# 2020 年我们对中国有什么期望？

随着国内消费推动经济增长，公司应考虑在 2020 年加强其业务。

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## 介绍

2019 年在中国带来了长期运行的挑战，例如中美关税水平的不确定性以及对中国业务的越来越严格的监管，还有一些意想不到的挑战：香港的危机以及由金融危机引发的鸣叫引发的爆发 NBA 教练，仅举两个。
然而，对于许多企业而言，随着中国经济约 6%的增长，全年商机蓬勃发展。在多个关键行业中，政府对全球领导地位的承诺开始带来回报。

2020 年将提供不断变化，而且往往在不断加剧的挑战的类似组合。中美两国在技术领域的日益分离似乎是不可避免的。虽然一些公司会发展
为了在两个市场上保持相关性，其他人将选择专注于一个市场。到 2020 年，这种分离可能会扩大，对金融市场的影响将更为直接。到 2020 年，中国的经济发展势头将继续保持，以国内消费为主导，有选择地创造机会。如果中国的优先行业与您的业务相匹配，那么 2020 年将是一个好年，因为政府资金的来源目前仍在开放。

## 美中关系

去年的报告中预言了中美经济之间日益分离的
多个领域，这些领域已基本实现-投资流，供
应链，数据流，人员流，技术采购，标准。在
所有这些领域，2020 年将进一步分离。例如，
美国政府机构
美国国立卫生研究院和能源部，不仅是国防部，
还向美国大学行政人员介绍了数百个案例，他们
认为
非美国学者（主要是中国人）未能透露来自他
们的研究的平行资金
海外政府，以及与这些政府分享其知识产权发现
的承诺。这些学者很可能会被主动排除在外
来自美国大学；许多其他人会自动选择退出，或者根本就不会来美国。中国对美国投资的限制将从原来的重点减少到几乎为零，转向对技术创业公司的直接和间接（即通过资金）投资。

我确实在一年前曾预计，到现在我们将对关税有所了解，而不是阻碍供应链和工厂投资计划的持续不确定性。展望 2020 年，如果最终达成协议，则似乎范围很窄，不会持久。跨国公司遭受的关税波动影响最小。他们通常将不超过其中国产量的 15%发送到美国，并且在世界各地有多家工厂他们可以将生产转移到美国。这些工厂几乎都不在美国或将在美国。较小的企业，通常是外资企业，只专注于对美国的出口，受到的打击最大。

工厂确实会继续迁出中国。制造商也在中国进行整合，将剩余工厂的技术加倍。实际上，中国正在迅速成为工厂物联网的世界中心。这些趋势是在美国关税之前的，只是被它们轻微地加速了。正在关闭中国工厂的非中国公司比中国公司多，但关闭时并非全部将生产转移到中国。许多人将他们的制造外包给一家在中国生产的中资公司，他们认为这家中国公司的成本将比外资工厂更低，而且质量也一样。

美中分离的新领域将在 2020 年成为焦点。金融市场将成为重中之重。美中经济与安全审查委员会在 2019 年提交给国会的报告中提出的第一项建议是，在不符合四个条件的美国交易所中将中国公司除名
标准。没有一家在美国上市的中国公司满足这四个条件，很多都不会。该威胁涵盖

约有 500 家公司，总市值约为 1 万亿美元（由阿里巴巴主导）。知道阿里巴巴在 2019 年 11 月在香港第二家上市的想法很明智。

平安宣布其计划在纽约上市的金融科技子公司 OneConnect 等公司可能会重新考虑。毕竟，今年到目前为止，中国公司在纽交所和纳斯达克的融资总额还不到 20 亿美元，比去年下降了 74%。

一些中国科技公司

可能会在中国境内的国内上市，那里的上市通常会实现更高的收益倍数，而中国监管机构已经悄悄地使使用可变权益实体（VIE）结构的公司在国内上市。

技术紧张

美国和中国政府继续急于拥抱更大的技术分离。2020 年可能是一个转折点。一方面，美国政府排斥中国公司购买美国采购的技术组件（至少不能确定地购买），投资美国技术公司以及向美国供应其技术产品。

另一方面，中国政府启动了一项超过 200 亿美元的基金，以支持中国在广泛的制造技术领域的独立性，与此同时，其类似规模的基金也将支持半导体的发展。

中国的“安全与控制”倡议正在鼓励政府部门和国有企业购买不包含美国内容的技术，这可能占传统 PC 和服务器市场的 25%。中国制造商在服务器和存储市场的份额已经从 2012 年的约 30%上升到 2018 年的 70-80%。它将会上升。在智能手机中，四个中国品牌在中国市场中占有超过 85%的份额，在美国市场中占有不到 1%的份额。除了 TikTok，中国的互联网巨头都缺席美国（如果美国立法者继续将注意力集中在公司上，TikTok 可能不会在美国保留很长时间）；美国巨头早就不在中国了。

在美国和中国公司中都扮演关键角色的台湾合同制造商的半导体紧要关头将在 2020 年变得更加明显，随着政府到政府对主要公司施加更大的压力。

最近的第四届全体会议为数不多的以商业为重点的成果之一是计划建立“在社会主义市场经济条件下在核心技术上取得突破的新的国家体系”。如果尚未制定量化目标，这感觉与《中国制造 2025》中包含的国家驱动的产业政策非常相似。在某些地区，中国可能很快实现目标，例如，由于中国仍占全球制造业总产值的近四分之一；在智能工厂中发挥领导作用应该是毫无道理的。中国正在将其城市转变为支持 5G 的智慧城市的大规模试点，其步伐将使中国能够设定事实上的标准。他们的产品在美国将不被接受，尤其是因为不需要那么多产品才能访问大规模数据集，而这些数据集使那些被中国公司拒之门外的数据相形见 war。

所有中美关税将在明天取消，只会对这些趋势产生边际影响。两国政府都拥护日益分离的问题，唯一的问题是，在我们前进的过程中，会产生多快和多少痛苦。

## 全球体育与中国

休斯顿火箭总经理在中国对社交媒体帖子的反应正在减弱。对中国这个职位的最初反应不足为奇。也许令人惊讶的是，这种事件发生已经花了很长时间。尽管中国的体育界人士在全球许多问题上都发表了公众立场，但国际社会对中国在新疆和西藏的批评已经发生了多年，但并未引发任何事件。

该事件应使任何需要中国公司赞助的业务都暂停。他们是否对中国公司进行了充分的尽职调查，以评估玩家或粉丝群发起针对赞助商的竞选活动的风险？

如果中国的社交媒体民族主义者决定将团队合作者或教练的言论归咎于公司赞助商，则在中国开展业务的跨国公司应考虑其在华销售遭受附带损害的风险。

下一次事件可能在哪里发生？足球。英超俱乐部经常在中国大陆举行季前赛。如果欧洲足球迷挥舞着标语支持香港，或者球员对在中国被认为敏感的话题发表评论，在中国会发生什么？没有电视或在线报道他们的比赛，这将给他们的中国和非中国赞助商带来压力，要求他们撤回对球队的支持。如果受影响的团队全部或部分由一家中国公司拥有，将会发生什么？（例如苏宁的国际米兰，复星的沃尔夫汉普顿流浪者）

尽管职业体育在中国具有巨大的商业潜力，但在很大程度上仍保留着这种潜力。没有中国广告商和广播收入，欧洲足球联赛能否生存？是。NBA，一样。有些团队可能必须这样做。

## 中国消费者

2019 年前 10 个月的消费者零售支出同比增长 8%，而收入增长约 6%。创造了超过一千万个新的就业机会。房价适中

过去一年来，国内股票市场的增长和积极的一年，财富对消费者信心的影响仍然是积极的。现在，越来越多的消费者购买是通过分期付款计划，信用卡和银行债务（目前已超过 1 万亿美元）筹集资金的。中国消费者的平均消费水平尚未达到过高水平（家庭债务总额仅占 GDP 的 60%），但借贷最热情的 20 至 30 岁年龄段的消费者正逐步实现这一目标，从而拉动了未来几年的消费。

这些较年轻的年龄组还通过不进入房地产市场来维持较高的经常支出。对于许多人而言，房地产价格现在如此之高，直到生活晚了许多年才根本不可能。许多人意识到租金是一种更好的经济计划。仲量联行最近的一份报告显示，中国顶级城市的平均租金不到抵押贷款平均付款的一半。在各个城市层面，这些趋势最终可能会导致 2020 年特定城市房地产价格大幅下调 30%。

多个消费领域的需求显着疲软，最显着的是汽车领域和智能手机，2020 年不太可能反弹。然而，许多服务行业正在蓬勃发展。拥有优质设施和师资的私立教育机构就是一个例子，特别是那些具有国际重点课程的机构。我最近参观了深圳的全新惠特尔学校。凭借其世界一流的设施，它将吸引本来应该去香港上学的学生。

二线城市，例如苏州

表明他们可以支持针对中国内地学生的多所国际学校，来自英国剑桥的珀斯学校也增加了这些学校。乐高宣布将斥资超过 6.25 亿美元在上海建设世界上最大的乐高乐园主题公园，并将其与上海迪士尼乐园并置，以创建国际主题公园集群。而且它还有更多的计划。

饮食健康

中国无休止的食品健康和安全丑闻以及对个人健康的意识不断增强（支持中国体育馆的兴起），导致许多中产阶级中国人选择了更健康的饮食选择。餐馆增加了更多的素食选择，基于植物蛋白的肉类替代品也越来越受欢迎。在中国，全球有超过 50%的猪肉生产，并且由于猪群的疾病，猪肉价格上涨了 100%以上，因此需要的是猪肉替代品，而不是美国对牛肉替代品的关注。结果，香港的 Green Common 等亚洲公司率先满足了这一需求。

政府越来越多地参与其中，要求制造商提供其他标签信息。2020 年，政府将要求食品标签上应标明其血糖指数，碳水化合物如何影响血糖水平的等级。政府正在采取行动，试图影响中国糖尿病和肥胖症的爆发。如果在澳大利亚推出该指数的经验能为您提供指导，食品制造商将重新制定其产品以降低其 GI 评级，并在这样做后积极进军市场，从而导致消费者对较低 GI 产品的需求激增。

随着中国的送餐服务每天提供超过 4000 万份餐点送餐服务，并且每年仍以 35%的速度增长，美团和 Ele.me 在塑造中国中产阶级食品消费方面发挥着关键作用。为了满足这一需求，他们将提供更健康的选择，并向消费者提供更多有关他们选择的信息，无论是午餐送到办公室还是晚餐到家。

社会信用体系对个人来说不是什么大不了的事

政府创造社会信用的举措

这些系统在 2019 年初吸引了许多国际关注，此后逐渐消失。部分原因是该体系既不像最初描述的那样新颖，也没有包罗万象，部分原因是中国公民目前对整个计划不了解。系统中收集的数据几乎完全来自许多机构汇编的现有数据库，涉及财务，党员身份，监管和法律合规性。多达 75%的数据已经公开可用，也许不是在线。对于许多公民而言，问题更多是“发生了什么变化？”召集未能在公共黑名单上偿还债务的个人，让您知道您可能与之开展业务的人过去曾违约，这似乎是一件好事。与任何系统一样，存在滥用的可能性，黑名单可能会变得太长，并且可能无法客观地创建它们。来自江苏试点的证据表明，如果政府举手太重，公民就会成功退缩。

当然，社会信用体系中有一部分对政府部门进行评估和列入黑名单，已经有 20 多个县级政府被列为“不诚实”。

## 电动汽车反弹

中国的汽车制造商在 2018 年和 2019 年艰难度过。整体市场在 2018 年销量下降了 8%，在截至 2019 年 10 月的一年中下降了 3%。展望未来，需求面临
几个不利因素。在大城市里度过的任何人都会意识到这种体验是多么的不愉快
拥有汽车的原因可能是缺乏停车位和永久性的交通拥堵。最重要的是，地方政府对可用性进行了分配并增加了成本
获得车牌的成本超过了汽车的成本。乘车共享非常便宜且可用。我们可能已经看到了内燃机汽车市场的顶峰
在中国。

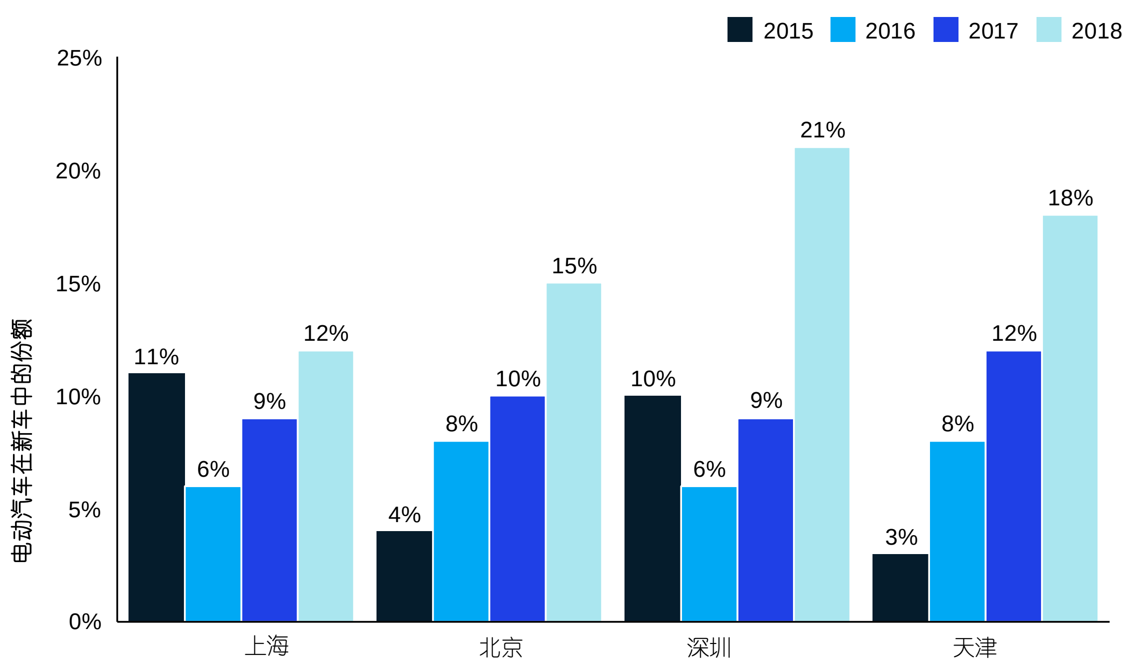
2020 年，随着特斯拉在上海拥有其 100%股份的工厂破土动工，电动汽车将成为行业的亮点。再次，地方政府在改变消费者口味方面起着关键作用。城市正在将其公交车队转换为电动车（2019 年，中国售出的所有公交车中有近 25%可能是电动的，到 2020 年可能达到 35%），并要求出租车车队转向电动车，并降低了购买出租车的成本。电动车牌照。城市正在远远超出需求地推出充电站网络。经常看到停车场，那里只有电动汽车充电站旁边的空间。

对空气污染越来越敏感的中产阶级消费者正在研究电动汽车，并意识到其续航里程超出了他们单次乘车旅行的里程。车辆 OEM 对此做出回应：在 2019 年至 2021 年之间，将推出 200 多种 EV 车型。电动汽车代表接近
如果中央政府决定在任何刺激计划中包括电动汽车补贴，则到 2019 年将占汽车销售的 5%（主要城市高达 20%），到 2020 年很容易升至 7%。

中国的电动汽车市场已经是美国市场的 3-4 倍。这种倍数将不断增长，这将为中国的市场领导者提供机会，成为开发和制造电动汽车，其电池和充电基础设施的世界领导者。

展览 1

### 2015-2018 年部分大都市地区电动汽车在新车中的份额




资料来源：电动汽车注册数据来自 IHS Markit，Norsk Elbiforening 和中国汽车技术研究中心

## 实现大湾区（GBA）计划的一部分

GBA 倡议仍然是习近平主席的优先事项。由于该地区占中国 GDP 的 15%左右，并且是许多中国优先产业的创新中心，因此大湾区的成功对国民经济增长也至关重要。

随着大湾区物理基础设施的关键部分建成，大湾区将在 2020 年变得更加具体（从字面上看）。连接东西向更紧密的桥梁，道路和铁路将开始建设。这将使三角洲西部以前偏远的地区更接近东部的现有经济中心。开发商将迅速跟进，在西部建造房屋，工厂和商业园区。房屋至关重要
因为这将缓解深圳的房价压力，使更多的中国年轻人才迁移到这个充满活力的工作中心。搬迁到该地区西侧的工厂仍然可以使用新的（使用率非常低的）香港珠海大桥，在一个小时内将其货物运送到香港或深圳机场进行全球装运。

除了基础设施之外，GBA 计划还包含数百个较软的目标，这使 GBA 优先考虑的城市可以重点关注并创建了一些机制，以帮助那些历来积极竞争，紧密合作的城市。

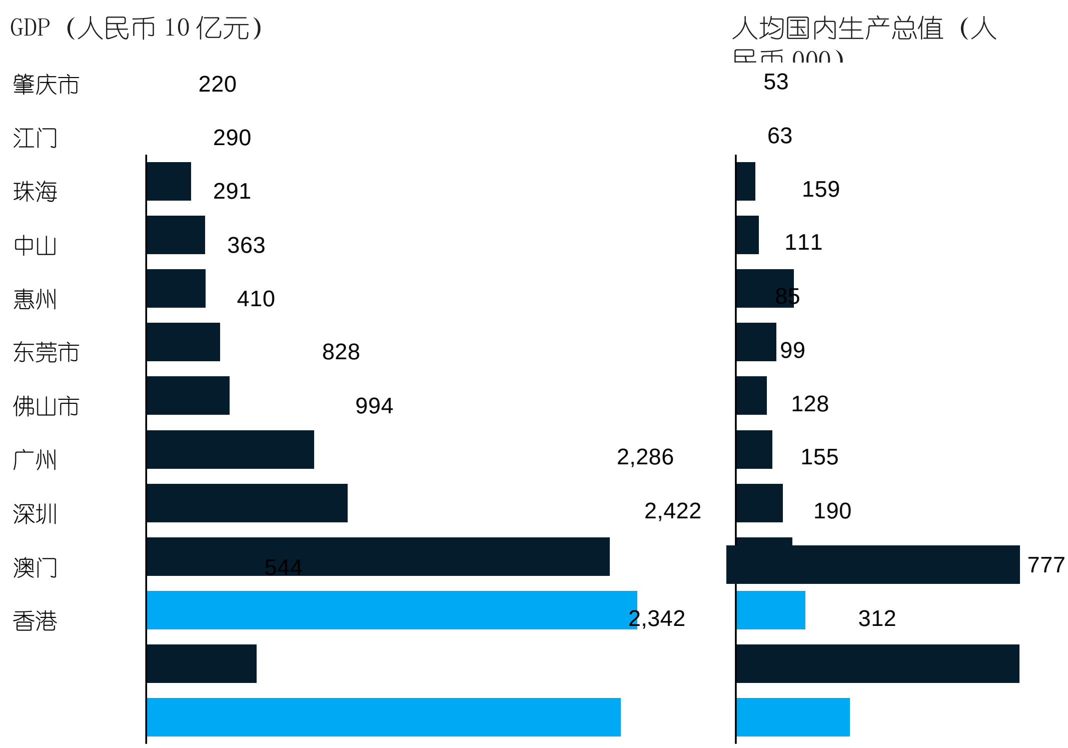
企业需要针对 2020 年 GBA 的战略，重点是两件事。一是如何利用新的区域基础设施。二-如何制定仍在发展的 GBA 政策以发挥其优势，而不是一旦定义了政策就做出反应。

## 政策规定

许多公司将 2019 年视为越来越多的法规加入的一年。作为中国公司法定代表人的首席执行官随着法律团队变得越来越紧张
根据新规定更新了他们的个人责任。对于他们来说不幸的是，2020 年将有更多针对中国所有公司的新法规和发展法规。

图 2

GBA 宏观经济表现 2018



反垄断

国家市场监管总局（SAMR）在 2020 年将更加积极地应对反托拉斯，反垄断行为。其调查将有牙齿。罚款可能高达上年收入的 10%。查询已经在进行中。

- 正在对 15 家快递公司的涉嫌反垄断行为进行调查，其依据是客户抱怨协调价格上涨和选择性竞购业务。公司应认识到，无论是出于合法投诉还是出于怨恨，询问通常都是由其客户触发的。
  确保政府事务小组与当地 SAMR 官员建立良好的关系是明智的准备步骤。

- 正在对 20 家电子商务企业进行调查，要求它们在其网站上独家列出，这是电子商务法和反垄断法所禁止的。这些站点上的卖方应检查其合同，以确保它们不会使 SAMR 可能发现问题的行为成为可能。SAMR 将向企业挑战一线员工是否具有足够的洞察力和行为控制能力，以防止在当地发生串谋。最好的中国公司的内部控制团队为此部署了多达 100 名人员，并且他们每年都要对付数百起通常是小规模的违规事件。跨国公司倾向于拥有更少的资源，这可能会使他们受到批评。

外国投资与国家安全审查（NSR）

新的外国投资法在中国生效

2020 年 1 月，对外国公司有利的因素，巩固了已宣布的市场开放并减少了政策执行中的矛盾之处。

将来，支持业务的政策应同样适用于国内外企业。外国企业还应享有政府采购和国内标准制定程序的平等机会。在如何将政策应用于不同的外国投资工具（WFOE，EJV，CJV）方面没有区别。用心大意，紧跟执行。

存在关注领域。该法律详细说明了如何处理外国人的间接投资，但没有详细说明将触发审查和注册的特定结构或所有权水平。这是另一个值得关注的领域，尤其是对于金融投资者而言。

也许最重要的变化是修订后的外国投资国家安全审查。

外国对国防安全的任何投资（不要求控制）以及对从事与外国人有有效控制权而与国家安全有某种关系的关键行业公司的任何外国投资，都必须进行审查。第二类与大多数企业更相关。涵盖范围从农业到能源，基础设施，技术，文化和互联网的工业。虽然 50%的所有权肯定会被视为有效控制的触发因素，但可以认为一家公司如果认为外国投资者正在推动战略和人力资源等领域的管理决策，则可以有效控制低得多的股权。

国家发改委协调多个部委和其他政府利益相关者的意见，召集部际联合委员会决定。如果没有达成共识，则将决策作为最终决策者提交国务院。企业应该期望引人注目的决策受地缘政治的驱动，而不仅仅是经济。

数据保护
多级保护系统或 MLPS 2.0 在 2019 年的大部分时间里一直是中国首席信息官的心事，当时他们正准备推出新的数据保护标准。大型外国公司似乎比中国同行更了解和更好地为这些变化做好了准备。所有企业都必须对自己收集的数据进行自我评估，并对其进行保护。处理超过一定敏感性水平的数据的任何人都必须向其公安局报告。还必须报告所有数据泄露或企图泄露。使用中文
强烈建议将硬件和基于中国的云服务作为保护协议的一部分。

来自公安局的政府检查员将不受限制地访问存储在公司服务器中并通过公司服务器的数据，以确保公司已经注册并适当实施了保护措施。对合规性的监督不是理论上的。仅在江苏省，过去两年每天就处理大约 8 起案件，有 140 家企业被剥夺了营业执照。

区块链
政府决心在监管新兴的基于区块链的行业方面不落后于互联网的早期。刚成立公司并乞求以后的宽恕的策略是不能容忍的。
监管优先事项不是要实现不受约束的创新，而是要确保社会稳定和集中控制。中国人民银行（PBOC）最近宣布，它已在 2019 年关闭了 170 多个加密平台。具体优先事项包括：

- 确保中国在人工智能和物联网领域的领导地位–与《中国制造 2025》优先事项相呼应。

- 在供应链和质量控制中大规模应用区块链，以大大降低成本。

- 加强食品和药品安全–多年来，政府一直在努力解决广泛的中产阶级优先事项。

- 加快从有形货币的转移，以减少金融系统中的风险，并将货币引导到它想要去的地方。

- 避免在区块链技术的任何方面都依赖美国。

习近平主席最近关于区块链的演讲有两个提醒。一位政府官员负责对这一领域进行监管，而一位创新者则将其创新重点放在批准的领域上。2020 年，演讲最明显的结果可能是地方政府设立资金来投资当地的区块链业务。

## 中国大陆业务

对于许多工业企业而言，2019 年艰难。轻，重工业，国有和私营企业的利润全线下降。劳动力成本上涨，而出厂价格却没有上涨。
限制获得债务。绩效高者与落后者之间的差距进一步扩大，领导人将资本支出比去年提高了 20% 以上，因为他们加倍地在其供应链中部署机器人，物联网，区块链和其他生产力推动因素。落后者渐渐濒临破产。

有强烈的迹象表明，我们将在 2020 年看到更多的破产。除 2019 年迄今关闭的四家银行外，还将允许更多的银行倒闭。的
中国人民银行在其 2019 年金融稳定报告中宣布

它在 2019 年关闭了 1000 家 P2P 贷方，他们将接近 600 家规模较小的银行（占总数的 13%）评估为“风险”。他们的解决方案将具有“中国特色”：通过与中国大型银行之一合并，几乎所有破产银行都将获得纾困。

更多的房地产公司会发现，他们的财务范围已经超出了黑市贷方支持他们的水平。行业整合将是主要解决方案。投资者将看到，内地和香港特定受压上市公司的股价将出现更大幅度的下跌，最近几周 Kasen，ArtGo 和 Tibet Water 的跌幅超过 90%。这是积极的，那些一直在堵塞自己行业的公司最终被清除了。企业将需要警惕其客户和供应商的财务状况。

2020 年的高增长行业将集中在面向消费者的服务中，其中许多服务都启用了互联网。
医疗保健，教育，旅行和休闲都将保持强劲。
中国人所在的部门
政府积极鼓励已经明确安排投资-从半导体，人工智能和智能城市，制造物联网，生物技术和先进材料。在短期内直接在这些行业中赚钱可能会很困难，但是从供应这些行业中赚钱可能非常有吸引力。

香港与企业
由于游客人数减少（上个月通过香港机场的游客减少了近 100 万，来自中国大陆的游客减少了 20%），香港进入了经济衰退；
由当地人拉回支出。50 多个会议和展览已被推迟或转移到其他地方。受欢迎的酒店和餐馆的利用率下降到 40%以下，即使有 40-60%的折扣，也让员工休无薪假。从服装到珠宝的零售商的销售额都比去年下降了 50%。

聚集在金融市场内外的行业中的企业受到的影响较小。金融市场尚未关闭，而 IPO 仍在发生。但是正在考虑改变。尽管他们不会在一夜之间改变成功的运营模式，但许多人现在开始思考如果有什么可能在 2020 年采取行动。

对于一些跨国公司而言，问一个基本问题，即为何在香港设有大型地区总部，以及为何规模如此之大，会给我们带来一些令人不适的答案。对于很多人来说，答案只不过是一个总是像这样的答案-自 20 或 30 年前合理做出的位置决策以来，从未受到挑战。再加上他们的高级管理人员喜欢香港提供的低税率。

对于专注于中国的企业，可以在大陆开展更多的区域活动，而无需支付大量的额外费用。东盟和北亚地区的企业可能已经发展壮大，以证明它们自己的区域中心的合理性。大陆游客来香港的人数似乎不太可能很快恢复，因此奢侈品牌企业正在质疑他们应该在香港保留多少家门店。

如果现在大陆客户更喜欢在深圳见面，那么升级一个
深圳办事处，可容纳更多常驻人员。深圳或其他地方政府甚至可能会提供 GBA 政策激励措施。

展望 2020 年，香港的商界领袖将面临严峻的组织挑战，例如维持一种能够使内地和本地员工有效工作的文化，以及说服香港员工继续在大陆抓住机遇。

在香港，很少有企业领导者为应对这些基本的人员挑战做好充分的准备。到 2020 年，很可能会出现一些公共场合。

## 闭幕

2020 年是中国十年 GDP 翻番挑战的最后一年。政府将能够宣布成功（可能在统计修订的支持下）。美国的关税将继续对中国的增长产生较小影响。国内消费和投资将仍然是主要的经济驱动力，中国将采取有针对性的刺激措施以保持势头。

在中国，许多企业将发现 2020 年是充满挑战和压力的一年 -更多的破产，更多的法规，声誉的不可预测的风险以及更具选择性的消费者消费。然而，作为全球需求，创新，资本以及新兴的世界级竞争的源泉，中国对全球大多数企业的重要性只会日益提高。尽管有外部压力为了实现全球化，全球业务将发展其供应链，运营模式，甚至所有权结构（如果需要在中国保持重要地位）。

戈登·奥尔（Gordon Orr）是麦肯锡公司（McKinsey＆Company）的名誉合伙人和高级顾问。本文表达的观点代表了作者的观点。

# What can we expect in China in 2020?

With domestic consumption powering economic growth, companies should consider stepping up their activities in 2020.

*By Gordon Orr*

December 2019

## Introduction

2019 in China brought together long running challenges, such as uncertainty over US-China tariff levels and ever more intrusive regulation of business in China, with a few unexpected ones as well: the crisis in Hong Kong and the flare up triggered by tweets from an NBA coach, to mention just two. Yet for many businesses, opportunities flourished throughout the year as China's economy grew roughly 6 percent. And in multiple key industries, the government's commitment to global leadership started to pay dividends.

2020 will offer a similar mix of evolving, often worsening, challenges. Growing separation between the US and China in technology sectors seems inevitable. While some companies will evolve to remain relevant in both markets, others will choose to focus on one. In 2020 this separation may become broader, impacting financial markets much more directly. China's economic momentum will continue in 2020 with domestic consumption leading the way, selectively creating opportunities. If China's priority sectors match those of your business, 2020 will be a good year to step up as the taps of government funding remain open for now.

## US-China relations

Multiple areas of growing separation between the US and Chinese economies predicted in last year's note were largely realized – investment flows, supply chain, data flows, people flows, technology procurement, standards. In all these areas, further separation will occur in 2020. One example, US government agencies, such as the National Institutes of Health and the Department of Energy, not just the Department of Defense, have been presenting US university administrators with hundreds of case examples where they believe non-US academics, largely Chinese, have failed to disclose parallel funding for their research from overseas governments along with commitments to share their IP discoveries with those governments. Those academics will likely be proactively excluded from US universities; many others will self-select out or simply not come to the US in the first place. Restrictions on investment from China into the US will shift from a focus on larger deals, which have shrunk to almost zero, to direct and indirect (i.e. through funds) investment into technology startups.

I did anticipate a year ago that we would have clarity about tariffs by now, not the ongoing uncertainty that holds back investment plans in supply chain and factories. Looking into 2020, if there is finally agreement it seems likely to be narrow and not likely to be long lasting. Multinationals have suffered least from tariff volatility. They typically send no more than 15 percent of their China production to the US and have multiple factories around the world that they can move production for the US to. Almost none of these factories are or will be in the US. Smaller businesses, often foreign-owned, that focuses solely on exports to the US, have been most hurt.

Factories do continue to move out of China. Manufacturers are also consolidating in China, doubling down on technology in their remaining factories. Indeed, China is rapidly becoming the world center for the Internet of Things in factories. These trends preceded the US tariffs and have only been marginally accelerated by them. More non-Chinese companies than Chinese are shutting down factories in China, but not all move production out of China as they close. A good number outsource their manufacturing to a Chinese owned company producing in China, believing that the Chinese company will be lower cost than the foreign-owned factory, and just as good quality.

New areas of US-China separation will come into focus in 2020. Financial markets will be front and center. The U.S.-China Economic and Security Review Commission's 2019 report to Congress has as its first recommendation to delist Chinese companies on US exchanges that do not meet four criteria. No Chinese company listed in the US meets all four, many won't meet any. This threat covers around 500 companies with a cumulative market capitalization of about US$ 1 trillion (dominated by Alibaba). It was smart of Alibaba to get its secondary listing in Hong Kong in place in November 2019. Companies such as Ping An's fintech subsidiary, OneConnect, which has announced plans to list in New York, may reconsider. After all, less than US$2 billion has been raised by Chinese companies on the NYSE and Nasdaq so far this year, down 74 percent from last year. Some Chinese tech companies may list domestically within China where listings generally achieve higher earnings multiples and Chinese regulators have quietly made it possible for companies using the Variable Interest Entity (VIE) structure to list domestically.

**Technology tensions**

The US and Chinese governments continue their rush to embrace greater technology separation. 2020 may be a tipping point. On one side the US government excludes Chinese companies from buying US sourced technology components (at least from being able to do so with certainty), from investing in US technology companies, and from supplying their technology products into the US. On the other, the Chinese government has launched an over US$20 billion fund to support Chinese independence in a broad range of manufacturing technologies to go alongside its similar sized fund to support developments in semiconductors.

China's "secure and control" initiative is encouraging government departments and state-owned enterprises to buy technology without US content – perhaps 25 percent of the traditional PC and server market. Chinese manufacturers' share of the server and storage market had already risen from around 30 percent in 2012 to 70-80 percent in 2018. It is set to rise higher. In smartphones, four Chinese brands hold more than 85 percent of the Chinese market and less than 1 percent of the US. China's internet giants, with the exception of TikTok, are absent from the US (TikTok may not retain its presence in the US for long if US legislators sustain their focus on the company); the US giants have long been absent from China.

The pinch point in semiconductors of Taiwanese contract manufacturers who play a key role for both US and Chinese companies will become much more visible in 2020, with greater levels of government to government pressure exerted on the key companies.

One of the few business-focused outcomes from the recent 4th Plenum were plans to establish a "new national system for making breakthroughs in core technologies under socialist market economy conditions." This feels very similar to state-driven industrial policies contained in "Made in China 2025", if not yet with the quantitative targets. In some areas, China is likely to achieve goals quickly, for example, as China still represents nearly a quarter of global manufacturing output; taking leadership in smart factories should be a no brainer. China is turning its cities into large-scale pilots for 5G-enabled smart cities at a pace that will allow China to set de facto standards. Their products will not be accepted in the US, especially not as many will require access to large scale data sets that dwarf those that Chinese companies have been blocked from.

All Chinese and US tariffs could be eliminated tomorrow and only have a marginal impact on these trends. Both governments have embraced growing separation, the only question is how fast and with how much pain is incurred as we proceed.

## Global Sports and China

Reactions in China to the social media post by the Houston Rockets general manager are winding down. Initial reaction to the post in China was not surprising; perhaps what was surprising was that it has taken so long for this kind of incident to happen. International criticism of China over Xinjiang and Tibet has occurred for years, but had not triggered an incident, despite sports figures taking public stances on many issues globally.

The incident should make any business that takes sponsorship from Chinese companies pause. Have they done sufficient due diligence on the Chinese company to assess the risk of a player or a fan base launching a campaign against the sponsor? Multinationals with large operations in China should consider the risks of their China sales becoming collateral damage if China's social media nationalists decide to blame a corporate sponsor for remarks made by a team player or coach.

Where might the next incident happen? Soccer. Premier League clubs regularly play preseason games in Mainland China. What would happen in China if European soccer fans waved banners in support of Hong Kong or a player made a remark on a topic deemed sensitive in China? No TV or online coverage of their games, and pressure would be put on their Chinese and non-Chinese sponsors to withdraw their support to the team. What would happen if the impacted team was owned, all or in part, by a Chinese company? (such as Inter Milan by Suning, Wolverhampton Wanderers by Fosun)

While professional sports see enormous commercial potential in China, it largely remains that – potential. Could European soccer leagues survive without Chinese advertisers and broadcast revenues? Yes. The NBA, the same. Some teams may have to.

## Consumers in China

Consumer retail spending in the first 10 months of 2019 rose 8 percent year on year, ahead of income growth of roughly 6 percent. Over 10 million new jobs were created. With moderate house price growth and a positive year in domestic stock markets over the last year, the wealth impact on consumer confidence remained positive. More and more consumer purchases are now financed through installment payment schemes, through credit cards and bank debt (now well over US$ 1 trillion). The average Chinese consumer is not yet overleveraged (total household debt stands at only 60 percent of GDP), but the 20-30 age group who borrow most enthusiastically are getting there, pulling forward consumption from future years. These younger age groups also sustain higher current spending by not entering the property ownership market. For many, property prices are now so high it is simply not possible until much later in life. Many realize that renting is a better economic plan. A recent JLL report showed the average price of renting in top Chinese cities was less than half the average mortgage payment. At the individual city level, these trends could finally trigger a material downward adjustment of as much as 30 percent in specific city property prices in 2020.

Multiple consumer sectors suffered significant demand weakness, most notably the automotive sector and smartphones, where a 2020 rebound is unlikely. Yet many service sectors are thriving. Private education providers with quality facilities and faculty are one example, especially those with internationally focused curricula. I recently visited the brand new Whittle School in Shenzhen. With its world class facilities, it will attract students who would otherwise have commuted to schools in Hong Kong. Second tier cities, such as Suzhou, are showing that they can support multiple international schools targeted at mainland students, with Perse School from Cambridge, England adding to those present. Lego announced that it is building the world's largest Legoland theme park in Shanghai at the cost of over US$625 million, locating it alongside Disneyland Shanghai, creating an international theme park cluster. And it has plans for many more.

### Healthier eating

China's endless food health and safety scandals along with a growing awareness of personal health (supporting the boom in gyms in China) has led many middle-class Chinese to embrace healthier eating choices.  Restaurants are adding more vegetarian options, and plant-protein based meat replacements are gaining traction. In China, which consumes more than 50 percent of pork produced globally and has seen pork prices rise over 100 percent due to disease in the pig population, the need is for pork alternatives, rather than the focus in the US on beef substitutes.  As a result, Asian companies such as Green Common from Hong Kong have taken the lead in meeting this demand.

The government is getting more involved, requiring manufacturers to provide additional labelling information. In 2020, the government will require that labels on foods show their glycemic index, a rating of how the carbohydrates impact blood glucose levels. The government is acting in an attempt to impact the explosion in diabetes and obesity across China. If the experience of launching this index in Australia provides guidance, food manufacturers will reformulate their products to reduce their GI rating and will market aggressively on the back of having done so, leading to a boom in consumer demand for lower GI products.

With China's food delivery services providing more than 40 million meal deliveries a day and still growing 35 percent year on year, Meituan and Ele.me have a key role to play in shaping middle class food consumption in China. To meet this demand, they will be promoting healthier options and providing more information to consumers on their choices, whether it is lunch delivered to the office or dinner to the home.

### Social Credit System not a big deal for individuals – yet

Government initiatives to create social credit systems attracted a lot of international attention earlier in 2019, which has since died down. In part this was because the system was neither as new nor as all-encompassing as initially described, and in part because Chinese citizens are currently mellow about the entire scheme. Data gathered in the system comes almost entirely from existing databases compiled by many agencies covering financial matters, Party membership, regulatory and legal compliance. As much as 75 percent of this data was already publicly available, perhaps just not online. For many citizens the question was more "what has changed?" Calling out individuals who fail to pay their debts on a public blacklist, making you aware that someone you might be about to do business with has defaulted in the past, seems like a good thing. As with any system, there is potential for misuse, blacklists can get too long, and they may not be objectively created. Evidence from a Jiangsu pilot shows that if government gets too heavy handed, citizens successfully push back.

And of course, there is a part of the social credit system that evaluates and black lists government departments, with more than 20 county level governments already having been blacklisted as "dishonest".

## Rebound of EVs

Vehicle manufacturers in China had a tough 2018 and 2019. The overall market fell 8 percent by volume in 2018 and another 3 percent in the year to October 2019. Looking forward, demand faces several headwinds. Anyone spending time in a major city realizes just how unpleasant the experience of owning a car can be with the lack of parking and permanent traffic jams. On top of that, local authorities ration availability and increase the cost of getting a license plate to more than the cost of the car. Ride sharing is extremely cheap and available. It is possible that we have seen the peak of the internal combustion engine vehicle market in China.

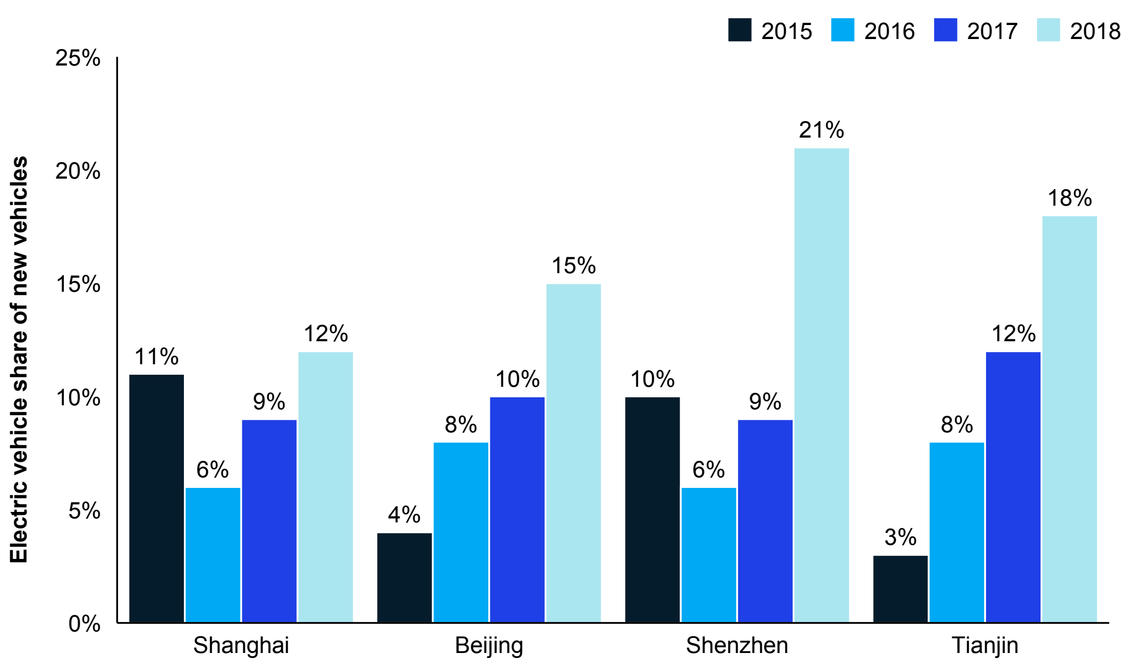
In 2020, as Tesla breaks ground on its 100 percent-owned factory in Shanghai, the industry bright spot will be electric vehicles. Again, local governments play a critical role along with changing consumer tastes. Cities are switching their bus fleets to electric (close to 25 percent of all buses sold in China will likely be electric in 2019, perhaps 35 percent in 2020) and are mandating that taxi fleets shift to electric and reducing the cost of acquiring a license plate for EVs. Cities are rolling out networks of charging stations well ahead of demand. It is common to see car parks where the only spaces are those next to the EV charging stations.

Middle class consumers who are increasingly sensitive to air pollution are investigating EVs and realizing that their range exceeds that which they ever travel in a single car journey. Vehicle OEMs are responding: between 2019 and 2021 more than 200 EV models will launch . EVs represent close to 5 percent of automotive sales in 2019 (up to 20 percent in major cities) and could easily step up to 7 percent in 2020 if central government decides to include EV subsidies in any stimulus program.

China's EV market is already 3-4 times the size of the US market. This multiple will grow, giving market leaders in China the opportunity to become world leaders in developing and manufacturing EVs, their batteries, and charging infrastructure.

Exhibit 1

**Electric vehicle share of new vehicles in selected metropolitan areas for 2015-2018**




Source: Electric vehicle registration data are from IHS Markit, Norsk Elbiforening, and China Automotive Technology and Research Center

## Realizing Parts of the Greater Bay Area (GBA) Initiative

The GBA initiative remains a priority for President Xi Jinping. As the region covers around 15 percent of China's GDP and is the center of innovation for many of China's priority industries, the GBA's success is also important for national economic growth.

The Greater Bay Area will become more concrete (literally) in 2020 as key pieces of its physical infrastructure are built. Bridges, roads, and railways to connect its east and west more closely will start construction. This will bring previously remote areas in the West of the delta much closer to existing economic hubs in the East. Developers will follow quickly to build homes, factories, and business parks in the West. Homes are critically important as this will take pressure off housing prices in Shenzhen, allowing more of China's young talent to migrate into this vibrant hub for work. Factories that relocate to the Western side of the region will still be able to get their goods to Hong Kong or Shenzhen airport within an hour for shipment globally, using the new (and very underused) Hong Kong Zhuhai bridge.

Beyond infrastructure the GBA plan contains hundreds of softer goals, giving cities in the GBA priority sectors to focus on and creating mechanisms for cities that have historically competed aggressively to work more closely together.

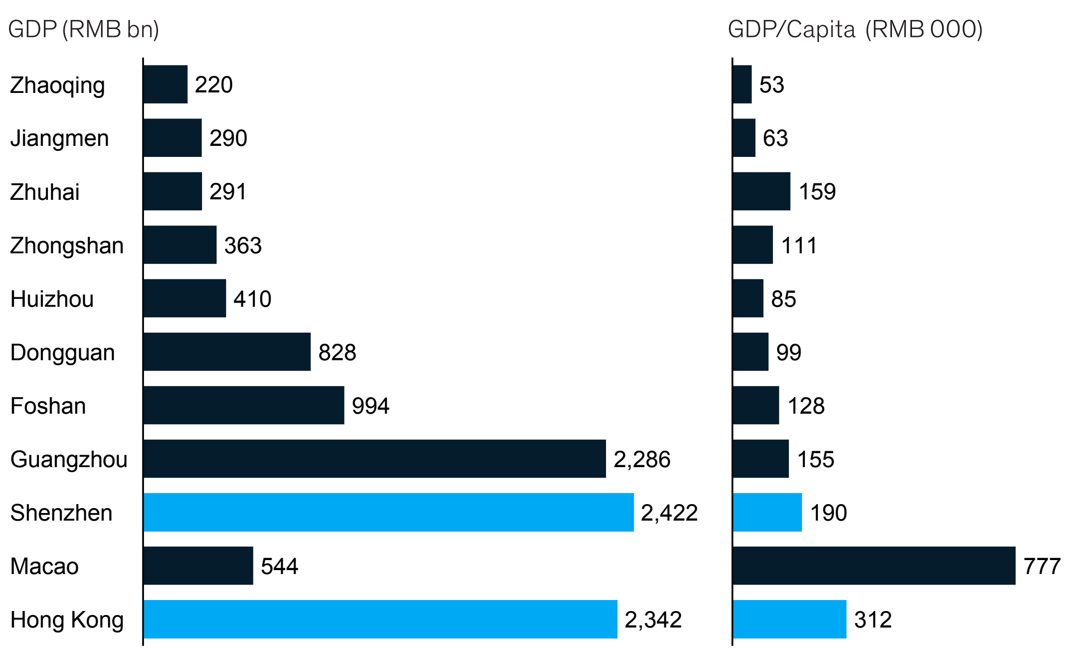
Businesses need strategies for the GBA in 2020 that focus on two things. One – how to take advantage of new regional infrastructure. Two – how to shape still evolving GBA policy to their advantage, rather than reacting once policy is defined.

## Policies

Many companies saw 2019 as a year when more and more regulations piled on to them. CEOs who were the legal representative for their company in China got increasingly nervous as legal teams updated them on their personal responsibility under new regulations. Unfortunately for them, 2020 will see more new and evolved regulations targeting all companies operating in China.

Exhibit 2

### GBA macro economic performance 2018



### Anti-Monopoly

The State Administration of Market Regulation (SAMR) will be more active in 2020 in tackling anti-trust, anti-monopolistic behaviors. Their investigations will have teeth. Fines can be as much as 10 percent of prior year revenue. Inquiries are already underway.

— 15 courier companies are under investigation for their alleged anti-monopolistic practices based on complaints from customers about coordinated price increases and selective willingness to bid for business. Companies should recognize that inquiries will often be triggered by their customers, whether with legitimate complaints or simply a grudge. Ensuring that government affairs teams have a well-established relationship with local SAMR officials is a sensible preparatory step.

— 20 e-commerce enterprises are under investigation for requiring exclusive listings on their sites, which is prohibited by e-commerce law and anti-monopoly law. Sellers on these sites should check their contracts to ensure they are not enabling behaviors that SAMR may find problematic. Businesses will be challenged by SAMR on whether they have sufficient insight and control over behavior by front-line employees to prevent collusion taking place locally. The best Chinese companies' internal control teams deploy up to 100 people on this, and they act against hundreds of often small-scale breaches every year. Multinationals tend to have fewer resources, which may expose them to criticism.

### Foreign Investment and National Security Review (NSR)

New foreign investment laws come into effect in January 2020 with elements favorable to foreign companies, solidifying announced market openings and reducing inconsistency in policy enforcement. Policies to support business should in future apply equally to both domestic and foreign enterprises. Foreign enterprises should also have equal access to government procurement and to domestic standards setting processes. There will be no distinction in how policy is applied to different vehicles for foreign investment (WFOE, EJV, CJV). Great intent, follow implementation closely.

Areas of concern exist. The law details how indirect investment by foreigners will be treated, but does not detail the specific structures or ownership levels that will trigger review and registration. This is another area to watch, especially for financial investors.

Perhaps the most important change is the revised national security review of foreign investment. Reviews are required for any foreign investment in national defense security (control not required) and any foreign investment in companies engaged in key industries that are somehow related to national security where the foreign investor has effective control. The second category is more relevant for most enterprises. Industries that fall into its scope range from agriculture to energy, infrastructure, technology, culture and the internet. While 50 percent ownership will certainly be seen as a trigger of effective control, a company could be deemed to have effective control at a much lower equity stake if the foreign investor is seen to be driving management decisions in areas such as strategy and HR.

NDRC coordinates inputs from multiple ministries and other government stakeholders, convening an Inter-Ministerial Joint Committee to make decisions. If they do not reach consensus, decisions are pushed up to the State Council as final decision maker. Businesses should expect high profile decisions to be driven by geopolitics not just economics.

**Data Protection**

Multi Level Protection Systems or MLPS 2.0 have been front of mind for chief information officers in China for much of 2019 as they prepared for the launch of new data protection standards. Large foreign companies seem more aware and better prepared for these changes that their Chinese peers. All businesses are required to self-assess the data they collect and their protection of this data. Anyone processing data above a certain level of sensitivity must report to their Public Security Bureau. All data breaches or attempted breaches must also be reported. Use of Chinese hardware and China based cloud services is strongly encouraged as part of protection protocols.

Government inspectors from the Public Security Bureau will have unrestricted access to data stored in and passing through corporate servers to ensure that companies have registered themselves and implemented protections appropriately. This oversight of compliance is not theoretical. In Jiangsu province alone, around eight cases per day have been processed and 140 enterprises have been deprived of their business licence over the last two years.

**Blockchain**

The government is determined not to fall as far behind in regulating emerging blockchain based industries as it did in the early years of the Internet. The strategy of just launching a business and begging forgiveness later will not be tolerated. Regulatory priorities are not to enable unfettered innovation, rather they are to ensure social stability and centralized control. The People's Bank of China (PBOC) recently announced that it had shut down over 170 crypto platforms in 2019. Specific priorities include:

— Ensure Chinese leadership in AI and IoT – an echo of Made in China 2025 priorities.

— Apply blockchain at scale in supply chain and quality control to dramatically reduce cost.

— Enhance food and drug safety – a broad middle-class priority which the government has struggled with for years.

— Accelerate the shift away from physical money, to reduce risk in the financial system and direct money to places that it wants it to go.

— Avoid dependence on the US for any aspect of blockchain technologies.

President Xi's recent speech on blockchain closed with two reminders. One to government officials to get on top of regulating this area, and one to innovators to focus their innovation on approved areas. In 2020, the most visible outcome of the speech will likely be local governments setting up funds to invest in local blockchain businesses.

## Business in Mainland China

For many industrial businesses, 2019 has been tough. Profits lower across the board – light and heavy industry, state-owned and private businesses. Labor costs rising while ex-factory prices are not. Access to debt restricted. The gap between high performers and laggards widened further, with leaders raising capital expenditures 20 percent plus over last year as they double down on deploying robotics, IoT, blockchain, and other productivity enablers in their supply chain. Laggards are edging closer to bankruptcy.

There are strong signs that we will see more bankruptcies in 2020. More banks will be allowed to fail beyond the four shuttered so far in 2019. The PBOC declared in its 2019 Financial Stability Report that it had closed 1000 P2P lenders in 2019 and that they evaluate close to 600 smaller banks (13 percent of the total) as “risky”. Their solution will have “Chinese characteristics”: failing banks will almost all be bailed out through merging with one of China’s larger banks.

More property companies will find they are financially extended beyond the level at which black-market lenders will support them. Industry consolidation will be the main solution. Investors will see more dramatic falls in share prices for specific stressed listed companies in the mainland and Hong Kong, along the lines of the 90 percent plus falls at Kasen, ArtGo and Tibet Water in recent weeks. This is a positive, companies that had been clogging up their sectors are finally being cleared out. Business will need to be alert to the financial state of their customers and suppliers.

High growth sectors in 2020 will be clustered in consumer facing services, many internet-enabled. Healthcare, education, travel, and leisure will all remain strong. Sectors where the Chinese government actively encourages investment have been clearly laid out– from semiconductor, to AI and smart cities, to manufacturing IoT, to biotech and advanced materials. Making money in these sectors directly in the short term may be tough, but making money out of supplying to these sectors can be very attractive.

**Hong Kong and business**

Hong Kong entered a recession driven by the downturn in tourists (nearly 1 million fewer travelers through Hong Kong airport last month with 20 percent fewer arrivals from mainland China) and by locals pulling back on spending. More than 50 conferences and exhibitions have been postponed or moved elsewhere. Popular hotels and restaurants have utilization down below 40 percent, even with 40-60 percent discounts, and are putting staff on unpaid leave. Retailers from clothing to jewelry have sales down as much as 50 percent from last year.

Businesses clustered in industries in and around the financial markets have been less impacted. Financial markets have not closed and IPOs are still happening. But changes are being considered. While they won’t make overnight changes to a successful operating model, many are now starting to think through the what ifs and could act on them in 2020.

For some multinationals, asking the basic question of why a large regional headquarters is in Hong Kong and why it is of the scale that it is can return slightly uncomfortable answers. For a good number, the answer is little more than it has always been like that – a location decision that was made rationally 20 or 30 years ago had not been challenged since then. Plus their senior executives like the low tax rates on offer in Hong Kong.

For China focused businesses, more regional activity could be undertaken in the mainland, without material additional cost. Asean and North Asian businesses may have grown to the scale to justify their own regional hubs. With mainland visitor numbers to Hong Kong looking unlikely to recover soon, luxury brand businesses are questioning just how many outlets they should retain in Hong Kong.

If clients from the mainland now prefer to meet in Shenzhen, it is straightforward to upgrade a Shenzhen office, to accommodate more permanent staff. Shenzhen or other local governments may even offer GBA policy incentives to do so.

Looking forward into 2020, business leaders in Hong Kong face tough organizational challenges such as sustaining a culture in which mainland and local staff work effectively, and persuading Hong Kong staff to continue to take opportunities in the mainland.

Few corporate leaders in Hong Kong are well prepared for these fundamental people challenges. There will likely be public instances where they fall short in 2020.

## Closing

2020 is the final year in China's decade long challenge to double its GDP. The government will be able to declare success (potentially with a little support from statistical revisions). US tariffs will continue to have minor impact on Chinese growth. Domestic consumption and investment will remain the key economic drivers, and China will deploy targeted stimuli to maintain momentum.

Many businesses will find 2020 a challenging, stressful year in China – more bankruptcies, more regulation, more unpredictable risks to reputation, and more selective consumer consumption. Yet China will only grow in importance to the majority of global businesses – as a source of global demand, of innovation, of capital, and of newly emerged world class competition. In spite of external pressure to deglobalize, global businesses will evolve their supply chain, their operating model, and even their ownership structure if needed to remain relevant in China.

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The views expressed in this article represent those of the author.