by Chinese companies so far was 2016 – with 932 deals worth over USD 220 billion, according to PwC China. Some of those outbound deals have attracted great attention, e.g. the high-profile case of Midea, who acquired the German robotic manufacturer KUKA for EUR 5 billion.

In 2018, China’s government will continue to encourage its enterprises to expand overseas, which was emphasized by Zhong Shan, China’s Minister of Commerce, during the 19th Communist Party Congress in October 2017. There have been numerous initiatives and policies introduced by the Chinese government in recent years to support these strategic investments, such as the “Belt and Road Initiative”, which seeks to enhance trade between Europe, Africa and Asia through infrastructure projects, and “Made in China 2025”, which aims to upgrade China’s domestic manufacturing capabilities and boost innovation. Many Chinese outbound investments will likely be in sectors aligned to those initiatives.

The recent developments in the field of Chinese outbound M&A activities, backed by a supportive political environment, show that the focus for Chinese companies has shifted from capital intense outbound investments to more diverse business perspectives. Foreign companies in the fields of technology, consumer goods, finance, media, and telecommunications are being acquired by Chinese companies to increase their access to foreign expertise, products and services. The “Going Global” strategy for Chinese companies has moved to a new stage, with improved global expansion strategies, and a shift from "Made in China" towards "Made for China".

This first issue of the German Chamber Ticker in 2018 covers different perspectives including China’s place in relation to the other BRICS nations, internationalization processes of Chinese companies, the convertibility of the RMB as well as political initiatives like “Belt and Road”. Besides this, the issue will point out how German companies ought to prepare in China and Germany to find opportunities within this changing environment.

We hope that you will enjoy this issue of the German Chamber Ticker!

Yours sincerely,

Alexandra Voss
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Shanghai Best City for Business in China, According to Forbes

According to a survey published by Forbes China, Shanghai tops the list of best cities for business in China. Other cities in the top ten were Guangzhou, Beijing, Nanjing, Wuhan, Shenzhen, Chongqing, Suzhou, Qingdao and Hangzhou. Shanghai topped the list because of its excellent infrastructure for both passenger and cargo traffic, as well as high consumption power and innovation. It is already home to a lot of successful Chinese businessmen as well as to regional headquarters of many foreign companies. Shanghai is still pursuing to establish itself further as an Asian trade and financial hub, e.g. by expanding its free-trade port, and it also has the Shanghai Stock Exchange and an active venture capital community.

China Suspends Production of 553 Car Models

On 1 January, the Chinese government stopped the production of 553 different car models that did not meet the required fuel consumption standards. This includes vehicles from Chinese companies as well as from international joint ventures. This measure is part of China’s fight against pollution that includes lower emission limits and a push for more new energy vehicles on the streets. At the end of 2017, the government announced that in the next three years, it will continue to implement tougher emission limits for cars, while giving tax exemptions to buyers of NEVs.

2019 Might See the Debut of 5G Phones

China aims to get pre-commercial 5G telecom equipment, such as system equipment, base stations, and network gears, ready this year, to be able to start large-scale testing of 5G applications and services in 2019. Experts say that 5G phones might become available by the end of 2019. 5G-capable chips and smartphones will take a little longer to develop and testing will also be expensive, so they are expected to only be available after June 2019. The new technology is expected to have one billion users in the world by 2023 and create an economic output of nearly a trillion US dollars in China by 2030.

Technology Stocks Performed Best in 2017

In Shanghai, Hong Kong, and Shenzhen, the most successful stocks 2017 all had a connection to technology. In terms of market value and influence, technology stocks have overtaken industrial, energy, financial, and commercial stocks. Reasons for this include technology innovation, fast earnings growth and higher investment in research and development by Chinese companies. The trend made Tencent (the company that stands behind WeChat) the most valuable company in Asia. Other companies that saw a rise in valuation work in the fields of NEVs, finance and insurance technology, genomics, biotechnology and new materials. However, the growth trend might end soon, as traders say that the stocks which rose sharply in value 2017 will probably have a slower growth rate in 2018 when corporate earnings must catch up with stock prices again.

Ivory Trade Now Banned in China

As of 2018, trade in ivory and ivory products are banned in China. Estimates say that 30,000 elephants are killed in Africa every year. All 172 previously state-approved ivory factories and shops have been closed in 2017. China has been the largest ivory market in the world and to promote the ban, a large public awareness campaign had been launched, including support from celebrities, e.g. former basketball star Yao Ming. It is hoped that the ban will significantly support the effort to protect African elephants. Remaining concerns are that there is not enough public awareness of the ban yet and that Hong Kong, an important hub in ivory trade, is not included in the ban. However, Hong Kong has already begun to work on its own ban.
Plans for Shanghai Free-Trade Port to be Unveiled Soon

Shanghai’s free-trade zone, established in 2013, now covers 120 square kilometers. But, its development is not finished yet. The plan is to turn it into a free marketplace modelled after Hong Kong. A free-trade port means that trade and investments are free of customs regulations. The remaining problems are the not yet fully, freely convertible Yuan and the limited space for foreign businesses to set up production facilities. But, Shanghai has already one of the most advanced ports with the largest fleet of automated vehicles in the world. Experts say that remaining steps to fully develop the free-trade port would expanding the size of the project area, liberalizing the Yuan, loosening customs requirements, and making free visas available to business travelers. Detailed plans for the further development are expected to be unveiled soon.

China’s Waste Import Ban Likely to Come into Effect in March

China’s waste import ban, which forbids 24 types of solid waste for import and was announced to the WTO in July of 2017, will likely be enforced in March as part of China’s strategy to protect environment and public health. For countries like the US or in Europe, that have so far relied on China to take their waste, this means that they either have to find other countries to export their waste to or improve their own recycling infrastructure. Domestic companies working in recycling in China have already been affected as well, having to pause or completely shut down production, also leading to rising prices for recycled materials. In the future, these companies have to turn to recycling domestic waste, which is at the moment still more expensive than imported waste.

Chinese Government Pushes Technology to Promote Better Elderly Care

In 2015, 16.1 percent of China’s population was over 60 years old translating to a total number of 222 million people. This number is expected to more than double by 2050. This means a fast-growing demand for elderly healthcare services, the branch is expected to be worth USD 3.38 trillion by 2030. China is pushing for the development of a smart healthcare industry, with medical and health electronic products, system integration and service operations. Other ideas for technologies that could be used to cope with the aging population could be electronic healthcare monitors, service robots or online medical consultation services. The hope is that through technology, elderly care will become efficient as well as affordable. That is also why the government wants to encourage the development of new business models and make it easier for private companies to enter this growing market.
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China’s New Belt and Road Trade Dispute Mechanism

China has announced that it will establish Belt and Road Courts in Beijing, Xi’an, and Shenzhen under the authority of the Supreme People’s Court of China […] It is unclear which authority China have claimed jurisdiction over BRI disputes. There are existing mechanisms to deal with such matters, ranging from existing bilateral investment treaties to multilateral agreements […]

By CHRIS DEVONSHIRE-ELLIS

The Chinese government has approved a guideline to establish a mechanism to solve trade and investment disputes among Belt and Road Initiative (BRI) nations; the guidelines were passed during a meeting of the Leading Group for Deepening Overall Reform of the 19th Communist Party of China Central Committee.

It was agreed that the principle of wide consultation, joint contribution, and shared benefits should be observed in establishing the mechanism and institution. The basic text states that a dispute settlement mechanism connecting litigation, mediation, and arbitration will be created on the basis of China’s current judiciary, arbitration, and mediation agencies, and by absorbing and integrating legal service resources from home and abroad. Members of the group called for equal protection for both Chinese and foreign parties’ rights to create a stable, fair, and transparent law-based business environment.

China does have an existing trade dispute body, the China International Economic and Trade Arbitration Commission (CIETAC); however, the organization has had problems. All joint ventures in China must contain a trade dispute clause within their articles, which typically refers such matters to CIETAC.

Examining exactly how China proposes to handle trade dispute mechanisms along the Belt and Road while potentially attempting to impose its own arbitration rules on other nations is going to be an interesting legal development to follow. The circumstances of the new arbitration process once it goes into effect and whether it takes precedence over existing trade dispute mechanisms is of vital importance. If so, legal counsel globally will need to look at the implications, regardless of whether their clients even have a presence in China or not.

Dispute resolution at China’s new Belt and Road courts

China has announced that it will establish Belt and Road Courts in Beijing, Xi’an, and Shenzhen under the authority of the Supreme People’s Court of China. The Xi’an court will manage commercial disputes for the Silk Road Economic Belt, which connects China, Central Asia, the Middle East, and Europe. The Shenzhen court will manage commercial cases for the Maritime Silk Road, which connects China, Southeast Asia, Africa, and Europe. Media reports state that Beijing will seek to promote the courts to resolve disputes that emerge in the BRI; observers have noted that the courts appear like the International Commercial Court in Singapore and the International Finance Centre Courts in Dubai.

It is unclear over which authority China has claimed jurisdiction over BRI disputes. There are existing mechanisms to deal with such matters, ranging from existing bilateral investment treaties to multilateral agreements such as those ASEAN has with China, the 2012
"Agreement on Dispute Settlement Mechanism of the Framework Agreement on Comprehensive Economic Cooperation".

Most bilateral treaties and the ASEAN treaty provide for similar conflict resolution processes: consultation, followed by mediation, followed by arbitration by an ad-hoc arbitration tribunal, with no preset venue or choice of law, either procedural or substantive.

Beijing’s move to establish BRI-specific courts seems to alter that position, and move jurisdiction specifically to China. The Memorandum of Understanding (MoU) China has signed off with over 70 nations concerning cooperation on BRI projects also does not appear to suggest any differing mechanisms for dealing with disputes, other than the usual terminology referring to “friendly consultations”, though these may differ from case to case. The question concerning China’s establishment of the BRI courts therefore revolves around the question of how this mechanism was agreed to between China and the BRI nations with which it has signed agreements.

Understanding China’s Belt and Road MoU

The Belt and Road arbitration courts that resolve trade and related disputes along the Belt and Road routes – in China – has raised eyebrows, as this goes against the generally accepted principal of utilizing an independent, third party as arbitrator. It is unusual for arbitration cases to be heard in a jurisdiction that has laws governing just one of the conflicted parties for obvious reasons of conflict of interest.

To establish how China may be able to pressure other countries to use its courts, the author has examined several of the publicly released MoUs China has signed with foreign governments, principally over the past 18 months to examine what has been agreed to or implied. Some of these, but not all, have been released as a matter of public record onto the public domain, and while there are differences in terms of the trade context in each – different countries have different trading environments with China, and regionally, than others – the basic structure of the agreements tends to have remained the same.

However, examination of the MoUs raise a number of other points about China’s intentions in having structured these, not least the clouding of their legitimacy, and apparent willingness to hang these (officially non-binding agreements) onto other existing legal platforms. These agreements also largely tend to favor China trade and institutions rather than those of the co-signatory, despite these being bilaterally agreed documents.

An interesting point to note is at the end of the document, where both parties agree that the document is not legally binding. However, this means that while the MoU itself may be seen as purely a cosmetic exercise as has been explained to the author by more than one diplomat, the inference swings to the implications and potential manner in which certain elements within the MoU could be interpreted by either party, and especially the Chinese. Such interpretations can, in fact, influence the way in which China views statements made within the MoU, and regard these as important in future diplomatic talks. In short, the purpose of these non-legally binding MoU is to influence, rather than direct – a subtlety that may be lost on some of the signatories.

The MoUs appear largely benign; however, it does contain the seeds of what could, in future, be used as diplomatic tools in terms of insisting that agreements have been reached over certain areas. The tying of the MoU as a non-binding agreement to agreements and institutions that already exist is a manner in which the MoU could later be seen to have implied legitimacy. Where the MoU does tend to veer towards unilateral preference, those preferences appear to benefit China and its institutions and trade, rather than those of the foreign signatory. It remains unsure how these MoUs will be used in future to influence diplomatic talks; however, the fact they refer to legitimate institutions and are signed off at government representative level does mean they could carry rather more future political influence than initially meets the eye – which is almost certainly the precise point.

Managing arbitration along the Belt and Road

There are other existing alternatives to accepting arbitration in China. These include an agreement reached in September last year between the Singapore International Mediation Centre and the China Chamber of International Commerce Mediation Centre (CCOIC), who entered into an MoU to resolve BRI cross-border disputes, while Hong Kong’s justice department has also been developing eBRAM.hk, an online dispute resolution tool for major BRI infrastructure projects.

Given these existing platforms, it could be argued that the Chinese government is trying to force other sides to accept Chinese mediation and arbitration through its proposal to have these three courts rule on all BRI disputes. China’s top legal body has been in the process of “internationalizing” its domestic court system and the three new courts are supposed to be modeled after the established ones in Singapore or Dubai.

Despite these steps by China, the choice of arbitration venue and law, both procedural and substantive, should be left to negotiation between the concerned parties. As a general rule of thumb, third party jurisdictions with established rules and an experienced body of jurists are always preferable to those jurisdictions affiliated with one or the other of the parties to a contract.

It remains to be seen how successful China will be in bringing Belt & Road disputes to courts in China. Meanwhile, legal counsel would be advised to look at exactly what was agreed upon when signing the MoU with China for Belt & Road cooperation. When signing up for Belt and Road participation, foreign governments, in the wake of all the political excitement and potential funding will still need to read the small print.

Chris Devonshire-Ellis

Chris Devonshire-Ellis is the founder and chairman of Dezan Shira & Associates. The firm is a pan-Asia foreign direct investment advisory practice and advises both foreign governments and MNCs on their business strategy, due diligence, and operational issues throughout China, India, ASEAN, Russia and the Belt and Road regions. To contact the firm please email to asia@dezshira.com or visit the practice at www.dezshira.com
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China’s Technology Giants Look Outside China for Future Growth

As China’s economy enters a more mature phase of growth, its technology all-stars are looking at new markets to drive growth and are specifically looking closely at China’s neighbors in Southeast Asia and India.

By BEN CAVENDER

Over the past two decades, China has evolved from an economy with very low consumer spending power and access to technology (compared to developed economies in Europe and North America), to one in which there are now more than 500 million middle class consumers and more than 660 million smart phones in circulation. In 2017, e-commerce sales in China grew to USD 1.1 trillion a 30% increase, over 2016. The market capitalizations of China’s technology Big 3 have also surged over the last five years and now rival the largest players in the west. For comparative purposes, Alibaba and Tencent both saw their valuations increase to over USD 500 billion in 2018, a feat that means their companies are valued similarly to Facebook and Amazon, or even more, depending on how their stocks perform on a given day. Government policies have largely kept the Chinese internet market closed to investment and acquisition by foreign firms looking to profit from China’s rise, but this does not mean that European companies should ignore China’s technology space.

While targeting China directly may be cost prohibitive or impossible because of regulatory walls, foreign firms need to pay close attention to what Chinese firms are now doing to grow outside of China. This is because many of the most interesting developments in China’s e-commerce space are occurring beyond China’s borders and are part of a larger economic policy strategy that aims to pull China’s neighbors closer to China’s sphere of power over the next 20 years.
As China’s economy enters a more mature phase of growth, its technology all-stars are looking at new markets to drive growth and are specifically looking closely at China’s neighbors in Southeast Asia and India. This is because the future consumer potential for these markets is massive. Southeast Asia currently boasts more than 600 million consumers, of which more than 250 million are internet users. While overall average spending power is significantly lower than China, India now boasts a faster growing population of similar size to China making it another valuable target for future growth. Importantly, most of these consumers are young, under the age of 30, and are digital natives who have grown up using mobile phones as their primary means of accessing the internet. Even more exciting, internet penetration in these markets is still extremely low, (under 10% in most cases), leaving massive room for growth.

A Google report has suggested that the internet economy in Southeast Asia will be worth around USD 200 billion by 2025, nearly seven times growth compared to 2015. Meanwhile, e-commerce is expected to grow to USD 88 billion up from USD 5.5 billion in 2015. These are not small numbers. Looking at the projected growth in Southeast Asia, it is easy to see why Chinese technology giants are shifting investment towards setting up beachheads in these markets. Financially, the move makes sense, and in China’s current political climate where offshore investments by Chinese companies are closely scrutinized, these investments also advance an overarching Chinese agenda of more closely
integrating neighboring economies with China so are more likely to receive a green light from regulators than would investments in markets or industries of less strategic importance to China.

Over the past two years, Chinese technology companies have invested well over USD 3 billion in companies based in Southeast Asia, primarily in online to offline services, e-commerce, and logistics. The flood of investment started with an initial USD 1 billion investment by Alibaba in Lazada, an e-commerce platform. In the middle of last year Alibaba further increased its stake to 83% via an additional USD 1 billion investment. Lazada has used that cash, and Alibaba’s expertise to increase its range of offerings to include groceries and membership style options to consumers similar to what Amazon Prime offers in the US and some other markets and essentially beating Amazon to the punch, as Amazon considers its own rollout in the region.

Major investments by Chinese companies haven’t stopped there. Some standout examples include a USD 2 billion investment by ridesharing platform Didi Chuxing in Grab, Southeast Asia’s main ridesharing equivalent to Uber. Meanwhile, Tencent has also invested in Go-Jek, Indonesia’s main ridesharing platform as well as Sanook, a Thai media company. Ant Financial has invested in Ascend Money in Thailand, M-Daq in Singapore, Emtek in Indonesia, and Mynt in the Philippines. Alibaba has invested in Tokopedia, an Indonesian e-commerce platform, as well as Compare Asia Group, an online insurance site.

Chinese firms are also investing directly in their own businesses in these markets. For example, Chinese bike sharing startups Mobike and Ofo have both invested heavily in setting up overseas operations in Singapore. Tencent is also rolling out its own music service Joox (similar to Spotify) in Southeast Asia.

These examples represent only a portion of the investment and deal-making happening right now in these emerging markets and the trend is expected to continue through 2018 and in the next few years, as consumer spending power and logistics services in these markets increase. Meanwhile, US and European players have mainly focused on a market entry strategy focused on building up their own local offices in these markets and on localizing current products and services rather than investing to take a stake in local players. This approach is dangerous because it reduces the speed at which foreign players can adapt to market changes.

Watching overseas investment by China’s technology giants is important because it is one part of a broader strategy by China to tie together regional economies and ensure that China has access to markets that can provide a cheap manufacturing base as Chinese companies move up the value chain as well as growing consumer markets for Chinese firms to sell to.

As part of its globalization push, China is planning on investing more than USD 4 trillion into One Belt, One Road initiatives via the AIIB, and currently has more than 900 projects in progress. OBOR has been criticized because in many cases investments do not materialize or end up inviting significant political discourse. However, countries in the region are hungry for investment dollars (the projected need for infrastructure investment in Asia is about USD 26 trillion by 2030), and as a result Southeast Asia is far more pro-China than most outside observers would expect. Additionally, countries in the region are looking at how they can continue to grow their own emerging base of middle class consumers. Private investment from Chinese technology players start looking really important when other options for fundraising do not appear.

The extra experience and capital coming from companies like Alibaba and Tencent is allowing domestic tech players to flourish and is creating an environment that should grow the base of white collar, technology focused jobs in these markets significantly over the next decade. This combination of investment in infrastructure, open trade deals, and tech focused job creation has created a development package that is now extremely attractive to these countries. Looking at the region through an America centric or Europe centric lens the temptation is to say that these countries are wary of Chinese investment and would like more checks and balances in the form of support or cooperation with Europe or the US, but the reality is that they will take the money and jobs where they can get them, and right now that answer is clearly China.

Forecasting the future is difficult and it is hard to say what economies in Southeast Asia will look like in five years or ten years. What is clear is that to see significant continued growth, developed companies and companies need to be paying close attention to how developing economies are changing and then have a clearly articulated strategy for working with those economies to accelerate and share in their growth.

At present, Chinese companies are taking that message to heart and are investing heavily in building the ecosystems necessary
to foster technology growth, create jobs, and grow customers to which they can sell. This in turn is strengthening China’s sphere of influence in Southeast Asia. Meanwhile, European and American companies are failing to make sufficient inroads of their own into these markets and risk being left behind. Spending power in markets like the US or Germany is not likely to grow significantly in real terms over the next decade so future growth is likely to come from overseas investment and the time to be making those investments is now as the risk of not doing so is too great.

To be successful in Asia over the next decade, European companies will need to look at implementing more aggressive Asia strategies that include stronger partnerships with local firms whether through joint ventures or M&A. Companies will also need to understand that product and service launches often need to happen faster in Asia than back home. The approach that Chinese technology companies apply to innovation is typically focused on trying out multiple competing ideas, seeing what works and then refining whereas the western technology companies tend to try and perfect services before bringing them to market. This approach is too slow in Asia because consumer demands evolve rapidly and because your local competitors know that their userbase are more interested in having more options available than in having on a few perfectly executed options.

Alibaba, Tencent and others are emphasizing investment in Southeast Asia because they feel that they understand the customer better, because entrenched competitors are not that strong, and because they feel that there is a lot of synergy with their home markets. But they won’t be satisfied with a leadership position in China or in Southeast Asia. Ultimately, they will use Southeast Asia as a testbed for overseas growth following previous early failures in Europe and the US. As they learn they will be thinking very careful about how they can gain stronger access to developed markets in the west. Be ready.

Ben Cavender is a Director at the China Market Research Group where for the past 12 years, he has helped advise multinationals on their China strategy.
The Convertibility of the RMB: A Work in Progress

Since the currency rate reforms in 1994, the PBOC started using a single floating exchange rate system that allowed interbank foreign exchange to float at a market rate, but within the PBOC’s published weighted average market price daily. Despite the overall macro-control of the PBOC, the market itself has become more open.

By LEILEI WANG

China and money have had a long history. The country was one of the first to have coins nearly five thousand years ago and paper money just over a thousand years ago. The current iteration of physical money in China is the Chinese Yuan or Renminbi (RMB), meaning ‘the people’s money’, which was launched in 1948 after the People’s Republic of China was established.
A brief history of the RMB

As the Chinese republic started to develop in 1949 and the early 50s, foreign currency reserves mainly came from international trade and remittances from overseas, which were both managed by the government. At that time, the value of RMB was decided by commodity prices which were high and unstable as it was just after the war, which made the RMB exchange rate also unstable.

In October 1950, the central government issued the Interim Measurement for the Allocation and Usage of Foreign Currency (《外汇分配、使用暂行办法》) as the first move towards exchange rate management. That helped to stabilize the exchange rate somewhat, but not completely. In 1955, the government pushed through monetary reform and took centralized charge of international trade. The RMB appreciated to 2.46 to the USD and stayed at this level for over 15 years. During this period, individuals could only use the RMB for trade and were not allowed to conduct foreign exchange or even hold foreign currency, as the rest was managed by the government.

The shift to a dual-exchange rate

In 1979, the State Administration of Foreign Exchange was established to take a more centralized and independent role in managing the RMB. This was complemented with new regulations issued in 1980 that lead to dual-currency approach to managing the economy and monetary system. The Interim Regulations on Foreign Exchange Control of the People’s Republic of China (《中华人民共和国外汇管理条例1980》) gave more authority to companies and individuals in managing their own foreign exchange.

The regulations allowed companies to keep a certain amount of foreign currency, but the exchange rate was set by the market and guided by the PBOC. Meanwhile, the foreign exchange systems were adjusted to better benefit foreign trade and international payments. The government used two settlement price standards: one for the official currency rate, or the previous weighted average rate and the other for foreign trade, based on the average exchange costs of import and export. The policy promoted exports, yet also complicated foreign exchange management e.g. the two ways of calculating exchange rates and the complex reserve channels.
Open policies for a more open market

In 1994, the China Foreign Exchange Center was set up in Shanghai. Similar to before, the exchange rates were market driven and regulated by the PBOC, but the platform was a central foreign exchange system for banks and companies across the country. This was accompanied by a new set of regulations to manage the exchange business which allowed individuals to hold foreign currency, and cancelled limits on frequent international transfers, enabling full convertibility of legitimate foreign exchange.

Since the currency rate reforms in 1994, the PBOC started using a single floating exchange rate system that allowed interbank foreign exchange to float at a market rate, but within the PBOC’s published weighted average market price daily.

Despite the overall macro-control of the PBOC, the market itself has become more open. At the end of 2014, foreign exchange management processes were simplified. For example, the government stopped checking every specific transaction, giving more authority and independence to exchange centers and companies. Those actions facilitated international trade/investment and have further improved RMB convertibility.

When China joined the World Trade Organization (WTO) in 2001, it opened a new chapter. China’s balance of trade created foreign exchange reserves that at one point reached USD 3.99 trillion. On the 11th August 2015, the government adjusted the foreign currency regime based on the US dollar to incorporate a ‘basket’ of currencies.

Although the policy tried to make currency rates more dependent on markets, this caused concerns for the Chinese economy, further devaluing the RMB and currencies from many emerging markets e.g. Malaysia and Russia. The government took action to control the devaluation as foreign exchange reserves dropped down to USD 2.99 billion at the end of January 2017, which was followed by a RMB that largely stabilized in 2017.

Prudent policies with the long-term goal of a free-floating RMB

For companies in China, after years of adjustment in the foreign exchange and settlement process, they currently face several challenges:

1. Strict verification for settlement
To avoid money laundering and illegal capital flight, China has imposed stricter scrutiny on certain overseas deals and has pushed banks to ensure domestic customers are pre-approved before transferring USD 5 million or more, in both dollars or RMB, out of the country. The regulation also covers RMB that is sitting in overseas accounts, which was previously left un-scrutinized by regulators.

2. Higher requirement on foreign banks
Foreign banks in China do not have as much income from domestic activity as their Chinese counterparts and often rely on overseas business to compensate, so the cross-border regulations tend to affect them more especially as they rely more and more on the cross-border business.

3. A freely floating RMB is the final goal, but still needs time
According to the ‘Impossible Trinity Theory’, a government can only control two aspects of three fundamental economic practices: a controlled foreign exchange rate, an independent monetary policy and the absence of capital controls. For years, the Chinese government chose the first two and will certainly not give up capital controls in the near-term, so it is expected that currency controls will remain stable in general with little fluctuation as it continues to increase its international RMB footprint.

However, full internationalization of the RMB is a long process. The government has been moving in that direction and has a few achievements highlighting the progress. On the 30th November 2015, the International Monetary Fund (IMF) voted the RMB to be one of the several main world currencies (US Dollar, Euro, British Pound and Japanese Yen), including the RMB into the Special Drawing Rights (SDR). In addition, the European Central Bank started replacing their dollar reserves with RMB. The German Central Bank claims that they will also include RMB in their reserves.

To further expand the RMB’s influence, the Chinese government will also need to set up more clearing houses internationally, allowing more foreign financial institutions to trade RMB. In 2016, the Bank of China New York branch was designated to be the first American RMB clearing center, bringing the number of RMB offshore clearing centers to 21. Along with the establishment of overseas settlement centers, the foreign exchange rate will eventually be fully market driven and out of the government’s control. To reach the final goal, the PBOC will broaden foreign exchange rates and interest rate controls step by step. During the process the government also will consider industrial development and employment status. RMB will finally be free floating, but certainly at its own speed, though the process will take time.

Leilei Wang graduated from the University of Southampton with a Masters degree in Accounting and Finance. She is a consultant at Kapronasia, focusing on banking, payment, and cryptocurrency research. Leilei is also the Shanghai ambassador of Women in Blockchain Asia. Kapronasia is a leading provider of research and consulting focused on Asia’s financial industry including banking, payments, capital markets, and crypto-currency.
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China’s Outbound: Investment or Internationalization?

This aspect of globalization, whether capital intense or organic growth oriented, facilitated Chinese companies to be more in touch with the foreign world, increasing their desire of having access to foreign expertise as well as products and services.

By JOSE MANUEL MATEU DE ROS

Since 2009, China’s outbound investment has been focused on large foreign investments led by big Chinese companies, both public and private. Most of the investments abroad were capital intense with diversification of their portfolios being the solely main purpose behind it. There was no specific industry focus either, but investing in industries that would benefit China’s future development; to name a few industries: raw materials, food, infrastructure, chemicals, entertainment, tourism etc.

Up to October 2017, as per the Ministry of Commerce’s figures above, one can see that non-financial outbound investment year to date was USD 86 billion. This sharp decrease from the end of 2016, where total investments went from USD 170 billion to USD 120 billion by end of 2017, was due to many factors - main driver being the stricter capital controls implemented nationwide by regulators.

The unexpected foreign acquisitions by Chinese companies in 2016 led to a considerable reduction of China’s foreign exchange reserves. This, consequently, led the depreciation of the yuan. For that reason, the 2017 foreign acquisitions were more scrutinized, encouraging those Chinese mergers and acquisitions with actual real business needs, as this would help in increasing the country’s exposure abroad as well as the internationalization of the yuan.

This trend has been tightened even further as now all transactions should be approved by the Chinese regulators when the amount exceeds USD 300 million. The reasons for this are not just to control investment flows, but also to rationalize these investments so that they are value adding to the investing company, acquired one and shareholders of both.

Therefore, the shift from a capital intense outbound investment to a more business-oriented focus that could benefit the domestic industry and consumption upgrade in China has been clearly paved as the future trend. This aspect of globalization, whether capital intense or organic growth oriented, facilitated Chinese companies to be more in touch with the foreign world, increasing their desire of having access to foreign expertise as well as products and services. This, in turn, has led the economy from a manufacturing focused one to a service focused one, shifted from a “Made in China” towards a “Made for China” sentiment, which helped increase the appetite of the local population towards foreign consumption, fomenting cross border commerce even more. Soaring demand for foreign goods triggered foreign companies to be interested in selling to the Chinese market, and what’s more – through their popular online channel.

Regulation also helped to meet this demand and one of the channels that has considerably grown to allow this is the cross-border e-commerce. With two main players in the market, Alibaba and JD.com, and many others at a smaller scale (Vip.com, Amazon.cn, etc.), not only are main tier 1 cities increasing their products offering by including many foreign brand names on their catalogues but also increasing commercial reach and capillarity by supplying these to tier 2 and 3 cities, including remote rural areas. This boost of cross border demand and supply, together with the integration of
different payment methods and improvements on the supply chain side of delivery, has led the country to have to innovate and evolve at such a fast pace, that their technological advances are not only unstoppable but admirable as well as encouraging for others to keep up - if they do not want to be left out of the race.

As the natural next step of the cycle, on the other hand, Chinese companies also wanted to expose themselves worldwide. Exposing foreign brands to Chinese technological advances and fast evolution in all types of industries has allowed them to explore at first-hand what these are, and some have even gone a step beyond, integrating them within their organization.

This phenomenon has facilitated and even accelerated the process of the internationalization of Chinese names and brands worldwide, and the example of it can be the considerable number of acquisitions in Technology, Entertainment and Tourism, three sectors with highest growth in the last decade. To name a few, Ctrip acquired Skyscanner for USD 1.7 billion in late 2016, local ride handling companies have not only acquired UBER in China in 2016, but are also expanding themselves across the globe, agreeing to buy Brazil’s main rival of UBER early this year. Other famous foreign brands that now have a Chinese owner are football clubs such AC Milan, entertainment companies such Cirque du Soleil, sports companies as Triathlon or hotel chains such Club Mediterranea. But, we may ask ourselves, how many businesses have actually managed to internationalize this way?

Three years ago, bike sharing companies such as OFO or Mobike did not exist, the ecommerce ecosystem or platform integration were being developed to meet consumers’ demands in facilitating day to day life. Yet, once tried and tested locally, why not exploit it internationally? Partnering with Chinese companies assists many entities in their digital transformation. However, on the other hand, we can see that while some of the Chinese companies are setting up teams overseas, still decisions are taken on a centralized basis in China; this lack of speed, regulation, costs, customer base and market share is hard to understand and get around, these are also hurdles on the way. Thus, the ideal internationalization is a hybrid: finding a partner abroad and conduct strategic partnerships with.

Let’s take the example of payments platforms as a good way to understand the importance of partnerships in the Chinese internationalization strategy. Millions are the Chinese that are starting to travel abroad, and millions are the ones yet to come as the country’s wealth keeps growing. By understanding Chinese consumption behaviors, one of the main objectives when travelling abroad is shopping, and for that reason many are the technological companies that want to increase their capabilities to facilitate these payments for the local Chinese in their trips abroad. As an example, three of the main payments companies in China (Union Pay, Alipay and WeChat Pay) are closely working with banks to implement in its subsidiaries of Spain, UK, Portugal, Germany and Poland the incorporation of their payment models (via QR code) within the bank’s point of sales. Only by partnering with a local Bank, these Chinese payment companies have the capability to reach millions of merchants, which in turn helps them build their brand too.

We will also see other effect in the internalization of Chinese companies. The Chinese government understood several years ago that Chinese brands were not really recognized by foreign consumers as reliable in terms of quality. ’China 2025’ governmental program is trying to enhance the ’Made in China’ brand from ’cheap’ and ’low quality’ to ‘innovative’ and ‘quality affordable’. This trend has already started; many Chinese brands are getting to be in the top of European and American consumers’ minds and today Huawei, Xiaomi or Oppo in the mobile industry are starting to compete as equals with Samsung or Apple. Even in other industries, Chinese brands are completely leading the world in terms of innovation; the example is DJI in the new but fast-growing drone business. Some others will be taking important steps in the next years to come in the automotive industry both in self driving cars and electric cars, entertainment, artificial intelligence, virtual reality and business intelligence etc. Many are yet the changes to be seen ahead.

Sources:
Financial Times (ft.com), Bloomberg (Bloomberg.com), and The New York Times (nytimes.com)
The acronym BRICS was first mentioned in 2001 in a report by an economist of Goldman Sachs. South Africa joined the club only in 2010 with the help of China including the African continent as an additional player in the emerging markets.

The acronym BRICS, which aims to represent the rise of emerging markets around the world, is synonym with the rise of the non-western world. Indeed, Brazil, Russia, India, China and South Africa are often seen as a counterweight to the G7; the man behind the acronym even predicted that the BRICS would surpass the G7 by 2035.

The bloc has started to organize itself with its first formal BRIC summit in 2008 held in Russia and since then many international forums and official gatherings by the member countries willing to advance their agenda on the global scale have followed.

Western countries have been developing fast in the 20th century and grew to become the leading economies. However, nowadays the BRICS countries should not be underestimated. They account for 43% of the global population, 26% of the world’s land coverage and hold a GDP of USD 18.5 trillion. According to IMF, they contributed 23.6% to the world economy in 2017.

**What is the current status of the BRICS and their relationship with China?**

**Brazil**

Brazil has had many internal scandals including corruption charges in the last years that led to the impeachment of the president Dilma Roussef. However, despite the political turbulence Brazil’s economy seems to be back with growth again after a recession in 2016. According to the latest report from the IMF in January 2018, the country is forecasted to expand by 1.9% in 2018.

Within BRICS, China is Brazil’s major trading partner and is seen as the big brother in the development of Brazil and Latin America in general where China wants to build itself as a trusted partner. With Russia, bilateral trade hit USD 4.3 billion in 2016 according to Brazilian government sources. With South Africa, trade has been going down from 2011 to 2016, but the launch of the free trade agreement between Mercosur and SACU (Southern African Customs Union) is aimed to boost trade between the countries. India, on the other hand has had little cooperation with Brazil as they are focusing their trade on the faster growing Mexico.

The economic outlook seems to be rather positive for Brazil. However, it may soon be caught back by its demons in the political arena. The country will hold general elections this October where the former president Luiz Inacio Lula da Silva is planning to run.

**Russia**

After disputes with the West, Russia turned its focus to the East, getting closer to China and finding new partners such as Turkey and Iran. The economy has been in a precarious situation, but the country is continuing to grow, and the IMF predicts the Russian economy to grow by 1.7% in 2018.

Being the largest country in the world with massive resources of oil, coal and natural gas, Russia has been pushing to promote economic cooperation within the BRICS and bolster the alliance. For example, it is now in discussions to establish its own gold trading system as BRICS members are all either major consumers or producers of physical gold. Moreover, the Central Bank of Russia (CBR) opened its first foreign representative office last year in Beijing for a greater cooperation between Russia and China. Finally, the CBR also started talks with BRICS nations to create a payment system that would be an alternative to the SWIFT system.

**India**

When it comes to India and China, geopolitics plays a crucial role and affects their economic and political decisions. Both countries are the main drivers of the BRICS, but also increasingly consider each other as regional competitors. Because of this constant competition, China is the only BRICS member that has not officially endorsed India to secure a membership at the UN Security Council.

However, both countries are also closely connected. On the one side, China is India’s largest trading partner, even though the trade is skewed in favor of China. In 2016, India’s trade deficit with China reached about USD 46 billion. On the other side, China strongly relies on India’s cooperation to push forward its Belt and Road Initiative.

**South Africa**

South Africa is seen as the Eldorado of natural resources. As a matter of fact, the country own vast quantities of gold, diamonds, platinum, iron ore, copper, manganese, uranium, chromium, silver, titanium and beryllium. The country is also the largest producer and consumer of energy on the African continent.

Since joining BRICS, South Africa has benefited from both trade and diplomatic ties with the other member countries. Without surprise, China is its largest trading partner and top investor particularly in infrastructure, energy, transport and banking. For example, ICBC owns a 20% stake in South Africa’s Standard Bank.

However, South Africa’s place in the BRICS could be debated. Its economy has been growing slowly at 0.9% in 2017 and the IMF expects the GDP to remain steady this year. Just recently, the president has been pushed by his own party to resign due to corruption scandals, weakening the position of South Africa within the BRICS.

**What is next for the BRICS?**

Has the BRICS lived up to the expectations from its conception? There were big plans, but relatively little results. The bloc has however managed to transform itself from a mere political association into an increasingly relevant influencer on regional and global affairs. In 2014, it set up the New Development Bank, to be an alternative to the IMF and the World Bank, with headquarters in Shanghai. It started to issue
loans last year, however its capital is still much lower than the one of the AIIB. They have also been planning to create a joint rating agency to counterweight the three globally accepted credit rating agencies S&P, Fitch and Moody’s.

The main challenge for the BRICS is their geographical and cultural differences. They have little in common aside from the fact that in 2001 they were willing to embrace globalization and were forecasted to drive high future growth. Over the years, it is clear that China has come to play a pivotal role in the development of the association. Trade between China and the other four-member countries of the BRICS accounted for 85% of total intra-BRICS trade; at the same time these countries face strong competition from the cheaper manufactured Chinese goods—leading in the past Brazil and India to address the issue at the WTO. Meanwhile, China’s economy has grown to be larger than the ones of all other members combined.

President Xi made himself a defender of globalization at Davos summit last year. And the EU and the US have been calling on China for the past years to open more its markets, however, the country’s reforms and policies have not yet shown the results hoped for. There are still many concerns for foreign companies operating in China, such as forced technology transfers and tight internet control.

The German ambassador to China, Michael Clauss, said that it was in everybody’s interest to support an open global trade system centered on a strong WTO. “Chinese investments are highly welcomed by Germany, however, it cannot continue to be a one-way street: openness on the one side and tightening market access on the other”. Indeed, European companies have not seen the same welcome in China even though the EU is China’s biggest trading partner. There is need for greater reciprocity—trade happens when both parties are willing to collaborate.

Hence, there are not many things that unite the BRICS making it difficult for them to have a common agenda and the BRICS’ future remains uncertain. Perhaps it is time to forget the BRICS? Even the inventor of the acronym has turned his attention to the new economies called “MINT”: Mexico, Indonesia, Nigeria, and Turkey—the next key emerging countries. However, the BRICS’ consumption markets have powerful potential. So, the question could be how the interplay of the key players in the alliance needs to shift. If better cooperation is institutionalized, the BRICS might come to be the relevant economic alliance in the future.

Albert Khaoutiev is a senior consultant at Morgan Philips, a French executive search firm where he looks after the finance desk. Prior to the recruitment industry, Albert worked in investment management. He has been living in China over three years and usually comments on China-related topics including economy and politics. He holds a Masters degree in international business from HULT International Business School.

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According to CEFIC, in 2016 China accounted for 39.6% of global chemical sales, or EUR 1331 billion. This compares to 15.1% of global sales for the EU area and 15.7% of global sales for the NAFTA area – or in other words, China’s share of global chemical sales is far bigger than the NAFTA and EU area combined. From a specifically German perspective, with a global chemical market share of 4.3%, Germany represents the third biggest global chemical market – but its size is not much more than one tenth of the Chinese market.

China’s chemical industry has indeed grown very rapidly in the past two decades. For example, in the period from 2006 to 2016, the growth figure was an average annual 12.4% while there was no growth in chemical production during this period in the EU area (0%) and even a slight average annual decline in the US (-0.9%). While growth has certainly slowed down somewhat in the past few years, the sales growth of most multinational chemical companies in China in 2017 will still be substantial. CEFIC forecasts that by 2030, China’s chemical market will have a share of 44%, which
implies a relatively modest annual growth rate of 4.6% - yet still a much higher value than the 2.5% annual growth predicted for the EU area during the same period.

Multinational companies nowadays are certainly aware of the importance of China, particularly as a source for future growth. However, most such companies currently achieve only about 10–15% of their global sales in China – not a small amount but far from the 40% of sales that are China’s share of the global market (and that thus would be a target value for a truly global chemical player). And even though the sales of multinationals show strong annual growth, this growth is generally below the overall market growth in China. In other words: The market share of multinational chemical companies in China is shrinking.

This may partly be because China’s chemicals market displays some characteristics which are quite different from the western markets chemical multinationals typically operate in. What are these key characteristics of the Chinese chemical industry?

### Stronger government influence

While the Chinese government occasionally issues statements assigning an increasing role to markets, the Chinese economy is much more under government control than in the West. For the chemical industry, this has two major consequences. One is the strong presence of state-owned enterprises such as Sinopec and PetroChina, particularly in the petrochemical segment. The other is the much greater amount of government planning, most visible in the detailed Five-Year-Plans for the chemical industry, which describe aspects such promoted chemical segments as well as the overall industry structure.

### Prevalence of overcapacity

For many basic organic chemicals, China has massive overcapacities. For example, adipic acid capacity rose by an annual 19% in China between 2010 and 2016 while demand only rose by an annual 14%, resulting in current operating rates below 60%. And typically for China, even in this environment there are plans to expand the existing capacity by more than 30%.

### Competition among ownership types

While the question of ownership has only a limited influence on the activities of western chemical companies, this is different in China. Foreign-owned chemical companies tend to be technology leaders specializing in high-end materials and specialties, state-owned entities focus mostly on bulk production of basic chemicals, while private companies are continuously expanding their activities and upgrading their technology. In the past decade, the ownership type has strongly correlated with market success, with private companies showing the highest...
growth and state-owned entities the lowest.

While these characteristics have been observable for a few years, there also have been some relatively recent trends strongly affecting the chemical industry:

Shift from imports to exports

In the past, China was often the default export destination for a large range of chemicals. However, as chemical companies in China build up capacity and expand their portfolios, China is increasingly becoming an exporter of chemicals. In trade with the EU region, China is already a net exporter for chemicals, but still a net importer for somewhat higher-value materials such as polymers, consumer chemicals and specialty chemicals.

Growing importance of higher-end materials

As the overall economy in China matures, the demand for high-end materials such as specialty chemicals and engineering plastics increases. While foreign companies traditionally have a strong position in these areas, increasingly private Chinese companies also become important players.

Increasing salaries

Average worker salaries in China have increased dramatically in the past decade or so and are now easily higher than in many Southeast Asian countries. To some extent, the effect of this trend on the chemical industry is lower than on more labor-intensive industries such as textiles. However, there is an indirect effect, e.g., demand for textile chemicals and textile dyes now growing more strongly in countries with low labor costs (such as Bangladesh and Vietnam) than in China itself. Even a few Chinese textile producers have shut down plants in China and opened new sites in these countries with substantially lower labor cost. In the long run, this could mean that chemical production for selected segments will also move away from China.

Localization

With the growing importance of China as a market, multinational chemical companies have realized that this market eventually mostly needs to be served via local production. This localization process is ongoing and includes more and more functions, including those (such as research) initially still mainly kept abroad.

Tightening environmental regulation

This is very likely the most important trend in China’s chemical industry in the past two years or so. President Xi Jinping has made environmental protection one of his top three priorities, and in contrast to previous such statements, this time there is a strong focus on implementation. This development not likely to be reversed, even though some Chinese experts estimate that the campaign has decreased GDP growth in 2017 by 0.2%. It is therefore worthwhile for companies with chemical production in China – and for those doing business with them – to examine their direct and indirect consequences.
• First of all, the environmental inspections have led and will lead to short-term production stops. In the past, about 40% of all companies inspected were affected by such stops, which typically lasted two to four weeks. Generally, the polluting companies have to choose between upgrading their equipment to meet the environmental requirements and stopping production altogether. Even companies not affected by these stops directly may be affected indirectly through their supply chain.

• Second, much longer production stops may result as a consequence of chemical companies being forced to relocate. Broadly speaking, the government wants to relocate all production of toxic chemicals into dedicated industrial parks. The timeframe depends on plant size. Small and mid-sized chemical plants (with up to about 1,000 employees and up to about EUR 50 million of annual sales) need to start relocation in 2018 and have the relocation completed by 2020.

• Third, it will take much longer to get permissions for new plants. A big and well connected local chemical company told the author that instead of the previous six months, the local authorities would now take about 18 months to give such a permission, primarily as the environmental due diligence will become more important in the approval process. As a consequence, markets for individual chemicals will take more time to adapt to demand increases.

• Fourth, production costs will increase. Some examples of such cost increases include higher costs for water treatment, higher costs for raw materials, the imposition of the newly introduced environmental tax, and higher transportation costs due to tightened regulation.

In the longer term, the aspects listed above will also have an impact on the overall structure of the chemical industry – an effect that is quite appreciated by the government and the bigger players. Many specialty chemicals segments in China are very fragmented and suffer from overcapacity. The tightened environmental regulation will lead to industry consolidation as the weakest and smallest players will not be able to afford the necessary production upgrades. This will also lead to a reduction in overall capacity along with the improvement in technological level.

Generally, the tightened environmental regulation will help bigger and technologically more advanced players. Indeed, these companies may benefit from higher prices as excess capacity is eliminated. This is good news for foreign players in China as they tend to have both a bigger, average size and better technology, particularly regarding emission control. In addition, the stricter implementation of regulation for all types of companies – whether foreign owned or local – corrects the previous trend of tighter control of foreign-owned ventures.

How should western companies react? For companies producing in China, the key question is whether they are already located inside a chemical park or not. In the latter case, there will be intense pressure to relocate quickly. And of course, even inside a chemical park, they will need to strictly adhere to mandated emission control, though for most foreign companies, this is a given already.

A second focus should be on securing the supply chain. In particular, the reliance on small players with limited resources may not be advisable, as these companies are the most likely to be forced into production stops. Instead, western companies sourcing from China should continuously evaluate their domestic suppliers and focus on those which have sound environmental policies in place.

In the last two years it has become evident that the Chinese government is serious about environmental protection. If western chemical companies deal with this new situation proactively, they may benefit because it represents a shift towards a more equal playing field between foreign and domestic chemical producers in China.

Dr. Kai Pflug is the owner of Management Consulting – Chemicals (www.mc-chemicals.com), a consulting company focusing on the chemical industry in China. His clients have included most multinational and many domestic chemical companies in almost all segments of the industry. He has been based in Shanghai for the last 15 years, and published almost 200 papers on various aspects of the chemical industry. He also runs a LinkedIn group covering the chemical industry in China. He can be reached at kai.pflug@gmail.com
Legal Update
China Sets New Rules for Outbound Investments

By DR. CHRISTOPH SCHROEDER

Introduction

The 15 years from 2002 to 2016 have seen a rapid and continuous growth of outbound investments by Chinese companies, starting with a total value of less than USD 3 billion and reaching USD 170 billion at the end. In 2014, that figure even surpassed for the first time the total value of inbound investments, which had been the predominant direction of investments for decades before. Another obvious sign of the increasing significance of outbound investments were the growing number of large transactions. In 2016, Chinese buyers even inked three deals in Germany with a value of EUR 1 billion or more, which had been very rare until then: Midea Group Co., Ltd.’s takeover of the majority of KUKA AG’s shares, Beijing Enterprises Holdings Limited’s investment in EEW Energy from Waste GmbH and China National Chemical Corporation’s acquisition of KraussMaffei Technologies GmbH.

In 2017, however, for the first time at least since 2002, the total value of Chinese outbound investments decreased. Likewise, the number and value of outbound M&A transactions slumped sharply. Both developments, the steady growth until 2016 and its sudden interruption in 2017, were largely influenced by the Chinese government, namely by the ‘go global’ strategy that encourages Chinese enterprises to make overseas investments on the one hand and by the restrictions to the outflow of foreign exchange on the other hand.

Against this background, it is worthwhile taking a look at the new rules on outbound investment set by the National Development and Reform Commission (NDRC), one of China’s key regulators of outbound investment: The Measures for the Administration of Overseas Investment by Enterprises (New Measures) were issued on 26 December 2017 and became effective on 1 March 2018. The New Measures clarify that they apply to outbound investments by both non-financial and financial enterprises. Under the Previous Measures, the NDRC only had to be involved in indirect investment situations if the domestic entity involved in the deal to know when the NDRC process should be started and how the process should be reflected in the transaction documents. In this connection, dealmakers must bear in mind that the NDRC is not the only Chinese authority controlling outbound investments. Rather, several other domestic regulators may need to be involved, which should be checked at an early stage of the investment. For example, the project must be filed with, or obtain approval from, the Ministry of Commerce (MOFCOM) if it comes under the scope of the MOFCOM regime. At the payment stage, a registration with the State Administration of Foreign Exchange (SAFE) must be done by the bank that has been instructed to handle the transfer of the foreign exchange funds. If the investor is a state-owned enterprise, it needs to obtain an approval by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). Listed companies may require an approval by the China Securities Regulatory Commission (CSRC). The investor might need to comply with additional rules, especially industry-specific rules.

Highlights of the New Measures

In the following, highlights of the New Measures will be addressed:

a) Expansion of the scope of investment projects

The New Measures expand the scope of the investment projects which the NDRC needs to review.

This particularly applies to indirect investments: Whereas investments made directly by an enterprise incorporated in China are captured by both the previous and the new law, there will be a change regarding situations in which the investment is made by an offshore enterprise. Under the Previous Measures, the NDRC only had to be involved in indirect investment situations if the domestic entity carried out the outbound investment through its offshore entity by way of providing funds or a guarantee or other means. This is no longer the relevant test. Rather, the NDRC seeks to close loopholes by determining that the New Measures apply to any investment by an offshore enterprise controlled by a domestic entity. “Control” is defined as directly or indirectly holding more than half of the voting rights of an enterprise or the capability of directing important matters such as operation, finance, personnel, or technology of the enterprise. Checking whether a company holds more than half of the voting rights is rather straightforward. But the capability of directing important matters of an enterprise might prove to be more difficult. It is easy to imagine that this criterion will cause some debate between the NDRC and lawyers of discussions. Whereas one side might argue that the law governing the relevant offshore entity should apply, the other side may prefer checking whether the domestic enterprise is in fact capable of directing important matters.

The New Measures clarify that they apply to outbound investments by both non-financial and financial enterprises. Under the Previous Measures, it was questionable whether outbound investments of financial institutions were to be controlled by the NDRC.
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As usual in Chinese law, also the New Measures essentially consider Hong Kong, Macao and Taiwan as “offshore”, which means that, for example, investments in Hong Kong by a domestic company or offshore investments through an enterprise in Hong Kong controlled by the domestic company are subject to NDRC scrutiny.

b) Expansion of the scope of sensitive projects

Like the previous regime, the new law provides that sensitive projects require an approval by the NDRC – rather than a filing – and that a project is sensitive if it involves either a sensitive country/region or a sensitive industry. However, the New Measures contain more detailed definitions of these terms and also give the NDRC more discretion in determining whether a project must be regarded as sensitive:

The term "sensitive countries/regions" is now defined as country/region (1) without diplomatic relations with China; (2) in war or civil disturbance; (3) in which enterprises are restricted from investment under any international treaty or agreement, among others, concluded or acceded to by China; or (4) any other sensitive country/region.

The following are sensitive industries according to the New Measures: (1) research, production or maintenance of arms; (2) exploitation or utilization of cross-border water resources; (3) news media; or (4) an industry in which outbound investment needs to be restricted according to China’s laws, regulations and control policies.

The New Measures stipulate that the NDRC shall publish a catalogue of sensitive industries. On 11 February 2018, the NDRC released the Catalogue of Sensitive Industries for Outbound Investments (2018 Edition) (Catalogue). Like the New Measures, it became effective on 1 March 2018. The Catalogue repeats the industries which the New Measures have already determined as sensitive – see items no. (1) to (3) above. Besides, it lists the following industries: real estate, hotels, cinemas, entertainment, sports clubs and the overseas establishment of equity investment funds or investment platforms without a specific business project. This list, as the Catalogue explicitly states, is taken from the Notice on Further Guiding and Regulating the Directions of Outbound Investment issued jointly by NDRC, MOFCOM, the People’s Bank of China (PBOC) and the Ministry of Foreign Affairs (MFA) on 4 August 2017. The name of the Catalogue, which contains the addition “(2018 Edition)”, suggests that the NDRC plans to update it from time to time. Whether there will be a new edition every year or less (or more) frequently, remains unclear as the Catalogue itself and the notice by which it was promulgated are silent on the expiry of the Catalogue.

The Catalogue, together with the catch-all provisions in items no. (4) of the New Measures relating to sensitive countries/regions and to sensitive industries, respectively (see above), willgrant the Chinese government and in particular the NDRC increased flexibility in controlling outbound investments without amending the New Measures.

c) Streamlining the procedure

A number of changes brought about by the New Measures relate to the procedure the Chinese investor must go through. Major issues in this respect are (1) the action that is required to be taken by the investor – in particular: obtaining approval or completion of filing, (2) the competent authority – NDRC or its local counterpart and (3) the processing time. These issues depend on the type of the entity that intends to make the investment, whether or not the project is sensitive and whether the investment amount is below USD 300 million. The details will not be described here in more depth.

Rather, it is worth noting that the New Measures have abolished the "small road-pass" regime. This refers to a requirement of the Previous Measures: Where an investment amounting to USD 300 million or more was to be carried out by way of an acquisition or a competitive bidding, the Chinese investor had to submit a project information report to the NDRC before making binding declarations. Commonly, the purpose of this formality was described as to prevent Chinese bidders from competing against each other. Others say it had been introduced to choose the Chinese bidder that is best placed to carry out the transaction. However, reportedly, there have been cases where multiple Chinese bidders were granted "small road-passes" for the same project. In any event, the uncertainty and the government interference connected with the requirement of the project information report has proven to be a disadvantage for Chinese bidders. And that is likely to be the reason for the NDRC to have waived the "small road-pass".

The New Measures have a simpler answer to the question by what time the investor must have completed the NDRC procedure, i.e. when the investor must have obtained the approval or the filing notice. The rules explicitly state that this must be done before implementing the project, which means before contributing assets or interests or providing finance or security. Under the Previous Measures, the investor needed to complete the procedure before signing legally binding documents or make the completion of the procedure a condition for the “effectiveness” of the signed documents. There used to be some uncertainty as to whether such a condition referred to the effectiveness of the contract (as the literal interpretation suggests) or was rather meant to be a closing condition. To see it as a closing condition seemed to be the most common approach under the Previous Measures, and that will be the standard of practice now.

Conclusion

The New Measures simplify the process a Chinese investor must go through and clarify several of the previous uncertainties. This will certainly help Chinese companies, especially when they need to follow a rather tight schedule, for example in a bidding process for the sale of the overseas target company.

But the NDRC will also gain more control over outbound investments, namely because more types of indirect investments come under the scope of the New Measures and there is a wider variety of sensitive projects. Like under the previous rules, parties of outbound investments are well advised to check the New Measures at an early stage of the transaction. However, parties of outbound investments are well advised to check the New Measures at an early stage of the transaction, to adequately reflect them in the transaction documents and to bear them in mind as the transaction proceeds.

Dr. Christoph Schroeder is Partner at CMS, China. He specializes in advising Chinese companies regarding outbound investments. Ranked as a Top 10 Global Law Firm, CMS can provide a full range of legal and tax service in 42 countries with 74 offices. Together with 4,500 CMS lawyers worldwide, CMS China (Shanghai, Beijing and Hong Kong) offers business-focused advice tailored to your needs.

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China's economy grew stronger in 2017 with a GDP growth rate of 6.9%, accelerating for the first time in seven years. The strong growth figures were driven by traditional growth drivers such as government spending on construction and infrastructure projects as well as increased exports due to a recovering global economy. However, amid efforts to rein in the rising debt burden, cool down the property market and clamp down on pollution, many experts expect a slight cooling of the economy in 2018.

A look back: Overall strong growth in 2017

Despite widespread forecasts of an eventual slowdown, China's economy grew strong in 2017. China's GDP growth rate 2017 reached 6.9%, 0.2 percentage points (p.p.) above last year's growth rate and well above the defined annual growth target of 6.5%. However, particularly in the first nine months, the speedy growth was driven by traditional growth drivers: While a recovering global economy has helped China's exporters, a main reason for the strong growth numbers was increased industrial activity. Coal miners and metal makers increased production as commodity prices rose—a result of government-mandated capacity cuts that led to closures of many private companies. Furthermore, still-solid demand from real-estate developers has lifted profits in the manufacturing sector. According to the Wall Street Journal, China's increased output was largely driven by state-owned companies, whose profits surged by 15.2% last year.

Slight downturn in Q4 2017 amid financial deleveraging, but momentum remains solid

Once China's twice-a-decade Communist Party congress was successfully completed on 24 October, the world's second largest economy started to show some signs of moderation – a sign that Beijing is turning away from quantitative growth targets, and instead taking stronger action to rein in excess borrowing and focusing on efficiency. Major economic indicators slowed down in the fourth quarter of 2017. Fixed Asset Investment grew 7.2% from a year earlier – representing the slowest pace since 1999, according to Reuters. December's Industrial Output outperformed the growth rate of the preceding month by 0.1 p.p., however the figures show a declining trend since the fourth quarter 2017. Moreover, after a surge of foreign trade figures throughout last year, China's exports and imports cooled down in December 2017, with exports growing at 10.9%, 1.4 p.p. down from the previous month, and imports growing at only 4.5%, a slowdown of 13.2 p.p. compared to the November boom.

Outlook: China's leadership to focus on the long term

With its ongoing persistent growth, China is likely to achieve its target of doubling GDP and per capita income by 2020 from 2010
— a target set six years ago by former China President Hu Jintao. At last year’s 19th party congress however, Xi did not explicitly mention this old growth pledge, neither did he make any announcement about new long-term economic growth targets. Instead he replaced the quantitative growth target by a vaguer commitment of building a “moderately prosperous society” by 2020, envisioning China as a modern socialist country by 2035, while committing to cement China’s existing system – the so-called “Socialism with Chinese characteristics”. This shift away from ambitious long-term growth targets indicates a focus on quality of economic growth, not quantity. In fact, sustained high growth that the Middle Kingdom experienced last year, could give China’s policymakers more confidence in tackling major long-standing issues, such as reducing the risk of a rapid build-up of debt produced by years of credit fueled growth, taming financial risk and the property sector, and cracking down on pollution. What has happened so far?

China’s deleveraging

China’s debt has picked up sharply since the recent global financial crisis. According to the Bank for International Settlement (BIS), total non-financial sector debt—which includes household, corporate and government debt—reached 257 percent of GDP in the second quarter of 2017. A recent report from the IMF stated that it expects China’s debt burden to continue to rise strongly, reaching almost 300 percent of GDP by 2022. In order to conduct a gradual deleveraging in the financial sector, Chinese authorities already started to tighten their monetary stance. Accordingly, market interest rates such as China’s sovereign bond yields have picked up together with interbank lending rates. The latest increase in interbank rates happened right after the US Federal Reserve increased rates at its final meeting 2017. China’s central bank, the PBoC (People’s Bank of China) followed, raising two key short-term interest rates by 0.05 p.p. each – the seven-day reverse repurchase rate rising to 2.5% and the 28-day reverse repurchase rate to 2.8% – representing the third rise in repos last year. As China’s market interest rates rise, companies and households face higher borrowing costs.

Reining in the overheated property market

Government measures to cool hot housing prices are also expected to start affecting the overheated property sector. Higher mortgage rates have already shown some effect, with property investment cooling, growing at 7% in January to December 2017, down 0.5 p.p. compared to the first 11 months. Moreover, ongoing housing purchase restrictions in many large cities, such as higher downpayment requirements and restrictions on buying second homes, are expected to continue to weigh on the housing sales growth and housing prices. According to Reuters calculations, price growth in China’s housing market more than halved in 2017.

Crackdown on pollution

China’s astonishing economic growth over the last few decades was achieved at the cost of smoggy skies, polluted water and massive waste production. To address these issues, China is undertaking its strongest environmental push, significantly increasing the enforcement of environmental rules in order to reduce pollution. The pollution crackdown overlaps with the need to rein in excess output of steel, aluminum and other basic materials. The Middle Kingdom is sending troops of inspectors to steel mills, aluminum smelters, coal companies and other manufacturing units throughout the country, ordering them to sharply reduce output or shut down in order to enhance its pollution problem. Moreover, China’s Ministry of Environmental Protection is launching a winter-campaign lasting from October 2017 to March 2018 in 28 northern smog prone Chinese cities, ordering them to reduce industrial activity in the attempt to cut the average concentration of PM2.5 particles by 15 percent per year on year. According to the Ministry a total of 62,000 factories were penalized between April and November 2017. Furthermore, a recently published report from Greenpeace East Asia states that the PM2.5 concentration in the affected northern region dropped by 33% during the last quarter of 2017.

Opportunities in a changing Chinese economy

China’s ongoing transition to a consumer driven economy as well as its ambition to become an innovation leader are creating opportunities in new sectors and growth in a changing Chinese economy. Specifically, three factors can be identified as major driving forces: consumer spending growth, investments in technological innovation, as well as investments in health care and the environment. China’s services sector accounts for over half of the country’s economy and continues to report robust growth, with an 8% growth rate. As Chinese consumer spending is steadily on the rise, sectors in the retail, travel and tourism industry are growing. Moreover, the high-end manufacturing industry is expected to further benefit from China’s ambition to upgrade its industrial ecosystem. According to a recent report from Morgan Stanley, the International Federation of Robotics has estimated 21% average annual growth for robots in the Chinese market from 2017 through 2019. Besides, China is the world’s largest market for electric vehicles and strong demand is expected to persist, according to UBS estimates. Furthermore, manufacturers for testing equipment for air and food quality are likely to benefit, with food safety and environmental improvement becoming top priorities of the Chinese government.

Josipa Markovic is the economic analyst at the German Chamber of Commerce Shanghai. For all economic updates and information about surveys published by the German Chamber of Commerce, she can be reached at markovic.josipa@sh.china.ahk.de
Why Many German Companies Still Struggle with WeChat

By STEPHAN MAYER

With more than a billion registered accounts and 963 million active users, WeChat is China’s most important social network. A growing number of German companies have been using WeChat in order to popularize their business among Chinese netizens. Despite the growing number of features available for businesses, there are still many obstacles for German companies.

To ensure social media marketing success, companies need extraordinary concepts and ideas. This is particularly true for the ever-changing Chinese market, where customers often have significantly different expectations than their counterparts in the West.

For more than three years, WeChat has been the most powerful online marketing tool for German companies in China. There is no better way to reach out to suppliers, potential employees, or clients. Roughly 768 million netizens log into WeChat every day and spend about 40 minutes on average chatting, viewing moments, and using WeChat’s many features. 200 million users take advantage of the popular payment system WeChat Wallet.

Subscription vs. Service Account: Which one is more suitable?

WeChat offers companies the opportunity to present themselves through “official accounts”. Official means that a Chinese business license is needed in order to apply. From the various types of official accounts, subscription (订阅号 – dìng yuè hào) and service accounts (服务号 – fú wù hào) are the most common ones. Companies may use corporate accounts (企业号 – qīng yè hào) for internal communication.

Subscription accounts are most useful for B2B companies that are new to the Chinese market and primarily want to brand themselves through a large quantity of news content. Service accounts allow companies to offer more features to WeChat users through APIs. They allow for instance to add a payment option or a database containing a list of products or services. Unaware of the differences however, a lot of German companies still struggle with the decision making.

APIs and H5 pages offer a wide range of benefits

Companies use APIs in various ways: Lufthansa provides WeChat users with flight plans and a booking system, the famous Bavarian-style Paulaner restaurant allows people to book tables online, order food and provide discounts. B2B companies such as BASF have integrated recruitment portals. Others use APIs to illustrate and animate production processes or give other insights into their company structure.

Another useful feature for both B2B and B2C companies are H5 pages. H5 pages are HTML5 based websites integrated into official accounts, which can be added to service or service accounts. They can be used to promote internal and external events, such as trade fairs, conferences, and road shows. Many of the H5 campaigns contain contact or application forms, animated graphs, and sound. Third-party monitoring software helps businesses to track the performance of campaigns. It collects the number of views, shares and in rare cases also user IDs.

Registration and setup frequently pose problems

Even registration and setup of an official account frequently pose significant obstacles for German SMEs. In order to open an official account, a company needs to provide a business license. It takes up to ten working days until Tencent approves an account opening request. To attract potential clients to the business an additional verification is recommended. In order to be verified, companies need to submit a certain number of additional documents to Tencent and pay RMB 300.
At the end, it all comes down to localized, high-quality content. Marketing campaigns that work out effortlessly with German or American clients can often not directly be transferred to the Chinese market. German products enjoy a premium image among Chinese and customers, who are often ready to pay much higher prices for them than for domestic brands.

This, however, comes with significantly higher expectations in terms of quality and after-sales service. If companies fail to satisfy customers, they may face serious consequences. Volkswagen, for instance, has been struggling for years with a gearbox problem and most recently a faulty fuel pump. For small brands that are new to the Chinese market and have little budget, negative comments on social media are even harder to overcome than for the large multinationals.

**Brand names should not disappoint WeChat users**

Companies often struggle with the inadequate Chinese translation of their brand names. BMW and Knorr offer successful examples. They call themselves 宝马 (bǎo mǎ) ‘female horse stuffed with wax’. Later these were changed in favor of more suitable names. Companies should ensure the brand name to have a positive connotation not only in Mandarin, but also in other major dialects.

Businesses should also pay attention to writing their welcome message, which WeChat users receive once they start following an official account. Paulaner says: “Finally you are here! Embark on a journey of German high-end food and beer art. We are the beer lovers’ dream right in front of your eyes. Paulaner provides you with a menu filled with traditional Bavarian cuisine, international dishes and current food trends.” It is best to include phone number and office hours there so that potential clients will find it easier to engage.

**How companies build up a solid follower and customer base**

Once the account is set up, it is important for companies to frequently post messages tailored to their target audience. Companies should have detailed knowledge about when potential clients are most active on WeChat and most willing to engage and purchase. Different audiences may be active during different times of the day making it crucial to thoroughly track customer behavior before developing large-scale campaigns.

Another important factor is Key Opinion Leaders (KOLS). Depending on their industry, companies should partner with singers, filmmakers, but also professors, bloggers or architects that have a large follower base on social networks. KOLS can be useful to spread a positive brand image among the company’s target audience. Many businesses, however, still fail to develop a comprehensive strategy risking the loss of significant amounts of money and finding it hard to build up a solid follower and customer base.

**Montblanc succeeds with Hugh Jackman and customizable pens**

Companies with large marketing budgets can boast successful campaigns: Montblanc, a German manufacturer of luxury writing instruments, watches and jewelry, impressed WeChat users with a very unique campaign last year when raising awareness of its more than hundred years of corporate history. The campaign allowed consumers to retrace and become familiar with the products and gain a thorough understanding of what has turned Montblanc into a luxury brand.

For its campaign, Montblanc successfully reached out to the famous Australian actor Hugh Jackman. On the company’s corporate WeChat accounts, users could find a letter written in Chinese characters stating: “Art cannot change the world, but it can change the way people think – and people can change the world.” The second part of the campaign focused on the ability to provide consumers with a valuable brand experience. Users had the opportunity to customize a Montblanc pen by choosing its color. After this, they were encouraged to share their experience on WeChat.

**How to be Successful with a Limited Budget**

Even companies with a limited marketing budget can reach out successfully to their Chinese target audience. Following months of consideration, ROI Management Consultants opened an Official WeChat Account in June 2017. On October 2017, at the China Industry 4.0 Awards ceremony held in Shanghai, the Munich-based company asked Sinophilia Consulting Ltd. to create a quiz where participants were asked to answer questions about the implementation of Industry 4.0 mechanisms in their companies. Those, who shared the quiz on their ‘Moments’, were eligible to win a high-quality Raumfeld sound system.

Upon launching its WeChat account, ROI decided to create an editorial plan, which stipulated number and content of the articles for the months prior to the China Industry 4.0 Awards. In order to boost traffic, content was shared into groups and through private accounts. Within less than four months, the number of views per article increased from 22 to 255.

**Conclusion: German companies should make WeChat a top priority**

For almost all German companies, WeChat marketing is now a necessity. Not being on WeChat means essentially not being visible for a very large proportion of Chinese netizens and as consequence losing marketing share to competitors. Many German companies, however, still fail to see this problem. Gao Xin, General Manager of the headhunting company Asia Solution, that specializes on small and medium-sized German B2B companies, says that merely 20 to 30 per cent of his client companies have WeChat accounts. Companies, which want to be successful on WeChat, need to have a well-thought-out marketing strategy. They need to allocate financial and human resources efficiently and for many companies it may be worth considering KOLS in order to boost the popularity of their brands.

**Stephan Mayer** is a social media expert and founder of Sinophilia Consulting Ltd. a rapidly growing agency with staff in three countries and two continents. He helps German and other foreign companies with online marketing in China. His clients include Messe Munich, Schaper & Brümmer, Voxeljet and Bertelsmann Foundation. Founded in 2012, his blog is one of the most influential German resources about Online Marketing in China.
Shanghai Wants to Strengthen its Position as China’s Leading Spot for Foreign-funded R&D Centers

On October 2017, the Shanghai Municipality published the several opinions on Further Supporting Foreign-Invested Research and Development (hereinafter “R&D” in short) Centers to Participate in Shanghai’s Construction of Science and Technology Innovation Center with Global Influence (Hu Fu Fa [2017] No. 79). For this purpose, Shanghai has already issued many regulations in different aspects, for example the Implementation of Accelerates the Land Planning Policy regarding the Construction of Science and Technology Innovation Center with Global Influence (Hu Fu Ban [2017] No. 69) that refers to Land-using and Opinions on Encouraging Development of Foreign-funded R&D Centers since 2012.

R&D activities are strongly encouraged in China with preferential tax policies like super deduction of research and development expenses. Being recognized as high-tech company, their income shall be subject to enterprise income tax based on the preferential tax rate of 15%. For R&D Centers, VAT shall be fully refundable for imported and purchased equipment. Besides, Shanghai has introduced the land purpose as R&D in 2013 which is unique in China in response to the conflict between the existing classified land management practices by purpose and the new economic development. The R&D land belongs to the industrial land but has a higher building bulk volume and lower price than commercial land. Concerning this topic in 2016 and 2017 different regulations were published.

With these measures, Shanghai has already played an outstanding role in China. Up to August 2017, there are already 416 foreign-funded R&D Centers in Shanghai, accounting for 1/4 of the total number in the Mainland and ranking first in the People’s Republic of China. Among the 416 R&D Centers in Shanghai there are 20 that invested over USD 10 million. Besides, the innovation achievements of these R&D Centers are remarkable. With publication of Hu Fu Fa [2017] No. 79, Shanghai wants to turn himself into an even better center for technology and innovation by promising to take a couple of support policies for R&D Centers in the future. In the following we will only focus on some main aspects:

Providing subsidies

Shanghai plans to offer subsidies and better access to government-led projects for foreign research and development centers. The local government plans to give start-up subsidy of RMB 5 million and 30% of their rental for three years as long as their office areas do not exceed 1000 square meters and the rental per square meter does not exceed eight yuan per day. Presupposed that the R&D Centers have more than 100 researchers and an independent legal person capacity. Besides they support smaller R&Ds at establishing an "open innovation ecosystem" by connecting micro-, small- and medium sized enterprises with transnational corporations. To an open innovation platform established in a district they plan to give subsidies for the rent.

Improve the subsidy policy for patents

Concerning to the Opinions each patent authorized through the International Patent System PCT will be subsidized with a total amount of up to RMB 250,000, while the subsidy amount will be not more than 50,000 yuan for each country. In addition, for each authorized top-quality domestic invention patent can be given a subsidy of up to 15,000 yuan.

Encouraging R&D centers to participate in government-planned projects

In Section 6 of the Opinions Shanghai Municipality demands that “efforts shall be made to attract science and technology personnel of foreign-funded R&D Centers to join the expert tank for government-planned projects”. This shall happen for example through the Information Management Platform for Science and Technology Input with Shanghai Finance, which is a government-planned expert database. As well, foreign-funded R&D shall be encouraged to send their innovation achievements to service platforms, such as the National Eastern Tech-Transfer Center.
Strengthen the Protection of Intellectual Property

Shanghai Municipal promised that they will make effort to explore the development of one-stop comprehensive service with an integration of patent examination. They try to provide rapid confirmation of rights and rapid rights protection by giving priority in patent examination through channels such as the China Intellectual Property Protection Center. They want to enforce administrative law and judicial protection with increasing efforts of punishment on infringement and unlawful acts. Furthermore, they plan to strengthen the organization of facilities protecting Intellectual Property Rights. Because the protection of Intellectual Property rights was one of the biggest concerns for German Companies in the past, these announcing can be a move to the right direction. Concerning to the Business Confidence Survey 2016 of the German Chamber of Commerce, 63% of respondents indicated “intellectual property concerns” as a key reason for not engaging in R&D in China. In 2017, 68.3% more respondents indicated IP concerns as a key reason for not engaging in R&D.

Simplifying entry and exit policy

In order to turn Shanghai into a center for scientific and technological innovation the personal of foreign-funded R&D centers may obtain some advantages in terms of exit-entry permits. Chinese national talents applying for exit-entry permits to Hong Kong, Macao, Taiwan or abroad will meet the same visa validity periods as foreign talents. Moreover, for foreign talents it is possible to issue long-term (five years to ten years) multi-visit visa.

Outlook

These measures head for the right direction and are welcomed by German companies, as the innovation is often the core competence of German companies. It remains to be seen whether to these opinions/measures will follow concrete acts and regulations on the part of the Shanghai Municipal. German companies are concerned about this topic. In reference to the Business Confidence Survey 2017/18 of the German Chamber of Commerce, more than 40% of German companies have conducted R&D in China, however among the other 60%, 75.2% do not plan to establish R&D activities in China within the next two years. As there are still existing doubts in local IP right application and protection and technology transfer, the Shanghai Municipal plans to act against them, and GIC will continually follow up this topic.

Sources:
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Yu Rong is the Head of the Legal & Investment Department of the GIC in Shanghai.
Zhang Fan is a Project Manager of the Department.
Stefan Gigl is a German Rechtsreferendar and doing his optional stage at GIC.
Growing CSR in China

The First Corporate Social Responsibility Index for Chinese Listed Companies

By OLIVER RUI

Corporate Social Responsibility is a bit like broccoli – everyone knows its health benefits, but it still takes willpower to choose it over a slice of chocolate cake. While most large companies in developed countries have incorporated CSR practices into their strategies, it’s not yet a staple for many Chinese companies – though it should be. Besides contributing to social well-being, good CSR practices signal good governance, which usually means a healthy balance sheet as well.

This is why the author created the first Corporate Social Responsibility Index for Chinese Listed Companies. It is the first index that ranks them based on their CSR efforts and the impact they’ve had. For companies, the Index is a bit like a fitness tracker for corporate benchmarking that helps nudge them into improving their CSR practices. It’s also an important tool for investors, who need both financial and non-financial information when analyzing and evaluating listed companies.

The Index evaluates three areas of CSR practices: Environment, Society and Governance, using a measurement matrix in line with established international standards. Western companies listed in the US and Europe regularly release reports on their CSR efforts, therefore our Chinese Index relies on data from digital CSR reports and annual reports published by A-share companies listed on the Shanghai and Shenzhen stock exchanges. This inaugural Index used the companies’ CSR reports for 2016 that they published between January and May 2017.

Before discussing the challenges faced in compiling the Index and some of the findings, the author wanted to first recognize the companies that topped the rankings. Shenzhen-based telecommunications equipment and network company ZTE was number one, followed by the consumer electronics manufacturer TCL, China’s largest construction and real estate conglomerate CSCEC (Chinese State Construction Engineering Corporation), its largest joint-stock port operator SIPG (Shanghai International Port Group), and state-owned telecommunications operator China Unicom. The others from six to ten are Grandblue Environment, SAIC Motor, BOE Technology Group, Weichai Power Co., and Shanghai Fosun Pharmaceutical.

The entire 2017 China CSR Index comprises 50 companies – yet at the end of 2016 there were a combined total of 3,052 A-share companies listed on the Shanghai and Shenzhen stock exchanges. So why did so few companies make the Index? For starters, only a quarter of all A-share companies disclosed their CSR reports last year; among those who did, many were not that detailed and lacked the data we required. CSR is about more than just donating to charity and trying to conserve natural resources. According to international best practices, company CSR reports should also include disclosures of company operation and management, product quality and innovation, responsibility to employees, and diversity, all of which our Index analyzes.

Since the Chinese listed companies have such an overall low rate of disclosure, when launching the Index, the authors thought it would be better to start by publishing the top 50. This takes Chinese culture into consideration – if a best-to-last ranking of the 792 companies who disclosed at least some information was published, the ones at the bottom would lose face. Instead of motivating them to improve their CSR practices, it would make them more likely to stop reporting their information altogether in order to avoid another low ranking. We want to encourage disclosure, not stifle it, and we hope companies will strive to be included on the Index.

The industry with the highest level of disclosure was finance – it was found that 87% of the listed companies in this sector published an annual CSR report in 2016. This can be explained by the fact that financial companies are subject to higher regulatory standards, and are more conscious of the need to maintain their reputations. Across all industries, state-owned enterprises (SOEs) had the highest rate of disclosure – of the 792 companies that published an annual CSR report in 2016, 60.10% were SOEs; 34.72% were private listed companies and 4.29% were Chinese-foreign joint ventures (0.88% did not fall into one of those three categories).

How a company can improve its CSR practices varies by company and industry. The best place to start is to look at improvements related to a company’s industry – for example a mining company should focus on anti-pollution efforts and a service industry company should focus on its employees.

Looking at the data from the Chinese companies who released CSR reports in 2016, it seems some areas where most companies could use some improvement. One is Product Quality and Innovation, which includes patents, R&D expenditures and proportion of R&D personnel. The companies we had data for filed an average of 108.31 patents in 2016.
In December 2017, Ma announced an RMB 10 billion Alibaba Poverty Relief Fund that would be used to promote “positive social change and improve the lives of people in China”, according to a company press release.

Based on the data collected for the Index from the Chinese listed companies, the author also observed some positive trends in overall CSR practices. In 2006, only 19 Chinese listed companies released an annual CSR report, last year 792 did. The amount of information contained in the reports is growing. Though most are still less than ten pages, the proportion of reports longer than 20 pages has been gradually increasing.

It’s our hope that by showcasing the companies who are leaders in practicing good CSR, our Corporate Social Responsibility Index for Chinese Listed Companies will motivate more entrepreneurs and enterprises to do so as well. Good CSR practices are essential for good governance. Disclosing this information is good for a company’s image with both investors and customers, and it will improve resource allocation and social welfare across China, but ultimately it is the Chinese companies themselves who have the most to gain.

Then there is China’s philanthropy gap. The ranks of China’s billionaires grew by 101 in 2016, more than any other country, according to a PWC/UBS report, which noted that there were totally 318 billionaires in China that year. Yet China ranks 138th out of 145 countries on the 2017 CAF World Giving Index which measures the percentage of a population that engages in charitable giving and volunteer work, as well as how willing people are to help strangers.

Looking at the Social Contributions and Charity that was reported by Chinese companies in 2016 CSR reports, 760 companies made an average donation of RMB 5.68 million, but the median amount was only RMB 415,000. While 115 companies donated over RMB 5 million, over half of the companies donated less than RMB 500,000. There are several reasons for this philanthropy gap. Most of the wealthy entrepreneurs in China are still young compared to their western counterparts; they are in their forties and fifties and have not yet begun thinking about philanthropic activities. There are not yet Chinese equivalents of the Bertelsmann Foundation or the Robert Bosch Foundation that have been in place for generations. China has lacked a regulatory infrastructure to support private philanthropy, as well as the transparency and good governance standards common in developed countries. This has led to several high profile scandals that made the public feel local charities were not trustworthy.

But China’s relatively low level of philanthropy isn’t just due to its developing economy status. Myanmar holds the top spot on the 2017 CAF World Giving Index, and Sierra Leone in Africa is number 12. There is a big difference in the attitudes of Chinese and western entrepreneurs towards wealth. Most Chinese entrepreneurs still regard a charity in the same way they would a for-profit enterprise – they want to get a return on their investment and see a tangible benefit for their business if they make a donation. Many in second- and third-tier cities consider a donation to be a tool for establishing political connections that should lead to some kind of deal or preferential treatment in the future.

However, despite these challenges, we are beginning to see a change in attitudes towards philanthropy among Chinese entrepreneurs. A notable example is Alibaba founder Jack Ma. Just before his company’s 2014 IPO he announced the establishment of two charitable trusts that are being funded by share options in the US-listed ecommerce giant. In December 2017, Ma announced an RMB 10 billion Alibaba Poverty
Deals

North China

GEG TRAVEL

Viaggi travel
Address: 1, Room 103-01 1/F East Region North Building, No.83 Chongqing Road, Heping District, Tianjin
Email: martin@gegeurope.com
Phone: 022-83123488; 1300139886
Website: www.ganter-group.com

Contact Person: Mr. Sun Chao
Email: martin@gegeurope.com
Phone: 022-83123488; 1300139886
Website: www.ganter-group.com

Benefit: 10% off for the following travel packages: GDEUGO, 1DAY tour, Mini tour, Go tour China

Crowne Plaza Beijing Lido

北京丽都皇冠假日酒店

No.6 Jiangtai Road, Chaoyang District, 100004 Beijing, China
Phone: 010-65373388
Email: reservations.shanghaipudong@kempinski.com
Website: www.kempinski.com/shanghaipudong

Benefit: 10% discount on food and beverage at Ambrosia Teppanyaki @ Expo (not applicable on special promotions, events and offers as well as catering & corporate packages).

Rosewood Beijing

瑰丽酒店

Jing Guang Centre, Huijialou, Chaoyang District, Beijing
Phone: 010-65378888
Email: beijing@rosewoodhotels.com
Website: www.rosewoodhotels.com/en/beijing

Benefit: 10% discount on customized furniture and management fee for turn key projects

Shanghai

LINK Movement and Parkour Services

LINK运动及专业动作服务

Indoor Sanlitun Studio (Yongtai road address)

Phone: 18602112931

Outdoor Jingan Rooftop Gym (433 Yuyuan Road, Building B, Roof - )

Phone: 18621267715

 Beneficiary: 10% off on 10 class membership cards, 20 class membership cards and youth semester training memberships. 2. 10% discount on professional Parkour services; including event performance, filming and curriculum design.

Rawee Martial Arts

上海朗卫健身

No. 240-242 Ru jin 2nd Road, Shanghai

Phone: 021-50152050
Email: wustwaren_sh@139.com
Website: www.wustwaren.com

Benefit: 10% discount on all German Chamber members. Special offer: first time trial facial and massage 50% off

Divagarden Spa

上美天后美容会所

No.211-104 Qinzhou North Rd. 68, Bldg. A, Room 101-104

Phone: 021-54657007
Email: davbooking@qq.com, tinachen21@hotmail.com
Website: Divalife15618940723

Benefit: 10% discount for all German Chamber members. Special offer: first time trial facial and massage 50% off

Chinese

AMBROSIA TEPPANYAKI @ EXPO

仙炙轩铁板烧世博店

No.1288 Lujiazui Ring Road, Pudong, Shanghai 200120 P.R.China
Phone: 021-38678888
Email: reservations.shanghai@ambrosia.com
Website: www.ambrosia.com

Benefit: 10% discount on food and beverage at Ambrosia Teppanyaki @ Expo (not applicable on special promotions, events and offers as well as catering & corporate packages).

Grand Kempinski Hotel Shanghai

瑰丽酒店

No.199 Huangpu Road

Phone: 021-63931234
Email: shanghai.bund@hyatt.com
Website: www.hyatt.com/shanghai.bund

Benefit: GC members may enjoy the following at Hyatt on the Bund (not to be used with additional promotion or offer):

Hotel restaurants, 20% discount;

- Aroma, lunch & dinner (buffet & a la carte)
- Xindalu Chinese Kitchen, lunch & dinner (set menu & a la carte)
- Tea Room (a la carte & retail)
- Piano Room (a la carte & retail)
- Vue Restaurant, lunch & dinner (set menu & a la carte, Sunday brunch not included)
- Vue Dining dim sum: lunch & dinner (a la carte, set menu & Dim Sum Brunch not included)
- Not Available: Mid-Autumn Festival, Christmas Eve, Christmas Day & New Year’s Eve

Preferred meeting and events pricing, available upon request for proposal

Furama Xintiandi

福朋喜来登酒店

No.211-104 Qinzhou North Rd. 68, Bldg. A, Room 101-104

Phone: 021-54657007
Email: davbooking@qq.com, tinachen21@hotmail.com
Website: Divalife15618940723

Benefit: 10% discount for all German Chamber members. Special offer: first time trial facial and massage 50% off

Hyatt on the Bund

上海外滩茂悦大酒店

No.199 Huangpu Road

Phone: 021-63931234
Email: shanghai.bund@hyatt.com
Website: www.hyatt.com/shanghai.bund

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Preferred meeting and events pricing, available upon request for proposal

Ganter Trading (Shanghai) Co., Ltd.

瑞泰贸易（上海）有限公司

2F, Room 210, No.728 Xinhua Road

Phone: 021-52371031
Email: china@ganter-group.com
Website: www.ganter-group.com

Benefit: 10% discount on customized furniture and management fee for turn key projects
Imaginechina Photo-Agency

Image-bank with 2 mio up-to-date photos of China

500 photographers all over China available for:

- architectural/factory photography
- event photography
- portraits

contact: Fiepko T. Klug
Tel: 021 – 62 72 45 90 x 219
e-mail: ftk@imaginechina.com

www.imaginechina.com
Viessmann Enters “Formula E”

The Viessmann Group is entering “Formula E” as a sponsor. From the forthcoming debut season 2017/18, the German family business will become an Official Team Partner of Panasonic Jaguar Racing Team in the FIA Formula E Championship. “Within a few decades, we will finally say goodbye to the oil age. The FIA Formula E Championship is a strong symbol for this change, and the partnership with Panasonic Jaguar Racing is going to make our own progress on this path visible,” says Maximilian Viessmann, member of the Viessmann Board of Directors. On 2nd-3rd December 2017, at the start of the debut season in Hong Kong, the Panasonic Jaguar Racing I-Type 2 with the distinctive Vissmann logo was presented. After further stops in Morocco, Chile, Mexico and Brazil, the ‘Formula E’ will arrive in Europe in April 2018.

Dr. Wolfgang Wagner Receives the Liaoning Friendship Award

On 27th September 2017, Dr. Wagner, COO of the Shenyang German Sino Service Center, received the Liaoning Friendship Award 2017. Being devoted to training and
education. Dr. Wagner now fulfills his commitment to introduce REFA trainings and certifications in China. On 13th December 2017, the first REFA trainings for local REFA teachers started in Shenyang and will be implemented throughout China.

Alan Gilbert Visits Regent Beijing

Regent Beijing’s Director of Sales and Marketing, Uli Altrichter, welcomed the famous American conductor and violinist, Alan Gilbert at the Regent Beijing. Alan Gilbert was most recently music director of the New York Philharmonic and is the scheduled chief conductor-designate of the NDR Elbphilharmonie Orchestra. He stayed at the hotel along with the “Staatskapelle Dresden” to conclude a highly successful tour through China with a performance at Beijing’s NCPA.

First Glühwein with Know How!

On 30th November 2017 Know How! invited its employees as well as business partners to an early Christmas party. Mr Shuo Yang, Country Manager China, prepared the traditional German “Glühwein” in their conference room.

Pullman Debuts in Shenyang

Pullman announced the opening of Pullman Shenyang Oriental Ginza, its first property in the provincial capital of Liaoning in North-Eastern China.

Pullman Shenyang Oriental Ginza is located in Shenyang’s Economic and Technological Development Zone. Stephan Krause, General Manager of Pullman Shenyang Oriental Ginza, said: “The hotel is an urban resort ideal for weekend getaways that combines lifestyle and design for travellers visiting the city.”

5th Edition of ANUFOOD in 2018

ANUFOOD China is now part of the global food show portfolio of Koelnmesse and is getting ready for its 5th edition in 2018. As a world-renowned trade fair organizer, Koelnmesse organizes trade events, such as Anuga in Cologne, Germany and Thaifex - World of Food in Bangkok, Thailand.

Bayer Honored with the China Excellent Corporate Citizenship Award and Excellent Public Welfare Project Award 2017

On 12th December 2017, the 13th China Excellent Corporate Citizenship Annual Meeting took place in Beijing, which was co-hosted by China Association of Social Workers, Committee of Corporate Citizenship, CCTV, and Tencent Charitable Foundation. For the outstanding contribution in the field of corporate social responsibility, Bayer China was honored for its volunteer project “One Hour Care” with the China Excellent Corporate Citizenship Award and Public Welfare Project Award 2017.

Celina Chew, President of Bayer Group Greater China, expressed: “One of our key activities in China is to provide a platform for our employees to engage in volunteer work. Our volunteers are active in different fields including environment protection, community services, education and public health. In this way, we live our mission, ‘Science for a Better Life’.”

Aichelin China Holds Technology Seminar in Beijing

Aichelin China organized a seminar in the China National Convention Center, Beijing on 22nd November 2017 to share its prime technology for industrial furnaces. About 60 representatives from Aichelin Service Germany, Aichelin Austria, AFC-Holcroft USA as well as local business partners attended this seminar.

China World Summit Wing Wins “Best MICE Hotel in China”

China World Summit Wing, Beijing has won “Best MICE Hotel in China” at the Business Traveller China Awards 2017. The award gathers the best from the luxury-travel market, including hotels, airlines, cruises and attractions. Winners were voted by readers and subscribers of the magazine.
DAAD – New Name - New Leadership

The German Academic Exchange Service (DAAD) which has been working in China since 1994 had to reregister under the new NGO law. The Ministry of Education acts as the partner supervising agency. The registration certificate was issued 27th November 2017 with a new Chinese name, changed to DAAD Beijing Representative Office. Along with the new name, a new Chief Representative is now in charge: Hannelore Bosmann. She has broad Asia experience in Kyrgyzstan, India, and Vietnam and is the Head of the office from 2018 onwards. The DAAD will register two more representative offices in Shanghai and Guangzhou. Every year, more than 3,500 scholarships are awarded to German and Chinese scholarship holders. Almost 35,000 Chinese students are currently studying in Germany and about 8,000 German students in China.

Excellence – DBEST Shanghai Branch 2017 Team Building

On 14th October 2017, DBEST (Beijing) Facility Technology Management Co. Ltd, Shanghai Branch held its third team building activity on the theme of “Beyond Yourself and Create Excellence” in Shanghai Gulf National Forest Park, to enhance the team cohesion and to ease working pressure. After every participant’s enthusiasm and potential were inspired by various enjoyable little games, the event reached the peak of excitement with a canoe race. The contestants went all out, accompanied by deafening cheers of the audience. As the ending of the day, participants barbecued in a warm atmosphere.

Co-Principal Voted as One of the Top Educators in China

Yew Chung International School of Beijing recently received two special recognitions that highlighted the excellence both school’s guiding philosophies and curriculum, as well as the school’s leadership team. At the 11th annual Tencent Education Awards, YCIS Beijing was named as one of the 18 most influential schools in China 2017. Co-Principal Christine Xu participated in a competition by New School Insights (NSI), that honors the most influential international school principals in China. Through the online voting system, Ms. Xu received over 170,000 votes and ranked as the fourth most influential principal in all of Mainland China.

Beyond Yourself and Create PSI Implements Production Management System at Chinese MaSteel

PSI was awarded a contract to improve integrated production planning and quality management of MaSteel, one of the largest state-owned Chinese steel enterprises.

Since 2015, MaSteel was looking for a new IT solution for their supply chain planning and integrated quality management for all flat production lines. In the end, MaSteel decided in favor of PSI for both projects. PSI’s solution, based on one factory model, is capable of harmonizing MaSteel’s production processes. MaSteel and PSI have already been working together for more than ten years.

Continental Automotive Plant Moonlake Visits Yinjiacun Primary School

On 14th November 2017, Continental Changchun Plant Moonlake management team went to Yinjiacun Primary School in Jiutai Town to donate teaching materials and daily necessities. To express their appreciation, the children sent paper cranes made by themselves to the management team.

Award for Groundbreaking Smart Factory Projects in China

150+ industry elites gathered on the 17th October in Shanghai to hear about why – and how five companies managed to win the 2017 ROI Industry 4.0 Awards China. The 2017 China industrial pioneers were BOSCH Changsha, Advantech Kunshan, TLD Wuxi & Shanghai, Borche Machinery and Truking Technology. The Awards jury evaluated the participants based on the Industry 4.0 reference model developed by ROI. The uniqueness of this model is that it examines Industry 4.0 from a process point of view, which gauges the implementation level in eight different areas of the end-to-end value chain, such as customer connection. “We are looking for capabilities, not technologies” says Timo Schneemann, Vice General Manager of ROI in China.

Continental Automotive Plant Changchun’s Philanthropic Move

On 6th November 2017, the Management Team of Plant Jingkai went to Anlong Primary School in Xinglongshan Town, Economic & Technological Development Zone, Changchun and donated teaching materials. Accompanied by president of Anlong Primary School, leaders of Plant Jingkai visited the school and were warmly welcomed by all teachers and students.
The PRC Cybersecurity Law took effect from 1st June 2017. The Law has very broad coverage and provides a series of regulatory requirements for network operators, online service operators and network product manufacturers. To implement the Law into practice, several administrative rules concerning security review of network products, outbound transfer of data, and other important aspects of cybersecurity have been published during the past few months.

Therefore, on 2nd of November 2017, the German Chamber of Commerce | North China organized a seminar on the topic “Cyber Security Law Updates” with the aim of giving an updated overview of the main regulatory requirements under the Law, their potential impact to business operation, and the practical solutions available for organizations.

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<td>16&lt;sup&gt;th&lt;/sup&gt; November 2017</td>
<td>Workshop</td>
<td>Change Management</td>
<td>German Chamber of Commerce North China – Beijing Office</td>
<td>Mrs. Anne Babilon-Teubenbacher</td>
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<td>16&lt;sup&gt;th&lt;/sup&gt; November 2017</td>
<td>Workshop</td>
<td>The Impact of the New Revenue and Lease Standards and the Impact and Trends of VAT</td>
<td>Kempinski Hotel Beijing Lufthansa Center (GC DEALS)</td>
<td>Mr. Aaron Lau</td>
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<td>16&lt;sup&gt;th&lt;/sup&gt; November 2017</td>
<td>Kammerstammtisch</td>
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<td>20&lt;sup&gt;th&lt;/sup&gt; November 2017</td>
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<td>22&lt;sup&gt;nd&lt;/sup&gt; November 2017</td>
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<td>Employee Relationship Management</td>
<td>MESH bar, The Opposite House, Sanlitun</td>
<td>Ms. Si Chen</td>
</tr>
<tr>
<td>22&lt;sup&gt;nd&lt;/sup&gt; November 2017</td>
<td>HR Workshop</td>
<td>Employee Relationship Management</td>
<td>Education Center of Human Resources and Social Security Bureau</td>
<td>Ms. Si Chen</td>
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<td>23&lt;sup&gt;rd&lt;/sup&gt; November 2017</td>
<td>Roundtable Corporate Real Estate</td>
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<td>Daimler Wangjing</td>
<td>Mr. Matthias Lassen</td>
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<tr>
<td>10&lt;sup&gt;th&lt;/sup&gt; November 2017</td>
<td>Workshop</td>
<td>The Impact of the New Revenue and Lease Standards and the Impact and Trends of VAT</td>
<td>Kempinski Hotel Beijing Lufthansa Center (GC DEALS)</td>
<td>Ms. Susan Liu</td>
</tr>
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</table>
On 25th November 2017, the German Chamber of Commerce | Shenyang Office and the German Academic Exchange Service (DAAD), Beijing Office jointly organized an “Alumni Business Networking” event geared towards former Chinese exchange students in Germany and Chinese nationals with previous work experience in Germany. The first event of this kind in the Northeast region was a great success and reached around 100 registrations upfront. All attendees had the chance to exchange experience, meet old friends and build new friendships while enjoying presentations from an expert panel and a nice dinner buffet.

Ms. Ruth Schimanowski, Deputy Director of DAAD Beijing Office, Mr. Jan Block, Regional Manager of the German Chamber Shenyang Office and Mr. Li Ji, Head of German Alumni Portal China, were jointly welcoming the guests and introduced their respective functions and programs for alumni. Due to the fact that R&D is one of the most popular fields of work for many returning alumni in German enterprises, Dr. Markus Baur, Vice President Research and Development at BMW Brilliance Automotive Ltd. (BBA) in Shenyang was invited to introduce the newly opened BBA R&D Center in Shenyang and to give a brief introduction on employee qualification in his department. After the Q&A session was finished, he also gave some insights in the increasingly competitive electric car market in China.

After a short break, the event continued with a panel and discussions about career planning and development for local Chinese alumni from Germany. Ms. Kou Xiaowei, Recruiting Manager at BMW Brilliance Automotive, Mr. Qi Xin, Director of the Goethe Language Learning Center at Northeastern University, Ms. Qin Yan, Deputy Director of Sino-German Equipment Manufacturing Industrial Park, and Mr. Lin Lin, General Manager of Kaiyuan Travel Shenyang Branch discussed the status quo and potential of Sino-German cooperation in Northeast China. The highly informative evening ended with a standing dinner buffet and gave the opportunity to continue with networking and exchange between the participants.

On 1st December, the German Chamber's Young Professionals Series has been given the opportunity to organize an exclusive Company Visit to Ameco Beijing. In addition to the guided tour through the aircraft overhaul and painting and the engine overhaul departments of Ameco's base, Mr. Jens Rautenberg, Deputy Director Planning Overhaul Beijing, gave an informative company presentation.
The local and expat community in Shenyang gathered on Saturday, 2nd December 2017 for the traditional German Christmas Market at Bar 11 in Shenyang. Organized by volunteers from local German companies and the German Chamber of Commerce in Shenyang, this Christmas event highlight once again enjoyed greatest popularity among the local German community. More than 300 guests came to celebrate this beautiful season of the year and enjoyed the Christmas market atmosphere with family and friends. German delicacies such as the traditional German ‘Glühwein’ (hot mulled wine), home-made Christmas cookies, German sausages and other seasonal offerings were available, thus following the tradition of an authentic German Christmas market. Santa Claus came by to sing Christmas songs together with students from the German section of local YuCai school and to hand over sweets and presents to the children. As in every year, the proceeds will be donated to support local charity projects.
On 2nd December, the German Chamber of Commerce Tianjin invited their members and friends to a very special Christmas celebration at the Bavaria Beer Keller, where festive ambience was offered along with Christmas music, culinary delicacies, and an exciting lucky draw. More than 70 guests joined the event for a free flow of traditional German Glühwein (mulled wine) and other beverages as well as specialties like: Homemade bread with traditional German Spreals, breaded pork escalope, and tiramisu. The colorful Christmas booths made the event even more attractive for both young and grown-up visitors. The German Christmas Market is an annual highlight event of the German Chamber of Commerce, offering the guests a perfect opportunity to enjoy the traditional German Christmas atmosphere together with their beloved ones, friends and colleagues.

The German Chamber of Commerce | North China together with the German Centre for Industry and Trade Beijing Co. Ltd. invited its members and tenants to their annual Charity Christmas Event on 7th December 2017 to celebrate the Christmas season. At this annual event colleagues, business partners and friends are invited to mingle while having snacks and various Christmas drinks. An eyecatcher was the “Feuerzangenbowle” which was prepared while the 1944 classic movie of the same name was shown as one of the evening’s highlights. The collected donations from this charity event are going to charity project that supports migrant workers’ children: at the Hong Qi primary school. The total donation amount of this year was RMB 6,195. The money will be used to cover the costs for urgent school building repairs, learning materials, food for the children, and other school equipment, such as furniture for the classrooms. A big thank you also goes to, Kempinski Hotel, Villa Castanea, Sennheiser, Bodensee Kitchen and EMW, who sponsored the event and made the evening very special.
On 11th December 2017 at Kempinski Hotel Beijing Lufthansa Center, the German Chamber of Commerce North China invited members and guests to the last Kammerdinner of the year. Following tradition, the German Chamber was delighted to welcome the German Ambassador Mr. Michael Clauss as guest of honor. Mr. Lothar Herrmann, Chairman of the German Chamber of Commerce North China welcomed the members and guests and opened the evening. The ambassador reviewed 2017 and gave an outlook for 2018 assessing the current political and economic situation in China as well as the developments in German-Chinese relations. Following the speech, the audience had the chance to ask questions. After an update of upcoming events by the German Chamber of Commerce, the guests had the opportunity for networking during a buffet reception.
Since “Intelligent Manufacturing” and “Industry 4.0” have become major trends for the manufacturing industry in China, the German Chamber of Commerce | Shenyang Office organizes regular events to show how advanced technologies will impact the manufacturing sector and how it will create new opportunities in Sino-German cooperation. On 12th December 2017, the German Chamber in cooperation with SIASUN Education Technology Group jointly organized an excursion to SIASUN Robotics & Automation in Shenyang to provide a platform and support an exchange about new opportunities and challenges in future industrial automation.

The CEO of SIASUN Robotics & Automation in Shenyang, Mr. Daokui Qu, personally welcomed around 60 technical experts and company representatives and introduced an overview on recent developments and the product portfolio of SIASUN. During the informative plant tour, the participants were guided through the new demonstration unit for robot production, which showed the complexity of building a smart factory and implementing interconnected systems. The second presentation about the acatec nh acatech Industry 4.0 Maturity Index, that supports companies on the way to Industry 4.0 and Digitalization was provided by Mr. Klaus Kerth, Director at the Germany-based Industry 4.0 Maturity Center GmbH at RWTH Aachen; Mr. Kerth stated, that maturity models are a promising approach to provide guidance for companies seeking to develop a roadmap for their production processes and identify areas where action is needed. Each presentation was followed by a Q&A session where participants had the chance to share their experience and ask questions.

On 12th December 2017, the German Chamber of Commerce | Shenyang Office organized an Automotive Roundtable at the Boysen Exhaust Systems (BES) plant in Shenyang. Mr. Ronny Rothen and Bernhard Schueler, both Plant Managers for BES in Shenyang and Langfang, took the opportunity to welcome the guests who included mostly local automotive supply managers. After finishing their introduction about BES, external guest speaker Dr. Falk Lichtenstein, Partner at CMS Beijing, provided an overview on the main regulations of the Environmental Protection Law (EPL) which took effect on 1st January, 2015 and their fundamental principles. The following discussion between the participants about the impact of increasingly stricter environmental regulations and the expanded environmental law enforcement in China through environmental law enforcement teams was lively. Finally, Dr. Lichtenstein shared his experiences with the implementation of EPL into practice and discussed latest case studies. He gave the advice to pay special attention to the environmental situation in every manufacturing company to avoid risks and suggested an ongoing exchange between local German companies on further developments in Shenyang.
On 13th December the German Chamber of Commerce was delighted to invite the Young Professionals to a jointly organized Young Professionals Interchamber Holiday Mixer. This event; at MESH Bar was held in cooperation with AmCham China, Swedish Young Professionals, the Canadian Chamber of Commerce, the British Chamber of Commerce, China-Britain Business Council, Le French Lab, Canada China Youth Association and Interns in Beijing.

On 21st December 2017 the German Chamber of Commerce | Shenyang Office organized a workshop on environmental health and safety (EHS) management at the facilities of JUMO Automation in Dalian. The highly practical workshop focused mainly on how to enhance EHS Management to fulfill various new requirements and to ensure a sustainable implementation in a company. The event provided the rare opportunity to exchange concerns and experiences between experts of different companies and industries due to increasing EHS challenges and stricter law enforcement by authorities.

The workshop was mainly attended by production managers, EHS engineers and manufacturing professionals from local member companies in Dalian, Shenyang, and Changchun. Mr. Guogang Cao, an experienced EHS Manager at JUMO Automation in Dalian, shared his experiences and introduced JUMO’s best practice methods in EHS Management. Later, he provided the attendees with insights into guidelines, challenges and benefits of EHS as well as a basic understanding how to apply basic implementation steps of EHS regulatory methods in any manufacturing environment.

In addition, Ms. Yu Qin, Senior Auditor at TUEV Rheinland, introduced the ISO 45001 regulation from an EHS Auditor’s perspective. During the following plant visit, participants were able to investigate production processes of JUMO’s sensors manufacturing and further discuss the practical implementation of EHS Management.

German Christmas Market 2017

On 2nd December 2017, at the traditional German Christmas Market, the German Chamber raised around RMB 5,000 by selling handmade gingerbread houses. These gingerbread houses are traditionally crafted by the employees and family members of the German Chamber. The Christmas Market, which was held at the German Embassy, is organized by volunteers of the German Community in Beijing. That day, the 6,500 visitors donated more than RMB 730,000.
Save the Dates

The General Annual Meeting of the German Chamber of Commerce North China will take place at the 16th April 2018! More information about the event and registration soon to follow.

On 26th May 2018, the 7th Soccer Championship will be held in Beijing. The teams from different companies come together at the Slade Park in Beijing to compete for the trophy. With twelve teams and more than 1,200 spectators, the tournament attracts high attention among the Sino-German business community. Take this unique opportunity to present your company and services at the 7th German Soccer Championship and create a lasting impression for future clients!

For more information please contact:
Johanna Heinzmann, Project Manager
Tel: +86-10-6539-6664 | heinzmann.johanna@bj.china.ahk.de

Regular Social Events in North China

Beijing:
Kammerstammtisch – every third Monday of the month at 7:00 pm in varying locations (Please visit the event calendar on our website or subscribe to our Newsletters and Invitations)
Praktikantenstammtisch – every second Tuesday of the month at 7:00 pm in varying locations (Please visit the event calendar on our website or subscribe to our Newsletters and Invitations)
Tianjin:
Kammerstammtisch – every last Wednesday of the month at Drei Kronen 1308 Brauhaus, Tianjin at 7:00 pm
Shenyang:
Kammerstammtisch – every second Tuesday of the month at 7:00 pm in varying locations
Note: Please always find the latest event calendar on our website: china.ahk.de/chamber/events/

Training Calendar North China

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<td>8th–9th March</td>
<td>Leadership Skills in Workplace (CN/EN)</td>
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<td>12th–13th March</td>
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<td>Attractive Speech Onstage – Public Speech Skills (CN)</td>
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Transfer of cultural dimensions to daily work situations

Target Group
Chinese professionals, leading executives and technical personals who work with German colleagues and business partners.

Beijing contact:
Li Xingchen, Human Resources
Tel: +86 10 6539 6685 | li.xingchen@bj.china.ahk.de

Training Highlights - Beijing

Business Writing
Date: 27th–28th March, 2018
How much time do you spend writing emails? IPS can show you how to cut that time in half through knowing how to structure every email you write so you know what to say before your fingers hit the keyboard.
This 2 day course will enable participants to leave with templates structured for different scenarios. Take your work back as well as your templates and share them with your team.
“The way you write emails can break your career” – Julie Sweet, CEO of Accenture’s North America business
• Identify writing challenges
• Make writing clear, concise, and correct
• Improve sentence construction, paragraph development and email layout
• Identify ways to make your writing simpler and easier to read
• Use proper e-mail etiquette
• Develop an appropriate writing style and format written documents
• Understand tone when writing an email and become more assertive
• Build confidence and professionalism

Target Group
Professionals from all departments who use email to correspond complex concepts and draft reports regularly for supervisors and stakeholders.

German Business Culture
Date: 18th–19th April, 2018
As a Chinese staff working in a German or international company related to Germany, our two-day workshop on German Business Culture will be critical for your successful cooperation. After this workshop, you will understand the behavior and expectations of German colleagues, supervisors or business partners better and know how to deal with them. It will give you a great advantage on advancing your work and your career in a German company.
Your advantage after training:
• Profound in German history, society, philosophy and its influence on “the German business behavior” today
• Be able to easily convince German colleagues and business partners
• Know how to structure information in a way to leave a good impression on German business partners
• Master the skills of how to establish a mutual trustworthy relationship in Chinese-German working environment

For more information please contact:
Johanna Heinzmann, Project Manager
Tel: +86-10-6539-6664 | heinzmann.johanna@bj.china.ahk.de
Trilateral Cooperation Event
China-Germany-Africa Opportunities for Trilateral Cooperation and Business

On 6th December 2017, more than 150 government officials, business representatives, and other stakeholders from China, Germany and Africa, as well as international organizations and media have gathered at the German Embassy Beijing, to discuss opportunities for trilateral cooperation between German and Chinese companies in African countries. The event was organized by the German Embassy Beijing, the AHK Greater China and the Sino-German Center for Sustainable Development.

The event was opened by Dr. Frank Rückert from the German Embassy and Ms. Gisela Hammerschmidt from the Federal Ministry for Economic Cooperation and Development (BMZ). Ms. Hammerschmidt stated in her welcome remarks that the trilateral cooperation could provide an ideal opportunity for Germany and China to jointly demonstrate their commitment to their support for a sustainable economic development of African countries.

Mr. Hagen Ettner and Mr. Li Weijun introduced the newly established Sino-German Center for Sustainable Development which aims to identify, assess, prepare, accompany and evaluate trilateral cooperation projects between Germany, China, and Africa. The Center was established on 11th May 2017 as a joint initiative between the BMZ and the Ministry of Commerce of China (MOFCOM).

A panel discussion, moderated by Ms. Hanna Mueller from the BDI, formed the second part of the event. The panelists consisted of Mr. Charles Manuel (South African Embassy Beijing), Mr. Moritz Lumma (German Embassy Beijing), Dr. Christine Heimburger (KfW Bank), Mr. Zhao Yajun (Center International Group) and Mr. Stephen Lewis (Voith Hydro China), which shared their experiences and discussed the challenges and opportunities for trilateral cooperation. During a Q&A session at the end of the panel, the audience strongly engaged with the panelists about trilateral projects.

The event concluded with networking session for the participants.

The German Chamber of Commerce Proudly Announces the 7th German Soccer Championship in Beijing on 26th May

The 7th German Soccer Championship will take place on 26th of May 2018 from 8:30 am at Si’de Park (Lido) under the patronage of the German Embassy. The event will feature Sino-German companies competing for the Beijing Cup.

We cordially invite you to enjoy a great day with colleagues, family and friends with German BBQ, Chinese specialties, exciting kids’ programs, music and other fun activities. Try your luck at the target shooting competition “Torwandschießen” and win prizes provided by the participating companies and the German Chamber “GC DEALS” Partners. Come and join this all-day soccer tournament, cheer for your favorite team and witness who takes home the trophy this year.

Companies interested in sponsoring the event are welcome to contact Ms. Johanna Heinzmann at: heinzmann.johanna@bj.china.ahk.de
On 27th November 2017, the 17th Annual General Meeting of the German Chamber of Commerce – North China took place at Kempinski Hotel Beijing. Mr. Lothar Herrmann, Chairman of the German Chamber of Commerce – North China, welcomed over 80 guests and provided a brief review of the German Business activities in China 2017. He especially referred to the results of the latest Business Confidence Survey, which shows that nearly two thirds of German companies evaluated the current economic situation in China more positively than in 2016 and have quite positive expectations for 2018.

Afterwards, the German Chamber of Commerce North China was very delighted to welcome Mr. Sebastian Heilmann, the founding president of the Mercator Institute for China Studies (MERICS) in Berlin and professor for the political economy of China at the University of Trier as Key Note Speaker of the evening. Mr. Heilmann provided an outlook on political and economic developments and reforms, which will follow the 19th National Communist Party Congress of October 2017, and how these might influence foreign companies in China.

The evening continued with the presentation of the Annual Report of the German Chamber North China 2017 by Ms. Alexandra Voss, Executive Director of the German Chamber of Commerce – North China. She outlined the positive developments of the Chamber in 2017 with a stable membership base in North China and 181 Chamber events with a total of over 7,765 participants including business events, roundtables and social events such as the annual German Ball and Soccer Cup. With regard to 2018, the target remains to further strengthen the membership base, increasingly engage Chinese employees of member companies by offering certain events in Chinese, developing the roundtable event series and the visa events at all locations and to increase the Chamber’s visibility on social media.

Following this, Sebastian Suciu, Executive Chamber Manager, presented the new membership structure for 2018 and the More Than A Market initiative, that rolled-out chinawide in 2017. The More Than a Market initiative is the corporate social engagement initiative of the German Chambers of Commerce in China together with Bertelsmann Stiftung with strong support by the German Consulate General. It aims to promote and create visibility for corporate social engagement by German companies in China.

The official part of the evening closed with the treasurer’s report 2016 and the budget overview for 2017 by Feng Xingliang, Chief Representative NRW Invest China, Beijing.

The official meeting was followed by a buffet reception.
4flow Hosts Discussions on Digital Supply Chain in Shanghai

With ever-growing demands and challenges facing the supply chain world, it has become clear to many manufacturers that digitalization is the way forward. The recent 4flow Logistics Day event in Shanghai provided supply chain professionals the opportunity to gather and exchange insights. The event focused on how large-scale digital transformation projects are changing how companies do business in China and around the world. Speakers from agricultural equipment manufacturer AGCO and automotive supplier Continental detailed the supply chain optimization measures they have successfully implemented and plan to carry out in the future – to streamline operations in the Chinese market and future-proof their businesses. Soeren Hagen, Managing Director of 4flow in Shanghai addressed topics on supply chain digitalization including blockchain, shared economies, autonomous driving, mobile payments, big data and more.

Balluff Receives German Design Award 2018 for New Website in “Excellent Communications Design Web”

The new Balluff homepage has been showing off its new design since the beginning of 2017 and has won the German Design Award jury over. The digital agency LINKS DER ISAR designed and implemented a new Internet presence with more photos, less text and with an integrated web shop. The highlight of the site is the product area, which has been completely restructured with a comprehensive representation of key and focus industries including application examples. The basic idea of the relaunch was a greater emphasis on our offering...
and easier discovery with the new product finder," notes Jakob Böhhringer, web team leader at Balluff. The German Design Award recognizes innovative products and projects, their creators and designers who are groundbreaking in the German and international design landscape.

**Directions Management Consulting Co-Opted into Board of Directors in DUSA**

Directions Management Consulting’s Executive Director, C.J. Ng has been co-opted into DUSA’s (European Business Association in Suzhou) Board of Directors, taking charge of Members’ Training. DUSA Members will now have six members’ training sessions at highly affordable rates in 2018, with a range of leadership, sales, and operations management topics. Responses from DUSA members have been overwhelmingly positive.

**Celanese Organizes Volunteering Event**

This winter, Celanese and the Celanese Foundation, an employee-led CSR organization dedicated to improving the fundamental living conditions of people, with a special focus on families and children, organized a series of volunteer events at Celanese China locations for employees to paint shoes for kids in Gengjia, Yunnan province. In the two-hour exercise, employees showed their art talent and painted 170 pairs of shoes. Each pair of shoes had its own unique design. The objective of these events is to pass health messages to the children in the remote area who lack hygiene consciousness and education. Celanese hopes that these colorful shoes can attract barefooted children’s interests in shoes and establish the good habit of wearing shoes in winter. Celanese hopes the shoes can be a nice and warm companion in their childhood.

**Bjoern Skogum Named President of Covestro China**

Bjoern Skogum has taken over as president of Covestro China, based in Shanghai. Prior to this, he was Managing Director of Covestro International SA in Switzerland (previously BIF Bayer International SA). Skogum joined Bayer in 1986 as a management trainee in the polyurethanes segment of Bayer Sverige AB in Sweden. In 1996, he became head of the business unit polyurethanes for the Nordic countries at Bayer Sverige AB. In 1999, he moved to the former Bayer MaterialScience Headquarters in Leverkusen, where he concurrently held various management positions. His foreign assignments include a stint as head of regional product management TDI & MDI for Bayer in China from 2004 to 2006 and as senior Bayer representative Southern Africa from 2009 to 2013. Born in Uppsala, Sweden, in 1959, Skogum holds a bachelor of science degree in business administration and economics from the University of Karlstad in Sweden.

**Festo Celebrates Ground-breaking for its Second Largest Plant in Jinan**

On 16th November 2017, Festo held a ground-breaking ceremony for its new flagship production facility Phase 1a project in Jinan, Suncun. With an overall area of 433,000m², the new plant will be the second largest plant for Festo globally. This will enable Festo
Continental Plants Win “China Factory of the Year/Excellence in Operations” Awards

The results of the 2nd “China Factory of the Year/Excellence in Operations Award” jointly initiated by Auto Business Review and the world-famous consulting firm A.T. Kearney were announced on 25th November 2017. Last year, three Continental plants in China won this award. This year, another two plants were honored with this award again. This fully demonstrates Continental’s excellent strength in production and operation in China. Depending on its remarkable production efficiency, mature 3D printing technology, and outstanding product quality, the Changchun Plant Moonlake won the “2017 China Factory of the Year for Excellence in Parts Production and Assembly”. The Wuhu Longshan Plant won the “2017 China Factory of the Year for Excellence in Production for Fresh Dairy Products”.

Dörrenberg and Shanghai Fzeal Sign Partnership for Press Hardening Projects in Mainland China

“Super Long-Life Tool Steel for Hot Stamping Dyes and its Case Analysis” was presented by Dr. Jens Wilzer at the 11th China Automotive Lightweight Technology Symposium. The very positive feedback showed a clear demand for expert technical support in materials, heat treatment, and application engineering. To satisfy this demand, Dörrenberg Special Steels and Shanghai Fzeal Mould Technology Co., Ltd. signed an agreement to provide this full-service package for press hardening and hot stamping tools in China.

D&DD Builds New Factory Near Shanghai

Manufacturing for the Chinese market has increased exponentially, especially for the Agro-Food industry. D&D produces machines and equipment for customers with their own sales organizations in China. These machines are usually quite voluminous. D&D’s Shanghai location has become far too small and a move to a larger space was inevitable. The new location is in Jiashan, about 40 minutes south of Shanghai, situated at the newly developed Sino-Dutch development zone. In the new plant that is 5000m², sheet metal production will start. This is to be more flexible; maintain quality and be in step with customers’ high demands. D&D has also invested in many machines such as Hydraulic and mechanical presses; welding equipment; CNC punching and bending machines.

KACO New Energy Sets Up Presence in Taiwan

Germany’s KACO new energy GmbH, one of the world’s largest manufacturers of inverters for grid-free solar power and the first company in the photovoltaic industry to achieve CO₂-neutral production, appointed a territory director to Taiwan to strengthen its presence in the growing Southeast Asian market. As part of Taiwan’s plan to fully withdraw from nuclear energy in the coming years, the government aims to increase the photovoltaic power output more than tenfold to 20 gigawatts by 2025. In total, more than EUR 29.3 billion will be invested in the project.

GSE Design and Build for AGRANA- New Manufacturing Plant in Changzhou

AGRANA, the world leader in fruit preparation for fresh dairy products assigned GSE with the construction of its new manufacturing plant in Changzhou, Jiangsu province. The building will cover an area of 10,700m² and is divided into three zones: A cooking area and a preparation area (ISO Class 8), a frozen storage area at -18°C, and 2,000m² of offices. The complete factory and office areas will
be equipped with an air treatment system to improve and control the level of PM 2.5. The overall investment will exceed USD20 million. GSE was appointed for the site identification, site selection, land due diligence, assisting AGRANA in obtaining tax and financial incentives for their investment in Changzhou, definition of the building requirement and specifications, and then intervene as EPC contractor.

**The Bar at Hyatt Regency Shanghai Global Harbor Opens its Doors**

Any chance to enjoy life should not be missed. Because nights in Shanghai should be colorful and wonderful, time at a bar is an essential part of this nightlife. Capturing the essence of Shanghai’s renowned nightlife, Hyatt Regency Shanghai Global Harbor is proud to announce the launch of The Bar on the 47th floor. This floor affords dramatic floor-to-ceiling vistas of the city’s skyline recently. This is the place to sip fine wines, handcrafted cocktails and signature spirits while enjoying music from DJs. Two outdoor terraces beneath the hotel’s signature spire are ideal for alfresco lounging on balmy Shanghai nights.

**New Industrie Informatik GmbH OPC-UA Server for Cronetwork MES**

Standardization is one of the great challenges for production enterprises in the implementation of Industry 4.0 measures. The OPC-UA server, which cronetwork Release 19 provides to users, opens completely new possibilities. All information and data can now be forwarded in event and context relations to various recipients along the complete value-added chain. Via the proven underlying technologies of cronetwork, this data providing is freely configurable without programming effort. The OPC-UA server enables Industrie Informatik to forward all MES data to various recipients, both internal and third parties! Process data from an operation are collected, combined with other information, processed anew, and provided to the machine of the next operation via OPC-UA server. The machine setup there is oriented to the previously collected data. This makes the data hub MES a living reality and production quality rises to a new level.

**Kärcher China Holding Company Officially Established at Changshu New Technology Zone**

On 29th November 2017, Kärcher announced that a China Holding will be established at Changshu New Technology Zone, Jiangsu Province. The total investment is about USD 200 million, and the total capital of the company registration reached to USD 60 million. On the signing ceremony, Aaron Tang, general manager of Kärcher China Holding addressed that this action included further significant investments in company structures and facilities, which enabled Kärcher to see its business in all of China. Furthermore, relying on local government resources, Kärcher plans to increase investment in technology development, production and sales of high-pressure cleaners, to constantly provide the Chinese market with a more improved, efficient and fun cleaning life experience.

**Kirsch Pharma Celebrates 20 Years in China**

After 13 years in Wuxi and seven years in Shanghai, Kirsch Pharma is celebrating their 20th anniversary in China this year. They would like to thank all their partners and their team who made this possible.

**Schüco China Partner Summit Held Successfully**

On 7th December 2017, Schüco China Partner Summit was successfully held in Sanya, Hainan. Over 120 partners throughout Greater China have participated in this event for information sharing and solution exchange. “Sales turnover of Schüco China has reached a record high this year. The success was undoubtedly based on strong cooperation with all of you. The potential of market is over the long-term huge. Together with you, we will continue to create and achieve more.” said Günter Strauss, Executive Direc-
Lapp Group and Shanghai Dianji University Sign Agreement

Lapp Group and Shanghai Dianji University have formally signed an agreement on 15th November 2017 and established the “SDU-LAPP Sino-German Center of Excellence”, to improve students’ educational standards, credentials, skills and practical abilities. The official opening of this center will be next year, and the curriculums will contain education and training in the latest technologies of cable and connection solutions and motor simulation design and testing. At the signing ceremony, Mr. Andreas Lapp, Chairman of Lapp Group board of directors, firstly affirmed the foundation of bilateral cooperation. He gave high evaluation to the graduates of Shanghai Dianji University, who worked for Lapp and expressed willingness to expand cooperation and exchange, looking forward to further collaboration. Subsequently, Mr. Hu Sheng, president from Shanghai Dianji University, expressed his gratitude to Lapp for contribution to talent cultivation and hoped for an even better perspective in the future cooperation.

Leade Industrial Services China Receives JLRQ Certificate of CJLR

In October 2017, leading Industrial Service Provider Leade received the JLRQ award for their wheel and tire assembly plant (WTA) in Changshu. The operations of this 5,000m² plant started in 2013 and since then has delivered exceptional service without any disruption Just in Sequence (JIS) to the vehicle assembly plant of CJLR. Using the latest MES systems to ensure 100% tire by tire traceability and consumer safety, the plant is proud of having received the prestigious award from CJLR. For the team, it is not only an award of recognition of achievements and hard work, but additional motivation to go the extra mile in the partnership with CJLR to drive to utmost customer satisfaction. Not only in WTA but also in the areas of production equipment maintenance and technical facility management which is provided by Leade to the CJLR engine plant.

MULTIVAC Takes Over VC999 Slicer

Effective from 1st December 2017, MULTIVAC Sepp Haggenmüller SE & Co. KG officially took over the slicing activities of VC999. Thanks to this strategically, important step in the direction of “Better Processing”, MULTIVAC is now able to offer complete packaging lines for sliced products such as cheese, sliced meats, and ham from one single source. The acquisition is an important step for MULTIVAC in the slicer sector. It means that MULTIVAC is now able to offer its customers complete slicing and packaging lines in all output categories. With entry into slicer business, MULTIVAC is fulfilling an essential precondition in optimizing the degree of slicer integration in automated packaging lines.

NAI Sofia Group Shanghai Welcomes Visiting Partner

NAI Sofia Group Shanghai recently welcomed a key strategic partner to their offices in Shanghai. Mr. Andreas Krone of NAI Apollo runs one of the most successful commercial advisor firms in Germany, covering major cities including Berlin, Hamburg, and Frankfurt. Working in partnership, NAI Apollo and NAI Sofia Group Shanghai provide their clients with seamless cross-border services. It was a significant moment for the sister firms to reaffirm their working relationship and further develop their joint services. “It’s business partners like Andreas that keep us loving what we do,” commented Amanda Zhu, Senior Director, NAI Sofia Group Shanghai.

PwC holds Global State of Information Security® Survey 2018 News Event

PwC held its Global State of Information Security® Survey 2018 news event in China on 7th December. Findings show the average cybersecurity budget by respondents in mainland China and Hong Kong is 23.5% higher than the global average, with a total average budget of USD 6.3 million per respondent. 72% of respondents from mainland China and Hong Kong have an IoT security strategy implemented, above the global average of 67%. Most respondents cited digital transformation as an underlying motivation for investing in cybersecurity. Companies also must comply with rigorous new regulations. Data also reveals Chief Information Security Officer (CISO) / Chief Security Officer (CSO) roles are becoming more prevalent within Chinese companies, as well security management reinforcement. These roles are now acknowledged as significant by the more tech-savvy organizations. Half of the China respondents said that their CISO or CSO reports directly to the CEO.

Santander Bank Hosts VII International Desk (ID) Annual Global Meeting in China

Between 23-26th October, Santander Bank, together with its main strategic partner Bank of Shanghai, held its VII Santander International Desk (ID) global annual meeting in Shanghai and Beijing. The over 30 delegates included 12 countries, partner banks, and China’s ID team, with employees from both banks. The delegation was received by both banks’ senior manage-
Schaeffler broke ground for its new production base in Xiangtan, Hunan, China, the company’s first “Factory for tomorrow”. As the 75th plant of Schaeffler worldwide and the fourth production base in Greater China, the Xiangtan production base is a new important addition to the company’s global plant network and represents an active response by the company to the future development trends. The Xiangtan production base will start construction in 2018, and will manufacture automotive components for engine, transmission and chassis systems, as well as various types of precision bearings.

STULZ Product Support Partners Winning 2017 DCD Awards

At the 2017 DCD Award Ceremony held on 7th December, two data centers equipped with STULZ products are granted “Energy Efficiency Improvers Award” and “World’s Most Beautiful Data Center” respectively in front of about 700 prestigious audience. Teraco (in the middle), the winner of the “Energy Efficiency Improvers Award”, cooperated with STULZ and proved that even at fluctuating temperature conditions and a lack of reliable energy infrastructure, a maximum of energy efficiency is realizable. This colocation data center “Isando Data Centre 7” located in Johannesburg, South Africa is equipped with CyberCool 2 chillers and CyberAir 3 units. Another award was issued to the supercomputing center MareNostrum in Barcelona as the most beautiful data center where STULZ CRAH products have been applied. With such an honor to be recognized by international experts for the products and efforts, STULZ is looking forward to facing new challenges.

SurTec Wins Environmental Sustainability Reward

On 15th –17th November, SurTec attended the SFCHINA exhibition in Shanghai, which is the biggest exhibition of surface finishing industry. They introduced the best solution of decarbonator CRS unit and IAT ion exchange unit serving the alkaline Zn and Zn alloy processes and Trivalent Chrome passivation respectively, which are vital tools supporting the concept of sustainability in the Surface Treatment Industry. SurTec is honoured to be nominated for the competition of Exhibitor of Environmental Sustainability organized by the SFCHINA committee. SurTec won this award among more than 300 exhibitors because of their environmental awareness and social responsibilities.

New United Family Clinic in Fengsheng

United Family Fengshang Clinic opened on the 18th of November 2017, with an exceptionally convenient location and full range of world-class family health services, establishing it as a Community Clinic. A complete range of health services are readily available at the Clinic, including Family Medicine, Pediatrics, OB/GYN, Wellness & Mental Health, Dental Services, an onsite Laboratory, X-ray equipment, an onsite pharmacy and more. The purpose of bringing the community this full array of services at the Clinic is for both disease prevention as well as support and management of chronic diseases. The location is centered at the fulcrum of the larger Hongqiao area, resulting in optimum convenience for internationally-minded families living in the entire district and beyond.

Vaillant Gives Love & Care to SOS Children’s Village in Tianjin

On 26th November 2017, Vaillant held a public welfare donation event in Tianjin SOS children’s village. Vaillant supplied stationery, books, water purification equipment, air purifiers, and other materials, along with a small class about air quality to help the children thoroughly understand the hazards PM2.5
can bring to humans. Mr. Wang Weidong, General Manager of Vaillant China said, “SOS children’s villages have been the global strategic partners of Vaillant. Vaillant is committed to the responsibility to provide all assistance we can to help these children. Vaillant also believes that it is not just a responsibility jointly undertaken by communities, but also an obligation for any enterprise to commit to, so we must keep the public welfare activities up, while constantly devoting ourselves into the charity activities.

**WACKER Chemie Expands Facilities**

WACKER Chemie AG is expanding its solid silicone rubber manufacturing facility in Zhangjiagang as well as its production capacity for vinyl acetate-ethylene (VAE) copolymer dispersions at its plant in Nanjing. WACKER’s technical center in Shanghai will also be expanded. This includes new R&D labs for silicone fluids and resins, pyrogenic silica, and room-temperature-curing silicone elastomers. A food application lab for products from the WACKER BIOSOLUTIONS division is also scheduled. A total investment of EUR 20 million has been earmarked for these expansion projects, which are expected to be completed in the second half of 2018. “With annual sales of well over EUR one billion, Greater China is WACKER’s largest single market and stands for one fourth of our total $20 billion, Greater China is WACKER’s largest single market and stands for one fourth of our total sales,” said CEO Rudolf Staudigl, “These expansion projects will help us support our customers’ growth, boost our innovation capability, and strengthen our market position in the region long term.”

**KSB Holds Opening Ceremony**

On 12th December 2017, KSB Shanghai Pump Co. Ltd. Guangzhou Second Branch (Guangzhou Service Workshop) held their opening ceremony. Guests from KSB Germany Headquarters, KSB Hongkong, KSB Taiwan, KSB Korea, KSB Dalian Valves, KSB Tianjin, KSB Changzhou Valves and clients came to Guangzhou Service Workshop to participate in this celebration. At the ceremony, Yao Mengxia, general manager of KSB Shanghai, delivered a welcome speech, and Mr. Ralf Kannefass, director of KSB Germany, Dr. Garbe, executive officer for Global Service of KSB, Mr. Michael Zhu, CEO of KSB North Asia and client representatives also held their enthusiastic speeches respectively. As a service base in South China, Guangzhou Service Workshop has a total investment of about RMB 7 million, with a set of first-class equipment, facilities and technicians. Based on the strategic planning of KSB Group, Guangzhou Service Workshop, following Shanghai Service Workshop and Tianjin Service Workshop, is the third KSB extension of service outlets established in China.

**NEXT GENERATION OF FUEL RAILS**

To adapt to the rapidly increasing emission standards, Winkelmann launched a new type of fuel distribution rails for GDI engines. Increasing fuel injection pressure is a trend in engine development, as it is one major way for meeting emission standards. To sustain such high pressures, Winkelmann developed a new type of fuel rails – a forged and machined unibody design – which allows to apply injection pressure of more than what current fabricated assemblies can resist. Shanghai Winkelmann has been nominated by an international automotive system supplier to launch this new generation in 2018.

**StrikoWestofen Joins Norican Group’s Global Network to Practice “Glocal” Roadmap in 2017**

StrikoWestofen joins Norican Group’s global network to deliver sophisticated integrated solutions in 2017. In support of its market leadership, StrikoWestofen together with other Light Metal Casting Solutions Group’s subsidiaries Ita!Presse, Gauss and LMCS Tech, joins Norican Group, the world’s leading provider of parts formation and surface preparation technologies for metal parts.

**SUCCESSFUL BUSINESS YEAR FOR Maertz (Shanghai) Co., Ltd. AND EXCELLENT PROSPECTS FOR 2018**

During 2017, for the German–Chinese mechanical engineering company Maertz the management team made various investments to guarantee their business partners high service quality in 2018. Attention should especially focus on an investment in new production equipment, which contributes to the service optimization of CNC milling and boring centers, and vertical turning machines. Furthermore, Maertz proudly presented a new training center for their technical qualified personnel.

**LEI MEI IN LE MERIDEN SHANGHAI MINGHANG WINS AWARD**

Le Mei Restaurant at Le Meridien Shanghai, Minhang won the Hotel Signature Chinese Restaurant of the Year Award of the Love Shanghai Awards. The award was from TimeOut Shanghai that had a special edition focusing on the city’s hospitality and lifestyle scenes. Le Mei Chinese Restaurant offers authentic Cantonese cuisine and an emphasis on quality ingredients.
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Ms. Yvonne Zhang
General Manager
DTG(Shanghai) Precision Parts Co., Ltd.
+86(0) 21 60403380

Mr. Chengyuan Li
General Manager
BOLLFILTER China Manufacturing Ltd.
+86-573-8509 5000
chengeyuan.li@bollfilter.com
www.bollfilterchina.com

Mr. Yifan Li
CEO
Hesai Photonics Technology Co., Ltd
021-61588240
info@hesaitech.com
www.hesaitech.com

Mr. Colin Bogar
CEO/Founder
MGI Pacific Limited
+86 21 63308290
www.mgipacific.com

Mr. Jianhua Qiu
General Manager
WITTE PUMPS & TECHNOLOGY (SHANGHAI) CO., LTD.
+86-21-54189112
qijjh@witte-china.com
www.witte-china.com

Mr. Barkley Shi
General Manager
Saarstahl Shanghai Limited
+86-21-62415306
barkley.shi@saarstahl.com.cn
Website: www.saarstahl.com

Mr. Albert Ho
General Manager
Rohlig China Limited Shanghai Branch
+86-21-61230866
www.rohlig.com

Mr. Robert Fuchs
Managing Director
+86-13910536718
robert.fuchs@dentsu.com.cn

Mr. Olaf Huebner
CEO ONI Germany
ONI Energy Saving Technology (Kunshan) Co., Ltd.
+86-512-36853980

Mr. Kevin Sha
General Manager
Siegmund Ningbo Welding Systems Co., Ltd.
+86-574-8658 7577
china@siegmund.com
www.siegmund.com

Mr. Fabian Berndt
CEO
Hannoversche Kaffeemanufaktur (Changde) Co., Ltd.
0736-2996865
info@hanover-coffee.cn
www.hanover-coffee.cn

Mr. Hart Wu
General Manager
Forbo Movement Systems (China) Co., Ltd.
0573-85208000
Hart.wu@forbo.com
www.forbo-siegling.com.cn

Mr. Mathieu Weber
General Manager
MAGMA Engineering (Suzhou) Co., Ltd.
Suzhou
+86-512-62725820
www.magmasoft-china.com

Mrs. Maggie Jia
Partner
De Wolf Law Firm
+86 21 6288 8682
info@dwp-axt.cn
www.dwp-axt.cn

On 7th November 2017, the German Chamber of Commerce in Shanghai hosted an Extraordinary General Meeting carrying the title: "Chemicals Supervision in China - Hazardous Chemicals Registration". The presentation introduced the current situation of chemical management in China, mainly in the development of hazardous chemicals supervision in China, the registration process of hazardous chemicals and chemical emergency telephone number in China. Among the enforcement measures of hazardous chemicals supervision, hazardous chemicals registration is a very important aspect. Detailed comprehension of the existed hazardous chemicals is the first and most fundamental step of managing chemicals. In the presentation, Mr. Chen detailly explained the updated registration process of hazardous chemicals in China. Mr. Noll explained the Chinese Emergency Telephone number and the Cooperation between GBK and NRCC.
The German Chamber of Commerce in China and CanadAsia managed to facilitate this high-powered and insightful half-day workshop in Suzhou. Participants looking to better their learning and development programs benefited from real insights, tips and techniques on how to maximize the return on investment from their training programs. The participants had the chance to discover how to include learning in performance management and how to begin developing the culture of a learning organization that fits their company.

On Tuesday, 21st November 2017, the German Chamber of Commerce in Shanghai, in cooperation with the German Center in Shanghai, the 8th Sino-German Communication Forum carried the title: “Establishing Your Foreign Brand in China’s E-commerce Landscape”. The event was moderated by Mr. Xiaolong Hu, Managing Director of Unity Business Consulting (Shanghai) Co., Ltd. The 8th Sino-German Communication Forum started with the welcome remarks given by Mr. Xiaolong Hu. First, Mr. Jean-Paul Schmitz of Asia Assist gave a speech to create awareness of opportunities of e-commerce in China, emphasizing how important social media and mobile applications are (especially WeChat) to penetrate the Chinese market with your foreign brand in an effective way. Ms. Giona Jiang of Beiersdorf then shared her knowledge about “how to implement e-commerce in China” along with her experience and background of her company. Afterwards, Mr. Raymond Kok gave an introduction about the new advertisement law and other pitfalls to keep an eye on with advertising.

For many industrial enterprises, know-how is the basis for business success, whether it refers to products tailored to local market specifics or to disruptive innovations with global impacts. China is stepping up to become a significant place for R&D, where a number of multinational companies has successfully set up large R&D centers. Tax incentives for R&D in China seem to motivate companies especially in some of the areas that are common to many companies, such as enjoying tax benefits like super R&D expense deduction, or high-tech qualification and when conducting cross-border transactions with related parties.
REGIONAL NEWS | Shanghai | Chamber Affairs

12th – Dec 13th
December 2017
Event: [Member Only] Special Event
Topic: 2017 German Business in China Innovation Workshop
Venue: Office of the German Chamber Shanghai

20th
December 2017
Event: Young Professionals Stammtisch-Shanghai
Venue: PAULANER @ XINTIANDI House

27th November 2017
Event: Workshop Machine Building
Topic: Smart Manufacturing Strategies: “How to increase productivity & real-time transparency”
Venue: Le Royal Meridien Hotel

GC DEALS
Speakers: Mr. Tao Lin | Partner at Goetzpartners
Dr. Han Zheng | Professor at CDHK, Tongji University

28th November 2017
Event: Workshop Marketing & Sales
Topic: “E-Commerce in China: The future is already here!”
Venue: PwC Innovation Centre
Speaker: Mr. Adam Xu | Leading Practitioner in the Consumer and Retail sector in China for Strategy & PwC consulting business
Moderator: Ms. Brigitte Wolff | President, E.I.M. Executive Interim and Transition Management China Co., Ltd.

On Tuesday 28th November 2017, the German Chamber of Commerce in Shanghai hosted with the French Chamber of Commerce a Marketing & Sales Workshop only for member at the PwC Innovation Centre carrying the title: “E-Commerce in China – the future is already here”. The event was moderated by Ms. Brigitte Wolff, President of E.I.M. Executive Interim and Transition Management China Co., Ltd.

This workshop started with the welcome remarks given by Ms. Wolff. Afterwards, the speaker Mr. Adam Xu gave a presentation about the trends in the largest E-Commerce market in the world: China, now setting the benchmark for present and future global retailing. This is driven by its mobile-first consumer behavior, innovative social commerce model, and a trusted digital payments infrastructure. In China, 52% of the consumers shop on their mobile weekly or daily, 61% of Chinese consumers starting their product journey on T-mall.
This special event was co-organized by the CFLD, supported by the AmCham Nanjing Center and hosted by the Nanjing Development Zone. It addressed all professionals from general management, operations, and strategy to explore the general short and long-term consequences for their manufacturing activities and to understand the policy’s concrete enforcement in Nanjing. The participants learned more about challenges and chances resulting from the application of rules on environmental protection in China, particularly in Nanjing.

Experienced experts in their field like Ralph Koppitz, Partner and Head of Taylor Wessing's Shanghai office, and Uwe Haizmann, Partner at EAC – International Consulting, gave an overview on legal considerations related to moving requests from authorities, and shared their related experience with location due diligence. The environmental bureau Qixia District, Nanjing and representatives from companies based in Nanjing provided insight into the conditions operating in Nanjing. In addition, as experts for industrial development, CFLD introduced information on Qixia District, Nanjing, as an example on the future of manufacturing in Nanjing, accompanied by a visit to the development zone in Longtan, Qixia District.

The concluding panel discussion reflected on the impact on environmental policies with addressing the direct impact on German companies in Nanjing and their supply chain as well as the enforcement in Qixia.
The workshop brought together an audience of business and NGO/charity professionals to support match-making. Four inspiring women, Chinese and international CSR practitioners, presented their society engagement projects: Marina Kalnitski presented the inspiring Sino-German project “Inclusion Factory”, the first workshop in China for people with mental disabilities which now also provides services to prepare and accompany both companies and people with disabilities on their way to fully include some of these challenged individuals into their existing workforce. Wang Ying gave a moving presentation about the Shanghai Hand in Hand Life Care Development Center that she founded which accompanies the growing number of terminal cancer patients and their families in Shanghai and how the center, with the great support of their volunteers, takes care of the dignity and psychological needs of the patients during their final journey. Caroline Vaquette, responsible for diversity and Corporate Citizenship at Henkel, presented a global initiative to strengthen the position of women in the Henkel workforce and to stress diversity and inclusion. Qiu Shuimiao, director of Liuhe Reading Service Center for Youngsters, gave an interesting overview over the challenges her NGO faced over the years in their endeavor to increase access of rural children to books and knowledge. Next to the moving and informative presentations of and discussions amongst these CSR practitioners, Business Ecology Studio also engaged the audience in group work aiming to sensitize participants for special needs of people with disabilities by putting themselves for a moment into the shoes of visually impaired and mute people. This workshop on Social Innovation was sponsored by Konrad Adenauer Stiftung and jointly organized with Business Ecology Studio, a social enterprise dedicated to building up a learning community on sustainability in China and publishing the magazine Business Ecology. The workshop marked the launching of a special edition of this magazine, paying special attention to CSR initiatives by German companies in China, but also including local social innovations.
The December Chamber meeting was as usual, set in a festive Christmas atmosphere, with decorations and a traditional German Christmas menu. As last year, the choir of the German Christian Association in Shanghai (DCGS) contributed to the evening program with a great selection of German Christmas songs. Also, for the second year, the “More than a Market” Social Market Place was held in the foyer. Nine different social organizations presented their work and projects there including: Adream Foundation, which is dedicated to educating youths; Business Ecology, which promotes sustainable business; Buy42, an online charity shop; Ecoland Club Farm, a Schrebergarten that promotes natural life style and sustainable education; the Football Project, that integrates migrant workers’ kids through football training; Mifanmama, which supports the blind and visually impaired orphans; the Inclusion Factory Taicang, that offers employment solutions and training to people with intellectual and mental disabilities; the Pfrang Foundation, which helps underprivileged adolescents and Roots and Shoots, which educates youth about environmental issues and humanitarian values. To find out more about the organizations, contact morethanamarket@sh.china.ahk.de.

The first speeches of the evening were held by Mr. Tim Wenniges, Head of Office Shanghai, Konrad Adenauer Foundation and by Mr. Nadav Ben Simon, General Manager at Taicang Inclusion Factory. Mr. Tim Wenniges presented the English-Chinese Business Ecology brochure “Social Innovation in China: German Companies’ CSR and Local Initiatives”. Mr. Ben Simon presented the work of Taicang Inclusion Factory and their plans to expand to other cities in China.

After dinner, Dr. Michael Bauer, Catholic Priest of the DCGS and Dr. Annette Mehlhorn, Protestant Pastor each held an amusing speech that covered the topic of harmony and peace, discussing the meaning of harmony and its relationship to peace.

While having dessert the guests enjoyed chatting with their colleagues and friends and wishing each other a merry Christmas. Finally, at the end of the evening, Dr. Sigrid Winkler presented a donation check of 100,000 RMB to Ms. Guesten from Pfrang foundation to support their work with underprivileged adolescents.
This year, the Fairmont Peace Hotel with its old-world charm opened its doors to the Christmas Inter-Chamber Mixer. More than 700 colleagues, family members, and friends gathered to celebrate the multinational feast together and mingle with the Shanghai community. Guests enjoyed drinks and canapes and gathered for nice conversations in the Christmas atmosphere.
Trade Fair News

The China International Import Expo (CIIE) will be held for the first time 5-10 November 2018 in Shanghai. Based on an idea from Xi Jinping, it will be held against the backdrop of the Belt and Road Initiative (New Silk Road) and is supposed to provide the adjoining countries of the Silk Road with a chance to import more products and services to China.

The CIIE is a joined initiative of the Ministry of Commerce (MofCom) of the People’s Republic of China and the Municipal Government of Shanghai and it is being supported by international organizations such as WTO, the Trade- and Development Conference of the UN, the UN-Organization for Industrial Development.

The Association of German Chambers of Commerce and Trade (DIHK) signed a Memorandum of Understanding with MofCom China as supporter of the fair. As the DIHK’s local subsidiary German Industry & Commerce (GIC) Greater China | Shanghai (the service provider of the German Chamber Network in China) was appointed to coordinate German participation on state and company level in CIIE.

Due to the short timeframe until the opening of the fair, there will be no official German Joint Pavilion with government funding. GIC Greater China | Shanghai has already reserved space for German companies at a preferential price. An exhibition package for small-scale participations will also be available.

Companies interested in participating in CIIE either with their own space or as part of the German Pavilion can get in contact with GIC Greater China | Shanghai for more information and space reservations. GIC Greater China | Shanghai

Dong Yini Manager | Trade Fairs & Exhibitions | dong.yini@sh.china.ahk.de | +86 -21 - 3858 5019

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Training Calendar Shanghai

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>6th February</td>
<td>Bikablo® basics - Your First Step into Visual World (new)</td>
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<tr>
<td>26th - 28th February</td>
<td>IATF 16949:2016 Internal Auditor Course</td>
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<tr>
<td>1st - 2nd March</td>
<td>Building High Performance EA / PA / Assistants Training</td>
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<tr>
<td>5th - 9th March</td>
<td>Improve Maturity of your Manufacturing Process to 6 Sigma</td>
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<td>2nd - 3rd March</td>
<td>Communication, Influencing &amp; Negotiation Skills</td>
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<tr>
<td>10th March</td>
<td>Bikablo® basics – Your First Step into Visual World (new)</td>
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<td>12th - 13th March</td>
<td>Working Smart with PowerPoint</td>
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<td>13th - 14th March</td>
<td>Project Management</td>
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<td>14th March</td>
<td>Successful Design with PowerPoint</td>
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<td>14th - 16th March</td>
<td>Controlling in 5 Stages: Stage 5 “Presentation and Moderation”</td>
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<td>14th - 16th March</td>
<td>IATF 16949:2016 Internal Auditor Course</td>
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<td>16th March</td>
<td>Preventive Quality Assurance – Design and Process FMEA</td>
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<td>19th - 20th March</td>
<td>Working Smart with Excel</td>
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<td>19th - 21st March</td>
<td>ISO 9001:2015 Internal Auditor Course</td>
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<td>21st March</td>
<td>How to be a Professional Receptionian</td>
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<td>21st March</td>
<td>Managing Emails and Schedules Using Outlook</td>
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<td>21st - 22nd March</td>
<td>Bridging the Culture Gap-Living, Working and Leading in China</td>
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<td>22nd March</td>
<td>Overview of China GHS (new)</td>
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<td>22nd - 23rd March</td>
<td>Effective Selling Skills</td>
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<td>22nd - 24th March</td>
<td>Facilitator Curriculum (new)</td>
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<td>23rd March</td>
<td>7 Steps to Effective Problem Solving for a High-performance Team</td>
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<tr>
<td>23rd March</td>
<td>Employment Contracts for Foreigners – Aligning Legal, Social Insurance, Tax and Immigration Requirements</td>
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<td>26th - 27th March</td>
<td>Essential AutoCAD Skills: 2-D Drafting Intermediate</td>
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<td>27th - 28th March</td>
<td>How to Relocate your Factory in China</td>
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<td>27th - 28th March</td>
<td>Cross-Cultural Training–Virtual Communication</td>
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<td>27th - 28th March</td>
<td>Communication, Influencing and Negotiation Skills</td>
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<td>28th - 29th March</td>
<td>Leading with Global Perspective (new)</td>
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<td>28th - 29th March</td>
<td>Working Smart with Word</td>
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<tr>
<td>28th - 30th March</td>
<td>ISO 14001&amp;OHSAS 18001 Legal Requirements</td>
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<td>29th - 30th March</td>
<td>Lean Production Enabled by Industry 4.0</td>
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<tr>
<td>29th - 30th March</td>
<td>“Strategic Thinking” in Digital Disruption Age (VUCA Environment)</td>
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<tr>
<td>30th March</td>
<td>Compliance Risk HR – Chinese Employment and HR Law in a Nutshell</td>
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Trade Fair Outlook

Major exhibitions in the following months are:

* **LASER World of PHOTONICS CHINA** - International Trade Show for Optical Technologies 14–16 March 2018 at SNIEC with an International Machine Vision Pavilion organized by GIC Greater China | Shanghai

* **CCMT** - International Fair for CNC Machine Tool Components & Attachments 9–13 April 2018 at SNIEC

* **CMEF** - China Medical Equipment Fair, Spring Edition, 11–14 April 2018 at NECC

* **CHINAPLAS** - International Exhibition on Plastics and Rubber Industries, April 24–27 2018 at NECC

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**DIE & MOULD CHINA** - International Exhibition on Die & Mould Technology & Equipment, 5–9 June 2018 at SNIEC

**China Aid** – Trade Fair for Products and Services for Senior Care and Nursing Homes, 13–15 June 2018 at SNIEC with a German Pavilion organized by GIC Greater China | Shanghai

For more information on Trade Fairs in China, please contact us directly:

Ms. Dong Wen | Tel. 021 3858 5052 | dong.wen@sh.china.ahk.de
What is your personal and business background?
I have been engaged in the OEM business for over 25 years. My career development is very solid: From key account sales manager to sales director, then to managing director and finally to CEO of the company. I have Ph.D. in chemistry and transferred from a previous seven years' as managing director to Pfnder CEO in November 2017.

Tell us a little about your company and activities in China?
Pfnder KG, a German family-owned chemical company and mother company of Pfnder Chemical Shanghai Co. Ltd (called Pfnder China), is a specific waxes supplier for corrosion protection in the OEM industry and has customers from all famous global car manufactures. In 2011, Pfnder KG established a branch in Shanghai, China, as a local manufacturing center of waxes for Chinese OEMs. This is the second manufacturing center that makes Pfnder more global and provides better, technical service to local Chinese OEMs, with our superior products.

How long has your company been active in China? Have there been any major shifts in strategy in that time? Why/why not?
Pfnder KG is a worldwide leading company for corrosion protection with OEMs globally. Since 2009, China became Pfnder's number one market and number one manufacturing center in the world. Pfnder KG's authority board made a remarkable and important decision to establish a branch in Shanghai. After this milestone, Pfnder Group will establish a Pfnder Mexico plant and a Pfnder US business that would enable Pfnder to have more opportunities in successfully handling all worldwide challenges in the near future.

What are the main challenges you encountered operating an international business in a Chinese environment?
First of all, there are cultural differences in all aspects including mindset, business strategic decision making and attitude in response to fast-moving market. But so far with cross-culture communication, Pfnder has had successful results in respect to the different cultures.

What has been your strategy in terms of localization: of staff, R&D, production, etc?
Pfnder China employs local staff, especially with global business sense and global business background that enables us to understand local business more accurately and to handle business with global resources effectively. All the staff has a good command of technology with technical, managerial and operational understanding, so that Pfnder China successfully achieves in licensing, manufacturing facility setup, and products manufacturing and shipment to customers. With more than seven years of running business, Pfnder China is an accepted local partner to all OEMs in China.

Do you target a mainly Western or Chinese customer base, and why?
Well, Pfnder started its China business with German OEMs. But Pfnder has already established a new local Chinese OEMs' network with a leading product providing. In fact, in China, almost all OEMs had been joined the automotive business competition so that we have more and more chances to improve our new products and technologies.

What are your short- and long-term objectives, especially in China?
Pfnder China's first five years was successful and lucky because it was the correct moment to make investments in China that met the growth of Chinese OEMs by satisfying their needs. For the next five years, Pfnder China would like to have more focused study and more rapid reply on the customers' demands especially on the growing concept of "green" in terms of new technology. In the long-term, Pfnder would like to keep a leading position in the market and in corrosion protection technologies.

In your experience, what are the problems German investors in China encounter most frequently?
The main problems occur are mainly the language, cultural differences and the different time zones. Within the last few years, the exchange rate of RMB to EUR has not supported German investors coming to China. However, the key success factor for successful Chinese business is employing local managers and employees with an entrepreneurial spirit, who understand local customers.

What are the most valuable things you have learned from working and living in China?
Since the beginning of my sales activities, I travel to China at least four times a year. I like to visit the various historical sites in Beijing and other Chinese cities in which I am familiar. I have learned that there is always opportunity for business in China and around the world, but you need to figure out how to do business in an acceptable way; Like the old saying: "When in Rome, do as the Romans do." I do think that Pfnder's culture is growing with Pfnder China by locally developing business and technology in corrosion protection from time to time.
ECOLOGY MEETS SUSTAINABILITY

Your supply of choices for green products of waxes in China

中国生产的绿色防锈蜡产品
Business Confidence Survey 2017
Press Conference

The Press Conference on the Business Confidence Survey 2017 was received with great interest where 12 journalists from international and Chinese media attending the meeting. Ms. Bettina Schön-Behanzin, Chairwomen at the German Chamber of Commerce China Shanghai, together with Mr. Lothar Grad, Vice Chairman at the German Chamber of Commerce China Shanghai, and Ms. Simone Pohl, Executive Director and Board Member of the German Chamber of Commerce in China Shanghai, presented the trends, business challenges and prospects for German companies to do business in the Chinese market. The key findings of the survey showed a positive outlook on the Chinese economy as well as optimistic business expectations for 2017 and 2018. However, challenges are increasingly causing difficulties for German companies to do business in China, such as slow cross-border internet speed and internet access restrictions, uncertainty regarding the new Cybersecurity Law, the shortage of qualified staff and increasing labor costs as well as legal or regulatory obstacles. During the Q&A session, topics of particular interest to the media included: the significance and implication of growing challenges and how to tackle them, future business prospects and the importance of the Chinese market as well as China’s demand for German talents within the high-tech industry.

Training Highlights - Shanghai

“Strategic Thinking” in Digital Disruption Age (VUCA Environment)
Most organizations go through some form of strategic planning cycles. Essentially, this may involve two broad phases: the formulation and the execution. As strategy reflects the collective wisdom of the organization, it is imperative that it is designed and executed well. It is expected that participants to this Workshop are highly engaged and interactive as “strategy is dead” without active dialogue and sharing of experiences. Business cases of real digital disruption companies happening within China versus EU & USA will be discussed in classroom.

Compliance Risk HR – Chinese Employment and HR Law in a Nutshell
As a foreign company in China, there are a range of topics to consider in order to establish a sound HR structure that is compliant with laws and still efficiently managed. As a foreign manager leading staff in China, this training course is ideal for you if you want to learn about the structure and requirements of Chinese HR laws! A profound knowledge about Chinese legal HR regulations, based on your understanding and experience of home country’s regulations, enables you to ensure the legal feasibility of your HR decisions. Especially in a dynamic economic environment it is important to timely implement a flexible-personnel organization and “do your homework” in order to avoid incompliance, cost and road blocks in later organizational changes or development.

Shanghai contact: Ms. Zhang Yihui
Tel. 021 6875-8536 ext. 1658 | Fax 021 6875-8573 ext. 5658
zhang.yihui@sh.china.ahk.de
WELCOME BACK PARTY 2018

Eurocampus, German and French School Shanghai, 350 Gaoguang Lu, Hongqiao
上海德国学校 – 欧洲校园（浦西）高光路350号

Saturday, 1st September 2018
3pm until the early evening hours

Free Admission
Bring your Family & Friends
Live Music – Food & Beverage – Fun Activities and Games

Deutsche Schule Shanghai Hongqiao
Gemeinsam wagen. Geborgen wachsen.
On 25th October 2017, Guangdong Council for the Development & Promotion of Small and Medium Enterprises and top managers from small and medium-sized enterprises in Guangdong Province led a delegation to the European Buyers Council. At the meeting, the two sides exchanged views on various topics such as the past and current analysis of the Chinese and European market environment, and the development prospects of various industries in Europe. At the end of the talk, the German side thanked the Chinese delegation for the successful meeting and wished the small and medium-sized enterprises in Guangdong province all the best to achieve better development in the future.

Fresenius Kabi Continues to Invest in its Guangzhou Plant

In November 2017, Fresenius Kabi (Guangzhou) completed the expansion of the shop floor and warehouse of its production plant and celebrated its 10th anniversary. The manufacturing plant with more than 500 employees is one of Fresenius Kabi’s four major blood bag manufacturing sites in the world. In addition to supplying domestic blood collection centers and hospitals, the plant also exports to more than 40 countries in different regions. Many customers from China and the Region Asia followed the invitation for the celebration and could convince themselves during a plant tour about Fresenius Kabi’s investments in state-of-the-art production and automation technologies. In his opening speech, Dr. Christian Hauer, board member of Fresenius Kabi and President of the Medical Devices Division, thanked the local government for their strong support over the past decade, all customers for their trust and Fresenius Kabi employees for their dedicated work.

Perspective and Investment Chance in Southwestern China

As commercial representative authorized by Pujiang Government to deal with German and European affairs, G-Link Commercial Consulting (Chengdu) Co., Ltd successfully organized the event entitled “Perspective and
Charity in recognition of its continuous efforts and contribution through the social and environmental responsibility program, Community Footprints. Ten corporates nationwide received this honor under this category. At The Ritz-Carlton, everyone is empowered to actively give back to their local community by focusing on three key areas: Hunger and Poverty Relief, Well-Being of Children and Environmental Conservation. Therefore, The Ritz-Carlton, Guangzhou aligns both locals and travelers around the issues that are important to the city. In the past year alone, the hotel organized and participated in several activities including but not limited to Earth Hour, Smile Asia Cake, and Care the Outlier. They carried out its commitment to providing long-term assistance to a primary school in a deprived area.

uvex Proves its Quality and Innovation with Awards

In 2017, uvex was awarded the Plus X Award – the world’s biggest innovation prize for technology, sport and lifestyle – as the most innovative brand of the year in the “Tool” category. Prestigious design awards, including the iF product design award, the red dot design award and the German Design Award confirm that uvex products meet the highest demands for functionality, while still having an attractive design.

Investment chance in Southwestern China” with support of IHK Potsdam to launch the opening of the Chengdu and Sino-German (Pujiang) SME Cooperation Zone in Berlin on 27th September 2017. On 29th January 2018, G-Link Consulting also organized the “Sino-German (Pujiang) Vocational Education Exchange Conference assisted by the AHK Chengdu office. And as a last step, G-Link Consulting and the Pujiang Government will attend the event entitled “Investment chance in China” in Ahlen, Germany on 18th April 2018, where they will also sign the Agreement of Friendship City between Pujiang and Ahlen.

New General Manager for Hard Rock Hotel Shenzhen

It’s going to be a wild ride at Hard Rock Hotel Shenzhen, as Mr. Glenn Peat has just been appointed to take the helm of the brand’s first hotel in Mainland China, opened in September. The 20-year hospitality veteran was a chief commander at Hyatt Hotels & Resorts, where he brought forth a string of successful pre-openings and restaurant refurbishments. With a wealth of experience in resort and luxury hotel operations in China, India, Australia, and New Zealand, Mr. Peat creates unforgettable experiences for his guests whilst delivering on the brand promise. Mr. Peat strongly believes that teamwork is essential to the long-term success of a hotel. He shines in employee recruitment, training and retention, which resulted in the highest employee engagement scores within Hyatt worldwide in 2014. A culturally intelligent communicator, he masterfully builds and maintains strong working relationships with stakeholders to reach his aspirations.

Le Grill Wins Award for Best Steak House

In November 2017, Le Grill of Sofitel Guangzhou Sunrich won the Best Steak House award in the 2017 That's Guangzhou Food & Drink Awards Ceremony. That’s Food & Drink Awards held by That’s Magazine, is an authoritative award in China that highlights the region’s outstanding restaurants, bars and cafes. That’s magazine is one of the most respected, in-depth and informative English publications in China.

Residence G Shenzhen: Metropolitan 2017 Top 30 Hotel General Manager Award

Residence G Shenzhen is proud to announce that its General Manager Ms. Blandine Cresbard was awarded Top 30 Hotel General Manager by Metropolitan Magazine 2017. Founded in 2010, Metropolitan is a high-end lifestyle magazine and has a continuous concern for high-end hotel industry development. ‘2017 Top 30 Hotel General Managers’ award aims at selecting and reporting the most representative General Managers from international hotels in Greater China. Residence G Shenzhen belongs to award-winning GCP Hospitality, renowned for its fashionable hotel brand Hotels G. The property hosts 178 stylish units featuring a modern, European design. G Club is the first space of its kind in hotel or residence in Shenzhen’s Nanshan District with a two-floor dynamic structure.

The Ritz-Carlton, Guangzhou Awarded For Its Community Contribution

The Ritz-Carlton, Guangzhou has been honored as the Select Fashion Awards “Annual Influential Community Corporate” by Tencent.
New Members South & Southwest China

For full contact information and company profiles of our new and existing members, please visit www.german-company-directory.com

Mr. Giorgio Olivotti
General Manager
NICCOLO CHONGQING
023 6508-8888
giorgio.olivotti@niccolohotels.com
www.niccolochongqing.com

Mr. Glenn Richard Peat
General Manager
Shenzhen Guanlanhu Property Development Co. Limited
Hard Rock Hotel (Hard Rock Hotel Shenzhen)
0755 3395-2888
Glenn.Peat@hrhshenzhen.com
www.hardrockhotels.com

Mr. Christian Rank
General Manager
RAMKO GUANGZHOU LTD.
020 8230-7980
christian.rank@ramko.info
www.ramko.info

Ms. Amelie Pan
General Manager
WECO Electrical (Shenzhen) Ltd.
0755 2636-6252
apan@wecoconnectors.com
www.wecoconnectors.com

Ms. Annie Liao
Director of South China Business
P3 Technical and Management Consulting (Shanghai) Co., Ltd.
0755 2124-4013
yukun.liao@p3-group.com
www.p3-group.com

Ms. Lynn Fang
General Manager
ASSMANN WSW COMPONENTS LIMITED
0769 8162-8280
fang@assmann-wsw.com
www.assmann-wsw.com

Mr. Thomas Wong
Partner
CW Consulting Services (Shenzhen) Company Limited
020 8135-0412
cw@cwhkcpa.com
www.cwhkcpa.com

Mr. Stephen Urmstorm
Private Member
020 8483-0756
stephen@xdl-china.com
www.xdl-china.com

Mr. Joerg Ruhland
Sales Director
Jiangmen Steel & Style Metal Craft Co., Ltd.
0750 3667-280
j.ruhland@steel-style4life.com
www.steel-style4life.com

8th – 11th November 2017
Location: Guangzhou
Event: Oktoberfest
Venue: New Fa Center
More than 150 entrepreneurs, experts and city-representatives joined the first Sino—German Smart City Forum on 14th November in Panyu. At the conference and business-matchmaking, enterprises with smart city technologies made in Thuringia met possible partners and investors from China to enter the local market and vice versa. Smart Production, Smart Mobility, Smart Energy, Smart Sensors and Urban Innovation were the trend-setting fields that were presented and discussed during the keynotes and meetings. At the end of the day, the first Sino-German agreements were concluded.

On 10th November, the German Chamber of Commerce in China | South & Southwest China held a one-day HR Summit at the Langham Shenzhen, that provided an open platform for future-minded professionals to review & rethink HR strategies to succeed in business. It brought an opportunity for members and guests to learn, share, get inspired and network with other HR professionals in South China. The event started with the opening speech by Mr. Stefan Rosenbohm, the Chairman of German Chamber of Commerce South & Southwest China, and was followed by four different sessions, keynote speeches, case studies, workshops and a panel discussion. High level speakers presented their knowledge and shared their experiences on how to deal with current issues in Human Resources with the participants.

The German Chamber of Commerce in China | South & Southwest China thanks everyone for joining their first HR Summit and looks forward to seeing everyone at the next HR Summit in November 2018! They also thank their Conference Partner Direct HR, their Golden Sponsor CW, their Conference Exhibitor Haufe, and their Media Sponsor Dezan Shira & Associates.
To deepen the economic exchange and cooperation with the city of Chongqing, Mr. Thomas Schmidt, Minister of the Saxon State Ministry of Environment and Agriculture led a delegation of 45 representatives to visit Chongqing to enable a dialogue with local enterprises and the government. On 20th November 2017, Mr. Schmidt invited the GCC members in Southwest China to the Welcoming banquet in Chongqing Wyndham Hotel for an exchange with the delegation. Speeches were given by the German General Consul in Chengdu, Dr. Klaus Schmidt, and the Delegate and Chief Representative of Delegation of German Industry and Commerce Guangzhou, Mr. Jens Hildebrandt.

20th November 2017

Location: Chongqing
Event: Welcoming Banquet of Saxony Delegation
Venue: Chongqing Wyndham Hotel

23rd November 2017

Location: Guangzhou
Event: Conference
Venue: CCIFC Office Guangzhou
Speakers: Mr. Nicolas Melan | Co-founder and General Director Asia of Sequoia-studio
Topic: What can Industrial Design concretely bring to your company?

26th November 2017

Location: Guangzhou
Event: First German Chamber Football Tournament
Venue: Utahloy International School Guangzhou
What’s your personal and business background?
My grandfather lived in China from the 1890 until the revolution, and then moved, with my father and grandmother, to Hong Kong where he met my mother who grew up there. I was born in Hong Kong, studied there and in England. After university, I returned to Hong Kong. I started the law firm together with my partner Dominic Lee, with the aim of providing an alternative to large multinational firms, where we both had worked, and a purely local firm. Our main focus has been on working with foreign investors to enter into, or expand within, Hong Kong and the People’s Republic of China (“China”).

Tell us a little about your company and activities in China.
We now have three partners, the third being Helen Morris, a diverse multinational staff, and a client base of which we are extremely proud. This includes multinational companies, medium size companies, individuals and clients from China seeking to invest in Europe. With regards to China, we have, since our inception, been able to assist our clients with new investments, ongoing corporate issues and court actions in China, by working with highly qualified and experienced local correspondents.

Why did your company choose to open an office in Chongqing?
Opening a representative office in China is not a necessity but, in our view, an opportunity.

What’s your competitive advantage, what kind of benefits can companies using your products/services in China get?
I have always had a positive experience of working in China, as one is constantly learning. The more one learns, the more one understands how much more there is to learn and understand, which is a challenge. China presents opportunities which are simply not found elsewhere. In comparison to other countries, it is my experience that China is, with the appropriate degree of caution, exceedingly accommodating to foreign investment. This is not to say that it is not difficult and that it is not time consuming and bureaucratic. However, with the right people and patience it is, in my view, the future for various types of business. There are of course, by necessity, various requirements and procedures to be met in order to reach a beneficial outcome.
30th November 2017

Location: Guangzhou  
Event: Tax Workshop  
Venue: GCC Office  
Speakers: Ms. Bolivia Cheung | External Consultant of CW HK CPA Firm  
Topic: Remittance of funds from China

30th November 2017

Location: Guangzhou  
Event: German Wine Tasting  
Venue: ME+ Dining Room

On 2nd December 2017, the German Chamber of Commerce in China | South and Southwest China, together with the British Chamber, Canadian Chamber, American Chamber and other European Chambers held the 2017 Charity Christmas Party at the Crowne Plaza Chengdu City Centre. With a four-course festive western dinner, this family-friendly event got everyone in the Christmas spirit. Later on, live music and a lucky draw ensured that this event was a true success.
On 7th December 2017, the German Chamber of Commerce | South & Southwest China held a Christmas Kammerdinner at the Hard Rock Hotel Shenzhen. The German Consul General, Mr. Martin Fleischer, took the 50 guests in his keynote speech on a journey of “Stocktaking of Sino-German Relations”. Hot wine, roasted goose and Christmas Stollen got attendees into Christmas mood. Presentations on Corporate Social Responsibility reminded attendees of the role German companies take in Chinese society. The German Chamber would like to thank the beer and wine sponsors as well as gift bag sponsors.

Together with Duravit (China) Sanitaryware, the German Chamber of Commerce in China | South and Southwest organized the Duravit Factory Visit in Chongqing on 7th December 2017. Participants from different industries took an interest in Duravit’s new and optimized production site in Chongqing. The guided tour of the factory was followed by a lively Q&A session. This factory visit gave meaningful insights into the latest challenges and developments of Industry 4.0 and was enjoyed by all participants.

On 11th December 2017, the German Chamber of Commerce | South & Southwest China held a Christmas Dinner at Jardin D’Olive Panyu Canton.
Relating to the 2nd Sino-German Economic Forum another very special event was held from 14th-17th December on Chunxi Road – the German Christmas Market. For the first time ever, the German-style Christmas market on Chunxi Road invited everyone to get in the spirit for Christmas. With festive Christmas decorations and music, the Christmas market hosted passers-by to enjoy the season with the sponsors of the Second Sino-German Economic Forum.

In cooperation with the People’s Government of Sichuan Province, the German Chamber of Commerce in China | South & Southwest China organized 2017’s biggest Sino-German Conference in Southwest China. The Forum focused on the topics of Industry 4.0, Smart Manufacturing, and participation opportunities within One Belt, One Road projects. This event provided an ideal platform for German and Chinese companies to get together to discuss current challenges and opportunities in Sichuan’s economy. The roundtable format of this event enabled participants to address their matters of interest directly to the responsible government authorities. In the afternoon, the event concluded with the individual matchmaking session for Chinese and German companies.

Thermomix provided freshly-made warm drinks and soup. The Kempinski Hotel Chengdu moved their kitchen to the Christmas market and gave visitors the chance to taste the most genuine German sausages and mulled wine. To complete the festive atmosphere, Heuchelberg brought their classic red wine to celebrate.
The two-day “Smart and Connected Mobility in the Sichuan Basin” event on the 14th and 15th December 2017 at the Sofitel Hotel in Chengdu contributed to connecting the region’s responsible stakeholders and working towards integrated transport solutions.

The first day started with the forum which was attended by 120 participants including representatives from Sichuan People’s Government, Municipal Governments of Chengdu, Chongqing, Mianyang, Deyang, German institutions, German and local smart mobility businesses, local associations, Sichuan University and Chongqing University representatives. Welcoming remarks were given by a representative of the Sichuan Development and Reform Commission, Mr. Klaus Schmidt, Consul General of the Federal Republic of Germany in Chengdu, and Ms. Nilgün Parker from the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety.

The second day of the event was set up as three different discussion groups, which were held throughout the day. In these groups, Sino-German Urban Planning Institutions, Smart Mobility Experts and Business Representatives got together at one table and discussed challenges and opportunities in the areas of Shared Mobility Concepts, Intelligent Infrastructure, and Smart Logistics.

The forum and the workshop successfully provided an up-to-date and comprehensive overview of the different transportation offers, projects and challenges in transportation alternatives in the Sichuan Basin and a networking platform for the different stakeholders, bringing in their expertise and thereby providing the basis for further practical cooperation.

On 24th December the German Chamber of Commerce in China | South & Southwest China invited Chengdu’s students, interns and young professionals to their monthly meet-up at the Beer Nest 2. This month’s meet-up was set up as a Christmas Eve dinner in a relaxed atmosphere. Participants of many different nationalities were welcomed to celebrate Christmas Eve. With a traditional Raclette-buffet, special discount on drinks, and Christmas music, this event was enjoyed by all the participants. This event provided the perfect platform for cultural exchange and networking between young people in Chengdu. The German Chamber would like to thank the team from Beer Nest 2 for their generous support of the event.

The German Chamber of Commerce in China | South & Southwest China would like to thank all speakers and workshop participants of the “Smart and Connected Mobility in the Sichuan Basin”-event for sharing their insights and expertise and their dedicated and active collaboration for this event.

Training Calendar South & Southwest China

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<th>Event</th>
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<tr>
<td>15th – 16th March</td>
<td>Key Account Management Workshop</td>
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<td>23rd March</td>
<td>The Art and Science of Influencing</td>
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<td>29th March</td>
<td>Work Report Slides Designing and Presentation Skill Training</td>
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<td>30th March</td>
<td>Automatic Data Report Quickly Design</td>
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<tr>
<td>12th April</td>
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<td>13th – 14th April</td>
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<td>19th – 20th April</td>
<td>Key Account Management Works</td>
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<td>8th – 9th May</td>
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<td>Stress and Emotion Management</td>
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<td>25th May</td>
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On 26th November 2017, eight teams from different companies came together at the Utahloy International School in Guangzhou (UISG) to compete for the title of the First German Football Champion in South China. The tournament brought 300 spectators from different companies and different ages together.

**Opening Ceremony by Chief Representative, Supervised by League Referees**

The opening ceremony was held at 9:00 am with a speech by the Chief Representative of Delegation of German Industry and Commerce Guangzhou, Mr. Jens Hildebrandt, wishing for sportsmanship and fair competition. After the team captains were introduced on stage and the teams of FC AHK, IKA, FC THE, Hong Da Football Team, FAW-VW International Soccer Team, WEVO – CHEMIE, UISG All STARS, BINZEL CHINA proceeded to the two pitches. At 9:30 am, the first games began.

**UISG ALL STARS Win the Final**

Players and visitors alike enjoyed blue sky and sunshine and exciting football games. Lunch time marked the end of the group stage, freshly strengthened the top four teams fought for the championship. The final between the teams of VW-FAW and Utahloy International School Guangzhou was finally won on penalty kicks by Utahloy, who demonstrated more composure under pressure to win the trophy.
Entertainment for Spectators

The guests had a great time at the entertainment areas that were provided by the Utahloy International School and That’s PRD. The entertainment area included activities such as face painting, nails painting, arts and crafts, a table tennis competition, a basketball zone, football training, as well as a newly equipped playground from the Utahloy International School. All guests had a chance to try their luck at the soccer goal wall contest (Torwandschiessen). The German Chamber and their benefit partners provided giveaways and vouchers for the winner.

Throughout the day, delicious German BBQ and beer were served by German Beer Garden and HB Beer as well as international cuisine, refreshments, deserts, sandwiches, and pizza by Beams and Utahloy International School. After the Soccer Championship, many spectators, volunteers, and players celebrated the successful event after the ceremony with delicious finger food and German beer by HB Beer.

The First German Chamber Football Tournament was more than just a football challenge. It also offered the perfect opportunity for an intercultural exchange between Chinese and German spectators outside the office in a pleasant and relaxed atmosphere. Families gathered together, and new friendships were made.

A great thank you goes to all teams, sponsors and spectators who made this tournament a memorable and enjoyable day.
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P3 Technical and Management Consulting (Shanghai) Co., Ltd.
Managing Director

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Fiducia Management Consultants (Shanghai) Ltd
Advisory Director

Mr. Michael Marder
Ward Howell International, Direct HR,
Hidden Champion, IOTOne.com
Co-Founder, Managing Director

Mr. Marcus Wassmuth
UniCredit S.p.A.
Director, Head of European Corporate Coverage, China
Corporate & Investment Banking

Ms. Brigitte Wolff
EIM Executive Interim Management Ltd., China
President

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South & Southwest China

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Hamanu (Shenzhen) Trade Co. Ltd.
General Manager

Mr. Jens Hildebrandt*
GCC | South & Southwest
Executive Director
Delegation of German Industry & Commerce Guangzhou
Delegate and Chief Representative

Mr. Ulf Reinhardt
Treasurer
Foxan ARC Industrial Equipment Manufacturing Co. Ltd.
General Manager

Mr. Ged Kassow
Metz Connect Zhongshan Ltd.
General Manager Greater China

Ms. Jana Karow
Brema Marketing GmbH & Co. KG
Representative Office Guangzhou
Chief Representative

Mr. Rüdiger W. Kümmerle
Lenzkes Clamping Tools (Shenzhen) Co. Ltd.
General Manager

Mr. Daniel Albrecht
Starke Consulting Co., Ltd. Beijing
Managing Counsel

Mr. Olaf Kastner
BMW Group Region China
President and CEO

Mr. Rolf H. Koehler
Fiducia Management Consultants (Shanghai) Ltd
Advisory Director

Mr. Michael Marder
Ward Howell International, Direct HR,
Hidden Champion, IOTOne.com
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Director, Head of European Corporate Coverage, China
Corporate & Investment Banking

Ms. Brigitte Wolff
EIM Executive Interim Management Ltd., China
President

* GCC All-China Board Member
German Chamber Ticker About us

PUBLISHER
German Chamber of Commerce in China

DESIGN
Ms. Zhu Jingyan
☎ 021 5302-2562
✉ jiezhanprinting@163.com

EDITORIAL TEAM SHANGHAI
Chief Editor
Senior Communications Manager
Ms. Olivia Helvadjian
Ext. 1637
✉ helvadjian.olivia@sh.china.ahk.de

Junior Editor
Project Manager - GC DEALS
Ms. Jessica Downer
Ext. 1675
✉ downer.jessica@sh.china.ahk.de

Advertisement Sales
Sales and Marketing Manager
Ms. Chen Ting
Ext. 1837
✉ chen.ting@sh.china.ahk.de

OFFICES AND TEAMS IN MAINLAND CHINA:

GCC NORTH CHINA
0818 Landmark Tower 2,
8 Dongsanhuan (N) Rd.
Chaoyang, Beijing 100004
☎ 010 6539-6688  ☎ 010 6539-6689
✉ chamber@bj.china.ahk.de

Executive Chamber Manager
Mr. Sebastian Suciu
☎ 010 6539-6660
✉ suciu.sebastian@bj.china.ahk.de

Project Manager and GC Ticker Contact
Ms. Johanna Heinzmann
☎ 010 - 6539 6664
✉ heinzmann.johanna@bj.china.ahk.de

GCC SHANGHAI
29/F Gopher Center, 757 Mengzi Road.
Huangpu, Shanghai 200023
☎ 021 5081-2266  ☎ 021 5081-2009
✉ chamber@sh.china.ahk.de

Executive Chamber Manager
Dr. Sigrid Winkler
Ext. 1609
✉ winkler.sigrigd@sh.china.ahk.de

GCC SOUTH AND SOUTHWEST CHINA
Room 1903, Leatop Plaza,
32 Zhu Jiang East Road
Tianhe District, Guangzhou 510620
☎ 020 8755-2353  ☎ 020 8755-1889
✉ chamber@gz.china.ahk.de

Executive Chamber Manager
Mr. Marc Piesbergen
☎ 020 8755-8203
✉ piesbergen.marc@gz.china.ahk.de

Regional Manager Shenzhen and GC Ticker Contact
Ms. Lydia Schulz
☎ 0755 8635-0487
✉ schulz.lydia@gz.china.ahk.de

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Ningbo Meishan International Health Industrial Park

Ningbo Meishan International Health Industrial Park is located in Ningbo Meishan Free Trade Port Zone, the state-level development platform, where on the south-east of Ningbo City. As a beautiful overlooking island, here are international port linking to main ports worldwide, bonded warehouses and efficient port clearance formalities available. By virtue of this area’s advantages in function, policy and service, the park has attracted more than one hundred medical enterprises whose business covering R&D, production, investment, trading and service additionally. To support rapid innovation and development of those enterprises, an industry guidance fund of 1 billion RMB has been set up specially.

Following investment projects are welcomed warmly.

**Medical Equipment Intelligent Manufacturing Base**

focusing on international cooperation and production projects for mid-high end medical equipment, aims to fully raising China’s medical equipment industrial development level by applying world-leading technologies. The representative project is Kangda Intercontinental Meishan Health Industrial Park. Invested 2.5billion RMB, it covers an area of 319 acres, aiming to constructing an over 330,000 m2 world-class factory and flagship medical base.

**Medical Innovation Park**

focusing on medical investment and Financing Organization with localization request on overseas M&A project, self-raised fund investment project and LP investment project, aims to creating a shared space for resources and benefit to meet the asset-light strategy of the start-ups.

**Health Services Complex**

focusing on high-end medical service for cancer therapy and medical cosmetology, aims to creating a national health tourism demonstrative base by utilizing Meishan’s superior tourism resources. The representative project is MBM precision medicine project. MBM has actively expanded a world-wide innovation platform and dedicated to providing clinical case and patient with a vertical precision medical solution. MBM and OCB have together established MBM-OCB joint laboratories in Oxford, Britain and Meishan, China respectively.

Ningbo Meishan Free Trade Port Zone Investment and Cooperation Bureau

Contact : Annie Lu  Phone:+86-574-89284338  +86-13857890079  E-mail:ilm@msd.gov.cn
Main Industries
Auto Parts
Equipment Manufacturing
High-end Food Processing
Healthcare

Advantages
- Advanced Natural Environment
- Developed Transportation Network
- Abundant and Quality Human Resources
- Attractive Tourist Resort
- Highly Competitive Investment Cost
- Pleasant Living & Working Environment with Complete Infrastructure
- Efficient and Honest Government Service
- Demonstration Area of Fully Connecting to Shanghai

Transportation
- High-speed Railway
  - To Shanghai: 75km, 25min
  - To Hangzhou: 75km, 23min
- Highway
  - To Highway Entrance: 5km, 10min
  - To Shanghai: 90km, 60min
  - To Hangzhou: 85km, 60min
- Airport
  - To Shanghai Hongqiao Airport: 90km, 60min
  - To Shanghai Pudong Airport: 120km, 75min
  - To Hangzhou Xiaoshan Airport: 90km, 60min
- Port
  - To Jiaxing Port: 30km
  - To Shanghai Port: 130km
  - To Ningbo Port: 250km
  - To Yangshan Port: 70km

Contacts
Shawn Shi (English & German)
Tel: +86-573-82208504
Email: shixiaowei@jxedz.com

Hannah Zhang (English & German)
Tel: +86-573-82208716
Email: hannah.zhang@jxedz.com

Benny Zhang (English & German)
Tel: +86-573-82208444
Email: benny.zhang@jxedz.com
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