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Winter 2021

Business Journal of the German Chamber of Commerce in China





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Contact:

Anni Chu (褚晓晨) Mob: +86-18268338811
E-mail: 18268338811@139.com
Tel: +86-0573-85620128

Max Zheng (郑华) Mob: +86-18367633322
E-mail: 18367633322@139.com
Tel: +86-0573-85620128



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Kontakt

Benny Zhang (English & German) Tel: +86-573-82208444 Email: benny.zhang@jxedz.com	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	Jiarong Jiang (English & German) Tel: +86-573-82208747 Email: jiarong.jiang@jxedz.com
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Ms. Olivia Helvadjian
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CREATIVITY AND CHANGE

Another eventful year marked by transformation and disruption is coming to an end. Businesses were forced to undergo change and redefine themselves in order to adjust to the new reality the pandemic and geopolitical developments brought upon them.

We have decided to dedicate the last issue of the year to the topic of "Creativity and Change" and to review what the new business reality demands from companies in order to stay relevant. In this edition, we look into various aspects of creativity and change, ranging from change management and network-based innovation, to how Chinese technologies shape the environment for international firms. In our features section, Experts in Chinese law share recent legal developments and their impact on companies in China.

2021 was also a year of change for the Ticker: we rebranded the magazine, giving it a fresh new look, and reevaluated our content and formats to better tailor it to your needs. To stay on track with your expectations and continue providing you with valuable resources and market intelligence, we would like to ask you to fill out a short questionnaire. You can find the QR Code on the fold-out page. Your input is very valuable to us!

Looking into 2022, we are already working on next year's topics, which we will share with you shortly. In the meantime, as always, please share, comment, discuss, offer suggestions, and contribute to our next editions of the German Chamber Ticker!

We wish you a happy and healthy holiday season, and hope you enjoy this issue.

Olivia Helvadjian

TICKER

EDITORIAL TEAM

PUBLISHER
German Chamber of Commerce in China

CHIEF EDITOR & SENIOR COMMUNICATIONS MANAGER
Ms. Olivia Helvadjian
021 5081 2266 Ext. 1637
helvadjian.olivia@sh.china.ahk.de

EDITOR & SOCIAL MEDIA COORDINATOR
Ms. Noga Feige
021 5081 2266 Ext. 1675
feige.noga@sh.china.ahk.de

VISUAL CONCEPT & DESIGN
Matter Design
Creative Direction: Lyla Sulaiman
Design Assistant: Irene Bai
lyla@matter-sh.com

ADVERTISING

SHANGHAI
Advertisement Sales
Sales and Marketing Manager
Ms. Chen Ting
021 5081 2266 Ext. 1837
chen.ting@sh.china.ahk.de

NORTH CHINA
Regional Membership Manager Beijing & Tianjin
Mr. Rene Bernard
010 6539 6664
bernard.rene@china.ahk.de

SOUTH AND SOUTHWEST CHINA
Membership Relationship Manager
Ms. Lillian Chen
020 8755 2353 Ext.225
chen.lillian@gz.china.ahk.de

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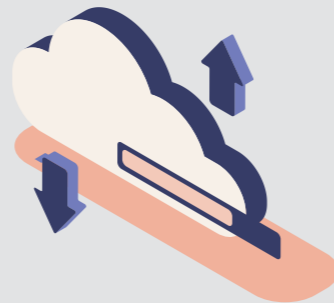
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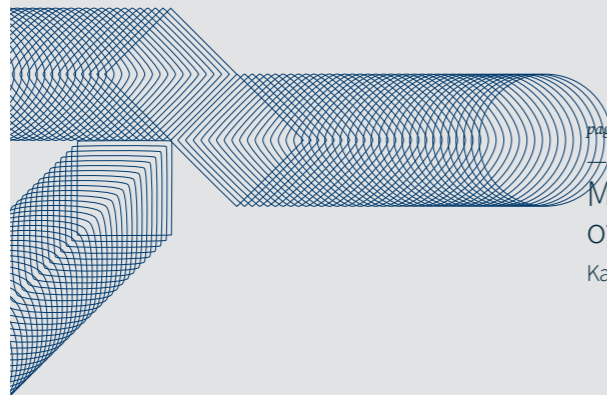
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China's Social Commerce Ecosystem

Damian Maib



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WHY GEOGRAPHY AND NETWORK-BASED INNOVATION ECOSYSTEMS ARE CRUCIAL FOR YOUR OPEN INNOVATION STRATEGY

Back in 2015, John Chambers, Executive Chairman of Cisco, said: “At least 40% of all businesses will die in the next 10 years... if they don’t figure out how to change their entire company to accommodate new technologies.”



Jelte A. Wingender
Co-founder & CEO
Founders Lair

Out With the Old, in With the Tech

A recent study from McKinsey shows that over 80% of business executives believe that their current business models are at risk. It also mentioned that 84% think that innovation is crucial for their growth strategy. Yet only 6% of executives are satisfied with their innovation performance.

The drastic changes in technology adoption and innovation do not just eat the market share of mid-sized companies — they also knock heavily on the doors of giants. Over the next decade, over half of the companies listed on the S&P 500 list will be replaced by new entrants. This means that some of today’s biggest brands will be replaced within a decade. Hard to imagine, right? →



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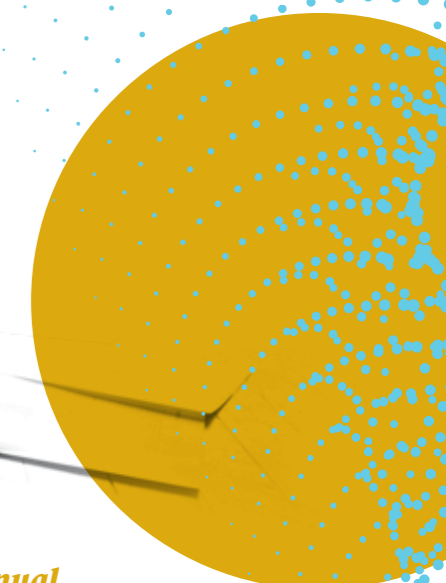
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New technologies and players are entering traditional industries and disrupting the status quo. Fast-growing companies in the form of startups enter the market and shorten the life expectancy of their larger counterparts. These startup companies often come from unexpected backgrounds, surprising corporates in automotive, finance, energy, healthcare, and other industries.

However, most companies in the Fortune 1000 list have established an open innovation concept in order to stay informed about possibilities. Over 80 percent of the corporate executives are interested in knowing more about startups and exploring collaboration models or partnerships.

Intrapreneurship: Innovation Within Corporates

The above-mentioned dynamics should be enough encouragement for large corporates to innovate. However, let us look into the various reasons corporates should spend money on innovation.

1 First, and most importantly, corporates need to stay competitive in order to remain in their position of power, secure jobs, and please shareholders.

2 Innovation is increasingly becoming a magnet for talent. If you try to hire the best AI engineers, but you cannot

Often companies dedicate a clear annual budget for innovation, without having a clear way to measure the impact. VPs are burning money solely because they have to spend it.

outcompete brand names like Tesla or Tencent, your company will have a hard time staying attractive for talents.

3 Often companies dedicate a clear annual budget for innovation, without having a clear way to measure the impact. VPs are burning money solely because they have to spend it. If spending goes down, they will receive less in the coming years. This top-down approach is most common in corporate structures where executives are too fixated on their existing product or their solution to a problem that may not exist anymore.

4 And finally, to solve real-world problems. Identifying people, companies, governments, or other stakeholders who have pressing issues and are willing to pay for a new solution. A good example of that is Ford: Back in the day, Henry Ford said: "If I had asked people what they wanted, they would have said faster horses." Given the technology standard at that time, it was innovative to build a car to solve the problem of getting from A to B. Today, people still have the same problem, but instead of building a car, they provide a marketplace where you get a ride as a service, like Didi or Uber. →

Innovation can be problem-based, or solution-based. Startups or new entrants like Didi are able to capture massive market share or create new markets because they solve an existing problem in a new and more convenient way. Successful startups most often focus on problem-based innovation. Corporates, as mentioned earlier, are usually focused on solution-based innovation. They had done their part of innovation when they were young and growing. Now they are living from the margins of being a premium player in a traditional industry, having the best solution in the market. They feel secure, because it took decades to develop highly complex processes to develop these solutions.

Inside Vs. Outside Innovation

Innovation can be divided into two parts: inside innovation and outside innovation. Inside innovation is mostly focused on R&D expenditure. This is where your company majorly creates IP, processes, and new products. If you are more advanced and open, your organization also has established intrapreneurship programs, like Intel or Ericsson, where employees can develop new products or solutions using company resources, and sometimes even start new business lines or companies.

Outside innovation - or open innovation - refers to partnerships, hackathons, prototyping, or investment. Partnerships can be with other companies in or adjacent to your own industry. Hackathons or Ideathons are short-term challenges where external teams or developers come together to create solutions for pre-defined problems. Prototyping or development of proof of concepts (POCs) is a common

strategy to collaborate with startups. Investment can be a strategic or minority investment into emerging players who can become opportunities or threads in the future.

The Role of Geography and Networks in Innovation Programs

Nearly every Fortune 500 company has developed its own open innovation program, some more successfully than others. The efficiency of these programs depends heavily on the scope and reach of geography and network innovation ecosystems. A geography innovation ecosystem refers to where you are based, and where you look. Network innovation ecosystems are who you know and who you work with.

If you focus too much on where you are located and only look at innovation partners near you, your innovation capacity is limited. This could mean that your HQ is in Berlin, so you look for startups in the city. However, the best startups and innovators are not necessarily based in Berlin, or even Germany. The same goes for your network — if you only focus on the ‘right

people’ you know locally, you limit the pool of potential stakeholders and partners significantly.

A problem-based approach toward innovation requires you to have a maximum reach, both in terms of geography and network innovation ecosystems. However, the bottleneck of this approach is trust. Trust is not scalable unless you create a system that helps you generate trust with more people. So how can you optimize your geographical innovation ecosystem?

Expanding one’s network innovation ecosystem is tricky. You need to know the right people to solve a problem and extend your network of trust. You can accomplish a more efficient open innovation strategy by optimizing your team:

First, you need to have clarity: clarity on what you want to innovate, what you wish to solve, resources you have to offer, people involved, and expected outcome. Second, you need to create a diverse culture. This means forming a team consisting of different nationalities, languages, and cultural backgrounds to positively affect decision-making. The culture needs to be open to trial and error and innovating without internal politics. The McKinsey study mentioned above also showed that over 50 percent of corporate innovation leaders face the challenge of encouraging an internal culture of experimentation and innovation.

Third, your open innovation team needs to have capacity. That means freeing them of other tasks and allowing them to focus on achieving the goals of the open innovation strategy. Too often, these departments are utilized for marketing and PR purposes, wasting away the innovation potential.

Finally, the team needs to have the right capabilities. This one is not simple, as it requires finding professionals with an entrepreneurial mindset who feel comfortable in a corporate environment. Without the



You need to create a diverse culture. This means forming a team consisting of different nationalities, languages and cultural backgrounds to positively affect decision-making.

leadership and vision of a capable team, your open innovation strategy will not bear any fruits. When the team is unclear of its mission, the culture is closed and with limited capacity, and the team lacks capability, the output of the open innovation team will most likely lead to market research only.

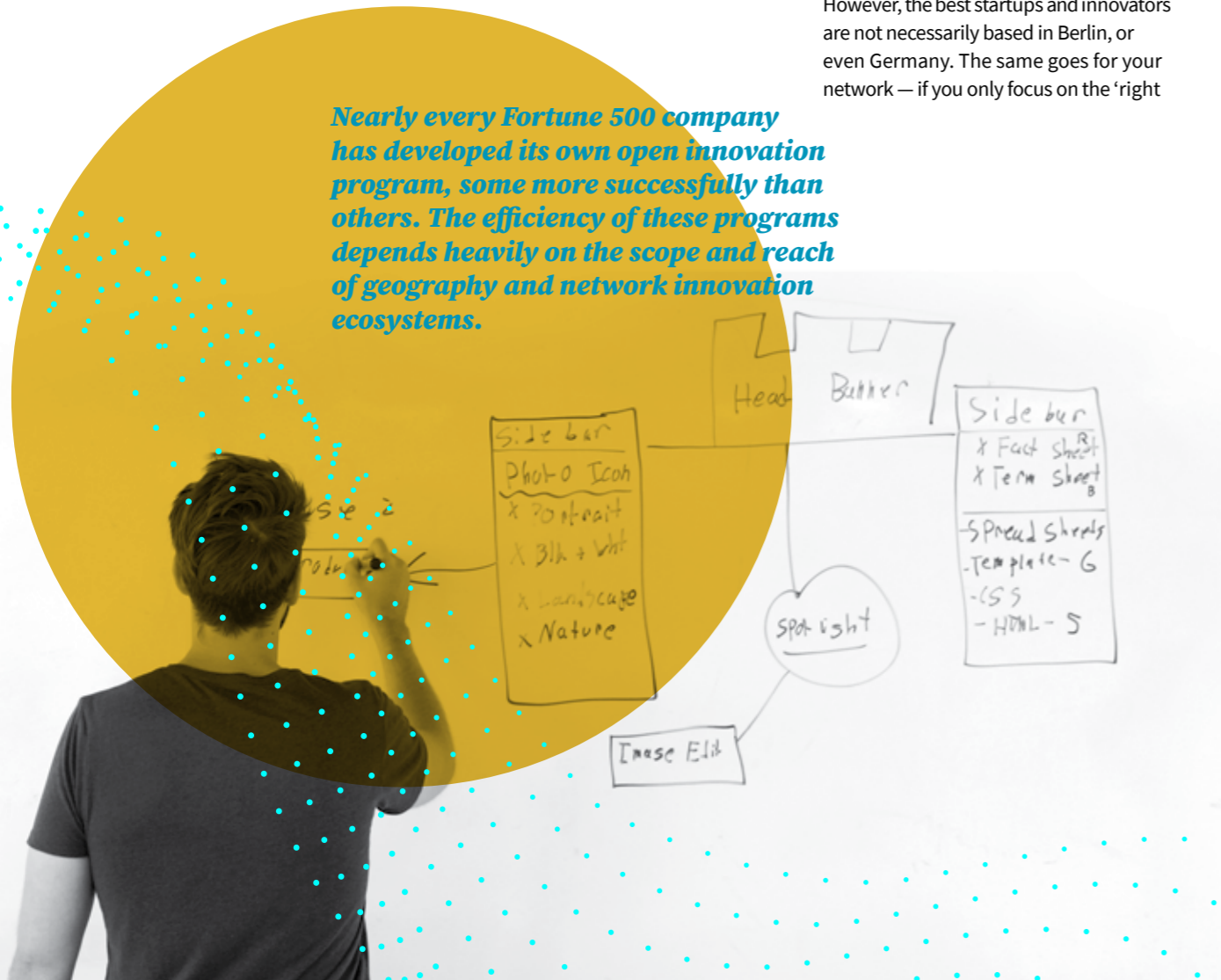
A positive example of a successful open innovation strategy is Walmart and the Food Security Innovation Pipeline. Walmart collaborates with other large corporates and thought leaders in the supply chain, agriculture, and FoodTech to solve problems in their industries. Together they source globally for startups to partner with and build POCs. The team fulfills the four aspects of clarity, culture, capacity, and capabilities. Their geography innovation ecosystem is not limited to the US and China — where their headquarters are located — and they have a well-established system to welcome startup recommendations. The optimization of geography and network has enabled them to forge successful innovation partnerships and create multiple prototypes.

To conclude, innovation is crucial for corporates, and open innovation is an

art that requires the right prerequisite in order to function. To foster innovation within the organization, companies should start with a problem — a clear problem provides purpose and direction, and helps drive the team to success. Companies should optimize their team for clarity, culture, capacity, and capabilities; Choose open innovation as a strategy to complement internal R&D efforts; Innovate without borders and maximize their innovation ecosystem; Be open to everyone, extend their circle of trust, and enable a larger network innovation ecosystem. If your company can achieve this, it will stay competitive and attractive for future talents. ■

Jelte A. Wingender is the CEO and Co-founder of Founders Lair, a marketplace that accelerates the world’s transformation to a decentralized and digital innovation ecosystem. Before becoming a founder of a technology startup in China, Jelte has advised Fortune 500 companies on their open innovation strategies and startup collaborations.

Nearly every Fortune 500 company has developed its own open innovation program, some more successfully than others. The efficiency of these programs depends heavily on the scope and reach of geography and network innovation ecosystems.





Jim Fitzsimmons
Principal
Control Risks

CHINA TECHNOLOGY AND DATA REGULATIONS

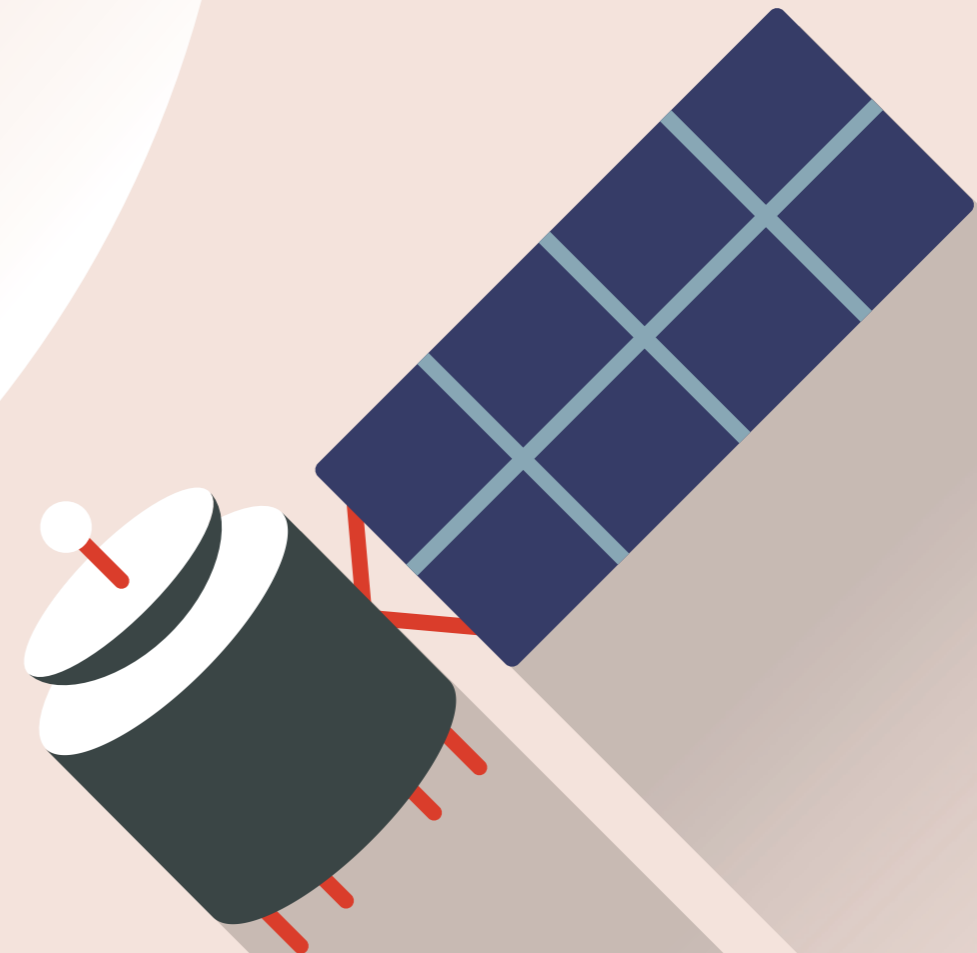
A Changing Environment for International Firms



AS China's economy rapidly develops and technology becomes an ever-more important aspect of it, China's policymakers have grown concerned about cyber security risks, leading to the development of a regulatory framework to mitigate such risks. The foundation of this approach is the Cyber Security Law of 2017.

As this regulatory framework continues to develop and mature, new requirements for cyber security, information security and, in some cases, specific requirements

for products sold in China, are being introduced. As these regulations are intended to help China manage strategic technology risks, they are a priority for China's policymakers. The regulations are transforming the way companies (both Chinese and international) use technology and handle information. Companies not only need to implement controls around technology and information, they also need to develop governance and compliance functions to ensure controls meet the new requirements. →



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Contact:

Joanne Xu (徐蕾)
E-mail: investinly@163.com
Mob: 18118365998
Tel: 0086-519-87030023

Xiaoting Ji (吉晓婷)
E-mail: jixiaoting@jszpark.com
Mob: 15861123297
Tel: 0086-519-87030023



China — much like other countries — is aware and concerned of the cyber security risks to operational technology (OT) systems.



The framework has reached a stage where international companies operating in China now need to adjust and adapt work processes to manage their compliance commitments. This affects virtually all industries and sectors, but there are specific considerations that manufacturers should be aware of. Compliance requirements are not limited to just operations and information — they may also extend into technology-related products and services that manufacturers provide to Chinese customers.

Understanding what these regulations are and adapting to their requirements will be central to the long-term success of firms in China, and for those selling technology into the China market.

Regulating Technology in Operations

As China looks to manage its cyber security risks, it expanded and formalized an earlier regulation called the Multi-Layer Protection Scheme (December 2019 [MLPS]). The current version, 2.0, calls for all network operators (any organization operating a network of computers) to perform a self-assessment of their systems against cyber security risks. Depending on the output of that self-assessment, systems may be classified from level 1 to level 5, with each level having increasingly complex and prescriptive

cyber security controls requirements. Systems level 2 and above require an independent audit by a licensed audit firm. That audit will be reviewed and validated by the police, who will issue a certificate upon completion.

China — much like other countries — is aware and concerned of the cyber security risks to operational technology (OT) systems. To address this, the MLPS does have a subset of control requirements for industrial control systems. For manufacturing processes involving hazardous materials or where an incident could have a broad impact, higher MLPS requirements are likely.

Impact on Operations: Compliance Program Development

Most manufacturing firms are not subject to these kinds of technology regulations, and developing a compliance program specific to China is challenging. Furthermore, the regulations are new, with little guidance on risk evaluation and system classification.

Manufacturing firms are quickly learning that MLPS compliance in China is a broad-based effort. It requires active participation not only from technology services teams, but also from legal, manufacturing and management teams.

Moreover, The work is not restricted to the China-based offices: support from global and regional functions is needed to establish compliance and maintain it moving forward. Manufacturing firms in China should plan (and budget) for these growing compliance requirements, despite the current vague risk standards. These regulations are only expected to mature and expand over time. Establishing appropriate roles and responsibilities to comply with them is a necessity.

Regulating Important Information

With MLPS coming into effect in 2019, in 2021, China introduced a new directive focusing on regulating information. The Data Security Law (DSL) introduces broad requirements for handling information and, under some circumstances, establishes conditions for how that regulated information may be transferred outside of China. The intent of the DSL is to manage risks to China that may arise from the misuse of information that would affect national security and social stability.

The DSL focuses on three classes of information and sets requirements for two of them: “important” and “core” data. Unfortunately, there is little guidance on what would be considered “important” or “core” data. Generally, →

it is expected that information relating to central concerns of national security, social stability, and large volumes of personal data would fall into the “important” category. But specific guidance is only expected to come when local and sectoral regulators release catalogs with more specific definitions.

This ambiguity and the potential for data associated with manufacturing or market conditions in China could create a compliance problem for manufacturing firms. The objective is to comply with the regulations, but developing internal guidelines might prove difficult without a clear definition. In some cases, companies may not be fully aware of the information they acquire, generate and process in China. This lack of insight into internal information processing may increase regulatory risks.

The Data Security Law: Impact on Handling and Processing Information

The extent to which the DSL could drive change in how manufacturing firms handle information remains unclear. But even as the ‘what’ of DSL-regulated information is vague, companies can — and should — start with the ‘how’ of compliance.

Compliance with information regulation requires a clear understanding of the information a company acquires, generates and/or processes in China. Information that touches on certain strategic industries or may have a national security and/or social stability impact is the most likely to be classified as important. As clear guidance remains unavailable and regulatory oversight remains in flux, manufacturing firms in those sectors need to focus on developing strong governance over information.

No matter the scope of the regulatory definition of important data (or core data), manufacturing firms will need to be able to demonstrate either that it isn’t acquired/processed or that any acquisition/processing of it is done in a secure manner. Either approach

As China considers personal information a national security concern, the acquisition and transfer of large volumes of data are sure to be targeted for close regulatory oversight.

requires a governance program based on effective data classification, a comprehensive understanding of what information the company has, and an ability to match regulatory requirements for information to functional controls.

Regulating Personal Information

The Personal Information Protection Law (PIPL) is more straightforward in that it creates a broad framework governing how personal information (and sensitive personal information) should be acquired, processed and transferred. It is not dissimilar from regulations and standards such as the European Union’s General Data Protection Regulation (GDPR) or Singapore’s Personal Data Protection Act (PDPA). However, China does have more requirements for explicit consent from the individual (or data subject) on the use and transfer of their personal information.

The PIPL is broad and comprehensive and requires strong oversight of personal information. While many global firms comply with similar regulations in other countries, PIPL compliance requirements need to be met in China. That starts with China-specific policies governing the information, processes, and procedures for risk management,

and the appropriate handling of security controls for this information.

In some cases, at a volume level measured in the hundreds of thousands of records, personal information may be considered as important data. As China considers personal information a national security concern, the acquisition and transfer of large volumes of data are sure to be targeted for close regulatory oversight. The most important consideration is what volume of the Chinese public’s personal information a company acquires.

Managing Personal Data in China

At the very first stage, all firms will need to update guidelines concerning the handling of personal information. That will include reviewing and updating consent for acquiring and processing personal data and establishing appropriate governance.

If personal information acquired in China is transferred overseas, organizations should expect a complex registration and approval process. While this is still under development, a recent draft sets 100,000 (or 10,000 sensitive personal information) records as the threshold for a review process. This is a critical concern for some organizations, and understanding

and following the requirements will be an essential function for affected manufacturing firms.

Regulating Products and Services

For manufacturing firms selling into the China market, the new regulatory framework introduces requirements for the use of security technology. Critical infrastructure in China, roughly defined as services and operations vital to society (telecoms, power, water, finance, etc.), must now ensure that the technology it uses does not create cyber security risks.

The new Security Protection Regulations on the Critical Information Infrastructure (CII) of September 2021 introduce cyber security risk assessments and reviews for the use of foreign technology. This expands on the foundational Cyber Security Law requirements of 2017 and will present challenges to manufacturing firms with customers in China’s CII sectors.

A further complication is the new Measures for Security Vulnerability Management of Network Products. This regulation mandates the timely reporting of system vulnerabilities to Chinese regulators by manufacturers and vendors. Compliance with this requirement will require relevant manufacturing firms to review their internal product vulnerability management analysis and develop processes for formal reporting to the regulator.

Impact on Sales

International manufacturing firms whose products have security functions and/or are used in sensitive CII sectors should expect increased scrutiny on their products and operations. This may affect customers’ procurement processes, as they must ensure adhering to the regulatory requirements around cyber security.

Manufacturers should be aware that the criteria for evaluating their products in China are changing. Regulated and sensitive sectors will increasingly push vendors to explain how products can be deployed and used securely. It’s no

longer sufficient to compete on quality: companies selling products in certain sectors in China must also compete around security.

Conclusion

As China views cyber security as another facet of national security, firms should be aware that these regulations are important and will be enforced. Companies operating in China or selling their products there need to adapt to these requirements or risk regulatory sanctions and losing market opportunities. ■

Jim Fitzsimmons is a Principal in the Cyber Security Consulting team responsible for managing and delivering complex security projects. His work with clients includes evaluating and mitigating the business risks of information and technology regulations, threat-led cyber security risk assessments, and supporting clients to manage cyber security incidents and crises. He is a specialist in helping firms manage technology regulation and cyber security risks in China.



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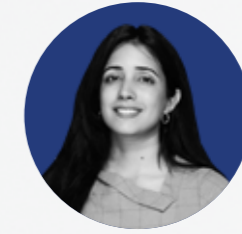
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MASTERING THE ART OF CHANGE

How China Mastered the Art of Change Through Innovation, and How You Can Do the Same

The 'New Normal' has transformed the need for change within organizations: digitalization and change management went from a 'nice-to-have' concept to an existential requirement for organizations looking to keep their competitive advantage. As the world embarks on a journey of slow recovery from COVID-19, many Chinese organizations have already written their own success stories.

The pandemic has proven to be a growth engine for innovation in China, showcasing China's ambitions to transform into an innovation nation. With cutting-edge developments in AI, biotech, blockchain, and quantum technology, the country is well on its way to becoming an innovation powerhouse. →

China is seeing a new wave of businesses that blend various forms of social media, entertainment, and commerce to reach more consumers than ever before.

How COVID-19 Became China's Accelerator for Change

As Benjamin Franklin once said — out of adversity comes opportunity. Some of the greatest technological innovations of humankind came out of difficult times (such as drones, atomic energy). The COVID-19 crisis was no different, as organizations were forced to ask themselves the question: 'How can we best navigate through this crisis and turn adversity into opportunity?' While some countries are still adjusting to the new normal, Chinese organizations have done a phenomenal job of not only adopting innovative trends, but also aligning them with the overall business strategy. This allowed companies the much-needed flexibility to pull different levers from different parts of their businesses and use them to their advantage. Having a clearly-defined innovation strategy enables organizations to rethink, redefine and refocus their value proposition to better serve their customers.

Chinese organizations are known to thrive in times of competition, uncertainties and changes. This has been proven by research done across industries and trends. Chinese textile producers working in the textile manufacturing industry, for example, are known to be resilient and adapt to challenging situations faster than their competitors. It is fair to assume that Chinese manufacturers have been preparing for a volatile new reality for several years by fast-tracking

digitalization. Moving to e-businesses has allowed many textile companies, including small manufacturers from smaller cities, to capture the benefits of e-commerce while bypassing the middleman and reaching the consumer directly. Through AliExpress and Amazon, Chinese manufacturers have found a way to sell directly to overseas buyers.

Ideal, a traditional jeweler brand from Shenzhen, is another great example. Ideal's business model focused on brick-and-mortar outlets. When the pandemic hit, they were among the first to develop a digital warehouse and launched an initiative called 'Thousand People, Thousand Stores.' Employees and franchisees were given tools to livestream from their own homes, selling products tailored to their regions. Using the brand's nationwide stock, each 'livestream broadcaster' manages their own 'store.' With this move, Ideal not only digitalized its business overnight: It upskilled and transformed its employees from sales associates to livestream broadcasters. By offering the livestreamers commissions of 10% to 50% (compared to the previous 3%), the company encourages a more aggressive sales strategy, and has successfully transformed its business model through innovative techniques.

China is seeing a new wave of businesses that blend various forms of social media, entertainment, and commerce to reach

more consumers than ever before. So why are other countries still struggling to digitalize simple services?

Why is Change So Challenging?

While Chinese enterprises mastered the art of agility and change well before COVID-19, many organizations worldwide were forced to transition overnight due to the pandemic. It is not surprising, then, that many found it particularly challenging to embrace change: the truth is, change is uncomfortable. It demands a conscious effort to trigger a behavioral change and a mindset shift. Change requires time, effort, a different mindset, and an understanding that the transition will deliver greater benefits than the current situation. Furthermore, most organizations are not built for change: they are constructed to endure the challenges the market throws at them.

A typical announcement of change is usually met with an emotional reaction, ranging from shock to anger and resistance and is intended toward emotional acceptance and embracing of change. A well-intended business transformation effort can fail if it lacks a complimentary change management strategy and the required framework to support that change. A carefully-crafted change management plan is key for companies looking to take the employees from a state of shock and anger to becoming 'Drivers of Change.'

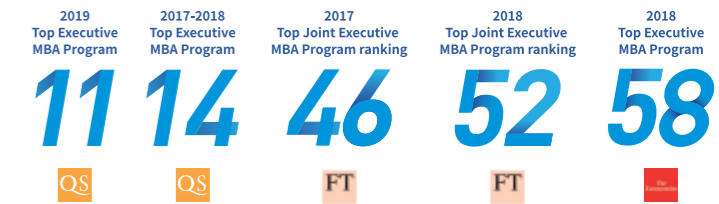
Bringing the Need for Change to the Frontline

At CPC, change management is defined as an integrated approach, aiming to successfully transform organizations by focusing on their people. It is an end-to-end methodology that requires dedicated resources (financial and personnel), leadership commitment, and a fully equipped toolkit to establish a solid foundation for transformation within an organization. Change management frameworks can be applied across different domains and situations. For example:

- Implementing a new technology
- Undergoing leadership changes
- Executing a new business strategy
- Redefining processes
- Changing the company culture
- Introducing new ways of working/ doing things
- Changing the way employees learn in an organization

During the change process, leadership commitment is essential. As such, a key question to ask is : how can leaders ensure a smooth transition from 'as-is' to 'to-be' situations and build sustainable organizations through a robust change management framework application?

There are various facets to the leadership's involvement in change management. One of them is communication. An impactful change story is a powerful communication →



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According to recent studies, storytelling is a powerful medium for creating a personal connection with the end-users and mobilizing change.

tool that includes the 'What,' 'Why,' and 'How' of change, and prepares 'Change Adapters' — i.e., employees impacted by change — for the journey ahead. According to recent studies, storytelling is a powerful medium for creating a personal connection with the end-users and mobilizing change. Storytelling is central for infusing meaning into the expected change — allowing change adapters to fill out the blanks and visualize the road ahead.

As such, having an effective change management methodology and toolkit provides a solid foundation to build a sustainable change solution.

Finally, an empathetic leadership outlook is required. Executing change requires the efforts and dedication of the entire team. It requires diligence and key behavioral competencies from a change manager leading an end-to-end change engagement and utilizing key change management tools along different project phases. ■

Kanupriya Singh is the Regional Manager East China at CPC, helping organizations and teams pivot to the 'new normal' by assisting them to build their digital workforce capabilities through her global management consulting and project excellence experience. With deep expertise in people-centered change management and organizational development areas, she has held a keen focus on building the 'Workforce of the Future' for clients across the globe, including Singapore, Australia, USA, India, and the UK from various industries — helping their employees adopt newer technologies successfully.

Kanupriya holds a post-graduate diploma in Strategy and Innovation, SAID Business School, University of Oxford. She is certified in 'Leading with Analytics and Artificial Intelligence' program from Northwestern University, 'Certified Associate in Change Management' from TÜV Rheinland, Trained in 'Basics of Consulting', Accenture Management Consulting School, Chicago, Trained in 'FORM and Design Methodology', Accenture Management Consulting School, India and Trained in 'Strategic Account Management' from Project Management Institute, India.

CPC Management Consulting has been a driver of impactful transformation by helping clients embark on a change journey for many years. The company has extensive expertise in helping clients from different industries thrive in changing market dynamics.

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Dr. Bradley Morrison
Senior Vice President
BASF

CREATING A CARBON-NEUTRAL WORLD THROUGH CHEMICAL INNOVATION

Hotter heat waves, drier droughts, bigger storm surges, melting glaciers: Global warming has become one of the most significant challenges of our times. Solving this crisis is topping the agenda of both the public and the private sector, as we look to safeguard our and future generations.

Following the 2015 Paris Agreement, countries are setting roadmaps to reach carbon neutrality. During the recent UN Climate Change Conference (COP26) held in the UK, world leaders have called for more decisive action and closer collaboration to tackle the climate challenge and contribute to a carbon-neutral world. China and the US, the world's two largest greenhouse gas emitters, have pledged to act in a joint declaration to boost climate cooperation over the next decade.

This call to action is not merely at the government level: the creativity of each company and individual plays a key role in making real change. It means entrepreneurship and accepting change, experimenting with new ways to tackle the challenges we face, and doing everything possible to avert disaster.

Raising Awareness on Sustainability in China

Over the past decade, Chinese consumer behavior has shifted, as consumers pay more attention to sustainability. The Chinese government has also been driving significant changes in domestic legislation and law enforcement on sustainability and environmental protection across industries, proving the country's determination to transition toward climate neutrality.

In 2016, China published its "National Action Plan on Implementation of the 2030 Agenda for Sustainable Development." In 2020, President Xi Jinping announced the country's goals to reach carbon peaking by 2030 and carbon neutrality by 2060. In 2021, the National Development and Reform Commission (NDRC) announced the country's 14th Five-Year Plan, specifying that China would implement a sustainable development strategy and promote a green economy and society. Recently, the State Council has rolled out its "Action Plan for Carbon Peaking by 2030", including reducing waste, promoting renewables and unconventional fuel, and reforming its electricity network. →

For the automotive industry, China started implementing the new emission standard 'China VI' for light-duty cars in key cities in July 2019, then considered one of the most stringent emission standards in the world. Chinese car owners are also demanding cleaner and more efficient vehicles, with lower or even zero emissions, lighter weight, and sustainable paint.

The construction industry plays a vital role in society, but it is also an energy guzzler. Buildings already account for one-third of energy consumption in metropolises worldwide — not to mention the construction of infrastructure across China. The country is promoting durable and energy-efficient infrastructure that requires fewer resources for maintenance and has a smaller ecological footprint.

Plastic pollution — also known as 'White Pollution' — has been the focal point of environmental protection efforts, mainly due to unmanaged consumer behavior.

Plastic pollution — also known as 'White Pollution' — has been the focal point of environmental protection efforts, mainly due to unmanaged consumer behavior. In 2019, China produced 63 million tons of plastic — a great amount which ended up in plastic waste. At the beginning of 2020, the government has issued the "Opinions on Further Strengthening the Control of Plastic Pollution" as a guiding document putting forward a clear development strategy and roadmap for China to strengthen plastic pollution control. Solutions to circular plastics are in the works, such as bio-based or biodegradable materials and new recycling technologies.

The energy challenge is also among the most important and difficult ones confronting the world today. The power generation industry is transitioning to a new energy model. In September 2021, China announced its "Dual Control of Energy Consumption Policy" on energy consumption and energy intensity; NDRC approved the Implementation Scheme of Renewable Electricity Pilot Trade. Meanwhile, infrastructure and facilities for renewable energy generation are expected to be robust and durable.

Chemical and Material Innovation Empowers Transformation of Industries

As the world embarks on a journey to a low carbon, sustainable future, the business sector must play a role in it. Implementing innovative technologies, processes, and economic models on the corporate level will be a climate game-changer.

The chemical industry is a great example: this industry is centuries old, yet keeps innovating and transforming to make life healthier and more sustainable.

There would be no low-carbon future without materials, products, and innovation from the chemical industry. Without innovative battery materials, there would be no electric vehicles; no energy-efficient buildings without innovative insulation materials; no wind turbines or solar panels without chemical components making them robust and durable.

Chemical production is energy and CO₂-intensive, while products and solutions offered by chemical companies are essential raw materials applied in all downstream industries; therefore, carbon neutrality in the chemical industry is imperative, and innovating the chemical process for petrochemicals is critical.

For example, hydrogen is a vital raw material for producing fertilizers, fuels, and many other chemicals. It is also believed to be the key for future greening steel production and mobility. Innovative new technologies such as methane pyrolysis powered by renewable electricity contribute to greening hydrogen production and help transition to a carbon-neutral world. Greenhouse gases such as CO₂ and methane can even be used as raw materials during chemical production.

The chemical industry could also hold the key to tackling white pollution. Large quantities of plastic waste, which currently cannot be recycled, could be transformed into renewable resources using cutting-edge chemical technologies. Bio-based or biodegradable materials could reduce fossil raw materials and contribute to responsible consumption and recycling, ultimately leading to a world free of plastic waste.

Green innovation can often be found at the core of businesses. The need for

Green innovation can often be found at the core of businesses. The need for carbon neutrality is shared by many industries, and will become the driver of new business models and markets.

carbon neutrality is shared by many industries, and will become the driver of new business models and markets. Inter-regional electricity transmission of renewable energy from sources like offshore wind parks is another example. It will replace fossil-based power so that the chemical industry will no longer use steam and combustion to drive machinery, turbines, and reactions, but will innovate new processes that can utilize electricity directly. Such a fundamental transformation of the industry will also require significant investment.

Increasing the use of renewable energy in economically competitive conditions will green the chemical production. Chemical companies in China are actively joining the Renewable Direct Power Purchase (R-DPP) pilot trade, while simultaneously establishing solar photovoltaic →

applications. They run pilot projects with innovative technologies across the value chain, advancing solutions that reduce and eliminate mismanaged plastic waste and contribute to a plastic circular economy. They hope to make the carbon footprint of products and services transparent to customers and achieve carbon-neutrality goals, which will drive innovation across the value chains.

Inspired by solving significant problems such as global white pollution and global warming, companies need to align corporate goals with sustainability and embed them into business operations and business solutions.

Conclusion

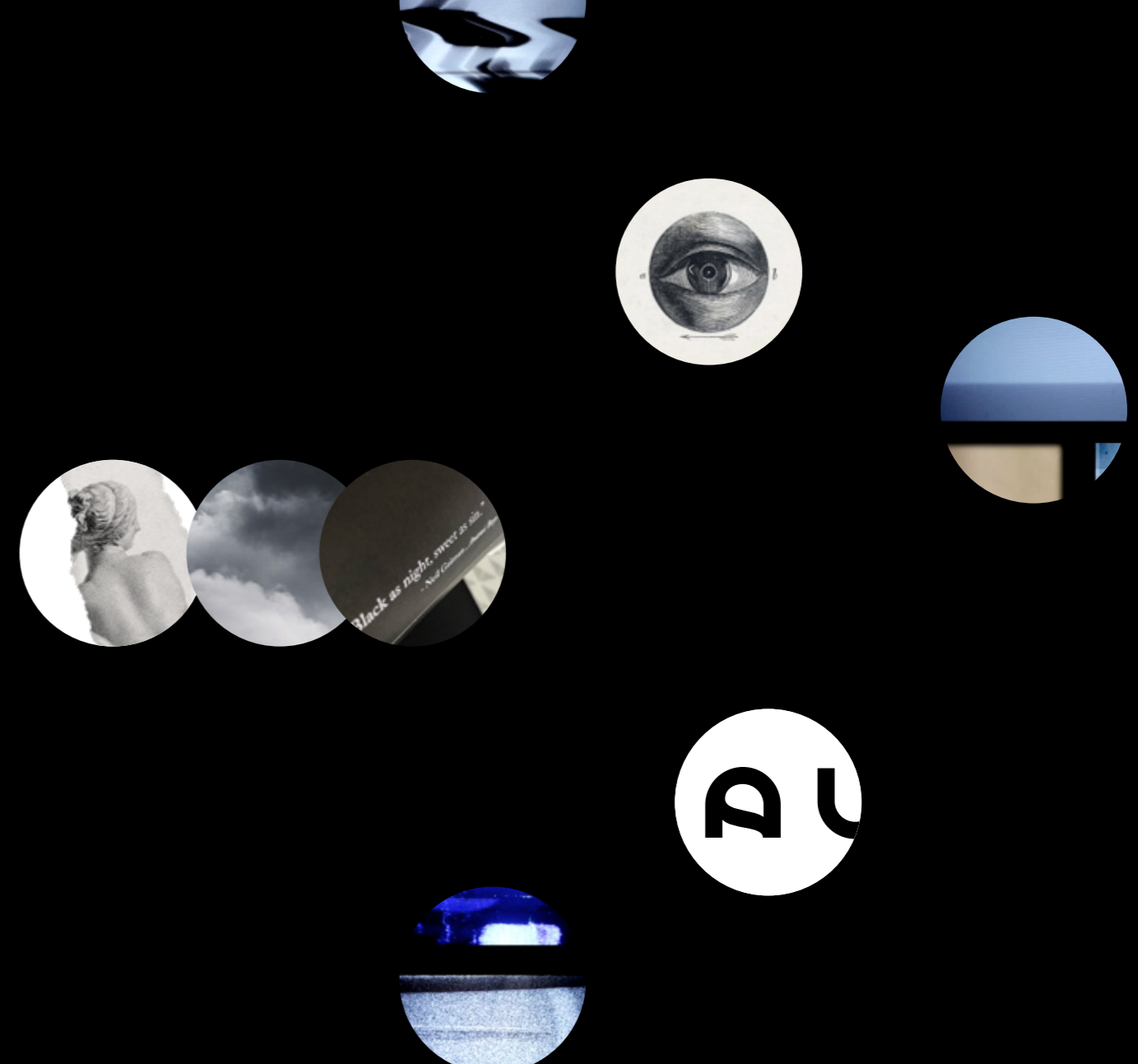
In order to accelerate the transition to a carbon-neutral world, companies must act now. Pioneering companies — including chemical companies like BASF — are already addressing the crisis and the needs of their vendors and customers. They have been committed to sustainability for decades, and have put climate protection as an essential part of the company strategy.

Inspired by solving significant problems such as global white pollution and global warming, companies need to align corporate goals with sustainability and embed them into business operations and

business solutions. This transformation requires enormous creativity and enthusiasm to achieve. To start on this net-zero journey, companies must cultivate a change of mindset and behavior within the organization: employees should be encouraged to contribute to a cleaner planet through changing habits and volunteer activities.

With entrepreneurial courage, innovative power, and new technologies, chemical innovations can lead the way to make carbon neutrality a reality. With cross-industry and sector collaborations — along with the efforts of each individual — a cleaner, more sustainable way of living will become a reality. ■

Dr. Bradley Morrison has been the Senior Vice President of BASF Group since 2013. Dr. Morrison is in charge of operations and site management in Greater China. He began his career at BASF in Germany as a post-doctorate in 1993. Over the past 30 years, he has worked at diverse positions in research, marketing, business, site management, product and supply chain management in BASF, with rich cross-regional/cultural experience in Europe, Australia, and Asia. Dr. Morrison holds a Ph.D. in Physical Chemistry from the University of Sydney.



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EQUALITY



Ivy Wong
Co-founder
Diversity and Inclusion
Consulting (DNIC)

DEI IN THE WORKPLACE

Diversity, Equity, and Inclusion (DEI) is still a new concept to many in China, even for multinational companies that have their headquarters driving and championing DEI in Europe, the US, and globally.

When it comes to DEI in China, multinational companies generally adopt a cautious approach in addressing the topic, as they do not want to touch the invisible line. Local Chinese companies, on the other hand, often lack the appropriate vocabulary to start the conversation about DEI, let alone an adequate platform and environment to ask questions.

Nevertheless, progress is making headway in a few aspects.

Last summer, China's Ministry of Science and Technology and the All-China Women's Federation revealed a series of initiatives to improve gender diversity in science, technology, engineering, and mathematics (STEM) industries. Many in China have welcomed this call with open arms, even though advocacy for women in STEM at the grassroots level has already been making progress in the workplace for a while.

With a burgeoning aging population in contrast with a slow increase in birth rate, there is a call by the national government for families to have more children to support the future workforce. During this decade, we will already witness up to five different generations working in a single company. Employees of these different generations are already experiencing the generation gap at the workplace, and companies are inclined to address this issue by introducing DEI to foster a more collaborative working environment. →

THE CHALLENGES

DEI is a relatively new concept for companies in China, and there are several misconceptions hindering the progress and promotion of DEI in China. Here are some examples:

Ticking the Box

Many companies in China see DEI as a matter of quota, usually citing the number of female participation or hiring of people with disabilities as the benchmark to the company's inclusiveness. However, this is not true DEI, but a form of tokenism. The corporate culture and the environment would not improve drastically simply by hiring more women, more people with disabilities, or people of the silver generation (60 years or older). Without considering the systematic change within their hiring, promoting, and rewarding processes, people hired for the pure purpose of meeting the DEI quota would not feel supported, and gradually lose connection with their work and the company.

Focusing on Short-Term Wins Instead of Long-Term Impact

Another challenge for promoting DEI is that companies do not see the long-term value of it, focusing instead on short-term gains. For instance, HR colleagues would complain about the costs of hiring and training female engineers and technicians when they already have male peers excelling at the job. However, what they did not see is the long-term impact of having female technicians in the production process. The research speaks for itself: according to a white paper by Cloverpop, a diverse team at the workplace makes better decisions up to 87% of the time.

Promoting Diversity and Inclusion is Not a Charitable Act

Many companies perceive DEI as part of their Corporate Social Responsibilities

(CSR) or charitable initiatives, and hence put very little emphasis on driving DEI in the workplace. However, research conducted by Peking University in 2021 showed that by having inclusive policies and benefits, employees are three times more likely to recommend the company to others, more likely to be open and engaged at work, and less likely to face discrimination. A truly diverse workplace will result in improved employee performance and increased company revenue. Therefore, companies should make D&I part of their human resources and business strategy and set aside a budget to drive change.

HOW TO GET STARTED

Rope in Senior Management

Getting senior management to commit to DEI is the most crucial step in shaping the company culture. By incorporating DEI as part of the Key Performance Index (KPI), senior leaders are held accountable for their actions and communication concerning DEI. Senior executive sponsors play a critical role in driving and supporting DEI strategy locally. If the sponsor is a local Chinese, it would convey an even stronger message that DEI is not a western concept, but rather a part of the business strategy that is imperative for creating psychological safety in the workplace.

Raise Awareness to DEI

Educating local employees on the importance of DEI is the first step to understanding why the company should invest in this area. Basic awareness training can include content such as: why DEI is important in the workplace in China; its business value and both positive and negative impacts of DEI in the workplace in China, and more. Companies can also form focus groups for employees to share their experiences of being included or excluded in the workplace.



Having commitment by senior management to DEI is the most crucial step in shaping the DEI culture of the whole company. By incorporating DEI as part of the Key Performance Index (KPI), senior leaders are held accountable for their actions and communication concerning DEI.

By listening to the lived experiences of their employees, companies can customize training workshops to better cater to the needs of their employees.

Connect and Learn From Success Stories in China

Connecting with other companies is the best way to learn of the accomplishments and challenges of promoting DEI in China. There are various networks connecting DEI champions with the same goals.

Global Business and Disability Network

The Global Business and Disability Network (GBDN - China) is a business-to-business network established by 14 founding members and the International Labor Organization (ILO) in 2018 in Beijing.

Ladies Who Tech

Ladies Who Tech was founded in 2016 in Shanghai with a mission to promote gender diversity in the STEM industries in China. As of 2021, the network has expanded to 11 chapters across China, Asia, and Europe.

Intercompany Pride Network

Since 2018, Diversity & Inclusion Consulting (DNIC) has been leading the Intercompany Pride Network, where

companies can connect and exchange information on promoting inclusion for people with different sexual orientations and gender identities.

CONCLUSION

The fact of the matter is, DEI already exists in our daily lives, especially in the globalization of businesses. Today, DEI is finally taking center stage, and its importance and benefits to businesses have been proven time and time again. Companies choosing to incorporate DEI into their business strategies are getting a head start on competing for talent and consumers. All you need to do is take the first step. ■

Ivy Wong is the co-founder of Diversity and Inclusion Consulting (DNIC), advising companies on creating a diverse, equitable, and inclusive workplace in China. She is the recipient of Future Leader Award 2021 from the American Chamber of Commerce Shanghai and was featured as one of the 300 Future Leaders in Tatler's Gen T Asia list 2021.

Dialogue with Sanhe Economic Development Zone – Development & Opportunities



Zhao Zhiqiang
Secretary of the Party Working Committee, Director of the Administrative Committee for Hebei Sanhe Economic Development Zone

Q1: What are the policy advantages for German enterprises if they are settling in Sanhe Economic Development Zone?

Mr. Zhao: Sanhe City is 30 km away from Beijing city. It is the “east gate” of Beijing and sits in the forefront of construction of economic circle around the capital in Hebei province. Sanhe Economic Development Zone is located in the transportation hub of Beijing, Tianjin and Hebei. Besides its unique location advantages, convenient transportation, good infrastructure and rich leisure resources contribute greatly to the high-quality development of local economy.

In terms of preferential policies for enterprises entering Sanhe, considering the needs of Beijing-Tianjin-Hebei region and Beijing sub-center, Sanhe has accelerated the construction of a “4+6” modern industrial system with distinctive local characteristics, making great efforts to optimize the environment for innovation and entrepreneurship and promoting the innovation-driven development.

In recent years, Sanhe has issued a series of policies to benefit enterprises and sorted out more than 30 policies from eight aspects, such as enterprise financing subsidies, listing awards, scientific and technological innovation, and high-level talent introduction. With this long-term approach in mind, Sanhe has helped enterprises to solve problem and develop rapidly.



Zhu Xionglei
Party Branch Secretary & Chief Financial Officer of Langfang LEONI Wiring Systems Co., Ltd.wiring



Q2: What attracted LEONI Wiring to settle in Sanhe?

Mr. Zhu: Langfang LEONI Wiring is a joint venture, founded by LEONI AG in Germany and Beijing Hainachuan company (secondary platform under BAIC group). As Beijing Benz becomes bigger and stronger in the Chinese market, the demand for wiring system continues to grow and Langfang LEONI Wiring is an important wiring system partner of Beijing Benz. Sanhe Economic Development Zone has unique advantages in location and

transportation. It is our best choice to settle in Sanhe Economic Development Zone after thorough consideration.

2020 was a special year for the whole world. When the pandemic hit, enterprises faced shortages of supplies and difficulties in resuming work, while the Sanhe municipal government helped us in time. After the pandemic situation stabilized, Sanhe Economic Development Zone asked the municipal government for a special Pandemic Prevention Fund of 3 million yuan for our company, and an annual contribution award of 46.99 million yuan at the end of July. Although Sanhe Economic Development Zone is very small, it has a great mind. We are proud to settle here, and in return, make our contribution to the economic take-off of Sanhe Economic Development Zone.

Q3: As a leading enterprise of industrial real estate business in Sanhe Economic Development Zone, what contributes to the success of Ming Tai Industrial Park project?

Mr. Ma: Sanhe Economic Development Zone’s unique advantages in location and transportation provide convenience for enterprises to connect with resources in Beijing. As a local enterprise in Sanhe, we worked closely to promote regional transformation and upgraded from traditional industry to high-end service industry. We are providing a stable production, R&D and office space for enterprises from Beijing, Tianjin and Hebei and also lay a good foundation for more foreign-funded enterprises. At present, we have attracted enterprises from digital economy, high-end equipment manufacturing, electronic information, and other industries.

However, it’s not only the geographical advantages that appealed enterprises. While optimizing our business model, Ming Tai Industry Park has been committed to providing all-round services to the enterprises. We provide eight service systems for enterprises in the park, including financial services, legal services, fiscal and tax services, human resources services, property management services. We strive to build the best development platform for enterprises.

We are the Premium Friend of the German Chamber of Commerce in China, and we believe that the Chamber plays an important role in bridging the communication and cooperation between Chinese and German enterprises. In the future, we will continue to cooperate with the Chamber to provide assistance to German companies that are preparing to set roots in China.



Ma Dong
Party Branch Secretary of MingTai Industrial Park & General Manager of Ming Li Feng Tai.

LEGAL UPDATES



Dr. Ulrike Glueck
Managing Partner
CMS China



Panpan Tang
Associate
CMS China



Spring Zhu
Junior Associate
CMS China

R&D IN CHINA

What Companies Should Pay Attention to When Conducting R&D Locally

The People’s Republic of China (“PRC”) has become one of the world’s most attractive destinations for Research and Development (“R&D”) investments. According to the statistics report on national R&D expenditures in 2020 issued by the National Bureau of Statistics, R&D expenditures continue to increase at an impressive rate of 10.2% and achieve the total amount of RMB 2439.31 billion in 2020.

Foreign companies are setting up more and more R&D centers in the PRC as part of their strategy to ensure sustainable creativity and competitiveness of their products.

With the increasing number of Intellectual Property (“IP”) filings made in China every year, foreign companies are aware of the importance of securing and enforcing their respective IP rights for R&D results in China. According to news reports, the most popular emerging industries which show rapid growth in R&D include biomedicines, electric vehicles, information and communication technology, clean energy, and high-end manufacturing.

In practice, foreign enterprises often cooperate with Chinese companies when carrying out R&D activities in China. →

In such cases, it is of the utmost importance to reach an R&D agreement that meets the relevant legal and regulatory requirements under the PRC laws. R&D agreements involve a lot of legal issues to be aware of, such as: what kinds of R&D activities can be conducted by a foreign company in China; what is the default rule for the ownership of the relevant development results (e.g., patent rights and know-how) in China; how to exploit and license R&D results to third parties; what are the mechanisms in the event of a dispute between contract parties or in case of infringement of IP rights; and whether R&D data can be freely transferred cross-border.

Below, we selected ten common questions regarding R&D activities in China

Topic 1: Are Your R&D Activities Permitted in China?

Carrying out R&D activities in China for a foreign company involves the import and export of relevant technologies. Such activities are subject to the PRC Foreign Trade Law (“FTL”), the PRC Regulations on Administration of Technology Import and Export (“TIE Regulations”), and the PRC Export Control Law (“ECL”), and regarded as technology import or technology export. Although China encourages the import of advanced and appropriate technologies and the export of well-developed industrialized technologies, technology import or export is not entirely free to conduct.

The FTL and the TIE Regulations entitle the State to restrict or ban the import or export of certain goods or technologies for certain reasons, such as to protect national security, public interests, or public ethics, or to accelerate the

establishment of certain industries in China. In addition, even if the technology import or export is not restricted or banned, the relevant contract (which can be the R&D agreement) for regulatory compliance shall be recorded at the competent authority.

Under the FTL and the TIE Regulations, the PRC Ministry of Commerce (“MOC”) is the department in charge of foreign trade under the State Council, which formulates the above catalogs of technologies whose import or export are restricted or banned. In practice, two catalogs published on the MOC official website are relevant, i.e., the PRC Catalog of Restricted or Banned Technologies For Import and the PRC Catalog of Restricted or Banned Technologies For Export. Each company planning cross-border R&D in China that falls under the specific technology is well advised to check the catalogs in advance.

When it comes to exporting technologies that are related to controlled items (e.g., dual-use items, military products, nuclear materials, etc.), under the ECL, such export is subject to a license by the State export control authorities.

Topic 2: Is the Chinese Party Qualified to Sign an R&D Agreement With You?

Under the FTL, a Chinese entity is only allowed to conduct foreign trade, such as technology import and export, after it has been registered as a foreign trade operator at the MOC or other institutions entrusted by the MOC. If the Chinese contract party does not qualify as a foreign trade operator, it has to designate a registered foreign trade operator to act as its agent to conduct foreign trade affairs on its behalf.

Topic 3: What Are the Features of Typical R&D Agreements Under PRC Law?

When carrying out R&D activities in China, companies must ensure the legality and compliance of the R&D agreement in order to facilitate the performance of the contractual obligations and to protect their rights.

Under the PRC Civil Code, there are two types of R&D agreements, i.e., joint R&D agreements and commissioned R&D agreements. Both types of agreements shall be in written form. A joint R&D agreement refers to an arrangement where the parties jointly invest and develop technologies. In a commissioned R&D agreement, the R&D is generally carried out by one party and financed by the other.

Topic 4: Who Owns the Patentable Results Under an R&D Agreement?

a In the case of a joint R&D agreement, under the PRC Civil Code, the default rule is that the parties have the right to apply for patents for their patentable development results as joint patent applicants. The right to apply for patents can be transferred to other parties, but the contractual parties of the R&D agreement have a priority right to obtain such right from the transferring party under the same conditions. Furthermore, each party of the R&D agreement can declare that it waives its joint right to apply for a patent. If the parties agree otherwise, the contractual agreement will prevail.

In any case, if one party does not agree to apply for patents, the other parties shall also not apply for the patents.

When carrying out R&D activities in China, companies must ensure the legality and compliance of the R&D agreement in order to facilitate the performance of the contractual obligations and to protect their rights.

If a party waives its joint right to apply for a patent, the other parties may jointly apply for patents, and the waiving party is still entitled to exploit the patent free of charge after patent registration has been obtained.

b In case of a commissioned R&D agreement, unless the parties agree otherwise in the R&D agreement, the default rule is that the right to apply for patents shall belong to the commissioned party who undertakes the R&D activities. If a patent right is granted, the commissioning party may exploit the patent free of charge. If the commissioned party transfers the right to apply for a patent, the commissioning party has a priority right to obtain such patent under the same conditions. In practice, the commissioning party may want to have the right to apply for patents, and can make different arrangements on the right to apply for patents in the agreement to avoid the default rule.

Topic 5: Who Owns Non-patentable Results Under an R&D Agreement?

If the development results are non-patentable, but ‘know-how,’ the relevant rules on the right of use, right of transfer, and allocation of proceeds shall be determined by the specific provisions in the R&D agreement, no matter if it is a joint R&D agreement or a commissioned R&D agreement. If there are no contractual provisions and the issue cannot be determined by the contractual parties’ previous business practice or the common practice in the relevant industry, each party has the right to use and transfer such know-how before a patent right has been →



granted for the same technical solution. In addition, in the case of a commissioned R&D agreement, the commissioned party shall not transfer the results of the R&D activities to a third party before delivering such results to the commissioning party.

In practice, confidentiality clauses are usually included in R&D agreements in order to ensure the confidentiality and non-transferability of the relevant know-how without the consent of the other parties.

Topic 6: How to Protect Your Patentable Development Results in China

China is a member of several international treaties, including the Paris Convention for the Protection of Industrial Property (“Paris Convention”), the Patent Cooperation Treaty (“PCT”), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”). Therefore, in addition to a purely national patent application, a company may also consider filing a patent application in China based on the priority right of a previous patent application filed in another member state under the Paris Convention, or filing an international application through the PCT system at the World Intellectual Property Organization and later extending the international application to China.

Under the PRC Patent Law, inventions, utility models, and design patents can be registered and protected as patents in China. The following information may be helpful when considering patent applications in China:

- 1 A foreign company is entitled to file a patent application in China, but is required to entrust a local agency with the filing.

required to entrust a local agency with the filing.

- 2 The first-to-file rule is applied in the registration of patents. Where two or more applicants file patent applications for an identical invention, the patent will be granted to the applicant who submitted the application first.

- 3 The basic requirements for obtaining a patent registration for an invention or a utility model are the characteristics of novelty, creativity, and practical applicability. However, the requirements for the patentability of utility models concerning creativity are less stringent than those for patentable inventions. The requirements for a design patent is the least stringent — the company should only provide proof that the design patent does not belong to any existing design, and no application has been filed with such design before the filing date or been recorded on official patent documents published after the filing date.

- 4 The application for an invention patent is subject to substantial examination, which can be time-consuming and expensive. An application for a utility model patent or a design patent, however, is only subject to a formality examination. The difference is due to the different eligibility requirements for patentability of the patents. Therefore, registration of a utility model patent or a design patent will typically be completed within one year from the date of application, while registration of an invention patent usually takes around two or three years.

- 5 The term of protection of an invention patent in the PRC is 20 years; the term of protection of a utility model patent is ten years, and the term of protection of a design patent is 15 years. The term is calculated from the date of application and is non-extendable.

- 6 After a patent right has been obtained, the patent holder is entitled to safely exploit its own patents and prohibit other companies or individuals from exploiting its patent without authorization. Typically, in case of an invention or utility model patent, other parties shall not manufacture or use a patented product; advertise or exhibit the patented products for sales; sell or import the patented products; or use the patented method, as well as use, promote, sell or import the products directly obtained through a patented method for business purpose, without authorization. In the case of a design patent, other parties shall not manufacture the specific design; advertise or exhibit the patented design for sales; and sell or import the products embodying the patented design for business purposes without authorization.

Topic 7: How Are Non-patentable Development Results Protected in China as Know-how?

Know-how is usually protected under the category of trade secrets based on the PRC Anti-Unfair Competition Law (“AUCL”). The main features of protectable know-how are as follows: unknown to the public, with commercial value and confidentiality measures that have been adopted.

For an R&D project, it is very important to ensure sufficient protection of know-how, as most results may not be patentable but are still valuable. Unlike a patent, know-how is not subject to any registration in China, but relies on the corresponding confidentiality measures adopted by the companies. In practice,

For an R&D project, it is very important to ensure sufficient protection of know-how, as most results may not be patentable but are still valuable.

it is worthwhile to incorporate non-disclosure or confidentiality clauses into R&D agreements in order to address know-how protection issues in advance.

Topic 8: How to Secure Your Licensing in China?

Licensing is a popular tool for the exploitation of R&D development results. There are three types of licenses under PRC law: exclusive license, sole license, and general license. In the case of an exclusive license, only the licensee can exploit the licensed technology, and the licensor can neither exploit it by itself nor authorize any third party to exploit the licensed technology. Furthermore, The exclusive licensee can initiate infringement action against third parties without the licensor’s consent. Sole license means that both the licensor and the licensee can exploit the licensed technology, but the licensor cannot authorize any third party to exploit the licensed technology. In this case, the sole licensee will be entitled to initiate infringement action against third parties if the licensor refuses to →

enforce its rights. General license means that the licensor can exploit it by himself or authorize a third party to exploit the licensed technology. Unless the general licensee is authorized to initiate infringement actions, the licensee has no rights to do so on behalf of the licensor.

The parties of a license agreement have great discretion to decide the key issues of a licensing agreement, such as territory, duration, and type of the license; the scope of the licensed technology; royalties, warranty claims and limitation of liabilities, and more, under PRC law. However, a technology license agreement shall not restrict technological competition and technological development. Compared with the previous regulations, China has deleted the relevant stipulations prohibiting the incorporation of certain restrictive clauses, mainly imposed on licensees in a technology license agreement.

Topic 9: What Taxes Need to be Paid Under an R&D Agreement in China?

Outbound payment of R&D fees may be taxed in the PRC as 'service fees' or 'royalties' (i.e., license fees), depending on the case. Under PRC tax law, the main distinction between 'service fees' and 'royalties' is whether the foreign entity (who performs the R&D work) retains the ownership of the relevant IP rights connected to the development results. If the Chinese entity (and not the foreign entity) owns the resulting IP rights, PRC tax authorities would normally regard the R&D fees as 'service fees' and not as 'royalties' for PRC tax purposes.

In particular, the following PRC tax implications shall be noted: The R&D fees charged by a foreign entity to a Chinese entity are subject to PRC Value Added Tax ("VAT") and various surcharges linked to VAT at around 6.8%. Such VAT and surcharges apply to both 'service fees' and 'royalties.' However, such VAT paid by the foreign entity and withheld by the Chinese entity can be credited as input VAT by the Chinese entity against its output VAT, provided that the latter is a general VAT payer, i.e., the VAT can be recovered by the

Chinese entity (being a general VAT payer). Therefore, if the Chinese entity is a VAT payer, it makes sense that the VAT payable by the foreign entity is shifted to and borne by the Chinese entity. Under PRC tax law, the above VAT and surcharges can be exempted if the R&D Agreement has been registered with the competent PRC Science and Technology Authority as a technology development agreement or a technology transfer agreement.

In addition to the above VAT and surcharges, the following CIT applies to outbound payment of R&D fees: From a PRC tax perspective, if the R&D fees are regarded as 'service fees,' the portion of the fees for services provided off-shore shall not be subject to CIT in China. Otherwise, CIT shall be calculated and paid based on a deemed profit rate method. For example, if the deemed profit rate is 20%, 20% of the on-shore service fees are regarded as profits and shall be subject to CIT at 25%, resulting in 5% CIT on the on-shore service fees. The applicable deemed profit rate for R&D service fees ranges from 15% to 30%, and is subject to assessment by the tax authority.

Despite the above, if the on-shore activities do not constitute a permanent establishment under the applicable double taxation treaty, no PRC CIT shall be paid for the on-shore service fees. For example: under the Sino-German Double Taxation Treaty, on-shore services will constitute a permanent establishment if they last for more than 183 days during a period of 12 months.

However, if the R&D fees are regarded as 'royalties,' CIT shall be paid in the PRC at 10% of the entire R&D fees, and not based on the above profit rate method, unless a lower rate is available under the applicable double taxation treaty.

Topic 10: Can R&D Data Be Transferred Abroad?

There has been an increasing tendency in PRC law to impose strict regulation on cross-border transfer of important data, such as under the PRC Data Security Law ("DSL") and the PRC Cybersecurity

Law. If the relevant data is recognized as important data, and the company is identified as a critical information infrastructure operator in China, cross-border transfer of the relevant data shall pass a security assessment in advance. If the relevant data is recognized as important data but handled by a normal network operator or other ordinary handlers, there may be specific restrictions on the cross-border transfer of such important data in the respective industries. In addition, if the relevant R&D data is related to controlled items under the ECL, export is also subject to a license by the state export control authorities.

Generally, detailed important data catalogs will still have to be formulated by relevant authorities in respective industries. According to the DSL, specific catalogs for essential data in relevant industries, such as manufacturing industry related to national security (military equipment manufacturing, for example), telecommunications, transport, finance, natural resources, hygiene and health, education, and science and technology, etc., shall be determined by the competent authorities in the respective regions and departments. Therefore, it is crucial for companies to pay close attention to relevant legislation and seek professional advice on the specific restrictions on cross-border transfer of data on a case-by-case basis. ■

Dr. Ulrike Glueck is Managing Partner of CMS, China.

Panpan Tang is an Associate at CMS, China.

Spring Zhu is a Junior Associate at CMS, China.

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SINO-GERMAN TIANJIN DAQIUZHUANG ECO-CITY



MILESTONE

- In July 2018**
Daquzhuang Town, Jinghai District, Tianjin was officially awarded the title as the "Demonstration City of Sino-German ECO-CITIES" jointly by CSUS and DENA.
- In April 2020**
People's Government of Tianjin Jinghai District decided to set up the first statutory institution in Jinghai District to serve the development and construction of Sino-German Eco-City.
- In January 2021**
A groundbreaking ceremony was held for the comprehensive development of Sino-German Eco-City, marking the start for the construction of Sino-German Eco-City.

PLANNING AND CONSTRUCTION

- ▶ One Axis: Urban development axis
- ▶ Two Corridors: Industrial revitalization corridor, Ecological development corridor
- ▶ One Center: Urban public center
- ▶ Three Parks: Corporate headquarters park, Sino-German Cultural Park, Ten billion road business incubation park



SUPERIOR LOCATION

- 30 kilometers away from downtown of Tianjin
- 110 kilometers away from Beijing and 80 kilometers away from Xiongan New Area
- High-speed railway: 34 minutes from Beijing and 3.5 hours from Shanghai
- Airport: 25 minutes from Tianjin Airport, 70 minutes from Beijing Daxing Airport
- Port: 50 minutes from Tianjin port

LEADING INDUSTRIES

- ▶ GREEN BUILDING
- ▶ MEDICAL EQUIPMENT
- ▶ ENERGY SAVING AND ENVIRONMENTAL PROTECTION
- ▶ NEW ENERGY
- ▶ PACKAGING
- ▶ NEW MATERIALS



Contacts: Shawn Chu Zhou Leming
Telephone: +86-22-68519278 +86-22-6859279 **Mobile:** +86-136 8207 7294 **E-mail:** 13682077294@163.com
Address: No.1 Hengtai Road, Daquzhuang, Jinghai District, Tianjin, China

SPONSORED CONTENT

Co-Creating a Liveable World.

Viessmann in the desert of Northwest China



Summer 2021, somewhere in North Western China.

It is hot. We are exhausted. All of us are sweating.

The fortunate of us have sand in their shoes. But some of us are not as fortunate. At above 70 C, surface temperatures are causing some shoes to disintegrate.

To add insult to injury: there is no cell-phone reception.

We are motivated and focused, excited, even. We are moving forward together as a team. Together, we will make a difference.

Some time ago, we had invited a group of our customers, most of them long term friends and supporters of Viessmann, to join us for a 'Future Strategy Workshop' in one of the world's most challenging environments: the famous Taklamakan Desert.

The 1-hour long journey through the desert at high noon, for many of us on foot, was a cathartic experience: leaving behind the comforts of a modern, high-tech society and fully immersing ourselves into the uninhabitable landscape ahead of us.

Our purpose was clear: talking about the future, all of us needed to be aware that nothing less than our Global Climate is at stake.

In this barren land, we conducted a fruitful workshop covering a range of topics such as high-level carbon net neutrality commitments, new system solutions and future user requirements.

There was no doubt among our partners that together, we can make a difference to user's health and well-being with Viessmann solutions today. And there was agreement that it is up to us to act now to pave the way for striving towards reducing our emissions and our carbon footprint.

On a personal note, this was by far the hottest and most challenging workshop I have attended thus far.

As dusk was settling in, people gathered around two beacons of civilizations, one ancient (bonfire) and one modern (WiFi hotspot), to

continue our discussions about the huge range of possibilities to reach out to even more users in China.

We went to bed early to prepare for the next morning: a personal, and again, physical, commitment to carbon reduction.

Together as one team, and with unprecedented willingness to succeed, we pounded the scorched earth with shovels and took part in Viessmann's global tree planting initiative. Carbon reduction and stopping desertification -- these goals were clear to everyone as we kept grinding away at this stretch of desert that was soon sprinkled with the sweat of some of the world's biggest players in the HVAC industry.

But the site we chose was of special significance for a different reason. The trees that we, as the larger Viessmann family, are planting, are protecting the World Unesco Heritage of the Dunhuang Grottoes. This magnificent monument is home to some of the world's greatest Buddhist cultural artifacts, handed down from generation to generation and preserved over a span of 2,000 years.

Of great personal significance to me, as a foreign national living and working in China, was the fact that this cultural treasure trove is situated at the crossroads of the ancient Silk Road, which had connected countries in Asia and Europe and spawned the exchange of ideas, cultures and accelerated trade:

A testament to what humanity can achieve when we work together towards a common goal.

Back home in Beijing, our shared responsibility is ever more clear to me:

Let us join in the Viessmann 2025 strategy to excite users across all channels -- and let us do so with green solutions whenever possible.

Viessmann China is part of it!

Disclaimer:
Trees were planted to offset the carbon footprint of our travels. All necessary Corona precautions were taken.



About Viessmann:

The Viessmann Group is one of the world's leading manufacturers of heating, cooling and renewable energy systems. Company purpose: we create living spaces for generations to come. All 12750 members of Viessmann family in 74 countries follow this purpose.

VIESSMANN



新一代 Vitodens
冷凝壁挂炉



空气源热泵 Vitocal

菲斯曼 未来可居
让舒适 陪伴成长每一步



更耐久 更高效 更人性 更环保

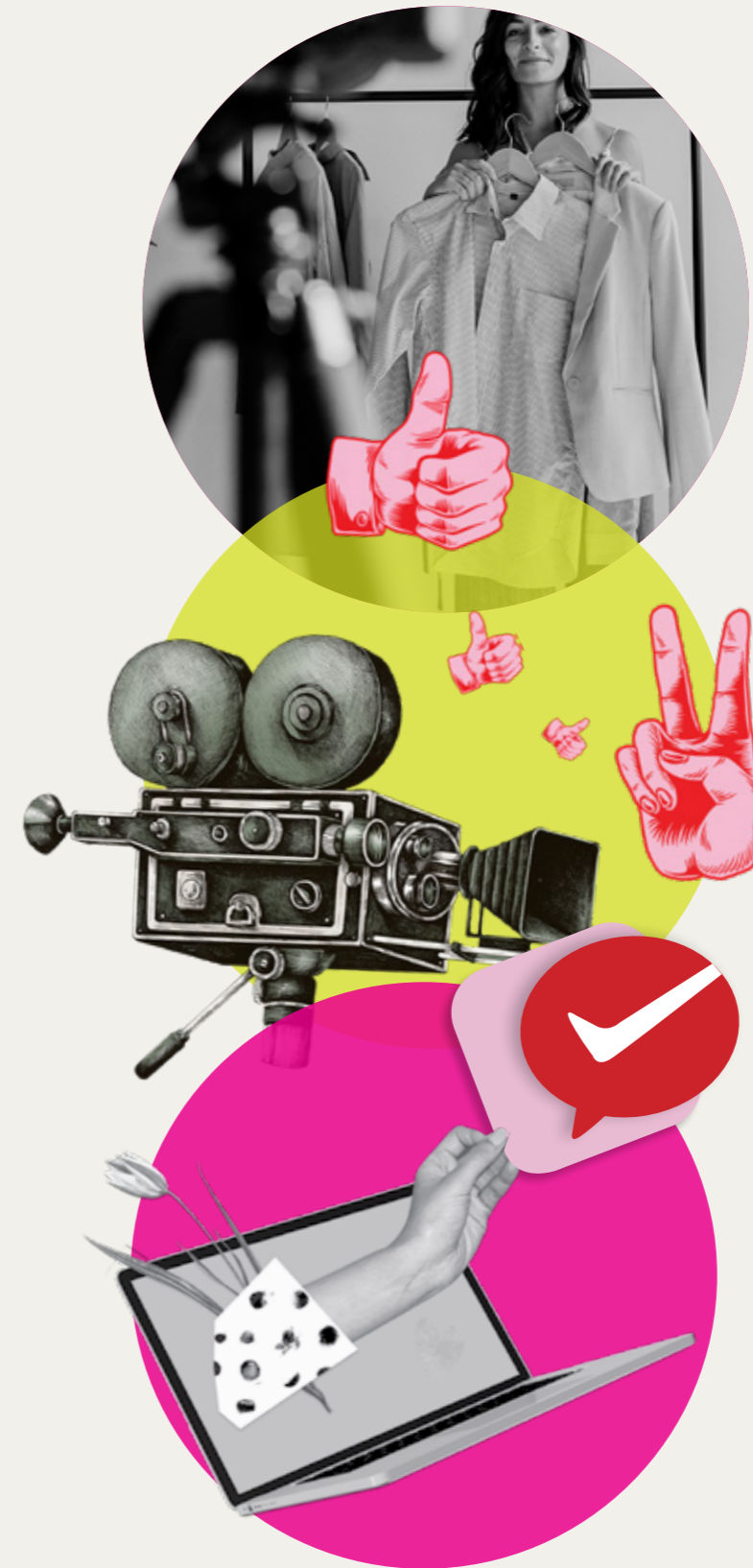
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Damian Maib
Founder and
Managing Director
Genuine

CHINA'S SOCIAL COMMERCE ECOSYSTEM

Can Foreign Brands Benefit From
the New E-commerce Trend?



Social Commerce, or 'Social Shopping,' is the act of buying directly on social media. Social Commerce is not social media marketing; while both are closely related, the latter leads traffic to a website, platform, online shop, etc. Social commerce, on the other hand, cuts that step — the user is exposed to the product on social media directly or through social connections, and can complete the purchase within the platform.

The form or content of social engagement varies: it could be livestreaming on Douyin with famous influencers and KOLs (Key Opinion Leaders); less famous ones but highly suitable KOCs (Key Opinion Customers); pictures or videos of microbloggers on XiaoHongShu (Little Red Book), and more. One of the oldest and purest forms of social commerce is recommendations. In China, WeChat is still the prominent channel for peer-to-peer communications: customers recommend products that can be purchased directly within the WeChat e-commerce ecosystem. Last but not least, group purchases — as the ones done on Pinduoduo — have been a rising trend in social commerce. →

It is expected that social commerce will account for close to 15 percent of the Chinese e-commerce market in 2021. That amounts to over USD 360 billion and a 36 percent growth compared to last year. So what makes social commerce so essential in China?

China's e-commerce industry is far more developed than in other countries. As such, it is constantly looking to reach out to new potential clients. Social commerce is that next step, offering new, fragmented, targeted sales.

Is Social Commerce in China All That Different From the Rest of the World?

There is one big, universal driver for social commerce: trust. Actually, it is the mistrust consumers feel toward advertising and paid media that fuels the industry. Traditionally, brands and stores had to earn consumers' trust using testimonials or PR. Compared to other sales and marketing fields, building brand or product loyalty through social commerce is relatively easy. A recommendation from a trusted friend or KOL is a powerful tool, leading to trust and often a purchase. If the product lives up to its promise, the consumer is more likely to recommend

and engage with the product online. This cycle of trust and engagement fuels social commerce all over the world.

So what makes e-commerce in general — and social commerce in particular — flourish in China? Most people in China are 'mobile-only' internet users — many don't even own a computer. Therefore, they exclusively use their smartphones for e-commerce and social media. Throw in digital wallets and sophisticated supply chains and deliveries, and you get the perfect setup for online shopping. That's why today, even groceries and local produce can be found in social commerce in China, next to more 'classic' categories such as cosmetics or fashion.

China's Social Commerce Consumers: The People Behind the Buying Boom

To better understand this phenomenon, it is worth looking into the demographics behind the industry. Two major consumer groups are strongly related to social commerce in China. The first group consists of young people from tier 3 cities and below. These consumers are highly aware of the lifestyle in tier 1 and 2 cities. At the same time, they still lack sophisticated offline retail options. That is where social commerce comes into play: it serves as an alternative to

brick-and-mortar stores. We saw this effect in the US as well, when COVID-19 lockdowns drove shoppers online to social commerce (mainly on Facebook).

The second big consumer group is millennials living in tier 1 and tier 2 cities. They are highly connected, urban, and wealthy, but also very hedonistic and demanding. Not only do they distrust advertising, but they dislike most traditional forms of advertising. To get through to these sophisticated consumers, brands have to develop alternative forms of engagement and connection. This tech native generation has a strong social media presence. As such, social commerce provides the perfect place for brands to connect with this consumer group, build trust, and sell products and services.

Can Foreign Companies Compete With Chinese Brands?

Today, being a foreign brand in China does not guarantee immediate success. In some ways, it can be quite the opposite: the "Made in China" movement is gaining prominence. In a way, this is the Chinese answer to the Western 'buy local' or 'America first,' but of course, foreign brands can still succeed in the local market. To find these opportunities, brands must show sensitivity toward the Chinese culture and consumers. →



FEATURES E-Commerce



China's Social Commerce Ecosystem

Mistakes such as poorly-localized content and mishandling of political issues are common pitfalls for foreign brands — hindering their success in social commerce.

Social commerce essentially involves dialog between a brand and its consumers. This may lead to prompt, harsh, and unfiltered feedback from customers.

Finally, the biggest success factor for foreign brands in China's social commerce industry is the organization itself.

But here also lies the chance for success: If a brand communicates well with its clients, it can mean big gains — especially when it comes to foreign brands. They will need to listen even more carefully to the needs of the shoppers; engage with them on a deeper level; and provide a smooth customer journey. They have to answer millennials' demands for entertaining experiences and instant gratification. Finally, the biggest success factor for foreign brands in China's social commerce industry is the organization itself. Putting aside an adequate budget and the above-mentioned sensitivity to political and legal issues, foreign brands must create a culture of creativity, courage, and openness to new ideas and approaches in China.

First Steps to Set Up a Successful Social Commerce Channel

- 1 Select the right channel – If you're not sure, start with Douyin
- 2 Choose your hero product – What is your best-selling product to date?
- 3 Produce and broadcast entertaining content with KOLs/KOCs
- 4 Adjust your strategy based on feedback and sales ■

Damian Maib is an expert in e-commerce in China and South-East Asia. He is the founder of the digital marketing agency Genuine. The 50-strong agency supports from Berlin, Shanghai, and Hong Kong clients with services ranging from e-commerce consulting and market entry in China and South-East Asia to online shop operations. Genuine clients include FMCG and tech brands such as Beiersdorf, Cosnova, and Electrolux. Genuine is an official Partner of Alibaba-Tmall (TP), JD.com, and Douyin.



PETER WILLEMSEN
President
Rheinmetall China

What is Your Personal and Business Background?

A semester of studying abroad in Japan triggered my fascination for Asian customs and practices. Before moving to China in 2006, I held various positions at a leading maker of electronic and mechatronic components for automobiles in Germany and Japan. Since 2014, Shanghai has been home to my family and me. For many years, I led the Technical Centre of a large, globally operating electronics engineering company, before joining Rheinmetall as President of Rheinmetall China in mid-2020.

Tell Us About Your Company and Activities in China.

Rheinmetall is an integrated technology company for mobility and security with

a long history dating back over 130 years, and is well established in international markets. Rheinmetall founded its first manufacturing plant in China in 1997. Today we are present at ten locations and employ about 4,500 people here in China. With the transformation of the mobility industry, our business is consistently shifting toward components for new energy solutions. Good examples for this are lightweight aluminum castings, electric climate compressors for thermal management, and hydrogen recirculation blowers in vehicles, as well as applications 'Beyond Automotive.'

What Has Been Your Strategy in Terms of Localization (Staff, R&D, Production, etc.)?

Our clients in China today are international and Chinese vehicle manufacturers. All of them expect us to adapt quickly to changing conditions and offer local engineering support. We responded by opening new R&D centers or expanding existing centers to strengthen our local engineering capabilities. Furthermore, we are cooperating closely with local universities in the areas of efficiency

improvement, hydrogen economy, smart sensing solutions, and digital transformation. We will continue on this path together with our partners in industry and education, and hope to inspire more local talent to join us on this transformational journey.

What Are the Most Valuable Things You Have Learned From Working and Living in China?

Having had the chance to live and work in Asia for more than 18 years and over 12 years in China, I've enjoyed the opportunity to learn about the country and its culture. The thing that impresses me most about China is the dynamic nature of its development. Everything is possible — though nothing is easy. Strategies need to be amended often, and conventional wisdom is often challenged overnight. To cope with this, an enterprise needs to develop a good understanding of the long-term planning of Chinese society, a patient approach (sometimes with trial and error), good networking skills with industry stakeholders, a strong alignment with global headquarters, and sometimes a "good enough" approach (the 80/20 principle). ■



The need for renewable energy sources is greater today than ever before and it will continue to grow in the future. For us, achieving climate neutrality is an opportunity, a challenge and an obligation, all at the same time. We at Rheinmetall want to help shape the utilisation of hydrogen technology in the coming years and decades with our experience and full commitment.

rheinmetall.com/hydrogen



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MARCO SCHAIBLE
CEO of Bürkle PCB-Division
Bürkle Machinery
(Shanghai) Co. Ltd.
Bürkle Machinery
(Taicang) Co. Ltd.

What is Your Personal and Business Background?

I started my career as an IT-Specialist in a bank in Germany before I decided to study at the Technical University of Darmstadt Industrial Engineering. During my time at the university, I had already close contact with Bürkle due to my scholarship. Therefore, I accomplished my Bachelor's Thesis in Mechanical Engineering and my Master's Thesis in project management both at Bürkle. I had a one-year overseas studying experience in Brazil during my Master's that opened my eyes to other countries and cultures.

In my first position under the group's CEO at the Bürkle HQ in Germany, I worked on essential projects that were the basis for the further successful development of the company. We have seen a lot of potential in the Asian market for Bürkle, and our subsidiary in Shanghai needed a change and a redirection to lift those potentials. I spent four years transforming the Bürkle location in China into a modern and sustainable machine-building company. I started as the COO in China responsible for all operations, later taking on more and more responsibility as General Manager. Since 2020, I have also been developing the PCB business to the most substantial product segment of Bürkle in Asia, and I became the CEO of the PCB-Division in September 2021, responsible for the global business of this exciting industry.

Tell Us About Your Activities in China?

In 2003, Bürkle established the factory in Shanghai, but there was no existing strategy for this plant. That time, we tried to build all the products and most of the value chain by ourselves. The team qualification, the quality level of suppliers, and our internal process were not satisfying. A company should focus on its key competencies and work with a partner in all the other areas where they are specialists. I was focusing on building up a solid professional team and developing suppliers. It was necessary to build a foundation for the growth strategy. It was an inspiring time as the only foreigner with more than 100 Chinese; only a few could speak English. We have achieved quite a lot in operations together, and the company changed to a very professional German company. Since I was responsible for sales, I mainly listened to our customers to understand their needs to provide a better product and service. We established many new tools and processes to provide a better experience to our customers in Asia.

What is Your Strategy? And How Did You Come Up With It?

Before discussing the strategy, we need to understand the market and our customers. The PCB-Market is mainly in Asia, with more than 90% in Asia and 50% in China. Here in Asia, we are the leading producer of laminating presses. These products' knowledge and development should also be in Asia. Therefore, we transferred all the product-related knowledge worldwide to our new PCB-HQ in China. Our strategy is to be very close to this dynamic market, provide the best products to our customers, and develop new applications to meet future requirements. We have built an R&D Center with great people to develop new products, and we are very proud to provide

five new machine types in 2022. We are currently an equipment supplier, but I plan to transform the company into a solution provider as a high-tech enterprise of the PCB-related industry.

Our new factory in Taicang offers us so many opportunities. I want it to be a Hotspot where customers, suppliers, and institutes come together to define and develop the future of PCB. Therefore, we have a 600 sqm showroom with a test center. We provide our customers with their material and make tests on our premium machines or develop new solutions with our R&D Team. Furthermore, the main events like the CPCA (Chinese Printed Circuit Association) and others use our conference area to host their events. We can already provide all the PCB-Products of Bürkle from China to our customers, and the customer can choose where the machine will be assembled. This strategy gives our customers the maximum degree of flexibility.

What is Your Future Plan in Your New Role as CEO of Bürkle Global PCB-Division?

In my new role, I will focus more on the markets outside of China because I see the potential in South Korea, Japan, and other countries in Asia, where we don't have an office yet. Besides Asia, I also want to understand the market in Europe and the US better to implement the customers' feedback to develop new products. Customers in the US have different requirements and needs for the machine than customers from Asia. I will focus on growth with new products and in new regions. Furthermore, it is essential to work with specialists from different disciplines. Therefore, as a long-term strategy, I recently started cooperating with experts worldwide to prepare for the upcoming challenges. ■

Bürkle upgraded product family

CCL
BCCL laminating system

PCB
PCB laminating system

IC- Substrate
BIC laminating system



The BCCL laminating press produced by Bürkle is suitable for the field of copper clad laminate materials, and supports the production of high-frequency and high-speed materials to meet the requirements of 5G industry.

As a global lamination system supplier, Bürkle has set the standard for the lamination system applied in the PCB industry. With 45 years of experience in lamination, we have installed more than 2000 hot presses worldwide.

Bürkle BIC laminating press can provide high precision flatness and high accuracy temperature control which corresponds to the specific requirements of IC-Substrate product fabrication, and ensures customers to obtain the high precision products with high efficiency.



Scan the code of Bürkle to gain more solutions

Continuity and Change in Sino-German Economic Ties

Pit Heltmann, Consul General of the Federal Republic of Germany in Shanghai



2022 will be the 50th anniversary of the official establishment of diplomatic ties between Germany and China. As we look back on our common track record, it is striking to see how much both countries have benefited from globalization.

On the political level, Sino-German relations are underpinned today by dialog mechanisms in a vast array of fields. Germany's foreign policy in this regard subscribes to the EU approach of March 2019, which sees China as:

- A partner — for trade and investment, but also for global issues like climate change or the reform of the World Trade Organization (WTO)
- A competitor — with topics ranging from market access to intellectual property rights
- And a systemic rival — when it comes to different approaches to society and human rights.

China's economy has grown in leaps and bounds since the start of the reform policy, with an additional boost from China's WTO accession twenty years ago. Even during the pandemic, Sino-German and Sino-European trade continued to grow. Last year, China was Germany's biggest partner for trade in goods for five years in a row. The stock of German companies' FDI in the Middle Kingdom amounts to more than EUR 86 billion, with the Yangtze River Delta region as the biggest recipient

among all Chinese regions. At the same time, our economic relations changed and have become highly diversified over time. China moved from being an export market for German companies to a global production and consumer market, and increasingly to a research and development hub.

European enterprises and their investments, services, goods, and technology have been fundamental to China's economic success story. In Shanghai, foreign-invested enterprises account for close to a fifth of employment, a quarter of added value, and a third of tax receipts.

However, a number of recent developments have raised concerns that this dynamism might not continue.

First and foremost, travel restrictions imposed by the Chinese authorities to prevent new COVID-19 outbreaks put a heavy burden on anybody involved in bilateral exchanges. Visas and PU letters are hard to obtain; international flights are few, far between and outlandishly expensive, while strict quarantine measures remain in place regardless of the vaccination or test status of travelers. This burden is even heavier for families in China, in Germany, or in a third country. In this difficult situation, the establishment of charter flights, set up by the German Chamber of Commerce in China in cooperation with the German Foreign missions and with the support of the Chinese authorities, has been an important lifeline for many stranded expats and their families.

For our economic partnership to continue to flourish, our economies fundamentally need to be open. We welcome the Chinese leadership's reaffirmation of its commitment to openness at the recent CIIE. However, openness cannot just mean receptiveness to foreign capital and technology. It also requires openness to people and ideas coming from abroad – not least because these factors were among the pivotal factors for China's phenomenal growth in the past.

Second, short-term shocks continue to shake global supply chains. Congested ports, soaring cargo prices, and shortage of computer chips are some of the symptoms. While many German companies operating in China laud the support from local governments, ongoing power cuts at extremely short notice did raise many concerns due to their financial, technical, and reputational fallout.

Third, a truly level playing field between our economies is still lacking. While market access to China has improved, it still does not mirror the degree of openness that Chinese investors enjoy in Europe. The road ahead for foreign enterprises has become more and more difficult to foresee, with developments such as the Chinese anti-sanctions law and the data security law. Local procurement rules add to the worries. Regulatory policy has become increasingly complex and, in some instances, ambiguous, placing a heavy burden on compliance — especially for many German SMEs which form the backbone of German industry. With the

impending changes in income tax regulations from the beginning of 2022, we hope for support from regional governments.

Looking ahead, it is important to keep in mind that Europe after 1945 and China after the Cultural Revolution owe both stability and prosperity to a global trading system that is overcoming previous isolationist and mercantilist reflexes step by step and replacing them with a rules-based international order, the division of labor, and integrating markets. It is in the interests of both sides to continue on this path. ■

Pit Heltmann is the Consul General of the Federal Republic of Germany in Shanghai since July 2021. Heltmann holds two M.A. degrees in Geography and Japanese Studies at the University of Bonn, Germany. His diplomatic career began in 1988 when he joined the German Federal Foreign Office. The focus of his work during the following three decades has been East Asia, where Heltmann held various positions in Japan, Mongolia, China, and the Philippines. From 2001 to 2004, he was Head of the Trade Promotion Bureau in China. Between 2014 and 2018, Heltmann was Director of the Foreign, Security and Developmental Policy Division at the German Federal Press Office, where he coordinated the external presentation of the German government's foreign, defense, and development policies. From 2018 to 2020, he served as German Ambassador in Pyongyang, North Korea.

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OPINION

In The Flow

Many think of creativity as a light bulb moment. In fact, creativity — and driving change — is a disciplined process.

Matthew Spriegel, CEO and Founder of Atiom

Imagine watching a Grand Slam tennis match between Roger Federer and Rafael Nadal, two of the world's greatest tennis players. After a shot from far off the court, Nadal fumbles, almost missing his step and losing his balance. Seconds later, he miraculously recovers and returns a powerful forehand, with the perfect drop shot that barely trickles over the net.

After a seemingly unlucky point, Federer recomposes himself and hits a flawless serve. He wins the game.

What we are watching is not only a physical battle, but a battle of the minds. In fact, tennis is known to require more mental toughness than physical ability at amateur and professional levels. What you have also just imagined are two tennis players in their top flow states — a term coined in 1975 by psychologist Mihaly Csikszentmihalyi as an “optimal state of consciousness where we feel and perform our best.” This is often referred to as being “in the zone,” where we feel most productive and creative.

Many think of creativity as a light bulb moment, like a bolt of lightning that strikes out of the blue. In fact, creative development is a product of routine, rhythm, and repetition. Often neglected is the journey to get to the state that nurtures innovation and change. The process is not linear, and it cannot be forced.

Having lived in China for over a decade, my experiences have taught me that creativity comes from the process of learning, ups and downs, reflection and



repetition. This was particularly true for my journey in learning Chinese: making progress was, and still is, a grind of many steps forward and backward, before feeling any breakthrough. Picking up the language taught me how to learn efficiently, and I became fascinated with applying the habits and principles I learned to other areas of my life, from competing in triathlons to building my own company.

A ten-year study by McKinsey reports that top executives are five times more productive at the flow state. The same researchers also found that, if time spent in flow is increased by 15 to 20 percent, workplace productivity would almost double.

Driving impact, however, requires progress that is driven by an integrated approach. In the past two years, my team and I, like many, have encountered countless challenges that swept us off the tracks of our mission and momentum. As a hybrid team, it was only through aligning on guiding principles that we found ourselves getting back on track. We pivoted, tried and tested, and eventually found ways to make positive progress. In other words, back in flow.

Moving forward in the post-Covid, hybrid workplace, finding an effective operating model is more important than ever. Aside from driving productivity and motivation, the challenge also lies in ensuring that all employees across the organization are engaged and supported equally and adequately, no matter where and how they choose to work.

Below are some practices our team has put into action to navigate the rapidly changing work environment:

1. Build up a communication cadence. Set up routine, informal check-ins with teammates to encourage genuine, open communication. Check-ins are essential time blocks to reflect on team progress and make plans for improvement. Intentionally schedule in daily huddles, weekly meets, and monthly catch-ups to ensure everyone is on the same footing. Remember to mark it down: if it's not in your calendar, it doesn't count.

2. Frequency over volume. Hold shorter, frequent check-ins over long, dwindled-out meetings. Whether meeting online or offline, keeping meetings succinct and under 30 minutes allows a better focus on what's at hand. Separate decision-making and brainstorming meetings: blocking time dedicated for a creativity huddle ensures that innovative ideas don't get lost in task-oriented discussions.

3. Leverage tools for accountability and goal setting. In times of uncertainty and instability, it's easy to be demotivated and lose sight of team goals. Having external tools to measure progress helps clear mental space to make time for what matters. As our personal and work life become more digitized, seek out technology that can automate routine tasks to allow for more capacity. When progress is recorded on a shared workspace, employees can collaborate more efficiently.

4. Implement rewards and recognition. The lack of recognition is a leading reason for the Great Resignation — a movement that sees over 19 million workers in the US (and counting) voluntarily leaving their jobs since April 2021. Both a form of extrinsic and intrinsic motivation, rewards, and recognition not only contribute to a positive work environment, but also encourages innovative thinking. Receiving praise triggers the release of dopamine in our brain. This feel-good association fuels the desire to voice out and repeat behaviors for the next recognition.

5. Build a culture of belonging. Without trust, there is no team. People who feel that they belong to an organization that aligns with their values do not only perform better, they are also more willing to engage. Psychological safety — a sense of security that allows one to take risks and express vulnerability — is consistently reported as a common denominator to high-performing teams, and in the age of disruptions, it has become imperative to make concerted efforts to connect with our colleagues. Encourage an open door policy, physically or virtually, whenever possible. The safer someone feels, the more likely they are to admit mistakes, accept other ideas, and speak their minds.

Nadal once said, “However great your dedication, you never win anything on your own.” Sticking to a set of guiding principles can support the workplace for breakthroughs. Making it work for your company, however, relies on a collective effort to build a culture that nurtures creative processes and change. ■

Matt Spriegel is the founder and CEO of Atiom, a mobile-first workplace solution that empowers businesses to learn and grow every day. Atiom works with multinational companies like Compass Group, Hays, and Mandarin Oriental to deliver frontline employee communication and engagement through bite-size, gamified training. Prior to Atiom, Matt was the VP of Operations (APAC) for STEM Marketing, a healthcare consulting company. He also worked in business intelligence at Boehringer Ingelheim where he discovered the need to address gaps in modern workplace training. This led him to develop Atiom. Matt has been living and working in Asia for over 10 years and is fluent in Mandarin, both written and spoken. He is a competitive tennis player and a triathlete, and also loves to travel.

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Mob: 13511345881	Mob: 15706705080	Mob: 13757351085
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Contact person: Terry Li
 Tel: 0086-519-8512 7683
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 Fax: 0086-519-8510 5029
 Email: Terry.li@cznd.org.cn
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