



## China in 2023

OUR ANNUAL RECAP OF KEY MARKET DEVELOPMENTS THAT  
EXECUTIVES SHOULD KNOW ABOUT

December 2023

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WE THINK AHEAD  
WE PREPARE OUR CLIENTS FOR THE FUTURE



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Dear Readers and Business Partners,

Reflecting 2023, the Chinese economy appears on track to meet the government's target with solid recovery momentum and high-quality development, especially after the critical COVID-period from 2020 to 2022. IMF Projections indicate a 5.4% growth in real GDP for 2023, slowing to 4.5% in 2024 due to challenges in the property sector and subdued external demand. Notably, these projections have been revised upwards based on a stronger-than-expected Q3 outcome and recent policy announcements.

The expansion in the property sector has been noteworthy, resulting in housing over-supply and affordability pressures in certain areas. Recognizing the need for adjustments in the property market, authorities aim to manage this transition effectively, minimizing economic costs and maintaining macro financial stability. The Chinese government has already stepped-up efforts and issued a 137 bln USD sovereign bond and permits local governments to frontload 2024 bond quotas to support the economy and disaster recovery. The recently concluded Central Economic Work Conference underscored medium-term priorities, focusing on risks emanating from the property sector, local government debt, and small and medium-sized financial institutions.

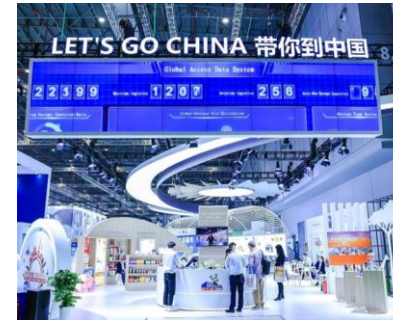
As market and business challenges remains, foreign companies are faced with an important strategic imperative: stay or leave? But the nuances are way more diverse, and it isn't a straightforward *'stay-or-leave-the-second-largest-market'* decision. When formulating these strategic choices, the role of China in global supply chains should also be considered amongst other factors. This led to an evolution from "China for Global" over "China for China" and with it the need to continuously transform the current business model – ***'New China Reality requires a New China Playbook'***.

For EAC, the past year has also been an eventful one: in China we have successfully build-up our very own collaborative eco-system with Chinese associations and think-tanks to better support foreign companies in China but also Chinese enterprises abroad. Early 2023 we have established our permanent presence in Kuala Lumpur and towards the end of the year further expanded our footprint in the Americas with New York as our newest member of the EAC family.

As the year closes, we've completed our 4<sup>th</sup> edition of the China Business Review, drawing on our experiences from consulting endeavors. We're delighted to offer our insights into market and industry trends. Furthermore, we'll keep you informed through our monthly "China Newsletter" and encourage you to subscribe. We express our gratitude for your trust in us throughout 2023 on behalf of our teams in Shanghai, Munich, Mumbai, Kuala Lumpur, and New York. Wishing you a year ahead filled with health and success and extending our best wishes for a joyful and prosperous holiday season for you and your families—to a fantastic 2024!

Your EAC Shanghai Team

*John Deng, Eric Luo, Daniel Berger*





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## What we have predicted last year and how 2023 turned out...

### Beyond Zero-COVID

After abolishment of restrictions, we see a rapid hike of infections. How and when will it peak, and will we experience COVID-reloaded with sporadic lockdowns in the first months of the year?

**Reality Check:** *With the advent of 2023, COVID has been declared officially as defeated. Although COVID waves have been witnessed in 2023, there were no worth-to-mention lockdowns*

### Geo-political tensions

Will the two powerhouses US and China work to stabilize political ties amidst global economic challenges? How will the Trade War develop?

**Reality Check:** *President Biden has upheld tariffs on Chinese products and upheld measures with the aim of restructuring the two countries' bilateral ties*

### Economic Rebound

To which extent will the COVID-battered economy revive as top leadership aims to push overall improvement of economic activity and substantially expand domestic demand?

**Reality Check:** *China's economy is predicted to reach its goal of a 5% GDP growth in 2023 and re-emphasized its goal of solid recovery momentum & advancing towards high-quality development.*

## What We Keep Our Eyes On In 2023

### Germany's "China Strategy"

With first indications pointing to curb German reliance on China, what will be the actual impacts on German companies operating in China?

**Reality Check:** *As a strategic paper, the Germany's "China Strategy" lacks to define measures but only status on a wandering path between rival, partner and competitor.*

### Innovation & Technology

Will China be able pursue its ambitious technology leap despite increasing regulatory interference and supervision?

**Reality Check:** *With the development of a 7-nanometer processor by SMIC and Huawei, China slowly steps up even in the chip industry while being a frontrunner in EVs and batteries*

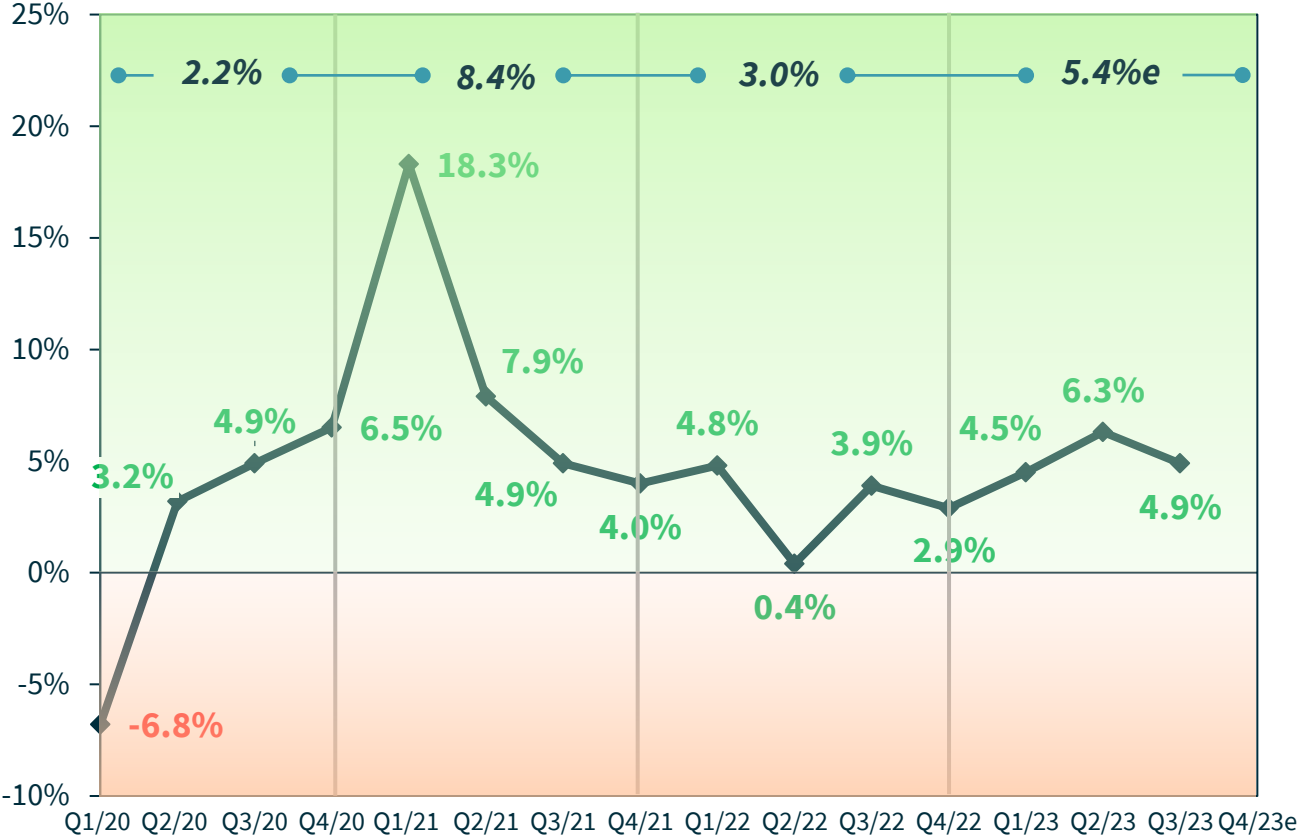
### Real estate stabilization

With regulators having issued a 16-point plan to boost the real estate in late 2022, will this be sufficient to bring the property market back on track?

**Reality Check:** *China's real estate sector is still casting a shadow over its economy. Yet, the government is launching measures to stabilize the sector*

Despite fast economic recovery post-COVID, pressure on economic growth remains throughout 2024

## CHINA QUARTERLY GDP GROWTH (YEAR-ON-YEAR)



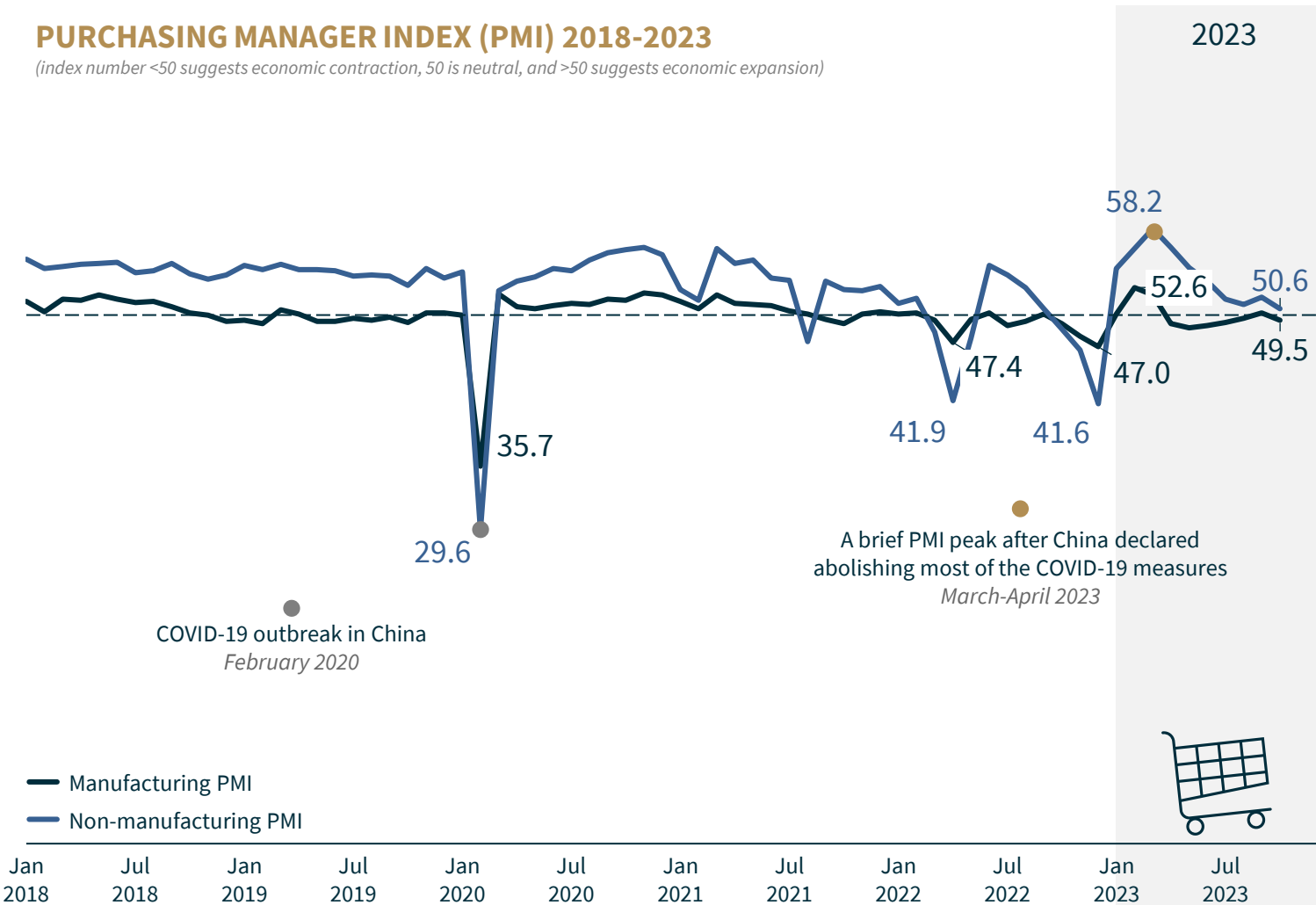
- ❖ **Strong rebound in 2021** after COVID-breakout with **8.4% GDP growth**
- ❖ **Slowing economic growth since late 2021** with **3.0%** in 2022
- ❖ **GDP growth estimated with 5.4%<sup>1)</sup> in 2023**, consumption contributing 83% to GDP in Q1-Q3/2023
- ❖ **Uncertainties remain in 2024:**
  - Slowing global growth
  - International trade
  - Foreign Direct Investment
  - Property market
  - Consumer confidence
  - Overcapacities

1) As per IMF, Nov. 7<sup>th</sup>, 2023

## Manufacturing and Non-manufacturing *Purchasing Manager Index* (PMI) are starting to stabilize around the important reading of 50, signalling a cautious prospect for economic expansion

### PURCHASING MANAGER INDEX (PMI) 2018-2023

(index number <50 suggests economic contraction, 50 is neutral, and >50 suggests economic expansion)



### COMMENTS

The PMI is calculated based on a survey of purchasing managers and measures economic activity. A reading >50 indicates expansion, while a reading <50 suggests contraction

At the beginning of 2023, the PMI peaked due to the lifting of COVID restrictions

Since Q2 PMI values start to stabilize at a value ~50

Loosing volatility while maintaining a value ~50 suggests a steadily increasing economy in 2024

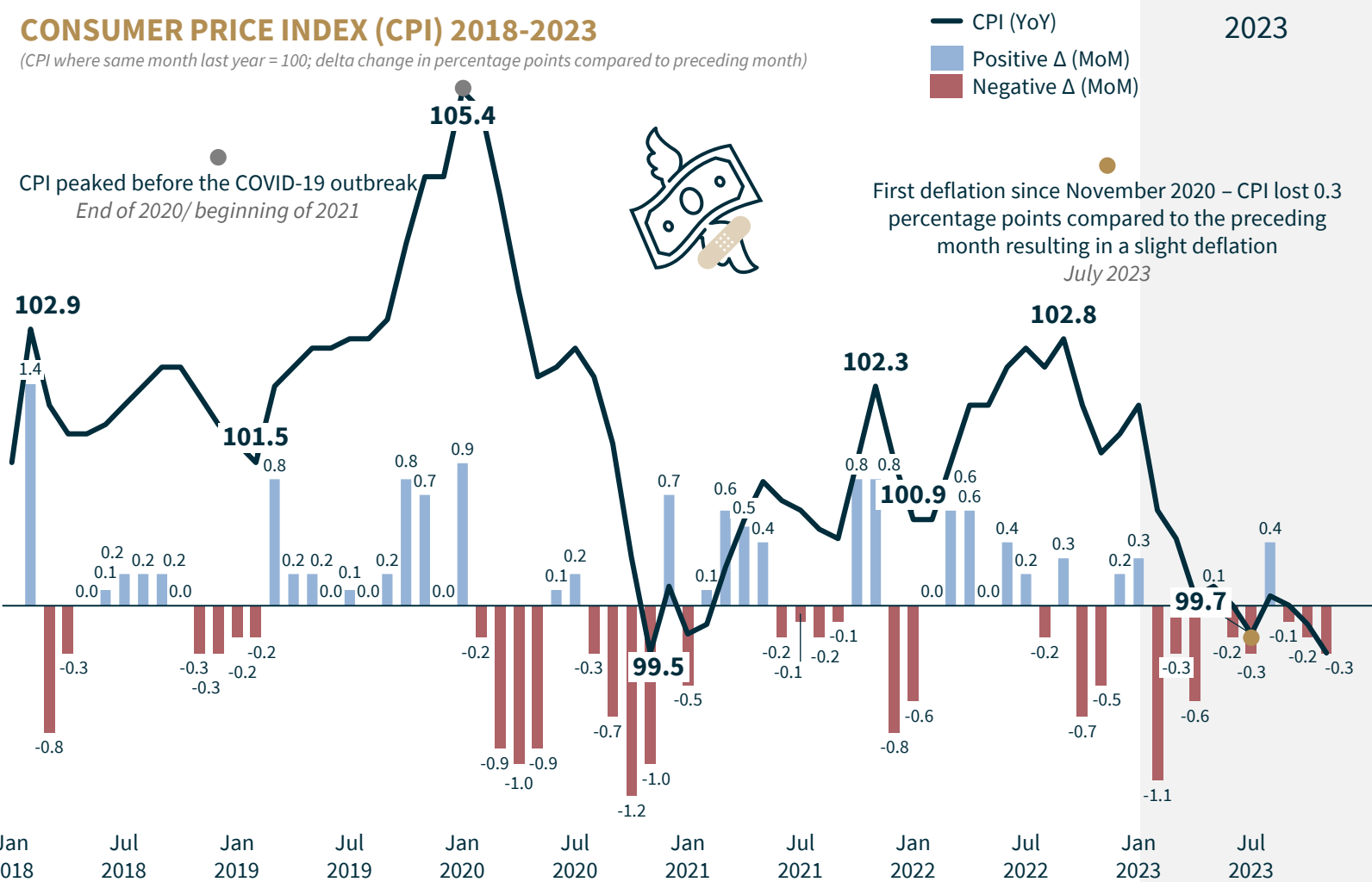




**Consumer Price Index (CPI) decreased 0.5% YoY in 11/2023 and 0.5% to previous month due to "structural factors" with weak food prices - China not face deflation with price situation gradually to improve**

## CONSUMER PRICE INDEX (CPI) 2018-2023

*(CPI where same month last year = 100; delta change in percentage points compared to preceding month)*



## COMMENTS

A CPI value >100 indicates higher prices, while a value <100 indicates lower prices compared to the previous year

Sufficient supply of agricultural products, international oil price declining, and seasonal decreased of service consumption demand (such as transportation) have driven market price down

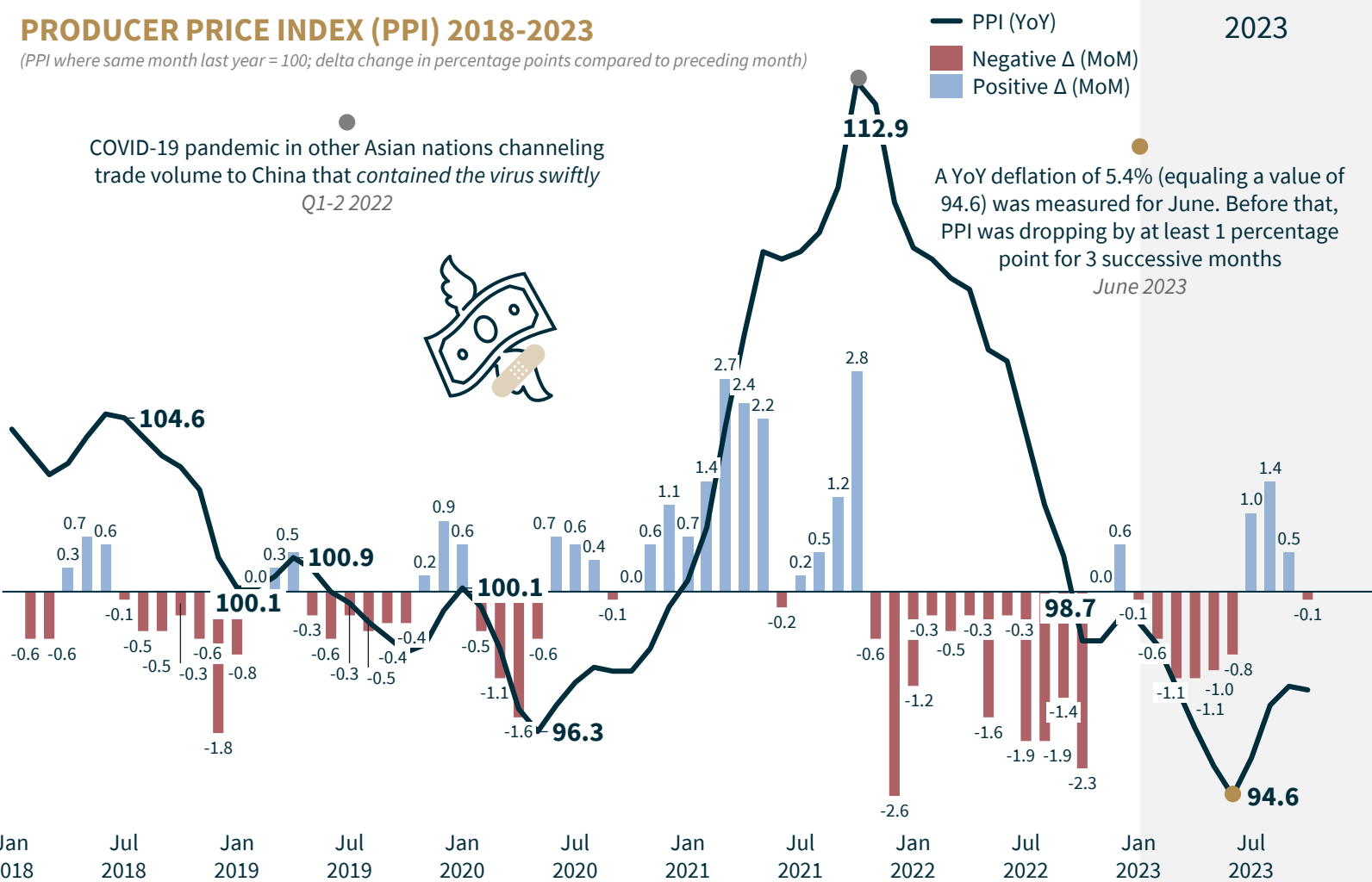
The core CPI excluding the prices of food and energy went up by 0.6 percent year on year, same as that of the previous month



The *Producer Price Index (PPI)*, measuring prices that factories charge wholesalers for products, started slow recovery in June 2023 but is still deflationary.

## PRODUCER PRICE INDEX (PPI) 2018-2023

(PPI where same month last year = 100; delta change in percentage points compared to preceding month)



## COMMENTS

A PPI value >100 indicates higher prices, while a value <100 indicates lower prices compared to the previous year

After reaching its low point in June 2023, the PPI started to recover for 3 successive months before noting a light decline of 0.1 percentage points

The *factory-gate price* influences the CPI and can apply pressure for inflation if its rising. If a value above 100 is reached, CPI might also start to recover into inflation



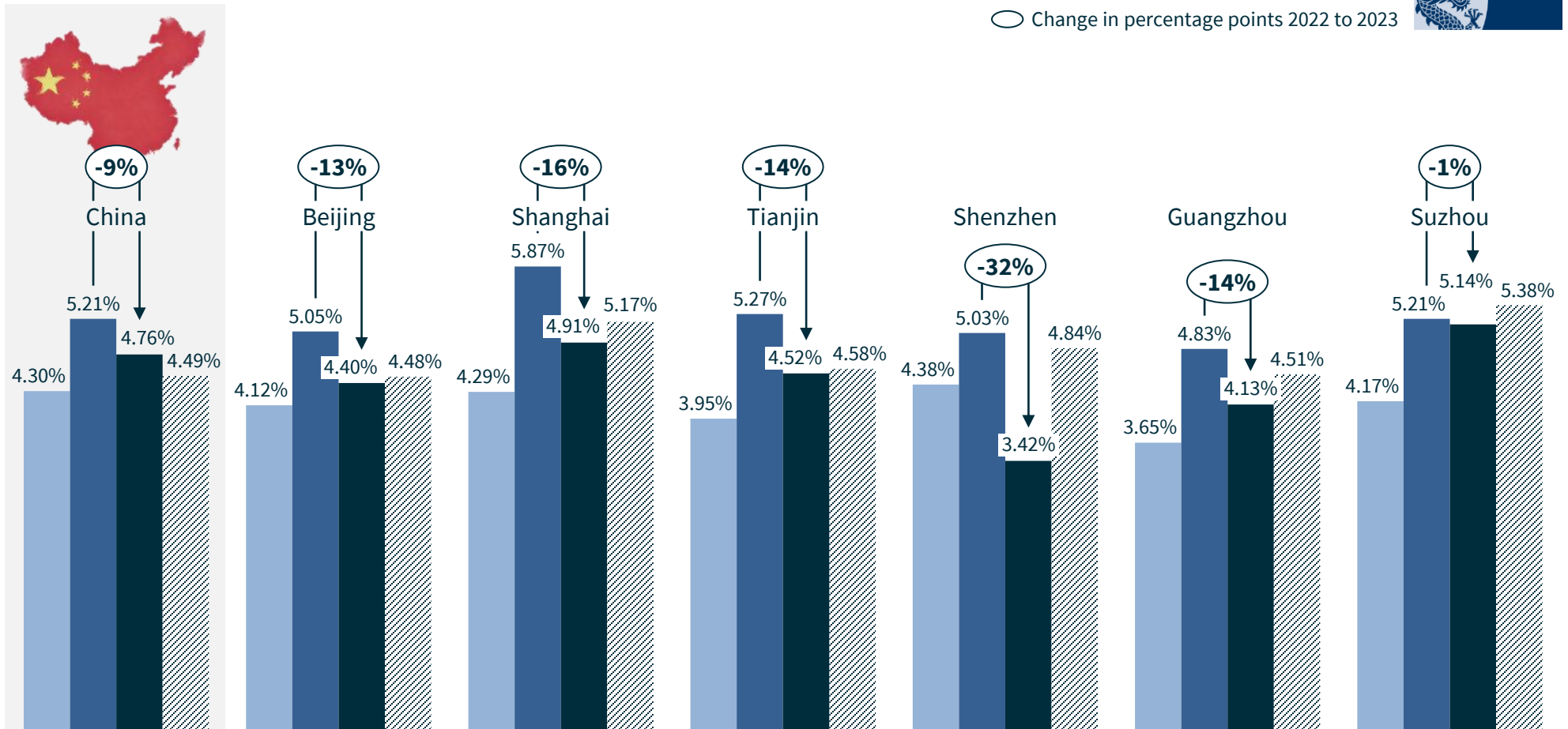
The German Chamber’s annual *Labor Market & Salary Report* unveils that wages at German companies in China are expected develop moderately

## ANNUAL WAGE DEVELOPMENT OF GERMAN COMPANIES

(in % of YoY changes)

■ 2021 
 ■ 2022 
 ■ 2023e 
  2024e

○ Change in percentage points 2022 to 2023





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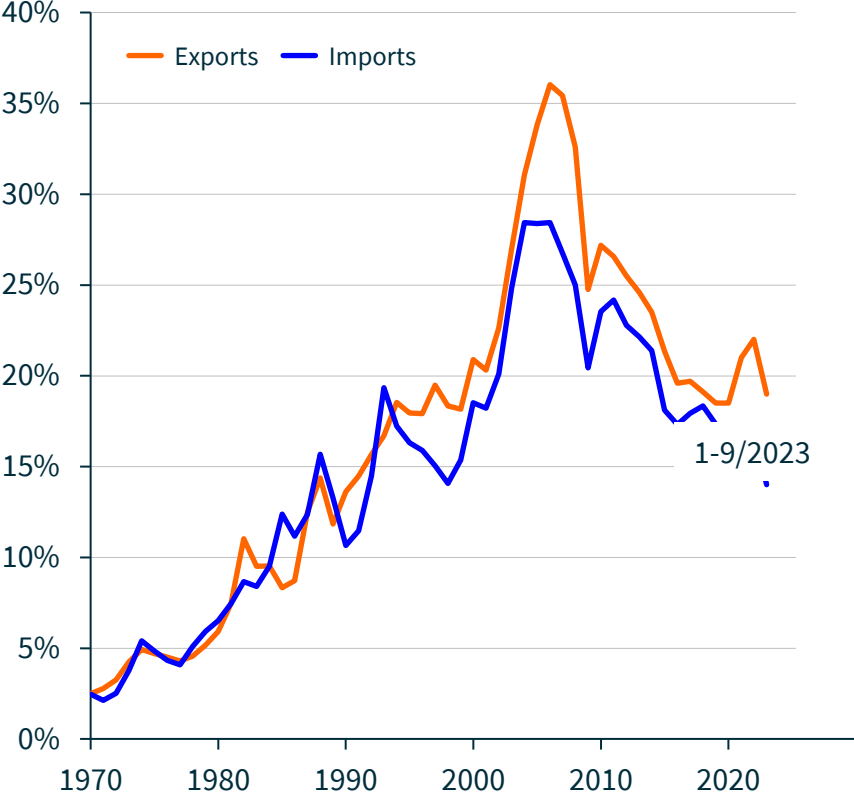
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With overall trade slowing, trade with emerging markets such as Central Asia, Africa and Latin America increased significantly, while traditional markets such as the EU and the US decreased

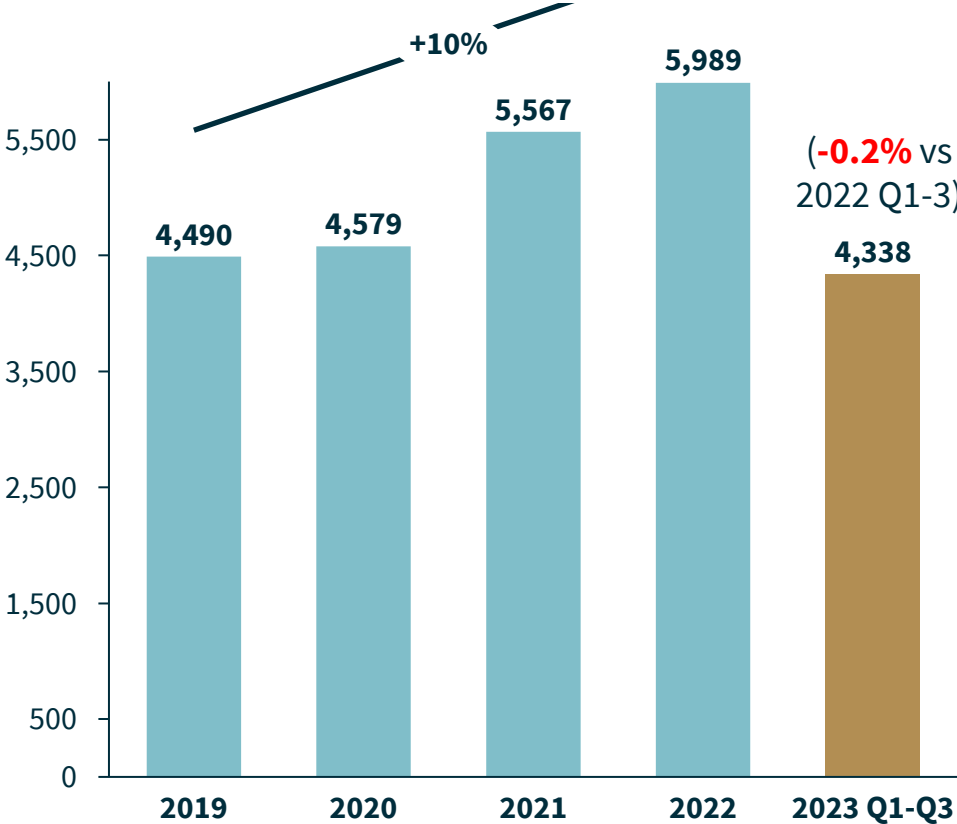
### IMPORTANCE OF EXPORTS HAS DECREASED...

Share of GDP



### ...AS TRADE SLIGHTLY DROPS IN 2023

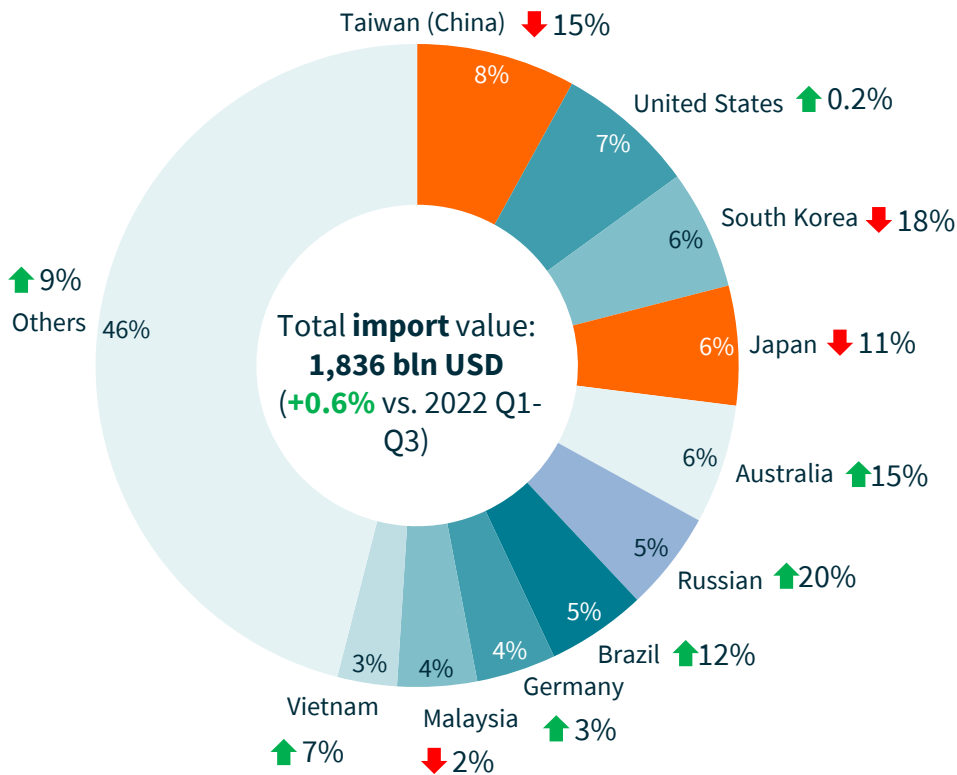
Total Trade Value bln USD <sup>1)</sup>



1) Exchange rate 7.1

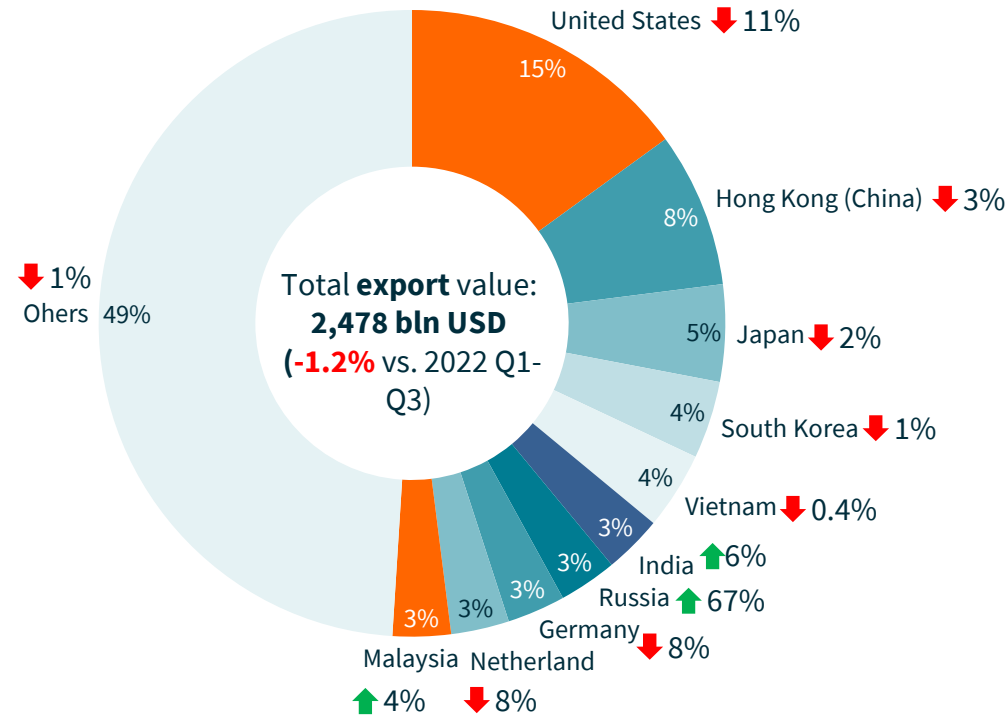
Import from Asia drops dramatically, dragging down total import value - most of major export countries show decrease, while export to Russia increases significantly

## CHINA IMPORT VALUE BY COUNTRY/REGION (2023 Q1-3)



TOP10 total import value: **946 bln USD (-11% vs 2022 Q1-Q3)**

## CHINA EXPORT VALUE BY COUNTRY/REGION (2023 Q1-3)



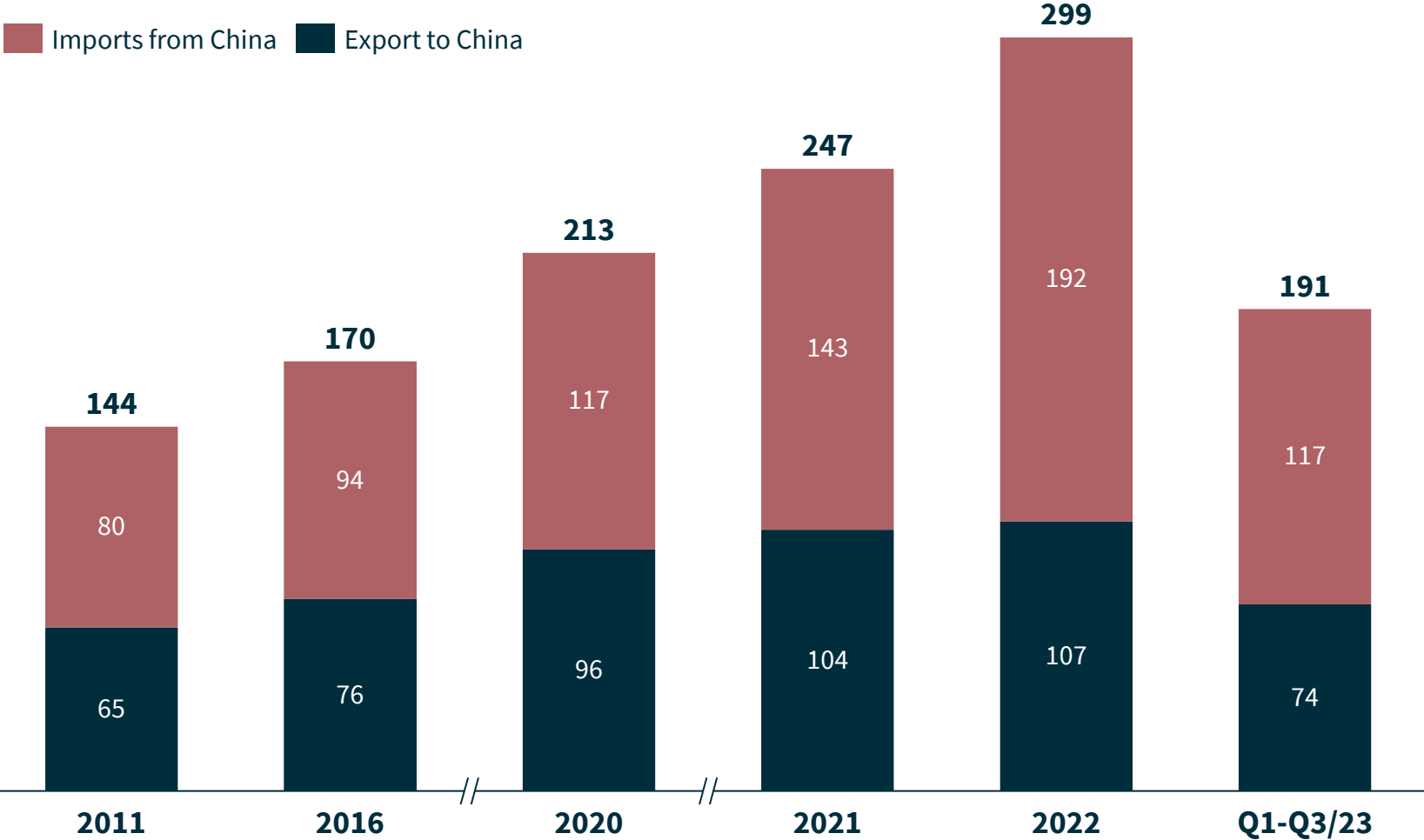
TOP10 total export value: **1,265 bln USD (+1% vs 2022 Q1-Q3)**

Absolute value change 2023 Q1-Q3 vs 2022 Q1-Q3: ↑ Increase ↓ Decrease

Despite ongoing discussions to reduce dependency from China, in reality the trade between Germany and China remains solid and both countries will remain important trading partners

## TRADE BETWEEN GERMANY AND CHINA

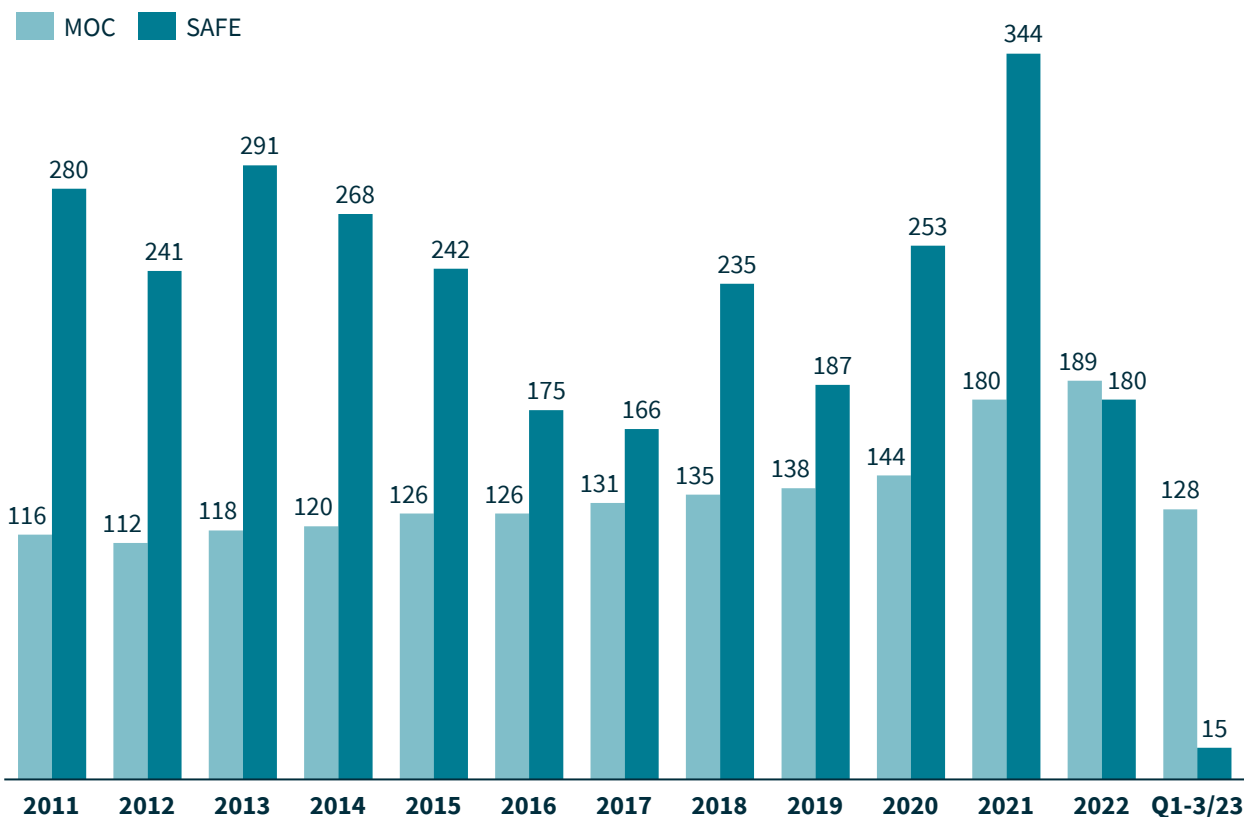
(in billion EUR)



“China FDI turns negative” made the headlines in late 2023, sending a biased message towards China as attractive investment location – China still remains an attractive investment location

## FOREIGN DIRECT INVESTMENT INFLOWS BY MEASURING AGENCY

(in billion EUR)



1) MOC = Ministry of Commerce; SAFE = State Administration of Foreign Exchange

## COMMENTS

In Oct 2023, various media outlets reported “China FDI turn negative since 25 years” resulting in strong concern on China as attractive market

However, instead of viewing on the single 3<sup>rd</sup> quarter, attention needs to be paid on actual background: while negative FDI was reported by SAFE as per net balance of payment, MOC (former MOFCOC) reports a gross-FDI of 128 bln USD Q1-Q3/23

SAFE reports on balance of payments incl.:

- ❖ Financial transactions (higher interests outside China resulted in dissolution of financial positions held in China)
- ❖ Overseas IPOs of Chinese companies which reduced in 2023

**Reality Check:** according to “Institut der Deutschen Wirtschaft” FDI to China levelled at 10.31 bln USD in 1HY/2023 (12 bln EUR YoY) but share on total German FDI increased from 11.6% to 16.4% YoY



## State Council of Chinese government with new policies to further optimize the foreign investment environment and increase the attractiveness for foreign investment

### 24 KEY DIRECTIVES AND INITIATIVES



#### ■ Improve the Efficiency of Foreign Capital Utilization

1. Enhance foreign investment in key sectors
2. Enable the service sector
3. Broaden avenues for investment
4. Facilitate relocation
5. Enhance the mechanism of advancing foreign investment projects

#### ■ Ensuring Equal Treatment for Foreign-Invested Enterprises

6. Participation in government procurement
7. Participation in standard formulation
8. Equitable policy support

#### ■ Consistently Enhance the Safeguards for Foreign-Invested Enterprises

9. Mechanism enhancement
10. Intellectual property protection
11. Administrative enforcement of intellectual property rights
12. Standardization of policies

#### ■ Enhancing the Level of Investment and Operational Facilitation

13. Residency and stay policies
14. Cross-border data flow
15. Regulatory inspections
16. Services and guarantees

*(Policy on “visa-free entry for up to 15 days for 6 nations” issued in Nov. 2023)*

#### ■ Strengthening Financial and Tax Support

17. Financial support for foreign investment promotion
18. Domestic reinvestment by foreign-invested enterprises
19. Tax Incentives for foreign-invested enterprises
20. Investment in prioritized development areas

#### ■ Improving the Methods of Promoting Foreign Investment

21. Enhancing investment promotion mechanisms
22. Streamlining overseas investment promotion
23. Expanding avenues for promotion
24. Enhancing assessment of investment promotion

#### Proposition of Chinese Government

- Establish a more **favorable investment climate** for foreign investors
- **Re-bolster foreign enterprises' confidence** in investing in China



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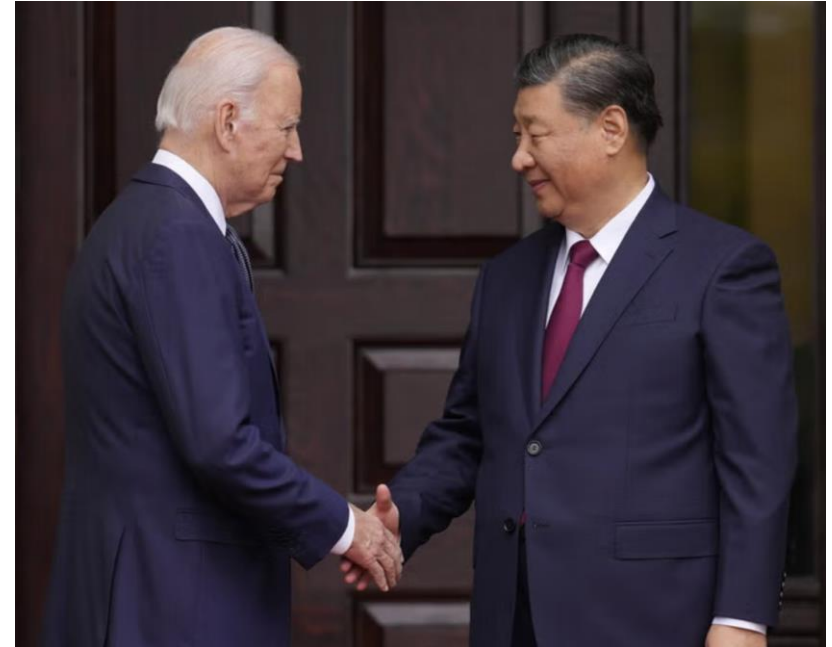
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## Constructive US-China Summit, progress in drug cooperation, military communication and climate action but also acknowledging differences and positive steps on global challenges

### Positive Talks at US-China Summit, Ongoing Diplomacy Ahead

Constructive talks between Presidents Biden and Xi cover various global issues during US-China Summit in California, with progress on **drug cooperation**, **military communication** and **climate action**. Ongoing high-level diplomacy planned for future discussions and collaborations. Implications for China's relationship with the West include cooperation on shared interests but acknowledgment of differences and concerns.

- **Cooperation on global issues:** Both leaders made progress on global challenges, such as combating illicit drug trafficking and addressing advanced AI systems' risks
- **Military communication resumed:** Positive developments include the resumption of high-level military-to-military communication, indicating a commitment to managing potential conflicts responsibly
- **Regional commitments:** President Biden reaffirmed US commitment to a free Indo-Pacific, defense of allies, and peace in the South China Sea, emphasizing international law adherence
- **Human rights concerns:** President Biden raised human rights issues, including abuses in Xinjiang, Tibet, and Hong Kong, underlining the universality of human rights
- **Trade and economic issues:** Continued concerns about unfair trade policies, non-market practices, and punitive actions were raised, with the US committed to protecting its national security
- **Climate cooperation:** Both leaders underscored the importance of tackling the climate crisis, with positive discussions on emissions reduction and COP 28 approaches



## Chinese global diplomacy, EU-China summit strengthens relations, China-Australian ties improve and China-Japan stabilization efforts; positive talks on trade, climate and international cooperation

### Revitalized Relations: EU-China Summit



The 24th **EU-China Summit**, scheduled for December 7, 2023, in Beijing, marks the **first in-person meeting since 2019**. European Council President Charles Michel, European Commission President Ursula von der Leyen, and High Representative Josep Borrell will engage with Chinese President Xi Jinping and Premier Li Qiang. Priorities include evaluating **EU-China relations**, addressing international issues like Russia's attack on Ukraine, and exploring **mutual trade relations** and common interests such as climate change and pandemic preparedness. The summit underscores the EU's commitment to a **rules-based international order** and signals **positive momentum** for fostering constructive and stable EU-China relations.

### China-Australia Relations: Rebuilding Ties



Australian Prime Minister Anthony Albanese visited China for a four-day state visit, aiming to mend strained relations with President Xi Jinping. Discussions covered Huawei disputes, espionage, and the Covid-19 pandemic. **Xi emphasized improving Sino-Australian ties**, criticizing exclusive alliances in the Asia-Pacific. Xi proposed maximizing the potential of the China-Australia Free Trade Agreement and expanding **collaboration in climate change, green economy, and assisting Pacific island nations**. Both leaders expressed mutual interest in **stable growth** and understanding through **high-level dialogue**. The positive development signals improved China-Australia relations.

### China-Japan Relations: Stabilizing Efforts Continue



China and Japan are working to **stabilize their relations** as Chinese Foreign Minister Wang Yi met with a delegation led by Natsuo Yamaguchi, Chairman of the Japanese ruling party Komeito. Both sides aim to implement **important consensus** reached by their leaders and promote solid development in Sino-Japanese relations. China has a significant economic interest in Japan, being its largest investor and technology supplier. The recent meeting emphasizes the **serious efforts of both nations to improve strained ties**. Wang Yi, with his past experience as China's ambassador to Japan, plays a crucial role in mediating between the two countries.

On the 28<sup>th</sup> of November 2023, China official kicked-off the first China International Supply Chain Expo (CISCE) with 1/4 of being international participants from more than 50 countries and regions

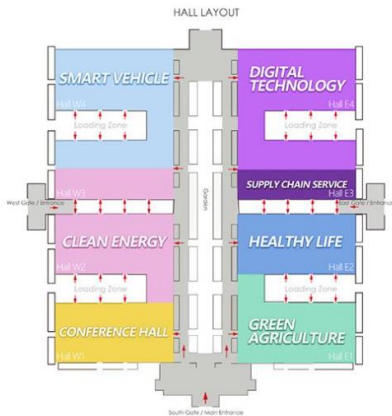
## Key Facts CISCE

-  **100.000+ Exhibition Area (m2)**
-  **500+ The world most famous enterprises**
-  **50+ Countries and regions**
-  **26% Percentage for Overseas Exhibitors**
-  **100.000+ Professional buyers and visitors**

The first China International Supply Chain Expo (CISCE) adopts the theme "Connecting the World for a Shared Future." Unlike traditional expos, CISCE serves as an open international platform that integrates the entire supply chain, connecting enterprises of all sizes and fostering collaboration between industry, academia, and research. It aims to facilitate interactions between Chinese and foreign businesses, offering a new, high-end platform for trade and investment cooperation, innovation pooling, and mutual learning. The event embodies the spirit of Joint Contribution, Extensive Promotion, and Shared Benefits, representing an international public product offered by China to the world.



## Layout, Pavilions & Matchmaking Platform



**Smart Vehicle**



**Clean Energy**



**Supply Chain Service**



**Digital Technology**



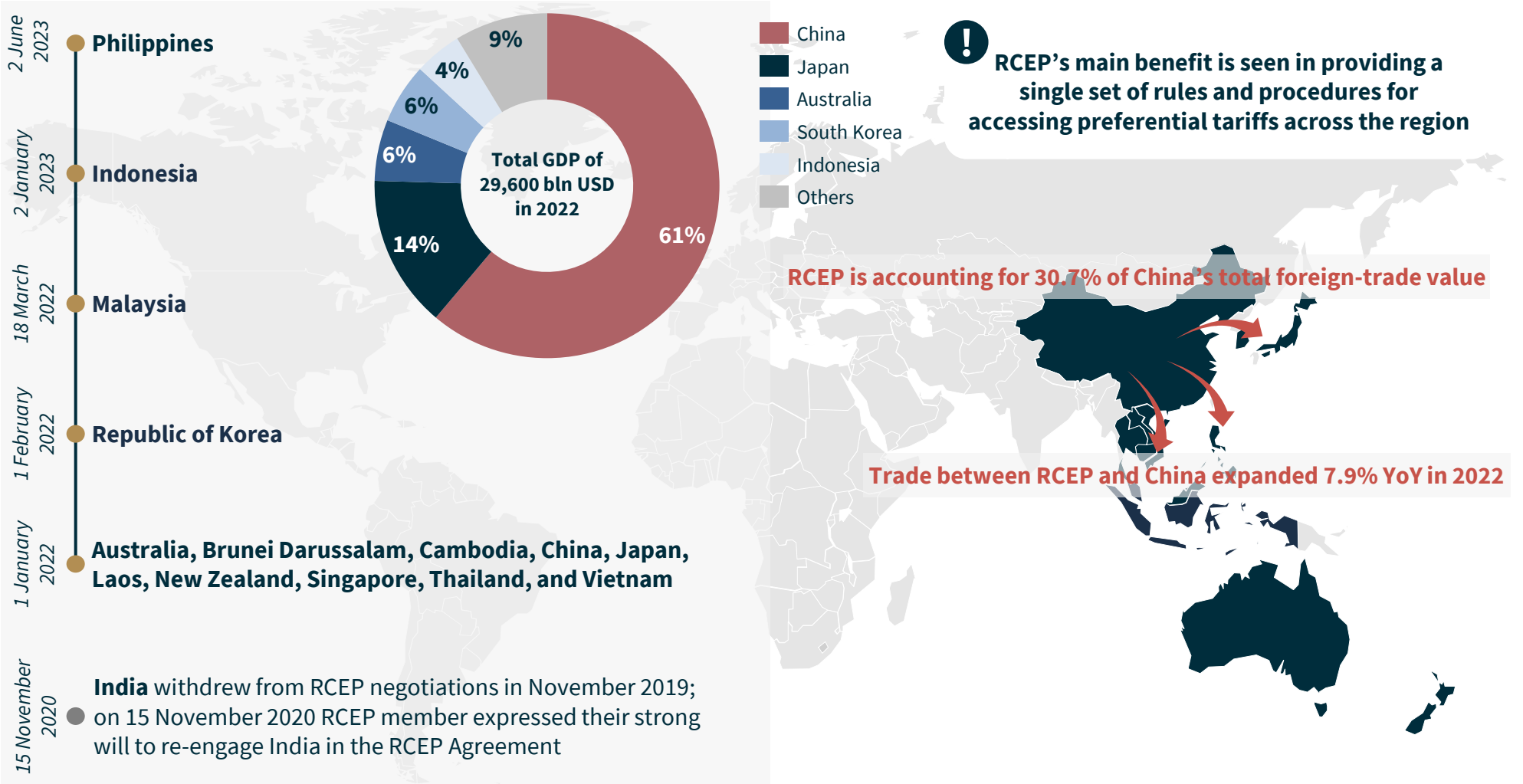
**Health Life**



**Green Agriculture**



## Regional Comprehensive Economic Partnership (RCEP) further expanded its regional scope with Indonesia and Philippines joining in 2023



## By reducing tariffs and creating more open provisions of trade in service, RCEP will promote trade and integration of supply and value chains in the APAC region



### KEY TAKEAWAYS

- The RCEP is aiming to **eliminate all tariffs for 90%-95%** of products **in the next 10-35 years**
  - reduce tariff to zero immediately after ratified the agreement or in a transition period, incl. within 10 years; and
  - reduce tariff partially and remain a small number of exceptional products
- By using of the *regional accumulation method* to unify the rules of origin, RCEP has **improved the utilization rate for preferential tariffs**
- RCEP is **more open to trade in services and investment than the "10+1" agreement** between ASEAN and other 5 countries e.g., in:
  - specific provision on financial services, telecommunication services, and professional services as well as on the temporary movement of natural persons; and
  - adoption of a negative list to promote investment liberalization
- RCEP creates **novel free trade partnerships** for:
  - China and Japan;
  - Japan and RoK; and
  - Japan and New Zealand

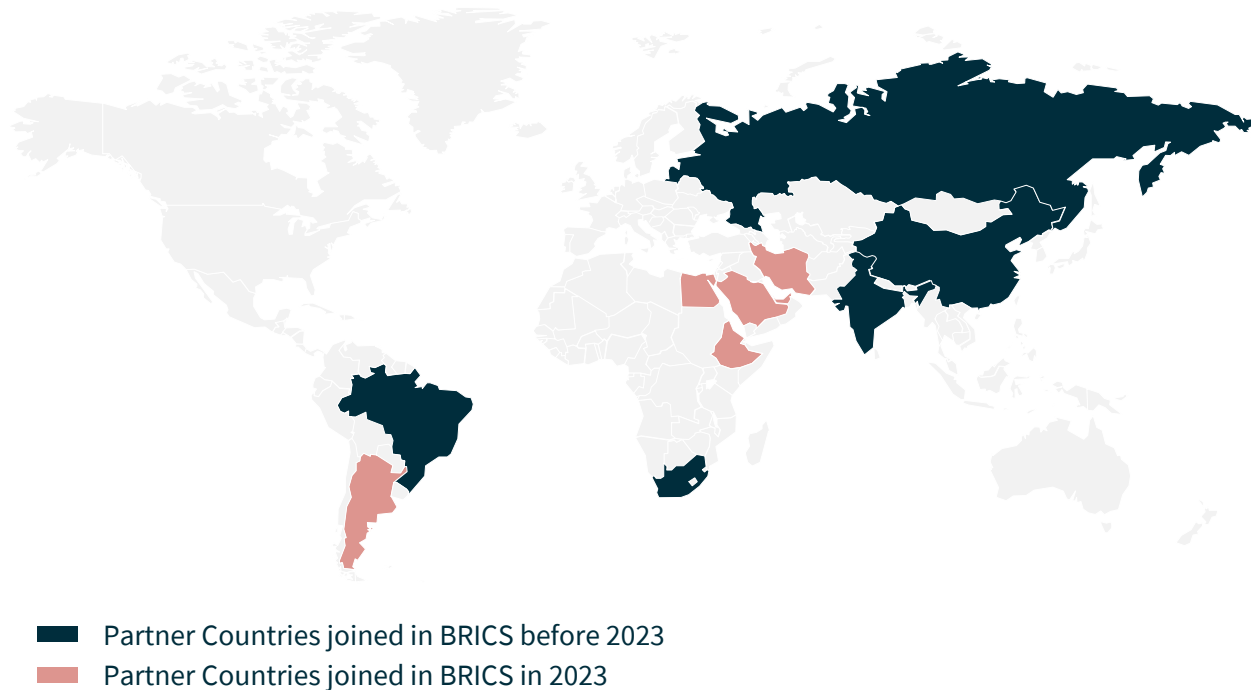


### IMPLICATIONS

- RCEP will **promote intra-regional trade, deep integration, and development of regional supply chains and value chains**
  - more than 90% of tariff items for members states will be fully lifted, which will reduce the purchase cost of zero-tariff goods and raw materials in the region; and
  - lower tariffs on imported goods will also positively impact tariff barriers and enhance cross-border competition
- Implications for China:
  - RCEP **will comprehensively boost China's GDP**, imports, exports, and investment (focal industries are: textile and clothing, light industry, building materials, agricultural products, extractive industry, and e-commerce)
  - RCEP will help to **push forward the economic integration of China, Japan, RoK, and New Zealand**
  - RCEP poses a **counterweight for China's response to the Trans-Pacific Partnership (TPP)**

**BRICS expanded from 5 to 11 members in August 2023. New members from Middle East, Latin America, and Africa enlarged the voice of the Global South and showed support to China**

## DEVELOPMENT OF BRICS COUNTRIES FROM 2006-2023



- BRICS partnership started in 2006 and the initial partner countries were **China, India, Russia and Brazil**. **South Africa** joined in BRICS in 2010 as the fifth partner country
- **Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates** announced to join in BRICS in August 2023

## COMMENTS

The new BRICS 11 now **covers ~30% of the global GDP and ~47% of global population**

The newcomers from **Middle East** would provide benefit to China to secure the stability of its **energy** supply chain (crude oil), and BRICS's support for **Iran** against sanctions from US

The trend to re-order the global system via **political/economic blocs** is expected to continue





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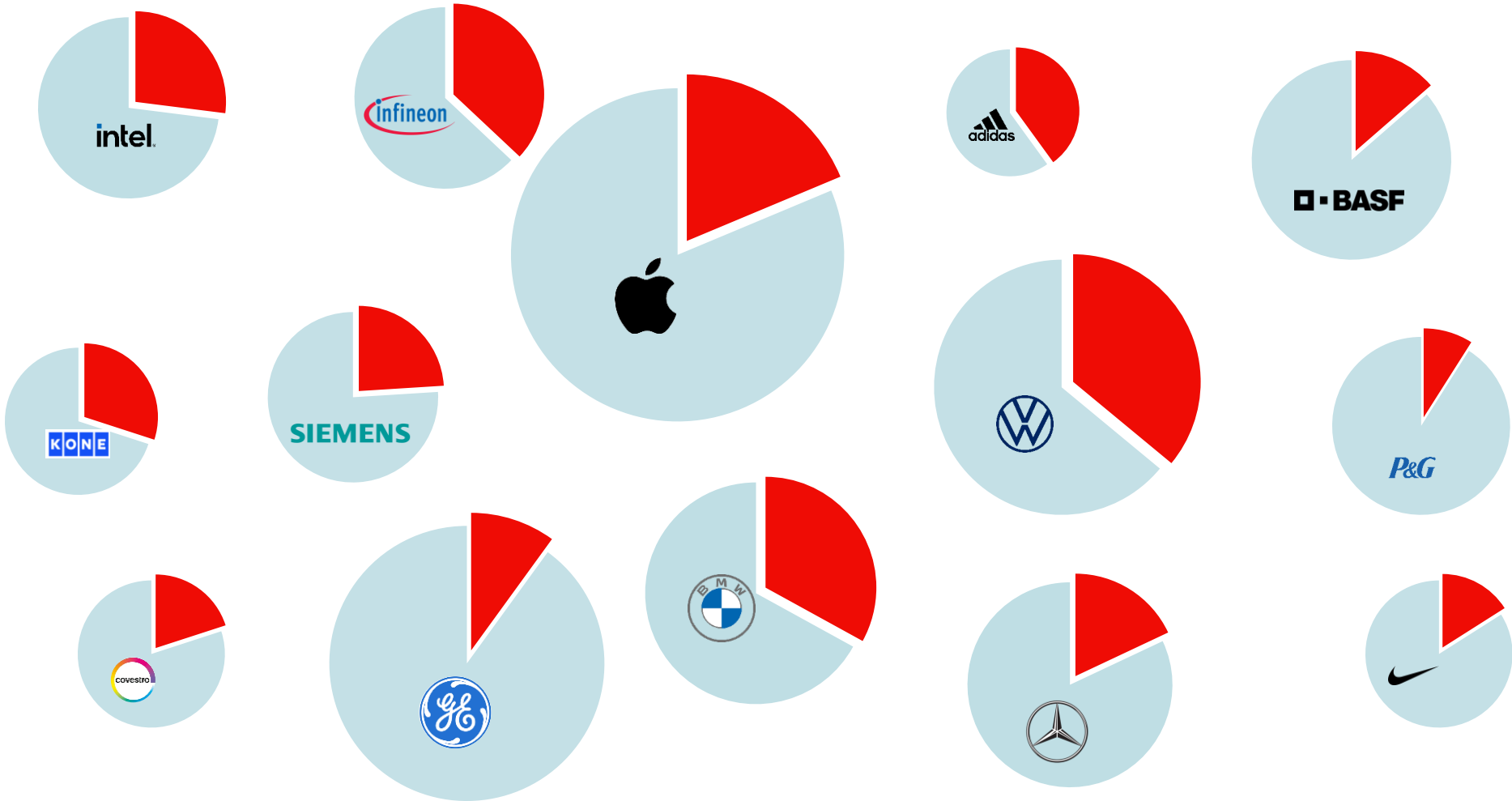
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# MNCS IN CHINA – DEPENDENCY OR GROWTH DRIVER?

First things first: China has become and will remain a key market for many foreign enterprises

China share of total global sales 2022/23

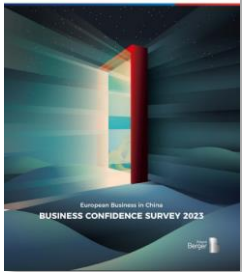


Note: Volkswagen share based on sold vehicles

Source: Company information, EAC International Consulting

## According to the European Chamber of Commerce in China, European businesses are localizing their China business

Click to get the report



### Business Confidence Survey 2023

In response to uncertain business landscape, European firms are reassessing their investment and operational approaches. They are actively adapting their supply chains to better withstand uncertain conditions.

A notable trend involves the separation of headquarters and operations in China. Approximately 75% of respondents have localized their IT and data storage infrastructure. Additionally, there has been a substantial shift in the composition of company personnel, with 16% stating that their China operations no longer include foreign nationals over the past five years.

Click to get the report



### The Impact of China's Data Regulations on European Business

- Stringent requirements, especially low security assessment thresholds for large multinational companies, pose operational challenges
- Additionally, data handlers may struggle to sign contracts or get certified for cross-border data handling after triggering a security assessment

However, Chinese authorities have aimed make regulations related to data governance more convenient: specific Chinese cities and regions, such as Beijing, Shanghai, and the Greater Bay Area, are urged initiate a pilot program for establishing a list of permissible general data flow.

The publication of the draft was interpreted as an indication that the Chinese Government is acknowledging businesses' concerns and is prepared to introduce new policies to stabilize and attract foreign investment.

## In the Executive Position Paper, the European Chamber of Commerce in China mentions 5 key recommendations and their corresponding concerns

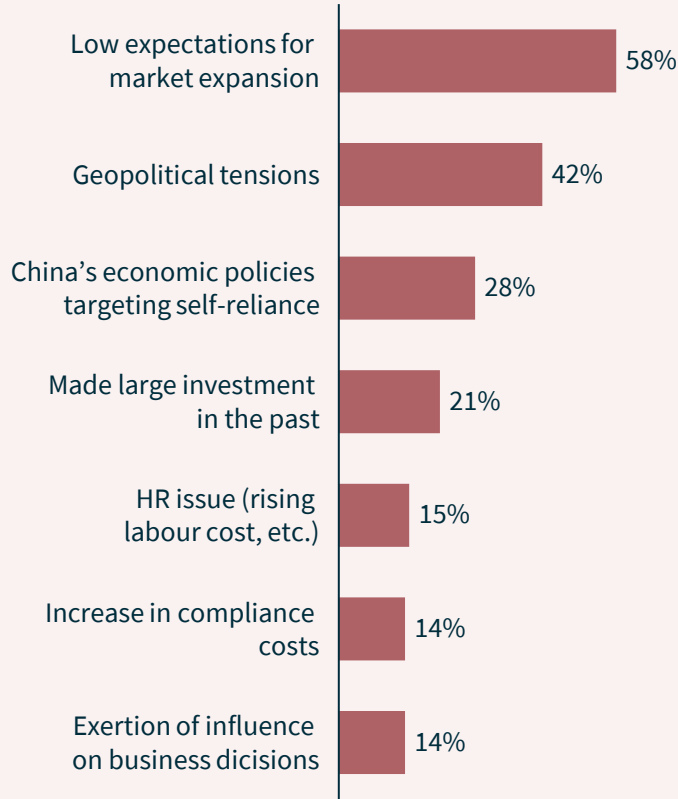


- 1 Increase Productivity by Giving Greater Play to Market Forces**  
The prioritization of the public sector is hindering competition and undermining productivity in China
- 2 Reduce Corporate Risk by De-politicizing the Business Environment and Removing Ambiguity from Legislation**  
Political involvement in business and unclear laws pose challenges for conducting DD and meeting compliance in China, enlarging challenges for companies
- 3 Optimize Policymaking by Allowing Space for Discussion and Constructive Feedback**  
Limiting discussion space on economic trends and policies hinders valuable input from experts and industry players, hampering improvement in China's business environment
- 4 Address Socio-economic Challenges to Boost Consumption**  
Domestic consumption is vital for China's economic recovery, but ongoing socioeconomic challenges are eroding consumer confidence
- 5 Maintain a Balance Between Economic Recovery and the Low Carbon Transition**  
As the policy emphasis shifts to economic revival and energy security, China's low-carbon transition faces uncertainty of slowing down

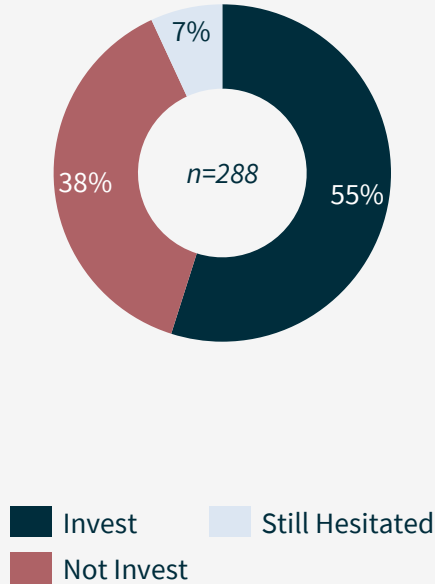
In the survey released in June 2023, 55% German companies in China express positive investment tendency whilst the rest with lower-level market expectation prefer not to invest or still wait and see

June 2023

### Concerns for Not Invest



### Investment Confidence



### Reasons for Invest



Note: Multiple answers possible

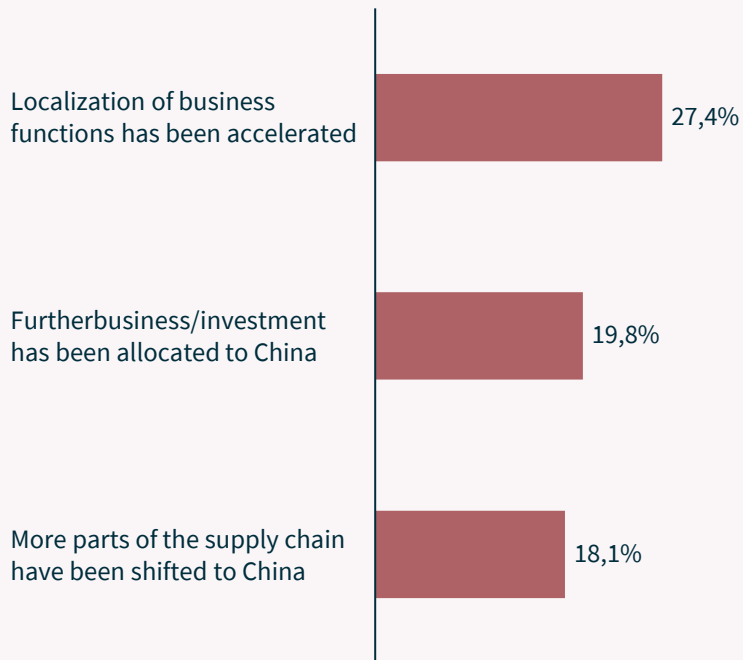
## German business stays committed: strategic approaches to balance localization & diversification

**“How is your headquarters adapting its China strategy due to the ongoing geopolitical tensions?”**

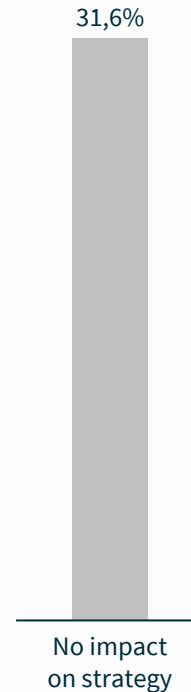
(n=288; multiple answers possible) \*Survey time: May 2023

**JUN 2023**

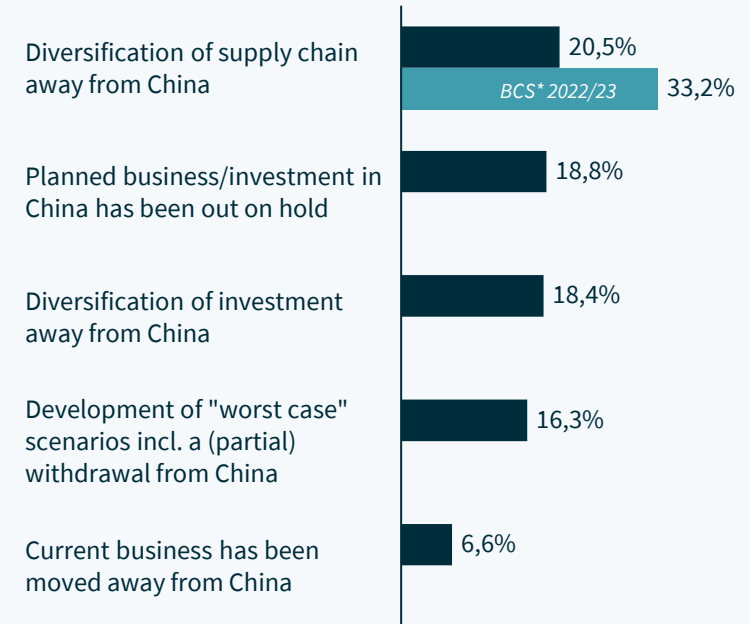
### MORE LOCALIZATION



### NEUTRAL



### MORE DIVERSIFICATION



\*BCS 2022/23 refers to Business Confidence Survey 2022/23



- A. Editorial
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- C. Foreign Business in China: Opportunities & Challenges



## **D. Selected Trends Shaping Current and Future China Business**

- 1. The New China Playbook – Enabling Successful Business Model Transformation
  - 2. Mobility China – The Dance between Electrification and Internationalization
  - 3. Sustainability – Converting China’s Ambitious Goals into Business Opportunities
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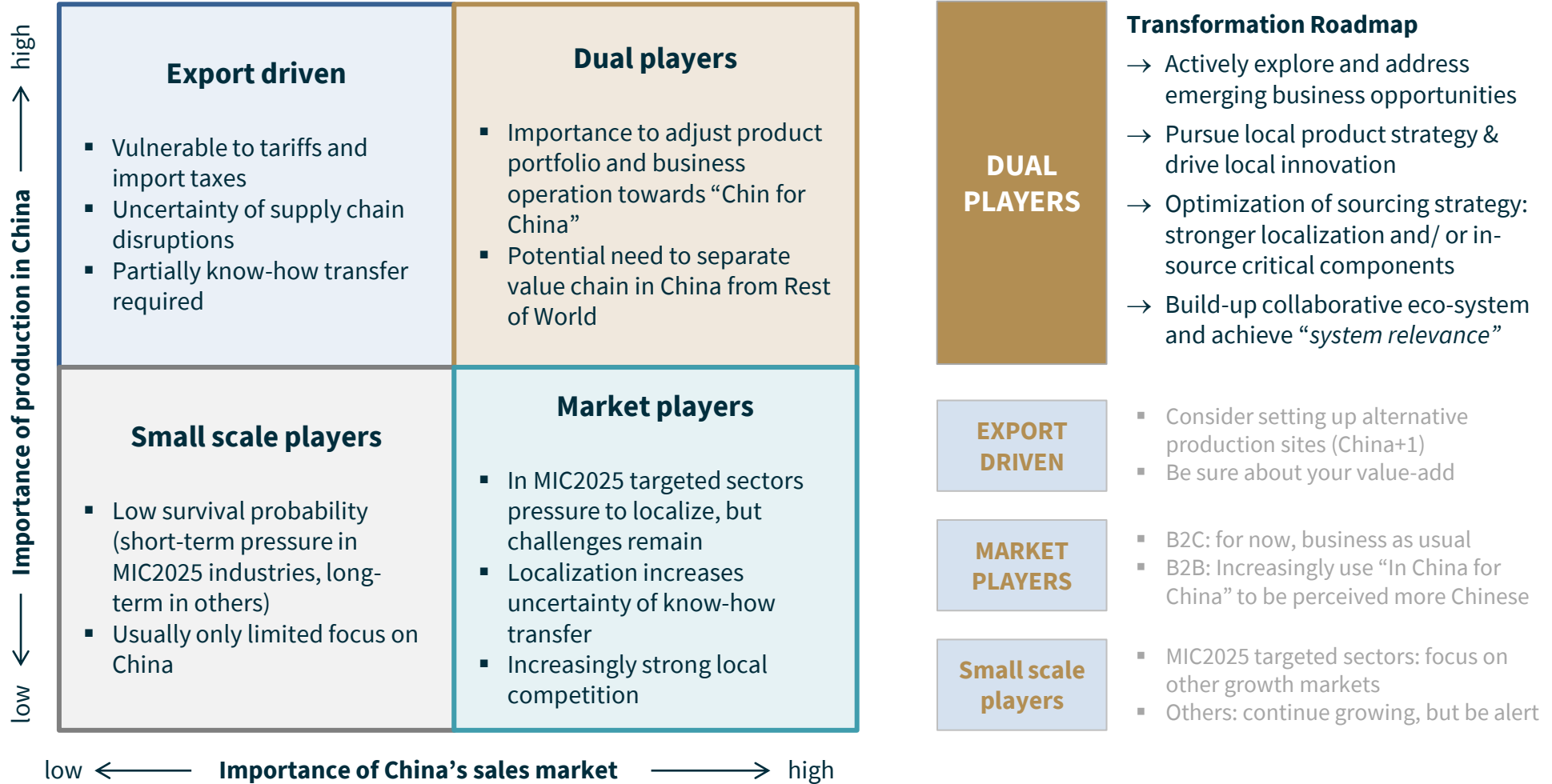


### **1. The New China Playbook – Enabling Successful Business Model Transformation**

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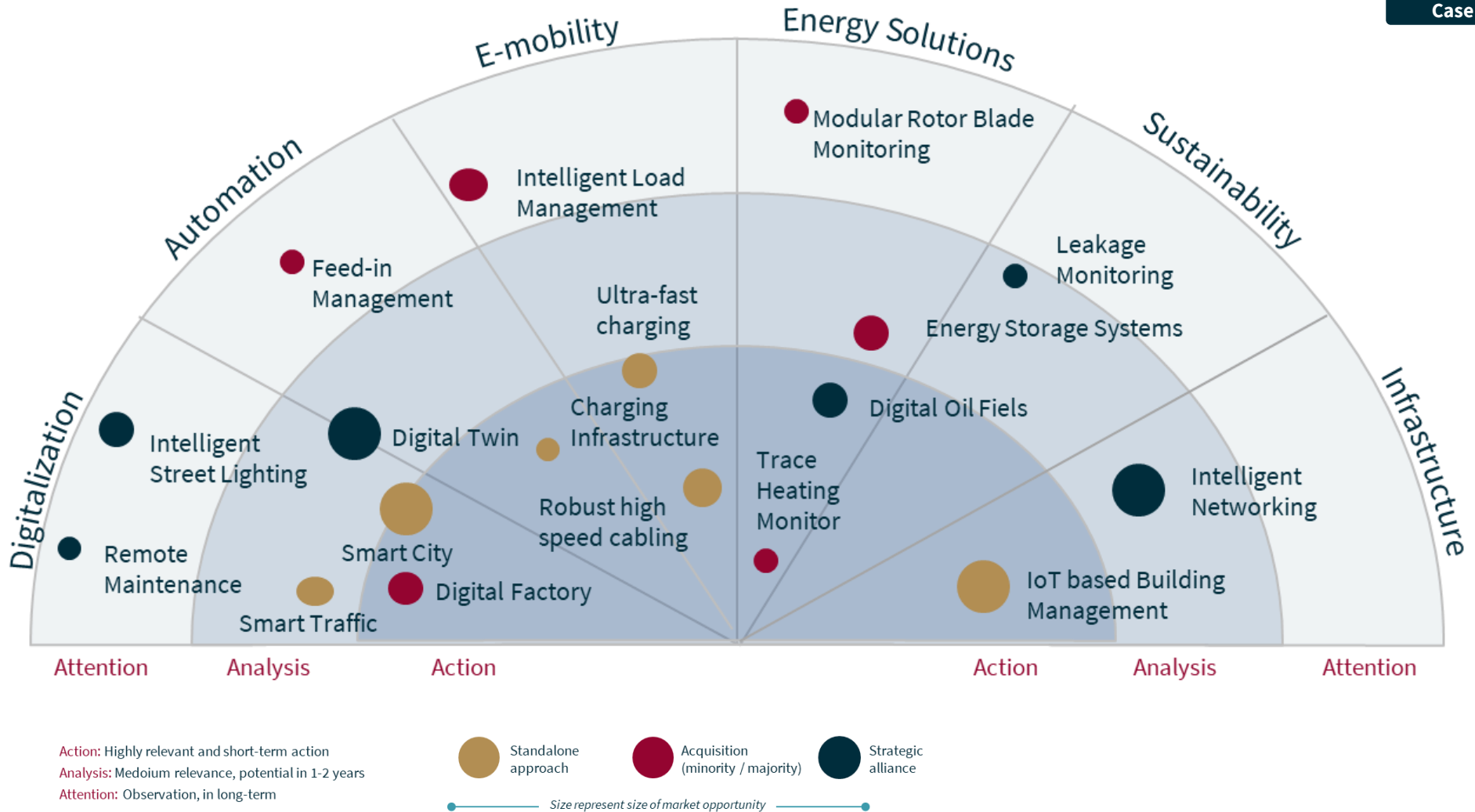


Depending on the importance of the Chinese market and its production capabilities, foreign businesses are faced with fundamental business model transformation to prepare for the future



EAC's trend radar reveals that along China's industrialization roadmap plenty of opportunities remain

Case Study



## Transformation to a sustainable China business requires assessment of each value chain step

Illustrative

### 1. PRODUCT & SALES

- China sales focus (local vs. regional)
- Customer Mix (local vs. MNC)
- Strategy industry & application focus
- Channel transparency

### 2. OPERATIONS

- Strengthen local value chain
- Selective growth investments
- Doubling of production capabilities
- Alternative production hubs

### 3. SUPPLY CHAIN

- Reduction single sourcing dependency
- Import-/Export sanctions
- Supply Chain Due Diligence
- Logistic resilience

### 4. R&D/IP

- IP allocation & implications
- Doubling of R&D capabilities
- Utilization local R&D competence
- Local trademark protection

### 5. IT & DATA PROTECTION

- Resilience of IT systems
- Data protection compliance (MLPS, PIP)
- Data ownership and transfer
- IT emergency plan

### 6. FINANCE

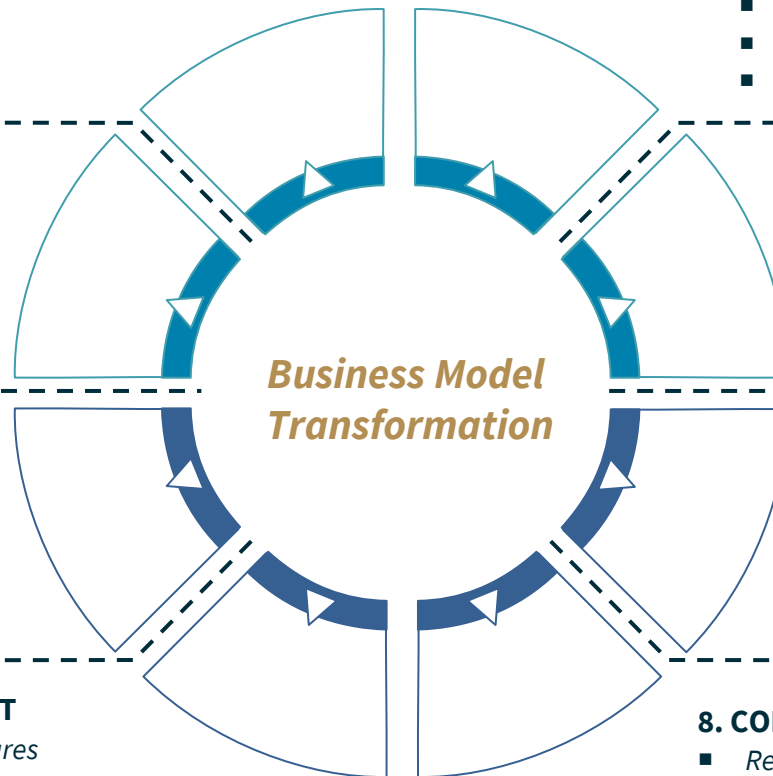
- Cash repatriation & cash pooling
- Asset optimization (land, buildings)
- Local financing options
- Taxation & subsidies

### 7. ORGANIZATION & MANAGEMENT

- Legal set-up & shareholding structures
- Empowerment local organization
- Labour relation & HR management
- Management reporting lines

### 8. CORPORATE GOVERNANCE

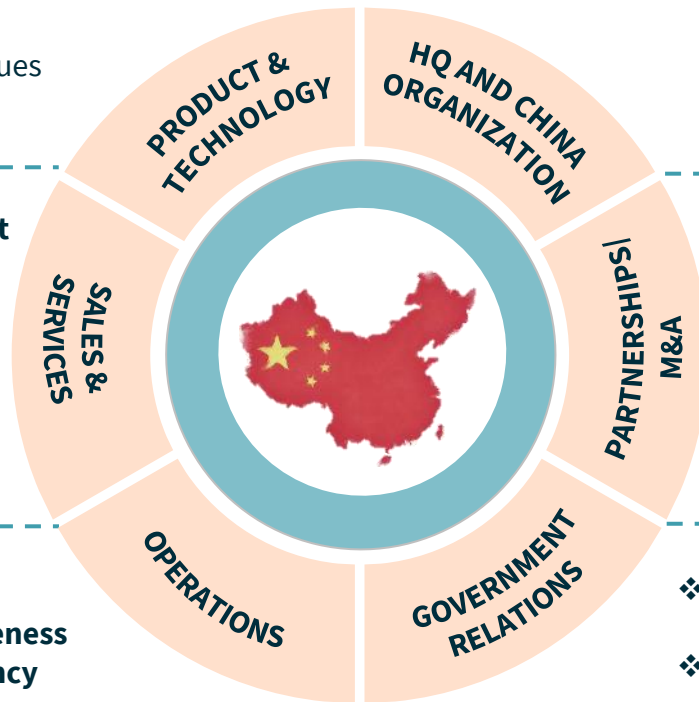
- Regulatory complexity
- Compliance framework
- Government affairs & local ecosystem
- Strengthening of local supervisory functions



Besides, there are common pitfalls western companies face when doing business in China. It is essential to understand these pitfalls and address those

- ❖ **Insufficient understanding of local customer needs**, product offerings don't fit to local market (price too high)
- ❖ **Lack of localized R&D/ engineering** to adapt/ develop “**local-for-local**” technologies/ solutions
- ❖ **IP/ know-how protection** issues

- ❖ Lack of committed **investment/ resources/ support HQ**
- ❖ Unclear **positioning of China business within the group**, i.e. “**cost center**”/“**profit center**”/“**innovation center**”, “**in China for China**” or “**in China for Region/ Global**”?
  - ❖ Not enough “**local autarky**” for China organization
    - ❖ **Slow response from HQ** vs. highly dynamic China market
    - ❖ **Communication obstacles**



- ❖ Wrong **market positioning and target customers**
- ❖ Lack of **competent direct/ indirect sales** to access local customers
- ❖ Slow speed of **pre- and after-sales service**
- ❖ High **service charges/ costs**

- ❖ Wrong **local partner/ acquisition target**
- ❖ **Post-merge-integration (PMI)** issues
- ❖ **Cultural conflicts**

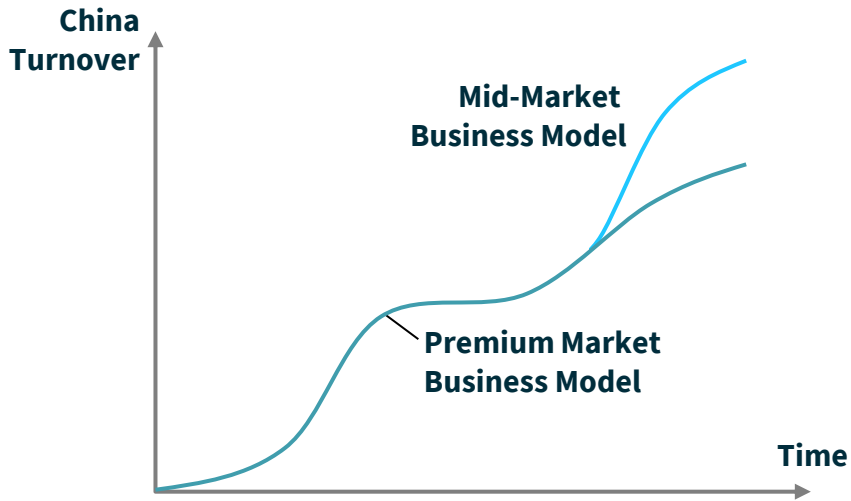
- ❖ Lack of **cost competitiveness**
- ❖ Low **operational efficiency**

- ❖ Deviation from **government polices and guidance**
- ❖ **Political appeal** issues

# NEW CHINA PLAYBOOK – DUAL BUSINESS MODEL

To maintain market share and generate additional growth opportunities in China, foreign companies need to consider establishment dual business models

## DUAL BUSINESS MODEL



- Existing (and usually successful) **premium market business model** will not be neglected but **complemented** with an **additional business model** for the mid-range market

## DETAILS

### PREMIUM MARKET BUSINESS MODEL

- Focus on **high-end application** demand
- Premium pricing**
- Highly **engineered** solutions – **long engineering period**
- Refer to **strict technical standards**, i.e. DIN, VDMA...
- Global** material/ component **suppliers, high import** content
- High **service** offerings, incl. **system engineering**
- Innovation** leader

+

### MID-MARKET BUSINESS MODEL

- Target **mainstream and standard** application demands
- Competitive pricing and costs** – “**Design-to-Value**”
- Modular and adaptable** “**local-for-local**” solutions
- “**Standardized Platform**”: from product & system design, component, manufacturing until project implementation and service/ maintenance
- Refer to **moderate technical standards**, i.e. GB(/T)
- Utilize **local supply chain** as much as possible
- Agile technical support** and **service**
- Development of **indirect sales channel**

=

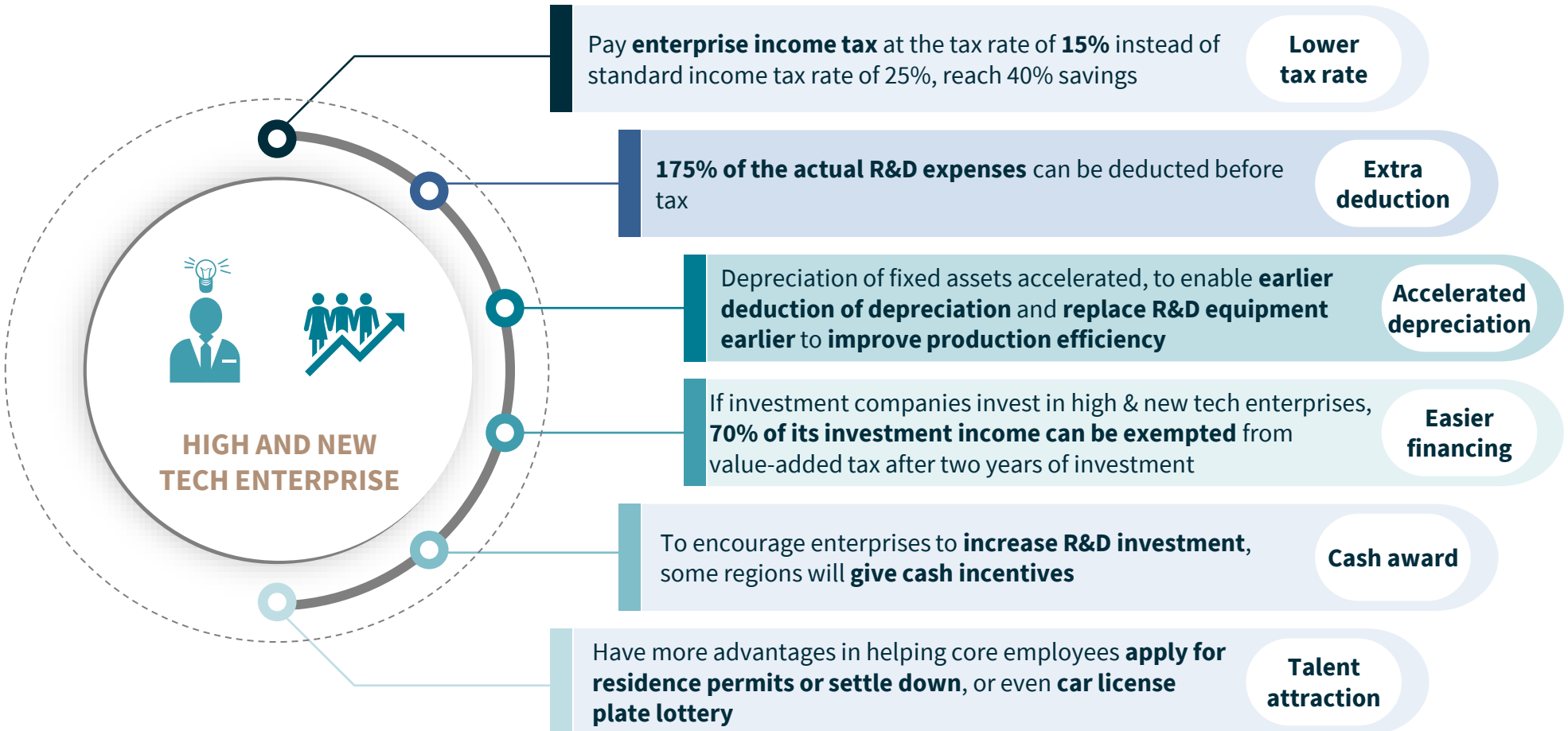
### RESULT

- Dual Business Model**

■ **Dual business model** can **leverage existing strength** in premium & **simultaneously anticipate new chances** in **mid-range segment**

# HIGH & NEW TECH ENTERPRISES (1/2)

High and new tech enterprises have 6 major benefits compared to general enterprises, including tax & financing advantages, and talent attraction



To apply for high and new tech enterprises, policies should be strictly complied; Most issues faced by foreign companies are IPR<sup>1)</sup> registered location, organization structure and R&D<sup>2)</sup> expenses

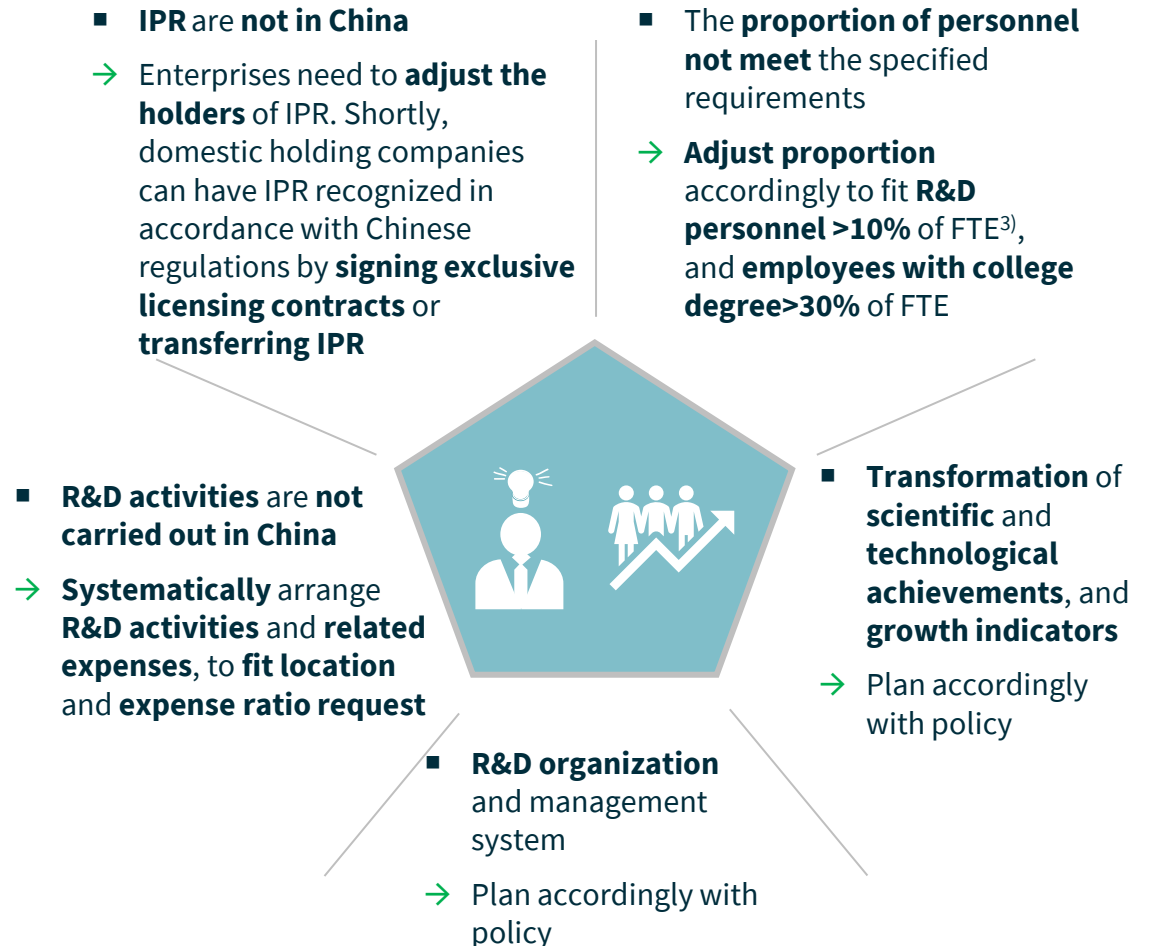
## POLICY EXCERPT

According to the new “**Administrative Measures for the Identification of High and New Tech Enterprises**” issued in 2016, high and new tech enterprises refer to:

- ❑ Resident enterprises that **continue to carry out research & development**, and the transformation of technological achievements
- ❑ Within the "high-tech fields supported by the state"
- ❑ Form their **core independent intellectual property rights**, and carry out business activities on this basis
- ❑ Registered in **China** (excluding Hong Kong, Macao and Taiwan) for **more than one year**

1) IPR: Intellectual Property Right  
2) R&D: Research and Development  
3) FTE: Full time employees

## MOST COMMON ISSUES



Six potential fields of action are identified as strategies for European companies in China to remain competitive and leverage local strengths





“Success in China requires to play the Chinese game” – understanding the changing market environment and facing the “new reality” are crucial to stay competitive and to further grow in China

## UNDERSTANDING CHINA MARKET PLAYING FIELD

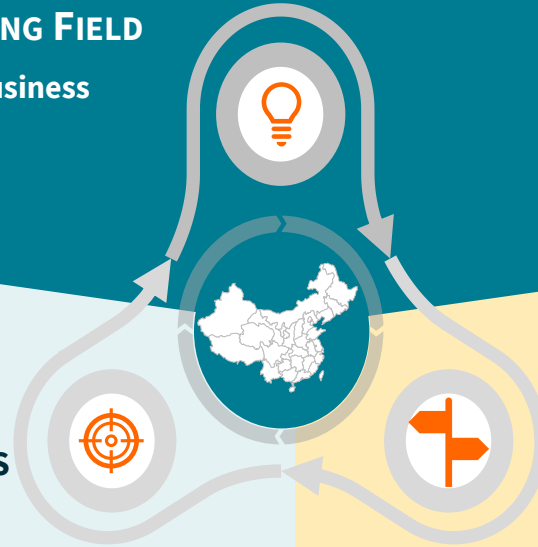
- European vs. Chinese mindsets doing business

## CHINA MARKET STRATEGY AND FORWARD-LOOKING BUSINESS MODELS

1. *Be more sensitive and act fast towards new market opportunities*
2. *Be ready to invest further to maintain profit*
3. *Expand income stream via new business models*
4. *Streamline close-to-market approach*
5. *Build strategic alliances among European companies*

## ROADMAP TOWARDS WINNING CHINA OPERATION

6. *Empower local management and authorization*
7. *Integrate local cultural characteristics*
8. *Benchmark costs with Chinese players*
9. *Improve innovation by utilizing local talents*
10. *Stand bold against IP infringement*



Success in China depends on adaptation to the local environment and empower the local organization



European players need to transform their local organization into a real China organization to stay relevant in the long-term



*From a typical foreign business ...*

- Rely on import business
- HQ-centered decision making
- Insufficient strategic focus on China
- Company goals not aligned with government goals
- Limited government ties
- Limited connected in local Eco-System
- No strong local partnerships

*... to a real China business*



- “Local for local”
- Highly connected in local Eco-System
- Strong government ties
- Strong local partnerships
- “Design to China”
- Dedicated China focus
- Willing to invest in China
- Strategic long-term goals aligned with government goals

Since its market entry in late 80ies and establishment of local production in China in 2010, company has become the market leader in automotive powertrain solutions, with 75% market share in China

## PRESENCE IN CHINA – KEY FACTS



- Entered Chinese market **20 years ago** and started investing in **Chinese production** base **since 2010**, now with **2 manufacturing plants**, and various sales, technology and service **stations** in China
- Company’s global revenue reached **>1.5 bln EUR** in 2022. **China entity** has **>1,200 employees (14% of global)**, and **67,400 sqm of production area, established in two phases** (latest one opened in 2022)
- Offer **assembly systems in the electromobility segment and universal machining centers** for **diversified** industrial applications in China
- China business **gained growth in electromobility segment**, although the advance of electromobility has led to a **decline in classic manufacturing lines for engine components** and so also the **order intake in the systems business**



## KEY SUCCESS FACTORS



- Stick to the **philosophy** of “**German quality, made in China**”, “**China local for local**” (including design, R&D, **supply chain**, manufacturing, commissioning and service) + “**China for Asia**”, and **keep pace with “Chinese speed”**
- Provide the best and customized solutions for aviation, machine building, tools and molds, medical engineering and energy sectors by offering **general machining centers**
- Actively develop **NEV business** in batteries, motors, rotors and stators, car body, chassis, light-weight components, etc. by offering **new large machining centers, automatic equipment, production lines based on “customer needs”**
- Keep **long-term cooperation with premium customers**
- With **efficient and orderly operation, coordination** between two plants, **flexible** production layout, China entity can better **cope with the strong sales growth** and continue to **maintain sufficient capacity**

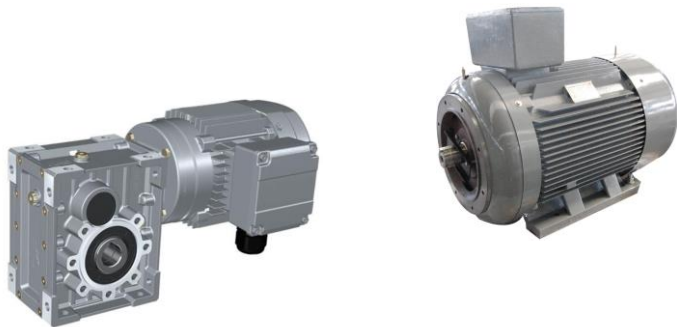
# SUCCESS CASE STUDY – GERMAN DRIVE TECHNOLOGY PLAYER

Based on seamless integration of “German advanced technologies + Chinese wisdom & creativity”, this company has achieved significant growth in China since 1990s

## PRESENCE IN CHINA – KEY FACTS



- Started investing in Chinese production base **since 1994**, now with **3 manufacturing centers, 17 assembly centers, 1 R&D center** and **>50** sales, technology and service **stations** in China
- **China sales revenue > 1.4 bln EUR** in 2022 (more than **doubled since 2015**), accounting for **1/3 of group total** revenue
- Offer **standard & servo gearboxes** and **servo-motors** for **diversified** industrial applications in China



## KEY SUCCESS FACTORS



- **Strong commitment** from German **HQ** & **invest heavily** in China
- Dedicated and thoroughly **localized Chinese team** with a **strong leader in China**
- Keep **German premium quality** and offer **Chinese pricing**
- **Modular-designed** products fit **for local diversified** applications: **local R&D + local engineering + 24hr service**
- Well **optimized cost structure** based on **large scale** production, combined **imported** equipment and **local equipment**
- **Strategic partnership** with **leading Chinese customers**
- Established long-term **relationship** with **local Municipal Government**
- Actively **support Chinese key political projects**
- **Production** and **R&D** base “**In China for China, also for APAC region**”

Since its market entry in 1996, company has become the market leader in transport equipment in China, which accounts for 60% of the global demand

## PRESENCE IN CHINA – KEY FACTS



- **Largest overseas company in China** from its original country, with rapid growth since 2004/2005
- **China accounts for 30% of** this company's global business, equal to 3 bln EUR in 2022/23
- **China revenue still highly driven by new equipment sales**; service share only at 15% compared to 60% in Europe
- **China organization operate as a wholly foreign owned enterprise**, and benefits from limited competitiveness of local players

## KEY SUCCESS FACTORS



- 1 Development of products **'in' China 'for' China**: Mostly local production with adaption to local needs
- 2 High level of **localized management teams**: focus on local talent development & close cross-regional collaboration
- 3 **Nationwide footprint**: Coverage across tier-1 to tier-4 cities
- 4 Expansion of **"connected" service network**: Forerunner in China of selling service together with equipment
- 5 Implementation of a **DUAL BRAND strategy** with unique market approach for different segments
- 6 **Aligned with governmental goal** to cut carbon emission & **close partnerships with real estate developers**








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Mobility is evolving towards zero emission with digital & seamless urban mobility solutions...

## ZERO EMISSIONS FUTURE

-  **Battery Electric Vehicles**
-  **Fuel Cell Electric Vehicles**
-  **Micro Mobility Vehicles**
-  **Non-motorized Vehicles**
-  **Smart Charging/ H<sub>2</sub> Stations**

## SEAMLESS URBAN MOBILITY

-  **Smart Parking Zones**
-  **Ride-sharing Services**
-  **Last-mile Connectivity**
-  **Rapid Mass Transport**
-  **Urban Air Mobility**

## CONNECTED MOBILITY FUTURE

-  **Seamless Mobility Apps**
-  **5G Infrastructure**
-  **AI and Machine Learning**
-  **V2X Connected Solutions**
-  **V2X Data Monetization**

**End-to-end  
City Solution**

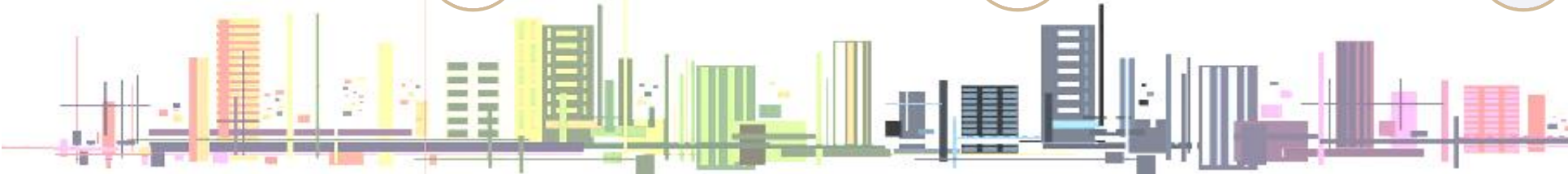
**CLEAN**



**SEAMLESS**

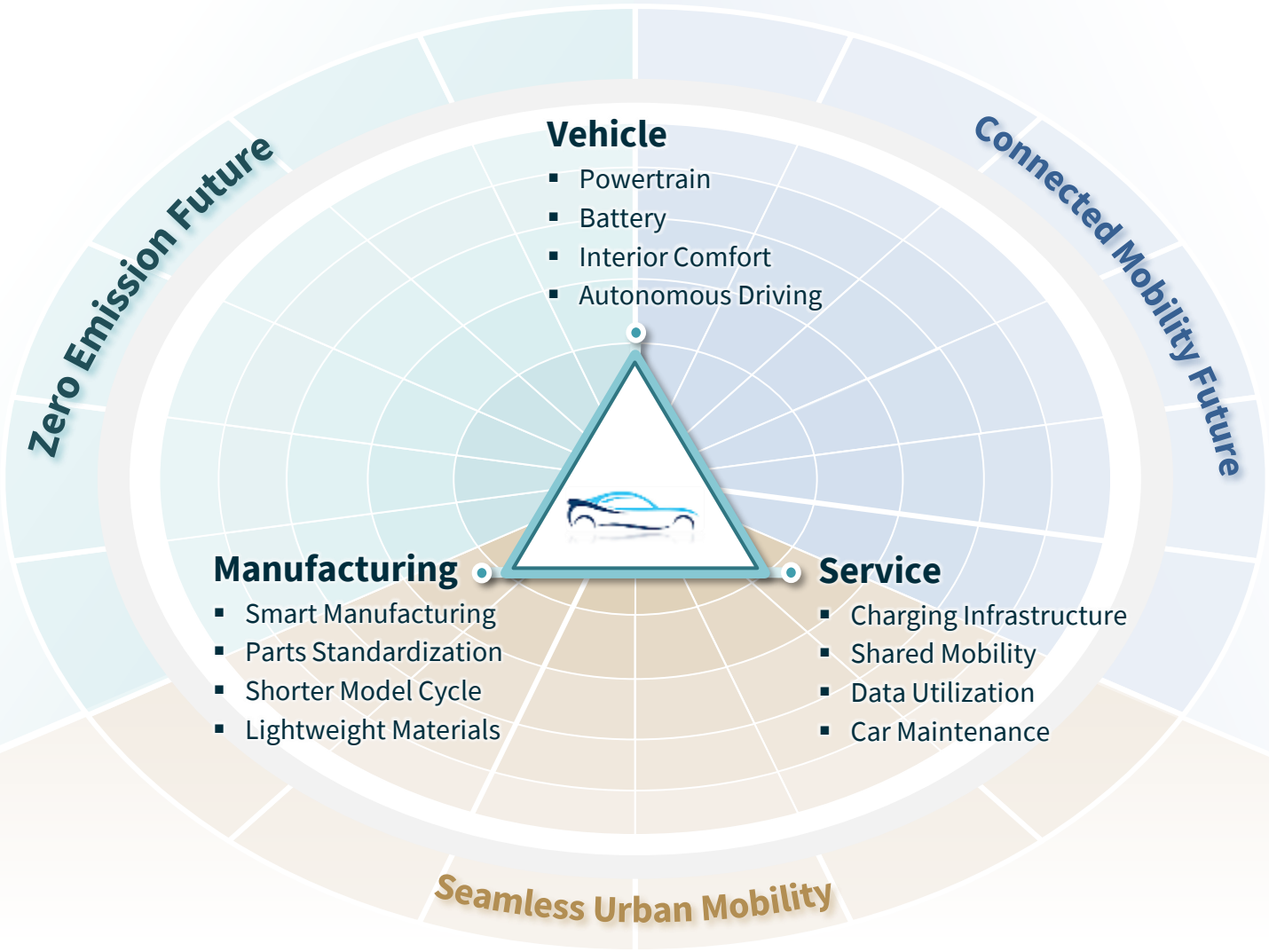


**CONNECTED**





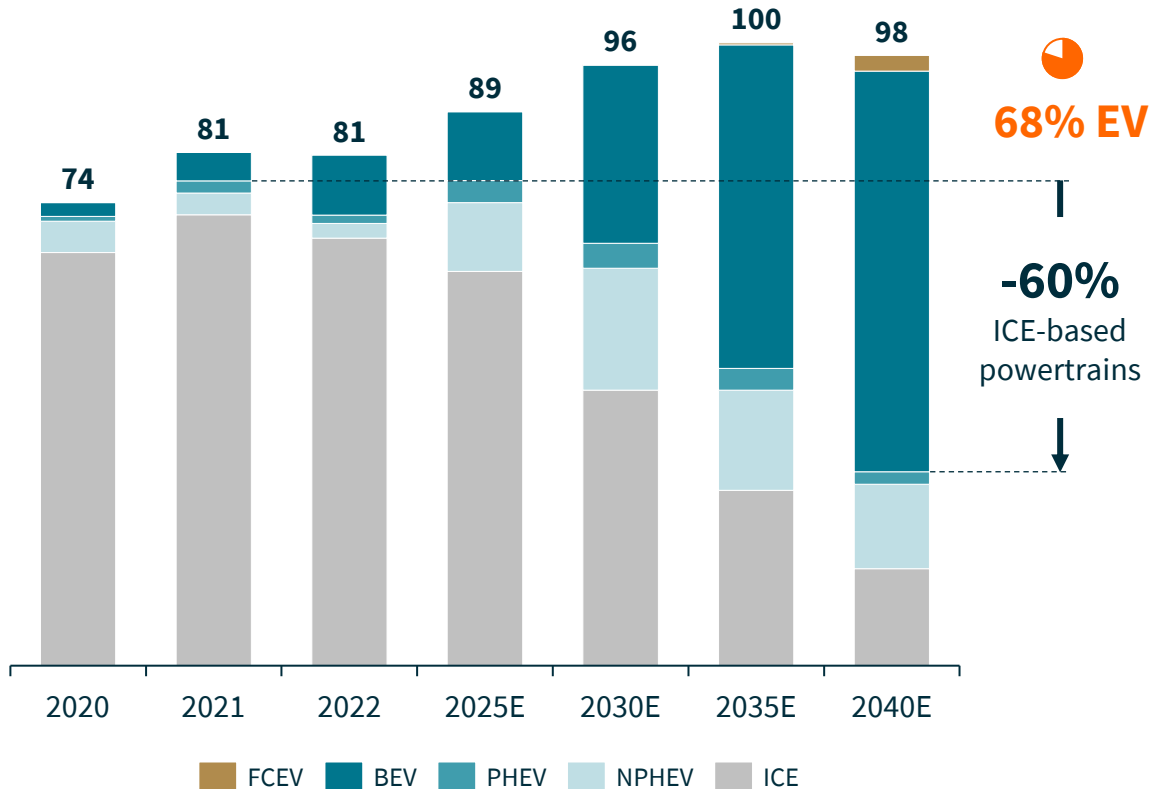
...with disruptive impact on the entire automotive value chain and pushing technology innovation of the car itself, the manufacturing and mobility services



Strong carbon emission legislations will drive fundamental shift of industry by 2040

## GLOBAL LIGHT VEHICLE ANNUAL SALES VOLUME

By drivetrain, million units, 2020-2040E



**2022 BEV sales:**  
**10 mio units**

*“with ~7 mio units, China established global leading position as EV sales hub”*

**2040 BEV sales**  
**>65 mio units**

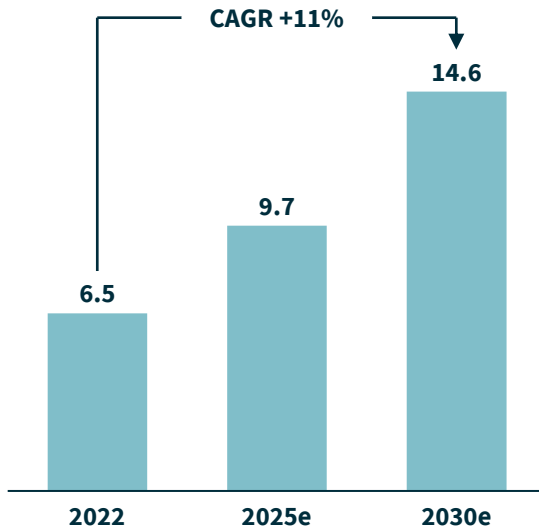
*“EU with strong stance to push electric mobility, new ICE sales banned by 2035”*

Note: EV = Electric Vehicle; FCEV = Fuel Cell EV; BEV = Battery EV; PHEV = Plug-in Hybrid EV; NPHEV = Non-plug-in Hybrid EV; ICE = Internal Combustion Engine

## China will remain the global gravity centre for electric mobility throughout 2030

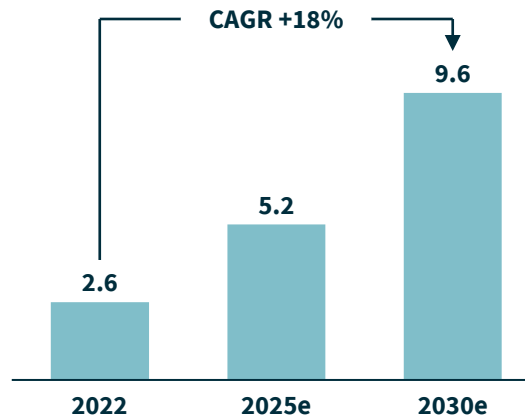
### ELECTRIC PASSENGER VEHICLE<sup>1)</sup> – GLOBAL KEY MARKET (SALES) DEVELOPMENT, MIO UNITS

#### CHINA



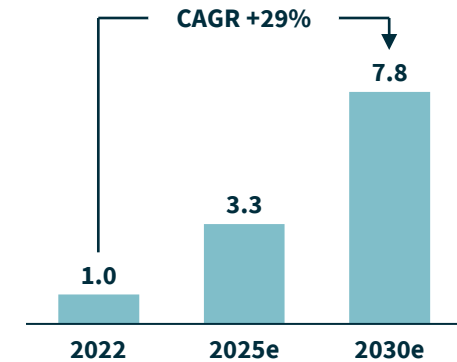
- Strong government push decarbonization
- Price competitiveness
- Rising consumer awareness
- Potential price hike in oil & gas price

#### EUROPE (INCL. UK)



- Strong policy push (“REPowerEU”, “Fit for 55”)
- Technology maturity of battery
- Economic pressure (e.g. high oil & gas prices)
- Increasing social awareness

#### USA



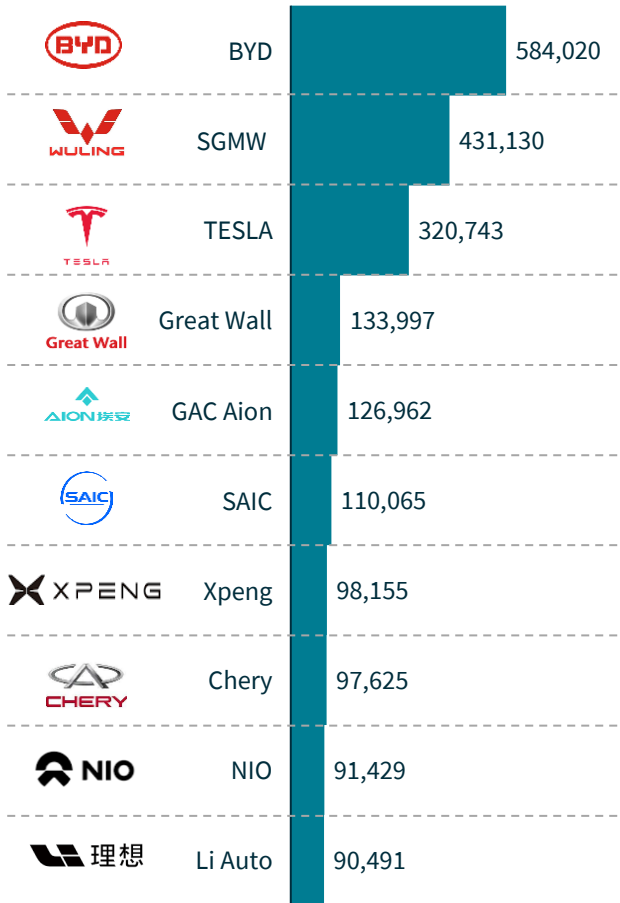
- Conducive govt. incentives
- Subsidies for customers
- Stringent emission norms
- High investments in new tech

1) Battery Electric Vehicles (BEV) and Plug-in Hybrid Electric Vehicles (PHEV), excl. Hybrid Electric Vehicles (HEV)

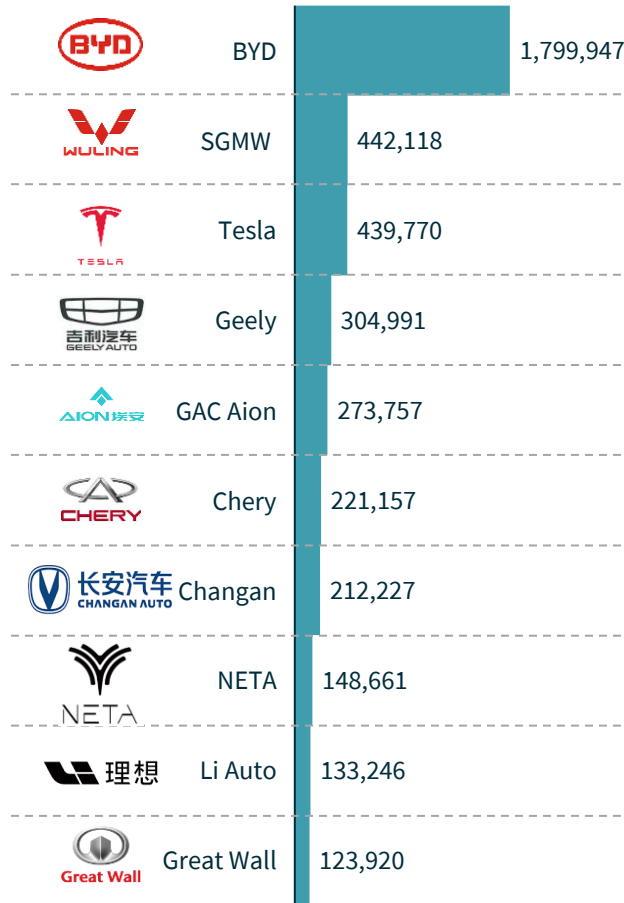
# E-MOBILITY CHINA – TOP 10 NEV SALES BY OEM

Except Tesla, Chinese OEMs are continue to dominate the electric vehicle market, with BYD as established market leader

## 2021 (UNITS)



## 2022 (UNITS)



## Q1-Q3 2023 (UNITS)



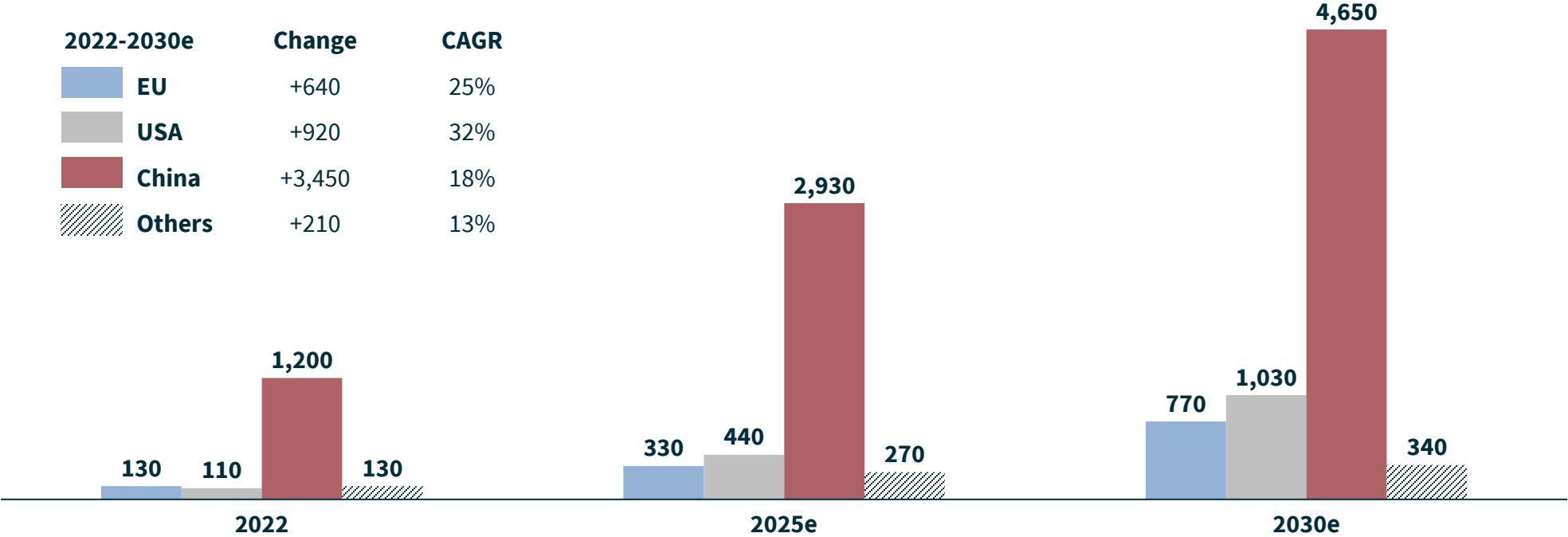
NEV = New Energy Vehicle

# EV BATTERY – CHINA TO REMAIN GRAVITY CENTRE

Global battery manufacturing capacity will grow from 1,570 GWh to 6,790 GWh with China still being the frontrunner contributing 4,650 GWh – however, the EU and the US are slowly closing the gap

## BATTERY MANUFACTURING CAPACITY<sup>1)</sup> – GLOBAL KEY MARKETS DEVELOPMENT, GWH UNITS

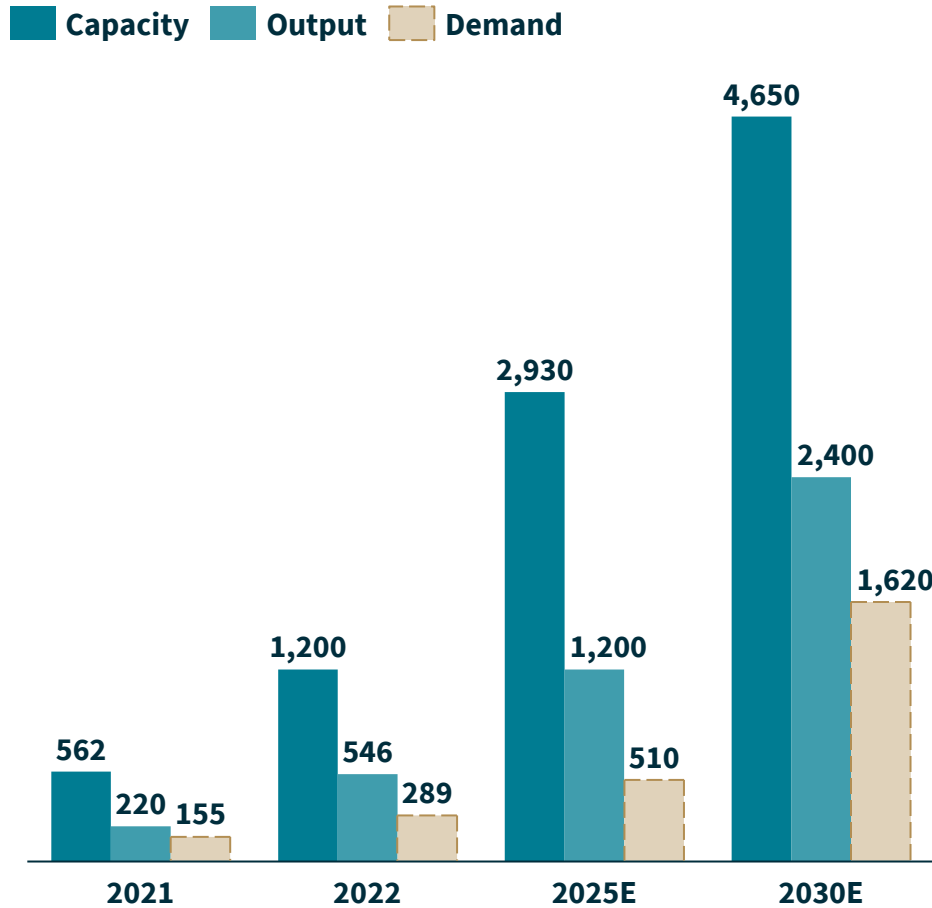
2022-2030e	Change	CAGR
EU	+640	25%
USA	+920	32%
China	+3,450	18%
Others	+210	13%



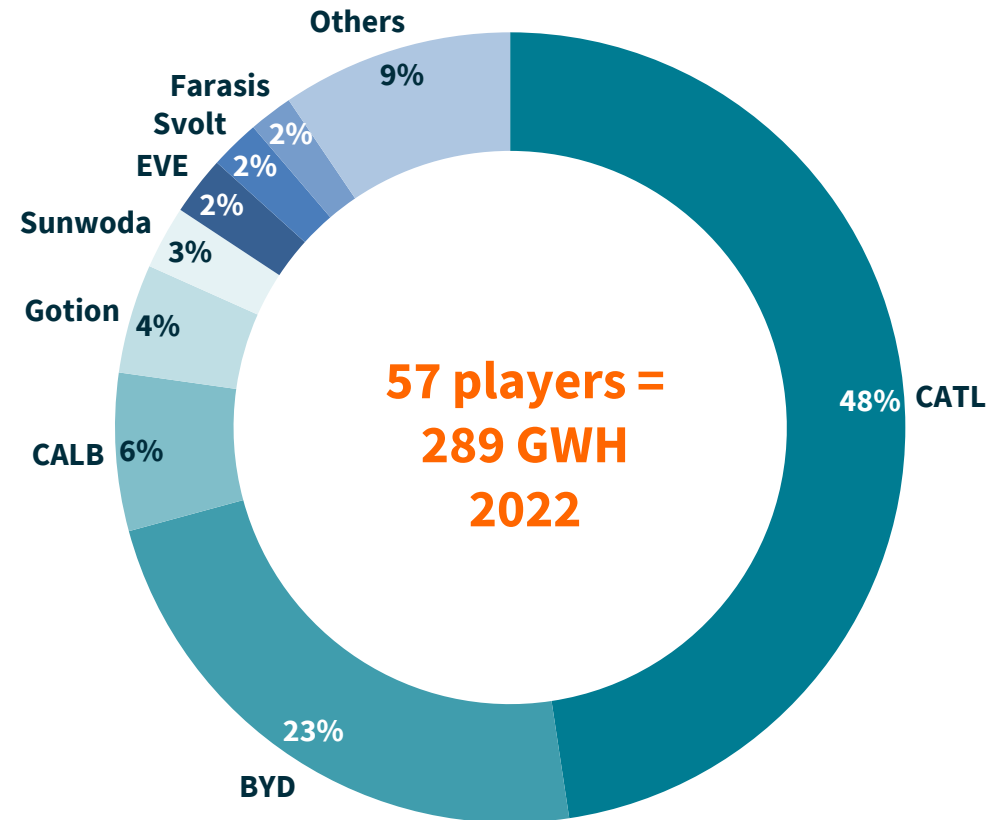
NOTE: 1) refers to lithium-ion battery manufacturing capacity if all announced projects proceed as planned.

**CATL as market leader with 80% capacity utilization rate and 49% installation base market share in 2022, and overcapacity at low end will inevitably lead to industry consolidation**

## DEVELOPMENT OF OUTPUT, CAPACITIES & DEMAND (GWH)

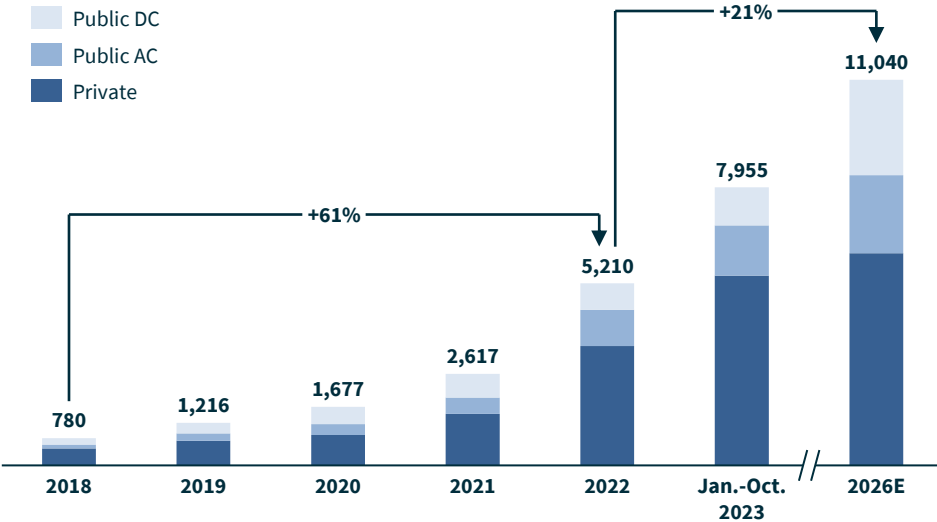


## INSTALLATION BASE 2022 BY MARKET PLAYERS



EV charging infrastructure will continue to experience fast growth with more gravity in DC charging. Dominant charging operators are State Grid, TGOOD and StarCharge.

## CHARGING INFRASTRUCTURE IN CHINA (THSD)



### MAIN GROWTH DRIVER: POLICIES AND CAPITAL

- Transition from **policy-driven to market-driven**
- Balanced development of DC/AC** to meet user needs
- Improved configuration quality** of charging station components, **enhanced user experience**, and **improved service life** of charging stations and charging cables

## CHINESE LEADING PLAYERS



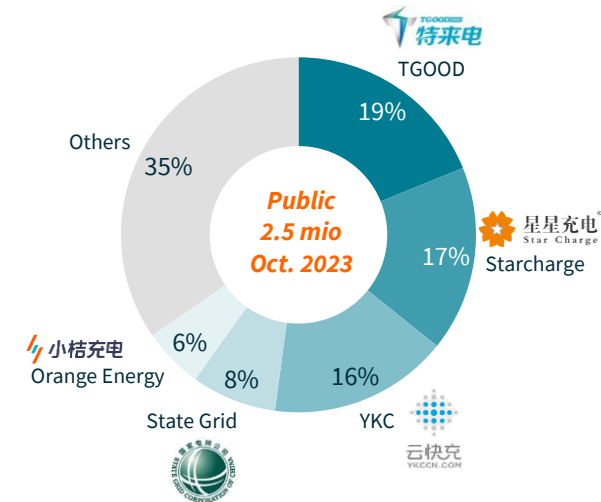
- Public: gas station and rest area
- Public: bus fleet
- Public: taxi and online car-hailing fleet



- Public: taxi and online car-hailing fleet
- Semi-public: parking lot/ hotel/ shop/ company



- Semi-public: parking lot/ hotel/ shop/ company



Investment into charging infrastructure supported by government, while various challenges still have to be solved: more efficient usage of current base & high-voltage charging technology deployment

## REGULATIONS AND KEY DECISION MAKERS



- Charging infrastructure development was emphasized in **14<sup>th</sup> FYP** by National Development and Reform Commission (**NDRC**), National Energy Administration (**NEA**), Ministry of Industry and Information Technology (**MIIT**)
  - **Promote installation** in existing residential communities
  - Requires **100% coverage** for **newly built** residential communities
  - Improve EV charging capacity in **small cities** and **rural areas**
  - Aim to satisfy **>20 million NEV** charging demands by 2025
  - Speed up the **DC** charging network in **highway** service areas
- Ministry of Commerce (**MOC**)
  - Encourage installation of EV charging piles relying on **gas stations, highway service areas, streetlamps network**, etc.
  - **Guide** enterprises and public institutions to build EV charging piles based on **>10% of existing parking spaces**

## PAIN POINTS



- “Emphasize on construction and **neglect maintenance**”
- EV Charging dedicated parking spaces are **occupied by ICE** vehicles up to ~35%
- Unqualified product quality brings **safety issues**
  - Leakage or short circuit causes fire accident
  - Poor rust resistance of component
- “**Zombie**” charging piles waste social resources caused by **operators** who went bankrupt or transformed to other business
- Charging time **over 1 hour** and even longer in wintertime; in **public holidays** normally **waiting time longer than 4 hours**

## FUTURE TREND











- **Huge** market **potential** with **explosive** NEV sales volume
- Charging pile operators will more emphasize **operation and maintenance** with government subsidy encouragement
- Further increasing installation ratio of **AC** charging pile (wall box) used in **private** use cases and **DC** charging pile used in **semi-public** use cases



Foreign OEMs are increasing investment in China’s e-mobility eco-system to safeguard boost common product development and engineering capabilities – for China and global markets

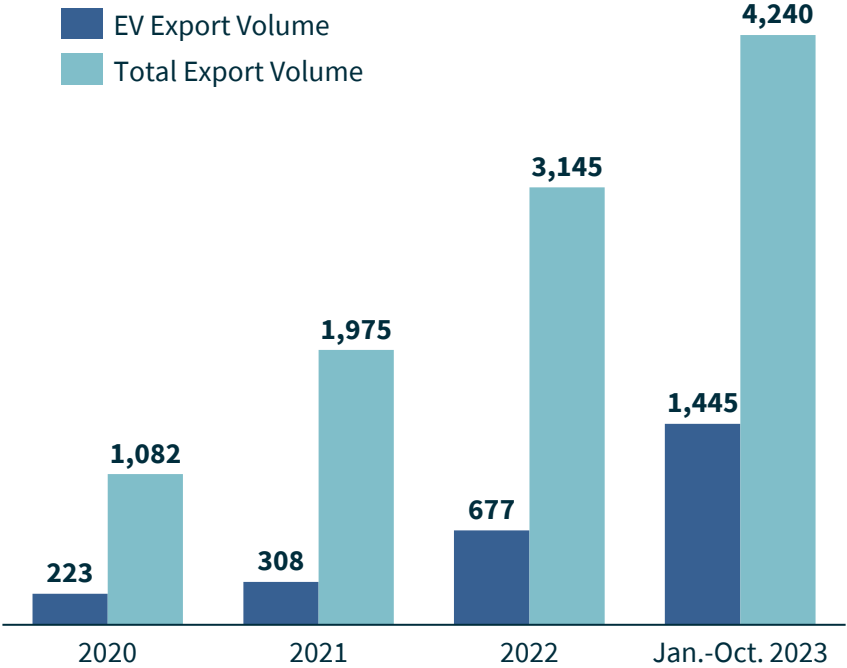
## FOREIGN INVESTMENTS IN CHINA EV ECO-SYSTEM

	Dec. 2021	Oct. 2022	Jul. 2023	Oct. 2023
<b>Foreign OEM</b>	 Volkswagen	 Volkswagen	 Volkswagen	 Stellantis
<b>Invested China OEM</b>	 Gotion	 Horizon Robotics	 XPeng	 Leapmotors
<b>Investment Value</b>	8.7 BRMB/ 1.1 BEUR	16.8 BRMB/ 2.1 BEUR	5 BRMB/ 0.6 BEUR	11.7 BRMB/ 1.5 BEUR
<b>Description</b>	Volkswagen holds 441 mio shares, with <b>shareholding of 26.47%</b> , becoming <b>the largest shareholder</b>	Through subsidiary CARIAD, Volkswagen sets up a joint venture with Horizon Robotics, with <b>shareholding of 60%</b>	Volkswagen obtains a board observer seat of XPeng, with <b>shareholding of 4.99%</b>	Stellantis obtains two board seats of Leapmotors, with <b>shareholding of 20%</b>

# CHINA GOES GLOBAL – EXPLOSIVE EXPORT GROWTH

China car exports experienced tremendous growth, both for total volume and electric vehicles  
 Europe and Asia dominate China export of cars and maintain the market share in the last few years

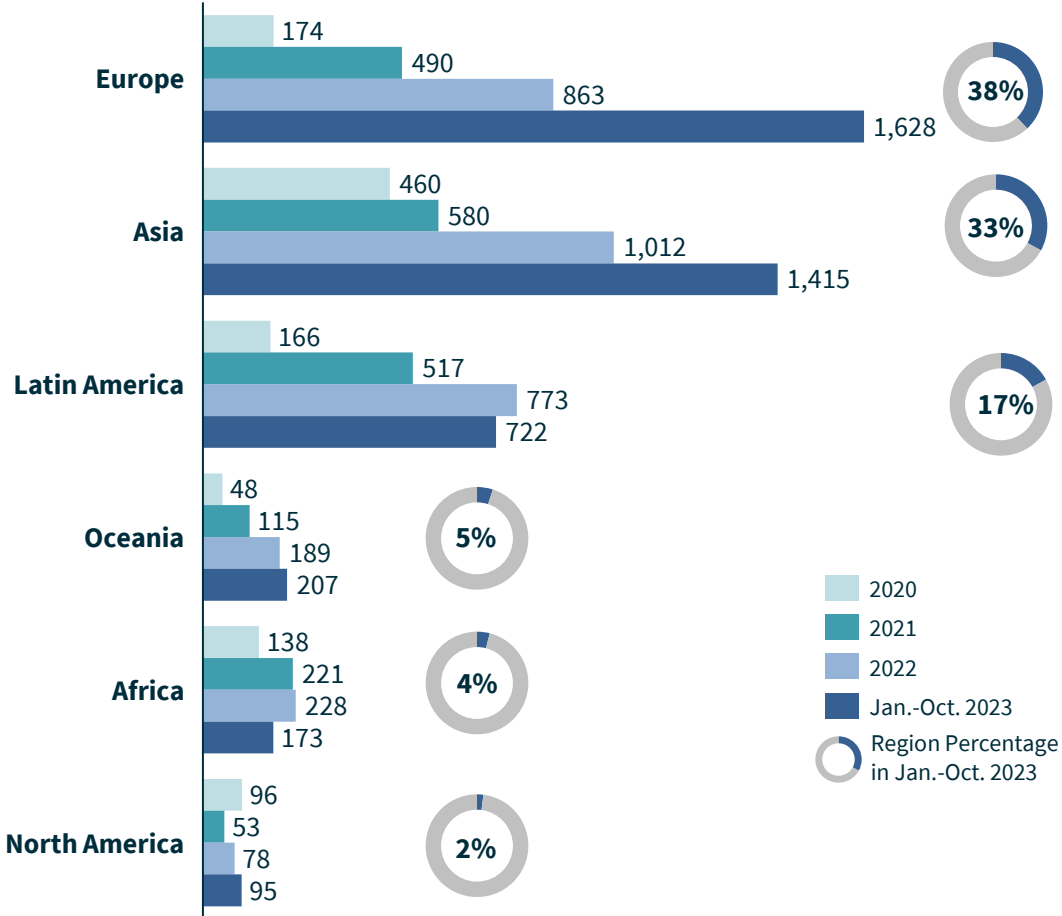
**CHINA EXPORT OF CARS (IN THSD)**



**EV Export Percentage**



**CHINA EXPORT OF CARS BY REGIONS (IN THSD)**



Source: China Association of Automobile Manufactures, EAC analysis

Since SAIC entered Europe, Chinese auto companies have begun to enter the European market with electric vehicles as the entry point. NEV brands e.g., HIPHI, Zeekr have announced their plan in 2023

## CHERY



- Omoda 5 is expected to launch in Germany, Italy, France and Spain in 2023
- It plans to enter the UK market in 2026 and will launch a series of plug-in hybrid and pure electric models
- Xingtu brand new energy product series - Star Era STERRA will enter the EU synchronously

## HIPHI



- Plan to enter the European market in 2023
- First land in Munich, Germany and Oslo, Norway
- The target group will be younger, wealthier and more open-minded consumers who have not yet developed a loyalty to brands such as Mercedes or Porsche

## ZEEKR



- Zeekr will enter the European market before the end of 2023, specific plans e.g. target countries will be officially announced at the end of November
- Zeekr plans to launch five new models in the next 2 years in preparation for entering the global market

## LEAPMOTOR



- Listed on HK Stock Exchange in Sep 2022. After listing, announced overseas market plan, and the first batch of zero-run T03 exported to Israel first, and will enter the European market later
- Leap Motors will enter France, Spain and other countries in 2023, and set up overseas flagship stores

## NETA AUTO



- In March 2022, Nezha Automobile announced its strategic information. It's preparing to enter the European market. In December, it announced the right-hand drive model overseas
- It is expected to enter France and Italy in the second half of 2023

## ARCFOX



- ARCFOX released its overseas strategy in 2021, and will enter all countries in the EU and Northern Europe within 5 years
- In 2022, it passed the European examination and was authorized by the European Patent Office, becoming the first overseas patent of BAIC Group in the field of electric vehicle control
- Expected to enter Europe in 2023

Chinese OEMs are shifting attention to emerging markets, especially in Southeast Asia, numerous investment plans to build new plants in Southeast Asia are observed

## EAC INSIGHTS ON CHINESE OEMS ABROAD



- 1 With **Europe still on the agenda**, Chinese OEMs are **shifting their attention** to other emerging markets in Southeast Asia, Central Asia, Middle East and North Africa
- 2 **Pure exports** still the mainstream of internationalization but in the meantime **numerous investment plans** to build new car plans especially **in Southeast Asia**
- 3 Chinese auto parts suppliers will benefit from both the **internationalization** of Chinese OEMs but also from **specific electric vehicle parts needed globally**
- 4 Increasing awareness that ‘putting a car on the street’ is not sufficient anymore but building up **a sustainable after-sales organization and spare parts supply** is key
- 5 **Stronger utilization of partnerships** along the entire value chain – commercially or investive – will help to overcome gaps in market and/or cultural know-how

## CHINESE OEMS ABROAD IN SOUTHEAST ASIA

OEMs	Country	Description
 长城汽车		Car plant, producing EV and ICE. Also plans to build a battery pack assembly plant and R&D center
		Planning to build EV auto parts plant. The construction will begin in 2023
		Car plant, built in 2015, producing a total of 8 models. In 2022, sales exceeded 30,000 units
	 	Planning to build passenger cars plant, expected to operate in 2024 with capacity of 150k/a Planning to build EV cars plant and assembly plant
		Planning to build EV passenger car and auto parts plant
	 	Under construction, for EV passenger car and auto parts Assembly plant
		Under construction, for EV passenger car and auto parts
	 	Planning to build cars plant of ICE, PHEV and BEV Planning to build cars plant of ICE, PHEV and BEV
		Planning to build cars plant of ICE, PHEV and BEV
		Assembly plant
		Assembly plant
		Assembly plant



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D. Selected Trends Shaping Current and Future China Business

1. The New China Playbook – Enabling Successful Business Model Transformation
2. Mobility China – The Dance between Electrification and Internationalization

### **3. Sustainability – Converting China’s Ambitious Goals into Business Opportunities**

4. Innovation Leap – Building the Foundation for an Innovation Powerhouse

E. Outlook & Key Attention Points for 2024

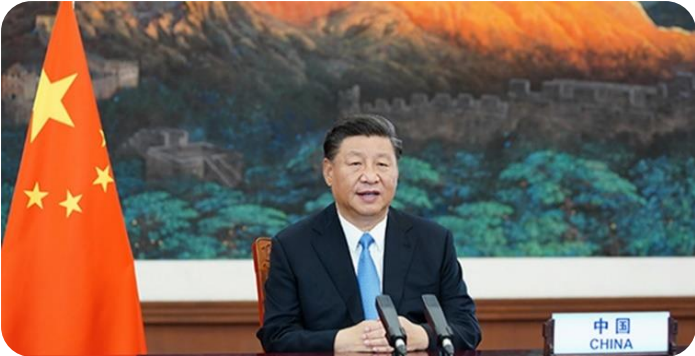
F. EAC in 2023: Highlights & Service Offerings



# SUSTAINABILITY – ROADMAP & MILESTONE

Environmental protection and sustainability emerge as pivotal focus in China’s national policies, leading to emerging technologies and market opportunities for the entire industry

- 08 | 2023 ■ **“Green low-carbon advanced technology demonstration project implementation plan”** was adopted by NDRC and other departments
- 08 | 2022 ■ **“Technology to support carbon peak and carbon neutrality execution plan” (2022-2030)** was adopted by MOST and 8 other departments
- 06 | 2022 ■ 14th Five-Year Plan (FYP) on **Renewable Energy Development (2021–2025)**: further acceleration of expanding the RE in China
- 07 | 2021 ■ China’s national **carbon trading market** launched in Shanghai
- 03 | 2021 ■ China’s 14<sup>th</sup> FYP released, focusing on economic and environmental improvements concerning **quality, innovation** and **sustainability**
- 09 | 2020 ■ President Xi announced China’s **'30-60' decarbonization** goal at the United Nations General Assembly
- 03 | 2018 ■ Incorporate the content of **"ecological civilization"** into the constitution
- 10 | 2015 ■ The concept of **green development** was first proposed at the 5<sup>th</sup> Session of the 18<sup>th</sup> Central Committee of the China Communist Party



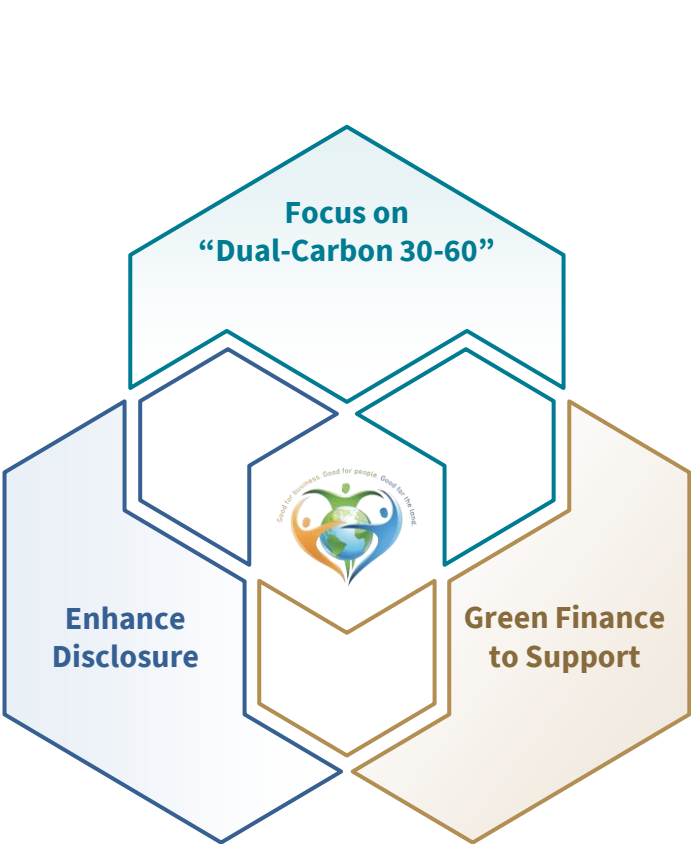
*“Based on China’s energy and resource endowments, we will advance initiatives to reach carbon peak in a well-planned and phased way, in line with the principle of getting new before discarding old...”*  
**--- President Xi, 16 Oct. 2022**

**PLEDGE BY PRESIDENT XI (SEP 22<sup>ND</sup>, 2020)**

Peak  
**CO<sub>2</sub> EMISSIONS**  
 by 2030

Become  
**CARBON NEUTRAL**  
 by 2060

Major focus of China sustainability is “Dual-Carbon 30-60”, to enhance the development of “Dual-Carbon” in China, government has enhanced SUS disclosure and introduce more green financial products



Focus on  
“Dual-Carbon  
30-60”

- China's sustainable development focuses on **carbon peak and carbon neutral** (" Dual Carbon")
  - Set target to reach **carbon peak** in 2030, **carbon neutral** in 2060
  - Introduce **carbon trading**
  - Prepare to restart **CCER**

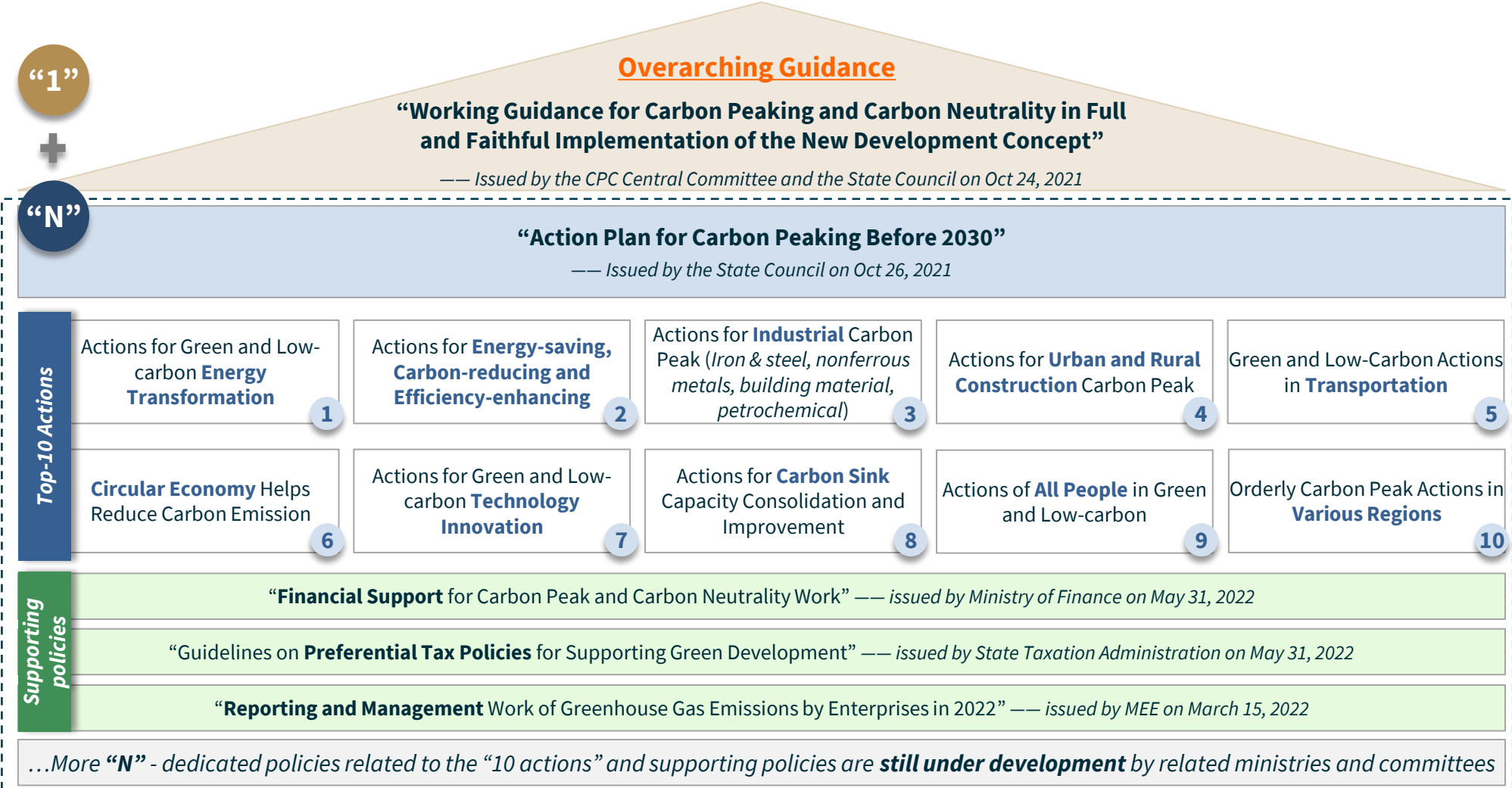
Enhance  
Disclosure

- *China Securities Regulatory Commission* is drafting guidelines on **sustainable disclosure for listed companies** in China
  - In 2023, about **1/3 of listed companies** in China **voluntarily** published sustainability reports, which was only 1/4 in 2022

Green Finance  
to Support

- **Green finance**, as an important mean to **support sustainable development**, is developing fast
  - In China, the largest category of green financial products is **green credit** from banks
    - ▶ Central bank included green credit and green bond data into green finance evaluation of financial institutions
    - ▶ Lots of localities set targets for green loans in 2023

China is formulating a “1+N” policy framework for carbon peaking and carbon neutrality, based on the overarching Guidance – “1”, series of climate-related policies – “N” are being issued





China remains committed to accelerate the development of its eco-friendly energy system, clear government targets backed by comprehensive policies and investments into infrastructure

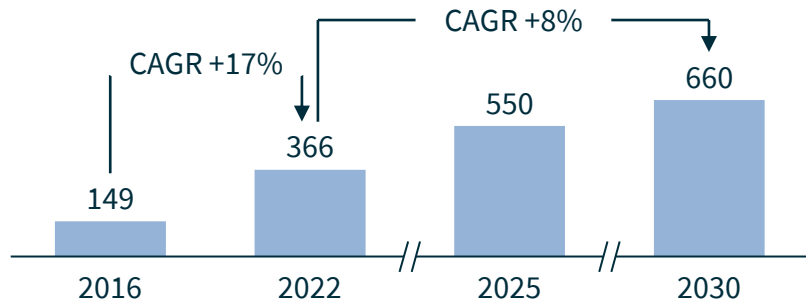
## POWER INSTALLATION

(accumulated; in gigawatts)

### Wind power installation

(acc., GW)

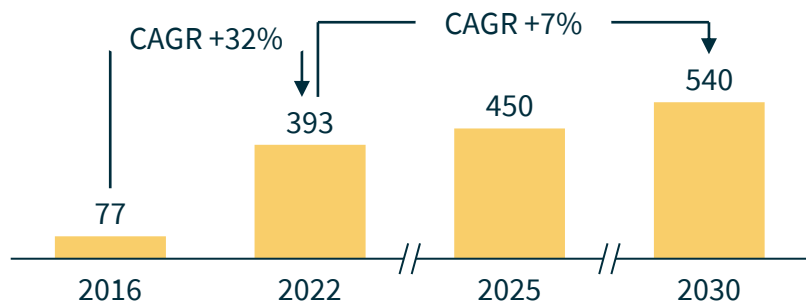
WIND



### Solar power installation

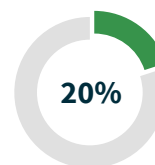
(acc., GW)

SOLAR

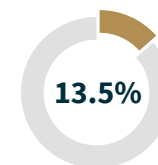


## GOVERNMENT MILESTONES AND OBJECTIVES

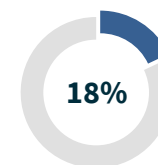
2025



Share of **non-fossil fuel** consumption

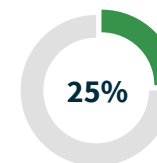


**Energy consumption reduction** per unit GDP compared to 2020

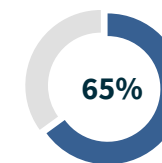


**CO<sub>2</sub> emission reduction** per unit GDP compared to 2020

2030 CARBON PEAK

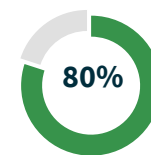


Share of **non-fossil fuel** consumption



**CO<sub>2</sub> emission reduction** per unit GDP compared to 2005

2060 CARBON NEUTRAL



Share of **non-fossil fuel** consumption

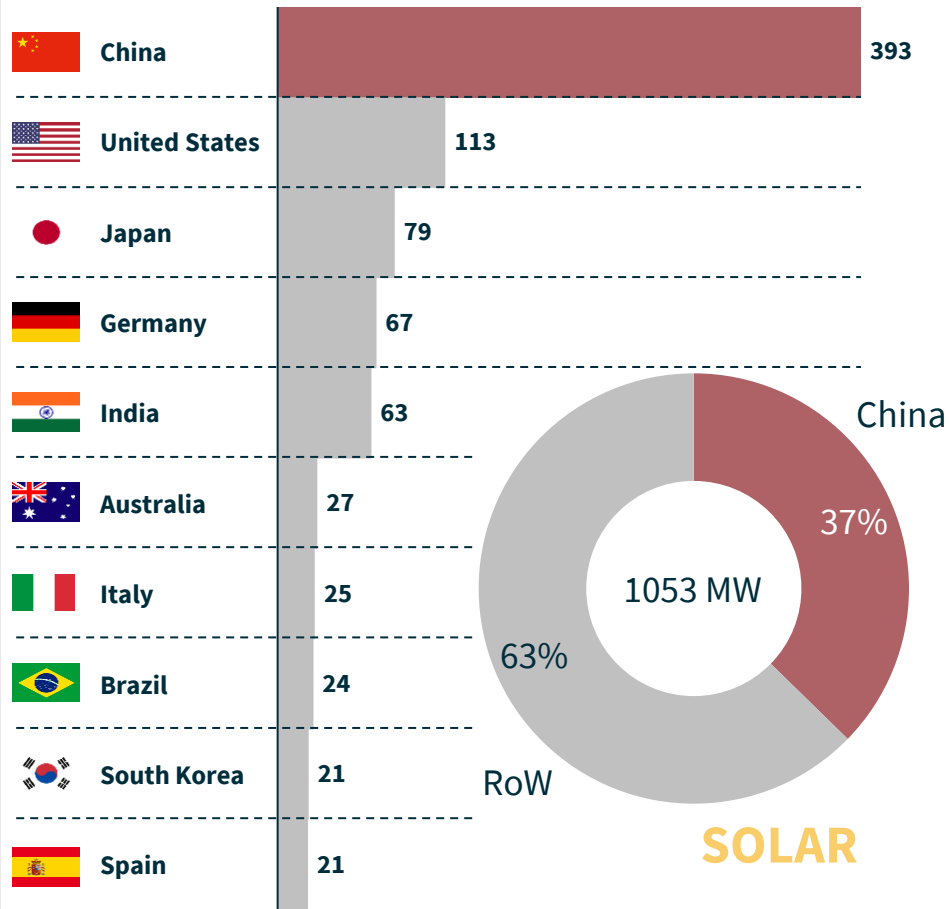
- Fully set-up green economy and clean energy system
- Energy intensity reach advanced international levels

# RENEWABLE ENERGY – CHINA IN GLOBAL COMPARISON

With massive investments in past years, China is by far first in solar and wind energy capacity supplying more than a half of global capacity in both

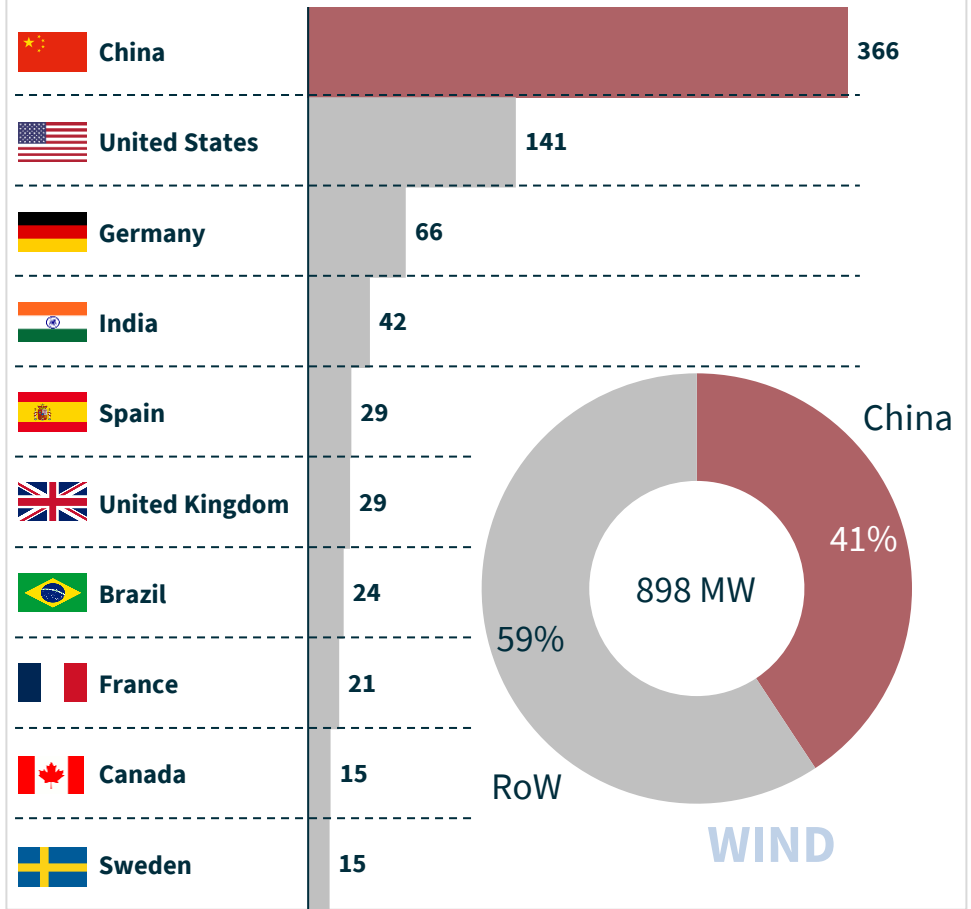
## CUMULATIVE SOLAR ENERGY CAPACITY IN 2022

(in gigawatt)



## CUMULATIVE WIND ENERGY CAPACITY IN 2022

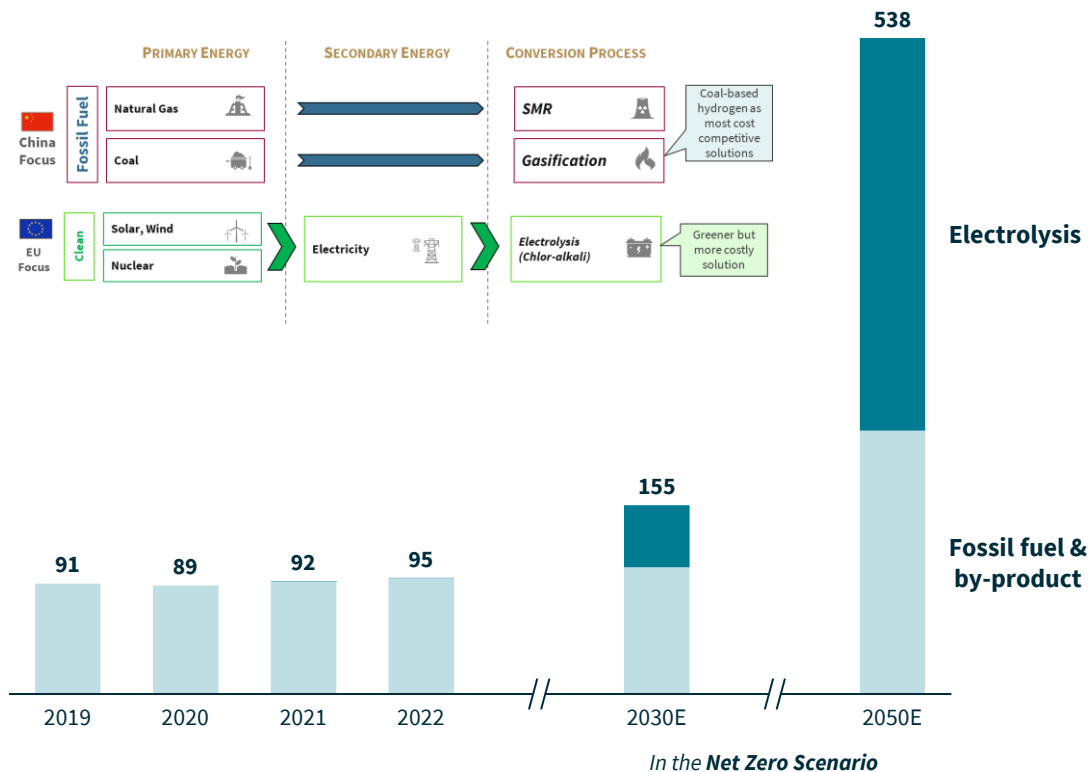
(in gigawatt)



With >30 governments having a strategic roadmap in place, hydrogen is expected to play a pivotal role to achieve ambitious net-zero emission scenario

## DEVELOPMENT OF GLOBAL HYDROGEN PRODUCTION (MIO TONS)

Currently most hydrogen produced from fossil fuel and industrial by-products (grey hydrogen and blue hydrogen), while electrolysis production (green hydrogen) will become the mainstream by 2050



## VOICE OF THE MARKET

“Sinopec strives to build China’s first hydrogen energy company by the end of the “14th Five-Year Plan” and **reduce carbon dioxide emissions** by more than 10 mio tons per year. The company will continue to **increase investment in green hydrogen** energy business and is laying out a number of **green hydrogen refining demonstration projects.**”



Chairman of Sinopec

“I believe **hydrogen is the future** because it is relatively **simple to produce**, requiring only water and electricity. Hydrogen **stores large amounts of energy** and can be **relatively easily transported**. Plus, it has a **wide variety of practical applications**, from burning directly as a fuel, or re-electrified with a generator or fuel cell, or used as a chemical feedstock for fertilizers, steel production, or synthetic fuel production.”



EVP of Siemens Energy

“Hydrogen energy is **rich, green and low-carbon, widely used**, and hydrogen energy has **high mass energy density, low storage cost** compared with electricity. It is an ideal choice for large-scale, long-cycle energy storage, **can be widely used** in transportation, industry, construction and other fields, such as fuel cell vehicles, hydrogen metallurgy and so on.”

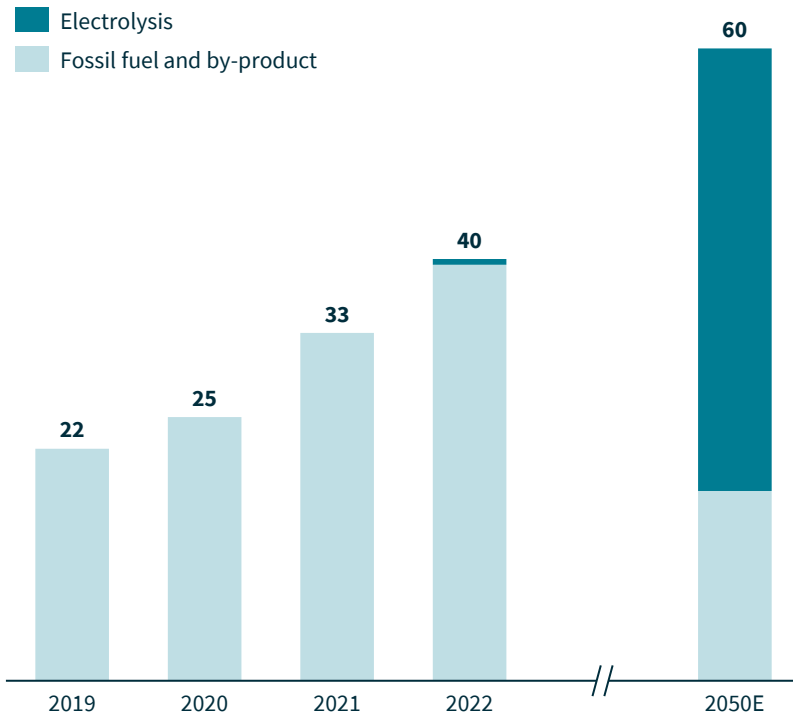


Academician of Chinese Academy of Sciences

Green hydrogen through electrolysis is also to be dominant in China in the future, in parallel electrolyser capacities are being build-up by key players Peric (ALK/PEM), Longi (ALK) and Sungrow (ALK/PEM)

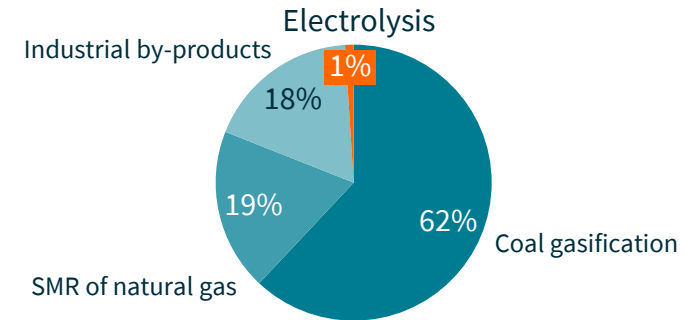
## CHINA HYDROGEN PRODUCTION (MIO TONS)

*China regards hydrogen as a strategic “frontier technology” in which it aims to become a global leader. Production mainly through coal gasification currently, but hydrogen production is expected to shift to electrolysis*

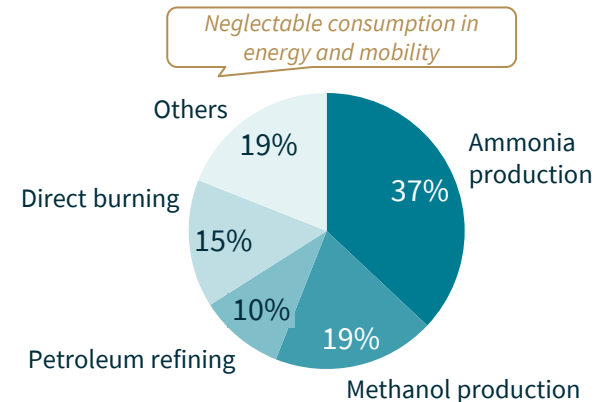


## HYDROGEN SOURCES & CONSUMPTION

### Sources of hydrogen production in China

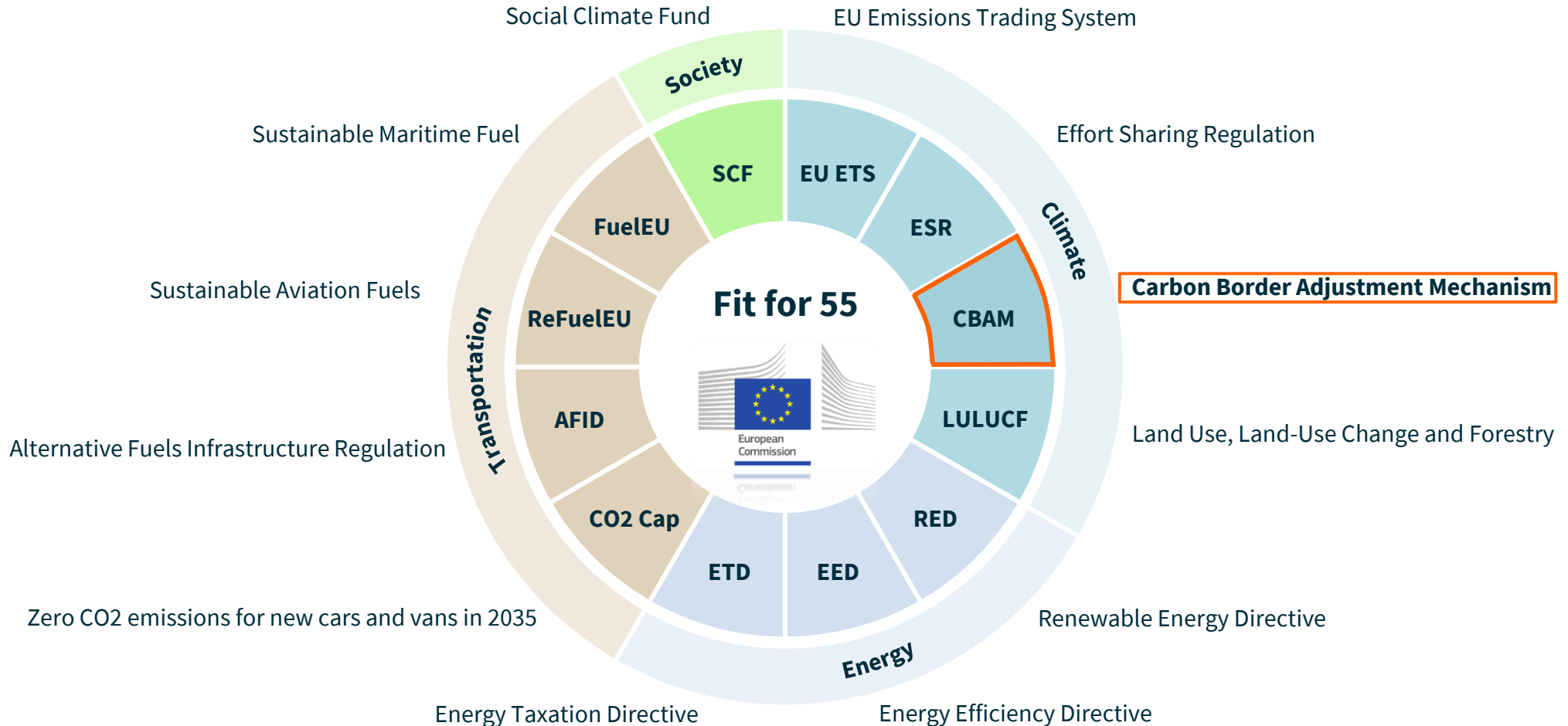


### Consumption of hydrogen in China



# EU FIT FOR 55 – IMPACT ON CHINA BUSINESS

With its “Fit for 55” to reduce -55% GHG by 2030, EU also defined ambitious carbon neutrality targets, hereof with CBAM effecting companies operating in and exporting from China



CBAM covers six industries incl. cement, electricity, fertilizer, steel, aluminum and hydrogen, and its tariffs are related to carbon emissions of imported products and EU carbon trading prices, etc.

## Industries Covered in the CBAM Draft

During the transition period, carbon accounting includes scope 1&2 emissions:



Cement



Fertilizer



Electricity Production

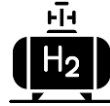
During the transition period, carbon accounting only includes scope 1 emissions:



Iron and Steel



Aluminum



Hydrogen

Other ETS<sup>1)</sup> goods incl. **organic chemicals, polymers**, etc. are expected to be included **by 2030**

## Calculation of Carbon Tariff



- Importers need to purchase CBAM certificates from EU member governments with the equivalent carbon content of their imported products (1 CBAM Certificate = 1 ton CO<sub>2</sub> eq.)

- The price of the CBAM certificate, which anchors the transaction price of allowances in the EU carbon trading market

1) Energy-intensive sector

## Calculation of Carbon Emissions from Imported Products

- Calculation formula: carbon emissions of imported products** (tons CO<sub>2</sub>) = **volume of imported goods** (tons or MWh) x **carbon emission intensity of imported products** (tons CO<sub>2</sub>/ton or tons CO<sub>2</sub>/MWh)
  - Carbon emission intensity of imported products: based on the actual average emission intensity of the exporting country
  - If there is no actual data or the actual data is unreliable, use literature data, or use the emission intensity of the 10% of the highest emission intensity among similar manufacturers in the exporting country

## CBAM Taxation Implementation Process

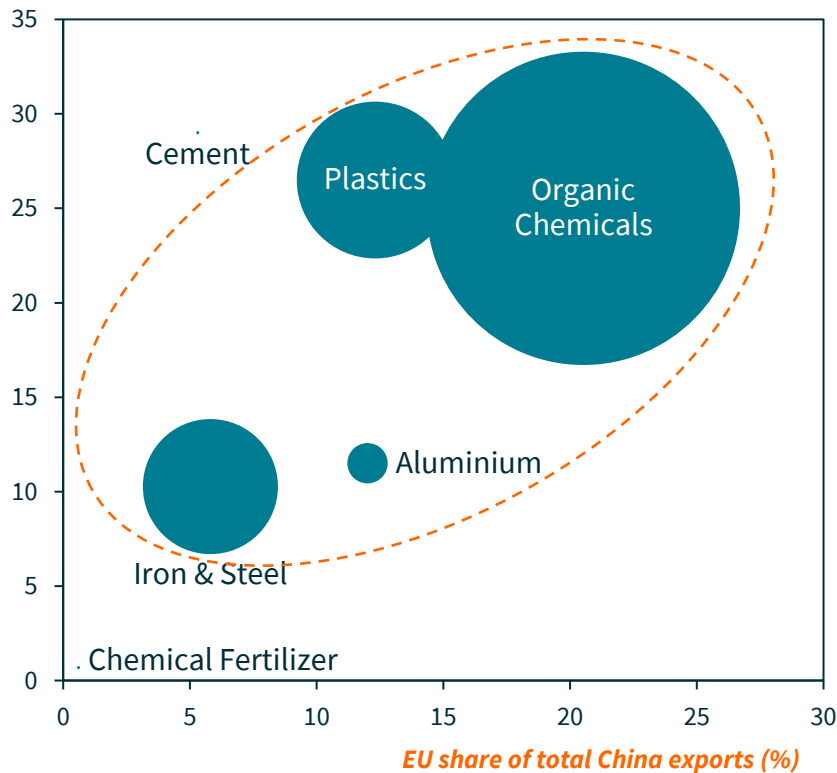
(Mainly the EU Importer Undertakes the Payment Task)



While short-term impact of CBAM on China exports is marginal, but will significantly increase in the long-term as the scope of products covered in the CBAM will widen constantly upon 2027

## EU-CHINA TRADE COVERED BY CBAM IN 2022 (IN BLN EUR)

China share on total EU imports(%)



- **China largest trading partner** of EU, and **EU** is China's **second largest trading partner** after ASEAN
  - In 2022, China's exported **626 bln EUR** to EU (YoY +32.1%), accounting for **~16% of China's total exports** and **~20.8% of the EU's total imports**
  - China's exports to the EU are mainly concentrated in industries such as **mechanical and electrical products, vehicles, textiles, metals, and chemicals**, with **machinery and vehicles** accounting for **~51%**
- **In short term**, impact of CBAM on China is still **limited**, as export value of CBAM covered products from China to EU was **20 bln EUR** in 2022, accounting for **only ~3.2% of total export value to the EU**
  - In 2022, China exported **15.1 bln EUR of steel** and **4.5 bln EUR of Al** to EU, both ranking **1<sup>st</sup>** in EU imports; fertilizer amounted to 330 mio EUR, cement 11 MEUR, H<sub>2</sub> was negligible, and no electricity to the EU
  - In transitional period of CBAM, **steel and Al** industries will be more affected, which may lead to an increase of **4-6% in cost of steel exported**, and **~5% in Al**; **Scope II** emission will also be included after 2027, and **impact on Al exports** will increase significantly
  - After transitional period, if the **scope of CBAM is extended to all sectors covered by ETS<sup>1)</sup>**, the affected trade volume of China's exports to the EU will increase to **~12% of total**, with **petrochemicals, steel, and aluminum** being the most affected
- **In the long run**, CBAM is a **dynamic and constantly expanding system** that will extend horizontally to **different industries** while vertically rooted in the entire supply chain behind the product and basic segment of production, incl. **global transportation & overseas production**

1) European Union Emission Trading Scheme



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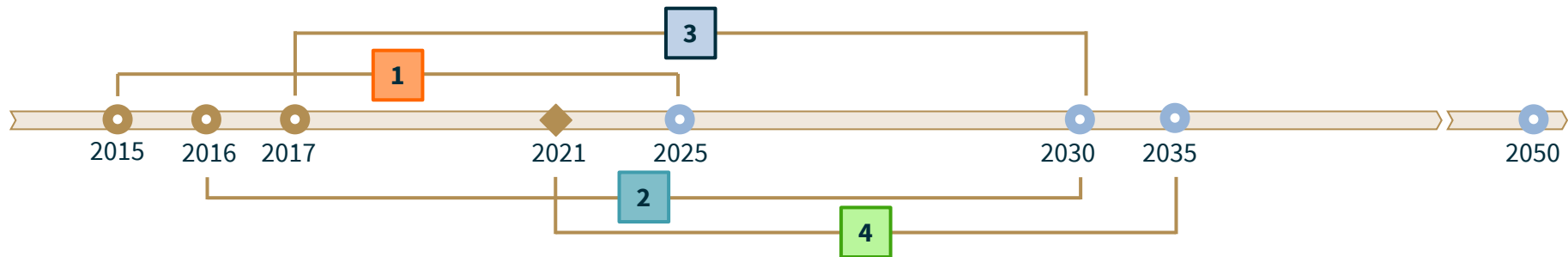


In addition to current short- and mid-term government policies, China also develops several long-term plans related to innovation

**1 Made in China 2025 (2015-2025)**

**3 New Generation AI Development Plan (2017-2030)**

- **Overall objective:** Become a world innovation hub and technology lead of AI in 2030
- **Main contents:** 1) promote basic AI science research 2) develop generic technology for AI industry 3) supporting hardware/ software platform for AI technology 4) relevant infrastructure built-up



**2 Outline of National Strategy of Innovation-Driven Development (2016-2030)**

- **Overall objective:** Become a leading innovation-driven country in 2030 and an innovation superpower in 2050
- **Main contents:** 1) build competitive advantages in various industries 2) promote innovation in basic technologies 3) build regional innovation clusters 4) start megaprojects in some high-tech fields
- **Key technologies in-scope:** fuel cell, NEV, wind power, cyber security, automation and intelligent manufacturing

**4 14<sup>th</sup> Five-Year-Plan & Long-Term Plan 2035**

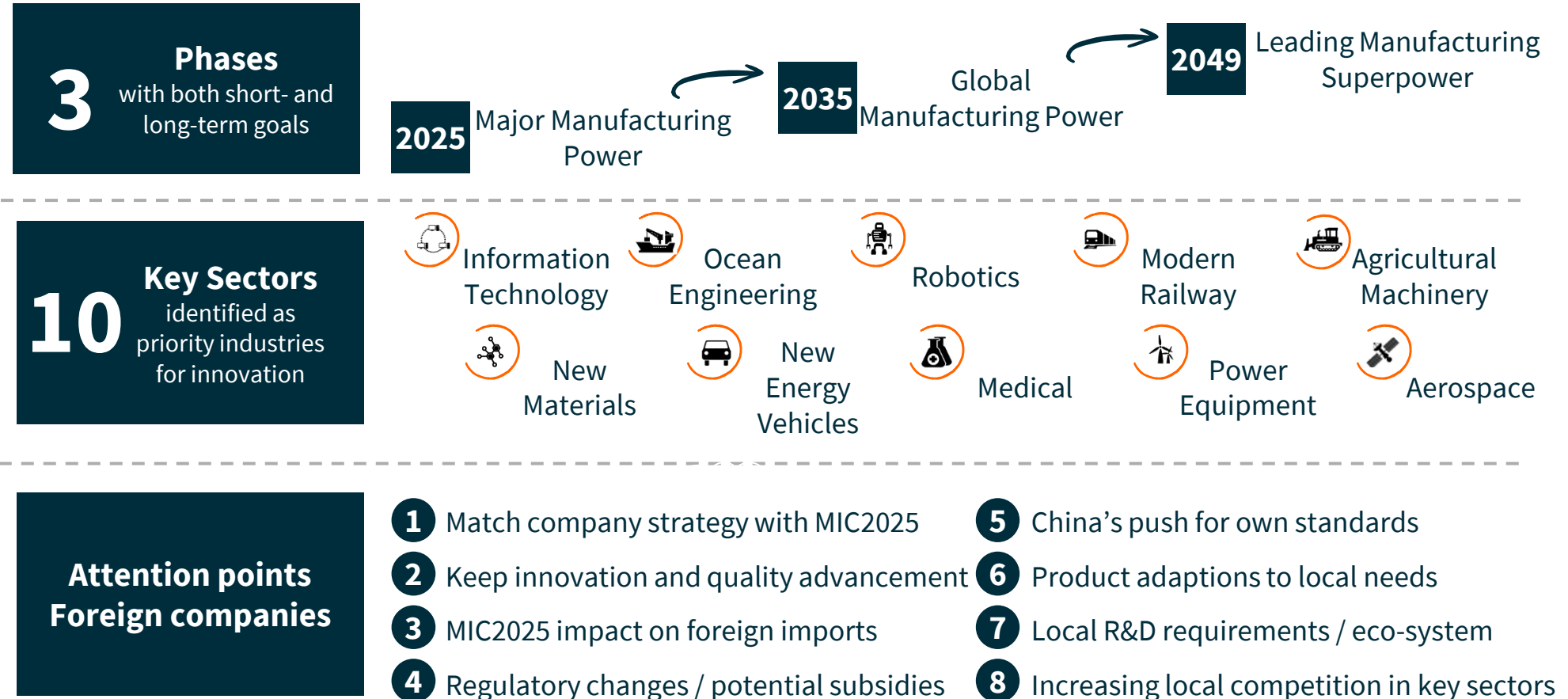
- A continuous version of 13<sup>th</sup> Five-Year-Plan (2016-2020)
- Focus less on quantitative GDP growth number and more on qualitative social fair and environment

# MADE IN CHINA 2025 – ONLY THE FIRST STEP

China is still pursuing its long-term strategy to achieve self-sufficiency in key industries – foreign companies urged to revisit and match their China strategy to stay in the game

## MADE IN CHINA 2025 AT A GLANCE

(formulated in 2015)



China has already taken the lead in various industry areas such as e-commerce, e-mobility, high speed trains and photovoltaic – in parallel number of China’s unicorns constantly increasing

## 10 Global Leading Sectors/Industries of China



5G



Mobile Payment



New Energy Vehicles



Aerospace



Photovoltaic Panel



Quantum



E-commerce



Artificial Intelligence



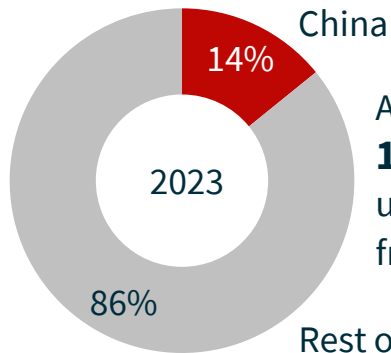
Gene Sequencing



High Speed Rail

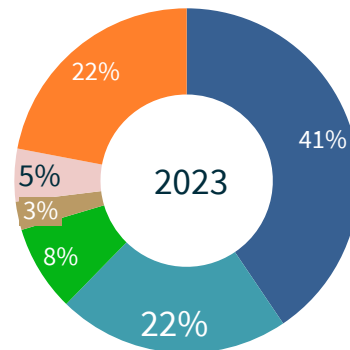
## Unicorns

### CHINA Unicorns (2023)



As of Oct. 2023,  
**172** out of 1,214 unicorns are from **China**

### CHINA Unicorn Company Valuation By Industry























- Media & Entertainment
- Consumer & Retail
- Enterprise Technology
- Financial Services
- Healthcare & Life Science
- Industrial

**USD 649 bn** of total China unicorn companies' valuation





With effects of continuously reinforced investment and government supports, China’s innovation ranking climbed up from 12th to 11th in 2022

## RANKING 2022 vs 2021

COUNTRY	Ranking 2022	Ranking 2021
Switzerland 	1 	1
US 	2 	3
Sweden 	3 	2
UK 	4 	4
Netherlands 	5 	6
Korea 	6 	5
Singapore 	7 	8
Germany 	8 	10
Finland 	9 	7
Denmark 	10 	9

COUNTRY	Ranking 2022	Ranking 2021
China 	11 	12
France 	12 	11
Japan 	13 	13
Hong Kong 	14 	14
Canada 	15 	16
Israel 	16 	15
Austria 	17 	18
Estonia 	18 	21
Luxembourg 	19 	23
Iceland 	20 	17

## RANKING 2022 vs 2018

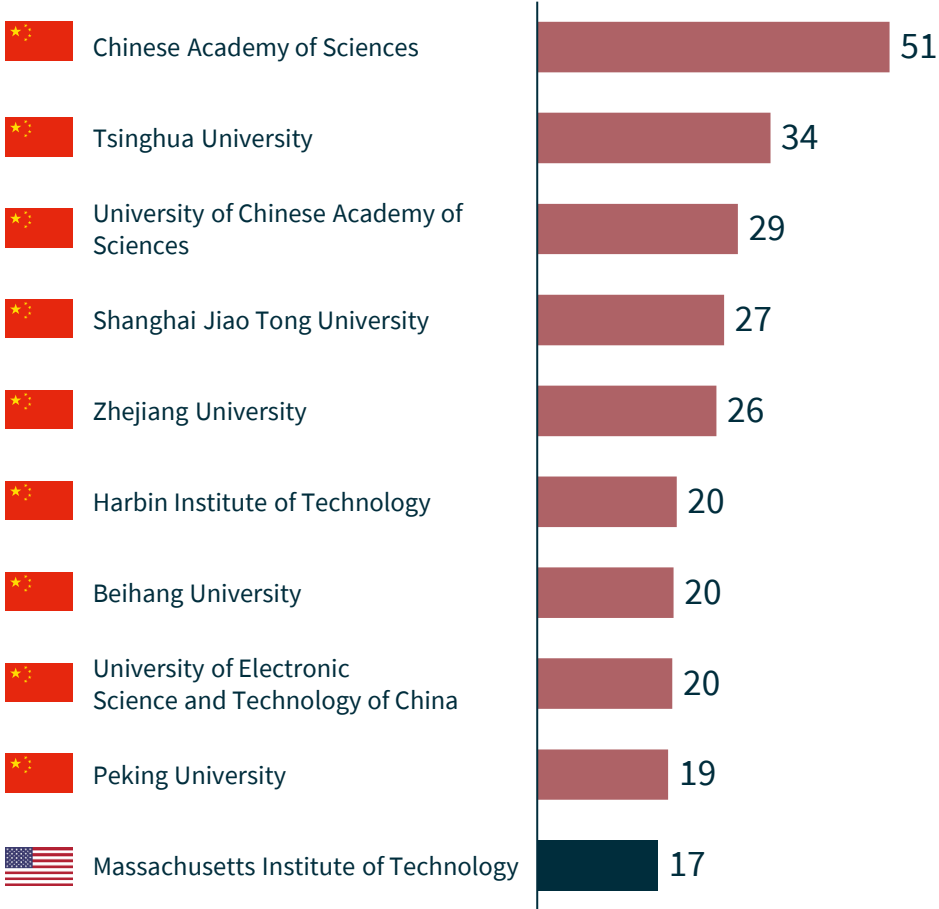
COUNTRY	Ranking 2022	Ranking 2018
China 	11 	27
India 	40 	63
Indonesia 	75 	85



Out of the top 10 publishing institutions on AI in 2021, 9 are coming from China—in private AI Investments from 2013-2022, China (USD 95.1 bn) is taking the second place after USA (USD 248.90 bn)

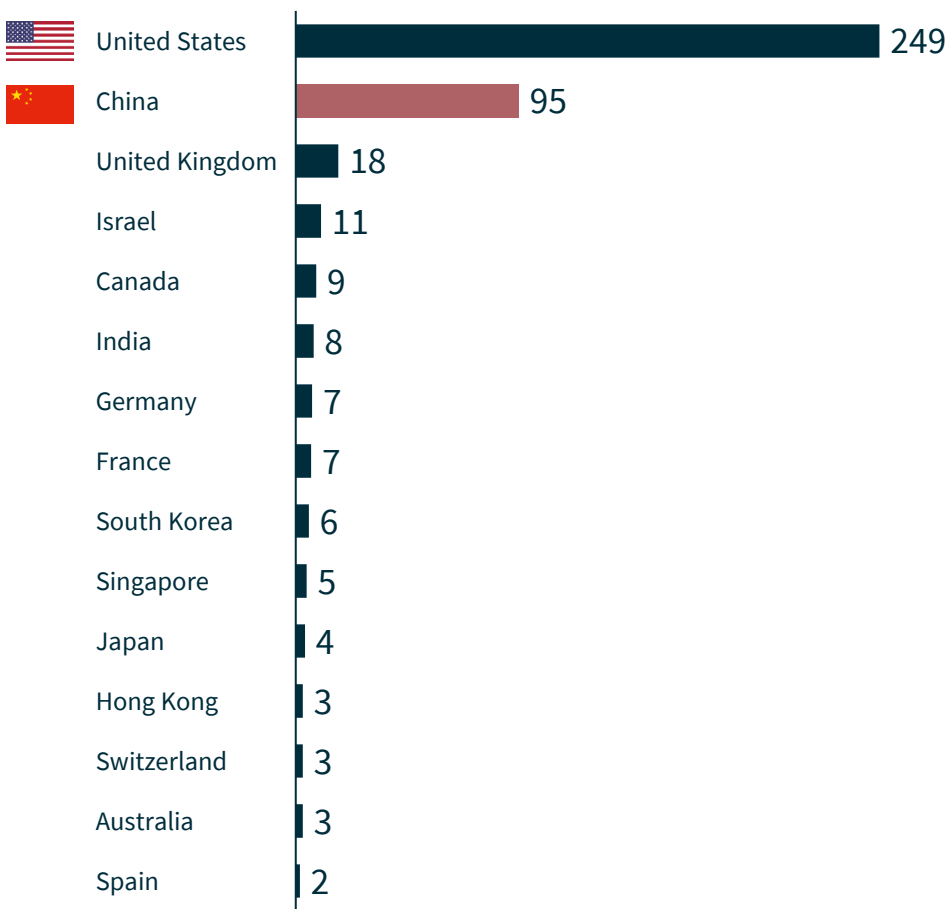
### TOP PUBLISHING INSTITUTIONS IN 2021

(in number of Ai publications; in hundreds)



### PRIVATE INVESTMENT IN AI 2013-22

(in bn USD)

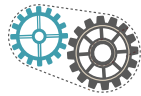
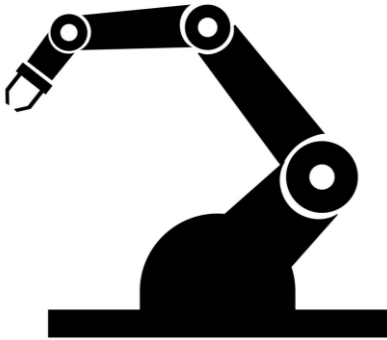


“14th Five-Year Plan” for robotics industry reveals Chinese government ambitious targets to improve competitiveness and R&D capabilities of local companies



## IMPROVE LOCAL COMPETITIVENESS BY 2025

- **Robot density<sup>1)</sup> in manufacturing industry** targeted to rise to ~490 units, twice the size of 2020
- Become global robotic **technology innovation** cradle and **high-end manufacturing** center
- **Realize 20%** annual revenue growth rate in average before the end of “14<sup>th</sup> Five-Year Plan”
- **Build 3-5 industrial clusters** with international influence in China



## ENHANCE R&D CAPABILITY

- Breakthrough in robotic **core technology and high-end products**
- **Functions of core components and reliability** reach the level of global peers
- **Establish innovation eco-system**, enhance functions of robotic engineering centers
- **Strengthen tax and financial supports** for national science and technology projects

## REALITY CHECK: rapid growth in terms of both market size and technology

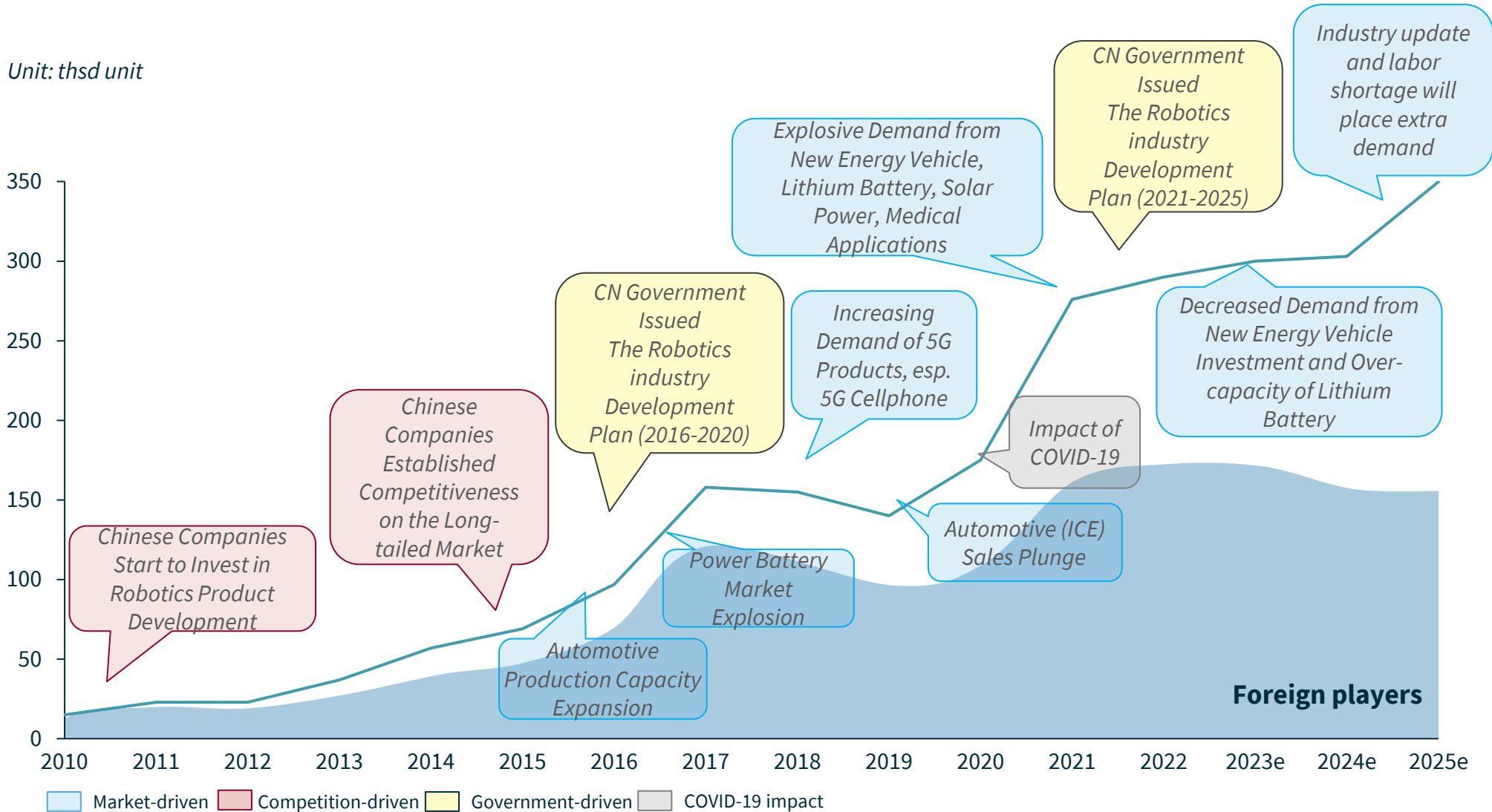
- Robot density<sup>1)</sup> in manufacturing industry reached **246 units** in 2020, **322 units** in 2021
- Market size of industrial robot **exceeded 100 bio RMB** in 2020
- Since the issue of “**13<sup>th</sup> Five-year Plan**” market size of robotic industry has realized **CAGR+15%**
- Technical performance improving, **some breakthroughs were achieved** in motion control, servo drive, high-precision reducer

1) the number of robots installed per 10,000 employees

# CHINA ROBOTIC INDUSTRY – MARKET DYNAMICS

Chinese robotics market with significant growth until 2022 driven by government policy and market demand from new energy vehicle, power battery, solar power, etc.



Unit: thsd unit












**Foreign players**

# CHINA ROBOTIC INDUSTRY – KEY LOCAL PLAYERS

ESTUN and INOVANCE remain leading positions in China, and Efort catches up with significant growth in industrial robot output in past 2 years

2020			
No.	NAME	INDUSTRIAL ROBOT OUTPUT (UNIT)	REVENUE <sup>1)</sup> (M EUR)
1		5,500	331
2	INOVANCE	4,000	1,517
3		3,100	19
4		3,100	33
5		3,000	8,520
6		2,500	23
7		2,300	132
8		2,100	149
9		1,800	174
10		1,500	20

2022				RANK 2022 vs. 2020
No.	NAME	INDUSTRIAL ROBOT OUTPUT (UNIT)	REVENUE <sup>1)</sup> (M EUR)	
1		17,000	511	▶
2	INOVANCE	16,000	3,013	▶
3		6,500	175	▲
4		5,600	408	▶
5		4,500	11,589	▶
6		4,500	37	▲(new)
7		4,400	33	▼
8		4,000	46	▼
9		3,500	33	▲(new)
10		3,200	37	▶

1) Total revenue incl. robotics and other business

2) ADTECH is a subsidiary of STEP



China's robotics industry has formed a full value chain by now and is moving from local substitution to overseas expansion



## INCREASED LOCALIZATION RATIO

With the continuous growth of China's robot market, domestic players among the value chain **keep investing in R&D and innovation** which **helps in solving challenges from reducers, controllers, servo motors, increasing localization ratio**



## ROBOT BECOMING MORE EFFICIENT AND SMARTER

“5G” provides high-speed network support for industrial robots to **"connect"** and **"go to the cloud"** and **"Big Data"** helps to **monitor efficiency** and **diagnose potential failure cause**, **"AI"** with machine learning **makes robots smarter**



## RAPID GROWTH IN COLLABORATIVE ROBOT

Degree of **human-machine collaboration** continues to **deepen**, collaborative robots become the focus - several **Chinese companies received over RMB 100 mio/ EUR 13 mio of financing** in recent years



## FURTHER INCREASED FOCUS IN PHOTOVOLTAICS, LITHIUM BATTERY AND SEMICONDUCTOR INDUSTRY

**Photovoltaics, Lithium battery** and **semiconductor** application drive market demand, and local players accelerate penetration via **local supply chain** and **flexible pricing strategy**



## ACCELERATED OVERSEAS EXPANSION

Leading Chinese players try to explore overseas market via **establishing R&D centers, acquiring overseas enterprises, conducting strategic cooperation** with overseas companies, and **exporting products**

Chinese technology companies have recently introduced smart and automated manufacturing systems, that help to save cost, shorten lead times and increase flexibility

## XIAOMI SMART FACTORY

- **Smart Mobile Phone Factory powered by 5G and Artificial Intelligence**, with size of 18,600 square meters
- Equipped with a **fully automated (“black light”) production line** spanning processes from production management to machine processing, packaging and storage
- Capable of producing **>1 million smartphones a year** (focus on Xiaomi’s high-end premium smartphones)
  - Factory will be also used for testing cutting edge materials, technologies, & manufacturing process, as well as, for pre-research projects, and automation equipment R&D
- Next expansion phase expected in around three years

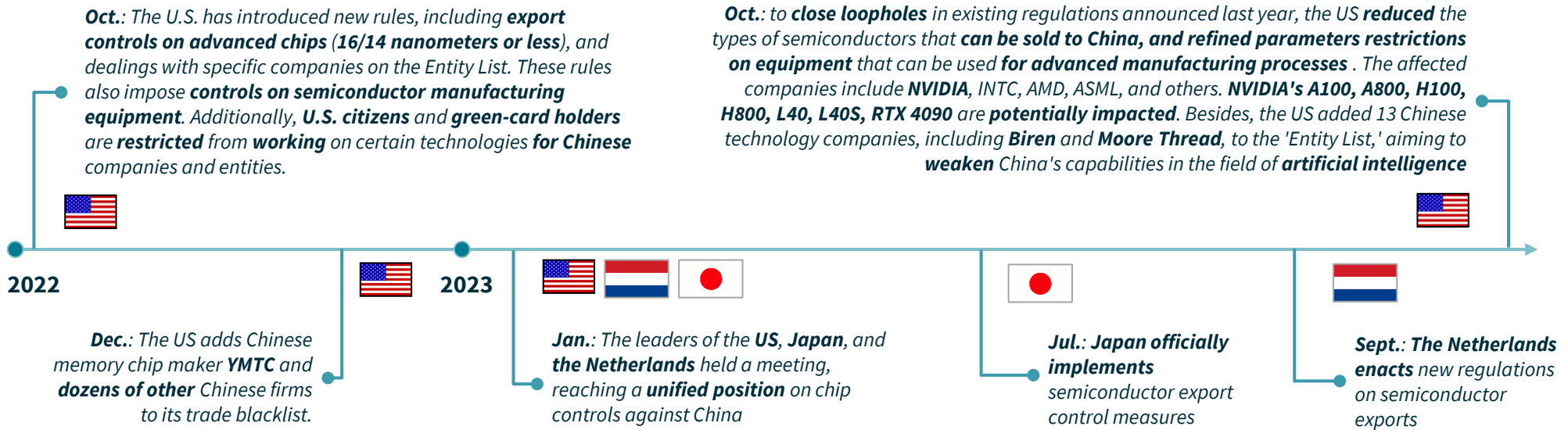


## **Alibaba. RHINO** SMART MANUFACTURING



- **Fully digitized facility leveraging intelligent manufacturing and automation** that gives micro garment merchants fast-fashion speed:
  - Raw materials are all coded and assigned with a unique ID, along with a QR code
  - Cutting, sewing, and printing machines are connected to digital systems, utilized to plan, manage and track the entire production process
  - Automated guided vehicles, pick-and-place robotic arms, and conveyor belts are used to transport materials to workers around the plant
- Allows merchants to order as few as **100 pieces**, with a **lead time of 10 days**
- **Tangible achievements:**
  - Reduced need to hold inventory by 30%
  - Shortened the delivery time by 75%
  - Cut water consumption by 50%

Latest US ban in 10/2023 primarily impacts supply of high-performance AI computing chips to China, in the mid-to-long term, it will affect the progress of China's mid-to-high-end AI server market




## TIMELINE



## IMPACT

-  **Restricting advanced processes but not mature processes** (with 28 nm or above), to maintain U.S. technological leadership, and minimize impact on commercial trade unless necessary
-  **Impacting supply of high-performance AI computing chips in China**, it is expected to have a medium to long-term **effect on the progress of the Chinese high-end AI server market**

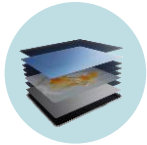
## OPPORTUNITIES

-  **Providing market room and concentrated resources to domestically developed advanced AI chip enterprises** that do not rely on imported technology
-  The strategy of “**domestic substitution**” for computational chips may give way to a “**domestic breakthrough**”, as **Huawei Kirin 9000s** used in **Mate 60 Pro**
-  **Stimulate self-sufficiency rate for chips**



## Huawei and SMIC have developed a cutting-edge 7-nanometer processor for their latest smartphone, signaling China’s early success in overcoming US efforts to restrict their chip technological advancements

### HUAWEI MATE 60 PRO



**ATG | 鑫景**

**Kunlun Glass**, provided by a domestic supplier **ATG**, surpassing Corning’s Gorilla Glass with strength & durability



**OFILM**

**Camera modules** by local brand **OFILM**, a former supplier to Apple, equipped with **48 million** ultra-macro telephoto camera,



**SMIC**

**KIRIN 9000S** chip with **7nm** technology and **5G** connection, supplied by **SMIC**



**CEIC**

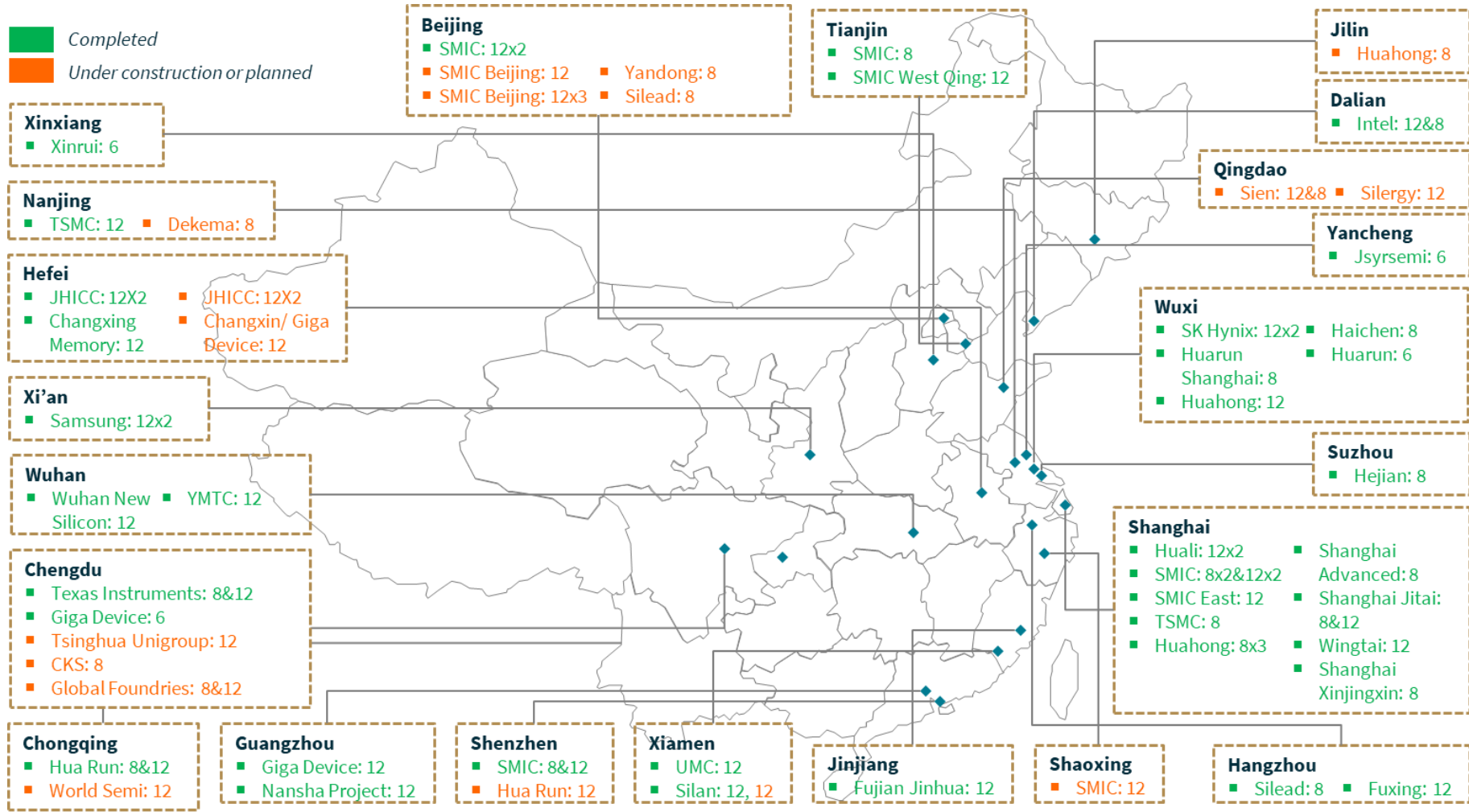
**Tiantong Satellite Call** customized by a research institute under **China Electronics Technology Group**

### EAC COMMENT

- A teardown conducted found the **majority of components** in Huawei’s Mate 60 **were made in China**
- The new **Kirin 9000s chip** that was **fabricated in China by Semiconductor Manufacturing International Corp. (SMIC)**, and the processor is the first to utilize SMIC’s most advanced **7nm technology** and suggest the Chinese government is making some headway in attempts **to build a domestic chip ecosystem**
- **Many similarities** in process technologies, designs and innovations **between SMIC 7nm** and Taiwan Semiconductor Manufacturing Company (**TSMC**) **7nm**, However, when compared with **TSMC**, which took **three years** from 16nm to 7nm with an intermediate 10nm and **Samsung**, which took **five years** from 14nm to 7nm with an intermediate 10nm, it is a **notable achievement for SMIC** to take **only two years** to reach 7nm **without access** to the most **advanced western equipment & technologies**

# CHINA REACTIONS IN MATURE PROCESS

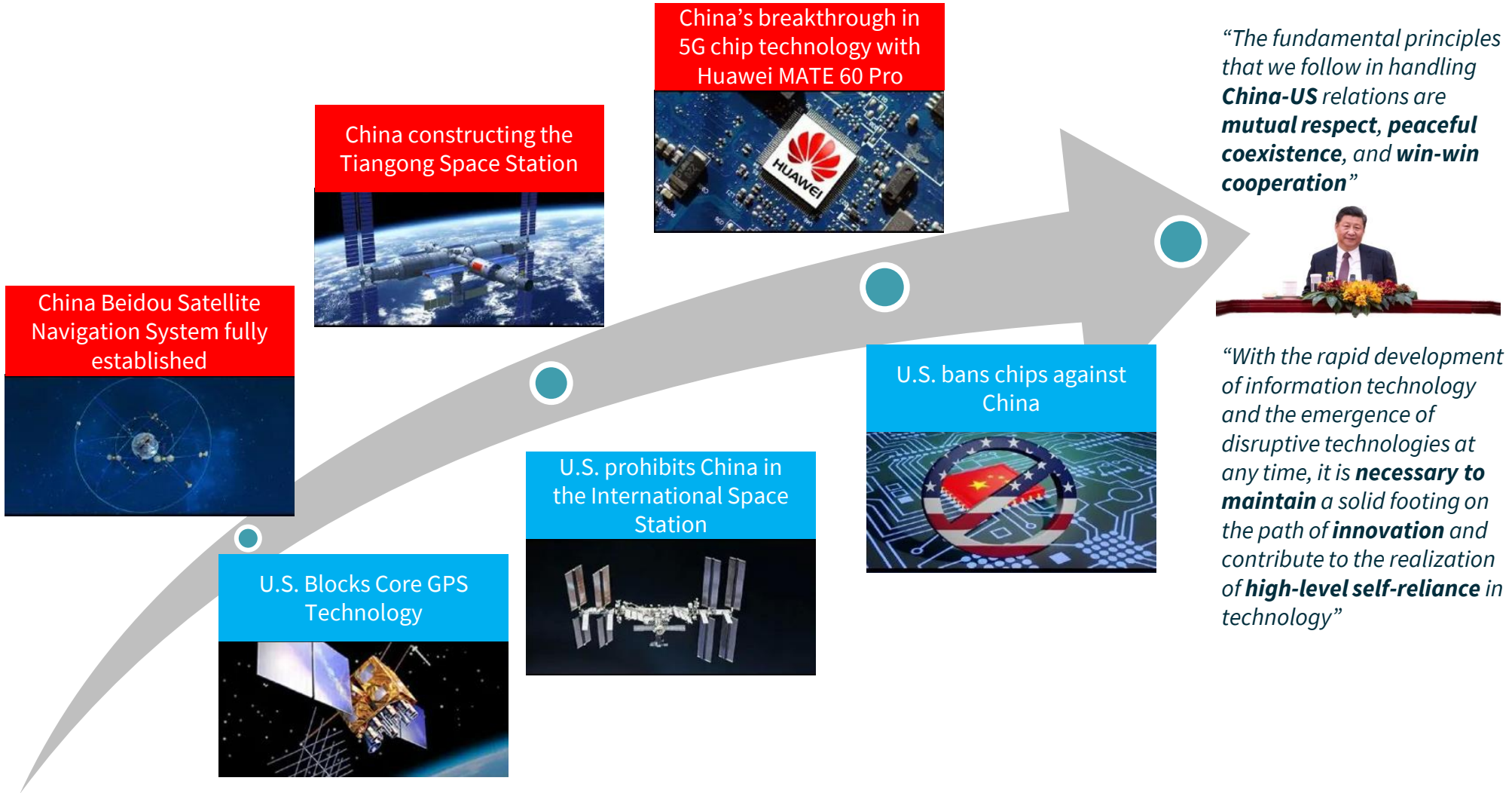
To diversify supply chains and pursue self-sufficiency, China's number of wafer fabs has reached 44, with an additional 32 planned for future expansion, primarily focusing on mature processes (>28nm)



6, 8, and 12 refers to wafer size in inch

# OUTLOOK & ROAD AHEAD

China will continue its journey with a solid footing on the path of innovation and contribute to the realization of high-level self-reliance in technology



*“The fundamental principles that we follow in handling **China-US** relations are **mutual respect, peaceful coexistence, and win-win cooperation**”*



*“With the rapid development of information technology and the emergence of disruptive technologies at any time, it is **necessary to maintain** a solid footing on the path of **innovation** and contribute to the realization of **high-level self-reliance** in technology”*



A. Editorial

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1. The Big Picture: Key Economic Indicators
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3. International Relations

C. Foreign Business in China: Opportunities & Challenges

D. Selected Trends Shaping Current and Future China Business

1. The New China Playbook – Enabling Successful Business Model Transformation
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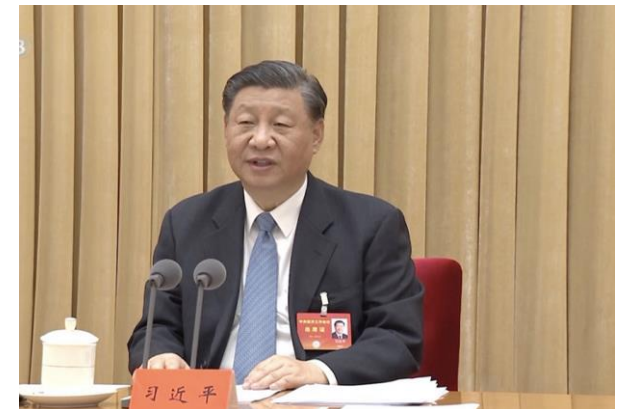
**E. Outlook & Key Attention Points for 2024**

F. EAC in 2023: Highlights & Service Offerings

During this meeting held on 11<sup>th</sup> & 12<sup>th</sup> December 2023, it has been addressed again “the fundamental trend of the economic recovery and long-term positive outlook has not changed”...

## CONCLUSION OF YEAR 2023

- Economy has achieved **solid recovery** and been advancing towards **high-quality** development in this 1<sup>st</sup> year after COVID period
- Current **key challenges**
  - Effective demand not sufficient
  - Overcapacity in some industries
  - Market expectations on the outlook relatively weak
  - Existing and hidden risks (real estate, local government’s debt and small & medium financial institutes)
  - Bottlenecks in domestic circulation system
  - Increasingly complicated and uncertain external environment
- Overall, **favorable conditions outweigh unfavorable factors** in China's development, and the **fundamental trend** of the economic **recovery** and **long-term positive outlook** has **not changed**. **Strong confidence** is **urged**
  - Enhance **consistencies in macro-policy** orientation, incl. fiscal, monetary, employment, industries, regions, science & technology, environmental and non-economics, etc.
  - More policies to be released to **stabilize expectations, growth and employment**
- Stick to **high-quality development** while **keeping high stability, coordinate** reforms at **supply** side and expansions at **demand** side



Annual Central Economic Work Conference  
Beijing, 11<sup>th</sup> & 12<sup>th</sup> December 2023



... overall guideline and priorities in 9 aspects for the economic work in 2024 have been defined –  
“High-quality development” has been emphasized

## ECONOMIC WORK IN 2024

- Guideline – **“Pursue Development while Ensuring Stability, Improve Stability through Development, and Establish the New before Abolishing the Old”**  
**“稳中求进，以进促稳，先立后破”**
  - **Active fiscal** policies should be more **effective**
  - **Stable monetary** policies should be more **flexible** and **accurate**

## PRIORITIES IN 9 ASPECTS

1. **Sci-tech innovation** should lead the development of a **modern industrial system**
  - ▶ **Key industries AI, bio-manufacturing, commercial aviation, low altitude economy (drone technology); New industries such as Quantum and life science, etc.**
  - ▶ **Resilient and safe industrial value chain and supply chain**
  - ▶ **Digital and intelligent tech, green tech, enhance upgrade traditional industries**
2. More should be done to **expand domestic demand**
  - ▶ **Consumption of high-priced products such as NEV and electronics**
  - ▶ Digital, green and healthy consumption in new markets in **smart home, cultural and entertainment tourism, sports events, domestic “trendy products”**
  - ▶ **Consumer goods upgrade and trade-in** based on high-tech, energy consumption and emission standards
3. Reforms in key areas should be deepened
  - ▶ Accelerate the development of a **unified national market** and reduce logistics costs
4. **High-standard opening-up should be enhanced**
  - ▶ **Relax market entry** for service industries such as **telecommunications** and **healthcare for foreign** companies
  - ▶ Benchmark with international high standard economic and trade rules, address issues such as **cross-border data flow** and **equal participation in government procurement**
  - ▶ **Stabilize and improve** foreign trade and **foreign investment**, build up **branding “Investment in China”**
  - ▶ **De-bottleneck** the barriers for foreigners to do business, study and travel in China
5. **Risks in key areas covering real estate, local government’s debt and small & medium financial institutes** should be **prevented and defused** continuously and effectively
6. Sustained efforts for the work related to agriculture, rural areas and farmers
7. Integrated and coordinated urban-rural, regional development (**smart cities, marine economy**)
8. Further promote **ecological conservation** and promote **green and low-carbon development**
9. Solid efforts should be made to secure and improve people’s living

# OUTLOOK – MAJOR EVENTS & ACTIVITIES 2024

In 2024, important events are annual political meetings and several national level fairs

## MAJOR EVETS AND ACTIVITIES IN CHINA 2024

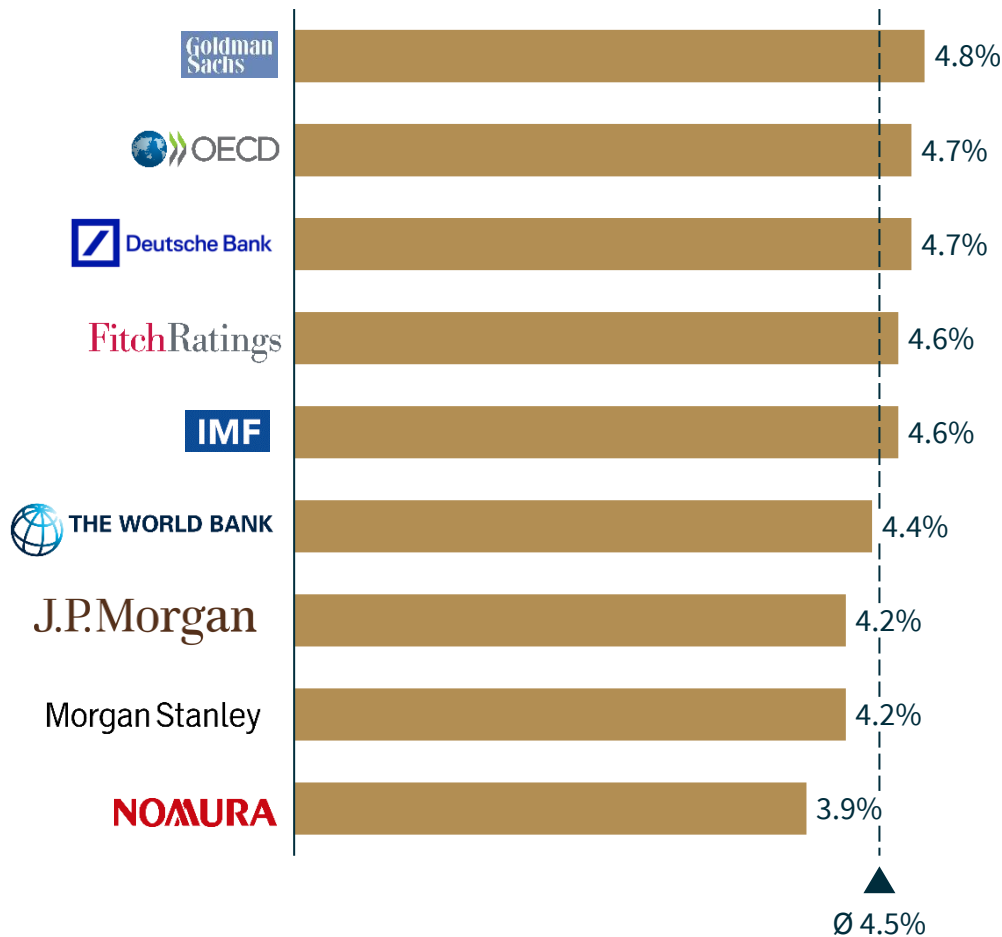


Source: EAC research

Major financial institutions forecast GDP growth to level at 4.5% in 2024, in line with China’s balance between growth & stability, risks remain in real estate, international trade and local government debts

## 2024 CHINA GDP GROWTH FORECASTS (% YOY)

as of Dec. 2023



## HEADWINDS FOR CHINA GROWTH

### Struggling property sector

- With real estate contributing a significant share to GDP, effective policies to stabilize the sector remain crucial

### Local debt challenge

- Mounting debt pressure on local government, may further hinder crucial investments to vitalize economy

### Over-capacities in important industries

- Key industries still struggling with over-capacities (e.g. automotive, battery) with impact on slower industrial demand and consolidation

### Global market impacts

- Global growth to remain modest, partly fear of recession, with subdued export demand
- Higher interest rates in other markets such as US, potentially leading to capital flow out of China

### Geo-political tensions

- Pivotal elections across major global powers may lead to further rising of global tensions, hence trade sanctions and technology bans



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# EAC HIGHLIGHTS – EAC SHANGHAI MOVED!

## EAC Shanghai moved from Changning to Xuhui district – continuing to serve our clients with the same quality from another location



In China, EAC embarked on a new chapter in its journey. We're thrilled to announce that we will be relocating from our current office at Sunyoung Center 舜元企业发展大厦, Changning District, to a brand-new, state-of-the-art location.

From September 2023 onwards, we proudly serve you from our new address at Ascendas Plaza 腾飞大厦, nestled in the vibrant heart of Shanghai, Xuhui. This strategic move signifies an important milestone for EAC, underlining our commitment to innovation, accessibility, and enhanced collaboration.

Our dedication to providing exceptional consulting services remains unchanged. With this move, we aim to take our capabilities to new heights, fostering an environment that fosters creativity, teamwork, and efficiency.



We extend our heartfelt gratitude to each and every one of our clients, partners, and followers. We invite you to join us in this exciting transition, as we look forward to welcoming you to our new office space at Ascendas Plaza.

Our new address:

Room 1902, Ascendas Plaza, 333 Tian Yao Qiao Road, Xuhui District, Shanghai, 200030, China

上海市徐汇区天钥桥路333号腾飞大厦19楼02室, 200030

We continued to regularly publish in-depth industry reports and client briefings



**YOUR PARTNER ON THE GROUND:**  
EAC's CHINA INTERIM MANAGEMENT SOLUTIONS



**Steer your China business with "on-demand talents"**

Businesses operating within China's highly dynamic market environment require skilled executives on short notice. Interim leaders and project managers experienced in multiple sectors and disciplines, can take responsibility for delivering results, offer independent expertise, and handle a range of key strategic and tactical interventions.

[READ ONLINE](#)



**China's Vow to Attract Foreign Investment**

**China's New 24 Points Policy: Opinions of the State Council on Further Optimizing the Foreign Investment Environment and Increasing the Attractiveness for Foreign Investment.**



**Push Forward to Attract and Utilize Foreign Investment**

To enhance its openness to the global market and refine its economic system, China has released 24 directives aimed at enhancing the foreign investment environment. We explain what the individual directives mean and what opportunities they present for you.

[READ ONLINE](#)



**Seizing the EV Lithium Battery Market**

**Act proactively when new opportunities arise...**

Electrification of transportation has also witnessed fierce competition within the lithium battery sector, requiring industry players to act proactively and position themselves strategically to capture a significant share of this burgeoning market.



**To prepare for the new trend!**

It involves strategic planning and actions aimed at capitalizing on the growing electric vehicle market. Get insights from EAC's investigation on how to position your business to thrive in the European EV lithium battery market and contribute to the sustainable future of electric mobility in the region.

[READ ONLINE](#)

Businesses operating within China's highly dynamic market environment require skilled executives on short notice. Interim leaders and project managers experienced in multiple sectors and disciplines, can take responsibility for delivering results, offer independent expertise, and handle a range of key strategic and tactical interventions.

Chinese government has re-emphasized its propositions to further optimize the foreign investment environment and increase the attractiveness for foreign investment:

- ❖ Establish a more favorable investment climate for foreign investors
- ❖ Re-bolster foreign enterprises' confidence in investing in China

Electrification of transportation has witnessed fierce competition within the lithium battery sector, requiring industry players to act proactively and position themselves strategically to capture a significant share of this market.

To be prepared strategic planning and actions aimed at capitalizing on the growing electric vehicle market are crucial.

# EAC HIGHLIGHTS – ACTIVE PARTICIPATION IN CONFERENCES



**Automechanika Shanghai: Shenzhen Edition, Feb | 2023**



**China Sourcing Summit Petro & Chemical Equipment, Mar | 2023**



**CEATEC Summit “New Energy Vehicles Going Global, Apr | 2023**



**CBAM and Strategic Implications Chinese Exporters, Apr | 2023**



**CIBF Insights European Power Battery Industry Chain, May | 2023**



**CADA Chinese Auto Dealers' Global Business, May | 2023**



**Changzhou Int'l New Energy Industry Conference, Jun | 2023**



**2nd China EV High Voltage Systems Summit, Jun | 2023**



**VDMA Summit: China's Roadmap to Carbon Neutrality, Sep | 2023**



**Smart Energy Forum: New Energy Vehicle Prospects in EU, Nov | 2023**



**Hangrohe Event: New Realities – New China Playbook, Nov | 2023**



**Automechanika Shanghai: Chinese OEMs Going Global, Nov | 2023**

Focus in 2023: build-up of strong local automotive industry network to support clients during project execution and provide market insights, best practices and lesson learned

CIAPS



*CIAPS (China Industrial Association of Power Sources)* under direct guidance of the Ministry of Information and Technology is a national, industry focused association **comprising vast resources and leading enterprises in the Chinese battery industry** and supports technology upgrades and internationalization.

CATARC



*China Automotive Technology & Research Center (CATARC)* is a well-established research institute **providing technical automotive industry research, policy and regulatory advisory to the Chinese government** and car testing services to large OEMs in domestic market and overseas.

CCCME



*China Chamber of Commerce for Import and Export of Mechanical and Electrical Products (CCCME), Automobile Branch* is responsible for **formulating and executing strategies for import and export of the automobile industry**. Members of the Automobile Branch are the leading domestic automotive OEMs and component suppliers.

CHINA EV 100



*China Electric Vehicle 100 Association* is a renowned domestic industry think tank which **promotes the electrification of automotive industry and realizes the coordinated development of green mobility and energy roadmap**. EAC supports the international co-operation between leading electric mobility players and technology transformation roadmap.

CADA



*The China Automobile Dealers Association (CADA)* is a well-known collaboration platform for the automobile industry in China. Covering passenger vehicles, commercial vehicles and new energy vehicles, **CADA supports the build-up of international dealership networks**. EAC supports OEMs and vehicle dealers to explore overseas markets.

CEATEC



*The China-Europe Association for Technical and Economic Cooperation* is mandated and organized under the China Ministry of Commerce and is dedicated to promote trade and commercial ties between China and Europe. **EAC will work together with CEATEC to enhance economic and technical cooperation** in the automotive industry between Europe & China.



With a clear vision we provide first-hand know-how and experience with the highest standard – we work with culturally mixed teams to achieve maximum results in our offices around the globe

## > 100 EXPERTS IN OUR OFFICES IN...



- Munich
- Shanghai
- Mumbai
- Kuala Lumpur
- New York

## EXPERTISE IN Global MARKETS



- China
- India
- Southeast Asia
- Western Europe
- Central Eastern Europe
- Americas

## FUNCTIONAL COMPETENCIES



- Strategy
- M&A
- Operational Excellence
- Sustainability

### LONG-TERM MANAGEMENT EXPERTISE IN ASIA

- With 30 years of local presence EAC is a pioneer in global growth markets China and India
- Strong project track record stems from long-standing relationships with global & regional industry stakeholders

### IN-DEPTH INDUSTRY KNOWHOW

- No “off the shelf”-projects: tailor-made project solutions for the individual requests of our clients
- EAC is supported by a high-caliber advisory board of former, internationally active CEOs in China and Europe

### WE CREATE VALUE

- “Single-Shop-Services” guaranteed through high cross-regional flexibility – no “profit center fences”
- Strong global network of independent experts in all relevant growth markets through EAC regional hubs

### MORE THAN A VISION – A PROMISE

- We are overachieving the expectations of our customers with individual consulting approaches and innovative strategies
- We are a strong strategy partner – also during execution stage. Our project philosophy: “Walking the last mile”



# REACH OUT TO US!

## EAC SHANGHAI

### EAC - Euro Asia Consulting

Ascendas Plaza, Rm. 1902  
333 Tian Yao Qiao Road  
200030 Shanghai | China  
Phone +86 21 63 50 81 50

#### Our Other Global Offices:

-  Munich
-  Mumbai
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