



# INSIGHT

The Journal of the American Chamber of Commerce in Shanghai

December 2015

HAPPY HOLIDAYS!

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- Dell's Amit Midha
- Top Ten Stories

# In the Fast Lane

**AUTO INDUSTRY:** We examine why new car sales in China are sagging, the booming used vehicle market and the realities of driverless technology **PLUS:** An interview with Ford Chairman John Lawler



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By Insight Staff

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# EDITOR'S NOTE



*Bryan Virasami*

**BRYAN VIRASAMI**  
EDITOR-IN-CHIEF

**A**s we close out 2015, many people will reflect on the past year and make plans for the coming year. This has been an eventful year at AmCham Shanghai especially because of the 100th anniversary events including the most recent dinner and forum that featured some of the highest profile speakers we've ever seen at a Chamber event. We're pleased at least that these high-powered executives who spoke at the forum in November spent some time with the editors at *Insight*.

Amit Midha, the Asia Pacific and Japan President of U.S. computer technology giant Dell, sat down with *Insight*'s Ruoping Chen and discussed a range of technology issues and why the company is highly optimistic about the future of Dell in China. See the story on page 18.


We're pleased to also have an interview with John Lawler, the Chairman and CEO of Ford Motor China. We asked him about the changing automotive market in China, the differences between Chinese and American drivers, the Ford Mustang, air pollution and other topics. The story appears on page 30.

The interview with Lawler is one of four stories

in this issue that touch on China's important automotive industry, which many say is crucial to measuring the GDP. Other stories talk about the used car market and driverless cars.

It wouldn't be the December issue if we didn't have a top ten list. This is our thoroughly unscientific list of business-related stories you might have missed in 2015, and they include items such as the emergency mid-season editing of a popular Hunan TV soap opera featuring Fan Bingbing, as well as the sudden popularity of an English ale in China after Chinese President Xi Jinping was seen in photographs enjoying the beer in an English pub. He was taken there by British PM David Cameron.

If you can't remember much about 2015, we have some photos of Chamber events on page 16. Look for our special January issue in which several China experts will share their insights into key issues and what to expect in 2016.

Thanks for reading *Insight* and feel free to send us an email at [InsightEditor@AmCham-Shanghai.org](mailto:InsightEditor@AmCham-Shanghai.org) to let us know what you think or what type of articles you would like to see in the magazine. 



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## Let's create something brilliant together

TE highly values an engineering culture. To understand the innovation status and challenges of engineers in China and explore their innovation needs, TE and ETIRI (Electronic Technology Information Research Institute) published the 2014 Report on the Innovation Drivers for Chinese Engineers and the Chinese Engineers' Innovation Index of 2015.



Scan the QR code for more report details



Movers and Shakers highlights major personnel changes within the Chinese government at various levels and senior management-level movements within multinational companies in China.

## LUBRIZOL

**Bernard Wong** was appointed vice president, Asia Pacific for The Lubrizol Corporation, where he is responsible for leading Lubrizol Additives and Lubrizol Advanced Materials. Wong has 33 years of experience in the petroleum industry in Asia. He originally joined Lubrizol Additives in 1990 in sales roles, including managing global accounts in Asia. He left Lubrizol to join BP in 1997 and served in various capacities, including general manager in China for BP/Castrol Lubricants and the BP-Sinopec retail joint venture. He rejoined Lubrizol in 2007 and was appointed Asia Pacific vice president for Lubrizol Advanced Materials in October 2008. In August 2015 his role expanded to include Lubrizol Additives.



Bernard Wong

## PRIVATE SECTOR

### DDB

DDB worldwide named **David Tang** CEO of Asia, effective October 1, 2015. In this role, Tang will be responsible for managing DDB offices in Southeast Asia, Greater China, Japan and Korea. Tang has been with DDB since 1998. He was promoted to president and CEO of DDB Singapore in 2004 and became vice chairman of DDB group Asia in 2013.



David Tang

### VERIFONE

Verifone announced **Arthur Jiang** as the company's new senior vice president and general manager for China. Jiang has more than 20 years of experience in China's payments industry. He is the former CEO of PAX Technologies and has also held senior leadership roles with Gemalto (formerly Schlumberger) and Hi Sun Technologies. Most recently, Jiang served as the vice general manager of Aisino Corporation's payments business, where he led initiatives to drive merchant acquisition and services in China.



Arthur Jiang

### COMSCORE

ComScore, Inc., a global media measurement and analytics company, announced that **Xinyu Huang** has rejoined the company as senior vice



Xinyu Huang

president and managing director of Greater China. Huang will be focused on providing strategic leadership to strengthen the position of comScore in the China, Hong Kong and Taiwan markets. Huang was previously with comScore for more than 12 years, starting in 2000. Most recently, he served as Chief Technology Officer at analytics and media company Resonate, where he was responsible for building its analytics platform and engineering team.

## GOVERNMENT



Zhang Yankun

**Zhang Yankun** was appointed secretary of the Beijing Political and Legal Affairs Committee. Since 2013, Zhang served as the vice mayor of the Beijing municipal government. Prior to that, he was the head of the Huairou and Shunyi districts in Beijing.

**Yang Xiaochao** was recently named general secretary of the Central Discipline Committee. Yang started his career in the Beijing Municipal Finance Bureau. He was promoted to director of Beijing's Finance Bureau in 2008. From 2013 to 2014, he was vice mayor of Beijing. In 2015, he was the secretary of Beijing's Political and Legal Affairs Committee.



Yang Xiaochao

If your company has executive personnel changes, please contact Junling Cui at [junling.cui@amcham-shanghai.org](mailto:junling.cui@amcham-shanghai.org).

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## Homemade jet ready for flight



China released its first domestic passenger plane, the Comac C919, on November 2. After a seven-year design and production process, the Commercial Aircraft Corporation of China revealed the white aircraft at their new factory in Pudong. The plane was presented under a banner that read “a dream takes off” as reporters and celebrities gathered to celebrate what Comac chairman Jin Zhuanglong called “a significant milestone.” The C919 is designed to compete with western companies Airbus and Boeing’s large passenger jets. C919’s maiden flight will take place in 2016, and test flights will continue for three years before the plane begins commercial use.

## Faraday Future gets US\$1b boost

California-based electric car company Faraday Future has received a US\$1 billion investment from Chinese billionaire Jia Yueting. Faraday Future plans to unveil their first high-end, luxury electric car in 2017. The company said that it is currently focusing on brand development and intends for its vehicles to rival Tesla’s. Jia Yueting is listed as China’s 17th richest person and is worth US\$7 billion. Yueting founded Leshi Internet Information & Technology and has other business endeavors in smartphones and Yidao Yongche, a Chinese car service similar to Uber.



## China to resume IPOs

China is set to restart initial public offerings, which was suspended in July after the stock market rout, according to reports. Deng Ge, a China Securities Regulatory Commission spokesman, said 28 companies will go public before January 2016. The first ten companies should be approved by November 27. With the market now calm, IPOs will resume. The CSRC also reported that they plan to alter IPO policies, although there are currently no specific proposals.

## Shanghai's Lego-themed wonderland

British entertainment company Merlin Entertainments Plc. and China’s media and entertainment investment company China Media Capital established a US\$300 million joint venture to open Legoland Park, a Lego-themed amusement park in Shanghai. The deal involves plans to eventually open up parks in other Chinese cities and to localize brands such as “The Dungeons” and “Dreamworks Tours – Kung Fu Panda Adventures.” Merlin Entertainments currently has five attractions in China and is the world’s second-largest visitor attraction group. LegoLand Adventure Park is scheduled to open within the next eighteen months.



## China Life tries U.S. warehouse market

State-owned insurance company China Life Insurance Co. will invest over US\$1 billion in U.S. warehouse operations acquired by Singaporean company Global Logistic Properties (GLP). Adding up to a 30 percent stake in the operations, the deal is China Life’s largest foreign real estate investment yet. China Life Insurance Co. is the mainland’s biggest insurer. To manage the 200 warehouses, GLP will establish a new fund, and GLP and China Life have paired with two other institutional investors to together hold a 66 percent joint stake in the fund.



# A Privilege to Serve



**Robert Theleen**

*Chair of the Board of Governors*

**T**hese past three years as your Chairman have passed so quickly for me. The Chamber has changed and our team and our members have made significant contributions to the lives of the people of China and to the important role of AmCham Shanghai. A few of the highlights of our accomplishments include our resolution of the ambiguous legal status of AmCham Shanghai in China, which, for many years, left us in a gray area until we formed our wholly foreign owned corporation (WFOE) while, simultaneously, maintaining our status as a not-for-profit organization.

Second, we rewrote our mission statement and our strategic plan as a not-for-profit service provider to our members. That simple mission statement has changed the Chamber into a more dynamic and responsive organization that ensures

we have the flexibility to respond to the ever-changing business landscape in this great country. It has meant that our Board and our team can be much more proactive in seeking new and innovative ways to serve our members.

Third, our expansion into the Yangtze River Delta was ahead of its time in the recognition that the American business community was turning from manufacturing and exports to making products and services “In China, for China.” This horizontal strategy, linked to the distribution and supply chain, has kept pace with the rapid growth of urban China, e-commerce and consumer trends, alongside the rapid expansion of the service sector. However, we must not stop here. AmCham Shanghai needs to keep innovating and expanding, with new services that reflect the role of technology in China, and assisting Chinese investors rapidly investing in the United States in areas of technology, new markets and brand building.

We also need to find new ways to connect with the growing number of medium-sized American companies, which are finding ways to introduce their products, through e-commerce, into the China marketplace. And they need our help to further understand and develop their markets here. This may call for an office in the United States or for formal collaboration with organizations where we can provide AmCham’s knowledge and relationships at an earlier stage of a company’s involvement in China. American business is going global, not just through large multinationals but through smaller and more creative producers in the United States. AmCham Shanghai needs to do the same.

Secretary of Commerce Penny Pritzker delivered a speech in the fall to our members to honor our 100th anniversary. She told us that, though the Department of Commerce enjoyed relationships with other American Chambers of Commerce throughout the world, AmCham Shanghai was the most important relationship of




all. That endorsement should motivate us to contemplate our future at this centennial milestone and to continuously reevaluate our role in helping to bridge the world of trade, investment and commerce not just between America and China, the two largest economies on earth, but to the world. How far we have come from those small numbers of intrepid Yankees who created AmCham in Shanghai in 1915. At the last meeting between President Nixon and Chairman Mao in 1976, these leaders agreed that our two countries must ensure peace and create prosperity between our two nations. It is the American and Chinese business communities that have kept that promise. As we close the year with our heartfelt condolences to our friends in France and their recent tragedy, it is instructive to remember the relationship between peace and the creation of prosperity.

As this is my last column as your Chairman, it is appropriate to express thanks to so many wonderful people – first, to the talented and dedicated staff of our Chamber and their amazing range of accomplishments. Thanks to Helen Ren, Vice President for Administration/Finance and Scott Williams, Vice President of Programs and Services and the SME Center. Thank you to Stephanie Myers, Committees; Veomayoury Baccam, Government Relations; Patsy Li, Marketing and Business Development; Linda Wang, Membership and CVP; Jessica Wu, Events; Ian Driscoll, Communications and Publications and Jonathan Shyu, YRD Network. And I extend my gratitude to the rest of the dedicated staff, for hosting and arranging more than 400 events each year, more than one a day, to the organizational requirements in supporting more than 20 committees, to the sophistication in our advocacy programs, which culminate in our annual D.C. Doorknock.

Our team in Suzhou, building a mini AmCham, our publications team that publishes this magazine and more, and our membership team are all talented individuals who comprise the backbone of our Chamber – thank you, for your selfless efforts and positive vibes in creatively building new and important relationships with companies and local government and with helping to expand our

marketing and our reach deeper into the YRD, elegantly and enthusiastically led by our Government Relations team, whose responsibility in building and maintaining our membership is critical to our future. And, with the greatest of thanks to our President, Ken Jarrett and his predecessor, Brenda Foster, for their vision, their leadership, their seamless efficiency, their deep wisdom and a wealth of knowledge of China, from government to culture, who set AmCham Shanghai on a pathway to prominence and for whom we all owe a huge debt of gratitude. Finally, I thank my past and my current Boards of Governors, who provided governance of our Chamber of the highest standards. And, finally, to all of you, our members, who gave us your time, your knowledge and the genius of American business ingenuity.

I am pleased to congratulate Ker Gibbs as our newly elected Chairman for 2016, whose knowledge of China, of Shanghai, acquired over more than 15 years in his distinguished career in venture capital, will serve our Chamber with distinction. It has been an honor and a privilege to serve you. But, as someone wisely reminded me, “It is a short putt from ‘who’s who’ to ‘who’s he.’” But, in my heart I will always be a member of the American Chamber of Commerce in Shanghai and proud that we continue to be the voice of American business in China. 



**Robert Theleen with U.S. Ambassador Max Baucus in November**

100TH ANNIVERSARY

BY KATHRYN GRANT

# Chamber Dinner, Forum Draw Industry Leaders and Dignitaries



**Hundreds of distinguished guests and members attend 100th Anniversary events**

More than 500 distinguished guests including AmCham Shanghai members and U.S. and Chinese Government officials enjoyed an eventful dinner celebrating the Chamber's 100th Anniversary on October 28, followed by a full-day forum on October 29 at the Ritz Carlton Pudong.

The two-day event followed several special

activities to commemorate the 100th anniversary of the Chamber, including our Centennial Charity Ball in April and a June 9 reception that honored our founding date. The overall theme was a reflection of the Chamber's efforts to build not just strong commercial ties but also to contribute to Shanghai's community. The Chamber made significant donations to the Soong Ching Ling Foundation Scholarship Fund that will help students in need at

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Fudan and Jiaotong Universities, several of whom took to the stage at the October 28 dinner.

That same evening, U.S. Ambassador to China Max Baucus spoke about AmCham Shanghai's contribution towards building a global economy. "Your work creating jobs has led to a consumer spending boom on everything from iPhones to travel and study in the United States. And your assistance to the development of civil society and corporate social responsibility is vital to our work in China," he said.

The following day, the Chamber kicked off its

full-day Anniversary Forum with a high-level panel discussion on executing business success in China. Featured panelists were Amit Midha, Chairman of Dell Asia Pacific; John Lawler, Chairman of Ford China; Glen Walter, CEO of Coca Cola's Bottling Investments Group and Abinta Malik, GM and Senior Vice President of Gap Greater China. Some of the topics the distinguished speakers addressed included the effects of strong local competition, differentiated targeting of brands towards Chinese consumers and the effects of the anti-corruption campaign.

Malik spoke about the importance of brand awareness. "The pivot to a consumption economy is very real and it's here to stay, but there is a big

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difference between regions in China and we need to think about how our customers will react in Beijing compared to Hong Kong, for example,” she said.

Another panel featured four influential Chinese executives from Ctrip, Dianrong, Origin Capital Group, Wind Information and Shanghai Lang Sheng Investment Group who shared their views about running companies in China and how it differs from the U.S. The “Young CEOs” panelists discussed the factors they expect will guide the future of business in China. They said that although the manufacturing industry is slowing down, there is tremendous growth

and opportunity in the high-tech sector with a younger generation of new investors.

### Today and the future

Tong Li, Founder and CEO of Origin Capital Group, spoke about the new generation of China’s rising middle class. “We estimate that the middle class will reach 300 million in the next 30 years. These are the families that will be thinking about education, health care, travel and wealth management,” Tong said.

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A panel of entrepreneurs and investors discussed the growth of innovation and start-ups in China, highlighting successful cases and sharing insights into the challenges and issues around innovating in China. WeChat was presented as a profoundly disruptive tool. At first a defensive venture against Xiaomi chat, it became wildly popular with professionals in their 30s mainly due to its voice messaging feature.

During the final panel, the discussion turned towards the next 100 years. When the speakers were asked what the world will look like in 100 years, Chairman and CEO of China Renaissance Fan Bao said, "I'm predicting China will be leading the industry of robotic technology. The younger generation will not be taking care of the old and we

will likely all rely on robots to take care of us. We need to invest in the younger generation because they are driving consumption."

Reactions to the conference were positive, with audience members saying that the variety of speakers engendered some thought-provoking onstage dialogues.

"I think it's a very interesting position that AmCham has in China in terms of being between the government and business, and I think we can all push that a little forward, and I do see a lot of speakers who are trying to do that. It's a delicate place and I'm always interested in how people advance various ideas that are not so easy to discuss in public," said AmCham Shanghai member Virginia Moore of Younger Niche Logistics (China) Ltd. 

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# TOP TEN CHINA STORIES

It's been an eventful 2015 in China. This is a short compilation of news items our readers may find noteworthy.



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**1. NIP TUCK:** Popular Hunan TV drama *The Empress of China* triggered international headlines in January after it returned from an unscheduled hiatus with all scenes of women's bosoms removed, including those of Fan Bingbing who plays the 7th century Tang Dynasty empress. Social media users mocked government censors for the inartistic move that revealed only awkward tightly cropped shots of the women's heads.

**2. ALE TO THE CHIEF:** Photos showing President Xi Jinping sipping Greene King beer with PM David Cameron have triggered a huge demand for the pale ale in China. Cameron took "Big Daddy Xi" to the Plough at Cadsden pub in Buckinghamshire where they enjoyed tall glasses of the beer along with fish and chips. Sales at many bars in Beijing tripled, forcing the importer to order 80,000 bottles a month instead of the usual 6,000 to quench thirsts. Bottoms up!



**3. MILE OIL CLUB:** In March, a story about reusing cooking oil made the news once again, but it wasn't about food safety. Hainan Airlines used old cooking oil to fly a Boeing 737 from Shanghai to Beijing. The oil taken from restaurants was mixed at a 50/50 ratio with generic jet fuel to power the three-hour flight without incident.



IMAGINECHINA



**4. TRUST ME:** A new government law could hold celebrities liable in the event they endorse a product in an advertisement that turns out to be a false claim. The new law released in September

also bars kids under age 10 from endorsing any product and also prohibits the use of the Chinese flag.

**5. NO NAME POLICY:**

Facebook founder Mark Zuckerberg was personally blocked when he asked President Xi, in Chinese, to suggest a Chinese name for his baby. Zuckerberg and his pregnant wife Priscilla were at the White House for the State dinner in September when Xi declined, saying it was “too much responsibility.” Facebook has been blocked in China since 2009.



**6. ARTISTIC LICENSE:** A struggling French artist eager to win a following in China disguised himself as a Chinese artist named “Tao Hongjing” for 15 years with winning results. After a decade of success in the Shanghai art scene, he recently revealed the truth: his real name is Alexandre Ouairy.



**7. JING'AN GROWS:** Even municipal districts are not immune from acquisitions these days. In November, Shanghai unveiled the merger of Jing'an – and all its

high-end shops and wealthy population – with Zhabei district. Some Zhabei residents chided the loss of their identity along with the name while some say real estate agents are already touting the Jing'an name to boost prices in the former Zhabei.

**8. OH BABY:** Chinese celebrities Angelababy and Huang Xiaoming were married on October 8 in the Shanghai Exhibition Center during a US\$34 million extravaganza. The 2,000 guests entered the enormous venue to carousal and left the venue with a bundle of gifts, including mobile phones. The bride wore a handmade Dior gown, and her Chaumet ring is valued at over US\$1.5 million.



IMAGINECHINA

SHUTTERSTOCK



**9. NO FEEDING:** Jilin University of Architecture issued new rules to curb “uncivilized behavior” on campus in November including a ban on couples placing food in each other’s mouth with their chopsticks and other utensils. Other public displays of affection such as kissing, handholding and cuddling are also deemed unacceptable for campus life.

**10. RED RIDES:** Wuhan is home to a new theme park dedicated to the Communist Party and its communist heroes. The park, which is inside the South Lake Happiness Bay Water Park, was built by the Wuhan government and opened in September. It is complete with stories of important party figures and communist-themed artwork. Young guests are encouraged to join the Youth League.



# 2015 *in* Pictures

*A few snapshots from AmCham Shanghai events over the past year*



U.S. Secretary of Commerce Penny Pritzker and Ambassador Max Baucus



Discussion on U.S.-China economic relations in January



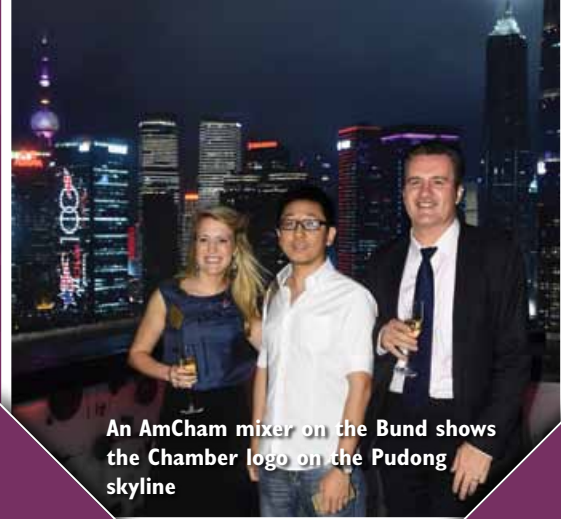
Reception for Chamber's 100th year anniversary on June 9



Guests at the Charity Gala









# Dell Aims High Despite Barriers



Dell President Amit Midha talks to *Insight*

**In an interview, Amit Midha says China remains a high-growth market and the future looks bright**

**T**he first stop on President Xi Jinping's U.S. visit in September wasn't the White House. It was Seattle. There he dined with government and business leaders, toured the Microsoft campus and met with CEOs from top American technology companies. In a group photograph, Xi Jinping is seen alongside the heads of Microsoft, Apple, Amazon, Facebook, IBM and Cisco, as well as about a dozen executives from Chinese technology giants. The meeting reflected two realities: China is an incredibly lucrative market for technology, and the government plays a prominent role in securing access to it.

Multinationals seeking dominance in this market are shifting their China strategies. No longer are they simply making and selling their

own products for the market; they are partnering with domestic firms at the same time that China strives to move away from dependency on foreign technologies. This year has been marked by a flurry of investments from companies like Dell Inc., which in September announced a whopping US\$125 billion investment plan for China over the next five years. The strategy is known as "In China, for China" and includes measures to integrate Dell's future development plans with national policies.

Amit Midha, President of Asia Pacific and Japan at Dell, was one among the senior executives who spoke at AmCham Shanghai's 100th Anniversary Forum about the challenges of succeeding in today's complex China market. "What is happening now is we are doing more outreach to the local companies than before," he



says, in an interview with *Insight* following a panel discussion with the chairman of Ford and executives from other companies. “It’s not just innovation done by Dell alone; it’s working with some of the partners, some of the local software companies to say: how can we bring in and further the innovation?”

For the Chinese government, domestic innovation and eventual self-reliance in technology are seen as necessary for reasons of cyber-security. At the end of 2014, the Chinese Banking Regulatory Commission published a 22-page document that laid out the rules for foreign technology companies that sell IT products and services to Chinese banks. Companies would be required to turn over their source codes, submit to audits and build in backdoor channels to give regulators access to their software. The policy was strongly contested by the U.S. government and trade groups for being protectionist. If implemented, it would have meant billions of dollars in losses for the companies involved.

In April 2015, regulators temporarily suspended the policy after the banks “put forward



opinions for improvements and proposed changes.” The reprieve did not last. In July, China’s legislature issued a national security law that called for making key network infrastructure and information systems “secure and controllable.” The amorphous definition, in the eyes of many U.S. executives, gives the government plenty of



A screenshot of Dell's Chinese website

“

China GDP at 7 percent is producing more than what a 10 percent growth rate in 2000 was producing.”

– Dell’s Amit Midha

room to scrutinize and raise the barriers of entry against foreign competitors.

While U.S. tech companies have become wary of increased government regulation, the size and potential of the country’s consumer market remains too big to ignore. According to January estimates by research firm IDC, China’s information and communications technology (ICT) industry will reach US\$465.6 billion in 2015, up 11.4 percent from 2014. With its 700 million web users and 1.3 billion mobile users, China has overtaken the U.S. to become the number one consumer electronics market.

Even the economic slowdown has not deterred foreign tech companies from investing heavily.

“We don’t see the economic slowdown, that’s the interesting part,” says Midha. “Of course it is slower than what it used to be before – our growth rate is slower than it used to be before as well –

but that is part of the law of large numbers. If you think about today, China GDP at 7 percent is producing more than what a 10 percent growth rate in 2000 was producing. So from an output increase perspective, China is actually generating more than what it used to.”

China is Dell’s second largest market (behind the U.S.), where annual sales stood at about US\$5 billion in 2013, before the company went private. It has been operating in China for the past 20 years, has seen its business almost triple over the last ten years and sells its products at 12,000 Dell stores around the country. Though business-to-consumer computing is slowing down, Midha sees strong growth in the business-to-business side, especially in enterprise computing and the data center space. Dell’s recent acquisition of data-storage company EMC will make it the number-one player in China’s storage sector.

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Dell has partnerships with several Chinese companies including Tsinghua Tongfang

Midha also believes that as society becomes more prosperous, customers will aspire for more and demand higher-quality products that include superior support, reliability and performance. “Countries that are becoming part of the global prosperity race are applying PCs, infrastructure, data centers – everything plays a big part in that,” says Midha.

## New players

That is in line with China’s plans to advance ICT infrastructure. The development of ICT was a core component of the 12th Five-Year Plan, which included adoption of next-generation broadband, convergence of three networks (Internet-telecoms-television) and investments into cloud computing, Internet of Things (IoT) and high-end servers. Accelerating growth in cloud and mobile devices, along with government initiatives such as “smart city” projects, would further drive growth. The playing field is wide, but whereas a decade ago Chinese tech companies lagged far behind their U.S. counterparts, today, companies such as Lenovo, Xiaomi and Huawei have become strong players.

“I think, clearly, the competition is everywhere now; it’s not just China,” says Midha, noting Dell’s experience in dealing with competition in other markets around the world. “Dell is in PCs, smart devices, Internet of Things, cyber-security, data centers, software, networks and storage, so we have a lot of areas to decide where to go and make the investment and make sure we get the right return on investment.”


A key area of that investment – the aforementioned US\$125 billion – will be used in localization. To support local innovative enterprises and promote Chinese technology innovation, Dell launched their venture-capital arm Dell Ventures in China. Dell also formed a series of local partnerships, including with state-owned China Electronics Corporation, Tsinghua Tongfang Co., and the Guiyang Municipal Government. With the Chinese Academy of Sciences, it is collaborating on an “Artificial Intelligence and Advanced Computing Joint-Lab,”



Amit Midha prepares for his panel at the Chamber's 100th anniversary forum

and with Kingsoft Corporation, it plans to expand cooperation in big data and cloud computing with the launch of the “Dell-Kingsoft Cloud” services.

Dell is not alone in this trend. The current climate favors domestic companies and indigenous innovation, so companies such as Microsoft, IBM, Intel and Cisco have all formed domestic alliances. Last year Intel agreed to invest US\$1.5 billion in state-run Tsinghua Unigroup Ltd., and in September, Cisco formed a US\$100 million joint venture with Inspur, a Chinese leader in servers and networking equipment. After Xi’s visit to its U.S. campus, Microsoft finalized seven partnership agreements with Chinese companies and government institutions.

“I think China is becoming cutting-edge. When you are creating innovation that is world-leading, there’s no template from outside that you can bring in,” says Midha. “You have to create the template, ‘In China, for China.’ To do that, you have to engage with the companies that are creating next generation applications, software and infrastructure, and that is what we are doing.” 



BY WEN-JUI HAN

# The Social Work Void



Wen-Jui Han

**A social work expert at NYU Shanghai sheds light on China's initiative to train and hire 2 million social workers by 2020**

**C**hange is ever-constant in China, unfolding on an unprecedented scale. So far, one change is getting little attention, despite its great significance. I refer to a Chinese government initiative forged in late 2011 to create a vast complement of as many as 2 million social workers for the country by 2020, an almost sevenfold expansion.

This national goal emerges amid China's rapid social changes, graying population (the average age is anticipated to be higher than 46 by 2050) and ever-rising expectations for quality of life. But it is a breathtaking objective because the social work profession has a shallow footprint in China. In the U.S., there are more than 650,000 social work professionals, a figure expected to grow by another 125,000 by 2022, according to the U.S. Department of Labor Statistics. In China, social workers number an estimated 300,000.

The profession has been established over the last

100 years in the U.S., where social workers support individuals, families and communities to reach their highest capacities through services, advocacy, research and policy development and implementation. But what does the future hold for the comparatively nascent social work profession in China, a far different country historically and culturally?

The question is dear and personal to my heart as one who is deeply immersed in the social work field, has taught social work for the past 20 years and conducts research on enhancing the well-being of families and children with my collaborative colleagues at East China Normal University (ECNU), addressing such issues as child welfare and protection, labor conditions for migrants and care for the growing number of elderly.

The issue also holds my rapt interest because the future of the profession in China is in so formative a phase. Whether social work's unique capacities can be brought to scale to help the poor and the

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The social work profession has a shallow footprint in China

vulnerable in the coming years will depend in large part on how China's social work profession develops and to what extent.

Consider its potential importance. For one thing, China has been experiencing unprecedented internal migration. Those dislocated often experience low pay, unsafe working conditions, unskilled jobs and crowded and unsafe housing. Their children can be left behind, without attentive caretakers or suitable schools, with some becoming "street children." China has the world's second highest number of children—309 million, or 24 percent of the nation's population.

And while in 2010 the country became the first in the world to have more than 100 million people 60 and older, its elder care infrastructure is still in its infancy. The 60-plus generation is projected to hit 487 million by 2050, of whom 30 percent will be over 80.

The government began developing a long-term, sustainable elder care system in 2001, but the work has a long way to go. It is complicated by inadequate government regulations, insufficient financial backing to foster a widespread and affordable system of community-based care and, perhaps most importantly, the lack of qualified, trained elder care workers.

## Training for tomorrow

The school where I teach – New York University's Silver School of Social Work – is well aware of China's importance to the field of social work. In September, we started a global Master of Social Work program at NYU Shanghai. Today, this is the only university and school of social work to establish such a model – one that offers an American-granted MSW degree to students spending a year in Shanghai and a year in New York.

The Silver School's dean, Lynn Videka, and I are co-directing the global MSW program with the mission of educating future social workers by emphasizing academic excellence, intensive fieldwork and inter-cultural competency and have attracted students from the U.S., China and Canada thus far. The courses are held at NYU Shanghai's academic building and then at the NYU campus in New York.

The curriculum incorporates many Chinese and Asian specialized topics, combining American social

work theories with perspectives on China's cultural and social environments. For example, the primary importance of the family is considered, as is the growth of income inequality, as well as the particular vulnerabilities this creates for children and the elderly. One student is fulfilling the program's three-day-a-week field placement at a hospital that treats children with cancer. The student assists the families to ensure that they have access to medical, financial and emotional resources for the long term. Her empathy and understanding of what the parents are going through enable them to focus their inner resources on behalf of their child.

"We're asking, what does social work mean?" Dr. Videka explained. "It's a very active and vibrant discussion because we're at the early development stage of the social work profession in China."

The NYU-ECNU Institute for Social Development at NYU Shanghai is reaching out to social service and health care agencies with skills-building workshops for social workers in such domains as child welfare, mental health and elder care. We've seen, though, that nonprofit and private organizations have an important part to play in the building of a comprehensive, thoughtful social service system. Many real estate companies, for instance, acknowledge the importance of providing home-based care for the elderly within their developments with the introduction of nursing care facilities. But these companies almost invariably run into the problem of the lack of trained social work professionals.

The Chinese have lived through enormous changes since the introduction of capitalism 30 years ago. As China's ambitious social work initiative unfolds, its fate will determine the future course of the social work profession in China and perhaps in many other fast-developing countries as well – potentially improving the lives of countless individuals, families and communities.



“

...Its elder care infrastructure is still in its infancy...”

**Wen-Jui Han is a professor at New York University's Silver School of Social Work and co-directs the New York University-East China Normal University Institute for Social Development at NYU Shanghai.**



# Bumps in the Road

**The economic climate, overstocking and government tax breaks favoring domestic brands have put a dent in China's booming auto market**

**BY NAMRITA CHOW**

**T**he Chinese vehicle market has been through a shaky period in much of 2015. In March, everything seemed to be ticking along just fine. The car market was growing – albeit in single digits – but within the expected range. Suddenly, however, vehicle sales began to slow, and then dramatically in the summer, sales dropped significantly. What happened during the summer of 2015?

There were a number of turbulent economic activities in China – the stock market crashed, the currency was devalued and optimism surrounding GDP growth rates faded.

With the downgrade of the country's GDP level from a 30-year average of around 10 percent per annum – between 1980 and 2010 – to 7.3 percent in 2014 and an expected 6.5 percent

GDP growth rate for 2015, the car market is also expected to witness calmer sales growth than seen in recent years, when annual sales rose by double digits.

## **Economic growth**

The main economic concern is the uncertainty of how the car market will react at slower GDP rates – rates not seen for decades. If the country's GDP drops to below 6 percent, then there could be significant effects in all industries in China.

The car market in China is linked to overall economic conditions in the country. For instance, if there is a housing boom, IHS Automotive analysis shows that vehicle sales will also rise. Therefore, if there is a housing slump, the market





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news analysis focusing on the vehicle market in China.

suffers. The correlation between housing and car sales indicates that Chinese consumers' second big-ticket purchase is a car followed by a home.

## The shift

First quarter data from the China Association of Automobile Manufacturers (CAAM) showed that the market was up 3.9 percent year-on-year with year-to-date sales in the quarter of 6.15 million units, up from the 5.92 million units sold in January to March 2014. In March, monthly sales of 2.24 million units was 40.62 percent higher than sales in the preceding month of February and 3.29 percent higher than sales in March 2014.

But then in April, the situation began to change. The market began to cool with a monthly decline in sales of 0.49 percent year-on-year, although total sales on a YTD basis remained positive with growth of 2.77 percent year-on-year.

May data began to confirm that sales were indeed slowing faster than previously anticipated. Monthly sales in May dropped 4.55 percent from the preceding month to 1.9 million units and down 0.39 percent year-on-year. However, on a YTD basis the market was still positive, up 2.11 percent.

In June again, the monthly data revealed month-on-month and year-on-year declines of 5.29 percent and 2.32 percent respectively, but YTD sales remained positive and up 1.43 percent.

So who's doing what in the car market?

The car market in China is currently going through a change in what was considered the norm for a number of years. The automakers that are gaining market share are not large international brands that we all know so well. It is the Chinese brands that are gaining market share. These local brands are

penetrating China's large hinterland, winning over local consumers and egged on by stronger government emphasis to buy domestic brands. By mid 2015, the trend was already apparent. Chinese automakers such as Great Wall Motors, Geely Automobile and Anhui Jianghuai Automobile Corporation (JAC) were gaining ground with double digit percentage point increases in sales, while Volkswagen and General Motors (GM), the market leaders in terms of volume sold across their brands in China, experienced a decline in market share in China.

New sport utility vehicle (SUV) models have helped spur sales from JAC and Great Wall. Geely's sedan sales have risen significantly – while the Chinese government has removed international brands from its internal procurement list, capping government official expenditure per vehicle at RMB160,000. However, some international automakers, including Mercedes, are witnessing strong growth and this is on the back of new locally produced SUV launches in China – a segment that continues to be favored by Chinese consumers.

In July, the overall market fell significantly, almost bringing down the overall YTD growth rate, which continued to be positive but only just (+0.39 percent). Data from CAAM revealed wholesale sales and vehicle production were dropping faster than anticipated, and industry analysts began readdressing annual growth targets.

As a result, sales of domestically produced vehicles dropped by 7.11 percent year-on-year, CAAM data showed, with a total of 1.5 million units sold, down 16.64 percent from the preceding month of June. Production of vehicles also dropped 11.76 percent year-on-year as automakers began to adjust capacity levels to align with lower demand.

In August, sales lifted slightly and in September, the market rose enough to maintain year-to-date sales in positive territory



Great Wall is selling more cars this year

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A worker accepts payment for a license plate in Shanghai

at 0.31 percent. But overall production levels were still down, though marginally.

Then in the first week of September, IHS Automotive began to review its forecasts and made a revision to existing growth rates for the car market in China, cutting the anticipated 4 percent year-on-year growth for light vehicle sales in China to a 1.4 percent year-on-year growth rate.

## Tax break

Simultaneously, the Chinese government also stepped in with a “rescue” plan for the Chinese car market that took effect on October 1. It offers a 50 percent reduction in purchase tax to all vehicles fitted with 1.6 liter or smaller engines, bringing the new vehicle purchase tax from 10 percent to just 5 percent. GM stated that 30 of its models and those of its joint ventures in China and 128 trim levels currently sold in China will be eligible for reduced tax.

“Products with engines of 1.6 liters and below accounted for about 80 percent of GM’s passenger vehicle and light van sales in China, in terms of the registration number in the first eight months,” the automaker said in a statement. Following the implementation of the new policy, GM has reported October sales rising 15 percent year-on-year. This trend is being felt across the market, with most automakers reporting growth in October, as a majority of passenger cars in China are small engines, with a growing trend to pair these small engines with turbochargers.

The government incentive is in place to help reduce the impact of the market slowdown and alleviate the market falling to a new lower “stall speed.” As a result, this program already has



**It could be another decade or two before self-driving vehicles hit the road commercially, says research scientist**

**BY IAN DRISCOLL**

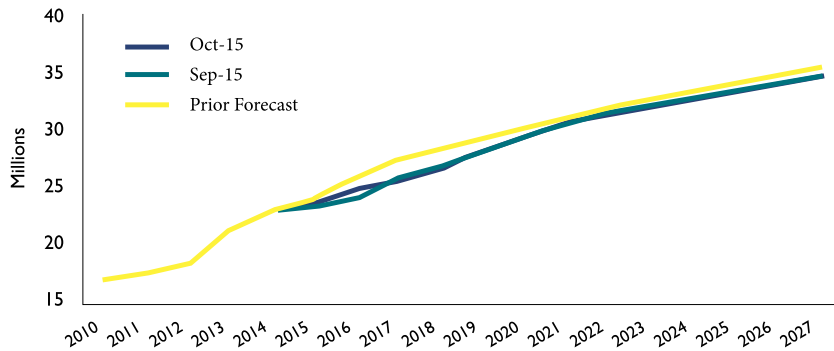
Dr. James R. Sayer is a research scientist in the Human Factors Group at the University of Michigan Transportation Research Institute where he has conducted both basic and translational research in driver assistance and advanced safety systems development, naturalistic driving behavior, driver distraction, driver vision and pedestrian conspicuity since 1993. He was recently honored at the White House for his contributions to innovation and advancement in transportation. While in Shanghai for the SAE China Congress, Sayer spoke with *Insight* about the future of the driverless car.

*Insight: How do you define a driverless car?*

**James Sayer:** “A vehicle that is capable of operating without a driver controlling it. There could be someone in the vehicle who could take control in an emergency situation, but a driverless car



### China Light Vehicle Outlook



Source: IHS Automotive

lifted sales prospects for the Chinese market, in a fashion similar to the rescue plan implemented in 2009 in China. But the current incentive favoring small engine cars expires at the end of 2016.

The sudden drop in the car market was the culmination of other issues also at play and stockpiling of vehicles at dealerships across China. Dealerships here have been under immense

pressure for a number of reasons. Almost all automakers have pushed dealers to aim for unrealistic sales targets – both Chinese and international automakers have increasingly come under scrutiny for setting targets that are unreachable in the current climate. According to the Chinese Automotive Dealer Association (CADA), only 30 percent of dealers made profits in 2014 compared with 70 percent in 2010.

### Panic buying

With the implementation of license plate restrictions in a number of cities in China effective at the end of 2014, consumers brought forward their demand for vehicles. The restrictions, which limit the number of license plates, were implemented in congested cities in China. This “pull effect” in 2014 led to dealers across China adding stock to effectively deal with demand in cities where the new license plate restrictions were imminent, and consumers responded. Panic buying took place in cities ranging from Nanjing and Chongqing to Xining

is effectively a vehicle that does not require, for the majority of operations, that there be an occupant.”

#### Insight: How does the average member of the public imagine a driverless car?

**JS:** “The general public in the U.S. think that vehicles they won’t have to interact with are right around the corner; that in two years they will be able to purchase something that totally replaces the automobile they have now and that it will operate in all types of weather and on all types of roads, that there will be no limits on its operation at all speeds. But automated technologies for passenger vehicles are currently restricted to well defined routes that have been heavily mapped or have some prescribed detail, whether it’s a magnetic strip in the road or some other defining infrastructure-based element, and current autonomous vehicles are almost exclusively operated at low speeds, at least on public roadways.”

#### Insight: What would be the primary characteristics of a driverless car?

**JS:** “From an owner’s perspective, it would be a vehicle that they would perform no monitoring of for it to operate. They could be asleep, they could be doing email, they could be reading a magazine, or they could be watching a movie. That’s the biggest hurdle and the greatest



James Sayer





A family checks out a car during the auto show in China

and Xian and Shenzhen. In addition, Tier 1 cities such as Shanghai, Beijing and Guangzhou already had license plate restrictions implemented prior to 2014, and prices for license plates have rocketed due to the limited supply since then.

## Unrealistic targets

Automakers have high expectations from their dealers and nowhere more so than in China. Automakers such as Toyota,

Volkswagen, Audi and Mercedes have all had to create funds to placate dealers. For example, Toyota agreed to pay out RMB1.24 billion (US\$200 million) to dealers of its FAW-Toyota joint venture in the first quarter of the year following the automaker reiterating targets for annual sales of 1.1 million units, representing 6.8 percent year-on-year growth in the country. To reach its target Toyota needs the support of its dealers. Over 500 FAW-Toyota dealers wrote to Toyota to demand funds to help them cope with the reduction in sales in December 2014. Meanwhile, Renault is under pressure to maintain loyalty among its dealers as the French automaker aims to begin local production at its new Dongfeng Renault plant in China this year. Renault aims to increase the number of Chinese dealers to 159 by the end of 2015, up from 102.

Others include BMW, which created a RMB5.1-billion (US\$820 million) fund for its Chinese dealers, and Volkswagen's Audi, which created a RMB2 billion fund, while Daimler's Mercedes formed a RMB1 billion fund for its dealers in China. Meanwhile, Porsche dealers have voiced concerns over the automaker's targeted sales rise of 40 percent year-on-year to 64,000 units in China for 2015.

Slower growth rates have heightened competition within China, with automakers rapidly expanding their dealer networks to cover the lower-tier cities and interior regions of China.

expectation. After that, there are a number of lesser expectations: a car that parks itself, a car that anticipates where you need to be and when you need to be there."

**Insight: When will we actually begin seeing these cars on roads?**

**JS:** "We need caveats here, but if we are looking for a vehicle that replaces the ones we currently drive, that operates at all speeds and in all weather conditions, that does not require every inch of the roadway to be exceedingly digitally mapped, then we are looking at 20 years. It won't happen in one fell swoop; there will be cars that work in a truly automated fashion on the highway, for example, before they are operating on surface roads. It is a lot easier to map the highway system than surface roads, so we may see that within ten years."

**Insight: Should traditional automobile manufacturers be concerned by the speculation that Google and Apple in the U.S. and Baidu and Tencent in China may attempt to make cars?**

**JS:** "I think not very, although I don't think they should ignore it. The non-traditional manufacturers, those that have come on the scene in the last five years, are looking more and more like traditional auto manufacturers. With consumer products, people's lives are not at risk; but these companies are venturing into an area where people's lives are at risk, and they are facing regulatory testing the likes of which they have never encountered when manufacturing a phone or a search engine."

**Insight: One of the purported benefits of driverless technology is that it removes humans from the decision-making process. In the U.S., 34,000 people are anticipated to die in automobile accidents in 2015. How many lives should we expect driverless cars to save?**

**JS:** "Using a very significant guesstimate, maybe 20,000; maybe more, but it won't bring it to zero. It's hard to say because automation isn't the only thing that's changing; there are multiple things going on simultaneously: the structural integrity of vehicles is improving, restraint devices are saving more lives, but there are



## Retail vs. wholesale

While CAAM data is the most widely reported sales data in China and the official data source, it is important to note that it is based on wholesale transactions. This means that CAAM reports the number of vehicles moved from production facilities to dealerships and not actual sales from retail outlets to consumers.

With the IHS acquisition of Polk in 2013, IHS Automotive has access to actual vehicle registration data in China – that is, registrations of vehicles by consumers once they are purchased. In the summer months, the registration volumes did not drop as the CAAM data did, suggesting therefore that the sudden decline in sales occurred primarily in the wholesale vehicle market.

The result of the various issues at the dealerships in China was a major industry-wide destocking in the months leading to and including July. This culminated in the big drop in sales in wholesale CAAM data in July.

## Will it happen again?

The government's intervention to alleviate the sudden drop

in the wholesale market indicates that the general market conditions were not completely free of obstacles to growth.

With overall economic conditions in China warranting greater attention, along with the slowing GDP growth rate, pillar industries such as the vehicle market are vital to keeping domestic demand positive in China. Therefore, the government's policy is intended to help encourage sales of small engine cars in China, as well as increase sales of new energy vehicles (NEVs) in China, as it reiterates its target to have 5 million NEVs on China's roads by 2020 and annual production of at least 2 million electric vehicles per annum in the same timeframe.

With the new thrust from the government encouraging sales of small engine vehicles, IHS Automotive has added an increase in forecast sales volume for 2015 with an additional 170,000 units expected to be sold in China. For 2016, we anticipate an additional 600,000 units, based on our September forecasts as a result of the renewed thrust for small engine vehicles.

If the country's GDP level remains on target at over 6.5 percent, then the market is expected to still be able to grow, although probably still in single digits. A significantly slower pace for the economy, however, may well imply that correlated markets such as housing and car sales are likely to be affected.



are walking and biking. We will likely never be able to measure exactly how many lives are saved by automation.”

**Insight: Who will be the losers and winners once driverless technology comes to fruition?**

**JS:** “I anticipate that there will be losers, but they are less likely to be traditional automobile manufacturers than, let's say, automobile start-ups. My concern is that non-traditional manufacturers will introduce systems into the market before they are ready, and that's

changes in the way people move. For example in the U.S., we are seeing a steady increase in the percentage of fatalities associated with pedestrians and cyclists because more people

going to significantly damage that organization as well as the market. By systems I mean autonomous features that are not ready for prime time. The non-traditional manufacturers are not accustomed to doing the level of testing – and do not have the facilities to accommodate those levels of testing – that the traditional manufacturers are accustomed to handling, from a safety perspective.”

**Insight: Are American automobile companies ahead of their foreign competitors in their research and development of driverless technologies?**

**JS:** “The suppliers and the majority of the automobile manufacturers are global companies. A company may be demonstrating a lead in technology, but that same corporation will have the same technology in the U.S. and Asia; it's a global marketplace. It's also an issue of which environment they think is most friendly to introduce a technology. Part of this depends on liability, the legal environment and the regulatory environment.”

# Eyes on the Road Ahead

**John Lawler, chairman and CEO of Ford Motor China, offers his insight into today's auto industry, catering to Chinese drivers and emission standards**

**BY BRYAN VIRASAMI**

**T**he auto industry in China is healthy despite a recent drop in sales, according to John Lawler, Chairman and CEO of Ford China since December 2012. Lawler spoke to *Insight* magazine the same day he took part in a high-level panel discussion that was part of the day-long 100th Anniversary Forum at the Ritz Carlton Pudong. During that interview, he discussed a range of issues including the current status of the auto market in China, how Chinese consumers are different from their American counterparts and what the company is doing to build greener vehicles. The following are excerpts from the interview.

**Insight:** *Ford is doing well in China. As Chairman, how do you deal with the challenge to ensure those numbers keep growing year after year?*

**John Lawler:** “We’ve had an incredible run over the last five years. It is actually the largest expansion that we have had at the Ford Motor Company anywhere in the world in 50 years.

Over the past five years we have built seven manufacturing plants, doubled our workforce, doubled our dealer body and doubled our sales. That is quite a growth rate – and now, the overall economic climate has changed. China is growing at a more sustainable pace with the new normal and adjusting to that is something that is good for everyone.

“You cannot grow at 15 or 20 percent year on year, it just is not sustainable. Seven percent growth in GDP: the automotive industry growing at that rate or a little bit less is much more sustainable. This year the growth rate is flat to down slightly, and you have to adjust in that environment. There are things that you have to deal with in your business to right the size of your cost structure, to make sure that you are getting the right operational leverage and to ensure that you have the right financial structure to make sure that you are successful going forward.”

**Insight:** *If you watch the news, things appear to be slowing down for vehicle sales in China. What is your professional*





***analysis of where things stand today?***

**JL:** “It has grown at a tremendous rate over the last 10 to 15 years. It is the largest auto market in the world. This year we will be at slightly under 24 million units. I think the second-largest market behind it is the U.S., which is in the 17 million range. Growth has slowed, and this year it will be about flat with last year, or slightly down, depending on if you are looking at passenger vehicles or commercial vehicles. The key there is that you have to adjust your business. You have to adjust your production to be equal with demands so that you are not over-capacitating or flowing too much product into the marketplace, and then you need to adjust your cost structure and how you are running the business to operate profitably within that new business environment. That’s what we’re focused on doing.”

**Insight:** *What is your reaction to what’s happening now. Are*

***things actually slowing down?***

**JL:** “I think what we are seeing is that it [the market] is starting to stabilize. We are starting to see that we are probably toward the back end or middle of the slowdown, and we are seeing some green shoots starting to pop up where we see demand creation and growth start to pick up, so we are encouraged by that. We are encouraged by working the rest of it and seeing where we head into next year.”

**Insight:** *What are some of the key differences between Chinese consumers and American consumers?*

**JL:** “I would say that one of the interesting things is actually the tastes and needs around the world of an automotive consumer are starting to converge. You can see that in the huge growth we have here in China with regard to SUVs. The Chinese customer really wants that utility and the benefit that you get from an SUV, similar to what happened in the United



Workers at a Ford plant in Hangzhou



John Lawler talks to *Insight*

States many years ago as that SUV growth rate took off. So, a lot of aspects around the world are converging. But in China, there are a lot of unique aspects about the vehicle that they need given their lifestyle and family needs. We do a lot of research here and then bring that back into our product development process to make sure that we satisfy the Chinese consumers' unique requirements. A good example of that is the rear seat. In too many of the other markets around the world, the rear seat is not used much. In China, it is used quite often. So roominess, the console, the amenities in the rear of the vehicle actually have to meet a different standard than elsewhere in the world."

**Insight:** *I've been hearing about the Ford Mustang in China. Do you think there will be another car – Ford or not – that will have such a special meaning for passionate drivers in China?*

**JL:** "The Focus has resonated in China -- it was the best-selling nameplate for three years running. We just launched a new model of the Focus. I think today's generation and what consumers want is different. That is one of the reasons why as a company we talk about having one foot in today – that is the

operational running of the business and making sure that we are delivering today's sales and requirements – but also one foot in the future. And the future is changing because we are seeing many different trends impacting the consumer. We've got mega-cities and congestion. We've got air pollution. The millennial buyers that are coming up into this marketplace are very different in what they need, want and expect, and we have a very large growing middle class in China. So all of that coming together is changing the profile of what the consumers want, demand and expect and how we react to that.

"We are bringing a lot of the semi-autonomous features that you will find in a vehicle to make driving easier, and then that will eventually move to fully autonomous vehicles. But we have features in China for our consumers like lane-keeping. This feature will allow you to stay on the road, and if you start to drift out of your lane, it will remind you that you need to come back. Collision avoidance will, if you are approaching a vehicle too quickly, actually start to engage the brake for you and help you slow down more quickly. We also have Parallel Park and other parking features. You can do a perpendicular park or a parallel park where you just line the vehicle up, press the button, and then it will pull you into those tight spaces. It does this all with sensors, so it is easier for the customer."

“

*The automotive industry has a large impact on GDP in the country so we want to make sure that we are continuing to move forward...*”

**Insight:** *We often hear from AmCham members about obstacles facing foreign companies and how they impact competition. What is the top issue for Ford and other foreign auto makers when it comes to ensuring a level playing field?*

**JL:** "A level playing field is very important, and I think that in any market around the world you need to be concerned that there is a level playing field. I would say that right now in



China, as it transitions, the regulatory environment is quite active. A lot of that concern is around the key issues that I talked about earlier such as congestion and air pollution, and there are very aggressive regulatory rules coming about fuel efficiency and emissions.

“I would say that one of the biggest things that we are working on proactively is: how do we put together a thoughtful path forward in that space? We want to be part of the solution and help resolve the issues. We want to resolve them in a way that does not take back on economic growth, does not hurt the industry and does not hurt the consumers so that they can get the products they want, and we can continue to grow as an industry. The automotive industry has a large impact on GDP in the country so we want to make sure that we are continuing to move forward, but do so in a thoughtful way that meets that regulatory environment so that we can meet the needs of China.”

**Insight:** *Kawei reportedly made the JAC 4R3, which looks a lot like a Ford F-150: I understand Ford blocked the sale. Is this a big problem for Ford, and what would you like to see the government do to help foreign companies protect their IP in China?*

JL: “IP protection is a big issue here in China, and I think that one of the issues when you find something like the situation you mentioned with the F-series is that you have to react. You have to work within the rule of law that we have here in China. You have to protect your IP upfront the best you can by registering trademarks and making sure that you have the right patents in place, etc. But one of the other things you have to do is continue to innovate and try to stay ahead of everybody else and be on the forefront of innovation because then it is hard to copy you. So you have to approach it from many different facets, and that’s how we approach it here in China.”

**Insight:** *China is changing its pollution and emission standards. Will that affect companies like Ford, and how do you deal with it?*

JL: “Sure it is affecting us; it is affecting the entire industry. We



deal with it by bringing the very best technologies to China so that we can meet the regulations. We work with the regulatory bodies in putting together a point of view that would bring a more thoughtful rollout, a rollout that is considering what the growth of the industry would be and how it might impact the industry. Therefore, we can meet the needs of the government in regards to efficiency and emissions requirements.”

**Insight:** *Many people associate the number of cars on the road with air pollution. I know Ford is doing a number of things to make greener vehicles. What do you say to people who worry about the growing number of cars on the road?*

JL: “I would say that is a very complex issue. It is not only the automotive industry, but it is industry in general. It is buildings and houses – everybody has an impact on the environment. The important thing is that we work proactively with academia, the government and industry to find the best solution for it and to bring change that will help the environment and the consumers.”

**Insight:** *Another thing we hear a lot about today is driverless cars. Will it happen soon?*

JL: “You are starting to see technology advance, and so you will see some element of autonomous vehicles on the road in the near future. I think having a vehicle on the road that is purely autonomous, where you get in and it just goes anywhere, will take some time because it is very complex.”





# Priced to Go: Sales of



**It's been a lackluster year for new cars but the market for used vehicles is growing: industry analysts**

**BY DONNIE GIOZZETTI**

**F**or the auto industry, things were not as rosy in 2015 as they were during the last few years. It wasn't a horrible year, but it wasn't as good as before. While the government has taken steps, such as tax cuts, to nudge consumers to buy certain types of new cars, there may be other forces at play.

Specifically, more Chinese consumers appear to be embracing used vehicles.

Industry analysts say new car sales in China are expected to reach a saturation point of 25 to 30 million vehicles (including

exports and commercial vehicles) between 2018 and 2020. And while the volume of new car sales still outnumbers that of used car sales three to one and accounts for nearly 90 percent of all car revenue, the used car sales growth rate is outpacing that of new car sales.

According to China's Automotive Dealers Association (CADA), an industry group, the used vehicle market in China should reach 11 million vehicles this year, with passenger cars, SUVs and MPVs counting for nearly two-thirds of those sold. Some analysts say that by 2023, used vehicle sales will hit 36



# Used Cars Climbing

million, which means China may eventually mimic more mature markets like the U.S., where overall used car sales account for 72.4 percent of total car sales.

Why are secondhand automobile sales rising so rapidly? In part because overall car sales have boomed but also because of changing Chinese consumer behavior, says Keith Lomason, president of JATO Dynamics China, a global automotive market research firm headquartered in the U.K.

"There was a stigma, especially in Tier 1 cities, that buying a used car indicates that you don't have the wealth to buy luxury vehicles," says Lomason. "That stigma is going away somewhat."

The stigma was always less pronounced in Tier 3 and Tier 4 cities where there was also better sales infrastructure for used cars. "Maybe [in those cities] common sense is stepping in a little bit over the need to show your wealth," says Lomason.

CADA research shows that about 67 percent of new cars in China are driven for three to six years before being sold. Another 19 percent of new cars are sold within three years. As more Chinese consumers get rich, it's possible than more people will trade up to new cars more frequently. The opportunity that

creates is already spurring the growth and changing the face of a hitherto relatively small sector.

## Buying online

The way Chinese consumers purchase secondhand vehicles is also changing. Previously, they bought cars from local governments, at auctions or from friends and family members. Today, online seems to be gaining ground.

The number of online used car platforms has grown in recent years, says Lomason. B2C and C2C models are quickly gaining popularity and O2O service platforms offer maintenance as well as other services that are gaining significant traction. China's online behemoths have noticed. Alibaba recently announced a new automotive division tailored to online sales and services. While more and more companies will utilize online platforms in the coming years, online sales still only account for less than 5 percent of total used car sales, says Bo Yu, research manager at JATO.

The growth in used car market sales is also an attractive proposition for OEMs, both domestic and foreign, looking to develop their aftermarket brand. The more astute ones know that profit lies not just in selling cars, new or old, but in car service. According to Bo Yu, there are 93 million passenger cars in China today with another 45 million vans and commercial vehicles on the roads. (Using different data collection methods, government estimates put the combined total at 150 million).

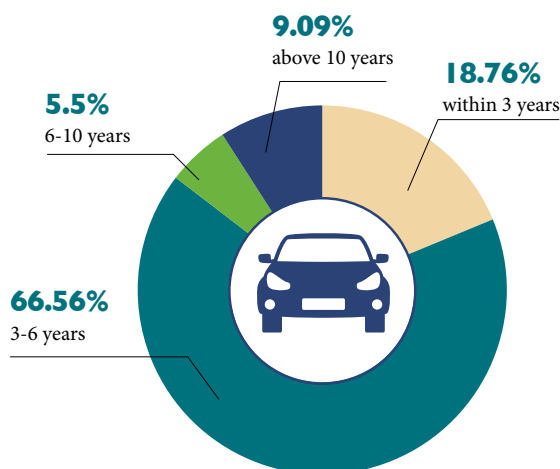
"Those with the foresight knew that if this market was going to follow suit with other markets, the margin on new car sales is fairly small," says Lomason. "It's in the service, maintenance and repairs that dealers make a lot of their profits." Those yet to evolve their business into providing after-sales service are playing catch up. Lomason suggests that OEMs positioned to offer comprehensive after-sale services have a distinct advantage.

Integrating their own recertification process will become standard for serious players because demand for aftermarket



Keith Lomason, president of JATO Dynamics China

## Age of Used Cars When Sold (Jan-Aug 2015)



Source: CADA

### Repair shops stand to do well



parts and services will only increase as the average age of cars in China increases. With out-of-warranty cars tripling in the next few years, according to L.E.K., a global consulting firm, the demand for full-service will be even greater.

## Brand value

Research by IBIS World, an industry forecasting specialist, reveals that overall revenue for the auto parts manufacturing industry in 2015 is anticipated to reach US\$567 billion, up nearly 10 percent from 2014. To take advantage of China's growing aftermarket, Lomason says U.S. OEMs must enter the market early with unique dealer solutions: "If they get aggressive and creative early, they will see a spike in sales." For example, persuading more buyers to use an official maintenance program will not only increase residual value but ultimately brand value for, according to Lomason, "The single most important indicator of a brand's value is its used car prices, regardless of the market."

For auto parts manufacturers, success will largely depend on whether they have established an aftermarket presence. "Certain OES products lend themselves towards not just OEM but aftermarket sales as well," says Lomason. Getting involved in maintenance activities, like establishing a chain of service facilities, could be a viable launch pad for auto part manufacturers as the used car market grows. "Anyone doing

tires, lubricants, brakes or anything that requires repair is going to benefit," Lomason says.

For foreign companies, though, there will be plenty of competition. Chinese auto part manufacturers that are unaffiliated with OEMs have been making significant progress. Previously renowned for their knock-offs, many now produce quality replacement parts. They also have connections and developed sales networks.

"Many Chinese car buyers are not willing to pay for an OEM part when they don't think the quality is that big of a difference at this point between a locally-made brake or a brake being made by a company that's being supplied by a joint venture here and the brake being sold to them through an OEM dealership," Lomason says.

Tapping into the Chinese automobile industry, whether as a service provider or as an after-market parts manufacturer, will not be simple. Oil supply concerns, urban gridlock and environmental challenges were all recently cited as challenges to the car market by Wayne Xing, a regarded China auto industry observer. On the plus side, the number of registered drivers is increasing at about 12 percent per annum.

Foreign companies in particular will have to confront traditional issues such as lack of transparency as well as a regulatory environment that differs from province to province.







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BY DAVID YEN

# Getting a Handle on Expat Taxes



David Yen

**Americans in China can enjoy various tax concessions and avoid risks with careful planning**

Working in China can be quite rewarding, as most expats enjoy great cultural experiences and are treated well. Although China is no longer considered a “hardship” post, the average expat can still expect to enjoy an overall compensation package that’s better than if they were in their home country.

Even though China’s top income tax rate for wages and salaries is bracketed at 45 percent, there are several concessions available for expats. Certain benefits are exempt from tax as long as the amounts are reasonable and substantiated by official invoices (*fapiao*s).

These include:

- Accommodation rent
- Meals and laundry
- Moving expenses
- Children’s tuition
- Trips to home country
- Language training

Generally, China’s individual income tax is quite straightforward for foreigners as the taxes are withheld from their pay on a monthly basis. Subsequently, a simple recap of an Annual Individual Income Tax declaration must be filed to tax authorities by March 31 of the following year if the individual’s annual income exceeds RMB120,000.

As most U.S. citizens and residents living abroad decry the burdens of declaring their worldwide income on their U.S. tax returns, unbeknownst to most, China also taxes its citizens/residents (*hukou* or household registration) on their worldwide income.

## The tax test

Nonresident aliens can be taxed as residents of the United States if they spend too many days in

the U.S. by meeting the substantial presence test. The substantial presence test requires the individual to be present in the United States at least 31 days during the current calendar year and 183 days during a three-year period that includes the current year and the two immediately preceding years.

For the purpose of the 183-day test, days are counted as all days present in the current year, one third of days present from the first preceding year and a sixth of days present from the second preceding year.

Unlike the U.S., China has a Five-Year Tax Rule for expats that is far less confusing than the U.S. substantial presence test. According to the rule, foreigners who have lived in China continuously for more than five years will be subject to individual income tax on their worldwide income from the sixth year onwards for every full year spent in China.

To avoid being subjected to this rule, expats should leave China for a period of 30 consecutive days or 90 days cumulatively during any year within the five-year period. If expats have already met the five-year rule, they can reset the clock and break the five-year residence in China by spending less than 90 days (or less than 183 days for tax treaty residents) in China in any single tax year starting from the sixth year.

Once an expat has reached resident status in China, he or she will be required to include his or her income from sources within and outside China, including income from interest, dividends, capital gains, rental income and income recognized from the exercise of employee stock options granted and vested while working outside of China. The home country of the expat generally has the first right to tax. After paying the taxes in foreign jurisdictions, the expat may claim the income tax paid outside of China against the amount of the income tax assessed in China.



SHUTTERSTOCK

Some foreigners in China need to pay taxes on worldwide income

“

There is no foreseeable tax benefit to being treated as a Chinese resident for tax purposes...”

Since in China the tax is a pay-as-you-go withholding system and the tax return is generally due merely 30 days after the calendar year, reporting foreign incomes on the Chinese tax return can be quite daunting.

### ‘Thank you’

Although China Individual Tax reform is on the horizon, currently there is no foreseeable tax benefit to being treated as a Chinese resident for tax purposes other than receiving a gracious “thank you” note from the State Administration of Taxation (SAT) for paying the taxes. On the contrary, nonresident aliens in the U.S. can elect to be taxed as residents of the United States if certain requirements are met and thus enjoy more favorable rules as residents. The U.S. tax rules regarding filing status, deductions and exemptions for nonresident aliens are much more restrictive than those filing as U.S. residents.

Just like the U.S., China is actively pursuing its residents to report their worldwide income.

Although enforcement has not been aggressive in the past, China has recently signed an intergovernmental agreement with the United States on cooperation with the Foreign Account Tax Compliance Act (FATCA). FATCA is a reciprocal agreement to combat tax evasion that requires financial institutions in cooperating nations to share financial information on their citizens, which makes hiding income offshore a lot more difficult.

Cross border taxation will undoubtedly add an extra layer of complexity. Familiarity with the Chinese Five-Year-Rule can avoid unwanted tax complications.



**David Yen is with U.S. Abroad Tax in Shanghai and he may be reached at [david@usabroadtax.com](mailto:david@usabroadtax.com). This article is not intended as legal or tax advice, and cannot be relied upon for any purpose without the services of a qualified professional.**



# Chamber Elects 2016 Chairman, New Governors



Newly elected BOG members include, from left, Vincent Yang, Eric Zheng, Ker Gibbs (Chairman), Michael Crotty and Timothy Huang with Kenneth Jarrett

**A**mCham Shanghai members elected Ker Gibbs as the Chamber's 2016 Chairman along with four new board members, according to results announced on November 19 during the Annual General Meeting. The newly elected board members and chairman will take office on January 1.

Since this is the second year of the organization's transition to two-year, staggered board terms, not all board seats were up for election. Six board members have a second year to their current board term while only five positions were open, including that of chairman.


Gibbs, investment advisor at ChinaBio and current vice chairman of the 2015 board, was elected the 2016 chairman. Gibbs has been an active member of AmCham Shanghai for the past 13 years and has served on the Board of Governors for the last two years. He previously served as treasurer and chair of the audit and investment committees.

"It's a tremendous honor to be chosen for this role. Voters saw a field of highly qualified applicants and could pick only five," Gibbs said in response to a request for comment. "Competition makes everyone

stronger, so we owe our thanks to all the candidates. They have helped make us a better board, and I hope they will stay close and continue to remind us that it's a privilege to serve."

The four board members who will join the existing six are: Michael Crotty, President and Founder of MKT & Associates, Timothy Huang, President of Bank of America Merrill Lynch China, Vincent Yang, China Purchasing Director SKF, and Eric Zheng, President and CEO of AIG Insurance China.

Robert Theleen, who has served as Chairman for the last three years spoke about the election during the annual meeting. His term will end on December 31.

"Tonight is always the most special night for AmCham when we elect the board. I take pride in seeing a board with four women and with members from every industry, from large multinationals to small. And when I see the expansion of AmCham from Shanghai throughout the YRD and beyond, I know that AmCham today is as relevant and important as it was 100 years ago," Theleen said. 



## Board Gets Update on 100th Anniversary Events, Budget and Membership Goals

Highlights from the November 17, 2015 Board of Governors Meeting

### 100th Anniversary

Chamber President Kenneth Jarrett reported to the board on the 100th Anniversary Dinner and Conference. He said both were a success and that the Chamber received positive feedback. The dinner attracted 520 guests, and the attendance rate of government officials, including some from across the Yangtze River Delta, was higher than in previous years. The conference was also well attended.

### 2016 Draft Budget

AmCham Shanghai Vice President Helen Ren briefed the Board of Governors on the 2016 proposed budget. The Board will vote on the budget at the next meeting in December. The budget reflected priorities as defined for year two of the Chamber's three-year strategic plan. Helen predicted that AmCham Shanghai will exceed its targets for FY2015 and break even in FY2016 based on the proposed budget. She proposed that AmCham Shanghai raise the corporate membership fee from RMB9,000 to RMB9,500.

### Membership Retention

Retention of corporate members is at 84 percent for 2015, an increase over 2014. The proposed budget for 2016 assumes an 84 percent retention rate for corporate members. Vice President Scott Williams told the board that the current campaign for new corporate members was still doing well. AmCham Shanghai has already signed 93 new members and should reach 110 members by the end of November. The campaign has a target of 125 for the six-month period July to December.

### MEETING ATTENDANCE

**Governors:** Jimmy Chen, Michael Crotty, Ker Gibbs, Cecilia Ho, Aina Konold, Ning Lei, Robert Theleen (Chairman), Glen Walter, Cameron Werker, Helen Yang, Shirley Zhao (via phone)

**Apologies:** William Duff, Jun Ge

**Attendees:** Veomayoury Baccam, Kenneth Jarrett (President), Li Qiang, Helen Ren, Scott Williams

## The AmCham Shanghai 2015 Board of Governors

### Chairman



Robert Theleen  
*ChinaVest*

### Vice Chairman



Ker Gibbs  
*BW Ventures*

### Governors



Jimmy Chen  
*FedEx Express*



Michael Crotty  
*MKT & Associates*



Glen Walter  
*Coca-Cola*



Jun Ge  
*Apple*



Aina E. Konold  
*GAP Inc.*



Helen Ching-Hsien Yang  
*DuPont*



Cecilia Ho  
*International Paper Asia*



Ning Lei  
*Navistar*



Shirley Zhao  
*Allergan*

# AmCham Shanghai



Joint British and Shanghai Chamber "Ryder Cup" golf tournament



Panel on cyber-security laws and regulations



# *Month in* Pictures



Guest questions Shane Atchison, Global CEO of POSSIBLE



Social media and the health care industry



Guests listen to HSBC Chairman Douglas Flint



WPP CEO Martin Sorrell

# Suzhou Dinner Highlights Growing Ties



Guests and officials at the SIP dinner

**A**mCham Shanghai hosted its Fifth Annual Suzhou Industrial Park Recognition Dinner on November 18. Present at the event were nearly 35 Suzhou Industrial Park government officials, as well as distinguished representatives from the U.S. Consulate General in Shanghai, AmCham Shanghai and 130 representatives of its member companies.

AmCham Shanghai Vice President Scott

Williams initiated the evening festivities by introducing a Taiko drum performance by Dulwich College Suzhou. After, warm messages of welcome and gratitude were offered by AmCham Shanghai President Kenneth Jarrett and Chairman Robert Theleen. Theleen specifically congratulated the Suzhou Industrial Park in receiving approval from China's State Council on becoming a pilot zone for opening up and innovation. Acknowledging the importance of long-term vision in this



accomplishment, Chairman Theleen thanked the Suzhou Industrial Park Administrative Committee's Chairman Yang Zhipin for attending the annual dinner.

Consul General Hanscom Smith and Yang spoke on the profound changes that have occurred in the progression of Sino-American relations. Discussing the overall U.S.-China relationship, Smith noted that the bilateral relationship offers potential for the two countries to sway global issues in a way few other partnerships can.

In order for the relationship to operate to its fullest potential, government cooperation is not enough. "We have to continue to deepen our people-to people ties," said Smith. He concluded with a statement that was symbolic of AmCham Shanghai's contributions, saying, "It is clear that business plays a central role in this effort. For that, I thank you."

Adopting a more local focus, Chairman Yang summed up Suzhou's progression with a comparison - in the past one could bicycle around Suzhou's periphery in just a few hours, whereas now that feat would require a car and yet even more time. Putting that picture into numerical terms, Yang noted that there are over 1,100 American invested companies in Suzhou and those companies comprise the majority of foreign invested firms in the city.

The event was supported by platinum sponsor Eastman and corporate sponsors TE Connectivity, MTD and WESCO.



Yang Zhipin arrives at the dinner



Guests at the SIP dinner

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## A Chat with Paul Lin of the Marketing and Media Committee

*We're introducing a new column to help our readers get to know the AmCham Shanghai committee chairs. In this issue, we talk with Canadian Paul Lin, Chief Strategy Officer for Possible and Co-Chair of the AmCham Shanghai Marketing and Media Committee.*



### **Q: What top two issues face your industry in China today?**

**Paul Lin:** "Marketing in China is a dynamic and fast paced industry. One of our biggest issues is talent - finding the right talent, keeping people and nurturing them. Digital talent is in demand; you'll find resumes where people have had four jobs in three years. Loyalty is low.

"The other issue is profitability. There is so much competition, from MNC's to digital agencies to niche players to local companies. How do we add value and make a profit? The old model is being rendered useless, yet as an industry, service and revenue models have not evolved to keep up with the competitive landscape."

### **Q: Who are the leading Chinese companies in your industry?**

**PL:** "From the agency side, it's companies like Blue Focus, the Leo Group and Kong Ming. They cater to local client needs, are agile and low cost compared to global agencies. From the brand side, companies like Alibaba, Tencent, Xiaomi and Huawei lead their respective industries and have a model that works in China. To continue to grow though, they need to export their technology and services."

### **Q: What traits do you look for in a good leader?**

**PL:** "A leader's role is to create other leaders. By empowering and inspiring them to do great things, you will motivate them to step up. Leaders provide a strong sense of direction yet trust your abilities and instincts to do the right thing. While I give my team the freedom to grow, they have to demonstrate they can step up to the challenge."

### **Q: What is the biggest opportunity for U.S. companies operating in the Chinese market?**

**PL:** "Go rural and tap into tier 3 and 4 cities. There is a tremendous amount of growth and investment in those areas, especially around digital commerce and O2O services. Also, if you are an American or foreign start-up, there is a community that is starting to form in China around tech start-ups. Entrepreneurs are setting up in Shanghai and Beijing, VC's are here scouting for the next thing, and investment is abundant."

### **Q: Any advice for newcomers to your industry in China?**

**PL:** "Aim for the top. Apply to companies with name recognition and purpose in your industry and field. Don't focus on money. Work for the best company and boss you can find. Learn as much as you can, as that training and company name will open doors for future options as your career progresses. Think two jobs ahead to stay focused on your goals."

### **Q: How do you use social media?**

**PL:** "I'm at a point where social media is about my work - reading a news story, engaging on content or networking. My personal brand image is public, so I keep my output and communication professional."

### **Q: What's your go-to restaurant for business guests in Shanghai?**

**PL:** "Sichuan Citizen. The food is great and the atmosphere is just right. And it's walkable to many bars so you can grab a last call before they head back to the hotel."

## State Dept Official Discusses TPP and BIT

AmCham Shanghai hosted Kurt Tong, Principal Deputy Assistant Secretary for the Bureau of Economic and Business Affairs at the U.S. Department of State, on November 17 for a talk on the Trans-Pacific Partnership (TPP) and the U.S.-China Bilateral Investment Treaty (BIT).

As the U.S. pivots its foreign policy to the Asia-Pacific regions, the TPP and BIT will be significant tools to secure and improve economic ties between the U.S. and Asia-Pacific countries. The TPP will reduce tariffs and it includes a raft of liberalization in other fields such as intellectual property (IP) and regulatory transparency. Tong called the TPP the gold standard of Free Trade Agreements (FTA). Tong also provided an update on the U.S.-China BIT negotiations. He stressed the U.S. commitment to the BIT and noted that the biggest hurdle was the negative list.

With negotiations starting in 2008, the U.S. and 11 other countries reached an agreement surrounding the TPP in October. The agreement will continue to promote economic growth, transparency, and good governance, while also enhancing innovation, labor conditions, and environmental protections. Tong stressed the important liberalization of the non-tariff aspects of the treaty, with the IP clause, one of the strongest of any FTA, leading the charge in establishing explicit rules that allow for U.S. firms to maintain their competitive prominence in global markets.

Concerning China's absence from the TPP, Tong reaffirmed that current member countries are ones who both showed a strong understanding and interest in adhering to the terms of the TPP. He continued, stating the TPP is not a China containment strategy and that the TPP is open to any country willing to meet the agreement's high standards.

The U.S.-China economic relationship is currently focused on the BIT. He likened the BIT to the investment section of a FTA. The investment piece is perhaps the most difficult, as it requires significant reforms and increased access to many industries. He



stressed while there might be some disagreements between the U.S. and China on the BIT, the BIT negotiations are a mutually beneficial exercise for both countries.

The two trade accords have very different timelines. After expressing his intent to sign the TPP on November 5, President Obama's administration has 90 days to conduct the necessary studies and reports needed to submit the TPP to Congress. It can decide at that point when it will submit the legislation. After the legislation is submitted, Congress has 90 days to take action on it. If no action is taken then the TPP will come into effect immediately.

The key was finding the right time to submit the legislation. While some observers believe that the legislation will be submitted in the fall of 2016, he thought that the legislation could be passed in the first half of 2016. The timeline for the BIT is different because it is a treaty. It only needs to be passed by the Senate but it needs to pass with at least two-thirds of the vote. The U.S. government does not want to risk sending a low-quality, water downed BIT to the Senate for it to be rejected, said Tong.



## HSBC's Douglas Flint on China's Economy

Douglas Flint, Group Chairman of HSBC, discussed several issues during a talk on November 3 which was part of the "100 Years Global CEO Series" co-organized by AmCham Shanghai and the British Chamber Shanghai.

He pointed out that today's business concerns are different from those a century ago. In recent months, it is China's trade and manufacturing downturn, its stock market correction and renminbi depreciation that have unsettled global investors and businesses. But even in this gloomier environment, Flint pointed to China's many remaining bright spots. Though it has slowed down, China's economy is still growing faster than the vast majority of other countries.

Flint says China is contributing the largest share of incremental global growth, between a third and a quarter depending on the estimate. Infrastructure already makes up over half of all fixed-asset investment for the country, fueled in part by the One Belt, One Road (OBOR) initiative and the Asian Infrastructure Investment Bank. A total of US\$1 trillion has been invested into cross-border OBOR projects, and increased spending on new infrastructure and upgrading old infrastructure will eliminate bottlenecks across Asia.

China's outward foreign direct investment has risen dramatically over the past decade. It is expected to become the world's biggest overseas investor by 2020. At the same time that China is a source for much-needed cash abroad, the outbound flows have also created many benefits for the country itself: it has acquired technology and also learned better management techniques. Higher outbound investment will also accelerate the internationalization of the renminbi, Flint said.



## Cyber-Security: Everyone's Security

Cyber-security regulations, policies and trends are issues that no business in China should ignore anymore. This was one of the issues discussed by industry experts at an AmCham Shanghai breakfast meeting on November 10.

Speakers Reggie Lai, Senior Director of Government Affairs at TE Connectivity, Xiaoyan Zhang, Counsel at Mayer Brown JSM's Intellectual Property & Telecommunications, Media and Technology Group, and John Zhao, Head of Government Affairs at Symantec Greater China, provided an in-depth overview of cyber-security issues companies face both in China and globally.

Reggie Lai began the discussion on the cyber-security regulatory environment in China and touched on President Xi and President Obama's agreement to establish a high-level joint dialogue on these issues. He noted that cyber policy covers everything from the domestic regulatory environment to foreign policy. Lai quoted President Xi Jinping in saying that, "There is no State security without cyber-security, and there is no modernization without informatization."

Xiaoyan Zhang spoke about the key provisions of several new laws in place to enforce cyber-security, including the China Banking Regulatory Commission Guidelines (CBRC), the National Security Law, and the Draft Cyber-Security Law.

The Draft Cyber-Security Law released in July 2015, is the most recent legislation and Zhang elucidated the key provisions as divided into operators of networks and critical information infrastructure (CII). The law states that operators of CII must store citizens' personal information and other important data gathered and produced during operations within the PRC mainland. Zhao spoke about the difficulty in defending business, stating that cyber-attackers are leapfrogging defenses and that attackers only have to succeed once, giving ample time to practice their techniques.

*For more information on AmCham Shanghai's 23 industry-specific committees, please contact [committees@amcham-shanghai.org](mailto:committees@amcham-shanghai.org).*





**Ken Jarrett, Robert Theleen, and Ker Gibbs address questions about the 2015 Financial Report**

## Chamber's Annual General Business Meeting

AmCham Shanghai held its Annual General Business Meeting on November 19 at the Portman Ritz Carlton Hotel. The evening concluded with the results from the 2016 Board of Governors election, naming Ker Gibbs of ChinaBio as incoming chairman.

Outgoing Chairman Robert Theleen began the event by reflecting on the value that AmCham Shanghai provides for its nearly 4,000 members. In his last public speech to members, Theleen summarized the accomplishments that AmCham Shanghai has made during his three years as Chairman and how the Chamber has evolved.

"In terms of our CSR outreach, tying local governmental connections, and over 400 events offered per year, AmCham Shanghai has gone far and beyond and I want to thank all of you for helping truly make us the voice of American business in China," he said.

Following Theleen's remarks, Gibbs, who is now vice chair, presented the 2015 Financial Report. The report showed an impressively high membership renewal rate at 84 percent and a well balanced budget report of total revenues versus expenses within the Chamber.

After, members stayed for a special presentation from Theleen and Jing Ulrich, Managing Director and Vice Chairman of Asia Pacific, JPMorgan Chase & Co. Ulrich and Theleen discussed key trends shaping the business environment in China, including regional and global developments such as urbanization, the need for banking and SOE reform, and the need for the financial sector to support more SMEs.

Ulrich and Theleen had a generally positive view of China's future economic growth, emphasizing the need for more public companies, such as Tencent, Alibaba and Baidu to come on the scene.

AmCham Shanghai President Kenneth Jarrett then thanked Theleen for his years as chairman. "His belief in the organization helped direct the Chamber for the last three years and as China evolved so did we. He helped to redefine our mission statement and to sharpen our focus on local government ties, SMEs, and entrepreneurship," said Jarrett.

## Sir Martin Sorrell on Ad Business

AmCham Shanghai and BritCham Shanghai together hosted Sir Martin Sorrell, founder and Global CEO of WPP, at a breakfast conference held at the Ritz Carlton in Shanghai on November 2. Sorrell began his talk by speaking about how much the advertising industry has changed over the past few decades.

"Don Draper would not recognize our business," said Sorrell, referring to the lead character in the recent AMC hit *Mad Men*, which revolved around a Madison Avenue advertising agency and was set in the late 1960s. Where once creative skills were the backbone of the agency world, now digital abilities and data mining skills are defining the future of advertising.

Founded in 1985, WPP is the largest communications services company in the world and employs some 124,000 people with a market capitalization of US\$29 billion. Sorrell was in Shanghai to preside over celebratory ceremonies for the opening of WPP's School of Marketing and Communications campus in Xujiahui.

Speaking on the recent news of China changing its One Child Policy, Sorrell believes that declining birth rates will not necessarily solve China's future issues of having to support the older generation. He also believes that the competitive job market will only get worse in 20 years time. "Simply, there will be fewer entrants to the jobs market and, when they do enter it, young people expect to work for tech-focused, more networked, less bureaucratic companies. It is hard now; it will be harder in 20 years," he said.



# EXECUTIVE HOSPITALITY ROOM

**Richard Greaves** is the general manager of the Grand Hyatt Shanghai and Area VP. We asked him about his favorite place to eat and managing a major five star hotel in Shanghai.



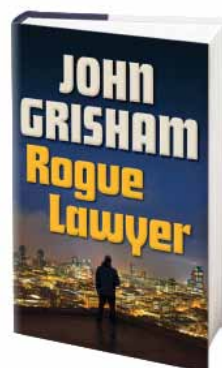
**Q: What's the first thing you do at work in the morning?** "After checking the early morning emails in the office, I walk around the hotel through the breakfast areas at the Grand Café and the Grand Club Lounge, meeting both guests and associates and visiting any event that may be about to start. Any time out of the office is my favorite time and I enjoy being on the floor with the team and meeting guests."

**Q: What's your favorite place to eat in Shanghai [besides the hotel]?** "Villa Le Bec. I absolutely love the place. The menu created by Nicolas Le Bec is outstanding and full of quality options for sharing or eating alone. The service is exceptional from a very knowledgeable team, and the ambience is superb with the warm, cosy setting of the house to the lush outdoor gardens. And don't miss the wine cellar and cigar room."

**Q: The Internet makes it easy for guests to write hotel reviews today. What do you like and dislike about this?** "We are living in an incredible social media era, and review sites make it easier for us to engage with our guests, learn about how we are perceived and discover

areas where we can further improve. There is nothing to dislike about review sites and we adapt to the ever changing needs and preferences of our guests based upon the feedback that we receive."

**Q: What do you read for pleasure?** "I am a huge sports fan so whenever the opportunity arrives, which is usually in the evening, I enjoy pouring a nice glass of red and catching up on any news or articles related to football, rugby, cricket or any other major sport that is happening around the world through either BBC Sport, ESPN or the English newspapers. Aside from that, I've always enjoyed reading John Grisham whose books are usually hard to put down."



**Q: Hotel GMs have a reputation for aiming to please guests. In your experience as GM, are there any odd requests from celebrities or other guests that are hard to forget?** "There was once a time when we were requested to place a circle of uncooked rice grains around the bed of one guest before they went to sleep. The guest in question believed that spirits were after him and by placing the rice around the bed, the spirits would have to count the grains before they could get to him. Needless to say we agreed to this odd request and the guest had an enjoyable and untroubled stay. We never knew if it was because of the rice or not!"



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