European Council President Herman Van Rompuy (left) shakes hands with China's Premier Wen Jiabao during the last part of the EU-China Business Summit.

A Historic Event: The 7th EU-China Business Summit

Convening for the seventh time in nine years, the EU-China Business Summit brought together political leaders, captains of industry, top executives, key regulators to discuss and strengthen one of the world's most important business relationships. EURObiz's **Steven Schwankert** attended and reports on the year's most important event on the EU-China business calendar.

On 14 February, the European Union Chamber of Commerce in China co-organised the 7th EU-China Business Summit at Beijing's Great Hall of the People. The day-long event, which closed with speeches by European Commission President Jose Manuel Barroso, European Council President Herman Van Rompuy, and China's Premier Wen Jiabao.

Held in partnership with the China Council for the Promotion of International Trade (CCPIT) and Eurochambres, over 700 European and Chinese executives attended the day-long event, which included three morning workshops, followed by the EU-China Business Summit plenary session, and finally, the conclusion of the political summit, which was held alongside the business event.

Convened on an alternating basis between Brussels and a major city in China, the EU-China Business Summit has been held regularly since 2003 to facilitate a dialogue on business and political issues between the two sides, not only among government leaders and officials, but executives and top industry profiles with a deep interest in further improving the environment for business and understanding in both Europe and China.

The morning session of the Summit saw executives guided to workshops related to their industries (see workshop review coverage beginning on page 17). These covered the highly relevant subjects for China's continued economic growth: Opportunities in Urbanisation; The

Role of SMEs; and Investment: Industrial Upgrading and Support. Each of these workshops featured a diverse group of speakers, including business representatives and government officials, presenting on their field of expertise. Moderated by experts in the field, these panels allowed for discussion not only among the participants, but also for a vigorous question and answer session with the attendees.

After a recess for lunch and networking in the Golden Hall dining area, participants convened in the Great Hall's third-floor auditorium for the Business Summit's plenary session. Moderated by Stephen Philips, Chairman of the European Union-China Business Association and Chief Executive of the China-Britain Business Council, panelists included Yu Ping, Vice Chairman of CCPIT; Davide Cucino, President of the European Chamber; Shi Lirong, President of ZTE Corp.; Jorgen Buhl Rasmussen, President and CEO of Carlsberg; Xiang Wenbo, President of Sany Heavy Industry; and Stefan Doboczky, President of DSM Sinochem Pharmaceuticals.

"The 12th Five-Year Plan confirms the direction of China, especially in terms of development of a green economy, urbanisation and industrial upgrading", said CCPIT's Yu Ping in his presentation.

In his opening remarks, European Chamber President Davide Cucino said "The European Union and other countries are looking to China to further comply with World Trade Organization commitments and to more speedily carry out the process of reform and opening up. Not doing so could lead to increased frictions and to the risk of closure of the markets. On the contrary, doing so would bring massive benefits for China at a time when it is aiming to shift its economy to new drivers of sustainable and green growth and to encourage industrial upgrading".

Calling upon political leaders in the audience, ZTE's Shi Lirong said, 'It is up to politicians to help business people to realise the goals of the policies they establish.'

Carlsberg CEO Jorgen Buhl Rasmussen said that operating in China required "a completely different and agile business model". "The new realities require flexibility but also certainty on behalf of government regulators". He expressed confidence that European leadership is up to the task. 'I do believe we will overcome these challenges, and I believe that the EU will emerge from this stronger".

Of changes in the foundations of the Chinese economy and new trends in investment, Stephen Dobczsky, President of DSM Sinochem Pharmaceuticals, said "We are not talking about philanthropy; we are talking about innovation at its most basic", adding that "in China, sustainability, innovation and collaboration with be at the forefront" in the future.

Sany Heavy Industry's President Xiang Wenbo, whose recent acquisitions in Europe had drew significant notice as a possible model for greater Chinese investment in the EU, said that in contrast to the way China and Europe view its relationship, "Americans always worry that if you sell you technology, it will lead to building planes and tanks that will be used to bomb Americans". During the question and answer session, Xiang said that "We don't think of Sany as a Chinese brand, we think of it as a global brand", and as such, making acquisitions in Europe should not be a surprise.

Following their political Summit and a news conference with Chinese

The Great Hall of the People's Macau Room hosted the 'Opportunities in Urbanisation' workshop.

European Chamber President Davide Cucino toasts the success of the Summit with CCPIT Vice Chairman Yu Ping.

and international media, Presidents Barroso and Van Rompuy and Premier Wen arrived to make their presentations and close the session, accompanied by European Commissioner for Trade Karel De Gucht and China's Minister of Commerce Chen Deming. On the night prior to the Summit, representatives of the European Chamber's Advisory Council had the opportunity to meet with Commissioner De Gucht for a frank discussion and exchange of views on European trade policy towards China.

"In every crisis, there is an opportunity", said President Van Rompuy in his remarks, citing the Chinese phrase 'wei ji', which contains the characters for both of those words. "The question must be: what are our shared opportunities to overcome the crisis?" He suggested that discussions in Beijing would continue and become a part of the larger G20 meeting in Mexico, to be held in June. He indicated that both sides China and the European Union are striving to create sustainable and green growth, and facing aging population.

Throughout, he emphasised the need for a stronger partnership between the two sides. "Today more than ever the EU and China's interests converge… There are enormous tasks that we can only take on together", President Van Rompuy said, concluding "Our stagnation is your slower growth. Our success is your success".

He was followed by European Commission President Barroso called on both sides to "use our partnership to address global issues". "We have decided to establish our relationship at the level of strategic partnership", he said, adding that "Balanced economies are wise policy. In the global economy, there is not always this wisdom".

China's Premier Wen was the day's final speaker. He began by noting that he had participated in all seven of the EU-China Business Summits, although this one would be his last.

"China is a responsible, long-term investor. China is willing to assist with the EU's re-balancing [of its economy]. Trade relations are the most holistic facet of the Sino-European relationship", Wen said.

Premier Wen offered suggested steps forward, including "Next will be to expand the scope of the Chinese and European trade relationship. China is willing to import more European products. For mutual investment co-operation, the next step is for fair, open and transparent investment". He also called for increased scientific exchanges, co-operation on aerospace, support for SME funding and European ideas on waste management and other aspects of urbanisation.

Lastly Premier Wen said, "When we encounter difficulties like this, it is even more important that we stand together", closing the 7th EU-China Business Summit.

ABB Group Senior Vice President Claudio Facchin answers questions during the 'Investment: Industrial Upgrading and Services' workshop.

WORKSHOP: INVESTMENT: INDUSTRIAL UPGRADING AND SERVICES

Moderator:
Mr. Wu Qi, Senior Partner and Vice President at Roland Berger Strategy Consultants Greater China

Guest Speaker:
Ms. Magdalena Alvarez Arza, Vice President of European Investment Bank

Speakers:
Mr. Claudio Facchin, Senior Vice President of ABB Group and President of ABB North Asia Region
Mr. Michael Fredskov Christiansen, President of Novozymes (China) Investment
Mr. Caspar Luyten, Chief Regional Officer Asia, Telefonica
Mr. Yu Rumin, President of Tianjin Port Group Co., Ltd
Mr. Ding Hongxiang, Vice President of the China National Machinery Industry Corporation

Industrial upgrading is stressed in the 12th Five-Year Plan, and innovation and productivity are also promoted in the EU 2020 strategy. These similarities in medium-term strategies will bring China and the EU closer together, creating synergies and opportunities, if business leaders and government officials can align their thinking and practices.

Industrial upgrading will also help to bring about other societal goals, for example environmental and energy-related goals. The process of industrial upgrading and the synergies of the two plans will bring massive opportunity for cooperation between Europe and China.

In this area, Europe tends to have the best and most advanced technology and experience. However, industrial upgrading is driven by demand, and the Chinese market is bringing massive demand, creating at the same time significant opportunity for cooperation in various sectors, including new energy, energy efficiency, biotech and infrastructure.

By working together, both sides can develop new markets by utilising their core strengths. "European technologies in these areas are the most advanced in the world and can help be adapted together with China to respond to China's own needs and situation, e.g., using China's massive amount industrial waste and sugar crops into useful materials", said Michael Christiansen, President of Novozymes (China) Investment.

However, policy is also needed to support this process and create the environment for cooperation. At the same time, industry needs to work together to develop standards and technology together through joint research and development (R&D), both in China and in Europe.

"To upgrade, more needs to be invested in R&D and greater proportions of revenue should be allotted to R&D", said Caspar Luyten, Chief Regional Officer Asia of Telefonica.

"Newly introduced EU efficiency legislation will speed up the adoption of smart motor control systems and new energy efficient motors that can save up to 30%. This is one area where joint cooperation can use best practices and experiences to bring about direct benefits, especially at a time when the introduction of new energy efficiency standards are highly expected in China in 2012", said Claudio Facchin, Senior Vice President of ABB Group and President of ABB North Asia Region.

Key to this cooperation is the need to further develop trust and relationships, in particular through greater transparency, planning and closer communication between businesses. That spirit of trust and co-operation, coupled with an open market environment, can create more opportunities for growth and investment.

Schneider Electric China President Zhu Hai addresses attendees of the 'Opportunities in Urbanisation' workshop.

WORKSHOP: OPPORTUNITIES IN URBANISATION:

Moderator:
Massimo Bagnasco, Chair of the Construction Working Group, Beijing

Speakers:
Mr. Li Tie, Director of the China Urban Development Center, NDRC
Dr. Karl-Thomas Neumann, President and CEO of Volkswagen Group China
Mr. Hao Jiebin, CEO of Beijing Vantone Citylogic Investment Corporation
Mr. Zhu Hai, President of Schneider Electric China and Schneider Electric Global Executive Vice President
Mr. Raphael Schoentgen, Chief Representative of GDF Suez China
Mr. Xu Datong (Tony Xu), Director of Tianjin Binhai New Area Commerce Commission

The 'Opportunities in Urbanisation' workshop could not have been held at a better time than mid-February, 2012. Just one month earlier, China had passed the mark where more of its population was residing in cities than in rural areas. As such, the issues and opportunities raised by urbanisation in China took on even greater importance in an area already cited by the 12th Five-Year Plan as a primary driver of the country's next phase of growth.

The migration of populations to urban areas – part of a global trend, but one in which China leads – brings with it a host of issues, including waste management, water management, power generation and environmental concerns.

Moderator Massimo Bagnasco opened the morning's discussion, framing it by saying that one estimate indicates that only 19% of China's land is habitable, making a move towards cities not only desirable, but necessary.

"Between 2010 and 2050, there will be a 40% increase in the population of cities worldwide", said GDF Suez's Raphael Schoentgen. He gave several examples of innovations being introduced in major world cities, including that about half of Paris's power is generated by burning or re-using waste, and that Macau is moving towards in-building and underground waste collection to remove curbside garbage handling.

Although treating waste water to allow further use is both important and common, new systems also allow heat and energy from hot water used for both commercial and residential cleaning and cooking to be recycled, lowering energy bills by 24% and emissions by 66%, he said.

A city can be considered smart when they are efficient, development is sustainable and dwellers enjoy a comfortable urban life, according to Schneider Electric's Zhu Hai. "We need to measure our resources usage, to measure our environmental impact and, third, to treat our impact".

"E-mobility will be a success in China", said Volkswagen China's Dr. Karl-Thomas Neumann, referring to the development of electric vehicles. This serves two ends for China: aside from the obvious benefit of no emissions, it reduces the country's dependence on foreign oil. He also believed that in China, e-vehicles does not necessarily mean automobiles. In this case, scooters and micro-cars would potentially be more suitable in terms of price and charging infrastructure construction.

'The Role of SMEs and Institutional Support' workshop was opened by Mrs. Bozena Lublinska-Kasprzak, President of the Polish Agency for Enterprise Development.

WORKSHOP: THE ROLE OF SMES AND INSTITUTIONAL SUPPORT

Moderator:

Mr. Yang Yunsong, Chair of the APEC Business Advisory Council's SME & Entrepreneurship Working Group and President of XY Group International.

Guest Speaker:

Mrs. Bozena Lublinska-Kasprzak, President of the Polish Agency for Enterprise Development (PARP)

Speakers:

Mr. Stephen Philips, Chairman of European Union China Business Association and Chief Executive of China Britain Business Council (a leading managing consortium partner of the EU SME Centre)
Mr. Martin Malmros, Global CEO of Aura Light
Mr. Enrico Lodi, CRIF Credit Bureau, Managing Director & CRIF Group Board Member
Mr. Tian Chuan, Deputy Director General of the SME Department at the Ministry of Industry and Information Technology (MIIT)
Mr. Zhang Shiming, Vice-President of China Bohai Bank
Ms. Karen Ji, Assistant President of Kingdee International Software Group

The role of small and medium-sized enterprises in any major economy, both developed and developing, cannot be underestimated. About 99% businesses in Europe are SMEs, according to the EUCBA and CBBC's Stephen Philips. Their importance is underscored by two programmes through which the European Chamber assists European SMEs: the EU SME Centre and the China IPR SME Helpdesk.
Room for expansion in the Chinese market is significant. As was noted, while as many as 99% of all enterprises in the EU are SMEs, only 9% of them are currently exporting to China, offering opportunities, especially at a time when exports elsewhere are sluggish.

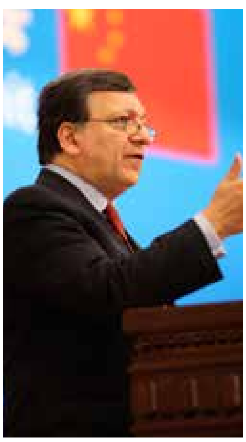
Nowhere in the EU is the opportunity for SMEs more apparent than in Poland. "SMEs are driving the Polish economy, now number one in terms of growth", said Bozena Lublinska-Kasprzak of the Polish Agency for Enterprise Development. Currently about 1.7 million SMEs operate in Poland, with 96% of them as micro-SMEs, employing four or five people. Despite their small individual size, they now account for 50% of Poland's GDP, Lublinska-Kasprzak said.

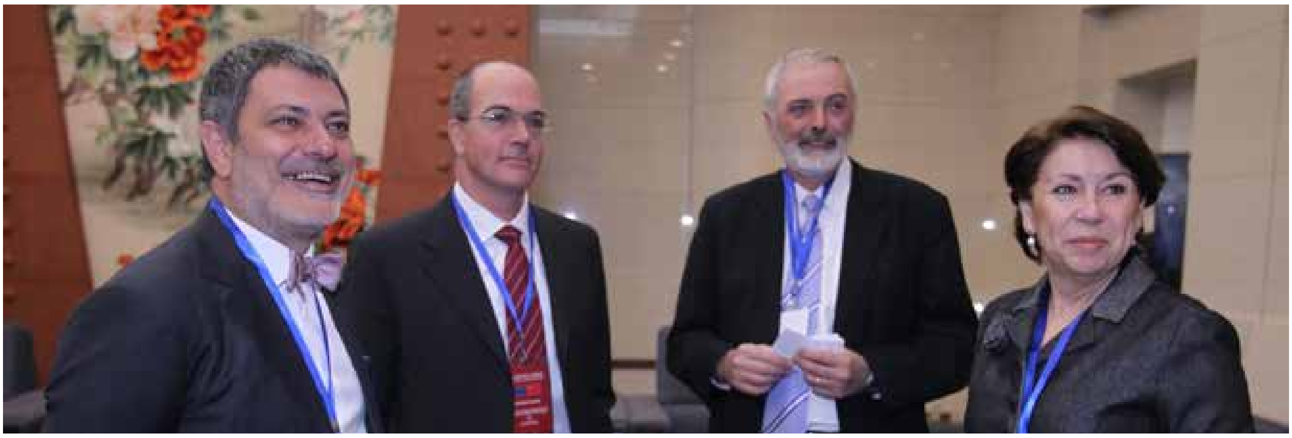
"We welcome more SMEs to come to China and invest, and we are ready to approve more and new kinds of SMEs", said Tian Chuan of the MIIT. Despite Poland's impressive numbers, China is in some ways able to surpass them: 60% of GDP, 80% of employment, and 50% of tax revenue in China is generated by SMEs, Tian said, although China's definition of SMEs leans more towards medium-sized companies than the small firms that have been recently driving Poland. Tian also noted that development of SMEs is a priority for China's 12th Five-Year Plan, and that as such, resources for them are becoming available, whereas in the past they had difficulty obtaining financing and faced significant red tape in company formation and operation. He also hoped that more Chinese SMEs would look to Europe as a potential market.

Enrico Lodi of CRIF said that the development of credit worthiness assessment systems in China are necessary and will help to alleviate some of SMEs trouble in applying for loans and other forms of credit. Deciding which businesses are and should be able to tap into sources of liquidity remains an impediment to further development of companies at this level, but that China is making progress in this area. Eb

The 7th EU-China Business Summit

A full day of workshops, a plenary session and speeches by the European Union and China's top political leaders highlighted the 7th EU-China Business Summit. Photographers captured the spirit of the day in just some of the pictures seen here.





CARLSBERG

Jorgen Buhl Rasmussen

The Group CEO of Carlsberg discusses the company's long history in China, its participation in the 'Drive West', and integrating CSR into every part of the company's operations.

EURObiz (Eb): During your address at the EU-China Business Summit, you mentioned that Carlsberg participated in China's 'Drive West' campaign. Please tell us more about what the company did to take part.

Jorgen Buhl Rasmussen (JBR): We exported our first Carlsberg beer to China as early as 1876; only a few years after we exported our very first beer, making China one of our first export markets. So you can say we have had China on our radar for a long time.

However, our operation in China really picked up speed in the early 2000s where we followed the Chinese government's direction of "going west" and expanded our business considerably in the Western regions of China. Today, we are a proud market leader of the beer market of Western China.

This approach has been a strong platform where we've had very good partners, who helped us gain local insights. In all the Western Chinese regions, we now have local Chinese brands that we complement with our international premium brands. So far, it has worked very successfully, and starting in the West proved to be a win-win situation which further strengthened our position in the Chinese market.

Eb: Beer consumption in China is now double what it is in the United States, but given the population, that means per capita consumption is still relatively low. Where is Carlsberg's opportunity in China?

JBR: That is exactly right. We do expect to see continued strong growth in the Chinese beer market, which at the moment is around 6-7% market growth.

The average beer consumption per capita in China now is around 35L. If we go to Western China, where the figure now is around 19L per capita, there will be a lot of potential for growth.

Meanwhile, Carlsberg is building on strong local brands as well as a great mix of international premium brands which we look forward to bringing to even more people in China.

So we believe there's a lot of opportunity for growth.

Eb: Carlsberg has a long history in China. When did the company first start exporting beer to China?

JBR: The first Carlsberg beer was exported to China in 1876. However, as early as 1869 we have evidence that the founder of Carlsberg Breweries, J.C. Jacobsen was contemplating exports to China. The Carlsberg founder found great inspiration in Asian culture – not least in China – and this continues in the brewery today.

Eb: How is Carlsberg's approach different in China than in other countries?

JBR: China is a dynamic and competitive market, Carlsberg respects and adjusts to the demands of Chinese consumers which vary significantly regionally.

Carlsberg now owns a product portfolio with over 20 brands in China, which caters to these various demands of Chinese consumers. For example, we tailor made Carlsberg Chill for Chinese consumers, which meets Chinese consumers' preference for less bitter beer, as well as Carlsberg Light, a beer for Chinese dinning occasions.

Carlsberg also attaches importance in fostering relationships with local partners to gain local insights, which help Carlsberg to build on strong local brands as well as a great mix of international premium brands.

Eb: In many places in China, beer drinkers are very loyal to their local brand. How does Carlsberg tempt them away from popular local selections?

JBR: Key to Carlsberg's approach in China as well as in other parts of the world is to use a GloCal approach where we build on local strengths and particularities while we contribute with international experience and premium brands. In China, this implies that we will continue to market strong local brands supplemented by our portfolio of international premium beers. So we believe our successful local brands and international premium brands are supporting mutual growth.

Eb: Do European companies have any innate strengths that help them to do business in China?

JBR: I think European companies can learn a lot from doing business in China. But I also believe Carlsberg has a particular strength that will help us become even more successful in China, namely the fact that our company is built on a heritage of strong values of quality, social engagement and the will to always improving.

Eb: CSR plays a significant role in Carlsberg's overall operations. Can you tell us how that is integrated here in China?

JBR: Carlsberg's CSR strategy is embedded throughout our operations. This includes focus areas like environment, responsible drinking, community engagement etc. Carlsberg is today the most efficient international brewer in terms of water usage and energy consumption. This requires strong focus and execution across the group. And in China we are particularly proud that we in December were granted the 'Golden Image Award of Environmental Protection'. We will continue to strive for improvements in this area in order to save natural resources such as water. Eb

COVEX PHARMACEUTICALS

Fernando Calvo

The CEO of Covex Pharmaceuticals discusses the importance of market access and the opportunities that China represents for Europe's drug makers.

EURObiz (Eb): Please tell us about Covex's business in China.

Fernando Calvo (FC): Covex decided to do business in China from the very beginning, firstly through the import of raw materials as early as 1978 after attending the Canton Export Spring Fair, and since 1988 through the export of Vinpocetine (known as Changchunxiting in Chinese) finished dosage drugs and active pharmaceutical ingredients. Vinpocetine is a drug of choice in neurology.

The opportunity in China for Covex has increased exponentially as China has listed Vinpocetine as a product eligible for social security support since 2009.

Eb: Is the EU-China business relationship growing in importance? Why or why not?

FC: Covex was already selling this ready-made medicine in Portugal (from 1986), China (from 1988) and former Soviet Union countries (from 1991) as major markets, and later on to 28 different countries (including nine EU countries). The choice of China over other countries was made based on the market potential. The fast growth of Vinpocetine market in China makes it the largest worldwide.

There is also a new market opportunity that Covex wants to explore, regarding the gradual release of a formulation of Covex Alkaloids for pharmaceutical use, as well as a huge dietary supplements' project. The latter one is focused on a beverage based on Jilin Province ginseng plantations, primarily focused on post-hospital treatment for post-ischemia recovery, or post-stroke situations.

Eb: What is the biggest business issue that the two sides face?

FC: The biggest difficulty for Covex in approaching the Chinese market was the bureaucratic barrier related to the Import Drug Licence renewal that has been delayed. The difference is found in the jurisdiction and court practice to stop illegal activities from competitors. The Courts of Justice and lawyers in Europe are more efficient, give quicker decisions and remain independent from political pressures.

Eb: Where are the best opportunities for European industry in China?

FC: In China, government regulators have kept the public sector as a pillar of the economy as well as have chosen to foster the development of certain sectors of the private enterprise. Consequently, the 'Company Law/Company Act' has been modified, favoring SME establishment.

Eb: How can Europe make itself more attractive for Chinese investment? Or what would encourage greater investment in China?

FC: It is complicated for SMEs to souce funding given the existing banking crisis, therefore, Chinese companies (SMEs) that are larger than those in Europe acquire a stake in companies' capital by injecting new capital, obtaining technology and further modernising it.

Eb: How will the current issues with the Euro affect the EU-China relationship?

FC: Apart from the direct appreciation of the RMB against the Euro following an appreciation of the RMB against the dollar, this would likely produce a depreciation of the Euro against the dollar, thereby correcting the current overvaluation of the Euro. However, the continuation of the current exchange rates for the U.S. and Europe is a continuous source of major problems, including imbalances that can escalate to a larger number of countries in coming years.

There is a parallel (and ultimately increasing) tendency to minimise these problems and assume that China will leverage its balance of payments (thus eliminating major international imbalances) naturally, without having to tweak the RMB exchange rate. This process would occur by a progressive reduction in the saving rate of Chinese families and according to the Chinese government, measures will be implemented to promote consumption and social protection.

If the appreciation of the RMB is therefore essential to correct the current international imbalances, it is even more crucial to resolve the future of business investments in Europe.

Eb: What do you think is the greatest misunderstanding of China in Europe? Conversely, where do you think Europeans mostly misunderstand China?

FC: Some Spanish companies have approached China with a non-justified sense of superiority given the current reality of China. In the pharmaceutical sector, China is the fifth world market and in a few years it will be the first due to the social security law which was approved by the Chinese government. Anyone traveling to a trade show or fair in China will notice the great progress and advanced state-of-the-art, of the Chinese industry.

Eb: Tell us about the partners and companies Covex serves in China. How does the business differ between the Chinese side and multinational corporations?

FC: After importing APIs from China from 1978, Covex went to China in 1988 with a joint venture with a large local state-owned company in the Liaoning province city of Shenyang. Later on, due to different business objectives and processes, Covex left the joint venture and started working with several local distributors.

The Chinese partners approached Covex directly because only two of Vincamine and Vinpocetine alkaloids' companies are real manufacturers, Covex being one of them. Usually pharma labs are aware of this fact, in spite of misleading advertisements in specialised pharma press or the Internet.

As for second-tier cities, Covex is considering Hainan as a location to set up a factory due to the city's splendid climate and infrastructure. This factory will increase Covex's manufacturing capacity for catering to the growing Chinese and U.S. markets. It intends to re-export its products to other Asian surrounding countries as well. Eb

CRIF

Enrico Lodi

CRIF Credit Services' General Manager tells us about the rising demand for credit and related credit information requests, and how China's financial institutions are preparing themselves to do more.

EURObiz (Eb): What is your impression of the state of small and medium-sized enterprises (SMEs) in China, having been a featured speaker on the panel at the EU-China Business Summit's SME session?

Enrico Lodi (EL): I read some reports about the financing difficulties faced by Chinese SMEs who normally could not get loans from the bank. As a common banking practice, loans are distributed upon enough understanding on the enterprise. In China, SMEs could not provide information to meet the loan requirement from the bank, which means SMEs don't collect and archive such important information as accounting and manufacturing, so when applying loans from the bank, they could not complete all the materials required by the bank in a short time. There are two possible reasons: one is that SMEs do not know which information could help them get the loan, the other that there is no effective reflecting system between the info provided by the SMEs and obtaining bank loans, i.e. there is no department to conduct the task of collecting/archiving SME credit info.

Eb: Following the Summit, where do you think the opportunities for business in China are?

EL: CRIF have over 20 years' experience in Europe in collecting and organising SME credit info to the banks for decision solutions. We believe we could and are willing to provide our experiences and technology to the Chinese partners, helping Chinese SMEs improving financing environment.

Eb: What is the demand for consumer credit now in China, and how does that create opportunities for CRIF?

EL: China is still on the starting stage on consumer finance. Chinese economy has been relying on export for a very long time, where China's low-cost labour has re-shaped global economic competition landscape. American and European economies are growing slowly or in standstill, and China is in urgent situation to change economy increase from depending on export to enlarging domestic consumption, where consumer finance is a very effective solution from both European and American experiences. However, risk control is a key concern by financial institutions in developing consumer finance. CRIF is the global leader in providing individual credit information, SME credit information, small loan decision solutions and enterprise business information, therefore, I'm very confident that there are a lot opportunities for CRIF in China. We entered China in 2008 with the HuaxiaCRIF JV, and started our own WOFE CRIF China in 2011.

Eb: How is CRIF's approach different in China than in other countries, especially other emerging economies?

EL: It is well-known China has the largest population in the world, and Chinese people's income is increasing year by year, so there are increasing business opportunities in China. China has over 5000 years' historical culture with its distinguished business culture characteristics. As an Italian company, it's crucial for us to understand both Chinese business culture and political culture. Our WOFE in China has gained quite much business progress and there is still a long road for us to develop in China.

Eb: The European Union and China are now investing approximately the same amount in each other in terms of overseas direct investment. What would it take to increase the flow of investment in both directions, what would encourage each to invest in the other?

EL: Whether it's China investing Europe or Europe investing China, the ultimate fact is Chinese economy catching up European, which is also a very important part in global economy development. Vast in geography , China is in the first stage of urbanization and there is at least 20 years' economic growth in future, which means great opportunities to both Chinese and European enterprises.

Eb: Are Chinese financial institutions well-prepared to address the mature credit requests they are now receiving from consumers?

EL: After China's entrance to WTO, most of Chinese financial institutions have been transformed from state-owned to business enterprises, and some financial institutions has equal capabilities comparing to their international counterparts in dealing with consumer finance. Nevertheless, many Chinese financial institutions are far behind in financial retail business comparing to international counterparts and there is still much to do to shorten the gap. Some leaders of these financial institutions have realized the fact but they need experienced global companies to help put the solutions into practice.

Eb: In which city or cities in China has CRIF chosen to establish a presence, and why?

EL: CRIF has established operation in both Beijing and Shanghai. Beijing is China's political center and where the national banks has the headquarters, while Shanghai China's financial center is where the banks retail department, and specifically the credit cards departments, are usually located.

Eb: Please tell us a bit more about the credit risk management solutions that you are offering in China.

EL: We are now providing risk control solutions in China, such as the credit decision engine StrategyOne, the credit process solution CreditFlow, the debt collection solution CLever, scoring and modeling and relevant consultancy services. Eb

DSM SINOCHEM PHARMACEUTICALS

Stephen Doboczsky

The President of joint venture DSM Sinochem Pharmaceuticals explains his company's origins in mining and its transition to a leader in life sciences.

EURObiz: Please tell us about DSM's transition from being a mining company into the life sciences business.

Stephen Doboczsky (SD): DSM a 110-year-old company that started as a state-owned coal mine in 1902 in the Netherlands. It transformed itself successfully via fertilizers and petrochemicals into a global life science and material science powerhouse active in nutrition, health and the latest and newest high-tech materials.

In 1902, the Dutch government formed the nationalised coal company 'De Nederlandse Staatsmijnen' (Dutch State Mines) that was later to become DSM. DSM managed to convert this by-product into a profitable commodity, ammonia, a key raw material for nitrogenous fertilizers. This marked the first step on a diversification path that ultimately saved DSM from the fate of many other coal mining companies.

By 1970, chemicals and fertilizers comprised the company's chief activity, accounting for two-thirds of its turnover. In the 1970s and '80s DSM underwent major reorganizations to ensure itself of sufficient scale, greater guarantees for market consumption, and diversification into high-quality plastics and fine chemicals. In 1989 DSM was privatized and its shares were floated on the stock exchange.

In 2011, as the transformation of DSM into a Life Sciences and Materials Sciences company active in health, nutrition and materials is complete, a new corporate brand is a logical step. The new DSM brand demonstrates very clearly -– to customers, suppliers, shareholders, the communities in which the company works as well as to DSM employees -– that DSM has turned a page. The new brand is a symbol of the company's transition to 'the new DSM': a Life Sciences and Materials Sciences company addressing key global societal trends.

Today, 23,000 DSM people are active around the globe, with almost 4,000 people in 22 plants and research and development centers in China.

Eb: Where is DSM finding the greatest opportunities in China right now?

SD: DSM started to do business in China in the 1960s. China is changing very rapidly, transforming from the world's manufacturing base into one of the world's leading economies with the highest growth rates, and with innovation playing an increasing role. China has become one of the largest markets in the world, accompanied by an increasing demand for life sciences and material sciences products.

Let me provide some examples to demonstrate how our products applications make impacts to people's life. DSM vitamins in food or supplements, DSM omega-3 acids in baby formula, DSM dairy cultures in yoghurts or the DSM Dyneema, the strongest fiber in the world in mooring ropes and fishing lines, DSM Materials for Solar Panels and Windmills as well as for artificial hips and knee joints, these are all life science and material science innovations made by DSM.

Now, if we benchmark where China is heading in the next five years and based on our own future plan we see a clear alignment. Here are some examples.

First, our approach is to make sustainability a business driver. DSM aims that by 2015, 80% of our innovation products and 50% of our total product sales will be products with a positive environmental impact compared to available alternatives. So balancing growth with sustainability is at the heart of our strategy. Our growth ambitions and the kind of growth we target are clearly aligned with China's 12th Five-Year Plan.

Second, collaborations and open innovation are critical components of our strategy. We have been active in China for five decades, and partner with local Chinese companies to grow together innovatively and sustainably, such as DSM Nanjing Chemical Co., Ltd, jointly owned by DSM and Sinopec. We recently announced plans to double our caprolactam capacity, from 200 kilotons to 400 kilotons, while reducing energy consumption by 30%.

We engaged with Sinochem and jointly created a global JV in the field of pharmaceuticals. Again biotechnology from DSM is used by this JV helps to reduce up to 80% of the emissions and saves up to 90% of the water of our factories compared to other technologies. These are just two examples where DSM paired with great local, leading enterprises creates value for shareholders and the society.

Thid, we are a nutritional science company. Worldwide some 250 million children suffer from anemia that will never allow children to reach their full potential. Very often this is related to poor nutrition.

For example, DSM partnered with the China Nutrition Society and the China Children and Teenage Foundation and we developed unique vitamin and mineral mixes so-called sprinkles. Thanks to these sprinkles children of the poorest families worldwide receive with the staple food the right dose of trace elements and vitamins that ensure that their brain and bones can develop. We help the CCTF to reach almost 8 million children here in China. We see again in China a strongly increasing focus to improve people living standard and quality of life. We have and will continue to contribute to that.

We are committed to do more of this in China to further grow and make people's life brighter by using our eco-technologies.

Eb: How would you describe the level of talent available in life sciences in China?

SD: At DSM China, we believe that our unique competitiveness lies in People. Of course, like many Chinese companies, DSM is faced with the urgent tasks of addressing talent shortages and developing local talents. To fulfill DSM's strategy for 2015, DSM China will need a large number of talented people with skills including management, innovations, and commercialization. This need will be met through our corporate culture, employee values, efficient policies and sound management system.

Eb: What kind of customers does DSM serve domestically in China?

SD: DSM serves global accounts, local strategic partners and customers. We deliver innovative solutions that nourish, protect and improve performance in global markets including China, such as food and dietary supplements, personal care, feed, pharmaceuticals, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials.

Eb: In your presentation at the EU-China Business Summit, you stated that philanthropy is innovation. Can you tell us more about this concept?

SD: We believe that using science and innovative business models you can serve the bottom of the pyramid in a fashion that it serves both the community and shareholders. There are some common interests such as nutrition improvement that allows us to balance the needs of both sides better. For example, DSM teamed up with non-governmental organisations such as the United Nations World Food program to provide our nutrition support.

Eb: What is the biggest stumbling block in the EU-China business relationship right now?

SD: Given the strong cultures and rich history, it is crucial that both sides have an intense and cooperative dialogue, and the willingness to work together in an open-minded way. Most times we will find both sides have a lot to gain from each other.

Eb: Do European companies have any innate strengths that help them to do business in China?

SD: DSM believes that cultural awareness and flexibility are traits that make European companies such as DSM very suitable to serve Chinese companies. Of courses, as European companies, we have our own core values including sustainable technology innovations in related industries, which we can partner with local Chinese companies to build a win-win solution for the society and its people and even for future generations. Eb

GDF Suez

Raphael Schoentgen

As his company's Chief Representative Officer, Mr. Schoentgen talks about being on the front lines of urbanisation in China.

EURObiz (Eb): Please tell us about the urbanisation issues that China faces and GDF Suez's role there.

Raphael Schoentgen (RS): To understand GDF Suez's role in urbanisation you have to know we are the number one 'utilities company' in the world. We handle water, waste, power, gas and energy services in 70 countries and have a global turnover of 92 billion Euros. We have been in China for 30 years, mostly in the water and waste business. Today we have 7,000 people and 30 JVs, and we provide water to 14 million people in 20 cities. We have built 200 water treatment plants in the last 30 years in the country.
As 80% of our turnover comes worldwide from gas, power and energy services, with the other 20% from water and waste services, GDF Suez began expanding in China and moving into the energy sector in 2008 to exploit areas in which we were not present despite our expertise.

Since 2008 we started buying carbon credits in China to help foster the development of carbon-friendly projects. Then we looked at investing in heating and cooling networks in China. We are currently running two projects, a trigeneration in Chongqing and a cooling network in Tianjin Yujiapu financial district. More recently we started also selling liquid natural gas into China, including 43 shipments to China National Offshore Oil Corp. (CNOOC) and provided them with a floating termina in 2011, which allows for faster development of gas distribution. Gas development in China is indeed an excellent way to green cities.

In the water sector, we also had developments and became more active in the sludge business. While it does not sound so lovely, it is key. The treatment rate of water in China exceeds 80%, but the sludge rate is just above 30%. Treating sludge and reusing it is therefore essential to ensure sound urbanisation and avoid soil and water layer pollution. We dry it and send it to a cement plant in Chongqing, or use it as a substitute for coal in Suzhou to generate power, whereas in Shenzhen, it is just incinerated.

Eb: How do you rate the challenge of urbanisation in China?

RS: In China and in general, our view is that the challenge of urbanisation is extremely big. Over the next 20 years China will see the emergence of more than 100 cities with populations of more than 1 million people, as part of a major worldwide shift from the countryside to the cities. And more generally, between now and 2050, the world population will increase by 40% with two-thirds of the population explosion taking place in cities.

Cities consume extremely high levels of resources, and produce a lot of waste and waste water. As a consequence both inflows and outflows are extremely high. Using the technology that's available, we need to reduce the outflow, including recycling what comes out of the city. We also need new models of urbanisation to slowly reduce inflow and outflow and reduce pollutants along the way. We are active in all of these directions.

As an integrated player we focus a lot on gains we can have from better managing the ineractions of the cycles of power, waste and water. Let me give you an example. from treating water we get sludge, a waste and pollutant, but sludge can be used to generate power, and power allows the treatment of water. If you think smartly about an integration of the components of this chain, you save both on pollution levels and on your power bill.

China also faces challenges that will take time to evolve. Firstly energy consumption centers are distant from energy sources. Secondly water stresses are present in many places. Thirdly building practices have not so far integrated energy efficiency from scratch, it is only changing now. Fourthly the primary energy mix is quite high in carbon dioxide, as it is still mainly a coal base. We will see an increasing shift from coal-based to gas-based cities as well as a change in certain patterns of energy distribution and use in cities, but time will be needed.

Eb: Is it all about a change in energy and water resources management as well as construction standards?

RS: No, there are also other issues that will help move to a greener urbanisation. For instance, changing people approach towards energy solutions: when you talk about cooling, it is better to move from individual equipments installed at each window of an apartment building to a central cooling network for a few buildings. You need to have people's acceptance for such changes. Another issue to face is the absence of certain markets. If you look at the waste market for instance, there is not yet a nationwide or unified one, so there is no real price tag on waste. Waste policies are mainly local and it's a market in development. In some places waste treatment works well, in others less.

Eb: GDF Suez is already involved with some significant municipal infrastructure projects in China, can you give us some examples?

RS: Definitely, we are a partner of Chongqing Water for water distribution for almost 10 years. In Hong Kong we handle around 80% of the garbage that we put into two of the largest landfills in the world. We also handle industrial sites and tackle pollution at the source; we are for instance the provider of water treatment services to all industries in Shanghai, Wuhan and Chongqing petrochemical parks.

Eb: More Chinese people now live in cities than in the countryside. Has any other country or region ever seen such rapid urbanisation?

RS: No, we do not believe it occurred before. There are of course other countries with high urbanization levels and issues, such as Brazil and India, but what's key here is that you have a shift in urbanization models and a current development never seen before. It's not just the speed of changes, it's also the size of the changes in China that make us admirative and create the challenge. China definitely needs to use this period to build the best possible models, as they will have not only a huge impact on its environment and population, but ideas developed here can be helpful elsewhere.

Eb: How many of GDF Suez's business lines are operating in China?

RS: All of them now. 'Gas infrastructures' is the latest one to have joined. Gas is a way to green cities and the development of the gas market in China is simply amazing. Right now it's 100 billion cubic meters, which is the size of the German market. It is expected to double in five years, and triple or quadruple in 10. To support properly such gas market development you need gas underground storages and gas volume optimal management. Our colleagues active for the past 30 to 40 years in these areas -- at the time Europe developed its own capacities -- find here people eager to share to put in place what China needs urgently.

Eb: In which city or cities in China has GDF Suez chosen to establish a presence, and why?

RS: Over the last 30 years we have not emphasised one city over another, although we do have large operations in Macau, Hong Kong, Chongqing and Shanghai and special relationships with these cities (our CEO is a member of the international advisory board of the Mayor of Shanghai and Chongqing). We intend to be present all over China, and our targets are major infrastructure projects, new zones, new ports, new cities and districts. It's less about targeting a particular city, it's more about the major projects that cities have, such as a new city center or projects where we can work with our partners to share and bring our experience from 150 years history in 70 countries. Eb

NOVOZYMES CHINA

Michael Christiansen

Novozymes China's President talks about his experiences in China building his company's business, the barriers to further growth and the opportunities that lie ahead.

EURObiz (Eb): Tell us a little bit about yourself. How long have you been with Novozymes? How long have you been in China?

Michael Christiansen (MC): My encounter with China and Novozymes is one and the same. In 1996 I joined in Novozymes (then part of Novo Nordisk) in Denmark and expatriated here immediately to start the China operation. It's a unique experience to see Novozymes grow into 1400+ employees, three production facilities, one regional headquarter and one research and development hub, coinciding with China's skyrocketing growth into the second-largest economy in the world.

Eb: Please tell us about Novozymes' business here in China.

MC: Novozymes is the largest producer of enzyme and microorganisms for industrial purposes in the world, and our products are widely applied in biofuels, textiles, detergents, food processing, paper and pulp industries and more. In the last 10 years China endeavoured to convert economic development pathways to a sustainable, less resources-dependent one, and the transformation ignited our customers' enthusiasm for embracing environmentally-friendly industry solutions. One of our customers, Esquel, a Guangdong-based textile producer who conducts OEM business in conjunction with a variety of intentional brands, reported less energy and water consumption, less GHG emission, less environment impact (by reducing the usage of harsh chemicals e.g. strong acids) and higher profits by upgrading conventional chemical process to mild enzymatic one. Nowadays Novozymes China business contributes around one fifth of our total revenues, and our growth rate here is higher than other regions.

Eb: How is the quality of talent available in China for the biotechnology industry?

MC: I can see China has a large reserve for gifted and devoted biotechnology talents with international perspectives. In our Beijing R&D center, many young scientists got their undergraduate diplomas from accredited domestic universities and then won higher degree from overseas – the US, UK, Europe, etc. The diversity of culture and academia is Novozymes' valued competence. In our latest product, Cellic CTec 3, an enzyme for advanced biofuels that can slash production cost and make it commercially viable, our scientists in Beijing lab contributed several critical genes and are instrumental in making the innovation reality.

Eb: Do you face any barriers to operation here, such as mandatory joint ventures or technology transfer?

MC: As a player in fine chemicals, we didn't see mandates for joint venture. Currently we are operating solely in China, however our partner in Suzhou owns a minority shares in the facility there as legacy back to 1990s. Currently we are quite active in bioenergy and biochemical industry, in which agricultural and metropolitan wastes can be converted into sugar and then ethanol and other fundamental organic building blocks, and we envision a future that our dependence on fossil fuels can be lessened by the usage of renewable sources. In this field we can see more restrictions and more pressure for technology transferring. It's the situation ahead and we have to deal with. One thing is for sure: although the industry is new and uncertain, we will access bigger market values and undertake bigger social responsibilities.

Eb: Science and technology are prominent in the 12th Five-Year Plan. What are some steps have you seen China taking to support scientific research and development?

MC: China's 12th FYP is the cleanest and greenest one ever, and the central government sets the target to disarm the resources bottleneck by unlocking the technology potential. I think it's a wise and realist strategy and echoed with Novozymes believe.
China invested huge funds in basic research and harvested tremendous results. But not all the scientific breakthroughs are translated into productivity and value. Local companies have the potentials to play bigger roles in the missing step, which bridge the fundamental findings into market-oriented products and solutions.

Eb: Do you think the EU-China Business Summit will have a meaningful impact on EU-China relations?

MC: We are facing a complicated dilemma worldwide – limited resources, explosive population growth, climate change and social polarization. No single effort from government or business can solve the problems by its own, and a public-private partnership is a widely-recognized approach to address the challenge. For example, the impasse in climate change-related technology transferring requires a mechanism to encourage the cooperation between companies in developing and developed countries, whilst the innovations are rightly valued and protected. I think the EU-China Business Summit is a good platform to conduct such dialogues and knock out solutions.

Eb: Where are the biggest opportunities for European companies in China right now?

MC: I would like to mention biotechnology. Of course the list will include many more such as wind power, nuclear technology and aviation. I believe biotechnology will be a keystone in the new millennium, which makes our energy and material sources more sustainable and renewable, makes our production and daily life cleaner with less environmental impact, and opens inspiring and exciting possibilities by breaking the limitations of the organic and chemical worlds. The EU and China are complementary in this field, and will enjoy the same benefits from two ends of a shared continent.

Eb: Where are the biggest impasses for EU-China business at the moment?

MC: Fewer political and ideological factors in bilateral trade and economic relations. Eb

SCHNEIDER ELECTRIC

Patrick Gaonach

Schneider Electric's Strategy & Business Development Senior Vice President Patrick Gaonach talks about urbanisation as for the first time, more of China's population lives in cities than rural areas.

EURObiz: Please tell us about the urbanisation issues that China faces.

Patrick Gaonach (PG): It is well-known that China is the world's most populous country, and with the rapid growth of urbanisation, this leads to many unique problems. With such high urban population density, China needs to provide smart infrastructure that can efficiently overcome the downsides of urbanisation that include issues regarding energy, transportation, waste and water, buildings, safety and security and in public services. Schneider Electric considers these problems when developing new smart solutions. We provide smart grid, smart mobility, smart water, smart public services and smart buildings and homes solutions to meet many of these challenges.

Eb: Following the Summit, where do you think the opportunities for business in China are for Schneider Electric, and in urbanization in general?

PG: Schneider Electric sees a lot of business opportunities in China. First, we are expanding into China's western provinces as part of our "go west" strategy. We are investing in China's interior cities and provinces (Wuhan, Xi'an and other regional centers), commercially, in manufacturing and logistically and we are negotiating with regional partners to invest in these areas, including joint ventures and we are recruiting and training talents, including university graduates out of these provinces.

We are helping customers create greener and smarter solutions as part of our commitment to "go green". We are very active in helping our customers save energy in industry, in commercial buildings, data centers and residential programs. Going green is also a top priority for the Chinese government and we are in a position to bring technology and develop partnerships with local Chinese companies to develop new business opportunities and train Chinese talents. We believe that this is the industry of the future.

China's domestic demand has grown rapidly over the past decade and is the primary growth engine in China. Domestic demand is a very strong focus of the Chinese government and our business. So, we are working to "go in", by reaching out to this increase in domestic demand and working to build our pre-existing business clients, while expanding and focusing on the average consumer through business to consumer.

Since China's domestic demand is widely spurred by urbanization, we provide a full Smart Cities solutions package for urbanisation in China that includes smart grid, smart mobility, smart water, smart public services and smart buildings and homes and is a large portion of our future business.

Eb: Schneider Electric is already involved with some significant municipal infrastructure projects in China, can you give us some examples?

Schneider Electric's Smart Cities solutions are already being implemented throughout China.

China is working to take the lead globally on electric vehicles. Through smart mobility. We are providing infrastructure for electric vehicles and is an area where we are developing solutions and partnerships in China such as charging stations for buses and trucks. This also includes solutions for traffic management, public transit and traveler information.

Schneider Electric is working to develop a smart grid. While we do not manufacture solar panel or wind farm supplies, we help the government and companies connect farms to the grid in China through smart integration solutions.

Our smart water solutions help to regulate water distribution, detect leaks and measure water quality. It also works to manage storm water in cases of urban flooding, which has been an issue in cities like Beijing during summer torrential rains.

We also have solutions for smart public services, which include emergency management, public safety and video systems, smart street lighting, and smart eGovernment and city administration.

Finally, we are working to make buildings and homes more efficient.

Eb: More Chinese people now live in cities than in the countryside. Has any other country or region ever seen such rapid urbanisation?

PG: While other countries have experienced major periods of urbanisation, the magnitude of urban growth in China is unprecedented and requires many complex solutions to ensure that the growth is healthy. However, as a European company that has roots in the industrial revolution, we have almost 200 years of experience in helping countries to develop infrastructure for urbanisation.

Eb: How many of Schneider Electric's business lines are operating in China?

PG: Schneider provides the China market with smart business solutions through EcoStruxure, which is focused on increasing energy efficiency and developing a smart grid, we are also involved in energy and infrastructure work, industry solutions, buildings and residential, as well as with data centers and networks. Our business takes a top-to-bottom approach that provides solutions for many different sectors.

Eb: In what sectors or areas has China been particularly successful in terms of urbanisation?

PG: While there are a number of successful cases, the Chinese government's positive attitude for overcoming the challenges that urbanization brings and has been a deciding factor in healthy urban development. Regardless of whether a company is Chinese or international, the Chinese government welcomes a wide range of business and participation opportunities to support smart growth.

Eb: In which city or cities in China has Schneider Electric chosen to establish a presence, and why?

PG: We are investing in China's interior provinces (Wuhan, Xian, regional centers etc) as I mentioned before to take advantage of the rapid growth in those provinces. We have also established 27 successful joint ventures in Shanghai most recently, in the west and throughout China. We hope that our presence can be felt throughout the country as a company that is "in China for China". Eb