

AmChamChina

# QUARTERLY

Issue 1  
2020

Executive insights, interviews, and intelligence for business in China

P25 Latest Flash Survey results

P28 Dell on Digital Transformations

P52 Vice Premier Hu Headlines Appreciation Dinner

The background image is a full-page photograph showing the silhouettes of two hikers against a bright, hazy sky at sunset or sunrise. One hiker is on a lower rock, reaching up to assist the other who is on a higher, more precarious rock. The sun is low on the horizon, creating a strong lens flare and illuminating the scene from behind. The overall mood is one of teamwork and overcoming challenges.

## Helping Hands

*The US Business Community Rallies in  
China's Time of Need*



北京和睦家医院  
Beijing United Family Hospital

北京和睦家医疗网络  
Beijing United Family Healthcare Network

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Beijing United Family Hospital

北京和睦家康复医院  
Beijing United Family Rehabilitation Hospital

和睦家亮马诊所  
United Family Liangma Clinic

和睦家五道口诊所  
United Family Wudaokou Clinic

和睦家顺义诊所  
United Family Shunyi Clinic

海南博鳌和睦家医疗中心  
Bo'ao United Family Medical Center

和睦家京北医院（在建）  
Beijing United Family Hospital North (coming soon)

和睦家启望肿瘤中心  
United Family New Hope Oncology Center

和睦家朝外诊所  
United Family CBD Clinic

和睦家广渠门诊所  
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眼科  
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耳鼻喉科  
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北京和睦家医院中文微信



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和睦家医疗获得国际医疗卫生机构认证联合委员会(JCI)认证  
The UFH network has pioneered JCI quality accreditation in China.



北京和睦家医院病理科、检验科及血库经美国病理学家学会认证  
The BJU Pathology Lab, Clinical Lab, and Blood Bank have met the standards of the College of American Pathologists

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The *AmCham China Quarterly* magazine is published by the American Chamber of Commerce in the People's Republic of China (AmCham China).

The *AmCham China Quarterly* magazine content does not necessarily reflect the opinions or positions of AmCham China or its Board of Governors.

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Chinese Vice Premier **Hu Chunhua** and US Ambassador **Terry Branstad** headlined AmCham China's Annual Appreciation Dinner & 100th Anniversary Celebration

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# AmCham China

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The American Chamber of Commerce in the People's Republic of China

## AmCham China Leadership

AmCham China's success is rooted in the vision, hard work, and dedication of its members. Through their efforts, these volunteer leaders make it possible to provide the information and intelligence, business services, networking opportunities, and events that benefit all members and the advocacy initiatives that help shape the business environment in China. At AmCham China's national level, the chairman, two vice chairs, and 10 governors comprise the organization's Board of Governors. Additionally, AmCham China's three Chapters each have their own local executive committee to ensure they are responsive to the needs of local AmCham China members.

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The AmCham China Corporate Partner Program provides exclusive visibility in chamber activities and communications across our numerous platforms. The current partners are:





# Continued Cooperation Essential to Forge Ahead

When I became your Chairman for a second time at the start of this year, a brighter future seemed assured as the Phase I trade deal quickly concluded. We were keen to use that positive momentum and start to help our companies extract maximize benefit from the deal's provisions.

Just a few months later, that seems like a very long time ago.

From local epidemic to global pandemic, COVID-19 has knocked us all sideways in ever more challenging ways. However, I could not be more proud of the enormous contribution made by our community, first through the many and various relief efforts of more than half a billion RMB directed towards Hubei and other areas of need, and more recently as we turn our efforts towards helping those back home, by sharing our experience and knowledge, as well as by helping to get PPE supplies from China to where it is most needed in the US.

Throughout it all, we have had fabulous support from both the US and Chinese governments. Our collective efforts have seen massive contributions from members, although the publicly available sums are just a fraction of the whole.

Many of these pages detail the specific contributions made by some of our long-standing companies, such as Mars, Walmart, Dell, and Merck – all Chairman's Circle members. Elsewhere you'll find the highlights of our second Flash Survey on the business impact of COVID-19, as well as the 22nd annual China Business Climate Survey Report, which provides the larger context for the environment in which we now find ourselves.

There are also COVID-related articles on policy advice, expected economic stimulus, VAT help, and more, plus a look at our Appreciation Dinner, which featured Vice Premier Hu Chunhua, himself a native son of Hubei.

However, as the situation has worsened worldwide, the war of words has grown louder. In recent days, though, we've seen some calmer rhetoric from the two governments – diplomatic olive branches of sorts – as well as calls for bilateral collaboration from the business and academic communities. We need to lengthen and strengthen those olive branches.

The discussion about how the world got to this place can wait for another day. It doesn't serve humanity to have the world's two largest powers on opposite sides. In fact, that opposition could directly impede the scientific – and collaborative – R&D needed to develop a vaccine and get it to market. Global health and welfare depend significantly on the US-China relationship working better than it does today.

The two governments need to coordinate on fiscal and monetary policy to ensure the two largest economies in the world get back up to speed as quickly as possible. That requires agreement on the easing of restrictions on people and trade in a way that helps to ease the crisis, but also lays the foundation for a brighter future for US-China relations.

**Greg Gilligan**

AmCham China Chairman

## AmCham China Chairman's Circle

AmCham China Chairman's Circle is a select group of premium membership holders that provide the chamber with exceptional support and leadership. The current Circle members are:



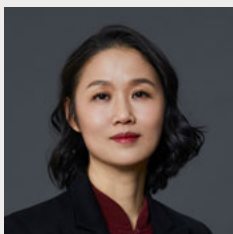


# United Support: Serving the Community in a Time of Crisis

*The AmCham China Quarterly spoke to several executives from United Family Healthcare about their preparedness for the COVID-19 outbreak, adapting to government directives in a time of crisis, and continuing to serve the community – both as a screening center for the virus and for other ongoing healthcare needs.*



**Roberta Lipson,**  
CEO of New Frontier  
Health & Founder  
of United Family  
Healthcare



**Sylvia Pan,**  
General Manager,  
United Family  
Healthcare Beijing  
Market & General  
Manager, Beijing  
United Family Hospital



**Dr. Sun Fei,**  
Chief Medical Officer,  
Beijing United Family  
Hospital

## ***AmCham China Quarterly: What type of direct response, donation, or relief effort did UFH make to the outbreak?***

**United Family Healthcare (UFH):** UFH, New Frontier Group, and our strategic partners donated over USD 130 million dollars worth of materials to Leishenshan Hospital, Wuhan University's Zhongnan Hospital, and other institutions at the front lines of the fight against COVID-19. The donation of medical equipment and consumables included 29 ICU ventilators with 750 breathing circuits and 32 breathing masks, 155,000 pairs of medical examination gloves, 50,000 N95 masks, 3,960 goggles, and 185 reusable face shields. These medical supplies were sourced from across China and around the globe by UFH's experienced supply chain team and were directly shipped to the recipient hospitals.

## ***Was there any individual or group response from employees that was noteworthy?***

**UFH:** 80 UFH employees volunteered to go to Hubei to serve at the front line. They were prepared with supplies and training ahead of specific scheduling from the government. In addition to the Hubei volunteer response, UFH has been striving to serve our local communities as much as possible. In addition to uninterrupted service to patients in our hospitals, Guangzhou United Family Hospital deployed three volunteer nurses for screening in an elderly care home which had unexpected medical needs. In response to a call from the government, Shanghai United Family Hospital sent a medical support team to a public residential institution to help handle the emergent COVID-19 needs in that facility.

Aside from major group efforts, there have been individual acts of kindness – above and beyond the call of duty – from our staff that also stood out. The timing of the outbreak collided with the Chinese New Year holiday. During the holiday season, hospitals operate with the minimum safe level of staff. But as soon as we learned of the potential needs due to the epidemic, many doctors, nurses, and administrators canceled their holiday plans and came back to support the emergency response. Many expat employees stayed with the hospital and volunteered as liaisons to foreign families to alleviate group anxiety. Some of our employees, who were overseas at the time, gathered medical supplies abroad and hand carried those PPE back as donations to the hospital.

During this period, there has been an interruption in normal blood donation activities due to the outbreak. To help alleviate the short supply in all of our cities, UFH has organized special directed blood donations for patients, and our own staff has personally given donations of over 100 units of blood.

## ***How has BJU been communicating, coordinating, and working with US or Chinese authorities in response to the COVID-19 outbreak?***

**UFH:** The Chinese government at all levels has been working tirelessly to halt the spread of the virus. Beijing Municipal Health Commission appointed 89 fever clinics for COVID-19 screening in January and in late February trimmed down to 76, leaving only those whose operations were considered fully compliant. BJU has been serving since late January through to today as the only Sino-foreign joint venture hospital, providing 24/7 pediatric and adult fever-screening services for

Beijing communities. So far, 20% of our screened patients have been foreigners. Authorities from Chaoyang district, the City Health Commission, and related agencies have been active in directing and inspecting hospitals with fever-screening responsibilities – BJU included – to ensure all infection control measures are strictly followed. It is important to collaborate with authorities to align our work.

United Family hospitals and clinics in our other locations throughout China also have been working with their local governments to carry on caring for patients in the safest way, both screening for COVID-19 and for their regular healthcare needs. In order to make sure that we were well prepared for any developing situation, our hospitals also keep up with US CDC and WHO guidelines to help review and amend our hospital policies to conform to both Chinese and international best practices.

Beijing is the political and diplomatic center of China, with embassies mostly located in Chaoyang district, so United Family communicates directly with embassies and Chambers of commerce – including AmCham China – to provide educational information and support medical needs. UFH facilities in our other cities (Shanghai and Guangzhou) have also stayed in touch with their local consulates, international industry groups, and professional and industry societies.

### ***How has COVID-19 affected your 2020 outlook and planning?***

**UFH:** As a healthcare provider, our first and foremost consideration is to be able to serve our patients safely on a continual basis. Although we have not had one case of confirmed COVID-19 at UFH, we are most

proud to be here to help thousands of sick patients rule out COVID through screening, alleviate their fears, and help them through whatever other illnesses they may have.

During this period, we have also cared for many patients who are new to the UFH system, including those afflicted by heart attacks, strokes, pulmonary embolism, and cancer, because they were not able to get access to the hospital where they usually receive their care.

That said, the government has asked us to temporarily close some services which are considered to have higher risk for infection, including dental, ENT, and endoscopy procedures, except for emergency cases. We were also asked to delay elective surgeries. We are happy to report that all of these services have now re-opened and are back to normal service. As a result, while our Q1 was heavily impacted, we hope to return to our original forecasts for our business volume at some point during Q2.

### ***How has UFH been working with its suppliers? What changes did you have to make in terms of standards, practices, and supply chain issues?***

**UFH:** Emergency plans are initiated once the normal medical suppliers are requisitioned by the government. First of all, UFH contacted all potential local and global suppliers urgently, and we expanded our channels to all reliable sources of supply. Secondly, we formed an internal team working around the clock to deal with logistics, customs, and transportation issues. Thirdly, decisions have to be made faster than usual because prices change every day. We are happy to report that we have been able to secure ample supplies of COVID-19 protective gear both for our own use, as well as for donations to the hospitals most in need in the infectious areas.

### ***What future scenarios has BJU prepared for and what new processes or infrastructure has been designed for those scenarios to preempt potential changes in the situation?***

**UFH:** As a healthcare provider, we take seriously our duty and responsibility to be continually available to our patients and communities. No matter how the situation changes in the future, our priority is to provide care for patients when they need it. Several UFH hospitals have been designated by the government to operate fever care centers, allowing patients to be screened and, if necessary, transferred to designated COVID-19 treatment hospitals. These fever-screening centers have been upgraded and are separated by air flows and work flows – i.e. compartmentalized buildings with separate entrances – from standard patient clinics, emergency rooms, and inpatient facilities to keep any potentially infected patients from impacting



**Above:**

Ventilators donated by Xinfeng Tianyu Group and United Family Medical are offloaded during delivery in Wuhan. 500 ventilators were donated to the region to help support the health and well-being of the community.

Photo courtesy of UFH



## 对抗新冠病毒 哪些情况下需要洗手？

### Prevent the novel coronavirus When you need to wash your hands

及时勤洗手是阻断接触传播的重要方法，以下情况必须洗手  
Timely and frequent hand washing is an important way to prevent the spread of the virus. It is recommended to wash your hands in the situations listed below.



做饭和进餐前  
Before  
preparing and  
eating food



便前和便后  
Before and  
after using the  
toilet



揉眼睛前；摘掉  
眼镜前  
Before rubbing  
your eyes;  
before taking  
off your  
glasses



去医院看护病  
人后  
After going to  
the hospital to  
visit or care for  
a patient



外出购物或回  
家后  
After shopping  
or when you  
get home



触摸动物、处理  
动物粪便后  
After touching  
an animal or  
handling  
animal waste



擤鼻涕、打喷嚏后  
After blowing  
your nose or  
sneezing

other patients or visitors. As such, nearly all UFH facilities and departments can continue to offer services as needed for both inpatients and outpatients, whether fever or non-fever patients.

As we did after our experience with the SARS epidemic in 2003, much of the new learnings remain in place, and continual training and preparedness drills will help us be even better prepared for any future crises.

***What government policies have you found that aim to facilitate reopening and ease operational pressure, and how helpful have they been?***

**UFH:** We applaud the incentives to alleviate the pressure on business performance and facilitate return-to-normal business activities. The postponement of social insurance and housing fund payments has certainly been helpful. However, many of the other benefits are limited to small-sized enterprises unless they come under certain industry categories. Unfortunately, healthcare, as one of the most heavily impacted industries and burdened both by some service closures as well as by very heavy increases in epidemic specific costs, has not been specified, and so only the smallest providers can receive benefits.

***What hygiene and health precautions has UFH instituted to protect staff and patients during the epidemic?***

**UFH:** In all United Family facilities, strict procedures are in place to limit cross contamination, to ensure escalation of fever cases, and to keep patients and staff safe in accordance with WHO and Chinese health authority guidelines. In each city where UFH operates, the government has asked a United Family Healthcare hospital facility to make available separate and isolated areas in which to screen and test fever patients for potential infection by the N-CoV virus. These screening fever centers are sufficiently separated by air flows and work flows from normal patient clinics, emergency rooms and in-patient facilities to keep any potentially infected patients from impacting other patients or visitors. As such, nearly all departments continue to offer services as needed for both inpatients and outpatients.

As all organizations in China, we have made sure all employees meet the criteria of the government before they return to work. We continue to check temperatures on a daily basis and make sure that anyone returning with relevant travel history is quarantined as required before returning to work. We have also eliminated intercity business travel for the time being and make ample use of video conferencing for all of our meetings.

***How has UFH effectively utilized technology, such as virtual meetings or consultations, to circumvent COVID-19-related obstacles?***

**UFH:** Hundreds of physicians from UFH facilities around the country have provided free online and telephone consultations to over 1,200 patients, with health talks on live-broadcasting video platforms such as Tencent and TikTok reaching more than three million people. Through these online and telephone consultations, UFH has managed to stay engaged with patients during this exceptional time by



answering patients' health-related questions and guiding patients to come to UFH hospitals if needed.

**Generally, how would you describe BJU's crisis response to COVID-19? How has this situation impacted future preparedness plans or standards?**

**UFH:** Following guidance from Joint Commission International [which sets certain international standards in terms of patient care and safety], BJU has an existing crisis response mechanism and the hospital organizes annual disaster drills as training. Fortunately, BJU had just carried out a disaster drill in December 2019, involving over 10 departments' participation and collaboration. Though the drill scenario was not focused on an epidemic, the experience still came in handy when it came to dealing with COVID-19. Our command team took actions such as generating a patient screening flowchart, rearranged clinic settings based on risk levels, set up triage stations, assembled and made available relevant PPE, and so on. Our periodic disaster drill exercises help keep us prepared for whatever unexpected circumstances we might face.

Our COVID-19 response received appreciation and praise from the local health authorities. More importantly, a timely response allowed us to carry on and be able to care for many people in life threatening circumstances, not to mention those new mothers who were able to give birth in a safe environment.

United Family Healthcare as a group is uniquely prepared among all private hospitals in China, having had experience as a designated international screening center in Beijing during the SARS epidemic. As a result of UFH's depth of industry experience, international best practices, and committed workforce, UFH has been able to supply its staff with training, adjust patient flow, and stock appropriate supplies early in the process to meet the needs of the outbreak. For example, we held a COVID-19 drill in the early days of the epidemic, practiced how staff would use PPE, transformed fever clinics according to government guidance, and more.

**How have you navigated regulatory uncertainties during the outbreak?**

**UFH:** The greatest challenge has been regulatory ambiguity. Policies are issued but change rapidly and interpretation and implementation can be challenging. In healthcare, the government required dental and cosmetic treatments to close down, and after weeks of waiting, we were glad to receive the official approval that dental services will be back to normal in early April. It was the same situation for the entertainment industries and some other sectors. As people have returned to work, the regulations have sometimes made for a bewildering situation with which business owners have had to deal.

Additionally, with waves of employees coming back to work, employers have been required to maintain infection

control measures at the workplace. However, there have been several cases of cluster infections at workplaces resulting in group quarantine, indicating that some employers were not completely prepared. Managers must pay attention to infection control, but should also pay attention to mental health support and help staff feel grounded and safe when coming back to the office.

We have been encouraging the employment of staged operation plans and protective measures to gradually bring businesses back to normal. BJU has taken solid measures, including flexible work shifts, employee health screening, redesigning internal settings, hosting health education webinars, and more. We have also been helping others build up and evaluate infection control strategies for their transition. BJU's HR and infection control managers have been liaising closely with AmCham China to help American companies map out the steps of getting back to work. **Q**

*Answers were provided by: Roberta Lipson, CEO of New Frontier Health & Founder of United Family Healthcare; Sylvia Pan, General Manager, United Family Healthcare Beijing Market & General Manager, Beijing United Family Hospital; and Dr. Sun Fei, Chief Medical Officer, Beijing United Family Hospital.*





# Open for Business: Keeping Food on the Table During the Crisis

By David Jacobs

Fear, panic, and confusion were all emotions experienced in the initial stages of the outbreak. But as parts of the country were faced with lockdowns, people in China turned to a more basic need: how would they get food? Many rushed to supermarkets to stock up on essential supplies, unsure how the situation would unfold. Daniel Shih remembers hearing about the COVID-19 virus in late December, but it became a large organizational concern for Walmart China, where Shih serves as Chief Corporate Affairs Officer, in the middle of January. With a presence of nearly 4,000 associates in Wuhan, and 7,000 altogether in Hubei, Walmart needed to act quickly to assess the virus outbreak.

“At the onset, we immediately activated our emergency response mechanism and started to understand what we needed to do to make sure that we stayed operational,” says Shih. “We knew how important it was for our Walmart stores and Sam’s Clubs

to remain open. A lot of people wouldn’t think of retail as the frontline, but a retail business like Walmart is near the frontline, right behind healthcare workers. People need to buy fresh food and necessities, and many do that every day or every other day. We are a part of people’s daily lives, so we knew how important it was for us to stay operational and not add to society’s anxiety, so to speak.”

While the vast majority of companies and offices were asked to close in order to prevent further spread of the COVID-19 virus, Walmart and other essential retailers had to work closely with government authorities in order to stay open. Walmart faced logistical challenges in keeping their stores stocked, given the necessary lockdowns that China had implemented, but they worked closely with the government during this critical time as partners to work through various issues as they arose. Shih emphasized that the first step in remaining operational was ensuring the health and safety of those closest to them. “The safety of Walmart associates and our customers is always the first thing on our mind. We immediately began asking ourselves what kind of

**Above and below right:**  
Walmart operations across the country continued throughout the outbreak.

Photos courtesy of Walmart China

protection we could offer to our associates, such as masks, gloves, and eye protection, and what kinds of each we should look to purchase. We put a team together to procure and obtain protective gear and sanitizers. At the same time, we gave guidance to all stores and clubs on how to clean stores, heighten our hygiene standards, and keep the shopping environment safe. We serve tens of thousands of people daily, so we want to help the government as much as possible in preventing the spread of this disease by protecting our associates and customers.”

## Challenging Times

All areas were affected by the virus and had quarantine measures implemented, but Hubei and Wuhan obviously felt the biggest impact. Citizens in Wuhan were unable to



go out and shop as people in other areas could, but Walmart worked with the local government to keep their stores and clubs open and continue to deliver products via online platforms. “People in Wuhan couldn’t drive without a special permit,” Shih says. “With the lockdowns in place, our supply trucks could not go in. We had to work with government agencies to get special permits so that our delivery trucks could go in and out. It is an understatement to say that it has been a complicated process.”

With logistical challenges in getting supplies and even having enough staff, Walmart needed to think of unique solutions under these challenging circumstances. “We experienced a significant increase in orders placed via our Walmart Daojia (WMDJ) and JD Daojia (JDDJ) services. We had to make quick adjustments to our operations and stay agile to fulfill the needs of consumers. WMDJ offers store pickup in over 300 supermarkets nationwide. In Hubei, many people were quarantined in their residential areas, so Walmart immediately launched a community-selling model, providing group delivery to communities to make shopping for daily necessities easy and safe for local residents. Our HR team

implemented “staff sharing” programs and reached out to workers from other sectors who were temporarily out of work. So far, we have recruited more than 11,000 part-time associates to help us during this turbulent time.”

## Heart-warming Heroes

Walmart and other retailers gave back by remaining operational and safe for customers. Additionally, the company donated to several NGOs, including the One Foundation and the China Women’s Development Foundation, and provided additional support through the Walmart Foundation. On an individual level, Shih was moved by many of the stories about Walmart associates giving back in a variety of ways, doing so at an incredibly stressful and challenging time.

Shih details the story of Zhan Hongsheng, the AP Manager of Sam’s Club in Wuhan, who rushed back to work from his hometown right before Wuhan was locked down overnight on January 23. He had wanted to ensure the safety of associates and members. Then there was Chen Yazhen, an associate of the meat department in one of the supermarkets in Wuhan, who sliced 300kg of pork a day, a significant increase in her workload because of the increased demand from customers. Meanwhile, Jia Yanyan, an e-commerce supervisor in the Ganzhou store, canceled her vacation and stayed at the store to serve online customers. With the increase of online business, she handled over 300 customer calls a day. “Their dedication and sacrifice reflect the values and culture of Walmart, and we are so proud of each and every one of our associates,” says Shih.

## Holiday Sacrifices


With the virus outbreak occurring around Chinese New Year, many Walmart associates that would have normally been home to celebrate made sacrifices necessary for society. “Many of our associates – our drivers, butchers, buyers, bread makers, cashiers, and so on – had to give up opportunities to unite with families and had to deal with disruptions and an increased workload,” says Shih. “They are our true superheroes, and we greatly appreciate their sacrifices and commitment during this special period.”



**Daniel Shih** is the Chief Corporate Affairs Officer for Walmart China, responsible for government and external affairs, public relations, crisis management, corporate social responsibility, and sustainability. He is also the General Counsel and leads the Legal Division, rendering legal advice on issues that arise from the operations of Walmart China, including real estate, eCommerce, merchandising, operations, supply chain, M&A, compliance, finance, employment and dispute resolution, and provides counsel on major initiatives and projects.

Prior to joining Walmart in 2013, Shih was the Senior Legal Counsel of Asia with Air Products and Chemicals, Inc. Daniel serves as the Vice Chairman for the China Association of Enterprises with Foreign Investment (CAEFI), and as a Member of the International Entrepreneur Advisory Committee for the Hubei Governor.



Global business has been and will continue to be impacted. “The retail industry by nature is full of surprises. The coronavirus epidemic has certainly created operational challenges for us to overcome, but we have also seen bright spots, such as the increase in omnichannel sales and Walmart Daojia usage. Our ecommerce business had more than 100% growth last year. The virus outbreak is a tragedy but showed how important it is to review your crisis management plan on a regular basis. It is a sobering reminder of the importance of not getting complacent.” 



# To and Fro: How Merck's Global Information Exchange Has Helped its Teams Around the World

By David Jacobs

*Merck established its first brand in China in 1933. Today, Merck China operates six production sites in Shanghai, Nantong, Wuxi, and Suzhou. As of 2019, Merck China employs nearly 4,100 people. The Chinese market is becoming increasingly important to Merck. China is a key strategic market for the Merck Group, with all the three business sectors of Merck – Healthcare, Life Science, and Performance Materials – developing rapidly.*



As President of Merck China, **Allan Gabor** is responsible for developing and driving growth strategies in this key country and building on the company's 350-year presence and reputation. He is also the Managing Director of Merck's Performance Materials business in China. Prior to this role, Gabor was the President of Asia Pacific for the biopharma business of the Merck Group.

The speed and severity of the COVID-19 outbreak blindsided much of the world. Luckily for Merck China, they had taken a small step that helped them prepare for times like these. "We were very fortunate to have organized a crisis preparedness workshop at the end of November. It pointed us to some areas that we needed to focus on," says Merck China President Allan Gabor.

As a leader in the fields of pharmaceuticals, life sciences, and technology, Merck carefully monitors any major healthcare developments. Early reports of COVID-19 were noticed by Merck's China Country Council in January 2020, and it was clear to Gabor and his team that the COVID-19 situation was very serious prior to China's annual Spring Festival holiday, which this year fell in late January. "The week before Chinese New Year we were starting to mobilize. We needed to first make sure that we had the right emergency response team composed to deal with this. We designated a core group of people to sit on a small committee to make the real-time decisions that needed to be made," says Gabor.

## Global Messaging

With the rapid development of the epidemic, Gabor noted the support and trust that Merck's global corporate

management had in him and the China team. He also highlighted the importance of a surprising technological tool that was a major benefit to their communication efforts: WeChat.

When Merck China wanted to make their initial donation of 3 million RMB to the relief efforts, Gabor asked the chairman of Merck based in Germany using WeChat, the messaging platform owned by Tencent. "Most of our corporate senior management is on WeChat. When I needed to go to Stefan [Oschmann, the Group's Chairman] about making an immediate donation, I didn't write an email or put together a big case as to why. I just sent him a WeChat message and it was done. It is so important to have senior leadership that understand China and trusts our emergency response team here."

## Employee-Driven Donations

Merck's first donation was a cash donation of 3 million RMB. They worked with the China Charity Foundation and the China Red Cross Foundation for their donation. "The donation targeted healthcare professionals, delivering masks and other needed medical supplies through our channels." Additionally, Merck's

**Top:**

Merck China President Allan Gabor (right) with a shipment of masks for Wuhan Hospital.

**Bottom:**

Three Merck volunteers carrying the last mile to ship masks to Wuhan Hospital.

Photos courtesy of Merck China

individual employees made a separate donation through their labor union to their colleagues based in Hubei. “Our labor union collected and donated funds to colleagues in Hubei, a really heartwarming and spontaneous display. We didn’t tell anybody to do it; it was completely organized by our union representatives. After the funds had been collected, they asked if they could do it. I gave them the easiest “yes” that you can imagine,” notes Gabor.

While Merck’s global business has certainly been impacted, Gabor believes it is still too early to say how large that impact might be. “From the electronics side of our industry, we have not yet seen a significant downturn in terms of production utilization, though we have seen negative forecasts for the electronics industry that we can’t ignore. From the healthcare side, COVID-19 does not change disease prevalence. We’re waiting to see how the healthcare side is impacted. We have capabilities that we did not have during the SARS outbreak. Access to certain elective treatments will be impacted, but it will bounce back. After the SARS outbreak, things

bounced back pretty fast. The negative impact is really dependent on when things normalize. If it is within the next few months, I am optimistic.”

## Getting Back to Work

With the health of employees worldwide prioritized as the top concern, supply chains everywhere have been disrupted. In the early stages of the virus outbreak, Merck, like all businesses, needed to shut down operations in China. However, Gabor stressed the importance of working closely with Chinese local and national government authorities in order to resume normal business operations.

“Our manufacturing sites in Shanghai, Wuxi, Suzhou, and elsewhere were able to begin operations in early February, which was quite early. We were only able to do that by being in close collaboration with the local authorities. I was involved with a site inspection with local officials for a visit to our Shanghai site. The inspection was very professional, collaborative, and, frankly, very helpful. They did not look at us with a critical eye, but were coming from a very supportive position, offering us additional information on where we could improve employee protection in certain areas. Employee protection is already a strength of ours, but it is helpful to have another set of experienced eyes to offer advice on how to improve.”

## Timely Communication

Merck’s preparedness, coordination both internally and with government authorities, and the support of headquarters have all been pillars of strength during this challenging time. As the COVID-19 outbreak evolved, Gabor highlighted how the China offices of foreign companies have just experienced the obstacles that other country offices now face. While the local offices may have initially sought help from corporate headquarters, now the Chinese offices must share their experiences with others.

“I have been communicating with our senior leadership throughout this process,” says Gabor. “Our emergency response team is in place in China and we have a mirror at the global level. But that was when the virus was only in China. The team that helped us function in the early days of the situation in China is now helping in other countries. We have been coordinating with teams around the world. We are trying to be as proactive and prudent globally as we were in China. Again, having senior leadership on WeChat has helped a lot, because it allows us to swap informal messages, thereby saving valuable time. While we learned a lot from HQ at the onset, now they are learning a lot from us.” <sup>1</sup>

# Work, Rest, and Play: Mars' Role in Helping China Return to Normal



**Min Qin** is Vice President for Public Affairs of Mars China. She joined Mars in 2018 and leads Mars' efforts to build and grow strategic partnerships with key public stakeholders at both central and local levels, conduct policy advocacy in key categories for Mars, formulate public affairs strategies, and protect and promote Mars' corporate reputation.

Prior to joining Mars, Min worked with Fonterra and McKinsey, building and leading their external affairs function in Greater China. Min holds a Master of Philosophy from Cambridge University and a BA from the China Foreign Affairs University. She was nominated a "Young Global Leader" by the World Economic Forum in 2006.

*As one of the global leaders when it comes to food safety, Mars is keenly aware of the dangers that epidemics can bring. But in facing an outbreak of a different sort in COVID-19, the firm employed its wealth of experience in helping to overcome the virus.*

*By David Jacobs*

Every Spring Festival, hundreds of millions of Chinese visit family and usher in the lunar New Year. Every year, it spawns the largest human migration on the planet – while also boosting the global economy. Businesses, and even countries, rely on the increase in holiday traffic and sales, ranging from tourism and film to supermarkets.

But in 2020, as the COVID-19 outbreak was ramping up just prior to the Spring Festival, the previously unthinkable became reality. Travel plans were canceled, movie theaters closed, and shopping for supplies at the supermarket provided a reminder of the severity of the situation. How could a country or company prepare for a situation like this? What happens when the sales that businesses rely on simply aren't there? And, above all, how can companies ensure that their associates and customers are both physically and mentally healthy?

## Strategic Preparedness

While it would be impossible for any company to be fully prepared for this situation, as one of the leading food, pet care, and life sciences companies in the world, Mars was fortunate to be able to rely on their crisis management preparation. "We had a crisis management team in operation before Chinese New Year," says Min Qin, Vice President for Public Affairs at Mars China. "We assessed business continuity and the impact

the virus would have, but our top priority from day one has been people."

As the COVID-19 virus spread, so did information and ideas about the nature of the virus. Mars made sure to equip their staff and customers with access to accurate information and support. "We want our associates and customers to be fully aware of the personal protection they should be equipped with. When they have questions, they know where to get the answers they need." Regarding health and hygiene precautions, Qin adds: "We are in strict compliance with the government, but also follow our own strict guidelines. Our hygiene requirements are very high, and we implemented an additional internal health contingency plan to ensure we helped to control the epidemic. This includes disinfectant rules, body temperature checks, maintaining a safe distance at the work place, and managing the number of associates in our facilities at the same time."

## Mental Health Dedication

Mars' dedication to their employees is evident by their actions regarding an easily overlooked area of the COVID-19 epidemic: mental health needs. "Apart from the health and safety of our associates, their psychological health has also been a big area for us. We have an internal hotline that is available for all staff and their family members in case they need to talk to an expert. We have organized online symposiums for people to know how to protect themselves and their families and help them to stay calm throughout this difficult period."





**Above:**  
A shipment of Mars products to epidemic-affected areas

Photo courtesy of Mars

“We want to reiterate that the outbreak does not pose any food safety risks to humans or pets, not through packaging and not through the food itself.”

Assuaging the fears of their customers regarding the safety of their products is another area that Mars has focused on. “We want to reiterate that the outbreak does not pose any food safety risks to humans or pets, not through packaging and not through the food itself,” Qin declares. “We have very strict processing conditions that are necessary in the production process that are completely sufficient to destroy the virus. There is no safety risk.”

## Charity Partners

Mars has committed \$20 million to communities as part of the COVID-19 response, which includes cash and in-kind donations to support the people, pets, and communities most affected by COVID-19. This commitment includes over 5.4 million RMB worth of cash and goods that Mars has already donated in China. “We gave 1 million RMB to the China Red Cross Foundation and another 1 million RMB through the Mars Wrigley Foundation, a special foundation within the Mars system,” says Qin.

With so much attention on the problems facing society, Mars also realized how donations of their products could help healthcare and construction workers at the emergency hospitals. “We have donated chocolate, nut bars, and more to the people who are working in Hubei, including Wuhan, to fight the epidemic, including those sent from other parts of the country to help,” says Qin. “We also donated pet food products to Wuhan to help those small animals threatened by diminishing food supplies in the locked-down city.”

With so many people reliant on their products, Mars has worked closely with the government and suppliers to understand all of the policies that may affect business. “The policies and incentives are often very specific to different localities,” says Qin. “We need to understand these policies while ensuring that we have taken the appropriate caution to ensure the health and safety of our associates and all the people across our value chain.”

## Adapting to Policies

As the virus epidemic rapidly evolved, Qin noted that government policies did, too. “We really appreciate the help and support that we have received from the Chinese government. It has not just been the central government, such as the Ministry of Commerce, the Ministry of Agriculture and Rural Affairs, the General Administration of Customs, the State Administration for Market Regulation, and the National Health Commission, but also local, provincial, and even district-level governments. In all of these areas, they have supported us with timely information and listened to our feedback to offer additional support whenever they can.” AmCham China has also been a valuable resource, providing information and support “on top of Mars’ individual reach,” she said.

Mars has made valuable efforts to ease the burdens of society, their associates and their families, and customers. Mars’ Chairman and CEO have shared messages encouraging their Chinese associates and the general public. The Chairman and CEO “sent their regards to all associates, to our partners, and to the Chinese government and people. It is to make sure that everyone knows we are standing together with China, with our associates, and all the people across our value chain. We are communicating daily with the crisis management team and sharing tips and resources with other markets that are now dealing with this crisis.”

The crisis has been largely controlled within China thanks to the efforts of the entire country. The contributions of Mars and many other companies played an important role. Spring Festival may have been interrupted for many, but the COVID-19 outbreak emphasizes the importance of cherishing life, the people, and companies closest to us. **Q**

# How We Helped: AmCham China's Efforts to Assist its Members in the Fight Against COVID-19

*From the earliest days of the Chinese New Year holiday, Chamber staff sprang into action to help the membership combat an unprecedented threat – with an equally impressive response from the US business community in China.*

By Mark Dreyer

Back in January as the COVID-19 outbreak began to worsen in Hubei, the Chamber's sole focus – and that of our member companies – was squarely on helping relief efforts in the most-affected regions of China. Many members reached out to us to see how they could help. The Chamber immediately set up a taskforce to help facilitate donations, working closely with our central and local government partners to identify opportunities where medical and other support could be provided, including medical equipment, logistical support, machinery equipment for constructing the emergency treatment facility campus in Wuhan, and cash donations.

Our staff members in Beijing and in each of our Chapter offices in Wuhan, Tianjin, Dalian, and Shenyang were in communication with China's National Health Commission (NHC) and local authorities to understand what was most needed and how we could effectively provide support. AmCham China also encouraged and facilitated member company donations through trusted local partners and channels. On the overseas donation front, we worked closely with Direct Relief, with donation shipments arriving in Wuhan in the early days of the crisis. Throughout it all, our Central China Chapter staff, led by Joan Zhu, remained in Wuhan during the lockdown, working remotely to assist member companies in various ways.

"As soon as Wuhan went into lockdown on January 23, Joan and Lina worked closely with

AmCham China headquarters in Beijing to coordinate efforts with our member companies to bring much needed medical supplies into Central China," writes Steve Carpenter, Chair of the AmCham China Central China Chapter. "They remained available to do anything needed even though, technically, they should have had time off for the Spring Festival Holiday. They also worked with colleagues in Beijing to help bring relevant and



**Above:**

After working remotely throughout the lockdown, AmCham China Central China Chapter Manager Joan Zhu (left) comes face-to-face with colleague Lina Wang (right), the Chapter's Business Development Assistant, for the first time in nearly three months for a meeting with Zhang Xiaomei (center), President of the Hubei branch of CCPIT on April 16.

Photo courtesy of AmCham China

## AmCham China Member Company Donors to COVID-19 Relief Efforts

- Abbott
- AbbVie
- ADM
- Agilent Technologies
- Albemarle Corporation
- Alcon
- Allergan
- Amazon China
- AMD
- American Express
- Amway
- BabyCare
- Bayer China
- BD
- Beckman Coulter
- Beijing Mercedes-Benz Sales Service Co., Ltd.
- Beijing DHH Law Firm
- Bill & Melinda Gates Foundation
- Bio-Rad Laboratories (Shanghai) Co., Ltd
- BMW China and BMW Brilliance
- Boston Scientific
- BP
- Bunge
- Carestream Health Cargill
- Caterpillar Foundation
- CBRE
- Cepheid
- Cheung Kong Graduate School of Business
- China International Capital Corporation Limited (CICC)
- Chubb
- Cisco
- Citi China
- Coca-Cola
- Coca-Cola Foundation
- ConocoPhillips China
- Cummins
- Danone China
- Dell Technologies
- doTERRA
- Dow
- DuPont
- Dyson
- eBay
- Emerson
- ExxonMobil
- FedEx
- Ford China
- Ford China & Ford Changan Ford China & JMC
- Ford Foundation
- Fujian Benz Automotive Co., Ltd.
- General Electric
- General Motors
- GGV
- Goldman Sachs
- Google
- Grant Thornton
- GSK China

meaningful content online to our members, and remained positive and encouraging in all of their communications. We are truly blessed to have such dedicated staff.”

Enabled by such strong support, the US business community responded magnificently. To date, our member companies have made donations to support Wuhan, Hubei, and other areas in need, totaling well over half a billion RMB. Below is a list of our member companies who have made significant contributions. However, it is worth stressing that this data is far from complete, while many more member companies also made contributions, but have preferred to remain anonymous.

## Getting China Back to Work

These have been truly unprecedented times. Much of the Chamber's activity revolves around in-person events – we would typically hold around 150 or more of these per year, ranging from small, round-table gatherings to discuss industry-specific policies to huge events such as our Annual Appreciation Dinner, which connects upwards of 600 people from our membership with government officials from both sides (see pages 52-54 for more). But government directives meant that all meetings and events since the lunar New Year have had to move online, a transition that has happened seamlessly. Meanwhile, communication with members has ramped up, with several new email newsletters keeping members informed and connected.

As well as coordinated national outreach and providing valuable information to our members through a dedicated information portal on our website, and releasing monthly Flash Surveys which provided critical data for companies on all aspects of their COVID-19 response, AmCham China's next focus was on working closely with local governments to understand what specific needs for help member companies have as they prepare to reopen for work. This came in response to efforts by MOFCOM and other ministries and provinces to develop policies that have assisted companies – especially factories and SMEs – in overcoming their ongoing challenges. In fact, AmCham China representatives have had countless meetings with government officials in recent months, with two such examples being Chairman Greg Gilligan's face-to-face meeting with Vice Foreign Minister Zheng Zeguang and a call with Vice Commerce Minister Wang Shouwen and representatives from no fewer than 10 other ministries.

## Healthcare Forum Success

Much of the Chamber's government advocacy work is done through the industry-specific Forums & Committees, the working groups often



described as “the engine of the Chamber”, which advocate for the most pressing industry needs of our members. One such story from the Healthcare Forum illustrates this.

When the COVID-19 epidemic was at its peak in Wuhan, the National Medical Products Administration, or NMPA, had its hands full with approvals for urgent medical devices needed by healthcare professionals dealing with the epidemic. However, lost in the mix, was attention on all the hundreds of other medical devices needed for everyday healthcare matters, for which the license renewal process had been severely impacted due to the urgent attention on COVID-19.

Several other organizations had tried to lobby the NMPA to push through approval of these other equally critical devices – but to no success. However, the AmCham China Healthcare Forum had other ideas.

The Forum’s three co-chairs – Roberta Lipson, CEO & Founder, United Family Healthcare; Jeffrey Que, VP for Government Affairs and Policy, Johnson & Johnson China; and Alice Xu, VP for Health Economics and Government Affairs and Public Relations, Boston Scientific – had raised this issue with AmCham China staff during a call early on in February, with the wider Healthcare Forum membership resolving to take further action later that month. Following a Call for Comments to our members, AmCham China submitted an official letter to NMPA on February 20, which referenced a recent joint policy announcement by NMPA, the State Administration for Market Regulation (SAMR), and the China National Intellectual Property Administration (CNIPA) to support the argument and focused on specifics areas, instead of attempting to request a wide-ranging approval.

On February 26, the Center for Medical Device Evaluation under the National Medical Products Administration, or NMPA, announced that an extension of the license renewal procedure on these medical devices had been approved, providing critical underpinning of the medical device supply chain, and relief for businesses, patients, and healthcare personnel in need. The text of their announcement mirrored extremely closely the petition that AmCham China had submitted one week previously.

## Next Steps

Even as things in China continue to improve and return to a semblance of normality, the situation in the US and elsewhere continues to deteriorate, with many of our community fearing for our friends, family, and colleagues. The Chamber has responded in several ways – most notably by setting up a taskforce to help connect reputable Chinese suppliers of PPE gear with hospitals and other organizations in the US who desperately need it. Elsewhere, with China roughly two months ahead of much of the world in terms dealing with COVID-19, we’ve collected all our

- |                                |                              |
|--------------------------------|------------------------------|
| • Herbalife                    | • J.P. Morgan                |
| • Hewlett Packard Enterprise   | • Johnson & Johnson China    |
| • Honeywell                    | • L’Oreal                    |
| • HP                           | • Louis Dreyfus Company LVMH |
| • HSBC                         | • Mars China                 |
| • IBM                          | • Mary Kay China             |
| • IMA                          | • McDonalds                  |
| • Intel                        | • Merck Sorono               |
| • Intercontinental Hotel Group | • Microsoft                  |
| • Jahwa                        | • Mondelez                   |

If you have made either a financial donation or in-kind contribution and would like to be added to this list, please contact Yang Bai at [ybai@amchamchina.org](mailto:ybai@amchamchina.org)




**Above:**

An AmCham China Healthcare Forum Member Delegation meeting with the Tianjin Healthcare Security Bureau and the Tianjin Commerce Bureau in early January

Photo courtesy of AmCham China

learnings and best practices in a single presentation and distributed them to contacts around the world.

The global outbreak of the novel coronavirus has presented unprecedented challenges for all of us, but, by working together, we have already taken great strides. The road to economic recovery, while continuing to keep the virus at bay, will be a long one, with more obstacles no doubt lying in wait, but the collective power of the AmCham China community – both staff and members – has shown that we can, and will, meet those challenges head on. 

# China's Economy Took a Hit During SARS, COVID-19 Could Knock It Over

By Dr. Ouyang Hui and  
Ye Dongyan

*Thanks to years of double-digit GDP growth, the size of the Chinese economy is significantly larger in global terms than it was in the past. But that means any shocks to the Chinese system will now reverberate far louder around the world. Two economists from CKGSB explain what that could mean in light of the COVID-19 pandemic.*

As China struggles to contain the spread of COVID-19, everyone is wondering how this incident will impact the greater economy. Although there are still many uncertainties about the current crisis, to compare the repercussions of this virus with the SARS virus, which broke out in 2003, is optimistic. Back then, China's share of the world's GDP was 8.8%; now it's 19.2%. China's economy grinding to a halt will have a massive impact around the world.

## Different Metrics

China's growth rate and economic structure is very different now compared to 17 years ago. After SARS, China ended the year with a 10% growth in GDP and an economy not just back on track, but roaring full steam ahead. However, we are unlikely to see this type of recovery now. China's economy has shifted down several gears from a manufacturing industry to a more service-oriented industry with a GDP growth rate in 2019 of 6.1% (compared to 10.6% in 2010). The export-to-GDP ratio in 2003 was 26.4%, so exports swiftly helped the country recover after SARS. However, in a post-tariff war climate, exports take on a smaller role in the economy, making China's GDP target of 6% for 2020 a hard goal to hit.

Economic activity has slumped since the Lunar New Year, a festival that

usually drives considerable growth in consumption and services, from tourism to entertainment. Moreover, workers have been trapped in their home after the holiday and prevented from returning to work for fear of the disease spreading further. This is something China has never experienced in the last 40 years of economic growth.

The profitability of companies during the SARS period was high and rising with industrial added value, while Return on Assets (ROA) and Return on Equity (ROE) were both high and rising, making it easier to recover from the crisis. Inflation was under 1% for most of 2003, compared to 5.4% inflation now. The food price index has risen as much as 20.6%. On top of this, companies and households are much more highly leveraged now than before. The M2 [a measure of money supply and an indication of future inflation] to GDP ratio was 161% in 2003 and 200% in 2019. Social financing to GDP has also grown from 132% in 2003 to 254% in 2019. Although there is limited room for maneuver, China can still cut benchmark interest rates even lower.

## Necessary Moves

The government should urgently reduce taxes and expand investment in infrastructure, scientific research,

environmental protection and healthcare, issue more money, cut interest rates, and protect equity markets. Stability of the stock markets can help reduce unbearable corporate leverage. Small and medium enterprises (SME) in particular need direct government support. Administrative fees should be suspended, and rent reduced or exempted. Tax rebates or deferred payments should be rolled out, as should subsidies for research and development.

COVID-19 will have a greater impact than SARS, and recovery will likely take longer. To support companies, especially SMEs, no effort or expense should be spared. The government will need to adopt a larger and broader stimulus package than it did during SARS and even during the global financial crisis in 2008. If not, companies will go bankrupt, and large-scale unemployment will follow. This public health crisis could lead to a financial, economic, or even political crisis that would have global implications. **Q**

*Dr. Ou-Yang Hui is the Dean's Distinguished Chair Professor of Finance, Associate Dean for EMBA and a Professor of Economics at the Cheung Kong Graduate School of Business.*

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# 2020 CHINA BUSINESS CLIMATE SURVEY REPORT

*This is the 22nd year that AmCham China has surveyed its members on the business environment in China. This survey was conducted between October 24 and November 25, 2019, and was sent to 771 member company representatives, of which 372 completed a significant portion.*

China's economic growth continued to slow in 2019, officially declining to 6.1% – the slowest growth rate in nearly three decades. While data from this year's report reflects this downward trend, it also highlights many areas in which the investment environment has improved. Conducted in late 2019, the survey data upon which this report is based details the experiences of foreign companies in China in 2019 and highlights their outlook for 2020 and beyond.

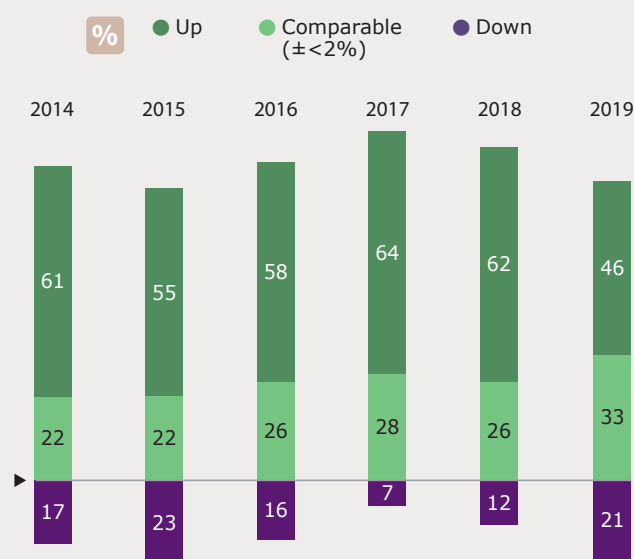
Though the Phase One trade deal had not yet been signed and none were anticipating the need to cope with the impact of COVID-19, the challenges and hopes reflected in this survey remain salient for both policymakers and business executives as they adjust their 2020 strategies. Indeed, with the signing of the Phase One trade deal earlier this year and a hopeful pause in the tit-for-tat tariffs that have defined much of the past 18 months, members started 2020 with an increasingly hopeful outlook that additional reform and market opening measures will continue to unfold.

## **Despite financial hits and investment caution, China remains a key priority for member companies**

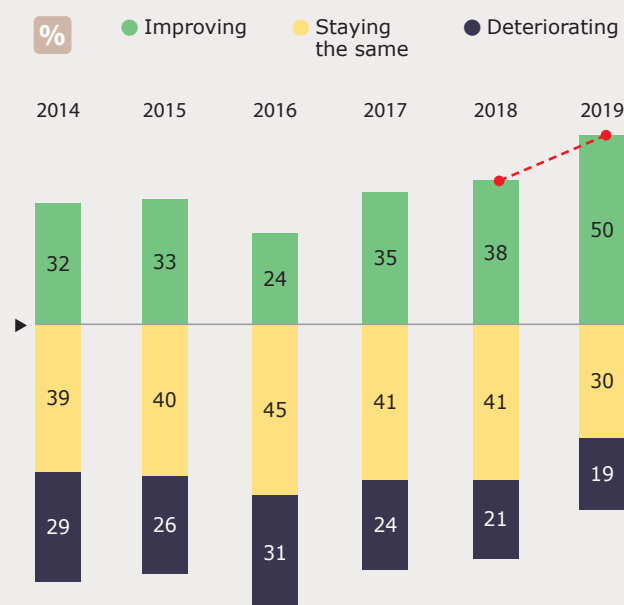
Members have reported continual declines in revenue and profitability over the past two years. In 2019, 21% of members saw a drop in revenues, compared with only 7% reporting decreased revenue in 2017. Additionally, the proportion of members describing their financial performance as “profitable” has dropped from 73% in 2017 to 61% in 2019 – the lowest



## How does the estimated 2019 revenue of your China operations compare with 2018 results?



## The quality of China's investment environment is:



percentage to report profitability since we first began asking this question almost two decades ago.

Stagnating economic growth and continued uncertainty in US-China relations were also cited as key reasons behind a growing number of companies saying they have a pessimistic outlook toward their industries' market growth and China investment

plans. Nearly one-in-four companies – and over 40% in the R&I sector – do not expect their markets to grow in 2020. In contrast, Consumer and Services sectors displayed greater optimism in their outlook on market growth. In this year's report, 37% of members, the largest proportion since 2013, say they are delaying additional investments in 2020, or are even looking to reduce their investment footprint.

That said, China remains a top priority for most of our members and 50% say the investment environment is improving. A variety of concrete actions taken in 2019 have boosted members' confidence in the Chinese government's commitment to further open China's market to foreign investment. Furthermore, a higher proportion of foreign businesses say they felt more welcome in China in 2019, despite ongoing turbulence in the bilateral relationship. 63% of members believe foreign companies in their industry are treated equally or preferentially in comparison with local companies, up by seven percentage points from last year. More than half of the respondents from the Technology sector, however, say they are treated unfairly.

## While longstanding operational and regulatory challenges have improved, bilateral tensions remain a major source of uncertainty

Some longstanding concerns, including the protection of intellectual property rights (IPR), continued to see improvements in 2019. Some 69% of members agree that China's enforcement of IPR has improved in the last five years, an increase of 10 percentage points from 2018. Nearly half of members say they share the same amount of proprietary knowledge with their Chinese partners as elsewhere, while one-quarter do not share any proprietary information with business partners and clients in China. Of those who do share such information, a majority say their decision to do so is a voluntary business decision.

While the signing of the Phase One trade deal has cooled bilateral trade tensions, it was unclear at the time this survey was conducted on what timeline any type of agreement would actually come to fruition. Regardless, member views about the importance of the bilateral relationship and the impact of the trade tensions over the past 18 months remain equally relevant. Indeed, members say the US-China relationship continues to have a significant impact on their business operations and strategy. Respondents say that bilateral tariffs have primarily impacted business operations by decreasing demand and increasing manufacturing costs. When it comes to business strategy, nearly one-fourth report they have delayed or canceled investments as a result.

## Please select your top five business challenges in China

	2016	2017	2018	2019	2020
1	Inconsistent regulatory interpretation and unclear laws & enforcement (57%)	Inconsistent regulatory interpretation and unclear laws & enforcement (58%)	Inconsistent regulatory interpretation and unclear laws & enforcement (60%)	Inconsistent regulatory interpretation and unclear laws & enforcement (55%)	Rising labor costs (45%)
2	Rising labor costs (54%)	Rising labor costs (58%)	Rising labor costs (56%)	Rising labor costs (48%)	Inconsistent regulatory interpretation and unclear laws & enforcement (41%)
3	Obtaining required licenses (29%)	Increasing Chinese protectionism (32%)	Regulatory compliance risks (37%)	Rising tensions in US-China relations (45%)	Rising tensions in US-China relations (41%)
4	Shortage of qualified employees (29%)	Shortage of qualified management (30%)	Shortage of qualified employees (32%)	Increasing competition from privately owned Chinese companies (29%)	Regulatory compliance risks (23%)
5	Industry overcapacity (29%)	Obtaining required licenses (29%)	Increasing Chinese protectionism (32%)	Shortage of qualified management (28%)	Shortage of qualified management (23%)

## Implications for business leaders


The pause in the US-China trade frictions and ongoing reforms announced by China signal clear efforts to improve the business environment, especially in the financial services and consumer markets. Although China's economic growth is slowing, its market is expanding and its population is both aging and growing in purchasing power. Many member companies have deep roots in China and broad relocation efforts do not appear to be a significant trend among a majority of our membership.

While the trade dispute has led to heightened uncertainty and increased the costs of doing business for some, negotiations have accelerated the reform and market opening process in China, including improved IP protections and better access to China's financial services market. Furthermore, the full impact of the COVID-19 outbreak remains unknown. While business and the economy will likely experience a significant shock – with some variance across

industries – early communications indicate that member companies remain committed to the China market.

## Implications for policy makers

Member companies emphasize that the US government can be most supportive of American business in China by continuing to advocate for a level playing field, prioritizing a “results-oriented framework for regularized government-to-government communication” and reducing tariffs on goods exported from China.

When asked what actions the Chinese government could take to encourage member companies to increase their China investments, the most commonly cited recommendations were to increase the transparency, predictability, and fairness of the regulatory environment, ensure greater protection of IP, and limit the use of industrial policies that create barriers. 

Scan here to read the full report:



# AmCham China Members Detail COVID-19 Impact as Recovery Continues in China

*This Flash Survey – AmCham China's second monthly member survey on the business impact of COVID-19 – was conducted between March 14 and 18, 2020, and 119 member companies completed the majority of the questions.*

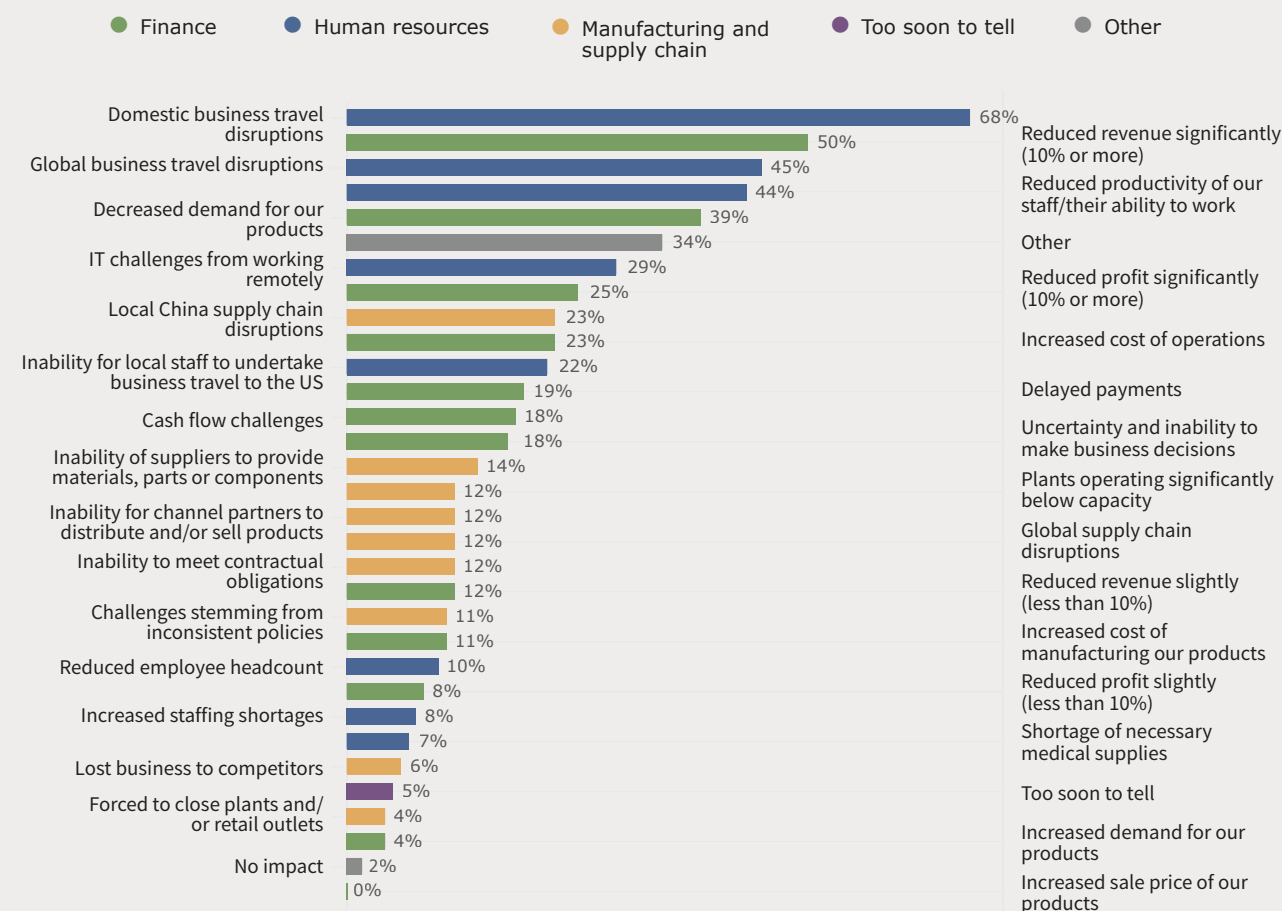
In late March, AmCham China released the results of a second Flash Survey that evaluates the impact of the COVID-19 outbreak on its member companies. With almost 120 companies responding to the survey, these results continue to provide invaluable insight into the ongoing impact

on American and multinational companies in China, as well as providing the US and Chinese governments with suggested policy support.

As compared with the Chamber's first Flash Survey, conducted in February, more companies reported a

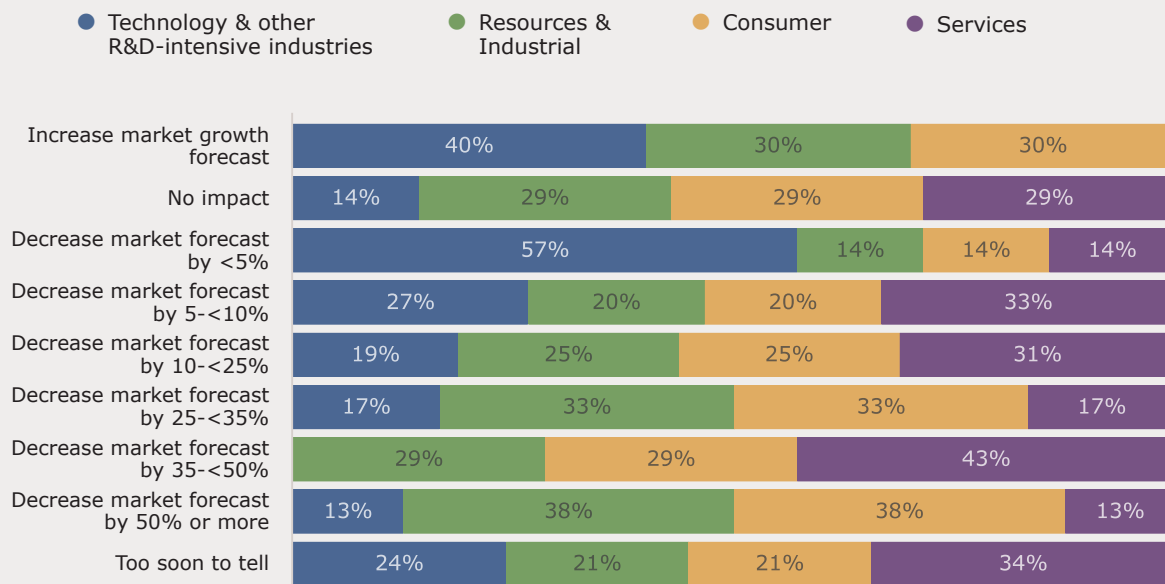
significant revenue decline and drop in demand, with three-quarters of respondents holding a pessimistic outlook towards economic growth. However, the news wasn't universally downbeat, with close to half expecting a return to normal operations within a month, and

## How is the COVID-19 pandemic impacting your business operations in China? (Check up to three within each category)





## What impact will the COVID-19 pandemic have on your industry's forecasted market growth for 2020?



more companies than before now pledging to maintain planned investment levels.

### Continued Disruption

Overall, though, disruption caused by the COVID-19 pandemic has continued to escalate in China. 68% of member companies are facing domestic business travel disruptions. Roughly half of the surveyed members say they are experiencing significant revenue declines, compared with 28% last month. Meanwhile, 39% of companies report a drop in demand for their products, up 6 percentage points from last month.

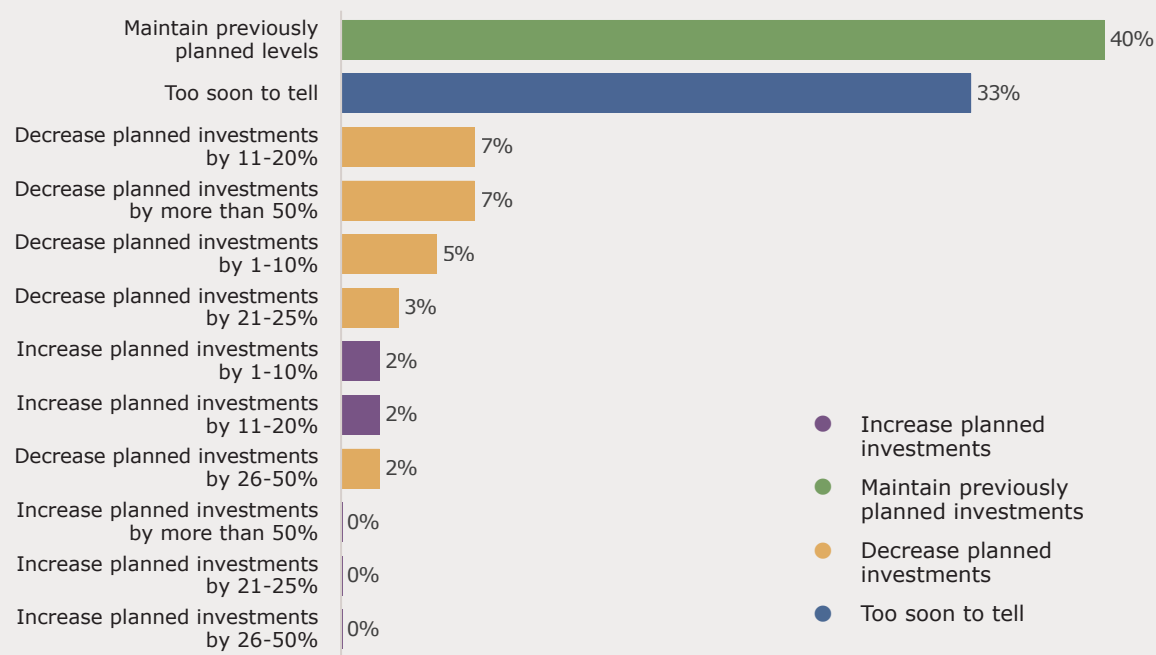
As the fallout from the epidemic has become clearer since last month, more members now express a pessimistic outlook. 57% of respondents said they expect 2020 China revenues to decrease if business cannot return to normal before April 30 – up from 48% the month before – while 60% (up 10 percentage points month-on-month) said 2020 revenues will decline anywhere between 10% and 50% or more if business cannot return to normal before August 30. While half of respondents still believe it is too soon to determine the estimated cost of delays, 14% report losing at least half a million RMB per day, up 4 percentage points from February responses.

“Our member companies are still wrestling with challenges brought by the epidemic, and there’s now concern about the global impact,” said AmCham China Chairman Greg Gilligan. “Since our last survey, this has now become a worldwide pandemic and close to half of the companies said the global spread of the virus would have a moderate-to-strong impact on their China operations. But the views aren’t all grim: nearly a quarter of our companies expect a return to normal business operations by the end of April, while 22% have already resumed normal operations, and 40% report they will maintain previously planned investment levels, up significantly from last month’s survey.”

### Global Pandemic

Since AmCham China’s first Flash Survey, COVID-19 has spread from a China concentrated epidemic to a global pandemic. When asked about the additional impact this spread would have on China operations, approximately 45% of both the Technology and Services sector respondents expect a moderate-to-strong additional impact. 42% of R&I respondents say it is too soon to evaluate the business impact, while 63% of Consumer respondents expect some degree of impact.

## To what extent do you expect the COVID-19 pandemic to impact your planned investments in China operations for 2020?



Companies with fewer than 250 employees were both most likely to predict no additional impact (20%) of the global spread of COVID-19 and a strong additional impact (30%). Those with over 2,000 employees were the most likely to predict either minimal additional impact (23%) or say that it is too soon to tell (39%).

The survey also found that the Consumer and R&I industries are most pessimistic about COVID-19's impact on 2020 market growth, with 38% from both sectors expecting a decrease of 50% or more. Meanwhile, respondents are most optimistic about the prospects for further reform (42%) and market opening (39%) efforts in light of the COVID-19 pandemic.

As of March 13, nearly one-fourth of respondents say 100% of staff continue to work from home; 35% report over half of employees have returned to the office.

### Decreased Market Growth & Investments

58% of respondents expect the COVID-19 pandemic will cause some level of decrease to their industry's 2020 market growth, up 10 percentage points from February's survey, while 27% say it is too soon to tell.

Over one-fourth of companies in the Technology sector and nearly one-third of those in the Services sector say they plan to decrease investments.

While 58% of respondents are prioritizing staff safety over business performance, there has also been an increased emphasis on finances – 48% are revising annual budgets and 40% are cutting costs, with both figures up 7 percentage points month-on-month.

Half of respondents say it is too soon to determine COVID-19's impact on their long term (i.e. 3-5 year) China business strategy (down 5 percentage points from last month), while one-third say there will be no impact (down 1 percentage point).

### Policy Support Needed

Companies say would like to receive commercial support from the US government, including advice on business opportunities and support understanding COVID-19-related business policies, as well as guidance on Phase One trade deal implementation. Meanwhile, respondents continue to seek actions from the Chinese government regarding tax alleviation and clear, consistent policies.

Finally, 87% of surveyed companies say they have provided some form of assistance to fight the COVID-19 pandemic, an increase of 6 percentage points from the previous survey. <sup>1</sup>

Scan here to read the full report:



# How Dell Has Adapted To Digital Transformations of an Unexpected Kind

*The AmCham China Quarterly spoke to Bing Zhou, Vice President of Dell Greater China and Chair of AmCham China's Chinese Government Affairs Committee, about using technological solutions to empower its customers as they adapt to remote working, remote medical treatment, and more.*

## **AmCham China Quarterly: What type of relief effort has your company made to the outbreak?**

**Bing Zhou:** Dell has been in China for more than 20 years and is committed to its "In China, For China" strategy. At the first time of the COVID-19 outbreak, Dell and its employees took action to join the fight against the epidemic. In January, we donated RMB 2 million, which was used to purchase badly-needed materials including surgical masks, protective clothing, and eye covers for local hospitals in Wuhan. Additionally, we worked with Hubei CDC to provide them with Hyperconverged Infrastructure (HCI), data protection, and virtual solutions to upgrade their data center - critical technology to allow them to respond to the situation more effectively.

Our employees also made donations immediately, which have totaled more than RMB 500,000. That money has been used to purchase badly needed medical materials. As one of the world's leading tech companies, Dell Technologies also donated 200 IT devices to hospitals in Hubei, and provided customers with 24/7 standby services in the area. Meanwhile, relying on the industry's broadest and most innovative technology and services portfolio, the company has been actively providing customers with a series of digital solutions for remote working, remote teaching, and so on.

## **How has your company been communicating, coordinating, and working with US or Chinese authorities in response to the COVID-19 outbreak?**

**Bing Zhou:** We have effectively communicated with relevant Chinese government departments and organizations. Under the guidance of China's Ministry of Civil Affairs and with the assistance of both the China Youth Development Foundation and the Hubei Youth Development Foundation, our donation has been used to purchase medical supplies, surgical masks, protective clothing, disinfectant, goggles and other much-needed materials for local hospitals in Wuhan, as well as to carry out relevant relief work.

## **Have you leveraged other global offices in your response to COVID-19?**

**Bing Zhou:** While the situation continues to evolve, our top priority is ensuring the health and safety of our employees and communities. Dell China and our global teams have been working closely to safeguard all employees' health, especially those in the most severe areas, and make sure to do our utmost to support them.

## **How has COVID-19 affected your Q1 results and 2020 outlook?**

**Bing Zhou:** Dell Technologies announced its Q4 and full fiscal year 2019 financial results at the end of February, which showed record revenue for the year, and profits growing strongly year-over-year. Looking forward, as a standard course of business, we will continue to monitor the macroeconomic and IT spending environments, including the impact of COVID-19 on the company's operations. We



**Bing Zhou** serves as the Vice President of Dell Greater China. As the leader of Greater China Government affairs team, he is responsible for Dell's communication and cooperation with governments in the Greater China region. He also serves as the Chairman of AmCham China's Chinese Government Affairs Committee.

Prior to Dell, he served at senior management positions of Government affairs at GE, Novartis, and other MNCs. Zhou was the Deputy Director of the Bo'ao Forum for Asia, is an expert on Asian Economic Integration, and has also worked at MOFCOM.





“We are managing the impact on our business and supply chain operations through order lead times, with this real-time information visible [to stakeholders] during the order process.”

are managing the impact on our business and supply chain operations through order lead times, and this real-time information is visible to customers, partners, and our own salespeople during the order process.

Since the outbreak, Dell Technologies has made every effort to minimize the potential impact on our suppliers and on our entire supply chain. The epidemic situation continues to evolve, and we are managing the impact on our business and supply chain operations. Like our customers and partners, our top priority is ensuring the health and safety of our employees and communities. We will continue to monitor the situation closely and adjust as needed.

*What future scenarios has your company prepared for and what new processes or infrastructure have been designed for those scenarios to preempt potential changes in the environment?*

**Bing Zhou:** We believe what has been accomplished over the last decade is quite remarkable. At the root of all that innovation and advancement are massive amounts of data and computational power, and the capacity across edge, cloud, and core data center infrastructure to put data through its paces. With the amount of data coming our way over the next 10

years, we can only imagine what the world around us will look like in 2030, with apps and services we haven't even thought of yet.


2020 marks the beginning of what we call the “Next Data Decade”, and it's no doubt that technology will continue to transform how people work, live, and play. We find that remote medical treatment, remote teaching, and remote working are all in high demand across China, so it's up to us to address the needs of our customers and partners with our leading solutions. In fact, we are already doing so. By relying on the industry's broadest and most innovative technology and services portfolio, Dell Technologies actively provides customers with a series of digital solutions.

*What health precautions has Dell instituted across all your locations to protect staff and customers?*

**Bing Zhou:** While the situation continues to evolve, our top priority has been ensuring the health and safety of our employees and communities. Based on that, we have arranged local facility sites' work resumption plans in accordance with national and local policies on the epidemic prevention and control measures. At the same time, we have been encouraging team members to use remote access or work from home, using the power of our digital solutions to continue to meet our customers' needs.

*How would you describe your company's crisis response to COVID-19? How has this situation impacted future preparedness plans or standards?*

**Bing Zhou:** Dell Technologies has taken a series of positive measures to join the fight against the epidemic – donating, aiding, cooperating with the government, ensuring the employees' safety, resuming working in accordance with directives, and more. We have closely followed the situation of epidemic prevention and control, and will continue to take measures that will help the containment of the virus.

China is currently in a golden period for economic development, and we are fully confident that this long-term trend will remain on track, allowing us to maintain our “In China, For China” strategy and thus contribute to the further development of China's economy. 

**Left and right:**  
Images showing  
Dell's IT devices being  
delivered to hospitals  
in Hubei.

Photos courtesy of  
Dell





# Balling: The NBA's Long Line of Humanitarian Efforts in China

By Mark Dreyer

As soon as the scale of the COVID-19 outbreak in China became apparent, the National Basketball Association (NBA) mobilized its team to send medical equipment to help fight the epidemic. With support from both the Chinese People's Association for Friendship with Foreign Countries and the Hubei People's Association for Friendship with Foreign Countries, the league sent multiple shipments to those areas most affected.

The first donation of medical equipment, which included a mobile digital x-ray machine and two dry laser printers, arrived at Wuhan No. 4 Hospital on January 30. The second batch of medical equipment, which included 55 patient monitors, arrived at the Renmin Hospital of Wuhan University on February 10. The third delivery, which included a new CT Scan machine, arrived at Thunder God Mountain Hospital in Wuhan during the weekend of February 14.

*Like many AmCham China member companies, the NBA donated crucial equipment to Wuhan and other affected areas as the epidemic broke out in China. But this wasn't just a one-off donation. The league has a long history of humanitarian and social impact initiatives, many of which run through its important NBA Cares program.*

## All-Star Message

Prior to the NBA All-Star Saturday Night in Chicago on February 16, NBA Commissioner Adam Silver conducted a media availability with hundreds of media that were gathered there. During his opening remarks to the media, Silver offered a message of support to the people of China dealing with the coronavirus.

"Unfortunately, many of our partners in China, including many media members, who have been covering us for years, were unable to attend in Chicago this week because of travel restrictions around the coronavirus," Silver said. "To the people of China, we wish you all the best in dealing with these tragic circumstances and encourage you to stay strong and hope that you can find some solace

through sports and the things that we're doing at the NBA. In addition, our offices in China are working hand-in-hand with world health organizations on relief efforts around the coronavirus."

Speaking separately with CGTN during the All-Star Weekend, Silver added that the NBA stands as "one community" with those suffering in China. "My reaction is one of deep sympathy for the people of China, and the people of Wuhan in particular. We've been sending messages for them to stay healthy, to stay strong. Many NBA players who have close ties to China have been sending messages directly to the fans in China. In times like this, the family stands together."

During the All-Star Weekend, the message "Stay Strong Wuhan" was displayed on the jumbotron in the arena, both in English





Photo courtesy of NBA

and Chinese at the Rising Stars Game on February 15 and at the All-Star Game on February 17. Over 70 current and former NBA players voiced their support for China's anti-coronavirus efforts through social media, including All-Stars Stephen Curry, Dwayne Wade, Kyrie Irving, and NBA legend Scottie Pippen.

## Long-Standing Support

This support from the NBA to China's fight against Coronavirus is consistent with the long-standing traditions of the league in its humanitarian relief efforts in China. Other than the NBA's normal basketball and youth development activities locally, the league has been involved over the last decades in many of China's disaster relief and restoration efforts including in Wenchuan (Sichuan), Yushu (Qinghai), Ya'an (Sichuan), and Zhaotong (Yunnan).

Much of this support has been funneled through the organization's NBA Cares program, the league's global social responsibility program that builds on the

NBA's mission of addressing important social issues. Internationally, NBA Cares programs and participants have provided more than 5 million hours of hands-on service and the initiative works with internationally recognized youth-serving programs that support education, youth and family development, and health-related causes.

## Caring for China

Since 2004, the NBA, through NBA Cares, has hosted more than 140 community outreach events with participation from more than 400 NBA players in China. The league, together with partners, has built more than 100 spaces including basketball courts, computer rooms, and libraries for children to learn and play. Since 2012, NBA Cares has supported the Yao Foundation Hope School Basketball Season for eight consecutive years. The program that aims to improve the physical education in China's rural areas has reached more than 700 schools in 25 provinces, benefiting more than 1.15 million children. Since 2007, the NBA has supported Yao Charity Games for eight years to raise funds for the development of physical education in rural areas.

As part of the annual Chinese New Year Season of Giving initiative, NBA Cares has organized community/charity events and activities to support local education in rural areas in Fujian, Sichuan, Guangxi, Hunan, Hainan and other Chinese provinces since 2015. The NBA launched four Hope Schools in Ziyang, Neijiang, Meishan (Sichuan), and Zhaotong (Yunnan). The NBA, its teams, and players also supported the earthquake

relief efforts by making donations and hosting player visits in the earthquake-hit areas including Wenchuan, Ya'an (Sichuan), Yushu (Qinghai), and Zhaotong (Yunnan).

In 2014, NBA China received the "Project Hope 25-Years Outstanding Dedication Award" presented by the China Youth Development Foundation, as well as the "Project Hope Outstanding Dedication Award" in 2015 and 2016, the "Project Hope Best Partner" in 2017 and 2018, and received the China CSR Award from AmCham China in 2016.

## New Year, New Initiatives

Separately, the NBA conducted its 9th Chinese New Year Celebration campaign in January and February to pay tribute to the Chinese culture and fans. NBA Champions Bruce Bowen, Shawn Marion and Alonzo Mourning, as well as eight-time NBA All-Star and NBA Global Ambassador Dikembe Mutombo visited China to conduct community outreach events, while all 30 teams celebrated the Chinese New Year with fans in different ways, with various in-game elements, fan giveaways, musical performances, social media content, food, courtside signage, concourse decorations and partner activations.

As part of the NBA Cares Season of Giving initiative, throughout 2020 NBA China will conduct 20 Legacy Projects, including donating equipment and educational resources to underprivileged schools, beginning in Sanya, Haikou, and Ding'An (Hainan), Neijiang (Sichuan), Shanghai and Beijing. **Q**



**Left:** NBA legends Dikembe Mutombo and Alonzo Mourning celebrated Chinese New Year with students in Ding'An, Hainan province, in January as part of the NBA Cares Season of Giving initiative.

Photo courtesy of NBA

# China's Retailers and the Coronavirus Outbreak: Lessons from the Past

By Jonathan Cheng

While health workers have heroically confronted the coronavirus outbreak, Chinese business leaders and employees have aided the fight in the background. Retail is one of the sectors playing a supporting role. In hard-hit areas of China, store staffers courageously returned to work despite the risk of infection, while supply chain specialists have used all their expertise to ensure that basic necessities remained widely available.

As they continue to make their quiet contributions to the coronavirus response, retail management teams face two looming challenges. The first is a logistical bottleneck. Transport routes were severely disrupted by the closure of cities for quarantine purposes, while many warehouse and logistics personnel were unable to come to work because of illness or restrictions on movement. The second challenge is supply shortages, linked to uncertainty about factories resuming production.

Managing these evolving operational complications is more than a full-time job, but at the same time Chinese retail executives can't afford to lose sight of their strategic goals. It's still unclear how the outbreak might reshape a competitive landscape already in flux. However, examining the shape of retail's recovery in two previous epidemics and one natural disaster can point to what might lie ahead both for the sector and individual product categories.

## Retail's Recovery in Three Asian Crises

In all three previous crises – the SARS epidemic in China in 2003; the earthquake, tsunami, and Fukushima nuclear disaster in Japan in 2011; and the MERS epidemic in South Korea in 2015 – there were three phases: shock, recovery, and stabilization. But the timing and trajectory of each phase differed.

*For a sector already in flux, the crisis presents two looming challenges: bottlenecks and shortages. But maintaining the trust of retailers' customers and staff will be vital as the epidemic continues, and traditional retailers must keep improving their omnichannel offering and supply chains.*

A month after the spread of SARS ended in May 2003, Chinese sales had bounced back to their pre-epidemic levels and they stabilized by July. The retail sales growth dip was much more pronounced in Japan in 2011, as was the subsequent recovery; the stabilization period was also bumpier than in China after SARS. In South Korea, though, the rapid recovery from MERS in 2015 took retail sales growth beyond its pre-crisis trend, as it coincided with the Mid-Autumn Festival. The market then stabilized at a lower level, give or take some fluctuation.

Within retail categories, demand variations during and after a crisis tend to follow three patterns. The first applies to staples such as fresh food and baby care products; demand in these cases tends to spike during the emergency because of panic buying, before resuming a more stable rhythm. Other products also see a spike in a crisis, but with a much steeper decline in demand when normality returns as hoarded items are gradually used up. Categories affected in this manner include health-protection items such as disinfectant or hand sanitizer, as well as home cleaning products. Then there's a third group that follows a "dip and rebound" pattern as shoppers defer purchases during the crisis and then return in droves when safe. Clothes and cosmetics are among the products subject to this sudden release of pent-up demand.

Consumer preferences can also be skewed by a crisis – and not just temporarily. Fresh produce tends to become more important, benefiting retailers that offer a compelling fresh assortment at keen prices in the most trying circumstances. Food and product safety also rise up the list of consumer priorities, rewarding retail brands that have consistently projected an image of quality and reliability.

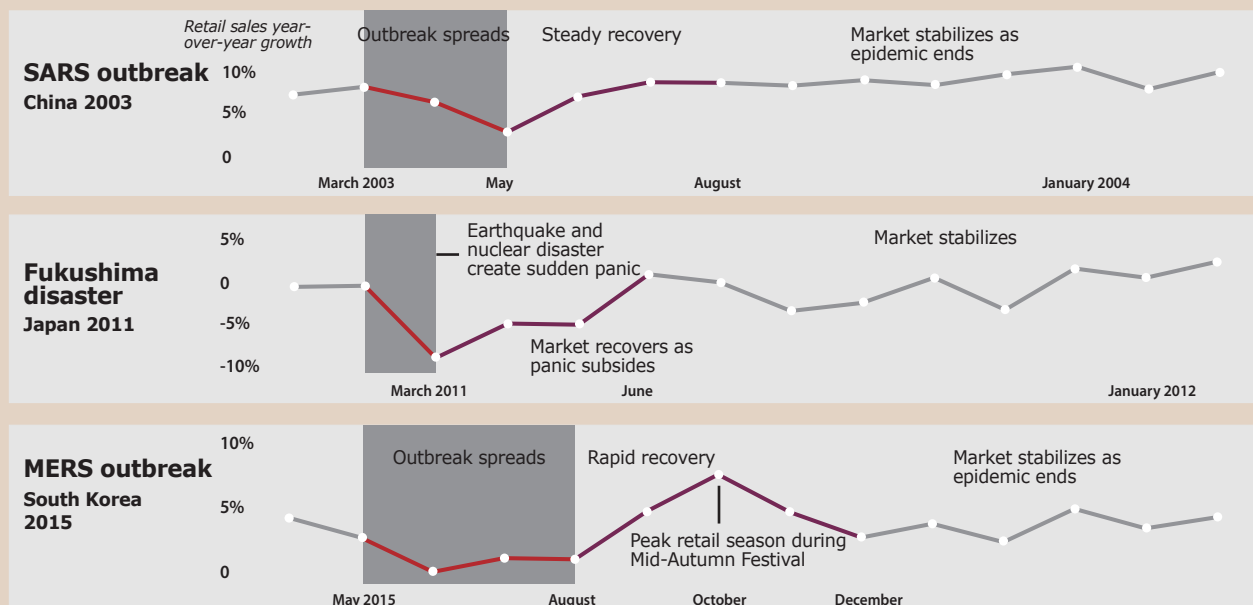
Above all, loyalty can be reinforced or broken at moments of extreme social stress. In the aftermath of Hurricane Katrina in 2005, for instance, the calm efficiency of some US retailers was a notable help to the relief effort. Similarly, after the 2011 Fukushima disaster, convenience stores deepened their bond with grateful Japanese shoppers by rapidly resuming operations with supplies of basic goods.

## Strategic Implications for Retailers

The disruption caused by the coronavirus comes at a time of intense change for the retail industry. In China, the public health emergency may well end up exacerbating the broader trends that are already creating winners and losers. For instance, it has so far accelerated the shift from traditional store-based selling to purely digital or omnichannel retailing – just as



## Retail markets typically dip during a crisis, but eventually stabilize



Source: China National Bureau of Statistics, Japan Ministry of Economy, Trade and Industry; South Korea government statistics

SARS prompted upstart entrepreneurs to embrace the full potential of e-commerce almost two decades ago.

Ecosystem players are unlikely to suffer long-term damage from the coronavirus outbreak. These are digital natives that have built one-stop online shops spanning retailing, chat, entertainment, payments, and a host of other services. As they avoid public gatherings, people in China have been increasingly living online within these ecosystems. True, ecosystem players have also suffered substantial short-term disruption to trading. But the inexorable shift online means the strategic challenge for China's ecosystem players is likely to remain positive: maintaining service levels amid continued business growth.

Dynamic traditional retailers with a significant national or international presence, or "scale fighters", are financially well placed to withstand the short-term coronavirus disruption. Yet their scale can also be a source of weakness; that bulk can slow down decisions in changing circumstances, whether that be the logistical challenge posed by an unfolding crisis or a shift in consumer tastes after a crisis is eventually resolved.

The challenges posed by the outbreak are even more pronounced for retail's legacy

laggards – store chains that have struggled to adapt to the rise of online channels and other market changes over recent years. Legacy laggards aren't known for responding nimbly to events, have a disproportionate focus on physical store traffic, and are often financially fragile, making cash flow disruption particularly threatening.

## How Chinese Retailers Can Increase their Resilience

Trust will be vital, both now and for the foreseeable future. As the epidemic continues, relationships between retailers, their customers, and their staff will likely come under further strain. Shoppers expect stores to keep products on their shelves and not compromise on quality. Even as they face mounting logistical pressures, retailers must strive to meet those expectations through proactive decision making and a willingness to make trade-offs elsewhere. Many employees need reassurance and support as they brave possible infection and take a financial hit from delayed and reduced work. That support is likely to be paid back over the long term.

The crisis has rendered current annual budgets meaningless, thanks to the short-term decline in consumer demand and increased operating costs. Retailers should quickly adjust their annual forecasts with more realistic P&L estimates and reallocate resources as needed. Yet past crises have shown how vital it is to plan for an eventual resumption of normality, even as companies scramble to manage and quantify the disruption. When pent-up demand is released, unprepared companies can struggle to retain existing shoppers or form a lasting bond with new customers.

Other actions with a longer timeframe can help retailers cope better with similar crises in the future. By stimulating demand for online shopping, the outbreak has highlighted the broader need for traditional retailers to keep moving away from a reliance on brick-and-mortar stores to an omnichannel model, for instance. Likewise, leadership teams should aspire to strengthen their supply chains by applying lessons they have learned in recent weeks – and will continue to learn during the uncertainty ahead. **Q**

*Jonathan Cheng leads Bain & Company's Retail practice in Greater China. He is a Bain partner based in Hong Kong.*

# The Race for a Cure: Tackling COVID-19 at Home and Abroad

By David Jacobs

*As the world received daily updates about a pneumonia-like virus spreading in Wuhan, with it came many questions: When will it be contained? How does it spread? What can we do? And perhaps, most importantly, is there a cure?*

As one of the world's leading pharmaceutical and life sciences companies, Bayer has been monitoring the COVID-19 outbreak closely since it was first revealed. It was after President Xi Jinping's speech on January 20th that it became the top organizational concern for Bayer, according to Dr. Yong Gao, Vice President of Public Affairs & Sustainability for Bayer China. With Chinese healthcare officials rushing to release all new information related to the virus to the global medical community, Bayer immediately looked into the many ways that they could help. "We have around 9,000 employees in China, major pharmaceutical productions, and supply operations to hospitals around the country. Our first step was to look at how to keep people safe. Only then could we look at the business."

Realizing the seriousness of the COVID-19 situation, Bayer acted quickly to donate to the relief efforts, one of the first foreign companies to do so. "After President Xi's speech, we knew this was a big problem and began to discuss the donation. We identified the China Red Cross as the organization to work with, pledging 11 million RMB in cash and medical supplies before January 25th. By January 29th, the supplies and cash had already been delivered. We only needed four days to get everything done."

## Past Experiences

Bayer's vast experience in dealing with viruses gave them a good understanding of what equipment would be needed and what to donate to the virus relief efforts. They knew that viral infections and pneumonia could lead to secondary bacterial infections. Bayer gave CT and MRI imaging agents to hospitals as needed. They then coordinated internally to ensure that the supplies were available, working closely with local governments to ensure their timely delivery.

"We spoke with officials in Hubei and local hospitals that told us what they needed and where," Gao said. "After that we coordinated with officials in



Beijing and made sure that our trucks were ready to deliver supplies. The process started on January 24th and by January 28th, our trucks were already on the road." In addition to this donation, Bayer donated 10,000 R95 and 50,000 medical masks to the Kunming municipal government from Bayer's facility in Kunming to assist healthcare workers. Many Bayer employees canceled holiday plans after the severity of the virus was known, including Soenke Zornig, the pharmaceutical plant manager in Beijing. He was in Germany for Chinese New Year, but cut his holiday short and returned after understanding how critical this time would be.

## Possible Breakthroughs

As the virus continued to spread, the healthcare world was rushing to assist the sick, while simultaneously racing for a cure. The Chinese government began

### Above left:

A Bayer truck helps deliver supplies during the epidemic.

### Above right:

Bayer worked with the China Red Cross during the company's relief efforts.

Photos courtesy of Bayer



many clinical trials to search for an effective cure for the virus, eventually identifying an old drug used for treating malaria called chloroquine phosphate. “There aren’t many malaria patients in China today, so this drug was not even registered by Bayer in China. It was invented by Bayer in the 1940s, now using it in Pakistan and India for patients with malaria in those countries. China did extensive testing in the search for drugs that could potentially treat the virus and identified chloroquine phosphate as a possibility. China was not producing very much of this drug, and eventually the Guangdong provincial government reached out to us asking about the possibility of us sending some from our facilities in Pakistan.”

Bayer branches in India, Pakistan, and Singapore searched their inventories to see how much they had. The Guangdong Medical Product Administration wanted to purchase the 300,000 tablets that Bayer had available, but Bayer insisted on providing them free of charge. On February 17th, the Chinese government held a press conference to announce that this drug was effective, and on February 19th, the China Health Commission published an updated version of the COVID-19 diagnosis and treatment guide, including the drug in the treatment guide.

“After the treatment guide release, from reports we found that a number of local Chinese pharmaceutical companies have the capacity and license, and have begun to produce this drug. Bayer is very happy that this product – our invention – is able to contribute to fighting this epidemic.”

## Close Collaboration


Bayer has collaborated closely with the Chinese government to maintain operations in their primary pharmaceutical plants in Beijing and Guangzhou. “We are working with the government to see what they might need and how we can help. The best thing is to keep our production line going and our medicines flowing. At this difficult time, our trucks kept shipping to Hubei to help. Only food and medical supplies were allowed to go to the region, but our trucks kept running.”

With a significant portion of the world’s pharmaceutical supply chain reliant on China, Bayer also received inquiries from the USA, Germany, UK, and many European governments to ask if this important supply chain would be disrupted. “Our medical affairs and supply chain experts talked about who has received questions and from which governments. It has been a good experience for us to help us understand the world’s concerns. Bayer and other healthcare companies are at the forefront of people’s minds, asking questions that they haven’t thought of until this COVID-19 outbreak happened.”

## Mitigating Global Impact

Dr. Gao hopes that the situation stabilizes as soon as possible, but also acknowledged that business has already been impacted. But to what degree is “a big question that all companies are facing. We are being affected. Customers are being affected. People are staying at home. They are not buying. Even people that are on prescription drugs might be afraid to go to the hospital to refill [their prescriptions].” Dr. Gao added he was thankful that, through coordination with the government, Bayer is fortunate that most of their major manufacturing plants were back in operation in early February.

Bayer’s crop sciences division has even larger obstacles, with lockdowns at the national and regional levels making transportation difficult. “Agriculture and transportation face big challenges. Our clinical trials will likely be impacted if the situation persists and our field trials for the agriculture business face the risk of missing the season. If we cannot plant our trials in time, the season has passed and we must wait until next year. The next few weeks will be critical.”

As the rest of the world is feeling the health-care impact that China initially felt, Bayer China is communicating their best practices with their offices around the world. “Our COVID-19 management team looked more broadly than just at China. We have kept a close eye on each country’s product supply centers, working to understand what other governments may need. Communication has always been a strength of ours, and we rely on this strength heavily during a time of crisis like this.” 



**Yong Gao** was appointed as Vice President of Public Affairs & Sustainability for Bayer (China) Limited in May of 2019. Previously he served as President of Monsanto (China) and Director of Corporate Affairs for Asia and Africa before Bayer’s acquisition of Monsanto. Dr. Gao joined Monsanto in 2006 and worked in St Louis, Missouri, Singapore, and Beijing. Over the years, his other roles include US Regulatory Affairs Manager, Regulatory Affairs head for Southeast Asia, ANZ and Pakistan, and Director of Global Regulatory Policy and Scientific Affairs. Before joining Monsanto, he was a senior scientist at Dow AgroSciences based in Indiana.

# Smart Transport: How Qualcomm Switched Gears to Help Hubei



**Jason Tan** joined Qualcomm China in 2012. Based at Qualcomm's Beijing office, he is responsible for the development, communication and implementation of strategic growth strategies and processes; liaising with key central government agencies critical to Qualcomm's business; representing Qualcomm in multiple roles in trade associations, such as USITO and AmCham China; overseeing the company's CSR efforts, and more.

Before joining Qualcomm, Tan worked for the External Affairs Department of Sony (China) and has more than five years' experience working for MOFCOM, focused on foreign investment and the promotion of Chinese outbound investment.

*With more than 65% of global revenues coming from China, Qualcomm has shown dedication to China over many years. Qualcomm is now prepared for the global adoption of 5G, seeing themselves as the R&D engine at the center of the mobile ecosystem.*

*By David Jacobs*

Video conferences with hundreds or even thousands of people; connecting colleagues in China to those in US headquarters and partners around the globe at any hour of the day; receiving live updates on the coronavirus outbreak, and more. With the tremendous challenges faced as COVID-19 became the center of first Chinese, and then global, attention, our smartphones are an easily overlooked piece of technology at the center of our lives. Qualcomm is a key part of the center of China's smartphone industry, with the country a central part of Qualcomm's business success. With a big part of Qualcomm's revenues coming from China, the company has been dedicated to the economic health of China for decades. But at the start of the year, that focus switched to the physical health of the nation.

Accurate and timely information was hard to come by in the initial stages of the outbreak, but Qualcomm's Government Affairs and emergency response teams reacted very quickly. "On January 29th, Qualcomm China announced a RMB 7 million donation plan to help fight against the coronavirus in China," says Jason Tan, Director of Government Affairs, at Qualcomm China. "At that time, the specifics were not fully identified, but the donation itself was a great

demonstration of Qualcomm's corporate responsibility and contribution to China."

## Rapid Change, Swift Response

The rapid development of the virus required extraordinarily swift responses. In addition, the novelty of the disease required careful coordination with healthcare authorities. Qualcomm reacted quickly and spoke with Chinese government authorities to ensure that their donation would be used where it was most needed. "Our GA team tried to make sure the donation was implemented correctly, identifying China Red Cross Foundation as our official channel. Furthermore, we learned that the CRCF was assisting the Ministry of Information and Industry Technology (MIIT) in the deployment of negative pressure ambulances. It is a very special kind of vehicle used for transporting patients with coronavirus to the hospital. The initial 7 million RMB was used to purchase negative pressure ambulances, with each one costing around 340,000 RMB. We purchased about 20 vehicles and donated the remaining cash to the CRCF."

Negative pressure ambulances use special air filtration methods so that the medical cabin is constantly filled with air from outside while simultaneously expelling any



**Above:**

Some of the negative pressure ambulances donated by Qualcomm.

Photos courtesy of Qualcomm

discharged air from the patients with a negative pressure device. As an industry pioneer on the cutting edge of technology, this donation demonstrated Qualcomm's commitment to improving the situation in Wuhan in the best way possible and the effectiveness of their emergency response team. They are continuing to monitor the situation and make additional donations as needed. "Qualcomm is also helping local governments find production resources for masks, the most critical resource at this time," says Tan, who was speaking to the *AmCham China Quarterly* in early March. "Masks are short of production in China at this moment, so our global purchase team is in communication with several mask factories outside of China. Several local governments are in communication with our recommended factories."

## Top Priorities

The health and safety of their employees and the people of China were designated as the company's top priority, and Tan says Qualcomm is listening to the Chinese government on resumption of work issues. "We are in close communication with the government and discussing with our corporate

team to decide when to get back to operation locally and what are the needed next steps."

## Global Trust

Qualcomm's corporate headquarters demonstrated the significant trust they have in their Chinese team, with the donation timeline and method all proposed by Qualcomm China. In addition, as a participant in the postponed China Development Forum (CDF), Qualcomm's global CEO submitted a positive message and letter to the CDF, saying that "Qualcomm is working hard to help with the virus alongside the Chinese people and is confident in China's economy in the long run."

The virus outbreak certainly presented challenges for Qualcomm, but Tan says that the company has been trained and was prepared to meet these challenges. Internal discussion and meetings were "not impacted heavily," he says, adding that the crisis highlighted the excellent performance of their emergency control team. "This was a test of our emergency control team and, from this lesson, our team will become better and more mature. We can implement positive, internal changes that will improve the company long term." Tan also says that the professional way that Qualcomm handled the crisis and the timely, generous, and thoughtful donations from the company positively impacted employee morale.

Communications between Qualcomm China, Qualcomm HQ, the Chinese and US governments, and AmCham China were all major factors in Qualcomm's positive handling of the virus. Although there will be a significant economic impact, Tan says health and safety remains the top priority. As Qualcomm has shown from donating negative pressure ambulances, working closely with AmCham China and government ministries, and providing technology essential to help deal with workplace obstacles that the virus presented, Qualcomm has shown that they are dedicated to the Chinese people, their economy, and to their employees. **Q**

"Communications between Qualcomm China, Qualcomm HQ, the Chinese and US governments, and AmCham China were all major factors in Qualcomm's positive handling of the virus."

# Managing China VAT Issues Effectively in Turbulent Times

*KPMG outlines eight specific VAT issues commonly arising for business in challenging times and some solutions for how to tackle them.*

The coronavirus outbreak has caused disruption to many businesses operating, initially, in China and, later, elsewhere around the world, presenting challenges in how businesses manage their tax obligations on a timely basis, their cashflow commitments, and in dealing with suppliers and customers. VAT liabilities have a significant impact on cashflow, primarily because VAT often needs to be accounted for on sales before the underlying revenue from those sales is received, and because from a purchase perspective there is often a lead time between the payment of expenses and obtaining the benefit of input VAT credits.

These timing differences can be exacerbated further in China where businesses have a VAT credit balance which is not refundable. It is also the case that in China the obligation to account for VAT on sales may itself not be recovered from the purchaser in full, even though economically VAT is not intended to be a tax on business itself. This is a function of many factors, including the use of differential VAT rates, businesses unable to claim VAT credits on their costs through the use

of simplified VAT methods, situations where VAT credit balances are not refundable, and the inability to claim input VAT credits (in full) for activities subject to exemption and even zero rated sales of certain goods.

All of these factors mean that the efficient management of VAT cashflow obligations, and optimizing VAT liabilities, will be under the spotlight during this period. Furthermore, it is anticipated that the government will issue further measures to mitigate the VAT impact on

businesses, especially those in key affected sectors. Listed below are eight specific issues for businesses arising from the current situation.

## Order Cancellations & Changes

Due to the coronavirus outbreak, many businesses in the tourism, hospitality, transportation and extra-curricular education sectors have been particularly affected by cancellations from customers. In some cases, those cancellations may have occurred after an invoice may have been issued or when the contract required payment, resulting in output VAT having been accounted for which is not matched by later sales revenues. This necessitates the need to issue 'red letter' VAT invoices.

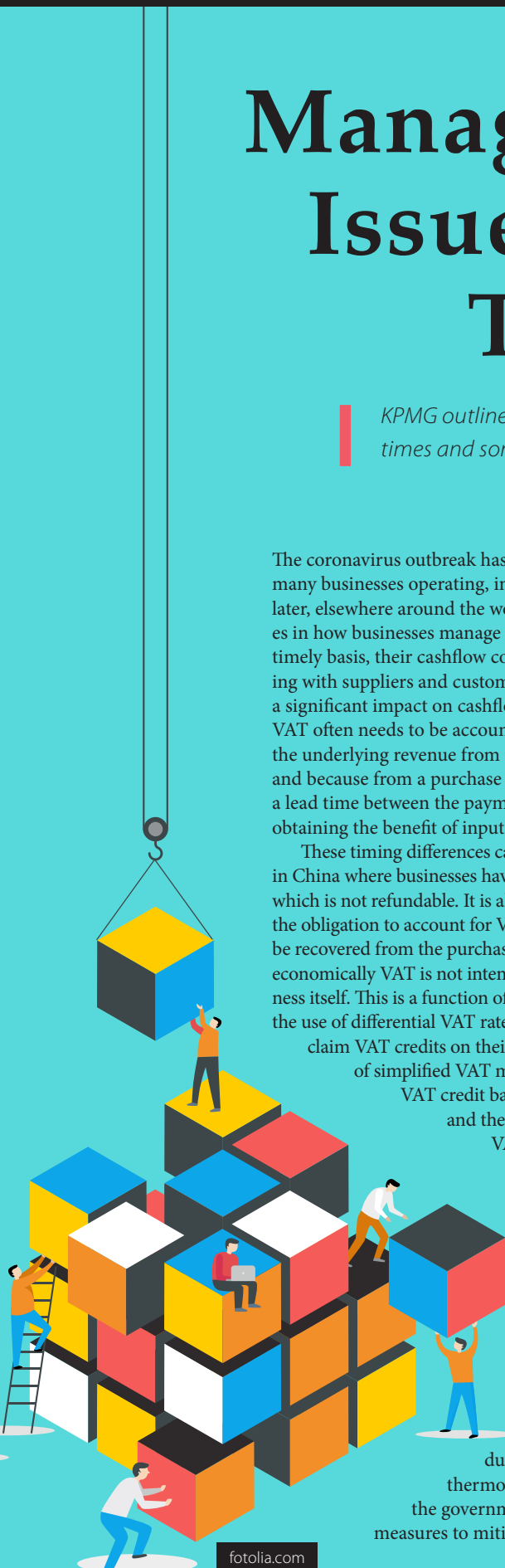
Similarly, many contract terms may need to be adjusted in light of supply chain delays, and to avoid accruing further output VAT obligations (which is not matched by sales revenues), those contracts should be amended so as to ensure the obligation to pay is documented as being delayed.

In certain cases, contracts may be terminated or fall into default, triggering obligations to pay penalties, additional fees, interest or forfeiture of deposits. In each case, careful consideration needs to be paid to whether an obligation to account for output VAT applies to those receipts.

## Charity and Donations

Many businesses have generously made donations to support the fight against Novel Coronavirus, including monetary amounts, as well as the provision of 'free' goods and services.

The provision of monetary donations should not generally trigger VAT implications for the donor. The provision of free services for welfare purposes should not generally trigger VAT implications either.



In addition, STA Announcement (2020) No.9 further provides that the donation of goods related to coronavirus containment is exempted during the epidemic period. However, the input VAT in relation to the VAT exempt items may be denied (transferred out).

Businesses should carefully consider how to structure such donations, especially for goods. Even in light of the new policy, the donation of goods unrelated to coronavirus containment may trigger a deemed sale, though ultimately the question of how widely the relationship with coronavirus containment must be will depend on the facts and local interpretations.

## Employee Safety and Welfare-Related Costs

Many businesses have justifiably focused on supporting staff welfare during the coronavirus outbreak, including providing face masks, hand sanitizer and protective supplies as well as online training and relevant support for remote work.

Based on the China VAT regulations, input VAT related to purchases for staff welfare purposes are not creditable. However, differentiating this from safety equipment necessary for an employee to carry out their work (which should be creditable) may not always be clear.

## Abnormal Losses

Many businesses may incur losses during the outbreak of the coronavirus. For example, the revenue of many restaurants decreased since people have been less able or willing to venture out. However, stock may need to be scrapped, leading to a loss.

China's VAT regulations provide that input VAT claims in relation to the procurement of goods, and related labor and transportation services due to abnormal losses are not allowed to be credited.

The distinction between 'normal' and 'abnormal' losses can often be a fine distinction indeed. It would be recommended to closely negotiate these matters with tax authorities, and to ensure records are kept which may validate any such distinction.

A critical question which the tax authorities should address on a national basis is the extent to which losses incurred during this period which are directly

attributable to the coronavirus outbreak should be regarded as 'abnormal', and whether a policy response is needed.

## Rent Reductions, Waivers & Renegotiations

Some local governments have appealed to landlords to consider reducing or even waiving rent for businesses and individuals.

Landlords should ensure the form of any adjustment is carefully managed, so as to avoid a situation where there is a bad debt upon which the landlord will be unable to recover output VAT that may have already been accounted for.

Where a reduction or waiver of rent is given in respect of a period for which the landlord has already accounted for output VAT, then 'red letter' invoicing may be needed to ensure a compensating adjustment is made.

Likewise, where there is a rent renegotiation between a landlord and a tenant which applies on a prospective basis, then this should be clearly documented so as to ensure that VAT liabilities do not continue to accrue under the previously agreed basis. China's VAT regulations also do not apply a deemed sales rule to rent-free periods given by landlords.

## Bad Debts

In an economic downturn, many businesses encounter cash flow issues and potential bad debts. Given that many businesses which are registered as general VAT taxpayers effectively account for VAT on an accruals basis, there is ordinarily an obligation to account for output VAT at the earlier of when the obligation to pay arises under the contract, or the issuance of an invoice.

China's VAT system does not provide for bad debt relief generally - the exception to this is lending activities where it is possible to cease accruing output VAT on interest after 90 days.

Businesses in this situation may be better off considering ways in which to renegotiate, or provide renewed supply or payment terms with their customers, which may in turn allow for an adjustment rather than the recognition of a bad debt which precludes the write-off of accrued VAT.

## VAT Cashflow Management Generally


The cashflow of businesses will be a significant challenge during the period business is affected by the coronavirus outbreak, and even after it dissipates.

Finance and tax managers for those businesses need to carefully consider the cashflow impact of VAT on creditors and debtors. Generally, businesses should seek to minimize the timeframe between invoice issuance and collection of cash so as to manage the associated output VAT within a reasonable period of time.

From a cash debtor perspective, if the inflow of cash cannot be guaranteed, the outflow of cash should be managed properly to avoid potential cashflow issues. For example, companies are recommended to obtain special VAT invoices in advance of payment settlement. In this case, companies can claim input VAT credits and receive the VAT cash inflow before settling their vendor payments.

## Deferral in Tax Filing and Payments

Due to the coronavirus outbreak and continuation of the Chinese New Year holiday, Tax and Customs authorities announced the deferral of tax and customs duty filing and collection obligations in February 2020. Similar deferrals are operating in many other countries, too.

Businesses should keep track of the announcements from their in-charge tax authority. In the meantime, they could consider possible alternatives when faced with cashflow issues: applying for deferral in tax filing and payment with tax authorities, and applying for VAT refunds at their earliest opportunity to ensure cash inflow from tax authorities. 

*To read a longer version of this article, which also lists some of the government policy responses designed to assist business and discover some of the ways in which businesses can legitimately apply to effectively optimize their VAT liabilities and cashflow, please visit the KPMG website here: <https://home.kpmg/cn/en/home/insights/2020/02/managing-china-vat-issues-effectively-in-turbulent-times.html>*

# Ratings, Research, Resilience: How S&P Global Keeps Running

*The AmCham China Quarterly spoke to Hongshan Chen, CEO & President of S&P Global (China) Ratings about how the company has been able to adapt seamlessly to the challenging environment, and continue to serve customers due to effective use of communication, both internally and externally.*

## ***AmCham China Quarterly: What type of relief effort has S&P Global made to the outbreak?***

**Hongshan Chen:** When we learned about the outbreak of the COVID-19 virus, we felt moved to take action. We were pleased to contribute approximately 1,000,000 RMB (US\$150,000), via the S&P Global Foundation, to partner agency Give2Asia. They have been working with leading Chinese public health organizations to support frontline health workers and hospitals responding to the crisis. Our donation has been used to procure necessary equipment for the treatment and containment of the virus and support the health care workers in the areas most affected by the outbreak.

In addition, we have communicated closely with our global employees about our Foundation's contribution and encouraged them to consider making their own personal contributions. Through our company's employee-giving program, any direct monetary contribution our employees

make to the same organization has been matched dollar-for-dollar by S&P Global.

## ***How has COVID-19 affected your 2020 outlook and planning?***

**Hongshan Chen:** Despite the very challenging situation within China and the broader region, and the impediments caused by the outbreak, we have seen considerable resilience from the business community in this part of the world, in particular. Pleasingly, we have been able to continue to operate and serve our customers with the help of technology. In fact, S&P Global (China) Ratings has continued to produce research – much of it relating directly to the implications of COVID-19 – and published two new ratings for a prominent financial institution and a German auto company during the peak of the outbreak in China. Likewise, the company has also celebrated its one-year anniversary via online platforms.



**Hongshan Chen** was appointed CEO of S&P Global (China) Rating in November 2019, leading its management team to formulate the corporate strategy and development plan, actively promote more differentiated rating services in China, support the opening of China's

capital market, and attract international investors. Chen joined S&P Global Ratings in November 2009, based in

Beijing. As Head of Sales Greater China, she led the sales team in promoting the development of credit markets, keeping close ties with the capital markets, and providing rating services to over 500 corporates, banks and insurers.

Before joining S&P, Chen worked for BNP Paribas, China Netcom, and Standard Chartered Bank, mainly responsible for capital market financing and fund management. She has a Bachelor's degree in Economics from Renmin University of China and a Master's degree in Business Management from National University of Singapore. At National University of Singapore, Hongshan received a two-year Asian Development Bank scholarship.



“We established a dedicated Coronavirus inbox to give employees 24-hour access to a single point of expertise within the company.”

In terms of our business planning for the year, COVID-19 has led to some reshuffling of internal meetings and client-facing events in order to mitigate risk. However, the overall impact on how we conduct our business in China has been, and should continue to be, minimal.

**What health precautions has your company instituted in your offices to protect staff and customers?**

**Hongshan Chen:** The safety and wellbeing of our employees and customers remains our key focus at all times, and particularly during periods like the COVID-19 outbreak.

We acted very early to initiate our robust Business Continuity Plan – both in China and in various other parts of Asia – and we have moved several offices around the world to virtual work environments, asking employees to work from home. We have been able to do this without notable impact on our service to customers.

Another facet of these plans was to work with our real estate team to institute a regimen of deep cleaning measures in every S&P Global office around the world, and not just in the parts of the world where the virus had been identified.

Finally, we have limited business travel and face-to-face meetings, with clients and colleagues, to only the most essential. We have found that this measure has been particularly welcomed by our customers and partners in the region.

**How has your company effectively utilized technology to circumvent COVID-19-related obstacles?**


**Hongshan Chen:** S&P Global has invested considerably in its technology in recent years and that investment has come to the fore during the outbreak of COVID-19. From a very early point in this crisis, we

moved as many meetings as possible to a virtual setting and this has proved effective. Internal collaboration has been able to continue unabated through the use of virtual meeting platforms, and our customers are able to contact and meet with us when required. We are pleased to see that many multinational and Chinese companies have embraced similar methods.

**How has your company been able to effectively communicate the current circumstances with HQ and what has been their response? What best practices have you gleaned?**

**Hongshan Chen:** We are an inherently global company at all times, however, these are extraordinary circumstances and we have put great emphasis on communication with our company leadership within that context. Our business and employees in China have been strongly supported by the most senior leaders of our company globally during the outbreak.

From the very outset of the situation, we have had frequent communications with our senior leadership, through regular emails, intranet updates, and virtual town halls. We have also provided employees around the world access to medical briefing webinars about the virus and established a dedicated Coronavirus inbox to give employees 24-hour access to a single point of expertise within the company.

The clear information channels between our headquarters and China has meant that we have been able to meet the needs of employees quickly and efficiently. We have been able to provide employees with face masks in areas of need, and we have provided additional IT equipment to make working from home less inconvenient. While the outbreak itself is a very unfortunate situation, I believe that the company's response to it – particularly from headquarters – has brought our employees in China closer together and highlighted the supportive culture of the company to them. 

1990s

S&P Global Ratings has been doing business in China in one form or another since the early 1990s.

250

S&P Global, at the enterprise level, has around 250 employees in mainland China.

3

S&P Global and its companies have offices in three cities in mainland China.

# The Business of Giving Back

fotolia.com

By Kate Magill

Amid China's rise in wealth over the past several decades, a new generation of citizens and a slew of companies with cash to spare have created a massive increase in philanthropy. China is discovering both the joys and benefits of giving back, with nonprofits multiplying and the country's first slate of billionaires leading the charge. Chinese corporations meanwhile are creating more sophisticated and transparent corporate responsibility programs, looking to inform the world about how they're helping others.

Philanthropic donations have ballooned in the last decade, with total nationwide donations quadrupling from 2009 to 2017 to surpass \$23 billion, according to the Asian Venture Philanthropy Network's 2018 "Philanthropy in China" report. At the corporate level, which accounts for the majority of donated funds, domestic companies are

increasingly stepping into a space once dominated by foreign multinationals.

The Chinese government is reacting to the expansion of philanthropy with new regulations and legislation aimed at creating greater public trust and transparency in a sector that has often lacked both. The new legislation, which has created significant obstacles for foreign actors in the field, has highlighted the state's oversight of the sector and the need for foreign companies looking to get involved to consider China's unique political context.

## Leading by Example

The increase in giving is due in part to a shift in the government's view of philanthropy as a means of helping to solve societal problems. China's rise in wealth has highlighted gaps in government support, pushing the state to slowly admit that it cannot conquer all of the country's problems on its own, according to Tony Saich, director of the Ash Center for Democratic Governance and Innovation at Harvard University.

"Generally, the whole art of giving has expanded. The government itself has moved to recognize philanthropy as a legitimate set of activities," Saich said. "The government has accepted that it doesn't have the capacity to fully enact everything it would like and that mobilizing resources from society actually helps them reach their objectives rather than detracts from them."

Billionaires like Tencent co-founder Chen Yidan and Alibaba's Jack Ma are among a new wave of high-level philanthropists leading the charge for giving; in 2015 the top 100 philanthropists accounted for roughly a quarter of the total of all individual donations. Among the top 100 philanthropists in China in 2018, the average amount donated was RMB 47.7 million, according to the Ash Center's 2018 China Philanthropy Project report, "China's Most Generous." Philanthropists cite motivations such as a desire to "create goodwill and trust" as reasons for their charitable work.

Leaders like Ma have looked to the West for ideas on how to structure philanthropic activities; the Alibaba founder

\$23  
billion

Philanthropic  
donations in  
China, 2017

RMB  
1.783  
billion

raised on  
Tencent's "9.9  
Charity Day" in  
2019

30%

of donations  
go to poverty  
alleviation

25%

of donations go  
to education  
causes

created the Jack Ma Foundation in 2014 and has cited the Bill and Melinda Gates Foundation as inspiration for his work. When Ma officially stepped down from Alibaba, the billionaire announced his commitment to furthering causes such as education.

At the more local level, philanthropic leaders like Frances O'Rourke, chair of the education charity Shanghai Sunrise, have seen a change as well. O'Rourke said she's seen a particular uptick in the number of volunteers ready to donate their time to help others. Founded in 1995, Shanghai Sunrise raises funds to help Shanghai students in need to cover school costs, and currently sponsors nearly 500 students.

"I think [philanthropy has] definitely expanded. The good news is that there are thousands of small grassroots organizations, local and foreign, and that's been a big change," O'Rourke said. "A lot of younger Chinese people are saying, 'Well, what else is there to do?' Philanthropy in terms of giving time has become more important; the impact of foreigners and multinational companies' CSR has been quite a lot. And seeing other people giving has had a profound impact on a lot of people."

## The Internet of Giving

Individual charity received a significant boost from the invention of online donation channels through platforms like WeChat. Campaigns such as Tencent's "9.9 Charity Day" each September raise massive amounts for popular causes; in 2019 more than 48 million individual donations raised RMB 1.783 billion during the campaign.

The dominance of WeChat as a giving platform, however, means that its operator Tencent has great control over which organizations receive significant attention, said Edward Cunningham, director of China Programs at the Ash Center. This limits the number of causes that benefit, with a few major organizations, such as The One Foundation, receiving a large proportion of donations.

"When you look online, it's kind of a microcosm of larger trends. Yes, the sector's growing, but in some ways while it's growing, it's in some ways becoming less diverse, less resilient. It looks quite diverse, but over time you see a narrowing

of the platforms, how many platforms are actually dominating the channel," Cunningham said. "Even though the internet is boundless, if you look at giving, Tencent and WeChat really dominates online giving. The problem with that is the algorithms, the way that they use their real estate that you're looking at, it's really just a few foundations that are actually receiving."

## Codifying Compassion

To match the rise in donations, the Chinese government in recent years passed two major laws to regulate the sector. The first, 2016's Charity Law, makes it easier for nonprofits to legally register with state agencies and raise public funds, as well as requires transparency on how foundations spend money, including caps on administrative spending at 10%. The Charity Law, seen as watershed legislation in the fast-growing sector, aims to provide both greater regulation and a tool to stop corruption in charity spending, according to Bies and Kennedy.

The second major legislation, the "Law of the People's Republic of China on Administration of Activities of Overseas Non-Governmental Organizations in the Mainland of China," commonly known as the 'foreign NGO law', was enacted in 2017 and creates high barriers for foreign NGOs to successfully register in the country, including a mandate that a Chinese partner take responsibility for all of the foreign entity's work in the country. The effect of the legislation has been to massively reduce the number of foreign NGOs and their representative offices in the country, as they have struggled to comply with the new requirements for registration and operation.

The legislation, Saich said, showed the government's desire to both promote domestic giving and have more oversight over foreign groups. They were also seen as necessary steps to help build public trust with charity institutions, which have often been seen as lacking in accountability. While the laws do create hurdles for foreign organizations in China and are more restrictive, he said they have helped to clean up and properly register NGOs in China and provide "rules of the road" and a legal framework for operators. The new regulations have also made clear what areas are not acceptable under the



**"You've got to be much more strategic. You can't afford to make mistakes here."**

Chinese government, such as dealing with marginalized groups or advocacy.

## The Nature of Corporate Giving

Corporations in China dominate giving, making up nearly 70% of donations. Companies including the state-owned China Three Gorges Corporation and private real estate company The Evergrande Group lead corporate giving, with foreign firms also making significant contributions. Corporations in highly regulated industries that require government approvals for work are often the biggest givers, Cunningham said.

"That's why you often see real estate ranking number one in terms of local giving," Cunningham said. "It's not because they're trying to influence the regulator, but they're definitely trying to get approval at the local level."

Corporations also tend to limit their donations to only a few causes. Among the top 100 organizational and individual philanthropists in 2018, nearly 30% of donations went to poverty alleviation, and nearly 25% to education, while sectors like the environment lost out, receiving a mere 0.22% of donations, according to the Ash Center. These trends also align with state policy priorities to lift citizens out of poverty and focus on education, and is also often due to the fact that donors give to causes where they already have a greater amount of expertise.

Given the use of charity to curry favor with regulators, much of charity in China is local, within the same province as a company's headquarters, which means money from more prosperous regions tends to stay in the same areas, Saich said. The major exception is Beijing, where donations are often made by companies vying for goodwill with the central government; among 2015's top 100 philanthropists, 15% of donations went to Beijing, even though many have their headquarters in other regions.

## How to Navigate Philanthropy

The new regulatory framework means the government is more heavy-handed in directing charitable efforts to causes and sectors it favors. Marginalized groups or issues such as race relations for instance, according to Saich, are not causes that can easily gain attention, a notion that he said is critical that foreign companies wishing to do philanthropy in China understand.

"What is different here is you have a much more restrictive set of actors that you can work with. You have to come with a different mindset, that this is not an open playing field and if you have your CSR person, you're not going to let them run around looking for what might be considered worthy causes in America. You've got to be much more strategic and much more integrated to priorities either of the local government or the national government agencies," Saich said. "So, I think you have to understand the politics and the relations of politics here much better than perhaps in other countries. You can't afford to make mistakes here."

Overall, Cunningham and Saich said MNCs face tough challenges when it comes to philanthropy in China, including being restricted in what causes they can get involved with and which other players they can collaborate with. One of the biggest practical challenges is a lack of personnel talent with a proper understanding of Chinese regulations to lead CSR and philanthropic work. This is compounded by the precarious situation many MNCs face in attempting to straddle Chinese state expectations with their own native cultures.

"You have to balance what is being said and done in China with your global markets. You can imagine as an MNC you might be giving money here, and people in America or Europe could be criticizing you, asking why are you giving money to that rich country doing X,Y and Z?" Saich said. "I would not

be surprised if that is making MNCs cautious about what they give to and the kind of publicity they want to give to it. On the other side, of course, you might think, well, they might think they want to throw a boatload of money to something to get back in some good graces."

## Global Giving

For foreigners in China looking to make a difference, O'Rourke suggested that they find the areas where a genuine gap and need exists. With a diverse and still growing philanthropic sector, she also encouraged companies to locate and help organizations already engaged in charity work.

While the state of philanthropy in China is tipping towards domestic NGOs and corporate giving, Saich said there is still space for foreign players. One of the advantages for foreign companies in China is that, because the local activities are just a portion of their entire supply chains, Cunningham said it can be easier to make changes to production in China, such as making supply chains greener. There's also been a shift he said in foreign corporate donations to industries that have become more popular with Chinese consumers, such as health care.

At the corporate level, Saich suggested foreign companies look for more niche areas that the Chinese government has outlined as a priority, but which aren't being addressed by a domestic firm or SOE. Contributing to those areas could help firms more clearly define their philanthropic identity. One possibility could be to find program-related approaches that benefit Chinese society, rather than relying solely on monetary donations.

"It's been overwhelmingly domestic dominated but that doesn't mean there isn't a role for [foreigners]," Saich said. "If it's a larger company with good experience with CSR, it can still be beneficial." **Q**

*This article first appeared in AmCham Shanghai's Insight magazine.*



# China's Updated IIT Filing Requirements for 2020

By Pierre Wong

Most expatriates in China have come to understand the individual income tax (IIT) reform that went into effect in January of 2019. This marked a major change for the Chinese tax system and brought with it a wide range of implications for expatriates including how tax residency status is defined, the new “six-year rule”, and the updated comprehensive income tax system to name a few.

Amongst the numerous changes to IIT in China was the introduction of a new annual income tax return filing requirement for resident taxpayers, which requires individuals to file an online tax return between March 1 and June 30 of the following year. The first such annual tax filing since the introduction of the new system is taking place in 2020 and tax residents are encouraged to familiarize themselves with the new filing requirements in preparation for the upcoming deadline.

## Who Needs to File an Annual Tax Return?

A resident taxpayer includes foreign nationals who reside in China for more than 183 days within one calendar year, as well as all Chinese nationals. According to the new IIT law, resident taxpayers must submit an annual tax return if any of the following apply:

- Taxpayer has obtained comprehensive income from two or more sources and the total annual income, minus itemized deductions, is more than RMB 60,000.
- Taxpayer has obtained one or more sources of comprehensive income from labor services, author's remuneration, or royalties, and the total annual income, minus itemized

Itemized Deductions	
Item	Deductable Amount
Children's education	Cap at RMB 1K per month per child
Housing rental	Cap at RMB 800-1.5k per month depending on location
Housing mortgage interest	Cap at RMB 1k per month up to 240 months
Expenditures on dependent parents	Cap at RMB 2k per month per family
Continuing education expenses	<b>Diploma:</b> Cap at RMB 400 per month up to 4 years; <b>Professional Qualification:</b> RMB 3.6k one-off
Healthcare costs for serious illness	Up to RMB 80k per year depending on actual cost

deductions, is more than RMB 60,000.

- The amount of tax paid in advance within the tax year is above the tax payable amount.
- The taxpayer applied for a tax refund.


The threshold for requiring individuals to file an annual tax return has been set rather low and will likely impact a large portion of expatriates living and working in China beyond the 183-day mark. While China requires income taxes to be withheld at the source and paid to the relevant authorities on behalf of the employee, it is the responsibility of individuals to ensure that their annual IIT filings are completed correctly and in a timely manner.

## When and How Should I Submit My Annual Tax Settlement?

The first annual tax filing for individuals for the 2019 tax year under the new system is taking place from March 1 until June 30, 2020. Resident taxpayers can complete the annual tax return either on

their own, by enlisting their withholding agent (often the employer or payroll provider), or by engaging a third-party service provider to assist them.

Annual tax returns can be filed under the online tax portal designated by the provincial, autonomous region, or municipal government under which the tax resident is registered, or through the mobile application (个人所得税). Taxpayers can also obtain a mail-in tax return form which can be filled out and mailed to the designated tax service office.

Due to the online tax return filing portal being available only in Chinese, many expatriate tax residents may choose to enlist their withholding agent or an outsourced service provider to assist them with their submission. These individuals should ensure the authenticity, accuracy, and completeness of any and all financial information including supplementary comprehensive income, qualified deductions, and other applicable tax benefits. Should a resident taxpayer plan to leave China prior to the start of the tax filing submission period, they can request an early submission before leaving the country by visiting the tax bureau directly. 

*Pierre Wong is the founder and Managing Director of Integra Group.*

# How China's Nationwide Remote Working is Changing Communication

*Amid the protracted global fight against the COVID-19 pandemic, China is experimenting with remote working on collaborative platforms. Although many Chinese have worked outside their offices previously, this time is different – the new coronavirus has forced people to work full time from home.*

By Zhong Ling

Companies have begun to shop for online working platforms with a variety of functions, such as DingTalk by Alibaba, Feishu by ByteDance, and Wechat Work by Tencent. All of these platforms offer the same services as Google Drive, Dropbox, Zoom, and Doodle Survey, in addition to supporting daily check-ins and a payroll system. Firms have been eager to continue carrying on business as usual – so much so that their demand is generating a huge market for online working tools.

DingTalk, for example, says it has been supporting over 200 million users from 10 million organizations since February 3. It's also interesting to see over 1 million 1-star reviews on the App Store, which reflects the frustration of workers and students who found themselves unable to extend their Chinese New Year break in the presence of platforms supporting teleworking. Various platforms soon began to offer free accounts as they sought larger market shares. The market size of China's remote working industry is expected to grow by 104% this year, according to tech research platform Soft6.

The general public has become a lot more exposed to discussions about teleworking. Most comments have focused on saving time, saving rent, and delayed communications. However, I want to explore some effects that may seem secondary at the moment, but might be dominant in the future.

## Teamwork can be Better Online

The impact of remote work on teamwork and task processing is not small. When new users of an online platform adapt to video conferences, experienced users have become skilled in using different tools to outperform offline efficiency. Observing how developers of a tool use their products, in my opinion, is usually quite inspiring. The developers of Feishu at ByteDance use a method called the "SamePage Meeting" to discuss documents that need to be reviewed, revised, and approved by multiple team members.

"The meeting method saves a tremendous amount of time by collecting feedback concurrently, compared to the traditional discussions where opinions are presented sequentially," says David Xie, Vice President of ByteDance. "Before the SamePage meeting, we'd post the document for discussion on Feishu. The first part of the meeting is quiet, during which everyone reads the document, and posts comments simultaneously. Then in the second part, we verbally address those comments." This online strategy simultaneously connects all reviewers' time and encourages them to reach a mutual agreement on how to process or whether to approve the document in a short period of time.

The language barrier is another bottleneck in globalized, internet-based team interactions. Simultaneous translations

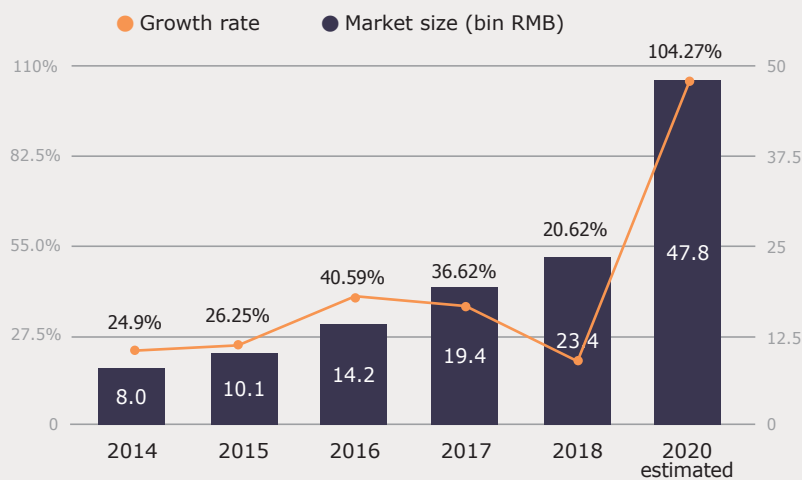
are well developed by Baidu, Microsoft Translator, and Google Translate. Online collaboration platform developers in China are working to include simultaneous translation in video conferences, to provide real-time subtitles in languages of the user's choice. It is going to be more user-friendly, efficient, and economical than providing simultaneous translators in meeting rooms.

## Human Resource Management Approaches When Working Remotely

Many human resource management techniques become impractical when used online. Managers haven't been able to manage assessing employees' progress and work performance without physically monitoring them. Managers online become less patient. If an employee fails to respond to the manager's requests timely, suspicion quickly arises that they're engaged in other businesses. Would this suspicion exist in a similar scenario taking place in the office? Probably not – the manager knows that the employee is working but just not at their desk at the moment.

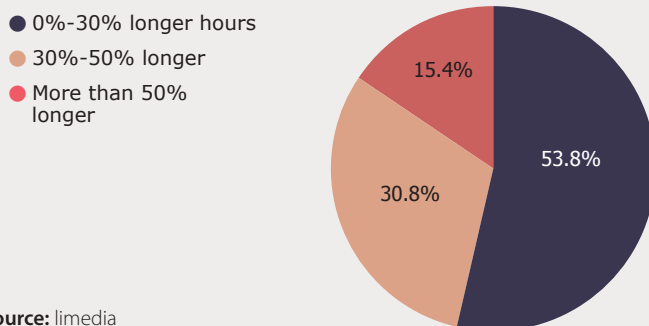
To help the managers keep an eye on their employees, many platforms have installed monitoring devices. However, the more a manager keeps tabs on employees

## China's remote working market (2014-2020)



Source: Soft6

## Extended working hours for people working from home in China during COVID-19



Source: limedia

through the platform, the more dissatisfied the employees are. As users' preference and platform reputation iterate, the quality of workers and firms on an online working platform will strongly correlate with how far the platform pushes the manager's power into the worker's privacy and freedom.

Both workers and managers work longer hours. A survey conducted by limedia indicates that 46% of workers extended their working time by at least 30% in early 2020. A study published on Human Resource Management Review shows that remote work creates expectations that managers can, and should, work at night and weekends. Does this mean the workers have to work whenever

their managers feel like working? Are the additional hours reflected in their pay slips? The intuitive solution is to modify employment contracts or company rules to fit the remote work environment, or even better, to consider a step forward in the labor law.

## Is There Something That Remote Work Can't Do After All?


First, setting up task priorities. Let's suppose I want to make sure the assignee of a job task understands its urgency. I have to weigh between the emergency level

of the task and the favor I'm about to owe to the assignee by walking to their desk to stress its importance. So I only do it occasionally. The remote working scenario erases the social costs to set a high priority on a non-crucial task. Now we enter a "war of attrition," in which the prize, realized by a requested task being completed first, goes to whomever chooses the aggressive strategy throughout the game, i.e. tagging every task with the highest priority. In equilibrium, every single task would be tagged as an emergency, and everyone would end up having countless emergency tasks on their to-do list.

Second, facilitating conversations between managers and employees. Remote team leaders have to handle tricky situations such as expressing negative opinions or providing correctional comments through the platform. They can easily discourage the worker. When talking in person, the leader could detect the employee's reactions to the distressing topic and make eye contact or grab lunch together to offset the negative emotions. When it's online, the best that a leader can do is to talk to the employee via video chat.

A research study published on Computers in Human Behavior illustrates that signal delays at video conferences force people to allocate most of their attention to the content rather than emotional feelings. So signal delays, in fact, help people stay unbiased when interlocutors don't know each other well, while signal delay becomes an added lift to the level of frustration once they are more familiar.

For the past few months, COVID-19 has trapped many Chinese people at home and introduced them to the possibility of working from home. Online collaborative working platforms are massively used by Chinese firms at a time when workers can't get to their offices. I am positive that a lot more people will rely on the internet and working platforms to work at flexible locations at some point in the future.

But when the outbreak is over, will people forget this COVID-19-induced experiment and return to their offices, or will they take stock of this experience and use it as a step towards accommodating flexible workplaces? I hope it will be the latter. 

*Zhong Ling is Assistant Professor of Economics at the Cheung Kong Graduate School of Business. A longer version of this article was originally published on CGTN.*

# Why China's COVID-19 Stimulus Will Look Different Than in the Past

By Alexander Chipman Koty

*China is preparing stimulus measures to give the economy a jolt as it recovers from the COVID-19 coronavirus – but observers might be surprised when they are released.*

The government's quarantine and pandemic management measures over the past three months have brought China's economy to a standstill. Now, just as China navigates its return to normalcy, the outbreak appears to be accelerating in the rest of the world – especially in Europe and North America – resulting in plummeting overseas demand for Chinese exports. After having registered 6.1% GDP growth in 2019, the World Bank now projects China could grow by just 2.3% in 2020.

In the face of these dire economic challenges, the Chinese government is expected to announce a significant stimulus package to rev its economy back to life. In many ways, the situation is reminiscent of the 2008 global financial crisis, when the Chinese government spent enormous sums of money to power its economy through a global downturn.

This time around, however, China's stimulus measures are likely to be considerably different than they were in 2008. Not only does the Chinese government now have less room to spend due to high levels of debt, but, with different strategic priorities, the form of the stimulus itself is likely to differ from before.

With investments in advanced technologies and clean energy, China's incoming stimulus measures are poised to give the economy a boost in the immediate term while also providing building blocks for a new sustainable and technology-driven economic model going forward.

## China's 2008 Financial Stimulus

In response to the global financial crisis in 2008, the Chinese government spent billions of dollars to boost the domestic economy and maintain high growth rates. Most notably, these efforts included a RMB 4 trillion (US\$575 billion) stimulus package – equivalent to about

13% of China's 2008 GDP and the largest stimulus in the country's history.

Most of this stimulus went towards backing various government-led projects, particularly hard infrastructure like high speed rail lines, train stations, metro systems, and airports. For instance, in response to the crisis, China's railway planners expanded their already ambitious plans to build 16,000 km of high speed rail by 2020, up from the initial goal of 12,000 km.

Ultimately, China's stimulus proved effective in maintaining economic growth. Although lower than the astronomical levels of growth leading up to the crisis – including 12.7% growth in 2006 and 14.2% in 2007 – China's economy grew by 9.7% in 2008, 9.4% in 2009, and 10.6% in 2010 despite the recession that occurred in the US, Europe, and elsewhere.

Besides boosting the economy over the medium-term, China's stimulus measures tangibly impacted the country's fabric. The vast expansion of high-speed rail, for instance, dramatically transformed day-to-day life in China for countless citizens and businesses, and continue to provide long-term economic benefits.

## Smaller, but Significant, Stimulus Expected

The stimulus that is likely to come in 2020 will differ from 2008 in both size and target. Before COVID-19 hit, China was already walking a fine line between spending enough to prop up economic growth and cutting down high levels of debt that pose a structural threat to its economy's sustainability. While China's 2008 stimulus kept the economy growing, it came at a high price that now constrains the options of the government's economic planners. For instance, China's corporate debt to GDP ratio is 156.7%, the highest in the world.



# “Foreign investors of all stripes will benefit from an economy that returns to China’s accustomed levels of high growth.”

The threats to the economy are, however, at least as big as they were in 2008 – if not more so – and the stimulus package will likely be sizable. According to Reuters, the Chinese government is considering spending up to RMB 2.8 trillion (US\$394 billion) in local government special bonds to spur infrastructure investment. Though such a figure would be a much smaller percentage of GDP than the 2008 stimulus, it would still be significant.

## Investing in the Infrastructure of the Future

Whereas China’s 2008 stimulus helped build high quality, but relatively basic, infrastructure like roads, bridges, and trains, the stimulus in 2020 will likely be more targeted towards areas that will help China transition to a high-tech and service-driven economy. China built massive amounts of infrastructure during its economic boom, meaning that there are now diminishing returns to further infrastructure investments in new projects. Accordingly, government planners are reportedly focusing on investing in “new infrastructure”.

Broadly speaking, “new infrastructure” refers to infrastructure used for high-tech and sustainable purposes. This includes, for example, big data centers, 5G infrastructure, and charging stations for new energy vehicles (NEVs), among other areas. Investments in areas such as these would fall in line with the Chinese government’s ambitions to transition from polluting, export-led manufacturing economy towards a high-tech and service-driven one. Whereas China previously needed infrastructure to help move large numbers of people and massive quantities of goods, now China needs infrastructure that will help the economy operate more efficiently and sustainably.

## A Non-Linear Approach Required

What complicates investment in new infrastructure, however, is its diffuse and more uncertain nature. Previous stimulus spending gave a large role to state-owned enterprises (SOEs) to participate in the construction of major projects. The entities that specialize in new infrastructure, in contrast, are more varied. In

some cases, they may include SOEs, but in others they may be better executed by private firms like the tech giants Alibaba, Tencent, and Baidu, as well as start-up enterprises. How funding is distributed – and how projects straddle public and private goals – may therefore become a complicated and contentious issue.

Moreover, the return on investment on new infrastructure is arguably riskier and less certain than is the case with hard infrastructure. For example, when building a bridge to connect two cities, there is a fairly certain economic and social benefit that can be calculated in advance, regardless if a project meets challenges. In contrast, new infrastructure involves areas that are still in their emerging stages of development.

NEV technology, for example, is far from established, and Internet of Things (IoT)-enabled technology will not take off in earnest until 5G infrastructure is running and its networks are widespread. While investments in such fields very well may prove prudent, it is less clear what role new infrastructure will play even one or two decades from now.

## What the Economic Boost Will Look Like

As China recovers from the novel coronavirus, government authorities will likely turn their attention from crisis management to restoring the economy. Both the domestic and international economic situation call for concerted government action to spur the economy. Although China’s debt levels preclude a 2008-level stimulus, government spending this year is likely to be the biggest since then.

Foreign investors of all stripes will benefit from an economy that returns to – or at least approaches – China’s accustomed levels of high growth. Meanwhile, those operating in areas relating to new infrastructure like emerging high-tech and clean energy may be able to capture new opportunities as a result of stimulus measures.

While China’s GDP growth is all but certain to be lower than the 6% observers expected before the crisis, government efforts could potentially lead to growth approaching 5% – but these questions could all be answered in the coming weeks. **Q**

*Alexander Chipman Koty is an Associate Managing Editor for Dezan Shira & Associates, based out their Shanghai office.*

**RMB 4 trillion**

China’s economic stimulus package in 2008

**1.2%**

China’s predicted GDP growth rate for 2020 (source: IMF)

**156.7%**

China’s corporate debt to GDP ratio

# AmCham China Forums and Committees

AmCham China's Forums and Committees are the lifeblood of our advocacy, industry relations, and community development. We have Forums and Committees focusing on industry sectors, corporate functions, and special issue-based interests that well represent American businesses operating in China as well as the active membership of our community. Forums and Committees allow members to:

- Use AmCham China as a platform to drive foreign companies and industry-based advocacy efforts
- Hold dialogues with regulators and industry stakeholders to influence the business environment
- Share information and ideas specific to their industries
- Meet like-minded people for professional development
- Generate contacts for business development

If you are interested in joining any of our **Forums and Committees**, please contact the corresponding member of staff listed below.

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**Juhui Huang**, BRF China  
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**Christine Yuan**, Rio Tinto  
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- \* In transformation  
 \*\* Vacant



# Looking to the Future: US-China Stakeholders Celebrate Annual Achievements

By Kathy Li

Despite existing trade tensions between the world's two largest economies, the story of how AmCham China's Chairman Greg Gilligan met Vice Premier Hu Chunhua is the epitome of US-China friendship. On July 10, 2019, the China Council for the Promotion of International Trade (CCPIT) hosted a symposium titled "Dialogue with Foreign Enterprises in China". Because of the representative nature of AmCham China's member companies and close collaboration with CCPIT, the Chamber was invited as one of a handful of industrial associations, with our then-Vice Chairman Greg Gilligan asked to speak at the symposium, although the other participants were primarily from enterprises.

Gilligan has a strong connection with Hubei, partly because his wife is from the province. Chinese Vice Premier, Hu Chunhua, who was invited to the

*Vice Premier Hu and US Ambassador Branstad Deliver Keynote Speeches at AmCham China 2019 Annual Appreciation Dinner & 100th Anniversary Celebration*

symposium, also hails from Hubei. As the only foreign speaker to present in fluent Mandarin, Gilligan left a strong impression on the audience. During his well-prepared speech, he mentioned that he is a "son-in-law of Hubei" and extended an invitation to the Vice Premier to attend the AmCham China Annual Appreciation Dinner & 100th Anniversary Celebration. Following the symposium, Hu Chunhua approached Gilligan and the two had a pleasant chat for several minutes.

Months before the dinner itself, CCPIT, as AmCham China's main partner and channel for



**Left:**

From left to right: CCPIT Chairwoman Gao Yan, US Ambassador to China Terry Branstad, Chinese Vice Premier Hu Chunhua, AmCham China Chairman Tim Stratford, and AmCham China Vice Chairman Greg Gilligan at the 20th Annual Appreciation Dinner & 100th Anniversary Celebration.

**Below top:**

Chinese Vice Premier Hu Chunhua (left) shakes hands with U.S. Ambassador to China Terry Branstad.

**Below bottom:**

CCPIT Chairwoman Gao Yan speaks at the Annual Appreciation Dinner.

**Photos courtesy of  
AmCham China**

extending government invitations, had advised the Chamber to focus on inviting Vice Premier Hu instead of other senior officials, since our Vice Chairman has previously met with him. Hu is also responsible for Commerce matters, which additionally made the invitation more appropriate. Later on in the process, CCPIT told AmCham China that when they had extended the invitation for the dinner to Vice Premier Hu's office, his secretary had remarked, "Oh, that's from the son-in-law of Hubei!", clearly showing the impression that Gilligan had made.

## On the Night

The AmCham China held its 20th Annual Appreciation Dinner & 100th Anniversary Celebration on December 12, 2019, to celebrate the efforts made by both the US and Chinese governments, as well as the American business community, towards resolving the current trade tensions and forging a stronger bilateral relationship. Around 550 guests from the US Embassy, Chinese

government ministries and organizations, and the wider AmCham China community attended the event, whose theme was "Building Trust, Promoting Common Ground".

Taking place just days before another looming tariff deadline, senior representatives from all parts of the bilateral relationship came together to talk about where the two sides can mutually prosper, instead of focusing on areas of disagreement. Chinese Vice Premier Hu Chunhua and US Ambassador to China Terry Branstad both attended the dinner and delivered keynote speeches.

In his remarks, AmCham Chairman Tim Stratford recalled China's entry into the WTO in 2001, during his first stint as Chair, noting that it was "a momentous milestone in China's journey to align with the world", and commenting on the strides that China had made in the ensuing two decades. "My impression today is that China has advanced to a level where it now also seeks for the world to align with China," China, he continued, is confident regarding its current path and place in the world, and wants to foster a type of globalism that can accommodate its own economic development model, its own ideology, and its efforts to safeguard its own national security.

Gao Yan, Chairwoman of the China Council for the Promotion of International Trade (CCPIT), said that AmCham China has been an important partner for her organization and one of the most influential foreign Chambers in China. "The development and growth of AmCham China and of US businesses in China vividly reflects the development of economic globalization," she said. "It is also a model of US-China economic and trade relations working for mutual benefit." She added that the CCPIT is willing to work with the US Embassy, AmCham China, and others to strengthen cooperation, build a diversified platform, provide improved services, and organize dialogues and interactions between government and business to create a favorable environment.

## Critical Engagement

US Ambassador to China Terry Branstad began by thanking AmCham China for the work the Chamber does to promote a stronger economic bilateral relationship, saying that "Chinese government engagement with the US business community is now more critical than ever." He then emphasized how far China has come in the past 40 years since China decided to reform and open up, and expand international relations, saying, "We have provided much of the foreign investment that has helped fuel China's economic growth, welcomed millions of Chinese students to our colleges and universities, and together with China we have undertaken environmental and scientific cooperation that has helped make





China a cleaner and healthier place. Many of us here in this room have contributed to that growth.”

Decisions that the Chinese government makes on economic policy reverberate around the world, and have a direct impact on businesses, workers, and farmers in America, Ambassador Branstad said. He also commended the work being done by Vice Premier Liu He, Ambassador Lighthizer, and Secretary Mnuchin and their teams in negotiating a deal that aims to resolve the structural issues at the heart of the trade tensions, concluding, “I have great hopes that we will rebalance the relationship for the benefit of all, setting a productive path for the future.”

## High-Level Cooperation

Hu Chunhua – just the fourth Vice Premier to attend the Appreciation Dinner in its 20-year history – then spoke about the Chamber’s role as an active participant and facilitator of US-China economic and trade relations, fully playing its role as a bridge, deepening communication and cooperation between the two business communities, promoting mutual understanding between the two governments and peoples, and making important contributions to the relationship. Through the publication of AmCham China’s White Paper and the Business Climate Report over more than 20 years, US companies have actively made their voices heard by the Chinese government to help address the concerns of foreign enterprises, thus playing an important role in improving China’s business environment, he said.

“China always believes that, as influential countries, China and the United States can both benefit if they join forces, while confrontation will hurt both sides,” Hu continued. “China’s huge market potential will continue to grow, and its demand for high-quality goods and services will continue to grow, bringing more business opportunities to foreign companies, including American ones. China’s reform and

opening up will not be affected by the economic and trade frictions between China and the US, and we will promote high-level opening up and deepen mutual benefit at our own pace.”

Earlier, AmCham China Alan Beebe had opened proceedings by welcoming the distinguished guests, including Vice Premier Hu Chunhua and Ambassador Branstad, and thanking Gao Yan from CCPIT for her personal support as well as that of her organization.

## 100-Year History

A special commemorative video played tribute to AmCham China’s 100-year heritage in China and the role the Chamber has played in promoting positive US-China economic relations over the past four decades, underscoring the important contributions the US business community has made to the development of the Chinese economy.

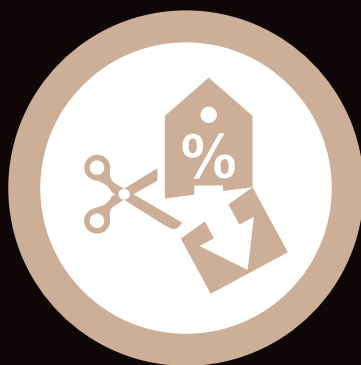
Over the past 100 years, AmCham China has witnessed the ebb and flow of US-China bilateral relations. However, what has remained unchanged is the commercial opportunities that have brought US businesses to China, and the bond between the American and Chinese people that has forged a US business community able to rise to challenges across China’s commercial realm, and beyond. Just as the personal connection to Hubei brought Vice Premier Hu Chunhua and AmCham China’s Chairman Greg Gilligan together amid the bilateral trade conflict, thousands of US businesses have supported relief efforts during the COVID-19 epidemic with millions of dollars in donations and contributions, despite remaining uncertainties in the wider relationship.

AmCham China would like to thank CCPIT for their continuous support and the major sponsors of the Annual Appreciation Dinner for their generous support: Honeywell, Amway, Intel, ExxonMobil, Johnson & Johnson, FedEx, Nu Skin, Cargill, Universal Parks and Resorts, and BP. ①

### Above:

AmCham China President Alan Beebe delivers opening remarks at the 20th Annual Appreciation Dinner & 100th Anniversary Celebration.

Photo courtesy of AmCham China



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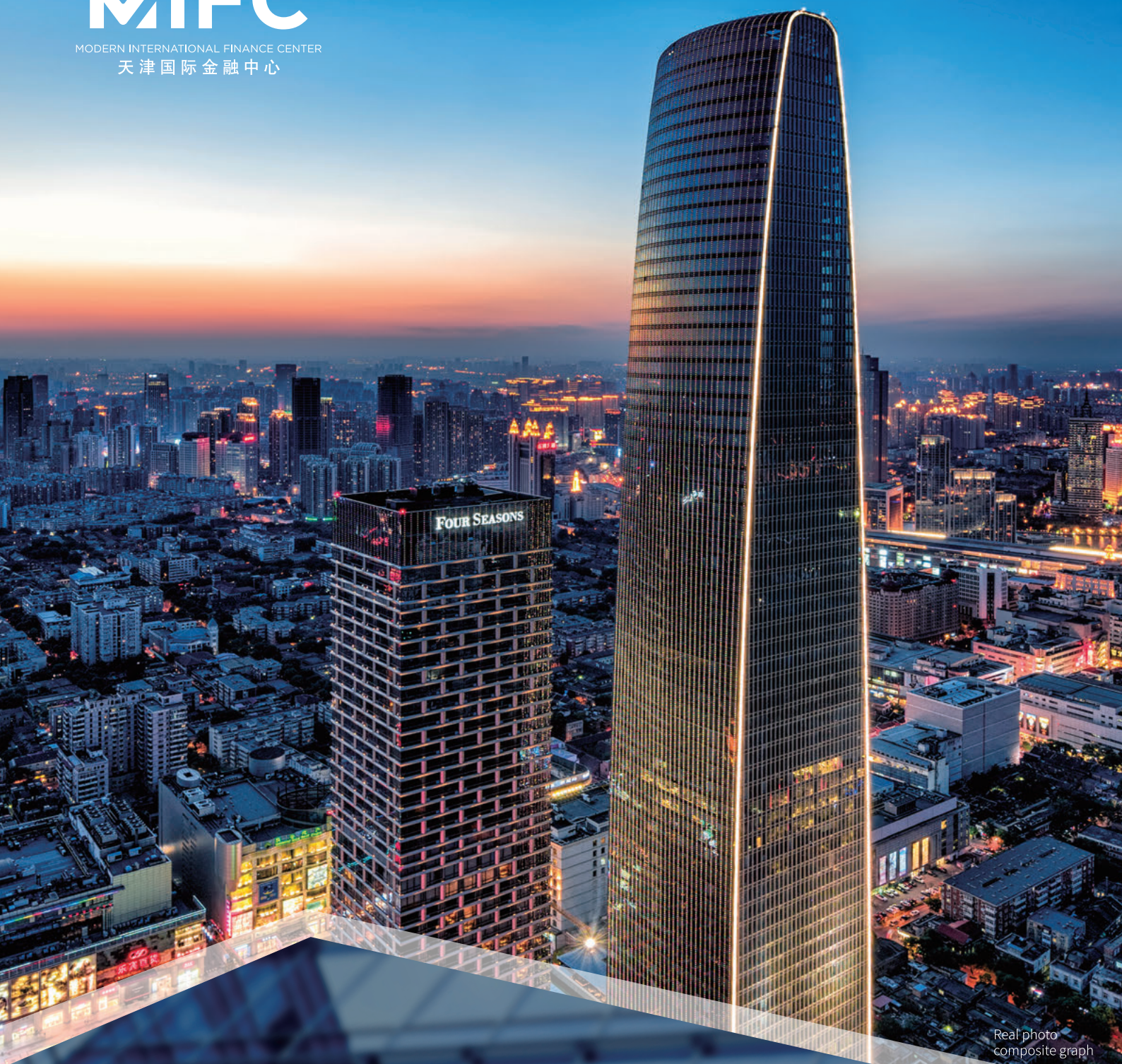
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