

AmCham China

# QUARTERLY

Issue 2  
2022

Executive insights, interviews, and intelligence for business in China

P08

Honeywell's China Strategy

P12

2022 China Business Climate Survey

P29

Google's China President on Arts & Culture



## Lighting the Way:

*Dr. Junfeng Li Tackles Bilateral  
Cooperation and Climate Change*

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Photo courtesy of Li Junfeng

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## 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 11 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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# Sustainable Engagement

Over the past quarter, AmCham China has been very busy!

The Chamber sent an official delegation to attend the Opening Ceremony of the 2022 Olympic Winter Games. Since then, the Chamber has organized dozens of events, on topics ranging from export controls and global energy systems to leadership training and women's empowerment. AmCham China is a member-driven organization, and so member surveys are very important in shaping our ongoing advocacy and programming efforts. In March, we launched the 24th annual edition of the China Business Climate Survey. As a barometer of the sentiment of the American business community in China, the report included some key themes:

- Earnings before interest and taxes (EBIT) bounced back to 2018 levels
- Mounting pressure on politically sensitive issues for US companies in China
- Increasingly complex regulatory environment
- A desire for constructive engagement, leading to concrete actions to address concerns

We discussed those themes at our 2022 China Business Conference, at government engagements, and in multiple media interviews. In early April, to assess the nationwide business impact of recent COVID-19 outbreaks, we conducted a membership Flash Survey. The survey highlighted key pain points for our members in supply chain logistics, cross-border personnel movement, return-to-work timeline and protocols, policy outlook, and supplies for employees and families in lockdowns. Those pain points were delivered to the appropriate Chinese authorities, including an open and constructive roundtable with MOFCOM Minister Wang Wentao in mid-April. We also shared the same messages with new US Ambassador to China Nicholas Burns and his team at the Embassy.

Why did we choose Sustainable Engagement as the theme for this *AmCham China Quarterly magazine*?

Both the United States and Chinese governments have expressed an interest to explore opportunities to collaborate in the area of sustainability. To explore this further, our Social Impact Initiative recently launched three reports, on carbon reduction, rural revitalization, and the digital economy. Following that theme, our cover story features Li Junfeng – who also spoke at our 2022 China Business Conference – and who is known as the main driver behind China's Renewable Energy Law.

In addition, we have features with the China heads of five multinational organizations: PPG's Xiaobing Nie, ExxonMobil's Fernando Vallina, Honeywell's William Yu, the Paulson Institute's Jerry Yu, and Google's Stanley Chen. We also have sustainability features on Elix water and BAM, a look at the recent Two Sessions parliamentary meetings, and some words from both outgoing President Al Beebe and our new President Michael Hart.

Finally, I urge you to make the most of your membership and take advantage of everything the Chamber has to offer. Members like Xiaobing, Fernando, William, Jerry, and Stanley – all highlighted in this magazine – have volunteered countless hours to share their company experiences and best practices. I would like to express my deep appreciation to them and to all the volunteers within our membership. The volunteerism of our members is truly the lifeblood of the Chamber. Step up, contribute, and make your voice heard by attending our topical events and programs and by directly getting involved in our Committees (see pages 46-47 for a full list).

**Colm Rafferty**  
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:



# Honeywell's Commitment to Sustainability Reaps Rewards

**William Yu** was appointed as President of Honeywell China in February 2022, and is responsible for driving Honeywell's organic growth in China and building the best talent pool across the board to support Honeywell's East-for-East (E4E) and East-to-Rest (E2R) strategies. Yu works closely with the businesses to drive Key Strategic Accounts initiative at the C-Suite level to bring One-Honeywell solutions addressing their most critical needs. He also focuses on establishing new growth vectors, including Sustainability, Life Science, Logistics, and Digitalization, and explore other potential new vectors and expand the mass-mid segment (MMS) strategy to serve China's booming middle-class population.

Yu returned to the Honeywell China team from his most recent global role of Vice President and General Manager of Honeywell Smart Energy business, Performance Materials and Technologies (PMT). Before that, Yu led Honeywell China and PMT APAC businesses, and was the first

Chairman of Huosheng business, the company's headquarters of MMS business in China. He joined Honeywell in 2017 as the Vice President and General Manager of PMT Asia Pacific.

Yu brings to Honeywell a long track record of significant growth in multiple businesses and industries. He was the Senior Vice President and APAC President of Allegion, a spin-off from Ingersoll Rand and a global pioneer in safety and security solutions. Before that, Yu served at Ingersoll Rand for 16 years in senior executive roles, including President of its Security Technologies and Residential Solutions business in Asia Pacific.

Yu is a well-known Lean Six Sigma expert. He has published several books on business management and Six Sigma practice. He earned his bachelor's degree in German at Shanghai Science and Technology University, and later executive MBA at China-Europe International Business School.

Photo courtesy of Honeywell China

*Honeywell China seems to have done the impossible, or at least, the improbable. The company has emerged not only comparatively unscathed from the devastating effects of the global pandemic, but it has also managed to increase by double-digit growth over the last year. The AmCham China Quarterly spoke to the President of Honeywell China about the pioneering East-for-East strategy, the emergence of East-to-Rest, and the company's ambitious 2035 climate targets.*

By Norris Tangen



Honeywell International Inc. is a true conglomerate in every sense of the word. The company, founded over 100 years ago and headquartered in Charlotte, North Carolina, boasts a global workforce exceeding 100,000 employees. Its four main areas of business – aerospace, Honeywell building technologies (HBT), performance materials and technologies (PMT), and safety and productivity solutions (SPS) – include a dizzying range of products comprising everything from ubiquitous home technologies like thermostats to aviation fuel.

Honeywell's history in China dates back to 1935 when the company opened their first franchise in Shanghai. Today, all of Honeywell's four strategic business groups are represented in China, with its Asia-Pacific headquarters in Shanghai. The company has over 50 wholly owned enterprises and joint ventures in more than 30 cities across the country. Notably, in terms of China strategies, Honeywell has long been ahead of the curve. The company has for many years placed a large focus on localization, a strategy now being increasingly adopted by other multinationals looking for success in the competitive China market. The strategy, says Honeywell's China President, William Yu, is simple. "Our strength is in our local for local strategies, or what we call here, East-for-East. That means ensuring that we are sourcing and manufacturing from the region in which we are based and having strong local R&D capabilities to develop solutions and meet the needs of the local market."

William Yu first joined Honeywell in 2017 as Vice President and General Manager of Honeywell's PMT Asia Pacific business. In February 2022, he was appointed as President of Honeywell China after five years with the company. To most, his appointment comes as no surprise – Yu has played a pivotal role in the company's organic growth in the Chinese market, and during his tenure overseeing PMT Asia operations, the business grew by more than 50% in two years. Yu, whose impressive career previously saw him in senior roles at security company Allegion and industrial manufacturer Ingersoll Rand, says that Honeywell brings a unique corporate culture to the table. Specifically, Yu identifies three main factors contributing to the company's success, "One is the culture of innovation, we work on cutting-edge technologies in so many different areas, from oil and gas to aerospace, we have great technologies and great offerings. Second, is what we call the Honeywell Operating System (HOS), we have a strong management

operating system that facilitates growth. Finally, I'd have to say, it really comes down to hard work. We are committed to delivering results to our customers, shareholders, and the communities we work with."

## Global Sustainability Commitments

Yu is quick to reiterate the importance of both the US and China markets for Honeywell. In fact, he says one of the most important things the company does is promote collaboration between the US and China, especially in the field of sustainability. In 2021, Honeywell announced its climate commitment to reach carbon neutrality in both facilities and operations by 2035, well ahead of the 2050 target of many other organizations. While achieving carbon neutrality in just over a decade might sound like a daunting, even unrealistic, goal, Honeywell is well on its way to achieving its target. In a recent interview with Barron's, Honeywell Global Chairman and CEO Darius Adamczyk even ventured to claim that, "Honeywell has more sustainable solutions for the future of the planet, than I believe any other company out there." Yu is also confident, saying the company is on track. "When we make commitments, we always deliver. We are famous not only for our financial gains, but also for social responsibility." He adds, "As China President, I work closely with my colleagues here to move us forward and try to expedite progress in sustainability where we can."

Yu highlights Honeywell's global approach to its climate goals, saying "We use the same process globally, not only in the US, not only in China, but across the global array to reach our neutrality goals." He adds that key to this global strategy, are Honeywell's new technologies that support sustainable development, which are pivotal when it comes to helping both the US and China reach carbon-zero. As Honeywell has a large presence in both the US and China, Yu says it is in a unique position to push the net-zero agenda forward. "Our carbon neutrality target is consistent with the sustainability initiatives launched by the US, China, and many other countries. We have the unique position and opportunity to shape a more sustainable future together with our partners." The partners he mentions include local governments, government agencies, suppliers, and customers across the globe. He says that Honeywell is more than ready to, "leverage the network and technologies we do have, develop what we don't have, and then work with our partners to commercialize those sustainable technologies."

Honeywell's network of partners and customers puts the company in a powerful position to implement meaningful change. Yu describes a trickledown effect resulting from three prongs of the company's environmental efforts. First, he says, they have evaluated internal operations, sharing that, "We are in a situation where we are not only working on improving our own

"If you consider the broad economic impact, green reduces costs across the board. Green means lower cost, green means better."

internal operations, but those internal operations are actually changing the products and services we offer to our customers. This is a huge way we can help our customers." Besides internal operations, Yu notes that the second piece of the puzzle comes from new product development, "About 60% of our new products are related to improving the environment and social outcomes. So, we are increasingly using our operations as a laboratory for innovators to advance their research and development to improve our products through test cases." The third and final element, Yu says, is the emission reduction in Honeywell's own facilities' operations. In this endeavor, the company tries turns to self-sustaining solutions where they can, he says, "We turn to Honeywell products and services whenever possible. We are both a technology and solution provider, so we are able to offer a variety of products, technologies, and solutions globally to help society in combating climate change." Yu cites a case study of one such solution: "We have developed a great technology called Solstice. It's a line of low global warming potential refrigerants for use in everything from cars to air conditioning products. That product line of sustainable refrigerants, blowing agents, and aerosols alone have resulted in a potential reduction of more than 260 million metric tons of carbon dioxide into the atmosphere." Yu puts the enormity of that number into perspective, "That's the equivalent of eliminating the potential emissions from around 56 million cars in one year."

In the short term, Yu says they are working with larger customers to integrate solutions and technologies like Solstice into their operations. To make that shift, many customers require changes in some of their processing steps. Yu makes the case that this is in the customer's own interest, "Maybe in the short-term people will see a small cost increase. But looking at how much money governments spend on trying to clean up the environment and combat climate change – that's a huge amount." He continues, "If you consider the broad economic impact, green reduces costs across the board. Green means lower cost, green means better."

## East-for-East, East-to-Rest

As President of Honeywell China, Yu plays a fundamental role in Honeywell's global operations. China



Above: William Yu speaks at a Honeywell event

Photo courtesy of Honeywell China

has emerged to become Honeywell's second largest single market and largest growth market. Currently, the company is working to help China realize its dual carbon targets. In China, Yu describes how Honeywell is working on procuring Green Factory certifications. China's Green Factory Initiative, Yu explains, lays out stringent and detailed requirements for factories looking to be certified. One of Honeywell's factories in Jiangsu province has already received a green certification from the central government, and now, Yu reveals, as of late March 2022, they are working on developing four more (Honeywell currently has 20+ factories in China), "We are actively working with the central government to understand the requirements and working internally to identify where we have gaps. From there we have our list of actions."

Unlike many other multinationals, Yu says Honeywell's operations were relatively minimally impacted by the onset of the COVID-19 pandemic in early 2020. He credits the company's East-for-East strategy – which it began implementing in 2004 – with helping to mitigate the effects of the pandemic. While admitting there are still challenges, he calls Honeywell's operations in China "very manageable." He goes on, "With East-for-East, for so many years, we've been manufacturing in China, sourcing from China, developing offers specifically for China. Now this strategy is really beginning to pay off when it comes to addressing the challenges brought on by COVID-19." Paying off might be an understatement. Over the last year, Yu says that the company has experienced double-digit growth in China, he remarks "Even with the challenges, we're growing and we're healthy."

According to Yu, COVID-19 has not only reinforced Honeywell's East-for-East strategy, but expedited the expansion of an East-to-Rest approach. He explains, "I spent two years outside China, and when I returned I really appreciated how good our supply

chain in China is. I realized we should leverage that solid supply chain in other markets." For him, that means working with Chinese partners to expedite and source products for the rest of the world. Now, he says, "We not only need to maintain East-of-East, but expedite East-to-Rest."

With East-to-Rest, Yu explains, Honeywell is not looking to supplant existing suppliers, but to reinforce a stronger safety net. He offers a hypothetical example, "If we only have a single source of supply for a product, now we are actively trying to find alternative suppliers in China. Not only for China, but for the rest of the world. I don't want to replace anyone, I want to have a backup." As COVID-19 has disrupted global supply chains and manufacturing, Yu points to supporting evidence in the fact that Honeywell factories in China have maintained relatively stable production thus far.

## Fueling the Future

An important product area in Honeywell's current line of sight is its Ecofining Technology. This technology, pioneered in 2013, converts non-edible natural oils, animal fats, and other waste feedstocks into Honeywell Green Diesel. Since 2016, Honeywell has also been producing sustainable aviation fuel (SAF) using the same method. With products like Solstice and Ecofining already available on the market, Yu says his job now is to work with manufacturers and government agencies to introduce the offering in China. He's excited at the prospect, calling it a win-win solution. "It's very good for us, but more importantly to our customers, and most importantly for the environment."

It would appear Yu and his team are succeeding, as proven by a recently announced joint project between Honeywell and Oriental Energy to build a SAF production facility in Guangdong province. Yu shares that, "When the plant is finished it will be among the world's largest SAF production facilities using inedible natural oils – or as they're called in Chinese, 地沟油 (dìgōu yóu) – with an annual output capacity of one million tons." When the project is completed, these feedstocks will help to reduce lifecycle greenhouse gas emissions by approximately 80% compared to traditional fuels, or by 2.4 million tons each year. Yu is optimistic that the new facility will help meet the growing demand for SAF, saying, "Currently the demand is mainly from Europe, but we expect demand to grow from the US and other countries, including China." Usefully, SAF is produced to blend seamlessly with petroleum-based jet fuel at the commercial scale, meaning the Ecofining fuel doesn't require any modifications to current aircraft technologies. Yu cites an active, operational example, stating that as of December 1, 2021, United Airlines flew a commercial flight from Chicago to Washington DC powered by 100% SAF produced by Honeywell Ecofining technology. As he says, "This is real, it's not on paper, it's not in the lab, it's real and it's already happening in the world." 🗣️

# CHINA BUSINESS CLIMATE SURVEY REPORT

*This is the 24th year that AmCham China has surveyed its members on the business environment in China. This year we partnered with PwC for data collection and in-depth analysis. This survey was conducted between October 24 and November 18, 2021 and was completed by 353 AmCham China member company representatives, representing roughly 50% of eligible respondents.*

As China and the world enter the third year of the COVID-19 pandemic, our members report a mixed picture of slightly improved business performance and a growing uncertainty about the future of China's business environment. Estimated performance results for 2021 show that there is a rebound of revenue, profitability, and Earnings Before Interest and Taxes (EBIT) margins from the last two years. However, most results have not returned to pre-pandemic levels. While members continue to be generally optimistic about their opportunities in China, that optimism is in decline due to sustained air travel disruptions, an increasingly uncertain regulatory environment, difficulty attracting and retaining talent, and the strained US-China relationship.

China remains a key strategic priority for many members and investment in China operations continues. One area of new investment goals is carbon-related actions to combat global climate change. Member companies are prioritizing such actions as part of

both their broader global business strategy and also to increase overall brand value. China's growing domestic consumption and rising affluent middle class give members hope across all sectors that their continued investment in China will pay off, despite the unique challenges of the last few years.

## Revenue Rebounds but Not to Pre-pandemic Levels

More than half of members estimate that their 2021 revenue to be higher than 2020, reversing a trend from the last few years. However, the impacts of COVID-19, especially the intermittent lockdowns to control local outbreaks, continues to negatively impact revenues, according to two-thirds of members. While there has been an uptick in the proportion of companies expecting revenues to increase from last

year, 2021 has also seen inflation rise. When accounting for inflation, about four-in-ten companies are further from pre-pandemic performance.

Compared to the last five years, 2021 saw the highest proportion of companies estimating that they will be “very profitable” at 13% compared to 5% in 2020 and earlier. While the proportion of companies anticipating profits has increased since last year (59% in 2021 versus 54% in 2020), this fails to match the 73% of companies that reported profitability in 2017 before the pandemic and escalation of the US-China trade war.

## China Still a Priority

Nearly two-thirds of companies rank China as the top or a top-three priority for near-term global investment. A key driver to increasing investment in China is the strategic prioritization of the local market and expectations of faster growth in China compared to other regions. When asked to about their top business opportunities in China, many anticipate improved results given the growth in domestic consumption and the expanding affluent middle class. Ongoing economic and market reforms will create opportunity for improved business results, according to about one-third of companies.

The prospect of winning in China – and winning big – continues to motivate business decision-making, despite an otherwise pessimistic outlook. Across the business environment landscape this year, members report decreased optimism. In the two-year outlook,

there was an 11pp decline in optimism related to domestic market growth and an 18pp decline related to economic growth and recovery. While China is still viewed as a profitable and valuable market, the increasing uncertainties beyond COVID-19 make companies wary of predicting large gains in China over the short-to-medium term.

## Human Capital a Top issue

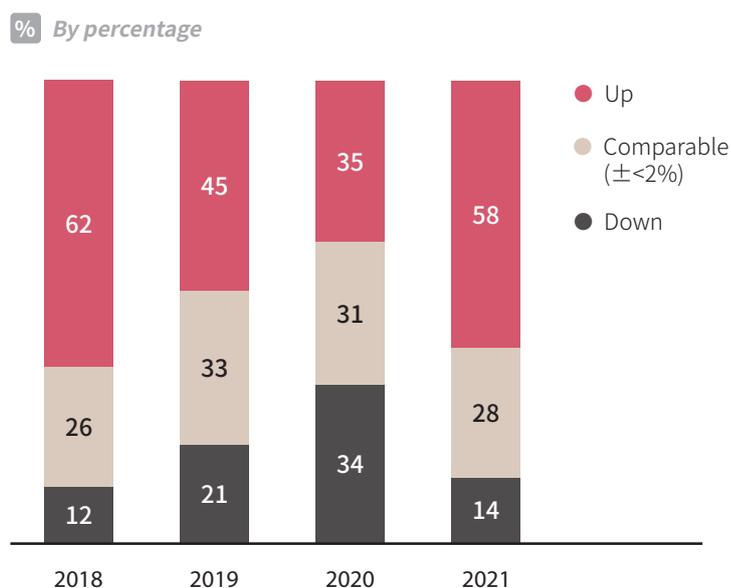
The COVID-19 pandemic continues to impact all aspects of doing business in China. Over half (58%) of members report the cost of products and services has been negatively impacted and 69% report a negative impact on suppliers’ ability to provide materials and component parts. Contributing to overall costs and supplier delays is the pandemic’s negative impact on international transportation spending, according to 74% of members. Lingering COVID-19 impacts, such as these, are encouraging some members to change their approach to China. For the 27 respondents who are looking to relocate manufacturing or sourcing outside of China, 22% say that COVID-19 is a driving factor, a significant increase (17pp) from last year.

In 2021, transportation and travel ranked as the most negatively impacted business area for members in the context of COVID-19. 70% of members cite the impact on global business travel as China’s borders remain mostly closed to foreigners and lengthy mandatory quarantines are a deterrent for the few that can enter. Limited airline service also makes the cost of travel far more expensive. These challenges not only impact business travel for US citizens but also prevent Chinese staff from taking essential business trips to the US, creating additional barriers between many US headquarters and local offices in China.

US businesses in China are impacted by other factors beyond COVID-19 related travel restrictions, lockdowns, and quarantines. Members report that the top three human capital challenges for 2022 are labor costs (44%), rising salary and wage costs (42%), and US-China tensions (28%). Eight-of-ten members anticipate their company will have to endure higher labor costs on-average in 2022 compared to 2021. For the Resources sector, that figure jumps to nine-of-ten companies.

Attracting and retaining staff is the top human capital priority for 2022, up 30pp from 2021. A third of companies acknowledge that employee turnover was higher this year than last year. Meanwhile, half of members also expect to increase headcount in 2022 beyond their 2021 levels. The top challenge to retain and recruit expatriate talent in China according to 76% of members is that “qualified candidates unable to move to China.” Beyond travel restrictions impacting qualified candidates last year, attracting and retaining expatriate staff was also challenged by the proposed changes to the Individual Income Tax Law (IIT Law). The changes were expected to go into effect on January 1, 2022 but were delayed to take effect in 2023.

**Figure 9. How does the estimated 2021 revenue of your company's China operations compare with 2020 results?**



## Limited Confidence in China's Openness

Almost half of members report feeling “less welcome” in China (up 9pp from last year). The portion of companies feeling “much less welcome” more than doubled from 6% in 2020 to 15% in 2021.

In the last year, members report an uptick in pressures to make (or not make) statements about politically sensitive issues. Nearly half (42%) of companies reported a slight or significant increase in pressure, with another quarter describing the pressure as similar to previous years. Two-thirds of members who feel political pressures cite the Chinese government as the main source of this pressure, followed by the Chinese media (38%).

Additionally, one-third of respondents report that foreign companies are treated unfairly by government policies and enforcement actions compared to their domestic competitors. Concerns about an uncertain Chinese policy environment rank at the top of factors forcing companies to lower investment. These factors have resulted in 35% of respondents planning to lower their investments in 2022. Government policies related to market access, licensing, regulatory enforcement, government financial support and subsidies, and public procurement are the top five areas in which members identified unfair treatment.

While many member companies are driven to do business in China because of the prospect of a growing marketplace, less than half of companies (47%) are confident in the Chinese government's commitment to further open China's market to foreign investment in the coming three years. According to members, six-in-ten would plan to increase investment in China if market access on par with what is allowed in the US.

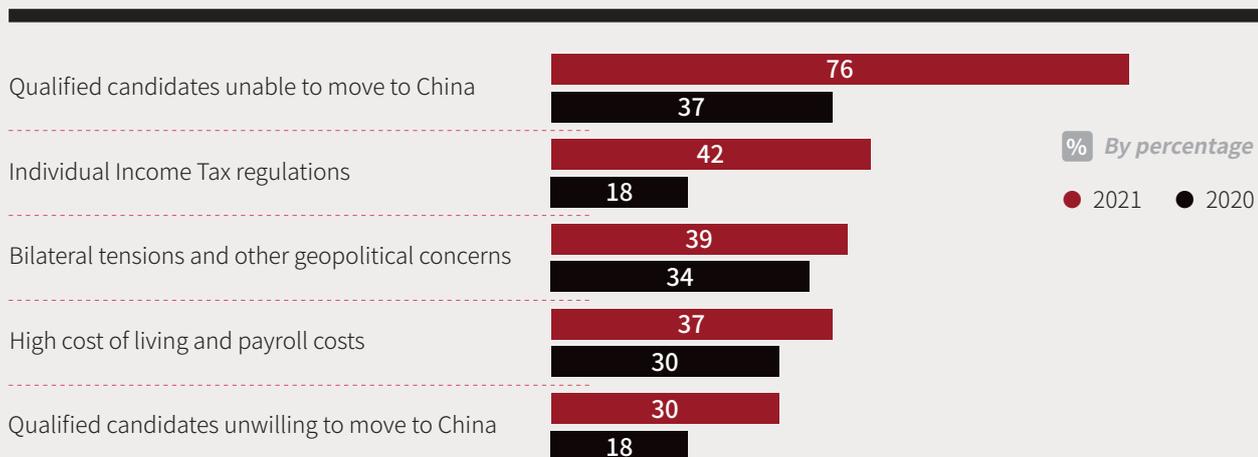
Figure 21. Top Five Business Challenges in China

2020	2021	2022
Rising labor costs 45%	Rising tensions in US-China relations 78%	Rising tensions in US-China relations 56%
Inconsistent regulatory interpretation and unclear laws & enforcement 41%	Rising labor costs 40%	Inconsistent regulatory interpretation and unclear laws & enforcement 31%
Rising tensions in US-China relations 41%	Inconsistent regulatory interpretation and unclear laws & enforcement 37%	Rising labor costs 29%
Regulatory compliance risks 23%	Increasing competition from privately owned Chinese companies 33%	Regulatory compliance risks 28%
Shortages of qualified management 23%	Concerns about data security 26%	Concerns about data security 23%

## Increasing Uncertainty About Investment Decisions

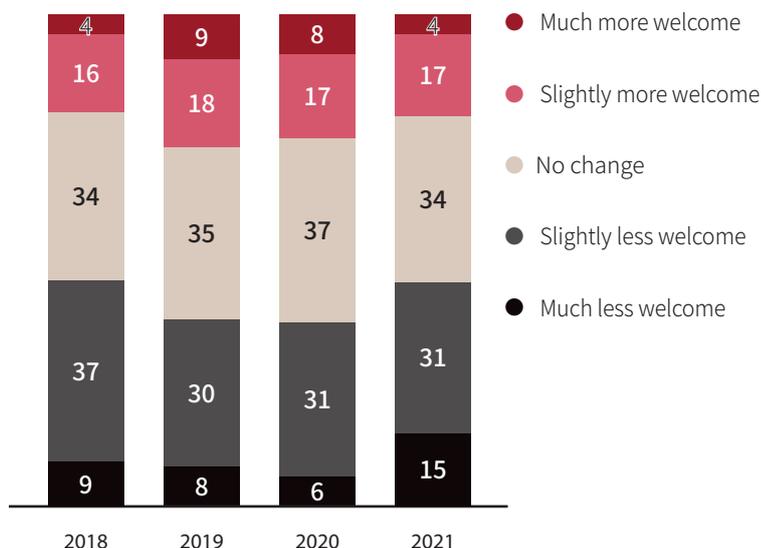
The regulatory environment is one of the driving conditions of pessimism for doing business in China, according to 40% of members and up 16pp from last year. One-third of members rank “regulatory compliance risks” as a top business challenge across all sectors.

Figure 62. Top five challenges to recruit and retain expatriate talent to work in China



**Figure 46, Do you believe foreign businesses are more or less welcome in China over the last year?**

By percentage



Protection of intellectual property also remains a concern for US companies doing business in China. 78% of respondents report that they would consider increasing investment in local operations if China improved policies to ensure greater protection of intellectual property. Up 4pp from last year, 20% believe that there is a lack of sufficient intellectual property protection. In the last year, only 44% of companies believe that China’s enforcement of intellectual property rights has improved, down from 47% in 2020 and 69% in 2019.

The policy and regulatory conditions in China remain a roadblock to investment according to 82% of respondents. They say that “increasing the transparency, predictability, and fairness of the regulatory environment” would have a significant impact (somewhat significant or extremely significant) on increasing companies’ investment levels in China. Despite these hopes, most members do not expect significant changes in the coming years. Half of members expect the quality of China’s investment environment to remain the same.

### Expect Status Quo in US-China Relations

Last year, we reported that 45% of respondents expected US-China bilateral relations to improve especially after Democratic candidate Joe Biden was announced as president-elect. This year, the 2022 outlook on the bilateral relationship is less rosy and has re-adjusted to

similar pre-Biden administration levels. The number of companies expecting improvement has been cut in half (to 27%) and half of members think that relations will stay about the same. There was a minor increase in companies that expect the relationship to deteriorate, up from 19% last year to 24% this year.

Further, more than half of members still report that they will be impacted by US-China trade tensions. This year, 58% of companies report being impacted, up 8pp from last year. As a result, 18% may consider delaying or canceling China investment decisions and 17% may decide to localize more production, service, or IP in China to access local opportunities.

At the top of members’ wish list is for the US and China relationship is to restore regular visa processing service for US and Chinese citizens and find ways to further open the Chinese market to foreign companies (43% each). In November 2021, per presidential proclamation, the US Department of State reopened full visa services to Chinese nationals. Beyond visa services, a quarter of members hope that the two countries can reach an understanding to further reduce tariffs, address China’s cross-border data transfer policies, and continue efforts to strength IP protections.

### Companies Still Remain Committed to China

In this year’s survey, members reiterated their commitment to investing in their China operations in hopes of capture opportunities from the local market. They continue to focus on their China strategy in spite of a growing sense of unwelcomeness, increased awareness of unfair treatment towards foreign companies in some sectors and the continued negative impacts of China’s strict COVID-19 response. Following the 2020 elections, after which many US business leaders in China expected an immediate improvement to the bilateral relationship, it remains clear that both the US and China are maintaining the status quo.

Members are focused on key priorities for the upcoming year. Growing headcount, along with recruitment and retention of qualified talent, will be a top priority. Members will be challenged to accomplishing this in the context of pandemic-related travel disruptions, rising labor costs, and higher turnover rates. Members are also hopeful for ongoing economic and market reforms across all sectors, including improvements in intellectual property protections.

Despite consistent challenges, two-thirds of companies plan to increase investment in China operations in 2022 as China remains a top priority for global strategies. Expectations of faster growth and the expanding affluent middle class continue to provide optimism that China investments will pay off in the longer-term.

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# ExxonMobil Outlines Ambitions for a Lower Carbon Future

By Norris Tangen

*In January 2022, ExxonMobil unveiled plans to become a leader in energy transition, including its ambition to achieve net-zero emissions (Scope 1 and 2) by 2050 at its operated assets. The AmCham China Quarterly caught up with ExxonMobil's China Chairman Fernando Vallina to discuss the company's commitment to China, its new net zero target, and the comprehensive approaches behind it.*

Since Fernando Vallina joined ExxonMobil 35 years ago, the organization has expanded exponentially across China. He recalls his first visit to China, “the office we had in Shanghai – I don’t think we had more than 50 employees total.” Reflecting on the company’s enormous development since then, he observes that, “Today, we’ve grown our China footprint from that single office to more than 2000 employees and a business portfolio that spans the full spectrum of the industry.” That impressive portfolio runs the industry gamut, from upstream liquified natural gas (LNG), and downstream lubricants, to chemicals and technology centers. And, as Vallina explains, that expansion shows no sign of slowing down. “Last November, a final investment decision was made to proceed with a multi-billion-dollar chemical complex in the Dayawan Petrochemical Industrial Park in Huizhou, Guangdong Province. This project

Born in Spain, Fernando Vallina is a graduate of the Autonomous University of Madrid, where he earned a Bachelor of Science degree in chemistry. He also holds a Master of Business Administration degree from Instituto de Empresa (IE) in Spain. Vallina, who joined ExxonMobil Chemical in 1987, has held a wide range of management positions in sales, marketing, technology, planning and supply chain and has lived and worked in North America, Europe, the Middle East and Asia. Vallina was Asia Pacific sales and marketing manager for ExxonMobil Chemical Company, based in Hong Kong, from 1997 to 2001. He then served as its global logistics and distribution manager, before assuming the position of Chairman, ExxonMobil (China) Investment Co., Ltd. on March 1, 2017. Besides his role as a Governor of the Board of AmCham, Fenando is currently a member of the Board of the Association of International Chemical Manufacturers (AICM), and the Executive Board of the Multinational Companies’ Committee of China Petroleum and Chemical Industry Federation (CPCIF).



Photo courtesy of ExxonMobil

“The ambition is supported by roadmaps to evaluate and pursue emission-reduction opportunities ranging from small-scale operational changes to large-scale capital investments.”

will supply high-quality products needed to meet the growing demand in China and contribute to the economic and social development of local communities.” Specifically, the project will also bring the estimated addition of 700 full-time jobs, 4,000 indirect jobs during operations, and more than 20,000 jobs during the peak construction period.

Vallina cites this this multi-billion-dollar investment as a manifestation of ExxonMobil’s longstanding and continuing commitment to its China operations. ExxonMobil’s China history dates back to 1892, when its predecessor, Standard Oil, began marketing kerosene to light Mei Foo lamps in Chinese homes. Since the country reopened its market to foreign participation in the late 1970’s, ExxonMobil has focused on gradually re-engaging in many aspects of China’s energy industry. Vallina feels confident in the company’s continuing and evolving presence here, affirming a strong belief that, “The China market continues to offer tremendous opportunity for further growth.” Referencing its extensive history in China, Vallina emphasizes the market’s importance to ExxonMobil, “Building on our strong heritage, together we will capture such opportunities, grow our business further and embrace a brighter future. We have operated in China for more than a century, and our commitment to this strategic market has not changed.”

## Driving Down Emissions

When asked, Vallina eagerly delves into ExxonMobil’s commitment to sustainability initiatives. In January 2022, the company announced its ambition to achieve net zero greenhouse gas emissions (GHG), Scope 1 and 2, for operated assets by 2050. “Our strategy uses our advantages in scale, integration, technology, and people to build globally competitive businesses that lead in industry earnings and cash

flow across a broad range of scenarios.” As ExxonMobil aims to achieve its net-zero goals by 2050, he adds that this requires a comprehensive approach, centered on developing detailed GHG emission-reduction roadmaps for major operated assets. He is confident about the resilience of both the business and strategy, pointing to an analysis using the International Energy Agency’s Net Zero Emissions by 2050 scenario. He predicts that, “We are well positioned to compete in these businesses by leveraging our capabilities and repurposing assets. As the energy system evolves, we can deliver shareholder value across a wide range of future scenarios.”

## ExxonMobil 2050

As the world endeavors to meet ambitious climate goals, companies like ExxonMobil are reflecting this effort by evaluating and shifting practices. However, Vallina does not foresee primary energy demands dwindling anytime soon. “Underpinning future energy demand is economic growth driven by increasing population and growing prosperity. ExxonMobil leverages its core capabilities to meet society’s needs for products essential for modern life.” He adds, “We provide fuels and lubricants for transportation, cement and steel for construction, and the building blocks for a variety of important products, ranging from medical supplies to food packaging.” ExxonMobil is working to advance climate solutions, but recognizes that the industry will not “go green” overnight. Vallina characterizes that transformation as developing and deploying solutions that meet society’s needs, remarking, “Today, that means taking a leading role in providing the products that enable modern life, reducing our Scope 1 and 2 GHG emissions, and developing needed technologies to advance a lower-carbon emissions future.”

As far as ExxonMobil’s efforts on the energy transformation, Vallina returns to its recently announced 2050 targets, “The

ambition is supported by roadmaps to evaluate and pursue emission-reduction opportunities ranging from small-scale operational changes to large-scale capital investments.” For a company like ExxonMobil, he says the move to a lower-emission future requires solutions that can be implemented at scale. The company expects to finalize those detailed roadmaps – which are anticipated to address approximately 90% of operations – by the end of the year, with the remainder to be completed in 2023. Additionally, over the next six years, ExxonMobil has announced plans to invest more than \$15 billion USD on initiatives to lower greenhouse gas emissions. Vallina says this significant increase will serve to further the company’s efforts to reduce the emissions from its operated facilities.

Ultimately, however, Vallina recognizes that there is no one-size-fits-all approach to climate change, saying, “There’s no one guaranteed approach to addressing climate change and reaching the goals laid out in the Paris Agreement.” However, while he accepts the challenges as the company works towards a more sustainable future, he also feels confident about the future. “ExxonMobil and many other organizations,” he says, “are working in partnership to address these challenges today and in the future. Together, we’re researching innovative technologies and solutions, like carbon capture and biofuels, to meet the growing demand for energy while mitigating the risks of climate change.”

## Comprehensive Approaches

ExxonMobil’s efforts to reduce their environmental impact are part of a massive global initiative. Vallina identifies what he refers to as the “dual challenge,” and calls it one of the most important issues the company must tackle. That dual

challenge is, “meeting the world’s growing demand for energy and products that support modern life, while reducing environmental impacts, including the risks of climate change.” While global goals unite ExxonMobil’s efforts, the company tailors initiatives and goals to regional and country markets. In the upstream energy sector, for example (which involves points of production that originate early on in the processes and includes companies who identify, extract, or produce the raw materials), Vallina says ExxonMobil has been supplying cleaner-burning LNG to the Chinese market through two long-term agreements signed in 2009 with Sinopec and PetroChina, respectively. In 2019, a sales and purchase agreement was signed with Zhejiang Provincial Energy Group to supply one million metric tons per annum of LNG over 20 years. Vallina views natural gas energy as a vital opportunity to satisfy the energy needs of global consumers while helping to mitigate the risks of climate change. “When considering life cycle emissions,” he says, “natural gas emits up to 60% less greenhouse gas and produces significantly fewer air pollutants than coal for power generation.” He continues, noting that, “Many national and state governments have recognized the contributions natural gas can make to reducing greenhouse gas emissions and have included transitioning to natural gas in their carbon-reduction programs.”

ExxonMobil is also working to on its Chinese “Green Program.” Vallina details how the “Green Program” works to provide advanced lubrication technology and innovative solutions that can help customers save on energy consumption, reduce GHG emissions, and increase productivity — which will also contribute to the sustainable development of the economy. He goes on to say that the core concept of the program is, “less leads to more.” He explains, “The program offers a comprehensive solution covering energy efficient products, professional services to optimize oil drain interval and energy efficiency, and reusable bulk packaging to minimize package waste disposal.”

On the chemical front, ExxonMobil is taking action to address plastic waste in the environment by increasing plastic recyclability recovery. Vallina says, “We are pursuing new advanced recycling initiatives in the US and Europe that set in motion opportunities to capture value from plastic waste at scale.” He continues,



Above: Vallina attends an AmCham China event

Photo by Jin Peng

“In terms of Chinese efforts, in one of our trial projects with a film convertor in southern China, ExxonMobil jointly developed an upgraded solution which has higher mechanical strength and stronger environmental durability, making it easier to recycle mulch film. The customer has commercialized the product and successfully collected mulch film from pilot farms. The retrieved film is then re-pelletized into resin for use in other applications such as trash liners and secondary packaging, thus achieving a complete cycle from manufacturing, recycling to re-utilization.”

Another aspect of ExxonMobil’s sustainability work is its new Low Carbon Solutions business, launched in early 2021, which is initially focused on carbon capture and storage (CCS), hydrogen and biofuels. The Low Carbon Solutions business is targeting high-emission sectors that are especially hard to decarbonize, such as power generation and industrial manufacturing. Vallina notes that it also takes advantage of ExxonMobil’s experience in producing hydrogen, “another energy source likely to play a critical role in the years to come.” Vallina says that ExxonMobil “is interested to explore the potential CCS collaboration opportunities with regulators and industry players to reduce carbon emissions.” Given the wide scope of its efforts in China, Vallina feels assured in the company’s strategies to reduce its environmental impacts, observing

that, “With all of these efforts going on, we see ample opportunities for collaboration with stakeholders along the value chain here in China.”

## Policy Advocacy - AmCham China’s Role

In addition to his role at ExxonMobil, Vallina also serves on the AmCham China Board of Governors. Considering the organization’s role in the US-China relationship, he reflects that “AmCham China has been playing an important role in the business environment improvement in China and promotion of sustainable US-China economic relations.” He shares that he is optimistic that in the future, AmCham China will continue its legacy by playing an important role in supporting policy advocacy, adding, “Supportive policies and regulatory frameworks are critical to enabling deployment and infrastructure development at the pace and scale needed to help meet the goals of the Paris Agreement.” He goes on to say that support can range from durable incentives that can be provided through a variety of mechanisms such as grants, tax credits, or low-interest loans; sustained, long-term government support for research and development; or establishing a market price on carbon that supports investments. ❶

Since establishing its China operations over a decade ago, the Paulson Institute has been facilitating meaningful mutually beneficial progress in the US-China relationship – no easy feat. The AmCham China Quarterly spoke with the Paulson Institute’s Chief China Representative and Managing Director, Jerry Yu, about the challenges of navigating the US-China relationship, tackling twin environmental crises, and the substantial opportunities presented by sustainability.

# Tackling Twin Crises: The Paulson Institute’s Work Bridges US-China Divide

By Norris Tangen



Photo courtesy of the Paulson Institute

Former Treasury Secretary Henry M. Paulson, Jr. founded the Paulson Institute in 2011 with the goal of sparking creativity and innovation to advance sustainable growth and a cleaner environment around the world. In the years since, the Institute has placed particular focus on the US-China relationship. Jerry Yu, the Paulson Institute’s Chief China Representative and Managing Director explains Paulson’s vision, remarking, “He focused on the US-China relationship out of a belief that these global challenges can only be effectively managed if the US and China are working in complementary ways.” Today, the Institute’s work has become more vital than ever, as it endeavors to bridge an ever-widening gap between the US and China. Yu accepts the inherent challenges of this mission, “The US-China relationship is in a very different place to ten years ago,

**Jerry Yu** is Chief Representative of the China Office and Managing Director of the Paulson Institute in Beijing, where he manages the Institute’s daily operations in China. Previously, Yu was director of the World Economic Forum’s Community of Global Growth Companies in Beijing. He also has served as a senior manager for corporate affairs at eBay and as Chief Executive Officer of ASEA Convention and Exhibition Company. From 1995 to 2001, he worked for the Exhibition Department of the China Council for the Promotion of International Trade (CCPIT). Yu holds a Bachelor’s degree in English and International Studies from Foreign Affairs College in Beijing and a Master’s in Business Administration from Georgetown University.

and the reality is that US-China relations will be difficult and competitive in almost every aspect for the foreseeable future.” However, even with this stark concession, Yu says the Institute remains committed to focusing on areas of mutual interest, “The fact is that without some level of cooperation between our two countries, the most pressing challenges facing the globe – pandemics, sustainable economic growth, climate change, biodiversity loss – will be impossible to meet.” He continues, “Our work on issues of consequence of US-China relations and beyond will have lasting significance for the health and prosperity of generations to come.”

As strains in the US-China relationship show no sign of easing, one of the few areas identified as mutually beneficial to both nations is sustainability. Yu explains that while this is a large area, they are focused on actionable steps, “All grand plans must start with concrete steps, and this is why it’s important to put the ‘do’ in ‘think and do’ tank.”

## Twin Crises

The Paulson Institute started its China operations in 2013. Yu credits an “elite group of high-caliber and dedicated professionals from business, government, nature conservation, and policy” as the driving force behind a successful start. Yu hopes that the Institute’s work demonstrates how cooperation can benefit both American and Chinese citizens.

In China, much of the Institute’s work has been focused on twin environmental crises: the biodiversity crisis and climate change. In a recent op-ed in the *New York Times*, Paulson Institute founder Henry Paulson summarized these two pressing issues in blunt terms, “The first is climate change. Its causes and potentially catastrophic consequences are well known. The second crisis has received much less attention and is less understood but still requires urgent attention by global policymakers. It is the collapse of biodiversity, the sum of all things living on the planet.”

Yu echoes Paulson’s sentiments, “Take the global decline of biodiversity,” he says, “given our dependence on nature for the fundamental basics of life – clean air to breathe, clean water to drink, and a habitable climate – it poses enormous risks to the prosperity and well-being of both countries [the US and China] and indeed



**Above:** Henry M. Paulson, Jr. awards the 2019 Paulson Prize for Sustainability to Shenzhen Ecological Energy Park

Photos courtesy of the Paulson Institute

the world.” To reduce the local and global causes and impacts of biodiversity loss, Yu explains that their Conservation Team works across three main priority areas in China: coastal wetlands, national parks, and responsible trade and investment. He continues, “Our activities range from site-based pilots to demonstrate innovative ways to value and conserve nature, to capacity building, national-level policy advocacy, and building a common understanding at the global level.”

On the subject of climate change, Yu says the Institute’s Green Finance Center plays a key role, “Our Green Finance Center has facilitated a series of conversations about the evolving role of carbon pricing and worked with financial markets and international financial institutions to champion approaches to finance low-carbon growth.” He points to the Institute’s Mayors Exchange Program, which aims to enhance capacity building in the fields of sustainable urban development and governance with mayors and senior officials in China and the US.

## The Paulson Prize

As part of its work tackling the twin environmental crises the Institute works to shine a light on transformative climate and nature solutions through the Paulson Prize for Sustainability. The Paulson Prize was launched in 2013, just one year after the Institute started its China operations, and since 2017, has been developed in

partnership with Tsinghua University. Since its inception, the Paulson Prize has recognized projects in China that provide innovative, scalable, and market-based solutions that offer the most sustainable best practices in China and the rest of the world.

With the conclusion of the first phase of the UN Convention on Biodiversity (COP 15) last October and the recent meeting of the UN Convention on Climate Change (COP 26), Yu says it’s clear the world is taking steps towards building a sustainable future, “It is clear that for us to succeed, millions of innovations will be needed. That is why the Paulson Prize is more important than ever, and why we set up the ‘Nature Stewardship’ and ‘Green Innovation’ categories to promote innovative and transformative solutions that address the dual crises of biodiversity loss and climate change.” Yu is referring to the two categories of Paulson Prizes; The Nature Stewardship category addresses the biodiversity crisis, recognizing and encouraging solutions that address the risks of biodiversity loss by more appropriately valuing the natural environment, in the same way as we value human, built and financial capital, and to inspire people to live in harmony with nature. The Green Innovation category recognizes innovations in climate change, shining a light on solutions that improve the built environment to meet the significant challenges of urbanization and climate change, building a net zero future of sustainability and green growth.

Over the past eight years, the Paulson Institute has received hundreds of

applications from across China for the Paulson Prize, including multi-national companies, Chinese enterprise, and NGOs. Yu has only the highest praise for the recipients of the Prize, saying, “The winners have been truly remarkable.” He continues, “They represent some of the most creative thinking and breakthroughs to address the global sustainability crisis, widely ranging from waste to energy solutions, recycling and reuse of power batteries in the emerging EV market, improving the energy efficiency of building cooling systems and greening data centers, to wetland protection and restoration, and innovative ecological compensation mechanisms.”

Yu cites the 2021 winner in the Green Innovation category, Nanjing TICA Climate Solutions’ “Global Cooling”: HVAC System and Investment Patten to Boost Energy Efficiency. This scalable market solution took home the top prize as it addressed one of the most critical climate challenges that the world is facing today – cooling. Yu gives context to this crucial issue, “The statistics behind building cooling are astonishing and concerning – take China for example, 95% of its buildings are high-energy consumption buildings and half of that energy consumption comes from the cooling system. According to a joint report of UNEP and IEA, low cooling efficiency may lead to the emission of 460 gigatons of carbon dioxide equivalent (GtCO<sub>2</sub>e) over the next four decades.” The winning project addressed two of the largest challenges the cooling industry faces: low energy efficiency and long investment payback time. Yu says this project stood out, “for its high-efficiency HVAC solution that achieves an improvement in energy efficiency by 80% compared with the Chinese average, and an improvement of 60% compared with that of the US, and market-leading efforts to promote the use of Energy Management Contracts to provide scalable solutions to the industry.” Considering the urgent and large-scale global demand for high-efficiency HVAC systems, Yu is confident the technology will have wide-reaching implications, predicting, “We believe that the replication of the TICA model will have a positive impact on climate change mitigation and the achievement of the carbon peak and carbon neutrality targets.” Projects like this one, that offer substantial, impactful and scalable solutions are what the Institute looks for in their selection process. The 2022 Paulson Prize is now

open for submissions until June 30, 2022. (For more information about the Prize visit the Paulson Institute’s website.)

## Carbon Currency

With China’s goal to achieve carbon neutrality by 2060 nearing, the pressure to cut emissions will only continue mount. As part of those efforts, in July 2021, China finally launched their national carbon trading scheme. China’s carbon exchange, which is now the largest in the world, provides companies with financial incentives to reduce their emissions by allotting credits to those who pollute below their allowances, and conversely, penalizes companies who go beyond their allotted limit by requiring them to purchase additional credits. The carbon exchange represents a huge step towards realizing China’s climate pledges, and Yu welcomes the progress, “China is going to be at the heart of the climate business boom.” He predicts, “The launch of China’s carbon exchange will create new opportunities. When it launched with just one industry (power), it covered around 45% of China’s carbon emissions and became the largest in the world. It also brought 14% of global emissions under trading. When the seven other polluting industries (including construction, transportation, and chemicals) are added to the exchange, it will account for almost 40% of global emissions.”

Although China’s carbon exchange is still in its formative period, Yu is confident the appeal will be too great for companies to pass up. He says, “This market will draw thousands of global companies seeking to buy carbon offsets to help them meet their climate commitments.” And the result? Yu foresees China emerging as a leader in the carbon trading business, but more importantly, he says “Carbon could become a new currency, with China creating the terms, the standards, and the pricing.”

## Business Benefits

The extreme risks climate change and biodiversity loss pose to the global economy, public health, and national security are well documented. And reflecting the Institute’s fundamental mission to both “think and do” Yu likewise urges businesses to take action. He observes, “The simple aim must be for all companies to ensure that

their strategies and operations are consistent with the goals of the Paris Agreement on climate change and the forthcoming Global Biodiversity Framework, due to be agreed on in Kunming in 2022. This will require systemic change.”

Green financing is one key area where business can participate. According to the UN, the world will need to mobilize some \$90 trillion USD over the next 15 years to stave off the worst effects of climate change. As the Paulson Institute’s 2020 report “Financing Nature: Closing the Biodiversity Financing Gap” outlined, that global financing gap is expected to exceed more than \$700 billion USD annually over the next ten years. Yu says governments cannot fill that gap alone, “The vast majority of the funding must come from the private sector,” but, he clarifies, “It is clear that this will only happen if governments create the right framework of incentives to ensure investment in tackling climate change and biodiversity loss is profitable.” China’s carbon neutrality pledge has sent a clear signal to the business community that the nation is committed to a sustainable future. Yu references a recent study by Goldman Sachs which estimates a \$16 trillion USD opportunity in environmental goods and services in the Chinese market. With China doubling down on sustainability, Yu says now is the time to act, “For the companies that do not want to get left behind, they will need to make the investments necessary to put them on a more sustainable path. Companies that are providing environmental goods and services, for example, are poised to benefit from this transition. So, too, will tech and financial institutions that are making climate-focused investments.”

Yu stipulates that in order to achieve net-zero greenhouse gas emissions by 2050 more will need to be done, “It’s not just going to involve, renewables and clean energy, nor simply for business to set up science-based targets in their strategy.” What the Institute desires, is significant changes in industrial processes. Yu gives an example, “How we make things and manufacturing things like cement and steel. This is about internalizing the ‘externalities’ of environmental impacts that have, for too long, been ignored.” Indeed, Yu says, “Huge opportunities lie ahead for businesses that strive for breakthroughs in new thinking and technological innovations that help us to value nature and decarbonize our economies.” 

# Lighting the Way: *The Father of China's Renewable Energy Law, Dr. Junfeng Li*

By Zahrah Abdulrauf

The stakes surrounding climate commitments are raised every year. Climate disasters such as floods and droughts have

intermittently affected both the US and China, underscoring the urgency of taking action to protect the environment and the significant losses that will be suffered by both if these efforts fail. Given this stark reality, Dr. Junfeng Li, one of China's foremost authorities on renewable energy and environmental protection, says that climate

cooperation between the US and China is critical not just for the two respective countries, but for the entire world.

Together, the US and China account for over 40% of global carbon emissions. If the US and China can set aside bilateral differences, Li says he believes the two nations could dramatically reduce carbon

**Dr. Junfeng Li** is the First Director General of the National Center for Climate Change Strategy and International Cooperation (NCSC) and he currently serves as the Chairman of the academic committee of the NCSC. He was given the 9th Annual Zayed Future Energy Prize Lifetime Achievement Award in January 2017. He serves on the expert committee for several national-level advisory boards and is a consultant on low carbon development for Beijing, Shanghai, and Shanxi Provincial People's Government. He has also been invited to be the professor and doctoral supervisor by Renmin University of China and other colleges and universities in China.

Currently, Dr. Li is the President of both the Chinese Renewable Energy Industries Association (CREIA) and the Renewable Energy Professional Committee of China Energy Research Society. From 2011 to 2016, he served as the Director-General of the NCSC. From 1982 to 2011, Li worked at the Energy Research Institute (ERI) of the National Development and Reform Commission (NDRC) and used to serve as the Deputy Director-General of ERI and the Chairman of the Academic Committee of ERI for more than 10 years.



Photo courtesy of Li Junfeng

*Dr. Junfeng Li is the President of the Sequoia China Carbon Neutrality Research Institute and Director of the China Energy Research Society. However, he's perhaps best known as the Father of China's Renewable Energy Law. Over the past three decades, Dr. Li has dedicated his professional career to the advancement of the energy economy and energy environment studies. The AmCham China Quarterly spoke to Dr. Li about climate change cooperation, the necessity to set aside bilateral differences, and the feasibility of China's dual carbon goals.*

emissions. Although the two nations diverge on a number of issues, Li highlights the fact that the US and China face many shared challenges with regard to climate change: both countries are heavily reliant on fossil fuels, with less than a fifth of their energy coming from alternative energy sources. Regardless of their respective timelines for achieving carbon neutrality – 30 years for the US, 40 years for China – Dr Li argues that neither country will be able to achieve those environmental goals alone. He further advocates that the sharing of both knowledge and technology – especially with regard to carbon reduction technologies – is critical to avoid wasting precious time on the duplication of efforts on either side of the Pacific.

## Competition Fosters Innovation

With regards to the issue of competition between countries, Li says that although there is always the tendency to crown winners and losers, competition should not take center stage; instead, he underscores that the ultimate goal when it comes to climate change is not competition but rather to make global progress towards environmental sustainability. Climate change presents a common challenge for countries across the globe – when one succeeds in reducing emissions, the rest also reap the benefits. Because of this, Li says he views cooperation on climate change as a virtue that should be embraced by all international actors, not just the US and China. As long as there is that sharing of knowledge and technology, climate competition has the potential to spur a positive “race to the top” scenario, wherein breakthrough technological developments and innovations are shared between countries and improve the

environment worldwide. There is a consensus that this potential for a “win-win” outcome of carbon emission reduction efforts is the reason why climate remains one of the bilateral bright spots in the US-China relationship.

By taking the lead on environmental issues, such as signing the US-China Joint Glasgow Declaration on Enhancing Climate Action in the 2020s at COP26 last fall, the US and China have demonstrated considerable progress in outlining plans to tackle climate change and encourage global action. Dr Li says that even if countries fell short on their climate targets, there could still be considerable positive effects for the globe.

## Dual Carbon Goals Present Opportunities

Promising avenues for collaboration at the working level of US-China relations include methane abatement and carbon capture. Through the creation of its “Dual Carbon” goals, China has already placed its efforts on this front at the center of several policy initiatives. The Chinese government has also taken a leading role in the development of green finance and investment.

Li notes that although China may not possess the same capabilities in some areas as the US and the European Union, it has nevertheless surged ahead in many aspects of the push toward environmental sustainability and in combatting climate change. He cites the 14th Five-Year Plan's emphasis on reducing both coal consumption and the use of coal power as China's top priority. Due to the large size of China's population, energy demand is significant; but if the country continues to rely on coal, Li points out that more than five billion tons of coal will need to be burned every year in order to meet the country's energy needs.

Despite this, Dr. Li believes that China will not be able to disrupt its current fossil fuel-reliant system without first transitioning gradually to a new alternative energy source. As such, President Xi introduced China's “carbon peaking” goal, which identified 2030 as the year when the country's carbon emissions will peak before gradually reducing to net zero in 2060. In the next five years, Li foresees significant national investment in the construction of 500-gigawatt solar panels and wind turbines throughout the country.

## Actualizing Climate Commitments

Although China has made significant progress in its work to achieve its dual carbon goals, Dr Li says he recognizes the scope and difficulty of attaining such targets, tempering optimism with the recognition that China's carbon peaking and plan to gradually progress towards zero emissions by 2060 represent a realistic approach about what will be required for countries as large as China to complete a full energy transition. Li explains that this recognition of potential barriers should be a lesson embraced not just by China, but by the world – especially for countries like the United States whose zero-carbon target falls within the next 10 to 15 years.

While he admits that achieving zero carbon emissions will be challenging, Li says he firmly believes that the promising signs of international collaboration have the potential to dramatically shorten the timeline for its actualization. And he remains optimistic: regardless of a country's ability to attain specific targets, Dr. Li argues that engaging in the climate race will help the environmental technology and sustainability situation of every country improve over time. **Q**

# 12th Annual China Business Conference

By Zahrah Abdulrauf

Conducted virtually for the second time, the 12th annual China Business Conference spanned five days in March. The event brought together some of the top names from both the US and China to discuss all the main topics of interest within the US-China relationship.

AmCham China and the US Chamber of Commerce recently organized the 2022 China Business Conference (CBC), which spanned five days from March 9th to March 11th and March 14th and 15th. The China Business Conference is the premier forum in the United States for exchanging ideas on US-China economic and commercial relations, and for helping to shape the bilateral policy agenda. Nearly 1,000 high-level corporate, government, and academic influencers attend the conference each year. This year, the conference brought together 700 attendees and 300 business leaders from AmCham China member companies to share ideas and network. Past speakers have included current and former Administration officials, CEOs and business leaders, and Members of Congress.

At this year's conference, speakers included leading academics, CEOs, business leaders, and former Administration officials, including Chris Johnson, President and CEO of China Strategies Group; Jennifer Harris, Special Assistant to the President and Senior Director for International Economics & Labor, National Security Council and National Economic Council; Junfeng Li, Dean of Carbon Neutral Research Institute and Chairman of Vision Carbon Neutrality Fund at Sequoia Capital; Weiming Xiang, President of GE China; Lingling Wei, Chief China Correspondent of the Wall Street Journal, and many other top names.

## Featured Speakers



**Tom Donilon**

Chairman, BlackRock Investment Institute; Former National Security Advisor



**Michele Fluornoy**

Co-founder and Managing Partner, WestExec Advisors



**Chris Van Hollen**

US Senator from Maryland

## The Event Makes a Virtual Return

The five-day 2022 CBC marked the second time that the event was conducted virtually, enabling both China and US-based members to access the event. A series of online panel discussions and keynote speeches throughout the five days of the conference provided attendees with exclusive insights into the most important bilateral relationship in the world. On day one, leaders from the European Chamber of Commerce in China, American Chamber of Commerce in China, and the American Chamber of Commerce in Shanghai discussed the state of foreign business in China, highlighting changing regulations and politics amidst the COVID-19 pandemic. Experts on China and East Asia had a discussion on what a third term for Chinese President Xi Jinping would look like for domestic and foreign governments and businesses, especially with regard to his economic, foreign, domestic, and security policies. In a conversation moderated by Lingling Wei, Chief China Correspondent for the Wall Street Journal, top economists explored "China's Changing Growth Model: New Trends in the Chinese Economy," touching on the evolving trends in China's economic agenda, the future of foreign investment, the national dual circulation and common prosperity goals, the Chinese effort to attain economic self-sufficiency, the effects of the Russia-Ukraine conflict on China's economy, and more.

## Geopolitics, Data Governance, and Risk Management

In line with a series of panels on global economics and politics, day one ended with a discussion led by Myron Brilliant, the Executive Vice President and Head of the International Affairs Division of the US Chamber of Commerce, titled “A Changed World for Business: Navigating a New Geopolitics and Strains on the Global Economic System.” This panel covered the business implications of growing tension between Russia and the West, impacts of the Russia-Ukraine war on the global food supply chain, risk management strategies, and President Biden’s future China policy and international economic agenda.

On day two of the conference, several international markets and trade experts weighed in on the role of the state in China’s commercial ecosystem, analyzing the “lose-lose” situation that foreign companies are trapped in due to economic coercion and extraterritoriality. Another panel, led by high-ranking executives and CEOs in technology, involved a discussion on China’s “digital fortress”; the country’s approach to data governance; and the regulation of digital exchange, AI, and algorithms. This panel also explored the potential economic impacts of the US and China’s desire for digital bifurcation. In the final panel of the day, experts in geopolitics shared their insights on “National Security Strategy, Technology, and the Private Sector.” The final panel on day two explored the intersection between private sector technology and national security, government contracts and the US procurement system, talent development, and other policy approaches to harness domestic innovation.

## The Winter Olympics, Economic Diplomacy, and the Impact of Sanctions

Day three began with a panel of experts unpacking “Lessons from Huawei, Working with Allies and Partners, and the Future of US Export Control Policy Toward China,” highlighting that although plurilateral export controls have been effective against Russia in the Russia-Ukraine crisis, China’s economy and industrial base are positioned

### Featured Speakers



**Colm Rafferty**

Chairman, American Chamber of Commerce in China



**Susan Schwab**

Professor Emerita, University of Maryland; Strategic Advisor of International Trade, Mayer Brown; Former US Trade Representative



**Sean Stein**

Chairman, American Chamber of Commerce in Shanghai



**Mac Thornberry**

Former Chairman, House Armed Service Committee; Member of the United States House of Representatives



**Joerg Wuttke**

President, European Chamber of Commerce in China

in a way that would make export controls significantly less effective. During this panel, experts noted that China’s efforts to indigenize key technology after the Huawei Foreign Direct Product Rule have made its economy increasingly resilient to Western economic sanctions. Next, a panel evaluated current US attempts to regulate outbound and inbound Chinese foreign investment, including Casey-Cornyn’s National Critical Capabilities Defense Act (NCCDA) and the CHIPs Act. Another panel covered “The Current and Future Role of China Sanctions and Their Impact on American Business” and highlighted US sanctions imposed on China such as Chinese Military-Industrial Complex sanctions, human rights sanctions, and Magnitsky sanctions. The day ended with a conversation with Andy Browne, Editorial Director of the Bloomberg New Economy Forum and NBC Winter Olympics Opening Ceremony Commentator, on the Beijing Winter Olympics and China’s COVID-19 prevention strategy.

Day four of the 2022 CBC kicked off with a panel on the Biden administration’s China policy, approach to allied cooperation, and Taiwan. Another panel of trade and national security experts projected the impact that US-China relations will have on American business in five years, noting the fundamental shift that has occurred in China’s economic model, growing challenges to the idea that businesses are able to “remain neutral” when it comes to political tensions abroad, and rapidly changing geopolitics. Day four also featured a panel highlighting US congressional perspectives on China, with senators opining on the importance of Chinese reciprocity in trade, investment, and intellectual property theft; China competition legislation; anti-trust legislation; and private-sector cooperation. The final panel on day four explored the future of climate and sustainability cooperation, one of the few “bright spots” left in US-China relations. This panel will be explored in greater detail later in this article. The 12th annual CBC ended with a conversation with several high-ranking international economic advisors and legislators from the European Union, US, and Japan on allied cooperation in response to China and the China-Russia authoritarian axis. The panel concluded with a call for businesses and governments to work together in order to achieve respond to emerging geopolitical challenges and achieve regulatory certainty at home and abroad. **1**

Hylands Law Firm can trace its roots, known as Haotian Law Firm, back to 1997. Based in Beijing, Hylands serves clients through an Intellectual Property Agency and a nationwide network of 27 offices: Shanghai, Guangzhou, Shenzhen, Nanjing, Hangzhou, Chongqing, Chengdu, Guiyang, Changsha, Jinan, Hefei, etc. Hylands has collaborated with over 150 law firms across more than 130 countries and regions, providing clients with round-the-clock legal services in a broad array of industries.

Hylands has more than 400 partners and counsels, as well as approximately 1,000 lawyers and professionals. Equipped with exceptional skills, extensive experience, and collegial culture, Hylands lawyers always deliver tailored solutions, constantly exceeding client expectations.

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# China's Bankruptcy Proceedings: Foreign Investors Face Risks and Rewards



Photo by Jin Peng

Since 2007, Xu Yu has served as the Director of the Management Committee and Senior Partner of Hylands Law Firm in Beijing. His areas of focus include the bankruptcy and reorganization process, as well as providing a comprehensive perspective and knowledge in cases of disputed settlement proceedings, including arbitration, lawsuit, application for enforcement and the recognition of overseas arbitration. Xu has provided legal services for many large

projects in areas including, commercial litigation and arbitration, Sino-foreign joint ventures, foreign investment, capital operation, international commercial loans, listing, real estate development, and import and export. Xu received his undergraduate degree from Nanjing University, a Masters of Law from both American University in Washington and City University of Hong Kong, and an EMBA from Cheung Kong Graduate School of Business.

## *Could you give a brief overview of Hylands and your scope of work?*

**Xu Yu:** Hylands Law Firm is one of the top ten law firms in China. Since its establishment in 1997, we have grown into a comprehensive law firm with 32 offices, 400 partners, and over 1,500 lawyers. Through our hard work, Hylands has established working relationship with more than 150 law firms in 130 countries and regions.

## *What's your personal area of expertise? What are you most passionate about?*

**Xu Yu:** I am the managing partner of Hylands' Beijing Office. My main practice areas are dispute resolution, and bankruptcy & insolvency. So, that means I'm mainly focused on assisting on defending my client's legal rights through litigation, arbitration, or other remedies. I have played almost every role in the process of bankruptcy & insolvency. At Hylands, we oftentimes act as administrators, helping insolvent companies to formulate reorganization plans and get the business back to track; sometimes as creditors' lawyers, helping clients to file and negotiate their claims in insolvency proceedings; or as counsels for

*While there is a growing trend of foreign investment in Chinese corporate restructuring, many foreign firms are still sitting on the sidelines because they don't fully understand the sector's risks and rewards. The AmCham China Quarterly spoke with Xu Yu, Managing Partner of Hylands Law Firm, about the risks involved in Chinese bankruptcy cases, opportunities for offshore investment, and what investors should know before they participate.*

the reorganizers, where we help our clients to participate in the reorganization plan in the proceedings and balance their interests.

In particular, when we are involved in the reorganization process as administrators, we use our expertise and experience to develop a reorganization plan based on the different circumstances of each insolvent company. Nothing is more professionally satisfying than when a reorganization plan can bring an insolvent company back on track. By "back on track" I mean that the creditors maximize their recoveries, employees avoid losing their jobs, the reorganizer makes a profit, and finally, we win the support from both the local government and People's Court.

***What are the opportunities and challenges in bankruptcy cases in China?***

**Xu Yu:** Bankruptcy and restructuring can be a useful way to conduct mergers and acquisitions in different industries. There are many reasons why companies go into crisis, from insolvency, and cash flow failure, to unsustainable operations. But, no matter what the reason is, there are always high-quality assets in these bankrupt companies, that includes both tangible assets like land, plants, and equipment, as well as intangible assets such as Intellectual Property including patents, trademarks, upstream and downstream industrial chains, and market shares. Under normal circumstances, these assets are not for sale, or if they are, they are incredibly expensive. However, in the case of bankruptcy, the combination of market expectations and pressure from various parties opens the channel for these assets to be sold, while the price is usually significantly lower than the market price.

On the other hand, bankruptcy is a legal liquidation and reorganization process under Chinese law, which legally guarantees the security of assets sold through bankruptcy; the potential risks are visible and controllable. International investors can participate in the liquidation and reorganization process of bankrupt enterprises, and are able to obtain extremely high-quality and cheap assets.

***What are the opportunities in this area, specifically when it comes to offshore investment?***

**Xu Yu:** Foreign investors are seeking both industrial and financial investment opportunities in the Chinese market. Legally speaking, such investments are bound to be accompanied by risk. In terms of dispute resolution, it requires professional practitioners who are familiar with Chinese law and market assess to evaluate risk from the outset.

In the past, we represented a fund whose primary Limited Partnership (LP) was a US investor that was at risk of defaulting on its investment in the Chinese real estate market. In this case, we helped to develop a litigation plan that preserved the core assets of the underlying company. This allowed the fund to exit quickly from a crowd of creditors and successfully recover the principal and interest on their investment.

Liquidation and reorganization of Chinese companies can provide broader and better investment opportunities for foreign investors. Investors can borrow funds as a Total Interest Creditor (TIC) to obtain safe and high returns, or they can directly participate in the reorganization as a reorganizer and obtain assets, equity, trademarks and patents, as well as market shares and upstream and downstream industrial chains of the enterprise as the owner or major shareholder.

***What should foreign investors know before participating in bankruptcy proceedings in China?***

**Xu Yu:** Like I said, an investor can act as a co-beneficial creditor and borrow cash for a reorganized bankruptcy enterprise. According to the relevant provisions of China's bankruptcy law, the borrowings of co-beneficial creditors are paid in priority over other creditors to ensure that investors obtain a more generous return on their investment on a safer and relatively more secure basis.

Importantly, US investors, or other international investors, can participate in the bankruptcy reorganization process of a company as a reorganizer of the bankruptcy enterprise and directly formulate the reorganization plan of the enterprise, thus providing comprehensive clarity on the investment, operation and exit procedures at the beginning of the investment and maximizing and securing the return on investment.

In the past, we represented a well-known US investment firm in a bankruptcy reorganization of a Chinese company. In its capacity as the reorganizer, this investment firm directly formulated the relevant reorganization plan, which clearly defined the investment, operation and exit paths of "establishing a new company", "absorbing high-quality assets of the enterprise to be bankrupted", "separating non-performing assets" and "listing the new company", ensuring a safe, controlled, and substantial return on its investment.

Finally, foreign investors, who can participate in the disposal of assets of bankrupt companies, can directly participate in the auction, sale, and offsetting procedures of the assets of bankrupt companies, consequently obtaining more affordable and high-quality assets.

***How has the pandemic affected your clientele? Hylands participated in a program providing welfare legal services to SMEs in Hubei. What kind of legal assistance was most in demand by these SMEs?***

**Xu Yu:** COVID-19 has been extremely detrimental to small and micro enterprises in Hubei, with many owners even losing their businesses. Following the initial outbreak, we jumped into action to aid these small and micro enterprises in Hubei. The first part of the program, was to mobilize our partners and lawyers to donate a total of RMB one million to the Hubei Small and Micro Enterprise Assistance Fund to provide urgent financial support. After that, we established a legal aid team to help with their different legal issues during the epidemic.

***Are there any case studies you can discuss from this program?***

**Xu Yu:** Post-pandemic, many micro and small enterprises in Hubei were faced with contractual breaches. Our lawyers have done a lot of work to analyze and study each respective situation in detail, and have sought "Force Majeure" in accordance with the provisions of Chinese law. This work has helped these enterprises reduce losses, control costs, and get the business back on track. **①**

# Virtual Wonders: Google Arts & Culture Makes Art Accessible to All

*As the world adjusts to a “new normal,” Google Arts & Culture is connecting people in a post-pandemic world. The innovative non-profit app and website by Google has partnered with over 2000 organizations from 80 countries to share art, historical sites, and cultural institutions with users – and all for free. The AmCham China Quarterly spoke with Google’s Greater China President Stanley Chen about the app’s Chinese content, their diverse collection of partners, and how technology facilitates connections.*



Photo courtesy of Google Greater China

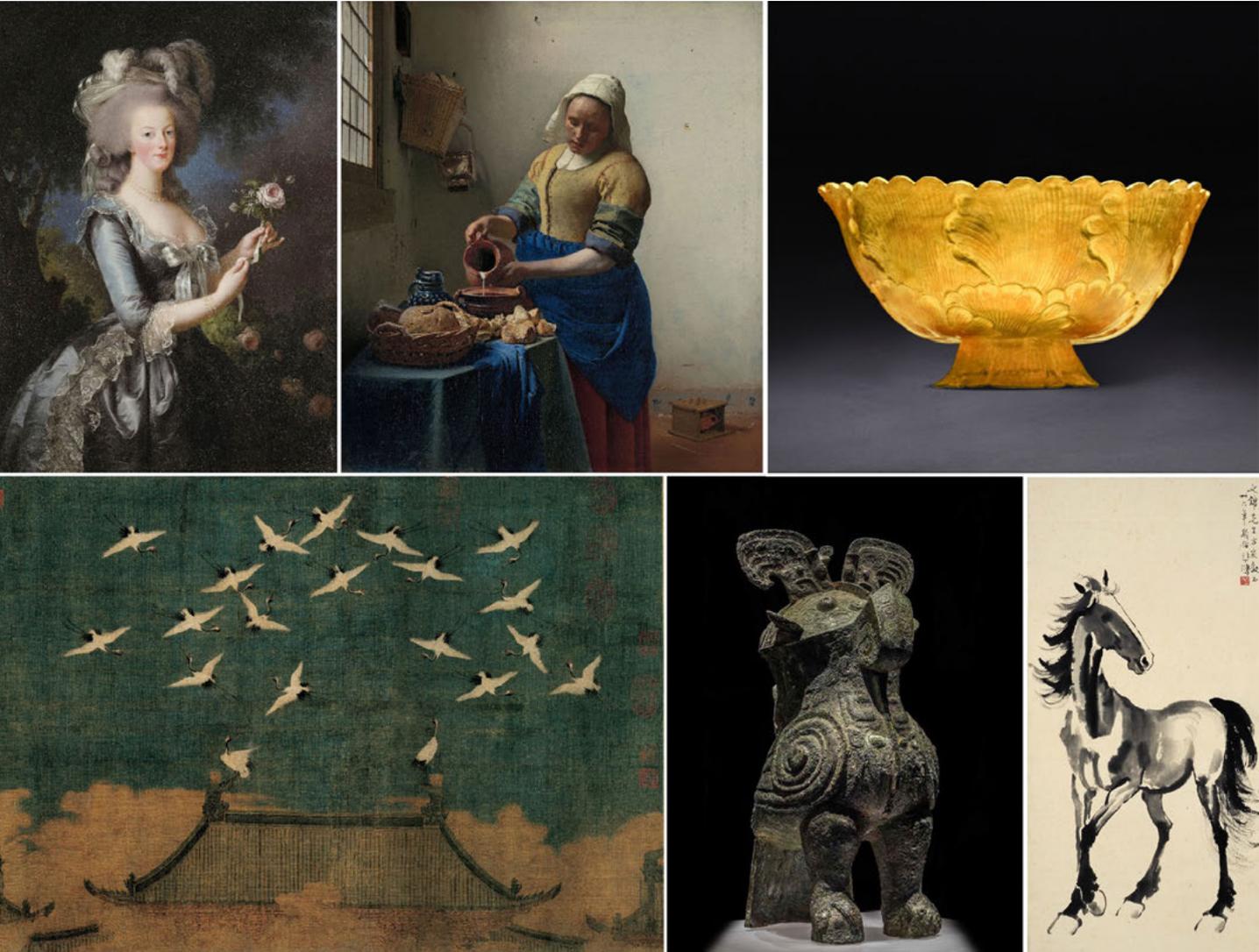
**Stanley Chen** is President of Google Greater China, overseeing Google’s Sales and Operations in the region since June 2019. Prior to that, Stanley was General Manager of Google Taiwan, a role he held for eight years. He successfully led the Taiwan team to become a strong and vibrant organization with an incredible track record of growth. Stanley has solid experience in sales and marketing in the tech industry across Asia-Pacific. Prior to joining Google in 2011, Stanley held various management roles in sales, business development, and marketing at Apple, Intel, and Ericsson.

By Norris Tangen

Established in 2011, Google Arts & Culture is a global non-profit initiative that, as the President of Google Greater China Stanley Chen (thereafter referred to as Stanley) succinctly summarizes, “partners with cultural organizations to put the world’s cultural heritage accessible to all.” He continues, “It started by discussing doing a few pilot museums to understand what a global tech company like Google can do to make arts and culture accessible to everyone, everywhere.” He adds, “It stems from Google’s broader mission to organize and make accessible the world’s information.” To date, Google Arts & Culture has partnered with over 2000 institutions from 80 countries, and its mobile app and website provide users with a digital portal to access over seven million artworks in high resolution from the world’s best galleries, museums, and historical sites.

## Sharing the Wonders of China

In China, Stanley notes that Google Arts & Culture’s team works closely with 42 partners. Those partners and collections range from the traditional to contemporary, from the Palace Museum and the National Silk Museum, to the Central Academy of Fine Arts Museum and UCCA of Beijing’s famed 798 Art District. Stanley dubs their team “innovation partners” for these cultural institutions, saying, “We develop technologies and free tools that support the culture sector to preserve and share the heritage they guard and create engaging exhibitions online and inside museums.” Indeed, today, Google Arts & Culture provides users with access to view institutions and peruse collections from Beijing, Shanghai, Hubei, Sichuan, and Yunnan.



In 2019, Google Arts & Culture launched a standalone mobile app called Shadow Art. The app, which allows users to create hand shadow puppets using the camera on their computer or mobile device, uses open sourced TensorFlow technology to bring the artform of traditional Chinese puppetry to life. As Stanley accurately remarks, the app is “inspired by tradition, powered by technology.”

The purview of Google Arts & Culture extends far beyond showcasing only museums and exhibitions. The “Culture” element of the app is on full display with stunning tours of natural landmarks, historical sites, and world wonders. In 2021, Google Arts & Culture began offering a virtual tour of the Great Wall of China, titled “Walk the Great Wall.” The tour showcases the Simatai section of the Great Wall, and was created in collaboration with Great Wall expert Dong Yaohui and curators from Gubei Water Town. Stanley was particularly

excited about this partnership. “Many have heard about this largest man-made structure in the world, but who knows about the architectural and engineering genius behind it? That’s why we worked with experts to bring together their knowledge and create interactive exhibitions for everyone to discover the stories from behind the scenes.” Original construction on the Great Wall began in the 7th century BC, and in the thousands of years since, climate conditions and human activities have taken their toll, with approximately 2000 km of the Wall already gone. However, Stanley says, many sections are being restored now, and of those restored sections, Simatai is one of the best. “It is among the best-preserved sections and it is known for this reason as ‘the museum of the Great Wall.’” With the ongoing pandemic still disrupting international travel, Stanley is excited about connecting users with this World Wonder. “Now everyone in the world is able to walk on the

**Above:**  
Images from Google Arts & Culture’s 2020 and 2021 International Museum Days

**Photo courtesy of Google Greater China**

Great Wall through an exclusive 360-degree virtual tour of one of the best-preserved sections, and also become an expert about this 20,000 km long treasure that was built over 2000 years ago.”

## COVID-19 Opens Virtual Doors

The black swan event of the COVID-19 pandemic in early 2020 altered the way we live and work. Stanley feels the impact on cultural exchanges. “The pandemic has had a lasting effect on everyone. It has had an impact on the way we interact with each other and the way we interact with everything around us. For art lovers around the world it has prevented them from visiting their favorite museums and galleries.”

With global travel still not yet returned to pre-pandemic levels, Google Arts & Culture has worked with its partners to deliver even more immersive experiences for cooped-up global consumers, enabling international Chinese art lovers in particular to visit their favorite sites, museums, and galleries. Stanley says Google Arts & Culture developed “new virtual ways for art lovers to maintain their close relationships with the art pieces they so greatly love.” For example, for the past two years, on International Museum Day, Google Arts & Culture has partnered with multiple museums, both in China and internationally, to craft immersive video curations that bring treasured pieces closer to overseas viewers.

Another key way Google Arts & Culture is working with its partners, says Stanley, is to maintain connections with audiences through innovative social media campaigns. He points to a project by Google Arts & Culture and Hubei Provincial Museum as an example. “We developed an immersive video with a first-person perspective by diving into art pieces and bringing online a 360-degree virtual tour of the Hubei Provincial Museum.” The virtual tour and accompanying social media campaign were a massive success. Stanley proudly shares that, “Through our technology and creativity, Google Arts & Culture successfully provided millions of people a virtual tour inside the museum, serving to not only re-introduce the amazing relics and art pieces that the museum holds, but also to pay tribute to the strong spirit and resilience of the people of Hubei and welcome the museum's imminent re-opening through the power of art.”



### Above:

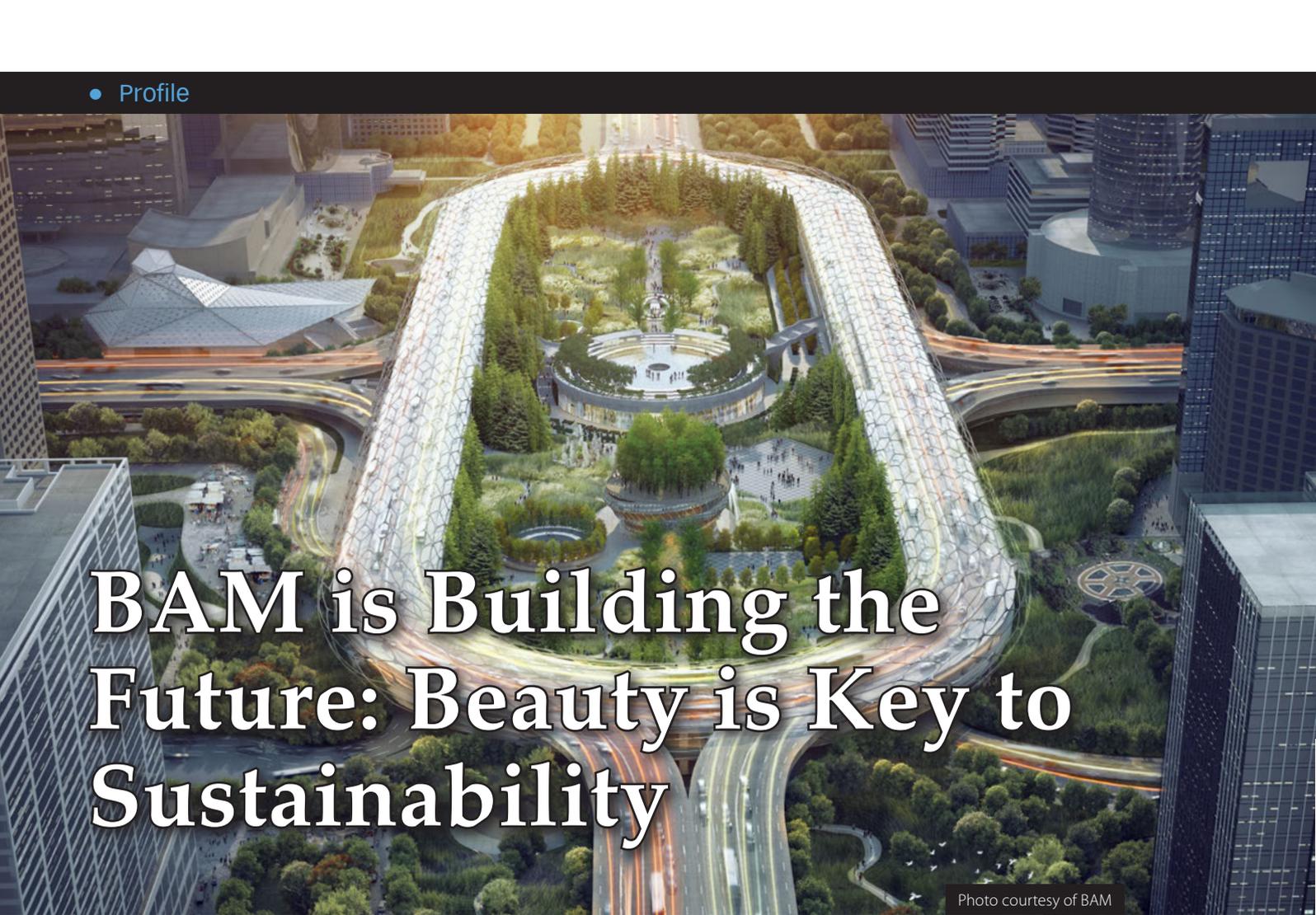
Promotional images from Google Arts & Culture and Hubei Provincial Museum's collaboration

Photos courtesy of Google Greater China

## Staying on the Cutting-Edge

Despite the rapid rate of digital innovation, Google Arts & Culture has remained on the cutting-edge since its launch in 2011. Stanley explains their approach, “We’re making freely available technology that’s designed for the cultural sector. We collaborate with the cultural ecosystem to develop technologies that meet their needs.” He lists two of those key technologies, one being online exhibitions. “Google Arts & Culture gives cultural institutions an easy-to-use tool to create beautiful online exhibitions with images and videos that lets anyone around the world explore their stories.” He says. To share these works of art and exhibitions to their full effect, Stanley says a second key development was the Art Camera, “It’s a robotic camera, custom made to create the highest possible resolution images of paintings at unprecedented scale. This technology allows our partners to bring thousands of artworks at the highest possible resolution accessible to everyone.” He continues, adding that they also offer a 360-degree virtual tour to partners (the same technology used to realize the “Walk the Great Wall” project), saying, “with this tool, users can experience a virtual walk on the Great Wall or inside Forbidden City while listening to an audio guide or simply enjoy a music tour.”

Reflecting on Google Arts & Culture’s progress in China, Stanley says he is satisfied with all that they have accomplished thus far, “We are very proud to be able to help share the broad and profound cultural assets of China with more users around the world through technology and innovation. Now, everyone can download Wonders of China by Google Arts & Culture app on your Android or iOS to discover the stories and collections of these 42 iconic institutions in China.” While, Stanley is guarded when it comes to revealing what’s next for Google Arts & Culture’s next China endeavors, he does hint at more exciting projects to come, saying, “Stay tuned for more treasures from China to be exposed to the world and for more amazing stories to make your days a tiny bit more cultural!”



# BAM is Building the Future: Beauty is Key to Sustainability

Photo courtesy of BAM

By Norris Tangen

Ballistic Architecture Machine (or simply just “BAM”) is a multidisciplinary design firm with a focus on issues related to the Chinese urban landscape. Jake Walker, Co-founder and the head of BAM’s Beijing office, describes the firm’s ethos by saying, “We believe that landscape is ‘everything outside of the architecture, and is the true material of the city.’ Our scope of work is not limited because landscape is the connective tissue which is not only the space that defines the cities, but is also the interstitial realm bridging urban and rural as well as constructed and non-constructed spaces, like wildernesses.”

BAM was originally founded in Massachusetts in late 2007, just before the global financial crisis. Daniel Gass, Co-founder and head of BAM’s Shanghai office recalls, “It had been clear even at that time that economies outside of

*Ballistic Architecture Machine (BAM) is a groundbreaking multidisciplinary design firm with a refreshingly unique approach to design. The AmCham China Quarterly sat down with Co-founders Jake Walker, head of the Beijing office, and Daniel Gass, head of the Shanghai office, to discuss their favorite projects, ecological design, and China’s green cities.*

America were not only building more, but being more proactive in defining and redefining their public realms.” Beijing made the ideal starting place for their international expansion. Gass explains the city’s particular appeal, noting that “It was less westernized than other cities in China. Given that our work is fundamentally about the public realm, there exists an important socially progressive message in our work. We therefore believed that placing ourselves in a more art-oriented and political milieu, versus an environment focused solely on business, would be critical to upending typically held views about the value of landscape.”

Operating with the tagline “Nature is an Idea,” the firm boasts a diverse portfolio of work which includes everything from landscape to architecture and installation design. However, Gass says he’s most drawn to projects where the client has a unique vision, or ambitions beyond simply meeting the market’s needs. “It may sound cliché, but in this world of digital regurgitation, it is very rare to find a client that is looking for more than just collaging internet-famous pieces of other projects they know to have had market success together.” He goes on to say that, surprisingly, he has welcomed the lull in the real estate sector because it has forced

developers to move beyond the “copy and paste” trend of recent years.

## The New Green Park

One of BAM’s most talked-about projects is the innovative Daxing New Town Green Hub & Park in Beijing. The park, which is located on a primary subway line connecting the center of Beijing and Daxing Airport, was proposed by the local government to serve as a central park. The park immediately impresses visitors with its unique elements and integrated design, and the project is a prime example of BAM’s expertise when it comes melding urban sensibilities with environmentally conscious principles. Retail and office space, park structures, subway links and bus hubs, as well as entertainment spaces

including a chess pavilion, basketball courts, and playgrounds all blend seamlessly with surrounding natural elements. Walker acknowledges the different approach. “Unlike most parks, Daxing Park touches the doorstep of the surrounding buildings. The parking garage, subway station, restaurants, homes, and commercial spaces all plug directly into the fabric of the park.” He adds that the park prompts questions about park typology in an era where private developers are keen to edge out competition by partnering with public interests. Walker muses, “Can these zones become truly public parks, or will they become neighborhood territories dominated by the lucky residents surrounding them?” He believes – at least if the case of Daxing Park is any indicator – that a wide user base can promote a more public approach. However, he says only

time will tell. “It remains to be seen as the park matures if the subway and park and ride facilities will pull in an even broader public to enjoy the park.”

## China’s Ecological Foundation

Gass bristles when asked if green design is becoming the norm in China. He argues that, in fact, China has a long history of ecologically conscious design and has historically had a much stronger connection to the idea of constructed landscapes when compared most other heavily urbanized nations. In contrast to the US, Gass says, the differences are stark. “Compared to China, America’s perspectives and ideas about the constructed realm and the role of landscape design plays in that realm are nascent and lack a pervasive and unifying ideology.” Walker adds that, “Designing landscapes in China is so rewarding because there is an underlying cultural understanding of the inherent importance.” Both Gass and Walker perceive that this cultural understanding also extends to China’s city planning philosophy, with Gass observing, “Most Chinese cities are in fact quite green. It is standard practice in almost all Chinese urban plans to implement street trees.” While the average Chinese citizen might not find this novel, by contrast, he says, almost no US cities outline such requirements.

While China is ahead of the curve when it comes to ecological design, Walker concedes that inherent challenges will always remain, largely because “Ecology is something that works at scale.” Citing an understanding of the scale of operations key, he notes that the larger a project becomes, the more important it is that the underlying foundation is based on sound ecological principals. However, he says, unfortunately landscape concerns typically tend to be on the low end of the financial equation, as most real estate is focused on maximizing constructed areas. “This means that the financial equation benefits architecture over landscape.” He continues, “No matter how much we may kick and scream to preserve a waterway, or keep some trees, or maintain some semblance of the preexisting site condition, if such requests get in the way of maximizing constructed area, they will not see the light of day.” **Q**



Photo courtesy of Niederhauser

Ballistic Architecture Machine (BAM) is an award-winning, multidisciplinary design firm with offices in Beijing and Shanghai. Founded by three friends, Cornell graduates Daniel Gass, Jacob Walker, and Allison Dailey, now nearing its 15th anniversary, BAM has evolved to become one of China’s leading urban and landscape design practices.

BAM’s unwavering stance is that the landscape is the most important design realm of the 21st century. While always focused on the landscape spaces of the urban realm, BAM’s strategy of ‘just say yes’ has led to an extremely diverse body of work which fits uncomfortably into traditional definitions of Landscape Architecture, Urban Design, Architecture or Installation. BAM’s enigmatic slogan, “Nature is an Idea,” nods at the perpetual debate within landscape-oriented professions regarding the relationship of landscape to aesthetics, culture, and the environment.

PPG is a global maker of paints, coatings, and specialty materials and are a recognized leader in innovation, color, and sustainability. With operations across 75 countries, the company also boasts an impressive environmental record dating back to its early operations in the 19th century. The AmCham China Quarterly caught up with PPG's General China Manager and Vice President of Industrial Coatings, China, and Global Consumer Products, Nie Xiaobing, to discuss the organizations modern environmental goals, COVID-19's impacts and opportunities, and creating colorful communities.

# PPG Paints a Greener Future

By Norris Tangen

In 1883, Captain John Baptiste Ford and John Pitcairn Jr. founded Pittsburgh Plate Glass Company in Creighton, Pennsylvania. However, the small local business was not destined to remain so for long. The company found rapid success, soon becoming the United States' first commercially successful producer of high-quality, thick flat glass using the plate process. By 1900 the company, which became known as the "Glass Trust" had grown to become the second largest producer of paint in the US. As of 2022, the company now known as PPG Industries is a multi-billion-dollar corporation with a business network spanning more than 75 countries. Today, PPG has grown and diversified to include a much wider array of products under its ever-expanding umbrella, providing paints, coatings and specialty materials for construction, consumer goods, and industrial and transportation markets.

PPG's China General Manager and Vice President of Industrial Coatings, China, and Global Consumer Products, Nie Xiaobing, shares that the company holds a special distinction within China, "PPG was one of the few global chemical companies that first invested in China in the late 1980s." Since that early investment, PPG's China operations have grown to include 18 manufacturing plants, five R&D enters across mainland China, and around 4,000 employees. In China, Nie says, the company primarily produces and sells aerospace materials, automotive OEM coatings, industrial coatings, packaging coatings, architectural coatings, automotive refinish, light industrial coatings, protective and marine coatings, along with other specialty materials.



Photo courtesy of PPG

## An Impressive Environmental Record

PPG has an undoubtedly impressive environmental record. In fact, the company

was the world's first plate glass plant to power its furnaces with locally produced natural gas, an innovation which rapidly stimulated widespread industrial use of the cleaner-burning fuel. More recently, PPG outlined its initial sustainability



**Nie Xiaobing** joined PPG in March 2021 and is currently Vice President, Industrial Coatings, China and Global

Consumer Products, and General Manager, PPG China, based in Shanghai, China. She will have responsibility to strengthen regional collaboration and deliver organic growth, leveraging PPG's broad product capabilities across China.

Prior to joining PPG, Nie worked for DuPont as President of Shelter Products,

Asia Pacific, Dupont Safety & Construction BU, and was also the head of business growth in China for various business areas including Personal Protective Equipment, Security and Water Filtration Solutions.

During her 14-year tenure at DuPont, Nie served as Head of Sales for Greater China, overseeing business development efforts in the

energy, PPE, automotive and 3C sectors. Nie Xiaobing started her career as a sales manager at Huawei Technologies Co.,LTD.

Nie holds a Bachelor's degree in Economics and Portuguese from Shanghai International Studies University and an MBA from the Raymond A. Mason School of Business at the College of William and Mary in the United States.

goals in 2012, but the company periodically updates them due to achievement of goals and depending on the ever-changing makeup of their portfolio. Nie says that, over the past decade, "PPG has remained steadfast in our commitment to develop innovative products and sustainable solutions that create values for our customers, shareholders, and all of our stakeholders." As of late, the company has been focused on bolstering its Environment, Social, and Governance (ESG) commitments. Nie shares, "We appointed our first Vice President of Global Sustainability; established a framework of Board governance of our ESG efforts; integrated the Task Force on Climate-Related Financial Disclosures (TCFD) Framework into our strategic planning process; and established groundwork to set science-based targets aligned with the Paris Agreement."

Nie says that as of launched its 2020 Sustainability Report. The Report, she says, serves to "highlight the company's strong, continued progress against key ESG areas." Nie provides some achievements in ESG examples of including: 35% of sales from sustainably advantaged products and processes, including the launch of antibacterial and antiviral products, against the goal of 40% by 2025; 35% of manufacturing and research and development locations with zero process waste to landfill; and a 24% reduction in greenhouse gas emissions since 2017.

PPG's comprehensive framework for sustainability goals also extends to their suppliers, for whom the company outlines a sustainable code of conduct. Nie

says this is to ensure that their suppliers around the world are equally committed to sustainability as a core value. In 2020, PPG spent approximately \$9.8 billion USD with more than 30,000 suppliers globally for raw materials, indirect products and services, and the transport of goods. Nie lays out the company's expectations, "We expect these suppliers and their subcontractors to fully comply with all applicable laws and to adhere to internationally recognized environmental, social and governance standards. Our Global Code of Ethics, Supplier Sustainability Policy and Global Supplier Code of Conduct clearly state our expectations for every supplier."

## Colorful Communities

The Colorful Communities® program is a unique initiative Nie highlights from PPG. The global program, which aims to enhance, protect, and beautify the neighborhoods in communities in which PPG operates around the world, through employee volunteerism, financial contributions, and PPG products, received the 2019 Charity Project Award at the ninth China Charity Festival. In China, this year, the program has worked with schools in particular, including schools in Shanghai, Jiangmen, and Tianjin. For each project, besides employee volunteers, PPG donates products, services, and even medical equipment like masks to the schools. The end result provides brighter, warmer, and more open environments that, PPG hopes will create

a better environment for children and contribute to education innovation in China. After a strong start, in the future, PPG will expand the scope of the project to cover all regions across China.

## Profitability Soars Despite a Global Pandemic

Despite a global pandemic in 2021, Nie says PPG achieved all-time record sales of \$16.8 billion USD, up 21% compared to the prior year. Nie shares that those numbers were led by a strong organic growth of 10%, in addition to several strategic acquisitions. Some of those acquisitions included Ennis-Flint which now forms PPG's traffic solutions strategic business unit, along with VersaFlex, Cetelon, Wörwag, and Tikkurila. Nie says these acquisitions are key drivers of growth for the organization, "These five acquisitions added \$1.7 billion of annualized revenue, expanded our sustainable product offerings and moved us into new markets."

While the company saw increased sales during the pandemic, Nie still says it is a challenge to navigate the ever-evolving pandemic. However, she does add that she is proud of how the company has proactively adapted and managed the crisis, "We've learned to adapt and manage through a myriad of obstacles, including global supply chain disruptions, raw material scarcity, labor shortages and overall cost inflation." **Q**

# Put Down the Plastic: *Elix Water Wants to Change the Way You Drink*

**Why water in a box? Can you talk more about the reasons for using fiber-based packaging over other sustainable materials?**

**Hansen Bi:** Elix Water's paper bottles are made from 75% paperboard, which is a renewable and naturally degradable raw material derived from wood. 100% of our paperboard is sourced from FSC™-certified paperboard for our bottles. This way we can avoid sourcing from endangered or illegally harvested trees. We are supporting the responsible management of the world's forests and help to reduce the extraction of non-renewable resources by using paper-based packaging instead of fossil-based packaging.

Elix Water's paper bottles contain 86% less plastic than the same volume of PET bottles. Compared to aluminum cans, PET bottles, and glass bottles, aseptic paper packaging produces a lower carbon footprint and has a more environmentally friendly product production cycle. Our paper bottles are also designed to maximize transportation efficiency, reducing the physical space occupied by individual packages.

About 70% of the pollution from the paper manufacturing process comes from the chemical solvents used in the bleaching process. For this reason, the paperboard used in our packaging does not go through a bleaching process, and the materials used are 100% recyclable. Each respective ton of cartons recycled can save up to 1.64 tons of oil and reduce 1.94 tons of CO<sub>2</sub>.

**Despite its detrimental environmental impact, plastic use is still prevalent. When do you think we'll see a real shift towards sustainable materials?**

**Hansen Bi:** The disposal of plastics is a global problem. Plastic is virtually indestructible under natural conditions, and about 359 million tons of plastics are produced worldwide each year.

China is moving to address the plastic issue, and the green operation of enterprises has fast become a national consensus. In January 2020, the Chinese National Development and Reform Commission and the Ministry of Ecology and Environment issued "Opinions on Further Strengthening Plastic Pollution Control", which stipulates that by the end of 2020, the use of non-biodegradable plastic bags will be banned in



Photo courtesy of Elix Water

Although he was born in the US, Hansen Bi spent his formative years between the US and China. While his main focus is on environmental stewardship, Hansen implements his passion in the sustainable sector as the Founder and CEO of Elix Water, a premium spring water brand that focuses on accelerating the world's transition to low carbon and renewable fiber-based packaging.

*According to the International Bottled Water Association, global bottled water consumption is estimated to have surpassed 100 billion gallons for the first time in 2018, with demand only rising in subsequent years. Elix Water is focused on accelerating the world's transition to low carbon and renewable fiber-based packaging for drinking water, and by doing so hopes to raise awareness of existing environmental issues and inspire consumers to improve the overall environment of our planet. The AmCham China Quarterly spoke with Elix Water founder Hansen Bi about the global plastic problem, sustainable solutions, and why Chinese consumers are shifting towards sustainability.*

shopping malls, supermarkets, and the catering industry, among others.

In September 2020, the General Office of the Chinese Ministry of Commerce issued a "Notice on Further Strengthening the Treatment of Plastic Pollution in the Business Sector", began requiring hotels and restaurants to cease providing disposable plastic supplies without request. By the end of 2022, star-rated hotels and restaurants in China will no longer provide disposable plastic supplies. By the end of 2025, the scope of implementation will be extended to all hotels, guesthouses, and B&Bs.

We are already seeing a shift in consumer's buying habits. It is encouraging to see an increasing awareness that the use of commercial materials will have a significant impact on energy and resource consumption. It is no longer an individual choice for companies to create a green image, but a trend that must be included in the "core values" of a modern brand identity.

According to the latest "Who Cares Who Does" global report by Kantar, the proportion of environmental supporters among consumers in China was predicated to reach 53% in 2020, an increase of 13% from 2019. I think we are already in the process of gradually shifting towards low carbon and sustainable products.

#### ***What were the driving factors behind choosing China as a base of operations?***

**Hansen Bi:** China has a customer base of over one billion people. Respectively, the amount of packaging used for drinking water also equates as such. This can be evidenced in the sheer amount of different types of packaging used for products like bubble milk tea. Such products, when delivered, can amount to four types of packaging - namely the plastic cup, a paper wrap around the cup, an aluminum wrap for the beverage during transport, and a plastic bag to contain all of this in its entirety. Multiply this by one billion people and you can get a sense of volume – and opportunity.

We will continue to cultivate the Chinese market in the future, and we're committed to providing Chinese consumers with environmentally friendly, healthy, and safe drinking water.

#### ***There's been a lot of emphasis on sustainability from the Chinese government. How has that trickled down to consumers?***

**Hansen Bi:** China announced that its aims to peak carbon emissions by 2030 and achieve carbon neutrality by 2060. The "Double Carbon" goal fully reflects China's responsibility and commitment as an international power, and it's also forcing China's economy to accelerate its transformation towards high-quality development.

The reduction of carbon emissions involves all aspects of the consumer sector. Environmentally conscious consumer patterns force the production sector to reduce emissions. Importantly, the way products are disposed of directly determines impact. Effective separation of domestic

waste not only improves the level of resourcefulness, but also greatly reduces the amount of incinerated waste, thus reducing carbon dioxide emissions. The bottom line is that carbon peaking and carbon neutrality requires both producers and consumers to actively adapt and contribute.

According to Infotech Sustainability Trends 2021, consumers do take sustainability into account when purchasing Fast Moving Consumer Goods (FMCG). When asked about their top five considerations when purchasing FMCG products, consumers indicated that they typically choose two or more sustainability-related factors when purchasing coffee, soap, or socks. These priorities tend to be related to packaging, which is often the focus of consumers, while in reality, in many instances' resources have a much greater impact.

Consumers feel they can "make an impact," but with limited power. For those who want to make a difference, brands have the opportunity to become partners in those choices. Consumers will buy sustainable essentials, but they are also unwilling to compromise on quality or brand familiarity in the name of sustainability. They believe that businesses bear the ultimate responsibility for recycling, shouldering the same responsibility as governments for ensuring fair working conditions and reduced emissions.

#### ***How have you navigated with supply chain issues due to COVID-19? How much have you incorporated pandemic restrictions into your mid- to long-term planning?***

**Hansen Bi:** Supply chains are complex networks that include many participants such as procurement, production, distribution, logistics, and retail. Interruptions to production in any one link may lead to the interruption of the entire supply chain.

As a company that advocates the concept of "environmental protection and healthy" living, we joined this competitive market without smoke and mirrors, actively ensuring the supply of our customers by adjusting the focus and direction of our products. We have focused on the nationwide deployment of logistics in an effort to ensure supply despite the challenges posed by the pandemic.

The 14th Five-Year Plan marked the official implementation of the "Double Carbon" strategy, and defined the window in which China will peak emissions. In this context, we insist on combining environmental friendliness and low carbon with corporate development. Elix embraces its corporate social responsibility with green innovation and long-termism, and insists on being a green development practitioner.

For the medium and long-term business, we will adhere to the concept of green innovation. We're committed to sparing no effort when it comes to making products more environmentally-friendly, and we will continue to focus on quality innovation to bring more quality products to consumers. Building on our existing foundation, we will set up a nationwide sales team and expand our sales channels to further promote the concept of sustainable development to second and third-tier cities in China. 📍

*In a piece for the AmCham China Quarterly, ECARX's Chief Human Resources Officer and member of AmCham China's Women's Advisory Council, Vivian Liu, shares her insights on the opportunities arising from digital transformation, why digitalization is critical for Human Resources (HR), and how enterprises can maintain a future-oriented approach.*

# Human Resources is the Key to Unlock Digital Transformation

By Vivian Liu

In the future, I firmly believe the automobile will be an intimate, and smart, partner in our work and life. An automobile is more than a mode of transportation; it is an intelligent robot that taps into the benefits of intelligent technology. The core vision and goal of ECARX is to provide people with smart, safer mobility.

## The Digital Transformation Boom

With the COVID-19 pandemic still ongoing, some enterprises are floundering to overcome economic woes. However, others are concentrating on digital business are seeing linear development despite this pandemic. Over the past two years, ECARX HR team has been actively working on improving internal procedures, implement digital transformation, and adhere to an employee-oriented People Strategy. We have launched nine successive modules of digital products initiating a journey of digitalization and providing a more efficient and convenient experience for employees via online, automated, and intelligent processes, all the while increasing work and organizational effectiveness and lowering operational costs and reducing legal risks. Of

**Vivian Liu** is ECARX's Chief Human Resources Officer. She is also a member of AmCham China's Women Advisory Council. Executive director of Human Resources Association of Chinese and Foreign Enterprises. Vivian has more than 2 decades of experience with 3 years abroad in Finland and Dubai, 18+ years' leadership and people management experience in high tech industry, having served in C-suite leadership roles across the globe - including APJC, both in large Enterprises and tech startups. Prior to her current role as CHRO for ECARX, she was the Head of HR for AWS Greater China Region.

those nine digital modules some have included: applying AI to onboarding information collection; digitizing performance management; online payroll integration; and smart reimbursement service eliminates the need for employees to pay any travel expenses out of their own

ecarx

ECARX is a leading automotive intelligence technology company. Founded in 2017 by two automotive entrepreneurs, Li Shufu and Shen Ziyu, ECARX successfully established operations across China, with offices in Wuhan, Hangzhou, Shanghai, Dalian, Beijing, Suzhou, and Chengdu, along with international offices in Malaysia, Sweden, and London, England. ECARX is committed to develop an advanced open intelligent connected operating platform that empowers automotive companies to create a more intelligent and safer mobility experience.



Photo courtesy of ECARX



Source: ECARX

pocket. We are establishing “Self Service Culture” which assists employees to take curiosities to learn, to adapt, and to explore. Along with these latest launched modules, I am excited to say that we are in the course of developing several foresight digital HR projects, including a HR one-click information dashboard and a personnel efficiency analysis. It is an exciting time, as technological empowerment has enabled truly unlimited possibilities.

The most recent outbreak of the pandemic has pushed businesses to accelerate their digital transformation and make their business models more agile. In such an ever-changing business environment, all enterprises must undergo digital transformation, and only in the digital economy can all organizations achieve fast growth. For example, the manufacturing industry must experience a transformation toward digitalization. The supply chain industry needs to use digitalization to help it discover more supply needs. Digitalization is also critical for HR. The countless data in the enterprise are like different types of pearls with its different brilliance. Their insides and outsides are both valuable, and HR is the line to thread the needle of the scattered pearls, so to maximize their value and decorate them as a necklace with deep insights.

To promote the digital transformation of enterprises, HR should first become a digital advocator.

Vivian believes that digitalization request HR holds high standards to utilize organizational data. "Before digital transformation, HR must be capable to deal with data in effective, HR should first turn itself into a data user, e.g. speak new initiatives by providing thoughtful data, make critical decisions based on completed data, optimize hiring process

based on quality analysis etc. We can bring more value to biz when we comfort C&B analysis, performance analysis, Head Count analysis, engagement analysis etc. We should sort, classify and compare the analysis results, and finally form an interpretation report. If these data are used well, it can help our business department to understand and evaluate human capital in efficient and dive deep organizational effectiveness in precise, this allows HR to make a greater business impact through Human Capital Biz Analyze, so to improve business competitiveness, increase customer satisfaction, accelerate enterprise development, and of course, improve the happiness of employees. In addition, we should work as a data driven HR instead of just talking about personal suggestions and opinions as in the past. "

## Culture is the Bedrock of Transformation

As enterprise-wide digital transformation is gaining steam, approximately 70% of enterprises still fall short of their goals. This can be mainly attributed to the fact that the change in tools and operational techniques makes it more challenging to achieve the business growth rewards brought about by technology transformation if organizations and people with the operational tools at the operational level remain static.

Both corporate culture and organizing ability need to be upscaled to make business transformation a reality. A culture of high standards is protective of all the ‘invisible’ but crucial work that goes on in every company. That culture needs to move past the conceptual phase and really

be adopted by employees at large. When a solid corporate culture is in place, then a business can transmute and transform in a variety of ecological settings. That is why it is imperative high standard should be applied not just to culture, but also to a collection of behavioral patterns in larger cultural and ecological context.

The Founder of Amazon, Jeff Bezos once said, “Most decisions should probably be made with somewhere around 70% of the information you wish you had.” I endorse that belief, and its part of the rationale behind our “Think Big, Act Bold, Stay Vigorous” talent strategy. The reason why ECARX employees have a spirit of subversion and innovation derives from our cultural DNA – everyone is eager to believe in and pursue it. Ultimately what we are trying to promote is simple: maintain high standards of customer service, accept errors with an open mind, adopt a long-term perspective, and overcoming prejudice.

## Humanized Science and Technology

Beyond using innovative technology and profound accumulation to help the industry effectively improve R&D and productivity, we are deeply committed to environmental protection and corporate social responsibility at ECARX. We have always worked to successfully execute a sustainable development plan and promote a charitable direction for social development via humanized science and technology.

Since 2021, we have partnered with the Chi Heng Foundation to help students in remote mountain locations to upgrade campus hardware by donating teaching equipment and necessities. Additionally, we host a charity event called “Love Relay” which raises money to improve academic environment and facilities to several schools in Zhoukou, Henan Province, and we are proud of the ECARX employees who have volunteered online teaching of public lectures and science courses to remote side students.

ECARX will continue to work actively with customers, business partners, and domestic and international charitable organizations to improve the lives of those in need, aid in children’s basic education, promote charitable social services, and dedicate unwavering efforts to build a more sustainable future for China. ❶

# 2022 Two Sessions: Ensuring Stability Amid Global Uncertainty



By Brunswick Group

*China's annual meetings of the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC) – collectively known as the Two Sessions – convened this year amidst a somber backdrop of a still ongoing COVID-19 pandemic and sluggish economic recovery.*

An air of realism permeated this year's annual meetings of the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC)—collectively known as the Two Sessions. Compared to the guarded optimism exhibited at the meetings a year ago, the Chinese leadership painted a more somber picture of the myriad headwinds facing the country.

Premier Li Keqiang, delivering his final Government Work Report as premier, said China is under multiple pressures exerted by shrinking demand, disrupted and vulnerable supply chains, and weakening expectations. "This year our country will encounter many more risks and challenges," Li stated. Although praise was given to the accomplishments of the past year, the government identified challenges ahead that spanned economic development, price inflation, investment, logistics, climate change, technology supply chain, food security, energy supply, employment, and innovation.

In what was arguably the most downbeat national assessment since the global financial crisis, the reports released this year underscored a heightened alertness to threats posed by an increasingly volatile, grave and uncertain external environment. Domestically, China is also grappling with a sluggish recovery in consumption and investment. At the same time, after a significant period with the Chinese mainland effectively COVID-free, the country in recent weeks is

## A Note from Brunswick Group:

The below article is an extract from a report written during the Two Sessions that was originally published March 13. The national situation has evolved significantly since the close of the Two Sessions.

The report provides a clear analysis of the goals and objectives laid out during the event. The recent COVID-19 outbreaks, including the significant lockdowns in Shanghai, have disrupted businesses and supply chains across the country and present even greater challenges than noted during this year's Two Sessions. Achieving a GDP growth target of 5.5% this year will be more challenging than ever. At the same time, on the external front, geopolitical challenges have become even more complex.

Nonetheless, the key takeaways from the meetings remain the same. On the pandemic, we expect no near-term change to the 'dynamic zero' COVID-19 strategy or strict border controls. Businesses should ensure they are prepared to continue operations in the near term amid continuing outbreaks and epidemic control measures."

witnessing a series of outbreaks that is testing its "dynamic zero" COVID strategy.

Even with these very real challenges, the government surprised many observers by setting the target for GDP growth at "around 5.5%" for this year. As we note on page 4, many provincial targets have been set significantly higher. Maintaining growth to ensure stability was an underlying focus of the Two Sessions. The target will be reached with a ramp-up of financial

### Key 2022 development targets:

Around 5.5% GDP growth

≤5.5% urban unemployment

Growth in personal income to match economic growth

Basic equilibrium in balance of payments

Further improvement in environment & reduction in major pollutants

> 11 million new urban jobs

Around 3% CPI increase

Steady increase in volume and quality of imports and exports

>650 million tons grain output

"energy consumption per unit of GDP to be assessed with appropriate flexibility within the framework of the 14th Five Year Plan"

stimulus measures, including tax incentives and business support policies together with commitments to move ahead with key infrastructure projects.

Beyond external uncertainties, the wild card is the pandemic— should the increase in cases in the Chinese mainland in recent weeks produce a significant outbreak similar to the current situation in Hong Kong, achieving the economic goals will become more challenging and will bring increased disruption to business.

This year's Two Sessions arrived at a critical moment, wedged between significant milestones. The 100th anniversary of the Communist Party of China (CPC) was celebrated last July, and the 20th Party Congress will convene later this year, which is expected to see Xi Jinping confirmed for a third five-year term at the helm of the country. It also came on the heels of Beijing hosting the Winter Olympic Games, despite the global pandemic and a national zero- COVID policy, and a diplomatic boycott of the Games led by the US and a handful of other Western governments.

Although the political gathering mostly focused on domestic affairs, looming in the background is

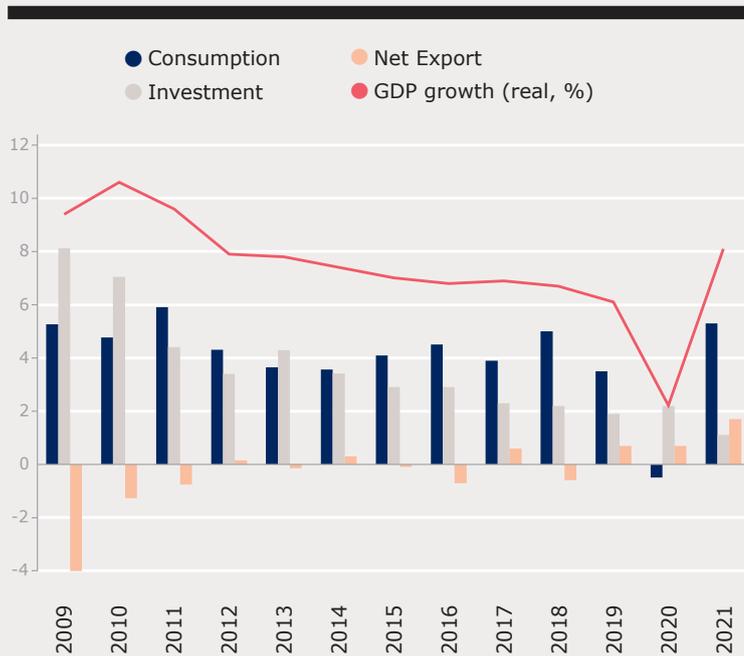
the war in Ukraine, which has amplified themes of concern. Discussions around national security and self-sufficiency featured prominently, including technology, energy and food security, amid concerns over commodity inflation and supply chain vulnerabilities. At a press conference, Li called the situation in Ukraine "disconcerting" and pledged "utmost efforts" to support negotiations for peace, but he also refrained from condemning Russia. As China walks a diplomatic tightrope while mitigating potential collateral impact of Western sanctions, the unfolding crisis will test Beijing's resolve over its "no limits" friendship with a country that has become isolated under international censure.

For decades, Chinese leaders have sought to balance the perpetual and sometimes conflicting objectives of economic growth, reform, and stability. From this year's meetings, it is clear that stability is paramount. All other goals, including growth and reform, will be seen through the prism of ensuring economic and social stability and national security. With tension with the US and its allies expected to continue, if not escalate, Beijing's efforts to become more self-reliant and resilient will only intensify.

### Key Takeaways

- **Stability, stability, stability:** Focus on ensuring stability permeated the Two Sessions. Growth and reform will be seen through the prism of stability in the year ahead. As a result, expect near-term reform plans, including environmental goals, to be pulled back in the interest of maintaining stability and economic momentum.
- **Self-reliance at the fore:** Trade tensions and fractured supply chains have drawn the importance of self-sufficiency into stark relief for central policymakers, who emphasized the principle throughout the meetings, with special attention paid to core technologies like chips and as well as food security. Expect investment decisions to be strongly influenced by the imperative to secure supply chains, from inbound and outbound investments through to merger reviews.
- **Challenging growth target:** The target of "around 5.5%" GDP growth in 2022 exceeded expectations, and will be challenging to achieve given continuing headwinds from a weak property market, rising commodity prices and ongoing economic volatility associated with COVID-19.
- **Financial stimulus to increase:** To support economic growth this year, the government has increased business tax incentives and other business support measures, together with

## Contribution of consumption, investment and exports to China's real GDP growth

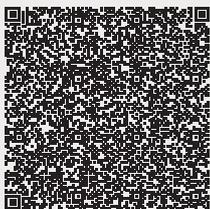


Source: China National Bureau of Statistics

commitments to move forward on significant infrastructure projects. Having avoided major financial stimulus over the past two years, these measures are designed to boost growth and prevent urban unemployment from exceeding 5.5%.

- **Employment first:** Creating jobs remains a structural priority to both ensure the full workforce is leveraged for economic development, and to ensure stability. The government aims to create more than 11 million new jobs this year.
- **Consumption under pressure:** Domestic consumption remains a vital economic pillar, yet while spending has remained robust through much of the pandemic it is evident that confidence is waning and not evenly spread across the country. Expect actions to boost consumption and demand.
- **Common prosperity:** Despite minimal mention in the annual government reports, the emphasis on improving equity and quality of life came through clearly in the Two Sessions' focus on expanding social services and working to enhance social mobility.

Scan here to read the full report:



- **Carbon commitments:** The ambitious environmental commitments made in the 14th Five-Year Plan remain— including to hit peak emissions before 2030 and carbon neutrality by 2060—but expect the transition to renewables to be pushed back in the near term, in the interest of stability and energy security concerns. The 2030 and 2060 targets still stand, but coal usage may not decrease as fast as many hoped.
- **Border controls:** While many parts of the world look to resume travel, do not expect any change to China's strict border controls in the near term, as Premier Li committed to "strengthen epidemic controls in port-of-entry cities." The commitment to a dynamic zero-COVID policy remains unwavering. All signs point towards the borders remaining largely closed until at least after the 20th Party Congress later this year. This will put further pressure on companies in China hiring and retaining international staff, as well as vital cross-border team engagement.
- **Decoupling challenges continue:** In recent years companies have been forced to navigate policies and calls to decoupling critical sectors. The war in Ukraine adds new pressures for companies to navigate as China walks a tight-rope between its recently declared "no limits" to friendship with Russia, while avoiding violating increasing sanctions imposed on the country.
- **New leadership, same path:** Later this year the 20th Party Congress will usher in China's new leadership team, many of whom will be in key roles for at least the next five years or longer. Understanding who rises in this round, and who is set to rise further underneath, is critical to understanding China's direction. But do not expect a change in the fundamental near-term policy orientation, given the expectation that Xi Jinping will take a third five-year term.
- **COVID-19 outbreaks:** Having been largely COVID-free through last year, one of the most significant uncertainties is the potential for COVID to spread across the Chinese mainland this year, causing periodic and even significant lockdowns as the country continues to employ its "dynamic zero" playbook. Businesses must be prepared for disruption to business continuity and internal travel. The impact on economic growth in China would be consequential, as it would be to other economies as they focus on getting back on their feet after their own pandemic challenges. 📢

To download this report from Brunswick Group in full, please scan the QR code.

# AmCham China Launches Second Annual Social Impact Reports

On April 14, 2022, AmCham China held the virtual launch of the 2022 Social Impact Reports. Over 100 representatives from member companies, think tanks, and relevant organizations joined the event, which marked the culmination of the second annual Social Impact Initiative (SII).

By Mark Dreyer

In July 2020, AmCham China launched an innovative Social Impact Initiative, focused initially on healthcare reforms and the revitalization of micro-, small- and medium-sized enterprises (MSMEs). One of the core principles driving this Initiative is our belief that the private sector has a meaningful role to play in helping China to achieve its objectives and that AmCham China members are uniquely qualified to help. Each year, we hold a number of working sessions as well as a high-profile Social Impact Summit. We also publish one or more annual reports highlighting the work that has been done and the progress that has been achieved.

## Carbon Reduction, Rural Revitalization, and Digital Economy

The three 2022 Reports focus on the topics of carbon reduction, rural revitalization, and the digital economy, and contain analysis of China's policies as well as best practices from nearly 50 multinational companies (MNCs). The event began with opening remarks from AmCham China's President Michael Hart who recognized the significant work and contributions of AmCham China member companies over the past year. The day's keynote speeches were delivered by Fang Jin, Vice Chairman and Secretary General at the China Development Research Foundation (CDRF);

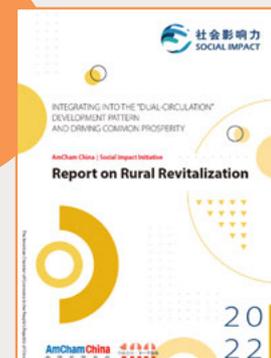
## 2022 Social Impact Reports:

Three reports featuring 42 case studies from 27 member companies

17  
case  
studies



16  
case  
studies



9  
case  
studies



**SIGN  
UP,**

and promote your company on our website, in our magazine, and through our WeChat posts and emails to let our members know more about you. We'll help you to amplify your message and enhance awareness of your brand!

# AmCham China's Exclusive Discount Program (EDP)!

## Annual Fees to Join the EDP:

Large Corporation  
(China revenue above US \$50m) **RMB 30,000**

Small Corporation  
(China revenue between US \$1m-50m) **RMB 15,000**

Venture  
(China revenue below US \$1m) **RMB 6,000**



Once you have joined the EDP program, we will create an individual page to promote your products and services, with your company logo featured on our EDP landing page

Then, your products, services, and company logo will be shared in our:

Monthly EDP  
WeChat post

Monthly promotional  
email to over 10K  
recipients

EDP partner list sent out  
with President's letter  
and membership card to  
Members

Quarterly  
magazine

More than that, you will also get:

One free display booth at an AmCham  
China quarterly Member Mixer

Participation in AmCham China  
events at Member rates

Opportunities to connect and interact  
with AmCham China's 900 corporate  
members and 4,000 cardholders

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**Above:**  
Social Impact Initiative events

Photos courtesy of AmCham China

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Tang Min, Vice President at the You Cheng China Social Entrepreneur Foundation; and Zhang Jian, Vice President of the Institute of Climate Change and Sustainable Development at Tsinghua University.

The Report on Green and Low-Carbon Economy centers on how MNCs' edge in technology and capital, along with their extensive social resources, has put them in a prime position to facilitate US-China climate change cooperation and help China reduce its overall emissions. The Report on Digital Economy discusses how MNCs can assist

SMEs to accelerate and achieve digital transformation and improve access to global markets. The Report on Rural Revitalization focuses on how MNCs can better combine social responsibility with business strategies to support China's rural revitalization and sustainable development.

At the launch, AmCham China President Michael Hart noted that the Chamber's member companies have committed to China's market, with many focusing on the topic of sustainable development for decades. He praised the SII for gathering like-minded stakeholders and providing opportunities to exchange best practices, promote collaboration, and build a more influential platform.

## Takeaways from the Virtual Launch Event

During the keynote session, the three speakers shared their insights about the reports and answered questions from guests online. Fang Jin from the CDRF said understanding of, and proactively participating in, China's new development paradigm will boost MNCs' development. He went on to say that building a unified national market and facilitating internal circulation will require participation and contribution from all stakeholders involved. He also discussed how constructing a new development pattern is a realistic and rational choice for China, arguing that reform will increase the scale and flow of internal circulation, enhance global trade efficiency, and strengthen global supply chains.

Tang Min from the You Cheng China Social Entrepreneur Foundation then pointed to China's large population and significant economic volume to make the point that rural areas have great potential for development. He praised MNCs in China for conducting charity work on a large scale – and for doing so for many years – and said that to further increase the impact of this work MNCs need to come together to combine resources and capacity.

Meanwhile, Tsinghua University's Zhang Jian remarked that the area of common ground between China and the United States when it comes to climate change is greater than their differences. He further observed that enterprises are the main targets of the global carbon market, putting them in a position to provide customized solutions in a variety of industries. He encouraged AmCham China to continue to play an active role in connecting MNCs and promote best practice sharing. 

*For further information or to join the AmCham China Social Impact Initiative, please contact Kathy Li at [kli@amchamchina.org](mailto:kli@amchamchina.org).*

# AmCham China Committees and Co-Chairs

AmCham China's Committees are the lifeblood of our advocacy, industry relations, and community development. We have 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. 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 **Committees**, please contact the corresponding member of staff listed below.

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**Juhui Huang**, BRF China  
**Liang Wang**, ADM

## **Automotive Committee**<sup>1</sup>

**Jing Wang**, General Motors

## **Business Sustainability Committee**<sup>11</sup>

**Guo Jing**, Novelis China  
**Wu Jing**, UPS

## **Chinese Government Affairs Committee**<sup>12</sup>

**Bing Zhou**, Dell  
**Christine Yuan**, Rio Tinto  
**Qiang Lv**, Abbott

## **Cosmetics and Nutrition Committee**<sup>2</sup>

Vacant

## **Education Committee**<sup>3</sup>

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**Sara Wramner**, Yew Chung International School  
**Jingyu Wang**, Beijing Global Gateway, Uni. of Notre Dame  
**Fran Liu**, Uni. of Minnesota China Office

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**Grace Chen**, Aspen Technology

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## **Outbound investment Sub-Committee**

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**Angie Zhang**, Starbucks  
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## **Healthcare Committee**<sup>10</sup>

**Jeffery Bernstein**, UPMC

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**William Gao**, JLL

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**Nicole Didyk Wells**, FAA  
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**US-China Agriculture & Food Partnership <sup>8</sup>**

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# A Letter from Former AmCham China President Alan Beebe



**Above:**

AmCham China's leadership past and present (from left to right): Michael Hart, Greg Gilligan, Alan Beebe, and Colm Rafferty

Photo by Jin Peng

As my time with AmCham China comes to an end, I wanted to take this opportunity to extend a heartfelt thanks to all of you for supporting the Chamber while helping me and your AmCham China team to navigate some of our most challenging years since AmCham China was re-established in 1981. From rising tensions in US-China relations to COVID-19 to today's tragic Russia-Ukraine war, we've worked as a community flexibly and creatively to navigate rough and unpredictable waters for US companies in China.

## Reflections on the ABCs

To serve you, AmCham China focuses on the ABCs: Advocacy, Business, and Community. Our ABC priorities are shaped by a long-term strategy (2020-2024) developed with, and endorsed by, the 2019 Board of Governors.

Advocacy is our focus with hundreds of you engaging in large and small ways throughout the year. Bringing 500+ government officials and business executives together each year for our annual Government Appreciation Dinner featuring senior Chinese government leaders such as Vice Premier Hu Chunhua and US Ambassadors shows the influence of the AmCham China brand.

Similarly, the provincial visits we've organized over the past six years to Guangdong, Hainan, Hubei, Jiangsu, Jilin, Shandong, Sichuan, and Xinjiang are examples of how the Chamber helps our members tap into new business opportunities and advocate for a more level playing field. For example, in 2017 we led a nearly 100-member delegation visit to Shandong where the provincial government rolled out the red carpet and our Chair at the time, Bill Zarit, led a great member meeting with then-Party Secretary

After six years leading AmCham China, Alan Beebe stepped down as President in March 2021. Before his departure, Beebe penned a farewell letter to the membership.

Liu Jiayi. Last year, Chair Emeritus Greg Gilligan led several excellent visits to Guangdong that resulted in an MOU with the Guangdong Provincial Government.

On the Business front, perhaps the best example was our response to the initial outbreak of COVID-19 in 2020. We quickly rallied to the cause and donated over 700 million RMB to Hubei Province, while also helping members to restore their business operations. In 2020, we also launched the Social Impact Initiative (SII) to help China's SMEs and improve the public health system; now in its third year, the SII's focus in 2022 will be environmental sustainability to help achieve China's 30/60 carbon reduction goals.

In 2018, we also launched the Technology & Innovation (T&I) Initiative to help members with their digital transformation journeys and tackle key issues such as cybersecurity. The T&I Initiative was one of several "start-ups" at the Chamber (along with the US-China Travel Fast-Track Program, Policy+, and the Social Impact Initiative) that are highlights of my time here.

And on the Community front, whether from Super Bowl watch parties, golf tournaments and summer fun runs to the American Balls and Fourth of July celebrations, or even our staff visit to the new Universal Parks resort here in Beijing, we have helped to foster and grow communities of all shapes and sizes.

## In Summary

Most companies naturally focus on their KPIs, sales, financial targets, customers, competitors, and business operations. But at AmCham China there is also an underlying sense of being part of something larger. We rally around this sense of common purpose, creating that secret sauce that simply doesn't exist in individual organizations.

Today, more than ever, we have so much to be thankful for. It has been my great privilege to work with five Chairs as well as six Boards of Governors. Going forward, you are in excellent hands with your new President Michael Hart. Michael and I have worked shoulder-to-shoulder for the past month to ensure a smooth transition and develop detailed plans for 2022. I wish him the very best and encourage you to support him in the same way you've helped me at my time at the Chamber. 🙏

We are delighted to welcome Michael Hart as the new President of AmCham China. Hart, who formerly served as the Chairman of AmCham China Tianjin, brings a wealth of experience and insight to the Chamber. The AmCham China Quarterly got to know our new President with a round of quickfire questions.

# Meet New AmCham China President Michael Hart

## Can you briefly outline your career up to this point?

**Michael Hart:** Let me start by outlining the years and the geography. I went to Taiwan in 1996 and spent six years there before moving to Shanghai for a further four years and then I spent 15 years in Tianjin before moving to Beijing. I originally went to Taiwan with a non-profit thinking I'd spend one year there but ended up falling in love with the place (and a girl). While in Taiwan I started to learn Mandarin, had a short internship with my home state's (Missouri) trade promotion office, and started working in commercial real estate. My university education was in finance with a focus on banking, but real estate has many parallels.

I worked for a Taiwanese property services firm that was acquired by a NYSE listed American real estate firm and I eventually spent 18 years with them. My moves to Shanghai and later Tianjin were because of opportunities with that US company.

I started in the research department tracking simple things like rents, vacancy rates and new construction. Later I moved into more of an advisory role, taking the information collected from an increasing group of analysts to advise our clients on China generally. In the early 2000's I gave many "welcome to China. Here's what you should know and here is where you should be looking for growth" type presentations. When I moved to Tianjin, the firm and I were both following that advice, it was part of our own expansion. As the founding Managing Director of the Tianjin office, I was leading us into a new market.

A few years ago, I left real estate and started to make some investments of my own, including investing in a few franchise restaurants.

## What attracted you to the role of President at AmCham China?

**Michael Hart:** In all of the places I have lived, Taipei, Shanghai, and Tianjin I was actively involved in the local AmCham organizations. For the past 15 years in Tianjin, that has been with AmCham China, including serving as the Chairman of the Tianjin Executive Committee. In every place I've lived, AmCham was what I would call a "plus." My career was good and I learned a lot, but being part of AmCham meant I learnt more, faster, met more interesting people and had access to speakers and programs that I wouldn't have had on my own.



Above:  
AmCham China President Michael Hart

Photo by Jin Peng

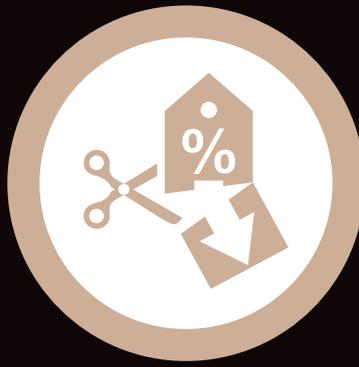
Like many AmCham China members, my career grew and my opportunities increased because our China business was growing. The challenges I faced were the same ones our members faced. When I started managing people, I urged them to join and participate in AmCham China and I believe they benefited. Now, the chance to lead this organization and extend those benefits to others is a dream job.

## What's your life like outside of AmCham China – what should people know about you?

**Michael Hart:** My wife and I have two teenagers, family is number one. I love the outdoors, specifically including hiking, camping, and canoeing. Also I'm passionate about Tianjin's historic architecture and have led many Tianjin walking tours over the years.

## What are your plans for AmCham China?

**Michael Hart:** First, I need to support the great things our staff and members already do every day including the great government advocacy. I do want to encourage more members to participate in our nearly 40 Committees and I want to find a way to get more excellent overseas based speakers connected with our members. 



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