



GCC's Policy Barometer

Quarterly Economic Policy Insights for German Companies in China

The Policy Barometer aims to cover the following questions: COVID-19 Situation, German-Chinese Relations, Decarbonization, German Due Diligence Supply Chain Act / EU Directive

What is German businesses' current sentiment on that issue?

What is the status quo on the most crucial economic policy topics?

- How does the German Chamber assess the current situation?
- What do we advocate for and which practical tools do we offer?

Follow our quarterly Policy Barometer!

COVID-19 Situation

Status Quo: With the spread of Omicron, China's Zero-COVID Policy has been with economic indicators on a level similar to beginning of 2020. However, the Zero-

challenged enormously during recent months. China's economy got a serious damper

COVID Policy will stay, as explicitly reconfirmed in a Politburo Standing Committee Meeting in May. A significant bunch of economic support measures have been released with a strong appeal to local authorities for implementation. Pulse Check: While in May more than 70% of German companies have been

in areas fully or partially under lockdown, most German companies are operating again in June. However, supply chains are still strongly disrupted and cross-provincial travel remains difficult. The whole situation appears still volatile, since lockdowns could quickly come back, especially in Shanghai. Strategic considerations for diversification within and outside China are increasing.



huge uncertainty among German companies. The way COVID is handled puts German

GCC's Perspective: The sudden lockdowns and the strict measures cause

headquarters' confidence at stake. The strict travel restrictions, that have been ongoing for more than two years, are a big obstacle to business and investment in the Chinese market. More clarity for the future is needed, as well as more support measures for foreign companies.



our questions and recommendations. Some concerns, such as the cancelling of whitelists or the issue of headquarters' shrinking confidence, were picked up in political

Advocacy & Tools: Central and local governments have constantly received

speeches and the formulation of policies. Bringing specific company cases to the governments, e.g. on work resumption, proved successful in dozens of cases. However, the situation remains instable and our advocacy continues. Read our Advocacy Sheet on COVID-19 Situation in Chinese:

COVID Situation CN

Read our Advocacy Sheet on COVID-19 Situation in English:

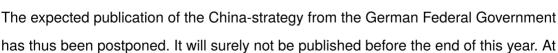
COVID Situation EN

Chamber's Advocacy Made Way Into Action Plan

Read our Wechat-Post:

German-Chinese Relations

since the outbreak of the Ukraine war and the announcement of "Zeitenwende" in



German foreign policy – while still emphasizing the importance of climate cooperation. The expected publication of the China-strategy from the German Federal Government

Status Quo: Germany has adopted a much tougher approach towards China

the same time, the question of economic dependence from China has become the focus of public debate. -1/- Pulse Check: German companies in China are worried about the increased politization of the discourse surrounding the bilateral economic relations, triggered by the current war in Ukraine. Even in response to this tightened geopolitical environment,

withdrawing from the Chinese market is not a choice for most German companies. They

mostly react by either increasing their localization in China or by considering

diversification throughout Southeast Asia. GCC's Perspective: Germany and China are closely tied to each other economically. Functioning economic relations are important for the overall wellbeing of both countries. They are also a rational point of reference when confronted with bilateral frictions. Even during geopolitical disputes and while classifying China as a systemic

to come. Looking at possible future fields of cooperation is crucial at this moment in time. Advocacy & Tools: We are preparing a paper to the German Federal Government, pointing out the necessity to adjust the formats for bilateral cooperation.

From German companies' perspective, those platforms often serve as a foundation for

long-lasting cooperation of mutual interest. For thoughts or input please contact us.

rival, the country will remain a key global market for growth and innovation in the years

Decarbonisation

Status Quo: After the recent lockdowns, companies' energy security will be again a more immediate concern than achieving the decarbonization goals. Premier Li

Keqiang already pointed to avoiding potential new power cuts, which will easily occur when more companies resume operations at full capacity. Nevertheless, decarbonization is simultaneously on the agenda. This is reflected by China's first decarbonization week currently taking place, where all Development and Reform Commissions in China are called on launching related initiatives.

Pulse Check: Many German companies are currently concerned with resuming

work after weeks of lockdown. Investments have been partly put on hold this year, including investments into decarbonization.



GCC's Perspective: We appreciate China's clear stance on decarbonization.

Still, more clarity is needed on topics such as green energy availability, green electricity certificates and unified standards in carbon emissions reduction and lifecycle assessment.



Advocacy & Tools: On the 15th of June, which is China's Decarbonization

Day, we launch our advocacy paper on decarbonization. We already made appointments with the Development and Reform Commissions to point out the role German companies can play in China's path towards decarbonization with their technologies and solutions.

Read our Advocacy Paper on Decarbonization in English:

Decarbonisation Paper EN

Read our Advocacy Paper on Decarbonization in Chinese:

Decarbonisation Paper CN

Decarbonization Launch Webinar

Read our Wechat-Post:

German Due Diligence Supply Chain Act / EU Directive



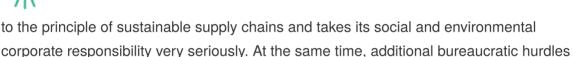
Status Quo: Germany's Due Diligence Supply Chain Act will already come into

effect by 1st of January 2023. The formal approval of the EU Directive is expected this summer, and member states national implementation should take place in the two years to follow. With that the whole value chain (upstream and downstream) will be considered. At the moment, there is not much further guidance to be expected on how this can be implemented in practice. However, there is a clear recommendation from political Berlin that suppliers and business partners should be prioritized, and those with a higher risk should be taken into consideration first. New publications on the human rights situation in Xinjiang are making a thorough preparation for these new laws inevitable.

-1/- Pulse Check: German companies in China are currently strongly concerned

with the disrupted supply chains within China. Regarding the upcoming law, they still

have a lot of questions concerning the specific implementation and the administrative supervision. While most of German companies already fulfill high standards of due diligence in their supply chains, companies are still keen on getting more specific guidance.



to the principle of sustainable supply chains and takes its social and environmental

GCC's Perspective: The German business community in China is committed

and legal uncertainties introduced by the new law are strong concerns for German companies – even more so, if the proposed EU legislation is implemented. Especially in China, supply chains are complex and therefore legal obligations need to be reasonable, so that the law can have its intended effects and truly unfold its necessary purpose. Advocacy & Tools: Through the DIHK, we are advocating for more guidance



on the law's implementation. Also, we assure Chinese government stakeholders that the law is not targeting China but needs to be applied worldwide within German companies'

value chains. Moreover, the law contributes to China's decarbonization goals. We will also continue to regularly keep you updated through events and exchanges. FAQs issued by the dedicated Helpdesk from the German Federal Government

FAQs from Helpdesk

If you do not yet have a Code of Conduct in place, please find here a

which provide a some more details on the implementation of the Law:

Template CoC

comments and suggestions. Kindly submit further feedback to **Dr. Constanze** Wang, Head of Government Affairs & Advocacy, at wang.constanze@china.ahk.de.

To better tailor this product to your needs, we look forward to receiving your

provided contact persons.

suggestion in both EN and CN.



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