
# 2017

# Annual Business Survey Report on Chinese Enterprises in the U.S.

China General Chamber of Commerce - U.S.A.

CGCC Foundation

**China General Chamber of Commerce - U.S.A.**
**CGCC Foundation**

19 E 48th St. 3rd Floor
New York, NY 10017
U.S.A.

Tel +1 646-869-1044

www.cgccusa.org

CGCC Foundation

# 2017 Annual Business Survey Report on Chinese Enterprises in the U.S.

China-U.S. business cooperation is market driven, and its ultimate driving force comes from the people, from the business community. If China-US business cooperation gets into serious trouble, it will not only damage the two economies but also add to the uncertainties of global economic recovery. As two responsible major countries, we can only choose to cooperate.

---Wang Yang

With the global economy full of uncertainties, the economic relationship between China and the U.S. as the first and second largest economies in the world, will become increasingly important, not only for the U.S. and China, but for the world at large. Currently, the U.S.-China economic relationship is already broad and thriving, and given the trends that are occurring in both countries, you can see that the future of our relationship can be bigger, brighter, and much more consequential.

---Tung Chee Hwa

If China and the United States can cooperate, we can build a new world order based on growth and cooperation, and when the new administration enters office, that is a legacy that they inherit, but on which they can build with their own imagination and their own dedication.

---Henry Kissinger

Chinese enterprises have involved in community development, such as providing employment opportunities, increasing residents' livelihood, and contributing in education, environment, and charity. Their efforts were well recognized and appreciated by local people, which to a large degree have increased China-U.S. mutual understanding, enhanced friendship and collaboration between the two countries, and showcased solid achievements under the robust China-U.S. relations.

---Cui Tiankai

Despite uncertainties rising from the power transition in the White House, the year of 2017 is still expected to be promising for China-U.S. commercial relationships. CGCC looks forward to working with governments, businesses, and local communities to foster a more durable China-U.S. relationship based on mutual trust and understanding, and to build a transparent and welcoming business environment for both Chinese and American companies.

---Xu Chen

CGCC Foundation

## Executive Summary

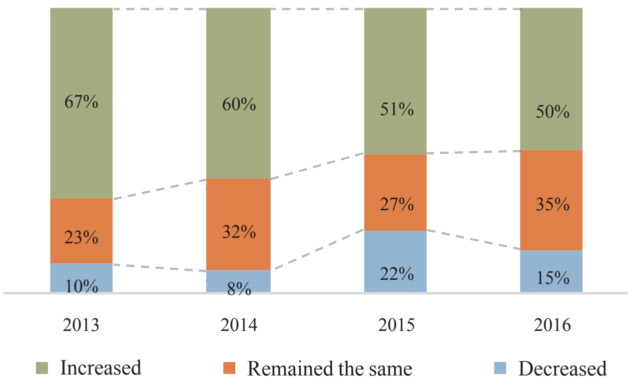
China General Chamber of Commerce - U.S.A. (CGCC) and CGCC Foundation, the preeminent organizations representing over 1,500 Chinese enterprises investing and operating in the United States, have once again had undertaken a survey of our members regarding their U.S. investment and the host country's regulatory environment. From more than 500 questionnaires that were distributed, 213 effective responses were collected. The responding companies' businesses span a wide variety of sectors and locations in the United States. The survey respondents account for the clear majority of Chinese investment volume in the United States and approximately 200,000 jobs in the United States, directly and indirectly.

Similar to previous years, the CGCC survey of this year covers a broad range of topics, including the respondents' performance in 2016, their assessment of the U.S. business and regulatory environment, and their future business plans. The recent political transition in the United States put China-U.S. relations, especially the bilateral trade and investment relations, at a crossroads. This year's survey, therefore, has incorporated a new set of questions to examine Chinese companies' opinions about the changing business environment.

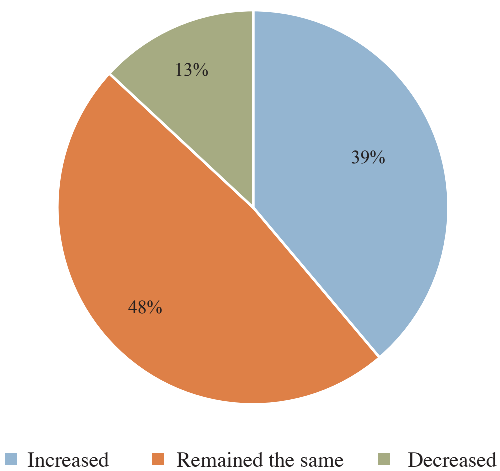
This year's survey has yielded important findings, several of which are comparable to those from previous years. For instance, the respondents have reported U.S. revenue growth, expressed optimism about the general business environment, and showed improved understanding of the U.S. regulatory systems. But at the same time, the 2017 survey has also uncovered several new issues. Notably, uncertainties about China-U.S. relations have replaced high labor cost as the top concern and challenge for the surveyed Chinese companies doing business in the United States.

This executive summary aims to provide readers with a quick snapshot of the major findings from the 2017 survey of Chinese enterprises operating in the United States.

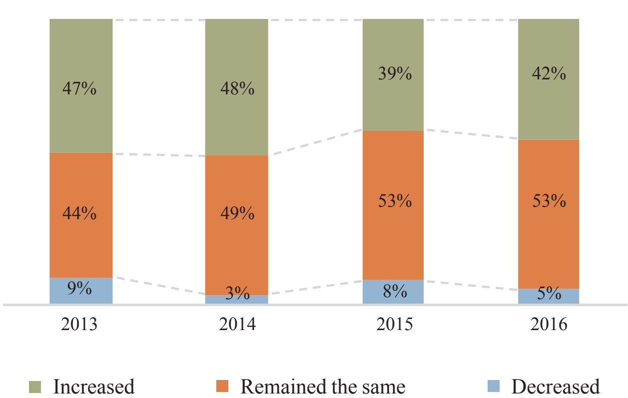
### How has your company's revenue changed in 2016 compared to 2015?




### How has your company's profit margin changed in 2016 compared to 2015?




### How has your company's market share changed in 2016 compared to 2015?




## Chinese companies continue to grow their U.S. businesses in 2016

Several survey results indicate that Chinese companies in the United States have undergone steady growth over the past several years.

First, in each year from 2013 to 2016, at least half of the surveyed Chinese companies report their U.S. revenues have increased. Notably, 24% of the surveyed Chinese companies. see their U.S. revenues grow by more than 20% in 2016.

Second, most of the surveyed Chinese companies (87%) have maintained or increased their profit margins in 2016, which demonstrates their increased ability to generate earnings and manage expenses in a highly competitive U.S. market.

Third, the majority of the surveyed Chinese companies (53%) have successfully maintained their market share in the United States, and approximately 40% of the companies report to have increased their U.S. market share, indicating that many Chinese companies are thriving in the competitive U.S. market. This has been realized either through organic growth or by mergers and acquisitions (M&A).

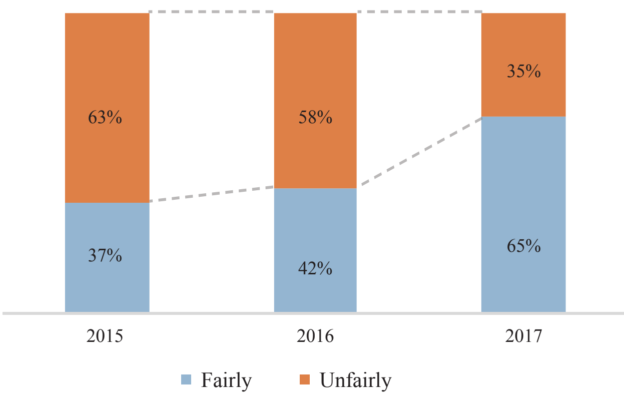
Fourth, an increasing percentage of the surveyed Chinese companies (61%) have expanded their business activities in the United States. This could be a contributing factor to the improvement in business performance and efficiency.

## A high but decreasing percentage of Chinese companies perceive bias in how U.S. government agencies enforce rules and implement policies

Chinese companies seek to be treated fairly as American companies by the U.S. government and local authorities. There appears to have been some progress in this regard over the past several years.

In 2017, 65% of surveyed companies do not feel the U.S. government implement its policies and rules in a biased way, which is much higher than the percentages of the two previous years. While the encouraging change could reflect the efforts of various stakeholders to press the U.S. government to treat foreign investors in a fair and equitable manner, it may also be a result of changing sample composition. Notably, the technology sector has more respondents that feel the bias than other sectors.

**How is your company treated by government policies and enforcement relative to local companies?**




The Committee on Foreign Investment in the U.S. (CFIUS) review remains a concern for Chinese companies. Many of the surveyed Chinese companies (25%) consider the CFIUS review to be politicized and opaque. Although CFIUS does not appear to be a major investment barrier for most of the respondents, its impact falls disproportionately on large covered transactions, which can have long-term implications on China-U.S. business relations and reflect negatively on the long-standing U.S. policy to keep an open market.

## Chinese companies express mixed views about the U.S. tax systems, and benefit from the financial market

In regards to the U.S. tax systems, many of the surveyed Chinese companies consider their U.S. tax levy to be more onerous than that in China. However, the percentage of the companies holding such a view is steadily declining. Also, despite the overall perception of the heavy U.S. tax cost, most of the survey respondents consider the U.S. federal tax law to be more reasonable than the tax rules in China.

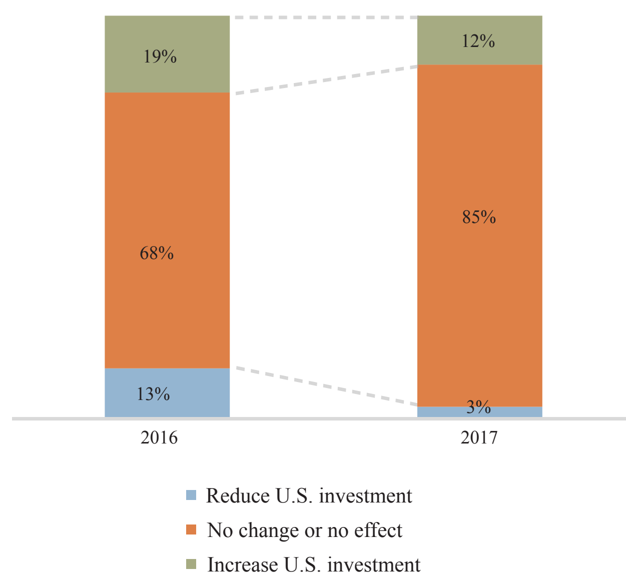
In addition, the percentage of the survey respondents who report difficulties in financing their U.S. operations has decreased. This may be attributed to several factors including support from Chinese banks as well as the investors' improved credit record in the U.S. financial market.

## Chinese companies remain optimistic about their U.S. businesses

Despite various challenges, a majority of the respondents (60%) express confidence and optimism about their investments in the United States. Since the vast majority of them are committed to long-term investments, their business plans are less influenced by short-term volatility in either Chinese or the U.S. economy.

For instance, the vast majority of the surveyed companies (85%) report that the Chinese economic slow-down would not change their U.S. investment plans. Even more of the companies (87%) plan to reinvest all or most of their U.S. profits, which is much higher than the percentage (73%) in 2016.

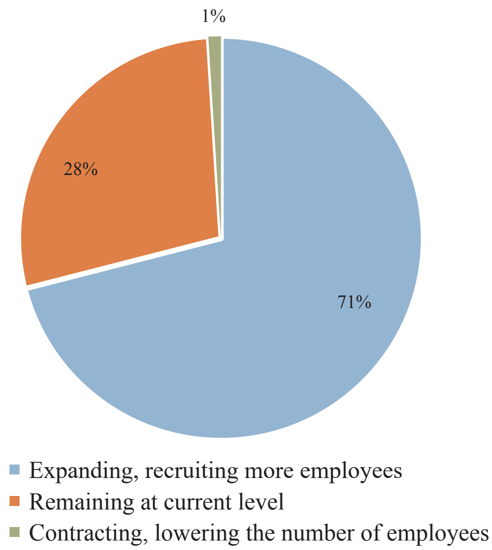
**How has the slow-down of the Chinese economy impacted your company's investment?**




## Chinese companies will further expand in the United States

The rise of Chinese investment in the United States is a relatively recent phenomenon. Most of the Chinese companies invest in the United States to develop its huge market. To that end, many expect to further expand their U.S. operations.

### How will your company change its number of employees in the next two years?




A vast majority of the surveyed Chinese companies (86%) expect their U.S. revenue to grow in the next three to five years. Approximately half (48%) will increase their investments and capital expenditures in 2017. Moreover, 60% surveyed companies are actively looking for target companies to acquire. 71% of companies plan to expand their U.S. workforce to accommodate the business expansion.

## As Chinese companies continue to invest in research and development (R&D), they are contributing to innovation and promoting industrial upgrading in the United States

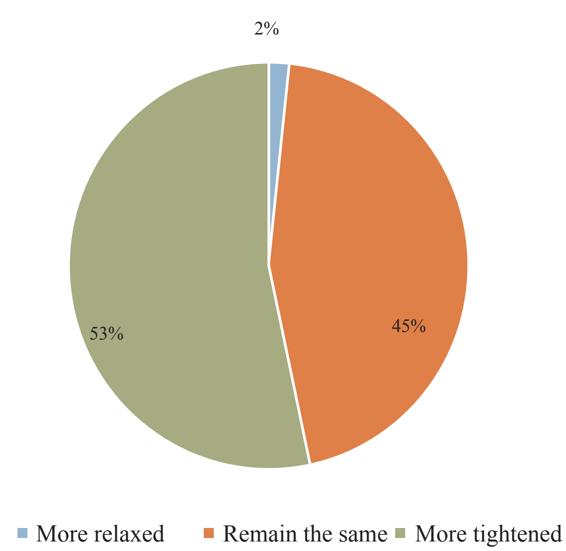
This year, customer relation has exceeded competitive price, as the top comparative advantage possessed by most Chinese companies. This shift of business priorities from price to customers may be preliminary evidence the trend that Chinese companies are moving up along the product value chain, from basic manufacturing to high-tech and R&D concentrated areas. 60% of the surveyed Chinese companies regard the U.S. market as one of their top three markets globally, and a vast majority (94%) of the surveyed companies consider innovation to be crucial for their business development in the United States. Approximately 30% of the surveyed companies have intensive R&D projects. Substantial investment in R&D will not only benefit the Chinese investors but also strengthen innovation capacity of the United States. Invested heavily in R&D, Chinese investors have become a major stakeholder in the protection of intellectual property rights and contributor to industrial upgrading in the United States.

## Despite the diverse viewpoints in the business community and media regarding the new administration, Chinese companies continue to show faith in the U.S. market

Recent developments in U.S. politics and China-U.S. relations have caused some concerns among many Chinese companies doing business in the United States. While only 25% of the surveyed companies expect tensions to rise and China-U.S. relations to deteriorate in 2017 or in the foreseeable future, 48% of them consider the added complexity to be a major challenge to their businesses, a significant increase (by 18 percentage points) from last year.

Under President Trump's administration, the surveyed Chinese companies hold mixed views along with rising concerns towards the U.S. regulatory and business environment moving forward. However, they do not

### How would you expect the degree of general government oversight to change under President Trump's administration?

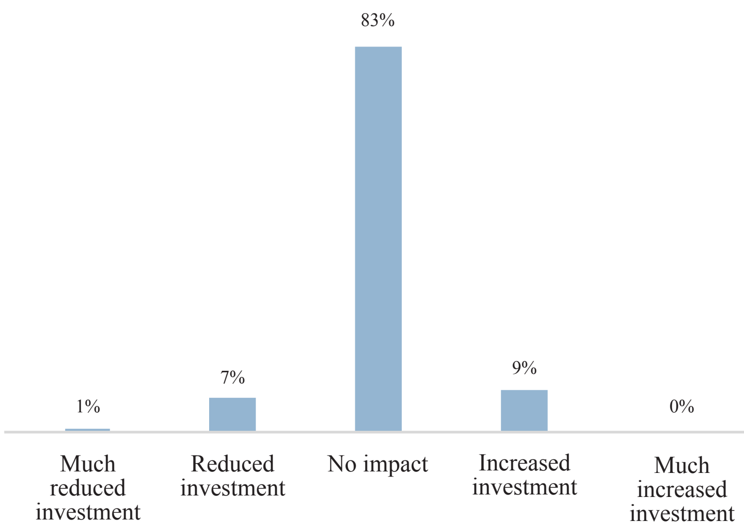


plan to revise their current investment strategies.

A majority of the surveyed Chinese companies (53%) believe that the U.S. government will ratchet up its regulatory oversight, and 63% believe that M&A transactions involving Chinese companies will be subject to more frequent and stringent reviews. Nonetheless, a vast majority of the companies (83%) plan to maintain their current investment strategies. As noted above, long-term investment commitment by the Chinese companies to certain extent mitigates short-term volatilities in the political environment.

In addition, the surveyed Chinese companies express concerns over two potential policies on President Trump's agenda: 47% believe that levying high tariffs on Chinese imports will pose additional challenges to their businesses; 35% believe that the "Buy American, Hire American" initiative will also impair their businesses in the U.S. market. However, not all of the proposed policies are causes of concern. Corporate tax reduction and increased spending on infrastructure should benefit some Chinese companies in the United States.

How would such a change impact your investments in the U.S.?

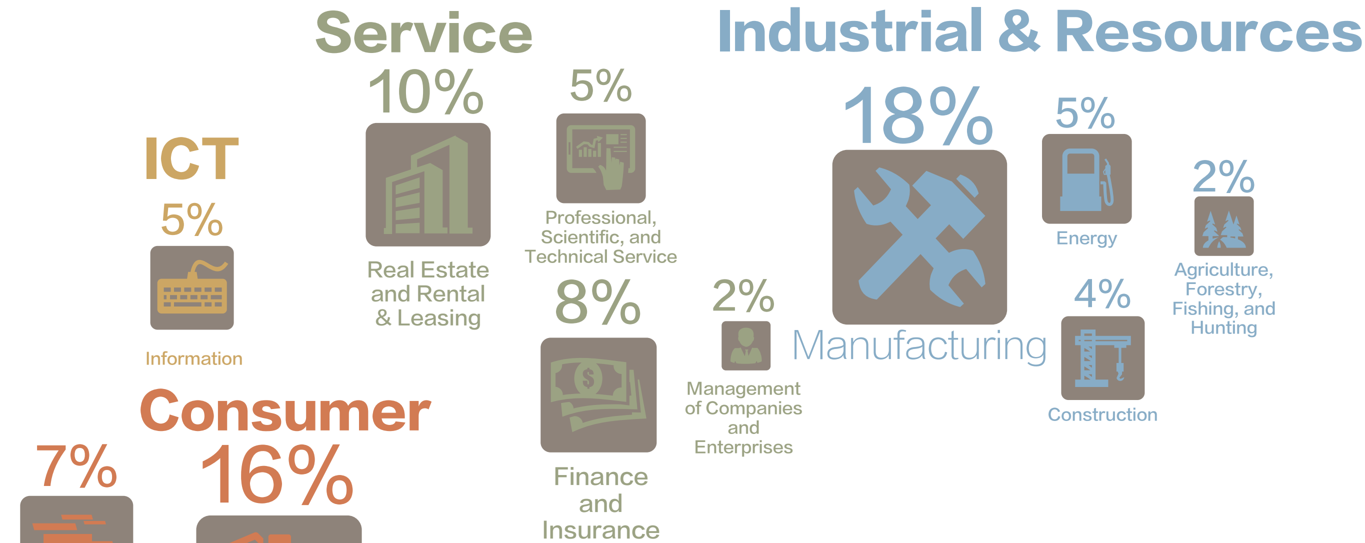



In order for Chinese investments in the United States to grow at a fast rate, it is imperative that the two governments ensure stable bilateral relations. Meanwhile, Chinese companies should continue to localize their operation by hiring more local employees, utilizing local supply chain and service providers, and further enhancing communications with local governments. The U.S. government should also modify its investment policies in a timely fashion to accommodate the changing landscape of foreign direct investments in the United States.

CGCC Foundation

## Respondents Profiles

China General Chamber of Commerce - U.S.A. and CGCC Foundation, in order to provide the general public and its members the most recent information about Chinese investments in the United States and the China-U.S. business relationships, distributed the fourth annual business survey to its member companies. From more than 500 questionnaires that were distributed, 213 effective responses were collected from companies whose businesses span a wide variety of sectors and locations in the United States. The survey respondents account for the clear majority of Chinese investment volume in the United States and have created, directly and indirectly, approximately 200,000 jobs in the United States.

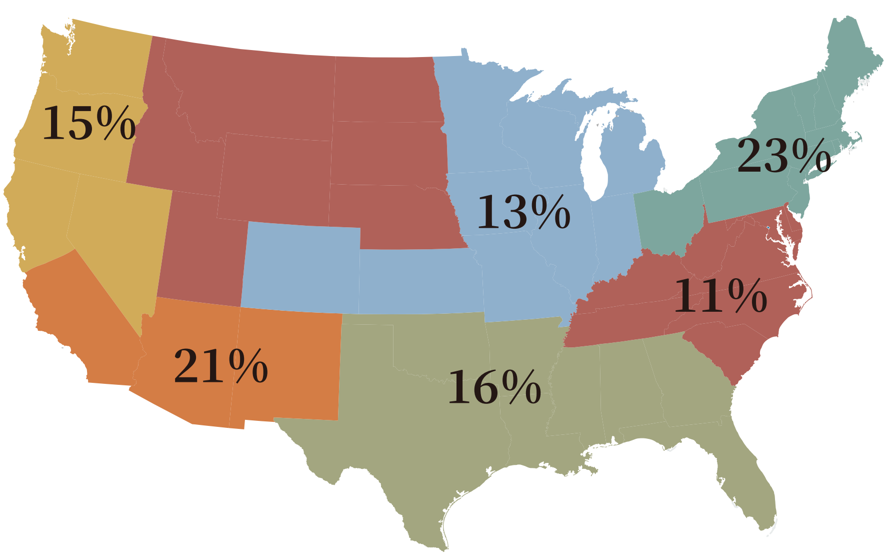






The surveyed Chinese companies invest in a broad spectrum of sectors, with manufacturing (18%), wholesale trade (16%), and real estate and rental and leasing (10%) being the top three most popular sectors. Finance and insurance (8%), transportation and warehousing (7%), and energy (5%) are also popular sectors for the surveyed Chinese companies. For better data processing, the companies are re-categorized into five sectors, including information and communication technology (ICT), services, consumer (products and services), industrial and resources, and others.

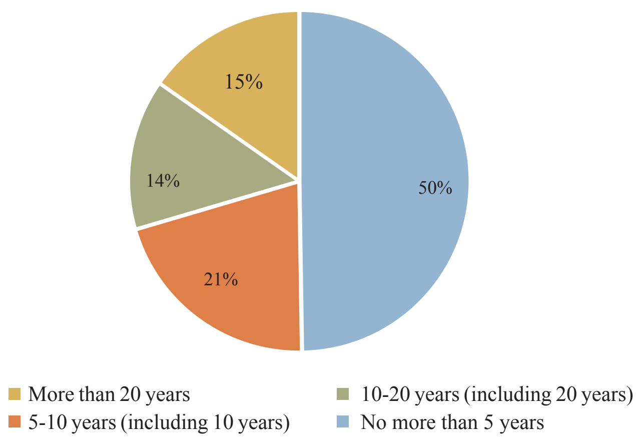
**The respondents of the 2017 survey include companies from different sectors and locations.**





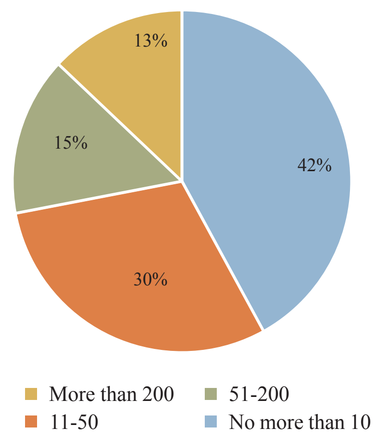
New York and Los Angeles, including the regions surrounding the two cities, attract the most investments from the surveyed Chinese companies (23% and 21% have invested in those two regions respectively). In addition, Houston, Chicago, San Francisco, Washington, D.C., and their surrounding areas also receive substantial amounts of investments from the Chinese companies.

### Years of conducting businesses in the U.S.



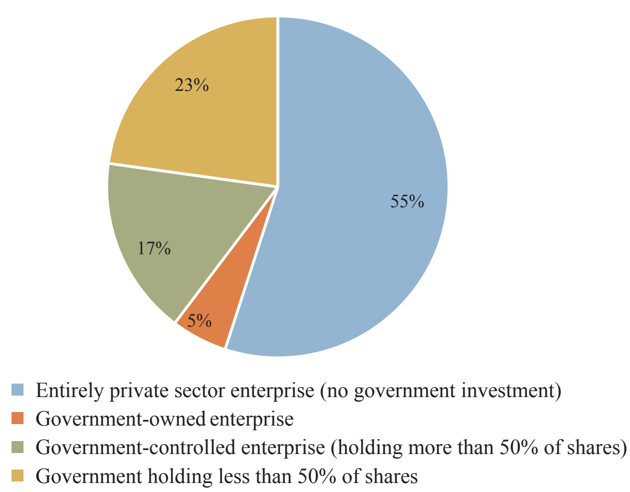

Half of the surveyed companies started their U.S. businesses within the past five years, which reflects the general trajectory of Chinese investments in the United States. The rest of the surveyed companies report highly variant duration of investment in the United States; 15% of the respondents entered the U.S. market more than 20 years ago.

### Number of employees in the U.S.



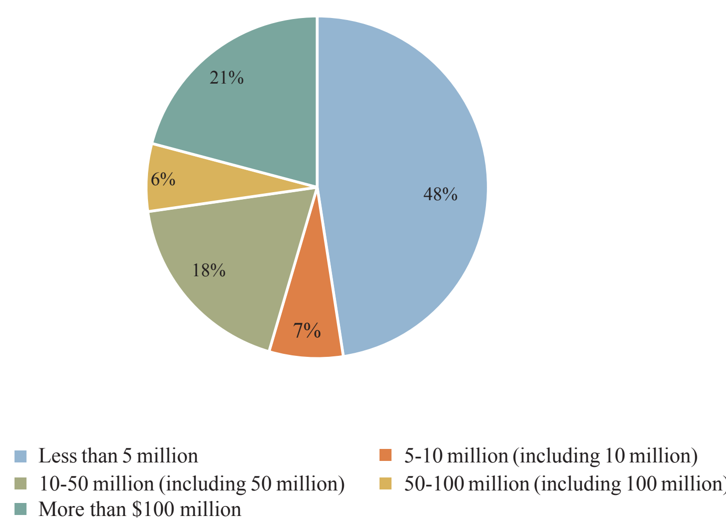

The surveyed Chinese companies vary significantly in terms of the size of their U.S. workforce (from less than ten to more than 10,000 employees). According to the survey data, 72% of the respondents employ no more than 50 people in the United States, and 13% of the surveyed respondents report more than 200 employees in the United States. As will be elaborated in a moment, the Chinese companies are on track to hire many more U.S. workers.

### Chinese investors' ownership type




Of the survey sample, the percentage of privately-owned investors has exceeded that of state-owned ones. As much as 55% of the survey respondents report to having no government ownership, which is two percentage points higher than that of last year. The survey data of the previous four years strongly indicate that private sector firms from China have played an increasingly important role in Chinese direct investments in the United States.

### What is your company's U.S. revenue in 2016 (USD)?




The surveyed companies also vary regarding their 2016 revenue. About half (48%) report 2016 revenue to be less than $5 million, while 21% of the surveyed companies have revenue of more than $100 million in 2016. The revenue changes reflect both changes in the Chinese companies' businesses and shifting composition of the survey sample over time.

CGCC Foundation

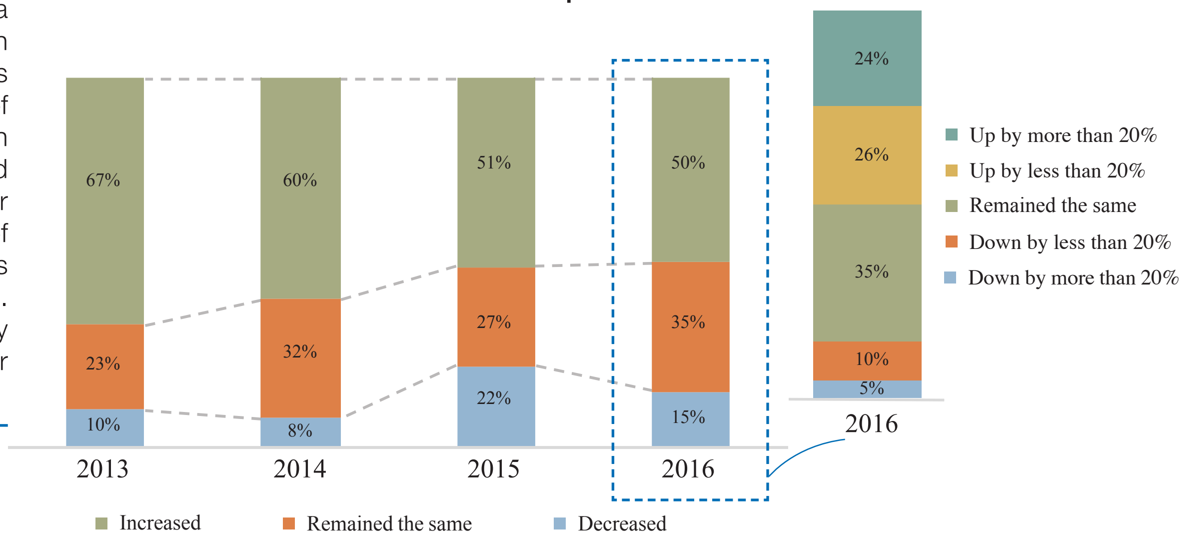
## Business Performance (in 2016)

***For Chinese companies in the United States, 2016 was a year of steady growth and expansion.***

In 2016, Chinese companies continued to experience moderate growth and expansion in the U.S. market, with 50% of the surveyed companies reporting revenue increase. Our data also suggests that Chinese companies are becoming more competitive in the U.S. market, as 39% of respondents increased their profit margin and 42% grew in their market share in 2016. The findings, taken together, indicate that Chinese companies have gradually built up their solid foundation for long-term sustainable growth, and explain the confidence expressed by them in the U.S. market.

Half of the surveyed companies report a revenue increase in 2016. This figure is comparable to that of 2015 but lower than those of 2013 and 2014. Meanwhile, for a higher percentage of the companies in this year's survey, their U.S. revenue remains largely the same as the prior year.

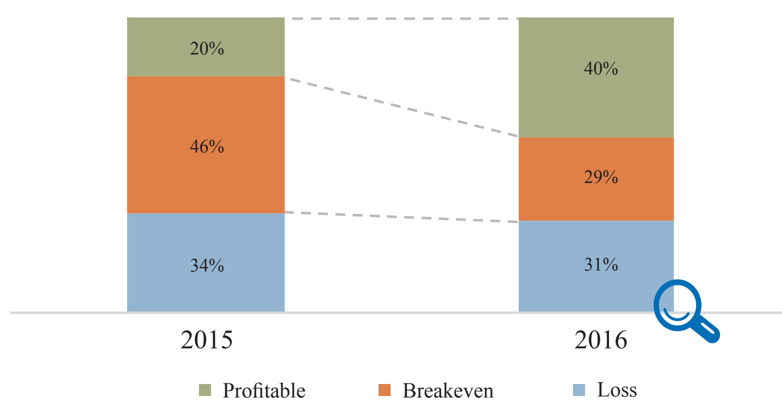
**How has your company's annual revenue changed in 2016 compared to 2015?**



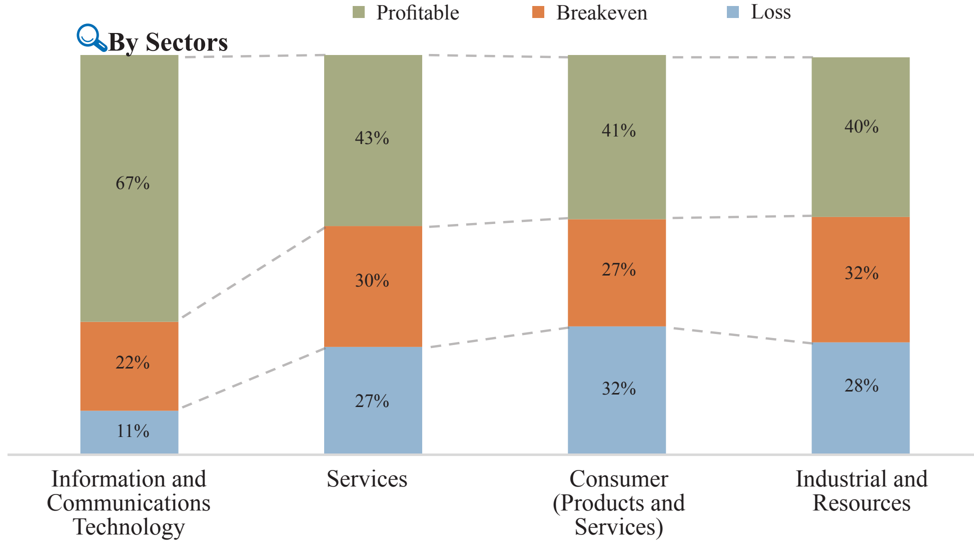

**In 2016, half of the surveyed Chinese companies grow their revenue in the U.S. market. The number of profitable companies has also increased.**

In 2016, 40% of the surveyed companies make profits, which is 20 percentage points higher than that of 2015, and 29% of the respondents break even in 2016. Meanwhile, 31% of the surveyed companies report losses in the U.S. market, a slight decrease compared to the percentage of 2015.

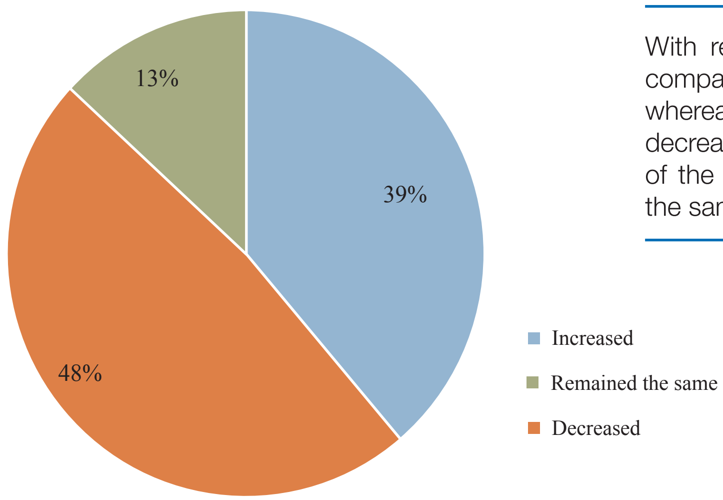
**How would you characterize your company's financial performance in 2016?**




Among all the companies, those in ICT are the most profitable; 67% of respondents in this industry made profit in 2016. In comparison, the companies in the other industries are less likely to be profitable, but their overall profit-loss distributions are similar across the three industries.

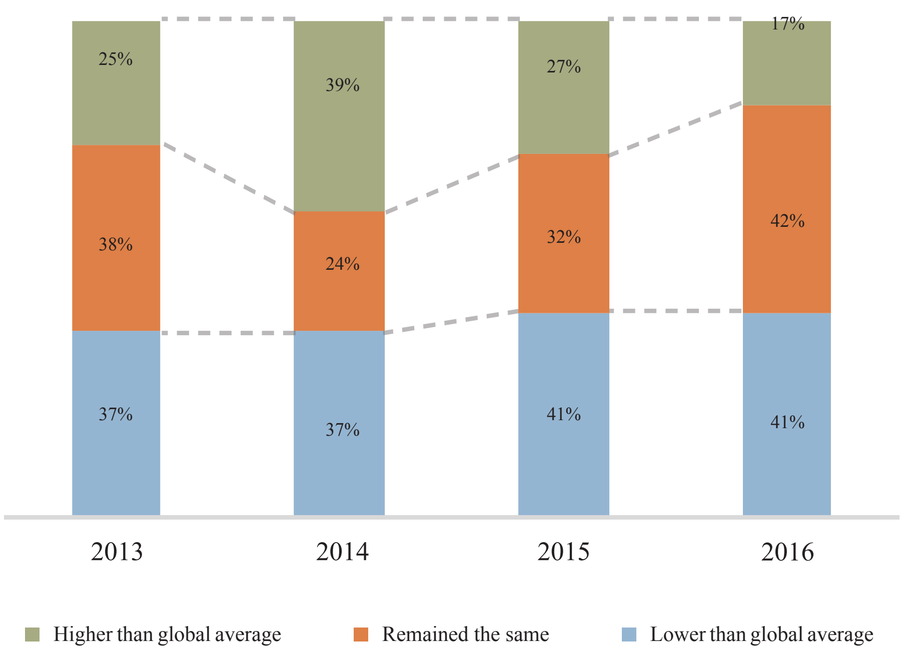


## How has your company's profit margin changed in 2016 compared to 2015?




With respect to profit margin, 39% of the surveyed companies report a higher profit margin in 2016, whereas 13% of the respondents experience a decrease in profit margin in 2016. For nearly half (48%) of the Chinese companies, the profit margin remains the same in 2016.

## How is your profit margin in the U.S. compared to the global average in 2016?

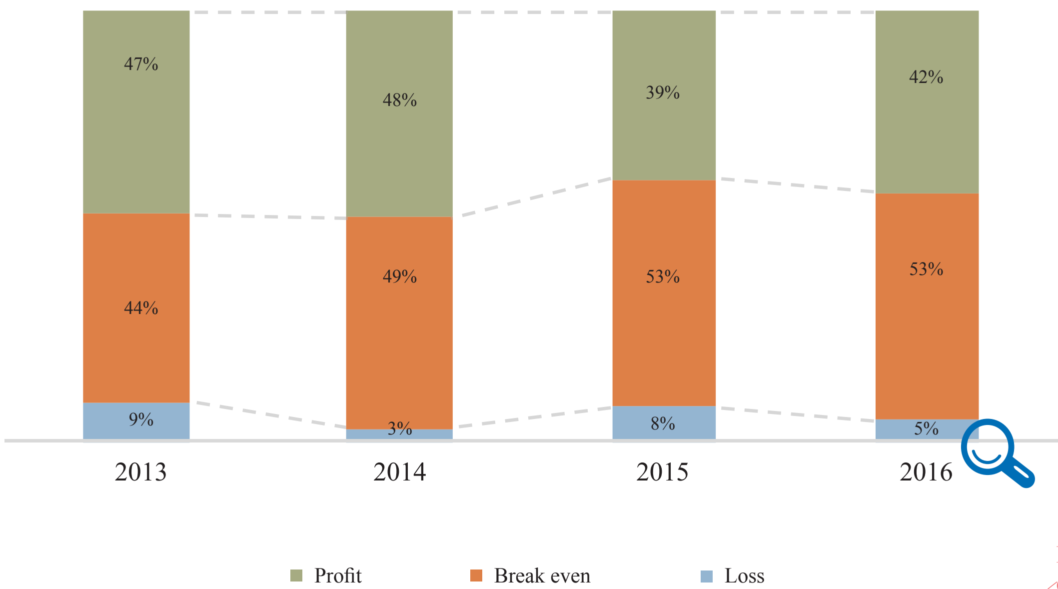


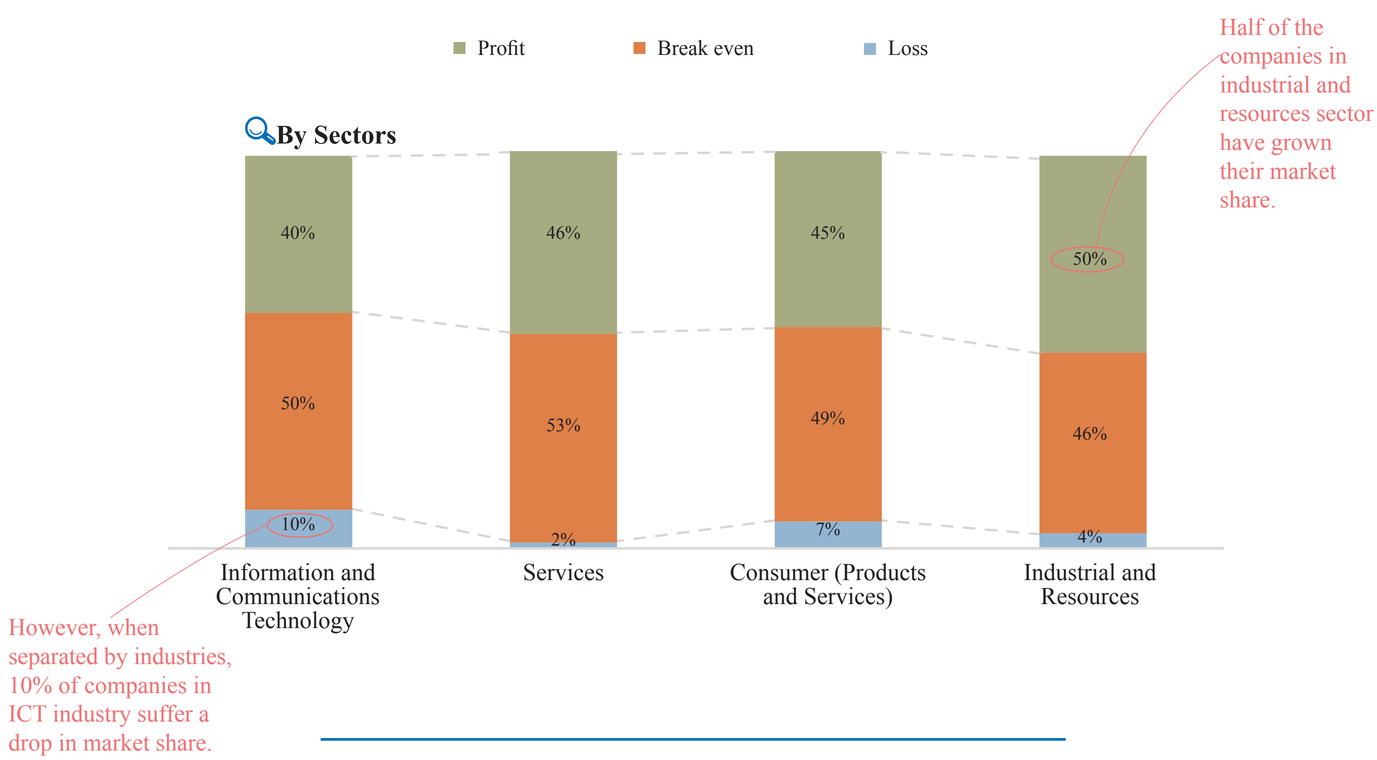

Consistent with the prior year, 41% of the surveyed companies report that in 2016 their U.S. profit is lower than their global average. At the same time, there is a continuing decrease in the number of companies that report their U.S. profit higher than their global average, reaching a record-low figure of 17%. This indicates that profit is not the sole concern for Chinese companies to invest in the U.S. Reasons that drive their increasing investment in U.S. market can be many, which will be further illustrated in the following parts of the survey report.

Chinese companies' profit margins tend to be stable while the number of companies whose profit margins are higher than global average is decreasing.

In the United States, more than half of surveyed Chinese companies maintain their market share, and more than 40% increase their market share in 2016.

### How has your company's market share changed in 2016 compared to 2015?

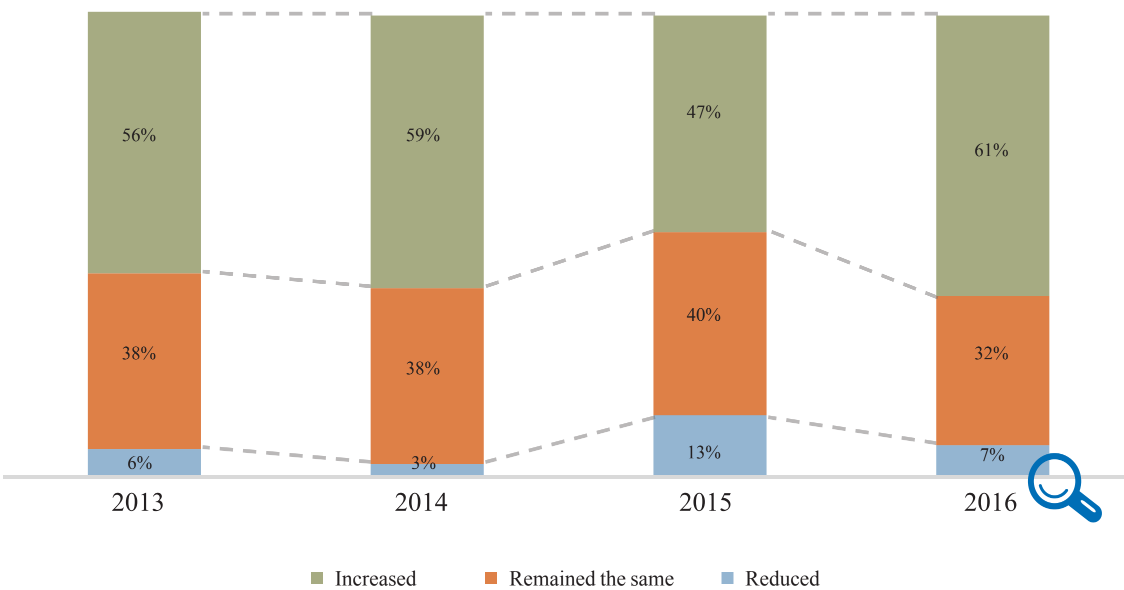


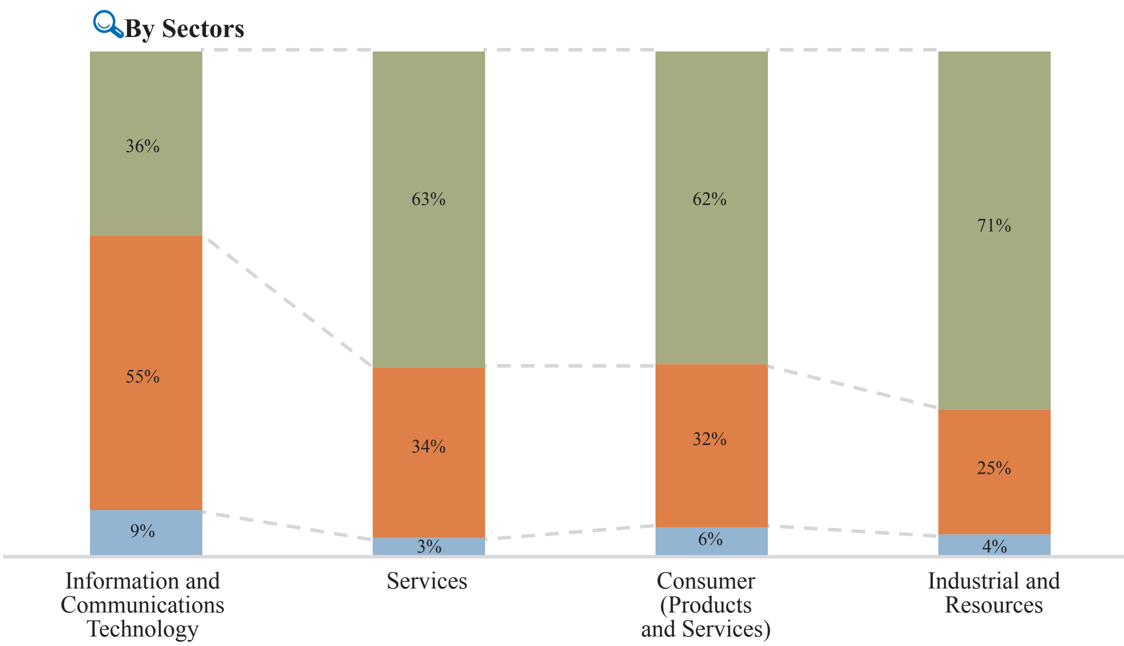




A vast majority (95%) of the surveyed companies have maintained or increased their U.S. market share in 2016. More specifically, 42% of the respondents report an increase in their U.S. market share. This figure is higher than that of 2015, but still lower than the average of the two previous years.

At 61% of the surveyed companies, business activities increased in 2016, a record-high level of the past four years. Chinese companies in the United States are making more efforts to reach out to potential clients and the general public than before.

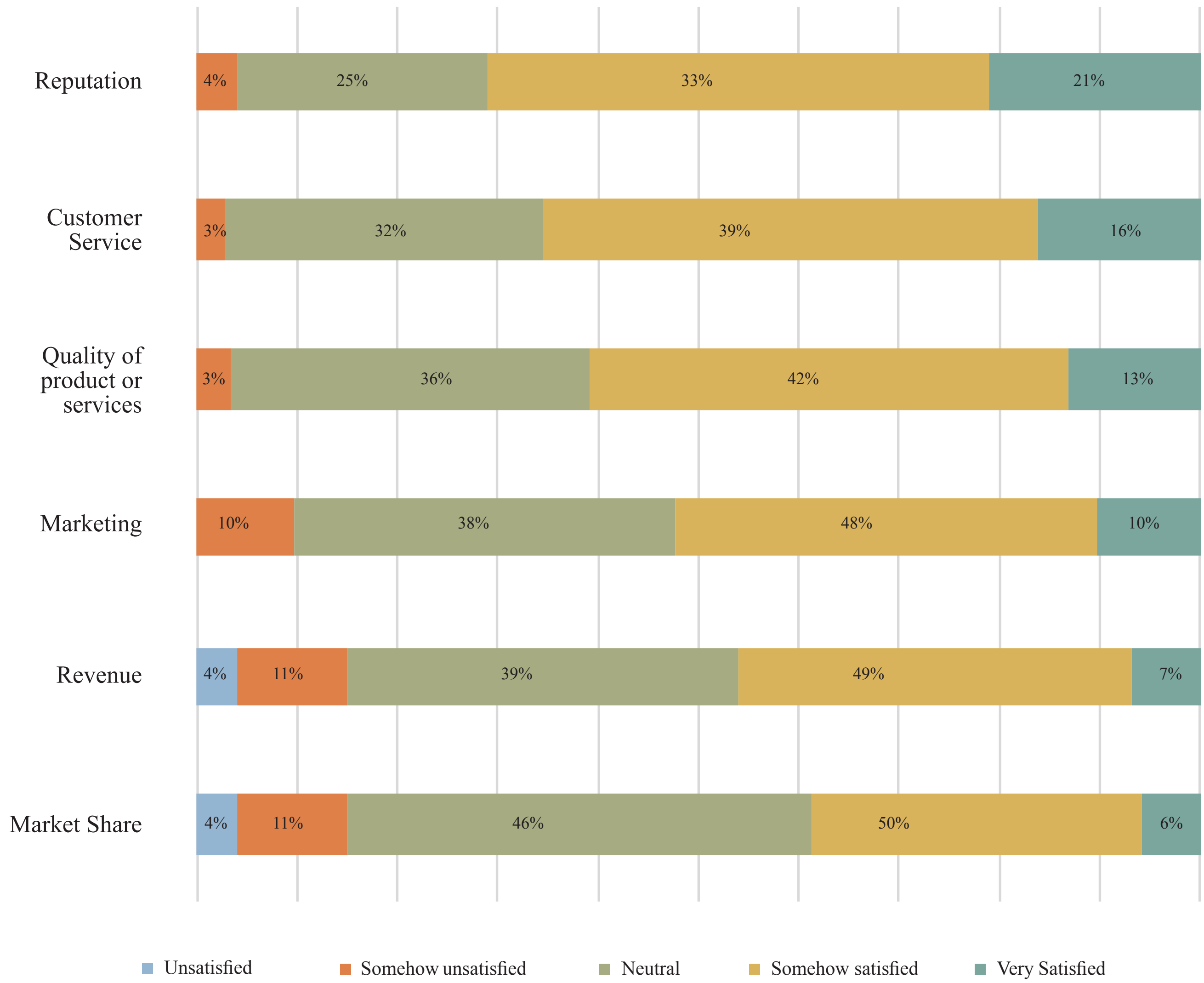
### How have your company's business activities (i.e., client development and public relations) changed in 2016 compared to 2015?




In general, the companies in industrial and resources sector witness the highest increase in business activities while the ICT companies experience only moderate growth.

## How satisfied are you with your company's performance in the following areas in 2016, compared to your competitors?




Consistent with the results of last year, in 2016, the majority of the surveyed companies are relatively satisfied with how they have built reputation (71%) and improved customer service (65%). The respondents are less satisfied with their market share and revenue.

CGCC Foundation

## Assessment of the U.S. Market

***Chinese companies remain optimistic about the U.S. economy and confident about their investments, but less so than previous years.***

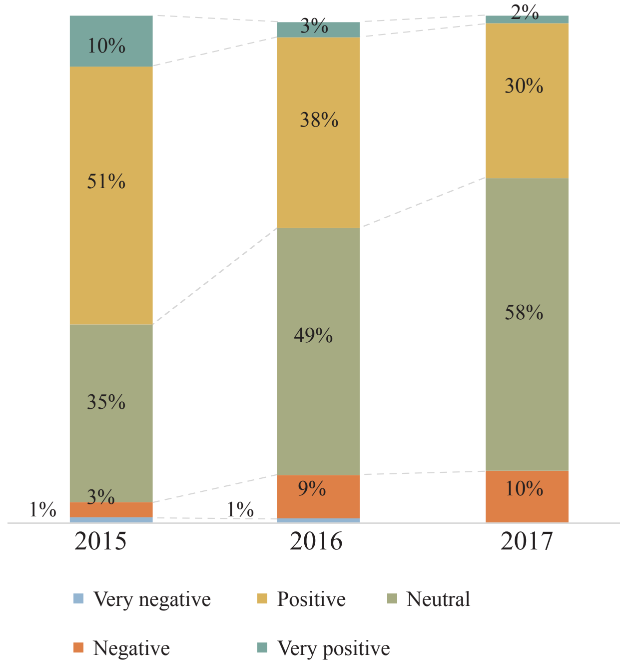
The United States is among the top destinations for Chinese outbound investments because of its long-term stability and business-friendly environment. Our survey shows that Chinese companies recognize such benefits, though their views may shift slightly over time.

The majority of the respondents (60%) anticipate the U.S. institutional environment to be conducive to business growth in the next three to five years. In general, the Chinese companies hold positive views about various social and economic institutions in the United States, which facilitate business and innovation. At the same time, the Chinese investors are fully aware that the U.S. market is highly competitive (59% of the companies consider the U.S. market to be competitive or very competitive). In addition, the Chinese companies strive to manage a number of major costs in order to succeed in the host country; top on the list is cost associated with labor.

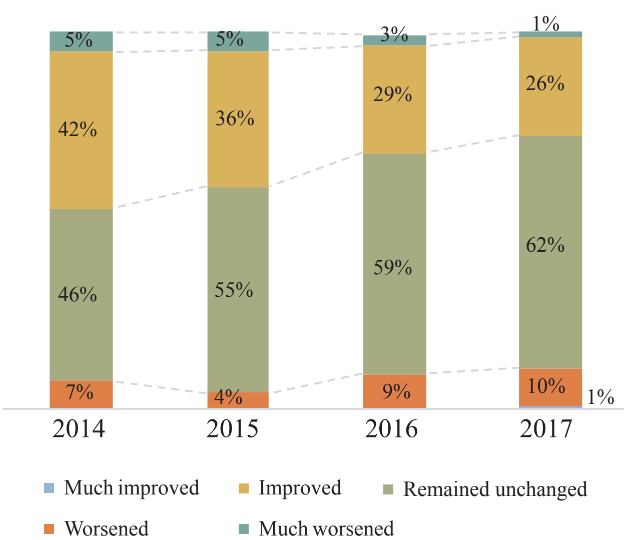
32% of the surveyed companies express positive or highly positive views about the U.S. business environment, though it is lower than the figure in 2016 (41%) and 2015 (61%). Nonetheless, only a small minority hold a negative view about the U.S. business environment.

**It is a trend that Chinese companies see the general business climate as neutral and stable, and they have an optimistic view on the investment environment in the next three to five years.**

### How do you evaluate the U.S. business environment in the past two years?

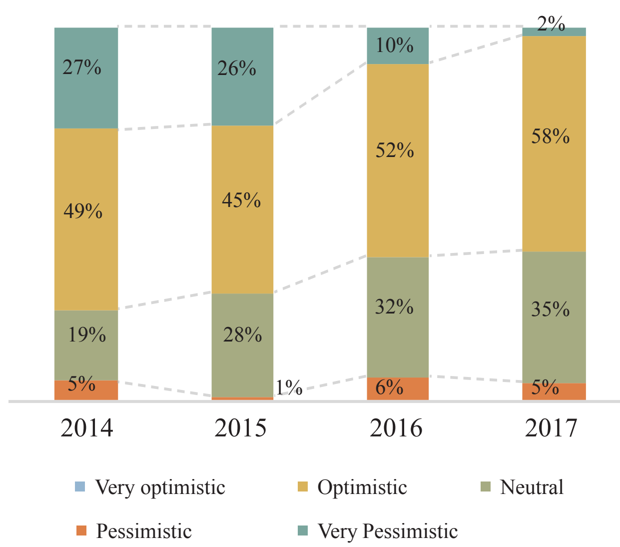



### How has the business environment changed in the past two years?



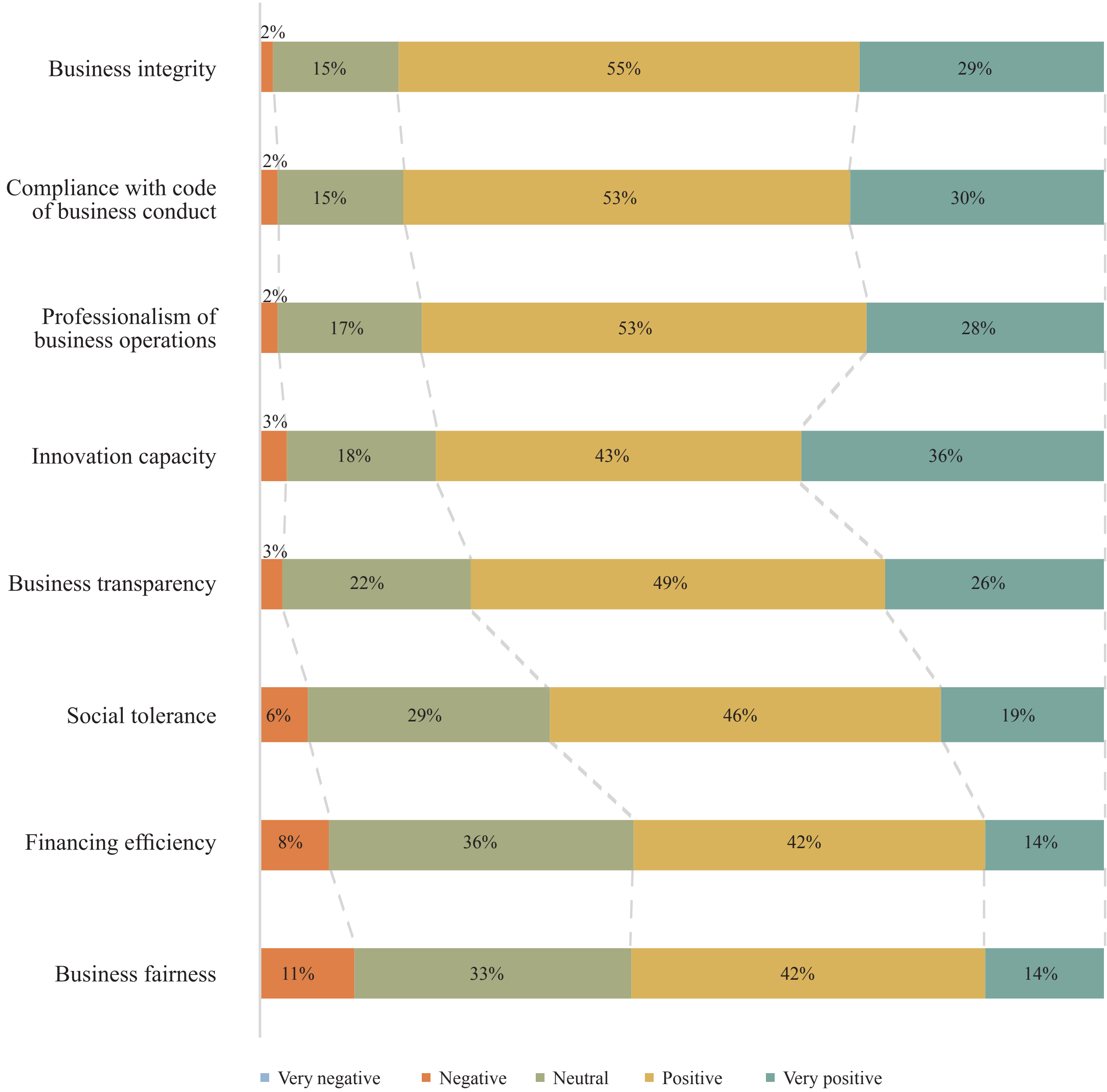

Of the surveyed companies in 2017, 62% consider the U.S. business environment to be largely static in the past two years. Additionally, many more respondents see improvement in the business environment than those opining that the environment has deteriorated (27% vs. 11%).

### How do you feel about the U.S. business environment in the next three to five years?




According to the data from the 2017 survey, 60% of the respondents are "optimistic" or "very optimistic" about the U.S. business environment in the next three to five years. Though the distribution varies over time, which could be due to changing sample composition, the overall optimism of the Chinese investors in the United States is quite clear.

How do you evaluate the following aspect of the U.S. business and social environment?



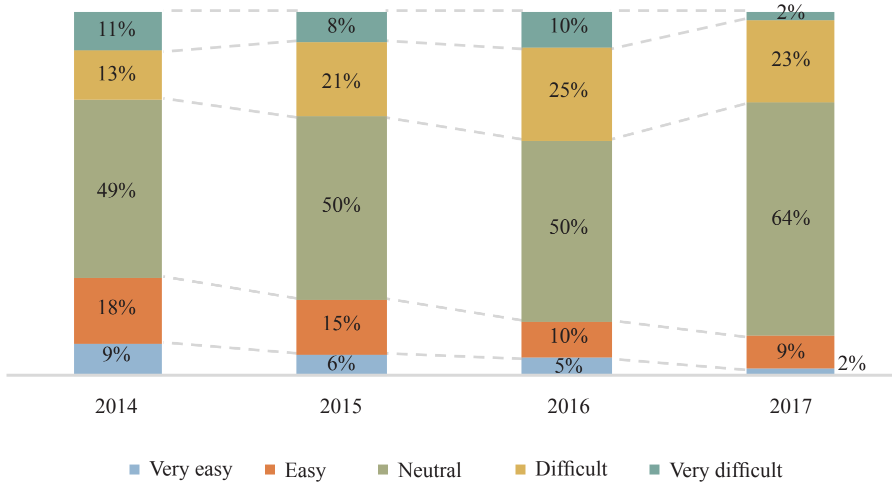

According to the 2017 survey, Chinese investors continue to hold positive views of various aspects of the U.S. business and social environment. For each of the eight indicators, a majority of the respondents selected “good” or “very good”.

Relatively speaking, “business integrity”, “compliance with code of business conduct”, and “professionalism of business operations” get higher marks than “social tolerance”, “business fairness”, and “financing efficiency”.

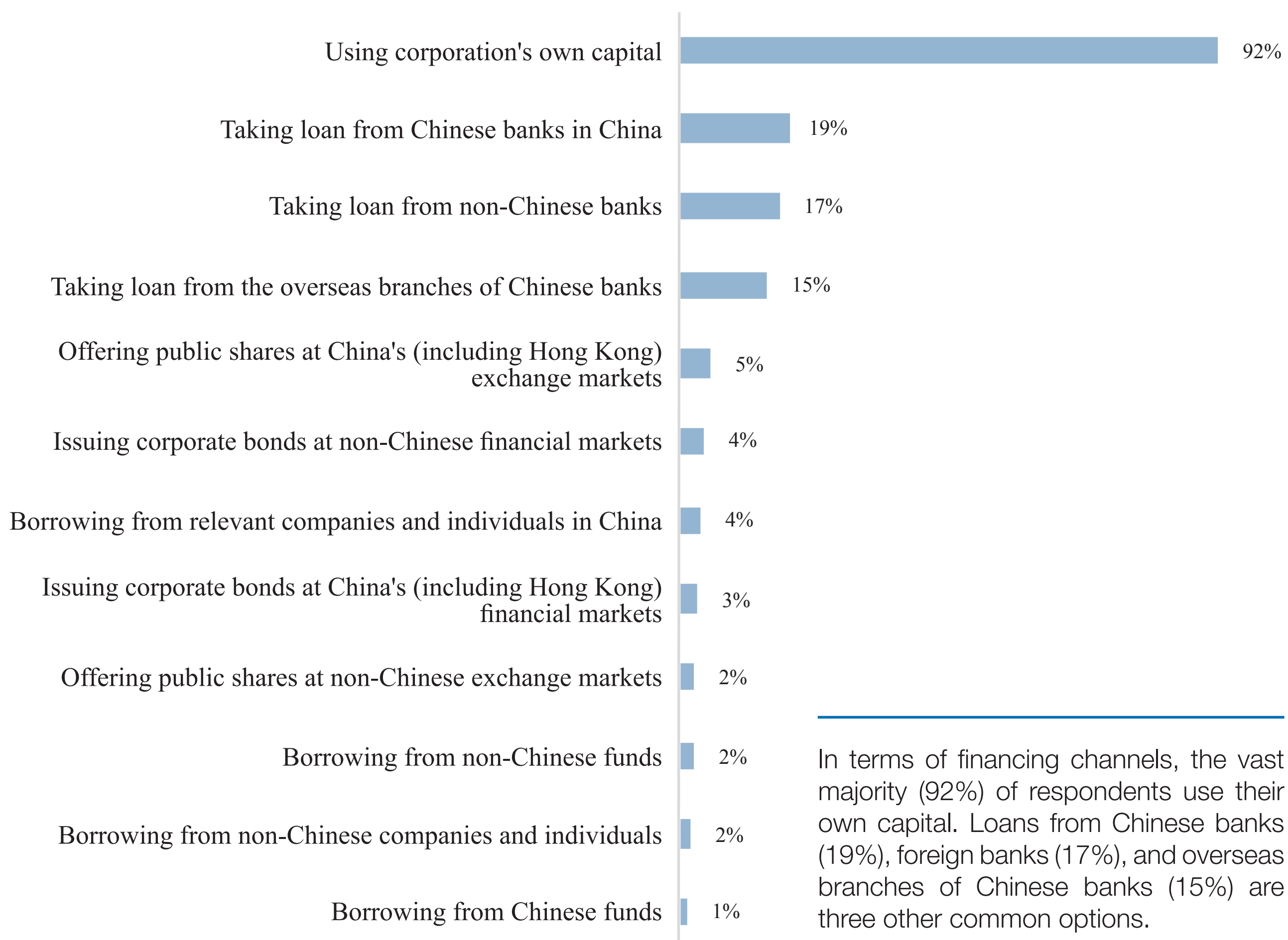
Chinese companies in the United States hold their local peers and competitors in high regard.

Though the U.S. business environment is well developed and facilitates Chinese investments in general, there are still gaps to fill. According to the 2017 survey, 25% of the respondents experience some difficulties in acquiring funds for their investments in the United States. However, this figure has decreased compared to that of 2016 (35%), suggesting that Chinese companies are having easier access to funds over time. This may be attributed to several factors including support from Chinese banks as well as the investors' improved credit record in the U.S. financial market.

**How difficult is your company to acquire financing in the U.S. market?**

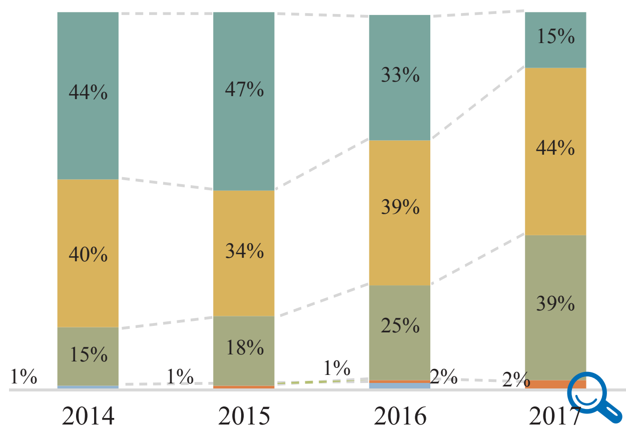


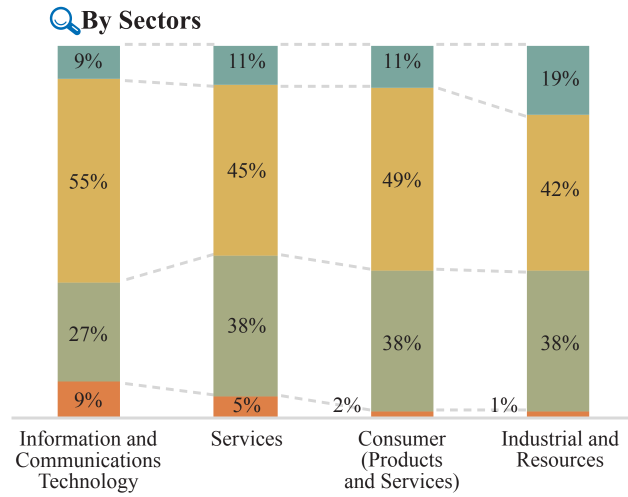

**How does your company acquire funds for the U.S. investment projects?**




In terms of financing channels, the vast majority (92%) of respondents use their own capital. Loans from Chinese banks (19%), foreign banks (17%), and overseas branches of Chinese banks (15%) are three other common options.

## How competitive is the U.S. market?

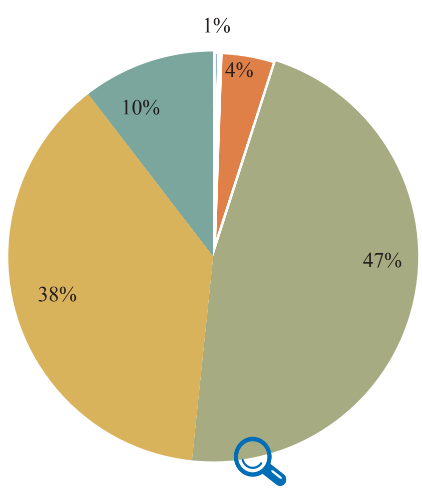


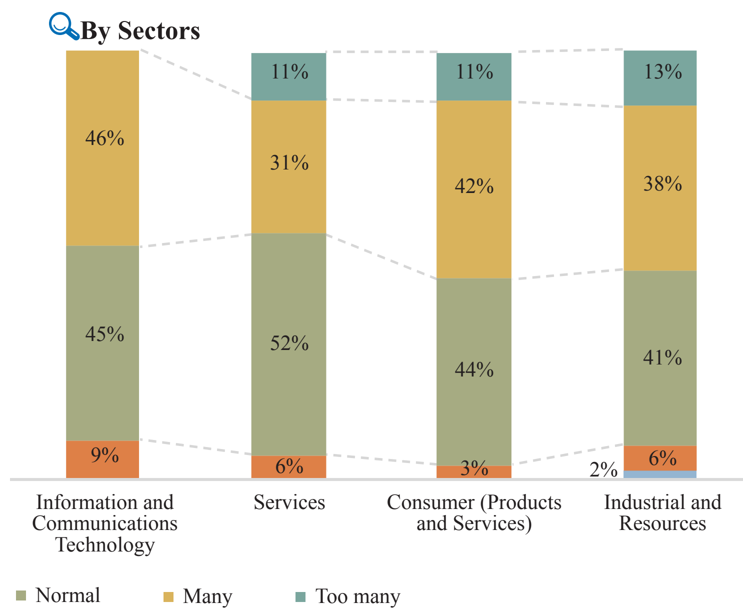




The U.S. market continues to be highly competitive for Chinese companies. However, the percentage of the respondents holding this view decreases to 59%, which is fifteen percentage points lower than that of 2016. This change, which may be due to sample composition difference, indicate growing confidence of Chinese companies to compete in the U.S. market.

The view varies slightly across different industries, with 64% of the respondents in ICT sector considering the competition in the U.S. market to be fierce, in comparison to approximately 60% in other industries. Notably, 19% of respondents in industrial and resources sector consider the competition to be very fierce.

## How many competitors do you have at the U.S. market?

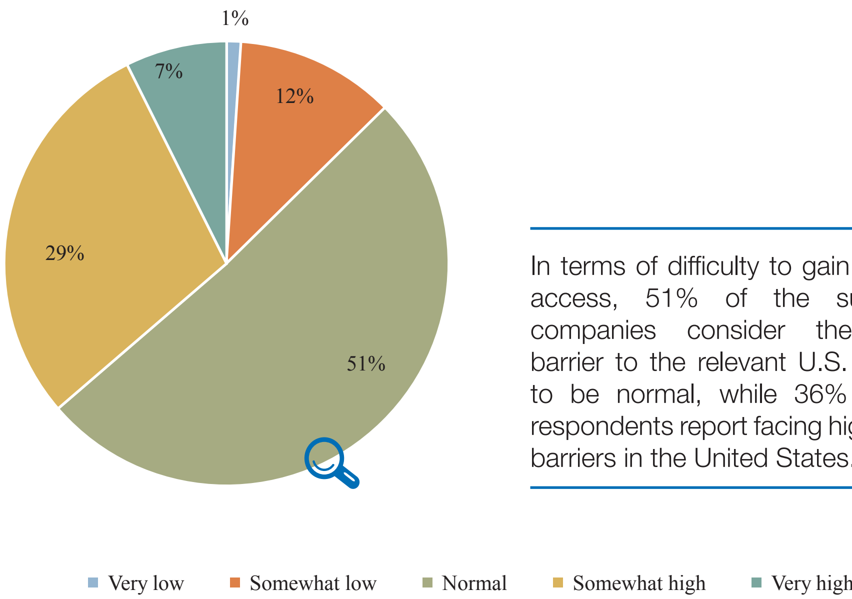


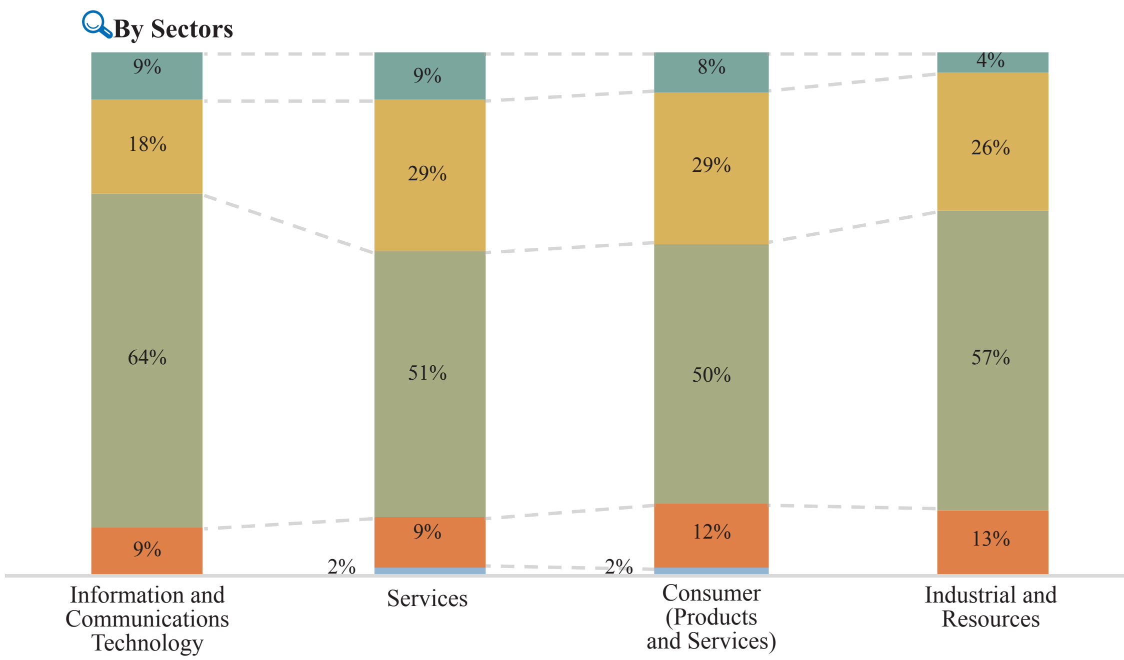

About half (48%) of the surveyed companies think they have a great number of competitors in the U.S. market.

Looking into different industries, more than 50% of surveyed companies in consumer markets and industrial and resources sector have a substantial number of competitors in the U.S. market.

## How high is the entry barrier of your industry in the U.S.?



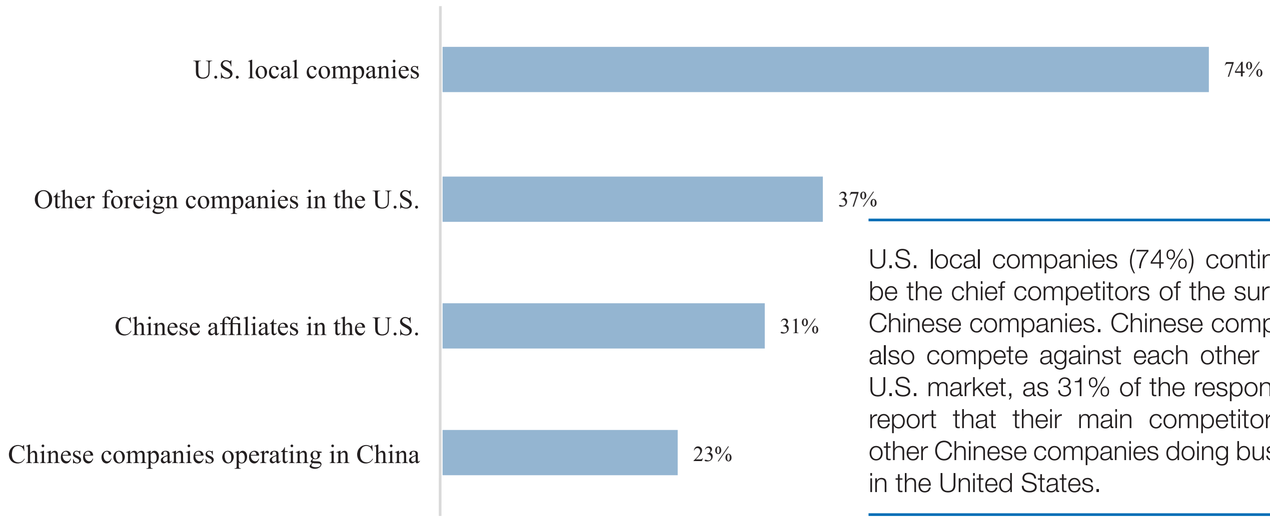

In terms of difficulty to gain market access, 51% of the surveyed companies consider the entry barrier to the relevant U.S. market to be normal, while 36% of the respondents report facing high entry barriers in the United States.




By industry, 64% of ICT companies consider the entry barrier to be normal; relatively more respondents in services (38%) and consumer (37%) industries consider the barrier to be high.

About one-third of the surveyed Chinese companies say the entry barriers into the U.S. market are high, especially in services and consumer industries.

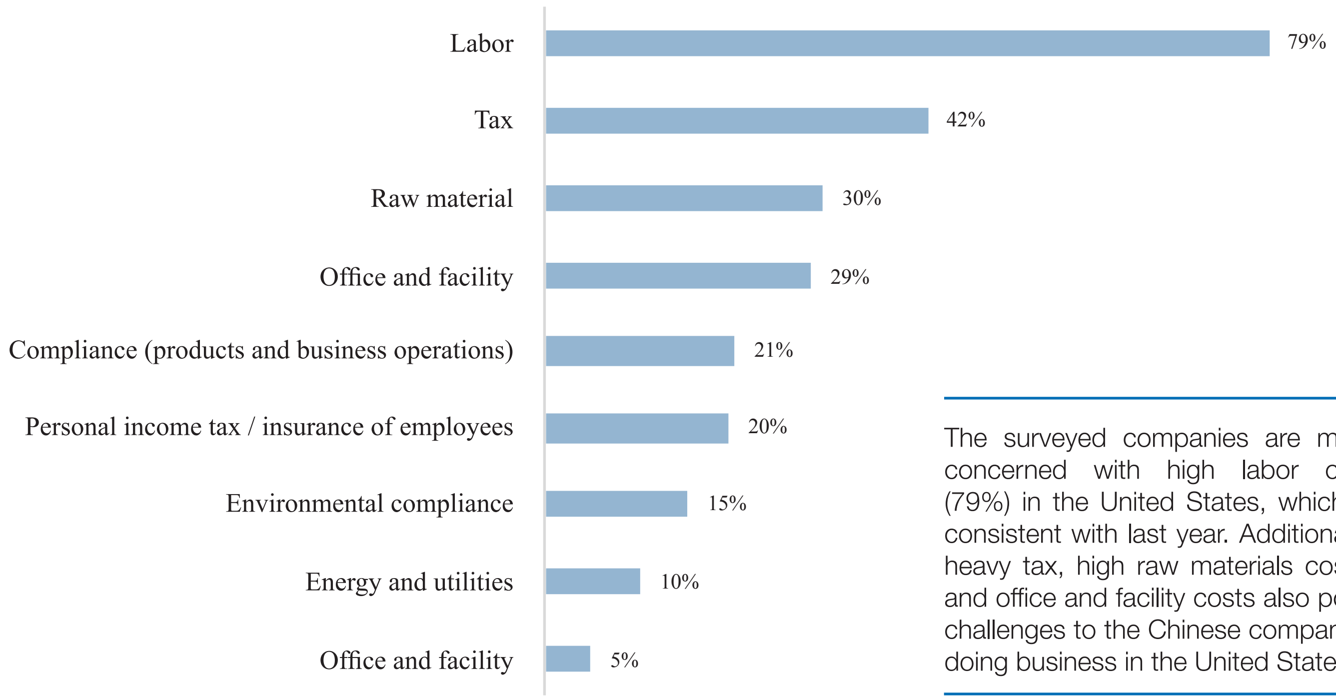
## Who are your company's major competitors? (Selcet all that apply)




U.S. local companies (74%) continue to be the chief competitors of the surveyed Chinese companies. Chinese companies also compete against each other in the U.S. market, as 31% of the respondents report that their main competitors are other Chinese companies doing business in the United States.

**In the U.S, the main competitors of Chinese companies are local American companies. Labor costs are the most significant costs concerning Chinese companies.**

## Which aspect of operational costs is your company most concerned about? (Select all that apply)




The surveyed companies are most concerned with high labor cost (79%) in the United States, which is consistent with last year. Additionally, heavy tax, high raw materials costs, and office and facility costs also pose challenges to the Chinese companies doing business in the United States.

## Assessment of U.S. Administrative, Legal, and Regulatory Institutions

***While Chinese companies are in general treated fairly under U.S. laws and regulations, their cost for legal compliance remains high***

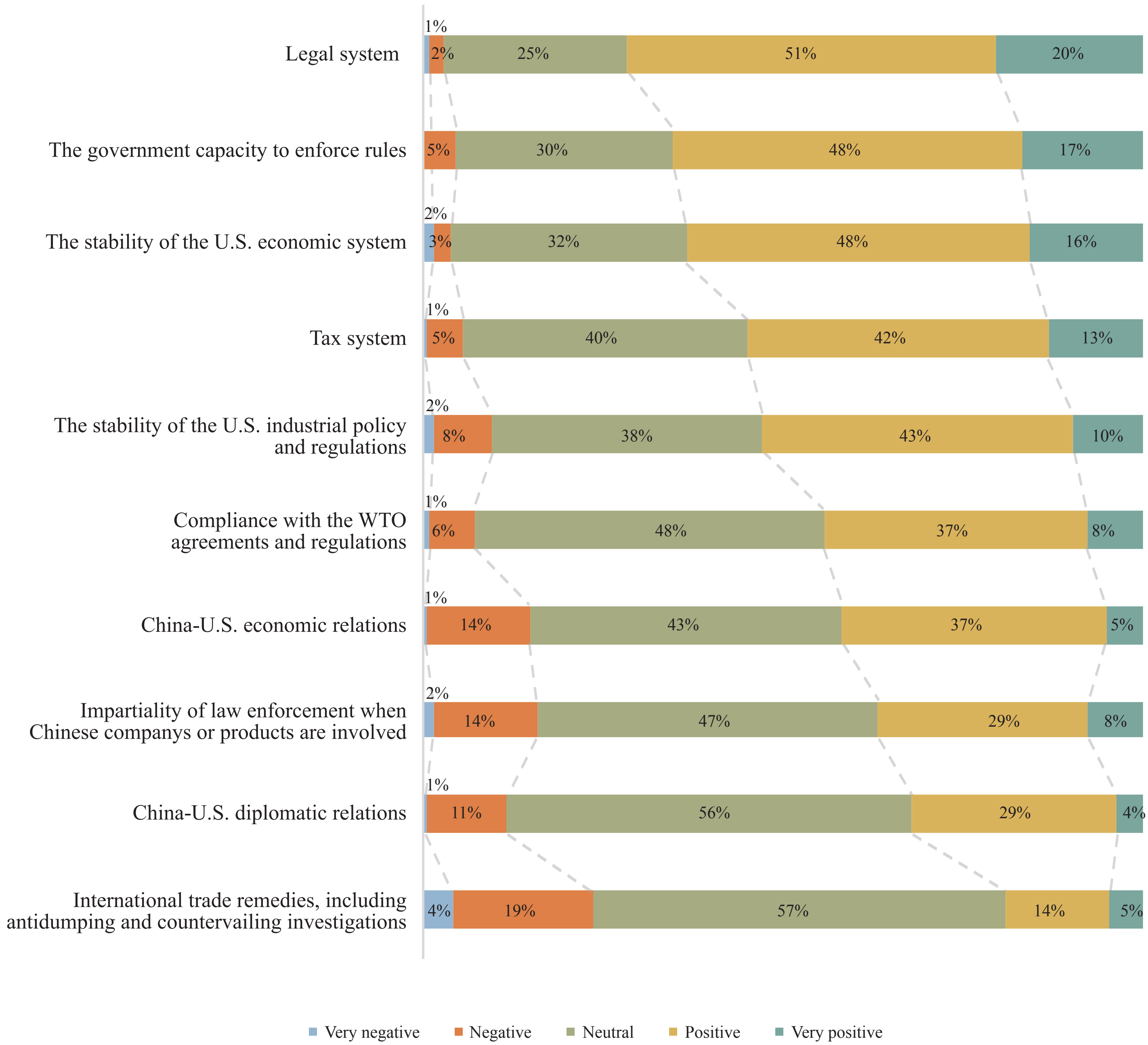
The U.S. administrative, legal, and regulatory systems are more complex and different from those in China. In general, the Chinese companies hold a positive view about the various are considered fair. For instance, data has shown that both U.S. federal and state courts have demonstrated fair treatment between Chinese companies and their American counterparts. Also, the process of obtaining U.S. government approvals has been largely regarded as more transparent than that in China.

Moreover, this year has seen a reduction in the severity of long-time controversial issues relating to U.S. government policies. The proportion of respondents who feel the U.S. government conducts biased law enforcement has dropped from about 60% to 35%. Only 3% of respondents in this year report that their investment projects are hindered by the CFIUS review process. This is possibly due to changes in the sample composition, but at the same time may be viewed as preliminary evidence that Chinese companies are moving toward equal treatment under U.S. laws and regulations. This improved condition is a direct benefit from Chinese companies' deepened understanding of U.S. regulatory systems, and the ongoing constructive dialogues and cooperation between Chinese and U.S. governments.

However, not all U.S. government agencies follow transparent procedures. Accordingly, the Chinese companies have expressed variant views. For instance, the majority of Chinese investors with knowledge of the CFIUS review regard the process as politicized and opaque.

Overall, Chinese companies take compliance more seriously in the United States. 60% of the surveyed companies adopt stricter compliance measures in the United States than in China, and 71% think the cost for legal compliance in the United States is higher than that in China.

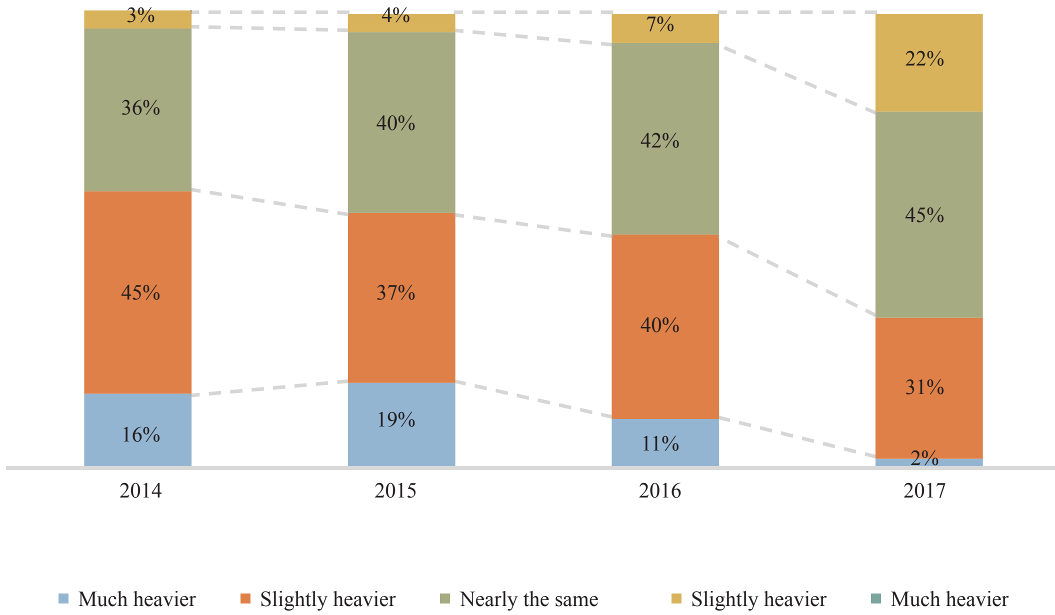
How do you evaluate the following aspects of U.S. government insitutions and policies?

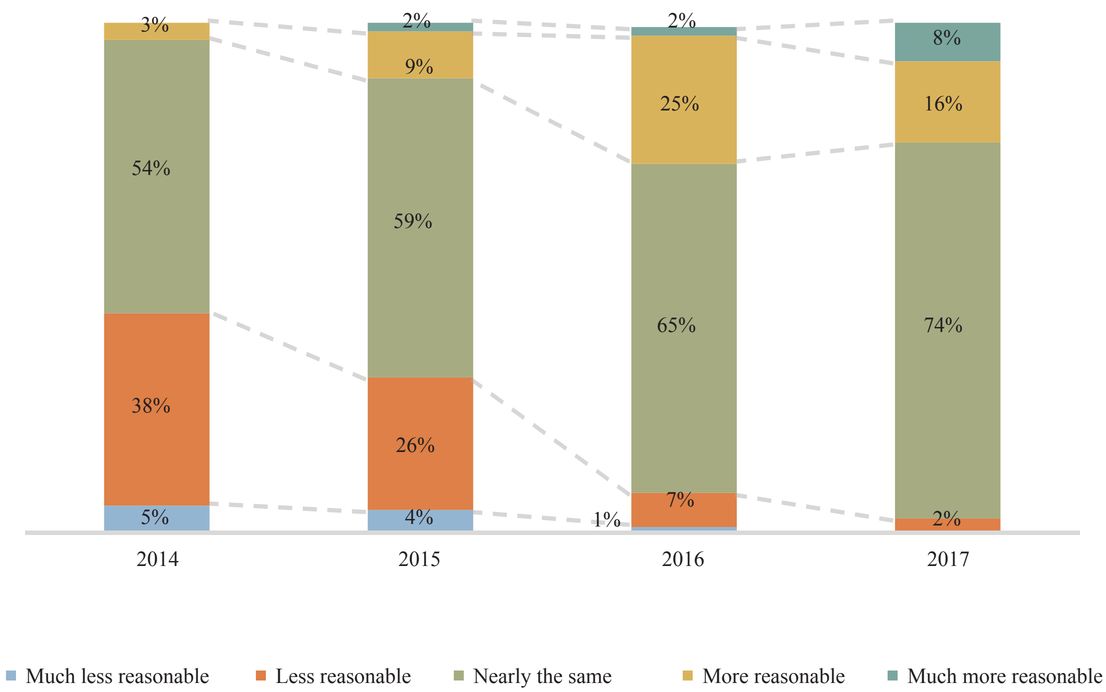



Although the surveyed companies have expressed generally positive views about various U.S. government institutions and policies, their evaluations are lower than those for various U.S. social and business institutions.

Among all the ten indicators, "legal system", "the government capacity to enforce rules", and "the stability of the U.S. economic system" continue to be the top three of the most favorable aspects. Surveyed companies are mostly concerned with "international trade remedies, including antidumping and countervailing investigations", "China-U.S. diplomatic relations", and "impartiality of law enforcement when Chinese companys or products are involved".

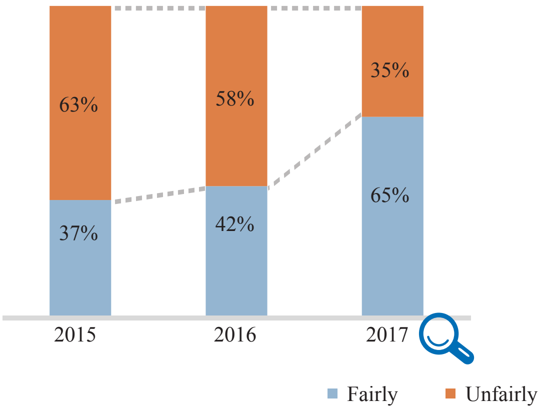
## How heavy is the U.S. tax levy compared to China?



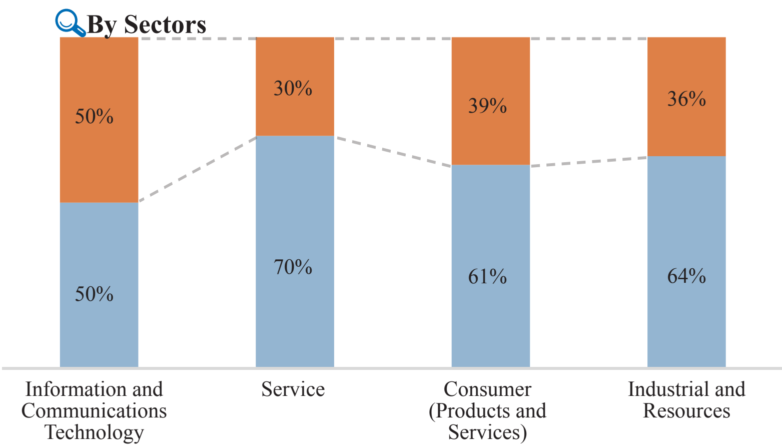




According to the 2017 survey, 33% of the respondents consider U.S. tax to be heavier than Chinese tax. Yet despite the perception of onerous U.S. tax burden, the surveyed Chinese companies express a generally neutral or positive view about the overall U.S. tax system.

## How is your company treated by government policies and enforcement relative to local companies?

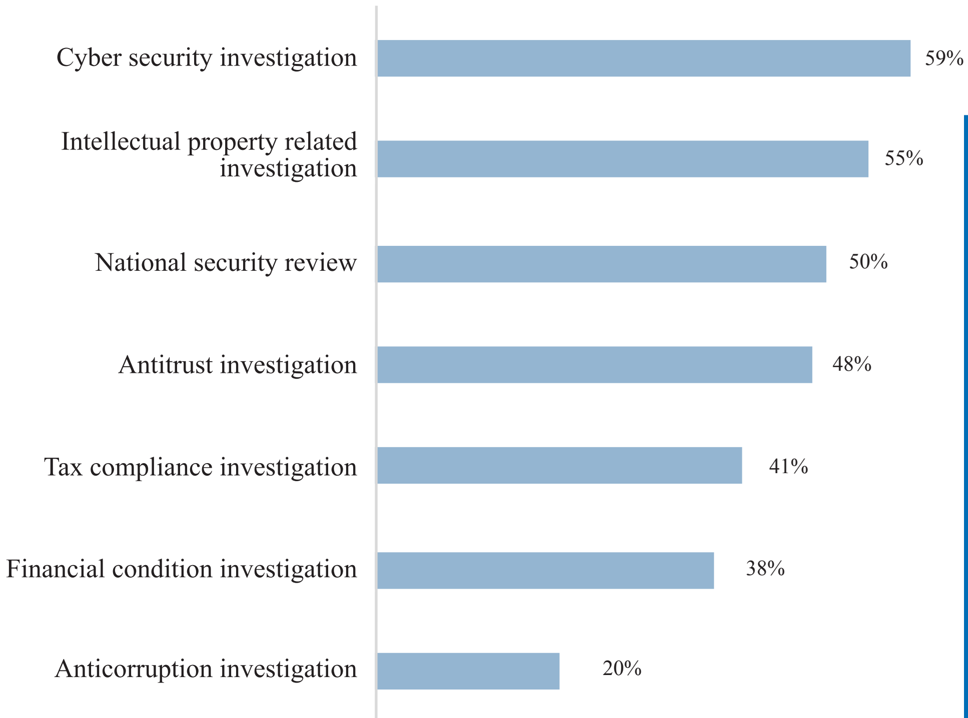



65% of the surveyed companies consider the implementation of U.S. policies and rules to be unbiased, which is much higher than the percentage in 2015 (42%) and that in 2014 (37%). Still, 35% of the respondents perceive some biases. To be more concrete, such biases are felt in “cyber security investigation” (59%), “IP related investigation” (55%), and “national security review” (50%).




The view varies across different sectors. Respondents in the services industry feel less bias (30%), while ICT companies feel more bias (50%) in how the U.S. government implements rules and policies.

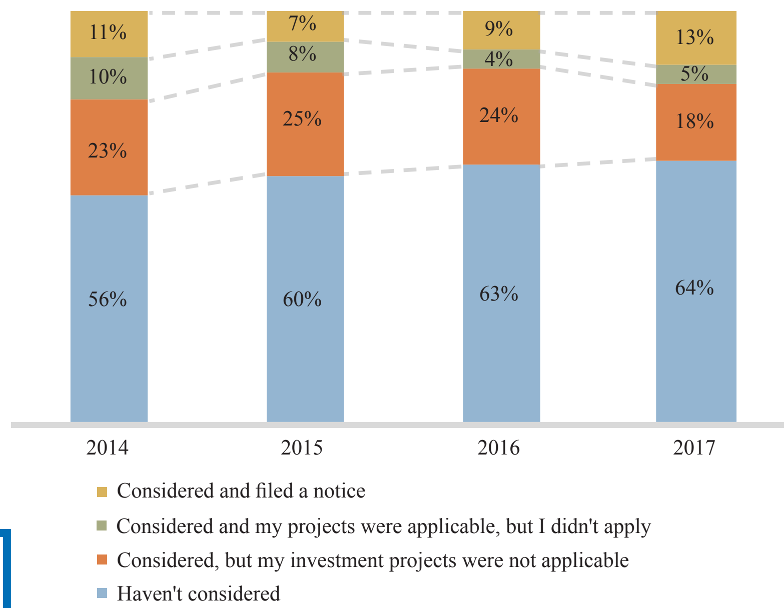
## If you feel any bias, in which area(s)? (Select all that apply)




The conditions of unfair treatment of Chinese companies in the U.S. market is improving. The decreased number of surveyed Chinese companies that believe the United States is biased against foreign companies in the enforcement of industrial policy showed preliminary evidence of the movement toward equal treatment.

Similar to what was found in the previous two years, the majority (64%) of the respondents have not considered filing notices with the Committee on Foreign Investment in the U.S. (CFIUS) prior to investing in the United States. Meanwhile, 13% of the companies have filed for CFIUS review, a slight increase from the previous year. Overall, CFIUS does not appear to be a major investment concern for 87% of the respondents.

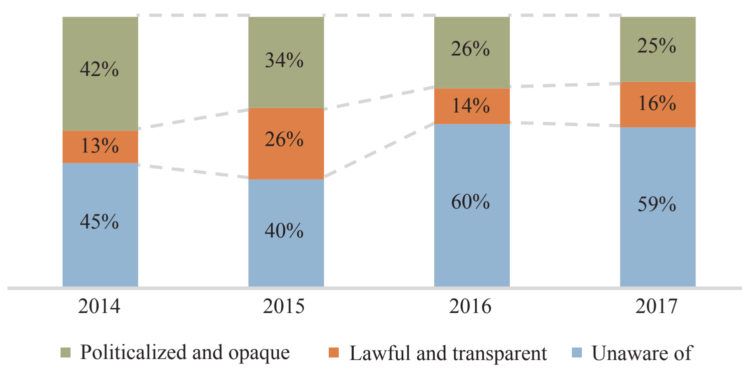
**When making investment, have you ever considered filing a notice with CFIUS?**




More than 80% of surveyed Chinese companies don't interact with CFIUS. However, a quarter of surveyed Chinese companies think CFIUS has a strong political nature and lacks of transparency.

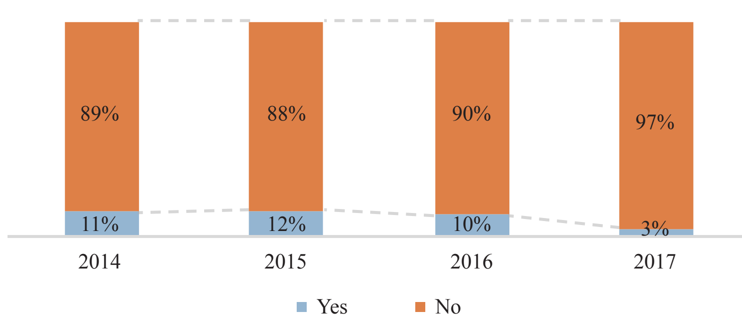
The respondents' view towards the CFIUS process remain largely the same as last year. The majority (59%) have no knowledge about the system, while 25% of the respondents consider the review to be politicized and opaque.

**How do you view the CFIUS review?**

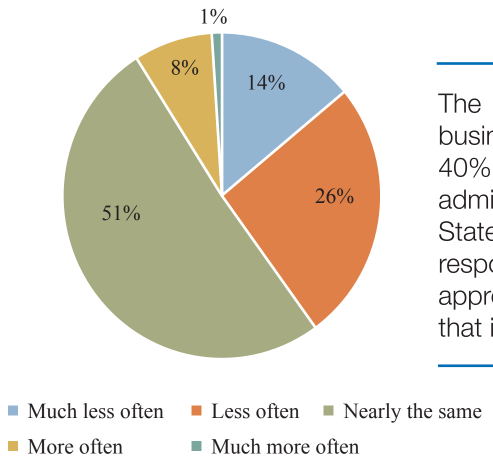



The percentage of the respondents who have either decided not to pursue or discontinued an acquisition in the U.S. due to concerns with CFIUS review decreases from 10% in 2016 to 3% in 2017. The percentage of these instances is low, likely because the surveyed companies already operate in the United States and are therefore less prone to pose any threat to U.S. national security.

**Have you ever given up investment projects due to concerns about CFIUS review?**

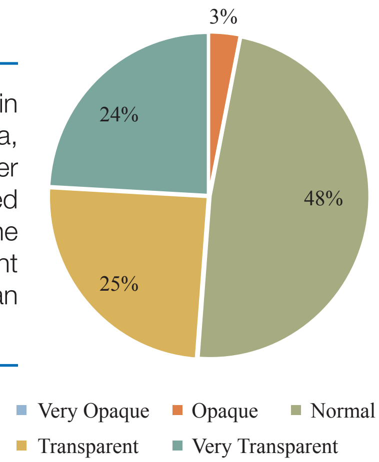


### Compared to China, how often do you need to obtain government approvals in the U.S.?

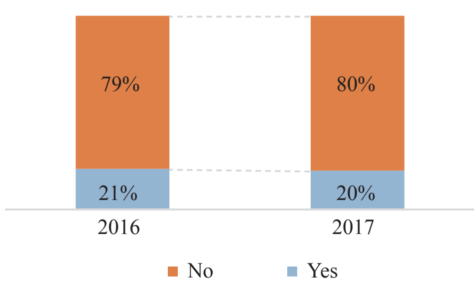



The U.S. government intervenes less in business operations. Compared to China, 40% of the respondents experience fewer administrative approvals in the United States. In addition, about half (49%) of the respondents think the U.S. government approval process is more transparent than that in China.

### Compared to China, how transparent is the U.S. government approval process?



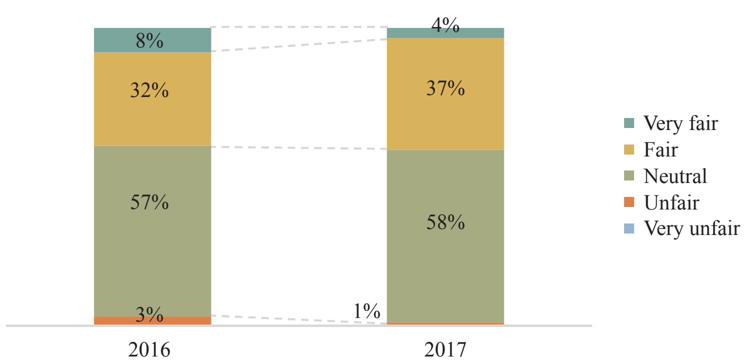

### Has your company ever been influenced by conflicts between U.S. and Chinese laws?



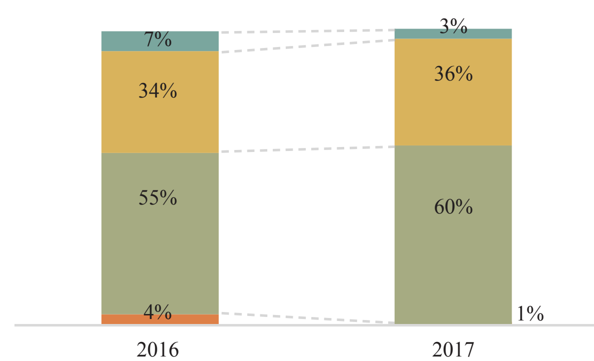

A majority of respondents (80%) have not encountered conflicts of Chinese and U.S. laws when doing business in the United States, while 20% of the respondents report they have experienced such problems.

20% of Chinese companies in the U.S. sometimes encounter conflicts between Chinese law and America law.

### What is your opinion on U.S. federal courts ?




### What is your opinion on U.S. state courts?



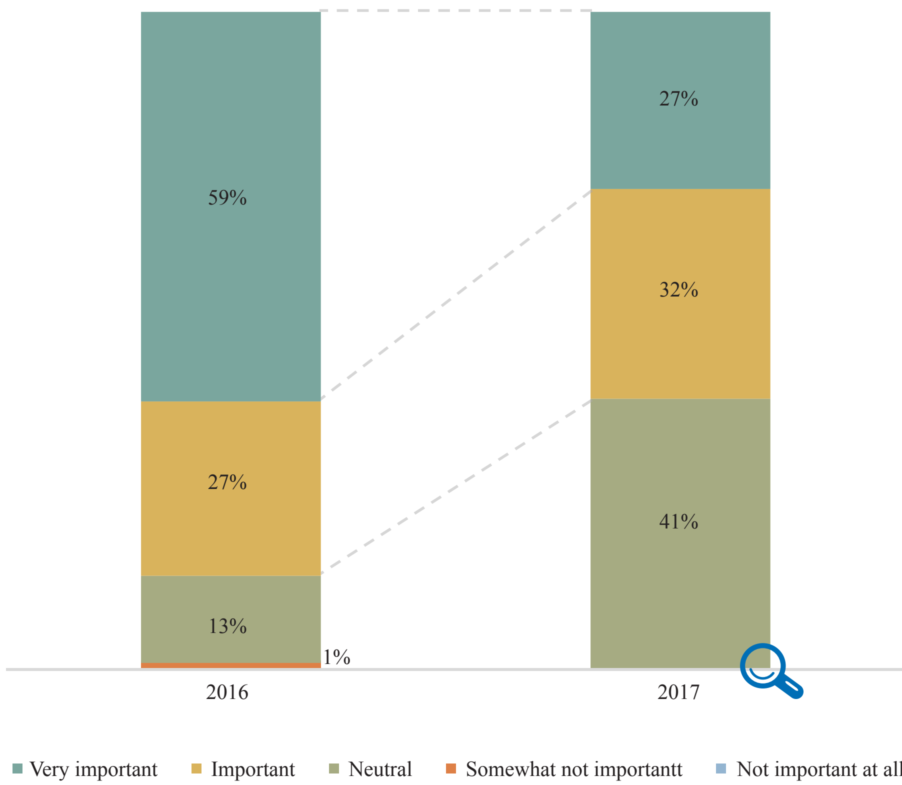

Almost all the respondents express neutral or positive views about the fairness of U.S. courts. Only 1% believe that the federal court system is unfair. This result aligns with data from the past two years and clearly reflects the trust of Chinese companies in the U.S. judiciary at both the federal and the state level.

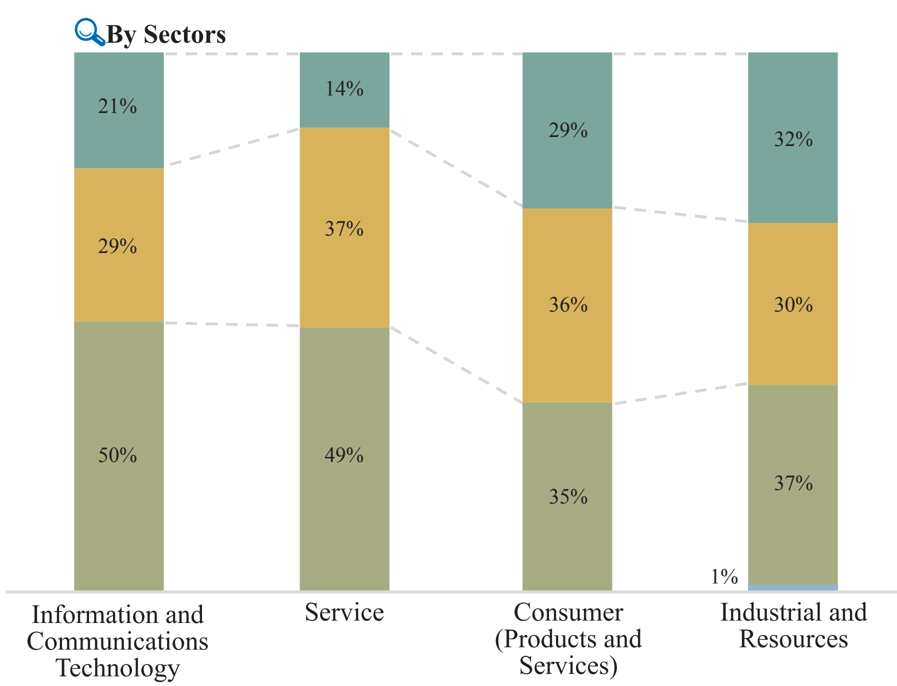
Survey respondents attach great importance to compliance, especially in consumer sectors, and industry and resources sector.

According to the 2017 survey data, 59% of the respondents consider compliance to be important or very important for doing business in the United States. The percentage is lower than that of 2016 (86%), likely a result of more participants in 2017 with businesses in less regulated sectors.

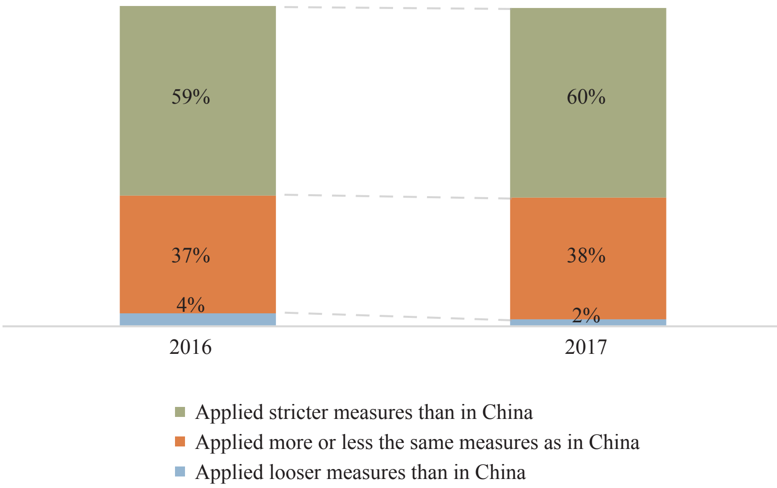
Separated by sectors, companies in consumer sector and industrial and resource sector pay the most attention (more than 60%) to the compliance issue. Particularly, the percentage of respondents in industrial and resources sector that consider compliance to be "very important" is as high as 32%.

**How important is compliance in your business operations in the U.S.?**



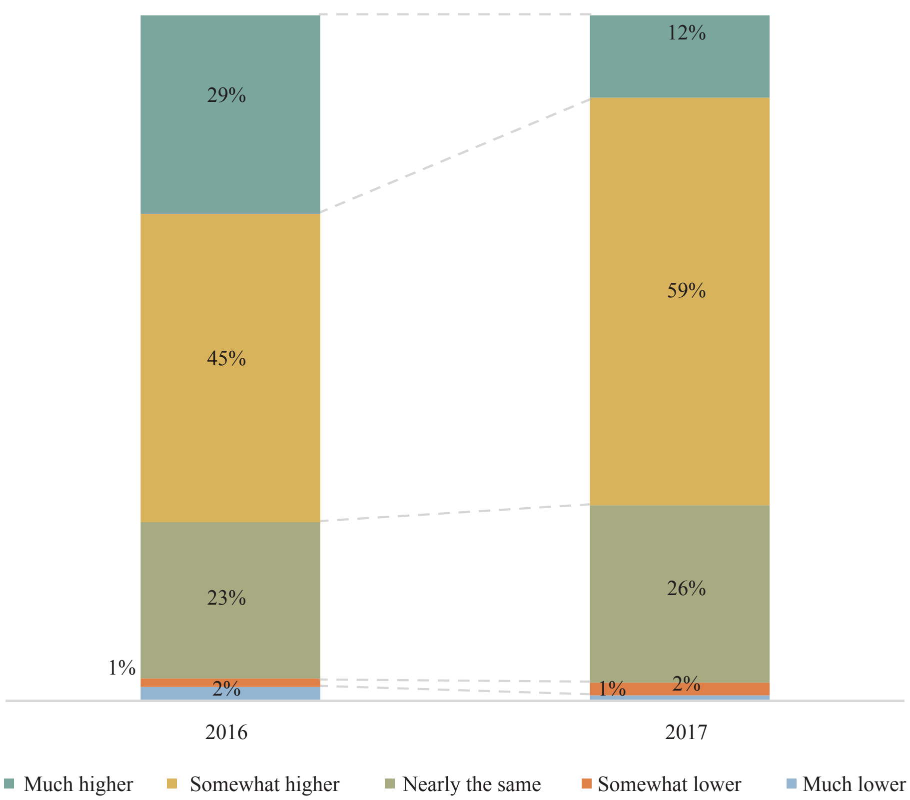
## How strict are your company's compliance measures compared to those in China?




60% of the companies apply stricter compliance management in the U.S. than China, and more than 70% companies have higher legal and compliance costs in the U.S. than in China.

Consistent with the result of the 2016 survey, 60% of respondents apply stricter compliance measures in the United States than in China. Only 2% apply less strict compliance measures.

## How high is the cost of legal and compliance operations in the U.S., compared to China?




Legal and compliance costs are important parts of operational costs for Chinese companies in the United States. Similar to last year, 71% of the surveyed companies report that the costs of compliance in the United States are higher than those in China. Possible reasons for this could be the high cost of labor and more stringent compliance rules in the United States. The percentage of respondents that consider the U.S. costs significantly higher decreases from 29% in 2016 to 12% in this year, which is probably attributable to different sample composition.

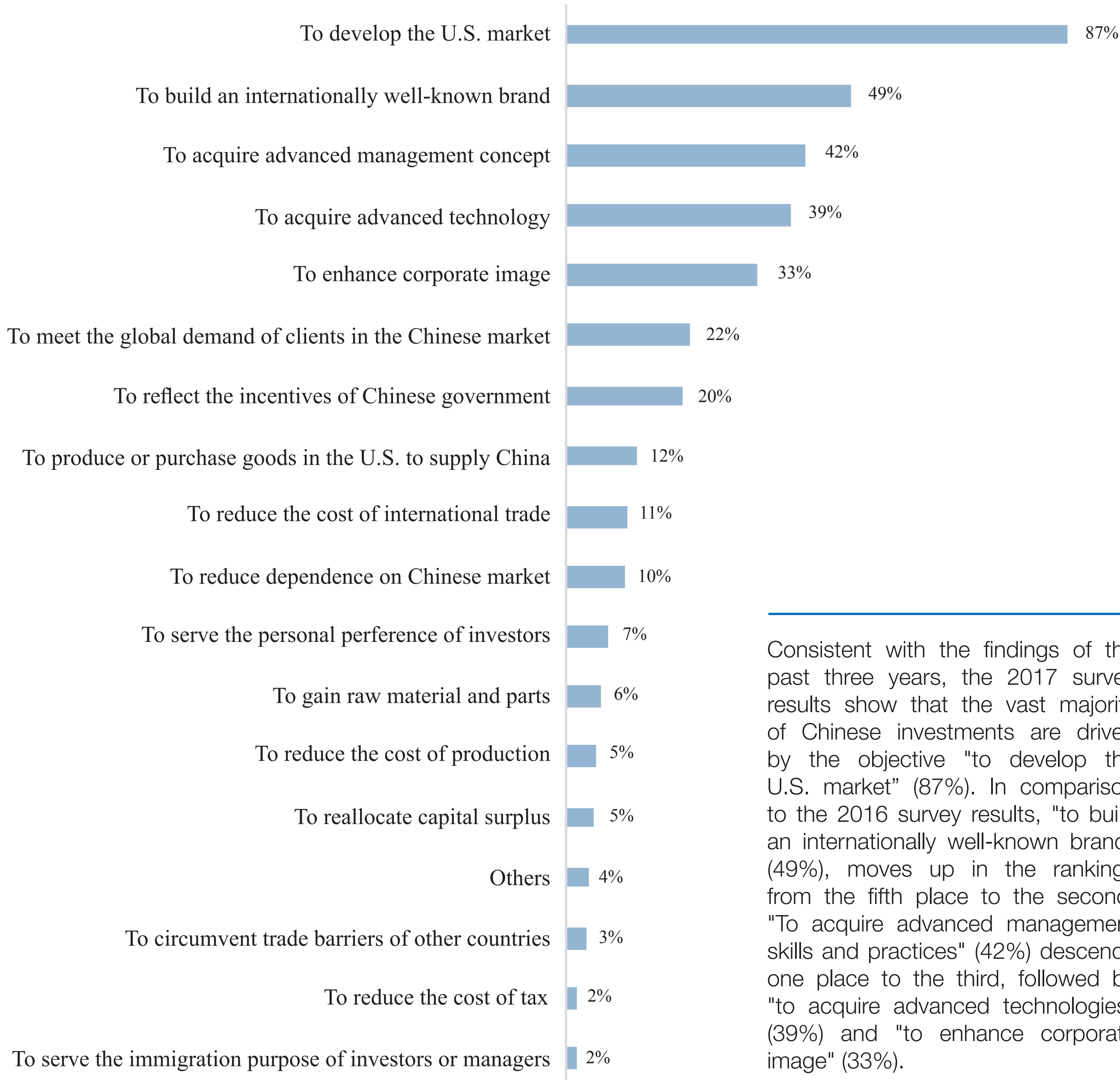
CGCC
Foundation

## Corporate Management

***Chinese companies are seeking to develop high value-added products and services through innovation and long-term dedication.***

This year, customer relations has exceeded competitive price to become the Chinese companies' top comparative advantage in the U.S. market. This shift from price to customers may reflect their move up along the product value chain and increased bargaining power. Chinese companies are committed to long-term investments in the United States. This year, 87% of surveyed respondents will reinvest all or the majority of their U.S. profits back in the U.S. businesses, a large increase compared to the two earlier years.

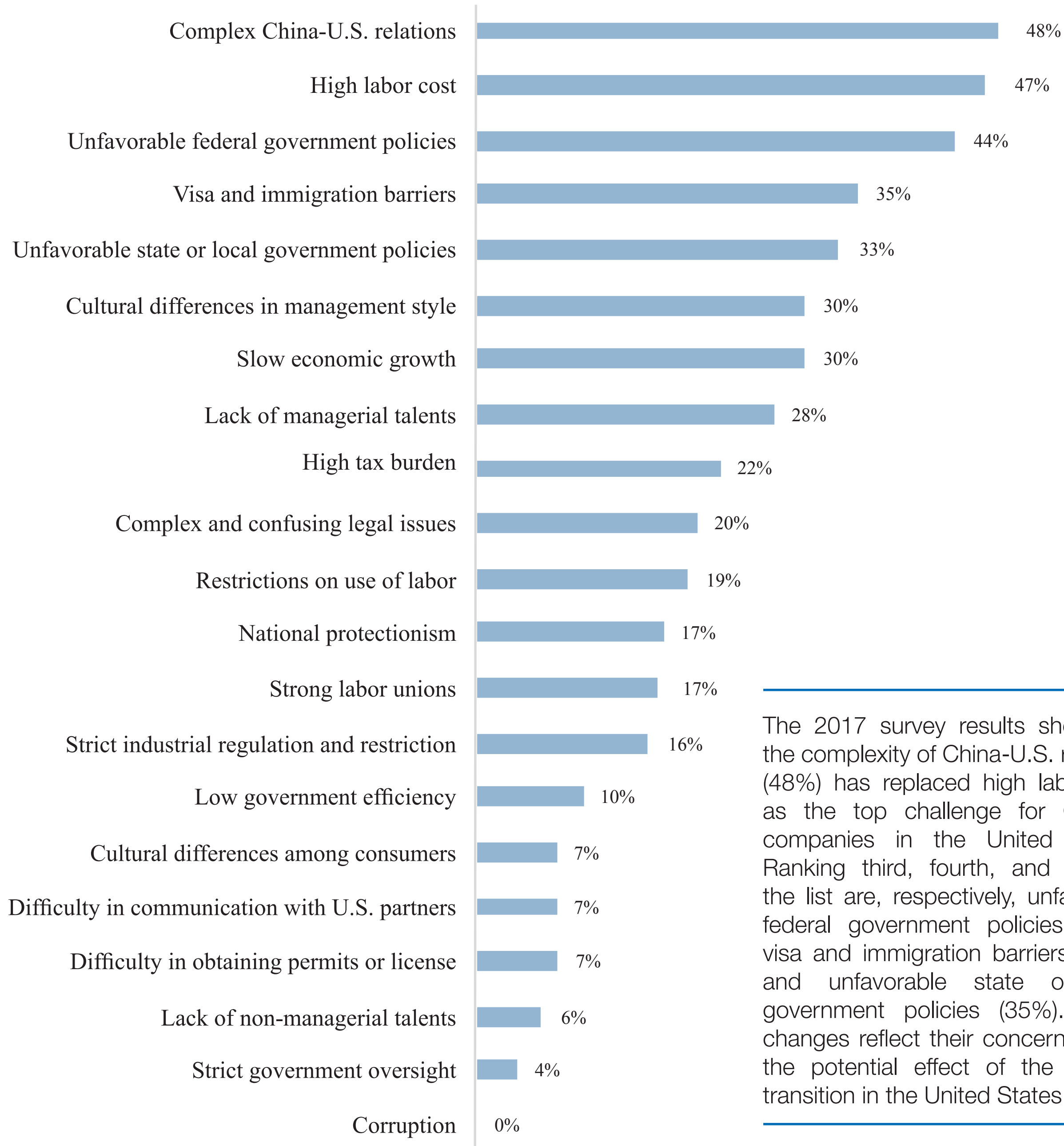
## What are your primary business objectives for investing in the U.S. market?




Consistent with the findings of the past three years, the 2017 survey results show that the vast majority of Chinese investments are driven by the objective "to develop the U.S. market" (87%). In comparison to the 2016 survey results, "to build an internationally well-known brand" (49%), moves up in the rankings from the fifth place to the second. "To acquire advanced management skills and practices" (42%) descends one place to the third, followed by "to acquire advanced technologies" (39%) and "to enhance corporate image" (33%).

| | Top Five in 2014 | Top Five in 2015 | Top Five in 2016 | Top Five in 2017 |
|---|---|---|---|---|
| 1 | To gain U.S. market share | To gain U.S. market share | To gain U.S. market share | To gain U.S. market share |
| 2 | To enhance corporate image | To acquire advanced management concept | To acquire advanced management concept | To build an internationally well-known brand |
| 3 | To acquire advanced technology | To acquire advanced technology | To enhance corporate image | To acquire advanced management concept |
| 4 | To build an internationally well-known brand | To meet the global demand of clients in the Chinese market | To acquire advanced technology | To acquire advanced technology |
| 5 | To meet the global demand of clients in the Chinese market | To enhance corporate image | To build an internationally well-known brand | To enhance corporate image |

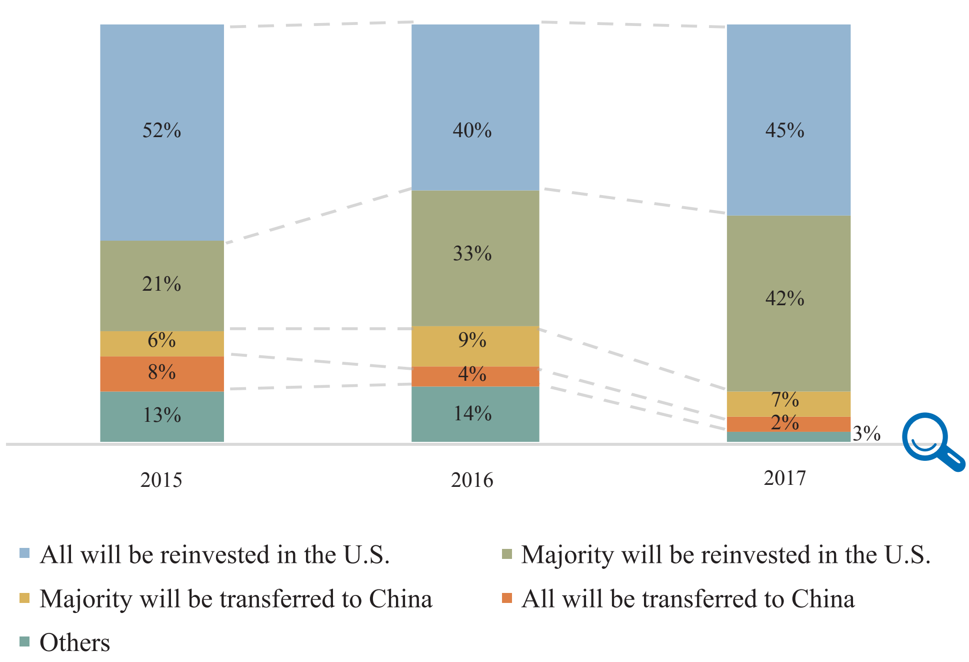
## What are the challenges for conducting business in the U.S.? (Select all that apply)



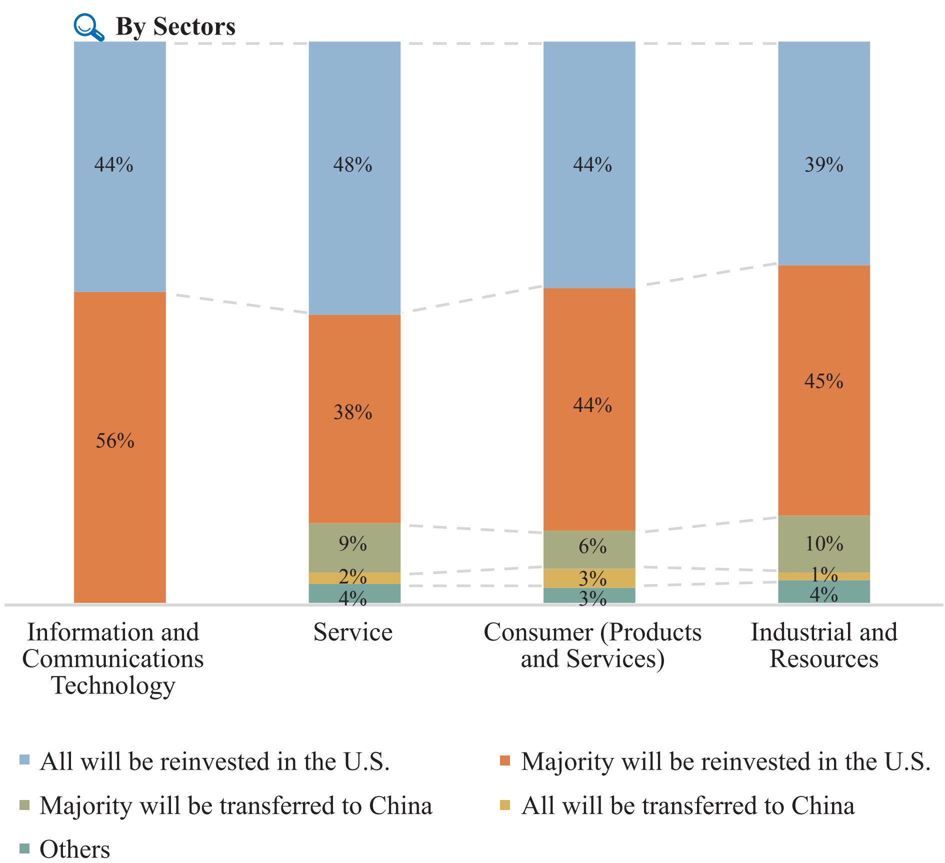

The 2017 survey results show that the complexity of China-U.S. relations (48%) has replaced high labor cost as the top challenge for Chinese companies in the United States. Ranking third, fourth, and fifth on the list are, respectively, unfavorable federal government policies (44%), visa and immigration barriers (35%), and unfavorable state or local government policies (35%). These changes reflect their concerns about the potential effect of the political transition in the United States.

| | Top Five in 2014 | Top Five in 2015 | Top Five in 2016 | Top Five in 2017 |
|---|---|---|---|---|
| 1 | High labor cost | High labor cost | High labor cost | Complex China-U.S. relations |
| 2 | Slow economic growth | Cultural differences in management style | Cultural differences in management style | High labor cost |
| 3 | Cultural differences in management style | Slow economic growth | Slow economic growth | Unfavorable federal government policies |
| 4 | High tax burden | Visa and immigration barriers | Visa and immigration barriers | Visa and immigration barriers |
| 5 | Unfavorable federal government policies | High tax burden | Lack of managerial talents | Unfavorable state or local government policies |

## How do you plan to allocate the U.S. profits?



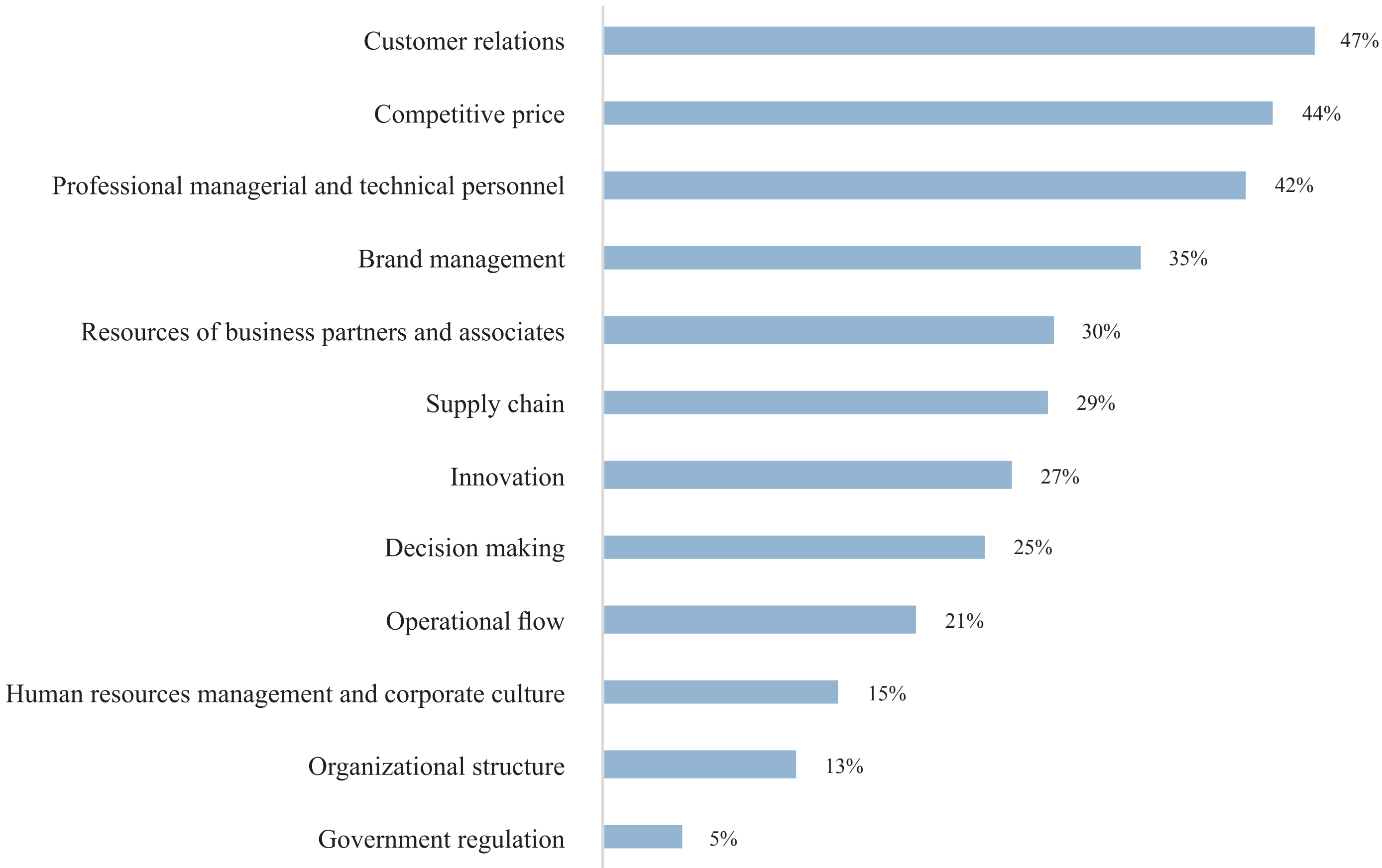

In terms of profit allocation, reinvesting profits earned in the U.S. continue to dominate all the other choices. 87% of the respondents indicate that they will reinvest all or a major portion of their U.S. profits back into the U.S. operations. The proportion has increased greatly from 73% in 2016, indicating a growing commitment by Chinese companies to expand the U.S. businesses.




All companies in ICT industry would reinvest all or the majority of their profit back to the U.S. market. The companies in the remaining three categories vary in this regard.

More than 80% of surveyed companies said they would reinvest all or most of their profits back to the American market. Chinese companies are committed to giving back to American local communities and contribute to American economic development.

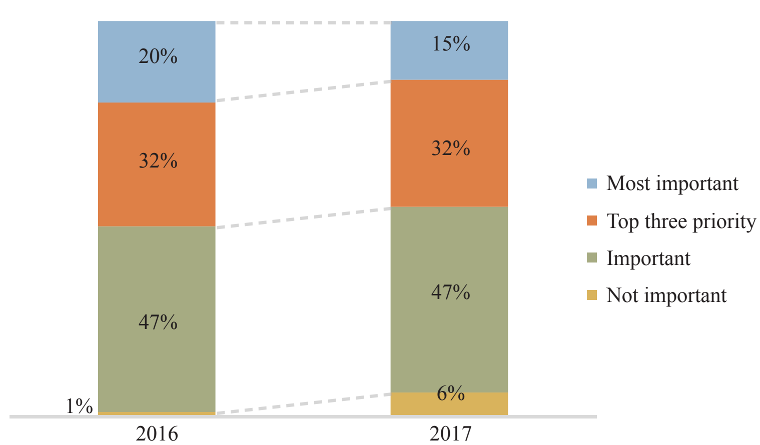
## Comparing to U.S. competitors, what are your company's advantages? (Select all that apply)




According to the 2017 survey, 47% of the respondents consider their customer relations as a comparative advantage in the U.S. market. Competitive price, which was the top choice in 2016, rank the second this year.

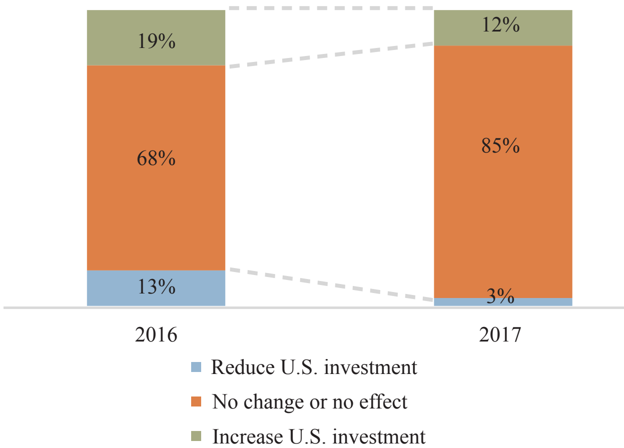
Slowing economic growth in China hasn't changed most companies' plan to invest in the U.S. Even though Chinese government has strengthened overseas investment approval which increases the time and difficulty of overseas investment, it doesn't stop these companies from investing.

## How important is innovation to your company's growth in the U.S.?



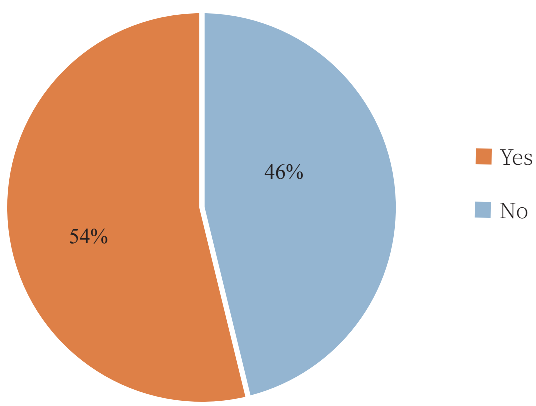

Chinese companies in the United States pay enormous attention to innovation. 15% of the respondents agree that innovation is the most important factor for growth, and 32% think it is among the top three most important factors. Only 6% of respondents think innovation is not important for their businesses.

### How has the slow-down of the Chinese economy impacted your company's investment?



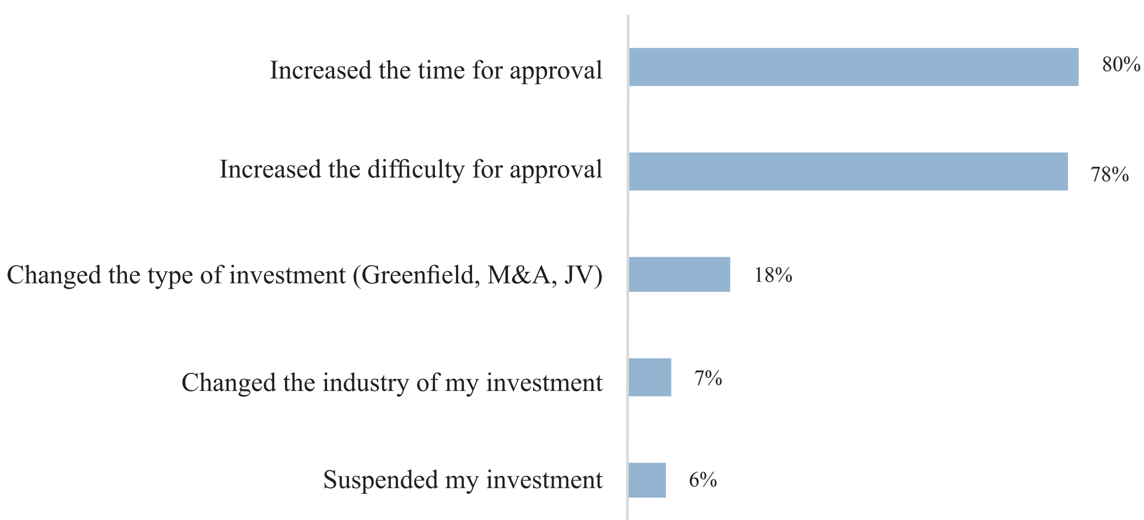

The slow-down of the Chinese economy seems to have a marginal effect on the investment decisions of the Chinese companies in the United States. 85% of the surveyed companies report that they have no intention to revise their investment strategies for the United States, an increase of 17 percentage points since last year (68%). Again, the data suggests Chinese investors are committed to long-term investments in the United States.

### Did the recent strengthened oversight on OFDI from Chinese government affect your investment plan?

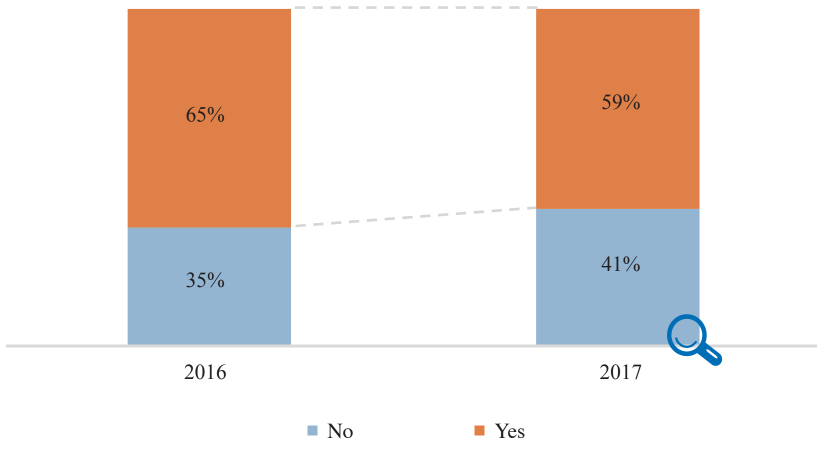



The recent tightening of outbound investment oversight by the Chinese government has affected 54% of the surveyed companies' investment plans. Among these affected companies, 80% say that the change has increased the time for getting approvals, and 78% say that it has made it more difficult to obtain approvals.

### In what specific areas? (Select all that apply)

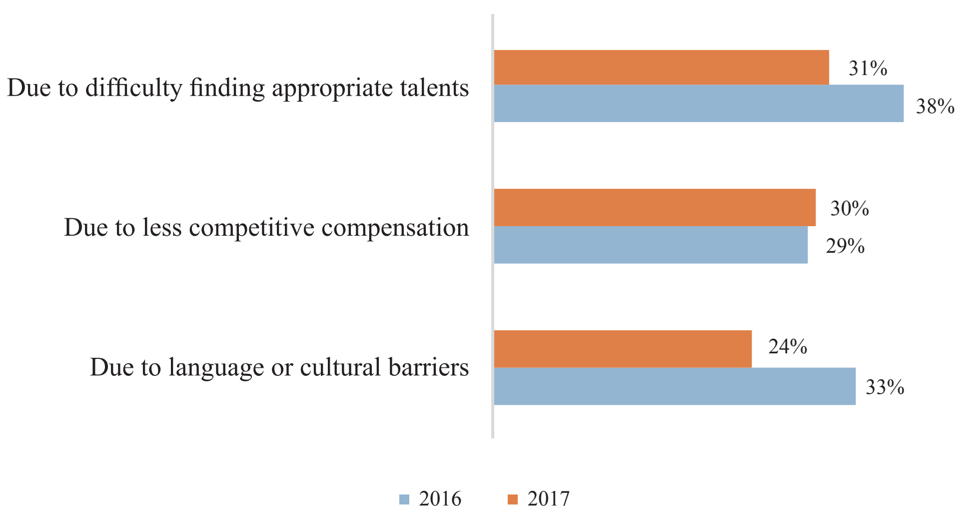


## Has your company experienced any difficulties in hiring or keeping talents in the U.S.?




In 2017, 59% of the respondents report that they have experienced some difficulties in hiring and retaining qualified employees in the U.S. market. This is six percentage points lower than last year. The difficulties stem mainly from uncompetitive compensation, lack of qualified and suitable professionals for specific positions, and cultural differences between Chinese and U.S. companies. The findings are similar to those of last year.

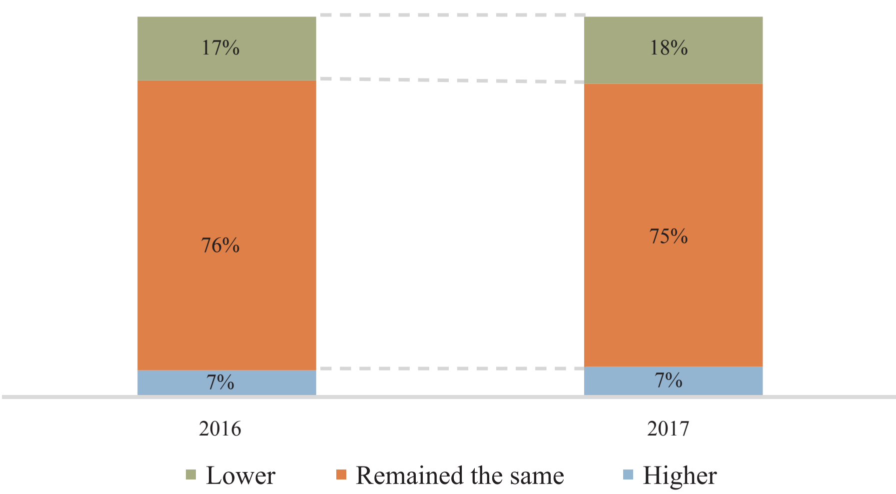
## In what areas? (Select all that apply)




Although more than 60% companies said they have difficulties in attracting and retaining talents, the situation is improving over time.

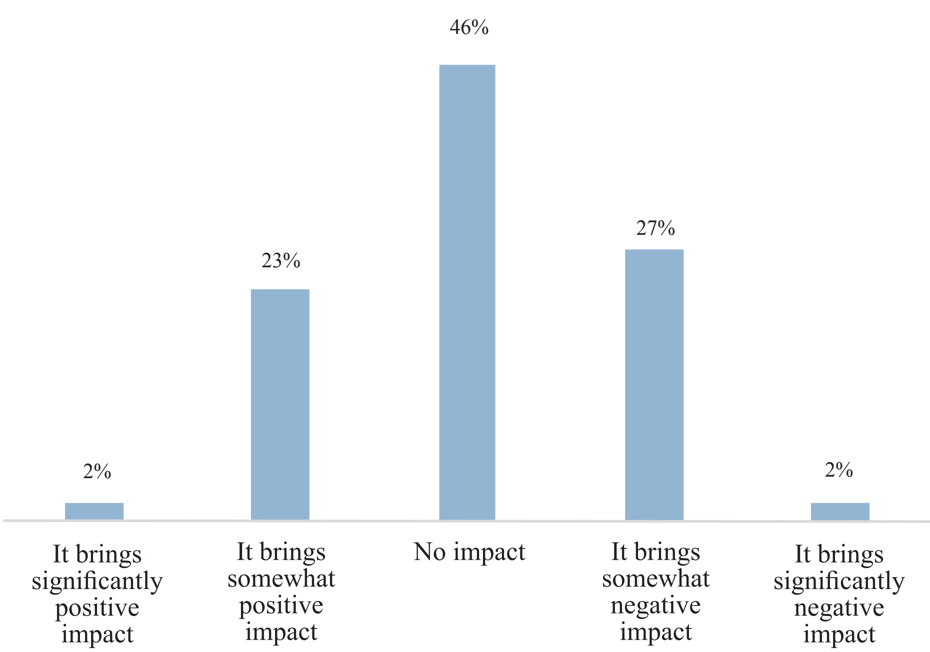
The employee attrition rate of Chinese companies is decreasing in the U.S. market. Differences between Chinese and American culture have only negatively affected the daily management of less than 30% surveyed companies.

## How has the employee attrition rate changed?



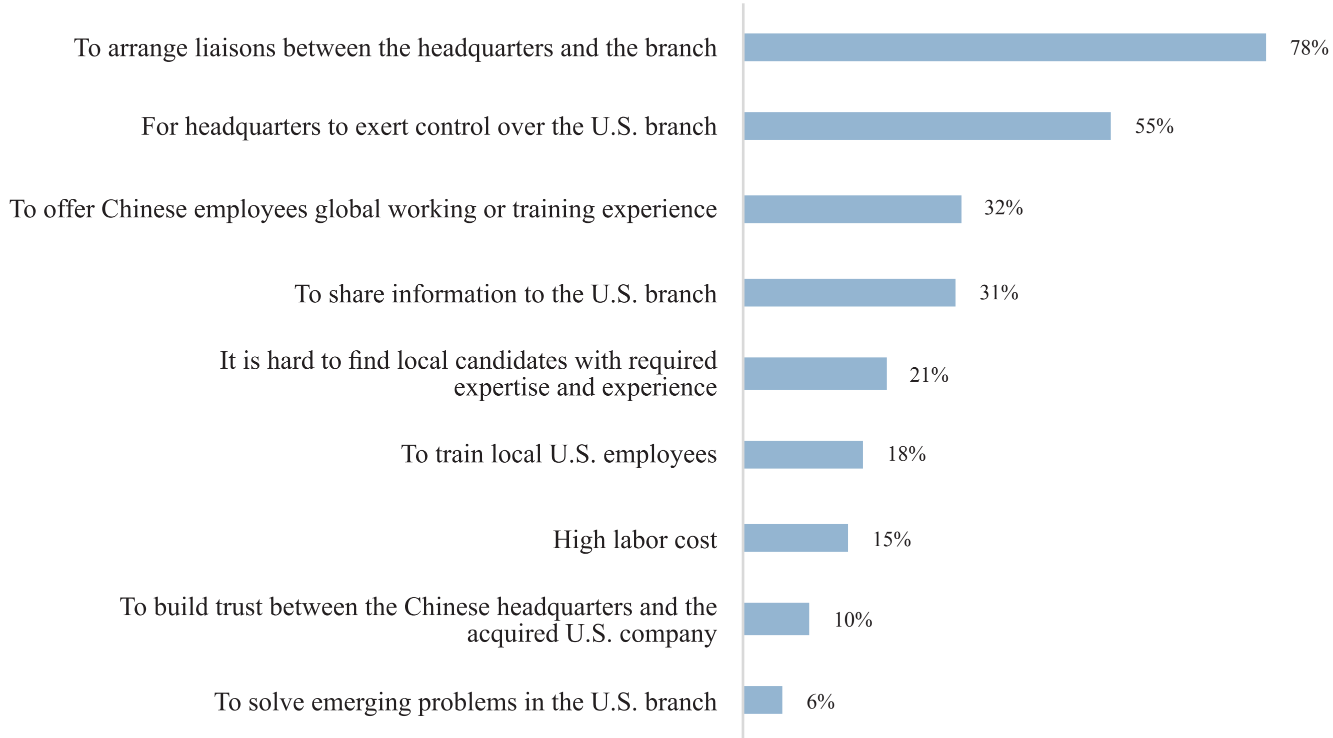

In 2017, 75% of the companies report that their workforce attrition rates remain unchanged, similar to what we observed in 2016.

## In what way do China-U.S. cultural differences affect your business operation?




The surveyed companies hold different viewpoints about how cultural differences between the two countries affect their businesses. 46% of the respondents report no effect; 25% of the surveyed companies consider the differences to have positive effects, yet slightly more companies (29%) think the opposite.

### What are the rationals for your parent company to send expatriates to the U.S.? (Select all that apply)




78% of the surveyed companies report that the Chinese expatriates function as the liaison between the Chinese headquarters and the U.S. affiliates. In addition, 55% think that the presence of the expatriates would help the parent company exert control over the U.S. affiliates.

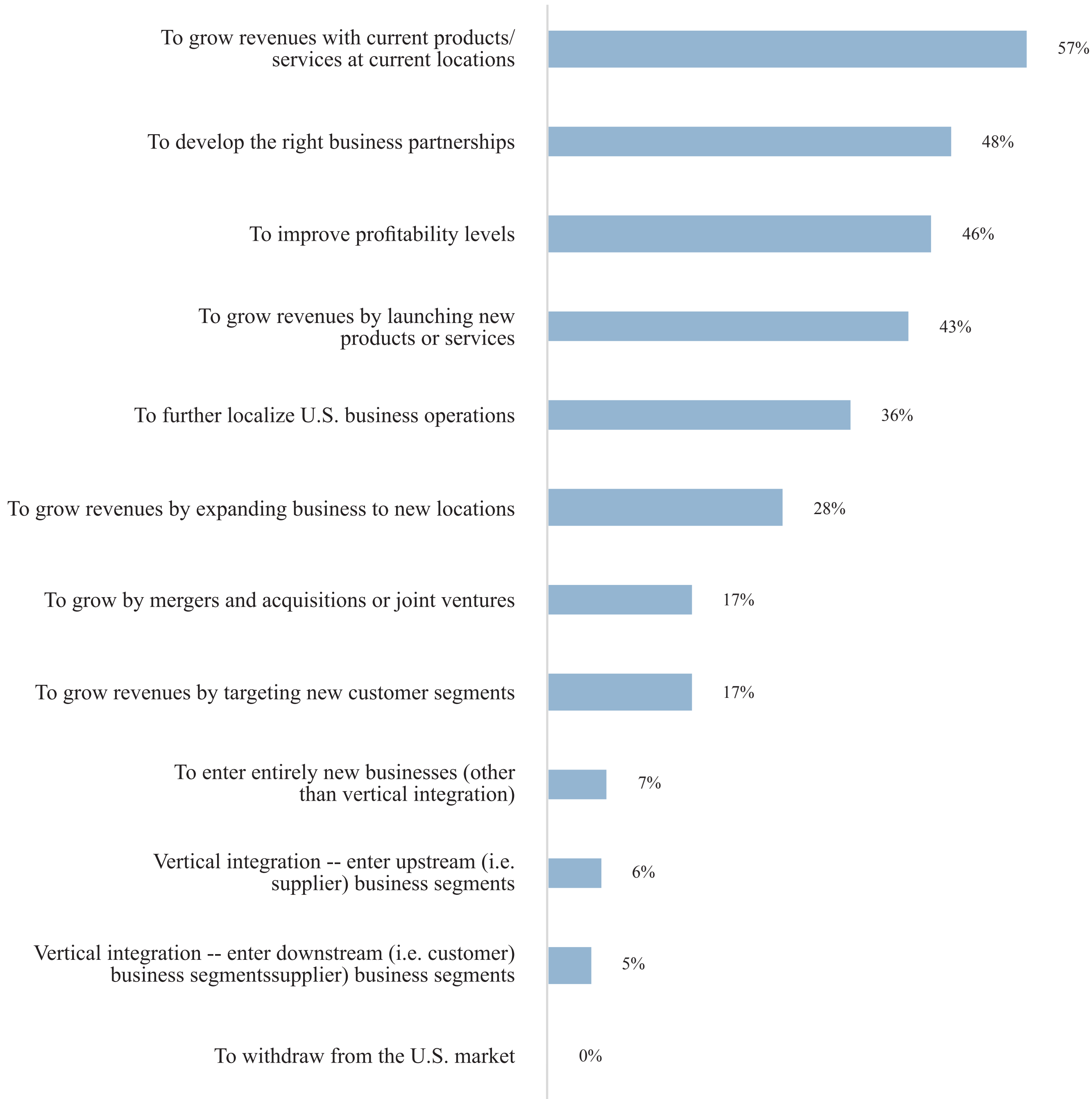
CGCC
Foundation

## Strategic Development

***Optimistic about the business prospect, Chinese companies in the United States will further expand and create more job opportunities and contribute to the U.S. economy.***

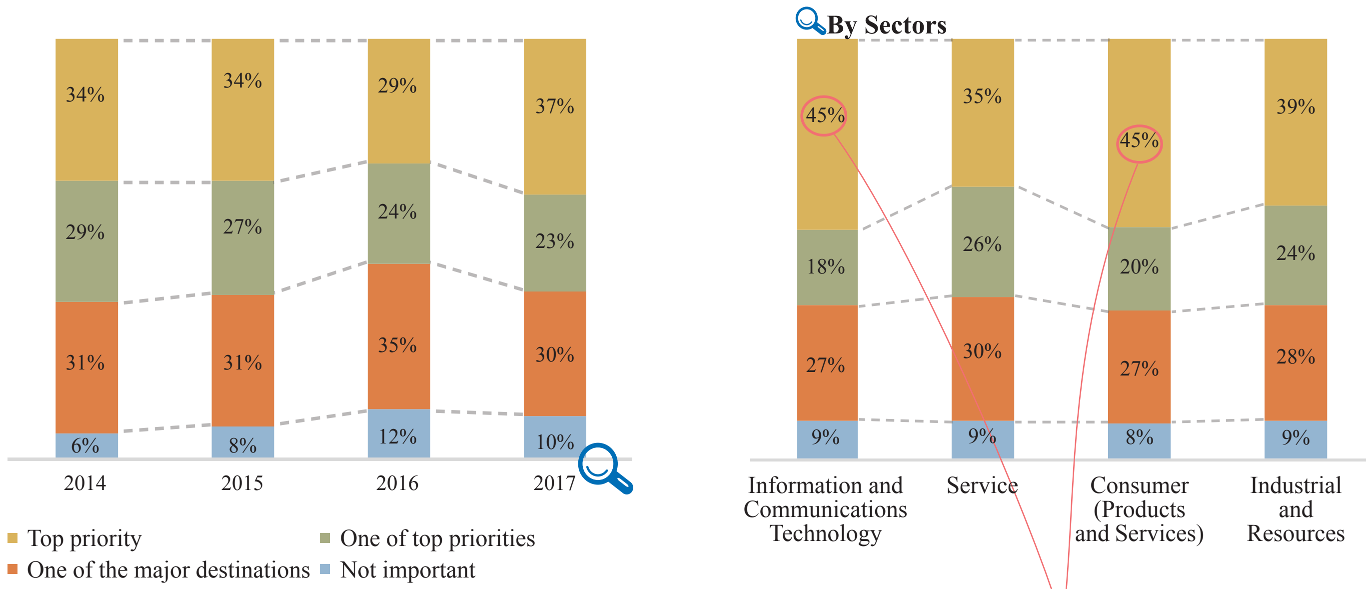
Eighty-six percent of surveyed companies anticipate their revenue to grow in the next three to five years, and 22% of them expect the growth to be more than 50%. Almost half of the companies plan to increase capital expenditure in 2017. 71% will recruit more employees in the United States to accommodate their business expansion in the next two years.

What are the primary business objectives in 2017? (Select all that apply)




The business objectives of the Chinese companies in 2017 show little variation from those of 2016. The top four objectives all remain the same: to generate more revenue from existing products/services at current locations (57%), to develop local business partnerships (48%), to raise profit levels (46%), and to increase revenue growth by launching new products and services (43%).

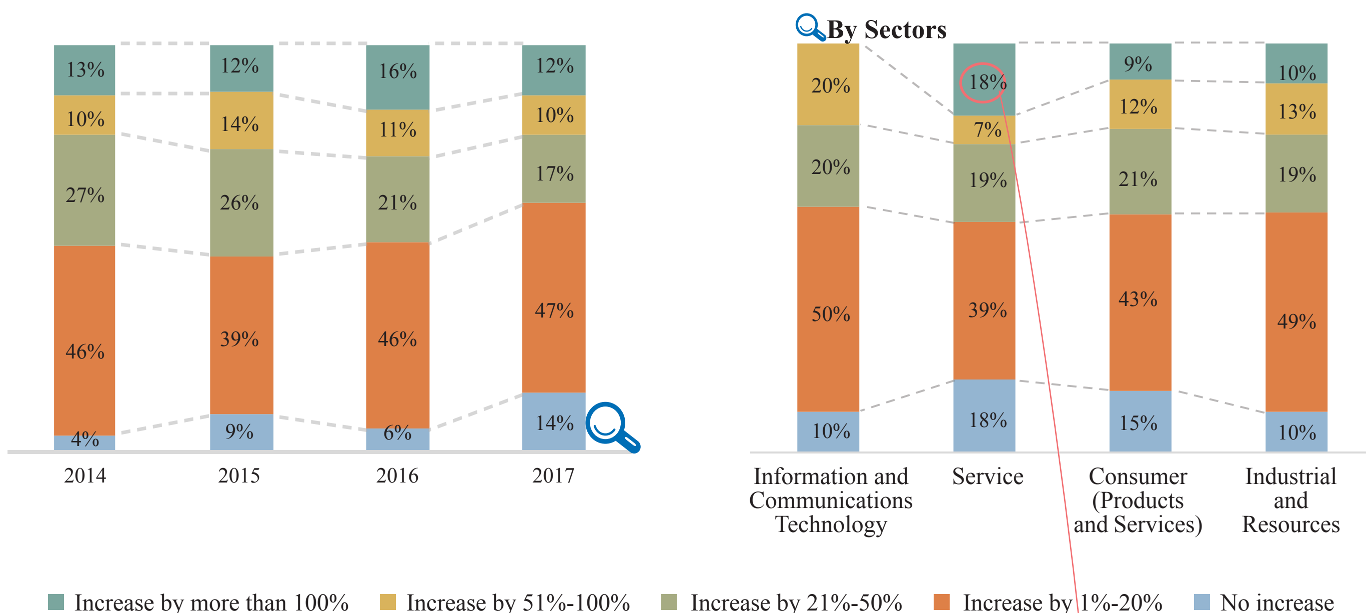
## How important is the U.S. market, compared to other countries?




Companies in ICT industry and Consumer industry regard the U.S. market more important than companies of other industries, though the cross-sector differences are not significant.

The U.S. market is very important for the global investment strategies of Chinese companies. 60% of the surveyed Chinese companies report that the U.S. market is one of top three destinations for their foreign investments, and 37% select it as the number one target market.

## How do you expect your company's revenue to grow in the next three to five years?



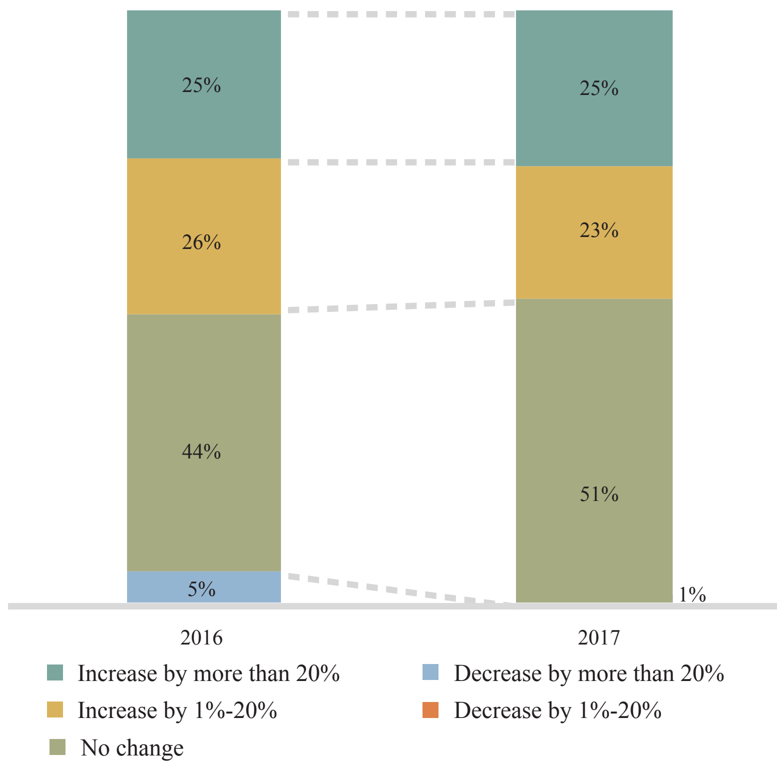

The companies in the service sector tend to have more optimistic view about the revenue growth than companies in other sectors. 18% of the respondents in service industry expect their revenue to grow by more than 100% in the next three to five years.

Most of the Chinese companies surveyed in 2017 expect their U.S. revenue to increase in the next three to five years. Approximately half (47%) of the respondents expect a moderate growth (1-20%).

About half (51%) of the respondents expect to maintain the current level of investments, and 48% plan to increase their investments and capital expenditures.

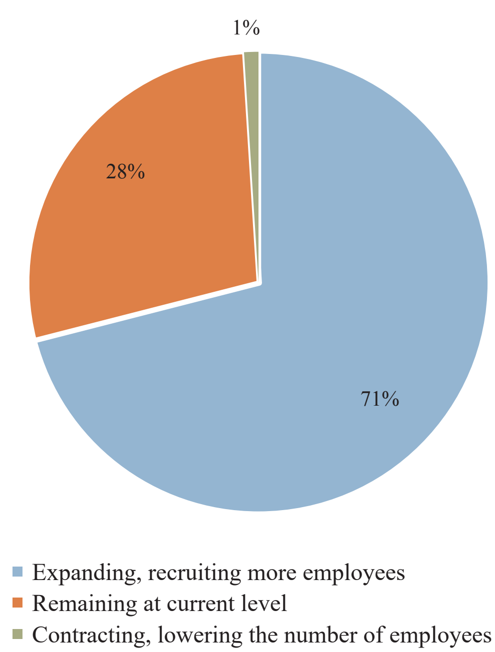
90% Chinese companies list U.S. market as the top three in the global market, and more than 80% companies expect growth in operating income for the next three to five years.

How will your company change its investment and capital expenditure plan this year compared to last year?

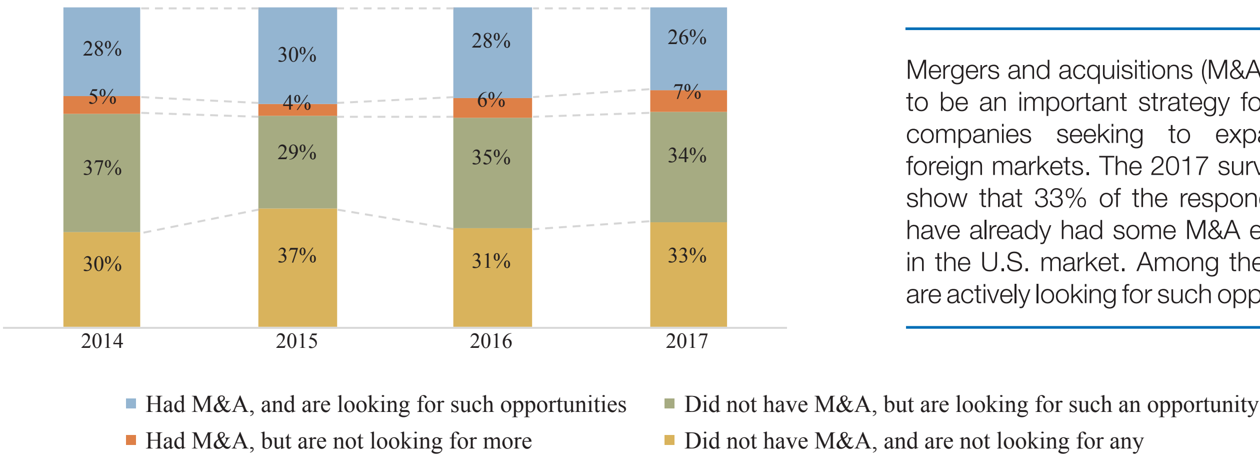



More employees will be recruited by 71% of surveyed companies in the next two years. This is another sign that Chinese investments in the United States will continue to grow rapidly.

How will your company change its number of employees in the next two years?

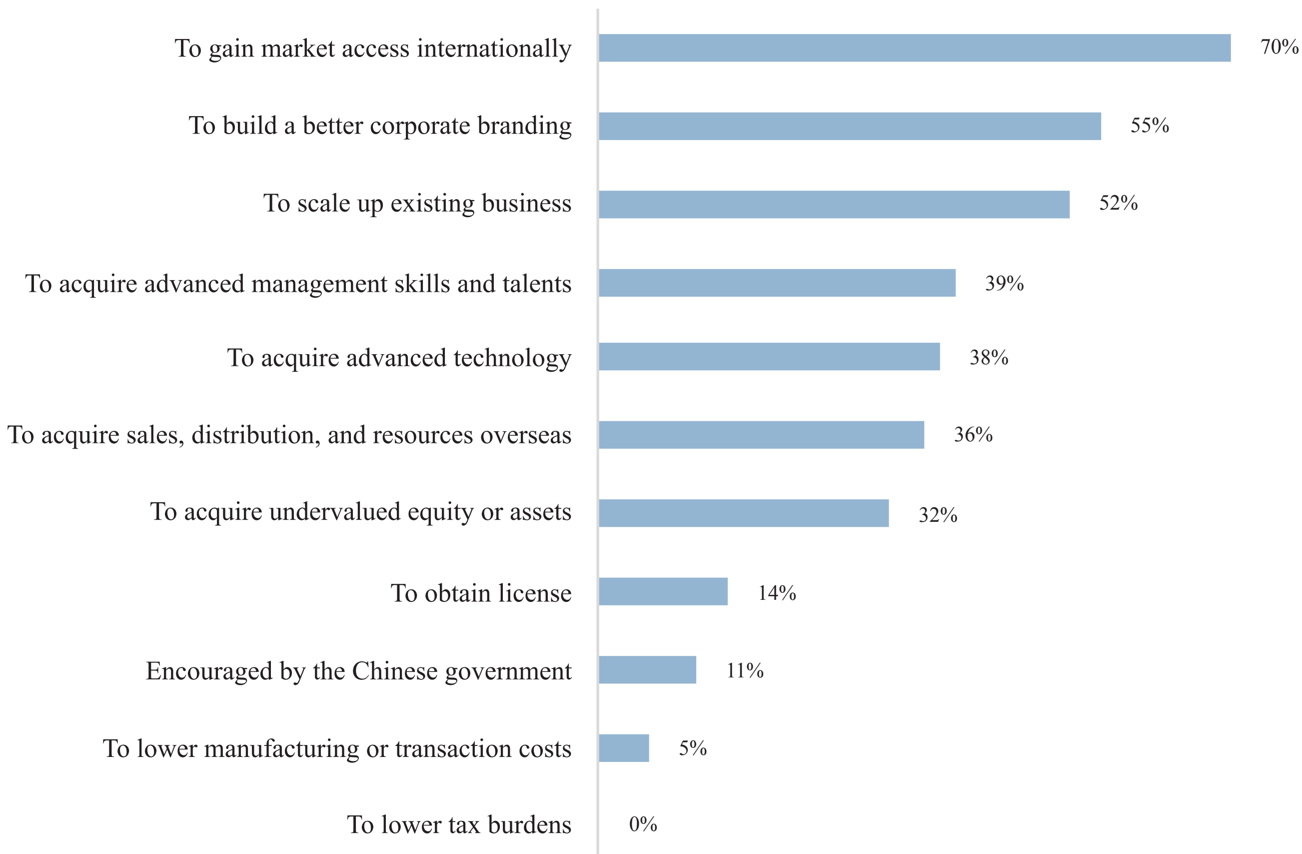


## What is your mergers and acquisition (M&A) strategy in the U.S.?




Mergers and acquisitions (M&A) continue to be an important strategy for Chinese companies seeking to expand their foreign markets. The 2017 survey results show that 33% of the responding firms have already had some M&A experience in the U.S. market. Among the rest, half are actively looking for such opportunities.

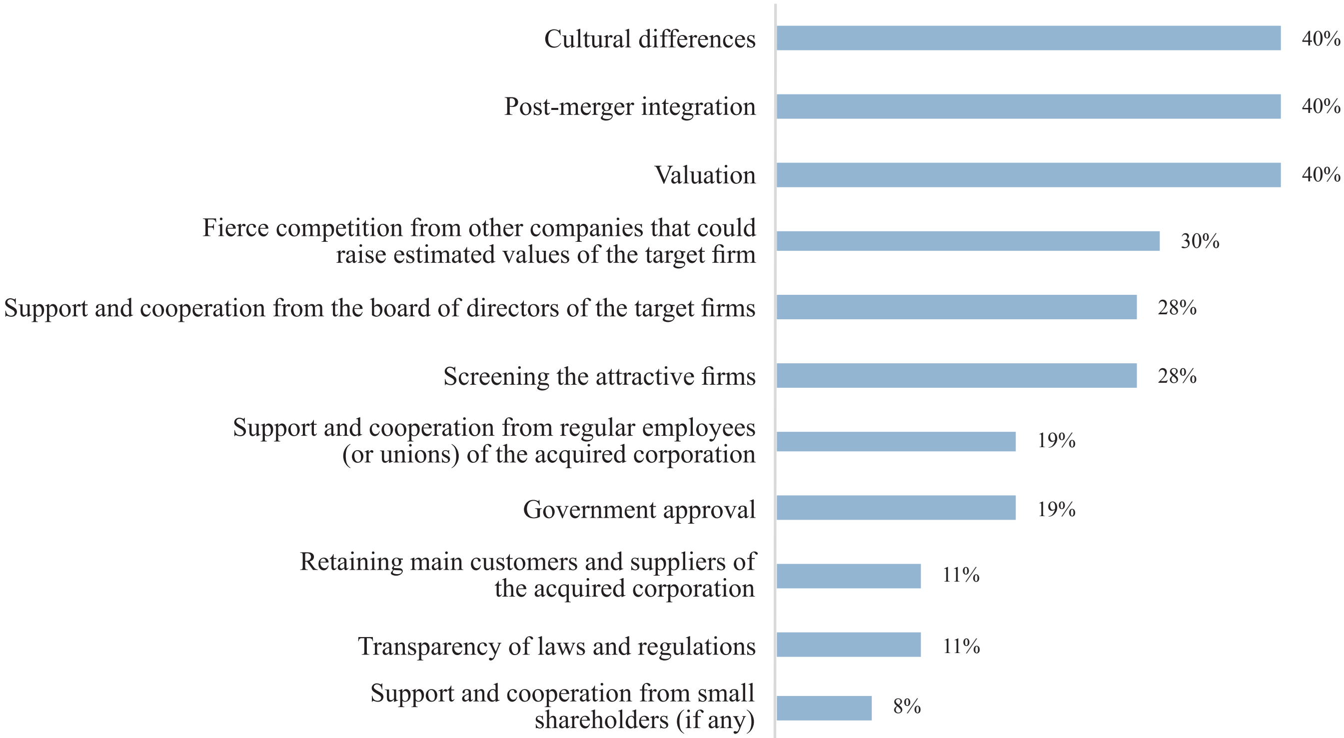
## What are the major motives for conducting M&A projects? (Select all that apply)




"To gain market access" is the most prevailing motive for the Chinese enterprises to engage in mergers and acquisitions in the United States. "To build a better brand" and "to scale up the existing business" are also common motives.

Notably, compared to the past two years, the importance of acquiring advanced management skills and technology has declined, which may indicate a shift in the companies' priorities or simply reflect a change in sample composition.

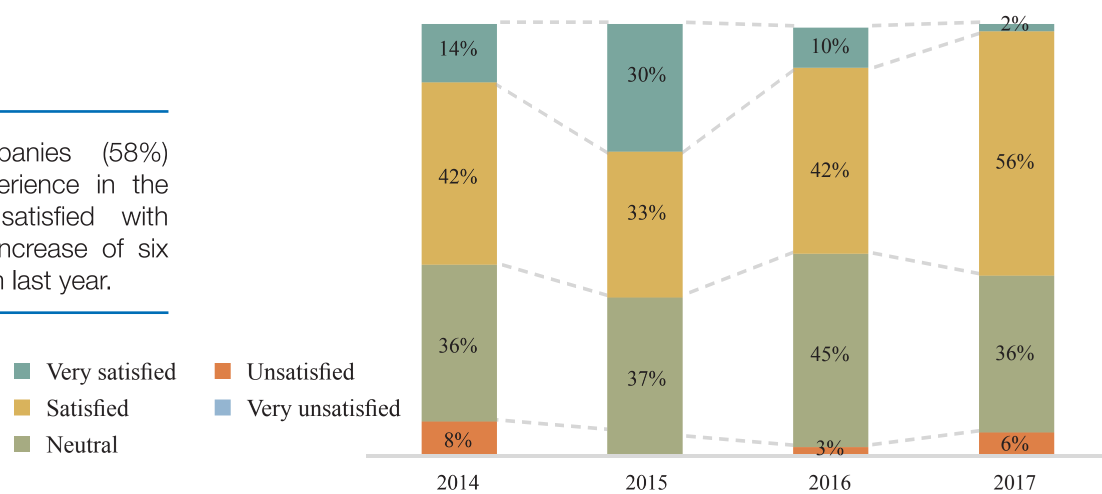
### What were the challenges your company have encounterd when conducting M&A in the U.S.? (Select all that apply)




For those that have engaged in M&A activities in the United States, “cultural differences”, “post-merger integration”, and “corporate valuation” remain the top three major challenges.

### If your company has already engaged in M&A activities, what is your overall opinion on it?

Most of the companies (58%) with some M&A experience in the United States are satisfied with the transactions, an increase of six percentage points from last year.



CGCC Foundation

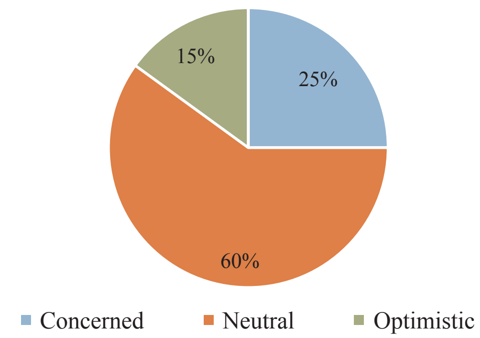
## Spotlight on the New Administration

***Concerned about the business environment under the new administration, Chinese companies in the United States will nonetheless stick to their current investment plans.***

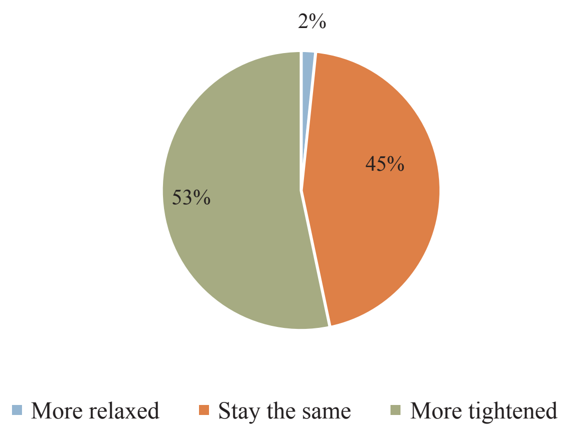
Of all Chinese companies surveyed, 53% believe that the government will increase its regulatory oversight of Chinese investments, and 63% believe that M&A transactions involving Chinese companies will be subject to more frequent and stricter scrutiny. However, 83% of the same companies plan to implement their current investment strategies.

The outcome of the U.S. presidential election has led some of the survey respondents to reconsider China-U.S. relations. 25% express concerns whereas 15% express optimism.

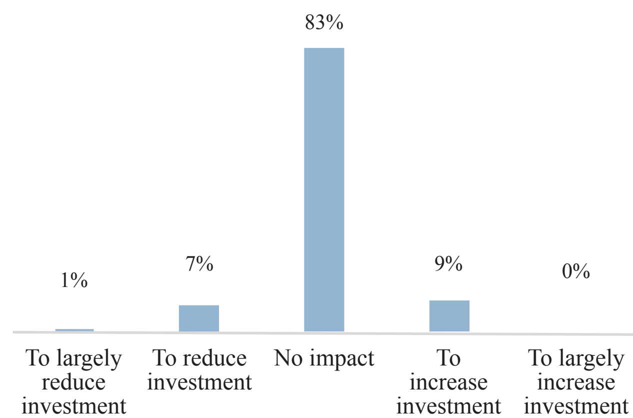
**How do you view China-U.S. relations moving forward?**



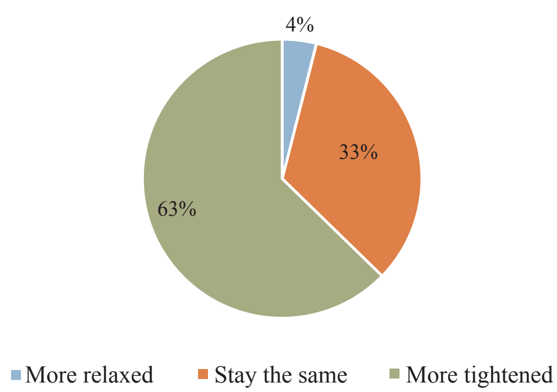

**How would you expect the degree of general government oversight to change under the Trump's administration?**



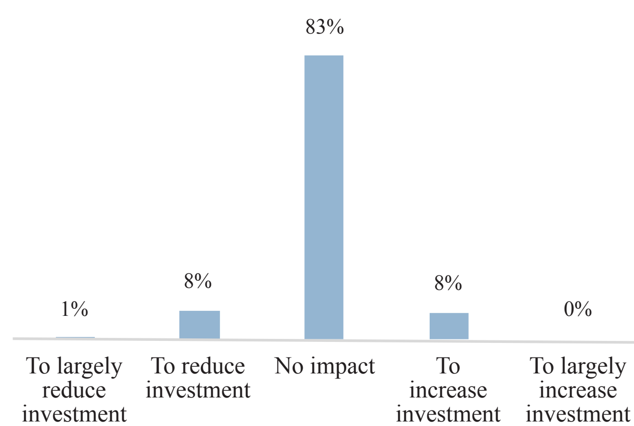

**How would the change impact your investment in the U.S.?**




**How would you expect the degree of government oversight regarding to Chinese M&A to change under the Trump's administration?**




**How would the change impact your investment in the U.S.?**



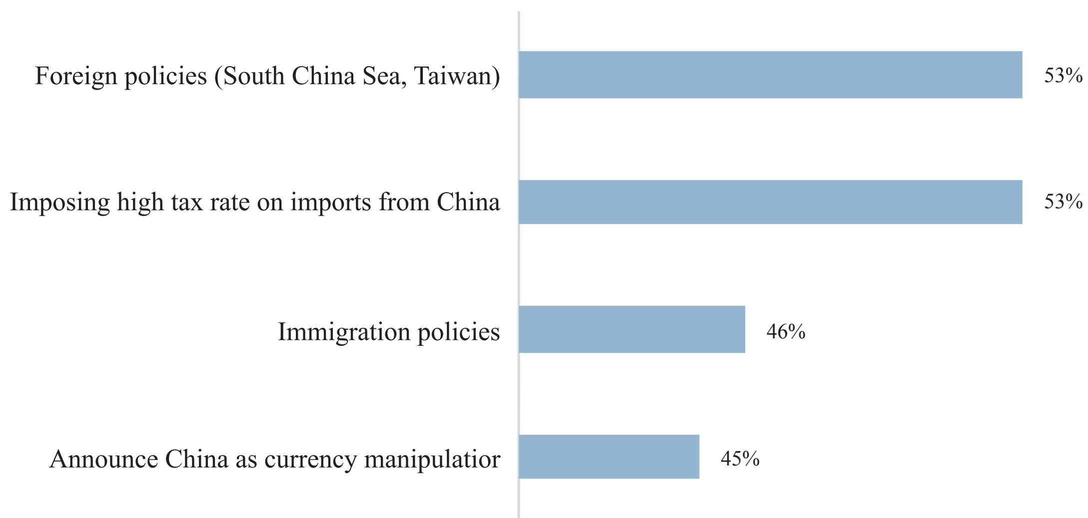

With respect to the investment and policy environment under the new administration, of the Chinese companies surveyed, 53% expect the government to increase its regulatory oversight of Chinese investments, and 63% believe that M&A transactions by Chinese companies would be subject to more frequent and stricter scrutiny. Nonetheless, 83% of the companies plan to maintain their current investment strategies.

**How would you expect the U.S. local government's attitude toward Chinese enterprises to change under the Trump's administration?**

**How would you expect the U.S. local community's attitude toward Chinese enterprises to change under the Trump's administration?**


Of all the Chinese companies surveyed, 83% to 85% believe that the views of local government institutions and communities towards Chinese investments would remain the same under the new administration. They are confident with their investment strategies and efforts to build local partnerships.

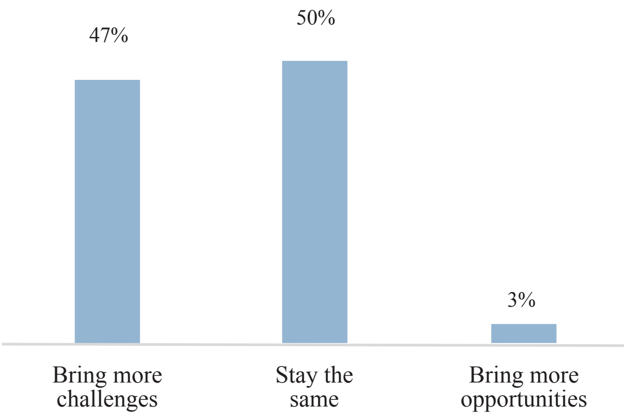
**Which potential item in Trump's policy agenda towards China is of the greatest concern of your company? (Select all that apply)**



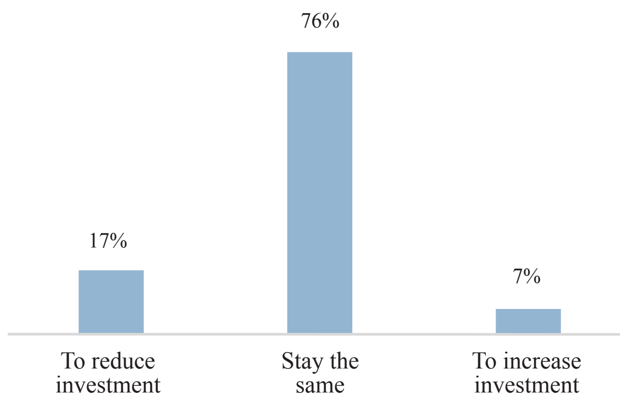

Amongst potential policy revisions under the Trump administration, Chinese companies are most concerned about possible foreign policy changes (53%), and a potential trade war triggered by high tariffs levied on Chinese goods (53%).

Amidst the four policy agenda items toward China that may be implemented by the Trump administration, Chinese companies are most concerned about diplomatic policy and trade tariff policy.

### If the U.S. impose a higher trade barrier on Chinese imports, how would this influence your business environment?



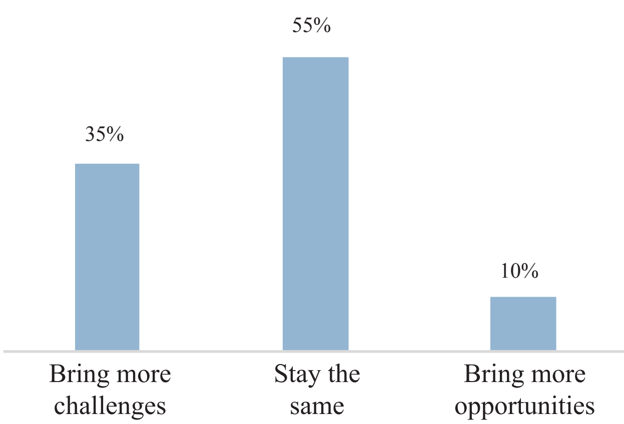

### If the U.S. impose a higher trade barrier on Chinese imports, how would this impact your investment plan?



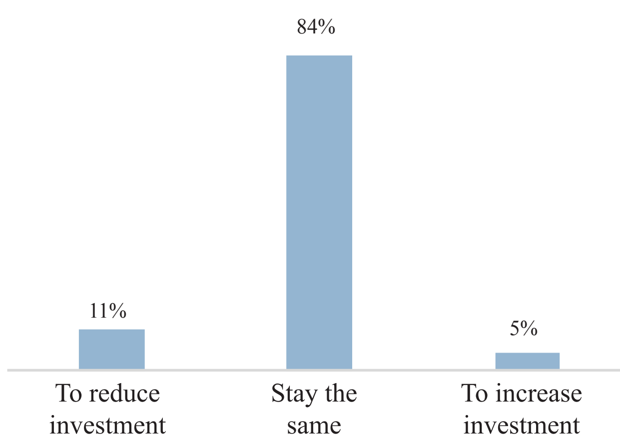

New trade barriers, if erected by the Trump administration, will pose a challenge to 47% of the respondents. In response, 17% would reduce their investments in the United States.

Nearly half of the surveyed companies believe the potential tariff policy will bring more business risks. More than 30% of the surveyed companies believe the advocacy of “Buy American, hire American” will be a challenge to their business. However, these challenges do not hinder them from investing in America.

### How would Trump's "Buy American, Hire American" initiative influence your business environment?

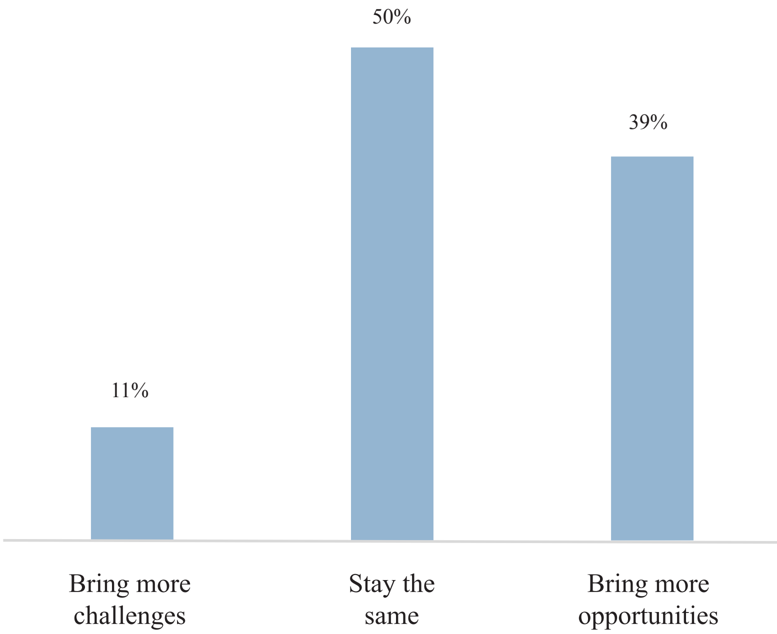



### How would Trump's "Buy American, Hire American" initiative impact your investment plan?



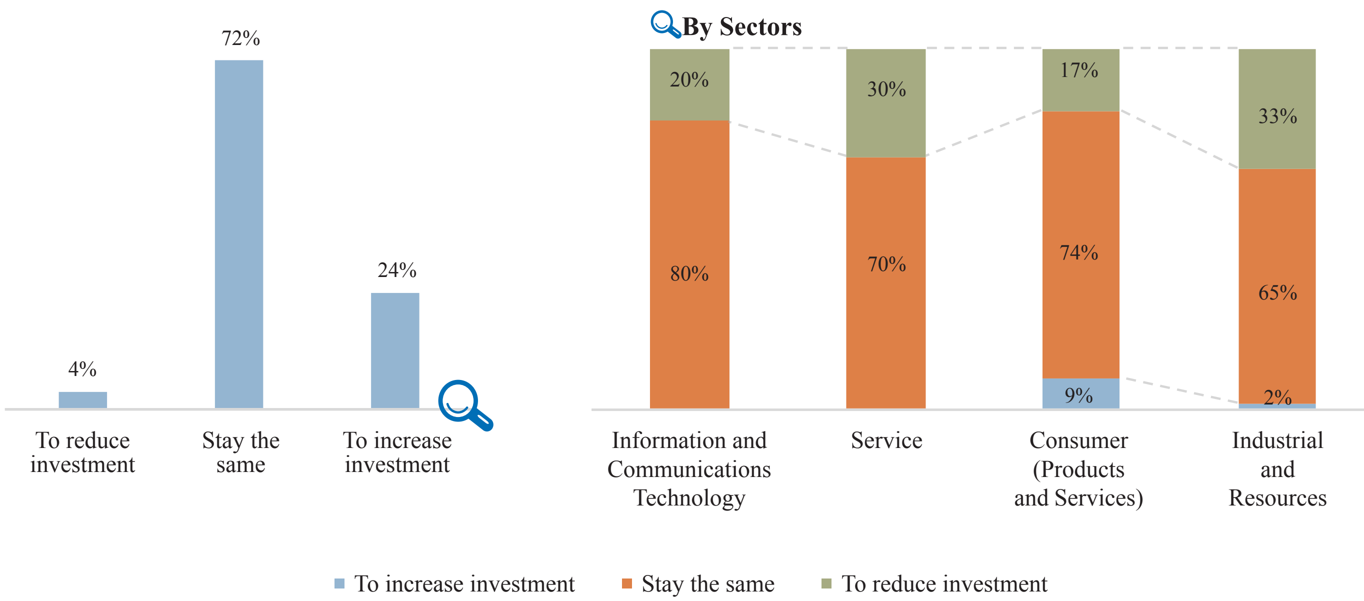

Of the Chinese companies surveyed, 35% believe that the "Buy American, Hire American" initiative, if materialized, may create more operational challenges. Yet 84% of the same companies do not plan to revise their current strategies until further concrete moves or guidelines are established by the Trump administration.

### If the U.S. lowers the corporate tax rate, attracting more manufacturers to reshore, how would this influence the business envorionment?



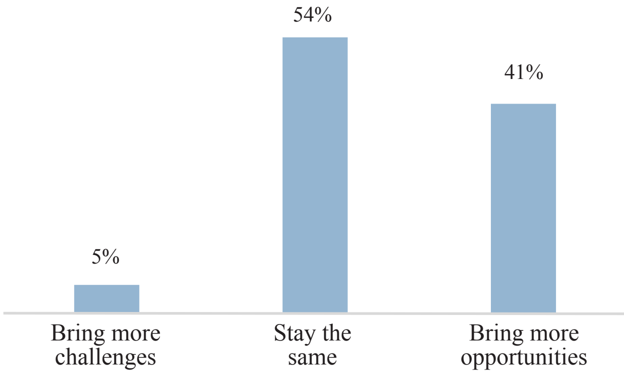

The survey also asked Chinese businesses' opinions on two specific potential policy changes under the new administration that received much more positive feedback. Only 11% of these companies believe that a major reduction in corporate taxes in order to attract more manufacturers back to the United States would negatively impact their businesses, while 39% of the respondents believe that such a tax reduction would improve the overall business environment. Similarly, regarding the potential infrastructure investment plan, 41% of the Chinese companies view it as an opportunity to expand their businesses in the United States. 24% to 25% of the companies surveyed plan to increase their U.S. investments in order to benefit from the potential policy changes.

### If the U.S. lowers the corporate tax rate, attracting more manufacturers to reshore, how would this impact your investment plan?

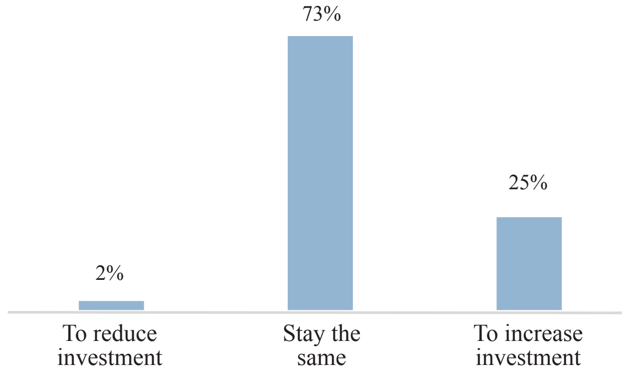



More companies in the service and industrial and resources sectors welcome this potential policy change.

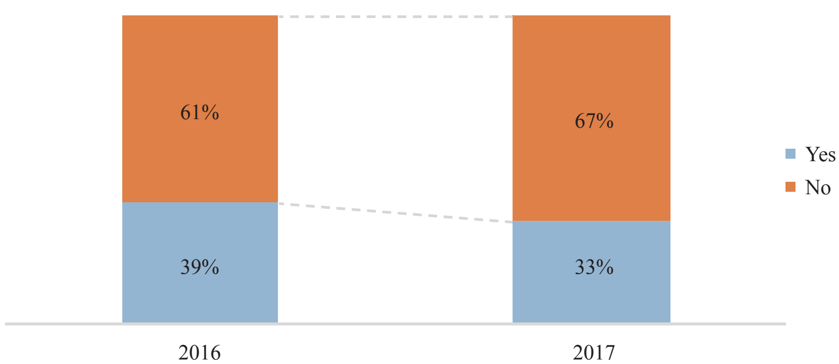
## If president trump implement his infrastructure deal, how would this influence the business envorionment?



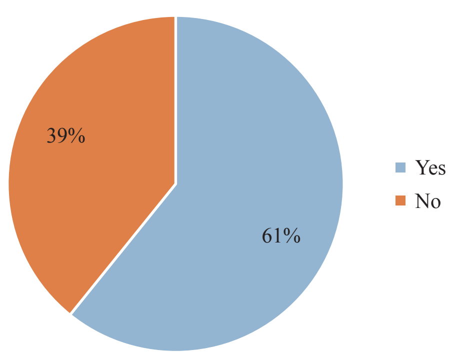

## If president trump implement his infrastructure deal, how would this impact your investment plan?




## Does the existing L1 visa policies negatively affect your company's competitiveness against domestic U.S. companies?




## Do you expect the immigration policy agenda under Trump's administration to negatively affect your company's competitiveness?




About one-third of the companies surveyed note that the existing L1 visa rules negatively impact their competitiveness against U.S. domestic companies.

Regarding the possible changes of immigration/visa rules and policies under the new administration, 61% of the companies surveyed expect unfavorable development and more adverse effects on their competitiveness.

China General Chamber of Commerce-USA

美国中国总商会

Est. 2005

FOUNDATION

美国中国总商会基金会

This report can be downloaded at

**http://www.cgccusa.org/e-library/13120-2/**

Phone **646 869 1044**

Email **contact@cgccusa.org**

Website **www.cgccusa.org**

Address **19 E 48th Street, 3rd Floor New York, NY 10017, United States**

**Special thanks to** EY