

AmCham China

# QUARTERLY

Issue 2  
2023

Executive insights, interviews, and intelligence for business in China

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Ning Zhu on China's Economic Recovery



## Moving Forward:

*US Secretary of State Antony Blinken  
Visits Beijing*



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Photo courtesy of US Department of State

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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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# Rebuilding Communication to Support Advocacy Efforts

In early May, I had the privilege of leading an AmCham China business delegation on a week-long visit to Washington DC. Our objective was clear: to listen, learn, and share perspectives. We engaged with over 250 key policymakers and thought leaders, and met with influential China-related think tanks, 19 Congressional Offices, and key figures in the Biden Administration, including US Secretary of Commerce Gina Raimondo (see pages 8-18 for more details).

During these discussions, we presented four key recommendations:

1. Keep commercial lanes open and work to safeguard American technological development and intellectual property.
2. Coordinate with allies and partners to establish the rules of the 21st century economy.
3. Focus on rebuilding mechanisms for US-China government communications.
4. Restart and encourage valuable people-to-people exchanges.

We are witnessing encouraging progress across these domains, with the restoration of US-China governmental communications being a particularly notable achievement. While in DC, we were heartened by the meeting between US National Security Adviser Jake Sullivan and Chinese State Councilor Wang Yi in Vienna. Chinese Commerce Minister Wang Wentao then met with US Commerce Secretary Raimondo, and USTR Representative Tai. Later, AmCham China met with US Secretary of State Antony Blinken in Beijing (see pages 22-23 for more details).

As this edition of *AmCham China Quarterly* was being prepared, we hosted a business roundtable with US Treasury Secretary Janet Yellen in Beijing. Plans are also being made for the Special Presidential Envoy for Climate John Kerry's visit to China. There is also anticipation for a meeting between Presidents Biden and Xi later this year at the APEC Summit in San Francisco. In summary, the trajectory of government-to-government communication is on a positive path, which is crucial in advocating for a level-playing field for US businesses in China. Without face-to-face interactions, the bilateral relationship would be more susceptible to unpredictability and potential roadblocks.

Our companies' commitment to the China market remains steadfast. Our economic relations with China empower US companies to maintain global industry leadership and invest more in domestic R&D. In recent years, American companies have also been taking a practical and nuanced approach to diversify their global supply chains.

Recognizing the national and economic security concerns associated with our bilateral relationship, we firmly believe in the stabilizing effect of US companies in China. We foster positive people-to-people engagement and proudly showcase American values in and outside the workplace, encompassing labor rights, intellectual property, environmental stewardship, anti-corruption, and adherence to the rule of law. US interests are optimally served by ensuring that American companies continue to be a proactive, positive force in China.

**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:



For the first time in three years since the onset of the COVID-19 pandemic, an AmCham China DC Door Knock delegation, led by Chairman Colm Rafferty and President Michael Hart, convened in Washington DC for a week of crucial meetings with think tank representatives, members of Congress, and various departments of the Biden administration. This article highlights key takeaways and insights from our week in the US capital.

# 2023 DC Doorknock Report

By Allison Lapehn

From May 8 – 12, an AmCham China delegation was on the ground in Washington DC for the first in-person DC Doorknock trip since the onset of the pandemic. This year's delegation, led by AmCham China Chairman Colm Rafferty and AmCham China President Michael Hart, included 13 representatives from AmCham China's Chairman's Circle, Policy+ members, Board of Governors, and Executive Policy Community.

AmCham China presented member concerns drawing from the 2023 Flash Surveys, 2023 China Business Climate Survey Report (BCS) and the 25th Annual *American Business in China White Paper (White Paper)*. The delegations presented consistent talking points in all meetings held with DC-based policymakers, selected takeaways of which can be found below:

- Economic involvement with China supports the US economy in critically important ways. China remains an important market for US products and services, including agriculture, civil aviation, healthcare, finance, and education, ensuring the US's leading position in those sectors. Our trade with China enables US companies to remain global industrial leaders and to invest more in R&D at home. As noted in the USCBC 2022 Export Report, in 2020, 858,486 US jobs were supported by exports to China.
- Two-way trade in goods rose from US \$658 billion in 2021 to US \$690 billion in 2022, despite the COVID-related economic slowdown and ongoing challenges in the bilateral relationship. In view of these and other challenges, American companies are working to diversify sourcing to ensure supply chain resilience. But sudden disruptions in economic relations between our two highly integrated economies would be devastating to both of our countries.

- We recognize that there are significant areas of contention in the US-China relationship, many of which offer no easy prospects for resolution. Despite those frictions, the presence of US companies in China serves as a stabilizing force in the bilateral relationship. It also allows us to facilitate positive people-to-people engagement and showcase, both in and out of the workplace, the virtue of American values – including with respect to labor rights, intellectual property, environmental protection, anti-corruption, and reliance on the rule of law. US companies promote compliance programs in line with international best practices and encourage the adoption of US standards in China's supply chains. For these reasons, US interests are best served by ensuring that American companies remain an active and positive force in China.
- The American Chamber of Commerce in China understands that our two governments each have national and economic security concerns related to various aspects of our bilateral economic relations. We seek dialogue and guidance regarding the types of activities that may be problematic, so that we can avoid triggering those concerns, while also maximizing the scope of beneficial trade and investment between our two countries.

## Insights from DC Outreach Engagements

2023 has been a challenging and dynamic time for the US-China bilateral relationship. With ongoing limited in-person government engagement, the relationship has been tested by a breakdown in trust and communication following the balloon incident



in February and subsequent struggles to rebuild high level communications channels that would allow for greater in-person engagements.

While some themes were recurring this year, new topics emerged at the core of policymakers' concerns regarding American business operations in China and the bilateral relationship as a whole. The most prominent new topics are outlined below.

## Emerging Issues

Four key topics emerged through discussions with various interest groups and policymakers in Washington DC. These issues are at the center of US-based discourse on China and have picked up steam in the past year, likely securing their place as concerns for years to come.

### Taiwan

In August 2022, Speaker Pelosi's visit to Taiwan thrust the island back into the spotlight of US politics. 2023 continues to see spirited debates about the role the US should have in maintaining the status quo.

Many US-based partners made the point that "neither US nor China sees escalation over Taiwan as beneficial to their interests." Despite this, concerns over accidental escalation of tensions in the region have led to increased wariness from industry and policymakers regarding any potential reliance on Taiwan-based supply chains for key industries and technology components.

### Industrial Policy

After the passage of the CHIPS and Science Act of 2022, there is a general consensus that greater efforts in crafting industrial policies related to core technologies would benefit the United States. Administration officials emphasized that while Congress may frame these policies as related to China as a strategic competitor, investing in the development of education and R&D in the United States is also an attempt to ensure continued strength of the US economy and overall development.

Technology development and national security were core concerns for many experts and members of Congress who met with our delegation. Members of Congress and the Administration noted that ensuring self-reliance in emerging technologies is crucial to the US strategy for economic and overall national security in the medium- to long-term.

### Outbound Investment Reviews

Since the Committee on Foreign Investment in the United States (CFIUS) role in reviewing foreign investment

### DC Outreach Meetings:

**19** Congressional Offices

**18** Think Tank Experts

**7** US Admin Meetings

**2** Like-minded Orgs

**1** Visit to Chinese Embassy


from Chinese companies in US was enhanced under the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), many politicians and administration officials alike have called for a similar review process for outbound investment that could undermine national security.

While talking to Congressional offices on Capitol Hill, many raised this issue and noted that "it is not in US interests to allow firms who make money in the US to then invest it in Chinese companies advancing technology, AI, and cloud computing development that could have alternate military uses." This refrain often included specific mention of firms in the financial sector who are perceived to "ignore the legitimate national security interests of the United States in lieu of high returns."

Across the capital, talk of the rumored impending Executive Order (EO) on outbound investment reviews was a hot topic. Many mentioned that any EO would allow for greater legislation on the topic to fine tune the scope of the review measures.

### Greater Concern on Safety of Business in China

Following the raids on several foreign businesses in China, many experts, Administration, and Congressional leaders in DC questioned the safety of operating an American business in China in 2023. There is concern that broad and ever-changing interpretations of what constitutes national security may lead to greater scrutiny of US business operations on the ground in China.

Congressional offices also expressed a lack of interest in traveling to mainland China in the coming years due to safety and surveillance concerns. Restarting regular people-to-people engagements across various levels of the government remains a core interest of AmCham China following the end of the COVID-19 pandemic. 

# AmCham China DC Doorknock

Photos courtesy of AmCham China

From May 8 to 12, for the first time in three years, AmCham China's DC Doorknock delegation, was on the ground in Washington DC for a week of meetings with think tank representatives, members of Congress and various departments of the Biden administration.

The AmCham China Quarterly provides a day-by-day breakdown of the trip.



The first session of the week was a breakfast briefing by David Finkelstein from the Center for Naval Analyses (CNA), who outlined the various angles of tension over Taiwan, while also explaining the view from Washington on several national security issues.

1



6

Day one finished with a meeting with Derek Scissors from the American Enterprise Institute. Scissors discussed with the group the challenges of coordinating China-focused policy in DC, while sharing his views on how best the delegation should look to promote diversification in their operations and supply chains.



Following that was a meeting with the US-China Economic and Security Review Commission, at which several Commissioners asked questions of the AmCham China delegation regarding the AmCham China *White Paper* and April Flash Survey Results.

2



5



The other half of the group met with Ambassador Sarah Bianchi, the Deputy United States Trade Representative, who discussed the Indo-Pacific Economic Framework for Prosperity (IPEF) and other trade-related topics.

4

After lunch, the delegation split into two groups, with half meeting Daniel Kritenbrink, Assistant Secretary of State for East Asian and Pacific Affairs from the Department of State.



3

Next was a lunchtime briefing at the Center for Strategic and International Studies (CSIS), hosted by Scott Kennedy, who invited half a dozen of his colleagues to swap views on issues pertaining to China and the region.



The Conference is the premier forum for exchanging ideas on US-China economic and commercial relations, including economic, political, and regulatory developments affecting American business in China. This year's Conference covered the full suite of issues weighing on the US-China relationship including domestic politics in China, the post-Zero-COVID economy, commercial opportunities and regulatory challenges for foreign business in China, decoupling and supply chain resilience, tech competition, reputational risk of doing business in China, and a broad array of national security issues.



1

On Day two, our Chamber delegation joined the 13th Annual China Business Conference, co-hosted by AmCham China and the US Chamber of Commerce.

Day Two



Day Three

2

After the Conference, the delegation attended a dinner with Charge D'Affaires Madam Xu Xueyuan and her team at the Chinese Embassy in Washington, DC. After presenting Madam Xu with the 25th annual *White Paper* and *China Business Climate Survey Report*, the group had a meaningful and wide-ranging discussion on the current environment for American business in China.



1

On day three, the Chamber delegation returned to the US Chamber of Commerce for the second day of the China Business Conference.





Meanwhile, the Red Team met with US Representative Raja Krishnamoorthi (D-IL), co-chair of the House Select Committee on China, who had spoken at the China Business Conference the day before.

2



The White Team's first meeting was with staffers from Senator Kirsten Gillibrand's (D-NY) office. After that, they met with Zack Hosford, National Security Advisor to Senator Brian Schatz (D-HI).

3

The Red Team then met with the foreign affairs team of Michael McCaul (R-TX) to discuss views on the CHIPS Act and competition with China, among other issues.

4



5

Next up, the Blue Team met with Danuta Pereira, a legislative aide with Senator Ron Johnson (R-WI).

After a team briefing over breakfast, the Blue Team headed to the office of Senator Ben Cardin (D-MD), where they met with Tom Melia, the senator's senior foreign policy advisor.

1



## Day Four

On Day four, our delegation divided into three groups – Red, White, and Blue – to tackle over 20 congressional meetings on the Hill.

6

The Red Team sat down with the trade team of Senator Ron Wyden (D-OR).





The Red Team had an in-depth discussion with Representative Andy Barr (R-KY).

13



The Blue Team then met with Jon Abdnor, policy advisor for Senator John Thune (R-SD), followed by a sit-down with Flynn Marron from the office of Senator Thom Tillis (R-NC).

12



The White Team met with Senator Tom Carper (D-DE) and the Blue Team rounded out the day's congressional proceedings with a discussion with Eli Weiner, an aide of Senator Michael Bennet (D-CO).

14



The Red Team met with Katie Morley, the senior trade staffer for Representative Adrian Smith (R-NE).

11

The White Team sat down with Omri Ceren, the national security advisor for Senator Ted Cruz (R-TX).

10



The Red Team met with Representative Rick Larsen (D-WA), a regular feature from previous DC Doorknocks.

9



# Day Four



The White Team took their next meeting with Shayne Woods, Legislative Assistant for Senator Tim Scott (R-SC).

7

After all three teams reconvened for lunch at the Capitol Hill Club, the Blue Team headed off to meet with Representative Darin LaHood (R-IL).

8





On Day Five, our delegation continued their meetings in Washington DC, with a focus on various departments of the Biden administration.

1



After a productive week of meetings, the delegation attended a reception hosted by Crowell & Moring with AmCham China DC Alumni. The group returned to China optimistic and ready to contribute to the US-China relationship. ④

7



Before that happened, however, the White Team had one final congressional appointment, meeting with Representative Young Kim (R-CA).

2

## Day Five



The final meeting of the week took place at the National Security Council (NSC) where the delegation met with Sarah Beran, Special Assistant to the President and Senior Director for China and Taiwan Affairs.

6



At the same time, the remaining members of the delegation headed to the State Department to meet with Matt Murray, the US Senior Official for Asia-Pacific Economic Cooperation (APEC) and a long-time friend of AmCham China from his previous posting at the US Embassy in Beijing. During the same meeting, Rick Waters, China Coordinator and Deputy Assistant Secretary of State for China and Taiwan, also dropped by to speak with the group about recent developments.

3

The next stop was the USDA for a meeting with Acting Deputy Under Secretary Jason Hafemeister.

5



After a quick lunch, the delegation visited the Commerce Department for perhaps the highlight of the day, meeting at length with Commerce Secretary Gina Raimondo who exchanged views with the delegation on a range of issues. Joining Secretary Raimondo for the meeting were various members of her team, including Ted Dean, who served two terms as AmCham China Chair 2011-12, and Elizabeth Economy and Scott Tatlock, who had both visited the AmCham China office in Beijing just weeks earlier.

4



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# Inside the 13th Annual China Business Conference

The China Business Conference, held from May 8 to May 10, covered a wide range of topics encompassing economic, political, and regulatory developments that impact American businesses in China. Coinciding with AmCham China's DC Doorknock trip, this Conference provided a platform for in-depth discussions on domestic politics, the post-Zero-COVID economy,

commercial opportunities, regulatory challenges, decoupling, supply chain resilience, tech competition, reputational risks, and national security concerns.

The Conference kicked off with an engaging welcome reception, setting the stage for two days of thought-provoking conversations and networking opportunities.



**Above:**

Joerg Wuttke, EU Chamber of Commerce in China; Anny Vu, US Department of State; Karen Sutter, Congressional Research Service; Chris Johnson, China Strategies Group; Evan Osnos, The New Yorker

Photo courtesy of AmCham China

The AmCham China Quarterly takes you inside the 13th Annual China Business Conference held in May in Washington, DC. Co-hosted by AmCham China and the US Chamber of Commerce, this premier forum brought together industry leaders, experts, and policymakers to explore the intricacies of US-China economic and commercial relations. From post-Zero-COVID economic landscapes to supply chain resilience and emerging tech competition, this year's Conference offered invaluable insights into the opportunities and challenges faced by American businesses in China.

**Above:**

AmCham China Chairman Colm Rafferty

Photo courtesy of AmCham China

## Day One

Day One commenced with opening remarks from AmCham China Chairman Colm Rafferty and the US Chamber's China Center President Jeremie Waterman. Rafferty emphasized AmCham China's commitment to fostering beneficial trade and development while acknowledging national security concerns. Key recommendations included keeping economic and trade lanes open, coordinating with partners on pertinent issues, reestablishing government-to-government communication at all levels, and promoting people-to-people exchanges. Rafferty also underscored the importance of

addressing concerns while ensuring that the American business community remains a proactive and positive force in China.

The first panel, titled "View from the Ground: The State of Foreign Business in Post-Zero COVID China," featured prominent members of the AmCham China DC Doorknock delegation. Moderator Bill Zarit, Senior Counselor at the Cohen Group and AmCham China Board member was joined by Michael Hart, AmCham China President, and Sean Stein, Chairman of AmCham China Shanghai, and Senior Advisor at Covington & Burling. The panel shed light on the current business landscape in China,

with Hart noting shifting trends in Chinese consumer behavior. Stein shared insights into the business climate for US companies, highlighting the success of those selling goods and industrials within the Chinese market, while acknowledging the challenges faced by those targeting the Chinese export sector. The panel also refuted the notion that the US business community is oblivious to the national security risks associated with operating in China.

Day One continued with compelling contributions from notable speakers and moderators, including author Evan Osnos, Lingling Wei from The Wall Street Journal, Intel CEO Pat Gelsinger, Australian Ambassador to the US Dr. Kevin Rudd, and more. The panels explored a wide variety of topics, such as decoupling and supply chain resilience, the post-COVID economy in China, and an insightful discussion on understanding Xi Jinping's China.

## Day Two

Day Two showcased another excellent lineup of speakers and discussions, focusing on cybersecurity, digital transformation, and the future of innovation in China. Panels included "The View from the Senate" featuring Senators Dan Sullivan and Chris Van Hollen, "US-China Technology Competition: Getting the Policy Mix Right for AI, Bioeconomy, Quantum, and Semiconductors," "Preparing for Taiwan Risk: Implications for US Companies and the Global Economy," and "Views from the House: Is the US Rising to the Competition or Still in the Starting Blocks?" The latter panel, moderated by delegation member and former AmCham China Chairman Jim McGregor, featured Rep. Mike Gallagher and Rep. Raja Krishnamoorthi, the joint chairs of the House Select Committee on China.

Additional notable speakers from Day Two included Sinocism author Bill Bishop, The Wire's David Barboza, Bonnie Glaser from the German Marshall Fund of the US, Jimmy Goodrich from the Semiconductor Industry Association, Alan Estevez from the US Department of Commerce, and many more.

The 13th Annual China Business Conference, a resounding success following a shift to online platforms in recent years due to COVID, served as a platform for AmCham China and the US Chamber of Commerce to facilitate meaningful discussions and foster collaboration around the US-China relationship. The Conference provided invaluable insights into the complex dynamics of US-China economic and commercial relations, empowering businesses to navigate the ever-evolving landscape with knowledge and strategic foresight. 



**Top:** Sean Stein, AmCham Shanghai/Covington & Burling; Michael Hart, AmCham China; William Zarit, Cohen Group

**Middle:** Former USTR Michèle Flournoy, WestExec Advisors, Former Under Secretary of Defense for Policy; Charlene Barshefsky, Parkside Global Advisors

**Bottom:** Isaac Stone Fish, Strategy Risks; John Garnaut, Garnaut Global; David Barboza, The Wire Digital; Bill Bishop, Sinocism

Photos courtesy of AmCham China

# Lights, Camera, Empowerment:

## *Warner Bros' Gillian Zhao Shares Her Directorial Approach to Leadership*

*As a leader with experience across several industries, can you speak to your leadership style and approach? How has it been shaped by personal experiences?*

### **Gillian Zhao:**

When I was a fresh graduate, I landed my first job at Hewlett-Packard, one of only a handful of Sino-US joint ventures at the time. It was a significantly male-dominated industry, and one of the first activities they had us do was team building. Getting to know the team, including understanding everyone's unique personalities, was a vital interpersonal skill that I still value to this day. Learning how to work with people with contrasting personalities and ensure the best results is still an experience I remember and value. In senior positions, I believe a combination of emotional intelligence and interpersonal skills, especially when surrounded by strong personalities, is very important.

Time management, including a sensitivity to time, is another quality I think a leader should possess. This is particularly important when in a senior position within a fast-paced environment, where being able to efficiently manage time is vital. Even in my current



Photo courtesy of Warner Bros. Discovery China

**Gillian Zhao** is the President of Warner Bros. Discovery in China, overseeing the company's business strategy and leading various functions in Theatrical, TV Distribution, Home Entertainment, and Local Theatrical Production. She is a highly influential and respected media executive, known for achieving consistently strong box office performance in China and enhancing the role of co-productions. Gillian joined Warner Bros. in 2016 after serving as Senior Assistant to the President of Wanda Culture Group and CEO of Wanda Pictures. Previously, she held senior executive positions at Bona Film Group, Celestial Entertainment China, and Star TV (China). Before her entertainment career, Gillian spent nearly two decades in the technology industry, including roles at Apple China, Microsoft China, and IBM China.

*Gillian Zhao, President of Warner Bros. Discovery China, takes center stage in an exclusive Q&A with the AmCham China Quarterly. In this captivating interview, Zhao reveals her inspiring journey and shares insightful perspectives. From breaking stereotypes to shaping the industry, she showcases her unique leadership style and offers a behind-the-scenes glimpse into China's evolving media landscape.*

senior position, every day I make a checklist of what I must do. Tasks that require multiple people are done first to create an efficient workflow.

***In your opinion, how do you think women can successfully overcome obstacles in their career development?***

**Gillian Zhao:**

Women should convey a sense of self-confidence and not underestimate themselves in the workplace. As an employee, regardless of your gender, you are entrusted with an important role, and you should try to complete tasks to the best of your ability. Within a work context, I don't spend much time focusing on my gender. Rather, I think an important reason for my success to date is a personal commitment to being empathetic and always trying to think about the other party's expectations to create win-win situations.

Especially important when working in an environment with strong personalities, is being brave and having the confidence to back up your own solutions. This goes back to my earlier point about interpersonal skills, understanding and having empathy for your boss' obstacles and KPIs, and knowing how to convey solutions and ideas in a way that they are most receptive to. It's about establishing a common language between people. For example, some managers need hard data, whereas others are more receptive to humor.

***What are some insights you have about tackling career development in different life stages while dealing with personal changes?***

**Gillian Zhao:**

I believe that no matter what stage you are in, whether it's in your professional life or personal life, it is important to maintain a sense of curiosity and penchant for learning. Also, having a natural drive is important. Personally, I don't need a pat on the shoulder, or words of encouragement to motivate me. For me, the key to making continuous progress, either in a single industry or several, and especially relevant to those who work in various cultural environments, is to always explore and learn different things from different people to make up for experiences and knowledge that we lack.

During my career, as I continued to climb the corporate ladder, time management was not only important to my work life, but to my personal life as well. Regardless of gender, I don't believe having a family and a career are mutually exclusive. I am my mother's daughter, my daughter's mother, a sister, a friend, a colleague and a leader. There are many important roles I play in addition to my job.

I think career burnout is another important yet often overlooked aspect. Why does one get burnout? Are they tired of repetitive work? Tired of a career path? Tired of the current lifestyle? That's why learning and curiosity is so important. Whether it is avoiding burnout by trying a new job or industry, or finding something in life, curiosity is the foundation to master new skills or knowledge to succeed.

***What initiatives has Warner Bros. Discovery implemented to support and promote gender equality and female empowerment in the workplace?***

**Gillian Zhao:**

Diversity, equity, and inclusion are a top priority at Warner Bros. Discovery. Supporting a safe and inclusive workplace is not just the right thing to do but it also makes smart business sense. This is clearly demonstrated in the company culture we foster, the way we nurture our workforce, as well as our commitment to representative and inclusive content.

It is also reflected in our leadership team and our Board, and we have female leaders across most of our creative businesses, including our US Networks, Warner Bros. Picture Group, and Warner Bros Television Group.

Operationally, Warner Bros. Discovery has several initiatives and practices in place to drive long-term change, spearheaded by the Diversity, Equity, and Inclusion leadership team. Some of these include regularly conducting diagnostic work to identify potential barriers to equity, pay equity reviews and ongoing analysis of the representation of women and people of color in succession pipelines.

***You were appointed president of the China market in fall 2022. Can you talk about your new role as president of Warner Bros. Discovery's operations in China and can you share any plans about the company's growth and expansion?***



**Above:** Gillian Zhao speaks at a Warner Bros. Discovery event

Photo courtesy of Warner Bros. Discovery China

"It is important to maintain a sense of curiosity and penchant for learning."

#### **Gillian Zhao:**

Warner Bros. Discovery is a leading global entertainment company. In China, the business spans films, television, local productions, consumer goods and gaming. I lead the strategic growth of the company's theatrical, TV distribution, home entertainment and local theatrical production businesses. I believe we can better leverage a combination of our assets and IP, as well as expertise in storytelling, to expand our influence and brand value in the China market.

We have an established local production team who have a deep understanding of the market and have created successful films such as *The Meg* and *White Snake*. Our global network also enables us to share stories across our platforms internationally.

This year is also a special year for Warner Bros. Discovery as we celebrate the legacy, heritage and success of the 100th anniversary of Warner Bros. Studios. In its vast century-long history, Warner Bros. has continuously brought film talents to Hollywood and has created groundbreaking films that have left a permanent mark on the world. Our core long-term strategy has remained unchanged throughout, namely that we will always believe in the power of storytelling. In the future, we will continue to work with creators from all over the

world, including China, to bring more exciting and touching works to audiences.

*How has the media landscape in China evolved during your career, and what do you see as the biggest trends and opportunities in the market today?*

#### **Gillian Zhao:**

The global film industry, especially the streaming market, has experienced rapid transformations and new challenges because of the COVID-19 pandemic. Similarly, if you look at the history of Hollywood films in the last century, many milestones and major turning points often coincide with industrial and technological revolution. Such changes have inspired filmmakers to create art beyond human imagination, and propagated the development of the techno-film industry. In the last 100 years, Warner Bros. has continually served as a technological leader in film, such as pioneering the era of sound films.

In today's world, I think AR/VR and metaverse technology will have a major impact on the entire film and TV industry. I believe it will change the industry in three ways: change the content itself, change the medium we use to watch content, and change the way we create content. While AR/VR tech are still in its infancy, its accelerating development coincides with the recent metaverse boom in China, and this powerful combination can create new and unique opportunities for Chinese film making. I hope to use this chance to reduce the distance between China and Hollywood. However, as a part of the entertainment industry, we cannot deviate from the human essence that drives our innovation and creativity, and here at Warner Bros. Discovery, we are a firm believer in the power of stories.

*In what ways do you think China's media landscape has evolved? How can WBD stay ahead of the curve?*

#### **Gillian Zhao:**

The COVID-19 pandemic has brought about a lot of new changes that make it very difficult and unlikely for our industry and society to return to the way it was before. Consumer options for watching movies continue to diversify, and audience preferences are changing too. While imported films remain popular, we're also seeing more and more consumers engaging with domestic films, with the aim of finding touching stories that can act as an emotional catharsis. With the ongoing demand for local productions, we are focused on working closely with local creatives and filmmakers to continue developing more high-quality domestic films to better meet the needs of audiences. 🎬

# Moving Forward:

## *US Secretary of State Antony Blinken Visits Beijing*



Photo courtesy of US Department of State

Leading up to US Secretary of State Antony J. Blinken's June visit, the Biden administration tried to lower expectations of any major breakthroughs or announcements coming from the engagements expected in Beijing. The meeting between US Secretary Blinken and China's President Xi remained unconfirmed throughout much of the lead up to the visit, being announced only an hour before taking place late on Monday afternoon. Despite the high degree of caution and hesitancy around

the visit, increased high-level engagement and dialogue is vital to rebuilding trust and maintaining open channels for communication.

Secretary Blinken conducted a two-day visit to Beijing between Sunday, June 18 through Monday, June 19, during which he met with President Xi Jinping, State Councilor and Foreign Minister Qin Gang, top diplomat Wang Yi, and representatives from the American business community, including AmCham China Chairman Colm Rafferty.

### **Meeting with Foreign Minister Qin Gang**

#### **Sunday**

Secretary Blinken kicked off his China visit on Sunday by meeting with State Councilor and Foreign Minister Qin Gang. During the over eight-hour-long meeting, the US side raised issues, including upholding the international rules-based order and facilitating

In February 2023, US Secretary of State Antony Blinken's visit to Beijing was indefinitely postponed when a high-altitude balloon, equipped with Chinese technology, entered mainland United States airspace. The subsequent cooling of relations between the US and China made rescheduling the visit a challenging endeavor for both sides. Fortunately, after months of rebuilding bilateral communication from the ground up, the desire for high-level engagement between the US and China became a priority once again, with Blinken successfully visiting the People's Republic of China in June.

people-to-people exchanges between China and the US. Following the meeting, the official press release from the US Department of State stated: "Secretary of State Antony J. Blinken held candid, substantive, and constructive talks today with People's Republic of China (PRC) State Councilor and Foreign Minister Qin Gang in Beijing. The Secretary emphasized the importance of diplomacy and maintaining open channels of communication across the full range of issues to reduce the risk of misperception and miscalculation." From the Chinese side, Qin noted that US-China relations were at the "lowest point" since diplomatic ties were re-established in 1979 and "raised clear demands" on US policy toward Taiwan.

The constructive meeting also included an agreement to begin planning a reciprocal visit of Qin Gang to the US at an appropriate time. The readout released by the Chinese Foreign Ministry noted that the two sides agreed on high-level principles of engagement and dialogue, as well as expanding people-to-people and educational exchanges, increasing flights, and aiding with bilateral visits.

## Meeting with Senior Diplomat Wang Yi

### Monday morning

On Monday morning, Blinken met with his Chinese counterpart Wang Yi for a three-hour meeting followed by a press conference. Following the meeting, many China watchers and experts noted a shift in tone after Wang's remarks, which were much harsher than those shared by Minister Qin Gang the day prior. According to the readout released by the Chinese Foreign Ministry, Wang blamed Washington's "wrong perception" of China as the "root cause" of the decline in the two sides' relations. He

demanded that the US stop "suppressing" China's technological development and hyping the "China threat". Wang also reiterated that Taiwan is one of China's "core interests" over which it "has no room for compromise or backdown".

On the US side, Blinken used the meeting to underscore the need for the countries to "responsibly" manage their competition through "open channels of communication" to ensure it "does not veer into conflict," State Department spokesperson Matthew Miller said in a statement. Blinken further stated that the US would continue to use its diplomacy to "stand up for the interests and values of the American people". He described the talks as "candid and productive" and added that they also included discussions on potential areas of cooperation regarding shared transnational challenges.

## Meeting with US Business Community Representatives

### Monday afternoon

Also on Monday, Blinken met with a small group of US business leaders to discuss the role private companies can play in supporting US-China relations. AmCham China Chairman Colm Rafferty and Vice Chair Roberta Lipson attended on behalf of the Chamber. During the meeting, AmCham China's Rafferty and Lipson raised issues reported by member companies in the Chamber's recent Flash Survey, the 2023

Business Climate Survey, and the 25th Annual Edition of the *American Business in China White Paper*.

## Meeting with President Xi Jinping

### Monday afternoon

Monday concluded with the most anticipated meeting of the trip, where Blinken met with Chinese President Xi Jinping. Prior to being granted an audience with President Xi, intense media speculation arose as to whether Secretary Blinken would have the opportunity. The 30-minute meeting, held at the Great Hall of the People, was seen as key to the success of the trip.

In footage of the meeting released by state broadcaster CCTV, Xi is heard saying, "The two sides have agreed to follow through on the common understandings President Biden and I have reached in Bali." President Xi was also reported to say, "I hope that through this visit, Mr. Secretary, you will make more positive contributions to stabilizing China-US relations." 🗣️



Above: AmCham China Chairman Colm Rafferty and Vice Chair Roberta Lipson meet with Secretary Blinken and Ambassador Burns

Photo courtesy of US Department of State



# China Reopening in 2023: What's Changed in the Economy, Policy, and Diplomacy?

Depositphotos.com

By Arendse Huld

China's economy has been on a trajectory of steady but uneven recovery since the lifting of COVID-19 restrictions. GDP grew by 4.5 percent in the first quarter of 2023, a robust figure that exceeded the 2022 annual GDP growth rate of 3 percent but was lower than the target of "around 5 percent" set for 2023 in the Government Work Report. Various economic indicators have shown a steady increase since the end of 2022, including manufacturing, services, and consumption.

## Recovery of Consumption and Services

Services have experienced a rapid recovery since the end of 2022, primarily due to being severely affected by COVID-19 restrictions. Consumer goods sales went

*China has made steady economic progress since the COVID-19 pandemic. The lifting of restrictions in late 2022 sparked a rebound in various sectors, domestic tourism fully recovered, and international travel increased modestly. However, uneven growth in the first five months of 2023 led to the government implementing measures to support businesses, boost consumption, and control market liquidity. This article examines China's post-restriction development, including economic recovery, domestic policy changes, and advancements in international diplomacy.*

from a 1.8 percent decline in December 2022 to a 5.5 percent increase in the first two months of 2023, peaking at 13.5 percent growth in April. However, retail sales growth slowed slightly in May, reflecting a broader trend across economic sectors. The high figures in April and May were partly influenced by the low base effect, as consumption and services were greatly affected during the same period in 2022. Despite a rebound in consumption, domestic demand

has remained relatively weak, evident in low import levels and inflation. The government's focus now is to stimulate economic growth by boosting demand. During the 2023 Labor Day Holiday (April 29 to May 3), domestic trips and revenue from the tourism industry surpassed 2019 figures. Domestic flights have also resumed at full capacity, albeit with significantly higher ticket prices compared to pre-pandemic levels. Flight ticket prices for a one-way domestic



flight during the Labor Day Holiday increased by 39 percent, reaching an average of RMB 1,211 (US\$167). China's Dragon Boat Festival holiday in 2023 (June 22 to June 24) also witnessed high travel levels. Over the three days, there were a total of 106 million domestic trips, a 32.2 percent YoY increase, equivalent to 112.8 percent of 2019 levels. Tourism revenue amounted to RMB 37.3 billion (US\$5.2 billion), a 44.5 percent YoY increase, reaching 94.9 percent of 2019 levels. Although outbound travel has increased, it remains below pre-pandemic levels. By the end of May 2023, the Civil Aviation Administration of China (CAAC) reported a 12.1 percent YoY increase in international flight distance, covering 9.98 billion ton-kilometers since the beginning of the year. However, this only represents 53.9 percent of the distance covered during the same period in 2019. The recovery of outbound travel has been sluggish due to the limited number of international flight routes, with less than 6 percent of pre-pandemic flights between the US and China resumed by the end of May. This scarcity of flights has contributed to high ticket costs, further impeding the recovery of travel and personnel exchange. To address this, the US and China have agreed to increase the number of flight routes, which are currently capped at 12 round trips per week for each country's airlines.

## Manufacturing and Industrial Output

The industrial output of companies above a designated size (those with a main business income of over RMB 20 million (approx. US\$2.9 million), a key indicator of the country's manufacturing industry, has increased steadily since the beginning of the year. In the first quarter it was up 3 percent year-on-year in the first quarter, 0.3 percentage points higher than that in the fourth quarter of 2022. In March, the value-add of these industrial enterprises was up 3.9 percent year-on-year, 1.5 percentage points higher than that in the first two months, but slightly lower than Reuter's forecast of 4 percent. Industrial output continued to accelerate in April, growing 5.6 percent year-on-year, but slowed to 3.5 percent year-on-year in May.

## Trade and Foreign Investment

International trade has remained low since late 2022, with brief spikes in March and April. March saw a 15.5 percent YoY increase in the total value of imports and exports, driven by a 23.4 percent growth in exports and 6.1 percent growth in imports. However, the growth rate slowed to 8.9 percent in April and dropped to just 0.5 percent YoY in May. High inflation and economic downturns in key overseas markets like the EU and North America have significantly impacted China's export-driven economic growth. Weak domestic demand has kept import volumes low. Despite slow FDI growth, China saw a 38.3 percent increase in foreign-invested enterprises established between January and May, totaling 18,532 FIEs.

## Policies to Support Business and Attract Foreign Investment

To address the uneven economic recovery, the Chinese government has implemented supportive measures for businesses and foreign investment. The State Council extended preferential tax policies at the end of March, benefiting small and low-profit companies, as well as key industries. These policies, including tax deductions for R&D expenses and reduced income tax for eligible entities, are expected to alleviate the tax burden by over RMB 480 billion (approx. US\$69.8 billion). Provincial and municipal governments, such as Shanghai, have also introduced measures to attract foreign direct investment (FDI) and improve the business environment, especially for private enterprises. In order to achieve the targeted "around 5 percent" GDP growth and counter obstacles to economic recovery, the government plans to roll out a stimulus package like the one implemented in 2020.

During a recent State Council meeting, Premier Li Qiang highlighted the need for more robust measures to enhance development momentum, optimize the economic structure, and promote continuous economic recovery. The meeting outlined policy measures in macro-policy regulation, expanding effective demand, strengthening the real economy, and addressing risks in key areas. These support policies are

expected to be implemented promptly. Additionally, the government aims to boost infrastructure investment by issuing RMB 1 trillion (approx. US\$139.8 billion) worth of special purpose bonds (SPBs), as reported by the Wall Street Journal.

## A "Thaw" in US-China Relations

China-US relations have been strained for years, and efforts to improve bilateral dialogue have faced challenges. In November 2022, President Xi and President Biden held their first face-to-face meeting, emphasizing cooperation on climate change, macroeconomic stability, health security, and food security. However, the planned visit of US Secretary of State Antony Blinken to China in early 2023 was postponed due to the fallout from the "spy balloon" incident, which created tensions. Despite the deteriorating relations, high-level meetings have increased recently to ease tensions. In June, Blinken visited Beijing and met with top Chinese officials, signaling a slight improvement in relations. However, maintaining progress depends on handling unforeseen events that could disrupt the relationship once again.

## China's Recovery Going into H2 2023

China's uneven but steady recovery is expected to continue over the course of the next few months. Despite challenges, most analysts continue to forecast China's GDP growth for 2023 to be above the "around 5 percent" target. As of June, JPMorgan's full-year forecast is set at 5.5 percent, while UBS predicts 5.2 percent growth.

The second half of 2023 will doubtlessly come with a series of challenges, whether economic or diplomatic, which will have considerable implications for China's ongoing economic recovery and business development. Many of these issues are likely to be addressed by corresponding government policies and supportive measures. **Q**

*This article was first published by China Briefing, which is produced by Dezan Shira & Associates. Dezan Shira & Associates is an AmCham China Corporate Partner Program Member.*

# Key Insights from AmCham China's 25th Annual *White Paper* and Latest Flash Survey

## **The 2023 American Business in China White Paper**

This 2023 *White Paper* contains 40 chapters covering developments over the past year, and includes 20 chapters on industry-specific issues, such as agriculture, banking, ICT, manufacturing, health-care, and real estate, 11 chapters on industrial policy and market access, such as competition law, compliance, procurement, and taxes, and five chapters with a region-specific focus, covering central China, northeast China, southwest China, Shanghai, and Tianjin.

Despite pandemic challenges and a complex bilateral relationship, economic ties between the US and China remained robust. Bilateral trade in goods reached \$690 billion in 2022, highlighting China's significance as a market for US high-tech products. Additionally, China's role as a supplier of diverse products and components benefited both US producers and consumers.

Foreign businesses faced challenges in 2022, driven by deteriorating US-China relations and pandemic-related regional lockdowns. The 2023 China Business Climate Survey Report revealed that rising tensions in US-China relations were the top challenge identified by respondents.

While acknowledging the need to safeguard national security and law enforcement interests, AmCham China emphasizes the importance of commercially focused engagement and consultation with the business community. China must commit to further market opening and provide a level playing field for American producers and service providers. Addressing compliance burdens posed by legislation such as the Foreign Investment Law, Data Security Law, Personal Information Protection Law, and Cybersecurity Law is imperative.

The Chamber welcomes closer collaboration with the US administration, providing an accurate



assessment of the situation for US companies in China and advocating for a more equitable and sustainable economic relationship. US companies in China stabilize the bilateral relationship, contribute to both nations' economies, and promote people-to-people exchanges. Despite challenges, they remain committed to sharing American values and employment practices.

On April 26, AmCham China launched the 25th annual American Business in China White Paper (White Paper). This landmark edition of the Chamber's signature report provides a candid assessment of the current operation environment and provides a comprehensive list of recommendations for both the US and Chinese governments. Also released in tandem with the 2023 White Paper was a separate Flash Survey to reflect the recently improved business outlook and to highlight growing concerns about bilateral tensions. The AmCham China Quarterly highlights key takeaways and central messaging from both documents.

As we navigate the evolving US-China landscape, cooperation and addressing the concerns of the business community are crucial for fostering a stronger and mutually beneficial relationship between the two nations.

## COVID-19 Colors 2022's Performance

The operational challenges posed by COVID-19 impacted foreign companies in China. China's prevention measures, including regional lockdowns, significantly affected the US business community in 2022. These measures hindered cohesive national and global strategies, resulting in a slightly pessimistic business climate. Revenue declined to 2020 levels, with 34% of respondents reporting a decrease. Consumer and Services sectors were hit hard, with intermittent lockdowns causing declining EBIT margins. While prevention measures have eased in 2023, uncertainty remains.

## Deteriorating Bilateral Relations: A Key Challenge

US-China bilateral relations declined in 2022-2023,

impacting the economy, security, law enforcement, culture, and people-to-people exchanges. The 2023 Business Climate Survey identified "rising tensions in US-China relations" as the top challenge for businesses. Over 96% recognized the importance of a positive relationship for growth, especially in Technology and Services sectors. Trade tensions affected 75% of members, while events like COVID-19 and the Russian invasion strained ties. Foreign investors expressed concerns, and the Biden administration pursued a "invest, align, compete" approach. China's diplomacy aims for cooperation, but centralized power under Xi Jinping hinders divergent values. Stability, cooperation, and common ground are vital amid challenges.

## Foreign Business Outlook

Despite a pessimistic outlook, the China market remains appealing. China's real GDP grew by 3% in 2022, but foreign companies face market access issues and have low confidence in China's openness. According to 2023 BCS data, China's ranking as a top investment priority declined significantly. Revenue estimates for 2022 were lower for 34% of members.

Uncertainty in China's policy environment, slower economic growth, and the US-China economic relationship deter investment. Respondents feel "less welcome" due to restrictive regulations and rising tensions. Barriers to innovation include technology decoupling, restrictive cybersecurity policies, and inadequate IP protection. Confidence in IP protection has declined over the years. These findings reflect the evolving landscape for foreign businesses as they reassess investment plans and express concerns about the policy environment and market conditions.

## Top Business Challenges

Top business challenges In 2023, "rising tensions in US-China relations" was the leading challenge for our members for the third year in a row. This was followed by "COVID-19 prevention measures" (55%), "inconsistent regulatory interpretation and unclear laws and enforcement" (32%) and "rising labor costs" (25%), and "regulatory compliance risks" (25%).

2023 BCS Rank	2023 BCS Challenge	2022 BCS Rank
1	Rising tensions in US-China Relations	1
2	COVID-19 prevention measures	n/a
3	Inconsistent regulatory interpretation and unclear laws & enforcement	2
4	Rising labor costs	3
5	Regulatory compliance risks	4

## Intellectual Property and Innovation

Innovation and R&D are crucial for business growth in China, with 85% of respondents emphasizing their importance. Barriers to innovation include technology decoupling, restrictive cybersecurity policies, and insufficient IP protection. There is growing uncertainty regarding IP enforcement, although some report improvement. Protecting intellectual property remains a concern for US companies, as 72% would consider increased investment if China strengthens IP protection. This aligns with the belief that innovation and R&D are critical for future growth in China. Overcoming barriers, addressing concerns, and promoting robust IP safeguards are key factors shaping the business landscape in China.

### Key Recommendations

- The Chinese government should ensure that any market access commitments are accompanied by actions that guarantee a level playing field for all firms, irrespective of their shareholders' nationality. They should refrain from using implicit, unpublished, or internal guidance to replace

foreign-made products/services with domestic equivalents.

- The Chinese government should provide equal terms of market access to foreign-invested enterprises (FIEs) in emerging sectors, without requiring the sharing of intellectual property (IP) with local firms or regulators under the guise of safety or standard operating procedures.
- Meaningful reform commitments from the Chinese government should include clear benchmarks, timelines, and rigorous monitoring to bring lasting changes to China's legal and regulatory frameworks, ensuring impartial implementation. Coordinated and consistent policy development, implementation, and enforcement across ministries are essential.
- Discriminatory practices that treat FIEs or their products and services less favorably than domestic firms in the Chinese market, such as biased laws, enforcement activities, approval processes, procurement preferences, should be eliminated.
- Both the US and Chinese governments should adhere to globally accepted trading rules, support and strengthen the existing multilateral trade regime, and avoid protectionist tendencies.

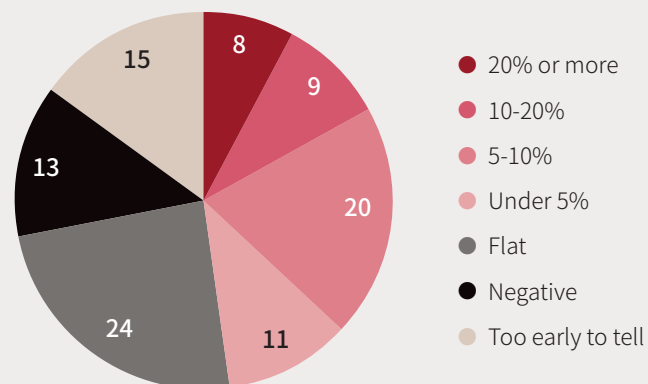
## Flash Survey on China Business Climate Sentiment Updates

The 109 member companies who participated in the Flash Survey conducted by the Chamber from April 18 – 23, 2023, showcased a notable upturn in their outlook on China's business landscape. This positive shift, compared to the 2023 *Business Climate Survey Report (BCS)* results, is evident in several key areas.

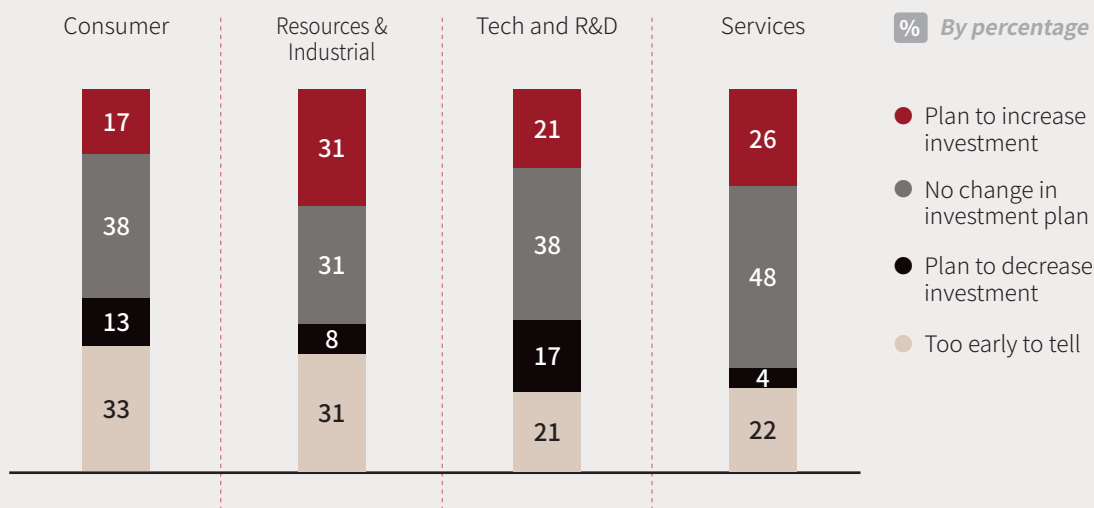
### Economic Recovery and Domestic Market Growth

A remarkable 59% reported a positive outlook on China's economic recovery, representing a substantial increase of 22 percentage points from the 2023 BCS results (33%). Similarly, 59% expressed optimism regarding China's domestic market growth, a significant rise from the previous figure of 42% in the BCS. The number of members optimistic about the potential for profitability witnessed a slight increase, with 37% expressing positive views. This marks a modest rise of 4 percentage points from the 2023 BCS.

**What is your or your company's forecast for your industry's market growth in 2023**



## What is your estimate for your company's short to mid-term (2023-2025) China investment decisions (US\$)? (By sector)



### Challenges in US-China Relations

US-China relations continue to pose significant challenges, with pessimistic views on the bilateral relationship worsening. The percentage rose from 73% in the 2023 BCS to 87% in the Flash Survey.

### Supply Chain Considerations

Most members (73%) are not relocating their supply chains outside of China, citing reasons such as risk management. However, 23% of respondents are either considering relocating their supply chains or have already initiated the process. Additionally, 27% of companies have re-prioritized other countries, reflecting a 21-percentage point increase from the 2023 BCS survey results.

### Market Growth & Investment Plans

Within their short-to-mid-term investment plans (2023-2025), 24% of respondents expressed their intention to increase investment in China, while 40% indicated no change. However, 26% reported uncertainties regarding their investment strategies. For those not planning to increase investment, top challenges included uncertainties in the bilateral economic relationship (26%) and expectations of

slower growth in China (23%). Nearly half (48%) of member companies anticipate growth in their industries, while 15% reported uncertainties.

### Business Outlook

Members' recent views on China's two-year business outlook indicate a more positive sentiment compared to the 2023 BCS results. Key findings include a significant increase in those reporting a positive outlook for China's economic recovery (59% vs. 33% in 2023), a sharp rise in optimism regarding domestic market growth by 17pp, and a modest increase of 4pp in profitability expectations.

### Business Challenges

US-China relations continue to be the most challenging issue, as reflected by the increasing pessimistic views from 73% in the 2023 BCS to 87% in the April Flash Survey. Consistent with the 2023 BCS results, 62% of respondents identified US-China relations as their top business challenge. Additionally, 25% expressed concern over heightened Chinese protectionism and economic nationalism.

These findings shed light on members' business outlook and challenges in China. Despite the positive economic recovery outlook, US-China relations remain a significant concern, impacting different sectors differently. Challenges related to talent acquisition, cybersecurity policies, and limited international travel require attention as members navigate the business environment. **1**

To download the full Flash Survey, scan the QR code



# Riding the ESG Wave to Global Success:

## *How Chinese Ecommerce Brands Navigate Overseas Market Opportunities*

*In recent years, buzzwords such as sustainable development, environmental protection and recycling have not only sparked discussions on social media, but also influenced consumers' purchasing decisions. In an interview with the AmCham China Quarterly, Jenny Lau, Head of SMB eCommerce, Greater China at Meta discusses the growing importance of ESG (Environmental, Social and Governance) and ESG hotspots across the eCommerce sector.*

**Can you briefly describe your responsibilities at Meta, and what motivated your team to publish this ESG Whitepaper?**

**Jenny Lau:**

I lead the business strategy for Meta Greater China, focusing on enabling the small to medium-sized business (SMB) eCommerce sector. Together with my regional team, I help SMBs in China reach international consumers using Meta's digital marketing solutions and technologies.

We're seeing strong growth in cross-border eCommerce and we want to help Chinese brands generate demand and drive growth by harnessing the massive reach of our platforms including Facebook, Instagram, Messenger, and WhatsApp. While a growing number of Chinese brands have begun their exporting journey, we've observed some growth opportunities that SMBs may not have the knowledge or technical expertise to accelerate growth.

One of these opportunities is ESG. International consumers are not only concerned about global climate change, sustainability, and gender equality, but are also increasingly turning these concerns into action by making value-driven purchases. According to one survey, 75% of Gen Z consumers in the US value a brand's sustainability practices over its brand name when making purchasing decisions.

We found some Chinese eCommerce brands were missing out on ESG opportunities due to lack of knowledge and guidance. To address this,

Meta collaborated with AVISTA Group to develop a comprehensive whitepaper and a tailored ESG framework for China's cross-border eCommerce brands. Additionally, we provided consultations to selected DTC eCommerce brands, assisting them in improving their brand image on Meta's social media platforms and leveraging ESG efforts for growth while finding scalable solutions to showcase their commitments.

**Could you go into more details about the consulting that Meta provided - how exactly did you help these Chinese brands?**

**Jenny Lau:**

From July to November 2022, Meta invited external consultants to advise four Chinese direct-to-customer (DTC) eCommerce brands in the fashion industry, with the aim to help them improve brand strategy and operational fundamentals in relation to ESG.

We began the consultations by conducting one-on-one interviews with employees from various departments of each brand. From there, we advised the brands on specific ESG strategies and related operational improvements, as well as creative strategies that they implemented through advertising on Meta platforms. In the weeks that followed, we conducted testing and monitored the results.

One of the brands that we worked with was OGL, a fashion brand centered on sustainable



Scan the QR code to follow Meta on WeChat and download the "ESG Whitepaper for China Cross-border E-commerce Business" co-published by Meta and AVISTA Group.

 Meta



**Jenny Lau** is the Head of SMB eCommerce, Greater China, at Meta. She leads Meta's monetization strategy in the region, focusing on small to medium-sized businesses (SMBs) in the eCommerce sector. With her regional team, she helps SMBs expand globally. Jenny joined Meta in 2015 as the first hire to establish business planning and operations

in the region. She is an advocate for Meta's Diversity, Equity & Inclusion (DEI) social impact group. Prior to Meta, Jenny held leadership roles in business planning and operations at technology firms like Microsoft. She is also a Sake Sommelier and uses technology to create positive impact and overcome barriers.

women's clothing that incorporates eco-friendly fabrics, sustainable manufacturing processes, and other ESG-related initiatives. With Meta and AVISTA's guidance, OGL refined its ESG strategy and implementation. Not only did OGL integrate its ESG

strategy into its daily operations by optimizing its value chain, but they also fully embedded their ESG strategy into the company's overall business strategy. It was gratifying to see improved performance on multiple dimensions following the four-month consultation period, from brand impact to community bonding and marketing efficiency.



**Above:** For Earth Day, OGL published an Instagram post to affirm their commitment to ESG.

Photo courtesy of Meta

### ***What's your advice for Chinese eCommerce brands looking to improve their ESG-related social media strategies?***

#### **Jenny Lau:**

ESG-related content can help eCommerce brands get noticed on social media and engage potential customers, especially in mature markets like the US and EU. However, creativity must always be at the core of these ESG-centric digital advertising or social media strategies.

From August to November 2022, Meta worked with a group of Chinese eCommerce brands to test and learn how effectively ESG elements can increase branding and purchase intent from digital creatives in short-form video format, Reels. We identified five creative best practices to run impactful ESG campaigns:

1. Think beyond the product to identify diverse ESG stories.
2. Make it credible and clear: share facts and use simple yet clear language to communicate your ESG message.
3. Give enough importance to both the product and ESG, see ESG message as a complement rather than either-or.
4. Find the right audience: use ESG to analyze the demographics of your ESG campaign results to identify the right audience.

5. Keep it real with Reels and build trust through authentic storytelling of Reels with key opinion leaders (KOL).

***ESG is gaining importance as a system for assessing corporate sustainability and social value. What does this mean for China's Commerce brands looking to engage overseas customers?***

**Jenny Lau:**

ESG's growing importance means Chinese commerce brands must prioritize sustainability to engage overseas customers. Consumers seek recyclable packaging, affordable and sustainable products, reduced chemical usage, carbon-neutral shipping, and transparency in sustainability practices. Brands failing to meet these expectations risk losing business opportunities. 59% of global consumers plan to stop buying from brands not addressing climate change, and 24% of them will boycott those without sustainability plans.

***Beyond consumers' rising expectations, to what extent is ESG important and relevant to Chinese cross-border eCommerce brands?***

**Jenny Lau:**

Over the past five years, investors and shareholders have taken greater interest in ESG. According to a Bloomberg survey, 43% of buyers, sellers, and corporations believe ESG is becoming increasingly important in investment decisions. More than half of global asset owners have included or evaluated ESG factors in investment strategies. Another study found that companies that communicate their ESG performance experienced improved financial performance.

Growing expectations from stakeholders across the board means that eCommerce brands, especially those that operate with a DTC, can no longer afford to ignore ESG. Integrating ESG into corporate strategy and operations is important for brands to identify, manage, and mitigate risk.

***'In every risk there is an opportunity' – do higher expectations for ESG also bring new opportunities?***

**Jenny Lau:**

Yes. Leading companies around the world are acting on three of the most popular ESG topics: circular economy; DEI; and transparency and traceability.

For example, IKEA has committed to becoming a circular company by 2030 through actions like including developing circular products that are easy to

repair, refurbish, and recycle, using renewable materials, and providing recycling services.

On the DEI front, Chinese lingerie brand NEI-WAI launched a "No Body is Nobody" campaign, featuring 30 models of different ages and body sizes.

Our work with DTC fashion brands shows that integrating ESG strategies improves performance, including community-building and marketing efficiency.

***What are some common issues Chinese cross-border eCommerce brands might encounter when implementing ESG strategies?***

**Jenny Lau:**

Some Chinese brands already have ESG measures in place, but their approaches can lack structure and comprehensiveness, there are opportunities for improvement. Others do not have a full understanding of ESG and its importance or an awareness of ESG trends in their targeted overseas markets, resulting in slower adoption and missed business opportunities.

Some brands could opt to feature ESG-related content in their marketing collateral, but inadvertently present misleading or insufficient information and evidence, which results in being seen as "green-washing." Alternatively, they could lack clear communication with stakeholders.

***What is the best way for Chinese SMBs to implement ESG strategies?***

**Jenny Lau:**

For many SMBs that are already trying to grow their brand awareness and drive sustained business growth with limited resources, ESG may seem to be a far-fetched vision. Yet there are some practical steps that SMBs could take to seize the ESG opportunity. First, take a good look at your value chain and try to integrate ESG concepts and measures across the entire value chain, from product development, raw material sourcing, packaging, supply chain management, logistics, to customer experience, green operations, human capital and social good. Simply put, grasp every opportunity to boost your brand's ESG performance.

ESG training for employees, suppliers, and partners, in addition to environmental protection measures and ethical business operations guidelines, should be implemented on an ongoing basis. There isn't a single winning formula, but having said that, whether you're an eCommerce SMB or relatively established brand that's already reaching overseas customers – prioritize ESG now, because one thing is certain: ESG is here to stay, and those who ride the wave will sooner reach the shores of business success. **Q**



# Navigating China's Economic Landscape: Insights from Ning Zhu, Senior Partner and Head of China at Brunswick Group



Photo courtesy of Brunswick Group

**Ning Zhu**, a leading global expert on China's economy and financial system, advises prominent government agencies such as the China Central Bank, China Securities Regulatory Commission, and the National Development and Reform Commission. As Head of China at Brunswick, he acts as a vital link between Brunswick's China team and the international arena. With over 12 years of experience in Mainland China, Ning combines practical knowledge with academic expertise to support clients expanding overseas, entering markets, or enhancing their global image. A trained

economist, he employs a quantitative and analysis-driven approach to problem-solving and frequently addresses Fortune 500 company boards. Ning has a strong educational background, having served as a Chair Professor and Deputy Dean at Tsinghua University and Shanghai Jiaotong University, a Faculty Fellow for the International Center for Finance at Yale University, and a tenured Professor of Finance at the University of California. He holds a PhD in Finance from Yale University, a masters degree from Cornell University, and a Bachelor degree from Peking University.

By Norris Tangen

Following the 2022 announcement that China would abandon its years-long commitment to a COVID-Zero policy, predictions swirled regarding how quickly the economy would recover. In March, the central government announced a target of "around 5%" growth in GDP for 2023. While 5% growth is a comparatively conservative prediction for China's economy, some still voiced doubts about whether the country would reach its target. However, Ning Zhu, Senior Partner and Head of China at Brunswick Group, believes that China is set to deliver on its target. He discusses what he sees as the three key trends impacting China's economic recovery. "The first is that the economy is still rebounding, and while that rebound has lost some steam

*Ning Zhu, Senior Partner and Head of China at Brunswick Group, sits down to discuss key trends impacting China's economic recovery, the risks in China's financial system, navigating geopolitical risk and cultural differences, as well as due diligence concerns. Join us as the AmCham China Quarterly delves into Zhu's insights on China's economic landscape and the challenges and opportunities it presents for foreign businesses.*

as of late, it's still ongoing. The second trend I'm observing is the concern surrounding the housing sector, which can either be a drag or a contributor to the economy. People are anxiously waiting for more policies that can stabilize the market. The third trend is that policy – especially concerning

multinational corporations (MNCs) – is welcoming and encouraging. However, we're also seeing geopolitical tensions popping up, so it's a complex and interesting period for multinationals," he shares.

Additionally, Zhu notes two factors that have recently stood out to him. "One is the weak housing market and how policymakers have been patient enough to not roll out more aggressive stimulus packages. This has influenced Chinese economic growth. The second factor is the return of consumption. Starting in April, the growth in consumption has been below expectations. We are still waiting for income and confidence to rebuild. Ultimately, though, consumption will have to be the main driver of economic growth in China, and it's performing as well as people were hoping."

Zhu foresees this gradual growth decline continuing over the next few years, hopefully at a gradual pace, he adds. "I think the IMF forecasted growth for China is 5.2% this year, but it is projected to be between four and five percent by 2025. I largely concur with that." And, unlike some other China watchers, Zhu is unsurprised by China's economic slowdown. In fact, he was one of the first to forecast a gradual slowdown almost a decade ago in his book, *China's Guaranteed Bubble: How Implicit Government Support Propelled China's Economy while Creating Systemic Risk*. "China has been relying on a debt-driven and housing market-driven growth model, which is unsustainable. Given that, it's not surprising that growth is slowing," he says. "Some are surprised at the rate at which the economy is slowing, but in my view, they shouldn't be, as much of the growth we have enjoyed over the past decades was borrowed from the future in the form of the housing bubble and debt formation."

However, Zhu says it's not all bad news. He adds that in a way, the Chinese government has engineered a transition towards "high-quality" growth since around 2017, as they recognized the problems generated by the breakneck speed. Now, he says, we are witnessing a shift towards a more sustainable, higher quality, and more inclusive growth model. He notes that even at a slowed-down pace, China will still account for more than a quarter of global GDP growth.

## Opportunities and Challenges for MNCs

Zhu says the opportunities for MNCs are easy to identify and leverage. "First, the size of the economy and its growth. In addition, China is no longer just a cheap labor market or consumer market; it is becoming innovative in terms of technology and business models. This can help international companies accelerate their pace of innovation. We are witnessing the China brand shifting from 'made in China' to 'designed in China.' That is a huge opportunity," he concludes.

One challenge is the pace of change. For better or worse, Zhu says, China's rapid transformation necessitates high adaptability from companies, which can cause clashes with the

multinational headquarters of US companies. The next challenge is how China and the US can effectively manage their relationship. "Many of our US clients are more concerned about what's happening or going to happen in the US rather than what is going on in China. Companies need to carefully craft balanced messaging," he shares. The final challenge Zhu highlights is the complex nature of the interconnected global supply chain system. It's not as simple as cutting China out; one must also consider the impact a decision will have on the domestic market.

## Assessing Risk in China's Financial System

The rapid rate at which the financial system in China has grown also carries increased potential risk. Zhu identifies three major risks in China's financial system. "The first, which I emphasized in my book, is the implicit guarantee from the government. There is still a sense that the government will bail out financial institutions and investors, particularly in the case of SOEs. This creates a significant distortion of risk-return perception and, as a result, distorts investment decisions," Zhu observes. He adds that while the 2018 "new rules on asset management products" stabilized the market to a certain extent, COVID-19 then exacerbated the burden on provincial governments and increased their debt. Combined with stalling or falling housing prices, many local governments are now facing serious fiscal challenges, which means they can no longer provide a guarantee as before, adding an additional layer of risk.

The second risk Zhu highlights is the housing sector. "As the entire financial system is concentrated around the housing sector, real estate remains the majority part of financial institutions' balance sheets," he continues. "If we don't see the housing market stabilize, which we haven't, the asset quality of the financial system will continue to deteriorate. If banks cannot provide financing to the real economy, it will hinder economic growth."

The third and final risk Zhu shares is the potential for de-risking or avoiding China's financial service sector, both in terms of foreign banks' operations and potential sanctions due to geopolitical risks and increasing bans from the US on Chinese companies raising capital overseas. This area of risk is unique, he explains, because people have not been accustomed to it over the past three decades. However, in today's age of financial interconnectivity, being cut off from the rest of the world poses substantial risks.

## Foreign Direct Investment – Quality Over Quantity?

There has been a significant shift in Beijing's stance on foreign direct investment (FDI) in recent years, with a clear emphasis on quality over quantity. Zhu breaks down Beijing's criteria for assessing quality investment. "China now

“Some are surprised at the rate at which the economy is slowing, but in my view, they shouldn't be.”

places greater value on advanced technology, cutting-edge manufacturing capabilities, and management expertise,” he says. Zhu further illustrates this strategy by highlighting the new energy vehicle sector, stating, “It's not just about car production; it's about transforming the entire supply chain to China, benefiting China's own new energy vehicle brand. This well-executed and strategic approach has been adopted by the government over the past decade.”

While the central government is focusing on quality investment, local governments have different incentives and policy priorities. Zhu explains, “Local government leaders are still being evaluated by how much they contribute to local GDP growth.” As a result, they are still motivated and incentivized to attract as much capital – be it foreign or domestic – to create jobs and generate as much fiscal revenue as possible. In that regard, Zhu says that provincial governments are still active in their efforts to attract FDI. Furthermore, he adds that after the 20th Party Congress there was a reshuffling of local government leadership, which means we are witnessing a new wave of government leaders anxious to attract investment at the local level.

## In China for China 2.0

As capital controls have tightened in China, companies have become concerned about the increasing friction in getting their money out of China. Naturally Zhu says, this impacts their interest in making future investments in the market. He concedes that while in the short term, these controls can help to stabilize the capital outflow, it might also have the unfortunate consequence of hurting foreign companies' confidence in the market.

Zhu brings up a second strategy he has seen MNCs take in response to tightening capital controls, what he dubs “de-risking through the way of compartmentalization or silo,” he elaborates, “They are working to make their China operations more standalone, even raising capital in China. I call this ‘In China for China 2.0.’ This provides a route for MNCs to continue increasing their investment without increasing their share of FDI.”

## Due Diligence, Geopolitical Risks, and Cultural Differences

Recent raids on foreign firms by Chinese government agencies have rattled the foreign business community and raised concerns about conducting due diligence within the country. According to Zhu, the broader picture could

involve a breakdown of interagency communication. As communications fracture, he says, agencies are pursuing their specific policy objectives, sometimes without considering the potential implications their enforcement could have on other aspects of the economy. For example, he speculates that the raids on consulting companies were most likely motivated by specific national security concerns, whereas other agencies that foreign businesses normally engage with adopt a more welcoming attitude towards the foreign business community. Both messages have validity, he concurs, but if not properly coordinated, simultaneous enforcement actions by different agencies could lead to unintended consequences and impact various sectors of the economy. Ultimately, Zhu advises clients to remain committed to the China market but also to strengthen their crisis management plans and business continuity strategies to effectively navigate potential disruptions.

In the face of increasing geopolitical risks and cultural differences, navigating the business landscape in China requires careful consideration and tailored strategies. And, as Zhu says, there is no one-size-fits-all solution. The optimal approach can vary significantly depending on factors such as a company's country of origin, the industry it operates in, and the specific market segment it targets. Zhu recommends developing a customized strategy tailored to each firm, considering the dynamic and evolving geopolitical relationship between China and other countries.

He advises companies, to demonstrate their commitment to China and its communities by actively engaging in corporate social responsibility initiatives or collaborating with local organizations. Zhu points to a notable trend within the consumer product industry, where companies are increasingly integrating ESG practices into their China operations. This not only enhances their global reputation but also positions them well for potential future crises.

Furthermore, Zhu recommends keeping a watchful eye on China's rapid rate of change, including policy priorities and cultural nuances. Understanding the delicate balance and evolving landscape associated with doing business in China, he says, has never been more critical for success. To that end, he says it is important to foster strong local partnerships, streamline headquarter-China communication and decision-making, invest in comprehensive market research, and develop cross-cultural communication skills.

Additionally, he counsels companies to be mindful of the role of social media and be careful to respect cultural norms. He also emphasizes the need for sensitivity on social media platforms as part of an effective approach. By incorporating these strategies and insights, companies can better navigate the geopolitical risks and cultural differences inherent in the Chinese market, and position themselves for long-term success. 🗣️



# All Eyes on APEC: Fostering Dialogue in US-China Relations

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By Sihan Qu

From May 25–26, the Asia Pacific Economic Cooperation (APEC) Ministers Responsible for Trade (MRT) met in Detroit, Michigan. Trade and commerce ministers from 21 economies in the region gathered "at a time of shared uncertainty and challenges," Katherine Tai, the US Trade Representative said during her opening remarks. In the lead up to the event, a series of US-China engagements occurred, especially with regard to the trade and economic components of the bilateral relationship.

Earlier this year, the balloon incident disrupted bilateral relations dramatically, postponing US Secretary of State Antony Blinken's planned trip to Beijing, and creating enormous tension in the US-China relationship. Reports of a communication breakdown worried businesses and partners. In late April, a quiet restart to high-level dialogues provided a much-needed salve to the injured bilateral ties.

*In May 2023, the Asia Pacific Economic Cooperation (APEC) Ministers Responsible for Trade (MRT) gathered in Detroit, Michigan, amid a backdrop of shared uncertainties and challenges. This article delves into the outcomes of the preceding US-China engagements, examining their implications on bilateral trade, economic ties, and their far-reaching influence on the dynamic global trading landscape.*

- On April 20, US Ambassador Nicholas Burns met with Minister Liu Jianchao of the International Liaison Department of Communist Party of China where the two sides exchanged views on US-China relations;
- On April 25, US Ambassador Burns joined a group of ambassadors and presented his credentials to Chinese President Xi Jinping;
- On May 8, Chinese State Councilor and Foreign Minister Qin Gang met with US Ambassador Burns. The two sides discussed challenges in the bilateral relationship and the necessity of stabilizing and expanding high-level communication;
- On May 10–11, Politburo member and Director of the Office of the Central Foreign Affairs Commission Wang Yi met with US National Security Advisor Jake Sullivan in Vienna, Austria. The two sides had a candid, in-depth, substantive, and constructive dialogue on stabilizing

and improving US-China relations, exchanging views on situations in the Asia-Pacific Region and Ukraine. The two sides “agreed to continue to utilize the (bilateral) strategic communication channel”;

- On May 11, US Ambassador Burns met with China’s Minister of the Ministry of Commerce (MOFCOM) Wang Wentao and discussed the US-China economic and trade relationship;
- May 23, Chinese Ambassador Xie Feng arrived in New York, filling the ambassadorship left vacant for nearly five months.

These engagements laid a foundation for the world’s two largest economies to stabilize the strained relationship and forge new lines of communication between senior officials.

## US-China Commerce Ministers Engagement alongside the APEC MRT

### *Meeting of MOFCOM Minister Wang Wentao and Secretary of Commerce Gina Raimondo*

After meeting with US business executives in Shanghai on May 22, Minister Wang Wentao of the Ministry of Commerce of China traveled to the US for the APEC MRT. His first stop was in Washington D.C. where he met with US Secretary of Commerce Gina Raimondo. While both sides used words such as “candid,” “substantive,” “constructive,” and “professional” in their readouts of the meeting, Secretary Raimondo raised concerns on “the recent spate of PRC actions taken against US companies,” and Minister Wang raised concerns on US policies regarding semiconductors and potential US outbound investment review measures.

### *Meeting between MOFCOM Minister Wang Wentao and USTR Katherine Tai*

On May 26, on the margins of the APEC Ministers Responsible for Trade Meeting, United States Trade Representative Katherine Tai met with Minister of Commerce of the People’s Republic of China, Wang Wentao. According to the Ministry of Commerce, the discussion on US-China trade relationship was “candid, pragmatic, and in-depth.” Similar to the Commerce meeting, the two sides each raised their respective concerns with the US pointing out “the need to address the critical imbalances caused by China’s state-led, non-market approach to the economy and trade policy,” and “PRC actions taken against US companies” while the Chinese side raised concerns on US economic and trade policy on China, Taiwan-related commercial issues, the Indo-Pacific Framework for Prosperity (IPEF), as well as Section 301 Tariffs on China. In the end, the two sides agreed to maintain communication.

## Courting Partners

On the sidelines of the MRT, US and Chinese commerce and trade ministers met with important partners in the APEC region. USTR Ambassador Tai and Commerce Secretary Raimondo both met with Australian Minister for Trade and Tourism Don Farrell. Tai and Raimondo each met with New Zealand Minister for Trade and Export Growth Damien O’Connor and Japanese Minister for Economy, Trade and Industry, Nishimura Yasutoshi, and convened an Indo-Pacific Economic Framework for Prosperity (IPEF) ministerial meeting attended by thirteen states’ ministers where a Joint Statement and “substantial conclusion” of the IPEF Supply Chain Agreement Negotiation were announced.

In the meeting between Ambassador Tai and Minister Farrell of Australia, “shared concerns and the challenges posed by the policies and practices of China and other non-market economies, including economic coercion, that have created dependencies and vulnerabilities in key sectors,” supply chain diversification and resilience, and WTO reform were raised as the key topics.

In the meeting between Secretary Raimondo and Minister Nishimura of Japan, discussion centered on resilient semiconductor supply chains, cooperation on export controls, and the role of emerging technologies in strengthening industrial competitiveness and economic security.

Chinese Commerce Minister Wang Wentao, on the other hand, met with his South Korean and Japanese counterparts. In the readout released by MOFCOM, MOFCOM Minister Wang Wentao and South Korean Trade Minister Dukgeun Ahn discussed the importance of strengthening dialogue and cooperation on the supply chain and industrial chain in the semiconductor industry. The readout between Minister Wang’s meeting with Japanese Minister for Economy, Trade, and Industry Nishimura Yasutoshi was harsh, as Wang expressed China’s discontent regarding Japanese export controls on semiconductor and hosting the G7 Summit. Wang urged Japan to correct the course in export control measures to “safeguard the stability of global industrial and supply chains” and to promote the stable development of bilateral trade and economic relationship.

## Conclusions

Recent US-China bilateral, multilateral engagement, and engagements with critical global economic third parties have shown that geopolitics has undoubtedly changed the international economic order. Both the US and China have highlighted the importance of ensuring their own economic security with varying policy goals.

As the APEC Leaders’ Summit in November draws near, questions regarding what is needed to ensure a Biden-Xi meeting along the sidelines of this important event. It is expected that high-level engagement and potentially a US cabinet level visit to mainland China would be needed to ensure that President Xi will travel to San Francisco to join the other APEC leaders for the Summit. AmCham China will closely watch relevant developments in the US-China commercial relationship and the changing global trading landscape. **①**

# AmCham China Leadership Delivers the 2023 *White Paper*: Recent Chinese Government Engagements

## Director General Sui Pengfei, Ministry of Agriculture and Rural Affairs

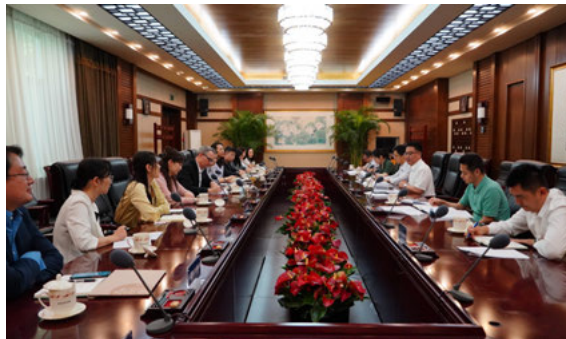
On June 27, AmCham China President Michael Hart led representatives of several member companies to meet with Director General of the Department of International Cooperation, Sui Pengfei, at the Ministry of Agriculture and Rural Affairs (MARA) to present the 2023 *White Paper*. During the meeting, Sui gave a brief introduction of the progress of the agricultural cooperation between China and the United States and engaged in in-depth exchanges with each member company representative regarding their development in China. Hart shared the main takeaways from the Agriculture Chapter of the *White Paper* and provided suggestions on ways to deepen agricultural cooperation between the US and China.



**Top:**  
AmCham China President Michael Hart presents the White Paper to Director Sui Pengfei

**Middle:**  
The meeting at the Ministry of Agriculture and Rural Affairs

**Bottom:**  
Group photo of attendees



Photos courtesy of AmCham China



Since AmCham China released the 2023 American Business in China White Paper (White Paper) in late April, the Chamber's leadership has been busy meeting with both US and Chinese officials to share insights and key messaging from the 25th edition. While there will be many more White Paper Delivery Meetings to come, this article rounds up some of the recent engagements AmCham China's leadership has had with Chinese government officials.



**Above:**

AmCham China Chairman Colm Rafferty and President Michael Hart stand either side of Vice Minister Wang Gang at the Central Publicity Department of the CPC

Photo courtesy of AmCham China

## Vice Minister Wang Gang, Central Publicity Department

On July 4, AmCham China Chairman Colm Rafferty and President Michael Hart led a group of member company representatives to meet with Vice Minister Wang Gang at the Central Publicity Department of the Chinese Communist Party. During the meeting, Wang acknowledged AmCham China's contribution to US-China economic and trade cooperation and emphasized the importance of people-to-people exchanges as the foundation of bilateral relations. He expressed hope that the Chamber would continue playing an active role in promoting economic and trade development, fostering cooperation, and acting as a bridge between the two countries. For his part, Rafferty shared key messaging from the *White Paper*, along with suggestions to further enhance US-China economic and trade relations.

## Vice Minister Wang Shouwen, Ministry of Commerce

On May 26, an AmCham China delegation, led by Chairman Colm Rafferty, met with Ministry of Commerce (MOFCOM) Vice Minister Wang Shouwen. The two sides had a wide-ranging discussion and exchanged views on a series of issues, including US-China economic and trade relations, the development of American enterprises in China, and the current business environment, before Rafferty presented Wang with a copy of the *White Paper*. 



**Above:**

The AmCham China delegation with Vice Minister Wang Shouwen

Photo courtesy of AmCham China

# Maximizing Opportunities, Minimizing Risks: *Research Pitfalls for Multinationals in China*

By Frank Jiang, Jason Jia,  
Rachel Li, and Scott Yu

Depositphotos.com

As part of the Chinese government's efforts regarding regulatory enforcement against research and information collection activities, we have recently seen several actions taken by the government:

- Chinese security authorities investigated into a number of entities and individuals in recent months, including detaining a Japanese executive from Astellas Pharma Inc. for suspected "espionage" behaviors and raiding at least two consulting firms (Bain and Capvision) in Shanghai and Suzhou respectively for suspected obtaining sensitive information concerning state secret and defense intelligence.
- On April 26, 2023, China announced its latest amendment to the Counterespionage Law of the People's Republic of China ("Counterespionage Law"), which will become operative as from July 1, 2023. This follows China's promulgation/revision of a set of laws and regulations governing data export control.

The above actions clearly demonstrate Chinese policymaker's increasingly prioritized agenda surrounding national security issues. Accordingly, multinational companies are recommended to assess its regulatory compliance exposure when conducting

research or information collection activities in China to mitigate potential risks. In this article, we answer some of the most frequently asked questions from our clients.

### ***What is the key legal framework?***

The China-related research and information collection activities primarily concern the regulation of three pillars of Chinese laws: the Counterespionage Law, the Statistical Law of the People's Republic of China ("Statistical Law") and the Data Security Law of the People's Republic of China ("Data Security Law"). In addition, there could be several other laws and regulations concerned depending on the specific behaviors in question.

### ***What entity can become a subject?***

Regardless of the nationality/domicile of an entity and whether it has links to an espionage organization, to the extent it conducts research and information collection activities in Chinese mainland and/or transfers collected/produced information outside Chinese mainland, it could be subject to the abovementioned laws. While these laws generally do not apply to Hong Kong, in exceptional circumstances where the relevant research activities constitute crime of "stealing, spying, buying, or illegally providing state secrets or

intelligence involving national security for foreign or overseas organizations, institutions, or individuals", organizations could also be subject to the jurisdiction of both China's Criminal Law and Hong Kong's Law of Safeguarding National Security.

### ***What are the key points of the applicable laws?***

- **The Counterespionage Law** is primarily designed to regulate (i) espionage activities, (ii) illegal acquisition of state secrets and their carriers, and (iii) the illegal use of specialized espionage equipment. Additionally, the newly amended 2023 Counterespionage Law: (i) expands the scope of application, broadens the definition of "espionage behavior", and adds provisions for cyber-espionage, (ii) provides greater support for counterespionage work and proposes to establish a national coordination mechanism, and (iii) increases the authority and protection for national security agencies, and specifies the investigation and powers of national security agencies.

One should note that the law does not only capture the activities relating to or carried out by espionage organizations, but also considers



*The Chinese government has recently heightened its regulatory enforcement against research and information collection activities within the country. As such, it's more important than ever that multinationals understand the risks and pitfalls of conducting research within China and be vigilant in abiding by the letter of the law to prevent legal repercussions. This article outlines Zhong Lun Law Firm's recommendations for MNCs.*

anyone involved in the illegal acquisition or possession of state secrets, intelligence, and other national security concerned information to also be in violation of the law, even if they have no links to espionage organizations. Based on our observations, engaging in activities involving illegally collection and cross-border transfer of information in areas including China's cutting-edge technologies, defense information, and critical industry information, will likely be deemed as a violation under the applicable law.

- **The Statistics Law**, along with its implementing rules, set forth compliance obligations for “foreign-related surveys” in China. Foreign entities who wish to conduct statistical surveys in China must commission qualified agencies in China to do so. Additionally, private statistical survey agencies may not disclose private statistical survey data that duplicates state-important macroeconomic and social indicators of China. Furthermore, relevant regulations also stipulate several prohibited activities that may adversely impact China's national interests.
- **The Data Security Law** and certain other regulations provide the relevant regulatory requirement on the cross-border data transfer activities. The transfer of different types of data entails different compliance obligations. For instance, “important data” and personal information can be exported, but relevant parties should take proper measures and/or conduct specific compliance procedures to ensure data security; furthermore, for personal information, the legitimate rights and interests of the data subject must be protected. In addition, certain industries (e.g. life science sector) have localization storage

requirements or specific regulatory requirements for data export.

#### **What are the typical problematic behaviors?**

- Engaging in activities related to espionage organizations and their agents that endanger national security, illegally acquiring Chinese state secrets, intelligence, or other information.
- Illegally obtaining state secrets, intelligence, as well as other national security concerned information and providing them to overseas parties, absent any connection to espionage organizations and their agents.
- Illegally producing, selling, possessing, and/or using special espionage equipment required for espionage activities.
- Conducting statistical and survey activities in China without commissioning qualified enterprises and obtaining approval from the competent authorities.
- Disclosing privately conducted survey and statistical data that duplicates or contradicts important macroeconomic and social indicators specified by the state or disclosing information that does not meet regulatory requirements.
- Collecting, processing, and transmitting personal information to overseas parties without consent.
- Failing to follow legal procedures when transferring important data, personal information more than a certain specified amount, and specific industry data outside of China.

#### **What are the possible legal consequences?**

- **Civil and administrative penalties:**

Civil and administrative penalties such as warnings, fines (including sanctions ranging from one to up to ten times the illegal gains), and administrative detention, will be imposed on those who violate the applicable laws.

- **Criminal charges:** In addition, if any of the misconduct is found to have violated China's Criminal Law, the individuals and organizations involved may face criminal charges (carrying the possibility of a maximum sentence of life imprisonment).

#### **Any practical recommendations?**

For compliance purposes, we recommend multinationals take various measures to mitigate potential risk exposures. Such measures include:

- **From the perspective of information collection:** Be cautious about the information in question and settings, especially if it concerns China's cutting-edge technologies, defense, or critical industry information. Avoid using illegal tools or methods, and refrain from accessing state secrets. Also, when collaborating with third-party institutions to collect information, compliance reviews should be conducted to identify any organizations suspected of espionage or their agents.
- **From the perspective of information processing and transfer to any third party:** Obtain consent from relevant personal information subjects in advance when processing or transferring an individuals' personal information. In case that a company is transmitting information outside of China, not only personal information but also specified categories of non-personal information data, such as important data or specific industry data, must follow proper protocols in advance for compliance with the applicable laws and regulations. ①

*Feel free to reach out for more information: Frank Jiang (jianghuikuang@zhonglun.com); Jason Jia (jiashen@zhonglun.com); Rachel Li (lirui@zhonglun.com); Scott Yu (scottyu@zhonglun.com)*



Photo courtesy of AmCham China

# AmCham China Hosts 24th Annual Human Resources Conference

The 24th Annual Human Resources Conference commenced with opening remarks by AmCham China President Michael Hart, expressing gratitude to sponsors and outlining the summit's key themes: industry trends, employee engagement, AI technology, transformation, innovation, and diversity, equity, and inclusion (DE&I). The leadership of AmCham's HR Committee, including representatives from Schneider, Pfizer, Korn Ferry, Bayer, and Microsoft, was introduced.

The first keynote speech, titled "The Age of AI," was delivered by Roan Kang, General Manager at Microsoft Greater China. Kang provided an overview of AI, including machine learning, deep learning, and generative AI, highlighting the convergence of data, computing power, and language models. He discussed the capabilities of large language models and Microsoft's AI development, such as automatic output generation and the introduction of GitHub Copilot in HR applications.



Above: AmCham China President Michael Hart

Photo courtesy of AmCham China

On June 16, AmCham China successfully hosted the 24th Annual Human Resources (HR) Conference, centered around the theme of "The Future of HR: Navigating Transformation and Innovation." The annual signature event aimed to explore the latest innovations and transformative changes shaping the future of HR management, with a particular focus on the impact of AI technologies and technological innovation on HR work.

**Top:**

AmCham China's HR Committee Co-Chairs: Janet Chen, Charise Le, Michelle Zhang, and Annie Wang

**Middle:**

Joanna Mao, Guoxing Li, and Robert Xiao

**Right:**

Annie Wang, Julia Xu, Laura Wei, and Sherry Li

**Bottom right:**

Rebecca Liu, Phoebe Zhao, Michelle Zhang, and Sunny Sun

**Bottom left:**

Keynote speaker Roan Kang

Photos courtesy of AmCham China



The first panel discussion, "Executive Dialogue: The Impact of AI and Technology Innovation on the Future of Business," featured notable speakers from Moka, USITO, and The Economist Intelligence Corporate Network. The panelists discussed how AI can eliminate repetitive tasks, predict marketing data, and enhance HR processes. Data security regulations and the importance of human communication skills were also addressed.

The second panel discussion, "The Role of HR in Driving Organizational Transformation and Innovation," moderated by Annie Wang from Bayer, emphasized HR's role as a stabilizer, advocator, and destructor in supporting change. The panelists highlighted the importance of clarity, employee connection, growth mindset, and organizational alignment. They advised HR professionals to invest in personal growth, establish credibility, and champion organizational change.

The CHRO Roundtable, "How to Enhance HR Efficiency Management in the Post-Pandemic Era," moderated by Michelle Zhang from Pfizer China, discussed post-pandemic strategies, including automation, digitalization, efficiency programs, and workplace flexibility. The panelists emphasized budget control, investing in the local workforce, and fostering a fair workplace culture.

Charles Feng from TAHOTA Law Firm delivered the second keynote speech on "The Compliance Strategy of MNCs under Data Compliance Requirements." Feng discussed data compliance issues, including personal information protection and cross-border data transfer, with a focus on HR management implications.

The conference concluded with a panel discussion on "Diversity and Inclusion: Unlocking the Power of Differences in Business Success," moderated by Charise Le from Schneider Electric. Panelists discussed the principles of DE&I and shared initiatives such as cohesion-building events, women's leadership development programs, and support for employees with disabilities. They highlighted the positive impact of DE&I on retention and social value.

In closing, President Michael Hart thanked speakers, panelists, sponsors, and guests for their support. He summarized the key points from each session and acknowledged future challenges. Hart expressed gratitude to the HR committee, Chamber Vice President Claire Ma, and the AmCham China team for their contributions.

AmCham China's 24th Annual HR Conference provided valuable insights into the future of HR management, focusing on AI, technology innovation, transformation, and diversity. The event fostered meaningful discussions and networking opportunities for industry experts and HR professionals. 📍



**Top:**  
Charise Le, Dan He, Melody Xu, and Maria Yin

**Middle left:**  
Keynote speaker Charles Feng

**Bottom left:**  
Michael Hart and a lucky draw winner

**Right:**  
Attendees of the 24th annual HR Conference

Photos courtesy of AmCham China



天津和睦家医院  
Tianjin United Family Hospital



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Tianjin United Family Assisted Reproductive Medical Center is an international assisted reproductive center, set in strict accordance with international JCI standards. The center owns a highly skilled medical team, which is under the leadership of Dr. Molly Mu, Director and academic leader of the center. As a patient-centered facility, we prioritize high-quality one-to-one service and value your medical experience. From the moment you enter the center, there will be a special person to guide you.

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Tianjin United Family Assisted Reproductive Medical Center not only provides artificial insemination and IVF services but also offers hysteroscopic surgical treatment. The advantage of hysteroscopic surgery is to protect fertility while treating disease to the greatest extent.

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Tianjin United Family Hospital provides services in multiple languages, such as English, German, Japanese, Korean, etc.

United Family Healthcare has infertility clinics in many cities, such as Beijing, Qingdao, Guangzhou, etc. You can choose nearby treatment.

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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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**Liang Wang**, ADM

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# View From the House: *Rep. Mike Gallagher and Rep. Raja Krishnamoorthi on US-China Cooperation, Competition, and Communication*

By Norris Tangen

The 13th Annual China Business Conference, co-hosted by AmCham China and the US Chamber of Commerce, provided a platform for industry leaders and policymakers to discuss the complexities of the US-China competition. The panel discussion, titled "Views from the House: Is the US Rising to the Competition or Still in the Starting Blocks?", featured Chairman of the House Select Committee on the Chinese Communist Party (CCP) Rep. Mike Gallagher (R-WI) and Rep. Raja Krishnamoorthi (D-IL), the Ranking Member of the Committee. The two

shared their perspectives on the military, economic, and ideological dimensions of US-China competition. Their insights shed light on the challenges and opportunities of managing the world's most important bilateral relationship.

## Three Lines of Competition

Rep. Gallagher highlighted what he dubbed the "three key lines of competition with China": military, economic, and ideological/human rights. He emphasized the need for a comprehensive approach, stating that "we have to view China's rise through these three



*Navigating the turbulent waters of the current US-China relationship requires a multifaceted approach. At the 13th Annual China Business Conference in May, Reps. Mike Gallagher and Raja Krishnamoorthi shared their perspectives on the challenges and opportunities presented by the evolving relationship. From the need to acknowledge risks and build resilience in critical sectors to fostering dialogue and promoting bipartisan collaboration, the AmCham China Quarterly breaks down the key points in their conversation, which was facilitated by former AmCham China Chairman Jim McGregor.*

lenses simultaneously." Rep. Gallagher acknowledged the risks associated with economic decoupling and underlined the importance of recognizing risks while not contributing to one's own demise. He urged caution when it comes to technology transfer, research security, and funding advanced technologies, noting that minimizing risk to zero is not feasible but acknowledging risk is crucial.

Rep. Krishnamoorthi discussed the economic interdependence between the US and China and similarly cautioned against complete decoupling. He advocated for de-risking certain supply chains, including pharmaceuticals and semiconductors, and fostering high-level dialogue to manage challenges effectively. Rep. Krishnamoorthi argued that increased calls for reshoring present an opportunity for the US to enhance its own capabilities and rise to the challenges presented, saying, "This is also an opportunity for us to up our game as Americans. We must increase our American economic competitiveness." He also stressed the need for guardrails to mitigate risks in supply chains while maintaining economic ties.

## Building Resilience in Critical Sectors

Both panelists acknowledged the need to strengthen US resilience in critical sectors. Gallagher emphasized the importance of building resilience in

pharmaceuticals, microelectronics, and critical minerals. He highlighted the necessity of dedicating additional resources to ensure self-reliance and reduce vulnerabilities in these areas. Rep. Gallagher also shared his skepticism regarding the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (CHIPS Act), which he voted against. The CHIPS Act, signed into law in August 2022, outlines plans to invest \$280 billion to bolster US semiconductor capacity, catalyze R&D, and create regional high-tech hubs and a bigger, more inclusive STEM workforce. Rep. Gallagher noted that he voted against the bill and added, "I have some skepticism that it's going to work the way it's intended. But perhaps the most important thing is to observe and learn the right lessons. One thing we're hearing from even the most ardent proponents of the CHIPS Act is that there is a need for more aggressive deregulation in key areas if we want to have chip fabs built in the United States within the next five years."

Rep. Krishnamoorthi mirrored Rep. Gallagher's sentiments regarding the bolstering of domestic manufacturing capabilities. He also cited the pharmaceutical industry as a key example of domestic manufacturing capability required to avoid the risk of coercion during a health crisis. Recognizing the significance of secure supply chains, Rep. Krishnamoorthi stressed the need for strategic planning, risk mitigation, and diversification to safeguard critical sectors from disruption.

## Bipartisan Collaboration and Legislative Action

Discussing the possibility of bipartisan cooperation on these challenging issues, Rep. Gallagher expressed optimism about finding areas of agreement with Democrats. He stated, "Even on the thorny issues here - pharmaceuticals, critical minerals, energy - I think we can find areas of agreement. Even if it's not a 100% solution, we're meaningfully advancing the ball down the field in this Congress. If nothing else, we can come up with a framework for selective decoupling or de-risking that starts to get the parties to talk to each other and identify what is that 70% center of gravity that everyone in Congress agrees upon, and 70% of the world agrees on. Maybe that sounds naive, but I'm cautiously optimistic we can get there."

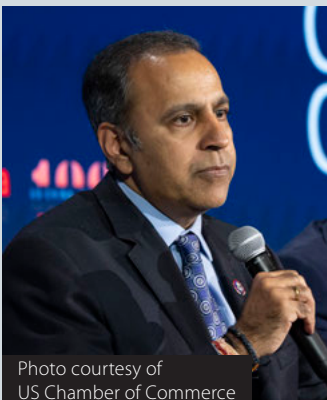


Photo courtesy of  
US Chamber of Commerce

“ [This is] an opportunity for us to up our game as Americans. We must increase our American economic competitiveness.”

— Rep. Raja  
Krishnamoorthi



Photo courtesy of US Chamber of Commerce

“Even on the thorny issues here - pharmaceuticals, critical minerals, energy - I think we can find areas of agreement. Even if it's not a 100% solution, we're meaningfully advancing the ball down the field in this Congress.”

— Rep. Mike Gallagher

Rep. Gallagher also emphasized the role of legislative action in addressing US-China competition. He stressed the necessity of bipartisan collaboration and emphasized that the goal is to see what can be accomplished in the near term. He conceded the limitations of think-tank reports in shaping policy outcomes and said there must be efforts placed on translating these ideas into actionable blueprints for legislative action. He highlighted the Committee's commitment to conducting hearings with major business leaders and asking genuine questions rather than engaging in “partisan showmanship.”

Rep. Krishnamoorthi echoed the importance of constructive engagement and inclusive dialogue. He shared an anecdote from the Committee's first meeting, where Speaker McCarthy emphasized the need for bipartisanship in dealing with critical issues. “Speaker McCarthy asked all of us to come to his conference room to meet. Not only was he there, but the Minority Leader Hakeem Jeffries was sitting right next to him, and I am paraphrasing here but, he said ‘If you want to engage in partisanship, we've got committees for that. But if you want to get something done, this is the committee.’ Rep. Krishnamoorthi said. “We do our best to insulate ourselves from the politics because this issue is too important to get caught up in the rancor and the partisanship that normally attends congressional business,” he said.

In response to concerns about biased views on the US-China relationship, Rep. Gallagher assured that the Committee aims to incorporate diverse perspectives. He emphasized the importance of understanding

different viewpoints and engaging in constructive conversations to bridge the gap. Rep. Gallagher stressed that effective communication and collaboration are essential in developing comprehensive strategies that address the complex challenges posed by China's rise.


## Navigating Engagement with China

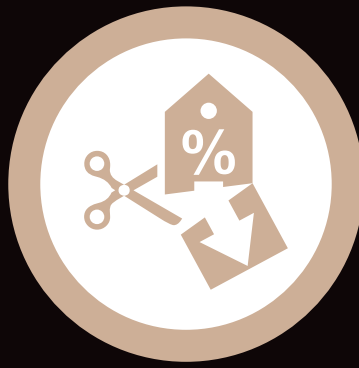
In discussing communication with China, Rep. Krishnamoorthi expressed deep concern about the breakdown of dialogue between the highest levels of governments. He stated, “Right now we're not talking to China. We're not even having high-level dialogue at this point between the principals. And that is not a good place to be.” He emphasized the importance of fostering high-level dialogue to effectively manage challenges and find common ground.

When asked about the possibility of visiting China, Gallagher approached the topic with caution. He acknowledged the value of dialogue but raised concerns about the productivity of certain meetings, given the complex and dynamic nature of the US-China relationship. While Gallagher did not dismiss the possibility of engagement, he underscored the importance of ensuring that discussions are productive and meaningful.

## Bridging the Divide

During the panel discussion's Q&A session, Bill Zarit, AmCham Board Member and member of the DC Doorknock delegation, voiced concerns about the lack of moderate or objective views on the US-China relationship. In response, Rep. Gallagher pointed to what he called the Committee's extensive efforts to feature expertise from a wide range of stakeholders, regardless of party affiliation. He stressed that they understood the importance of including diverse perspectives and ensuring a balanced exchange of ideas. Rep. Krishnamoorthi reiterated the same message, stating that the Committee is open to engaging in dialogue with anyone willing to contribute.

Also, during the Q&A session, in response to Gallagher expressing his hesitation to visit mainland China, Michael Hart, President of AmCham China, took the opportunity to address both representatives directly. Hart extended an invitation on behalf of AmCham China, inviting them to visit China to engage with member company representatives and experience firsthand the business environment in the country. Additionally, he encouraged them to visit Chinese universities to gain insight into the perceptions and perspectives of the United States held by Chinese students and scholars. This invitation from Hart underscores AmCham China's vision of enhancing the business environment in China and facilitating constructive and sustainable economic relations between the two countries. 



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