INSIGHT.

The Journal of the American Chamber of Commerce in Shanghai - Insight Summer 2025

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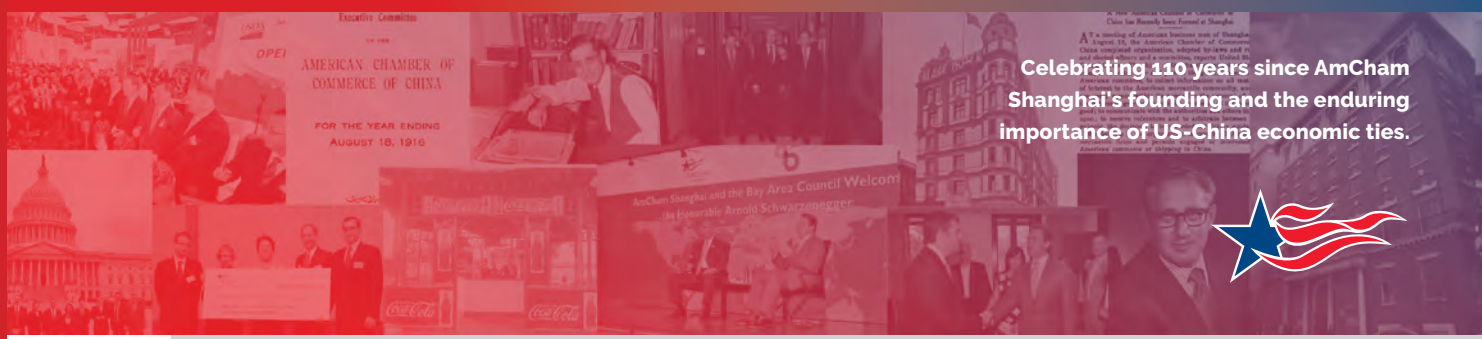
YEARS OF AMCHAM SHANGHAI



Celebrating 110 years since AmCham Shanghai's founding and the enduring importance of US-China economic ties.



ECONOMY P.05
Diana Choyleva of Enodo Economics on China's consumption imperative



POLICY P.09
Anna Ashton on critical minerals competition



CHAMBER P.30
Kenneth Jarrett on his AmCham legacy

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PRESIDENT'S LETTER





ERIC ZHENG

President of The American Chamber of Commerce in Shanghai

This year, AmCham Shanghai celebrates its 110th anniversary. On June 9, 1915, 45 American businesspeople gathered at the Palace Hotel on the Bund to establish the third American chamber of commerce overseas. They had a bold vision: to build bridges of commerce, community and cooperation between America and China. In early June, AmCham Shanghai hosted an evening gala to commemorate this key milestone and the successes of our members that have strengthened ties between the two nations and contributed to mutual prosperity.

This anniversary comes at a pivotal moment for US-China relations. A trade war has upended the global trade order and brought new heights of uncertainty to businesses around the world. Shifting regulatory landscapes echoing broader concerns about national security have exacerbated geopolitical tensions. Given that many of our member companies and their upstream and downstream partners rely on the flow of goods to and from the US, additional tariff and non-tariff barriers will have a significant and long-lasting impact. The US and China have since agreed to significantly roll back tariffs on each other's goods for 90 days and the two governments have established a high-level consultation mechanism to re-engage. The lack of a permanent deal, however, continues to create volatility for our members operating in China.

Amid disruption and uncertainty, AmCham Shanghai has strived to keep members informed about the changing landscape by providing timely updates on the trade talks, and by hosting a series of industry roundtables and seminars on tariffs and non-tariff measures and their implications.

Despite strong headwinds, AmCham member companies remain committed to the China market. Our member engagement reflects a consistent message — American companies must be in China in order to improve their global competitiveness. China is not just one of the world's largest consumer markets and an essential part of global supply chains, it is also a critical hub for innovation and talent. Members, therefore, are deepening their engagement with their partners, customers, and communities in China based on their shared commercial interests and the belief that US-China economic cooperation remains a powerful force for stability and mutual prosperity.

We recognize that improving today's environment requires more mutual understanding and trust. AmCham Shanghai therefore remains committed to fostering people-to-people exchanges at all levels. For instance, we recently met with a government delegation from Sacramento led by its mayor to discuss the business environment in China; we delivered a commencement address at the Hopkins-Nanjing Center, the first US-China joint university program in China established nearly 40 years ago, encouraging graduates to serve as cultural bridges; and we participated in a ceremony in Quzhou, Zhejiang province, honoring the heroes in World War II when Chinese villagers rescued many surviving American pilots who had made an emergency landing near Quzhou after conducting an air raid on Japan.

This special edition of *Insight* celebrates AmCham's past with reflections from former leaders as well as member company Starr, which was founded in Shanghai just four years after AmCham Shanghai. We also look to the future with pieces on China's economy and consumption bright spots like the pet food industry and silver spenders, and high-stakes global issues such as AI regulation and critical minerals competition.

As US President Ronald Reagan once said, "I've always believed that a lot of the trouble in the world would disappear if we were talking to each other instead of about each other." We are living in a time of deep global uncertainty, where the temptation to retreat into one's own echo chambers is ever present. But the antidote to division is not disengagement — it is deeper understanding. The foundation for a resilient and productive US-China relationship will be strong connections between business, people and culture. That is why, despite the highs and lows of the past 110 years, the vision of our 45 founding members remains intact today. Thank you for honoring the past with us, and let's look forward to another 110 years!



Forecasting China

Between Trade Tensions and a Consumer-led Future

Interviewed by Rachel Rapaport



Diana Choyleva is Founder and Chief Economist at Enodo Economics, an independent macroeconomic, political and geopolitical forecasting company she set up in 2016 to assess China and its global impact. She has analyzed China since 2000 and has co-authored four books: *Petrodollar to Digital Yuan* (2025), *China's Quest for Financial Self-reliance* (2022), *The American Phoenix – and why China and Europe will struggle after the coming slump* (2011) and *The Bill from the China Shop* (2006). In 2023 she joined JPMorgan Asia Growth and Income plc as a Non-executive Director to the Board. Later that year she joined the Asia Society Policy Institute's Center for China Analysis as a non-resident Senior Fellow on the Chinese economy. Before Enodo she worked at Lombard Street Research (now TS Lombard) for 16 years, most recently as their Chief Economist and Head of Research.

What is your outlook for the China's economy in the second half of the year? Is it on track to meet its 5% GDP target?

At present, it is on track. Growth in the first half of the year has been solid. What we can see from the Q1 numbers, as well as from our nowcast for Q2 and Q3, is that quite a lot of activity and exports were front loaded to beat the tariffs. More importantly, China put forth a very significant stimulus in September last year and has progressively expanded it over the last three quarters. Beijing is also keeping some stimulus in reserve to counter the negative effects of the trade war that are likely to produce weaker growth in the second half of the year. Growth is likely to slow simply because of the huge uncertainty around the US-China relationship, and because much of the strength during the first half was due to the consumer trade-in policies. In terms of longer-term growth durability, the key questions are whether China will do the right things domestically to get consumer spending going as an independent growth driver, and how a US-China all-out power confrontation will pan out.

What headwinds remain for domestic consumption? What will be the most important metrics to measure progress in the shift to consumption-led growth?

For consumption to be a growth driver, it's not enough for it to grow; it needs to grow faster than GDP does so that its share of GDP goes up. China currently has a huge gap in consumption share compared to the US, UK and even EU economies, so there's a lot of catching up to do. How do you get consumption to grow? Either real income grows fast, or the desire to save goes down while the desire to consume goes up. If we look at income, wages as a share of GDP in China are now more or less the same as in the US. How-

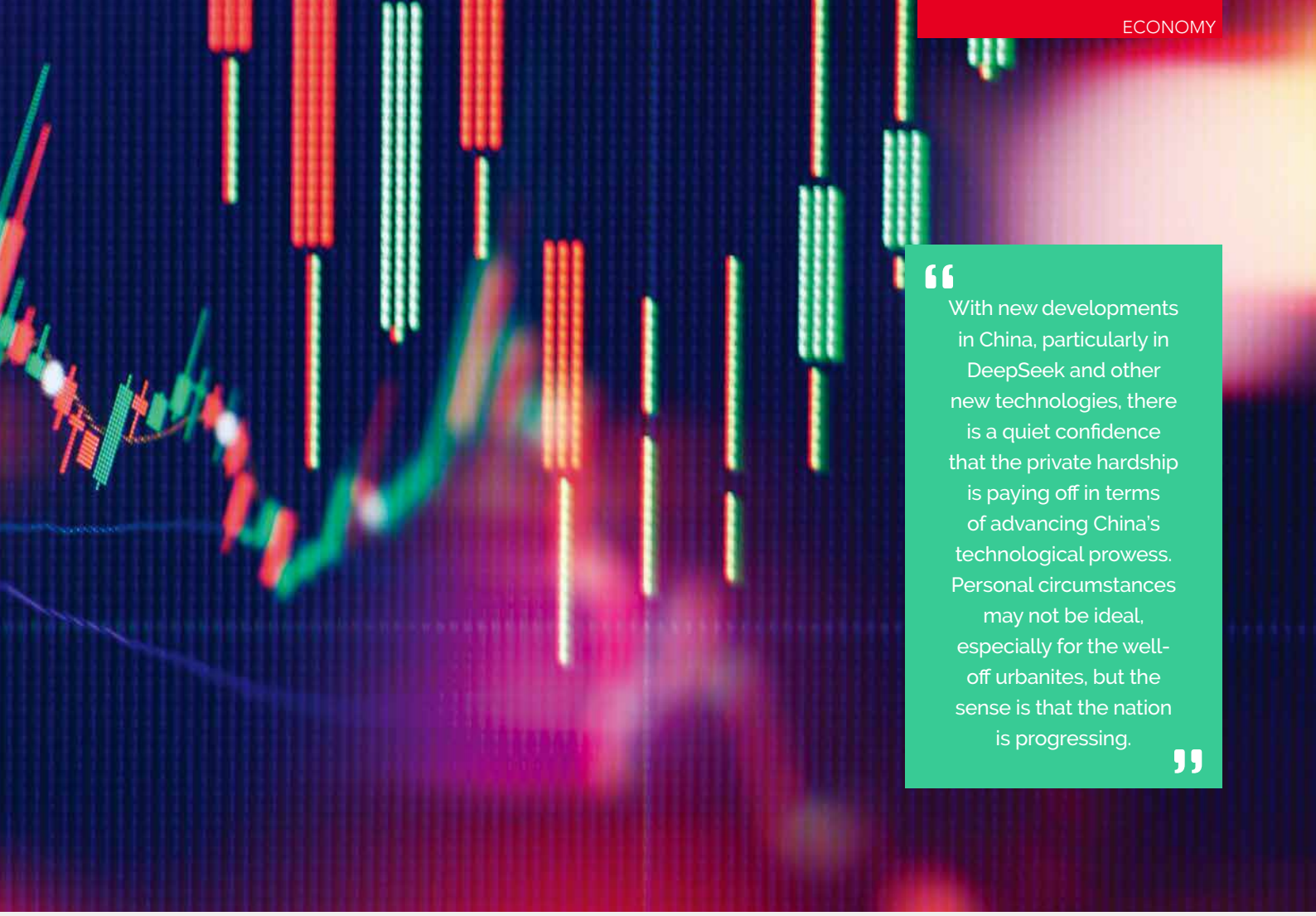


ever, total household disposable income as a share of GDP is still significantly lower than in the US, and the entire difference is in income from assets. In China, the bulk of household wealth is in housing, interest-bearing deposits and some equities. On the housing front, the rental market in China is not developed. You can't really generate income from a housing investment; even if you rent it out, the yields are controlled and very low. Authorities have tried to develop the rental market since 2015, but they have not been particularly successful. The push to get affordable housing in the hands of those who need it is happening now and that will give people confidence, comfort and security, which will impact the desire to spend versus save. But there doesn't seem to be a huge drive to get rental yields higher to deliver that missing part of income.

In my conversations with Chinese policymakers ahead of the Third Plenum, my advice was to raise interest rates significantly in order to transfer income to Chinese households who are large net savers. It's unconventional advice. The authorities are doing the opposite. Rates are being lowered in the hope that households will spend more because they're earning less [on investments]. But instead of spending more because of lower interest rates, people in China worry about the future and end up saving more. If you raise interest rates, you need to recapitalize the banks and let various inefficient businesses go under, of course. Because the government still has a relatively low debt-to-GDP ratio, it can raise the rates and ramp up government debt to cover the economic adjustment. This is one of the very few ways in which you can currently boost household income significantly in China in the hope of kickstarting a sustainable consumer-led growth phase. One thing Beijing is doing which is positive for consumption — but its effect will take years — is to professionalize the equity market and shift wealth from interest-bearing deposits into equities. Equities in China have always been viewed as a casino: a short-term liquidity play, not as a place to keep money for retirement. There is a lot to be done to change the market. One thing policymakers are doing right is promoting dividend distribution or share buybacks that get income into the hands of households.

> "Equities in China have always been viewed as a casino: a short-term liquidity play, not as a place to keep money for retirement. There is a lot to be done to change the market."

On the income side, we have also seen



> With new developments in China, particularly in DeepSeek and other new technologies, there is a quiet confidence that the private hardship is paying off in terms of advancing China's technological prowess. Personal circumstances may not be ideal, especially for the well-off urbanites, but the sense is that the nation is progressing.

some short-term solutions. For example, state employees get many benefits like housing and education. At the start of this year, they received their first pay raise in a decade. The idea is that because this group has everything provided for them, the additional income is more likely to be spent than saved. As for people's risk aversion, some reasons are deeply cultural and difficult to shift. One factor that has massively weighed on consumption has been the so-called "houses are for living in, not for speculation." That mantra is no longer front and center in Xi's agenda. The idea is to provide affordable housing but also to have a properly functioning housing market at the high end, like the Singapore housing model.

While China is doing some things right, e.g., boosting some income from assets and lowering the desire to save in response to Covid and other difficulties, it is not doing everything right. One of the key things in economics is to figure out the direction of causation. Lowering deposit rates to get consumers to spend is not working. The direction of causation appears reversed: by having less, people worry about the future and save more. Japan faced the same situation 25 years ago and they didn't do the right thing then. You can only turbocharge growth by raising interest rates when you still have the fiscal scope to bear the initial negative consequences of that adjustment. And when you raise or lower rates, you are redistributing income. What matters is whether the hit to those who lose income is outweighed by the gains to those who receive it.

What is the status of China's property market now? Has it bottomed out?

With state funding, the government is financing the delivery of bought units, the buying out of unfinished units, and is now moving toward furnishing them. In China, properties are typically delivered as empty shells, but there is now a push to deliver them at a level where people can simply move in. But uncertainty continues to weigh on housing demand. At the end of the day, there is an excess supply of housing that needs to be worked through the system. It is a longer-term process, not something that can be resolved within a year, especially if you want to move that wealth away from housing and into the equity market. Housing is not expected to return as a major growth driver. The plan is for it to become more of a utility, something that most people can access. In China, occupancy rates are already so high that most new housing serves mainly as an upgrade.

Then there is the question of what happens to existing housing. Many concrete blocks have a limited lifespan and will eventually reach the end of their structural use. The housing market is no longer the stimulus for consumption that it once was, but it is unlikely to go further down. Hope-

fully the affordable housing push will provide more stability and help support consumption.

You wrote in a recent opinion piece about the US-China trade war, "No temporary concession or policy adjustment will resolve what both sides increasingly view as an existential struggle between competing systems." Where do you see trade negotiations going?

You must look at this in an all-encompassing way because the competition between China and the US is moving on all fronts, across all domains. Moving in the trade domain doesn't mean there won't be movement in others, as we've seen with issues related to technology. What is important to understand, and what will likely guide what happens in the future, is that China and the US cannot see eye to eye. They are two superpowers battling for geopolitical control and neither wants to back down, at least for now. Until these fundamental positions change, there will be no calming grand bargain between the two. Each side is now striving for self-sufficiency with China being way ahead in the game, while the US is behind but still in control of some key inputs.

What has been remarkable since Trump came to power is how much weaker he has made America. China feels it has the upper hand. Clearly both economies were suffering from the trade war, otherwise they wouldn't have reached a rollback [on tariffs] so quickly. But China played hardball and seems to be getting more of what it wanted. Trump is under far more political pressure than Xi at home.

With new developments in China, particularly in DeepSeek and other new technologies, there is a quiet confidence that the private hardship is paying off in terms of advancing China's technological prowess. Personal circumstances may not be ideal, especially for the well-off urbanites, but the sense is that the nation is progressing. That sentiment gives Xi a stronger base to endure trade-war-induced hardship than Trump has. Trump made a mistake to put tariffs on every single country. Trade negotiators will tell you that reaching agreements typically takes years, so how can you expect to do it in 90 days? The question is now: which domain will escalate next? It is harder for the US to push forward on the trade front. Empty shelves or production lines grinding to a halt in the US are going to have much faster repercussions for Washington than higher unemployment in China will have for Beijing.



▲ Policymakers' dream

> "Ultimately, no one in the rest of China's sphere of influence is big enough to be the consumer that China needs. They will have to be that consumer themselves."

How should China go ahead with its policymaking amid trade tensions with the US and other trading partners?

The only viable solution is for China to start consuming because it needs to become the consumer of last resort for its sphere of influence. The game is on regarding which countries will be drawn into which sphere of influence. This is where what Trump is currently doing has devastating implications. He is alienating even staunch allies which would normally be in the US-led sphere. Now the question is who in Asia, Africa and Latin America will align with China. I would've thought that Latin America would naturally be in the US sphere of influence because of geography, but China's made some significant inroads there. The hope is that this bifurcation of the world into two spheres — ones that do not trade much or engage deeply with each other — will happen peacefully. The world is big enough for the two spheres to be equally big. On the trade front, I wonder whether Trump is unwilling to concede, even though he has effectively already done so. The real danger is that if he cannot progress on the trade front, he may progress on other fronts to exert pain.

Have you calculated a numerical impact of the tariffs on the Chinese economy?

We don't have a numerical impact. Any number will not encompass the whole hit to the global economy. What is clear is that China has already managed to diversify quite a bit. It is really pushing to do most of its trading in yuan rather than in dollars, making it less dependent on the US-led financial and trade system. China has progressed on the supply side and dominates in some part of the tech race. The real issue for China lies on the demand side. Ultimately, no one in the rest of China's sphere of influence is big enough to be the consumer that China needs. They will have to be that consumer themselves. China's mindset has always been supply-side focused, and consumption was seen as less important. In September, for the first time, policymakers realized that they need consumption for consumption, not consumption as a veiled supply-side tool. There has been a shift in their understanding of why consumption is important and not just a whim of the people. It is needed for its own sake, not as a part of industrialization. I

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Q&A

A CRITICAL JUNCTURE

THE US-CHINA CRITICAL MINERALS COMPETITION

Interviewed by Stephanie Sam



Anna Ashton is a risk consultant and adjunct professor at Georgetown University, where she teaches about critical minerals competition. She provides expert analysis on China geopolitics and policy to businesses and investors. Prior to founding Ashton Analytics, Anna held senior roles at Eurasia Group, the Asia Society Policy Institute, and the US-China Business Council, leveraging her background as a China intelligence officer for the Department of Defense.

What is the definition of a critical mineral and of rare earth metals?

Minerals considered "critical" or "strategic" vary by country, as do considerations for assessing criticality. Critical is in the eye of the beholder and generally tied to what they have or lack as well as their strategic interests. Often, these are minerals with strategic importance for technologies related to clean energy, advanced computing, electronics manufacturing, and defense applications. Minerals that many countries categorize as critical or strategic generally include rare earth elements (REEs); battery metals like lithium, cobalt, copper, and nickel; and semiconductor materials like silicon, gallium and germanium. For the US definition, Congress requires the Secretary of the Interior to create and maintain a list of minerals that it considers critical. Criteria include consideration of the end uses of those minerals, global supply and demand, where US supplies are predominantly sourced, whether there is domestic supply and how adequate it is relative to domestic needs. Some minerals that the US considers critical are ones that are abundant domestically but that are not currently mined or processed at volumes sufficient to meet US demand. This is the case for many rare earth elements. For others, the US lacks significant deposits. There are no known US deposits of cobalt, for example, which is widely used in EV batteries and critical for making high-performance and long-range batteries. The vast majority of identified and currently exploited deposits are in one country, the Democratic Republic of Congo. Cobalt is used extensively in EV batteries and remains essential to long-range and high-performance batteries. Although alternatives are being developed, cobalt is likely to remain on the US critical minerals list until it is no longer a mainstream input.

Recent trade negotiations have highlighted the importance of rare earths, elements that are not actually very rare but also aren't widely mined and processed because they tend to be collocated with radioactive materials. There are 17 REEs, including the 15 lanthanides. Light rare earths have lower atomic weights than heavy rare earths. There are also some differences in their abundance, properties and applications. Concentrated heavy rare earth deposits are found in fewer places, and heavy rare earths

tend to have highly specialized applications due to their ability to withstand extreme temperatures. Light rare earths have a wider array of applications. Some are essential to producing powerful magnets that help to power EV motors and wind turbines. Some are widely used in traditional combustion engine vehicles for things like power steering and sensors for anti-lock brakes. Others are crucial in glass and ceramics or lighting and displays.

What is the importance of critical minerals today and how will demand change in the coming years?



▲ Mining, a costly affair

In terms of demand, permanent magnets (magnets that retain their magnetic properties in the absence of an inducing field or current) accounted for the largest chunk of global market share, over 30%, in 2024. That share is expected to increase significantly between now and 2030 alongside efforts to carry out green transitions. The industry is actively trying to find rare earth magnet alternatives, but rare earth magnets still yield the best performance out of all the magnets. And until the new technology can be commercially scaled, we won't be able to avoid being reliant on something that is almost entirely sourced from China.

China dominates the mining and refining of critical minerals, with a complete monopoly on heavy rare earths. How did the industry get to this point when these minerals are abundant in other countries like the US, Australia and Canada?

Rare earths are typically found co-mingled in sediment rock deposits with a lot of other minerals, many of which are radioactive, and so the processes to mine, separate out and refine REEs are incredibly polluting. Following World War II, the US had a global monopoly on rare earth supplies for many years, although they were used for very different things than they are today, like sharpening color in early color televisions, and there was far less global demand.

Today, China has a near monopoly on global supplies of processed rare earths, and a virtually complete monopoly on global supplies of heavy rare earths, some of which are critical to enhancing the magnetic properties of rare earth magnets. This dominance can largely be attributed to environmental regulations in developed countries. In the 70s, the US began promulgating stricter regulations related to leaks and contamination incidents, so it became prohibitively expensive to continue operating rare earth mines and processing facilities. China at that time had relatively lax environmental regulations and lower labor costs, so as Western operations downsized or shut down, Chinese operations grew. In the 80s to early 2000s, the central government's focus on economic development far overshadowed environmental costs. Though this has obviously changed a lot in the last two decades, China was willing to absorb the environmental costs of mining and processing rare earths at a scale never been seen before, and it could do it much more cheaply than anybody else.

China's dominance has persisted for nearly two decades, despite the fact that many countries have concentrated deposits of both heavy and light rare earths. Developed countries with concentrated deposits face a variety of hurdles to get mining operations up and running. First, the upfront investment required to build a new mining or processing facility can cost billions. Approvals, permitting, construction and scaling up operations to full capacity take between 10 and 18 years on average. The costs of regulatory compliance can make products from developed countries less cost competitive. Global market prices are also volatile, and the private sector dominates mining and processing ventures in developed countries, so these companies lack the resilience of their state-owned or state-backed Chinese competitors. Moreover, China has decades of experience investing, researching, developing and scaling up complex chemical processes used to separate and refine rare earths, meaning Chinese operations are often more efficient, effective and affordable.

No matter how advanced or effective the process and technology is, the reality is that mining is always extremely disruptive to the surrounding land. It involves things like completely obliterating entire mountains and digging humongous holes, while the process of separating out the desired metals from the byproducts is often polluting if not always radioactive. For example, chemicals used in the separation process often leak into dams or contaminate water supplies and important ecosystems. So mining often comes with really high costs, even when the mining company is highly regulated and has the best of intentions.

What are the consequences for global supply chains, especially as China enacts restrictions on foreign investment in rare earth mining and on rare earth exports?

Global markets that depend on China for these materials have been caught with their pants down, unprepared for the severity and long-term nature of the restrictions they face now that China has imposed export licenses on certain rare earths and rare earth magnets. This is going to be difficult to mitigate for a number of reasons.

First, despite a long tradition of hand wringing in the US and various other countries over the extent of China's rare earths dominance, these countries have done relatively little to ameliorate their China reliance, though more significant investments and policy initiatives are now underway. Second, though China has indicated a willingness to negotiate and potentially selectively loosen terms for certain end users, there's little chance that China will substantially roll back the new licensing regime. That's partly because rare earths offer Beijing substantial leverage vis-à-vis various nations but especially the US. The US needs Chinese rare earths every bit as much, if not more, than China needs US advanced semi-

conductor tech.

In any quid-pro-quo agreement with the US, China will calibrate its concessions according to what the US offers. Big concessions, such as returning to previous volumes of US-bound REE exports, will require big offers from Washington, and the political will to let up on restrictions to Chinese access to semiconductor tech is not very strong. Similarly, big terms will apply in exchange for concessions to other countries with significant chip design capabilities, such as the United Kingdom, the Netherlands and South Korea. Finally, there's virtually no chance that China will resume shipping rare earths and magnets to military end users.

What is the US' medium-term and long-term policy response to Chinese dominance in critical minerals? Beijing has banned foreign direct investment in rare earth mining projects since 2022 in addition to the recent export restrictions on the US. How will it respond to Beijing's recent export restrictions?

These days, the US is acutely aware of the immense national security and economic importance of critical minerals, and its response to China's dominance is active and multi-faceted. In the medium term, the US is focused primarily on accelerating existing initiatives to renew stockpiles and bolster domestic mining and processing. It is also deploying more aggressive diplomatic efforts to build alliances with similarly situated countries, and more aggressive economic policy responses to Chinese moves to restrict access. Despite a more concerted and serious effort to address dependency problems, the US initiatives lack centralized coordination or a "whole-of-government" approach and are instead fragmented. Political disruptions, moreover, can derail good policies, especially if those policies are folded into broader legislation that a new administration opposes.

Can the US and other Western countries rebuild these supply chains without China? Where might they look, and how viable are these strategic regions?

While not impossible, rebuilding critical mineral supply chains without China — especially where China is particularly dominant (e.g., rare earths) — is a tall order. It will require sufficient political will, capital investment, and patience since the time horizon for each project is likely to span a decade at minimum. A softer and more cooperative diplomatic posture toward China in the interim is in the US' best interests, given the 10 plus-year timeline for independence from Chinese supplies. The US has yet to demonstrate a diplomatic approach indicative of its appreciation for the need to buy time.

Africa is one place where the US might look to diversify supplies. A wide range of countries across the continent hold vast reserves of various sought-after minerals. In many cases, China has established significant operations in these countries, but the nations in question are interested in leveraging their resources for more robust development assistance. The US could likely make headway by offering development assistance in exchange for resources. Capitalizing on these opportunities is another matter given the current administration's disinclination to fund overseas projects and that it is considering adding numerous African countries to a travel ban list.

Other countries that offer prospects for substantial mining and processing investment and cooperation include Mexico and much of the rest of Latin America, Greenland, Canada and parts of Southeast Asia. In many cases, though, the US approach to these potential partners has not invited closer coordination.

How can companies navigate ongoing volatility when it comes to access to critical minerals?

Navigating the ongoing volatility in critical mineral access is a top priority for companies, especially those in high-tech manufacturing, automotive and defense. It requires a multifaceted and proactive strategy focusing on resilience and risk mitigation, paying attention to supply chain diversification, closing long-term-offtake agreements and entering into joint ventures. Companies also need to look into enhancing strategic inventory management and stockpiling, robustly embracing circular economy activities like recycling and urban mining, and intensive R&D efforts to advance innovation and make progress in materials substitution.

How can we create a competitive and ethical critical minerals market for a sustainable global economy?

Since many of the most promising deposits are in the developing countries of the Global South, it is critical that countries and/or industry work together to develop, strengthen, promote and adhere to sustainable and ethical mining and processing practices. Much of the value of critical minerals is in their ability to help the world transition to greener energy sources. But these materials aren't really green if they aren't mined and processed responsibly. If the activities that get these resources to market result in heavy pollution, the depletion of local ecosystems and waterways, or cause public health emergencies, then resource-rich countries will end up paying the price for developed countries to save themselves from climate change (an illogical goal since climate change can't be selectively solved for some economies while others continue to contribute to it). If developed countries insist on striking this kind of bargain with the resource-rich countries of the developing world, there will ultimately be pushback and instability in and around foreign extraction and processing operations in these places, making them less reliable sources for the materials that the world needs. This would only end up strengthening China's role as the world's go-to supplier of critical minerals. I



▲ Rare earth minerals, on everyone's wish list

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AMCHAM SHANGHAI'S

LEADERSHIP ALLIANCE

Q&A

SETTING THE SILICON STANDARD

THE GEOPOLITICS OF AI GOVERNANCE

Interviewed by Stephanie Sam



Alex Roberts heads Linklaters' TMT practice in Hong Kong and China and is the Global Co-lead for its Gaming and Interactive Entertainment Sector team. Alex advises clients on the legal, regulatory and policy impact of emerging and disruptive technology, including relating to AI deployment, cybersecurity, data management, and tech and IP licensing, as well as the increasing convergence of technology, data and ESG. Alex was shortlisted for the FT Innovative Lawyers Asia-Pacific 2025 (Individual Practitioner), where he was recognized for his work in the use of AI in the firm and being part of efforts to shape discussions on AI regulation in China and the Asia Pacific.

How are recent AI developments impacting US-China technological competition?

During the first Trump administration, we got questions from clients — both tech companies in the US and affected players in China — about the implications of the proposed ban on TikTok. Since then, and especially in the last few months, there has been a progression of what some perceive as protectionist rules posing barriers to investment and trade flows. Although trade agendas have changed along with the US administration, the US-China rivalry is a constant and has been intensifying given recent developments in AI.

Just before the end of his administration, Biden issued the AI Diffusion Rule and further export controls on the most advanced AI chips from the US, with the purpose of preventing them from landing in the hands of Chinese companies — particularly those seen to have links to the Chinese government or military. Some industry players believe that these sorts of measures, despite their intended purpose, negatively impact US competitiveness and in turn the US economy. The Trump administration has rolled back the rule, a move some might say is good in terms of promoting US growth. From a business perspective, these rules add more uncertainty about what you can do.

Trump has clear objectives to bring manufacturing back to the US, but that doesn't necessarily mean it is feasible; from a brick-and-mortar perspective, you can put up a factory in the desert in Utah, but you won't have the trucks or workers to make it work on a day-to-day basis. The ecosystem in China and elsewhere in Asia has been built up over the last 30–40 years, so replicating that overnight is very difficult. Some clients have

10–15-year time horizons if they are considering moving a sophisticated tech manufacturing plant from China to Texas, and there's still no guarantee of moving all the different human and other resources that support such investments, so you have to have plans B, C and D. Those with foresight are trying to play more of a mid-to long-term game and plan as much as possible.

How has Washington's AI containment strategy, which relies on restricting China's access to advanced semiconductors, changed how China approaches its own AI development?

The objective to curtail American chip exports has had a number of effects on China. First, China has ramped up its "dual circulation" strategy. The strategy has already been around for a while — it entails making the Chinese economy, particularly the tech ecosystem, more self-sustaining. If a chip supply chain gets cut off, can China produce locally or with its partners in Asia? The government has invested a lot in and around the chip ecosystem to onshore as much as possible.

China is still allowed to use less advanced chips from the US. It takes innovation and efficiency to work out how to use a less advanced chip to compete with US-based AI organizations that don't face such export barriers. The US containment strategy is almost compelling Chinese innovation at a national level. The Chinese government is very open in terms of its ambitions despite, or because of, the policies in the US and elsewhere. There's also a lot of innovation at a private level and pride in national champions; when DeepSeek came out, the amount of investment into other Chinese tech stocks listed domestically was inverse to the decrease in the US stock market, which shows how much enthusiasm retail buyers had for the Chinese ecosystem itself.

What are China's AI priorities and in which aspects of AI is the Chinese government most supportive?

China is currently pursuing a high-level focus on dual circulation and self-sustainability of the tech ecosystem. Below that, there are a few prongs. One is concentration on building a more stable AI governance framework, ensuring consistent, predictable and industry-friendly regulations, standards and guidelines. For instance, in Shanghai, there's a big push for AI in areas that suit the financial industry. In the Greater Bay Area, the authorities are promoting how AI can play a role in fintech and wealth management analytics. Another focus is using AI in healthcare to support the aging population — although there's a great family support network embedded in Chinese society, replacing some of that care with AI would free up the younger generation to work and drive the economy. Then there's drug manufacturing, with both big domestic players and multinationals using AI for drug or medical device development.

Robotics are a top priority for the Shanghai government as well, especially with the humanoid development center set up in May and some robotics companies looking to list over the next few years. There's also a focus on the EV ecosystem, which plays a role in US-China competition [such as 100% tariffs on Chinese EV imports]. Meanwhile, other countries like the UK are very eager to get hold of Chinese battery technology to drive their own EV industries, so there's always tension between innovation in a domestic market and reliance on other markets. That tension is hard to overcome, as we've seen with on-and-off tariffs from the Trump administration and leaders of different industries having diverging perspectives.

China has rolled out some of the world's earliest and most detailed regulations governing AI algorithms and chatbots. How does Chinese AI regulation differ from that in other countries, and what are the advantages and disadvantages of its approach?

China is labeled as a government-led AI regime, the EU is perceived as human rights driven, and the US is seen as market driven. Those labels are very broad-brush and high level, and the distinctions lose a little bit of value when you dig deeper. There were many headlines about the EU's AI Act in 2024 being the first big piece of AI legislation, but China has had mandatory generative AI rules since 2023 and rules about deep fakes and algorithms since 2022. The EU took longer to publish its AI Act, though it was very comprehensive when it did come out. That contrast between the EU and China is prevalent; there's commentary that the EU rules are too stifling of business and innovation.

China has been very quick to legislate with high-level framework laws. As tech





lawyers, we help companies work out what the rules mean on a day-to-day and operational basis. Working within a mandatory framework is tricky as a business until you understand the granularity, interpretation and enforcement risks. This interpretive element sometimes only becomes clear years later. There are definitely adverse impacts from moving quickly, but from the Chinese authorities' perspective, they make a statement to the market as to what they want to regulate and then there's some flexibility in how the rules are implemented or utilized.

Because it takes time for information about how these rules are interpreted and enforced to come out, there will always be a stage in the development of emerging technologies where industry players move very quickly before the rules close in around them. Many Chinese tech companies have grown very fast because they take the approach of developing AI technology until someone tells them to stop. They are more willing to take risks and push boundaries, which is natural when you are operating in your home market. Multinationals tend to be more cautious as they are coming from markets with more "sophisticated" legislation to start; for them, compliance holds a lot of weight and they have to be cautious until they fully understand the rules, meaning they don't innovate as fast as their peers in China or emerging Asia-Pacific markets. If you look at the statistics, very few foreign companies have filed for AI product registrations in China despite many of them using AI internally for sophisticated R&D.

In comparison, due to the difficulty of creating national-level legislation, the US market has been notably slow to legislate around AI and more broadly around data. Some states have moved faster than others; California, for instance, has enacted several state-level laws. From the perspective of Chinese or European companies looking at the US market, the lack of national regulation creates challenges as making a product available in one state might have different implications in another state — and AI products don't adhere to borders.

How is China engaging in global AI development and governance? How might this change along with global trade tensions?

Many policies coming out of the US are quite isolationist, both in terms of trying to isolate China as a market and as an AI developer. But these policies are actually isolating the US. China is being proactive in filling the gap left by the US; it signed a statement on inclusive and sustainable AI at a Paris summit earlier this year whereas the US notably did not. Similarly, China has been engaged in the 2023 Bletchley Declaration on AI safety and international cooperation, and it has also called for more centralized development of AI rules by the UN, including the Global Digital Compact initiative that calls for a secure, open and free digital future for all. At a regional level, China has engaged bilaterally with ASEAN countries such as by signing memorandums of understanding with Thailand for the joint development of AI applications.

China is trying to lead AI technology de-

▼ Silicon Valley meets EV skateboard chassis





▲ Compliance is key

velopment via international standards setting. Some Chinese tech companies such as Huawei and Alibaba proactively contribute to international standard-setting processes and/or have representatives within the relevant international agencies, so they have strong influence over the standards impacting the day-to-day production of their product components. China wants to spread its AI governance to other markets; if you set the rules, you control the markets. Your domestic players will have a competitive advantage if they have built the [regulatory] infrastructure.

How are advancements in AI influencing or shaping different sectors such as finance, internet services, healthcare and fintech in China? How are regulators responding?

We do a lot of work in fintech, for example working on registrations of generative AI tools, which are required before the tools are made public. Many early registrants came from the financial services space; they saw the opportunity to use AI to interact with their customers more efficiently. An obvious example of how AI has shaped these industries would be AI-driven chat bots on websites or apps. Data can also be crunched much more quickly by an AI tool rather than a human in a bank's back office. From an organizational perspective, there's already a wide web of legislation in China regulating how technology interacts with customers, so even if the rules aren't explicitly labeled as "fintech AI regulation," outsourcing tech services or data is already subject to many rules.

For the healthcare sector, one recent development has been US restrictions on the export of sensitive bulk data. The Biden administration restricted large data sets, particularly clinical trial data, from being sent to China. From a pharmaceutical R&D perspective, having a large US data set is hugely useful for developing drugs as the US is still the largest healthcare market in the world. It's a big disadvantage for a Chinese drug manufacturer or a multinational manufacturing in China to lose access to that data, so there's been talk about moving R&D development from China to India.

What is the impact of AI on the legal industry, especially cross border M&A, in China? How is generative AI being applied?

Much of our work around AI is not about using it ourselves, but about telling people how they can use it, and in some ways influencing how the rules are developed. For example, we conduct comparative studies across markets — comparing Chinese, EU and US legislation — and provide that feedback to tech companies, who share it with governments in their advocacy efforts with respect to the development of AI regulation. In terms of M&A, our work focuses on due diligence around AI products, like seeing whether a Chinese investment target is compliant with relevant regulations. Such work has grown in recent years and is likely becoming the norm for due diligence, whereas it wasn't a focus for investors or lawyers before. I



▲ Data restrictions hinder healthcare R&D

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STARR POWER

The Legacy of a Shanghai-born American Insurance Firm

Interviewed by Rachel Rapaport



Dorothy Ying Dong is the President of Starr International Investment Advisors (Asia) Limited and the Chairman of Starr Property & Casualty (China) Co., Ltd, responsible for the insurance operation for Starr in China and Starr's investments in Asia. She has been Starr P&C's Chairman since 2018 and led Starr's insurance operation. She has over 25 years of investment experience and has been responsible for the Starr China's Investment Platform since 2007. Her investments in the healthcare, technology and insurance sectors, as well as in fund of funds, generated excellent long-term performance and returns. Prior to joining Starr, she served as a Vice President at AIG Global Investment Corp. (Shanghai) Ltd, Director at Anglo Chinese Finance Limited, Analyst and Fund Manager for Atlas Fund at Rochdale Investment Management Company in New York, and also worked for HSBC Corporate Finance (Asia) Limited and Credit Lyonnais Securities (Asia) Limited. She is a Charted Financial Analyst (CFA), a Mentor for Tsinghua University Business and Economic School, and an ex-Chairman of H50 (Healthcare 50) Forum and a member of US China Track II Dialogue in Healthcare.

CV Starr founded the American Asiatic Underwriters, China's first American-owned insurance company, in Shanghai in 1919. How has Starr grown with China throughout the past 106 years? How has your identity as an American company with Chinese roots played a role in your development?

Mr. Starr first came to China from the US as a journalist and saw an opportunity because nobody was willing to sell insurance to Chinese entrepreneurs at that time. Then he gradually grew his insurance business elsewhere in Asia. After the Japanese occupation of Shanghai, he returned to the US and grouped his insurance companies together into AIG. In 1968, he passed AIG to Maurice "Hank" Greenberg. AIG later listed in the US and under Mr. Greenberg's leadership, it became the largest insurance company in the world.

As the company was originally founded in China, Mr. Greenberg had always wanted it to return to its roots. When the US and China rebuilt diplomatic ties, Mr. Greenberg came to China with Henry Kissinger and Richard Nixon to see whether the insurance business could be expanded. I remember Mr. Greenberg always saying that China is such a big country, so we cannot leave it outside the whole world. He began reestablishing AIG and Starr in China and in 1992, AIG became the first foreign life insurer to receive a license since the founding of the PRC. Now known as AIA, this company is one of the largest and most successful life insurance companies in China, creating millions of jobs for Chinese people through its agency business.

In 2008, Mr. Greenberg left AIG and became the CEO and chairman of Starr Group and the Starr Foundation. He then built another insurance platform in China, this time one focused on property and casualty insurance. In 2011, upon an introduction by the Shanghai mayor, we acquired 25% of Dazhong Insurance and in 2014, we became the controlling shareholder and renamed the firm Starr Property & Casualty Insurance.



▲ Staff of American Asiatic Underwriters in 1924

We also started an investment platform in 2007. Since then, we have invested mostly in small, privately owned ventures to support the development of the Chinese economy. To this date, we have invested in about one thousand companies in China.

You've led that investment platform — Starr International Investment Advisors — since its founding. What are some of the firm's most notable investments?

At the time of our founding, we made the decision that if we were going to invest in Asia, we should predominantly invest in China. I felt it was a great opportunity as the country was in the middle of a digital transformation and growing very quickly. We focused on two industries — healthcare and digitalization.

On the digitalization side, we have invested either directly or indirectly in most large e-commerce platforms including Pinduoduo, Meituan and Eleme. These investments have done very well because we grew with Chinese industry trends. On the healthcare side, we made a lot of investments in pharmaceutical companies as well as healthcare services companies. We invested in one of the largest traditional Chinese medicine platforms, Gushengtang, which is now listed in Hong Kong. We have also invested in a lot of funds that specialize in healthcare. You can see the development of drug innovation in China over the past decade. Today, Chinese companies have taken on a world-leading drug innovation role. Some funds we invested in as limited partners include Qiming Venture Partners, New Horizon, Boyu Capital and Yunfeng Capital.


回老家

The Chinese characters for "Welcome Home" can also mean "We're glad to be back."

American International Group, Inc. (AIG) is pleased to announce that we have received a license to operate as a branch company in the People's Republic of China. The first foreign insurer to do so in more than 40 years.

This is a proud moment for us, because AIG was founded in Shanghai in 1919, and we have long known that one day we would be back. In many ways, the business practices and traditions that we developed in China many years ago will guide our organization today.

AIG, through our affiliate, American International Assurance Company, Ltd. (AIA), will soon be opening our 41 new offices in the



▲ Hank Greenberg in 2019

In which sectors do you see the biggest opportunities for growth in the next decade, and conversely, what are the greatest challenges?

As the world is evolving very quickly, innovation will drive future growth. Over the past few years, we've seen a lot of opportunities in EV because China has become the leader in this field and EV technology is driving innovation. But in the future, I think innovation in AI will transform people's lives, the way people do business, and also insurance, which has always been a very traditional industry. Anything related to technology upgrades will bring opportunities both for insurance and investments. There will still be many opportunities in consumption upgrading and the consumer industry, such as opportunities to assist the aging population. When we recently met with regulators, we were talking about the possibility of using robots as maids to help people. How will you insure the robot? It will require more innovation in insurance products.

On the topic of AI, how is it tangibly changing the insurance industry and how is Starr using it?

The insurance industry was actually the first to use data, since actuaries use data to measure risk. AI can use data to do many amazing things such as dynamic pricing — incorporating insurers' information and risk information to adjust pricing in a much more accurate and timely way. We think that in the future, AI can replace or partially replace underwriters. Right now, AI is still in its infancy. In the US, Starr has a team to look at the whole business process to see where we can incorporate AI. In China, we've invested in Kai-Fu Lee's Sinovation Ventures, which does a lot on AI services. We're discussing with them how AI could boost our efficiency and potentially improve our pricing. The early movers will really be able to differentiate themselves from the rest.

How does Starr handle US-China tensions? What advice do you have for other US firms operating here?

I share Mr. Greenberg's view about this because over the years, I have accompanied him to visit various government officials in China. He's always said that as the two largest economies, the world would be much safer if the US and China are friendly and constructive to each other. Otherwise, the world will be very dangerous, not only for the people of the two countries. It is very important that China and the US have a constructive relationship. And I am optimistic because historically, the US and China have helped each other in many ways. We're so intertwined with each other right now. Tariffs will damage both parties and business is difficult when geopolitical tensions are high and change quickly. Companies like stable macro environments where they don't need to worry about anything else other than their own business. Our strategy is to take a long-term view and be versatile amid the short-term turbulence. This actually puts a high requirement on the organization because you have to be nimble and adaptive while maintaining your long-term view. I



▲ Hank Greenberg meets with Chinese President Xi Jinping in 2015



▲ Dorothy Dong and Hank Greenberg celebrate Starr Insurance's 100th anniversary in 2019

Q&A

PAWS FOR THOUGHT

CARGILL ON CHINA'S PET FOOD LANDSCAPE

Interviewed by Rachel Rapaport



Hongfei Zheng joined Cargill Animal Nutrition & Health in 2020, and currently is the Senior Vice President of Cargill Animal Nutrition & Health, leading the APAC regional business. Since managing the business, she has successfully led rounds of business evolutions and guided the team to deliver consistent growth through customer focus and glocal (global-local) innovations. Before her role at Cargill Animal Nutrition & Health, she served several MNCs, including Coca-Cola, Cargill China and Hilti Ltd. She has earned many top industry recognitions: 2023 Most Powerful Women (Future) by Fortune China, 2021 Women Leadership Award by IPWS, and the Female Role Model of the Year 2021 by CXO. Hongfei obtained her Bachelor's and Master's of Economics degree from Shanghai Jiao Tong University, with a Master's (Diplôme d'Ingénieur) at Ecole Centrale de Lyon (France) and an MBA from INSEAD (France).

What products does Cargill offer for the pet market, and what facilities do you have in China to make those products?

Cargill has many brands of pet food globally, but in China we focus on the PetMaster brand, which carries dry food for both dogs and cats. The PetMaster specialty is what we call functional food — we incorporate natural ingredients that support immunity and digestive health. A key innovation is EpiCor, a patented postbiotic originally developed to enhance digestive health in livestock. Interestingly, we observed that employees at the plant producing EpiCor had unusually low health insurance claims, which led to its adaptation for human use. Building on this insight, we developed EpiCor Pets, which is now included in most of our premium pet food lines in China and has shown strong results in addressing digestive issues in pets.

Our manufacturing facility, located in Jiaxing, Zhejiang province just outside Shanghai, is certified to human food-grade standards. We produce a range of formulas tailored to pets' age, breed, and size, with a consistent focus on health and nutrition. Unlike many other brands, we use fresh meat rather than meat meal, ensuring both product freshness and superior food safety through Cargill's stringent quality control systems.

How does Cargill stay competitive amid growing market competition in the pet food space?

China's pet food market is intensely competitive, with hundreds of new brands entering and exiting every year. Our advantage stems from over 130 years of global experience in animal nutrition across more than 70 countries. This depth of expertise informs our approach to product formulation and quality control. As a predominantly B2B company, Cargill prioritizes R&D and product efficacy over aggressive marketing. While PetMaster may not command the largest market share, it enjoys a loyal consumer base.

To maintain competitiveness, we focus on continuous innovation that resonates with Chinese consumers, who often associate higher protein content with better quality. We balance this preference with our scientific approach to pet health and nutrition. We recently launched a refreshed brand proposition: "Pet Care, Nutrition Masters," which reinforces our commitment to helping pet owners provide safe, healthy and responsible care by leveraging our nutrition capabilities.

Do Chinese consumers put a premium on international pet food brands?



This pet food category in China was shaped by US brands, so global brands have a first-entry advantage, especially in the premium segment. Chinese consumers are well-informed and often seek the most advanced nutrition technologies, which are typically developed globally. That being said, many global brands have been pushed out of the market over the years because they became irrelevant. Success here requires more than just importing global formulas. If we want to survive and thrive in China, we need to continuously innovate with respect to local consumers. At Cargill, we call this global expertise with local insights "Glo-cal."

Many analysts see the pet market as a bright spot amid slowing consumption. How do you see changing pet market trends paralleling demographic shifts and changing attitudes in Chinese society?

Pet consumption is a growing sector, with a compound annual growth rate of more than 6%. China already has a significant market with 120 million pets, and that's just counting cats and dogs. People often compare the growing pet population to the declining baby population. This growth has a couple of interesting trends. One is that pet food is now an e-commerce driven consumer sector; around 70% is sold online. Offline sales, accounting for the remaining 30%, are mainly concentrated in specialized channels rather than traditional retail.

The second trend relates to human-



ization and premium consumption. Today, everyone is talking about consumption downgrading. In most sectors, consumers are looking at price for value and are actually de-branding. But in the pet market, there's still a robust willingness to pay for quality. This is largely due to weak regulatory oversight; consumers prefer paying a premium for trusted brands to avoid risks amplified by viral social media stories about food safety.

Last but not least is the speed of innovation driving growth. There are hundreds of new brands and thousands of new products in the market every year. Chinese consumers are very willing to try new formulations and technology. They might not switch their pets' staple food frequently, but they're open to experimenting with supplements and new offerings.



Do you see any purchasing differences between younger and older pet owners?

For sure. The younger generation really humanizes their pets. Many younger consumers grew up lonely in only-child households and see pets as their friend or companion, sometimes even as better than a human being. They're also better educated, more research-driven, and closely follow ingredient labels and functionality. However, they're also highly influenced by social media and open to trying new brands and formats.

Among the older generation, many have the habit of cooking their own food for their pets and buying pet food to compliment those homecooked meals. They're more stable and loyal as consumers; if they find a brand that is reliable and good value for money, they will keep buying it. They are also more influenced by the opinions of veterinary professionals because many of their pets are older, so they go to the vet quite often.

What about purchasing differences between different tiers of cities?

The pet market is not as advanced in the lower tiers yet compared to tier-one, tier-two and high-income tier-three cities. Recently we've seen that consumers in tier-two and affluent tier-three cities are more willing to spend on their pets than those in tier-one cities. This may be because they have less financial pressure, so they feel more secure about consumption. Real estate is also less expensive in these cities and the retail formats are more innovative. We've seen new pet store formats emerging including entire malls for pets, or pet stores combined with vets or pet gyms.

How do you compare the pet food market in China to that in other major economies? What sort of China-specific trends are you seeing?

China's pet food market is growing faster than most mature markets, even if its rate trails emerging Southeast Asian markets. However, it's also one of the most fragmented markets globally. Over 3,000 brands compete, with the top 10 accounting for only 30% of the market share. China also leads in digital sales, with a much higher e-commerce share than in markets like the US. Another local characteristic is the consumer focus on product functionality — from joint and digestive health to skin, coat, and immunity — far more than is typically emphasized in Western markets.

What sort of regulatory changes might be on the horizon and how could they provide new opportunities?

There's currently only one regulation on pet food (from the Ministry of Agriculture and Rural Affairs) that came out in 2018, which the government is now updating. We hope to see more comprehensive quality standards for pet foods because currently, rules are less clear in regulating what can be claimed on packages, how ingredients are graded and how functionalities are advertised. This makes the industry more difficult to operate in because small players can make unsubstantiated functional claims. We tell our customers to be careful about these claims, but it is hard to warn everyone. Pet owners are increasingly conscious about how to maintain the health and immune system of their pets so that they don't need to go to the vet as often. Stricter regulations on pet food health and safety will be beneficial in this aspect.

What are the biggest opportunities in the pet food market over the next five to 10 years?

One is the growth of the pet population. A 6% growth rate means almost 7 million new pets every year. That's an amazing number, and it leaves space for innovation in the future every year. The second opportunity is pet humanization. Pets are playing increasingly significant roles in families, and owners want their pets to live long, healthy lives. Many pet health supplements, functional food and functional treatments are entering the market to support those needs. These emotional and functional needs will also lead to innovation in the nutrition space. Humans have a lot of nutritional guidance for their diets, and we expect something similar for pets. We'll see more scientific guidance on how pets can eat healthily. Weight loss pet food is one example of these healthier and functional foods.

Do you see artificial intelligence playing a bigger role in the industry?

Yes. Cargill has a vast database of animal nutrition ingredients and their health effects. We already use AI to analyze this data and optimize livestock diets, and we're applying the same approach to pet nutrition. Looking ahead, AI could enable personalized diets, allowing owners to tailor their pet's meals with functional supplements. We're already seeing this in markets like Korea, and we believe Chinese consumers, who are tech savvy and innovation driven, will embrace this trend as well. I



▲ Dogs of AmCham Shanghai

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Eric Lin is Business Development Director at The Silk Initiative, a Hotspex company. He has over 15 years of consulting and branding experience, with the past eight years focused on the Chinese market. He possesses a robust understanding of market dynamics and consumer trends, uncovering insights beyond the surface to translate them into actionable strategies. Beyond consumer products, Eric specializes in the silver economy and pet industry opportunities. He actively shares his in-depth observations with business leaders and management teams looking to capitalize on these growing sectors.

REWRITING THE RETIREMENT RULEBOOK

CHINA'S SILVER ECONOMY IN TRANSITION



China is entering a new demographic era. According to the Seventh National Census conducted in 2020, the number of citizens aged 65 and above has surpassed 200 million, accounting for over 15% of the total population. In Shanghai alone, 37.6% of the city's registered residents are aged 60 or above, accounting for over 5.77 million people, which is a figure comparable to the entire population of Denmark, Finland, Norway, or to that of US states like Wisconsin, Colorado or Minnesota.

This marks China's official entry into a deeply aging society. The legacy of the one-child policy is one of the key reasons for the rapidly shrinking working-age population, while the shifting mindset of Chinese consumers provides another push. This results in mounting pressure on the country's pension system and healthcare infrastructure, as well as many other related societal challenges.

China's traditional pension system is largely supported by its younger workforce. However, with record-low birth rates showing little sign of improvement, this model is becoming increasingly unsustainable. The national pension fund has already started to show signs of strain, with some provinces facing growing deficits due to the imbalance between contributors and retirees. In response, the government has launched a phased plan to raise the retirement age. The retirement age for men will gradually rise from 60 to 63, while the age for women will increase from 50 to 55 for blue-collar workers and from 55 to 58 for white-collar workers. Additionally, beginning in 2030, the minimum pension contribution period will be extended by six months each year until it reaches 20 years (compared to 15 now) by 2039. Those who fall short at retirement can either continue contributing or make a lump-sum payment. These steps are part of a broader transition toward a three-tier pension system combining public, corporate and individual contributions, aimed at creating a more sustainable and diversified retirement model to address the long-term challenges of an aging population.

China's aging population presents a double-edged sword. On one hand, it has magnified economic and social burdens, while on the other hand, it has unlocked massive prospects within the so-called "silver economy" — a growing opportunity driven by the needs, behaviors, and aspirations of older adults.

The rise of middle-aged and older consumers: shifting mindsets and behaviors

China's 45+ demographic is fast becoming a core force within the silver economy, as many of them are approaching the end of their careers and, for the first time, actively planning their retirement life without much to refer to from the previous generation. Growing up amid China's reform and opening-up, this consumer group is beginning to prioritize self-care, quality of life, and independent decision-making over traditional, family-centered roles.

A significant behavioral shift has occurred starting in top-tier cities: older consumers no longer want to rely on their children for purchasing decisions. Instead, they now actively choose products and services that reflect their personal value and needs. Research shows that some older consumers felt sad and useless if they had to ask their children to teach them things over and over again; this has reinforced the need to stay up to date with the latest trends and technology so they can make their own consumption decisions without being left behind. According to a report from JD.com, from January to September 2024, the number of transactions and active users among senior-aged consumers on the platform increased by 238% and 187%, respectively, compared to the same period in 2019. The stronger growth in transactions relative to the number of users suggests that senior consumers are increasingly reliant on digital platforms, similar to younger generations around the world.

Healthy China 2030: policy-driven opportunities

The national policy initiative "Healthy China 2030," released in 2016, provides a clear direction for promoting health across all life stages, especially for the aging population. One of the ambitious goals was to increase average life expectancy to 79 years. According to state media, China achieved this goal in 2024, six years ahead of schedule.

The policy framework prioritizes disease prevention, nutritional improvement and accessible health services. Since its launch in 2016, Health China 2030 has driven the expansion of grassroots medical services, reduced the national smoking rate, improved chronic disease management, increased public health literacy, and reduced air pollution, among other achievements.

Dietary structure remains a key concern among older adults, as many continue to rely on grain-heavy, plant-based diets with low animal protein intake compared with older adults in the West. While culturally rooted, this pattern may lead to foreseeable health issues for these older adults but business opportunities for others. Some other predictable areas of demands include:



▲ Healthy body, healthy mind

• **Functional nutrition products:** Products such as high-protein milk powder, bone-strengthening supplements, omega-3 and other targeted health food products.



▲ Up to date with the latest tech fads

• **Smart health tech:** Wearables that track consumers' nutrition, sleep and movement while offering personalized advice, potentially through collaboration with AI.

• **Community-based healthcare:** Involving dieticians, mobile clinics and wellness coaches embedded within neighborhoods.

• **Integrated care infrastructure:** Cross-departmental collaboration between health, civil affairs and urban development sectors to build supportive environments for preventive care.

Healthy aging is no longer just a medical issue; it is a national strategy that will shape future consumer behavior and public investment.

Regional and economic gaps: uneven potential within the silver economy

The silver economy varies significantly across different regions in China. Retirees in tier-one cities such as Beijing and Shanghai generally receive higher and more stable pensions. According to a McKinsey report published in July 2024, rapid economic growth over the past two decades has given these consumers high disposable household income and therefore the confidence to spend, even during the pandemic or recent economic slowdown. Many actively seek lifestyle upgrades, from wellness club memberships to domestic and international travel, and other programs that help them explore and learn new things.

In contrast, seniors living in rural or lower-tier cities often face constrained purchasing power and rely more on family support. Access to medical and other community services remains limited. However, according to the McKinsey report, seniors in these areas are the most optimistic about China's macroeconomic outlook compared to their urban counterparts. This optimism may be driven in part by the relative improvements they've experienced in local infrastructure and public services over recent years, which contribute to a sense of progress. Additionally, seniors' media exposure tends to be more localized and less saturated with critical economic narratives, reinforcing a more positive outlook. This suggests a different kind of opportunity for those willing to engage more deeply across city tiers and

connect with a broader segment of the senior population.

This geographic disparity creates a demand for more nuanced market segmentation and localization. While those in top-tier cities seek premium and experiential offerings, those in the lower tiers still require basic services such as better healthcare access or public transportation to provide affordability and accessibility. As such, the future of silver economy strategies must be region-specific, balancing aspiration and affordability.

Emotional and social connection: the hidden cost of longevity

Mental well-being among the elderly is gradually gaining attention. Issues such as loneliness, isolation, and even depression are particularly urgent among empty-nesters and those living in rural communities. Many of these issues trigger the critical need for psychological and emotional support.

Smartphone penetration among the elderly has grown tremendously since Covid due to the necessity of using health QR codes for public transportation and access to most services. Data from China Daily shows smartphone penetration among consumers aged 50 and above grew from 13.6% in 2019 to 50% for those aged 65-69 and 31.2% for those aged 70-79 in 2023. This increase, in turn, has helped digital platforms become lifelines for maintaining social connections. Apps like WeChat or short-video platforms such as Douyin and Xiaohongshu have spawned a wave of senior influencers, showcasing everything from cooking tips and dancing to life hacks, giving a voice to older individuals in mainstream discourse. For the elderly, sources of information are no longer limited to traditional media. Many of them are now just as highly engaged on social media as the younger generation.

These digital spaces help older adults regain their self-identity, express their voice, and form supportive communities. They also present untapped opportunities for social innovation — whether through AI companionship, virtual learning or interactive mentorship programs.

Social well-being is not a side note; it is foundational to healthy aging and a key to unlocking the full potential of the silver economy.

Redefining the role of later life: family ideals and relationship shifts

Changing family dynamics are also reshaping the aging experience. Younger generations in China increasingly choose to remain single or child-free for various reasons. This transformation is especially pronounced in top-tier cities, where many of their parents have started to express support for their children's decisions to pursue happiness and health over marriage or parenthood.

In parallel, a rise in "gray divorce" — spurred by longer life expectancies, increased financial independence, and evolving societal attitudes towards marriage and divorce — is creating a growing cohort of older singles. While these individuals are often financially independent, they tend to be open to new experiences, and eager to craft a fulfilling second act in life. This shift is driving potential demand for single-friendly products and services, from personal finance and insurance planning to match-making, psychological, and healthcare support.



▲ Silver influencers

These social changes underscore a broader redefinition of aging in China, not as a passive decline but as a time of self-discovery, reengagement, and new possibilities.

Learning from Japan: navigating the challenges of an aging society

As the world's oldest society with over 28% of its population aged 65 and above, Japan provides valuable lessons for China as the latter enters its own demographic transition.

One of Japan's most effective actions was the introduction of universal long-term care insurance in 2000, which provides the elderly with access to community-based services and reduces the burden on families. The country also embraced eldercare technologies such as care-giving robots and AI health monitoring systems to help offset labor shortages. Additionally, local governments have built supportive, age-friendly communities that promote social participation and independent living.

The Japan example also warns of issues that China must avoid. Despite various incentives, Japan's birth rate has continued to fall over the years, deepening workforce shortages and fiscal pressures. Economic stagnation and limited rural revitalization further complicate the situation, especially with the younger generation increasingly concentrating in big cities, leaving rural seniors behind.

For China, the lesson is clear: early investment in eldercare infrastructure, smart aging technology to address both physical and mental care, and policies tailored to regional realities will be essential. Drawing from Japan's emphasis on active aging and community engagement, China has the opportunity to shape a more balanced and inclusive approach to longevity.

Moving forward

China's aging population presents unprecedented challenges to the country, but it also unlocks massive opportunities across sectors. As older consumers grow more empowered, health-conscious and digitally connected, they are reshaping market demand, family structures, and social priorities.

The silver economy in China is no longer about accepting the aging reality. It is now about enabling vitality, dignity and active participation in later life. From national policies to personal choices, the transformation is about to start. Those who recognize and respect its complexity will find themselves ahead in shaping the future of aging in China. I









110 Years of AmCham Shanghai

AmCham Shanghai celebrated its 110th anniversary with a gala at the Ritz-Carlton Pudong on June 6. On the following pages, we interview three former AmCham leaders about their experiences and favorite memories.











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Interviewed by Stephanie Sam and Rachel Rapaport

Kenneth Jarrett — Chairman 2012 and President 2013–2018



Kenneth Jarrett is a Senior Advisor with the Albright Stonebridge Group, a strategic advisory firm based in Washington, DC. He previously served as President of the American Chamber of Commerce in Shanghai from 2013 to 2018. Prior to that he was the Greater China Chairman for APCO Worldwide from 2008 to 2013, and before that a US diplomat from 1982 to 2008. During his 26-year diplomatic career, his postings included Consul General in Shanghai, Deputy Consul General in Hong Kong, and Director of Asian Affairs at the White House National Security Council, and served in Beijing, Chengdu, Singapore and DC. Mr. Jarrett has degrees from Cornell University, Yale University and the National War College. He is the recipient of the Magnolia Silver Award from the Shanghai government and is a member of the National Committee for U.S.-China Relations.

You've previously mentioned that your "college-era curiosity" became a "life-long China passion." How did your China story begin?

I planned to concentrate on German history at Cornell but taking an elective course on Asian history sparked an interest in Chinese history. After graduation, I made a spontaneous decision to attend a semester-long program at the Chinese University of Hong Kong. That experience led to a year in Taiwan studying Chinese language at an even deeper level. During graduate school, I met State Department representatives on a recruitment drive and decided to take the foreign service test in 1978. US-China diplomatic relations normalized the next year and China invited 50 Americans to teach English as the first batch of American foreign experts. I was one of them and received an offer from the Foreign Experts Bureau to come to Shanghai to teach. I thought it would be fun, having spent so much time studying China but not having been to mainland China. During my time teaching, the State Department processed my application. It's a slow process. I returned to the US in 1981 and started my diplomatic career the next year.

You've worn many hats during your time in China, including as US Consul General in Shanghai. How did your time in Shanghai compare to your previous posts?

When I was in Hong Kong from 2001 to 2004, Hong Kong was a very strong partner of the US. One specific example was the US's Container Security Initiative (CSI), a huge effort to increase maritime container cargo inspection after September 11 for fear that weapons of mass destruction could be shipped to the United States. The US Consulate General in Hong Kong at the time worked very closely with the Hong Kong government in all areas of law enforcement and security cooperation in a way that is probably not true today. When I moved to Shanghai, the consulate's role was different in some ways. Law enforcement cooperation wasn't a big focus. And most US-China bilateral issues were dealt with by the embassy in Beijing, not in Shanghai, which is a constituent post. But we still had plenty to do.

A big focus of my consul general role in Shanghai was supporting American business. Another focus was understanding how national policy is implemented at the local level. For example, a lot of policy pronouncements come out of Beijing, but what actually happens when officials have to implement those policies at the local level? In that sense, the Yangtze River Delta was a good place to try to understand that implementation. It was also a good place to understand who the up-and-coming leaders were, because Shanghai was sending a steady stream of leaders to Beijing.

What motivated you to get involved with AmCham Shanghai?

When I became US Consul General in Shanghai in 2005, it wasn't so much a question of what motivated me but part of what I was expected to do since the Chamber plays a major role in the work of helping US business in China. The Chamber was, and still is, a very vibrant organization, but in 2005 it was booming in terms of membership. We had lots of Americans here, so I was quite involved; I hosted the members briefing every month to interact with members. When I left the consulate, I joined the private sector. After a couple of years concentrating on that transition, I ran for the AmCham board and became board chair in 2012, and then president the following year.

What are some of the biggest milestones and challenges you faced as president/chair?

AmCham Shanghai's 100th anniversary celebration in 2015 was a major project. There was the celebratory dimension, but part of the purpose was to rediscover the Chamber, spread the story of its heritage and what it had achieved in the past. All of this history had been completely lost and required a lot of digging at the Shanghai Municipal Archives and elsewhere. This rediscovery of the Chamber's history was a very meaningful exercise. It helped us understand the issues the Chamber faced in the past and gave us a better appreciation of the chamber's role today.

Other milestones during my tenure included expansion initiatives like opening the Suzhou and Nanjing offices, as well as turning the SME center into the Trade and Investment Center, which then launched an initiative to work with industrial parks and local governments. We also set out to strengthen ties between Chamber members and the Chinese business community by inviting qualified Chinese companies to participate in Chamber activities, even though they could not join as full members. We increased our visibility with media and implemented a new strategy to go digital; we revamped the website, started our WeChat account, and started with videos and podcasts.



▲ North Xinjiang, 2019

Lastly, we strengthened our collaboration with AmCham China in Beijing and the US Chamber of Commerce in Washington. For example, the Beijing and Shanghai chambers joined each other's Doorknocks in Washington, DC. If there were major developments that affected the American business community, we tried to develop joint messaging.

In the policy realm, the Chamber brought a special focus to addressing practical challenges faced by the members. One example of the Chamber at its best was the dialogue mechanism established with Shanghai Customs. The introduction of China's cybersecurity law introduced a whole range of data localization issues that companies still are grappling with today. That became a huge advocacy point. When the Shanghai Free Trade Zone was established in 2013, we spent a lot of time trying to understand what the benefits were for the foreign business community. This was an initiative that meant a lot to the Shanghai government and they paid close attention to the Chamber's analysis and perspective on this initiative.



▲ USA Pavilion groundbreaking at the 2010 World Expo Shanghai

How would you characterize US-China relations during your term, and how does it compare now?

After China's entry into the World Trade Organization in 2001, the United States and China had a relationship that might surprise many people when we think about it today. It was a very collaborative relationship in terms of a desire to engage with China across the board, but particularly in the economic commercial arena. "Constructive engagement" is how that period is typically defined. The transition to a relationship defined more by strategic competition actually started during the Obama presidency, with the "pivot" to Asia often taken as a turning point. At that time, China was already taking steps that made Washington uncomfortable, whether it was in the South China Sea or cyber espionage. There was increasing anxiety in the US about the direction that China was heading. When I started as Chamber president in 2013, "cooperation" was still the defining spirit, but it tipped over into "competition" by the time I stepped down as chamber president at the end of 2018. Symbolic of this change was the Trump administration's decision to withdraw from the Trans-Pacific Partnership in 2017. This was the economic parallel to what was already happening in the national security realm.

During President Trump's first term, China was already viewed as a strategic competitor — but not necessarily an adversary — and there was a notable lexicon change in how many senior US government officials referred to China. Rather than say the "Chinese government," they more often spoke of the Chinese Communist Party (CCP), and in some cases, tried to make a distinction between the CCP and the Chinese people. Public attitudes in both nations started to stiffen. The dynamics of the DC Doorknocks

also changed with the Trump administration. I led the Doorknocks in 2017 and 2018 and we could all feel the change in how Washington perceived the role of US investment and US companies in China. The Trump administration was focused on shrinking the trade deficit and reviving manufacturing in the United States. In addition, Congress started to get very tough towards China. China responded to this changing dynamic by emphasizing self-reliance, if the United States wasn't going to be a dependable supply of the technology they wanted. During the Obama years, Doorknock meetings had the atmosphere of a partnership, with government and the private sector talking about how to advance mutual goals. At the beginning of the Trump administration, we suddenly felt like we were being viewed as part of the problem, that we were not sensitive enough to national security considerations and that investment by US companies should be redirected toward the United States. This sentiment has only intensified during subsequent years. This, together with isolation created by the Covid pandemic, has been deleterious to people-to-people ties, which are now fraying in a way we haven't seen in some time.



▲ Meeting with US President George W. Bush and National Security Advisor Condoleezza Rice, May 2001

How can we recalibrate US-China relations under the new administration? Is there any low-hanging fruit that might thaw the US-China relationship given the race for tech supremacy?

The low-hanging fruit always gets eaten very quickly. It may already be gone, but that doesn't mean there aren't things that can be done. In terms of sheer numbers, people-to-people relationships are where most of US-China interaction occurs. For most Chinese, their greatest exposure to the US is through American products and services or working for American companies. Some experience the US through travel. If we don't have a strong foundation of people-to-people relations, everything else becomes more difficult. In terms of low-hanging fruit, various programs that were eliminated or subjected to cuts under the Trump administration could be restarted, such as the Fullbright scholarship program or the Peace Corps in China. The US and China need to identify the least politized areas where collaboration can occur; it's a familiar list that includes climate change, global health and law enforcement. It doesn't mean these areas are free of politics, but they're less politicized than some other issues.

You work closely with US companies doing business in China. What is your advice for the US business community? How are you helping them manage or mitigate risks and related challenges?

The fundamentals for why multinationals (MNCs) are here still apply. China remains an important market for MNCs given the levels of consumer spending, the growth of the middle class and the ongoing process of urbanization. More and more Chinese companies will be competing on the global stage, so it's better for MNCs to be up close to it here so that they will understand what they're going to face in other markets. China is also a place where important innovation occurs. Companies are increasingly recognizing and taking advantage of that, both through their own internal teams and by borrowing from their Chinese competitors.

Because of the Covid years and the current economic slowdown, the demographics of the US business presence in China now is quite different from the go-go years of 2008–2011 when there were lots of SMEs and entrepreneurs. Now it tends to be larger companies who have been here for decades and plan to stay for many more years to come. There are fewer new-to-market companies and fewer entrepreneurs.

In my current role as a consultant focused on government relations, we help our clients in a variety of ways. First, we help them understand the macro dynamics of what's happening between the two countries and analyze what is most likely to happen next. We also



▲ Three Gorges, 1980



▲ Guilin, 1980



▲ With former US President George H. W. Bush in Shanghai, March 2008



▲ Celebrating the 40th anniversary of first arrival in Shanghai, 2019

track new government policies and advise companies how they can benefit from those policy developments. Helping companies strengthen relations with the Chinese and US governments is another key area of emphasis. It's important for companies to proactively engage with government stakeholders on both sides so that policymakers understand what your business is doing, how you contribute to the community and what problems you might face. Companies often need encouragement to engage with government, as companies might feel the best approach is to keep one's head down. But for virtually every company, there will be a time when you need to go to the government for help — why not have them well briefed in advance so they understand what you do and what you might need? Finally, we do a lot of work helping companies assess risk factors for certain issues and keeping up to date on how their peers are dealing with similar challenges.

What are your favorite memories from your four decades in China?

From 1979 to 1981, I was an English teacher in Shanghai. That was one of the most exciting periods of my life and still shapes my perspective on China. It's hard to really convey what it was like because Shanghai in 1979 was nothing like Shanghai today; there were only 25 Americans in the entire city, it was a gray and dreary looking place, no cars, and only a handful of state-run restaurants. There was no internet or cell phones, so there were no distractions; you just focused on spending time with friends. I had dinner with various local families three or four nights a week. I traveled all over the country during the holidays. One summer, I did a two-month Silk Road trip from Shanghai to Xinjiang and back with several other teachers. During my years in Shanghai, I also met the woman who became my wife. You can't get more memorable than that.

What are your must-read books on understanding China or US-China ties?

It depends on what you're looking for. For business leaders, Jonathan Spence's *The Search for Modern China* provides the grounding in Chinese history that you will need if you are going to work in China. It's a history textbook, but beautifully written. John Pomfret's *The Beautiful Country and the Middle Kingdom*, is another good history book, with a focus on the US-China relationships. Jim McGregor's *One Billion Customers* is a great book on conducting business in China. Richard McGregor's *The Party: The Secret World of China's Communist* Rulers is also helpful in understanding the role of the party. Out of all the Cultural Revolution memoirs, I think Jung Chang's *Wild Swans: Three Daughters of China* is the best. I



▲ With former US President Jimmy Carter and his wife Rosalynn in Shanghai, 2014



▲ Dunhuang, 2016



Interviewed by Stephanie Sam and Rachel Rapaport

Phil Branham – Chairman 2004



Phil Branham has 50 years of international experience in management, engineering and construction, having lived and worked in China since 1997. His business and civic activities include serving as the 2004 Chairman of the American Chamber of Commerce in Shanghai, Past President of the American Society of Plant Engineers in Tucson AZ and serving on the International Advisory Board for Xuhui and Luwan District in Shanghai. He also serves on the McKinsey & Company China Advisory Board, the Advisory Board for the University of Southern California Center for Global Supply Chain Management and the Advisory Board for Shanghai Town & Country Club.

What inspired you to take on a leadership role with AmCham Shanghai?

When I worked for IBM in Arizona, I was the representative at the Tucson Chamber of Commerce. I then joined AmCham Taiwan when I was running the Taiwan office for Fluor, an American engineering and construction company. My previous experience with other chambers helped me understand what businesses really needed — to focus on business over politics, which is exactly what AmCham Shanghai did well.

I was asked to start an engineering and construction committee for AmCham Shanghai in 2002. Within about six months, we had the most members of any committee. At the time, most of the American companies entering China had to build something from scratch. My time as chair of the construction committee was quite exciting, and it's amazing that the committee still exists. AmCham then asked me to run for the board, and the following year I was elected as chair.

What were some of the key achievements during your tenure?

As chair, together with the AmCham Board — which had to approve all my suggestions — we reorganized the chamber's management structure and created an upgraded position of President to lead operations. Brenda Foster was hired for the role in 2005, and she was very important for the chamber's development until she stepped down in 2013. During my term as chair, we added roughly 700 new members to the Chamber, which was a significant number for our business community.

Another key achievement was getting AmCham Shanghai involved with the 2007 Special Olympics in Shanghai, which is a global organization that promotes inclusion among people with intellectual disabilities. AmCham Shanghai made a significant donation for the ceremony, and I was involved in the announcement of the Shanghai games in 2004. I met some Olympic athletes, including Yao Ming, and we were given a plaque for the 2004 annual AmCham charity event. Our contribution was definitely a turning point in AmCham's relationship with the authorities. The government even asked me to give a speech at the Special Olympic's announcement dinner in Shanghai, along with one of the city's



▲ With AmCham Shanghai staff

vice mayors and Tim Shriver, the Chairman of the Special Olympics and nephew of former President John F. Kennedy. The Special Olympics and our work with charity groups helped AmCham Shanghai build better relationships with the local and central government.

What piqued your interest in China? What brought you to China and Shanghai in particular?

I went from Tucson to Tianjin, Taiwan and then back to mainland China. Back then, I was involved in many semiconductor projects and Bechtel approached me in 1997 about an opportunity in Tianjin for Motorola's semiconductor fab. It was the first semiconductor fab in China. The original budget was US$125 million, and by the time I left Tianjin in 2000, the fab had expanded to almost $750 million. Fluor called me a week after I left Tianjin with an offer to establish an office in Taiwan and then to work in their Shanghai office in 2001, and that's how my Shanghai chapter started.

I was afraid I was going to get to China and not be able to experience the real China in terms of the speed of development, but I got there just in time. If you look back at inbound foreign direct investment, you'll see it was flat around 1989 to 1993. In 1996, it just skyrocketed; companies were coming in and building like crazy. I wanted to get there to see what you would read about as China in terms of the way people lived, before it developed at an explosive rate. And that's how I ended up spending 27 years in China.



▲ AmCham Shanghai at Shanghai Disney Resort

Your area of expertise lies in engineering and large-scale construction projects. Can you tell us more about developments in this industry over the last two decades given China's boom at the time? How has your company experienced the ups and downs of foreign investment in the China market?

Everything in China started with FDI, especially after China joined the WTO. FDI kept coming in and companies set up in China, but why were they coming in? Everybody thinks it was so they could make products for the US, but this isn't true. In 2005, approximately 80% of AmCham members were in China for China; they sold in China or China plus somewhere else in Asia, not produce in China to send back to the US.

In terms of key construction projects, the factory that my start-up company built for American aircraft engine maker Pratt & Whitney, through a joint venture with China Eastern Airlines, was the first facility in China to receive the Leadership in Energy and Environmental Design (LEED) Platinum certification. This was the only Platinum certification awarded for several years, so it was a huge achievement. We also built the first modern chicken processing plant in China, which improved the efficiency of poultry production. It took the shelf life of chicken from one day to seven. Another key achievement was becoming the official company to build the 2010 Shanghai Expo pavilion for the US government. This was a huge project with a total budget of around $61 million for construction, operations and demolition.

Back then, most investment was greenfield — building from scratch — but given the current geopolitical landscape, nobody necessarily wants to put the money into new greenfield sites. If new processes are needed, companies will modify existing facilities. If it's something really advanced, then you might get a new building. AI developments will drive a lot more computer facilities, so it'll be interesting; if you're just altering and rebuilding older buildings, you're probably spending more money than if you just built



▲ AmCham Shanghai Pirate Ball, 2019



▲ On a safari with former chair Robert Roche, 2018



▲ With Yao Ming, 2004

new structures. For construction companies, there are some bad years ahead; its's going to be tough for American companies to invest more in their China operations. Even if the policymakers get the tariffs straightened out — or at least cut tariffs on both sides — the trade relationship will still be worse than it was previously, so FDI will be difficult for a while.

How would you characterize US-China relations during your term, and how does it compare now?

The US had great relations with China until about 2015 (the 2010 Shanghai expo was close to the peak), which then gradually deteriorated to the trade tensions we currently have now. I would describe the relationship 20 years ago as mutually beneficial to both countries.

What's happening now in China is similar to how US manufacturing moved from the East Coast and settled into specific areas, like California for computers or Michigan for cars. In Michigan, everybody wanted to be the next president of Ford or GM, or they wanted to start their own car company. As industries became more sophisticated, smaller, lower-level knowledge industries left the US. They went to Japan, South Korea, Taiwan, Thailand, and then they started going into China. Now China is trying to go up the sophistication chain by focusing on high-technology industries; they have lost their carpet and clothes production to Vietnam and Bangladesh. The only way China might be able to keep manufacturing in these lower-level industries is to shift them more inland, but that's proving difficult. As I said before, American companies are in China for China. There are companies that are in China that sell back to the US, but they're simple things that can be made easily to sell in bulk. Selling by quantity is the easier way they can make money because labor costs for simpler goods have increased substantially.

Do you have any advice for the US business community in China, and for future generations aiming to make a difference in strengthening bilateral ties?

I think they have to do what AmCham Shanghai has done; you have to get involved with the country. You need to stay involved with the people and charitable duties and understand that people are separate from the government. You should understand what people in China focus on and respect their culture. People are people and they want the same things in China as they do in the US; they want respect, a house to live in, and a way to earn a living. I hope that everyone can try and find a common path again.

What are your favorite memories from your time in China? What do you miss most about living in China, and Shanghai specifically?

My favorite memories are from travelling all over China. We spent a lot of time in Xinjiang, up in the north and over to the border with Kazakhstan. We spent almost 10 days in Tibet, at 18,000 feet. I got to see how people live all over China. What I miss the most are the people, friends and the lifestyle. I loved being in China as it opened up and contributing to China's development with the construction of new buildings and industries.

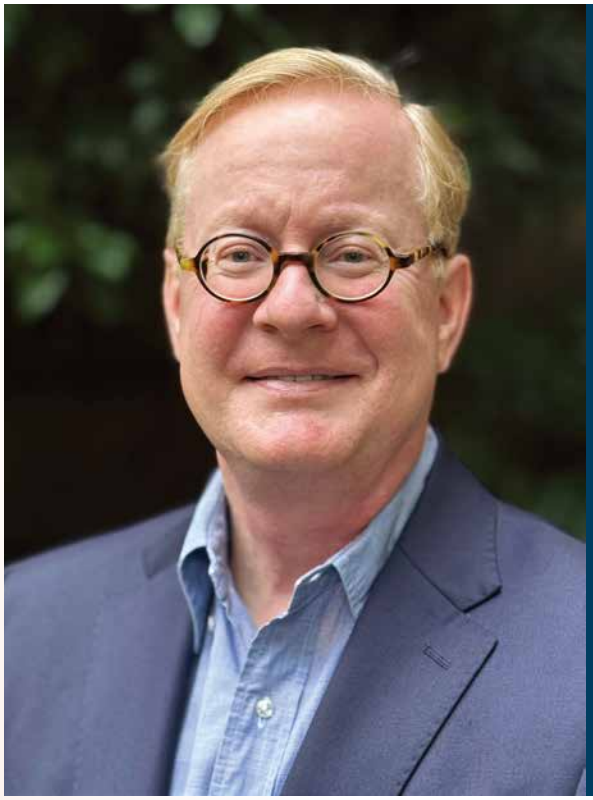


▲ On the DC Doorknock, 2016 ▼





▲ With US Secretary of State Colin Powell, 2006



Interviewed by Stephanie Sam and Rachel Rapaport

Q&A

Patrick Cranley – Chairman 2000, Vice Chairman 1999, Treasurer 1998

Patrick Cranley served as Treasurer, Vice Chairman and Chairman of the American Chamber of Commerce in Shanghai in 1998, 1999 and 2000, respectively, during the time that the P.R.C. was being considered for membership in the World Trade Organization. At that time, Patrick was Chief Representative of CIGNA Corporation in China. In 2001, he founded AsiaMedia Ltd., a marketing and strategic communications consulting company that helps companies from all over the world develop their businesses and protect their reputations in China. Patrick is also president of Historic Shanghai, a group dedicated to the study of the city's social, economic and architectural history, and is a frequent speaker on China business and historic topics. He holds degrees from Brown University, the Center for Chinese Studies at the University of Michigan, the Ross School of Business and the Johns Hopkins University-Nanjing University Center for Chinese and American Studies. He is a member of the National Committee on U.S.-China Relations and a benefactor of the Wang-Cranley Fellowship Fund at the Hopkins-Nanjing Center.

What inspired you to take on a leadership role with AmCham Shanghai?

When I arrived in Shanghai in 1997, American investment in China was accelerating and AmCham Shanghai was still quite small. I was essentially recruited by the AmCham leadership at that time — the likes of former chairs Charles Wu, Dean Ho and Diane Long — to help manage a growing organization.

What were some of the highlights and key achievements during your tenure on the board?

One highlight was meeting President Clinton and his entourage during his 1998 visit. This was a time when there was a great deal of optimism about the benefits to both countries of expanded business engagement, and both AmCham Shanghai and AmCham China were lobbying the US Congress to approve Most-Favored Nation status for the P.R.C. It's interesting to look back at that time and compare it with the current situation of de facto disengagement.

We achieved a lot at AmCham during my time on the board in terms of professionalizing administrative and financial management and in expanding membership recruitment. When I started as treasurer in 1998, we had exactly one employee in the office and financial assets that consisted of a safe full of cash. During my time, we increased membership from a few hundred to almost 1,500. Today, AmCham Shanghai has around 35 full-time employees, a sound financial system, and over 3,000 members.

What were some of the biggest challenges you faced while serving on the board?

Our biggest challenges at AmCham Shanghai during the 1997–2000 period related primarily to managing rapid growth. Attracting and developing good leadership for the committees was a big challenge. The governments of both the US and China were supportive of good business relations at that time. Now, that doesn't seem to be the case.

What piqued your interest in China? What brought you to China and Shanghai in particular?

I studied Chinese economics and politics at the University of Michigan and attended the Johns Hopkins Universi-



▲ Meeting US President Bill Clinton, 1998

ty-Nanjing University Center for Chinese and American Studies, with the goal of working in China. I was recruited out of business school by CIGNA Corporation and moved with them to Beijing in 1995 — so this year is my 30th "China-versary"! I moved to Shanghai in 1997 to open an office here, and obviously my family and I love this city, because we're still here.

You have been doing strategic communications in China since 2001. How has the market and profile of your clients changed in the past 24 years? What are the biggest opportunities you see over the next few years?

Most of AsiaMedia's clients have been foreign companies and governments, and like many international strategic consulting firms in China, we expected that Chinese companies would become a larger part of our business over time. But Chinese firms remain reluctant to hire foreign consultants to help them with strategic issues, and this tendency has only become more pronounced in recent years. I believe this tendency is a miscalculation, because Chinese companies confront serious challenges in positioning themselves in foreign markets. As Chinese firms become more global, will they accept more advice from international consultants and even hire foreigners into management positions? I guess we'll see.

As the co-founder of Historic Shanghai, you have a deep understanding of how China and the US business community have changed since AmCham was founded. What lessons should we take from the past as we navigate global uncertainty?



◀ Leading a walking tour of the former French Concession with Ambassador Nicholas Burns, April 2023 (Photo credit: Tina Kanagaratnam)

Shanghai's history has so many lessons to teach us as we confront contemporary challenges.

First, the city's relatively open, cosmopolitan mindset is a competitive advantage that foreign investors will continue to benefit from regardless of the ups and downs in economic and political cycles.

Second, Shanghai's strategically located port and unsurpassed urban infrastructure will fuel the city's economic engine for generations to come.

And finally, Shanghai's "get it done" culture is an invaluable asset, and one that it shares with many regions of the US. That gives me confidence that our mutually beneficial partnership will endure for the long term. I



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