China Economics and Trade Bulletin

Prepared by the research staff of the
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Highlights of This Month's Edition

In Brief

- **U.S.-China trade reached a record high in 2022.** According to U.S. government data, two-way trade flows between the United States and China amounted to over $690.6 billion in 2022, with imports totaling $536.8 billion and exports reaching $153.8 billion.[1] The trade goods deficit was $382.9 billion, the second-highest number ever recorded for U.S.-China trade.
- **U.S. companies are planning expanded retail footprints in China.** As China's economy recovers amid the end of Beijing's zero-COVID policies, U.S. companies—including McDonald's, Starbucks, and Ralph Lauren—have reported plans to launch new stores across China.[2] Nevertheless, according to a recent survey by the American Chamber Commerce in China, only 45 percent of respondents listed China as a top three investment priority in 2023—the first time in approximately 25 years that fewer than half of firms have placed China in that position.[3]
- **China's National People's Congress announced an overhaul of China's financial regulatory structure.**[*] A new body directly under the State Council, the National Financial Regulation Administration, will replace the banking and insurance regulator and also supervise investor protection. China's securities regulator will also fall under the State Council, increasing its bureaucratic sway, while changes to the People's Bank of China will reduce its regulatory functions and increase its focus on monetary policy.[4]

[*] The changes were announced as the March 2023 issue of the *China Economics and Trade Bulletin* was going to print, and will be covered in greater detail in the next issue.

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- **A report released in February indicated that Ant Group, parent company of the world's largest digital payment platform Alipay, saw its earnings fall 82.7 percent in the third quarter of 2022.**[5] Ant has been a target of Chinese regulators seeking to crack down on "disorderly" financial practices in China's fintech sector, notably having its initial public offering (IPO) blocked in 2020.[*] [6] In January 2023, Ant Group announced that founder Jack Ma's voting rights would shrink from above 50 percent to 6.2 percent, and ten individuals representing management, staff, and the founder would independently exercise non-controlling voting rights.[7]
- **China's Ministry of Commerce (MofCOM) named U.S. defense contractors Lockheed Martin and Raytheon as the first entities on its Unreliable Entities List for their sale of arms to Taiwan.** The blacklist prohibits firms from conducting business in China and bans their executives from entering the country. MofCOM also announced it would fine both firms twice the total respective value of their arms sales to Taiwan since it announced the list in September 2020.

Macro: Recovery Uneven as COVID Restrictions "Basically" Over

CONTEXT

- Beijing declared the COVID-19 pandemic "basically" over in February, ending remaining restrictions on mobility, dining, and other in-person activities that had hampered China's economy in 2022. The initial spread of COVID following China's abrupt easing of restrictions in late 2022 led some to project that China's economy would sputter, although early indicators show a mixed rebound to start the year.[8]
- Chinese household savings, constrained by COVID restrictions, rose by 17.8 trillion renminbi (RMB) in 2022, growing by more than 5 trillion RMB in the last two months of 2022 alone.[9] Some economists predict that these accumulated savings will be used to fuel new spending and consumption growth following the easing of COVID restrictions.[10]
- China announced a modest growth target of 5 percent for 2023, its lowest growth target in decades, as demand for Chinese goods remains weak and industrial activity continues to be sluggish in some sectors.

Chinese consumption strengthened in February while industrial activity lagged as China's economy emerges unevenly from strict COVID-19 measures. Beijing declared the COVID-19 pandemic "basically" over on February 23, removing all remaining curbs on movement and activity.[11] Shopping and tourism spiked in February as data from Bloomberg and Baidu showed the number of people riding the subway in major cities is now above pre-pandemic levels.[12] Although China was roiled by COVID outbreaks to the end of 2022, UBS data from the January 2023 Lunar New Year holiday period found that Chinese consumption was up 12.2 percent year-over-year.[13] However, a brief surge in consumption around the Lunar New Year does not necessarily indicate consumption will recover fully to pre-pandemic levels. While household savings are high due to a slowdown in spending during the pandemic, sluggish income growth and continued outbreaks and caution around COVID are likely to constrain consumer spending throughout the year. This is reflected across several industries, including box office sales, which grew in January and February but are still 18 percent below their 2019 pre-pandemic numbers.[14]

Industrial activity was more mixed as domestic manufacturing appeared to rebound, while headwinds persisted in Chinese exports. The official Purchasing Managers' Index, which measures the performance of the manufacturing sector via a survey of domestic industrial purchasing managers, rose to 52.6, its highest in a decade.[15] However, soft export demand continues to hamper Chinese industry. Chinese exports in January and February were 6.8 percent lower than a year before, led by the United States (down 21.8 percent) and the EU (down 12.2 percent), exacerbating an export slump amid weak global demand for Chinese goods.[16] In med-February, long-term contract costs for shipping a container from China to the U.S. West Coast dipped to late 2020 levels, when the COVID-19 pandemic drastically slowed shipping.[17]

[*] For more on Ant's blocked IPO listing, see U.S.-China Economic and Security Review Commission, "In Focus: Alibaba" in *Economics and Trade Bulletin*, December 7, 2020. *https://www.uscc.gov/sites/default/files/2020-12/Dec_2020_Trade_Bulletin*.

Amid an uneven economic recovery, China set an economic growth target at 5 percent for 2023. This moderate growth target is the lowest in decades and underpinned China's lack of intention for large-scale fiscal stimulus to spur growth this year.[18] In his work report to the National People's Congress, outgoing Premier Li Keqiang emphasized the conservative economic outlook as he outlined challenges in China's economy, including insufficient demand, unemployment, and fiscal troubles facing local and provincial governments.[19]

Fiscal: China's Fiscal Crisis

CONTEXT

- China's local governments collect roughly half the country's tax revenue but are responsible for a much larger share of outlays in providing social services like education and healthcare and public goods like infrastructure.
- Central government transfers are insufficient to make up the shortfall, so local governments raise funds through two other channels: selling land to property developers, which accounts for about a third of their revenue; and issuing debt, much of it through state-owned enterprises (SOEs) they control.
- Local governments' expenditure burden increased during the COVID-19 pandemic due to testing and prevention costs. Their revenue contracted from slowing economic growth and various tax breaks to support businesses as well as concurrent turbulence in China's property market that caused land sales to contract 23.2 percent in 2022.

China's local governments are facing their most severe fiscal crisis in decades, as China's overall budget deficit increased 53.5 percent from $824 billion in 2021 to $1.27 trillion last year.[*] Local government revenues have declined precipitously during the pandemic, while expenditures have risen sharply, straining funding for services such as transportation, healthcare, and education. Spending on COVID testing and prevention measures alone accounted for 5 percent of wealthy Guangdong Province's general public income in 2022.[†] A sharp decline in tax revenues coupled with China's ongoing campaign to limit local government and property developer debt growth[‡] have further strained government finances.[§] [20] As a result, local governments are struggling to meet their expenditure obligations and support local economies.[21]

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[*] China's fiscal budget has three major categories: the general, fund, and capital operation budgets. The first two are by far the largest, with the general budget including taxes such as the value-added tax and expenditures such as education, while the fund budget mostly tabulates revenue and expenditure on land sales (special purpose bonds, which are mostly earmarked infrastructure projects, are tabulated separately). These numbers are calculated by adding total revenue and expenses for each category between 2021 and 2022 and determining the percent change year-on-year. China Ministry of Finance, *Financial Revenue and Expenditure in 2022* (2022 年财政收支情况), January 31, 2023; China Ministry of Finance, *Financial Revenue and Expenditure in 2021* (2021 年财政收支情况), January 29, 2022.

[†] Guangdong spent $10.2 billion (RMB 71 billion) on "epidemic prevention and control," according to its provincial budget report. *Bloomberg News*, "Covid Zero, Property Slump Drive China into Record Deficit," January 30, 2023. *https://www.bloomberg.com/news/articles/2023-01-30/china-2022-budget-deficit-widens-to-record-8-96-trillion-yuan?sref=mxbIZFb4*; Guangdong Provincial Department of Finance, *Guangdong Province's 2022 Budget Implementation and Report on the Draft Budget 2023* (广东省２０２２年预算执行情况和２０２３年预算草案的报告). *http://webcache.googleusercontent.com/search?q=cache:http://czt.gd.gov.cn/attachment/0/512/512679/4089472.pdf*.

[‡] Across China, local governments' massive debt loads further limit their ability to expand fiscal support. Official debt and interest-bearing local government financing vehicle (LGFV) debt are well over 80 percent of local gross domestic product (GDP) in more than a third of China's provinces. With LGFV income from operating activities so minimal that the International Monetary Fund estimates new debt is responsible for 80–90 percent of their spending, a deleveraging campaign will inevitably limit LGFVs' ability to undertake GDP-boosting activities. Meanwhile, just considering officially recognized bonds, China's 31 provincial governments have outstanding debt approaching the Ministry of Finance's self-identified risk threshold of 120 percent of local government income. Nicholas Borst, "China's Balance Sheet Challenge," *China Leadership Monitor*, March 1, 2023. *https://www.prcleader.org/borst-spring-2023*; *Bloomberg News*, "China Local Governments Face Debt Squeeze Worth $2 Trillion," November 24, 2022. *https://www.bloomberg.com/news/articles/2022-11-24/china-s-local-governments-face-squeeze-from-2-trillion-in-debt?sref=mxbIZFb4*.

[§] Land sale revenues account for roughly a third of local government revenue. For a breakdown, see International Monetary Fund, "People's Republic of China: 2022 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for the People's Republic of China," February 2023, 37.

A tax system that favors the central government compounds local governments' inability to address their fiscal challenges. Local governments in China are allowed almost no discretion in setting and raising taxes, and a substantial share goes to central government coffers.[22] The central government transfers funds to local governments both to meet general budgetary needs and pay for specific projects. For the vast majority of these transfers, higher levels of government retain significant discretion in distributing funds to lower levels of administrative hierarchy.[*] Consequently, the lowest rungs on the ladder are given short shrift in transfers to meet their expenditure obligations on social services.

Fiscal troubles spell both political and financial risks for China. Local governments have been reducing government health insurance expenditures and cutting civil servants' salaries, with teachers' salaries in particular in arrears throughout the country.[23] Further, some local governments have been unable to pay transportation services such as bus operators, with one claiming it could not afford payroll or utility costs.[24] Desperate to find any source of revenue, in 2022 local governments began selling land to their own SOEs, who fund the purchases through high-interest borrowing, exacerbating local government debt risks. Some estimates suggest such sales could have accounted for nearly a third of all land sales revenue in 2022.[†] China's Finance Minister Liu Kun attempted to assuage concerns about the local government fiscal crisis, arguing in a March briefing that local finances were "generally stable," a claim met with skepticism by analysts.[‡] [25]

Diplomacy: Expanding China-Russia Trade Undermines U.S.-Led Sanctions, China-EU Ties

CONTEXT

- The United States placed economic restrictions on Russia following the illegal invasion of Ukraine in 2022, including export bans on dual-use technology, an embargo on purchasing Russian fossil fuels, and the exclusion of Russian banks from SWIFT.
- Since then, China has helped Russia side-step these restrictions and bolster its economy by exporting cars, electronics, and semiconductors to Russia and importing Russian oil and gas.
- China's refusal to participate in economic restrictions on Russia undermines their effectiveness, but is also constraining China's economic diplomacy with the EU.

China's expanding trade with Russia is hampering its attempts to foster deeper economic ties with the EU. China's Ambassador to the EU Fu Cong called to "resuscitate" a stalled investment agreement with the EU, just as foreign investment into China hit an 18-year low.[26] The Comprehensive Agreement on Investment (CAI) would improve market access for European firms, particularly those in auto manufacturing, healthcare, and chemicals, while bringing investment into China.[27] Although a consensus was reached in 2020, the EU failed to ratify the CAI over concerns regarding the use of forced labor in Xinjiang.[28] Now, China's continued economic support for Russia is likely to undermine negotiations and makes the prospects of a CAI revival unlikely.[29]

Chinese-Russian trade reached a record high of $190 billion in 2022, rising 30 percent from 2021 largely due to goods restricted by the United States and its allies and partners.[30] China is now Russia's largest trade partner: last year, 20 percent of Russian exports went to China and 35 percent of Russian imports were from China.[31] Chinese automakers Chery, Great Wall Motor, and Geely claimed 16.5 of passenger car and small commercial vehicle sales

[*] China's constitution establishes three levels of administrative hierarchy—provinces, counties, and townships—though in practice there are often five levels: provinces, prefectures, counties, townships, and villages.

[†] Bloomberg News calculated that land sales to LGFVs were worth $324 billion (RMB 2.2 trillion) through 2022, while total official land sales revenue that year was $987 billion (RMB 6.7 trillion). *Bloomberg News*, "China's Local Entities Splurge on Land Shunned by Developers," February 6, 2023. *https://www.bloomberg.com/news/articles/2023-02-06/china-s-local-entities-splurge-on-land-shunned-by-developers?sref=mxbIZFb4*; People's Republic of China Ministry of Finance, *Financial Revenue and Expenditure in 2022*, (2022年财政收支情况), January 31, 2023.

[‡] Minister Liu noted that 15–20 percent of fund revenue is diverted to paying for general budgetary outlays such as education.

in Russia during 2022, up from just 6.3 percent the year before.[32] Other foreign automakers pulled out of the country and several domestic firms had to suspend production after being unable to acquire parts due to sanctions.[*] [33] Chery alone increased its sales in Russia by 31 percent in 2022, even though total new car sales in Russia dropped by 59 percent for the year.[34] Similarly, Chinese smartphone maker Xiaomi increased its market share from 45 percent to 80 percent, and Huawei displaced HP to become the second-largest seller of notebook computers in Russia.[35] Imports of Chinese semiconductors, a significant component in military technology, also jumped from $200 million in 2021 to over $500 million in 2022.[36]

China increased its imports of oil and gas as well, helping Russia side-step embargos imposed by the United States and its allies and partners. China more than doubled its imports of Russian liquified petroleum gas in 2022. In January 2023, China's oil imports from Russia hit a record level 1.66 million barrels per day.[†] [37] The Free Russia Foundation, an international nongovernmental organization, estimates that energy purchases by China and several other countries more than offset declining energy purchases from the United States, the United Kingdom, and other allied European countries.[38]

Finance: China Implements Long Overdue Change to Listing Process on Domestic Stock Exchanges

CONTEXT:

- Over the past three decades, China's security regulator singularly determined which firms were allowed to list on China's stock markets, scrutinizing who was allowed onto markets one by one.[39] This created an acute bottleneck in listings, delaying all but privileged state-owned and state-favored firms. Since 2019, China has experimented with a U.S.-style registration system on its small-cap stock exchanges, where the exchange itself evaluates a company's compliance with its listing standards and disclosure requirements.
- China's domestic financial sector is large but underdeveloped, and nonstate firms have limited access to fundraising channels. The financial system is dominated by state-owned banks, which distorts credit allocation in favor of large companies and raises fundraising costs for nonstate borrowers. Even though China's equity market is the second largest in the world, it plays a miniscule role in capital allocation in China's overall economy.[‡] Chinese policymakers are seeking to build a more diversified and sophisticated financial system.
- China wants to build robust capital markets partly so its corporations are not dependent on foreign exchanges to raise capital, and it has been taking numerous steps to reduce fraud and delist unprofitable companies so investors see its historically volatile markets as safe. At the same time, China wants to be able to ensure capital supports the state's objectives, so the move to registration-based IPOs comes as the Chinese government is reportedly developing new levers to guide capital toward priority sectors.

China's securities regulator announced a major change in the IPO process, switching from an extensive case-by-case review and approval to a simple "registration-based" process akin to that of U.S. exchanges. China's exchanges for small-cap companies—Shenzhen's ChiNEXT, Shanghai's STAR Market, and the Beijing Stock Exchange—had already implemented registration-based systems on a trial basis. Until now, however, companies listing on the main boards of the Shanghai Stock Exchange and Shenzhen Stock Exchange went through a

[*] In June 2022, CNBC reported that Russian automaker Avtovaz had resumed production of its Lada Granta sedan without numerous safety features it could not install due to sanctions, including air bags, anti-lock braking systems, and emergency retraction locks on seatbelts. Phil McCausland, "Sanctions Force Russia to Produce Popular Car Without Air Bags, Other Safety Features," *CNBC*, June 14, 2022. *https://www.nbcnews.com/news/world/sanctions-force-russia-produce-popular-car-safety-features-even-kremli-rcna32863*.

[†] The previous record was 1.6 million barrels a day in April 2020, driven by China seizing an opportunity to by cheap oil for its strategic reserves as global demand collapsed at the onset of the pandemic. Olga Yagova and Gleb Gorodyankin, "China Buys Record Volume of Russian Oil as European Demand Dives: Traders," *Reuters*, March 25, 2020. *https://www.reuters.com/article/us-russia-oil-china/china-buys-record-volume-of-russian-oil-as-european-demand-dives-traders-idUSKBN21C2BA*.

[‡] For more on the structure of China's financial system, see U.S.-China Economic and Security Review Commission, Chapter 2, Section 2, "Vulnerabilities in China's Financial System and Risks for the United States" in *2020 Annual Report to Congress*, November 2020, 243–292. *https://www.uscc.gov/annual-report/2020-annual-report-congress*.

nontransparent and lengthy approval process* that was directly under the control and discretion of the China Securities Regulatory Commission (CSRC).[40] Following the deployment of the registration-based system to all of China's bourses, any company that meets the listing requirements will be able to go public, although the CSRC retains veto power over the listing.[41] With this reform, the CSRC seeks to widen a funding channel for smaller or emerging companies. Nonstate companies are starved for capital in China's bank-dominated financial system.[42] Moreover, the CSRC aims to make it more attractive to list domestically. Previously, the backlog of listings under the approval-based system incentivized emerging companies to list overseas.[43]

The reform aims to speed up the listing process for startups without compromising the CSRC's ability to direct investment to sectors favored by the Chinese Communist Party (CCP). Despite the reform delegating greater authority to the exchanges, a company's application to go public still requires final approval from the CSRC, which bases its approvals on opinions submitted by the exchanges.† [44] The CSRC will still assess whether the issuer is in line with national industrial policy objectives.[45] The CSRC is reportedly setting up a "traffic light" system for financial institutions that underwrite IPOs, warning bookrunners to increase scrutiny of firms in "yellow light" industries and avoid supporting IPOs in "red light" sectors, such as alcohol and sectors currently under CCP political scrutiny, like private education providers.[46]

Macro: Retirement Age Policy Change Rumors Prompt Anger Online

CONTEXT:

- China's State Council announced in 2022 that retirement ages would be gradually increased starting by the end of 2025, though it has not made any official changes to the ages yet.[47]
- In the 1950s, China set official retirement ages of 60 for men, 55 for women in white-collar jobs, and 50 for women in other types of jobs.[48] Since then, China's retirement ages have not changed despite sharp increases in life expectancy, and the country's current average retirement age is among the lowest in the world.[49]
- Early retirement is exacerbating the strain on China's fragmented pension system. A 2019 report from the state-backed Chinese Academy of Social Sciences warned that China's national urban enterprise employee basic pension insurance fund, which covers nearly half of individuals participating in a government-based pensions scheme, will become insolvent by 2035.[50]

Rumors that the Chinese government would enact plans to raise the country's retirement age went viral in February 2023, prompting widespread anger on social media. A research report by Chinese investment bank CITIC Securities predicted the change to the retirement age would be announced this year and would begin in 2025, starting with adjusting the retirement age to 55 for all women, regardless of employment type.[51] According to the report, retirement ages for both men and women would be gradually raised to 65, with men's retirement ages to be increased by two months every year and women's retirement ages to be increased by four months every year until 2055.[52] An employee of CITIC said the bank could not guarantee the authenticity of information circulating online and that the report had not been published on the company's official website.[53]

Controversy over the rumored policy changes reflects broader concerns over China's aging population and welfare. Many Chinese netizens expressed anger over the rumored policy changes, citing fears about rising costs of living, trouble finding employment in older age, and lack of confidence that life expectancy would continue to increase.[54] Experts have argued, however, that raising the retirement age is a necessary response to a shrinking

* Companies that listed between 2014 and 2017 had to wait on average 489 days between the date they filed the IPO and the date they received approval from the CSRC, approximately four times longer than in the United States. Yiming Qian, Jay R. Ritter, and Xinjian Shao, "Initial Public Offerings Chinese Style," *Journal of Financial and Quantitative Analysis* [forthcoming, 2022], 12. *https://www.cambridge.org/core/journals/journal-of-financial-and-quantitative-analysis/article/initial-public-offerings-chinese-style/213F171818D0F31BB0A5637A290B9BC9*.

† The CSRC directly oversees both the Shanghai and Shenzhen exchanges, and it appoints a Communist Party Chief to lead alongside the exchanges' presidents. *Caixin Global*, "Shanghai Bourse Names New Communist Party Head," September 23, 2022. *https://www.caixinglobal.com/2022-09-23/shanghai-bourse-names-new-communist-party-head-101943523.html*; Liu Caiping and Tang Ziyi, "Shenzhen Stock Exchange Gets New Communist Party Chief," *Caixin Global*, March 12, 2020. *https://www.caixinglobal.com/2020-03-12/shenzhen-stock-exchange-gets-new-communist-party-chief-101527663.html*.

workforce and aging population.[55] Some provinces in China have already begun optional delays of retirement for certain workers, and in some fields, such as engineering, workers have been hired past their formal retirement ages.[56]

Finance: China's Securities Regulator (Re)Opens a Pathway for Chinese IPOs on U.S. Stock Exchanges

CONTEXT:

- New listings by Chinese companies on U.S. stock exchanges virtually froze after ride-hailing app DiDi Chuxing proceeded with a blockbuster $4.4 billion IPO on the Nasdaq in June 2021. Chinese securities regulators cracked down on China's consumer-facing tech firms raising capital overseas as the government deployed a regime for oversight of cross-border data flows.[57] As a result, only 14 Chinese companies launched IPOs on the New York Stock Exchange and Nasdaq since June 2021, raising on average $60 million.[58]
- Chinese companies still rely on access to foreign capital markets to supplement fundraising needs. China's domestic stock exchanges lack sufficient liquidity to meet Chinese companies' demand for capital, although Chinese policymakers aim to boost the attractiveness of listing domestically in the long run.
- Foreign ownership is prohibited in sectors the CCP deems sensitive, such as internet technologies. To get around these restrictions and issue shares on overseas stock exchanges, major Chinese tech companies like Alibaba have used variable interest entities (VIEs), complex corporate structures that grant shareholders control without actually owning a stake in the company.[*] VIE arrangements between mainland companies and their associated offshore entities have questionable status under Chinese laws, and U.S. investors could have no recourse to enforcement in the Chinese legal system if VIE-listed companies take the company private at lower valuation or if the businesses fail.

New rules on overseas IPOs suggest that Chinese regulators are easing restrictions on overseas listings after Chinese IPOs on U.S. exchanges dried up in 2022. The rules, which are set to go into effect on March 31, establish a formal process for companies seeking to go public on a foreign exchange. Companies are required to register their listing with the CSRC, enabling the securities regulator to block any proposed listing that violates China's national security measures and the Personal Data Protection law.[†59] The CSRC also signaled support for listings using VIE structures, provided that they comply with domestic regulatory requirements.[60] After DiDi's fateful listing, no companies have listed on U.S. markets using a VIE structure. The CSRC's endorsement of the VIE structure indicates that the freeze may be over, which could increase the risks to U.S. investors as additional companies list using VIEs. As of January 9, 2023, 161 out of 252 Chinese companies listed on U.S. exchanges use a VIE, accounting for a market cap of $910.1 billion or 89 percent of the total market cap of all U.S.-listed Chinese companies.[61]

The CSRC's rules are the latest in a series of developments that signal a likely acceleration in Chinese listings on U.S. exchanges. U.S.-listed Chinese firms are no longer at risk of delisting under the Holding Foreign Companies Accountable Act, after the Public Company Accounting Oversight Board (PCAOB) determined it was able to inspect China and Hong Kong-based auditors late last year.[‡] The February 9, 2023, IPO of Hesai

[*] Under these arrangements, shareholders typically own equity in an offshore holding company, which in turn has a series of contracts establishing effective control over the China-based entity, as well as a claim to its profits. For more on the risks facing U.S. investors in Chinese VIEs, see U.S.-China Commission Economic and Security Review Commission, *Chinese Companies Listed on Major U.S. Stock Exchanges*, January 9, 2023. *https://www.uscc.gov/research/chinese-companies-listed-major-us-stock-exchanges*.

[†] For more on China's regulatory scrutiny of consumer technology firms, see U.S.-China Economic and Security Review Commission, Chapter 2, Section 1, "Year in Review: Economics and Trade" in *2021 Annual Report to Congress*, November 2021, 142–143.

[‡] The PCAOB's determination remains valid until the next time it inspects China- and Hong Kong-based auditors. Under the Holding Foreign Companies Accountable Act, the inability of the PCAOB to inspect a firm's auditor for two consecutive reporting years will result in a prohibition on trading that firm's securities. The PCAOB was first able to inspect these auditors in late 2022, following an agreement it reached in August 2022 with the CSRC and China's Ministry of Finance. Prior to 2022, China and Hong Kong had blocked the PCAOB's ability to inspect auditors, reportedly on national security grounds.

Technology—a Chinese company that manufactures lidar sensing equipment for automobiles*—was widely viewed by financial press as marking a revival in overseas IPOs by Chinese tech companies.[62] While no large Chinese technology companies have announced plans to list on U.S. exchanges, the gates may be opening.[63]

* Lidar stands for light detection and ranging, referring to technology that measures distance using laser beams to generate highly accurate 2D or 3D maps of the world outside an automobile. "Lidar sensors are described as the 'eyes' of autonomous driving." Peggy Sit and Daniel Ren, "Chinese Tech Giants Huawei, DJI Jump on to the Lidar Bandwagon as They Eye Huge Potential in Self-Driving Cars," *South China Morning Post*, May 2, 2021. *https://scmp.com/business/companies/article/3131846/chinese-tech-giants-huawei-dji-jump-lidar-bandwagon-they-eye*.

[1] Derek Scissors, "US-China Trade Sets Records," *American Enterprise Institute*, February 9, 2023. *https://www.aei.org/foreign-and-defense-policy/us-china-trade-sets-records/*; U.S. Census Bureau, *Trade in Goods with China*. *https://www.census.gov/foreign-trade/balance/c5700.html*.

[2] Dan Strumpf, "From McDonald's to Ralph Lauren, U.S. Companies Are Planning China Expansions," *Wall Street Journal*, February 27, 2023. *https://www.wsj.com/articles/from-mcdonalds-to-ralph-lauren-u-s-companies-are-planning-china-expansions-c1a33969*.

[3] *Bloomberg News*, "Majority of U.S. Firms Don't See China as Priority for Investment," February 28, 2023. *https://www.bloomberg.com/news/articles/2023-03-01/us-firms-turn-more-negative-on-china-as-economy-tensions-bite?sref=mxbIZFb4*.

[4] Trivium China, "The Financial Sector Regulatory Overhaul: What It Means and How Things Will Change," *Trivium Markets Deep Dive*, March 10, 2023.

[5] "Ant Group Quarterly Net Profit Plunges by 82.7% -Alibaba Filing," Reuters, February 23, 2023. *https://www.reuters.com/business/finance/ant-group-quarterly-net-profit-plunges-by-827-alibaba-filing-2023-02-23/#:~:text=SHANGHAI%2C%20Feb%2023%20(Reuters),Alibaba%20Group%20Holding's%20earnings%20report*.

[6] PYMNTS.com, "Ant Group Profit Falls 83% after China Tech Crackdown," February 23, 2023. *https://www.pymnts.com/earnings/2023/ant-group-profit-falls-83-after-china-tech-crackdown/*.

[7] Yu Yinghao, "Just Now, Ant Group Issued an Important Announcement about Changing Control!" (刚刚，蚂蚁集团发布重要公告，事关实控人变化！), *National Business Daily*, January 7, 2023. Translation. *https://webcache.googleusercontent.com/search?q=cache:CEHKRUDcy3AJ:https://finance.sina.com.cn/stock/newstock/zxdt/2023-01-07/doc-imxzkcmq2704547.shtml&cd=2&hl=en&ct=clnk&gl=us*.

[8] Zoe Zongyuan Liu, "China's COVID-19 Comeback Rides on the Strength of Chinese Households," C*ouncil on Foreign Relations*, January 30, 2023. *https://www.cfr.org/blog/chinas-covid-19-comeback-rides-strength-chinese-households.*

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