

EIAS Briefing Seminar
“Managing Sustainable Supply Chains in Doing Business with China”
EIAS Brussels, 10 June 2022

Report

On 10 June 2022, the European Institute of Asian Studies hosted a briefing seminar entitled “Managing Sustainable Supply China in Doing Business with China”. The discussion addressed issues surrounding the sustainable management of supply chains while doing business with China, procedures and guidance on ensuring quality control, as well as alternatives for overcoming the supply chain disruptions due to COVID and the war in Ukraine.. Welcoming and introductory remarks were presented by Lin Goethals, Director of EIAS, before the seminar continued with remarks from the speakers: Karel Perriens, Koen de Ridder, and Johnny Browaeys.

Lin Goethals started her introductory remarks by introducing the distinguished speakers. Karel Perriens has been involved in the procurement of natural stone since the early 90s from China, Vietnam and India, having built up an in-depth knowledge of Chinese supply chains. She then presented Koen De Ridder, who was the Flemish Economic Representative in the southern Chinese city of Guangzhou for 7 years. He then spent 6 years in Hong Kong working for a Big Four company as head of the Belgian Desk Greater China. From 2017 to 2022, he was an International Advisor at UNIZO in Belgium, where he was one of the founders of the annual China Business Masterclasses. Since 1 June 2022 he has once again joined the team of Flemish Economic Representatives (VLEVs) of Flanders Investment & Trade (FIT). This time, from Beijing, he will promote the Flemish economy on the international map by introducing Chinese entrepreneurs to the many advantages Flanders has to offer to foreign investors, and assist Flemish companies export to Northern China. The last speaker, Johnny Browaeys is an executive with over 16 years of experience in China. He is the National Vice Chair of the Carbon Working Group of the European Chamber in China and also Senior Manager of Tus Brussels Innovation Center and is passionate about cross-cultural collaboration with China for sustainable innovation.

Lin Goethals then gave the floor to Karel Perriens, who started his opening remarks by indicating that the main challenge of doing business with China has been the inability to see products and people in person due to COVID-19 restrictions. He stressed the need for a new and adapted approach when doing business with China and ensuring quality control. However, Perriens regretted the growing negative sentiment towards China in the EU. According to his three decades of experience in doing business with China, bad quality in China is a myth and most Chinese business leaders are reliable with a high potential, wanting business to succeed. They

produce high-quality goods, and can be trusted as business partners. The negative perception of the EU towards China and Chinese products is not fully justified and has posed an issue for the business community and broader public. One example is that European businesses have no concern solving the quality issues afterwards while dealing with European suppliers. However, when it comes to Chinese products, suspicion and mistrust often seem to dominate.

In addition, Perriens emphasized the key to continue establishing trust with Chinese business partners and finding the right person to work with and find common agreement on what standards they follow, particularly when physical interaction is largely restricted. He called upon the audience to help overcome political and ideological issues which are hampering continued exchanges.

The second speaker, Koen De Ridder, approached the topic from the perspective of aiding Flemish exporters to China. He echoed Perriens' observations that international business has been increasingly challenging due to rising energy and logistical prices, as well as labor shortages. These challenges have persisted for a long time and are not solely linked to China. COVID-19 acted as a wake up call and made it clear how stretched our supply lanes have become. We need to rethink how we do business. However, looking into widely discussed alternatives like near-shoring or re-shoring has made it clear that it is not easy to change existing supply chains and that it is still easier said than done. De Ridder highlighted the often forgotten fact that China has developed itself into a mature, sophisticated market.

De Ridder echoed the logistics challenges he has been facing when transporting goods between Flanders and China. He considers the BRI to be part of the solution, since delivery time from China to Europe by BRI railroads can be shortened to 20 days (contrasting to 50 days by sea shipping). Though railroad transportation is far from replacing ocean shipping, it is more ecological. As many businesses are already underway to diversify their logistics, we need to rethink logistics and how we do business. Another useful solution would be digitalization. Large digitized platforms and widespread digital payments like in China have the potential to make business more democratic. De Ridder acknowledged the potential threats posed by digitalization, and admonished the audience not to miss out on the great opportunities that engaging with China could give European business.

Next, the floor was given to Johnny Browaeys, who stated that his objective is to support European companies as they develop and grow in China and technology can help companies in their businesses. Repeatedly emphasizing the significance of trust when doing business in China, Browaeys encouraged European business leaders to search for reliable business partners who know and understand China well. China's ecosystems consist of circles based on trust, while trust is a difficult matter today. Since there are good and bad suppliers everywhere in the world, European businesses should not have unique concerns about doing business in China, but should rather make an attempt to understand the Chinese language and culture since this will be to their advantage when building trust and relations with business partners. Furthermore, Browaeys reiterated the benefits of Chinese digitalization, encouraging European businesses to take advantage of the amount of reliable information available for their use. Digitalisation in China has taken a leapfrog and has become more trustable. He referred to one advantage of the digitalized system, in that one can discover Chinese companies' environment credit scores and

incidence frequencies online in order to decide whether one wants to work with them. This kind of digitization can be also utilized to improve transparency for quality control and resolve other issues systematically. Notably, China has shifted from cheap produce to a high-tech market, having become the world's number one technology exporter in 2020.

Following the questions from the audience regarding improving transparency and the system to match EU standards, all speakers agreed on the importance of building mutual interaction, asking for transparency from Chinese suppliers and consolidating data. De Ridder offered additional advice on finding reliable Chinese partners in verifying companies' backgrounds through the National Enterprise Information Credit System; working with local partners or sourcing agents; expanding networks by participating in events and fairs. Browaeys and De Ridder concurred that, to be able to succeed in China, European businesses need to align their goals as closely as possible with China's 5-year plans. China delivers a manyfold of certificates and digitalisation may, however, not be the holy grail. Human contact will remain key as there is an emotional component to contacts in China and business will always remain a personal matter. Yet, "if you buy a 1-dollar product you will get a 1-dollar quality". If the willingness to do business is high, transparency is not a problem in China when asked for, as one will need to work closely together with their Chinese counterparts throughout the entire production and transportation process.

When asked how to best address logistical challenges, Perriens noted that BRI routes are good alternatives to alleviate the ocean shipping disruptions imposed by stringent COVID policies in China, strains on production and delivery can be largely eased. However, in our current fast-changing environment, another big obstacle we face is the sea blueprinting, as transport by sea is highly polluting our environment. This will likely be a greater concern as other issues are being resolved.

This is a pressing time to experiment with some potential solutions to develop sustainable supply chains, particularly with heightened concerns over rail routes due to the invasion of Ukraine. Particular concern was expressed over routes transiting through Russia. Alternatives such as the Transport Corridor Europe-Caucasus-Asia (TRACECA) should be further developed in order to assure a fully functional transport corridor from Europe to China, via the Black Sea, the Caucasus and the Caspian Sea. Both European business and Central Asian countries would largely benefit from this route as it offers an alternative to ocean shipping and rail transporting without traveling through Russia. It will be key to support European businesses to adjust their strategies according to the dynamic environment and assist their continued growth.

Last but not least, to reinforce dialogue and exchange, the panel offered advice to improve business and strengthen the relationships. Because all business is people's business, it is important to maintain open communication, bolster mutual understanding and build bridges in business. Through collaborative innovation it is key to bridge the differences and to bolster mutual understanding. Businesses can prepare themselves by mapping their supply chain, providing the right specifications and offering due diligence. Soft diplomacy, such as educational exchanges and cultural dialogues are essential to build up the relationships and help European companies understand China. On the other hand, European companies need to filter through the negative media portrayal of China and focus on the enormous opportunities in the Chinese market. To summarize, there are many challenges and opportunities ahead, European businesses

need to rethink how to do business in China by building trust and transparent relations, diversifying their logistics and exploring digitization in order to not to miss out on the opportunities in the Chinese market due to challenging global dynamics.

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