



European Chamber
中国欧盟商会

EUROPEAN CHAMBER

Research & Development | Innovation
Focus and Support

Key Topics

1. **About the European Chamber**
2. **European Chamber R&D and Innovation Focus and Support**
3. **R&D Working Group Position Paper**

The European Chamber of Commerce in China

About the European Chamber

- Founded in **2000** by **51 member companies**
- **More than 1,600 members in 7 chapters operating in 9 cities:** Beijing, Nanjing, Shanghai, Shenyang, Guangzhou, Shenzhen, Chengdu, Chongqing and Tianjin
- **Members-driven, non-profit, lobbying** organisation
- Core structure of **25 Working Groups and 7 Fora representing European business in China**, which bring together members operating in specific industry sectors or affected by horizontal issues
- **Recognised** by the European Commission and Chinese Authorities **as the official voice of European business in China**

European Chamber Support Channels

- **Advocacy**
 - ✓ Government Affairs Advocacy Support
- **Business Intelligence**
 - ✓ Understand Policy and Market Conditions
- **Community**
 - ✓ Expand Members' Network in China



European Chamber R&D and Innovation Focus and Support

Chinese STI Environment Overview

- **China has become one of the world's biggest sources of STEM (science, technology, engineering and mathematics) human capital**
 - ✓ In 2013, **40 percent of Chinese graduates obtained a degree in STEM**, and in 2016, China had **4.7 million recent STEM graduates**, the largest number in the world
- **Investment in R&D funds steadily rising in recent years**
 - ✓ Recent NBS statistics show that China's R&D investment strength and investment structure still lag behind other innovative developed countries
- ***Made in China 2025* – Incentivizing industrial innovation**
 - ✓ **Identifies key target industries** for boosting technological innovation
 - ✓ **Outlines generous funding avenues:** subsidies, funds , other channels of support
- **China's recent STI efforts bring new impetus for global economy and challenges for developed economies**
 - ✓ **Sustained Chinese investment in STI** can make a positive contribution to the global economy by **accelerating innovation and increasing competition**
 - ✓ **China enters higher value added segments of global production** and can compete with developed economies production

European Business in the Chinese STI Landscape – Opportunities & Challenges

- **Industrial upgrading forms the basis of China’s strategy for sustained long-term economic growth**
 - ✓ European Business in China **acknowledges the broader positive impact of growing Chinese focus and investments in STI and welcomes cooperation with the Chinese side on policy tools** that can yield the best results for China’s economic development
- ***Made in China 2025* – Opportunities and challenges for European business in China**
 - ✓ **European businesses can play an important role in achieving China’s industrial ambitions**, by partnering with Chinese companies to provide critical components, technology and management skills covered by the initiative
 - ✓ **Rather than driven by free market forces**, the scheme **seems to promote Chinese industries** at the expense of their foreign models and competitors
- **Broader implications of ‘planning’ indigenous innovation**
 - ✓ **‘Planning’ innovation by targeting specific industries increases government interference and encourages market distortions**, running the risk to aggravate the extant overcapacity problem and stifle genuine innovation

European Chamber R&D and Innovation Focus and Support

- **Research & Development Working Group**
 - ✓ Provides a single interlocutor for **voicing concerns and sharing experiences**
 - ✓ **Professionals from various industry sectors** (automotive, chemicals and petrochemicals, aerospace, energy and pharmaceuticals etc.), **directly involved in R&D operations**
- **R&D and Innovation-Focused Activities**
 - ✓ **Fostering collaboration** with peers, professional organisations, as well as European Union (EU) and Chinese policy-making bodies
 - ✓ **Organising industry-specific events** where highly qualified professionals share expertise and best practices with European R&D stakeholders
 - ✓ **Innovation Conference 2017: Driving the Transition to a Zero Carbon Economy** [Shanghai], Nov 9, 2017
- **European Chamber Publications**
 - ✓ **Raising issues and making recommendations** on the business environment in China
 - ✓ **Providing comprehensive analysis** on various areas of interest
 - ✓ **Collecting input** on the Chinese business environment development

R&D and Innovation-Focused Activities

- **Coordinating members** to identify points of interest and share experiences through regular **Working Group Meetings**
- **Lobbying** on issues of concern to members
- **Submitting comments on legislation changes** on behalf of members to the relevant authorities
 - ✓ **MEP: Administrative Regulations on Access to and Benefits Sharing on Biological Genetic Resources**, May 2017
 - ✓ **NPC: Standardisation Law Revised Draft**, June 2017
- **Facilitating collaboration** between members and **both European and Chinese authorities, high-profile organisations and research institutes, renowned universities**
- **Gathering and sharing intelligence** on the R&D environment development in China through the **R&D Working Group Position Paper**

Understanding European Businesses' R&D Experience in China – Example

- Ensuring EU-China reciprocal access to respective research and innovation funding, by assisting with the **Advance EU Access to Financial Incentives for Innovation in China EU project**
 - ✓ Coordinated members' participation in **surveys on the experiences with the Chinese government research funding application processes of European industry involved in R&D activities in China**, Dec 2016
 - ✓ Co-organised the **Advance EU Access to Financial Incentives for Innovation in China - First Experts' Workshop**, March 22, 2017
 - ✓ Direct contribution to the **EU-China Road Map on Ensuring Reciprocal Access to Respective Research and Innovation Funding**

Supporting Chinese Government Bodies' Innovation Initiatives – Example

- **Providing input on Shanghai's progress in the area of innovation and putting forward suggestions for the development of the Shanghai Sci-tech Innovation Center**
 - ✓ Co-organised a **seminar** with the **Shanghai Institute for Science of Science (SISS)** on the **development of the Shanghai Sci-tech Innovation Center**, Aug 17, 2017
 - ✓ Provided support in **gathering input** from members on the **Shanghai Sci-tech Innovation Center Index 2017** with the objective of better monitoring the effectiveness and evaluating the efforts Shanghai has made so far in innovation

Overcapacity in China – R&D and Innovation Key Findings

- ***Overcapacity in China: An Impediment to the Party's Reform Agenda***, Feb 2016:
 - ✓ Major report that addresses the problems arising from increased **overcapacity** in China's industrial economy
 - ✓ **R&D and Innovation-Related Key Findings :**
 - **Improvements of the overall intellectual property rights (IPR) legal system and its enforcement** are needed to encourage Chinese enterprises to invest in R&D
 - **SMEs should be afforded greater protection** as they frequently play a critical role in delivering innovations

Business Confidence Survey – R&D and Innovation Key Findings

- ***Business Confidence Survey 2017***, May 2017
 - ✓ Brings together **the input of over 500 senior representatives of the European Chamber's member companies** to provide an annual overview of their performance and outlook from within the Chinese market
 - ✓ **R&D and Innovation-Related Key Findings :**
 - Firms view the **Chinese R&D environment as improving**. However, more can be done on enhancing the regulatory framework, funding basic research and investing further in the necessary infrastructure
 - European companies regard their **Chinese counterparts to be increasingly innovative competitors**, especially in go-to-market and business-model innovation

China Manufacturing 2025 – R&D and Innovation Key Findings

- ***China Manufacturing 2025: Putting Industrial Policy Ahead of Market Forces***, Mar 2017
 - ✓ Analysis of the potential impact of the **China Manufacturing 2025 (CM2025) initiative**, released in October 2015, on both European business and China's economy
 - ✓ **R&D and Innovation-Related Key Findings :**
 - In order to foster a genuinely competitive environment that leads to economic development and innovation, **China should move forward with domestic market-based reforms, as well as allow market forces to play a decisive role**
 - Concerns over the continuous shrinking of market access remain, **foreign companies should maintain and expand their investments in R&D**, while responding to the needs of Chinese clients

R&D Working Group Position Paper

About the European Chamber Position Paper

- **The *European Business in China – Position Paper*** is the European Chamber's **primary annual publication**
- **The 2017/2018 *Position Paper*** offers Chinese policy-makers **795 recommendations** that draw directly from the knowledge and expertise of the European Chamber's members
 - ✓ Evaluates **China's commitment to economic globalisation and openness**, expressed during President Xi's speech at the World Economic Forum, as well as looks at **the pace of implementation of *State Council Document No. 5***, released in January 2017 (***State Council Document No. 39***, August 2017 not released at that time)
- **Widely cited** by international and local media channels alike

R&D Working Group **Position Paper** **2017/2018**

- **The R&D Working Group Position Paper 2017/2018** draws from the localised experience and leadership in science and technology of its members to **closely follow China's recent take on innovation, and make suggestions in this sense**
 - ✓ **Innovation is the key theme in China's 13th Five year Plan (13FYP) and China Manufacturing 2025 (CM2025)**, which reveals that China is placing innovation firmly at the top of the national agenda
 - ✓ This year's edition provides an **overview on China's new innovation ambitions**, follows up on **previously identified issues** and makes **five key recommendations**

R&D Working Group Position Paper

2017/2018 Key Recommendation 1

- **Encourage foreign invested enterprises (FIEs) to contribute to Chinese innovation**
 - ✓ **Encourage FIEs to participate in national and regional key research and development projects** by ensuring equal opportunities in the attribution of subventions for R&D activities
 - ✓ **Change the requirements that typically limit FIEs from applying for High and New-Technology Enterprise (HNTE) status**, to ensure all internationally-qualified R&D institutions participating in the Chinese innovation system can benefit
 - ✓ **Provide information about which target sectors and areas where participation by FIEs is particularly encouraged**

R&D Working Group Position Paper

2017/2018 Key Recommendation 2

- **Invest in China's living environment by incentivising R&D for sustainable development technologies**
 - ✓ **Establish a consortium-type project like SUSTECH in Europe**, where foreign companies with research operations in China can participate and bring their knowledge to boost progress
 - ✓ **Provide incentives and other favourable policies for companies that run R&D operations focused on developing new green technologies**
 - ✓ **Provide incentives for companies who are industrial first-movers and for those businesses that run pilots**
 - ✓ **Consider partnering with Europe on setting up joint programmes like the SUSTECH initiative**

R&D Working Group Position Paper

2017/2018 Key Recommendation 3

- **Improve the overall intellectual property rights (IPR) legal system and facilitate enforcement to foster a stable business environment that enables world-class innovation**
 - ✓ **Improve openness of the preparation, updating and enforcement process of the Chinese IPR legal system for FIEs**
 - ✓ **Establish a regular dialogue on IPR issues** with the participation of related authorities and FIE representatives.
 - ✓ **Facilitate R&D and innovation investment in China** by offering FIEs equal policy as the one for the domestic industry, and provide more flexibility on the transfer of IPR.

R&D Working Group Position Paper

2017/2018 Key Recommendation 4

- **Facilitate the exchange of scientists at all levels including experts and young talents in a joint effort with the EU**
 - ✓ **Provide more flexible conditions for visas allowing foreign scientists to work in China on short-term, joint R&D projects**
 - ✓ **Accelerate the pace of innovation-friendly reform and implement policies on a national or municipal level rather than delaying their implementation by ‘testing’ them at the district level or in Free Trade Zones (FTZs) where R&D activity levels tend to be low**

R&D Working Group Position Paper

2017/2018 Key Recommendation 5

- **Ensure the participation of FIEs in the standards definition process in order to enhance the competitiveness of China-developed technologies in the international market**
 - ✓ **Open the standards updating process to all stakeholders, including FIEs**
 - ✓ **Build up a regular and effective dialogue with FIEs to help understand changes to standards and their practical impact**
 - ✓ **Promote the harmonisation of Chinese and international standards to incentivise FIEs to undertake more R&D activities in China**
 - ✓ **Accelerate the standards updating process by increasing the frequency at which new versions are edited**



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THANK YOU!