

AmChamChina

QUARTERLY


Issue 4
2022

Executive insights, interviews, and intelligence for business in China

P08 2022 Tech and Innovation Summit

P13 UPMC Heals Challenges with Cooperation

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Down To Business

*Ambassador Burns on Navigating the
World's Most Important Bilateral
Relationship*



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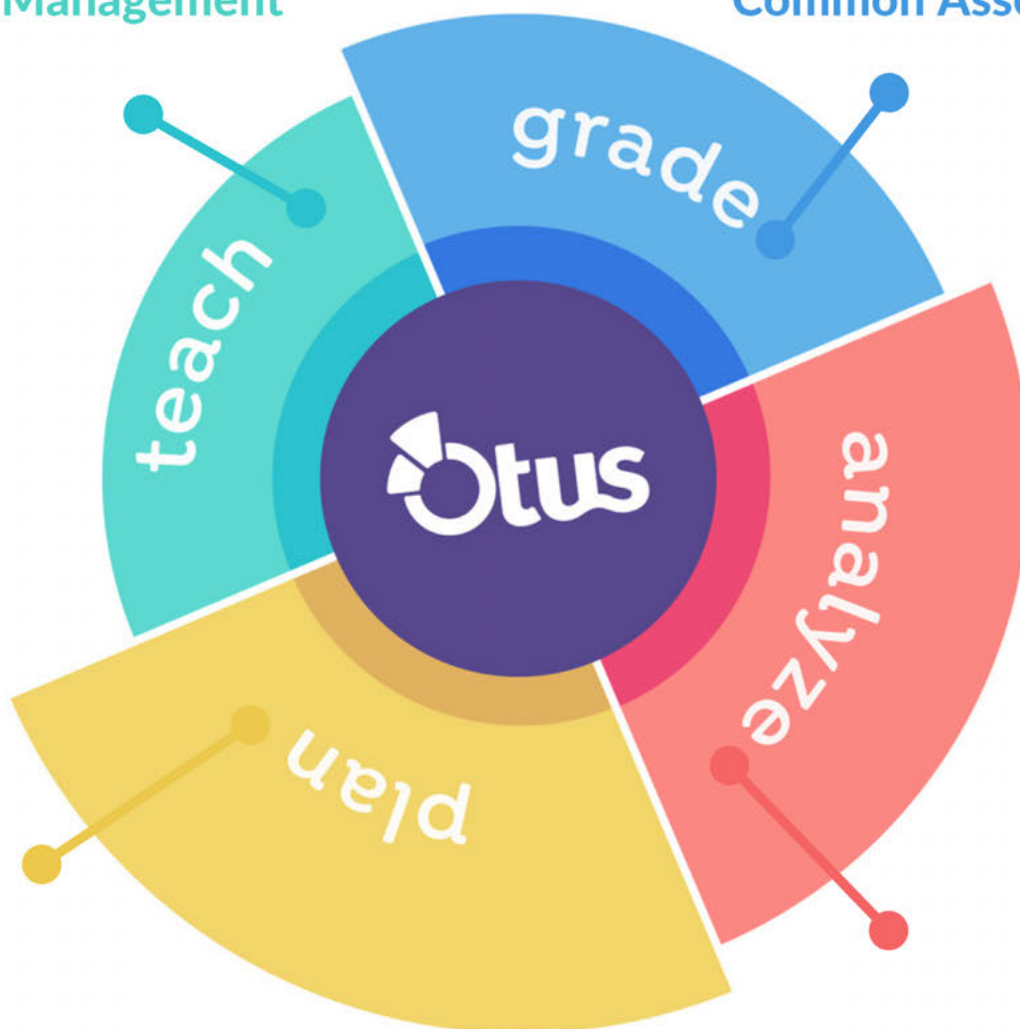
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The *AmCham China Quarterly* magazine is published by the American Chamber of Commerce in the People's Republic of China (AmCham China).

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

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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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Overcoming Challenges Together

It has been an honor to serve as your elected Chairman of the Board of Governors in 2022, after four terms as Vice Chair and one more as Governor. During this challenging past year, we championed AmCham China's Vision:

We are a member-driven organization dedicated to improving the business environment in China and promoting constructive and sustainable US-China economic relations.

Pursuing this common goal, engagement across our community is stronger than ever. Membership has grown, with strong involvement in the membership-led Committees, and robust participation in events and meetings. Our Chairman's Circle group has continued to grow as well, with strong CEO engagement across all of our programming and activities, including some who serve as elected representatives from our community to the Board of Governors.

Advocacy on behalf of our member businesses is central to AmCham China's work. Over the past year, we have leveraged the annual China Business Climate Survey, periodic Flash Surveys, and the American Business in China White Paper to share your views and constructive recommendations directly with both the Chinese government and the US government. Specifically, we have held more than 15 ministerial meetings with the central Chinese government, including one with Premier Li Keqiang in May – the first time in AmCham China history that we have met with the sitting Premier. We've also had numerous provincial and local level meetings. Meanwhile, we have made 25 regulatory submissions and Calls for Comments from members this year.

These activities form a critical part of the China policy-shaping process, essential for our members in many industries and sectors. Furthermore, in Washington DC, where policymaking has a direct impact on China

operations for our member companies, we held more than two dozen meetings with senior members of the US administration and key China policy stakeholders. Finally, we have sought to build bridges of cooperation between the two countries, wherever possible. Recent meetings that we've held with Ambassador Nicholas Burns and Ambassador Qin Gang are great examples of these ongoing efforts.

Programming has also been a source of vibrancy for our community this year. Despite the ever-present threat of a "COVID cancellation", AmCham China held more than 200 events this year, including eight Signature Events. The events were held across the country, in person, online, and in hybrid format. Almost half of the events have been directly related to our membership-led Committees, which collectively drive our industry-specific and cross-sector initiatives.

I would like to end by recognizing and thanking all of our AmCham China staff, this year's Board of Governors, and all of our members who volunteer their time to support this important common vision for the US-China relationship. Your contributions are invaluable and are truly making a difference.

Happy Holidays to you and your families!

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:



2022 Tech & Innovation Summit: Empowering a Sustainable Future with Intelligent Innovations



By Norris Tangen

On September 29, AmCham China hosted the 2022 Technology and Innovation Summit at the Hilton Hotel in Beijing. The Summit provides a valuable platform for corporations to exchange cross-sector best practices and innovative solutions for the business application of disruptive technologies in a variety of industries and corporate functions, including manufacturing, automotive, energy, healthcare, financial services, marketing, retail, and more.

Given the rapidly changing international macroeconomic and political environment coupled with the ongoing impact of the COVID-19 pandemic, this year's Summit focused on trending topics in an effort to help members navigate through periods of uncertainty, ride the tide of opportunity presented by digital transformation, and focus on win-win scenarios for the business community in China.

AmCham China President Michael Hart welcomed guests to the Summit and introduced the four themes of the 2022 Summit: AI, energy, automotive, and healthcare. In his opening remarks, Hart observed that, "China is important for key technology development and will be for decades to come."

Following Hart, Zhang Guanjun, Vice Minister of the Ministry of Science and Technology (MOST), also spoke to guests. Zhang underlined the important role enterprise plays in China's technology and innovation cooperation. Additionally, he expressed the willingness of MOST to work with AmCham China on a number of issues.

The event's keynote speeches were delivered by: Scott Kennedy, Senior Advisor and Trustee Chair in Chinese Business and Economics at CSIS; Allan Gabor, Merck China President and Merck EVP of Electronics; Jimmy Goodrich, Vice President of Global Policy, Semiconductor Industry Association; Roan King, VP/GM of Marketing and Operations at GCR Microsoft; Jayne Leung, VP and Head of Greater China at Meta; and Rachel Li, Partner at Zhong Lun law firm.

In addition to the keynote speakers, the event also hosted four panel discussions throughout the day. The first panel discussion was moderated

by Scott Kennedy with guests, Jian Lu, Corporate Vice President of LinkedIn and President LinkedIn China; Wenjie Gu, Chief China Representative for Zoom and Co-chair of AmCham China's ICT Committee; and Jacob Cooke, Co-founder and CEO of WPIC



Above: Scott Kennedy, Senior Advisor and Trustee Chair in Chinese Business and Economics at CSIS

Photo courtesy of AmCham China



Above: From left to right: Grace Chen, Sufang Zhao, Alan Beebe, Dong Liu, Renato Roldao

Right top: Merck China President and EVP of Electronics Allan Gabor delivers his keynote

Right middle: Microsoft China's Roan Kang speaks to attendees

Right bottom: VP and Head of Meta Greater China Jayne Leung speaks virtually

Photos courtesy of AmCham China



Marketing + Technologies. The group discussed the future of AI and digital transformation in China.

The day's second panel focused on the development of sustainable technology in the energy industry. Former AmCham China President Alan Beebe moderated the discussion with panelists Grace Chen, Senior Director Solution Consulting, AspenTech; Dong Liu, GA Director, Honeywell; Sufang Zhao, China General Manager for Low Carbon Solutions Business, ExxonMobil; and Renato Roldao, ICF China Managing Director and VP, Climate Change, ICF International Consulting.

The third panel was moderated by Maria Hou, Partner at Zhong Lun law firm. Hou was joined by panelists Li Wan, VP of Government Affairs, Audi China; Chengyin Yuan, General Manager and Director, National NEV Tech Innovation Center; and Peng Zhang, Automotive Industry Director, Microsoft China. The group unpacked recent innovations in the automotive industry and new energy vehicles. They also discussed some of the industry's current challenges including the chip shortage and ongoing supply chain issues.

The last panel focused on digital technology and its impact on healthcare. Joanna Mao, Deputy Director at USITO, moderated the panel with Grace Kwok, VP of Corporate Affairs, Intuitive Surgical-Fosun, Qiang Lv, Divisional VP at Abbott Laboratories, and Zhijun He, Corporate Affairs Director at Merck China. Topics discussed included supply chain localization, robotic-assisted surveys, the increasing use of chips in healthcare, and the importance of localization to provide the highest caliber of care possible. **Q**

Family Ties in a Pandemic: *Broken and Rebuilt*

By Mark Dreyer

More than two and a half years later, I still remember the final days of March 2020 as if it was yesterday. Word had spread on March 27 that China was effectively closing its borders the very next day, March 28. That presented a problem, because my flight to return was scheduled for March 29. I was stuck out of China, at least for the foreseeable future. I had visited Taiwan over the Chinese New Year holiday, just as cases were beginning to rise in Wuhan and the surrounding areas. Advice at the time was to stay put, so those of us from the AmCham China team who had traveled overseas did exactly that. We mobilized remotely by phone and on Teams calls and, within a month or two, the Chamber had launched the now ubiquitous webinar. It's hard to remember a time without them.

My initial efforts to get back to China were complex, but only grew more complicated as the months went by. My family and I had valid visas, but anyone who needed to re-enter China at that time had to apply for a brand new one. However, because I was in Taiwan, there was no Chinese Embassy or Consulate at which I could apply. Taiwan residents usually do this by mail via

Photo courtesy of Mark Dreyer

AmCham China's Director of Marketing & Communications tells his personal pandemic story of how he and his family was initially stranded outside of China, followed by long months of separation, before settling into a new reality of "international commuting".

Hong Kong. But to do that, you need to have residency in Taiwan, which I did not have. I'm a dual British-Canadian citizen but had initially entered China on my Canadian passport all those years ago, so was directed to the Chinese Embassy in Ottawa.

I contacted the Chinese Consulate in Ottawa, informing them that I had all the necessary documents and asking what else I needed to do. "You need to apply in person," came the abrupt reply. Well, that was a problem. I had planned to do the two-and-a-half-hour direct flight from Taipei to Beijing. But instead I was being told that I needed to fly back to Canada on the other side of the world, where I would have to wait for weeks while my visa was processed; then, if I was lucky enough to get one of the few available seats on a flight back to China, I would have to pay handsomely for the privilege, before flying back around the world again. It didn't seem to make sense on any level.

I did my best to think of alternative routes back to China. It wasn't so much a question of getting around the rules, because the rules weren't in fact clear to anyone. They were being inconsistently enforced, not just in different countries, but in different parts of different countries. In the end, I managed to get a visa processed in Canada, and returned to the mainland at the end of 2020, just in time to spend Christmas on my own back in Beijing, having emerged from quarantine in Xiamen. Unfortunately, by the time my new visa had finally materialized,

the rules had again changed such that dependents of family members were no longer eligible for visas, so my family stayed behind in Taiwan.

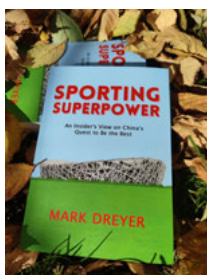
Dashed Hopes for a Quick Reunion

My wife and I were confident that things would likely open up after the Chinese New Year holiday in early 2021 and that we would all soon be reunited back in Beijing. But as time went on, it became clear that this wasn't going to happen. Winter moved into spring, and we started to plan for the summer. If my family still couldn't return to Beijing by then, I would rejoin them in Taiwan – more than six months after I'd left them.

The initial weeks of exploration quickly turned into months of loneliness. In order to fill the extra time I now had, given I was no longer a hands-on parent, I decided to write a book, "Sporting Superpower: An Insider's View on China's Quest to Be the Best", detailing my experiences since I'd first come to China as a sports journalist ahead of the 2008 Olympics up to, and including, the build-up to the 2022 Winter Games. In addition to keeping me busy outside of work hours, it helped me to focus during what I hoped would only be a short-term separation. But then the situation, once again, took a turn for the worse. Taiwan had its first real COVID outbreak in May 2021 and closed its borders. With no way of me getting to Taiwan, and no way for my family to join me in China, we were stuck in a painful limbo that lasted into the fall.

In my role as Director of Marketing and Communications at AmCham China, I don't typically attend government meetings. But on one specific occasion, I did. I was part of a delegation to a meeting with officials from both Beijing municipality and Chaoyang district, at which we were asked to outline some of the challenges facing foreign nationals. I gave a heartfelt account of my own separation. After one too many video calls with tearful kids asking when I was coming back, it wasn't hard to convey to the officials how I felt.

With no way to get dependents of family members back into China, my best chance of a family reunion was to get back to Taiwan. There were two ways to do this and I pursued both avenues furiously. As luck would have it, they both came through at exactly the same time in September. I hopped on the first flight back to Taiwan, where I spent two weeks in quarantine.



Above: Sporting Superpower, written while solo in Beijing during 2021, was published shortly before the 2022 Winter Olympics

Photo courtesy of Mark Dreyer



Above: Presenting the 2021 AmCham China Business Climate Survey results at the HBR China New Growth Forum

Photo courtesy of Mark Dreyer

Family Reunited

To avoid too much emotional upheaval to the children's daily routine, my wife and I elected not to tell them I was coming and to give them a surprise. When I got out of quarantine, we set up an elaborate treasure hunt for our children, during which they collected clues which led to the treasure – me! My son, then 9, hugged me tightly with tears of joy in his eyes and didn't want to let go. My daughter, 6, wasn't quite so sure. Her first instinct was to touch my face to check I was real, she said. She had thought, perhaps, that I was someone dressed up as me, she later confided.

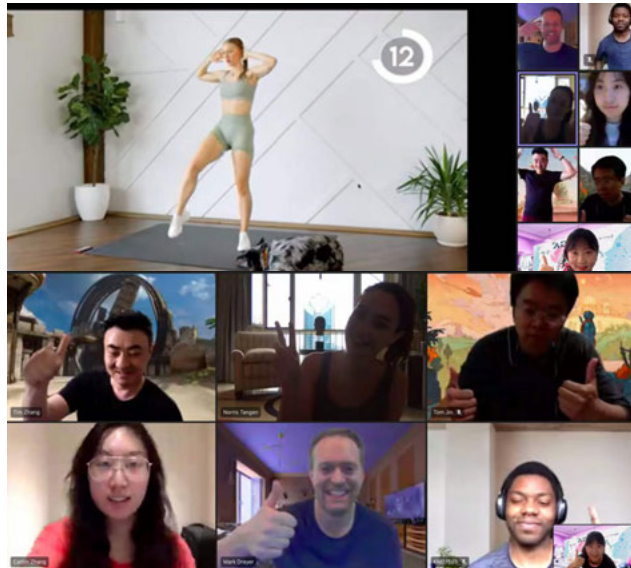
After four weeks with my family, which passed all too quickly, I returned to the mainland, where I had to spend another three weeks in quarantine in Shanghai before I could get back to Beijing. The next stretch through the first half of 2022 was quite long, but it always felt like there was a light at the end of the tunnel since I now had a way back to Taiwan, if necessary. My initial plan had been to reunite with the family in Canada in the summer. But in May this year, as cases surged in Beijing and we all moved to work from home, I flew back to Taiwan a few weeks earlier than planned since it made no practical difference whether I was working from home in Beijing, or working from home in Taiwan – in the same time zone, just a little further south.

Remote Work: “The New Normal”

Just like the first half of 2020, I wasn't alone in my remote working. Managing my team remotely has had its challenges, though I'm proud to say I think we, collectively, have done a great job. Through a combination of daily online video check-ins and tracking all our projects on a Trello board to keep us all on track and accountable, productivity has never been better. We even started to do team workouts to keep the energy levels and motivation high.

After a summer outside of the mainland, I again returned to Beijing this fall to complete my 10th and 11th weeks of quarantine since the start of the pandemic. At this point, I'm used to it, but the psychological preparation beforehand – especially after several months on the “outside” – is arguably worse than the quarantine itself.

However, nearly three years into the pandemic, there's a constant nagging about whether we, as a family, are doing the right thing, both from family and friends as well as a level of self-doubt, too. In a fluid situation like this, ever-changing inputs combine to produce ever-changing outcomes, making stability harder to achieve than ever. Plan A has always been to bring the family back to Beijing; the kids miss their friends – at least the ones who are left – and their toys, too. But they're also settled into new lives and schools in Taiwan, where their Chinese-language environment ticks one of



Top: On seeing me for the first time after more than ten months apart, my daughter touched my face to check I was real.

Bottom: Team workouts during work from home periods have helped to keep the team engaged and energized.

Photos courtesy of Mark Dreyer

the main boxes for which we'd initially stayed in China. Visas aside, the looming threat – and reality – of online schooling, plus the constant drag of regular testing and venue closures, doesn't make a convincing argument for a near-term return to Beijing. I've witnessed the mental health struggles of those in lockdowns and experienced enough of the challenges myself to know that environment is everything when it comes to school-aged children flourishing.

As I end this article, my flight has just touched down in Taipei. Our office in Beijing has closed – again – so I've retreated once more to Taiwan to work from home there. I'll be back again after the holidays, assuming the COVID-situation in Beijing has settled down and we can return to the office. It's amazing to think that a simple 10-day trip in January 2020 has morphed into this current situation, but with terms like “work from home” and “webinar” now ever-present in corporate jargon, my own situation of “international commuting” appears to be my new reality. 

Over the last 30 years, UPMC, one of the largest academic medical institutions in the US, has expanded its global footprint to become an internationally recognized healthcare provider. Most recently in China, the firm has signed a multi-year, wide-ranging partnership with Chinese multinational conglomerate Wanda Group to build and operate a state-of-the-art medical center in the country. The AmCham China Quarterly sat down with UPMC International's Senior Vice President and Managing Director of China Jeffrey Bernstein to discuss the Wanda Group partnership, the current state of US-China healthcare cooperation, and how the organization is contributing to bettering China's healthcare landscape.

UPMC's Diagnosis: *Heal US-China Relationship with Collaboration*

By Norris Tangen

UPMC boasts the distinction of being one of the largest academic medical institutions in the United States. However, as UPMC International's Senior Vice President and Managing Director of China Jeffrey Bernstein notes, that is not the only credit that distinguishes the organization among its international medical peers. UPMC has also expanded globally to become an internationally recognized health care leader with almost 30 years of experience operating hospitals and healthcare facilities outside of the US. It currently operates 40 hospitals and more than 800 doctors' offices and outpatient centers in the US and around the globe.

Within the US, UPMC can trace its history back over 120 years, but the organization's first major step in operating hospitals internationally came with the establishment of the

ISMETT organ transplant center in Palermo, Italy in 1997. Since then, UPMC has expanded exponentially to other countries and regions. As is the case with many other multinationals, Bernstein identifies China as a focus area for UPMC. "We have leveraged our success in Italy to develop a "country based" strategy, where we aim to build scale in certain top priority markets, entering Ireland in 2008 and China more recently. UPMC China has grown quickly, driven mainly by opportunities for achieving scale advantage with relatively large hospital projects which are geared to meeting unserved demand for premium healthcare."

China Expansion and Partnerships

In 2011, UPMC embarked on its first foray into the China market through an agreement with KingMed Diagnostics, the largest



Jeffrey Bernstein, UPMC International Senior Vice President and Managing Director, is a Healthcare Committee Co-Chair for AmCham China. As UPMC International Senior Vice President and Managing Director for China, he leads UPMC's efforts to develop and concentrate its health service operations in the world's largest healthcare market, integrating local partnerships and using global know-how to deliver world class care to Chinese patients, close to home.

Bernstein has extensive experience developing and operating businesses within China. Under his leadership, UPMC has built a localized China team, and developed a major partnership to manage and operate hospitals in multiple cities in China, the first of which is a 500-bed tertiary general hospital in Chengdu, which will be the first US tertiary hospital in China operated by a US academic medical center.

Bernstein earned a Bachelor of Science in Economics with a concentration in Management and Finance from the University of Pennsylvania, Wharton School of Business.

independent third-party medical diagnostic laboratory in China. Since then, the company's footprint in China has continued to expand, with partnerships to develop and enhance the Xingya International Medical Center in Changsha as well as providing hybrid radiology training courses for Huaxi Hospital of Sichuan University and, most recently in 2019, the signing of a far-reaching strategic cooperation agreement with China-based conglomerate Wanda Group to build and operate a world-class hospital in Chengdu.

Bernstein shares that the China team has been focusing on its joint venture with Wanda Group. The Chengdu Wanda UPMC Hospital, the first hospital from the agreement, is set to open soon in Sichuan province. The 500+ bed facility will mark the first hospital in China to be modeled after, and managed by, a leading American academic medical center and will feature six "Centers of Excellence" for oncology, orthopedics and sports medicine, neurology and neurosurgery, heart and vascular, ophthalmology, and gastroenterology.

The wide-reaching partnership UPMC has established with Wanda has been a commitment many years in the making. Bernstein explains it was only after the successful multi-year partnership ramping up an international medical center within an existing major public hospital at Xiangya Hospital that the organization was ready to deepen and expand their commitment to the China market. "We were ready to explore an opportunity for UPMC to manage an entire hospital in China. Following discussions with

multiple potential partners, we were most impressed with Wanda Group." He goes on to outline the four main criteria that made Wanda Group stand out: "A shared vision to bring world-class care to Chinese patients, who would have otherwise traveled overseas for care; experience in executing on major international projects, both abroad and in China, especially with branded service companies, whether in film, hospitality, sports, etc.; experience in constructing complex facilities in China; and openness to UPMC's model whereby we would have complete operational control over the project."

US-China Healthcare Cooperation

There's no denying that relations between the US and China have reached a challenging stage. From human rights to trade policy, the two countries are at odds on a number of issues. However, areas remain where the nations are working together towards shared goals. The healthcare field offers one such opportunity for potential collaboration. Bernstein describes UPMC's international approach as aiming to be both an innovator and contributor to every respective market.

UPMC has been working towards the goal of improved accessible care in China for years. It has worked in recent years with the Beijing Arion Cancer Center, which is pioneering a unique practice model in China with a multi-disciplinary team approach in which physicians from several specialties will manage

the patient along their cancer journey. One of the multi-disciplinary approaches of the Center is the Tumor Board, which pairs various UPMC oncologists along with a variety of subspecialists as needed, to meet bi-weekly with the Arion Center team to review the most complicated cases. Bernstein shares that the concept

for the Tumor Board came from the desire to enhance cooperation between US and China physicians.

While UPMC has made great strides over the past decade in China, Bernstein concedes that there are many challenges to implementing a patient-centric health model in a country with a clinical environment geared to deliver high-acuity care. Elaborating, he explains that "Currently, the Chinese market is largely public-driven in terms of both care delivery (over 97% of tertiary hospitals) as well as medical insurance (over 98% of the public covered with public universal coverage). The understandable objective of the Chinese government is to allocate and deliver a limited amount of healthcare resources over a very large population, and it has been quite effective in improving public health based on several metrics, including increased life expectancy and reduced infant and maternal mortality." He goes on, "The challenge is that the regulations governing both public and private hospitals are largely designed with this high-volume public health task in mind, and less concerned with introducing new treatments, and whole disease management, quality of patient experience. This also provides an opportunity to the extent that we can manage to deliver such services in a regulatory environment not necessarily geared to deliver such services." To deal with these challenges, Bernstein says the key to success is to create a cross-cultural team that can work with stakeholders, to find innovative solutions to deliver the type of patient-focused care they desire. Fortunately, he says, the Chinese government has been supportive. "The Chinese government is promoting the entry of private capital into the healthcare system. Our main lesson learned is the importance of aligning with the initiatives of government policy makers, which may not always be intuitive, which points to the need for frequent regular informal communications with government, and not just reaching out to government when we need something." He continues, "In addition, we invest heavily in supporting the educational mission of our regulators, providing expert speakers whenever possible, to demonstrate our commitment to raising the entire capability level of healthcare providers, especially those with significant needs for improvement, ultimately benefiting society."



Above: UPMC doctors treating a patient

Photo courtesy of UPMC



In the world of sports medicine, the late Dr. Freddie Fu's legacy looms large. Dr. Fu, who passed away in 2021, was the long-time Chairman of the University of Pittsburgh School of Medicine's Department of Orthopedic Surgery and head team physician for Pitt's Department of Athletics. Born in Hong Kong before emigrating to the US and earning his medical degree at the University of Pittsburgh, Dr. Fu was responsible for expanding UPMC's Sports Medicine program to become one of the

A Legacy of Care: Dr. Freddie Fu

largest, most comprehensive clinical and research programs in the world, as well as for his work revolutionizing anterior cruciate ligament (ACL) reconstruction. Dr. Fu is remembered not only as an internationally renowned orthopedic scientist and surgeon, but also as a passionate instructor and mentor. Throughout his career he guided thousands of medical students, residents, and fellows and built one of the most diverse and inclusive medical programs in the country. Over the last 20 years of his career, Dr. Fu trained over 200 Chinese doctors in Pittsburgh. Bernstein shares how Dr. Fu's impact was felt in China. "He was for many years, proactively coming to China. He performed the first sports medicine surgery at the Beijing No. 3 Hospital, which is now the top sports medicine hospital in China. He's viewed by Chinese sports

medicine experts as the 'grand-father of sports medicine in China.' " Bernstein remarks that Dr. Fu's contributions to the international field of medicine, and his work to educate and care for all, demonstrate exactly why people-to-people interactions remain crucial in today's world.



Above: Dr. Fu demonstrates his ACL technique to colleagues

Photo courtesy of UPMC

Contributing to China's Healthcare Landscape

UPMC's business model as both a hospital and insurance provider with extensive experience in managing data has allowed the company to expand its strategic partnerships outside the healthcare realm. Bernstein shares that the organization has recently signed a contract in the US with Microsoft. He says, "I think it's interesting, because as the largest US academic medical center, we have strategic level partnerships with lots of large players. I recently talked to someone from Microsoft's China team and he was not aware of the partnership, because it was mainly a US partnership – but he was excited because now here's an opportunity for both Microsoft and UPMC, to communicate to the China market how we're different." He explains, "For UPMC, as a hospital and integrated insurance company we have over 2,000 IT employees within our organization alone, we're utilizing technology and leveraging data. And for a company like

Microsoft, they are more than just a tech company, they also have a deep understanding of healthcare." As Bernstein notes, this kind of cross-industry collaboration is a unique value-add that many US companies can bring to China to benefit the larger market – not only within their industry, but also crossing sectors.

Corporate wellness is another area where Bernstein sees opportunity in China. "First of all, it's something we're very experienced in within the US. We have a company called Workpartners that has over 14,000 corporate clients. Workpartners provides sophisticated workplace services to improve both the physical and mental health of employees." Bernstein regards corporate wellness as an important emerging field, due in part to the intense competition for talent amongst employers, and the great emphasis that Chinese professionals place on health and wellness services. Furthermore, in an inflationary environment, employee turnover, sick leave and absenteeism have an even greater financial impact on the bottom line. He notes that, "Given China's demographic shifts, young professionals are caring for three generations health needs, and doing

so, largely relying on a dominant public system which lacks transparency, requires tremendous amounts of 'downtime' while waiting for care, and a relatively poor patient experience. Improved corporate health enables employers to demonstrate their commitment to top talent." From his experience in working with many Fortune 500 companies for corporate health, Bernstein says the "last mile" is the most critical. He observes that, "UPMC can leverage a wealth of data from our medical services and health insurance subsidiaries to come up with predictive solutions for corporate clients, but these solutions are only as good as the impact they deliver. Workpartners continues to develop integrated tools to make accessing health support easier and more efficient, with a very easy-to-use user interface, which caters to the interest of employees to improve their wellness and employee engagement." The experience brings dual rewards, says Bernstein. "Our corporate partners have been satisfied with savings in excess of their expectations, not only in terms of reducing direct insurance premium costs over time, but reduced absenteeism and downtime." **Q**



Photo by Connie Zhao

Marking 40 Years:

Roberta Lipson and Tim Stratford Discuss their China Journeys

Touchdown in Beijing

Roberta Lipson:

"I arrived in China in 1979 at Capital Airport at 'terminal minus one.' Today we have terminals one, two, and three, this was before those existed. I remember there were maybe two or three cars on the road. At the beginning, I lived at the Beijing Hotel. It was such an interesting place to live in those days. It was very much like a college dorm – a lot of Americans and Europeans living there and for everybody being in Beijing at that time was such an adventure. We would come back to the coffee shop every day to exchange stories after learning so many new things and seeing so many unexpected things. It was an amazing, exciting time."



Roberta Lipson is the founder of United Family Healthcare (UFH) and the V. Chair of New Frontier Health. She has

over 40 years of experience as a pioneer in the healthcare industry in China. She originally co-founded United Family Healthcare's predecessor company Chindex in 1981, expanding the business from China's top medical equipment distribution company into China's first and largest foreign-invested healthcare system. After over two decades, UFH's healthcare platform includes 11 hospitals and almost 20 clinics in

For the past 40 years, Roberta Lipson and Tim Stratford have been two of the pillars of the expatriate business community in Beijing. The AmCham China Quarterly shares some of their reflections from a conversation they had earlier this year as the two sat down for an expansive discussion about their personal and professional journeys in China.

Tim Stratford:

“Certainly, my experience was very similar to Roberta’s. I arrived in the spring of 1982 with my wife and two children. I remember the road between the city and the airport was so narrow and just separated by two lanes. In those days you couldn’t just say ‘I’m going to go to Beijing and book a hotel and a flight’; you would have needed to have a host organization that arranged everything for you.”

Early Opportunities

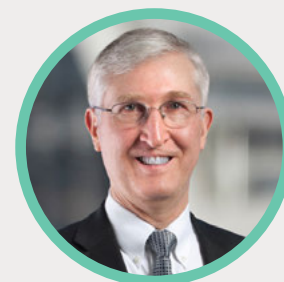
Roberta Lipson:

“It was a time when you kind of felt like anything was possible. The market opportunity in China was so great – people were looking for better quality of life. That’s when we had the idea that people in China might appreciate a different approach to healthcare. And, we also realized that simply bringing medical technologies and medical equipment into Chinese hospitals wasn’t going to fundamentally change the healthcare that was available. So, we had this idea that we could set up a new model in China. Back

in those days there were plenty of official delegations travelling to the US. They would go and see American hospitals and say, ‘Wow, this is amazing, let’s make it happen in China too.’”

Tim Stratford:

“I was working at the US Embassy in the late 1980s, when the bilateral relationship experienced a huge shock. At that point, our two governments were hardly talking with each other. However, there was actually a strong desire to try to put things back on track – but how do you do that? For the Chinese side, they had to go through some internal assessment of, what had happened, how they were going to deal with it, and what direction they were going to take in the future. This took a while to figure out but then when Deng Xiaoping made his famous trip to the south, that was the signal that they were still going to continue on the path forward. Back then I was able to get meetings because I was on the commercial side and people wanted to get business going. In the commercial section, we would gather specific company cases that had to do with IPR problems, investment permits, a whole range of issues. We’d write up something for each company and then we



Tim Stratford is senior counsel in Covington & Burling LLP’s Beijing office and a member of the International Trade, Corporate and Public Policy Practice Groups. He is also presently serving as Chairman Emeritus of the American Chamber of Commerce in China. Tim’s practice is focused on advising international clients doing business in China and assisting Chinese companies seeking to expand their businesses globally. As a former Assistant US Trade Representative, Tim is the most senior former US trade official working as a member of the US business community in Beijing. Except for the five years he spent in Washington, DC in government service (2005-2010), Tim has lived and worked continuously in the greater China region since 1982.

Prior to serving at USTR, Tim was General Counsel for General Motors’ China operations, where he was a member of GM’s senior management team in China and oversaw the company’s legal and trade policy work. Tim also served previously as Minister-Counselor for Commercial Affairs at the US Embassy in Beijing and as Chairman of the American Chamber of Commerce in China. He is a graduate of Harvard Law School and Brigham Young University, and is fluent in Mandarin and Cantonese.

Beijing, Shanghai, Guangzhou, Tianjin, Qingdao, Hainan and Shenzhen, as well as an internet hospital serving patients nationally. The company has become the provider of choice for those seeking premium, personalized healthcare. United Family Healthcare was rated in 2016 as “The Most Trusted Healthcare Brand of China” by the Chinese Business Journal, and has appeared at the top of private hospital listings every year since.

Lipson is an active leader in the

business community in Beijing, currently serving for the ninth year as a director and audit committee chair of the US China Business Council, and serving her sixth term on the Board of Governors of the American Chamber of Commerce in China (AmCham), and as Co-Chair of the AmCham Healthcare Forum and founding Chair of the Healthcare China Program (HCP). She also chairs the Board of the United Foundation for China’s Health (UFCH), and is a co-founder of Beijing’s Jewish Community – Kehillat Beijing.

"What's evolving here now is of such great consequence for the future. To be here and to be able to be a part of it, what a great opportunity."

take it into one of the two committees at MOFCOM – they really worked hard. We were able to solve most of the cases. That was an example of how the common desire to pragmatically do business that was in everyone's interest really helped create some positive momentum and put the relationship back on track."

Raising Cross-Cultural Families

Roberta Lipson:

"I think it was the most awesome place for my children to grow up. They became people of the world before they graduated grade school, they had friends from all over the world, they were speaking two or three languages. For the first eight years when we had our children, we lived in a courtyard hutong. They live around the world now, but they still have a very important connection with China and Chinese culture. All of our children are of that next generation. Ones who studied here in China or Chinese students who went abroad for schooling, they are the hope of the next generation to keep peace in the world. Now today, I really hope we can get the exchange student numbers back up, because these cultural exchanges are so important. I feel blessed to not only have brought up my family here, but to have been able to be a witness these past 40 years of what's happened in this amazing country."

Tim Stratford:

"I asked my daughter, who's now 36, what she would say about growing up in China and here's what she said: 'Having the opportunity to learn and grow up in one culture by day, and then to come home to a completely different one by dinnertime is how I developed my critical thinking skills. I learned to observe my surroundings and try to understand many different perspectives instead of getting absorbed into one right way of thinking that conflicts with someone else's beliefs.' Our children feel very thankful that they were able to grow up in China. And frankly, in a lot of ways I've grown up in China too. Over 40 years my perspective on the world has been greatly enhanced by thinking about the differences between how Americans may look at things and the way Chinese could look at things. Each culture has made very important contributions in how I think about things and how I solve problems."

My wife and our three children all feel very grateful that that we were able to be here during this period."

Looking Forward

Tim Stratford:

"In my career, I've tried to focus on three things. Number one, where can I do the most good? As long as you're spending your time doing something, you might as well do something that will help. The second is, where can I learn the most? I'm always curious to learn more. The third is, where can I be that I will enjoy the people that I'm working with and interacting with? If you take those three criteria you could say, how about China in 1982, 1992, 2002, or in 2022? You can make a really compelling case that a time of trial is the best place to meet all three of those criteria. I feel extremely fortunate that I've been able to be here during this period. I think we've seen more dramatic change in China in the last 40 years than other any place in our history. Many, many positive things have happened. And, what's evolving here now is of such great consequence for the future, to be here and to be able to be a part of it, what a great opportunity."

Roberta Lipson:

"I came here with a very idealistic vision. I had studied Chinese history and knew of the great historic accomplishments of this civilization. I felt that maybe I could have the opportunity to also bring something fresh and interesting. After being here a very short time, I realized there was so much that we could contribute. And what could be better than that? Every day I am learning and every day I am able to be innovative and creative. I feel that there's still so much that's important that can be done and should be done. Especially during this challenging time in our bilateral relations, it's all the more important that we keep on track and keep doing the things that brought us here, and keep us here. Frankly, I couldn't leave. Sometimes people ask me that question – I always say I couldn't possibly pull myself away. First of all, it's just too interesting, and second of all, feeling like you are making a difference every day in what you do, I am very blessed for that." ❶

These quotes have been taken from part of a larger conversation and edited slightly for length and clarity.

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AmCham China's 41st Annual General Meeting

On November 17, AmCham China wrapped up the year and kicked off the holiday season with the 41st Annual General Meeting (AGM). Beyond celebrating the work of the Chamber, the AGM recognizes individuals and Committees who have done outstanding work for AmCham China over the past year.

By Norris Tangen

The 41st Annual General Meeting evening kicked off with opening remarks from AmCham China President Michael Hart, who introduced Chairman Colm Rafferty. Rafferty highlighted the Chamber's advocacy work over the past year and introduced the 2022 winner of the Pioneer Award.

Craig Allen, President of the US-China Business Council was honored with the Pioneer Award. The Pioneer Award recognizes an individual who has made significant contributions to the US-China relationship. AmCham China Chairman Colm Rafferty presented Allen with the award and Board members Roberta Lipson and Bill Zarit were among those to pay tribute to him.

The Chairman's Award was presented to Brent Young. This award from the Chairman recognizes an individual whose tireless service and dedication to the Chamber deserves special recognition. Chair Colm Rafferty also presented



Above: AmCham China Chairman Colm Rafferty

Photo courtesy of AmCham China



Above: Craig Allen accepts the 2022 Pioneer Award



Right top: Vice Chair Brent Young accepts the Chairman's Award

Right top middle: Lisa Yuan presents the HR Committee with the Committee of the Year Award

Right bottom middle: Dandan Li presents the Cosmetics and Nutrition Committee with the Committee of the Year Award

Right bottom: Board Member Su Cheng Harris-Simpson with graduates of the 2022 Leadership Development Program

Photos courtesy of AmCham China



Young with the award. Rafferty praised Young's work as a Board member for the last three years and Vice Chair for the last two, saying, "Brent epitomizes the AmCham China vision: We are an organization that is dedicated to improving the business environment by promoting constructive and sustainable US economic relations. He is well known in the AmCham China community as a world-class strategic thinker, having served as the head of corporate strategy for Intel China, one of our largest member companies in China. Brent is passionate about engaging with members and stakeholders, understanding their challenges and ambitions, and figuring out how to grow together with them."

The Committee of the Year Award was presented to two of AmCham China's Committees to recognize their outstanding programming over the past year. First to receive the award was the Human Resources Committee and its Co-chairs: Charles Shao, Korn Ferry; Annie Wang, Bayer; Charise Le, Schneider Electric; Michelle Zhang, Pfizer; and Janet Chen, Microsoft. The second winner of the Committee of the Year award was the Cosmetics and Nutrition Committee and its Co-chairs: Gerrard Liu, Johnson & Johnson; Jun Yan, Amway; Qian Wu, P&G; Chunhui Xu, GCC CNPERMIT.

Board member Su Cheng Harris-Simpson also spoke to recognize the graduates of this past year's Leadership Development Program (LDP). The AmCham China LDP was launched in 2018 with the goal of building an ever-expanding group of leaders capable of carrying the AmCham China community forward. Its mission is to nurture future leaders by encouraging them to engage with members of the AmCham China community and US-China relationship. Every year, the AmCham China Board of Governors selects 30 – 35 candidates to participate in this prestigious eight-month program. ❶

Down to Business:

Ambassador Burns on Navigating the World's Most Important Bilateral Relationship

In early March 2022, the new US Ambassador to the People's Republic of China, Nicholas Burns, touched down in Beijing. In the nearly nine months since his arrival, Ambassador Burns has hit the ground running, working tirelessly for US interests in China through engagements with both government and business leaders. Shortly before China's 20th Party Congress, AmCham China President Michael Hart sat down with Ambassador Burns for a frank and wide-ranging discussion on the state of US-China relations. After the Party Congress and the Biden-Xi meeting in Bali, we caught up again with Ambassador Burns to ask some follow-up questions.

Michael Hart: Let's start with your international experience. How has your experience as US Ambassador here been informed by other postings that you've had in your career with the State Department or otherwise? How are [those experiences] helping you specifically here?

Ambassador Burns: First of all, let me just say thank you for the great engagement that we have with the American Chamber. You're vital for us and... our economic commercial relationship is at the center of our relationship. We really value the dialogue with you and also with all the members.

This is a unique position to be American Ambassador in China at this time, given the complexities in our relationship. When President Biden called me to ask me to take the job, of course I accepted, because, as a career diplomat... I think it's one of the great challenges that we face around the world these days. We have a very large and very competent Mission here filled with people who are experts on every aspect of the relationship. So I take it as my job to help people in our Mission succeed, to

be working on the issues that are critical to the future of our country, such as our very competitive relationship, the military competition between us in the Indo-Pacific, and the building up of our very important alliances with Japan, South Korea, Australia; our defense alliances and treaty agreements with the Philippines and Thailand; our strategic relationship with India.

We obviously are focused on technology, and the competition between us in the digital realm, from AI to machine learning to quantum sciences to biotech. We're focused on economics and trade. That's really fundamental to us. Can we help to create here a level playing field for American businesses, knowing that, if we can do that, American business can succeed here? You've demonstrated that with more than 1,100 companies present here, with thousands more based in the US trading, importing, and exporting with the Chinese. It is a critical relationship for us, worth \$718 billion in two-way trade last year.

Michael Hart: One of the wake-up calls for the American business community in Shanghai was supply chains. People did not necessarily realize how many things were running through Shanghai. Now, as the Biden Administration continues to roll out plans for sustainable supply chains, China is asking itself, where do they fit in in the global supply chain? I've also had people ask me if US companies are "anti-China" and I say no, people are just looking to rebuild their supply chains. So, the question is, where does China fit in in the global supply chain? Is it realistic for China to be a priority market for the US and multinational companies in terms of supply chain? How do you see that?

Ambassador Burns: To a certain extent, what we've learned from nearly three years now of the global pandemic is the over reliance that some of us have had on supply chains from China in critical materials, critical for the functioning of our economy or for the industrial enterprises of our most competitive industries. So I think there's been a major movement to try to make sure that we control our own [supply chains] in certain industries, [so] we have greater access and more reliability about supply chains. This is not just a lesson that we've learned; the Europeans [and] Japanese have learned this. You've seen movement around the world to make sure that, in a crisis, you control your destiny, and you control your own fate, so your economy can continue to perform at a high level,

Nicholas Burns is Ambassador of the United States of America to the People's Republic of China (PRC). Nominated by President Biden, he was confirmed by the US Senate in December 2021. As Ambassador, he leads a team of experienced, dedicated, and diverse public servants from 47 US government agencies and sub-agencies at the US Mission in China, including at the Embassy in Beijing and at the American Consulates in Shanghai, Guangzhou, Wuhan, and Shenyang. He oversees the Mission's interaction with the PRC on the full range of political, security, economic, commercial, consular, and many other issues.

Ambassador Burns has had a long career in American diplomacy serving six Presidents and nine Secretaries of State, including as National Security Council Director and then Senior Director for Soviet Affairs and, later, Russia/Ukraine (1990-1995), State Department Spokesperson (1995-1997), Ambassador to Greece (1997-2001), Ambassador to NATO (2001-2005), Under Secretary of State for Political Affairs (2005-2008), and as a member of the Foreign Policy Advisory Board of Secretary of State John Kerry (2014-2017). Ambassador Burns has received 15 honorary degrees, the Presidential Distinguished Service Award, and the Secretary of State's Distinguished Service Award. He is a graduate of Boston College (BA History, 1978) and the Johns Hopkins School of Advanced International Studies (MA International Relations, 1980).

"I believe competition on many different major issues will continue to be a primary element in our relationship. We also believe this competition should not veer into conflict and that the United States and China must manage the competition responsibly."

and you're not at the mercy of an autocratic power that might deny you critical materials. So, that's a lesson we've learned, and you've heard our President, other senior members of our government and many members of the business community talk about that.

One of the motivations for the CHIPS [Creating Helpful Incentives to Produce Semiconductors] and Science Act is to make sure that we're not only competitive in semiconductors, but that we actually have fabs in the United States that are world class. So that in a crisis, semiconductors – which are the building blocks of everything in a 21st century economy – are closer to home. The Chinese, I think in a way, have also learned that lesson, as I look at what the government here is trying to do. They're trying to alter supply chains, they're trying to insulate themselves, hypothetically, from pressure from the rest of the world in the future.

I often get asked about decoupling, but it's not a word that we've used. I always say in my talks with the business community, we're not actively seeking to decouple two economies that have come together over 45 years, a \$718 billion two-way trade relationship annually, with thousands, tens of thousands of companies interacting with each other. If either side is beginning to decouple, it's more China than the United States. They've talked about it more – they don't use the word – but that's certainly what they're signaling in some respects, and they've been taking actions far longer than we have.

Obviously, you know there are two areas I would highlight here. One is CFIUS, the Committee on Foreign Investment in the United States. We now, for a good 20 years, have been screening foreign investment opportunities in the United States in those areas that are critical to our national security. We have a right to do that, and it's been very successful. The President just signed an Executive Order that sharpens the tools that CFIUS has to do that.

Second, on the other end of the spectrum, my own advice when I talk to American businesses here is, we want you to succeed, we know that most American companies... want to stay here. [Many] companies may be hesitating on future investments because of uncertainty over China's economic policy. But my own advice to companies as Ambassador is stay away from investments in China that would assist the growth and development of China's military industrial sector. We don't want our national security interests diminished and

affected by American investments to help the Chinese compete with us in areas that are core to our national security. Those are very important areas for businesses to think about in a responsible way.

Michael Hart: I dialed into one of those calls you did to help educate us. That also helps to answer a question we had around what is the US Embassy doing to help US companies understand new rules coming out that are specific to China. I think you've covered that pretty well. Another issue is flights. Flights between China and the US are at historic lows. What are your thoughts on how this impacts the US-China relationship? Is there anything you know of with the Department of Transportation and what they're trying to do to get flights moving forward, or the challenges that they are dealing with in trying to get those flights between the US and China going?

Ambassador Burns: This has been a major challenge and a major frustration, frankly. Every country has a right to design its own anti-COVID measures. But they also have an obligation to respect our own bilateral agreements. In this case, we're very frustrated by the fact that there are so few flights by our three big carriers – Delta, American, and United – into the major Chinese cities. This harms business, it harms Americans who want to study here, who can't get here easily, it harms all of us who work here officially and try to come in and come out.

The fact is that the People's Republic of China has not met many of their obligations to us and to our air transport agreements. And so, the Department of Transportation in Washington has been forced – on a reciprocal basis – to impose limits on Chinese airlines because our airlines are being put at a disadvantage. And I really hope – perhaps we'll see this later in the autumn, I hope following the 20th Party Congress – that we'll see more flexibility on the Chinese side, and we'll see them adhering to the letter of our bilateral agreements. Because air transportation is fundamental to the functioning of a modern economy and modern society. It is very difficult to get into this country; it's difficult to get out of this country.

Michael Hart: You're right, transportation is a key. As we have tried to explain to anybody who will listen that, if you can't have flights in and out, then you won't

**Above:**

AmCham China President Michael Hart and Ambassador Burns in discussion at the US Embassy in Beijing

Photos by Jin Peng

have new foreign direct investment (FDI), because people won't be able to come in and approve projects. There is starting to be some realization of that as the FDI numbers fall.

Ambassador Burns: I've heard businesspeople tell me, and these are senior American businesspeople representing major American firms, "How can we plan a major investment here if my CEO or Chairman, if he or she can't come here, kick the tires, be on the ground, and talk to Chinese officials?" And until that happens, we're not going to see – and we haven't seen – substantial new investment by American, European, or Japanese firms here across the board. That's one of the reasons why.

Michael Hart: I completely agree. You guys at the US Mission have completely opened visa services for Chinese nationals, that is another area where China has not fully reciprocated. This has had a serious impact on the business community. Sometimes I don't think the Chinese public knows completely that US visa services are open, just through rumors or because you don't see as many long lines out front anymore. What are your views in terms of

how you have prepared to reopen and allow folks to get visas to the US?

Ambassador Burns: This is another example where, in implementing dynamic zero-COVID, the Chinese government has put Americans at an enormous disadvantage, and other foreign populations as well. We think we have about 290,000 Chinese students in the United States. The United States remains the leading destination for Chinese students. We just had a major fair here two weeks ago at the Embassy on a Saturday for Chinese students and their parents to familiarize themselves with the visa process, and also, most importantly, educational opportunities in the United States. Our doors are open to Chinese students. We want Chinese students to study in our country.

It's been extremely difficult, however, for American students to get visas; the doors have been closed. We think we only have max 400 American students in China right now, versus the 290,000 Chinese students in the United States. And it's in our interest to have young Americans come here to learn Mandarin, to learn about the culture and history of this extraordinary country that we're all living in, and maybe to be the next Michael Hart, or the next person leading one of our major American companies here, or to be an American diplomat here. But they need that experience, and they're not getting it and the doors haven't been opened. And again, here's another example of almost a double standard, where our doors are clearly open. I went down to the Consular Section this summer to see the visa process in operation, we had lots of officers working there. It's been difficult to get American students in here, difficult to get the visas, and it's difficult to travel here. And then there are all sorts of restrictions that the students [in China] are locked down in their campuses and can't have a normal student experience. So, I do think it's incumbent upon the authorities here to be more flexible, to open up people-to-people contacts.

Michael Hart: I also want to ask about social media. I know you're very active on social media from posting about policies and human rights to high-speed trains and baseball. Tell us about the importance of social media and how you're trying to use it – both inside and outside of China.

Ambassador Burns: It's a powerful instrument, and it's a necessary one. The Biden administration encourages all of the Embassies to take part in the international debate... We have an embassy Weibo account, we have WeChat accounts, we have a Twitter account of 1.2 million followers, I have my own separate Twitter account. What we're trying to do here is speak to the Chinese people and give them accurate information about us. We try to give the Chinese people an accurate portrayal of who we

are as a country, what we believe in, and correct basic misstatements by their own government about us.

There's a powerful censorship body here. When Secretary Blinken gave his big speech on the US-China relationship, the major speech of this administration, it was censored on WeChat and Weibo within two hours. We put it back up a couple of days later and it was censored within 20 minutes. But in that two-hour span, and in that 20-minute span, you can get a lot of people looking at it. We believe in freedom of speech, freedom of the press, and we think that people have a right to free and accurate information. That's our goal, and to show respect to the people of China, respect for their culture, and their civilization, their history.

There are times we use our social media presence to debate the government here, to correct misstatements by the government, to criticize. So, I think we're never going to live in a world where social media is not a presence.

Questions Post Party Congress and G20 Biden-Xi Meeting

What do you see as the biggest takeaways for US business from the 20th Party Congress? Are you optimistic about the future trajectory?

Ambassador Burns: On the 20th Party Congress, we recognize that important changes are happening in the PRC, and we are paying close attention. It will take time to see how those changes are translated into personnel and policy. One of the primary issues that arises from the 20th Party Congress is whether China will move in a more statist direction on economic policy. I've heard from many in the US business community questions about the PRC's future economic policy in the year ahead.

The two Presidents met in Bali. Is that face-to-face meeting in itself a reason to celebrate and do you think it's the start of a new bilateral footing?

Ambassador Burns: I was with President Biden for the Bali meeting with President Xi Jinping. It was a candid meeting where the two leaders spoke about their respective priorities and exchanged views on the most important regional and global challenges. President Biden was clear that we will compete with the PRC on the many issues where we have disagreements. On Taiwan, the President differed strongly with the PRC's aggressive actions which undermine peace in the Taiwan Strait. President Biden raised US concerns about China's non-market economic practices. It was important that our two leaders met face-to-face. The meeting was aimed at building a floor in the relationship and managing the competition responsibly. From our perspective, the meeting did allow us to take some steps in that direction. As President Biden said after the meeting, the two leaders were blunt with one another about places where we disagreed. I



Above: Ambassador Burns meets with AmCham China's leadership. From left to right: Vice Chair Brent Young, President Michael Hart, Ambassador Burns, Chairman Colm Rafferty, Vice Chair Gloria Xu

Photo courtesy of AmCham China

believe competition on many different major issues will continue to be a primary element in our relationship. We also believe this competition should not veer into conflict and that the United States and China must manage the competition responsibly.

We've heard a lot about competition between the two sides, but where do you see the largest areas for US-China engagement and cooperation?

Ambassador Burns: China and the US have a joint interest as well as a global responsibility, to work together on transnational challenges – such as climate change, global macroeconomic stability including debt relief, health security, and global food security. At their meeting, President Biden and President Xi agreed to empower key senior officials to maintain communication on these and other issues. The two leaders also agreed that Secretary of State Blinken will visit China early in 2023 to follow up on their discussions. Our message to the PRC is: let's move forward when it is in our interest to do so. But at the same time, the US will also continue to raise our strong human rights concerns about Xinjiang, Tibet, Hong Kong and other issues. We are going to continue to compete with the PRC to create a level playing field for US businesses here, but we also believe this competition should not veer into conflict and that the United States and China must manage the competition effectively and maintain a peaceful relationship. 

This article has been edited from the original transcript for length and clarity. The interview took place in early October, prior to the meeting between President Biden and President Xi at the G20 in Bali, Indonesia. The follow-up questions were answered in late November following the 20th Party Congress and G20 meeting.

CSIS' Scott Kennedy on US-China Tech Competition

Your report "Beyond Decoupling: Maintaining America's Hi-Tech Advantage" over China will be released early next year. What are the enduring advantages the US has in competition with China? Conversely, what are the weaknesses inherent to the US system?

Scott Kennedy: The basic idea that we want to convey is that the US and China's economies are highly

interdependent. The dominant view in the United States has been to focus on the 'American dependence' side of that equation. It suggests that America's dependence on China's large market has given Beijing a lot of leverage which it has used to extract concessions from the United States. This has not only hurt the US commercially, but also on the national security front. There may be something to that. On the other hand, China is also dependent on the United States

Scott Kennedy is a senior adviser and Trustee Chair in Chinese Business and Economics at the Center for Strategic and International Studies (CSIS). A leading authority on Chinese economic policy, Kennedy has been traveling to China for over 30 years. His specific areas of expertise include industrial policy, technology innovation, business lobbying, US-China commercial relations, and global governance.

He is the editor of *China's Uneven High-Tech Drive: Implications for the United States* (CSIS, February 2020) and (with Jude Blanchette) *Chinese State Capitalism: Diagnosis and Prognosis* (CSIS, October 2021) and the author of *The State and the State of the Art on Philanthropy in China* (Voluntas, August 2019), *China's Risky Drive into New-Energy Vehicles* (CSIS, November 2018), *The Fat Tech Dragon: Benchmarking China's Innovation Drive* (CSIS, August 2017), and *The Business of Lobbying in China* (Harvard University Press, 2005). He has edited three books, including *Global Governance and China: The Dragon's Learning Curve* (Routledge, 2018). His articles have appeared in a wide array of policy, popular, and academic venues, including the *New York Times*, *Wall Street Journal*, *Foreign Affairs*, *Foreign Policy*, and *China Quarterly*. He is currently finishing a report, *Beyond Decoupling: Maintaining America's Hi-Tech Advantages over China* (CSIS, forthcoming early 2023).

From 2000 to 2014, Kennedy was a professor at Indiana University. Kennedy received his Ph.D. in political science from George Washington University, his MA in China studies from the Johns Hopkins School of Advanced International Studies, and his BA from the University of Virginia.



Photo by Jin Peng

As the tech competition between the US and China intensifies and with both countries working to shore up supply chains, it's hard to know what to expect. The AmCham China Quarterly sat down with Scott Kennedy from the Center for Strategic and International Studies (CSIS) to talk about Taiwan's role in producing chips, his upcoming report, and the strengths and weaknesses of both the US and China in the tech realm.

and the rest of the world, and we ought to remember that this gives an advantage to the United States for commercial reasons and even in some ways for its national security. Broadly speaking, we should try to remember and accentuate the type of benefits that the US and others gain from China's dependence on us. While we need to put some boundaries on the relationship and make some adjustments to the types of technologies we share, we should remember the advantages of the connectivity in the first place. That's the basic message, that we compete more effectively when we're connected than when we're apart. However, we need to make sure we structure that connectivity in a way that is consistent with our values and our goals. As far as advantages, first of all, simply in terms of our technology, the US is still at the top of most technology hierarchies. China has raised its position in those hierarchies, but it's still behind in most technologies. An American-led or European-led ecosystem is still to our advantage.

The US has a fantastically efficient and vibrant financial system, it has the rule of law, and it has built an international system that reflects a lot of those values. While the international architecture needs some reforms and refinements, it has generally served the US national interest. The US also has a variety of weaknesses that we need to address. Our infrastructure, our educational system, our healthcare system, weakening social trust and the fragmentation between the media and what is viewed as "reality" in the United States, are all troubling. The wide gap between rich and poor is also fundamental to a lot of these challenges.

I think these various weaknesses make us less confident in ourselves and less able to participate confidently in global affairs, including how we interact with China. The Biden administration's China policy has three pillars: invest, align, and compete. That first one – invest – is extremely important. The administration has already made a lot of progress on that pillar, we've seen a variety of legislation passed that aims to make the US competitive with China and slow down tech transfer. However, the US has a lot more work to do at the federal level and the local level, not just by government, but also by civil society to address weaknesses in our own system. In the spring, I visited Taiwan, South Korea, and Japan. While each lacks some aspects of inherent American strength, they are also not beset by the same weaknesses as the US—such as inequality levels. For

instance, all of these places have more comprehensive social welfare systems, stronger infrastructure, more effective programs to combat COVID, and higher social trust. I think that these strengths give them more self-confidence when they interact with China. And while there is a lot of overlap between the US and these places on their views of China and policy objectives, there are some differences as well. I think some of those differences reflect more self-confidence about how they're governing at home. That's why I think it's really important for the US to address its own deficiencies, because it will feed into a more effective foreign policy, including how the US interacts with China.

You also mentioned the Taiwan Semiconductor Manufacturing Company (TSMC). How much leverage do you think this gives Taiwan? And do Taiwan's strengths in this area mitigate the risk of potential conflict in the Taiwan Strait?

Scott Kennedy: I don't know whether it was intentional or not for Taiwan to have industries and technologies which are indispensable to China and the rest of the world, but that's how things ended up. It was not always that way, but in the last 10 years Taiwan's role in semiconductor manufacturing has become absolutely central. It's interesting, we did a survey, and we found that there's mixed opinions in Taiwan about whether their semiconductor industry is some sort of 'silicon shield.' That is, because China is so dependent on Taiwanese semiconductors, does that make it less likely to engage in armed conflict with Taiwan? There are mixed opinions about that. Everything else being equal, having a strong semiconductor industry that China and the rest of the world depends on is probably a net benefit to Taiwan's national security. On the other hand, there are a lot of other variables that affect the likelihood of conflict, and everything isn't equal. If there's going to be a conflict, it will be over higher stake issues than just the semiconductor industry. Of course, having a strong semiconductor industry may raise the costs to China and make them think about those costs and evaluate the benefits, but at the end of the day, wars are fought over much greater stakes than any particular industry.

There's also the other question about whether having a semiconductor manufacturing sector



Above: Scott Kennedy speaking at the 2022 Tech and Innovation Summit

Photo courtesy of AmCham China

that is so critical to the world makes the US and other countries more likely to aid Taiwan. There again, the reasons why the US and others have for decades upheld a commitment to try to provide some sort of conditional support to Taiwan to help it maintain its defenses, is not about any particular industry. It goes back to the Taiwan Relations Act – it's about the fact that there is a vibrant democracy there, and that the people of Taiwan should have a say in their own fate. And in the end, if you look at the commitments that the US and China have made, they've reached an agreement that whatever outcome eventually emerges it should be achieved peacefully with agreement from all parties concerned. So, that has nothing to do with the strength of TSMC. That's a very utilitarian look at what is not a straightforward issue, but the consequences for everybody if Taiwan's semiconductor industry were to go offline would make the recent challenges in supply shortages of semiconductors for the automotive industry pale by comparison. There are material reasons why everyone should have an interest in doing everything they can to avoid a war. However, ultimately that's not the most critical factor in deciding whether there'll be war or peace.

So, we asked the question about the weaknesses and advantages of the US. What about China? What do you think of China's strengths in the short term?

Scott Kennedy: If we're talking about its economic strengths and weaknesses, if you took a snapshot of China at any one time, you're really liable to see a whole variety of weaknesses. Certainly, if you took a picture right now, you would point to

weaknesses of governance, of specific policies, weaknesses in the economic foundations of the financial system, and of consumption. You would see that there are some humongous issues. At the same time, if you look at China as a movie, not a photograph, you'll see that China is very different today than it was four decades ago. The economy is a lot larger, per capita income is much higher, the physical infrastructure and face of the country looks a lot different than it did 40 years ago. And those are not Potemkin changes; those are genuine changes from the lowliest village to the capital in Beijing. It was not a straight-line path; there's been lots of twists and turns. There are still significant problems in this economy. Those problems probably reduce China's potential growth trajectory. Looking ahead, if they don't effectively deal with the debt and the financial system, that cannot help but slow the country down and potentially create the foundations for a crisis.

Additionally, China's innovation system still has a whole variety of weaknesses. In 2017, I wrote a report called *The Fat Tech Dragon*, in which I claimed that while China is innovating, it is doing so in a very wasteful way. China spends a lot to get the innovation it achieves. That is absolutely still the case today. They have an extremely inefficient innovation system, lots of successes, but at a very high cost. Whether you're talking about electric cars, energy, pharmaceuticals, machine tools, etc. – there has been significant progress, but also an amazing amount of inefficiency. The result is that the economic growth over the last decade has primarily relied on greater inputs into the system. So, total factor productivity's contribution to economic growth has essentially been reduced to zero. The real measure of the economic strength of an economy is how efficiently it can run, and whether it can become more efficient. How efficiently does it use capital? How much can each worker contribute to the economy? China has a long way to go to make its system more efficient and productive. That's one challenge in a political economy where you have an ambivalent relationship between the leaders in the government and the party and the private sector – the true engine of economic growth. That is a fundamental challenge that China will have to deal with. China also has an ambivalent attitude about its relationship with the rest of the world. In some places they advocate for globalization and multilateralism, and in other places they show how worried they are about their dependency on the rest of the world. That leads to a whole mix of policies and changes that are not working to China's economic advantage. China has an interesting mix of strengths and weaknesses, so naturally there's a range of predictions about its economic trajectory. In fact, that's why the China prediction business will always be plentiful – because it's very difficult to figure out which way the country is going. **Q**

Top of the Class:

Yew Chung and Yew Wah Education Network Marks 90 Years of Educational Excellence



Photo courtesy of YCYW

By Norris Tangen

90 Years in Education

For almost a century, the Yew Chung and Yew Wah Education Network (YCYW) has been blazing trails in Asia's international education sector. The first Yew Chung school was founded in 1932 in Hong Kong by Madam Tsang Chor-hang - only 16-years-old at the time. At the time of its establishment, Hong Kong was going through a politically turbulent and economically challenging time. Madam Tsang believed that only through education could the country be lifted out of poverty. Madam Tsang dedicated the rest of her life to the education of adolescents, and in the 1970s her daughter, Dr. Betty Chan Po-king, took over.

The Yew Chung and Yew Wah Education Network (YCYW) has established an international reputation for academic excellence. With YCYW marking its 90-year anniversary this year, the AmCham China Quarterly sat with YCYW's Co-Education Directors Tin Ip and Shannon Shang to discuss the school's history, their educational philosophies, and online learning lessons.

Under the leadership of Dr. Chan Po-king and her husband Professor Paul Yip, the organization has moved from strength to strength, offering a unique curriculum and teaching style that blends East and West. Today, the organization has 16 established schools spread across major cities in mainland China and Hong Kong, along with a school in the US and a learning center in the UK.



Above: YCYW educators with students

Photo courtesy of YCYW



Tin Ip is Education Director at YCIS Beijing. He first joined Yew Chung Yew Wah Education in 1998 as the Head of Mathematics at YCIS Hong Kong, and subsequently held various senior leadership roles in multiple schools under the network.

Having gained his bachelor's degree in Mathematics from Imperial College London in 1984, he later obtained a Post Graduate Certificate in Education (PGCE) from the University of Nottingham. He completed a master's degree in Translation from the Chinese University of Hong Kong in 2008.

He has deep experience working at schools in the UK and Hong Kong as an educator and senior leader using multiple curricula including: IGCSE, GCSE, GCE A Level, IBDP and HKDSE.

Educational Philosophies

While the network has evolved over the 90 years since its inception, Education Director Tin Ip and Education Director / Education Director Coordinator Shannon Shang note that some areas remain constant. "Right from the beginning, we have prioritized students' well-being and best interest as our very top priority," they say. While their holistic educational philosophy and core values of diligence, frugality, humility, and faithfulness still stand, there have, of course, been organizational changes over the years. One example of change can be seen in the structure of the school management team, which transitioned from a two-person co-principalship to a three-person school leadership team (SLT). Each SLT includes a Western Co-Principal, Chinese Co-Principal, and a School Business Manager. While the Co-Principals' primary focus is on the learning curriculum, student welfare, and leadership of staff, the Business Manager oversees all non-academic areas. Together, they function as a unified team responsible for all areas of school operation.

Education Director Tin Ip's experience in education is well-rounded and diverse. From working in the UK, Hong Kong, and mainland China, Tin has served in a number of roles from educator to administrator. He describes his personal educational philosophy, "For as long as I can remember, passion and enthusiasm have been central to my teaching philosophy. When you teach, you must show that you are enthusiastic about your subject. Your enthusiasm, regardless of your teaching method, will then positively influence your students. That is, when you speak, they listen. If you can achieve

that, then students will learn." In an evolving world where technology is constantly changing the way children learn, Tin says the mission of a teacher remains the same, "The essential pre-requisite is still the teacher's passion for teaching." As a leader, Tin says he endeavors to lead by example, "I will not ask anyone to do anything that I am not prepared to do myself. I constantly remind myself that a leader is to serve and not to be served."

Shannon Shang is Education Director and Education Director Coordinator for YCYW and has been teaching and working at YCYW schools since 2008. She shared how her experience as an educator helped shape her current role as an administrator. "Working at YCIS Shanghai for about seven years deepened my understanding of holistic education. We have very high expectations of both our teaching and learning quality. For example, I used to spend hours preparing a lesson to engage my students and then differentiating my lessons to meet their specific needs," she says. Shannon notes that this also influenced her style as a leader, "We always keep the bar high."

Both Tin and Shannon agree that another unique aspect of YCYW schools is the importance placed on soft skills and providing students with an inclusive multicultural environment. "Our teachers are adept at explicitly teaching soft skills that foster inclusivity and belonging, such as collaboration and self-regulation. These skills and inclusive learning opportunities are then infused into all units of study, providing a platform for our students to explore and learn together. The student's curiosity and active learning have led to opening shops, running campaigns, creating productions, and more. In addition, our teachers actively encourage sharing our diverse cultural experiences and champion using our home languages and background experiences to enhance our learning."

Remote Learning Lessons

The way that schools operate and how students and educators interact was changed enormously by the COVID-19 pandemic. In China, as lockdowns linger, students are still routinely shifted to remote learning to abide by COVID-prevention measures. As Tin and Shannon agree, a key requirement that determines a student's online learning success is the development of independent learning skills. "They need to be able to organize their work for themselves. They need to develop this ability before going online. Some activities, such as those which involve extended writing or group projects do not lend themselves to online classes. While motivated



Shannon Shang graduated from Northeast Normal University with a bachelor's degree in Chinese Philology, and a minor in Law from Jilin University in 2003. She obtained her master's degree in Chinese Philology from Fudan University in 2006, and an education management certificate from Harvard Graduate School of Education in 2018.

She has more than 10 years of experience in international education which includes teaching Mandarin at the International Cultural Exchange

Institute of Fudan University, and working as a Senior Teacher and Deputy Chief Editor in curriculum development for New World Education Group.


Shannon has been teaching at YCIS Shanghai since 2008, and won the High Potential Teacher award in consecutive years. She took up the role as Chinese Co-Principal of YWIES Guangzhou in 2015 and was promoted to Acting Education Director of YCYW Education in 2021. Her current role is Education Director and Education Director Coordinator.

and self-disciplined students will do reading as class preparation, many will not, so the gap between those with good self-management skills and those without will widen if students are not properly prepared." A frank and honest assessment of different students' skillsets and abilities is imperative to keep in mind as online learning becomes part of our new normal. Tin and Shannon go on to reveal some strategies that have been helpful, "Keeping in close contact with parents is important, as it helps teachers to monitor students' attendance and work outside class. It also helps to make parents feel valued. Younger students need a parent or other adult to watch their work and even sit with them during the lessons. Maintaining a sense of community for the school is crucial, even when working online. At YWIES Tongxiang, we organized some activities in which families could get involved, such as creating a collection of recipes called 'Quarantine Cuisine,' which included photos and videos of parents and students making dishes together." Ultimately, though, Tin and Shannon credit the smooth transition to online learning to YCYW's staff of both local and expatriate teachers who have been leading the continuous collaborative efforts to engage students.

Another impact of the pandemic has been the restriction of international travel both to and from China. For international schools like YCYW, that has meant many expatriate students and faculty have been curbing travel over the last few years. Despite these challenges, Tin and Shannon say that YCYW has not struggled with staff departures. They credit this to their rigorous interview process and deep commitment to developing and investing in faculty. They share, "Taking YCIS Beijing as an example, most of our teachers there hold master's degrees or PhDs, and our overseas teachers have an average tenure of five years, often extending past their initial teaching period with our school. Many expatriate teachers have worked for us for five to ten years and three teachers have been with us for over a decade. Our long-term relationships with our teachers can be attributed to the safe and committed learning and teaching environment."

In an effort to provide extra support to faculty during the pandemic, YCYW supplied additional



resources for mental health support. Shannon says, "All of our teachers are equally respected and allowed to grow personally and academically through active teaching and professional development. Especially in these more uncertain times, the school has provided staff with counseling services if any personal or emotional challenges arise. Additionally, most of our teachers engage in the school sports teams, establishing time for friendship and well-being outside of teaching hours." This sense of community and support that has been built over the 90 years of operation is part of what gives YCYW an edge when confronting challenges. Tin discusses one of the biggest takeaways from the pandemic period, "From the very beginning of the pandemic, YCYW schools started to explore and identify the most efficient and high-quality blended teaching and learning models. It became a learning moment for everyone, including faculty, the student body, parents, and school leaders, and it proved that nothing could stop us from working together. There will be more uncertainties in the future; however, we will continually cultivate students' courage, wisdom, and flexibility so that they can take the initiative to meet challenges." 

Above:
YCYW educators with students

Photo courtesy of
YCYW

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Delivering Digitalization: Gotofreight's Ecosystem Connects the World

By Norris Tangen

Gotofreight (GTF) Limited was initially established under Best Services International Freight Limited Company as a traditional cross border international forwarder and logistics company. However, as Wilson Wong-GTF's CEO and Co-founder-explains, the organization soon recognized they needed to adjust their strategy. "We realized that digitalization was imminent, and we needed to upgrade our strategy. We evaluated our services to better shape our future strategy, which means we have been focused on digitalization," he says. Wong continues, "We set up Gotofreight as the mother company with nine sub-brands beneath it, similar to Google and Alphabet. After we pivoted our strategy, we became an O2O – online digital platform to offline service network – driven company. By setting up GTF as a holding company, we have been able to build our own logistics ecosystem and create one platform for all parties in the supply chain." Wong describes the process of connecting data exchanges between partners as the company's first step towards achieving full digital transformation. "As an O2O business, an upgraded online platform is essential to connect the global offline service network. In some countries we don't have our own facilities, so it's imperative that we can communicate efficiently with our overseas partners," he says.

Reflecting on the rapid rate of digitalization, Wong recalls the organization's early days, "When we established the company in 2010, we were still using MSN, email, and QQ to communicate

While the company Gotofreight Limited might not be a household name, the China-based logistics company is responsible for delivering much of the world's cross border ecommerce. The AmCham China Quarterly spoke to the company's Co-founder and CEO Wilson Wong about the company's digital first strategy, the growth of cross-border e-commerce, and the rise of globalization.

with our overseas partners and customers." He continues, "Looking back you can see the digital phases roll out. Now, we have smart phones and our APP which gives customers and partners all the information they need instantly." To enable this efficient and instantaneous delivery, Wong says the company has invested heavily in building its own digital ecosystem. Beyond the internal IT system to manage company data, the firm also developed its own enterprise resource planning (ERP) system. An ERP system enables organizations to automate and manage core businesses processes for optimal performance, essentially allowing different business applications to talk to each other and share a common database. Wong shares that this system is essential to realizing one of their top priorities: streamlining all external and internal processes – not only for their partners, but for customers. He explains, "A customer can login to the APP and monitor every process. By ensuring efficient exchanges of information and delivering that information to the customer, we make them happy and we save them time that would have been spent dealing with our service team. As a result, our team can spend more time focused on innovation – that is, how to improve collaboration, efficiency, and customer value."

Today, in the age of digitalization, Wong says a key aspect of communication is finding the right balance. "Our customers can connect to our system anywhere, anytime, to monitor shipments and see if there are any issues. But, at the same time, they do not want to be overwhelmed with information. We work to not overwhelm customers with information, but instead deliver the valuable information when they need it," he says.

Golden Opportunities

As ecommerce companies like Amazon, Ebay, JD.com, and Alibaba achieved success in their respective domestic markets, they have become increasingly focused on international expansion. Wong remarks, "Since 2011, the big players want to play in the global market not just in the domestic market. And, at first the B2C model was very simple, companies like Amazon signed contracts for small express parcel delivery with companies like FedEx, UPS, or DHL – they didn't need a freight forwarder. However, by around 2015, the cross-border ecommerce businesses were expanding too rapidly and were unable to keep up with demand. This is where Chinese logistic companies like ours came in and began to work out



In 2002, Wilson Wong, Nick Wong, and Afei Li jointly founded Best Services International Freight Ltd. In 2019, Gotofreight Limited was established and upgraded to its parent company, which is driven by O2O dual-wheel developing pattern and the strategic layout of the platform ecosystem.

Wilson Wong is mainly responsible for the strategy design and management of Gotofreight group, which focuses on global logistics and supply chain solution services. With 20 years of diligence and devotion to work, he has led the team to outstanding achievements, and has helped develop the industry through scientific

and technological innovation.

In September 2015 he completed the EMBA course at China-Europe International Business School (CEIBS). Since November 2020 he has been studying the DBA course at the Shanghai Advanced Institute of Finance (SAIF), and will graduate in 2023.

"We work to not overwhelm customers with information, but instead deliver the valuable information when they need it."

solutions to fulfill small parcel B2C shipments from initial shipment to final delivery as well as large fulfillment by Amazon deliveries to large warehouses." Wong explains that in order to meet the requirements of these giant e-retailers, GTF implemented a rigorous SOP system. Those systems went on to set industry standards. As Wang observes, "Ecommerce logistics has really been led by Chinese logistic companies. At the time multinationals didn't care about this area, they viewed it as a minor detail. But Chinese logistic companies saw the opportunity for big business, and an opportunity to work out the end-to-end solutions instead of seaport-to-seaport solutions." Ultimately, Wong says the initial investment and risk led to a golden opportunity, "We have become one of the top logistics service providers for cross-border ecommerce."

Now, with the cross-border ecommerce boom in full swing, the sector has become more competitive. But as Wong says, GTF has a head start, "We began in 2011, but since 2012, we've seen cross-border ecommerce expand faster every year." Wong points to another hugely successful China-based company, SHEIN. Valued at over \$100 billion as of April 2022, SHEIN is one of the world's largest fast-fashion retailers, and as Wong

notes GTF is one of the top three logistic service providers for the brand. Wong says the two companies share a similar approach to long-term success, "They started the company in 2008, and until 2011 their growth was not huge. Then, around 2015, they started to see real pay-off and substantial year-on-year growth. And then of course, especially in 2020 and 2021, the company saw skyrocketing growth with all of the online shopping during the pandemic." Wong explains that GTF's role as a top service provider for the brand has been well-earned, "We have grown with them from 2011 on. We understand their needs and our strategy aligns with their customer platform strategy. Every year we ask, 'What is your strategy?' and then we identify what we need to do to support their strategy and grow their business."

COVID-19 Disruptions

Naturally, Wong says that China's zero-COVID policy has been hugely disruptive to GTF's operations. He points out that one of the biggest challenges they have dealt with recently is the lack of coordination of pandemic measures at the provincial and municipal levels. "Each city

has different regulations. For example, one of our drivers goes to a city and needs to provide a 24-hour negative COVID test, or maybe the whole city gets locked down. I've told our colleagues that for the time being if it's not necessary to travel then it is best to stay where you are."

Despite ongoing challenges, Wong says he appreciates the central government's efforts to enable business to continue operations. "China has so many industry supply chains. If one factory in Southern China is short on essential parts, then their production lines cannot work either. Then, this summer the central government worked to address this issue, they sent notice to the provinces that they needed to ease lockdowns or risk destroying the economy." However, Wong says that they are still facing issues, with some cities enforcing much stricter controls than others. "This is the big headache," he says.

Strategies for the Future

In the next 10 years, Wong says globalization and digitalization will be core strategies. In regards to digitalization, he says, "It's a process. We have improved over the past 10 years, and we will keep going for the next 10 years." In terms of globalization, Wong notes how much China has progressed since initially opening up in 1979 and then joining the World Trade Organization in 2001. "Industry is growing and growing. The competition is also so strong and it's getting stronger. Now, Chinese companies in every industry are focused on expanding and cultivating the global market," he says. **Q**

Continuing the AmCham China Quarterly magazine's series profiling AmCham China's Board of Governors members and Committee Co-chairs, we spoke to the Co-chair of the Business Sustainability Committee, Vice President of Public Affairs at UPS China Jing Wu about the Committee's evolution over the past decade, the decision to focus on climate change, and 2023 plans.

Jing Wu on the New Direction of the Business Sustainability Committee

How did you first get involved with AmCham China?

Jing Wu: I think it was a long time ago, when I just started to work for a leading American multinational company back to 2006, almost every US company in China was a member of AmCham China. There were a lot of the events back then, and many professionals got together and discussed about different topics, very good memories.

You're currently the Co-chair of the Chamber's Business Sustainability Committee. What Committee activities have you found most valuable to you in your work?

Jing Wu: I was invited to become the co-chair of Business Sustainability Committee back in 2010. At that time, the Committee's focus was on Corporate Social Responsibility (CSR), very much philanthropy-focused. Back then, there were a lot of exchanges within the Committee about how to organize volunteer activities in China to support people in need, poverty alleviation and health issues. When AmCham China approached me to be the co-chair of the Committee again, I said yes, but I also wanted to understand the purpose of the Committee in the new era, as the philanthropy part has been very well covered with strong efforts from multinational companies in the past decade. Currently, the focus has shifted to sustainability and climate change issue. With that, together with AmCham China and the chair of the Committee, we talked about how we could make this Committee more valuable to our member companies. Based on the discussion, we defined the new objectives:

1) help member companies better understand the overall policy direction of the Chinese government and how MNCs can adapt and contribute; 2) create a community where member companies could hear from each other and exchange best practices in managing carbon emission and combatting climate change. While sustainability could be a very technical topic, we've hoped to establish a solid small group discussion where everyone there has a true interest in this topic.

It's been a year since we set the new objectives, and we've rolled out a set of activities despite the Covid challenges. Earlier this year, AmCham China issued the 2022 Social Impact Reports, which showcased member companies' efforts in sustainability along with areas like community service, philanthropy, etc. In China, we've seen the national strategy shift from poverty alleviation towards rural revitalization, and we want to make sure MNCs continue to have a role to play in that. Recently, we took a delegation to visit a village in Hubei to promote rural revitalization.

We also pay attention to the policy as China set its dual carbon goals, which could potentially affect our business operating in China. Recently the NDRC released a new policy to build a standardized carbon reporting system in China, which will help to better measure the efforts for the 2030 and 2060 carbon goals. AmCham China helped to coordinate a policy debriefing session with the NDRC to help US companies better understand the policy implication to business. We will continue to focus on climate change and carbon emissions to help those companies operating in China to understand what's going on and what to expect going forward. Coming up, we will organize a session to discuss the business implications of the COP 27.

As a longtime Committee member yourself, how was this shift in the Committee's focus received by other members? Have you seen the Committee membership grow since you've made that shift?

Jing Wu: Definitely. AmCham China provides a good platform for members to understand what's

happening in different industries in China. Sustainability is a cross-industry topic, therefore we have a very diversified industry mix on the Committee. With that, we believe that a large part of the Committee's value is to provide a more holistic view to help our members understand the recent development in sustainability, and conversely, they could provide industry specific views to better interpret the macro-policies. It's a meaningful exchange, and we support each other based on our knowledge and expertise.

Jing Wu is the Public Affairs VP of UPS China. In this capacity, she leads UPS China's Public Affairs team to support business growth and transformation through policy advocacy and risk management. She holds the MBA degree from Manchester Business School.



Photo courtesy of UPS

What would be your advice be to someone who wants to become more involved with AmCham China in general? Where is a good place to start?

Jing Wu: Start joining the events and discussions! You get to experience the charm of our community when you start to meet people, talk to people, and find out how informative the Chamber is. At the beginning of the pandemic, almost every company had issues getting their expat employees back to China. AmCham made a lot of effort to support the member companies, and between members, we were also able to exchange experiences and best practices for getting our employees back in the country. It's more like a big family, as we support each other during challenging times.

What were some areas that you'd like to the Chamber to focus more on in the future?

Jing Wu: Before COVID, there were more opportunities to hear from guest speakers and experts in-person, which has been missing somewhat due to the pandemic. Many of us have worked in the individual industry for a long time, therefore, it's always useful to hear from different perspectives. As AmCham China has a lot of members from think tanks or research institutes, it would be helpful to invite them to share their views on policy and overall business environment dynamics.

On the other hand, for the Business Sustainability Committee, we will keep bringing more value to member companies. Through our recent smaller scale activities, we've started to recruit core members to the Committee. Hopefully we can have a small group brainstorming session towards the end of the year to hear and better understand what we can do more and better, which will help us to cover a wider group's interest when planning for next year.

On the topic of COVID, can you talk about the impact of lockdowns in China? How has UPS assisted its customers in stabilizing their supply chain?

UPS pledges to achieve carbon neutral global operations by 2050

25%

renewable electricity in facilities by 2025

30%

sustainable aviation fuel by 2035

50%

reduction in CO₂ per global small package by 2035

100%

renewable electricity in facilities by 2035

“Sustainability is also a cross-industry topic, it’s an issue every industry is dealing with, and one that every industry must pay attention to.”

Jing Wu: Since 2020, the pandemic has significantly impacted the international logistics industry. However, even during the most challenging times, we have continued to support supply chains and global trade. Back in 2020, at the beginning of the pandemic, China was short on PPE, so we started moving huge volumes of PPE and masks to China to support the country’s pandemic control. After the pandemic stabilized in China, we started to see a pandemic wave hit the rest of the world, and we then started shipping large volumes of PPE out of China to support other countries. It was an unforgettable experience, and our operations team really made huge efforts to support business continuity. They dealt with a lot of the new requirements and were on the front lines under the closed-loop management systems.

The pandemic has also proved how important international logistics companies are. We always say that we are an essential service because we provide the support – not just during emergency situations – to ensure that global trade continues. From the customer side, the service aspect became much more difficult. We usually ensure we can deliver packages to customers on time, but with new policies, there were more delays especially at port. We needed to conduct ongoing communication to help our customers understand that we are making every effort to get their packages delivered. It has been very challenging for our industry, but we have heard from many of our customers who really appreciated the special efforts we made during the pandemic to help them – they really trust UPS.


UPS has pledged to achieve carbon neutral operations by 2050. Can you talk about that goal and how UPS is working to achieve them? What are some of the initiatives around sustainability UPS is working on in China specifically?

Jing Wu: Globally, UPS has set very ambitious goals. Our aim is to achieve a lower carbon footprint in a financially and socially responsible way. Driven by integrity, we remain focused on making credible, purposeful changes to adapt and achieve our sustainability goals along the supply chain. As

purpose-driven business, we never settle – we are committed to becoming even more sustainable and impactful. That’s why we’ve set a goal to become carbon neutral in our global operations by 2050. We also developed clear roadmaps and interim goals, which includes 40% alternative fuel in ground operations by 2025, 25% renewable electricity in facilities by 2025, 30% sustainable aviation fuel by 2035, 50% reduction in CO₂ per global small package by 2035, 100% renewable electricity in facilities by 2035.

Within China, UPS has implemented an “In China, for China” ESG strategy to engage customers, government stakeholders, and employees to achieve a sustainability agenda collectively, supporting the Chinese government’s 30-60 carbon goals. Echoing the country’s agenda on plastic pollution and carbon neutral, UPS China has held a series of Green Post seminars with local associations and partners to help boost the Chinese express industry’s low-carbon transition since 2019.

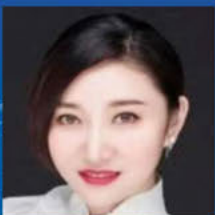
Today, we’ve made significant progress in our green efforts. Nearly all of our delivery fleet in the downtown areas of Beijing and Xi’an are fully electrified. In addition to the EV fleet, we also use environmentally friendly packaging including tape-free package box, 45mm tapes and RNC bags. Just this year, we announced that we will introduce biodegradable packaging into our operations. Additionally, UPS has established two green operation centers in China: Beijing East Center and Guangzhou East Center. The Beijing East Center was recently officially certified as a “Green Center” by the Beijing Postal Bureau, and 60% of the vehicles at the Center are electric. In the future, these sustainable measures will be spread to more centers in China, and we will continue investing in electric vehicles and using more eco-friendly packaging materials.

We really believe that this topic is important for us in China. Every department is committed to support the company’s sustainability efforts because we really believe it’s a value that must be built into the culture. Everyone needs to be behind it and believe in it, or we won’t be able to take our efforts to the next level. I think we’re heading in a very good direction though, and hopefully we will stay on track and make even more of a difference in the future. 

Gefei Media & Technology Company – whose core founders come from the central party and government official media and foreign top 4A advertising companies – is an intelligent media distribution company providing enterprises with internet media resources and innovative promotion planning, from short videos to stop-motion animation, H5 and more. Our team delivers integrated one-stop solutions for brand marketing and promotion, online PR services, online and offline event planning (live streaming, simultaneous interpretation and other technologies) for China's listed companies, growing enterprises, and small and medium-sized enterprises to help organizations to expand and improve news coverage, brand influence, social credibility and reputation, which will in turn, increase business opportunities and facilitate rapid organizational transformation.

Our organization has access to over 30,000+ media resources (central party and government official media, industry-specific media, local media, and more) including 40,000+ RED KOLs and KOCs, 30,000+ TikTok and KuaiShou influencers, 80,000+ Weibo influencers, 60,000+ TOPBuzz and other consumer social media accounts, 50,000+ WeChat official accounts, 3,000+ media interview contacts, as well as tens of thousands of media on Zhihu, Bilibili, Douban, and Baidu Knows. Gefei Media Technology leverages these resources to help enterprises develop business and create more efficient quality brand marketing.

Gefei Media & Technology Company is a member of the Hong Kong Chamber of Commerce and a sponsor of AmCham China's Technology & Innovation Summit. We provided digital marketing campaign solutions for the 2021 Alibaba Cloud's Apsara Conference, 2nd China-CEEC Energy Cooperation Forum For Enterprises, and have been selected by leading SOEs like China Construction First Group Corporation Limited and FESCO as cooperation partners.



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The CHIPS Act - Targeting China's Automotive Industry?

Depositphotos.com

*By Lijuan Yao, Feng Caihong,
Xu Xiaolong*

New Legislation of Note:

- The Creating Helpful Incentives to Produce Semiconductors and Science Act (CHIPS Act). The CHIPS Act aims to incentivize enterprises to shift advanced semiconductor manufacturing to the US or its allies, and to impose restrictions on the investment of those corporations receiving financial assistance in the semiconductor industry in China or other foreign countries of concern.
- The US Department of Commerce's Bureau of Industry and Security (BIS) issued an interim final rule to control the export of certain EDA software, which is called the "Mother of Chips" and necessary for chip design (EDA Control Rule).
- The Inflation Reduction Act of 2022 links tax credits of the purchase of US electric vehicles with the advanced manufacturing corporations to the sources of critical mineral materials and components contained in EV batteries. These tax credits are not applicable if the sources of such products

do not satisfy the applicable percentage of the value of the critical materials or components contained in EV batteries that are extracted, manufactured, or assembled in North America or any country with which the United States has a free trade agreement, which, in effect, excludes China.

While CASE (connectivity, autonomous, sharing and electric) represents the key trend in the automotive industry, chips and batteries play important roles in such process as they are the core components determining the performance of vehicles. With its "Overtaking on Curves" strategy, China accounts for nearly 60% of the global electric vehicle market, overtaking the US as the world's largest auto market. This transfer of power in the automotive market, together with the reform of the energy system, the narrowing technology gap, and the chip shortage caused by COVID-19, has made China's electric vehicle industry a target for US policies.

Automotive Chips: Competition Over R&D, Production, and Sales

Automotive chips are undoubtedly one of the focuses of the CHIPS Act along with other sectors that use chips. Automotive chips, including system-on-chips (SoCs)

In 2022, the United States enacted a series of new laws that aim to rebuild America's leadership in emerging strategic industry chains and global high-tech sectors and reduce its reliance on China. Three lawyers from King & Wood Mallesons examine how these measures will impact China's automotive industry.

and microcontroller units (MCUs), have been widely used in a variety of areas of automobiles, and the vast majority of automotive chips used are legacy semiconductors. The competition around advanced automotive chips are essentially the competition for the future of intelligent vehicles. Although the United States has an overwhelming superiority in terms of design and R&D of semiconductors, the US share of the global semiconductor market has decreased from 37% in 1990 to the current 15%. Conversely, China (including Taiwan), South Korea, and Japan account for approximately 75% of the global chip supply, as a result of continuous investments in the semiconductor industry. The CHIPS Act and the EDA Control Rule revolve around the R&D and manufacturing of automotive semiconductors and therefore impose a series of hurdles for the supply chain of advanced chips for China's electric vehicle industry.

According to the CHIPS Act, the US government will provide about \$52.7 billion in subsidies over the next five years to the US semiconductor manufacturing industry, of which \$50 billion will be invested through a Chips for America Fund to boost chip manufacturing and R&D capacities in the US. The "China Guardrails Provision" has drawn attention among Chinese automotive companies. It requires that the entity receiving funds shall enter into an agreement with the US government specifying that, during the 10-year period beginning on the date of the award, it may not engage in any significant transaction involving the material expansion of semiconductor manufacturing capacity in the PRC or other foreign countries of concern, unless it is an existing facility or equipment for manufacturing legacy semiconductors; or the significant transactions involving the material expansion of semiconductor manufacturing capacity produces legacy semiconductors and predominately serve the market of a country of concern. Similar to the CFIUS process, the CHIPS Act outlines that an entity that receives funds shall notify the US Department of Commerce of any restricted investment and that, if that investment may violate the agreement, it may prohibit the transaction; if the entity receiving funds fails to make proper notification, the full amount of the award may be forfeited.

The impact of the CHIPS Act is not limited to chip manufacturing, it has also been extended to chip R&D by virtue of the Creating Helpful Incentives to Produce Semiconductors for America Act (2021 CHIPS for America Act). It specifies that, first, an entity under the CHIPS Act cannot be a foreign entity of concern; and second, that if the US government determines that the entity has engaged in any R&D collaborations or

reached any licensing arrangement with a foreign entity of concern that involves a technology of national security concern, it may necessitate a full claw back of the award from the covered entity. This R&D restriction is largely subject to the discretion of the US government. Take the foreign entity of concern as an example: it not only includes any foreign terrorist organization and any entity on the SDN list, but also includes "any entity owned by, controlled by or subject to the jurisdiction or direction of a government of a foreign country that is a covered nation", including China, Russia, Iran, and North Korea. This definition is broad, but what is clear is that the government authorities and state-owned enterprises in China (and certain other foreign countries) should be considered as the foreign entities of concern. However, there is great uncertainty about whether an enterprise that is not state-owned would constitute a foreign entity of concern, as it depends on how to interpret "an entity subject to the jurisdiction or direction of the Chinese government". At present, there is no precise guidance as to how this term should be applied. However, based on the application of other US orders concerning supply chains in past practice, the possibility of applying a broad interpretation to the "foreign entity of concern" could not be prohibited. If the US government interprets the "foreign entity of concern" broadly, any joint R&D or licensing efforts between any corporation with PRC shareholders and any international chip corporation would be likely to be subject to the provisions of the CHIPS Act.

Export control has been an important tool used by the US to restrict Chinese companies' development of chips. Chinese semiconductor companies have also frequently been placed on the BIS Entity List. EDA software, also known as the "Mother of Chips" in the industry, is a large part of the modern chip design process. The BIS amended the Export Administration Regulations in the form of the EDA Control Rule, and added four technologies including the ECAD software specially applied to the design of the GAAFET structure integrated circuits to the Commerce Control List. GAAFET, standing for Gate-All-Around Field Effect Transistor, is considered the key technology to break through the 3 nanometer technology nodes for the semiconductor industry. By implementing the EDA Control Rule, the US currently restricts the exports of the 3 nanometer and below process technology. As China is a controlled country of the US for national security purposes, a license is required to export ECAD software to China, and it therefore restricts Chinese chip companies from cooperating with international chip companies on the R&D of advanced semiconductors.

In summary, although the above US policies or government actions, which mainly involve research, development, and manufacturing of the advanced semiconductor have a limited impact on the automotive industry at present, in the long run, competition on all fronts around advanced chips will exert a profound influence on the layout of industry chains regarding chips required for the development of intelligent vehicles in the future and will hinder China's development of intelligent vehicles.

Batteries: Encouraging "Localization" under the Guise of Subsidies

The Inflation Reduction Act follows the same policy logic as the CHIPS Act to link tax credits for the purchase of US electric vehicles to the sources of the components and critical materials contained in EV batteries, aimed at supporting US-made goods and enhancing US competitiveness in the sectors of electric vehicles and clean energy.

The Inflation Reduction Act provides that only electric vehicles that meet critical mineral and battery component requirements will qualify for a tax credit. Beyond the source requirements, the Inflation Reduction Act further restricts subsidies in terms of manufacturing entities. A foreign entity of concern under the Inflation Reduction Act includes any "entity owned by, controlled by or subject to the jurisdiction or direction of a government" of a foreign country that is a covered nation, including China, which is similar to the definition of a "foreign entity of concern" outlined in the CHIPS Act.

At the corporate level, the Inflation Reduction Act encourages advanced manufacturing in the form of tax credits, by providing to companies engaging production of critical minerals and batteries in the US a tax credit of up to 10%.

With tax credit policies for both consumers and companies, the Inflation Reduction Act in effect puts the electric vehicles using critical minerals or battery components from China in an unfavorable market position, forcing electric vehicle manufacturers to choose more battery components and critical minerals from North America and its trading allies in the battery supply chain.

As the impact of the Inflation Reduction Act on the normal market order has aroused a lot of attention in the international community, a well-known American electric vehicle company has reportedly suspended its plans to manufacture battery cells in Germany. It is reported that the European Union is assessing whether the Inflation Reduction Act violates WTO rules. The Ministry of Commerce of China also expressed concern in respect of the US discriminative subsidies related to the electric vehicles, suggesting that these measures are not consistent with the WTO principles such as "most favored nation" and "national treatment".

Similar to the CHIPS Act, the Inflation Reduction Act forces "decoupling" by means of interventions through fiscal policies to split the global EV battery supply chain. But the difference is that the CHIPS Act focuses more on the future competition of smart electric vehicles, while the impact of the Inflation Reduction Act on the upstream and downstream of China's electric vehicle battery supply chain is imminent.

Recommendations for China's Automotive Industry

The impact of the US "Made in the USA" policies on China's automotive industry cannot be overstated, and the automotive industry and its upstream and downstream sectors in China need to pay close attention to the measures adopted by the United States in the sectors such as chips and batteries, conduct a comprehensive evaluation of the short, medium, and long-term effect of those measures, and prudently plan in response to them. For automakers, the following strategies could be considered:

- To reduce reliance on advanced semiconductors based on US technologies, actively seek alternative suppliers or substitute technologies for semiconductor R&D and manufacturing, and build close partnership cooperation (including equity cooperation) with Chinese semiconductor technology companies;
- To layout mineral resources for batteries production in countries that have signed or are about to sign a free trade agreement with the United States, or carry out strategic and equity cooperation with the upstream companies that possess those mineral resources;
- When making investment in the upstream and downstream of the automotive industry chain, evaluate the impact of the series of the US policies on target companies based on their shareholding structures and business models; and
- In the event that the relevant US policies materially affect fair market competition causing harm to relevant market entities, to assess the feasibility of taking countermeasures and filing lawsuits at multi-lateral trade organizations.

The rapid changes in geopolitics and transformation of energy structure presents both crises and opportunities for China's automotive industry. Only by achieving innovation and breakthrough in key technology sectors, can China truly break out on its own and hope to become a global technology leader in the future. **Q**

The authors of this article work at King & Wood Mallesons and contributed this article on behalf of Lexis Nexis, an AmCham China member company.

RCEP FTA Signed: What Can Foreign Investors in China Expect?

By Dorcas Wong

On Sunday, March 22, 2020, China and 14 other countries signed the Regional Comprehensive Economic Partnership (RCEP) Agreement at the virtual-hosted ASEAN Summit, formalizing the largest free trade agreement (FTA) in history.

After an arduous eight-year negotiation period, a combination of factors such as slowing global growth, disruption to trade patterns, and US shift away from multilateralism, mobilized participating governments to push ahead with the pact despite long-standing differences. India, however, chose not to join the RCEP although the grouping has left the door open for its future entry.

The landmark agreement consists of 15 countries: 10 member states of the Association of Southeast Asian Nations (ASEAN), China, Japan, South Korea, Australia, and New Zealand.

While China is party to a number of bilateral trade agreements, this is the first time it has signed up to a regional multilateral trade pact.

The Regional Comprehensive Economic Partnership (RCEP) has reached the threshold of entry into force and took effect at the start of 2022. Dezan Shira unpacks what the implementation of the agreement means for foreign investors in China.

The primary aim of the RCEP is to establish a comprehensive economic partnership – building on existing bilateral ASEAN agreements within the region with its FTA partners. It will be guided by a common set of rules and standards, lowered trade barriers, streamlined processes, and improved market access.

For investors, RCEP will deliver substantial new trade and investment opportunities within the participating countries – covering roughly 30 percent of the global GDP (US\$26.2 trillion) and 30 percent of the world's population to form Asia's largest trade bloc to date.

The [outgoing] Chinese Premier, Li Keqiang, described the deal as “a victory of multilateralism and free trade” and stated that the new agreement is

“critical to the region's response to the COVID-19 pandemic.”

• Details of the RCEP Agreement

The RCEP agreement includes 20 chapters covering many of the articles typically found in a free trade agreement. Notably, it makes significant strides by way of harmonizing the rules of origin and strengthening IP measures. But some critics have pointed to the weaker commitments for e-commerce and the omission of a labor and environment protection clause, when compared with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Recent Updates

- The Regional Comprehensive Economic Partnership (RCEP took effect on January 1, 2022, according to a notice issued by the ASEAN Secretariat, the depositary body of the RCEP, on November 3, 2021. It comes as Australia and New Zealand become the latest member states to ratify the agreement. Other countries that have ratified RCEP include Brunei, Cambodia, Laos, Singapore, Thailand, Vietnam, China, and Japan.
- An official from the International Affairs Department of the Ministry of Commerce said that China is ready to implement RCEP when the agreement goes into effect. In terms of preparations for the implementation of tariff concessions, China completed the transfer of the tariff concessions table and submitted it to the ASEAN Secretariat in the first half of this year. At present, the implementation plan of tax reduction has entered the final stage of domestic approval procedures, which can ensure that the obligation of tax reduction can be fulfilled upon the entry into force of the agreement. In terms of preparation for the implementation of rules of origin, the General Administration of Customs formulated the rules of origin for RCEP and the rules for approved exporters in the first half of this year, which will be announced and implemented simultaneously with the entry into force of the RCEP. In response to country of origin management requirements under RCEP, the upgrade of the information system has been completed.
- On March 22, 2021, China's Ministry of Commerce announced that China has taken the lead in ratifying the RCEP and the ratification process has been finalized.
- In February 2021, the parliament of Thailand approved the ratification of the RCEP.
- In March 2020, China and 14 other countries signed the Regional Comprehensive Economic Partnership (RCEP) Agreement. Once ratified by six ASEAN countries and three non-ASEAN countries, the pact will formally enter into force by as early as the second half of 2021. RCEP's sheer size makes it significant. Participating economies account for 29 percent of global GDP and about 30 percent of the world's population.

• *Common Rules of Origin*

One of the most significant changes under RCEP is that the rules of origin will be unified for the entire bloc. This will mean that investors will only require one certificate of origin for trading in the region and can bypass the tedious processes of checking and adjusting to the specific rule of origin criteria in each country. When implemented, investors can expect lower costs, added flexibility, and regional supply chains streamlined.

• *Trade in Goods – Reduced Tariffs*

Under RCEP, tariffs will be eliminated on around 92 percent of goods implemented progressively over the next 20 years, in accordance with each party's Schedule of Tariff Commitments. This will allow participating countries to gain preferential market access with each other. However, some agricultural and sensitive goods will be excluded from these tariff reductions.

• *Trade in Goods – Simplified Customs Procedure*

Simplified customs procedures and enhanced trade facilitation provisions will allow efficient administration of procedures and expeditious clearance of goods, including the release of express consignments and perishable goods within six hours of arrival.

• *Trade in Services*

Under RCEP, at least 65 percent of the services sectors will be fully open to foreign investors, with commitments to raise the ceiling for foreign shareholding limits in various industries, such as professional services, telecommunications, financial services, computer services, and distribution and logistics services.

Not unlike the negative list system in China, RCEP will also take on

a 'negative-list' approach where the market will be fully open to foreign service suppliers, unless it appears on the list. This ensures transparency of regulations and measures which will allow greater certainty for businesses.

• *Investment*

RCEP eases the process required of investors entering, expanding, or operating in RCEP countries. It also prevents the adoption of further restrictive measures and includes a built-in investor-state dispute settlement mechanism that can be evoked by the member states.

• *Intellectual Protection*

RCEP raises the standards of IP protection and enforcement in all participating countries. Aside from securing the protection rights for copyright, and trademark in the normal sense, it also goes further to protect non-traditional trademarks (sound marks, wider range of industrial designs) and forms of digital copyright, which goes beyond what was included in the CPTPP.

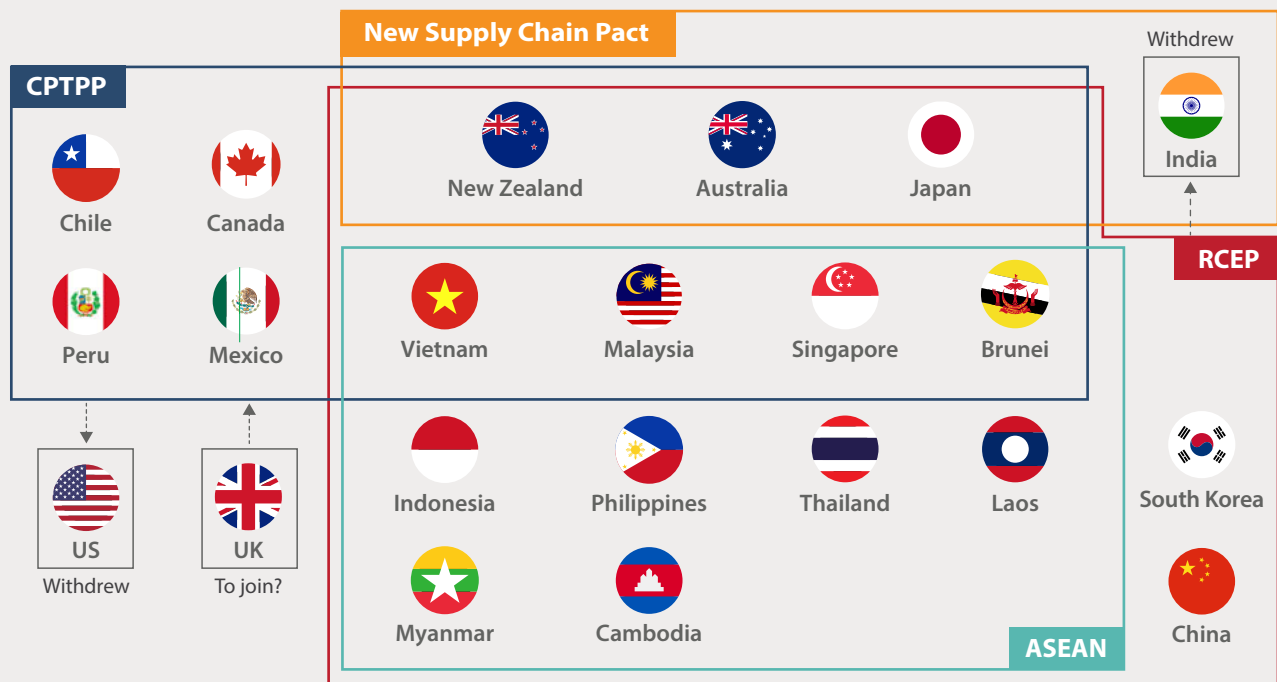
• *E-commerce*

The agreement covers areas, such as online consumer protection, online personal information protection, transparency, paperless trading, and acceptance of electronic signatures. It also includes commitments on cross border data flows. This provides a more conducive digital trade environment for businesses and provides for greater access to RCEP markets.

• *Government Procurement*

Participating RCEP countries have committed to publish laws, regulations, and procedures regarding government procurement, as well as tender opportunities if available. This allows greater transparency for businesses to pursue government procurement market opportunities in the region. RCEP

Framework of Major Asia-Pacific Trade Deals



Source: Compiled by Nikkei Asia

Graphic © Asia Briefing Ltd.

have also committed to a review aimed at improving this in future.

• *The Significance of RCEP for Investors in China*

RCEP holds great significance for the region, for China, and for foreign investors. Once implemented it will create the largest trade bloc in Asia and is expected to amount to US\$12.4 trillion in trade.

In the region, the pact is monumental not only because it amasses 15 vastly disparate Asian economies and manages to find a common working ground, but it also offers a way to coherently amalgamate multiple bilateral and trilateral trade agreements already in existence – for example, linking together some of the benefits of RCEP, CPTPP, and the New Zealand-Australia-Japan-India New Supply Chain Pact.

For investors operating across ASEAN, alignment looks strange here good news.

Streamlined customs procedures, unified rule of origin, and improved market access will make investing in multiple location – a much more viable and attractive investment strategy and likely bring “China + 1” business models to the fore. The common rule of origin will lower costs for companies with supply chains that span across Asia and may encourage multinationals to RCEP countries to establish supply chains across the bloc, thus growing the global value chain activity in the region.

This new trading bloc will also likely see a larger flow of goods from countries where production costs are high, such as Australia, Japan, New Zealand, South Korea, and Singapore to countries with lower labor costs, such as Cambodia, Laos, and Myanmar. The benefit of cheaper goods will spread throughout ASEAN and the other RCEP members as well as filter through to consumers in Europe and the United States.

However, as many RCEP countries already have existing bilateral free trade agreements, the biggest trade impact will be on countries that do not currently have a bilateral agreement between

them such as: Japan-China, Japan-South Korea, and Japan-New Zealand.

For China, Japan is its second largest trading partner, after the US, and holds a share of six percent in overall exports and eight percent in imports. According to an analysis by DBS Bank, for China, tariff savings on imports from Japan will amount to a significant US\$ 7.3 billion across the segments of transportation equipment, machinery & electrical equipment, chemicals, plastics & rubbers, and metals. However, taking into account China's size, this will translate to a relatively net impact of 0.05 percent of GDP.

According to estimates by economists at Johns Hopkins University, RCEP will add US\$186 billion to the size of the global economy and 0.2 percent to the gross domestic product of its members. ^①

This article was first published by China Briefing, which is produced by Dezan Shira & Associates. The firm assists foreign investors throughout Asia from offices across the world, including in China, Hong Kong, Vietnam, Singapore, India, and Russia. Readers may write to info@dezshira.com for more support.

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 ¹⁴

Jing Wang, General Motors

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20th Party Congress: Leadership Changes and Policy Trajectory

By Allison Lapehn

The Chinese Party Congress (CPC) is a roughly week-long conclave that meets once every five years to appoint new leaders, discuss changes to the party constitution, and lay out a policy agenda for the country over the coming five years. For China watchers, referencing the speeches and decisions made at these twice-a-decade meetings can provide a clear framework for the next five years.

Leadership Changes

The Politburo Standing Committee is comparable to a US President's cabinet. In the 20th CPC the Politburo Standing Committee saw significant changes

On October 23, the 20th Chinese Communist Party Congress closed with the confirmation of Xi Jinping for an unprecedented third five-year term as head of the Chinese Communist Party. Xi's third term marks the first time for a leader to serve more than the two standard terms since reform and opening up began in 1978. AmCham China Government Affairs and Policy Manager Allison Lapehn examines how this decision breaks the norms of the Party's promotion and succession structure, and lays a clear path for the years ahead.

to its ranks, with veterans being shuffled out in lieu of party loyalists with significant provincial level experience. Most of the new faces on the Committee

boast historical alignment with Xi, and their appointments signify a unified front working to achieve policy priorities. The selection of the new Standing Committee re-emphasizes that Xi Jinping will remain at the core of the Party moving forward and that the Party will remain at the core of policy.

The new Politburo Standing Committee working alongside President Xi will be:

- **Li Qiang** (born 1959) – has served as Communist Party Secretary of Shanghai since 2017 and succeeds Li Keqiang as Chinese Premier in 2023. Seen as business-friendly, he had the task of enforcing zero-covid policy during Shanghai's 2022 lockdown and previously served as Xi's Chief of Staff when Xi was Party Secretary of Zhejiang.
- **Zhao Leji** (born 1957) – previously the 6th-ranking member of the PSC and Secretary of the CCDI, Zhao will succeed Li Zhanshu as the Chairman of the Standing Committee of the National People's Congress. Zhao was previously appointed to the Party's Organization Department and was a leader of China's top anti-corruption body, the Central Commission for Discipline Inspection (CCDI).
- **Wang Huning** (born 1955) – previously the 5th-ranking member of the PSC and first Secretary of the CCP Secretariat, Wang will succeed Wang Yang as the chairman of the Chinese People's Political Consultative Conference. Considered one of the Party's leading political theorists, Wang has the rare distinction of serving under three of China's leaders – Jiang Zemin, Hu Jintao, and Xi Jinping – over the last 25 years.
- **Cai Qi** (born 1955) – serving as the Communist Party Secretary of Beijing since 2017, Cai became the first Secretary of the CCP Secretariat. Cai takes on Wang Huning's previous role as the Party's first-ranked Secretary of the Secretariat of the Party's Central Committee. Cai was also the President of the Beijing Organizing Committee for the 2022 Winter Olympics.
- **Ding Xuexiang** (born 1962) – serving as the director of the CCP General Office, Ding was effectively Xi's Chief of Staff since 2017. Unlike many of his colleagues on the new PSC, Ding has not previously run a major city or province, but has experience in various Party departments.
- **Li Xi** (born 1956) – previously serving as the Communist Party Secretary of Guangdong since 2017, Li became the Secretary of the CCDI, succeeding Zhao Leji. During his time as Party Secretary of Liaoning he spearheaded a series of reforms to confront corruption and economic hardship.



Above: Chinese President Xi Jinping attends the opening ceremony of the 20th National Congress of the Communist Party of China, at the Great Hall of the People in Beijing, China October 16, 2022

Photo by REUTERS, Thomas Peter

“If the 20th Party Congress demonstrated anything it is that President Xi’s influence over China’s policy environment remains paramount for the years ahead.”

Members of the Politburo

- **Ma Xingrui**
(born 1959)
- **Wang Yi**
(born 1953)
- **Yin Li**
(born 1962)
- **Shi Taifeng**
(born 1956)
- **Liu Guozhong**
(born 1962)
- **Li Ganjie**
(born 1964)
- **Li Shulei**
(born 1964)
- **Li Hongzhong**
(born 1956)
- **He Weidong**
(born 1957)
- **He Lifeng**
(born 1955)
- **Zhang Youxia**
(born 1950)
- **Zhang Guoqing**
(born 1964)
- **Chen Wenqing**
(born 1960)
- **Chen Jining**
(born 1964)
- **Chen Min'er**
(born 1960)
- **Yuan Jiajun**
(born 1962)
- **Huang Kunming**
(born 1956)

The greater Politburo will consist of 24 members, rather than the usual 25. Compared to previous years, the Politburo members have a greater academic and subject area expertise than their predecessors. The Politburo contains many allies of Xi, but also includes STEM and military experts. The Politburo broke away from recent norms as well by having no women for the first time in 25 years. Additionally, the Politburo members also all identify as members of the Han ethnic group. This lack of diversity could signify a potential for greater alignment amongst the group.

Policy Trajectory

In President Xi’s address at the opening of the 20th National Party Congress, he laid out a review of the policy challenges of his previous two terms and also presented a roadmap for the years ahead. A significant focus of his remarks was the state of the Party. Looking back on his first term in office, Xi reiterated that anti-corruption measures and a greater focus on rectifying the Party have ushered in a nationwide rejuvenation. Going forward, policy changes should be expected to happen with the Party leading the way.

Xi’s remarks also focused greatly on enhancing the national security capabilities of China. The topic of security – mentioned over 90 times – took shape in many different ways including military, economic, food, and energy security. Xi reported that over the past five years, the Party has “worked with firm resolve to safeguard national security, fended off and defused major risks, and ensured social stability.”

Later in his remarks, there appeared to be an acknowledgement that the global environment China currently finds itself in has changed drastically over the course of the last five years. Because of this, there is a greater need for ensuring resilience in supply chains and self-reliance. Any policies of reform must strike a balance with the growing security concerns. Looking ahead, Xi released a call to action for the Party saying:

“We must take the people’s security as our ultimate goal, political security as our fundamental task, economic security as our foundation, military, technological, cultural, and social

security as important pillars, and international security as a support. We will take coordinated steps to ensure external and internal security, homeland and public security, traditional and non-traditional security, and our own security and common security.”

At the G20 Summit in Indonesia following the Party Congress, global China watchers have noted the confident posture of President Xi when meeting with other heads of state on the sidelines of the Summit. While strengthening China internally, he has also put forth a stronger external image, noting issues of China’s national security to international partners.

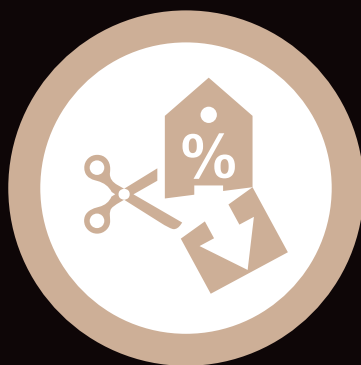
Lastly, the controversial zero-COVID measures received high praise for their role in protecting the Chinese population from illness and death.

“In launching an all-out people’s war to stop the spread of the virus, we have protected the people’s health and safety to the greatest extent possible and made tremendously encouraging achievements in both epidemic response and economic and social development.”

There has been no official signal of an end to the dynamic zero-COVID policies for mainland China. Despite public pressure across China related to recent waves of outbreaks after the 20th Party Congress, the national level government has not signaled any end to the current policies. Moderate loosening of quarantine procedures for new arrivals have shown a small step in the right direction with the length of central quarantine moving from 7 to 5 days followed by the 3-day home observation. Certain localities have begun to introduce experimental rules modifying national COVID testing norms. Any significant reversal of the nationwide policy remains to be seen.

Takeaways

If the 20th Party Congress demonstrated anything it is that President Xi’s influence over China’s policy environment remains paramount for the years ahead. Consolidation of influence has elevated his allies to the upper echelons of the party like never before. For at least the coming five years, there will likely be a continuation of party centric political reforms across China following the success of this model over President Xi’s tenure. **Q**



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