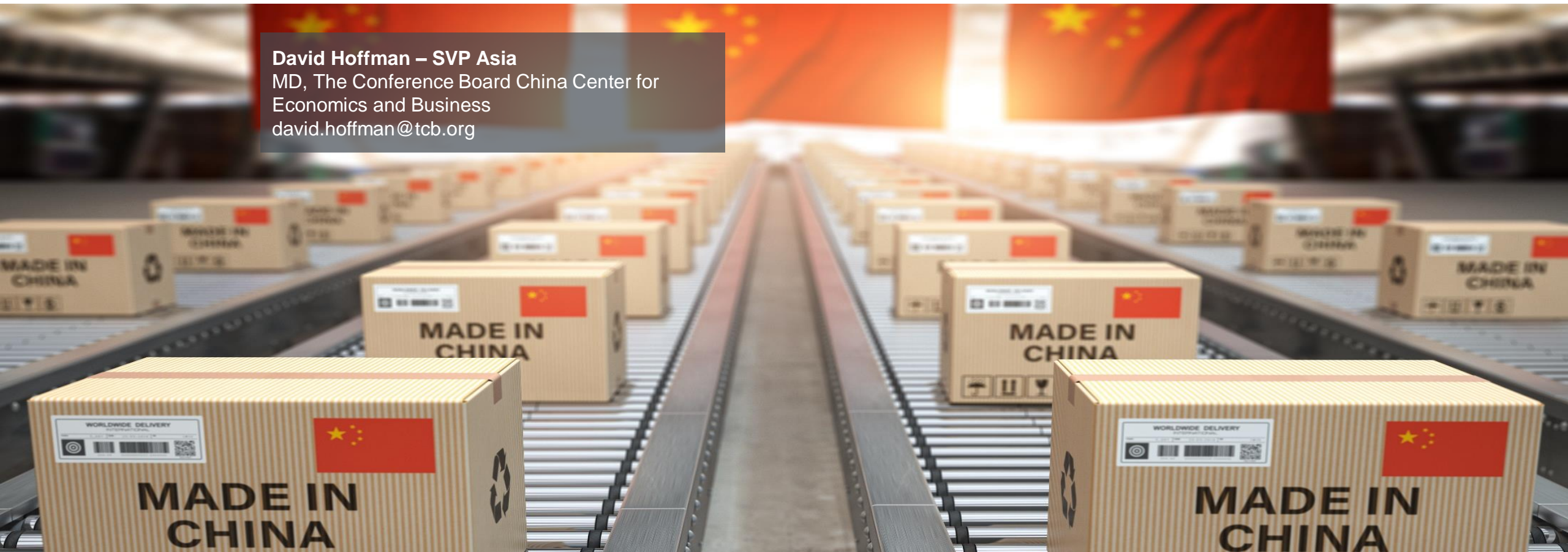


# China for China

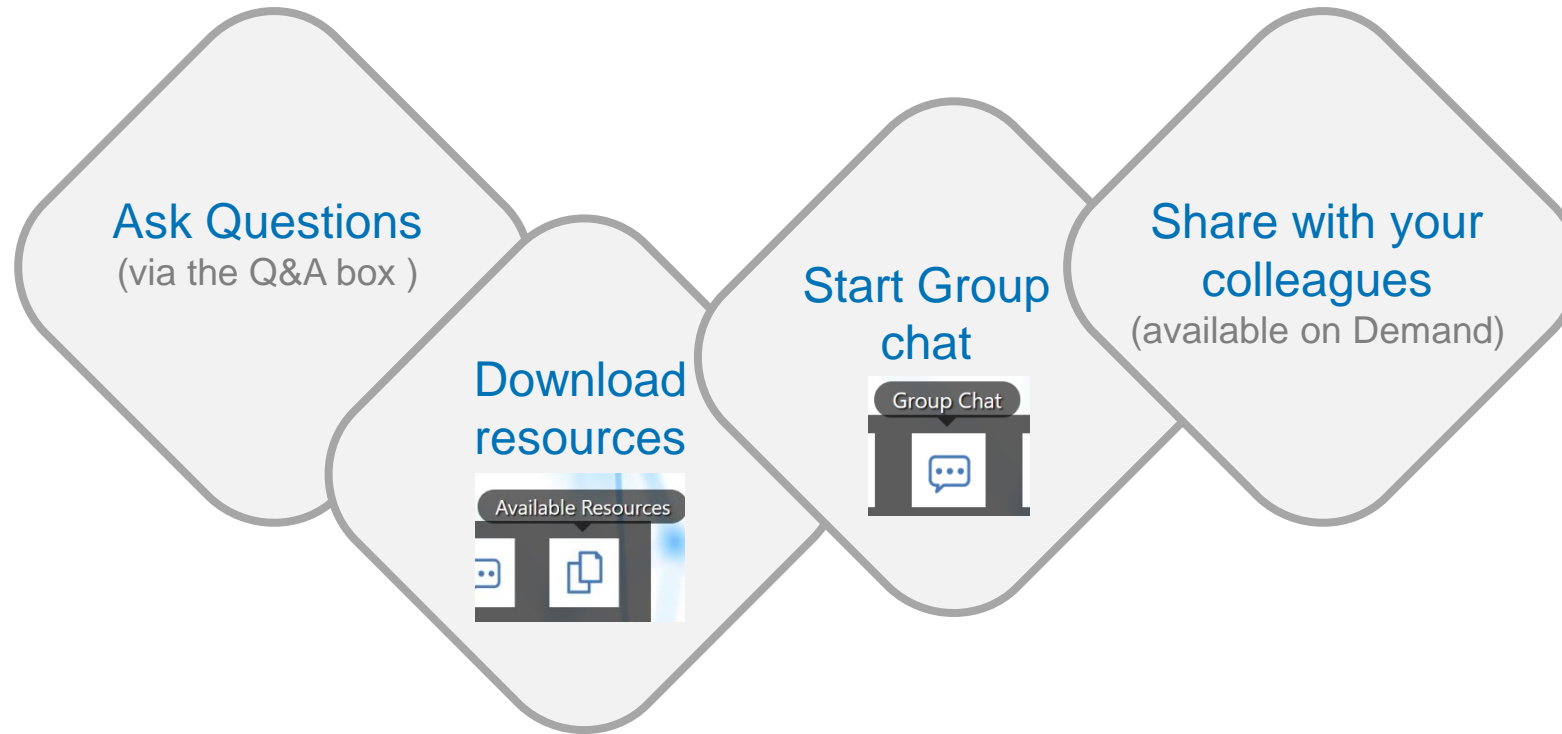
What is the shape of things to come for MNC business in China?

June 1, 2021

**David Hoffman – SVP Asia**  
MD, The Conference Board China Center for  
Economics and Business  
[david.hoffman@tcb.org](mailto:david.hoffman@tcb.org)



# Making the most of the webcast



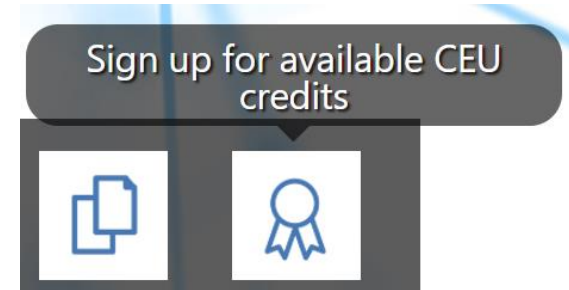
Tell us about your experience to help us improve our future program



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## Panelists:



**Kurt Vandeputte**

Senior Vice President Government Affairs  
Umicore

[Bio](#)



**David Hoffman**

Senior Vice President Asia and Managing Director of the China Center for  
Economics & Business  
The Conference Board

[Bio](#)



**Gwenn Sonck**

(Moderator)

Sinologist, Executive Director  
Flanders-China Chamber of Commerce, EU-China Business  
Association

[Bio](#)

# Setting the Scene

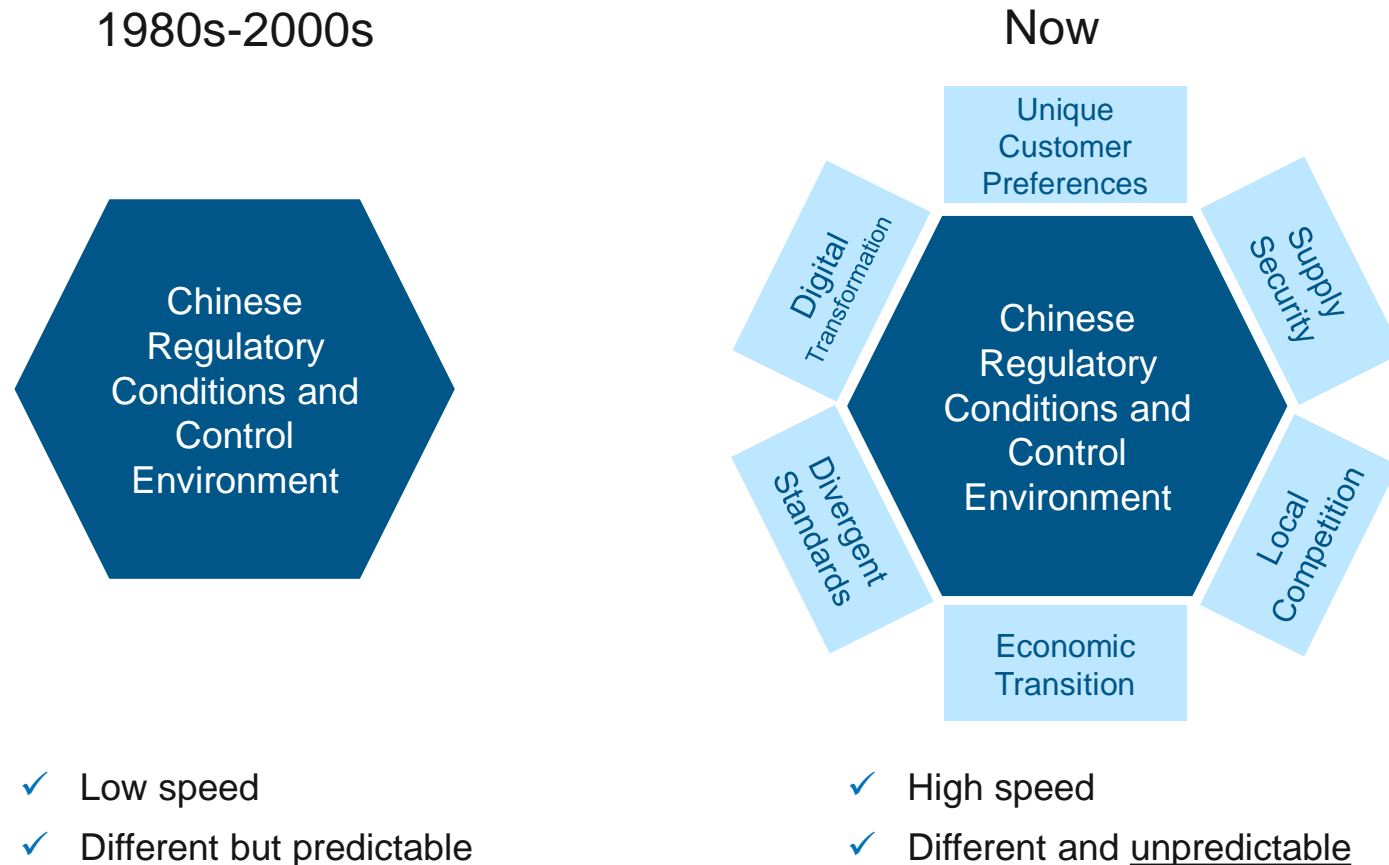
## China for China – pressures, opportunities and risks

Pressures	Opportunities	Risks
<ul style="list-style-type: none"><li>✓ Geopolitical tensions are undermining the trust and confidence of Chinese regulators, customers and employees</li><li>✓ Chinese customers and regulators are intensely concerned about supply security</li><li>✓ Self sufficiency has become a transformational narrative for the Chinese leadership and business community</li><li>✓ Pandemic, recovery and geopolitical dynamics call for deep strategic reset amongst unprecedented uncertainties</li></ul>	<ul style="list-style-type: none"><li>✓ Stand out COVID containment and recovery growth spurt</li><li>✓ Generally positive long-term demand fundamentals</li><li>✓ Big, opportune investment flows to “new economy” development</li><li>✓ Possible consolidation and share-gain opportunities in local market</li><li>✓ Significant Chinese capital market resources potentially available for tapping</li></ul>	<ul style="list-style-type: none"><li>✓ Uncertain US and EU policies on trade and investment</li><li>✓ Uncertainty about China’s commitment to “Open Door” policies and market access – WTO principles</li><li>✓ Mounting compliance and PR risks: Xinjiang, Hong Kong...</li><li>✓ Increasingly difficult x-border mechanics...<ul style="list-style-type: none"><li>— Conflicting compliance requirements</li><li>— Conflicting industry and technical standards</li><li>— Restrictions: talent, IP, investment, ...</li></ul></li></ul>



# On the commercial front, MNCs must adapt significantly to succeed in an increasingly divergent Chinese business environment

Many call this “China for China”



## Member Interviews – Key Findings

“China for China” is a core strategic principle; for many, it is already embedded as a continuous process.

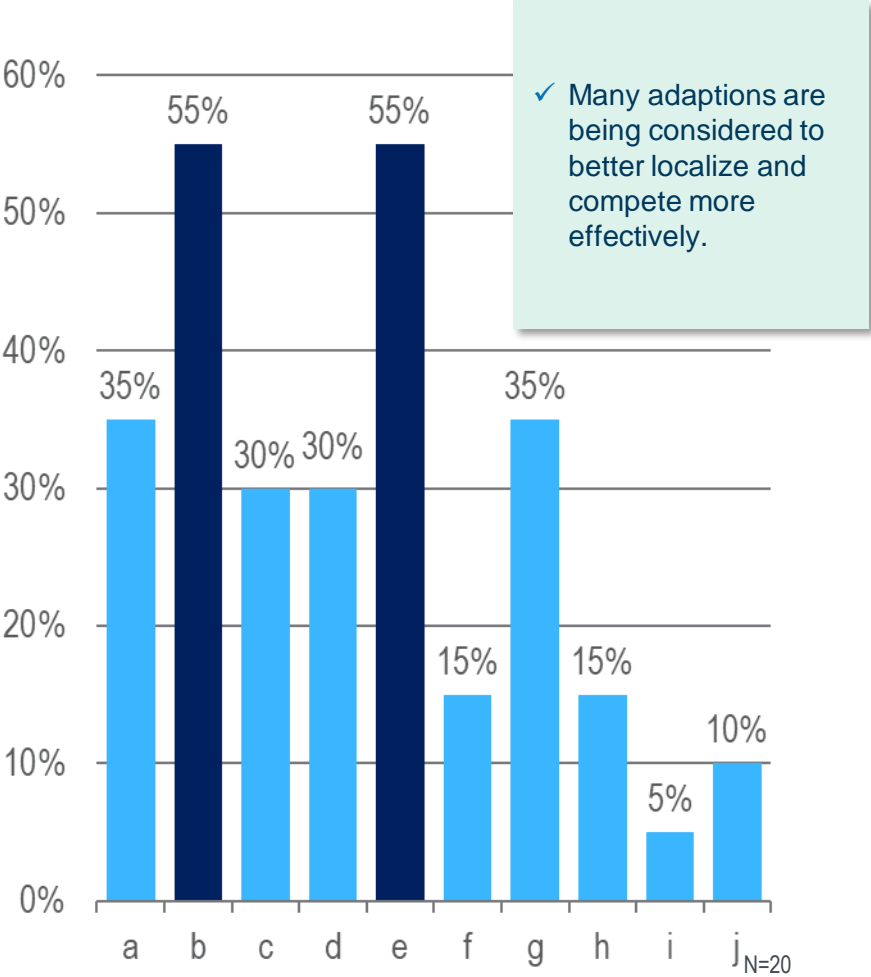
HR	Leadership and talent processes are trending toward full localization.
Digital Systems	Frontend commercial systems, especially for e-business, are trending towards full localization.
Commercial Operations	Localized digital transformation competency has become a core competitive requirement. Many now use China as a “sandbox” for global digital transformation initiatives.
Supply Chain	Pressures are high to address “secure and controllable” concerns and will only increase. Most are localizing production and tier 1 supply chain
Research & Development	Strong localized product development and customization capability is a basic requirement. China is increasingly a source of global product development inspiration.
Partnerships	New and unconventional partnerships are being explored to fast-track and rapid-scale important and/or urgent localizations.
Enterprise IT	There is much uncertainty about EIT localization issues. Data domiciliation is a must. It is not technically hard to do (or to safeguard) but it is expensive.



# Many MNCs are looking at new partnership models

Q: What novel future adaptations and localizations are being considered to scale-up quickly, offset risk, and/or improve competitiveness? (select all that apply)

- a. Development of China-specific brands
- b. Acquisitions of local brands and operating companies
- c. VC investing in local firms
- d. Creating spinoffs and equity partnerships with Chinese investors
- e. Minority partnerships with local players
- f. Outsourcing of ecommerce/e-business operations
- g. Technology licensing
- h. Capital raising in China
- i. Other
- j. None



# Chinese Capital Partnerships

Undertaking local listings or equity partnerships with Chinese investors is a viable option for an MNC wishing to more fully localize a China operating company either for improved market access and/or to insulate a China operating company from geopolitical or trade disruptions

The potential benefits of the capital partnership model are several...

- ✓ It can reduce capital risks and offsets capital constraints at corporate.
- ✓ It can neutralize the advantage of highly capitalized Chinese competitors.
- ✓ It can enable super-scaling, where necessary, to achieve competitive advantage.
- ✓ It can engage powerful local champions and create a lobbying surrogate for ecosystem connectivity and regulatory risk management.
- ✓ It can open a pathway for capital-raising on Mainland China public markets or in Hong Kong, and the prospects for both lowering capital costs and enhancing valuation.

...and...

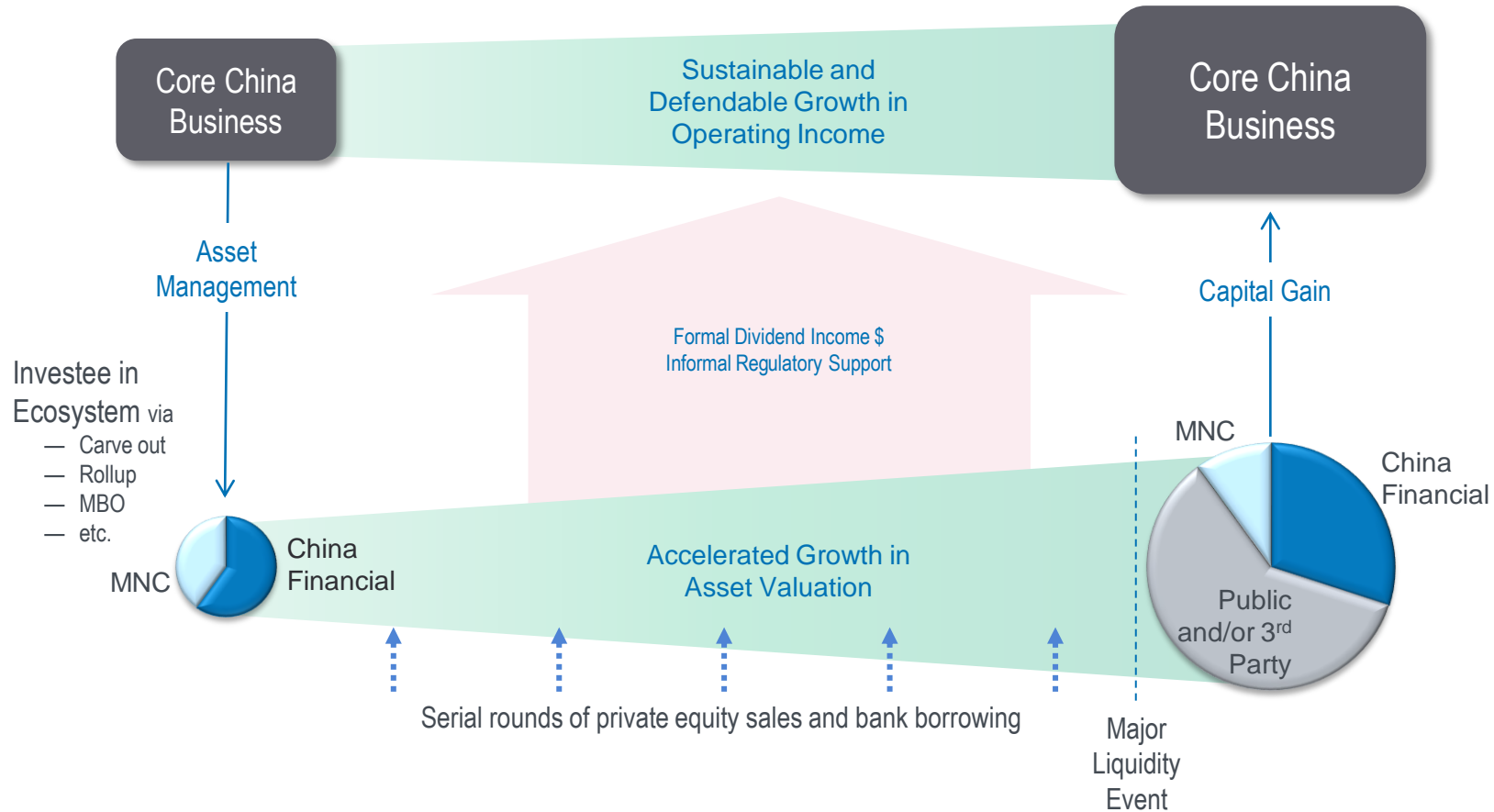
- ✓ The inclusion of financial investors as partners also has the potential to repair problematic legacy JVs suffering dis-alignment between the foreign and local operating partners.



# The Capital Partnership Model

1. MNC control and revenue capture of "Service Co".
2. Red Hat "support" provided by passive financial investor.
3. MNC KPIs expanded to include asset value growth as well as operating profit.

Illustrative



## Selected Cases



- Structured finance package for start-up support (\$2b++)
- Tencent a major equity investor
- China supply chain development
- Lingang Group and state banks



- JV with state owned investment holding company Shendi
- Disney controls operating company
- Shendi controls asset management company



- FIE controlled listing SSE (\$4.5b)
- Advanced development, manufacturing and systems integration of nextgen ICT (5G, etc.)
- Cornerstone Chinese investors – SOEs and BATs



- Equity JV: HPE (49%); Unisplendour (51%)
- Advanced computing equipment and services – large corporate and public sector
- HPE-managed



- Equity JV: first with Fosun then with New Frontier Health Group (Antony Leung)
- Expansion capital and market access
- United Family Hospitals holds minority interest but runs operations

### Others

- The Retail Franchises: McDonalds, Yum!, Tesco, Carrefour...



# For most HQ organizations, new China requirements for fast-track adaptation and investment come at a very difficult time...

Local uncertainties are profound.  
There are no guarantees...

- China market access: *Will the door remain open?*
- Chinese commercial terms and regulations – e.g. price controls: *Will profit pools remain attractive?*
- Cross border IP restrictions: *Will technologies be permitted in and out?*
- The possibility of US sanctions: *Will sanctions stall or stop business?*
- Local qualifications and “secure and controllable” definitions: *Even if we localize, will we be considered local?*

For many, HQs challenges are profound. Resources are tight...

- ✓ COVID economic damage to world markets
- ✓ Business slowdown and cost controls
- ✓ Capacity reduction imperatives
- ✓ Employment retention imperatives
- ✓ Geopolitical uncertainties
- ✓ Domestic political imperatives in home market(s)



# Headquarters-China “Co” Relations

Establishing strong alignment is a most critical success factor at this difficult and fraught juncture in Sino-western relations...

## Key Sources of Misalignment

- ✓ Risk Management Concerns
- ✓ Opportunity Evaluation Concerns
- ✓ Divergence and Autonomy Concerns

**1. Proactively trust-build to enable requisite communications**

**2. Establish a shared “long view” on China**

**3. Commit to a higher level of risk monitoring and cross border, cross functional coordination**



## Questions? Contact Us

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## About The Conference Board China Center

Founded in 1916, [The Conference Board](#) is the member-driven think tank that delivers trusted insights for what's ahead. To be durably successful in China, you need continuous and reliable foresights on China's economic trends, political economy influences, consumer market shifts, trade and geopolitical factors, and business environment dynamics specific to MNCs in this market.

Our independence, deep China experience, and hardnosed data work yield unique insights that inform and improve your business planning. In joining our [China Center](#), you gain access to an unmatched market intelligence platform and an exclusive peer network for exchanging perspectives on your highest priority issues.

The Conference Board China Center public purpose work is made possible by virtue of funding support and thoughtful guidance from our China Center Executive Members.





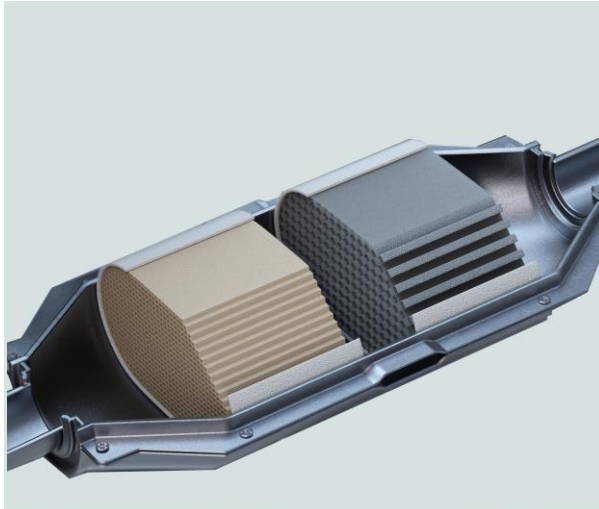
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# China for China - Umicore

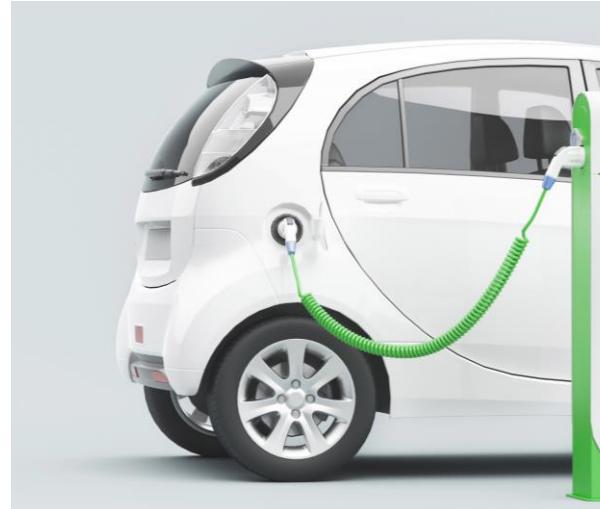
2021

# Who we are

## A global materials technology and recycling group



One of three global leaders in emission control catalysts for light-duty and heavy-duty vehicles and for all fuel types



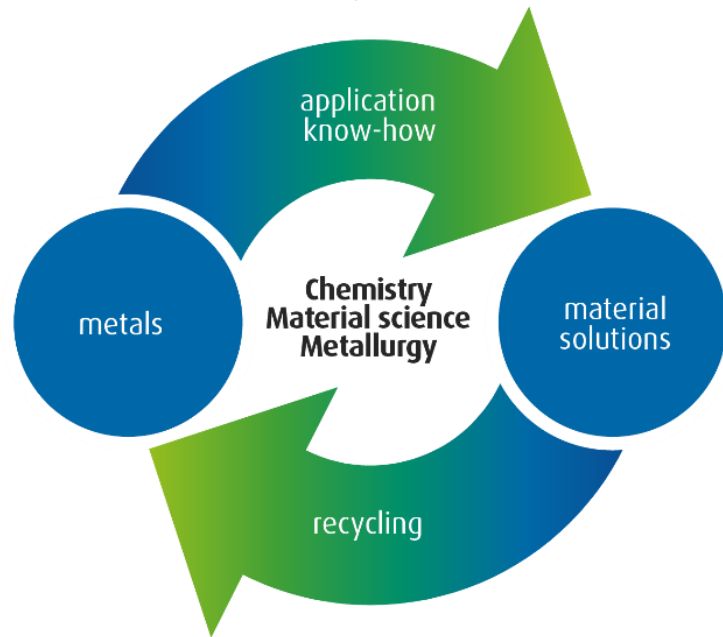
A leading supplier of key materials for rechargeable batteries used in electrified transportation and portable electronics



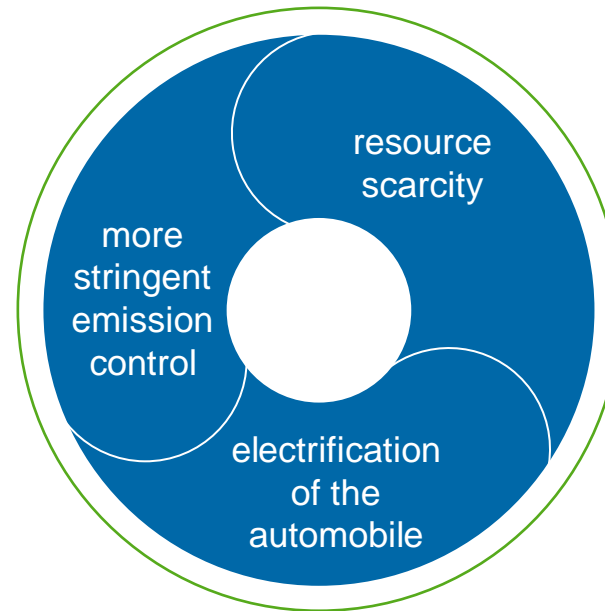
The world's leading recycler of complex waste streams containing precious and other valuable metals

# Built on sound foundations

Unique business model



Supportive megatrends



Industry leader in sustainability



# Global presence

**PEOPLE**  
**10,859**

**PRODUCTION SITES**  
**47**

**R&D | TECHNICAL CENTERS**  
**15**

## North America

**692** people  
**10** production sites  
**1** R&D technical centers

## Europe

**6,102** people  
**18** production sites  
**7** R&D technical centers

## South America

**607** people  
**5** production sites  
**1** R&D technical center

## Africa

**235** people  
**1** production site

## Asia / Pacific

**3,223** people  
**13** production sites  
**6** R&D technical centers

# Umicore in Greater China

## 优美科大中国区



Umicore's Chinese name is “优美科”

优 (“U”) 代表 “优质为本”

“优” means “excellence or best quality as the principle”

美 (“Mei”) 代表 “美化生活”，因为 “用材料创造更美好的生活”

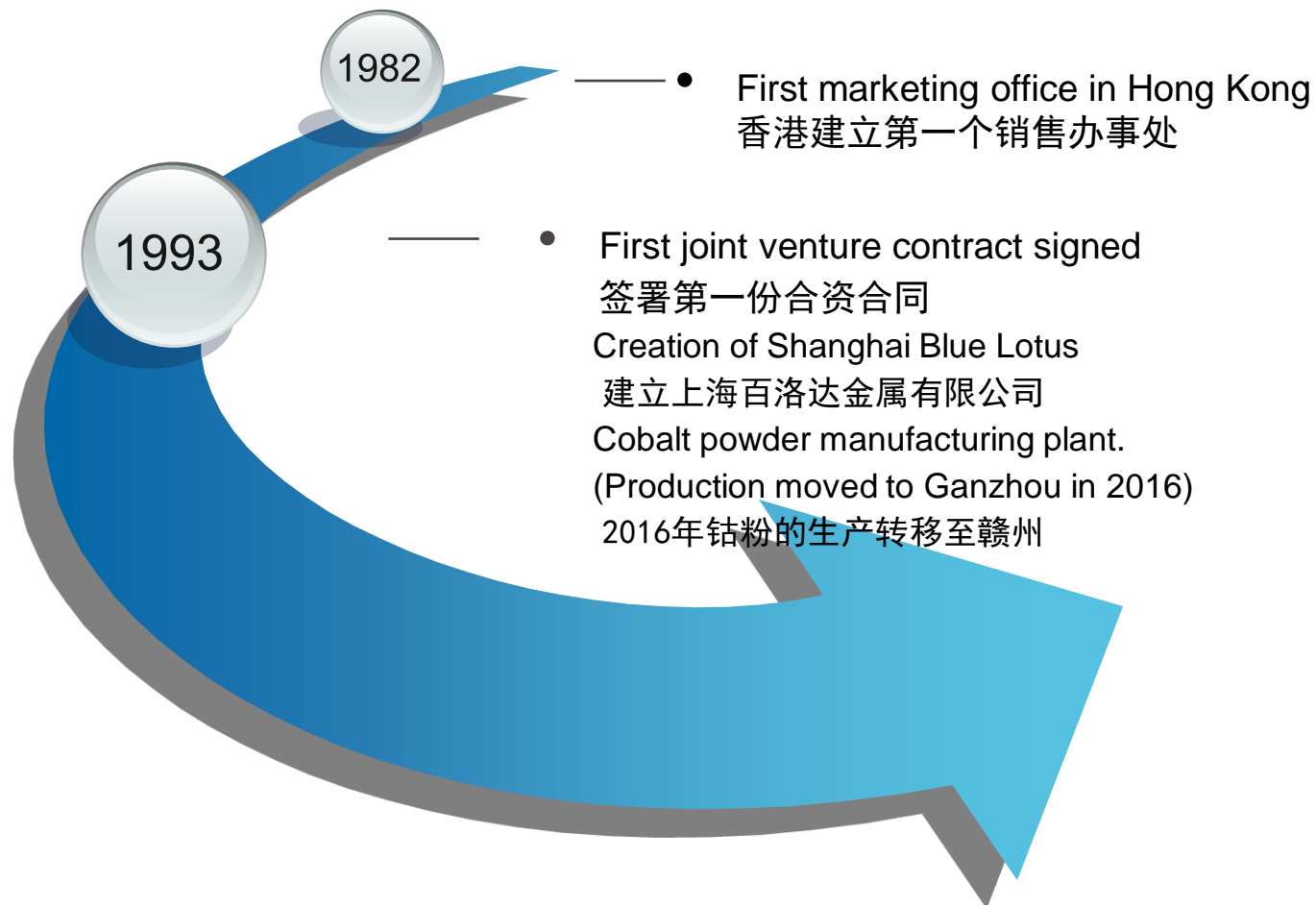
“美” means “to beautify life”, as “materials for a better life”

科 (“Ke”) 代表 “科技创新”

“科” means “technological innovation”

# Umicore's history in China 优美科在中国的发展史

*up till 2000 – it's about building experience and footprint in China*  
 至2000年 - 优美科在中国积累经验和开发足迹



# Umicore in Greater China

## 优美科大中国区

8 Production Sites (include JVs) + 7 Commercial offices + 1 Regional Head office

2,290 人 (724 合资方员工) 2,290 people (724 in associates)\* ● Production Sites ● Office

### Beijing 北京

Automotive Catalysts 汽车催化剂  
Stationary Catalysts 固定源用催化剂

### Tianjin 天津

Automotive Catalysts  
汽车催化剂

### Ganzhou 赣州

Rechargeable Battery Materials  
可充电电池材料

### Chengdu 成都

UMS 国际金属贸易

### Jiangmen 江门

Rechargeable Battery Materials(2) 可充电电池材料  
Metal Deposition Solutions 金属镀膜方案

### Guangzhou 广州

UMS 国际金属贸易

### Suzhou 苏州

Automotive Catalysts  
汽车催化剂  
Jewellery & Industrial Metals  
珠宝和工业金属

### Shanghai 上海

RHQ 区域总部  
UMS 国际金属贸易

### Taipei 台北

UMS 国际金属贸易

### Hsinchu 新竹

Metal Deposition Solutions  
金属镀膜方案

### Hong Kong 香港

UMS 国际金属贸易

# China for China – Umicore case



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materials for a better life

# Webcasts

## Upcoming webcasts:

### [What Do Rising Commodity Prices and Related Inflationary Pressures Mean for Asian Economies?](#)

June 02, 2021 09:00 AM CET [09:00] (Brussels), 03:00 PM SGT [15:00] (Singapore)

### [Economy Watch: The Emerging Global Recovery](#)

June 09, 2021 11:00 AM ET [11:00] (New York)

### [All Upcoming webcasts](#)

### [On-Demand \(Recorded\) webcasts](#)

### [Podcasts](#)

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