EU-China
Business Association
欧盟中国贸易协会

EUCBA BULLETIN

Quarterly Newsletter of the EU-China Business Association

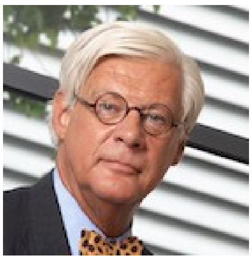
No. 4 – Second quarter of 2017

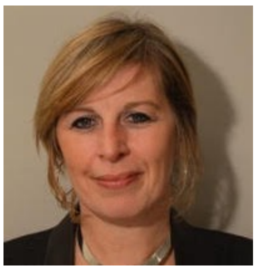
Foreword

This year, the EUCBA hopes to offer its members more opportunities to join high-level EU-China related activities, including the EU-China Business Summit with Chinese Premier Li Keqiang and EU Commission President Jean-Claude Juncker on June 2 in Brussels, which will bring together around 500 business leaders from Europe and China. We are confident that relations between the EU and China will become stronger. The EUCBA will more actively assist its members to make contacts with Chinese companies and officials in China as well as Europe, with special emphasis on the One Belt, One Road initiative.

In this issue of our Bulletin, you will find an interview with Mr. Bo Ji, Chief Representative of Europe & Assistant Dean of Global Executive Education of the Cheung Kong Graduate School of Business (CKGSB) and a report on the conference “China’s Transformation & its Global Implications” at which Professor Xiang Bing, Founding Dean of CKGSB, delivered the keynote speech. A summary of the panel discussion is also included.
Happy reading!

Jochum Haakma (Chairman) and Gwenn Sonck (Secretary General)





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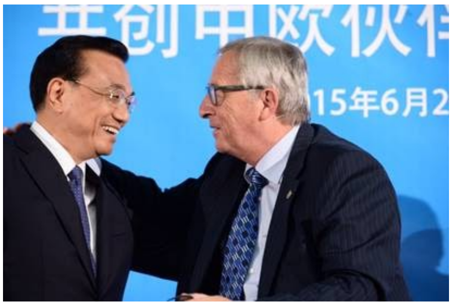
UPCOMING EVENTS

Participate in the 12th EU-China Business Summit - 2 June 2017 – Brussels

On 2 June, BusinessEurope and the China Council for the Promotion of International Trade (CCPIT) will host the 12th EU-China Business Summit in Brussels, Belgium in cooperation with the European Union Chamber of Commerce in China (EUCCC), the EU-China Business Association (EUCBA) and with the support of the Flanders-China Chamber of Commerce.

This one-day event will bring together around 500 business leaders from Europe and China and is the highest level platform for policy discussions between business leaders from both sides.

President Jean-Claude Juncker and **Premier Li Keqiang** will each make a keynote address in which they will outline their views on how to address the challenges and seize the opportunities in our economic relationship.



President Jean-Claude Juncker and Premier Li Keqiang at the 2015 business summit

Under the overall theme of "**Strengthening the Pillars of Global Trade and Investment**", CEOs and high level business leaders from European and Chinese companies will present their views on how to move forward in the four following areas:

- Trade and Investment
- The Digital Economy
- Climate and Energy
- EU-China Connectivity

For more information on the 12th EU-China Business Summit, including the draft programme and how to register, please visit:

www.eu-china-business-summit.eu

For any questions or if you are interested in discussing sponsorship opportunities, please e-mail euchina@businesseurope.eu

2017 China-EU SME Cross-Border Investment and Trade Conference – 2 June 2017 – Brussels

The Bank of China, in partnership with EUROCHAMBERS, and supported by the EU-SME Centre and the EU-China Business Association (EUCBA), is organizing the 2017 China- EU SME Cross-Border Investment and Trade Conference.

More than 200 companies have already registered to this event. More than 100 Chinese companies will be available to discuss business opportunities.

Several subsidiaries of the Alibaba Group will be present, among which Ant Financial Services Group, formerly known as Alipay. This company operates the Alipay payment platform. It also runs the Zhima credit rating system. For our event, Ant Financial Services Group will be allocated in the E-Commerce and Overseas Tourism sector.

The updated website www.bocsmeevent.com will give you a lot of additional information on this exceptional event.

Registration for this event is now closed.

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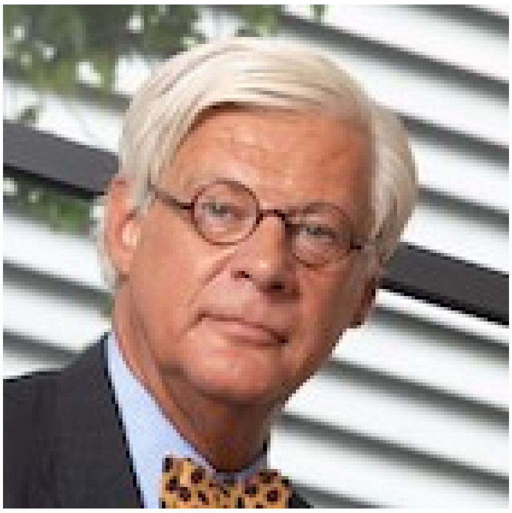
EUCBA's new Chairman, Mr. Jochum Haakma



In early 2017, Mr Jochum Haakma became Chairman of the EU-China Business Association. Mr Stephen Phillips, Chief Executive of the China-Britain Business Council has stepped down as Chairman of EUCBA. Mr Haakma is a lawyer, former career diplomat and an expert in a.o. the field of trade and investment promotion. He was from 1978 assigned to a number of Dutch Embassies abroad (Rome, Lusaka, Bonn). From 1997 until 2002 he served as Consul-General in Hong Kong/Macao and from 2002 until 2006 as Consul-General in Shanghai. In 2006 he was appointed Managing Director of the Netherlands Foreign Investment Agency. In September 2007 he moved to the private sector and was appointed Global Executive Director Business Development of the TMF Group BV in Amsterdam.

Mr Jochum Haakma is also on the Board of several business organisations and Chairman of the Executive Board of the Netherlands Council (NCH) for Trade Promotion, Chairman of the China Business Council of the NCH.

“EUCBA will play an even more active role for its members in facilitating to make the right contacts with Chinese companies and officials in China as well in Europe. Special emphasis will be given to the developments concerning the important One Belt, One Road (OBOR) project.” (Jochum Haakma)

Interview with Mr. Bo Ji, Chief Representative of Europe & Assistant Dean of Global Executive Education of the Cheung Kong Graduate School of Business (CKGSB)

1. *Could you describe your cooperation with EUCBA as a knowledge partner?*

Cheung Kong Graduate School of Business (CKGSB) is a leading business school in China with campuses in Beijing, Shanghai, Shenzhen, Hong Kong, NYC and London. We are proud to be a knowledge partner of EUCBA. In the past year, we have accomplished a lot as a knowledge partner with EUCBA:

- We organized a joint training session of "Understanding China's Next move" with 5 very interesting modules to EU officials, executives from multinational companies in Brussels.
- We were also very pleased to support EUCBA by delivering 4 keynote speeches:
  - "China from red to green" to EU Circular Economy Delegation in Beijing
  - "Negotiating with the Chinese" to Antwerp Mayor Delegation in Shanghai. We shared our China knowledge and insights during those events and activities.
  - "Doing Business with a Changing China" with the Flanders-China Chamber of Commerce
  - "Win in China" at the Export Fair, organised by Flanders Investment & Trade

We have a great plan this year with many important programs with EUCBA such as:

- Training program "Understanding China's Next Move"
- 5-day China Immersion program in health industry
- 5-day China Start program for startups

2. *Could you describe what OBOR means for EU companies?*

OBOR is a way for European companies to participate in China's going out strategy.
OBOR is a very important initiative from the Chinese government. The participation in this initiative will allow European companies to develop close relationships with the Chinese government. It will also allow European companies to receive potential projects, funding and other benefits from the Chinese government.

3. *What is your advice for European companies entering the Chinese market?*

European companies should develop a good understanding of China, Chinese market and Chinese consumer behavior prior to entering China. There are lots of cultural differences that European companies should know and learn as well. The ability to adapt your European strategy and business model into Chinese market is crucial to the success in china.

4. *Is it more difficult for European companies to enter the Chinese market than the other way around?*

It is definitely much easier for European companies to enter China than for Chinese to enter Europe. European companies are generally more internationalized and professional. They have more experience in expanding their business internationally. Chinese companies are still expanding their business in China. They have much less experience in getting their businesses outside of China.

5. *Some analysts say implementation of reforms in China has slowed. What is your view?*

I think the country is having a good balance between reform and economic growth. At some point, reform has to slow down a bit because the purpose of the reform is to create prosperity, economic growth, efficiency and harmony. The government is doing a very good job to balance it.

6. *Shadow banking and local government debts are serious problems. Are you confident that China can overcome the problems in its financial sector?*

Yes, I am very confident that the government can handle this smoothly. China is a planned economy and government has much power to influence and intervene in this progress. I must say that Chinese government is much more effective in managing challenges and crisis. 2008 financial crisis is a very good example. China was able to assume leadership during global financial crisis with its enormous resources and capability.

7. *Labor costs in China are rising. Will the country be able to make the switch from factory of the world to innovator of the world?*

China is definitely moving from labor intensified manufacturing to smart manufacturing. Chinese firm Midea acquired Kuka last year. It shows the country is enormously focused on Made in China 2025 which is often compared to Industry 4.0 initiated by the German government. We also started to see tjat the service sector is very active. We will see more movement from manufacturing to services.

8 . *Are the rising numbers of Chinese investments a blessing or a danger for the European economy?*

In today's global economy, investment cross border is a good thing. Innovation should not be done just by one company in one country. It needs to be a global effort. I believe Chinese capital will lead the next wave of global innovation and entrepreneurship. That's why we develop a 5-day China Start program to help European entrepreneurs to expand their businesses to China.

9. *Which university course is the best to learn about the Chinese economy and doing business in the country?*

We often many good courses such as:

- Understanding china's next move
- Win in China: China entry strategy & business model
- Chinese consumer behavior and the business opportunity
- E-commerce and social media marketing in China
- Cross cultural management under Chinese context
- Negotiating with the Chinese
- 5-day China Immersion program for health industry
- 5-day China Start program for startups
- China Ready certification program

China's Transformation & its Global Implications

On March 29, 2017, the EU-China Business Association organized a conference on "China's Transformation & its Global Implications" at BNP Paribas Fortis in Brussels.

China represents 50% of global economic growth. The Economist Magazine forecasted that China will overtake America to be the largest economy in the world by 2024. China has 1.3 billion consumers and 680 million mobile internet users. There is no greater moment than right now to look to China for future growth. Of course, doing business with China isn't easy. Yet, the lucrative Chinese market is hard to resist. So, how can you expand to China successfully!?

Professor Xiang Bing, founding dean of China's top business school, Cheung Kong Graduate School of Business delivered a keynote speech at EUCBA on "China's Transformation: Opportunities for Business". During the event, the opportunities and issues facing European companies as they look to expand their businesses into China were discussed. A number of distinguished guests spoke about their diverse and insightful understandings of China's diverse markets and how you can look towards China for future growth.

From left to right: Mr Bo Ji (Assistant Dean & Chief representative, CKGSB), Mr Philippe Van Der Donckt (Business Development Director Umicore & Vice Chairman EUCBA), Mr Xiang Bing (Dean, CKGSB), Mrs. Gwenn Sonck (Secretary General EUCBA), Mr Jochum Haakma (Chairman EUCBA), Mr Harald Lux (Vice Chairman EUCBA)

Prof. Xiang Bing, founding Dean of the Cheung Kong Graduate School of Business

Highlights of the keynote speech by Professor Xiang Bing, founding Dean of the Cheung Kong Graduate School of Business

My view is not the official view and I cannot represent the Chinese government. I was born in China, but then went to Canada to study. I learned about China from my many consulting engagements. I witnessed the transformation over the years of the Chinese companies and had many exchanges with scholars and businesspeople. China has a very long history with a dynastic change roughly every 300 years. I have always been optimistic about China, but looking back, I underestimated it.

Where is China coming from? China did very well economically. In 1986, there was only one five-star hotel in Shenzhen and now Shenzhen has the possibility to overtake Hong Kong in GDP. China's contribution to global economic growth was about one-third in 2008. It is essential for any global company to engage China and to do well in the China market. The Chinese market is the most sophisticated and competitive. Chinese companies are getting much better in management, technology and capital. The future will be very different from the past 35 years. Despite the economic progress, we have many problems developing the economy. For example, Chinese companies are very good in imitation but not in innovation. But this was also probably the case when the U.S. was catching up to the UK. Of those in China who have become rich and successful, very few have adopted an innovation strategy. Those who tried to innovate usually failed. But in the future, innovation will become more important, but don't do it too early, as the imitation strategy still works. So many Chinese companies still need to be deregulated, so China may not need innovation to maintain growth yet. But can we manage it? We are already spending more resources on maintaining stability than on national defense. The faster the economy grows, the wider the inequality. We have no problem generating economic growth, but we don't know how to manage the aftermath.

Because Chinese companies do know how to innovate yet, they compete on price. Environmental cost is an important element, we sacrifice our environment. The beneficiary may be the consumer. Chinese companies earn very little from assembling for example the iPhone 7. We are good on quantity, but not on quality. There is a fundamental difference between Chinese and American thinking. Chinese thinking is derived from Confucius. Diversity is a precondition for harmony. You need to promote different models, which is very different from the idea of Professor Fukuyama. The problem of the Chinese is that they are only interested in making money. In that way our innovation will go nowhere. We have many problems in our economic development. We have only one dream but you need people chasing different dreams. We have no decent social security program or universal health care. In the next 20 to 30 years, China has a lot to learn from Europe. I argue that China may be too capitalistic after thirty years of experiments with neo-liberalism, globalization and social media. China and the U.S. have much in common. China may be the only economy where European, Japanese and Korean companies are doing so well. China also did very well by opening up. If you look at China's dynasties those who opened up did very well. In the future, it is in the interest of the Chinese to have more economic opening. We still have a long way to go.

The key reason why the Chinese economy is succeeding is the private sector. Last year, about 70% of GDP was coming from the private sector. But we still have many regulations discriminating against the private sector. Despite the rule of the Communist Party of China, many key elements of the political system in China are coming from Confucius. Japan is also very Confucianist, but there we see the limitations. But China went through the Cultural Revolution, we can think about anything now. A key element of China's success will be disruptions. We have many sources of disruption, many more than in the U.S. If you don't have disruptions, you're stuck. For the future, everybody needs to be humble, we have to learn from each other. We need to learn from Europe how to have inclusive growth.

A few important figures to remember (from the slides of Prof Xiang Bing):

- In 2016, China's GDP was USD11.2 trillion, and that of the U.S. was USD18.6 trillion.
- China's contribution to world economic growth increased from 11.8% in 2006 to 35% in 2016.
- 50% of Volkswagen's global sales were realized in China (2016); 53% of total revenue for YUM! (2015) and Qualcomm (2015)
- China is the world's largest FDI recipient with an FDI inflow of USD128.5 billion in 2014.
- The Chinese economy's dependence on foreign trade is 41% (2015)
- The private sector accounts for 65% of GDP; 80% of employment; and 90% of new jobs
- The largest private Chinese companies Tencent and Alibaba have a bigger market capitalization than the biggest state-owned enterprises (SOEs)
- China's urbanization ratio has reached 55.6% in 2015
- The services sector accounts for 50.2% of GDP (2015)

Highlights of the speech by Mr Mauro Petriccione, Deputy Director General, DG Trade, European Commission

Mr Mauro Petriccione (Deputy Director General, DG Trade, European Commission)

- China joined WTO in 2001 and **benefited hugely from its WTO membership**. Since, then China's economy has grown enormously; Chinese people have seen their living standards grow spectacularly and hundreds of millions of Chinese people were lifted out of poverty;

- This accelerated process of economic development has made China the second largest world economy in GDP terms and the largest trading nation in the world;

- After years of double digit growth, China has seen its growth rate to stabilise at more than 6% a year. We are far from the record level of a few years ago, but this rate is still remarkable, and few countries today can do better than that;

- So, looking at the general picture, it is certainly true that **China is and remains a country rich in "opportunities for business"**. The size of its internal market, the dynamism of its companies and research centres and the sheer growth rate of its economy attract foreign companies.

- One of the reasons of China's attractiveness for foreign companies has also been the fact that China has, by and large, respected its commitment under the WTO and largely complied with the WTO dispute settlement system. It must be recognized also that China, during these years, **has implemented significant economic reform** even if, as of today, **it has not become a market economy**.

- However, a critical question for China – and for the rest of the world - is **how to implement structural reforms necessary for longer term growth**. The Third Plenum of 2013 announced market-based reforms that seemed to go into the required direction. However, over 2015/16 we have seen a string of initiatives – from national security to SOE reform, from NGO laws to *Made in China 2025*, to re-introduction of controls on capitals – decidedly more statist.

- These recent trends in economic reforms have contributed to the **deterioration of the business climate**. EU business is doubtful that reform will be ever implemented and a recent business climate survey by the EUCCC has reported that a large majority of EU companies feel unsure or negative about the prospect of the government further opening of the Chinese market. And I have to note that a recent business survey by the Amcham in China generated the same results.

- In addition, **Made in China 2025, the recent initiative by the Chinese government, is raising substantial concerns in the EU**. On the very short term one could say that it may provide some opportunities for EU companies as their expertise and know-how will be needed to provide critical components, technology and managements for the Plan to work;

- **But more importantly, on the medium and long term, MIC 2025 raises substantial concerns in the EU for a number of reasons: domestically,** in China, we see worrying elements such as possible local content requirements, forced technology transfers and discrimination - notably when promoting indigenous innovation; **externally,** the very rationale of the Plan promotes and supports Chinese companies to acquire strategic technology abroad with SOEs or state subsidies and financing, whereas EU companies still struggle to access the Chinese market.

- It is not by chance that a well-known think-tank has stated that "***MIC 2025 poses a formidable challenge to the leadership position of a number of EU and manufacturing countries***".

- Our concern stems from the fact that the **EU-China bilateral relationship is crucial**: China is the EU's second largest trading partner and the EU is China's first trading partner, as well as a priority target of Chinese FDI. It is essential for both sides that we make it work. For the EU, the long-term economic and trade relationship with China is key to the build-up and success of a partnership which has become an integral part to our own economic growth and welfare.

- That's why **we are concerned with respect to the direction in which China's economic and industrial policy is going** and we would wish to see more market-oriented reforms.

- Last year was marked by deep concerns on our side about the effects **that structural overcapacity** in the Chinese economy was having on our industry, particularly on steel. China's engagement in the Global Forum – which we expect to be constructive and ambitious – is a positive step even if it has not yet produced substantial results. We hope to complement this with a bilateral avenue – the bilateral steel platform agreed at the EU-China's last Summit – to work together towards sustainable solutions.

- Progress in finding solutions to overcapacity and in our bilateral investment negotiations would be the sign that the bilateral relation is on the right track.

- On the **multilateral and plurilateral arena**, the EU has always encouraged China to take up a leadership role commensurate with its status as largest trading nation and second largest economy. But we see disappointing engagement by China in respect of GPA and EGA.

- At the same time, we heard with hope and interest the inspiring **speech of President Xi at Davos** with its clear call to free trade and fight against protectionism. In the same vein, we also welcome the **State Council Notice Nr. 5** of last January on the *'Measures to advance opening up and actively using foreign investment*'.

- We have also to take into account that the international landscape has changed quickly over the last few months and the G20 context has shown for the first time since its creation that **the front against protectionism is not as unanimous as it used to be**.

- Never before in the recent history has free trade been in need of strong and qualified support. In the coming months China will have the chance to show the world its capacity to adhere to and support free trade and **we do really hope that China will be willing to "walk the talk" that President Xi Jinping announced at Davos**.

- **The EU, on its part, is and remains open**. We are one of the most open investment destinations in the world. We pride ourselves on our internal market where all companies alike enjoy a welcoming, non-discriminatory level playing field. We are far from representing the protectionist castle that some media try to portray in the press.

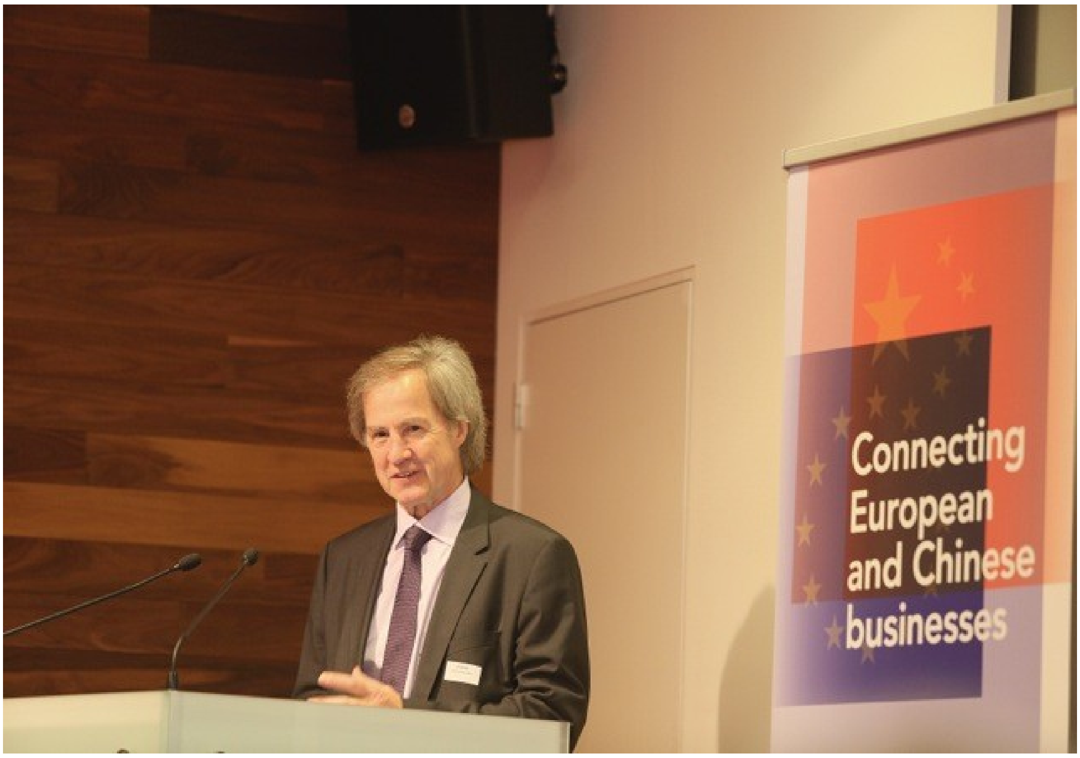
- This does not mean that we will not defend our companies from unfair practices: We have the right instruments (proposal to review the basic antidumping regulation and to modernise our trade defence instruments) and we will not hesitate to use them.

- For many years the EU was the main investor in China while Chinese investments in the EU were negligible. The situation has now changed; **Chinese investments in the EU reached almost € 40 bn last year, while EU investments in China were under € 8 bn, the lowest in a decade**. This can only be explained by the EU openness while China remains a market with restrictions and controls to foreign investment.

- **Our companies operating in China want the same openness and fair trading conditions** that Chinese companies enjoy within the EU single market. Improved market access and a more level playing field for our business operators continue to be key goals of EU trade policy. **Our investment negotiations are the main vehicle to achieve these goals.**

- Investment agreement negotiations remain key positive project in the EU-China bilateral relations. This is the one instrument through which we hope to address the hurdles we are aware you face in China. Market access is our clear priority in the negotiations. We hope to agree on an exchange of offers within 2017, so that we start the real talks on concrete opening up of specific sectors.

Highlights of the speech by Mr. Jo Leinen, Chair of the Delegation for the Relations with China, European Parliament



Mr Jo Leinen (Chair for the Relations with China, European Parliament)

Mr. Jo Leinen began his speech by emphasizing that there is a huge interest in EU-China relations in the European parliament, with several committees applying to go to Beijing, including the trade and legal affairs committees. There is an interest to see what is going on in China. The relationship has grown step by step over the past 40 years. The economy is at the heart of it, but it is already much more, including politics and student exchanges. In the parliament we have an almost weekly debate about the Chinese economy. Last year China-EU trade amounted to 550 billion euro, up from nearly nothing thirty years ago. Only 10% is services and 90% is goods, a big imbalance. As we are living in a services society, why is the share of services not bigger? Probably because of limited access to the services market. 6.5% economic growth is a nice figure, China is still an immensely growing market, but the drop from 10 or 11% growth to 6.5% creates stresses and overcapacity such as in steel, which has put a strain on the relationship. However, the trade disputes are only 1.5% to 2.5% of our overall trade, that means on about 93% there is no problem. But marginal problems can grow.

We have been negotiating for a long time on the investment agreement. Our mission is to open up more markets. There is a debate whether Chinese take-overs and investments are made on a fair basis. Market-driven investments are good, but policy-driven investments could pose a problem. The strategy of innovation and China 2025 identifies 10 key areas where China wants to have technology. Every country wants to do this, but the way in which it is done causes concern. The EU has to protect itself, without being protectionist. We are benefiting from open markets and protectionism like the American President now proposes is not in our interest, but we need to get reciprocity. That is what citizens and businesses expect from us.

Mr. Trump's stepping out of climate policy shows that the challenge can only be met if China and Europe work more closely together. Promoting clean energy, clean cities, clean "anything" is a big transformation where we have skills and experience. I welcome the One Belt, One Road initiative, which was unilaterally coming from the Chinese President, but we would like to see a rules-based system. The question is again, is there a level playing field, do European companies have access to procurement? To connect the Asian continent is a good idea, which will have many benefits. It is still a bit nebulous what the Chinese strategy and goals are. I advocate that China and Europe come together to develop Africa, Mr. Leinen said. China has huge investments there and with sustainable development there will be a lot of investment opportunities. Mr. Leinen said he was looking forward to the next EU-China Summit and hopes the upcoming Party conference can stabilize China and give us a clearer picture where the Chinese leadership wants to go. Mr. Leinen welcomed the contribution of the EU-China Business Association to the cooperation.

Panel discussion on "Tapping into the Chinese market for growth"

From left to right: Mr. Bo Ji, Mr. De Smet, Prof. Xiang Bing, Mr. Van der Donckt and Mr. Haakma

Participants to the panel discussion:

- Mr Bo Ji, CKGSB European Dean (moderator)
- Mr Bart De Smet, CEO, Ageas
- Mr Philippe Van der Donckt, Business Development Director Umicore and Vice-Chairman EUCBA
- Mr Jochum Haakma, Chairman of the EU-China Business Association (EUCBA)
- Professor Xiang Bing, Dean, CKGSB

De Smet: In 2001 we decided to expand the insurance activities from Europe to Asia and our first experience was in China where we entered into a joint venture with the Taiping Insurance Group, in which we have 25%. We are also looking beyond China. But from the beginning the growth in China has been in double digits.

Van der Donckt: Umicore has invested in China 30 years ago, and today we are in 10 different locations and we continue to invest.

Haakma: I have been living in Shanghai for many years, in the fastest growing area of the Yangtze River Delta. If you look at the white books and position papers you see that 78% of foreign companies say that they make more profits in China than anywhere else in the world. The China story has changed, it used to be low-cost manufacturing. China has deregulated a lot in the service sector and European companies can do well there.

Xiang Bing: Some companies told me that production costs have gone up lately. So why do they stay in China? They want to stay close where the market is, the Chinese market is still growing at over 6%. In China, businessmen become billionaires first without innovating and then they start innovating. I am still very optimistic about China, but there will no longer be growth rates of 9% or 10%. Chinese companies have also changed, so you have different competitors now. Even tech companies can do well, despite the weak protection of IPR.

Van der Donckt: For a company like Umicore we see the complexity of the Chinese administration and of the regulations. Even if you have 100% of the company, it is still difficult to find your way in the administration. In some key sectors there are subsidies, but those are only given to Chinese companies or to joint ventures where the Chinese have a majority. If the customers buy from a Chinese company, they also receive a subsidy, so we have a double problem. Another challenge is the rapid change in regulations on taxes and duties, and also the short notice on decisions.

Haakma: Regulations often differ, even between districts in one city, so this creates a lot of uncertainty. There is always changing interpretations and implementation of regulations. This can be overcome if you have local expertise and a good partner in the city where you are working. Many industrial zones have been set up in China and they were all competing for foreign companies to invest. In some cases foreign companies are asked to pay back they incentives, because in the beginning they made it too attractive.

De Smet: In our sector you can never have a stake of more than 50%. Having more than 50% is one thing but in Asia we always want to work together with a local partner. As a minority shareholder we cannot decide everything but we are happy with the results. We also see a lot of changes in regulations.

Van der Donckt: For us the real advantage of being in China is to be close to the market. There is no doubt that we have to be present in China. We need to develop from low-cost production to more high-tech production. If as a foreign company you cannot innovate in China, you don’t need to be there. Innovation for us is very important. If you want to survive, you need to have the best technology. Umicore always brings its best technology to China, which is necessary if you want to survive in this market.

Xiang Bing: If 15 years ago it took Chinese companies 4 or 5 years to copy, today it is six months, so life is much tougher. If you go to Shenzhen you see domestic Chinese companies doing research today. If you don’t have cutting-edge technology, you will have difficulty to survive.

Haakma: In the beginning of the century it was difficult for Chinese companies to invest in Europe because they didn’t want to be advised by consulting companies, and we have seen many failures. Now, the Chairmen of Chinese state-owned companies are more and more held responsible for mistakes. The trend is changing, now they take advice.

De Smet: The challenge for us is to continuously bring in new ideas so we can help our partner to innovate. In the future there will be demographic changes in China in which we can play a role.

Xiang Bing: On the European response to Chinese investment, it is very natural for the Chinese to go global because most of the Chinese companies did well in the China market. The European market is one of the highest priorities for Chinese companies to go global. How the Europeans respond to that you have to ask them. On the One Belt, One Road, you have to understand that President Obama tried to create another WTO without China, the TPP-TTIP. China responded with trade negotiations with ASEAN, Korea and Japan, and with the One Belt One Road. One Belt One Road covers 40% of the global population and 22% of GDP. Economically it has a lot of potential, but today it is not very big.

Bo Ji: On the one hand the Europeans are happy because it represents capital flow into Europe which helps to grow the business. But there is also concern when the Chinese companies are acquiring core technologies as the Chinese will now possess the core competencies of Europe. The European regulators also feel that there is less regulation on the Chinese investments in Europe but there is a lot of regulation on European investments in China.

Time is right for EU 'to catch up'

Interview with Mr. Jochum Haakma, Chairman of the EU-China Business Association, published in the China Daily European Weekly on April 28, 2017.

Europe should 'wake up and work closely with China' on Belt and Road Initiative, says senior expert.

EUCBA Chairman Haakma

To become effectively integrated into such a huge project, the European Union should consider hosting an urgent conference to follow up on the Belt and Road Forum for International Cooperation, a senior China expert advises ahead of the event, which will be held in Beijing on May 14 and 15.

"It is an excellent idea for the European Union to catch up, as I believe the Belt and Road Initiative contains a very important part, which is Europe," Jochum Haakma, chairman of the Brussels-based EU-China Business Association, said in a recent interview.

The senior China observer from the Netherlands worked in Hong Kong and Shanghai for nine years as a diplomat, and he still considers connecting China and Europe his mission at the association.

But he has realized there is a contrast between Europe and Asia regarding the understanding of the significance of the Belt and Road Initiative, which aims to connect Asia, Europe and Africa by improving the flow of goods, human resources, capital and other elements of productivity.

Even against a backdrop of protectionism and isolationism, some countries in the Americas have agreed to join the Belt and Road framework, and Washington has reportedly shown interest in it recently.

Up to 30 state leaders, including 11 from Europe, have confirmed that they will attend the Beijing forum. However, Haakma says it has become very clear that Asian countries are "much more aligned, thinking much more strategically and also practically, and learning how to follow up with the Belt and Road Initiative, than Europe.

"Europe is less involved and not really practically doing something, and so I agree that the next big Belt and Road Initiative forum should be organized in Brussels," says Haakma.

He has even said this should be an urgent follow-up step. "This high-level follow-up event should be organized within half a year in Brussels," says Haakma. "That would be a very straightforward step."

He says the European Union should not only commit "the awareness but also the political willingness" to work together with China to set up working groups to follow up on the Belt and Road Initiative.

But he says that right now, the European Union still lacks awareness of the significance of the initiative, mainly because within the EU, there always will be opposition because some fear China's growing investment activities on the continent. "But I don't think that this group is strong enough," says Haakma.

Many entrepreneurs and bankers in Europe have seen how important it is to work together, he adds.

"I think this awareness of realizing the importance of China's investment in Europe has been gathering up because of Brexit and (US President) Donald Trump's taking office in the White House," says Haakma.

So the time is right for the European Union "to wake up and work closely with China", he adds.

For entrepreneurs, it's like "heaven" to be integrated in such a big project, because it has a life cycle of at least three to four decades in improving the world's infrastructure conditions, he says.

Against the rise of populism and right-wing political forces in Europe, Haakma says it's very important for Europe to stay together.

"Even in the relationship with China, Europe as a strong entity working together economically and politically will be a much better counterpart for China to deal with," he says.

Between China and the European Union, Haakma says the hot topics are comprehensive investment agreements, and sometimes both sides have discussed the possibility of launching free trade negotiations.

"But Brussels has not mentioned the Belt and Road Initiative very often," says Haakma, adding that it is a really important and huge infrastructure project, describing it as the world's biggest ever.

"The other side of the Belt and Road Initiative is Europe. And I think if you add Europe in this fashion, you are a much better counterpart to China. You can do much more together."

Haakma has urged Europeans to come forward with plans to work together with the Chinese government to design projects via the Asian Infrastructure Investment Bank, in which many European countries have become members.

"This is very important for Europe," he says.

Haakma says he would be delighted if one of the outcomes of the forum in Beijing would be to set up a Belt and Road Initiative technology fund.

"To achieve this, the first important thing is that the right players will be there at the forum in Beijing. Then they have to sit together and form a few working groups to kick off," he says.

As to China's growing activities of investment in Europe, he sees it as catch-up by China after Europeans have invested for such a long time in China.

He says that especially after China entered the World Trade Organization 15 years ago, European investments in China have gone up tremendously.

Polls conducted by the European and US Chambers of Commerce in China, especially those over the years after the accession of China to the WTO, indicated that up to 50 percent of the respondents have said they were happy to invest in China and were there to stay for the long haul.

"We are making profits in China, and even some of them said they were making much better profits in China than anywhere in the world where they invest," says Haakma.

However, when looking at China's investment in Europe, he says the problem is that the mainstream people in Europe don't look at it this way. "Honestly, there is fear," he says.

He says his task is to persuade people to get rid of this fear.

The development of China, especially in the past two or three decades, has been tremendous, he says, adding that he believes awareness and trust are key to doing business there.

Taking his country as an example, he says the Netherlands has a prime minister who knows China and has visited a couple of times and had a business background before moving into politics. Haakma says his country is keen on further developing investment and trade relations with China.

In his view, there are still enormous opportunities in China, especially in the consumer market in e-commerce and agriculture. "So to go to China to get the knowledge, and to try to integrate into this running horse is very important," says Haakma.

"Europeans have to integrate with this development, and you have to line up there because this is what is happening," he adds.

Haakma warns that this is not only happening now, but will continue to do so in the next 20 to 30 years.

As chairman of the European Union China Business Association, he pleads with Europe to be aware of what's happening in China.

"We need to be aware of the momentum and make use of and take the momentum to be an active player in the biggest infrastructure project in the world," he says.

Belt and Road Initiative in line with interest of all countries

The Belt and Road Forum for International Cooperation closed in Beijing after its second day on May 15. It was the biggest diplomatic event hosted in China this year, attended by about 1,200 delegates from 110 countries, including 29 visiting heads of state and government leaders. Vice Premier Kris Peeters represented Belgium.

FCCC/EUCBA was represented by Mr Philippe Van der Donckt, Vice Chairman of the Flanders-China Chamber of Commerce (FCCC) and the EU-China Business Association (EUCBA) and Business Development Director of Umicore. The Port of Antwerp, the Port of Zeebrugge and Katoennatie also participated.

Chinese President Xi Jinping said in his keynote speech that the Belt and Road Initiative was "in line with the interests of all countries" as he offered at least CNY780 billion in extra funding for the ambitious plan. He called for international cooperation to fund the projects and to combat protectionism along the new Silk Road routes. China's Silk Road Fund would increase funding by CNY100 billion, Chinese banks would extend CNY300 billion in overseas capital, and the China Development Bank and Export and Import Bank of China would add CNY250 billion and CNY130 billion respectively in special loans to Belt and Road projects. President Xi said the Belt and Road Initiative was a right step in moving towards a future of "happiness, peace and harmony". The idea was "not to open a new kitchen", but to seek to strategically connect existing plans, including those of Russia, Turkey, Mongolia and Vietnam, the Chinese President said. The Belt and Road plan "would not repeat the old way of geopolitical games, but would seek cooperative win-win", he added.

President Xi said the new Silk Road would be open to all, including Africa and the Americas, which are not on the traditional trading route. The Belt and Road Initiative – a plan Xi unveiled in 2013 to build infrastructure and expand trade across countries in Asia, Africa and Europe – has been welcomed by cash-starved emerging countries. Those countries are home to 60% of the world's population and need more than USD26 trillion of infrastructure investment by 2030, according to Asian Development Bank (ADB) estimates.

Attending the Forum were Russian President Vladimir Putin; European Commission Vice President Jyrki Katainen; Philippine President Rodrigo Duterte; Turkey's President Recep Tayyip Erdogan; Pakistani Prime Minister Nawaz Sharif; Spanish Prime Minister Mariano Rajoy; Greek Prime Minister Alexis Tsipras; and Vietnamese President Tran Dai Quang. Myanmar's State Counsellor Aung San Suu Kyi also attended the Forum. North and South Korea were both represented, and their delegations held a brief meeting. The United States' delegation was led by Matt Pottinger, Special Assistant to U.S. President Donald Trump and Senior Director for East Asia at the National Security Council (NSC). India, on the other hand, was represented only by local embassy staff and academics, reflecting New Delhi's unease about the initiative. Leaders of only five of the EU's 28 member states attended the Forum.

Jonathan Hillman, Director of the Reconnecting Asia Project at the Center for Strategic and International Studies, said the initiative was a double-edged sword. "It is broad and ambitious, but the practical implementation is very difficult, to get a lot of different countries to agree on anything that is game-changing".

The Belt and Road Initiative has a near global focus, although the prime focus is on the Eurasian continent. Cash-strapped states of Asia, Africa, Latin America and Europe's south and east welcomed an injection of Chinese funds and the prospect of more exports to China. In contrast, the United States has showed little interest, Japan has upped the speed of its own regional connectivity plans, and the European Union has given the initiative a lukewarm welcome. Russia, meanwhile, has decided to link the initiative with its own regional economic framework, the Eurasian Economic Union. The most enthusiastic supporter of the initiative in Western Europe is Great-Britain, but countries such as Germany, Italy and Spain are more cautious. They refused to co-sign some forum documents, saying the initiative was not clear on public procurement and social and environmental standards. The head of the U.S. delegation, Matthew Pottinger, urged China to insist from the start on transparent government procurement. "Transparency will ensure that privately-owned companies can bid in a fair process, and that the cost of participating in tenders will be worth the investment," he said.

President Xi Jinping said in his closing address that more than 270 cooperation projects or agreements had been signed during the summit. The joint communique was signed by 30 countries. It said the countries would promote "practical cooperation on roads, railways, ports, maritime and inland water transport, aviation, energy pipelines, electricity and telecommunications" to boost growth, and work on a long-term stable and sustainable financial system. At the start of the Forum Chinese President Xi Jinping had promised to inject at least USD113 billion in extra funding for the initiative. On the sidelines of the Forum, China signed agreements with 68 countries to jointly develop infrastructure along the new Silk Road trade routes. The next Silk Road summit is set for 2019.

Highlights of President Xi Jiping's keynote speech

Following are some of the highlights of Chinese President Xi Jinping's keynote speech at the Forum on May 14.

"We will build an open platform, defend and develop an open world economy, jointly create an environment good for opening-up and development, and push for a just, reasonable and transparent international trade and investment system so that production materials can circulate in an orderly way, be allocated with high efficiency, and markets are deeply integrated."

"We will not interfere in other countries' internal affairs. We will not export our system of society and development model, and even more, will not impose our views on others. In advancing the Belt and Road, we will not re-tread the old path of games between foes. Instead we will create a new model of cooperation and mutual benefit."

"We are living in a world with constant challenges: The world economy needs new growth drivers, its development needs to be more balanced and universal, the wealth gap should be narrowed, while some regions are plagued with turbulence and terrorism. Peace, development and governance are challenges for all human beings. This is what I keep thinking about."

"History is the best teacher. History showed us that we can move along with mutual respect and development and towards the future of happiness, peace and harmony if we bravely walk the first step. The countries along the ancient Silk Road were once places with milk and honey, but now are full of turbulence, conflicts and crisis. Such conditions must be addressed. We must have mutual cooperation and a sustainable security outlook, try to tackle hot issues and insist on political resolution."

“A country’s opening-up is like the creation of butterfly from cocoon. It brings rebirth with short-term pain. We must orient the construction of the Belt and Road Initiative on opening-up and try to solve problems concerning economic growth and balance.”

“No matter if they are from Asia and Europe, or Africa or the Americas, they are all cooperative partners in building the Belt and Road.”

Parts of President Xi Jinping’s speech as reported by the South China Morning Post.

Key projects in the Belt and Road Initiative

China’s “Belt and Road” plan comprises a belt of overland corridors and sea routes connecting Asia, Africa and Europe through building infrastructure and boosting financial and trade ties for 64 countries. The “Belt and Road Initiative” aims to open up trade via two corridors: the land-based Silk Road economic belt in the north, and the maritime Silk Road in the south.

They key projects of the Belt and Road Initiative are:

- China to London rail link: The first freight train completed its 12,000 km, 18-day journey from London in Britain to Yiwu in Zhejiang province last month.
- China-Pakistan Economic Corridor: The USD57 billion corridor to connect China’s western provinces to the sea via Pakistan’s Gwadar port is the biggest project under the belt and road banner. It includes various projects such as the China-Pakistan highway, railways, pipelines and power lines.
- Central Asia-China gas pipeline: Stretching from Turkmenistan to Xinjiang, the 3,666 km pipeline was built before the new Silk Road project, but forms the backbone of infrastructure links between the two countries. The pipeline is Chinese-built and cost USD7.3 billion.
- Tehran-China rail link: The first freight train from China arrived in Tehran, Iran, last year, making the 10,400km journey in 14 days. Tehran hopes the rail services will turn the country into a major Eurasian trade hub.
- Khorgos gateway: China has plans to turn Khorgos in Xinjiang, on the border with Kazakhstan, into a major trade hub to link China with neighboring Kazakhstan, and on to East Asia and Europe. Jiangsu province has agreed to plough more than USD600 million to help build logistics and industrial zones around Khorgas.
- Sino-Thai high-speed rail line: Stretching 837 km from southern China, through Laos, to Thailand’s east coast, construction of the section between Bangkok and Nakhon Ratchasima in Thailand has been delayed. The link is part of a plan to connect China to Southeast Asia through high-speed rail.
- Colombo port project: A USD1.1 billion investment in Sri Lanka’s Colombo port has been delayed by legal and political obstacles. China is also building the Colombo Port City, Colombo’s new central business district (CBD), with an initial investment of USD1.4 billion. It is expected to be completed by 2030.

China has so far signed 46 cooperation agreements with 39 countries and regions to implement the initiative. By the end of last year, Chinese enterprises had constructed 56 trade and economic cooperation zones in more than 20 countries along the Belt and Road routes, invested USD18.5 billion, generated nearly USD1.1 billion in tax revenue for local governments, and created more than 180,000 jobs for local people. China will continue to push forward free trade agreement talks with more than 20 economies along the Belt and Road Initiative this year after already clinching 11 such deals in the region. An FTA with Georgia was signed during the Forum, and an FTA feasibility study with Mongolia was launched. China will also explore FTA feasibility studies with Nepal, Bangladesh and Moldova this year.

China’s trade value with countries and regions along the trading routes reached more than CNY20 trillion between 2014 and 2016. Chinese companies made USD50 billion outbound direct investment in non-financial sectors and signed project contracts worth USD304.9 billion during the period.

PAST EVENTS

Conference on China and the Global Economy – Italy-China Chamber of Commerce, 30 March 2017

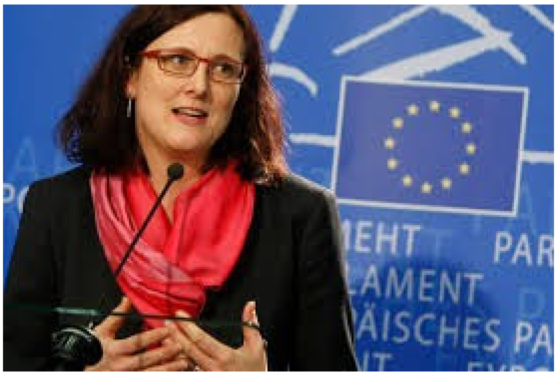
On 30 March, the Italy-China Foundation and the Italy-China Chamber of Commerce organized an important conference on China and the Global Economy. They discussed the prospects and challenges for Italian companies in China. Among the speakers were: Ms Gwenn Sonck, Secretary General of the EU-China Business Association, delivered a speech on the opportunities between China and Europe; China's role and its impact on the rest of the world was presented by Su Xitao, Chief Economist Deloitte China; Giuliano Noci, Politecnico University of Milan described perspectives and opportunities in China with reference to the Italian situation.

During the second part of the seminar Olderigo Fantacci, China Desk Deloitte STS delivered a speech on the opportunities for Italian companies giving some indications about recent regulations and investment structures in China. Guerino Cipriano, Director of Deloitte Law Firm talked about the new restrictions on capital flows and measures to raise foreign investment. The seminar ended with the speech by Anna Mareschi Danieli, Director Finance of Danieli SpA, who talked about the long and successful experience of the company in China.

Presentation of the European Chamber of Commerce in China's Position Paper 2016/17 at an event in Milan, Italy, on February 13, 2017

The European Chamber of Commerce in China presented its Position Paper 2016/17 in Milan on February 13, 2017. Spekars included:
Jochum Haakma, Chairman EU-China Business Association EUCBA
Sara Marchetta, Vice Chairman European Chamber of Commerce in China
Rosangela Marchelli, Professor, University of Parma (she delivered a speech on an important project: Eat'Safe-Italy China Dialogue in Food Safety. This project is coordinated by the Italy China Foundation and the Chinese partner is the China Academy for Agricultural Sciences (CAAS)
Giovanni Castino, General Affairs and International Relations, Bracco SpA
Luciano Cenedese, Head of Unicredit International Center Italy. Moderator
Marco Bettin, Opeating Director Italy China Foundation and Secretary General Italy China Chamber of Commerce

EU Trade Commissioner Cecilia Malmström discusses trade and investment relations with China at event in Brussels on February 6, 2017



Cecilia Malmström, EU Commissioner for Trade, set out the opportunities from strengthening trade and investment relations with China, a market that accounts for one fifth of EU goods imports and one tenth of its exports.

Speaking at an event "China's reform agenda: what's next for European companies?", organised by BusinessEurope, the European Union Chamber of Commerce in China and the EU-China Business Association, the Commissioner quoted with approval recent statements by President Xi of China — to develop free trade and investment, promote liberalisation and facilitation, and say "no" to protectionism.

However, she noted, the challenge for the year ahead will be to ensure that "the country walks the talk", with "rhetoric … matched by reform".

The Commissioner noted the opportunities for both sides of the bilateral investment agreement currently under negotiation; but also set out the importance of rule of law. Noting the "deteriorating situation" on human rights, the freedom of expression and association, she stressed that trade needs to be "based on values".

EUCBA PARTNERSHIP PROPOSALS

The EU-China Business Association (EUCBA) is an Association of Associations in the European Union countries. EUCBA maintains relations with EU institutions in order to promote business relations between European enterprises, institutions and their Chinese counterparts. It represents more than 20,000 European and Chinese companies. It is an international non-profit organization registered in Belgium.

PLATINUM PARTNERSHIP

The EUCBA is offering a platinum partnership for European and Chinese companies.

Partnership per year: 7.500 € (Excl. VAT)

Benefits

- Participation in EU-China high-level meetings and access to high-level Chinese and European authorities and diplomats. There will be a minimum of two such meetings per year organised by EUCBA. Participation in an annual meeting with the Chinese Ambassador to the EU in Brussels.
- During high-level EU-China conferences in Europe or in China, of which EUCBA is a co-organiser, the CEO/Chairman of platinum company partners can be proposed as a speaker.
- Through the EUCBA platform, Platinum Partnerships can give input to the European Commission on issues regulating EU China business relations, such as the EU-China Investment Agreement in order to increase market access for their company in China or in the EU for Chinese members.
- Recognition on EUCBA website, EUCBA events, EUCBA Quarterly Newsletter with company logo and short profile
- Interview in the EUCBA Quarterly Newsletter
- Interview in Special Issues EUCBA Quarterly during high-level visits
- Joint activity if requested
- Free participation in EUCBA events (max. 4 participants / event)

SILVER PARTNERSHIP

The EUCBA is offering a silver partnership for European and Chinese companies.

Partnership per year: 3.000 € (Excl VAT)

Benefits

- Participation in EU-China high-level meetings and access to high-level Chinese and European authorities and diplomats. There will be a minimum of two such meetings per year organised by

EUCBA.

- Recognition on EUCBA website and EUCBA Quarterly Newsletter with their company logo\

EUCBA Activities:

An overview of the most importants EUCBA events can be downloaded at the EUCBA website: www.eucba.org

For further information, please contact:

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About the EUCBA

The EU–China Business Association (EUCBA) is the EU-wide federation of national non-profit business organisations in the European Union with specialization and particular expertise in exchange of knowledge on investments and trade with China. At current, EUCBA unites 20 members in 20 countries representing more than 15,000 companies – large, medium, and small, in all branches of industry, commerce and the service sector.

EUCBA promotes direct investment and trade between China and the EU through international exchange of information and joint projects of its members – providing European companies a stronger base for expanding trade cooperation with China.

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The EUCBA Bulletin is edited by Gwenn Sonck, Secretary General of the EUCBA, based in Brussels, Belgium (gwenn.sonck@flanders-china.be); and Michel Lens, who also edits the newsletters of the Flanders-China Chamber of Commerce, based in Beijing, China (michel.jc.lens@gmail.com). Disclaimer: the views expressed in this newsletter are not necessarily those of the EUCBA or its Board of Directors.