

SCHINDHELM

Schindhelm Rechtsanwaltsgesellschaft mbH

BETWEEN CHINA AND EUROPE

21st CENTURY SILK ROAD: DEVELOPMENT OF CHINA'S BELT AND ROAD INITIATIVE

Warsaw-Beijing-Forum
May 18, 2023

AUSTRIA BELGIUM BULGARIA CHINA CZECHREPUBLIC FRANCE
GERMANY HUNGARY ITALY POLAND ROMANIA SLOVAKIA SPAIN TURKEY



LAW. TAX. CLARITY.

CONTENT

- Introduction of Schindhelm Law Firm
- 21st Century Silk Road: Development of China's Belt and Road Initiative between 2013 and 2023
- “Greater Bay Area”: New Foreign Investment Center for Renewable Energy in Guangdong-Hong Kong- Macao Market
- Access for Foreign Investment in Renewable Energy in China
- Establishment Process For Wholly Foreign Owned Enterprises in China
- Poland in Belt And Road Initiative

Introduction of Schindhelm Law Firm

SCHINDHELM LAW FIRM

- Schindhelm Rechtsanwalts-gesellschaft mbH is an international commercial law firm.
- We have a broad network with 31 offices in 14 countries and 230 lawyers with a focus on Central and Eastern Europe as well as Asia.
- Our lawyers in the different local offices speak both German and English as well as the respective local language.
- Our offices are located in Bologna, Budapest, Bucharest, Brussels, Düsseldorf, Frankfurt, Istanbul, Madrid, Munich, Osnabrück, Paris, Prague, Shanghai, Valencia, Warsaw and Vienna.

SCHINDHELM LAW FIRM

- Our clients are medium-sized and large companies from the fields of industry, trade and services as well as associations, public corporations and private clients.
- We see ourselves as a reliable partner for medium-sized businesses with innovative solutions and first-class legal advice.
- We see ourselves as an international network with German-speaking roots. Our lawyers speak German as a matter of course as well as English and the respective local language.

21st Century Silk Road:

Development of China's Belt and Road Initiative
between 2013 and 2023

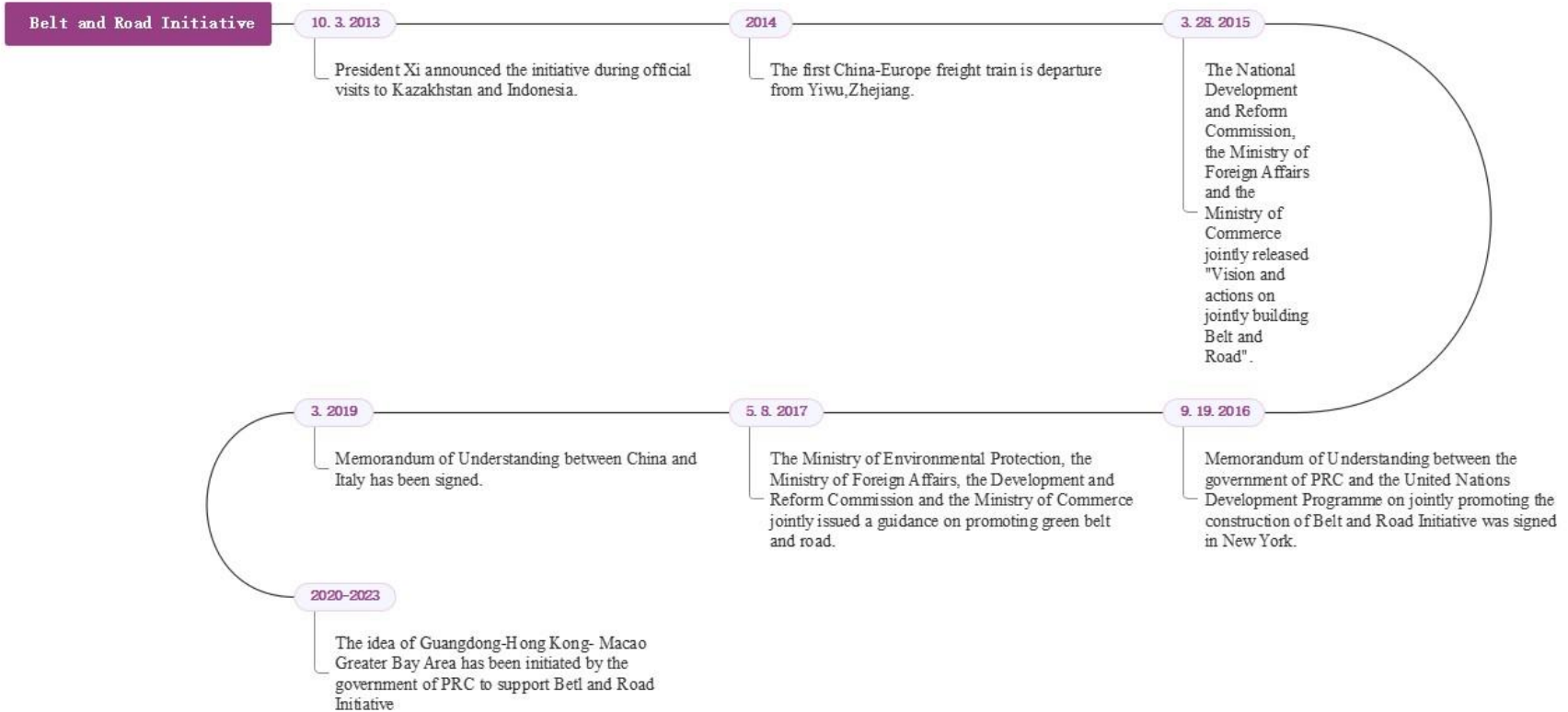
THE DEFINITION OF 21ST CENTURY SILK ROAD

- The official name of 21st Century Silk Road is called China's Belt and Road Initiative ("BRI").
- The name was originated from the concept of the Silk Road established during the Han Dynasty around 2000 years ago – an ancient network of trade routes that connected China to the Mediterranean via Eurasia for centuries.
- The current BRI comprises
 - Silk Road Economic Belt as transcontinental passage that links China with southeast and south Asia, Central Asia, Russia and Europe by land; and
 - Maritime Silk Road as sea route connecting China's coastal regions with southeast and south Asia, the South Pacific, the Middle East and Eastern Africa, all the way to Europe.

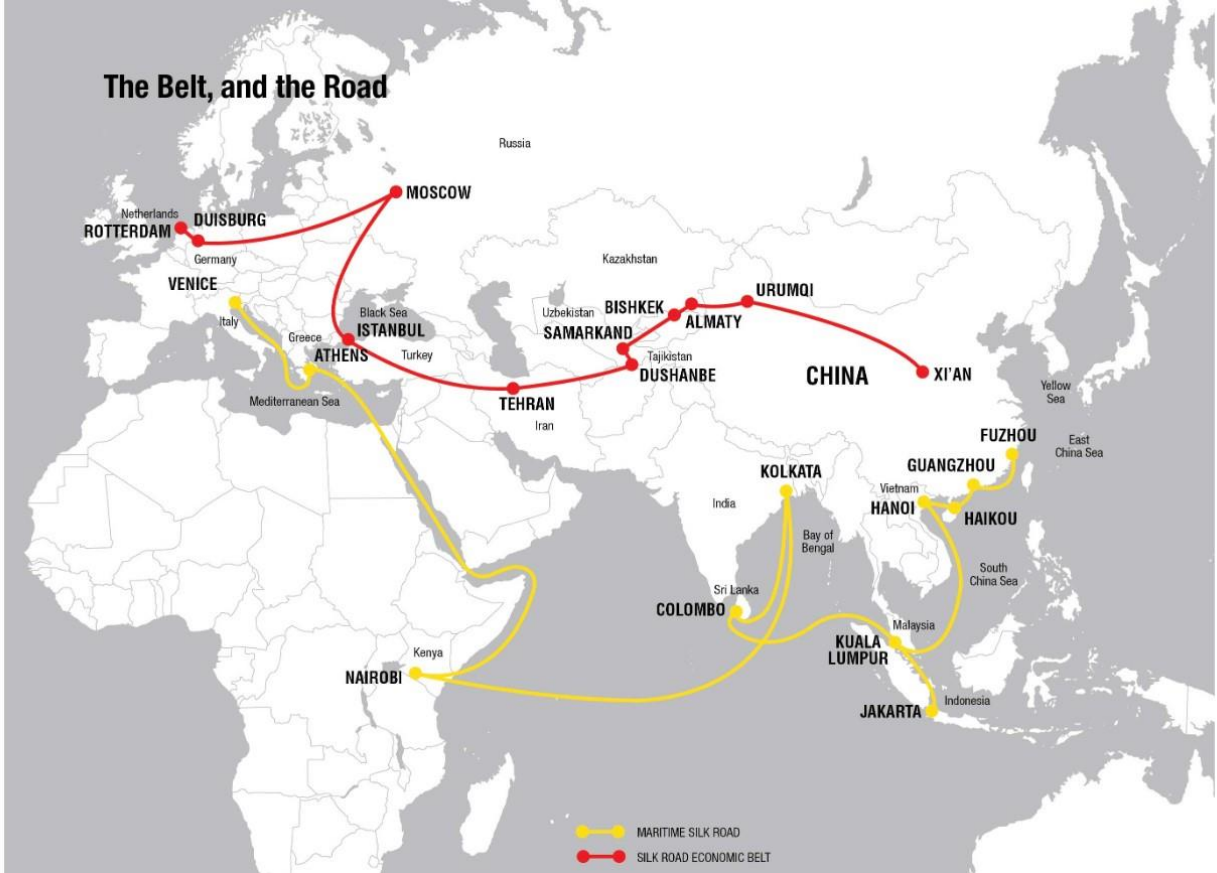
A MAP OF 21ST CENTURY SILK ROAD



TIMELINE OF 21ST CENTURY SILK ROAD



A MAP OF 21ST CENTURY SILK ROAD



21ST CENTURY SILK ROAD: 2013-2016

- Initial idea of BRI is a strategy initiated by the People's Republic of China that seeks to connect Asia with Africa and Europe via land and maritime networks with the aim of improving regional integration, increasing trade and stimulating economic growth.
- In the beginning, the initiative made investments in infrastructure development for ports, roads, railways and airports, as well as power plants and telecommunications networks.

21ST CENTURY SILK ROAD: 2017-2022

- BRI now emphasis on high quality investment, such as green finance and project finance in renewable energy.
- In November 2019, Green Investment Principles for BRI has launched, and 39 global financial institutions have signed this principles with \$48 trillion in assets under management. The goal is to ensure new BRI investment projects are environment-friendly, climate-resilience and social inclusion.
- China has built a strong enabling business environment in China for foreign investments and along the Belt and Road in its 14th Five Year Plan (2021-2025) that was officially endorse on March 11, 2021.

21ST CENTURY SILK ROAD IN 2023

- The third Belt and Road Forum for International Cooperation will be held in 2023.
- China has created a new investment center called Greater Bay Area (“GBA”).
- *“The development of BRI will adopt the GBA as an important focal point, develop a new system for an open economy, create a high-level platform for opening up, converge with high-standard trade and investment rules, and accelerate the development of new edges in international cooperation.”*

“Greater Bay Area”:

New Foreign Investment Center for Renewable
Energy in Guangdong-Hong Kong- Macao

GREATER BAY AREA

- The GBA comprises the two special administrative regions of Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in the Guangdong Province.
- The total area is around 56,000 km² and its total population is over 86 million. The total area GDP was USD 1.668 billion in 2020.

GREATER BAY AREA



GOALS OF GREATER BAY AREA DEVELOPMENT

- To develop into an important support area for BRI, the following four main goals for the GBA's development:
 - Become a benchmark for green transformation;
 - Build an international innovation center;
 - Establish a national platform for high-level opening-up;
 - Explore new models for coordinated supply chain development.

GREEN TRANSFORMATION TO DRIVE HIGH-QUALITY GROWTH IN GBA

- With its large economy and vast growth potential, total energy demand and carbon emissions in the GBA will continue to increase.
 - *The GBA's population is expected to increase to around 100 million people by 2035, and the value added of its manufacturing industry will continue to account for 30 – 40% of China's total.*
- Since the constraints of national goals for peak carbon by 2030 and carbon neutrality by 2060, it dictates that the GBA must promote growth that is sustainable and high quality.
 - *The GBA becomes the first demonstration area for China's green transformation.*

PLANS FOR THE GBA GREEN DEVELOPMENT

- Enterprises in the GBA will be required to transition to low-carbon and zero-carbon and promote sustainable business development by meeting regulatory requirements in areas like ESG.
- The governments of the GBA will create a collaborative governance mechanism and unify green standards, establish government-backed green industry funds and demonstration projects to create green industries and support enterprise decarbonization.
 - *Hong Kong will be built as a green financial center to meet the financing needs of green industries.*

PLANS FOR THE GBA GREEN DEVELOPMENT

- The 14th Five Year Plan for Energy Development in Guangzhou Province:
 - Energy infrastructure in GBA will make a clean, low carbon transformation;
 - Guangzhou will vigorously develop offshore wind power and create a 20-million-kilowatt offshore wind power base in eastern and western Guangdong;
 - At the same time, it will moderate develop onshore wind power by focusing on developing decentralized onshore wind power in accordance with local condition.
 - Photovoltaic power generation will be actively developed, and the installed capacity of photovoltaic power generation will be increased by about 20 million kilowatts during the 14th Five Year Plan period.

Market Access of Foreign Investment in Greater Bay Area for Renewable Energy

THE 14TH FIVE-YEAR PLAN

- **High-level Opening:** The outline of the 14th Five-Year Plan noted that China will develop high-level opening on a larger scale, among wider range and at a deeper level.
- The main measures include further advancing the liberalization and facilitation of trade, lowering import barriers for goods and services, improving the system for foreign investment management (such as pre-establishment national treatment and negative list), protecting lawful rights and interests of foreign enterprises, upgrading the law, policy and service system for promoting and securing foreign investment.

THE 14TH FIVE-YEAR PLAN

- Since 2012, the central government has allocated more than 450 billion yuan of subsidies to support the development of renewable energy, fueling the country's energy transition:
 - Onshore wind power, offshore wind power.
 - Photovoltaic power, photothermal power.
 - Biomass power, geothermal power.
- Within the 14th Five-Year Plan period (2021-25), wind and photovoltaic power across China are to fully achieve power grid parity, or a tipping point at which their generation costs are the same or less as electricity from the power grid.

NEW FOREIGN INVESTMENT LAW IN CHINA

- New Foreign Investment Law of the People's Republic of China and its implementing Regulations took effect on January 1, 2020.
- This new PRC Foreign Investment Law and its implementing Regulations are designed to remove former existing restrictions for foreign investment and to expand protection of IP rights and trade secrets. Key takeaways are:
 - Foreign invested enterprises ("FIE") are now subject to the PRC Company Law and Partnership Law, which stipulate different rules on corporate governance, voting, share transfers, profit sharing and so forth.
 - Foreign invested enterprises will be treated equally with domestic companies regarding access to government funds, land supply, tax exemptions, licensing, project applications and so on.
 - The new law prohibits government officials from forcing foreign investors to transfer their technology and require authorities to take effective measures to protect the trade secret of foreign investors.

THE NEGATIVE LIST & ENCOURAGED INDUSTRIES CATALOGUE

- The “Negative List” and “Encouraged Industries Catalogue” perform the functions of prohibiting and restricting foreign investment in certain sectors and providing incentives for foreign investment in other fields.
- The Negative List was updated in 2022 to further open the Chinese market for foreign investments.
- The updated Negative List has removed restrictions in certain sectors such as:
 - No restriction in renewable energy.
 - A joint venture with a Chinese partner is no longer required in oil and gas exploration as well as environmental services.

THE NEGATIVE LIST & ENCOURAGED INDUSTRIES CATALOGUE

- The Encourage Industries Catalogue is being expanded to attract more foreign investment.
 - A sub-catalogue attached to the Encouraged Industries Catalogue lists those sectors in western, central and eastern China to support BRI.
 - Renewable Energy is a highly recommended area (Construction and operation of new-energy power stations, including solar energy, wind energy, geothermal energy, tidal energy, current energy, wave energy, and biomass energy).

- Foreign investors will enjoy preferential benefits in the sectors covered by the Encouraged Industries Catalogue.
 - Customs duty exemptions on equipment imported for self-use.
 - A preferential enterprise income tax rate of 15% in certain encouraged sectors and regions.
 - Qualified investments will enjoy land supply on a priority basis, plus a discount of up to 30% below the mandatory minimum price for granted land use rights.

FOREIGN INVESTMENT POLICIES IN GBA

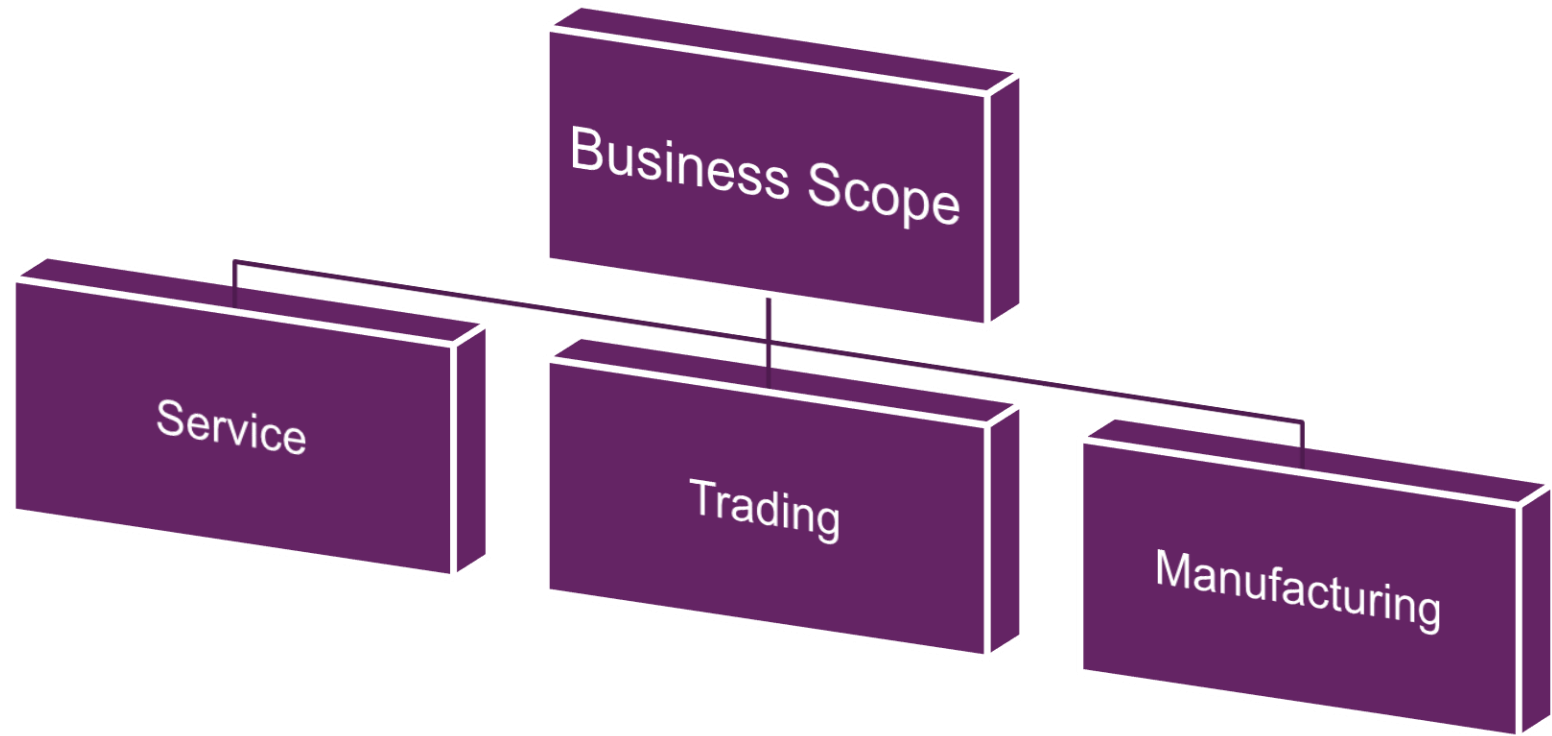
- Regulations on the Protection of Foreign Investment Rights and Interests in Guangdong Province
 - This regulation comes into force on 3/1/2022.
 - It is the first local legislation on the protection of rights and interests of foreign investors in China.
- The Policies and Measures of People's Government of Guangdong Province on Further Expanding Opening-up and Actively Attracting Foreign Investment.
 - Expanding areas of foreign investment market access.
 - Increasing financial incentives for foreign investment.
 - Strengthening the safeguard of land use.
 - Optimizing the environment for foreign investment in key industrial parks and improving the mechanism for foreign investment.

BENEFITS OFFERED ON RENEWABLE ENERGY BY GOVERNMENTS IN GBA

- Guangzhou province has offered subsidy for offshore wind power.
- In the Cooperation Zone of the GBA, the corporate income tax rate has been reduced to 15% for the qualified industries and enterprises.
- The income derived by the enterprises in the modern service industry and high-tech industry established in the Cooperation Zone from new overseas direct investment shall be exempted from corporate income tax.

Establishment Process For A Wholly Foreign Owned Enterprise in China

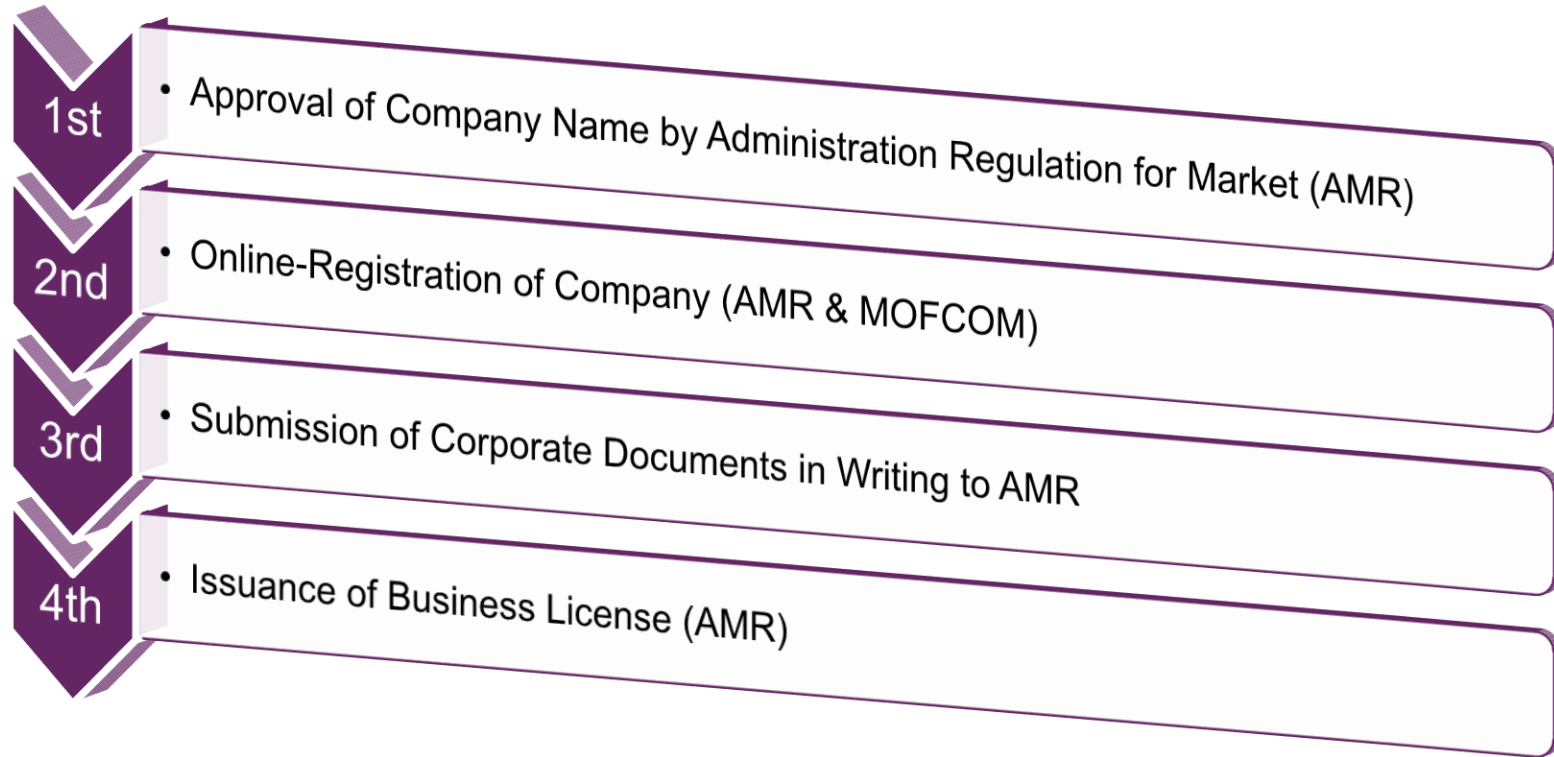
Establishment Process For A Wholly Foreign Owned Enterprise in China



Establishment Process For A Wholly Foreign Owned Enterprise in China

- Board of Shareholders or the only one Shareholder as the highest authoritative body of the company.
- Board of Directors (including three directors to thirteen directors) or one Executive Director is required as the organization executing the resolution of the board of shareholders.
- General Manager is responsible for the day-to-day operations.
- One Legal Representative (Chairman of Board of Directors, Executive Director or General Manager) acts as the representative of company to exercise company's right and undertake the company's responsibility (e. g. represents company in the lawsuit).
- Board of Supervisors and one Supervisor inspects the financial affairs and supervises the performance of the directors and senior officers.

Establishment Process For A Wholly Foreign Owned Enterprise in China



Establishment Process For A Wholly Foreign Owned Enterprise in China



Establishment process for a wholly foreign owned enterprise in China



Unified Social Credit Code on Business License (issued by Chinese Government)

New Sample of Business License from 2019

Scan this QR code to access to further information regarding registration, filing, licensing, regulatory

Registered Capital

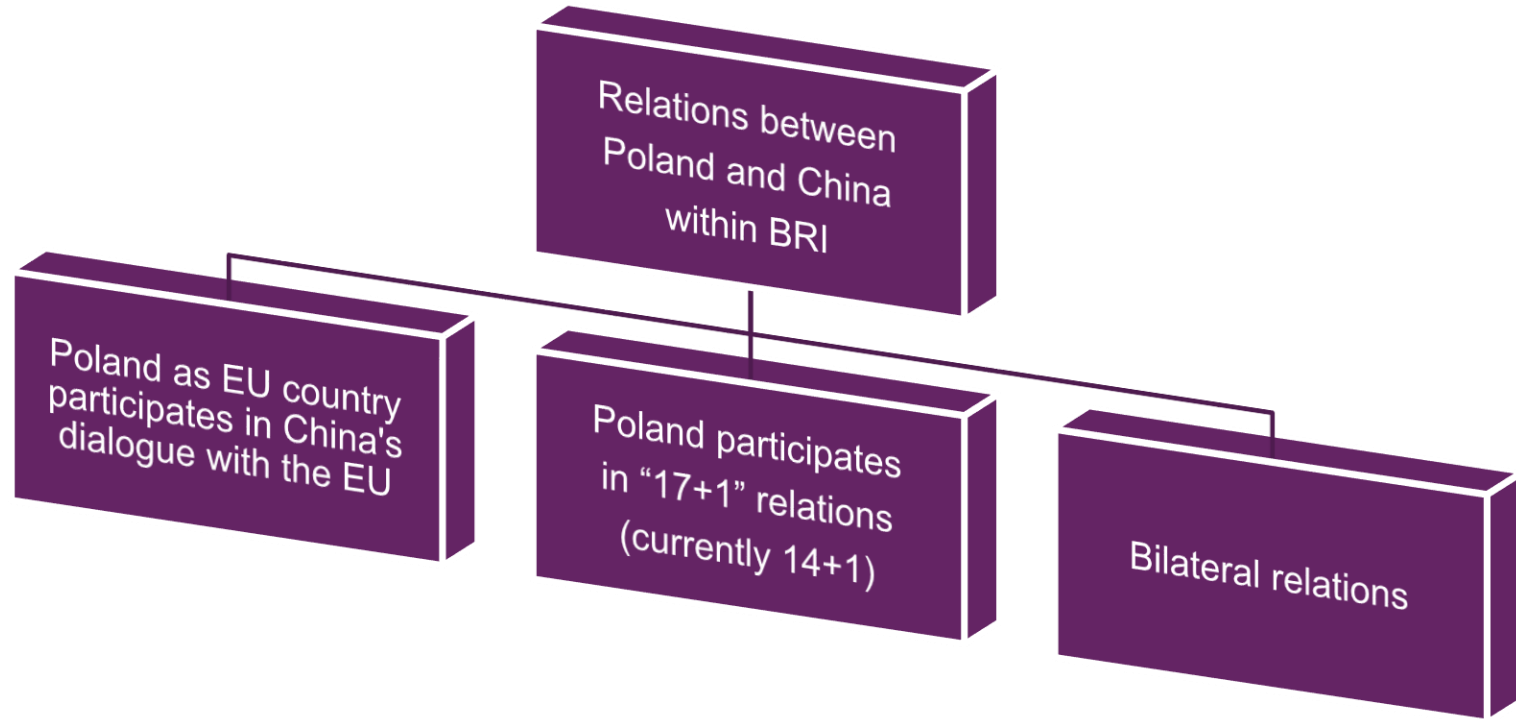
Registered Address

国家企业信用信息公示系统网址: <http://www.gsxt.gov.cn>



Poland in Belt And Road Initiative

GENERAL INFORMATION



17+1 – down to 14+1

- The main motive behind the establishment of the “16+1” initiative was the fact of perceiving the territory of Central and Eastern Europe as a "bridgehead" for expansion towards Western Europe (*Huang and Liu, 2017*).
- Nine of the 27 EU countries remain in the initiative started in 2012: Bulgaria, Croatia, the Czech Republic, Greece, Hungary, Poland, Romania, Slovakia and Slovenia and five non-EU countries: Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia. EU is also an observer in the meetings.

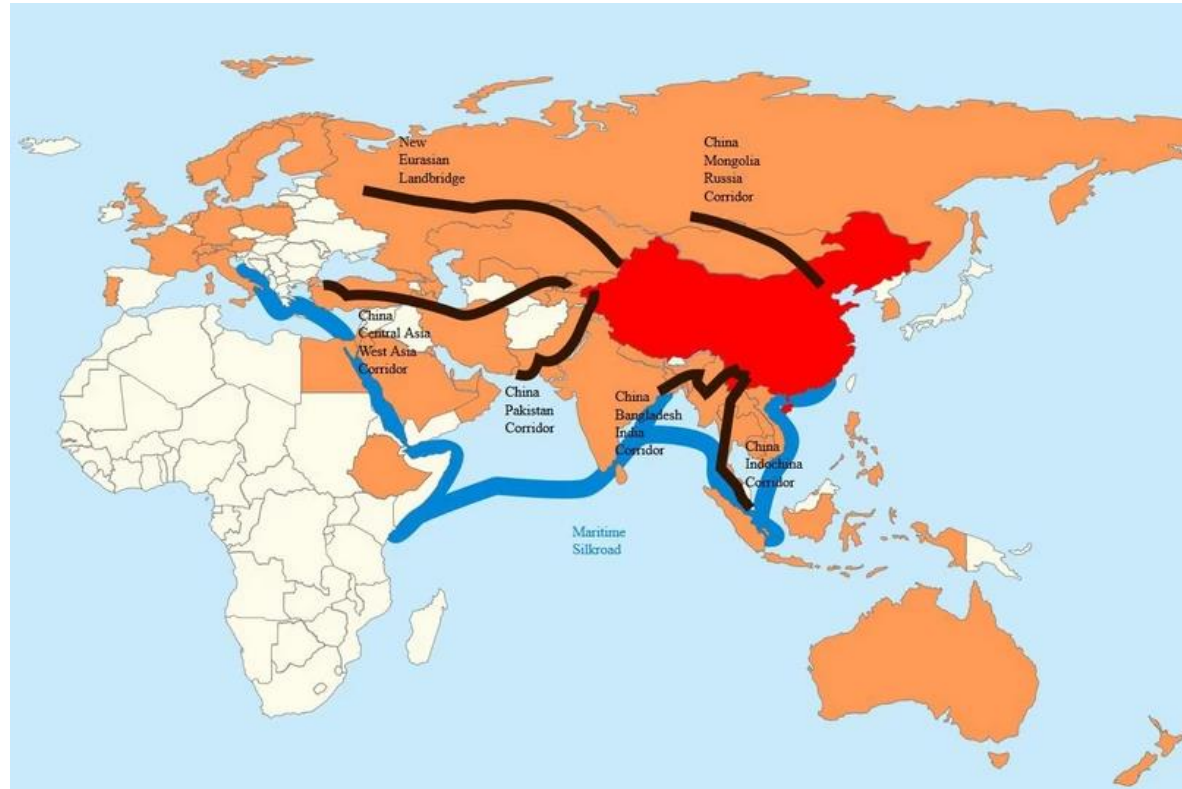
EU – CHINA RELATIONS IN 2023

- **Europe is disastrously split on China.** (By [Thorsten Benner](#), a co-founder and the director of the *Global Public Policy Institute in Berlin*)
- **My view on China and EU-China relations.** ([Josep Borrell](#), *High Representative of the European Union for Foreign Affairs and Security Policy / Vice-President of the European Commission* 13.04.2023)



A MAP OF BELT AND ROAD INITIATIVE

According to the strategy and scope of the BRI issued by the National Development and Reform Commission (NDRC) in March 2015, there were six major corridors between China and the EU and other European and Asian countries: China-Mongolia-Russia, China-Central Asia-West Asia, The New Eurasia Land Bridge, China-Pakistan, China-Indochina Peninsula and Bangladesh-China-India-Myanmar (NDRC, MOFA and MOFCOM, 2015).



POLAND – A GATE TO THE EU

- Poland has a number of attributes that, on the one hand, enable it to play an important role in co-creating the BRI and, on the other hand, derive significant economic benefits from this initiative.
- Poland's greatest asset is its geographical location, which means that goods that are transported between the EU and China by land, through the Polish territory only cross two customs borders: China - the EAEU (Eurasian Economic Union) and the EAEU - the EU.(...)
- The benefits associated with a geographical location of Poland also relate to the fact that this country has a significant border with Germany, China's most important trading partner in the EU. Therefore, the China-Germany exchange in land version should run through Poland. Like the transit of goods to Great Britain, the Netherlands, France, Spain and other important Chinese partners in the EU.

(Poland – A Gate to the EU or a Bottleneck in the Belt and Road Initiative, L. Kostecka-Tomaszewska, K. Czerewacz-Filipowicz, European Research Studies Journal Volume XXII, Issue 4, 2019)

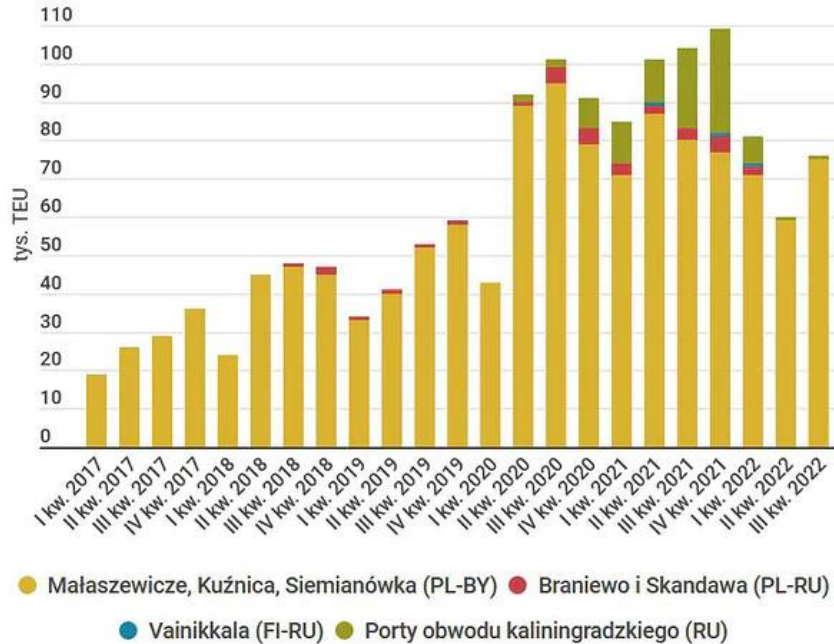
COVID-19

- As a result of the COVID-19 pandemic, huge restrictions have come into effect, such as closed borders, cancelled flights and long delays in shipping container delivery times. **All of this has resulted in rail transport going from strength to strength.**
- It is estimated that in the first half of 2020, the number of goods transported by this method of transport increased by more than 40% compared to 2019.
- In a decade - since 2013 - the number of trains on the Poland-China route has increased a hundredfold.

EXCHANGE OF GOODS DURING THE WAR IN UKRAINE

- The optimal route from China to Poland is going through Kazakhstan, Russia and Belarus.
- Immediately after the start of the war in Ukraine, many companies withdrew from the BRI's main rail route through Russia and Belarus.
- The war has prevented ground traffic, and Russian trucks have been banned from entering Poland and other European countries since 01.08.2022.
- On 10.10.2022, in turn, it was Polish and European trucks that were banned from entering Russia.
- After the initial troubles in early 2020, goods have returned to the 21st Century Silk Road and the exchange of goods is running smoothly.

GATEWAY TO THE EU



- China-EU rail transshipments at major border crossings since 2017 in TEU (container of approximately 39 cubic meters).

Źródło: *Стамбуцька*, ERAI Eurasian Rail Alliance Index, index1520.com.

GATEWAY TO THE EU

- **Małaszewicze** is the largest terminal of the PKP CARGO Group, also known as the gateway from China to the European Union, as the largest stream of cargo shipped by land from East Asia to the EU and vice versa flows through here. The transshipment capacity of both the border crossing and the dry port are far insufficient in the context of the dynamics of the BRI development and constitute a bottleneck. **The bottlenecks on the Polish-Belarusian border are a very serious problem.**
- Currently, Małaszewicze **has virtually become the only entry point for goods into the EU.** The terminal is currently undergoing modernization and expansion, along with the purchase of equipment. The modernization of the Małaszewicze hub is estimated by the Ministry of Infrastructure to bring in 45 billion zlotys in taxes and an additional 4 billion zlotys in customs duties over the 11 years following completion.

LEGAL SOLUTIONS

- During the RailFreight Summit 2023, in April 2023 Jakub Kapturzak - deputy director of the Department of Railways at the Ministry of Infrastructure - announced that the Ministry of Finance had agreed to finance the investment in Małaszewicze to the tune of PLN 3.8 billion (€820 million).
- Thanks to the expansion of the terminal, dubbed the gateway to BRI, its capacity is to be doubled.

LEGAL SOLUTIONS

- The proposed Act on amending the Act on Commercialisation and Restructuring of the State Enterprise "Polskie Koleje Państwowe" and the Act on the Railway Fund introduces the legal framework necessary for the implementation of the investment aimed at realisation of the project entitled Modernisation of the railway infrastructure in the Małaszewicze Transshipment Area, including solutions enabling appropriate financing of the aforementioned investment by introducing provisions enabling the transfer of funds from the Railway Fund to PKP Polskie Linie Kolejowe S.A. in 2022 for the purpose of financing the acquisition of shares in the share capital of Cargotor sp. z o.o., and providing for the possibility of allocating funds from the Railway Fund to finance the acquisition from PKP S.A. by the State Treasury, represented by the minister competent for transport matters, of the right of perpetual usufruct of land necessary for the implementation of the investment in the scope of the construction of the Logistic Park Małaszewicze.
- In addition, the project envisages the transfer of treasury securities to PKP Polskie Linie Kolejowe S.A. for the purpose of increasing the share capital of PKP Polskie Linie Kolejowe S.A.

HUB IN ŁÓDŹ

- The BRI is one of the most important trade routes between the EU and China. **And unquestionably a key route in terms of rail transit.**
- Many investments in logistics terminals are planned for the coming years to improve the efficiency of freight train in Poland.
- One of this is the expansion of the hub in Łódź, which was the first in the country to start handling wagons from the PRC.



EXPANSION OF THE SEA ROUTE

- Modernization is also envisaged in the Port of Gdynia's development strategy.
- It is in the strategic interest of the Port of Gdynia to strengthen its competitive position on a national, Baltic and European scale.
- Modern potential for handling cargo, ships and inland modes of transport determines the maintenance of the port's strong position in key cargo segments.
- The limited area of the port today must not become a barrier preventing its development.



BALTIC HUB

- Similarly, the Port of Gdansk is undergoing expansion, in particular through the construction of the Baltic Hub - the inundation of the maritime area and the construction of a third deep-water quay in the Northern Port. Thanks to this investment, the terminal's handling capacity will increase by 1.5 million TEUs.
- Baltic Hub will become one of the largest container terminals in Europe in terms of handling capacity. And it is already the largest container terminal in the Baltic Sea. It handles more than 600 ships a year, including 100 of the world's largest container ships

SUMMARY

- The rail route linking China with Europe offers great opportunities. Crucial to this is the transshipment “EU Gateway” at the Polish-Belarusian border, namely in Małaszewicze. It is there that goods from broad-gauge rolling stock (from the East) are transferred to normal-gauge wagons (running in Europe).
- Poland is currently heavily involved in the development of infrastructure to support BRI.
- The ongoing expansion of infrastructure aims to provide favorable conditions for all modes of transportation - rail, road, sea and air.



CONTACT US

KONTAKT



Marcel Brinkmann
Rechtsanwalt, Partner

Schindhelm
Rechtsanwaltsgesellschaft mbH
PR China, 201203 Shanghai, Pudong, 88
Keyuan Road, German Centre for
Industry and Trade Shanghai
Tel. + 86 21 289866 - 60
Mobil + 49 151 530 537 38
marcel.brinkmann@schindhelm.com



Dr Agnieszka Łuszek-Zajac
Radca prawny, Partner

Kancelaria Prawna Schampera,
Dubis, Zajac i Wspólnicy sp.j.
PL-50-077 Breslau/Wrocław
Kazimierza Wielkiego 3
Tel. +48 71 3265140
agnieszka.luszek-zajac@sdzlegal.pl

AUSTRIA

SCWP SCHINDHELM

GRAZ

Saxinger, Chalupsky & Partner
Rechtsanwälte GmbH
graz@scwp.com

LINZ

Saxinger, Chalupsky & Partner
Rechtsanwälte GmbH
linz@scwp.com

WELS

Saxinger, Chalupsky & Partner
Rechtsanwälte GmbH
wels@scwp.com

WIEN

Saxinger, Chalupsky & Partner
Rechtsanwälte GmbH
wien@scwp.com

BELGIUM

SCWP SCHINDHELM

BRÜSSEL

Saxinger, Chalupsky & Partner
Rechtsanwälte GmbH
brussels@scwp.com

BULGARIA

SCHINDHELM

SOFIA

Cornelia Draganova Law Firm
sofia@schindhelm.com

CHINA

SCHINDHELM

SHANGHAI

Schindhelm Rechtsanwalts-gesellschaft mbH
shanghai@schindhelm.com

TAICANG

Schindhelm Rechtsanwalts-gesellschaft mbH
taicang@scwp.com

CZECH REPUBLIC

SCWP SCHINDHELM

PILSEN

Saxinger, Chalupsky & Partner v.o.s
advokátní kancelář
plzen@scwp.com

PRAG

Saxinger, Chalupsky & Partner v.o.s
advokátní kancelář
praha@scwp.com

FRANCE

SCHINDHELM

PARIS

Schindhelm Rechtsanwalts-gesellschaft mbH
paris@schindhelm.com

GERMANY

SCHINDHELM

DÜSSELDORF

Schmidt Rogge Thoma Rechtsanwälte
Partnergeseellschaft mbB
duesseldorf@schindhelm.com

FRANKFURT

Schindhelm Rechtsanwalts-gesellschaft mbH
frankfurt@schindhelm.com

HANNOVER

Schindhelm Rechtsanwalts-gesellschaft mbH
hannover@schindhelm.com

MÜNCHEN

Schindhelm Rechtsanwalts-gesellschaft mbH
muenchen@schindhelm.com

OSNABRÜCK

Schindhelm Rechtsanwalts-gesellschaft mbH
osnabrueck@schindhelm.com

HUNGARY

SCWP SCHINDHELM

BUDAPEST

Zimányi & Fakó Rechtsanwälte
budapest@scwp.hu

ITALY

DIKE SCHINDHELM

BOLOGNA

DIKE Associazione Professionale
bologna@schindhelm.com

IMOLA

DIKE Associazione Professionale
imola@schindhelm.com

POLAND

SDZLEGAL SCHINDHELM

BRESLAU / WROCLAW

Kancelaria Prawna Schampera, Dubis,
Zajac i Wspólnicy sp.j.
gliwice@sdzlegal.pl

GLEWITZ / GLIWICE

Kancelaria Prawna Schampera, Dubis,
Zajac i Wspólnicy sp.j.
gliwice@sdzlegal.pl

WARSCHAU / WARSZAWA

Kancelaria Prawna Schampera, Dubis,
Zajac i Wspólnicy sp.j.
warszawa@sdzlegal.pl

ROMANIA

SCHINDHELM

BUKAREST

Cabinet de Avocat Bernhard
Konrad Heringhaus
bukarest@schindhelm.com

SLOVAKIA

SCWP SCHINDHELM

BRATISLAVA

Saxinger, Chalupsky & Partner s.r.o.
bratislava@scwp.com

SPAIN

LOZANO SCHINDHELM

BILBAO

Lozano Schindhelm SLP
bilbao@schindhelm.com

DENIA

Lozano Schindhelm SLP
denia@schindhelm.com

MADRID

Lozano Schindhelm SLP
madrid@schindhelm.com

PALMA DE MALLORCA

Lozano Schindhelm SLP
palma@schindhelm.com

VALENCIA

Lozano Schindhelm SLP
valencia@schindhelm.com

TURKEY

GEMS SCHINDHELM

ISTANBUL

GEMS Schindhelm Rechtsanwälte
istanbul@schindhelm.com

BODRUM

GEMS Schindhelm Rechtsanwälte
bodrum@schindhelm.com