



# Inter-Chamber Small and Medium-sized Enterprise Working Group

## Key Recommendations

### 1. Provide European Small and Medium-sized Enterprises (SMEs) in China with Better Access to Financing

- Enhance the implementation of lending strategies to assist all SMEs, both European and Chinese, operating in China.
- Increase incentives for the purpose of encouraging commercial banks to grant short-term overdrafts to SMEs facing temporary cash shortages.
- Publish specialised credit risk assessment procedures or systems for providing both local and international SMEs with loans.
- Establish national funds for financing partnerships between European and Chinese SMEs.
- Remove regulatory obstacles that limit SMEs', especially foreign-invested enterprises' (FIEs'), access to credit financing by relaxing foreign exchange debt quota requirements.

### 2. Promote Coordination Between Different Administrative Departments and Improve the Transparency, Clarity and Integrity of All Relevant Regulations for SMEs

- Implement the 'one-stop-service' system in provincial/regional administrative departments to support all SMEs, both European and Chinese, in fulfilling their multiple registration and regulatory obligations.
- Further develop official platforms—preferably online—to provide comprehensive, coherent and timely information to SMEs.
- Continue efforts in alleviating administrative burdens for SMEs by reducing the number of government approvals and simplifying the remaining approval and filing procedures.

### 3. Ensure Reasonable Payment Terms and Enforce Timely Payments to Alleviate Cash-flow Burdens for SMEs in China

- Issue guidelines and implement effective industry supervision measures to ensure that SOEs and private sector players respect contractual payment terms when dealing with SMEs.
- Set a maximum payment term that is lawfully allowed to be included in contracts.
- Encourage SOEs to sign contracts with SMEs that have reasonable payment terms.
- Improve legal debt collection procedures.
- Further develop implementing measures to encourage banks to provide financing solutions to SMEs based on accounts receivable.





#### 4. Promote the Value of Intellectual Property Rights (IPR) Protection and Enforcement Mechanisms at the Consumer, Business and Local Government Levels

- Involve the general public and business community in awareness-raising campaigns to promote respect for IPR.
- Intensify efforts to tackle the bad-faith registration of IPR among trademark agents, Chinese companies that register more than 10 different foreign, non-registered trademarks for the same goods or services, clear-cut bad-faith registration cases and repeat offenders.
- Engage local enforcement agencies, customs and local courts to take effective action against counterfeiting.
- Further consolidate the Specialised Intellectual Property Court Pilot Programme.

### Introduction to the Working Group

Small and medium-sized enterprises (SMEs) constitute the foundation of most, if not all, national economies in the world.<sup>1</sup> Most parts of all supply and value chains that end in either business-to-consumer or business-to-government are made up by products and services provided by SMEs. Smaller businesses generate around 50 to 70 per cent of all jobs and incomes, and they are usually key contributors to their country's gross domestic product (GDP), especially in developed countries.<sup>2</sup> Furthermore, the dynamism of SMEs enables them to act as some of the main drivers for entrepreneurship and development. Finally, SMEs are not only a valuable source of support for larger companies, they also constitute the seeds from which some of tomorrow's multinational corporations (MNCs) will grow. Without a strong SME base, countries will not only have their competitive edge dulled in terms of creativity and innovation, but their overall economic development and social welfare could be seriously compromised as well.

Fostering innovation and promoting social welfare feature prominently in China's mid- and long-term development strategy in the 13<sup>th</sup> Five-Year Plan

(13FYP), China Manufacturing 2025 (CM2025) and the Internet Plus Action Plan, and they were further reinforced as key objectives during the 19<sup>th</sup> Party Congress and the 2018 Two Sessions. In order to achieve these two goals, supporting domestic and international SMEs in China will be absolutely essential.

The Inter-Chamber Small and Medium-sized Enterprise Working Group was established in 2014 as a new advocacy element of the European Union (EU) SME Centre Phase Two,<sup>3</sup> with the objective of strengthening advocacy for European SMEs. The working group is based on the European Chamber's Small and Medium-sized Enterprise Forum. It brings together European SMEs to create a strong channel where concerns over the business challenges faced in China can be expressed. The working group's recommendations represent the concerns and interests of SMEs from all EU Member States.<sup>4</sup>

The Inter-Chamber Small and Medium-sized Enterprise Working Group organises a series of regular working group and policy meetings that are intended to provide practical solutions and policy advice to European SMEs and their stakeholders.<sup>5</sup>

<sup>1</sup> *World Trade Report 2016: Levelling the trading field for SMEs*, World Trade Organization, 2016, viewed 9<sup>th</sup> May 2018 <[https://www.wto.org/english/res\\_e/booksp\\_e/world\\_trade\\_report16\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/world_trade_report16_e.pdf)>

<sup>2</sup> *Think Big for Small: Small and Medium Enterprises as Pillar for Future-oriented, Sustainable Growth, Policy Paper 2017*, B20 Cross-Thematic Group: Small and Medium Enterprises, March 2017, viewed 18<sup>th</sup> April 2018, <[https://www.biaa.com/wp-content/uploads/2017/05/B20-CTG-SMEs\\_Final-Policy-Paper\\_2017-04-12.pdf](https://www.biaa.com/wp-content/uploads/2017/05/B20-CTG-SMEs_Final-Policy-Paper_2017-04-12.pdf)>

<sup>3</sup> *About EU SME Centre*, EU SME Centre, viewed 18<sup>th</sup> April 2018, <<http://www.eusmecentre.org.cn/about-centre>>

<sup>4</sup> The Inter-Chamber SME Working Group Position Paper presents the recommendations of SMEs from 28 EU Member States regardless of their membership status with the European Chamber.

<sup>5</sup> EU SME Centre implementation partners and EU State embassies, <[www.eusmecentre.org.cn](http://www.eusmecentre.org.cn)>





### Definition of SMEs in Europe and China

According to the European Commission (EC), the classification of micro, small and medium-sized enterprises is determined by their staff headcount and financial ceiling. An SME by the European definition is an enterprise that employs less than 250 people and has an annual turnover not exceeding euro (EUR) 50 million or total assets greater than EUR 43 million.<sup>6</sup> However, on 6<sup>th</sup> February 2018, the EC launched a public consultation on the review of what the definition of an SME should be.<sup>7</sup> SMEs are the backbone of the EU's economy. In the non-financial business sector, they account for 99.8 per cent of the total number of businesses throughout the EU and 67 per cent of its employment, and they generate 57 per cent of its added value. Furthermore, 93 per cent of European SMEs are micro SMEs.<sup>8</sup>

In China, SMEs are defined, according to the SME Promotion Law, as companies that “have a relatively small size in personnel and scope of business”.<sup>9</sup> The standards for classifying SMEs are formulated by relevant departments of the State Council, and the identification of a company as a micro, small or medium-sized enterprise is dependent upon a series of variables, such as the industry it belongs to, its operating income, its total assets and its number of employees.<sup>10</sup> SMEs constitute an overwhelming majority of China's enterprises and are key to its economic development, as they represent 99.6 per cent of companies and comprise more than 60 per cent of its GDP.<sup>11</sup>

### EU SME Projects in China

The EU SME Centre (Phase Two) runs from July 2014 to July 2019. Its main objectives are: assisting European SMEs to establish and develop a commercial

presence in the Chinese market (through exports or investments) by providing EU added-value support services; improving corporate synergies and increasing best practice sharing at the national and regional EU business association levels, with the ultimate goal of benefitting EU SMEs intending to do business in China; and strengthening advocacy efforts on behalf of the EU business community to help create a better business environment.<sup>12</sup>

The China Intellectual Property Rights (IPR) SME Helpdesk—currently in Phase IV from 2015 until 2018—supports European SMEs in both protecting and enforcing their IPR in or relating to Mainland China, Hong Kong, Macao or Taiwan. These include trademarks, patents, industrial designs, trade secrets, copyright and geographical indications. Available to all EU SMEs, SME networks, chambers of commerce and industry associations, the helpdesk offers a variety of services and information free of charge in the form of jargon-free, first-line, confidential advice on intellectual property and related issues, training, materials and online resources.<sup>13</sup>

## Recent Developments

### SMEs in China

SMEs play a very important role in China's economic and social development. Not only do they represent more than 99 per cent of all companies in China but they contribute to more than half of the country's GDP. They also create more than 80 per cent of the jobs, hold more than 70 per cent of the patents and contribute more than 50 per cent of the taxes.<sup>14</sup>

### European SMEs in China

According to the EU SME Centre, the sectors with the highest number of European SMEs operating in China are food and beverage, commercial services, education, information and communication technologies and healthcare, as shown in the graph on the next page:

### EU SMEs in China by Industry

6 Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (C(2003) 1422), European Commission, 20<sup>th</sup> May 2003, viewed on 18<sup>th</sup> April 2018 <<http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32003H0361&from=EN>>

7 Public Consultation on the Review of the SME Definition, European Commission, 6<sup>th</sup> February 2018, viewed 5<sup>th</sup> May 2018 <[https://ec.europa.eu/info/consultations/public-consultation-review-sme-definition\\_en](https://ec.europa.eu/info/consultations/public-consultation-review-sme-definition_en)>

8 European Commission et al., *Annual Report on European SMEs 2016/2017, Focus on self-employment*, European Union, November 2017 p. 6

9 Law of the People's Republic of China on the Promotion of Small and Medium-sized Enterprises, National People's Congress, 2017, viewed 18<sup>th</sup> April 2018, <[http://www.npc.gov.cn/npc/xinwen/2017-09/01/content\\_2027929.htm](http://www.npc.gov.cn/npc/xinwen/2017-09/01/content_2027929.htm)>

10 Statistical criteria for the classification of large, medium, and small micro-enterprises (2017) [CN], National Bureau of Statistics, 1<sup>st</sup> March 2018, viewed 18<sup>th</sup> April 2018 <[http://www.stats.gov.cn/tjsj/tjbz/201801/t20180103\\_1569357.html](http://www.stats.gov.cn/tjsj/tjbz/201801/t20180103_1569357.html)>

11 Guo, Linmao, and Ma, Xianghui (Editors), *People's Republic of China Small and Medium-sized Enterprises Promotion Law: Guidebook*, China Democracy and Legal System Publishing House, Beijing, 2017, pp. 15–19.

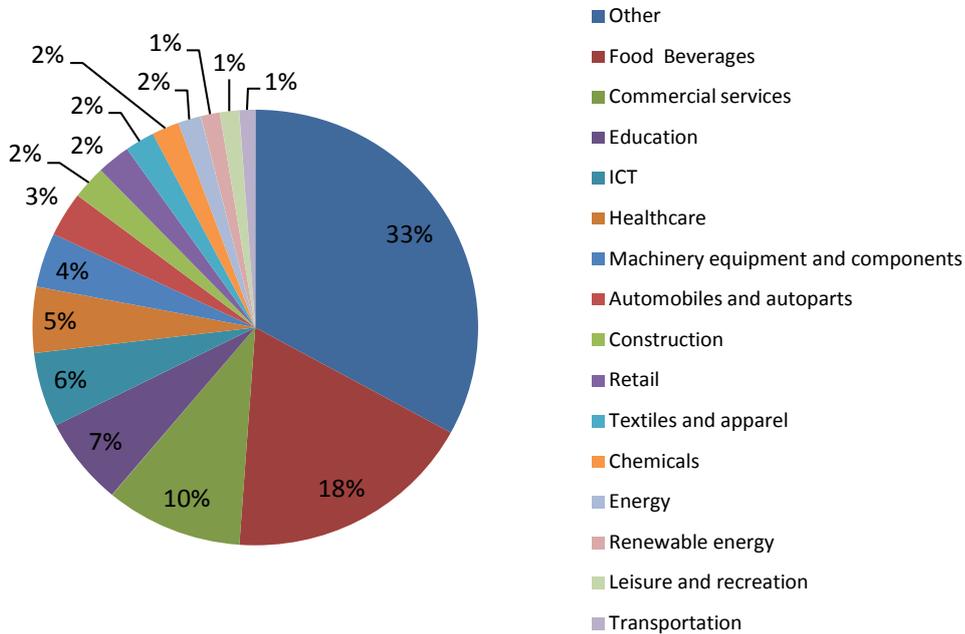
12 About Us, EU SME Centre, viewed 2<sup>nd</sup> May 2018, <<http://www.eusmecentre.org/cn/about-centre>>

13 About Us, China IPR SME Helpdesk, viewed 2<sup>nd</sup> May 2018, <<http://www.china-iprhelpdesk.eu/content/about-hd>>

14 Guo, Linmao, and Ma, Xianghui (Editors) *People's Republic of China Small and Medium-sized Enterprises Promotion Law: Guidebook*, China Democracy and Legal System Publishing House, Beijing, 2017, pp. 15–19.



## European Business in China Business Confidence



Source: EU SME Centre, 2010–2018

Of the more than 3,700 business inquiries from SMEs received by the EU SME Centre between 2010 and 2018, the most common include:

Table 1: Business inquiries received by the EU SME Centre (2010-2018)

Category	Business Development	Legal	Standards & Conformity	Human Resources
Proportion	35 per cent	35 per cent	25 per cent	5 per cent
Topic	1. Looking for Chinese partners	1. Due diligence	1. Customs clearance	1. Salary
	2. Market information	2. Ways to enter the market	2. Wine standards	2. Termination
	3. Different ways to sell products	3. Business model feasibility	3. Textile standards	3. Recruitment

Source: EU SME Centre, 2010-2018

### Survey 2018

The *European Business in China Business Confidence Survey (BCS)* is one of the European Chamber's key publications. In 2018, 532 European companies based in China completed the survey, with SMEs<sup>15</sup> constituting the largest group of respondents at 52 per cent of the

total.<sup>16</sup> Analysis of the responses shows that SMEs are still experiencing considerable difficulties when it comes to business development in China. Furthermore, it is highly concerning that 31 per cent of SMEs do not believe they will ever see a level playing field.

<sup>15</sup> According to the European Chamber's methodology for this survey, an SME is an enterprise that employs less than 250 people in China.

<sup>16</sup> *European Business in China Business Confidence Survey 2018*, European Union Chamber of Commerce in China, 2018, p. 62 <<http://www.eurochamber.com.cn/en/publications-business-confidence-survey>>

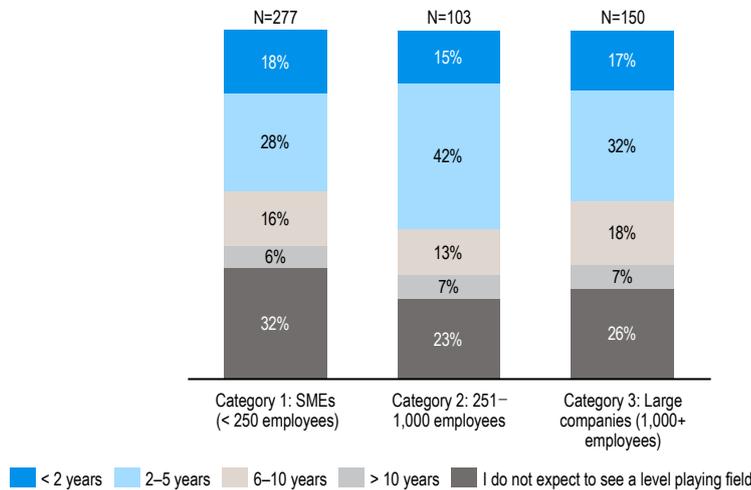




### One third of SMES do not believe a level playing field will ever exist

When do you expect to see a level playing field for foreign and Chinese companies through the provision of national treatment in your industry?

Comparison by company size



Source: Business Confidence Survey 2018

Regulatory obstacles remain one of the main challenges perceived by European companies (both SMEs and larger enterprises) when doing business in China, with the top three being ambiguous regulations, administrative issues and the discretionary enforcement of rules. Market access barriers and investment restrictions remain a significant obstacle to doing business in China for 27 per cent of the respondents, as do licensing requirements/registration processes for products and IPR protection for 25 per cent and 21 per cent of companies respectively.

Internet restrictions are a major concern for European companies. Over half of those surveyed stated that their business had been negatively impacted due to these restrictions. Many companies use virtual private networks (VPNs) to mitigate the effects of internet access restrictions, but only 23 per cent of SMEs say that government-approved VPN options are effective.

#### The 8<sup>th</sup> EU-China SME Policy Dialogue

On 9<sup>th</sup> November 2017, the EU SME Centre participated in the 8<sup>th</sup> EU-China SME Policy Dialogue. During the various sessions, institutional representatives from the Chinese Government and the EU, as well as experts from business organisations, discussed the following issues:

- The SME policy environment both in China and in Europe.
- Support measures for the internationalisation of SMEs carried out by organisations such as the EU SME Centre or the Chinese Entrepreneur Development Federation.
- Development opportunities for SMEs in Europe and China, including case studies of EU SMEs in China.
- The introduction of Sino-international cooperation initiatives, such as the International Innovation and Entrepreneurship Competition in Guangzhou.

The main outcomes of the Policy Dialogue were as follows:

- There are areas of cooperation that can be found between the EU and China, such as on the issue of late payments.
- Cross-border matchmaking constitutes another opportunity for joint cooperation and for platforms, such as exchanges and fairs.
- Chinese participants mentioned that they had created a delegation to go to the EU for field study and training.
- Both sides stated that they looked forward to



discussing the implementation of the SME Promotion Law during the next Policy Dialogue.

## Regulatory Update

### The SME Promotion Law

On 15<sup>th</sup> November 2016, the National People's Congress (NPC) published the modified draft of the SME Promotion Law. The new SME Promotion Law was officially published on 1<sup>st</sup> September 2017 and came into force on 1<sup>st</sup> January 2018.<sup>17</sup> It contains a series of changes and new articles that reflect the developments in the SME arena and in national policy that have taken place in the 14 years since the first SME Promotion Law was published. It also addresses some challenges that SMEs now encounter. The working group is pleased to find that throughout the drafting process of this law, some comments related to the key recommendations presented in its position paper were taken into account and included in the final version:

- Financing/funding

Public funding is to be provided by the government at all levels through the establishment of special funds for SME development, with a particular focus on small and micro enterprises. These funds will be supervised and evaluated to ensure they are used properly. When it comes to reducing the financial burden of SMEs, the government is also set to implement preferential tax policies—including a reduction of enterprise income tax and a reduction of or exemption from value-added tax—for qualified SMEs, to simplify the administrative procedures for taxation, and to reduce administrative fees. The law's intent is to ensure the protection of SME rights while guaranteeing that SMEs are compliant.<sup>18</sup>

The revised SME Promotion Law also encourages the direct and indirect financing of SMEs by financial institutions. Regarding direct financing, Article 18 outlines the development of a multi-level capital market system and promotes the use of bond markets and equity financing as funding channels. The most important additions regarding indirect financing are a series of articles that provide for the use of movable property and accounts receivable as collateral for

financing (chattel secured financing),<sup>19&20</sup> along with encouraging credit guarantee issuance. While the working group believes these measures to be contributing to the facilitation of SME financing, it also believes that there are some issues that should be further addressed in order to develop a more comprehensive policy. One of them is developing and implementing regulatory measures for new financing solutions, such as online loans, in order to protect the rights of SMEs that use these channels; another is ensuring that both domestic and international SMEs have equal access to financing in China.<sup>21</sup>

- Innovation/entrepreneurship

The SME Promotion Law encourages innovation and entrepreneurship by setting a series of measures that span from preferential tax policies for enterprises and investors in the area of technological innovation, to the simplification of administrative registration, approval and deregistration procedures. Various articles also promote the usage of new technologies like big data and cloud computing, the development of new technologies using SMEs' independent intellectual property, and cooperation with universities and research centres. While the working group considers these additions to have positive effects on the development of SMEs, it would welcome further clarification on issues such as whether administrative procedures, like registration and deregistration, will also be simplified for international SMEs.

- Government procurement

The law also establishes a series of measures to encourage SME participation in government procurement. Some of these include reserving more than 30 per cent of the total government procurement budget for SMEs (of which no less than 60 per cent would be saved for small and micro-enterprises) and other mechanisms such as the formulation of purchase requirement standards, offer price review or preferential procurement. The working group welcomes this initiative and encourages the Chinese Government to ensure equal and inclusive implementation for local and international SMEs.

<sup>17</sup> *Law of the People's Republic of China on the Promotion of Small and Medium-sized Enterprises*, NPC, 2017, viewed on 18<sup>th</sup> April 2018, <[http://www.npc.gov.cn/npc/xinwen/2017-09/01/content\\_2027929.htm](http://www.npc.gov.cn/npc/xinwen/2017-09/01/content_2027929.htm)>

<sup>18</sup> Guo, Linmao, and Ma, Xianghui (Editors), *People's Republic of China Small and Medium-sized Enterprises Promotion Law: Guidebook*, China Democracy and Legal System Publishing House, Beijing, 2017

<sup>19</sup> Accounts receivable financing is a type of asset-financing arrangement in which a company uses its receivables—outstanding invoices or money owed by customers—as collateral in a financing agreement.

<sup>20</sup> Also known as chattel mortgage, it is a type of financing that uses movable personal property rather than real estate as security.

<sup>21</sup> *Law of the People's Republic of China on the Promotion of Small and Medium-sized Enterprises*, NPC, 2017, viewed 18<sup>th</sup> April 2018, <[http://www.npc.gov.cn/npc/xinwen/2017-09/01/content\\_2027929.htm](http://www.npc.gov.cn/npc/xinwen/2017-09/01/content_2027929.htm)>





### The Plans for Promoting the Development of SMEs (2016–2020)

The Ministry of Industry and Information Technology (MIIT) issued the *Plan for Promoting the Development of SMEs (2016–2020)* on 5<sup>th</sup> July 2016.<sup>22</sup> The objectives are the improvement of quality, efficiency and entrepreneurship, the promotion of supply-side reform and the optimisation of the business environment. Specifically, this plan will further enhance the SME development environment and support SMEs' 'going out'<sup>23</sup> strategy to add to the global value chain. Following the release of the *Plan for Promoting the Development of SMEs (2016–2020)*, the MIIT also released the *Five-Year Action Plan for Promoting the International Development of SMEs (2016–2020)* in August 2016,<sup>24</sup> which sets targets to support Chinese SMEs to 'go out' to Belt and Road Initiative (BRI) countries.

### SMEs and the BRI

On 27<sup>th</sup> July 2017, the MIIT and the Bank of China published the *Notice of the Two Departments on Carrying out the Special Action for Supporting the Participation of SMEs in the Belt and Road Initiative*. Its aim is to boost SME involvement and performance throughout the BRI, thus supporting the 'going out and bringing in' strategy.<sup>25</sup> The main measures for promoting SME participation in the BRI are as follows:

- SMEs are to be supported in their trade and investment endeavours in countries along the route through several different measures, such as promoting their participation in domestic and international exhibitions, establishing a Belt and Road Initiative SME Cooperation Platform,<sup>26</sup> encouraging SMEs to use e-commerce to develop in the international market, and promoting two-way investment through the creation of a cooperative zone for SMEs in China and partner countries.

- Services are to be provided to SMEs through a platform that provides relevant information and by strengthening international legal services, such as early warning mechanisms or legal advisory hotlines for internationally-funded SMEs, among others.
- The international competitiveness of Chinese SMEs is to be enhanced by special training to help SMEs improve their management capabilities, enhance the overseas influence of Chinese brands and guide them in navigating and regulating overseas business activities.

In addition, a special working group will also be created by the CCPIT, which will draft annual progress reports, and bilateral cooperation with SME organs and institutions will be strengthened.

While the *BCS 2018* shows that 55 per cent of the respondents see business opportunities along the BRI,<sup>27</sup> international companies and more concretely SMEs wanting to pursue these opportunities face considerable challenges related to the availability of information regarding projects, their allocation and funding. There are also certain concerns held by the international business community regarding the opportunities for them to participate in BRI projects vis-à-vis Chinese companies.<sup>28</sup> The working group welcomes these measures and acknowledges the provisions that encourage the participation and cooperation of international SMEs in the initiative, such as the creation of the Belt and Road Initiative SME Cooperation Platform and the promotion of two-way investment along the BRI. The working group looks forward to the implementation of these measures.

22 *Plan for Promoting the Development of SMEs (2016-2020)*, MIIT, 5<sup>th</sup> July 2016, viewed 20<sup>th</sup> May 2017, <<http://www.miit.gov.cn/n1146290/n4388791/c5081157/content.html>>

23 The 'going out' policy (also referred to as the 'going global' strategy) was an effort initiated in 1999 by the Chinese Government to promote Chinese investments abroad.

24 *Five-Year Action Plan for Promoting the International Development of SMEs (2016-2020)*, MIIT, 1<sup>st</sup> August 2016, viewed 20<sup>th</sup> May 2017, <<http://www.miit.gov.cn/n1146295/n1652858/n1652930/n3757016/c5180691/content.html>>

25 *Notice of the Two Departments on Carrying out the Special Action for Supporting the Participation of SMEs in the Belt and Road Initiative*, MIIT and the CCPIT, 27<sup>th</sup> July 2017, viewed 18<sup>th</sup> April 2018, <<http://www.miit.gov.cn/n1146295/n1652858/n1652930/n3757016/c5755651/content.html>>

26 China's Belt and Road Initiative SME Cooperation Platform, viewed 28<sup>th</sup> April 2018, <[http://www.smefw.com/sfc1/show.action?code=activity\\_home\\_en](http://www.smefw.com/sfc1/show.action?code=activity_home_en)>

27 *European Business in China Business Confidence Survey 2018*, European Union Chamber of Commerce in China, 2018, p. 38 <<http://www.eurochamber.com.cn/en/publications-business-confidence-survey>>

28 One of the main concerns of foreign companies relates to access to BRI projects and the fairness in the allocation procedures, especially in projects financed by Chinese banks. "Out of all the contractors participating in Chinese-funded transportation projects tracked by the CSIS Reconnecting Asia Project, 89 percent are Chinese companies. In comparison, out of the contractors participating in projects funded by the World Bank and Asian Development Bank, 29 percent are Chinese, 40.8 percent are local, and 30.2 percent are foreign." From *The Belt and Road's Barriers to Participation*, Center for Strategic & International Studies, 7<sup>th</sup> February 2018, viewed 19<sup>th</sup> April 2018, <<https://reconnectingasia.csis.org/analysis/entries/belt-and-road-barriers-participation/>>



## CM2025

The importance of access to funding is one of the key issues underlined by CM2025 when it comes to SMEs. To that end, the document promotes the establishment of national funds and the development of preferential tax and financing policies.<sup>29</sup> Banks and other financial entities are encouraged to provide innovative financial services that cater to SMEs, such as intellectual property (IP), loans and credit guarantee systems.

Another issue of key importance for the development of SMEs is the promotion of specialisation in niche markets and innovation through the establishment of entrepreneurship funds, the strengthening of cooperation between SMEs and R&D institutions, and the coordination between MNCs and SMEs on outsourcing work. Finally, lowering costs on IP licensing and protection and creating a comprehensive services platform for SMEs are two measures provided for under the CM2025 initiative.

According to the results of the *BCS 2018*, 43 per cent of respondents saw increased discrimination against international companies compared to Chinese companies within the framework of CM2025. The working group encourages the appropriate authorities to address this issue and ensure a level playing field between Chinese and international companies.<sup>30</sup>

## Internet Plus Action Plan

Issued on 4<sup>th</sup> July 2015, the *Internet Plus Action Plan (Internet Plus)*<sup>31</sup> aims to foster economic development by integrating the Internet into traditional industries. In relation to this, the MIIT released the *Guiding Opinions on Further Promoting the Informatisation of Small and Medium Enterprises (Guiding Opinions)* on 24<sup>th</sup> January 2017, with the goal of increasing the informatisation level of SMEs by 2020.<sup>32</sup> One of the main measures enshrined in the *Guiding Opinions* encourages SMEs to use information technology (IT) for R&D purposes by reducing research costs and creating an open internet platform to gather R&D resources. Another important

measure includes encouraging large IT companies to use their resources to provide services to SMEs.

## Recommendations

### 1. Provide European SMEs in China with Better Access to Financing

#### Concern

European SMEs operating in China still experience difficulty in gaining access to financing, an obstacle that prevents them from reaching their full potential and limits their ability to further contribute to China's economy.

#### Assessment

Having sufficient access to financing is an important determinant in enterprise development. It is well known that SMEs face different challenges when accessing financing compared to larger companies. China's slowing economic growth, coupled with the fact that European SMEs are facing increasingly fierce competition, means that financing now plays an even larger role in business operations.

While some plans, such as the 13FYP and CM2025, as well as the SME Promotion Law, aim to create favourable conditions for SMEs to gain access to financing, in practice it still remains a major challenge, especially for international SMEs. The key reasons for this are that SMEs are generally considered high-risk/low-return clients, and local SMEs are preferred because of their close relationships with local banks.

*The Survey on the Access to Finance of Enterprises*,<sup>33</sup> published by the European Central Bank in June 2018, broke down the financing sources for European SMEs.

<sup>29</sup> *Notice on Issuing Made in China 2025*, State Council, 2015, viewed 30<sup>th</sup> April 2018, <[http://www.gov.cn/zhengce/content/2015-05/19/content\\_9784.htm](http://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm)>

<sup>30</sup> *European Business in China Business Confidence Survey 2018*, European Union Chamber of Commerce in China, 2018, p. 41 <<http://www.europeanchamber.com.cn/en/publications-business-confidence-survey>>

<sup>31</sup> *State Council's Guiding Opinions on Actively Promoting "Internet +" Action Plan*, State Council, July 2015, viewed 18<sup>th</sup> April 2018, <[http://www.gov.cn/zhengce/content/2015-07/04/content\\_10002.htm](http://www.gov.cn/zhengce/content/2015-07/04/content_10002.htm)>

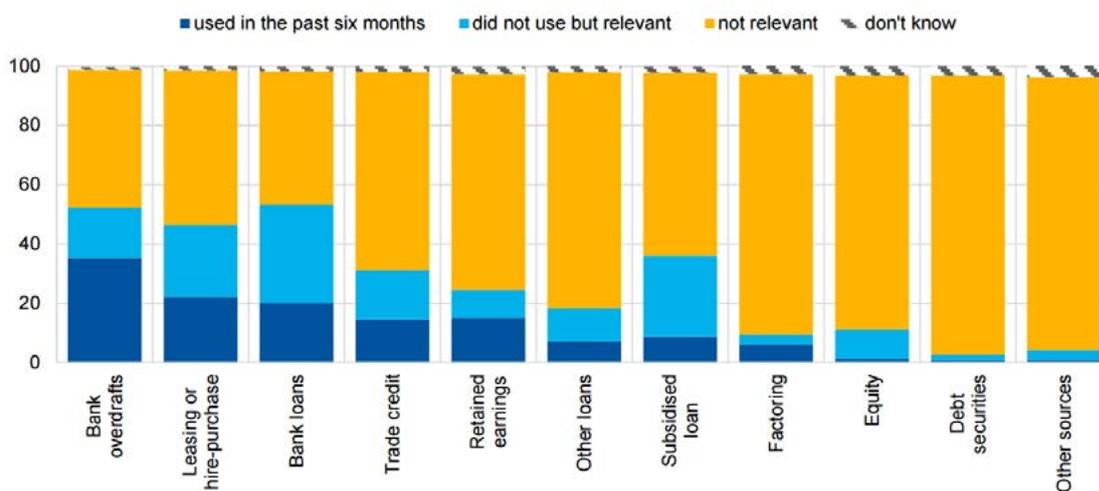
<sup>32</sup> *Guiding Opinion on Further Promoting the Informatisation of Small and Medium Enterprises*, MIIT, January 2017, viewed on 18<sup>th</sup> April 2018, <<http://www.miit.gov.cn/n1146295/n1652858/n1652930/n3757016/c5475728/content.html>>

<sup>33</sup> *Survey on the access to finance of enterprises, October 2017 to March 2018*, European Central Bank, June 2018, viewed 27<sup>th</sup> June 2018, <<https://www.ecb.europa.eu/pub/pdf/other/ecb.accessstofinancesmallmediumsizedenterprises201806.en.pdf?7f10aadd09e7d0036678df8612df9104>>



**Chart 6****Relevance of financing sources for euro area SMEs**

(over the preceding six months; percentage of respondents)



Source: *Survey on the access to finance of enterprises (SAFE)*, European Central Bank<sup>35</sup>

The most relevant sources of financing, according to SMEs, are bank overdrafts (53 per cent), bank loans (52 per cent), leasing or hire-purchasing (46 per cent) and subsidised loans (34 per cent). Trade credit was also considered to be a potential source of financing, while market-based instruments such as equity, bank securities and factoring were among the least relevant.<sup>36</sup>

While there is room for improvement regarding SME financing in the EU, the survey shows that having access to financing was the least of the respondents' concerns (eight per cent). Furthermore, although only 29 per cent of SMEs in the EU actually applied for a bank loan during the survey period, the percentage of those that did not apply for fear of getting rejected experienced a slight decrease (from five to four per cent). The working group hopes that the recommendations provided in this paper will help to draw the Chinese authorities' attention to the importance of creating more financial tools that SMEs can access.

In the EU, the main sources of funding available to SMEs are internal profit-based financing or internal financing provided by related parties such as shareholders (capital or shareholder loans), management and employees, and external financing provided by non-banking financial institutions (e.g. financial leasing companies, credit guarantee companies and micro-loan companies) whose financing costs are extremely high for SMEs. Other types of financing include equity financing through business angels, venture capital and private equity funds.

Compared to the variety of financial tools available to SMEs in the EU, China has limited options for SME financing. For example, bank loans for foreign-invested enterprises (FIEs) must be obtained against guarantees from banks outside of China, which typically require further risk assessment by European headquarters. However, foreign exchange loans, which theoretically should be easier for FIEs to access, are limited by the so-called 'borrowing gap'. This is the difference between the total amount invested and the minimum amount of required capital that corresponds to the investment.

The obstacles international SMEs encounter when it comes to obtaining funding are illustrated in the following case study:

<sup>35</sup> *Survey on the access to finance of enterprises, October 2017 to March 2018*, European Central Bank, June 2018, viewed 27<sup>th</sup> June 2018, <<https://www.ecb.europa.eu/pub/pdf/other/ecb.accessstofinancesmallmediumsizedenterprises201806.en.pdf?7f710aadd09e7d0036678df8612df9104>>

<sup>36</sup> Ibid.



A successful European SME in the service sector that does business in China tried to apply for a loan in order to cover its cash flow. However, it encountered a series of difficulties that ultimately made it impossible to be granted any credit from financial institutions, both Chinese and non-Chinese.

The process followed by this SME was to first look for financing from Chinese banking institutions. However, due to the small size of the company, compared to a Chinese SME, it was not able to meet the financial requirements the Chinese banks had established in order to provide a loan. The next step the company took was to try and obtain assistance from a financial institution in its home country. The issue in this case was that the SME's holdings were not based in the home country and consequently the SME did not have any relationship with the financial institutions there. Given that non-Chinese banking institutions in China can grant loans only through their local partners, therefore ensuring they are financially covered in their home country, it was impossible for them to grant a loan to the SME. This cannot happen if their holdings are not in the mother country and the company does not have a financial history with a non-Chinese bank there.

According to that SME the only avenues for financing they were left with were to ask its shareholders for a capital injection, to look for a Chinese partner providing the capital or to work with accelerators and incubators that would provide financing on a project-by-project basis. The third option is a possibility that remains to be further explored, as such a system tends to focus more on products than services.

The working group is pleased by the efforts made to tackle issues with SMEs receiving access to financing. This was done by including in the revised version of the SME Promotion Law, through various modified articles in Chapter 3, the means for financial institutions to provide SME-specific financial services, including credits and loans, and in the newly added Article 19 of the SME Promotion Law chattel secured financing was also provided. Furthermore, during a State Council meeting on 20<sup>th</sup> June 2018, further measures to improve financing conditions for micro, small and medium-sized enterprises were discussed. The proposed measures included lowering the re-financing rates for micro and small businesses, implementing targeted cuts on banks' reserve requirement ratios to boost their credit supply and ensuring that the state finance guarantee fund covers no less than 80 per cent of the financing guarantee for micro and small enterprises.<sup>37</sup> The working group looks forward to the effective implementation of such measures and hopes they will have a positive impact on both local and international SMEs' access to financing.

On 29<sup>th</sup> April 2016, the People's Bank of China (PBOC) issued the *Notice on Nationwide Implementation of Macro Prudential Management of Cross Border*

*Financing*,<sup>38</sup> which took effect on 3<sup>rd</sup> May 2016. This notice fundamentally changed the regulation on cross-border debt by Chinese enterprises and FIEs. For now, FIEs may continue to apply the old regime—outlined in Table 2—for an undefined transition period, or they may move immediately to the new regime. Ultimately, all FIEs will be subject to the new rules.

**Table 2: Ratio between total investment and registered capital in United States dollars (USD)**

Total Investment	Ratio of minimum registered capital of total investment
Up to USD 3 million	70%
USD 3–10 million	50% or USD 2.1 million, whichever is higher
USD 10–30 million	40% or USD 5 million, whichever is higher
> USD 30 million	33.3% or USD 12 million, whichever is higher

Source: then State Administration for Industry and Commerce (SAIC)<sup>39</sup>

<sup>37</sup> Fiscal measures on the way to help small businesses, State Council, 20<sup>th</sup> June 2018, viewed 21<sup>st</sup> June 2018, <[http://english.gov.cn/premier/news/2018/06/20/content\\_281476192651210.htm?mc\\_cid=6f5f0a9670&mc\\_eid=51671cb827](http://english.gov.cn/premier/news/2018/06/20/content_281476192651210.htm?mc_cid=6f5f0a9670&mc_eid=51671cb827)>

<sup>38</sup> Expand Pilots Programme of Cross-border Financing Approval, PBOC, 2016, viewed 18<sup>th</sup> April 2018, <<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3009303/index.html>>

<sup>39</sup> Interim Regulation on Joint Venture Proportion of Registration Capital and Total Investment, SAIC, 17<sup>th</sup> February 1987, viewed 18<sup>th</sup> April 2018, <[http://www.fdi.gov.cn/1800000121\\_23\\_69857\\_0\\_7.html](http://www.fdi.gov.cn/1800000121_23_69857_0_7.html)>



The new rules use net asset value instead of registered capital to determine the headroom for foreign debt, but foreign debt will still be restricted for FIEs under the new regime. The new rules will still prove to be problematic, since international SMEs have no access to domestic financing.

### Recommendations

- Enhance the implementation of lending strategies to assist all SMEs—both European and Chinese—operating in China.
- Increase incentives for the purpose of encouraging commercial banks to grant short-term overdrafts to SMEs facing temporary cash shortages.
- Publish specialised credit risk assessment procedures or systems for providing both local and international SMEs with loans.
- Establish national funds for financing partnerships between European and Chinese SMEs.
- Remove regulatory obstacles that limit SMEs', especially FIEs', access to credit financing by relaxing foreign exchange debt quota requirements.

## 2. Promote Coordination Between Different Administrative Departments and Improve the Transparency, Clarity and Integrity of All Relevant Regulations for SMEs

### Concern

China's complex regulatory and licence approval system creates added difficulties for the development of international SMEs in China.

### Assessment

After receiving approval from Administrations for Industry and Commerce (AICs) to establish as a legal entity in China, FIEs are then required to obtain different permits or registration forms from additional government agencies before they can become operational. The whole process can last several months during which time expenses related to renting temporary office space will be incurred even though the FIE is not yet eligible to conduct business. After an enterprise starts operating, annual re-registrations also then need to be carried out by several government agencies, which requires considerable resources.

The complexity of registration and re-registration processes constitutes one of the largest challenges for SMEs, thus it is essential that they receive prompt and clear responses from competent authorities.

**Table 3: Time schedule for establishing a manufacturing wholly foreign-owned enterprise (WFOE)**

Steps	Authorities	Time Estimation <sup>40</sup>
<b>WFOE Establishment Registration</b>		
Name pre-approval	Local branch of the State Administration of Market Supervision	2–5 working days
Recording Receipt/ approval <sup>41</sup>	Relevant branch of the Ministry of Commerce (MOFCOM)	2–5 working days
Environmental impact assessment and approval	An environment impact assessment institute and the Environmental Protection Bureau	30–40 working days
Business licence	SAIC	7 working days
<b>WFOE Post Registration (25–35 working days)</b>		
Stamp carving	Public Security Bureau	1–3 working days
Account opening	Client and bank	5–10 working days
Tax registration and general value-added tax payer	Tax authorities	5–10 working days
Foreign trade recorder	Relevant MOFCOM branch	5 working days
Import and export licences	Customs	15–20 working days

<sup>40</sup> The estimated time required only takes into consideration the time for the competent authority to handle the application. It does not include time spent by third-party law firms and their clients in preparing application documents.

<sup>41</sup> MOFCOM approval is still required for foreign investment in the listed industries found in the *Guideline of Special Administrative Measures for Access of Foreign Investment*.



<b>Post-registration for Project Approval<sup>42</sup> (50–63 working days)</b>		
Record the investment project <sup>43</sup>	Management Commission of the Economic and Technological Development Area	3 working days
Pre-file the investment project	Development and Reform Commission	10 working days
Energy conservation pre-assessment and approval	An energy conservation assessment institute and the Development and Reform Commission	30–40 working days
Apply for project approval/record <sup>44</sup>	Development and Reform Commission	10 working days
<b>Apply for Fitting-out Approval (40 working days)</b>		
File the design of the fitting-out project	A fire station	20 working days
File the acceptance of the fitting-out project	A fire station	20 working days
<b>Other Pre-assessments<sup>45</sup> (30–40 working days)</b>		
Work safety pre-assessment and approval	A work safety assessment institute and the Work Safety Supervision Bureau	30–40 working days
Occupational hazard pre-assessment and approval	A work safety assessment institute and the Work Safety Supervision Bureau	30–40 working days
After the above steps have been completed, the workshop is permitted to conduct trial production. <sup>46</sup>		

The working group welcomes the modifications to the SME Promotion Law that address the issue of administrative burdens, especially the provisions regarding the streamlining of the approval processes, the lowering of administrative charges and the facilitation of deregistration procedures. However, it remains to be

<sup>42</sup> 'Project' means the establishment of a workshop for manufacturing.

<sup>43</sup> This record is unnecessary if the workshop is not in any of China's free trade zones.

<sup>44</sup> Some projects may only need a record from the Development and Reform Committee, which can be determined on a case-by-case basis.

<sup>45</sup> After the trial production is complete the SME is required to conduct the final evaluation for work safety, energy conservation and occupational hazards and obtain final approval from the competent authorities.

<sup>46</sup> After the trial production is complete, all the aforementioned assessments are required to be confirmed by the competent authorities for final approval before normal production can commence.

seen how—or indeed if—the implementation of these measures will apply to international SMEs.

In recent months, the municipal administrations of various cities have published policies that simplify the process for companies to register. One example of where substantial progress is being made is Beijing. Under the umbrella of the 9+N initiative,<sup>47</sup> on 18<sup>th</sup> March 2018, the Beijing AIC published the Bureau Notice on Further Optimising the Business *Environment and Improving the Efficiency of Enterprise Start-ups*,<sup>48</sup> which outlines the development of an online business registration system that should be able to shorten the registration time from an average of 22 to approximately five working days.<sup>49</sup> According to Chinese officials from the Beijing AIC, although the registration time will be slightly longer for international companies than for Chinese ones, the new system will still be quicker for foreign businesses.<sup>50</sup> Furthermore, at the national level, the State Council published on 17<sup>th</sup> May 2018 the *Opinions on Further Compressing the Time for Starting a Business (Opinions)*,<sup>51</sup> which states that by the end of 2018 the length of time required for starting a business will be reduced nationally to 8.5 days. In order to achieve this goal, the *Opinions* put forth the following measures:

- A 'one single window' principle.
- Streamlined corporate registration formalities.
- The simplification of seal production processes for consolidating multiple certificates into a single licence.
- Procedural clarification for new companies obtaining invoices for the first time.
- The optimisation of social insurance registration procedures.

<sup>47</sup> '9+N' (which stands for "nine policies and N matching measures") is a policy package that aims to optimise the business environment in Beijing. *People's Daily: Beijing Releases "9+N Policy Package to Create the Most Optimised Environment for Service Companies*, Beijing People's Government, 22<sup>nd</sup> March 2018, viewed 18<sup>th</sup> April 2018, <<http://www.beijing.gov.cn/lqfw/gggs/t1515716.htm>>

<sup>48</sup> *People's Daily: Beijing Releases "9+N Policy Package to Create the Most Optimised Environment for Service Companies*, Beijing People's Government, 22<sup>nd</sup> March 2018, viewed 18<sup>th</sup> April 2018, <<http://www.beijing.gov.cn/lqfw/gggs/t1515716.htm>>

<sup>49</sup> *Beijing's "9+N" Policy to Optimise the Business Environment*, *People.cn*, 19<sup>th</sup> March 2018, viewed 18<sup>th</sup> April 2018 <<http://house.people.com.cn/n1/2018/0319/c164220-29874733.html>>

<sup>50</sup> During a meeting organised by Invest Beijing on the policy interpretation of digitalisation of business registration and the optimisation of Beijing's business environment in general, on 4<sup>th</sup> April 2018, the European Chamber asked a series of questions regarding the impact of these new measures on business registration for foreign companies. According to the Chinese officials in attendance, foreign companies can do part of the registration online, with the help of their legal counsel or Chinese employees.

<sup>51</sup> *Opinions on Further Compressing the Time for Starting a Business*, State Council, 17<sup>th</sup> May 2018, viewed 25<sup>th</sup> May 2018 <[http://www.gov.cn/zhengce/content/2018-05/17/content\\_5291643.htm](http://www.gov.cn/zhengce/content/2018-05/17/content_5291643.htm)>





The working group considers this is a positive development and encourages the timely and efficient implementation of these measures for both domestic and international SMEs.

#### Recommendations

- Implement the 'one-stop-service' system in provincial/regional administrative departments to support all SMEs, both European and Chinese, in fulfilling their multiple registration and regulatory obligations.
- Further develop official platforms—preferably online—to provide comprehensive, coherent and timely information to SMEs.
- Continue efforts to alleviate administrative burdens for SMEs by reducing the number of government approvals and simplifying the remaining approval and filing procedures.

### 3. Ensure Reasonable Payment Terms and Enforce Timely Payments to Alleviate Cash-flow Burdens of SMEs in China

#### Concern

European SMEs in China frequently face liquidity problems due to an absence of maximum contractual payment terms, non-negotiable payment terms with state-owned enterprises (SOEs) or private sector players, and late/non-payments from clients.

#### Assessment

Since access to bank loans is limited for SMEs in general, and international SMEs in particular, substantial reserve assets are a prerequisite for business operations in China.

Usually, SMEs have limited bargaining power during negotiations, which often results in customers imposing onerous contractual payment terms. In addition, many customers do not comply with these terms and pay late.

SMEs who conduct business with SOEs or large Chinese privately-owned enterprises (POEs) have limited negotiating power when discussing payment terms. At the same time, SMEs are often required to pay a 30 per cent down payment and 70 per cent of the total cost, prior to the goods being delivered to their own suppliers. When dealing with SOEs and large POEs, there are a number of obstacles that limit the overall chances of SME success. For example, SMEs in the industrial sector

typically receive a 20 per cent down payment, 30 per cent at onsite delivery, 40 per cent at the commissioning and the remaining 10 per cent at the end of the warranty period (24 months). This means that only 20 per cent of the total payment is secured while the remaining 80 per cent is fully dependent on clients' willingness to comply with pre-existing payment obligations.

In China, most industries do not have guidelines to ensure that market players respect contractual payment terms and so they set a maximum payment term that can be included in contracts (e.g. 30 calendar days if the customer is a public authority or state-owned company and 60 days if the customer is a privately-owned company, subject to certain exceptions).<sup>52</sup> SMEs lack the means to put pressure on unwilling debtors. Legal debt collection procedures are available, but these are often not practical given their length and, most importantly, the high costs for such services. China's Civil Procedure Law contains well-intended, low-cost summary proceedings for undisputed debts, but this procedure has several flaws and is therefore seldom used in practice.

The revised SME Promotion Law includes a new article prescribing that state organs, public institutions and large enterprises shall not default on the payment of goods, services and projects to SMEs, and that SMEs are entitled to claim arrears and demand compensation from parties that pay late or default. While the working group is pleased that such a vital issue is being addressed, it encourages Chinese authorities to publish concrete guidelines on the implementation of the measures outlined in the revised SME Promotion Law.

#### Recommendations

- Issue guidelines and implement effective industry supervision measures to ensure that SOEs and private sector players respect contractual payment terms when dealing with SMEs.
- Set a maximum payment term that is lawfully allowed to be included in contracts.
- Encourage SOEs to sign contracts with SMEs that have reasonable payment terms.
- Improve legal debt collection procedures.

<sup>52</sup> For fixed payment periods in the EU, 30 calendar days are referenced when customers are a public authority and 60 calendar days are referenced when the customer is another company; this is done to determine when late payment interest can be claimed. The EU has further clarified this by publishing a table with the statutory interest rates for late payments, by country. Late payment, EU, 16<sup>th</sup> March 2018, viewed 18<sup>th</sup> April 2018, <[http://europa.eu/youreurope/business/sell-abroad/late-payment-fees/index\\_en.htm](http://europa.eu/youreurope/business/sell-abroad/late-payment-fees/index_en.htm)>



- Further develop implementing measures to encourage banks to provide financing solutions to SMEs based on accounts receivable.

#### 4. Promote the Value of IPR Protection and Enforcement Mechanisms at the Consumer, Business and Local Government Levels

##### Concern

A lack of public awareness regarding the value of IP and effective enforcement at the local level limits the impact of recent positive changes in the IPR legislative environment.<sup>53</sup>

##### Assessment

European SMEs face a general lack of IPR system awareness at the grassroots level, and consequently they do not often take advantage of it. China struggles with a poor reputation regarding respect for IP. This can be attributed to a high number of counterfeits sold and produced in China, which lowers consumer trust in goods manufactured and distributed in the country. The challenges related to protecting IP and the generally negative international perception associated with IPR in China often deter European SMEs from entering the Chinese market.

Difficulties related to navigating the Chinese IP system pose a significant challenge for European companies that struggle to uphold their reputation and return on investment for innovation in an environment where counterfeit products are being sold online and offline, and bad-faith registrations of IPR are still commonplace. These phenomena not only discourage European investment in China but also cast a dark shadow over China's reputation and can prevent promising business relations between Chinese and foreign enterprises from developing. In the case of European SMEs, these challenges are further intensified due to their lack of knowledge about how the system operates and the scant amount of resources many have. For example, the system allows company representatives to potentially train customs officers in the identification of counterfeit products. However, even if SMEs are aware of this, it is likely that most of them lack the resources to send a representative to perform the training.

<sup>53</sup> This is in line with the experience of the China IPR SME Helpdesk.

Measures that can produce a general shift in the perception of IPR protection and enforcement are therefore recommended. Both the general public and the business community acknowledge the value of IPR protection as an effective tool for boosting creativity. Effectively enforcing IPR protection also creates a transparent environment for business transactions to take place and nurture EU-China business relations through licensing, technology transfers and joint R&D activities. Effective enforcement of IPR not only protects companies, but also serves as a quality and safety guarantee for consumers.

One of the most positive developments related to IP in recent years was the establishment of the Specialised IP Courts Pilot Project in Beijing, Shanghai and Guangzhou, and IP tribunals that took place in various provinces in China.<sup>54</sup> At the end of August 2017, the Supreme People's Court (SPC) released a three-year report that assessed the value and contributions of the IP courts. The results were positive in terms of the volume and outcomes of cases accepted since 2014 (46,071). Furthermore, the SPC recommended the establishment of sole-judge benches deciding on simple civil and administrative IP cases to increase efficiency, as well as the creation of a specialised IP court at the appellate level.<sup>55</sup> In general, China's push for innovation and entrepreneurship has led to a significant improvement in IPR enforcement, as perceived by European companies. According to *BCS 2018*, the proportion of respondents who view IPR enforcement as adequate or excellent has increased from 13 per cent to 34 per cent between 2013 and 2018.<sup>56</sup>

While the working group welcomes these positive developments, as well as the recent reforms on IP protection regulations, IPR enforcement remains a challenge for SMEs. Among several major concerns reported is the high burden of proof for infringements and damages. These concerns are significantly lower than the loss of reputation and market share

<sup>54</sup> The IP court system was introduced in the second half of 2014 and has developed in terms of the quality of judges and its outreach capacity. There has been an expansion of the specialist IP adjudication system, via the recently created Special Inter-district IP Tribunals in Chengdu, Nanjing, Suzhou and Wuhan. In the second half of 2017, six IP courts, including Jinan, Fuzhou, Qingdao, Hefei, Hangzhou and Ningbo, were established.

<sup>55</sup> *China Patents: IP Courts under Review*, Managing Intellectual Property, 28<sup>th</sup> September 2017, viewed 19<sup>th</sup> April 2018, <<http://www.managingip.com/Article/3755374/China-Patents-IP-courts-under-review.html>>

<sup>56</sup> *European Business in China Business Confidence Survey 2018*, European Union Chamber of Commerce in China, 2018, p. 20, <<http://www.eurochamber.com.cn/en/publications-business-confidence-survey>>





experienced by the claimant company. Many SMEs face significant obstacles, and a lack of cooperation from local enforcement agencies and local courts effectively deters companies from doing business in China.

Finally, an issue that both European and Chinese SMEs should keep an eye on is the recent government reshuffle announced during the 2018 Two Sessions. Under these reforms, the former State Intellectual Property Office (SIPO) took over trademark management functions of the former SAIC, along with 'place of origin' label management duties of the former General Administration of Quality Supervision, Inspection and Quarantine. The SIPO now falls under the purview of the newly created State Administration for Market Regulation.<sup>57</sup> These changes are expected to be positive for SMEs, since IPR registration and enforcement will be handled by one institution instead of several. Due to this, there will now be a greater amount of resources available for use in enforcing IP cases. The working group looks forward to further developments in this area.<sup>58</sup>

### Recommendations

- Involve the general public and business community in awareness-raising campaigns to promote respect for IPR.
- Intensify efforts to tackle the bad-faith registration of IPR among trademark agents, Chinese companies that register more than 10 different foreign, non-registered trademarks for the same goods or services, clear-cut bad-faith registration cases and repeat offenders.
- Engage local enforcement agencies, customs and local courts to take effective action against counterfeiting.
- Further consolidate the Specialised Intellectual Property Court Pilot Programme.

## Abbreviations

AIC	Administrations for Industry and Commerce
CCPIT	China Council for the Promotion of International Trade
CM2025	China Manufacturing 2025
EC	European Commission
EU	European Union
EUR	Euro
FIE	Foreign-Invested Enterprise
GDP	Gross Domestic Product
IP	Intellectual Property
IPR	Intellectual Property Rights
R&D	Research and Development
MNC	Multinational Corporation
MIIT	Ministry of Industry and Information Technology
MOFCOM	Ministry of Commerce
NPC	National People's Congress
BRI	Belt and Road Initiative
PBOC	People's Bank of China
POE	Privately-Owned Enterprise
SAIC	State Administration for Industry and Commerce
SAFE	Survey on the Access to Finance of Enterprises
SME	Small and Medium-sized Enterprise
SIPO	State Intellectual Property Office
SPC	Supreme People's Court
13FYP	13 <sup>th</sup> Five-Year Plan
VAT	Value-Added Tax
VPN	Virtual Private Network
WFOE	Wholly Foreign-Owned Enterprise

<sup>57</sup> Organisational Structure, State Intellectual Property Office, 10<sup>th</sup> April 2018, viewed 17<sup>th</sup> July 2018, <<http://www.sipo.gov.cn/gk/gkzzjg/1121359.htm>>

<sup>58</sup> Jurgenson, Helika, *Structural Changes in IPR Registration and Enforcement Bodies in China*, Your IP Insider, 2<sup>nd</sup> April 2018, viewed 19<sup>th</sup> April 2018, <<http://www.youripinsider.eu/structural-ipr-registration-enforcement-bodies-china/>>

