

European businesses: China must better protect trade secrets

June 10 2015, by Ian Mader



Joerg Wuttke, European Chamber of Commerce president and China chief for German chemical giant BASF delivers a survey result during a press conference in Beijing, China, Wednesday, June 10, 2015. China needs to better protect trade secrets and fairly enforce business rules to ensure European investment and hiring at a time when Chinese leaders are trying to foster a more innovative economy, the biggest European business group in China said Wednesday. (AP Photo/Ng Han Guan)

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rules to ensure European investment and hiring at a time when Chinese leaders are trying to foster a more innovative economy, the biggest European business group in China said Wednesday.

Optimism about continued profitability is waning and nearly a quarter of European companies doing business in China plan to cut staff, according to an annual survey by the European Chamber of Commerce.

China's economy, the world's second biggest, has slowed from double-digit growth as it tries to reduce overreliance on trade and industrial investment. Its likely 7 percent growth rate this year is still much higher than developed economies such as Japan, Germany and the United States.

To ensure continued European participation during China's economic slowdown and its "paradigm shift" toward more value-added industries, the government must more uniformly enforce business rules without unduly targeting foreigners, improve Internet access and guarantee protection of intellectual property, the European Chamber said.

Only a quarter of the 541 European companies surveyed have research and development centers in China, and among those the focus is primarily on how to localize products for the Chinese market rather than developing new technology that could be vulnerable to theft.

"There seems to be great reluctance now to put up an R-and-D section in China, because of distrust," Joerg Wuttke, chamber president and China chief for German chemical giant BASF, said in an interview.



Joerg Wuttke, European Chamber of Commerce president and China chief for German chemical giant BASF delivers a survey result during a press conference in Beijing, China, Wednesday, June 10, 2015. China needs to better protect trade secrets and fairly enforce business rules to ensure European investment and hiring at a time when Chinese leaders are trying to foster a more innovative economy, the biggest European business group in China said Wednesday. (AP Photo/Ng Han Guan)

The chamber found that 23 percent of companies are pessimistic about the outlook for profitability in the coming two years, up from only 16 percent last year. Some 28 percent were optimistic.

About 24 percent of the companies planned staff reductions, especially in industries such as energy. The least likely to be considering layoffs were IT and food-and-beverage companies, Wuttke said.

"Pessimism about profitability is at an all-time high," Wuttke said. "It's

clear that the slowdown is hitting companies' expansion plans." He said the most surprising finding of the survey was that companies are planning to cut staff.

China's leadership says it is making it a priority to cut red tape and clarify business rules, both perennial issues with most foreign businesses. In the past year, the government has established three courts to deal specifically with intellectual property issues in Beijing, Shanghai and Guangzhou.

As China's own innovation-based companies increase in number, the protection of intellectual property has become a national strategy, though it will take time for legal protections to fully develop, said Liu Yuanchun, an economist at Renmin University's School of Economics.

"A revolutionary change has been taking place in China," Liu said. "It is normal for the developing countries to have an imperfect legal environment when catching up with the developed countries. "



A woman walks past advertisement for a German cookware company in Beijing, China, Wednesday, June 10, 2015. China needs to better protect trade secrets and fairly enforce business rules to ensure European investment and hiring at a time when Chinese leaders are trying to foster a more innovative economy, the biggest European business group in China said Wednesday. (AP Photo/Ng Han Guan)

It may also take time for foreigners to develop enough trust in China's court and regulatory systems. The Office of the U.S. Trade Representative, in special report to Congress in April, said businesses continue to express concerns about pressure from Chinese government entities to reveal technologies.

Many foreign companies have successfully used Chinese courts to prosecute trademark infringement, but trade secret theft cases remain rare, said Rui Wenbiao, an [intellectual property](#) judge at Shanghai's high court.

It is more difficult to collect relevant evidence in China, and companies fear their [trade secrets](#) could become further exposed during litigation, Rui said.

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Citation: European businesses: China must better protect trade secrets (2015, June 10) retrieved 24 May 2024 from <https://phys.org/news/2015-06-european-businesses-china-secrets.html>

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