

IRISH CHAMBER of Commerce China



Being Bullish

DECEMBER 2021



Ard-Chonsalacht na hÉireann
Consulate General of Ireland

As I approach the end of my first calendar year in Shanghai, I am still trying to catch my breath - it has been a whirlwind 15 months. I have learned a lot from so many different people here about the city and the region, the present and the past, about living here, doing business, the Irish community, and generally navigating life and work here.

The 'Being Bullish' report 2021 was a great introduction for me to some of the Irish Chamber members and what was on their minds this time last year, and gave a really good overview of the different sectors in which members are involved. I had a look back at it recently and in particular – as promised! - looked at the answers to 'What do you think we'll all be talking about in January 2022?' question. Some people got it pretty close, some were unfortunately a bit too optimistic.

From last year's answers I think Jo McFarland earns the prize with: "I suspect we will be saying 'maybe this is the year when everything goes back to normal' Maybe". Who knows if we will still be saying the same thing this time next year.

Several others also had good windows to the future with mention of vaccine passports, of accelerated wealth inequality, the increased tax burden, and the push for green and sustainable investment. Clare O'Dowd hoped we'd be enjoying a whisky highball and there's nothing to stop us all from doing that, no matter what the situation!

And even if Covid-19 isn't yet in the rear view mirror as we all hoped, whether we thought it was a realistic possibility by now or not, I like John Collins' hope for a world with a wiser and

more compassionate mindset – we can all hope and work towards that.

Wishing everyone in the Irish Chamber of Commerce a very happy Christmas, health and happiness during the holiday season and throughout 2022. A special wish goes to everyone who will be celebrating another Christmas with family and friends from afar, and I look forward to the time when people can be reunited and celebrate together in person.

Wendy Dorman-Smith
 Consul General of Ireland in Shanghai
 December 2021

I am delighted to introduce this perspective on the Year of the Bull by our contributing Irish experts based here in China. Last January, these experts were brave enough to peer into the crystal ball and offer their thoughts on how this year would evolve. Now the time of reckoning has come to look back and reflect on what did happen. Many thanks to them for taking the time to contribute to our understanding of what happened in 2021.

In January, we plan to bring to you our outlook report for the Year of the Tiger, similar format by a mix of both new and old contributors. Meanwhile, I wish all members a merry Christmas and happy new year!

Peter Markey
 Chairperson
 Irish Chamber of Commerce China



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LIQUOR&SPIRITS

Clare O'Dowd

Finance&Strategy Director
BeamSuntory China
Sector: Liquors&Spirits

I lead Finance, Supply and Commercial Strategy for a global spirits brand company and we import, market and distribute our brands such as Yamazaki, Jim Beam, Courvoisier, Bowmore within China to the on-trade (restaurants, bars, nightclubs,) the off-trade (supermarket, liquor stores) and online.

What planned out pretty much as you thought?

Social and community ecommerce through trusted networks grew as a method to engage consumers. 11.11 this year saw Livestreaming as one of the key drivers of growth compared to previous years for example.

What surprised you about this year?

Unfortunately, the supply issues kicked in as predicted but they were actually a lot worse than expected globally as the

impact was so broad which deepened the impact. Issues from lack of fuel delivery for production causing glass shortages right through to lack of containers. Luckily the whisky was still safe in its casks.

In your sector/company what new developments did you see in response to the current economic situation?

Less triggered by the economic situation exactly, but we are seeing a steady shift in Chinese consumers looking for more cultural relevance in their products,

whether it be a switch from global to local brands or they expect the global brands to be more locally relevant. This is across all sectors and brands will need to adapt, especially foreign brands if they are to remain attractive to local consumers.



EDUCATION

Stephen Graham

Managing Director and Founder
Shanghai Graham Business Education Consultant Co. Ltd.
Sector: Education

I provide English language consultancy services, in the Private Education Sector for a number of different companies who prepare for students to study in the USA and UK.

What panned out pretty much as you thought?

The use of technology for meetings and teaching to allow working from home has pretty much stayed the same. With COVID infections still happening in different parts of China, students have opted to stay at home and study and I was even teaching a class of 50 students from all over China on Tencent meeting.

Students are planning to travel abroad to study in 2022 so this is a preparation year for them - interview preparation as well as TOEFL, IELTS and Duolingo exam preparation. This has been increasing since May of this year and is keeping me busy.

What surprised you about this year?

I suppose I shouldn't really be surprised about this but so many folks back home don't seem to appreciate the significance of getting vaccinated and wearing masks

to keep the community safe. We have been very lucky in China that most people follow the social norms without question and the country has been able to go about its business without too much disruption. This is not true for all sectors of course, but on the whole, most industries in China have been able to get back on their feet.

In your company/sector, what new developments did you see in response to the current economic situation?

I am not sure if it is in direct response to the current economic situation, but China has brought in laws to limit the training/education of kids outside of school hours. This has had a massive impact on the training sector as a whole and foreign teachers in training centres in particular. However, parents are still looking for extra education for their kids so

are turning to private educators and training centres are changing the types of classes to literature, art and drama, etc, to get around the new restrictions. This has led to new openings for my company. One other new development happening in January which will affect the education sector more, and especially teachers with kids in international schools are the new tax laws. If they are not able to find a solution, their salaries will be hit hard and may force some to leave. This is just one more item of stress on teachers.



TAX

Edward Sheehan

Corporate Services Manager
RsA ASIA
Sector: Corporate services/tax advisors

I am a corporate services manager at RsA Asia Tax Advisors, where I focus on helping clients in China on investment and corporate structuring projects, as well as intellectual property rights.

What panned out pretty much as you thought?

I predicted that lawyers and accountants would still be required for companies operating, and as there has not been a dramatic upheaval and systemic destruction of the business environment I was correct. The biggest challenge forecasted was the return of foreign colleagues trapped outside of China, and sadly enough I was correct, ultimately my colleagues did not return and changed industries. For other companies the challenge is also there, especially in respect to the issuance of spousal visas for new hires who have managed to get PU letters (invitation letters), and with the emergence of the new omicron variant of COVID and countries globally closing their borders, it seems unlikely that China will relent and allow for more international travel.

What surprised you about this year?

A massive development in China has been the rapid introduction of the Data Security

Law on 1 September and the Personal Information Protection Law on 1 November. These laws essentially enshrine the right to privacy and protect the consumers interests to the same level as in Europe under the GDPR.

These new laws will have a massive impact on business operating in China or operating abroad but managing the personal data of individuals in China (tour operators for example). For the moment the Chinese tech giants are in the eyes of the regulators. Tencent (Wechat, QQ, PUBG - China) has been prevented from updating its existing apps or launching any new apps as part of a "temporary administrative guidance" until the end of the year unless the products have passed an audit from the regulator, and forbidden from signing up any new users in the same period.

This ban on updating or launching new apps is reminiscent on the order placed on Didi following the data crackdown Didi suffered for sharing Chinese personal

data with the SEC (market regulators) in the USA in their disastrous IPO bid. Didi is still prohibited from acquiring new customers since the ban was first applied last July under the Cybersecurity Law.

In your company/sector, what new developments did you see in response to the current economic situation?

We have seen a much lower figure in SME investment into China, however for the multinationals their projects have continued unabated. I assume that this trend will continue for the new year as travel restrictions are impacting upon the more hands-on approach that SMEs take with regards to their international ventures.

We have had a number of clients approach us with legal issues relating to the delays and additional expenses in shipping products, and a few ancillary force majeure related disputes, which I imagine will continue into the new year.



IMMIGRATION INVESTMENT

James Hartshorn

CEO and co-founder
Bartra Wealth Advisors
Sector: Immigration investment

As Ireland's leading developer, Bartra provides investors direct access to the Irish government preferred, high-quality Immigrant Investor Programme (IIP) projects.

James has had a very busy 2021 what with opening his new office premises in Shanghai in the summer, being named President of the Entrepreneurs Organization in June and travelling for business across China, most recently spending time in Hong Kong.

James is currently in Ireland and would like to wish everyone in the ICCC the very best for 2022.



PHARMACEUTICAL & BIOTECH

John Collins

Freelance Consultant

Sector: Pharmaceutical & Biotech

I advise Chinese biotech companies on cross border deals and building competitive differentiated portfolios. I have over 22 years industry experience (20 with Pfizer) in Europe, the US, and China.

What panned out pretty much as you thought?

The timing for a partial return to normality in the western world, the confidence behind the mRNA vaccine technology, plus the ongoing challenge caused by resistant variants turn out to be pretty much as thought, as had the continued rise of the biotech sector in China with significant progress made in 2021 in terms of financing, moving forward the science and delivering innovative medicines to meet not just China's unmet needs but also global unmet needs.

What surprised you about this year?

To some degree it was a little surprising to see China was pretty lukewarm towards mRNA technology in the initial few months of the year - however, this rapidly changed, and now a number of local players are moving forward in this area.

One challenge raised in the report was the challenge with vaccine hesitancy. Whilst it was not surprising to see this in some Western countries, it was somewhat surprising to see this in developed western European countries like Germany. In addition, a return to normality or 'new normality' seems to be more elusive than initially thought with significant challenges in 2022 and beyond.

In your company/sector, what new developments did you see in response to the current economic situation?

Significant progress has been made in terms of effective Covid treatment options (on top of work already done with preventative vaccines), cancer treatment progress has continued to make significant progress across a number of cancer types, whilst more modest progress has been made in disease affecting the brain and nervous system. Drugs from China-headquartered companies have risen to 18% of the global early-stage pipeline from 3% a decade ago.



FOOD&DRINKS

Conor O'Sullivan

China Manger
BordBia- The Irish Food Board
Sector: Food and drinks

I am the China manager for Bord Bia- the Irish Food Board, focused on helping companies based in Ireland develop Irish food and beverage exports to China.

What panned out as you thought?

In 2020, many restaurants and consumers were hesitant to purchase imported food because of widely reported links to COVID breakouts. We predicted that would remain a concern in 2021, gradually easing as vaccines rolled out in China. That seems to have played out. Seafood was the worst affected sector for us in 2020, but Irish exports have thankfully doubled again this year as consumers have relaxed. Our seafood exports haven't fully recovered yet, true, but that's more down to the continued difficulties of logistics.

Elsewhere, China's falling birth rate is having a big impact on demand for infant formula, affecting all international suppliers. This change has been a long time coming, and our dairy industry has been preparing. But 2021 was the year it finally struck, and it's clear that the golden days of infant formula in China are behind us now. Now, global dairy companies are diversifying to serve other areas of life stage nutrition, and other growth channels like foodservice.

What surprised you about the year?

How disruptive COVID continues to be, even in a country that has such an excellent record controlling it. Industry events are still often at threat of being cancelled or postponed. For the most part, life in China has been so open and normal, but we're only ever a small number of cases away from that stark reminder. Of course, it's still difficult to get people into China, and only a very few Irish company representatives have been willing to stomach quarantine to attend meetings or trade events. For those companies that don't have staff here, our role is more crucial than ever.

Turning to the food industry specifically, the rapid recovery of China's pig industry caught the world by surprise. After several years of under supply caused by swine fever, pork production has rebounded hugely this year, causing prices to swing from highs to lows in a matter of months. The Brazilian beef suspension, lifted very recently, also had a big impact on global meat trade. These two factors have been quite disruptive, though things have stabilised recently.

In your sector, what new developments did you see in response to the current economic situation?

COVID controls relating to food imports appear here to stay. They have added cost, time and complexity before food can reach tables. It has reduced margins for anyone involved, but that's the reality of the business for now.

The sweeping policies to reduce the burden on parents in response to the rapidly falling birth rate are a big change. They seem to be about reducing the burden of major life costs: housing and education. If they are effective, they could free up income for more discretionary spending long term (though I'm not sure about the wealth effect in the short term).

COVID is still having a big impact on the foodservice industry. We can all see how chain restaurants are spreading throughout the country. You need deep pockets when revenue streams can be disrupted for a month by any mini outbreak. The run up to Chinese New Year is a critical period for many restaurants. There will be lots of operators hoping controls around CNY 2022 are less restrictive than last year.



RETAIL

Jo McFarland

Country Head
Sainbury's Argos Asia Ltd
Sector: Retail

I lead Sainbury Argos' logistic and sourcing operations in China, which means I have to find manufacturers for all the consumer goods that our consumers expect to find at great prices, and then get them to the UK and Ireland outlets in time for different seasons.

What panned out pretty much as you thought?

We assumed it would be another year of closed borders and no human contact with anyone outside of China and this is exactly what happened. Meetings with our UK, ISC and Hong Kong teams have continued to be conducted through digital means.

We expected the UK to move towards more normality as the vaccine rolled out which would change the shape of consumer spending pushing it more into hospitality and clothing and to an extent this also happened

What surprised you about this year?

A few things surprised me

1. We had expected freight availability to stabilise but this has not happened and in fact it has got steadily worse, and we are now seeing the price of freight at

levels not experienced by many of us before and there appears to be no improvement on the horizon. Shipping was also hit by the Ever Given being stuck in the Suez Canal, congestion at UK ports due to lack of lorry drivers, typhoons disrupting Asia shipping and occasional lock down of China ports due to COVID out breaks.

2. Many raw materials prices have increased to un-forecasted levels with many doubling YoY. There is also a shortage of batteries which are required for electronics and garden power equipment as they are being used by the automotive industry
3. Global demand for product has remained higher than expected which has put further pressure on Supply Chain

In your company/sector what new developments did you see in response to the current economic situation?

In our ISC, Hong Kong and UK offices colleagues have mostly Worked from Home or as the situation improved a mixture of the two. This is now something that is set to stay as we have already shuttered or downsized offices with colleagues only going to the office to participate in one of the three Cs i.e. Communication, Collaboration and Coaching. We have not yet taken this step in the Shanghai office but is something we may need to consider in the future.



B2B ADVERTISING

BARRY COLMAN

Regional Managing Director
Doremus
Sector: B2B advertising

I am the regional MD for Doremus, Omnicom's specialist B2B advertising and marketing agency. We help clients grow profitable businesses through solutions in B2B strategy&consulting, B2B creative&production, B2B digital&social and B2B media&ABM.

Here are some of the words that sum up 2021 for me...

busy customerloyalty notravel **vaccinations** distance digitilisation **runningasiafromanironingboard** onlinemeetings taxlaws dataprivacylaws **chinaoutboundmarketing** tensions fullfunnel slowdowns **awards** reducedspending slowlyslowly fragmentation **nolinkedin** noyahoo! branding salesteams **MLisdead** SQL socialcontent contentcontentcontent **METaverse** 100yearsCCP CreativeAgencyOfTheYear **covidbubbles** squidgames newbusiness ROI **numbnumbersnnumbers** B2B leadership mentorship **teamwork** sustainability end-to-end circular **economy** 2050Carbon-neutral supplychain **EVcars** CSR omnichannel thoughtleadership **webinars** livebroadcasts salesleadgeneration CRM **whitepapers** value-add friendship community **support** health family resilience **variants** closedborders waitandsee **discounts** KOCs eCommerce shorttermresults **tired** happy

See you in the Year of the Tiger

Our mission is to represent and support the Irish Business community in China in promoting, developing and maintaining business relations by providing access to information, resources and networking opportunities.



**Contact us
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