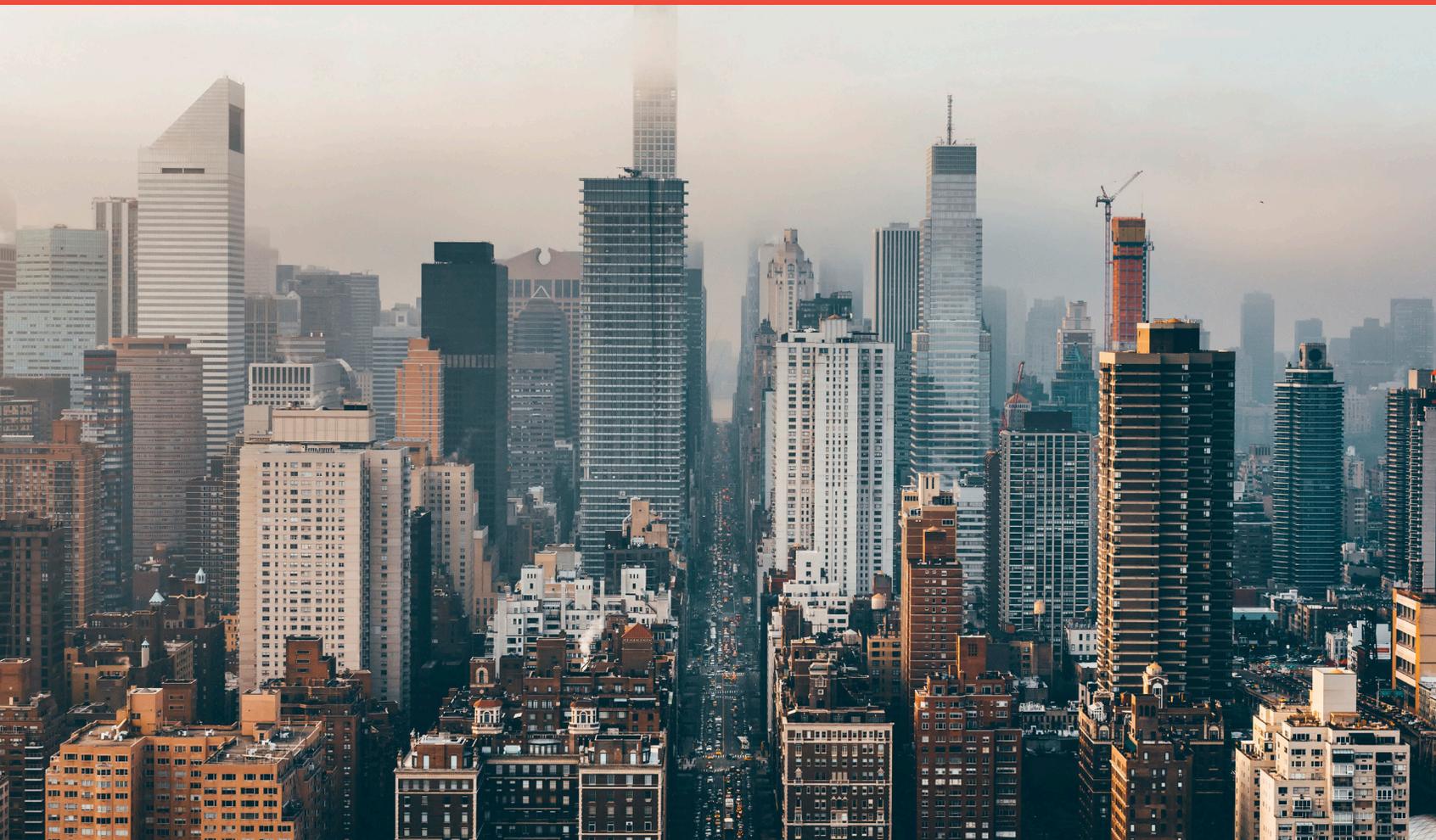


2019 Annual Business Survey Report

# Chinese Enterprises in the United States



CGCC FOUNDATION  
美国中国总商会基金会

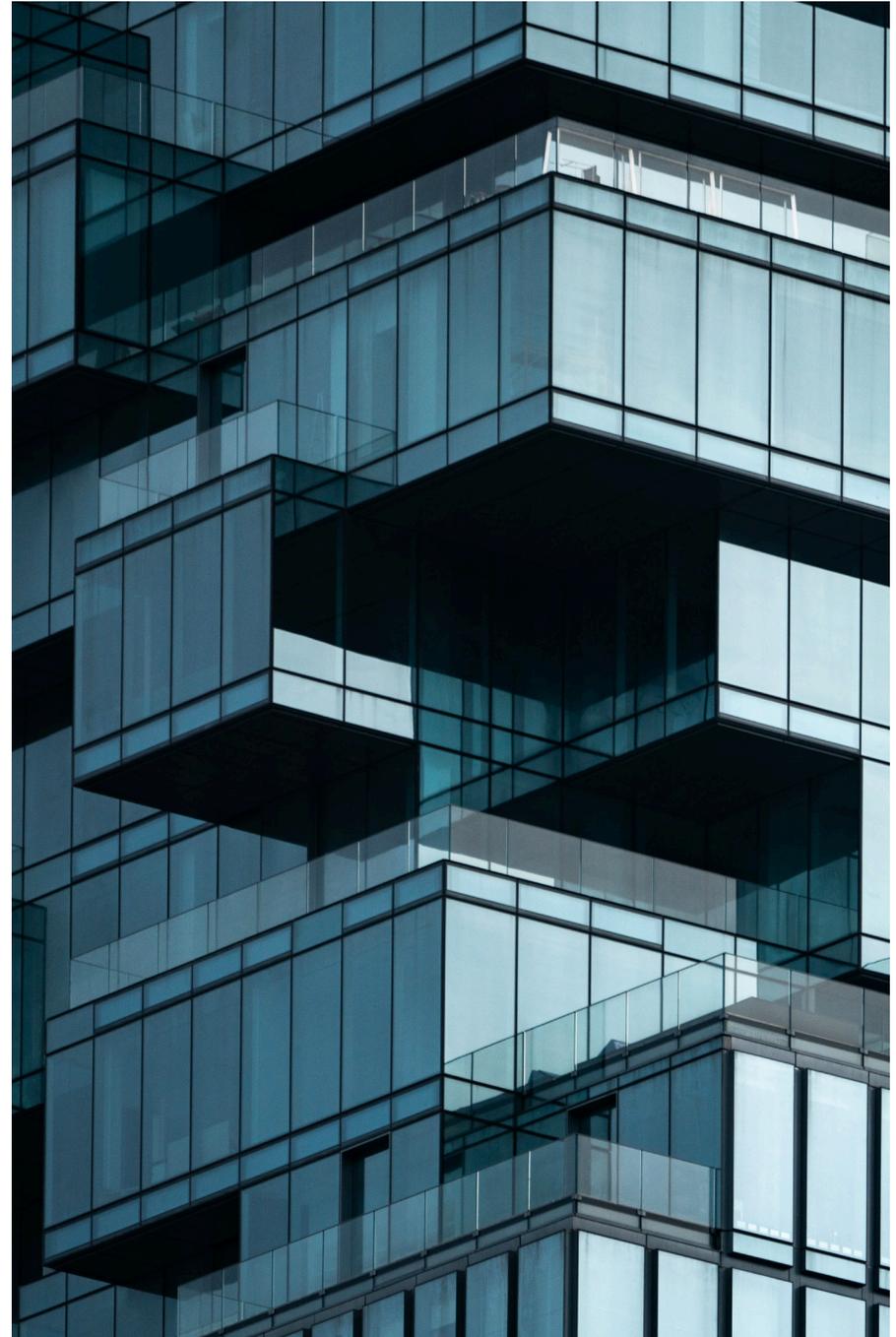


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# Table of Contents

4	<b>Chairman's Message</b>
5	<b>Executive Summary</b>
8	<b>The Journey is Long, I Shall Search Up and Down</b>
20	<b>When In Rome, Do What Romans Do</b>
26	<b>Other's Experience Informs Our Own</b>
29	<b>Conclusion</b>
30	<b>Survey Results</b>



# Chairman's Message

We are pleased to present the results of our sixth annual business survey on Chinese enterprises in the US. At this moment, when our relationship is being challenged on various fronts, the data and information presented in this report have become more important than ever. They show relevant stakeholders how Chinese investments in the US represent an integral and beneficial part of the overall bilateral business relationship.

The survey clearly demonstrates that Chinese companies hold substantial interests in the US. Their investments here translate into substantial job creation and economic growth. Chinese companies reinvest their earnings in the US market, make full use of the US services sector, purchase American-made products and develop bonds with local communities that have a powerful social impact.

On the flipside, though, the fear that the trade war creates a less-welcoming business environment for Chinese companies is also apparent. This environment's uncertainty shakes our members' confidence and discourages them from making further investments in the US.

At the China General Chamber of Commerce – USA, the CGCC, we strive to create opportunities to expand Chinese investment in the US and trade between the two countries. The Chinese and US economies represent 40%

of global GDP. Yet China accounts for less than 2% of overall foreign direct investment in the US. Unlocking the abundant growth potential and enormous economic and social benefits that Chinese investment creates requires an open yet well-regulated market that gives foreign and domestic businesses equal opportunities to succeed.

Our Chinese member companies have invested over \$120 billion in the US, directly employ more than 200,000 people, and indirectly support more than one million US jobs. CGCC members are committed to supporting growth and creating job opportunities over the long term and are making great strides to becoming environmentally and socially responsible corporate citizens. CGCC members also support various charity programs, investing in health, education, small businesses, and infrastructure in local communities.

This year marks the 40th anniversary of US-China diplomatic relations. At this moment, our relationship is being tested. It's no secret that our countries have profound trade-policy disagreements. But this is part of what it means to be partners in a relationship that has grown so rapidly over four decades. It's important to recognize that over the past 40 years our economic and trade cooperation has brought enormous benefits to our

two countries and the lives of billions of people around the world. While the relationship may have challenges going forward, we believe that continued cooperation and mutual understanding will create more opportunities for businesses, workers and consumers.

I hope you find this report useful and informative. As businesses from both countries still hold deep commercial interests in each other's markets, CGCC is committed to more constructive engagement with stakeholders, increased dialogue between policy makers and building the bridges that lead to greater and more stable growth in our economies.

Thank you very much.



**Chen Xu**

Chairman, China General Chamber of Commerce – USA  
President & CEO, Bank of China USA

# Executive Summary

These are challenging times for China and the US in a rapidly changing global landscape. China is facing economic headwinds with a slowing GDP growth rate, while increasingly protectionist policies in the US have resulted in a trade war with, and declining investments from, China.

After exponential growth starting in 2013 - and peaking in 2016 and 2017 - the level of new Chinese foreign direct investment (FDI) in the US dropped drastically in 2018 and early 2019. This is the direct result of the effect of restrictive policies from both the US and China, leading to a nearly 90% decline in FDI in 2019 from its highest level in 2016. Billions of dollars of mergers and acquisitions (M&A) transactions were blocked by the Committee on Foreign Investment in the US (CFIUS) review, while many companies held back from a purchasing spree after the Chinese government issued guidance restricting investments in certain foreign assets.

Chinese FDI inflow in the US is a lagging indicator of the broader US-China relations. The slowdown of FDI growth came after deep structural shifts in the US's overall national strategy and positions towards China, labeling China as a "strategic competitor." Following this, then-US Attorney General Jeff Sessions formally introduced a comprehensive "China Initiative" to implement the strategy. As a result, a protracted trade war has penalized companies, consumers, and people from both countries - and all around the world. A number of defensive policies targeting the Chinese technological sector and companies have only further complicated the

relationship. These events may have caused profound changes to the future landscape of Chinese investments in the US.

In addition to these well-publicized headlines concerning the US-China relationship, a number of other challenges have presented difficulties. While we commonly think of a "trade war" as applying to physical goods, another trade war around data is quickly developing. Data is essential for machine learning, artificial intelligence (AI), improved consumer experiences and new business models. In fact, according to PwC's CEO survey, Chinese CEOs show off-the-charts enthusiasm for AI, with 84% responding that it will have a greater impact than the Internet. As a result, data sovereignty laws can feel like tariffs that increase the cost of doing business and slow down innovation. With new laws around data storage and governance popping up in China, EU, and several US states, complying with emerging and often inconsistent data sovereignty and privacy laws is new terrain for many companies.

Respondents to our survey and interviews also indicated that they grasp with the complexity of the regulatory, tax and legal environment in the US - which often experiences sweeping changes (such as the recent changes to tax policy and financial regulation). PwC's CEO survey shows that regulatory compliance challenges is the second overall concern - after trade policy issues. CGCC members have reported increasing their budget on compliance, including by hiring third party professionals.

In the midst of this complicated environment, CGCC conducted its 6th Annual Business Survey to gauge what executives are thinking and how they are striving to growth and solving for business issues with many uncertainties. This survey was built around the themes of growth, branding, people and technologies.

What we found is that despite the increasingly combative tone and restrictive policies, CGCC members are generally committed to developing their business in the US market and improve the future of the US and China business relationship. The US remains a key investment target for Chinese companies, with 55% indicating that the US market is a top three priority.

CGCC members have invested billions of dollars building factories and setting up new businesses in the US, which employ an estimated 200,000 people. These investments have revitalized struggling communities, built new hospitals, provided new funding to school systems, and developed much-needed infrastructure. Overall, FDI supports more than seven million jobs in the US, with jobs paying compensation 26% higher than the US private sector average, and produces more than \$1 billion a day in exports, according to OFII's analysis of the latest US governmental (or BEA) data. So the future of FDI in the United States is, to some extent, the future of the United States itself.

**Methodology**

This report is based on the sixth annual survey of CGCC’s members with operations in the US. The data was collected through a survey of senior executives at more than 1,000 companies, all of which are US operations of Chinese investors. This year’s survey was executed in February and March of 2019 and includes a total of 240 responses. The survey findings were supplemented with interviews and commentary from senior executives at CGCC member companies – notably, Bank of China USA, Fuyao Glass America, Golden Dragon Copper (GD Copper), Hisense USA, Industrial and Commercial Bank of China USA (ICBC), International Vitamin Corporation (IVC), SAIC USA, and YCI Methanol One.

In addition, a comparative study between Chinese and Japanese enterprises was also featured in this year’s report. To support the results of the study, we have interviewed senior executives of Japanese corporations and have adopted survey data from members of the Japanese Chamber of Commerce and Industry of New York (JCCI).

CGCC composed the questionnaire, gathered the survey responses, analyzed data, and conducted interviews. Through a joint business relationship, CGCC collaborated with PwC on the production of this report. Deemed necessary and appropriate, relevant data, facts, interviews, and findings from PwC’s thought leadership materials complemented CGCC’s survey data in this report.

This publication is composed of two sections. The first section, the report, includes the narratives of major findings, analysis, and recommendations based on the

survey results this year. The second part, the Survey Results, exhibits all survey results in a question-by-question format, with historical survey data and sector tabulated data supplemented in selected questions.

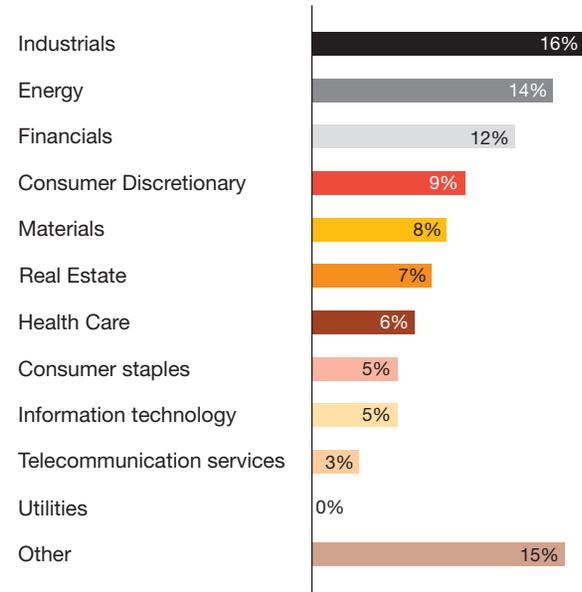
CGCC is grateful to its members and partners for their contribution to this research and especially to the executives who shared their views and experience in interviews for this year’s report.

**Survey demographic highlights**

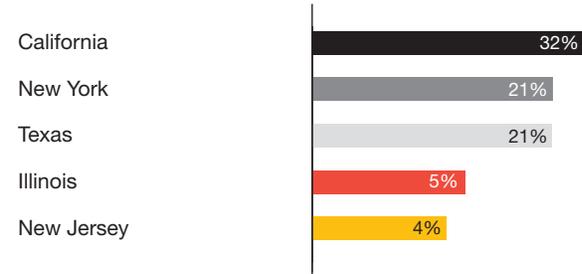
Respondents’ US operations span a broad range of ten sectors out of the 11 sectors in the Global Industry Classification Standard (GICS). For analytical purposes and to enhance statistical power, these ten sectors were further congregated into three groups, and the responses across such three groups were compared in selected questions in the Survey Results section. Energy, Material, and Industrials were collectively presented as “Resources and Industrials”, Consumer Discretionary, Consumer Staples, and Health Care were grouped into “Consumer Products”, and lastly, Financials, Information Technology, Telecommunication Services, Utilities, and Real Estate were classified into “Service”. The locations of companies’ headquarters span 20 states in the US, some having subsidiary offices and facilities in multiple states. The top five states where the surveyed companies headquartered are shown at the table below. In terms of financial condition, respondent companies are typically small, profitable, and growing.

Additional demographics information can be found in the Survey Results section.

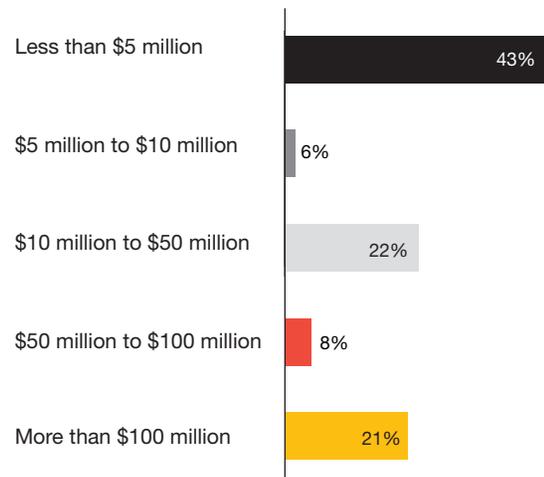
**Respondents’ sector distribution**



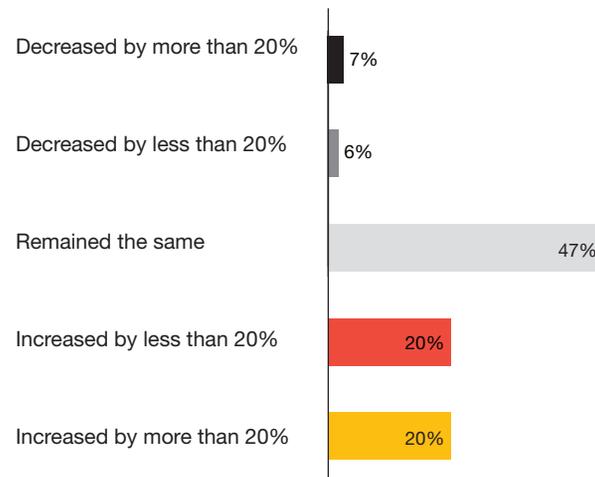
**Top 5 states of surveyed company headquarters**



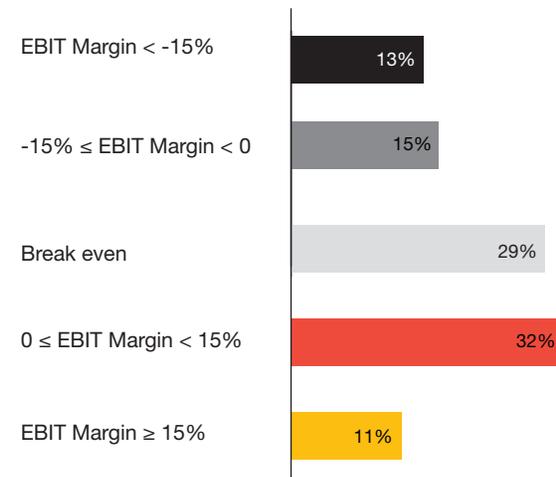
**Annual Revenue in 2018**



**Change of revenue in 2018 over 2017**



**EBIT margin in 2018**



# The Journey is Long, I Shall Search Up and Down

## **Investment rationale: fully participate in globalization**

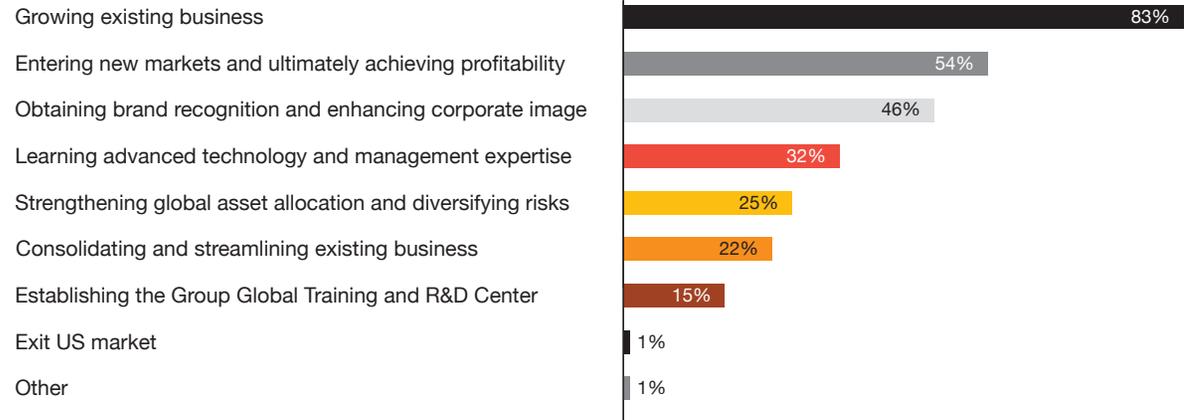
After experiencing explosive growth over the past four decades, China now has produced mature companies that have gained competitive advantages and feel ready to compete in the global market. As one of the top international markets, the US is a key area for investment from those companies that wish to compete on a global scale - over 55% of respondents to our survey indicated that the US market is either their top priority or in their top three international investment priorities. Although Chinese investment in the US remains low compared to the investment from other countries, the potential for future growth is substantial. According to the latest statistics from the US Bureau of Economic Analysis, China accounts for approximately 1% of foreign direct investment (FDI) in the US, approximately one-tenth of Japanese FDI in the US.

**CGCC members participating in our survey are motivated to invest in the US by the desire to fully engage in the global economy, driven by either direct financial motives or strategic motives. Financial motives play the biggest role, with 83% of respondents citing growing their existing business as a primary objective.**

**Fuyao Glass** - one of the largest automobile glass producers in the world - decided to invest over \$600 million to build its first overseas manufacturing plant in Ohio after determining that doing so would help reduce the cost of transportation, avoid tariffs, and strengthen business relationships. Fuyao also determined that by establishing a physical presence close to their US clients, they would be able to quickly adapt production according to the changing demands of clients as well as reduce operational risks such as

transportation and warehousing. Its Ohio plant has been a win-win for Fuyao and the local community, creating approximately 2,300 jobs in a city with a population of 6,000 and revitalizing local infrastructure and development while realizing significant cost savings. Following this success, Fuyao recently purchased a site in South Carolina with plans to develop a second factory there to service customers such as BMW, Volvo, and Subaru.

## Which of the following best describes your operational goals in 2019?



When a Chinese investment group acquired **International Vitamin Corporation (IVC)**, the company's annual revenue in the US was less than \$100 million. Ten years later, through business growth and additional acquisitions, IVC's annual revenue has soared to nearly \$1 billion. Steven Dai, IVC's President and CEO, explains that its growth in the US is a natural part of its global expansion, building plants in Europe and China to produce health care products for large international companies such as GNC, Johnson & Johnson, and Pfizer.

**Growing brand recognition tops the strategic objectives among Chinese companies, with 46% of respondents indicating that it is a priority.**

Peter Erdman, Vice President of Consumer Electronics at Chinese electronics manufacturer **Hisense** explains, "The leadership of Hisense had a vision around 2008 that we have to be a global brand and we cannot just do business only in China. I recognized that Hisense was very serious, even way back 7 or 8 years ago, about building a global brand, even though we were unknown in the US at that time. We are still unknown, but we are growing. Our business decisions have been centered around establishing ourselves as a high credibility brand, making sure that we supply everyone on time and making sure that we are strategically improving the product. From 2012 to now, we have been growing fast from a core product company to being one of the first Chinese brands in the US to supply 4K products. Now we have something called ULED and laser TVs."

54% of respondents indicated that entering a new market and achieving profitability is a primary objective. Other companies cite strategic objectives such as developing technology and diversifying global risks, although these play smaller roles. They also see the potential for operating profit and community integration that benefits the people where they do business, the business itself, and its shareholders. They choose where to invest based on various factors including their existing client presence, infrastructure, labor force, cost, and local government incentives.

**Investment approaches:  
greenfield and M&A**

**The majority of Chinese companies start their US operation through greenfield investment - that is, they are more likely to establish a new business entity than acquire an existing one. Despite the decrease of the overall investment volume since 2017, the number of deals in greenfield investment showed strong resistance.**

According to our survey, 54% of respondents entered the US market this way. Another 21% indicated that they began operations through a representative office (an organizational unit in the US that is not a discrete corporate entity but rather an extension of a foreign

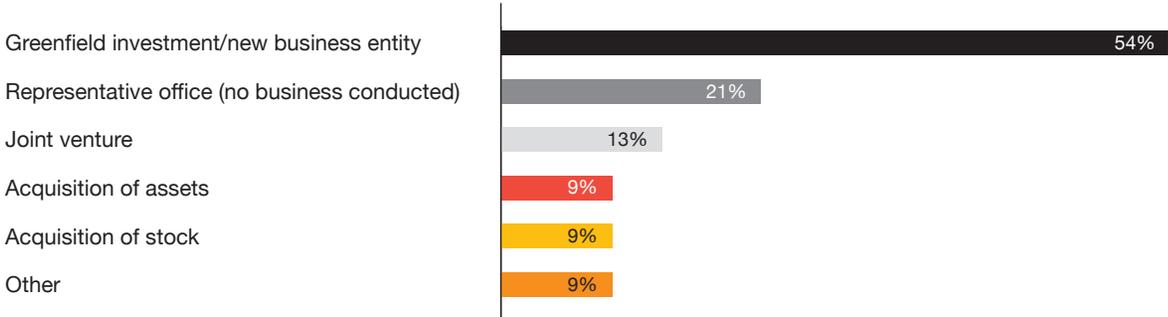
company's organization with a limited scope of operations), while a form of acquisition — either by direct purchase of an entire corporate entity or of an entity's operating assets — was used by 18% of respondents to start their US businesses.

As the overall Chinese investment flow to the United States plummeted significantly in the past two years, the volume of greenfield projects seemed to show strong resistance, staying on track of robust and stable progression at a level of about one to two billion dollars a year. In terms of scale, greenfield investments are in general smaller than M&A investments. However, instead of just taking over a company or asset, greenfield investment generates new spending that goes into the market and new jobs at the local community, making a stronger impact to the economy - usually in underserved areas such as the southern or midwestern states. The relatively stable trend of greenfield investment

is the silver lining showing that the net new benefits of Chinese investment can still be materialized regardless of the various investment impediments imposed by both governments.

Recently, Chinese companies have been showing growing interest in making greenfield investments in the US market. For those that already established their factories in the US, we observed a variety of rationales. Staying physically close to original equipment manufacturer (OEM) clients was a prime objective. **Fuyao**, for example, experienced a significant drag in time between order and delivery for their long-distance glass transportation. In response, they set up a US factory to significantly shorten the time of transportation, and react promptly to client needs. Cost of production was another commonly cited reason, especially in the energy and chemical industry. **YCI Methanol One** cited the low cost of natural gas and relevant raw materials. Further, tariffs and other trade barriers play determining roles for some companies. For instance, to avoid the detrimental tariffs led by the decision on antidumping and countervailing investigations, Chinese tire manufacturers had to move their production from China to the US. Several of the largest tire manufacturers such as Sentury Tire, Giti Tire, and most recently Triangle Tire have already built or started to build new plants in the US. Given recent hikes of tariffs in Chinese imports, more and more companies are passively incentivized to consider moving production capacity to the US. Yet, as the prolonged trade talks continue, they are still held back from making definitive moves.

**Through which of the following corporate structures did your company establish its business in the US?**



Investors prefer the greenfield investment strategy largely because it offers optimal managerial control over the business from the very beginning. By setting up a new company — usually with expatriate leadership and capital from a corporate parent — Chinese investors are able to smoothen the establishment of their first commercial presence in the US without encountering many of the difficulties they otherwise might. There are additional upsides to the greenfield strategy, too: Because new companies must invest and spend money immediately to lease offices, facilities, vehicles, and so on, as well as to hire new employees, US state and local governments are especially willing to offer tax credits, infrastructure improvements, and other inducements to attract new companies to their areas. From the perspective of local governments, such “net new spending” is beneficial to their jurisdictions and constituencies.

**YCI Methanol One** invested \$1.85 billion to build a methanol plant - one of the largest greenfield investments in the US to date - after three years of site selection and negotiations with local governments, which resulted in the company receiving various preferential policies and tax incentives in St. James Parish, Louisiana. Since its initial investment in 2014, YCI has had a substantial impact on the local economy. It has directly employed hundreds of workers and created a substantial number of indirect jobs - for example, over 1,000 workers were on site during the plant's construction phase. Additionally, it implemented a local sourcing strategy to benefit local businesses and contributes to a number of charities including investment in STEM education programs.

Similarly, **Golden Dragon (GD) Copper** set up a factory in Alabama after receiving support and incentives from the state and local government - the biggest investment in the area thus far. According to a University of Alabama study, GD Copper brings in \$45 million in annual local tax revenue because it uses local suppliers and hire local employees. Additionally, the company has hired hundreds of workers and significantly contributed to local charities, including establishing a local hospital. GD Copper continues to receive support from the state and local government - notably, Congressional Representatives and Senators have helped the company secure working visas for its overseas employees.

Greenfield strategies may be the preferred method for Chinese investors to start a business in the US, but M&A accounts for a larger portion of Chinese investment in the US in terms of volume. The vast majority of Chinese capital invested in the US — as much as 90% — is through M&A, not greenfield investment. In addition to turn-key growth, M&A offers investors ready access to the technical and managerial talent of acquired companies, and to operating advantages that stem from combining acquired assets with a company's current capabilities. In some cases, M&A is the only feasible approach to entering US industries that have high barriers to entry and regulatory requirements.



## The Journey is Long, I Shall Search Up and Down

Such was the case when **IVC** made its first US-based acquisition in 2010. Due to the high barriers to entry and Food and Drug Administration (FDA) oversight of the pharmaceutical and healthcare products industry, the company would have needed to obtain a high amount of certifications and approvals to get started. Construction of a new production facility would take up to two years, with quality approval and permitting requiring up to another two. Further, the technical aspects of the industry make finding employees with the right skillset - such as engineers, quality control, and R&D staff - more difficult. The company has continued its acquisitions based on its need for additional capabilities and organic cash flow.

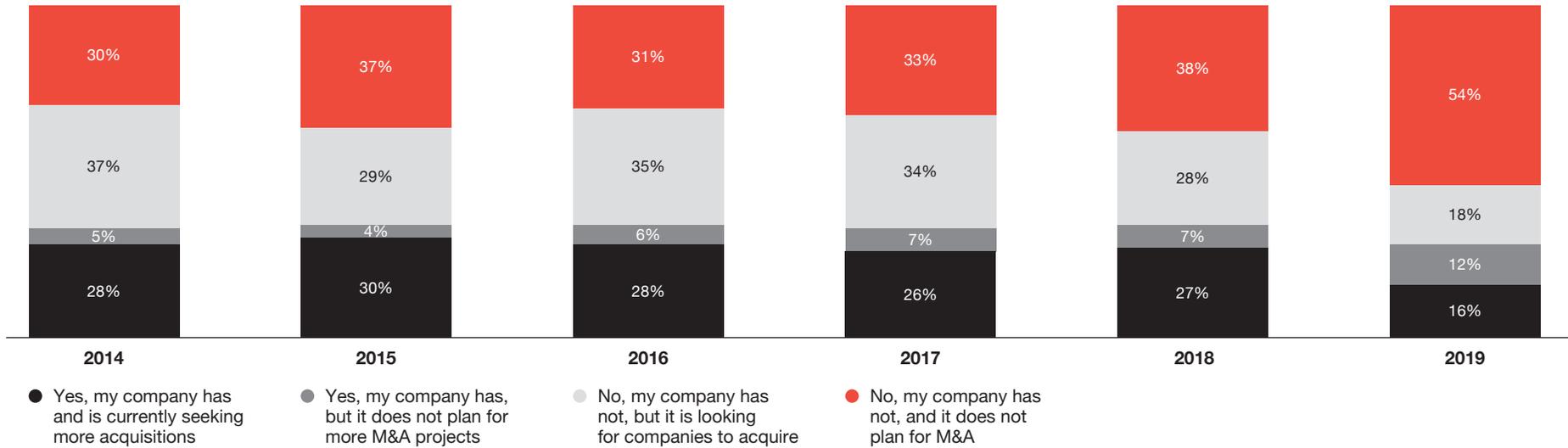
While companies that invest through M&A as opposed to a greenfield strategy are not immediately investing in building a new factory or office from scratch, the vast majority of companies reinvest their earnings in the US.

Steven Dai, **IVC**'s President and CEO, explains that all of the company's profits are reinvested in the US, and on top of continuing to build and expand its business it also contributes to a number of charities including those benefiting children with disabilities and veterans.

### *Investment impact: jobs, growth, revitalization of local businesses and communities*

Chinese investments in the US yield both direct and indirect economic benefit to the US and its local communities via the purchase of locally sourced equipment and intermediate goods, the leasing of offices and production facilities, and job creation or retention. All spending on greenfield investments is net new business and new hiring for local economies. In the case of mergers and acquisitions, Chinese investments recapitalize struggling companies, often saving local jobs, and also spur investment in new capital equipment and spending on local goods and services.

### Has your company conducted or does it plan to conduct M&A in the US?



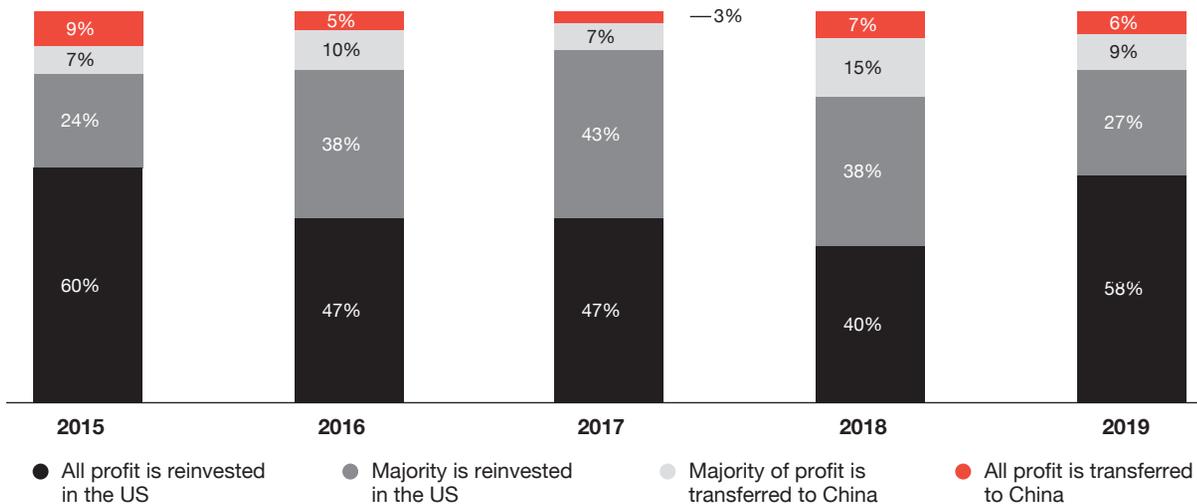
With growing revenue and profitability, Chinese companies are more willing to keep investing in the US. 85% of respondents reinvest the majority of their profit into the US, with 58% indicating that all of their profits are reinvested. The percentage of those respondents grew by 7% compared to last year.

CGCC members employ an estimated 200,000 people in the US. Nearly half of survey respondents indicated that they intend to increase hiring in the next two years. However, the number of companies with workforce expansion plans has dropped to a three-year low given the uncertainties of the US-China business environment.

Among those companies anticipating staff growth, over half anticipate an increase of 10% or more. Respondents indicated that they are taking a wide variety of steps to improve the quality of employment that they offer, with 58% explaining that they are increasing employee compensation and benefits, and significant amounts of respondents noting that they are improving their career development programs, creating more opportunities for reviews and promotions, improving office facilities, and employing third-party human resources agencies to learn how to enhance their company culture and overall job satisfaction.

Apart from the employees directly hired by Chinese companies, local business owners also benefit from Chinese investment in the US. When a Chinese company establishes an office or a plant, it also means new opportunities for local businesses. New investments attract more people from other places to find jobs at local communities – and these workers eventually spend their income locally. In addition, numerous business opportunities are created by these investments, which translate into additional revenue streams for local contractors, vendors, suppliers, and other business partners, indirectly supporting many more jobs.

How does your company distribute the profits from its US operations?



In **Fuyao's** automotive industry, for example, one main plant can support the work of seven suppliers. As a tier-one supplier, it supports the business for about two to three tier-two suppliers. To put this in perspective, its 2,300 employees have created jobs for about 6,000 people in the surrounding area. President of Fuyao Glass America Jeff Liu explains, "These jobs are important to the development of local and surrounding cities, and they have brought this city back economically. Schools, shops, restaurants and real estate in and around the city are coming back to life. As its employees' incomes increase, they are buying new cars and houses, which has led to new gas stations opening nearby."

The construction of the enormous manufacturing complex of **YCI Methanol One** had also helped revitalize the local economy. For example, during the construction, there were more than 1,000 skilled workers on site. At the same time, many small business opportunities were created locally during this period, driving consumption up. For local government, in addition to corporate tax income, the sales taxes revenues had also increased dramatically. For example, the sales tax income of the local county government had more than doubled after YCI Methanol started construction on its plant.

For many Chinese manufacturing companies, apart from some equipment or critical parts unavailable at the local market that must be imported from other countries, all other materials and machineries used are mostly sourced locally.

In addition, Chinese companies are making great effort in connecting and building trust with local communities. Most respondents hosted, supported or participated in activities to bond with local communities and are looking for approaches to be connected to local employees and culture.

For example, **GD Copper** implemented a people strategy to improve the connectivity and understanding among its employees, which include workers from diverse backgrounds. GD Copper has also improved its relations with the local community and state government for the past few years by reducing the unemployment rate and making technological impact to the area. GD's investment also made it possible to establish a local hospital and helped the local citizens who have financial problems through donation and charity projects.

The **Industrial and Commercial Bank of China (ICBC)** also participates in a wide variety of community reinvestment through its numerous branches in the US, including cities such as New York, Los Angeles, San Francisco, Seattle, and Houston. Yuqiang Xiao, Chairman of ICBC's US Management Committee, explains, "We participate in the volunteer activities at New York schools, entering the classrooms as a financial practitioner and introducing students to finance, imparting knowledge to raise their financial awareness. We also led a Toys for Tots donation activity with the theme of offering love and delivering warmth, donating holiday gifts to children from low-income families. In addition, our New York branch promotes cultural exchanges between China and the US through the annual ICBC Night concert at Carnegie Hall."

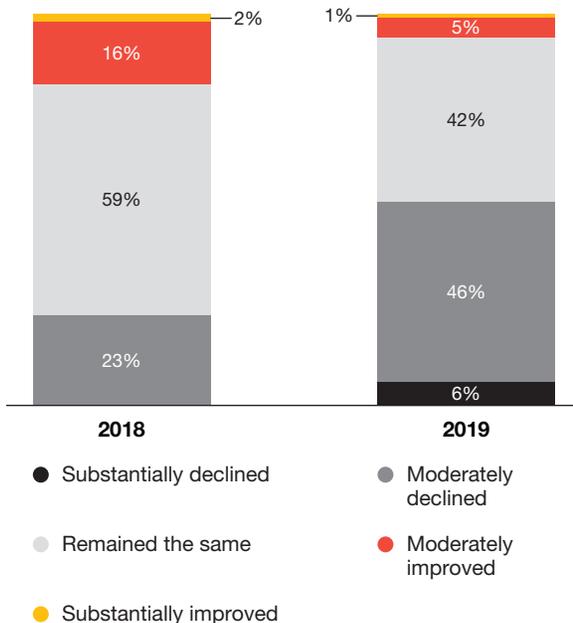
**Investment outlook: challenges and opportunities**

Although reports of strained US-China relations - from increasing tariffs to the US's expanded use of the CFIUS review powers - have captured headlines in both countries, the actual impact to Chinese investment in the US is not yet immediately measurable.

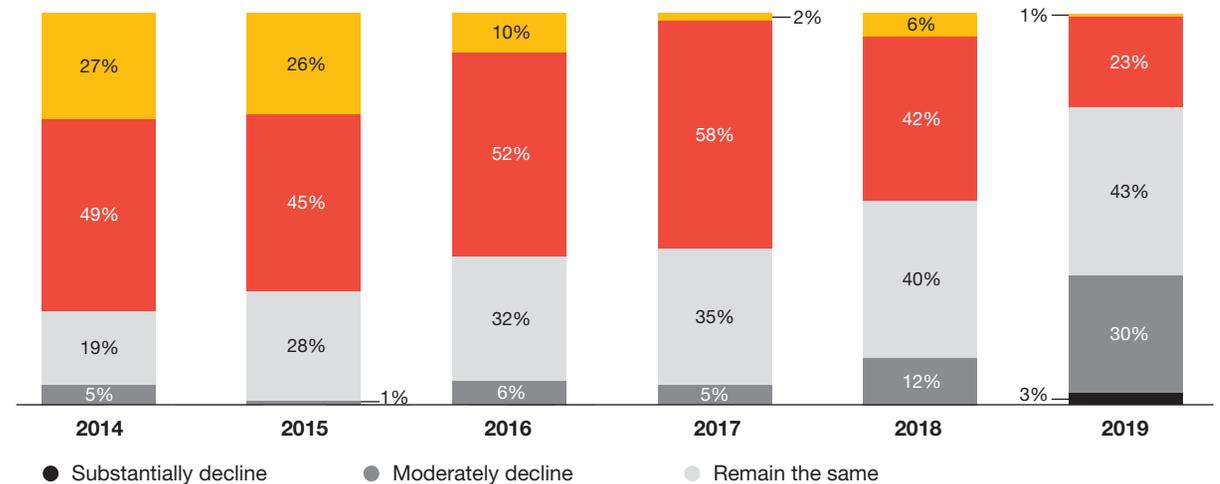
**Chinese investors are uneasy about the state of US-China relations, with 75% of respondents citing the complex relationship between the countries as one of the key challenges that they face.**

Over half (52%) respondents felt that the investment and business environment declined in 2018, a number more than doubled from the last year's survey results (23%). While 30% of respondents expect the US investment and business environment to decline over the next two years, only 12% of respondents to last year's survey indicated the same - the first time the number had surpassed 10%. Further, 84% of respondents stated that uncertainty in the policy environment is the main reason they could see reducing investments in the US - while zero respondents indicated that they would reduce investments due to lack of demand.

**Compared to two years ago, how has the US investment and business environment changed last year?**



**How do you forecast the US investment and business environment in the next two years?**



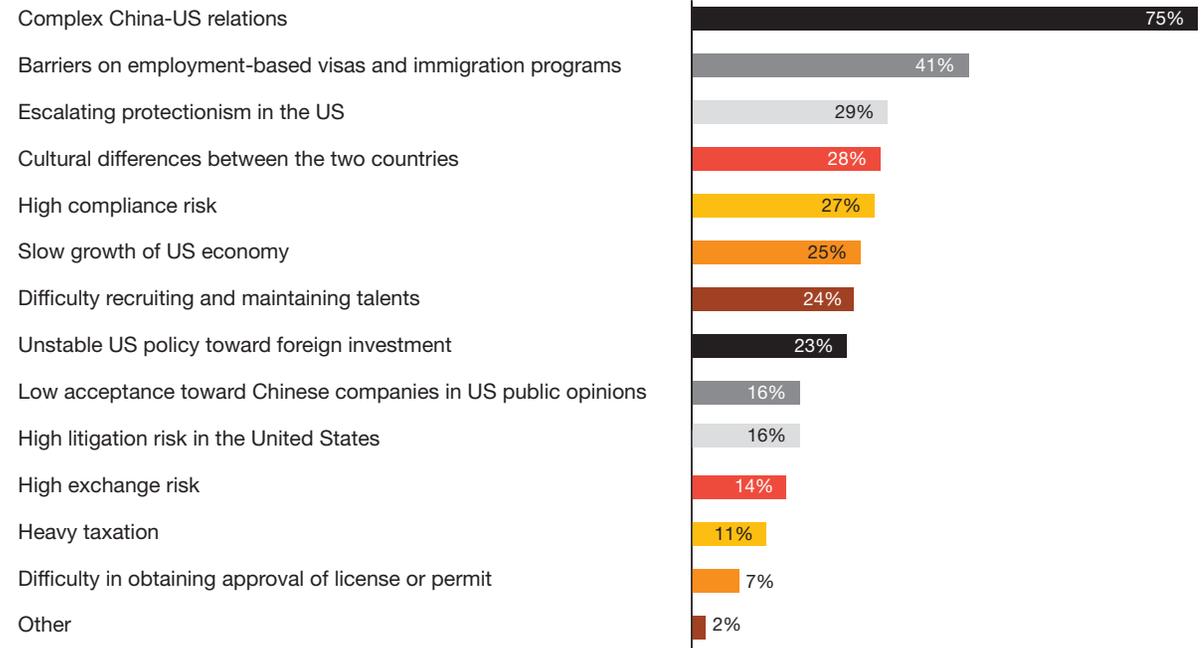
## The Journey is Long, I Shall Search Up and Down

**Of the policy-related challenges, tariffs top the list of concerns, with 77% of respondents stating that they had been adversely impacted by these policies.**

When surveyed on the impact of additional tariffs, some 45% of respondents impacted by the trade war will delay future investment in the US until both countries reach a deal, and 38% intend to adjust their global supply chain in order to avoid tariffs. However, the complexity of bilateral relations goes beyond a trade war - it is also associated with the current US national strategy towards China, labeling it as a “strategic competitor.”

**Difficulty obtaining employment-based visas is another top challenge for 41% of surveyed Chinese companies. Respondents particularly cite the difficulty regarding their executives’ work visas (the L1 Visa).**

### Which of the following items are your most difficult challenges in conducting business in the US?



KC Pang, **GD Copper**'s Vice President of Human Resources, explains that the company has experienced a significant increase in visa applications being held up for a lengthy period of time or denied. As many of these visas are for technical experts that cannot be easily replaced, the jobs do not go to local workers - instead, they often remain unfilled, merely holding up further investment. "Some of these jobs require two to three years of training; some require five to even ten years," Pang explains, "Without technical experts from China, we are not able to train local employees, so the business cannot be sustainable. This is our biggest challenge."

**Despite the headlines filled with news regarding The Committee on Foreign Investment in the United States (CFIUS) every day, 55% of respondents are not familiar with the regime. However, of those respondents that are familiar with CFIUS review, 73% feel that it is politicized and opaque.**

CFIUS reviews have been routine since the mid-1970s; however, the current administration has employed a new level of scrutiny and political gamesmanship to them. In 2017, CFIUS and the Trump administration nixed the acquisition of Lattice Semiconductor by China-backed Canyon Bridge Capital Partners for \$1.3 billion on national security grounds. In March 2018, the president blocked acquisition of US chip manufacturer Qualcomm by Broadcom of Singapore. Several Chinese acquisitions in the wireless, chip manufacturing and testing, financial services, and media industries have been shut down under the current US administration's use of the regime.

CFIUS review and foreign investment itself has become even more difficult with the President recently signing into law the Foreign Investment Risk Review Modernization Act (FIRRMA), which expands CFIUS's jurisdiction to include joint ventures, minority position investments, and real estate transactions near military bases and other sensitive national security facilities. Over one-third of survey respondents say that it will have an adverse impact on their investment plans in the US.

As the history of Chinese investment in the US remains relatively short, Chinese companies often struggle with unique challenges caused by unfamiliarity or low adaptation to the US regulatory environment.

Chairman of **ICBC**'s US Management Committee Yuqiang Xiao explains, "As the global importance of China's financial industry increases, several major Chinese banks are under regulatory scrutiny in the US. In particular, ICBC, as the world's largest bank by assets, has the same regulatory requirements on compliance, risk management and other standards for ICBC's operations in the US as other leading international banks. This is a big challenge for us as we have only been established in the US for ten years and are relatively small locally, and the marginal compliance cost is much higher for us than big US banks. In the face of these challenges, ICBC has taken proactive measures. Not only local branches, but also the head office has given strong support to further improve corporate governance, risk management, and internal control compliance management."

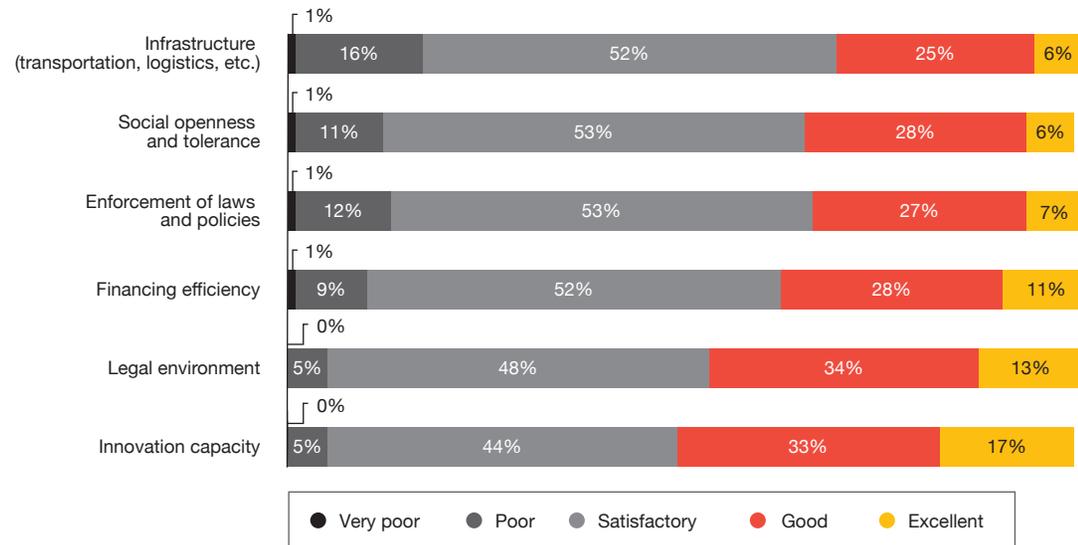
The Journey is Long, I Shall Search Up and Down

**In general, over 30% of companies expect to increase their compliance costs in the coming year. Company executives widely acknowledge the necessary steps they need to take to seek fluency in US practices and to address risks caused by unfamiliarity of new regulations entering into a foreign market.**

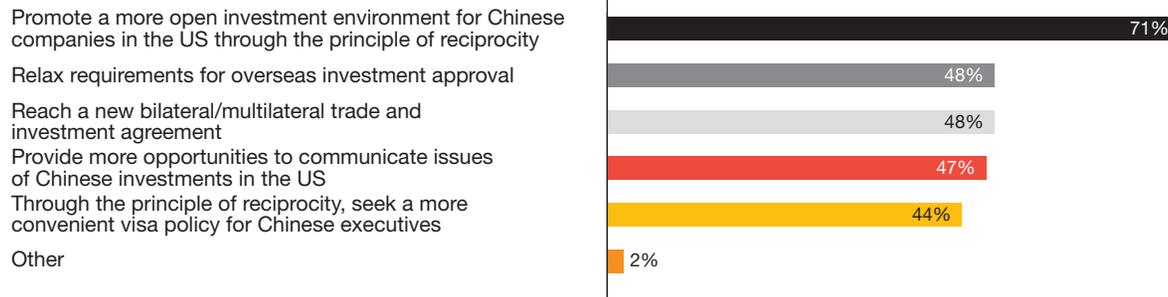
Despite these challenges, however, CGCC members are consistent in their high praise for many of the fundamental elements of the nation’s commercial system. Over 80% reported that they are satisfied with the overall business environment in the US, praising the nation’s innovation capacity, legal environment, and financing efficiency.

The future of the US-China bilateral relationship largely depends on the economic success that comes from cooperation among businesses, which requires that governments continue to liberalize the investment environment and maintain transparency for all.

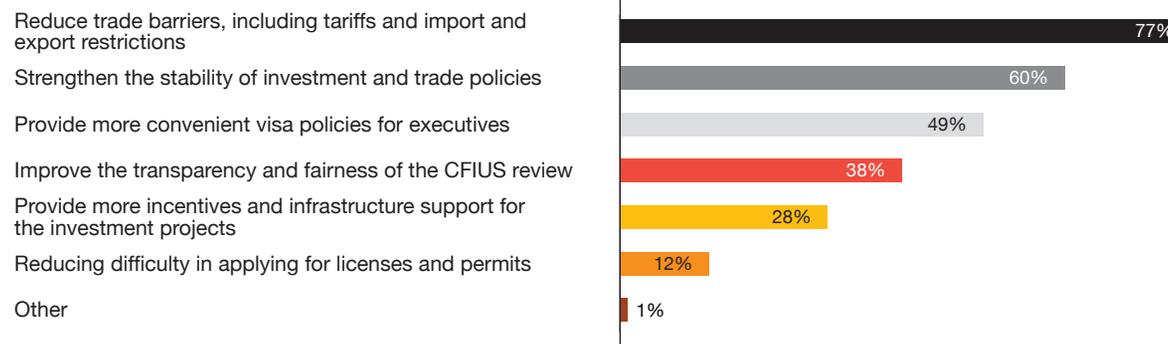
How do you evaluate the US overall investment and business environment?



**Which of the following actions could the Chinese government take to help promote Chinese investment in the US?**



**Which of the following actions could the US government take to improve the business environment in 2019?**



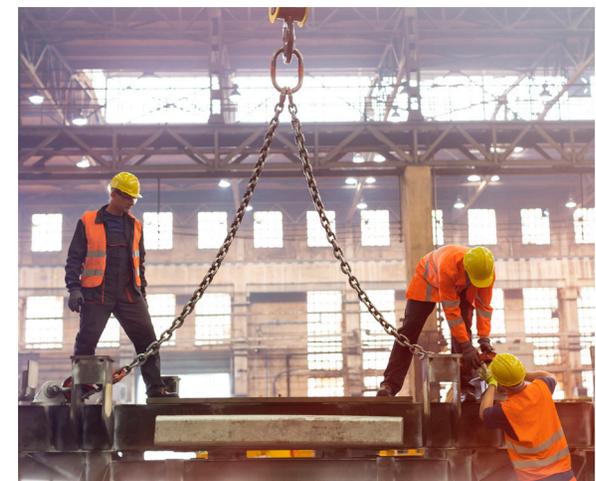
# When in Rome, Do What Romans Do

The long-term success of any business entering into a new market will hinge on placing the right people at the right positions, which will in turn ultimately transform and align the business' corporate culture, systems, policies, and procedures with those of its clients in the local market. At early stages when a company just starts developing in the US market, a small number of expatriates can run the company efficiently - mostly serving a small number of clients - without necessitating a major transformation of their culture. As the company grows, however, the old expatriate-only model doesn't work anymore. The rigorous compliance requirements in the US will become a major challenge as the company expands and, eventually, will reach a point where the identification and management of the associated risks can no longer rest on expatriates' knowledge alone. Communication costs will also factor into the company's long-term success, especially when it aims to develop new markets and business relationships. A successful and mature multi-national corporation must be both global and local, a position where practitioners often refer to as "glocalization." Companies need to localize their businesses wherever they choose to invest because their successes depend on the sustained compatibility of their own business with that of their local clients. The best approach to address localization starts from hiring and retaining local talent.

## *Hire local talent*

**While deploying expatriates to manage the US subsidiary is a common practice among Chinese companies, as company grows and matures, increasing hires of local professional managers is a proven successful strategy.**

On average, a typical Chinese company will hire four local employees for every one expatriate that was sent to manage the US subsidiary, meaning the rate of local hire is around 80%. The local hire rate climbs up significantly as the number of employees increases. Specifically, the rate of local hire is 73% for companies with fewer than 50 employees, 90% for companies with 50 to 200 employees, 97.5% for companies with 200 to 1000 employees, and 99.7% for companies with over 1,000 employees.



Many companies reduce their dependence on expatriates in everyday business operations as their business matures in the local market. **GD Copper** originally placed about 80 expatriates to work in the US factory at its opening in 2014. Five years later, they successfully cut the number by half, to only 40, out of about 400 employees in total.

Localization efforts go beyond simply increasing the rate of local hires of a company, but often more importantly focus on developing succession plans in transforming the mid-level or even executive management composition from majority Chinese expatriates to majority American professionals. Our survey respondents indicated that the leading reasons for bringing employees over to the US from China are for training local staff or because the Chinese employees possess necessary technical expertise. However, once local staff are trained and the local branch company becomes more mature, the percentage of local employees increases.

**Hisense**, which has offices in over 130 countries all over the world, has a global short to mid-term goal to aggressively localize all of the companies outside China - including managers at the executive positions. Peter Erdman, Vice President of Consumer Electronics at Hisense explains, “When I started here, I think I was the 30th employee. At that time, about 80% of employees were Chinese and the other 20% are locals. Now, our short to mid term goal is to localize the company. We have good chemistry between the expats and local people, and I see the number growing every year as we continue our work to localize the company. If I look at some of our competitors, such as Samsung, they had predominantly Korean management and then later on changed to local management in the US market. We are going in that direction. We are contributing a lot of jobs, and we are going to be expanding soon because we are opening another Hisense company shortly on the west coast, so there is going to be more people going there.”

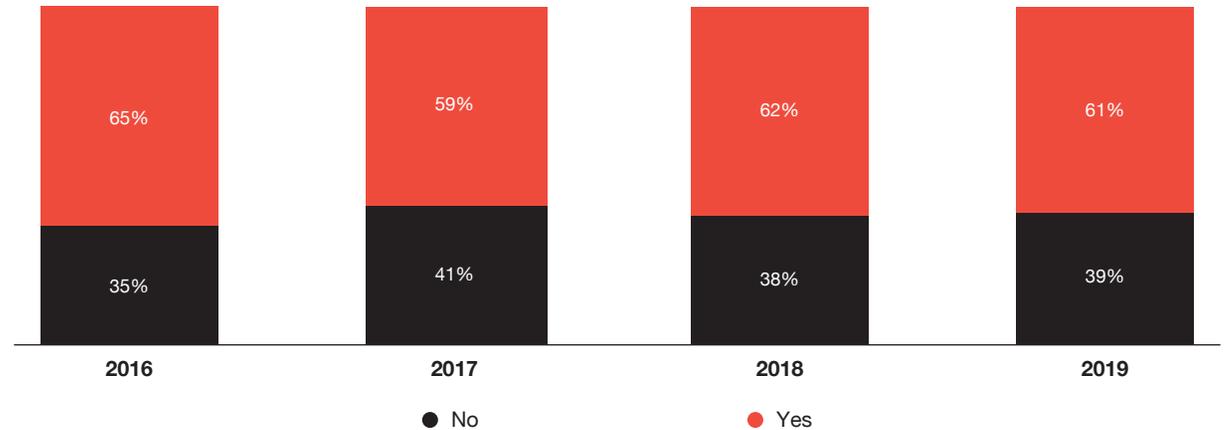
For some technology-dependent companies, such as **Fuyao**, maintaining a portion of Chinese managers is necessary for technological support purposes. On the first day when Fuyao began its production, half of its managers were Chinese and another half American. Due to its proprietary technology embedded within its equipment, Fuyao had great difficulty finding the skilled talents at the local job market who could run their equipment. Instead, it had developed a talent plan having a senior Chinese technical employee come as a mentor to every American new employee at relevant job positions. So far, after four years of implementation, about 150 US local employees have graduated successfully from the intensive training and are capable of teaching other employees. It hopes that more than 80% of the management will eventually be hired and trained locally, with a small number of expatriates remaining to be responsible for technical support. After all, the complete localization of the technology takes a long time to achieve.

## When in Rome, Do What Romans Do

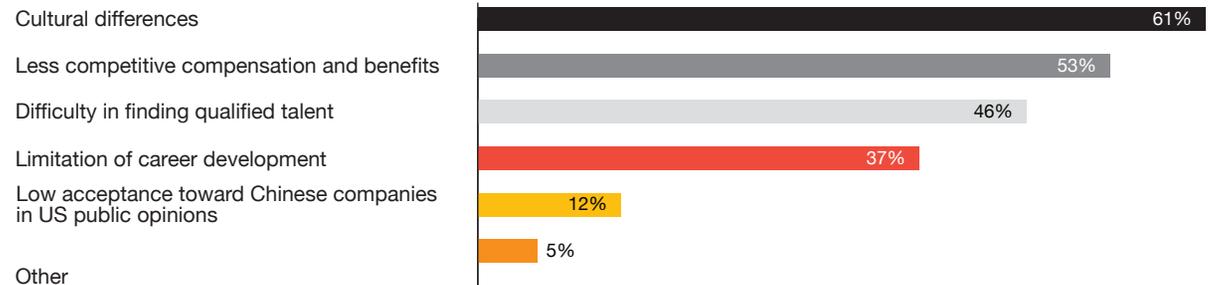
**Finding capable talent is often not an easy thing to do. Comparing data cross the survey results of the past four years, about 60% of respondents encountered challenges in hiring or retaining local talent.**

Given the recent positive US job market conditions - where the April 3.6% unemployment rate hit a 50-year low - companies are exposed to even higher levels of recruitment challenges. When asked about specific challenges, respondents mostly cited cultural differences (61%), less competitive compensation and benefits (53%), and difficulty in finding qualified talent (46%), among others. To tackle those challenges, companies implement a series of strategies including promoting organizational culture and core values (62%) and increasing compensation and benefits (57%). Many companies have also explained that in order to attract high-level experienced professionals to work for them, they need to begin by offering a significant amount of premium in compensation in order to make up for the deficient understanding between the candidate and the corporation. However, they also noted that these investments in human capital may be painful at the beginning, but they will ultimately pay off as it greatly helps companies adapt to a local working culture that will improve the overall efficiency and environment, which will in turn naturally attract more local talent in the future.

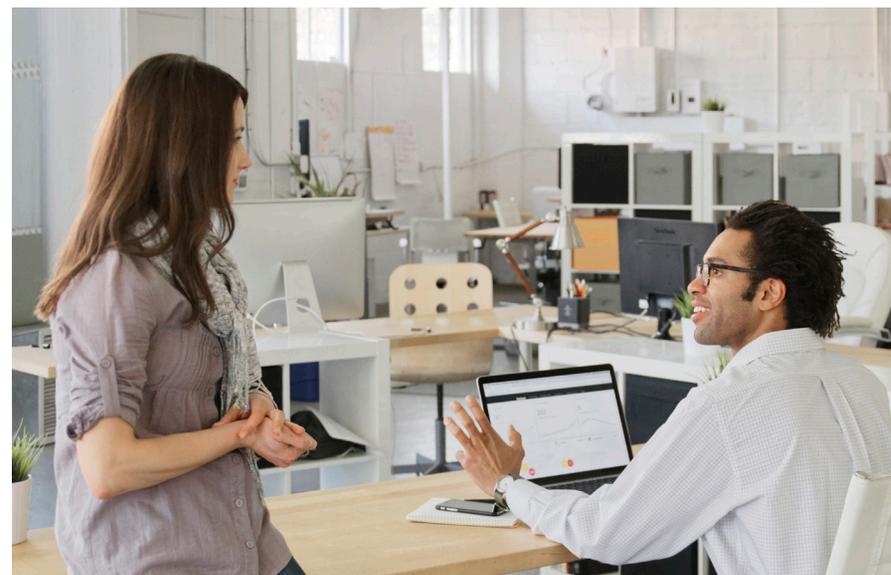
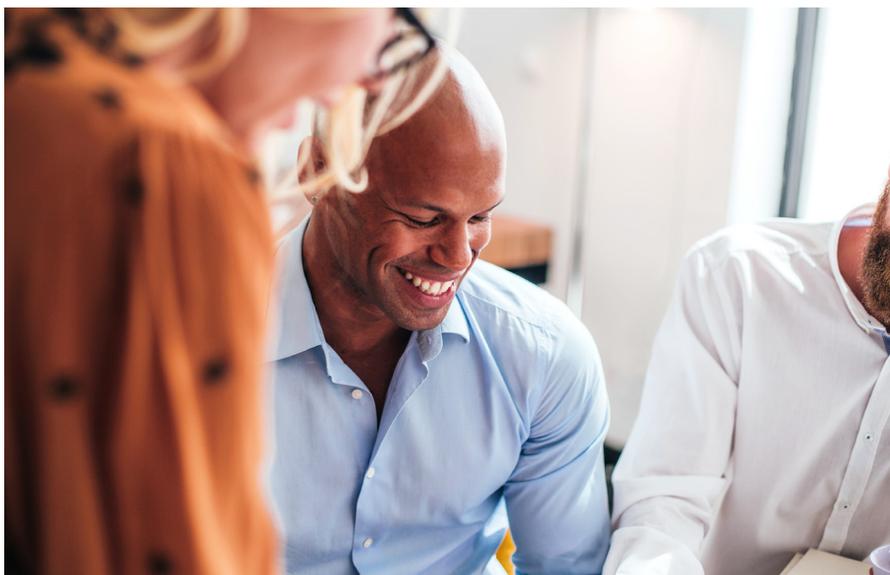
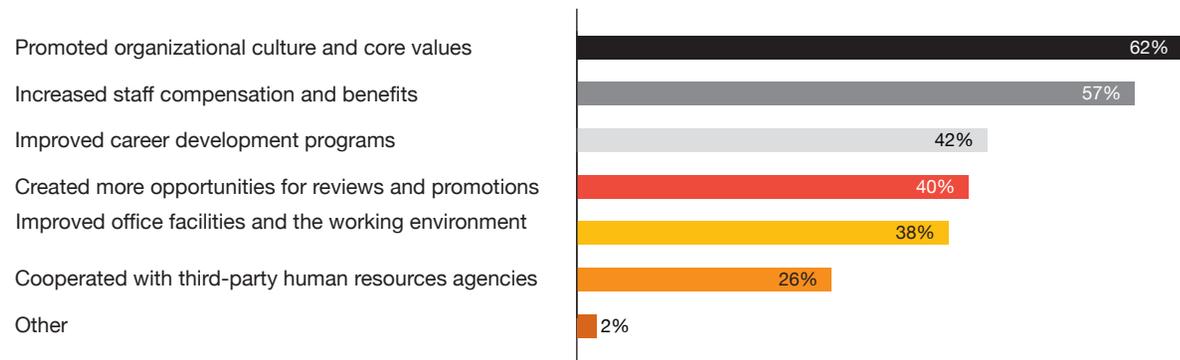
### Has your company experienced challenges in hiring or retaining talent in the US?



### What challenges has your company encountered in hiring or retaining talent in the US?



### What has your company done to address the challenges in human resources management?



## When in Rome, Do What Romans Do

### Utilize third-party service firms

Third-party service firms are useful resources helping China's companies not only build connections and make meaningful investments, but more importantly, localize their operations and fully comply with regulations. While forming an in-house legal or compliance team is useful, and sometimes necessary to manage risks, it is proven to be more effective when combining this function with external help from third party service firms, or simply outsourcing it to third-party service providers.

**Utilizing third-party service has been one of the most common solutions to various challenges that respondents face in the local market.**

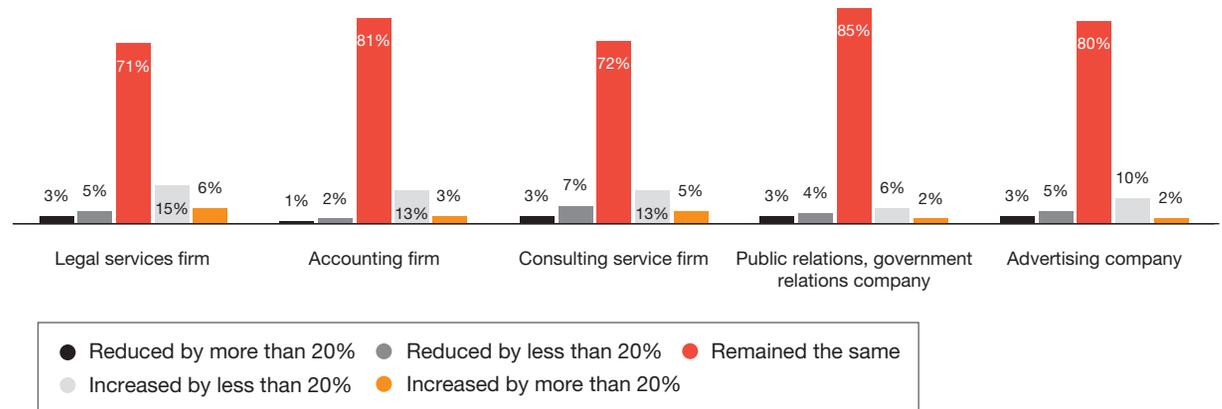
65% of Chinese companies say they have cooperated with third-party professional organizations to better comply with regulations, 48% say they will increase the use of third-party service to map out strategies facing the complex and volatile global economic conditions and rising trade protectionism, and 26% say they cooperated with human resources agencies to address HR challenges.

While for the majority of respondents, the expense associated with legal, accounting, consulting, public and government relations, and advertising firms respectively accounts for less than 5% of the overall Sales and Administrative Expenses (SG&A), these expenses are

nonetheless clearly on a rising trend. The majority of respondents maintained and increased their expenses paid to third-party service organizations compared to last year's survey, and they expect to increase their budget in the coming year. Currently, not only have the conventional US legal, tax and consulting firms built strong business relationships with Chinese companies, but third-party service agreements were signed in a wide variety of areas, such as labor training and corporate communication.

As examples, among our respondents, **Fuyao Glass** invited a third party to help solve a labor union dispute and **Hisense** hired a third party to provide training to sales associates.

### Compared with 2017, how did total fees paid to third-party service organizations change in 2018?



### **Innovation**

For companies that are technology-oriented, innovation also plays a considerable role to accurately predict and promptly respond to clients demand at the local market. One quarter of the Chinese companies have established a R&D center in the US.

**Hisense**, for instance, has its own research and development team and a product definition team in US, which work closely with Hisense's global R&D team. But instead of directly following the global team's decisions, the local R&D center takes control to study the US market and point out the right direction for business to develop in the US market.



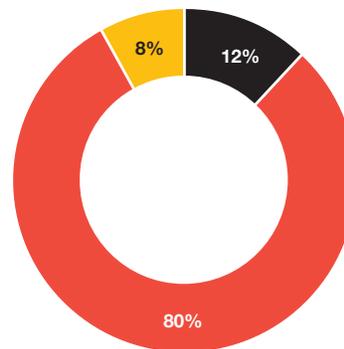
# Others' Experience Informs Our Own

Foreign investments play a huge role in the US economy. Take foreign bank organizations (FBOs) for example – it's widely recognized that the presence of FBOs in the US brings competitive and countercyclical benefits to the markets, as these firms serve an important source of credit to US households and businesses and contribute materially to the strength and liquidity of financial markets. Regardless of whether we are a Chinese company, German company, Australian company, or Japanese company, in this world of interconnectivity and trade, our peers in other countries face – or used to face – the same challenges that we face. Considering the differences in maturity of cross-border business relationship among various countries, we might be able to learn from those who have a longer history of running businesses in the US. As such, we have selected to study Japanese investments in the US for this year's survey. Not only do they have a relatively longer history, but they also have similar language and cultural gaps to overcome. We are particularly interested in how they were able to build a strong and respected brand in the US market. For the purpose of comparison, selected data from the JCCI survey were used.

We conducted interviews with Japanese business leaders in the US. One view shared among them is that business leaders strive to find mutual interest on both sides and craft a compelling story for the other side and other stakeholders to buy in, whether the stakeholders are a US partner, a US vendor, or a US customer. A long-term business strategy should highlight long-term commitment and include a practical operating model for successful implementation. Unlike the fast-paced developments in China, the US market values thoughtful planning and sound execution.

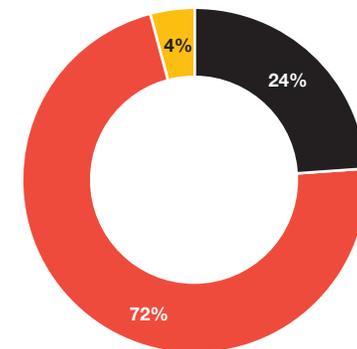
**Looking into how Japanese companies extend their brand in the US, we found that they generally invest more on marketing and advertising than Chinese peers do, with their marketing expenditures increasing year by year. 24% of JCCI members said they would increase marketing and advertising in 2018, while this number in CGCC's survey of the same year was only 12%.**

**CGCC members: Compared with 2017, how did total fees paid advertising company change in 2018?**



● Increased ● Remained the same ● Decreased

**JCCI members: How does your company plan to handle marketing/advertising spending in 2018?**



● Increased ● Remained the same ● Decreased

Lastly, people matter. Companies are ultimately comprised of people. Though AI and machine learning have evolved rapidly these years and will, in the future, impact how we work, sophisticated and critical decisions – at least for now – are still made by people. The people that serve as the faces of the brand have a significant impact on its reputation and credibility. When thinking about people strategy, it is critical to ensure there is a natural, synergistic alignment between the company's principles and ethics, and the principles and ethics of the employees and the community in which it operates.

Statistics released by the US Department of Commerce's Bureau of Economic Analysis show that in 2016, multi-national companies from the UK, Japan and France were the top three foreign employment origins of US workers. We learned from Japanese executives who led the development of US operations for over 30 years that connecting with local people and community was an integral part of the brand strategy.

**Negotiations and communications with the federal or state officials are important, but public relations campaign should be implemented at the grassroots level. That is to really invest time and efforts in building trust and reputation on employees, clients, and all other relevant stakeholders in every-day business life.**

Starting in the 1960s and 1970s, many Japanese companies were able to connect themselves with local communities and people of their operations and built a mutually beneficial relationship over years. By doing so, they were able to consistently build and strengthen their relationships with local people and communities, which collectively contributed to the credibility of Japanese brands. Japanese companies admitted that the process was very time consuming. Fortunately, the shareholders and executives in Japan had the patience to undergo this important brand investment.

Chinese companies are beginning to recognize the value in establishing these relationships and have started to make efforts in doing so. KC Pang, **GD Copper's** Vice President of Human Resources, explains, "We provide a Chinese culture orientation that I conduct personally for every American employee to teach them the differences between American and Chinese cultures. Furthermore, we organize activities for Chinese and American employees so that they could get together and exchange ideas. Whenever we give American employees incentives, we give them some Chinese gifts that are imported from China and we explain to them what these gifts mean. In addition, we participate in cultural events in our community and we will have a booth where we talk about Chinese culture. It is the year of the pig (in the Chinese zodiac), so we explain the significance of the Chinese New Year and the meaning behind the year of the pig." Pang further notes that as GD Copper is located in Alabama – the "Bible Belt" – it connects with the community through its participation in charity projects such as "Angel Tree," where it purchases Christmas gifts for underprivileged children.

**Fuyao** also took great strides on strengthening the internal communication with its employees, by being transparent and aligning the management incentives with that of the employees. Once facing a backlash from its labor union, Fuyao proactively managed the conflict through emphasizing the importance of meeting client needs and stressing the fact that only by all employees working together based on common objectives can a company stay efficient and competitive. “By coordinating the communication between customers and employees, we can let everyone understand that clients are the reason of our existence because they enable us to have a business to do so that we can continue to do survive. Otherwise, even the union won’t be able to protect all the jobs”, Said Jeff Liu, the President of Fuyao Glass America.

A company with a reputable and credible brand is in a much better position to attract and retain talent. Japanese companies now enjoy dividends of a better brand as compared to some other foreign employers, but it was a long road to get there, requiring significant effort to transform the US workforce with a people strategy. Take Japanese banks for example – it took them almost 15 years to implement a transformative people strategy after they realized that the initial strategy didn’t work. For the first five years, they were dedicated to attracting local talent, but many local hires quit after six months or a year of employment for various reasons. Over time, they improved the retention rate by re-engineering the performance evaluation and compensation program and succession plans. They also enhanced their training program, including by offering programs and sessions in both Japanese and English based upon the individual employee’s language needs. These activities demonstrated that the banks care about the employee’s growth

and welfare, and in turn, the employees responded by delivering value. In the last five of the 15 years of transformation, these local hires educated senior decision makers in Japan on why and how things are done and managed in the US. This allowed their head offices to provide more effective oversight. While doing so, the local leaders continued to build a team of qualified individuals and provided continuous training. As a result, Japanese banks became desired employers, empowering their employees to use their creativity and expertise to build a legacy, while showing clear and attainable career progression within the organization (as long as employees deliver, of course).

# Conclusion

The consistently escalating trade war between these two countries is, nonetheless, a major caveat on the path forward when Chinese companies map out their US investment strategies. By the time this report was written in early May, what was supposed to be a week to conclude a year-long trade negotiation with a deal had instead become a more difficult week of setbacks and disappointment. Additional tariffs were announced and implemented by both governments, accompanied by increased acrimony that caused markets to rattle.

It is our hope that the current disputes will not compromise the ample upside potential in growing Chinese investments in the US. Like any foreign direct investment, Chinese investment in the US brings in capital and manufacturing or servicing capacity, which will greatly help the US reduce import and boost export. Facilitating Chinese investment in the US is one effective way to address the trade imbalance between our two countries. Economic reality shows that there are high stakes in reaching a market-oriented solution that is built on the fundamental interest of both nations, their investors, and their people in the long run.

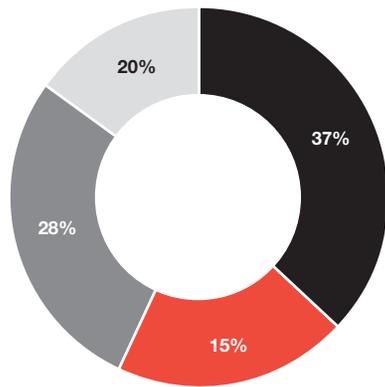


# Survey Results

All results of this year's surveyed questions, except the ones for administrative purposes, are displayed here. Historical survey data and sector tabulated data are provided in applicable questions. Data tabulation description can be found at the methodology section.

## QUESTION 3

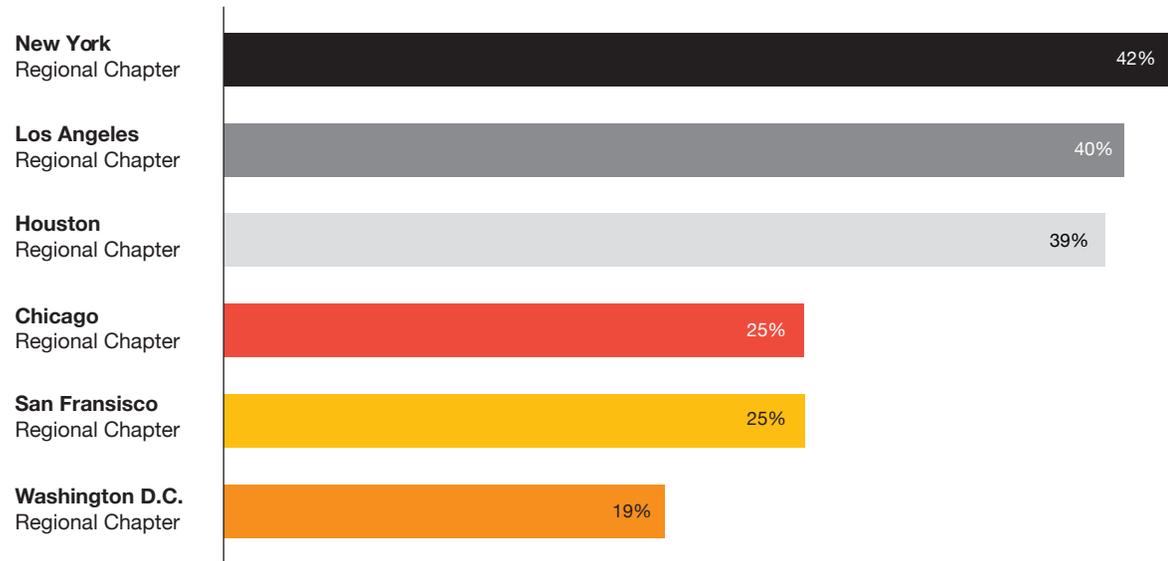
Please select your company's main industry of operation in the US.



- Resources & Industrials
- Service
- Consumer Products
- Others

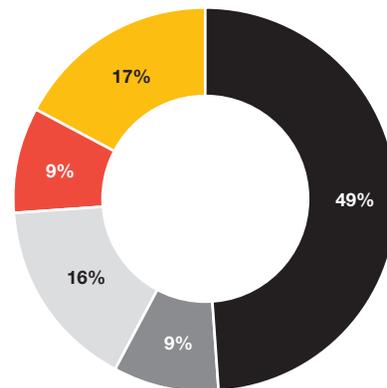
## QUESTION 5

In which areas does your company have investments?



## QUESTION 7-A

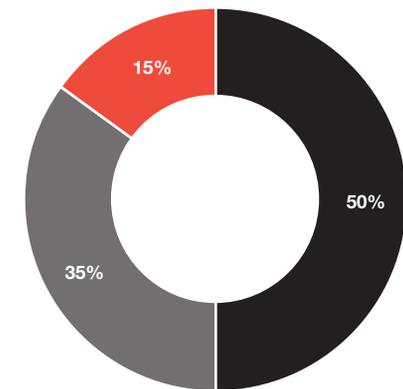
How many employees do you have?



- 1-10
- 11-20
- 21-50
- 51-100
- 101 and up

## QUESTION 7-B

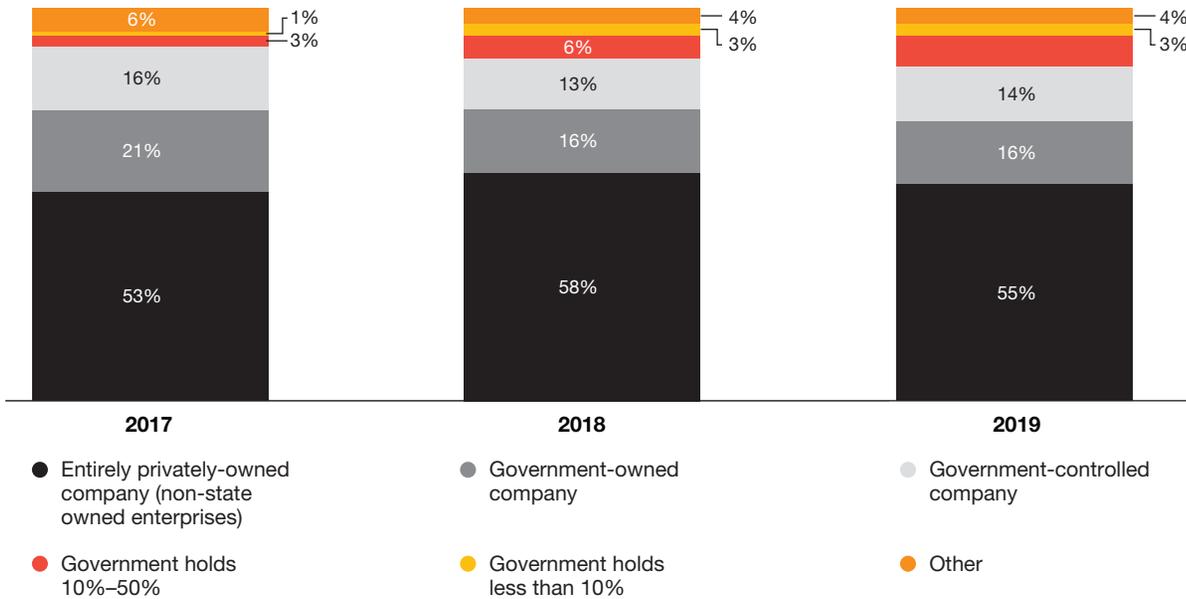
How did the workforce change in 2018?



- Increased Hiring
- Remain the same
- Decreased Hiring

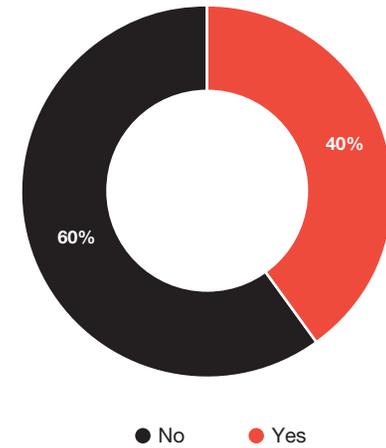
**QUESTION 8**

What is the ownership structure of your parent company?



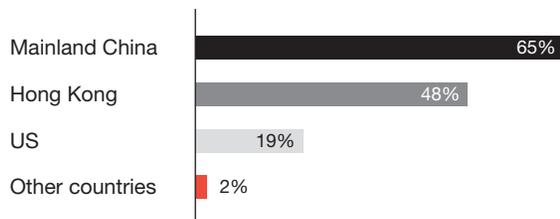
**QUESTION 10**

Is the US subsidiary managed by a listed company?



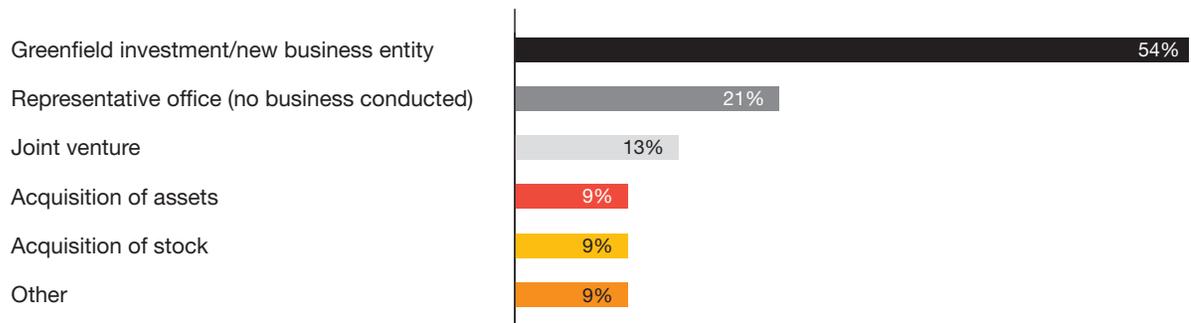
**QUESTION 11**

Where is the company listed?



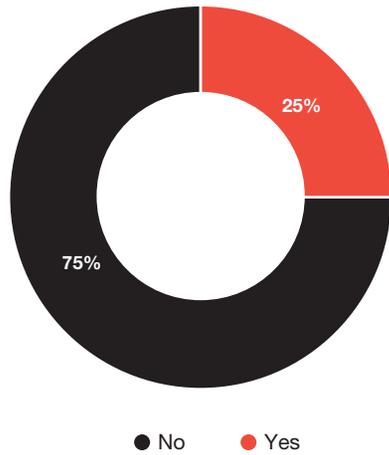
**QUESTION 12**

Through which of the following corporate structures did your company establish its business in the US?



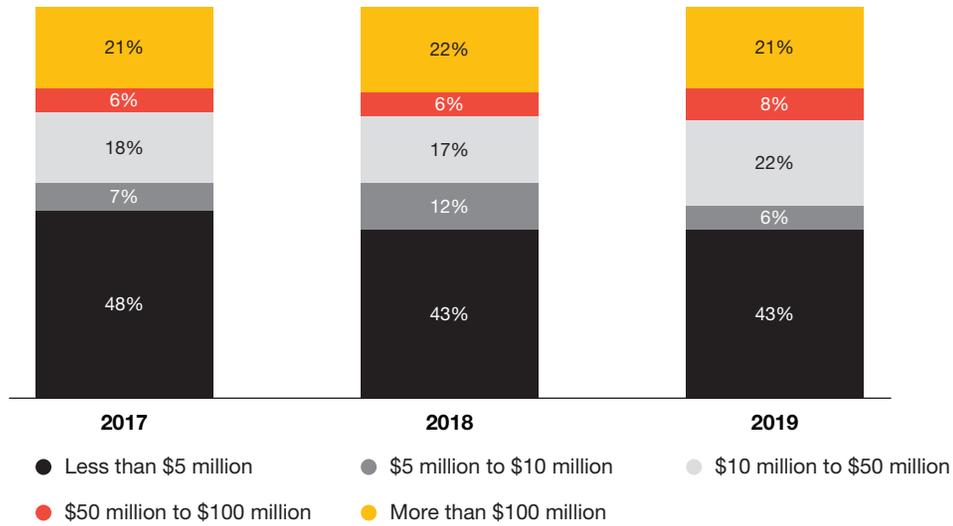
**QUESTION 13**

Does your company have a research and development center or an overseas training center in the United States?



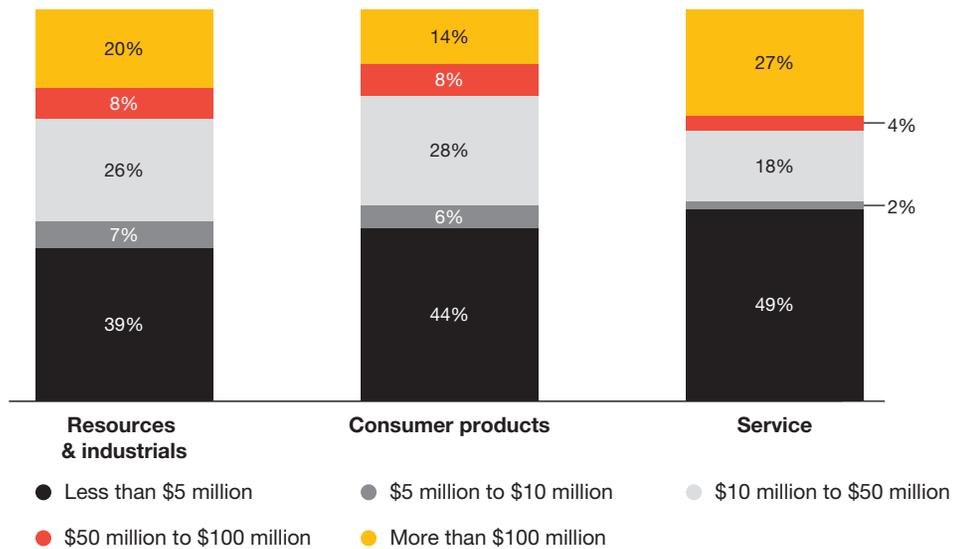
**QUESTION 17-A**

What was your company's annual revenue in the US last year?



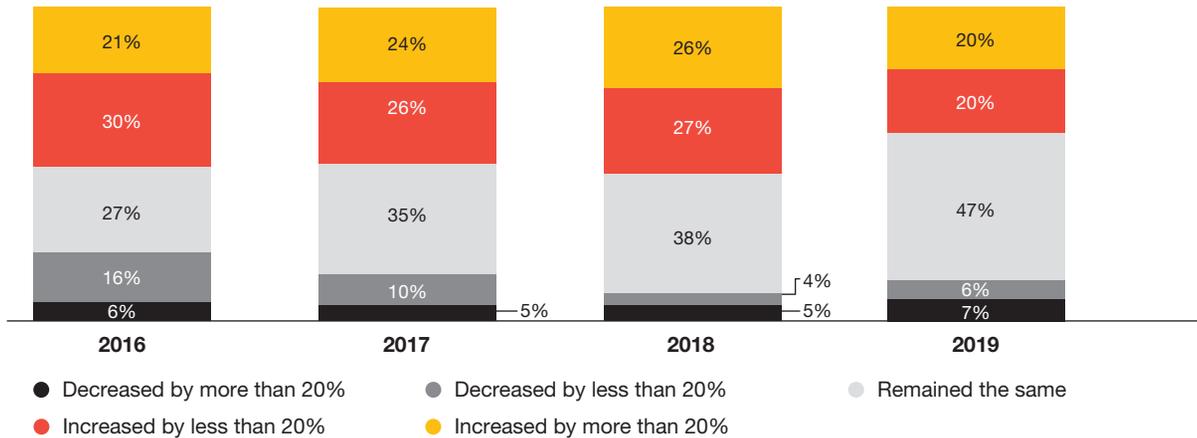
**QUESTION 17-B**

What was your company's annual revenue in the US last year?



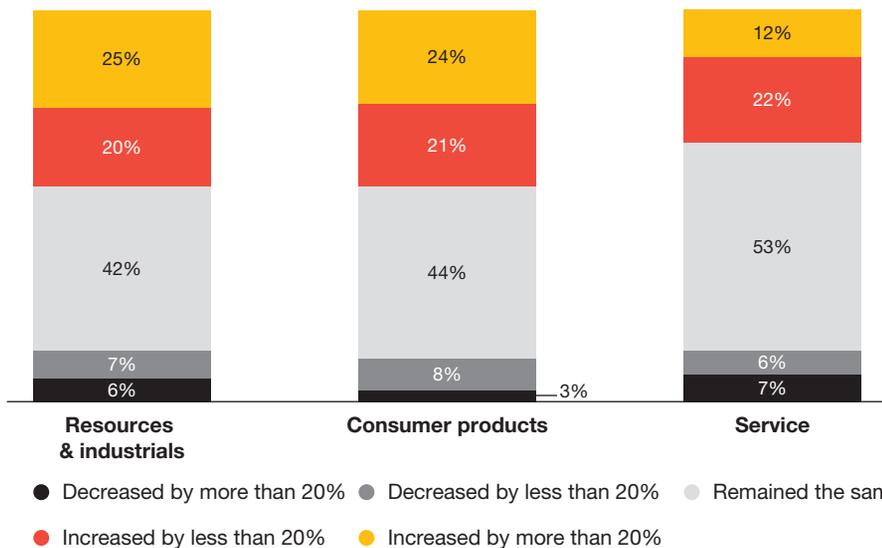
**QUESTION 18-A**

How did your company's annual US revenue change last year compared to two years ago?



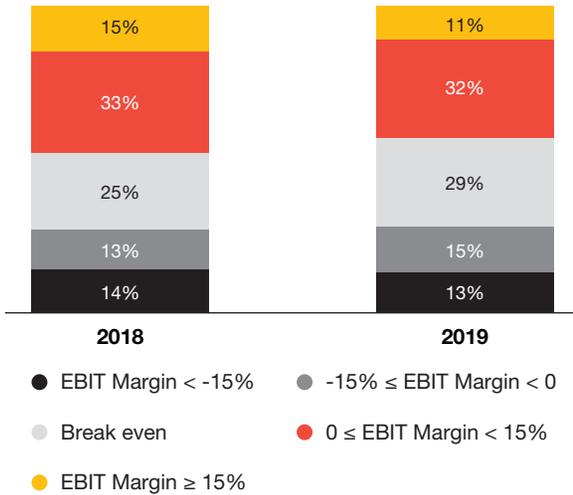
**QUESTION 18-B**

How did your company's annual US revenue change last year compared to two years ago?



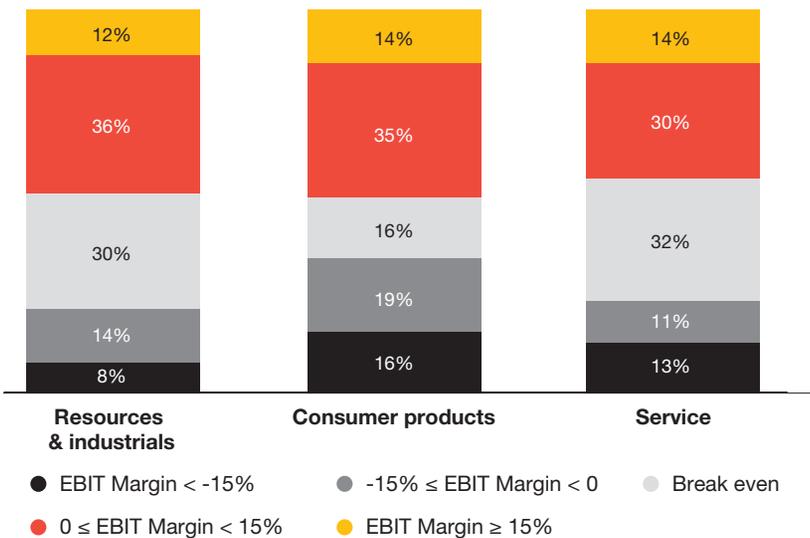
**QUESTION 19-A**

What was your company's estimated EBIT margin last year?



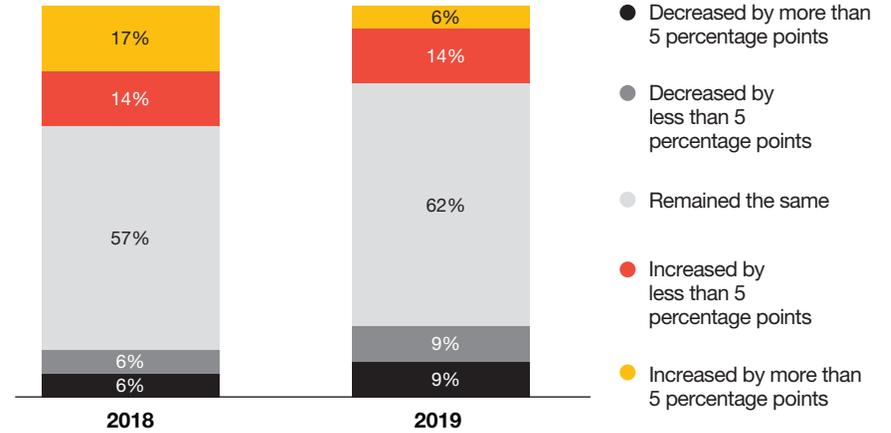
**QUESTION 19-B**

What was your company's estimated EBIT margin last year?



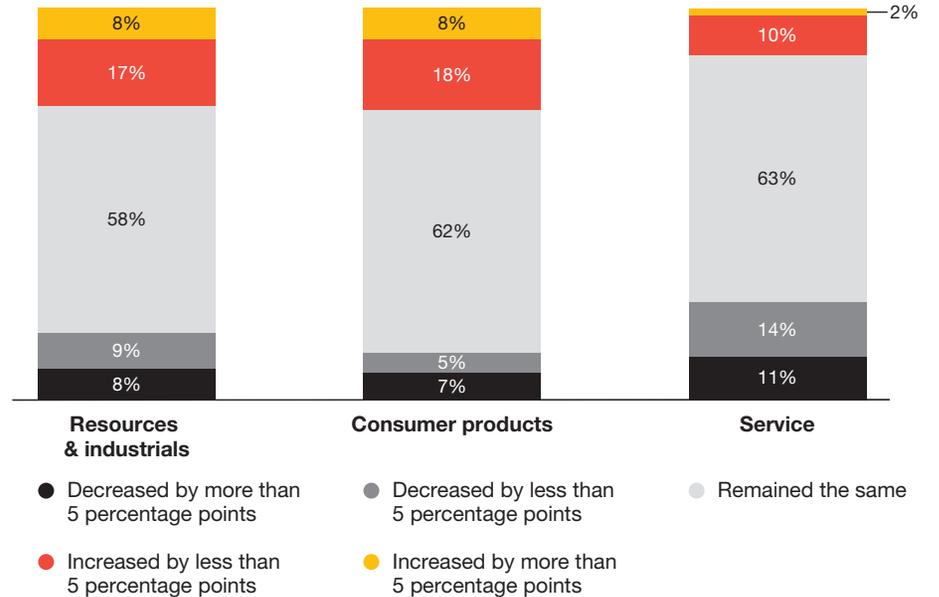
**QUESTION 20-A**

How has your company's EBIT Margin in the US changed last year compared to two years ago?



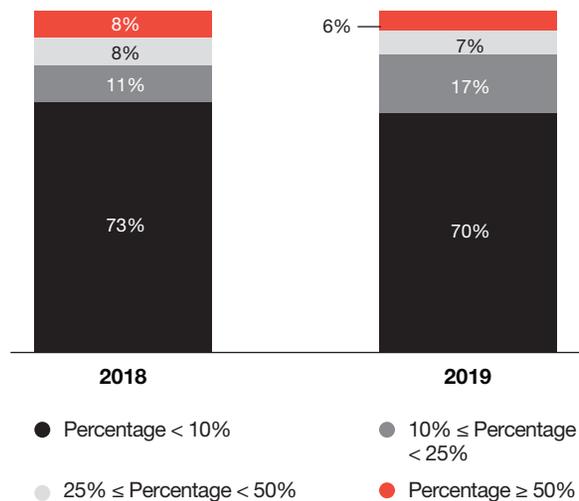
**QUESTION 20-B**

How has your company's EBIT Margin in the US changed last year compared to two years ago?



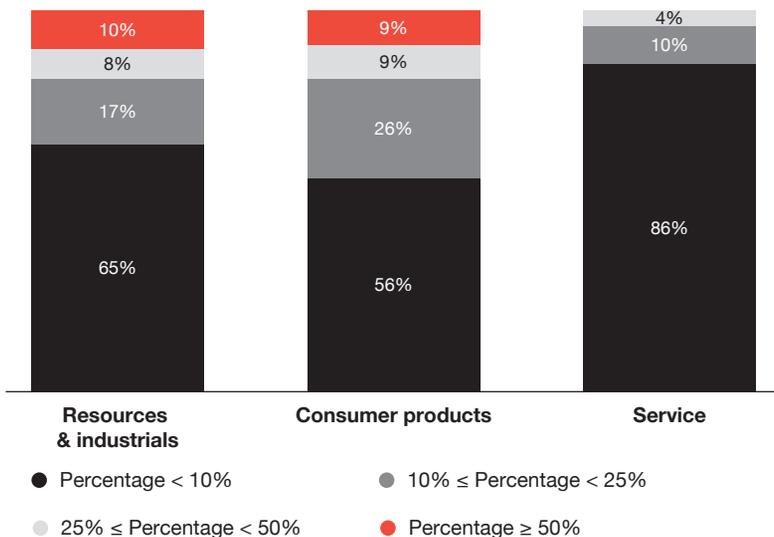
**QUESTION 21-A**

What percentage of your corporate parent's annual revenue is provided by the US company?



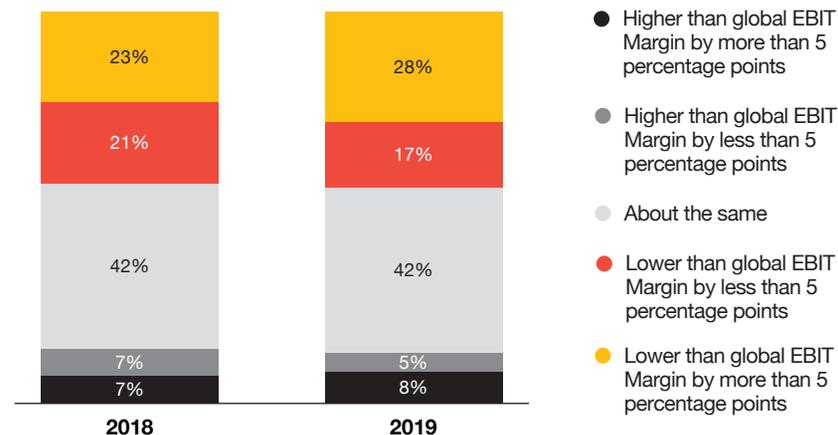
**QUESTION 21-B**

What percentage of your corporate parent's annual revenue is provided by the US company?



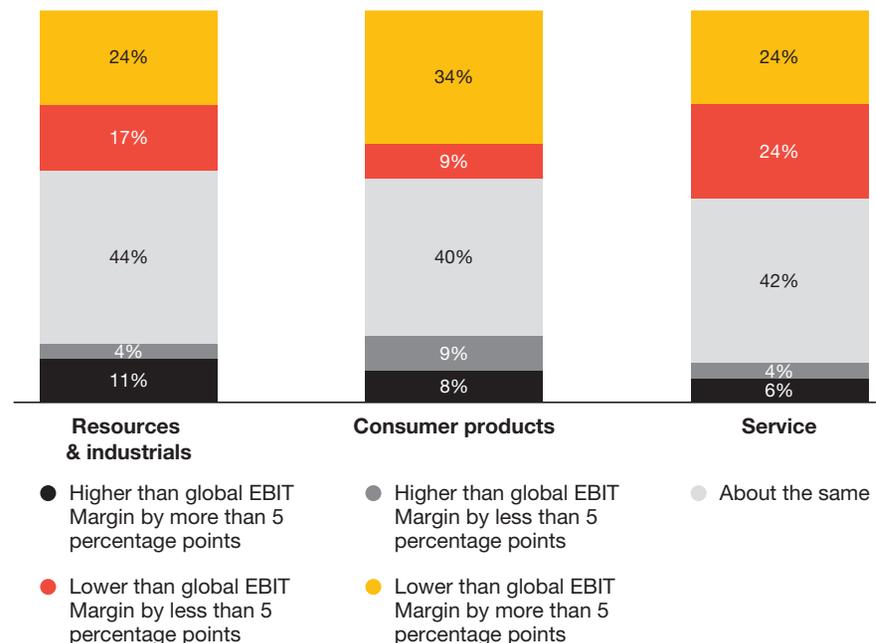
**QUESTION 22-A**

How did your company perform in EBIT Margin in 2018 compared to your parent company's average EBIT Margin globally?



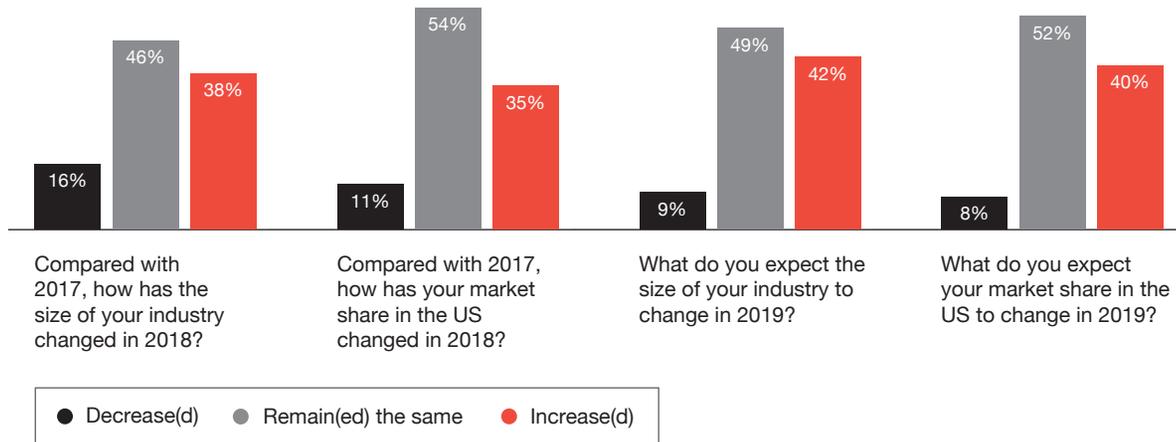
**QUESTION 22-B**

How did your company perform in EBIT Margin in 2018 compared to your parent company's average EBIT Margin globally?



**QUESTION 23-A**

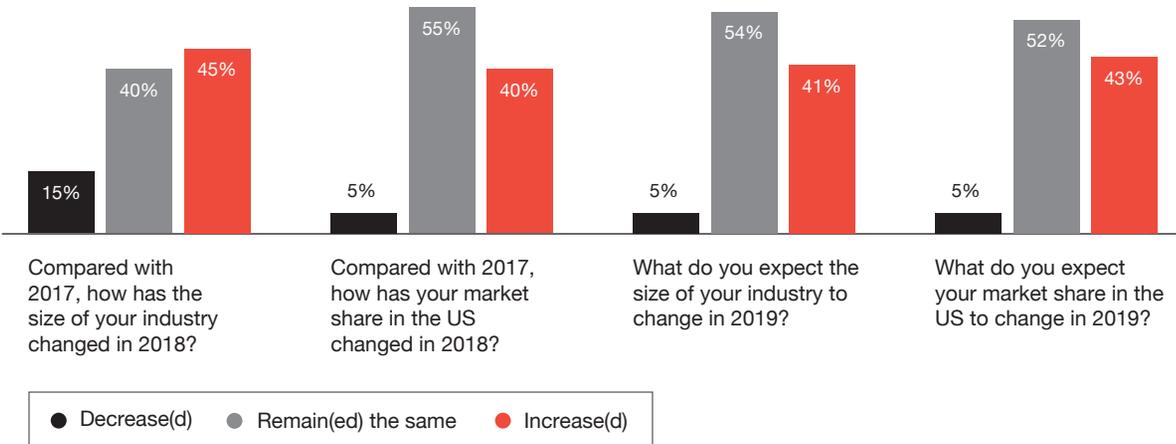
Please choose the trend of industry growth and market share of your company in 2018 and the expectations for those in 2019.



**QUESTION 23-B**

Please choose the trend of industry growth and market share of your company in 2018 and the expectations for those in 2019.

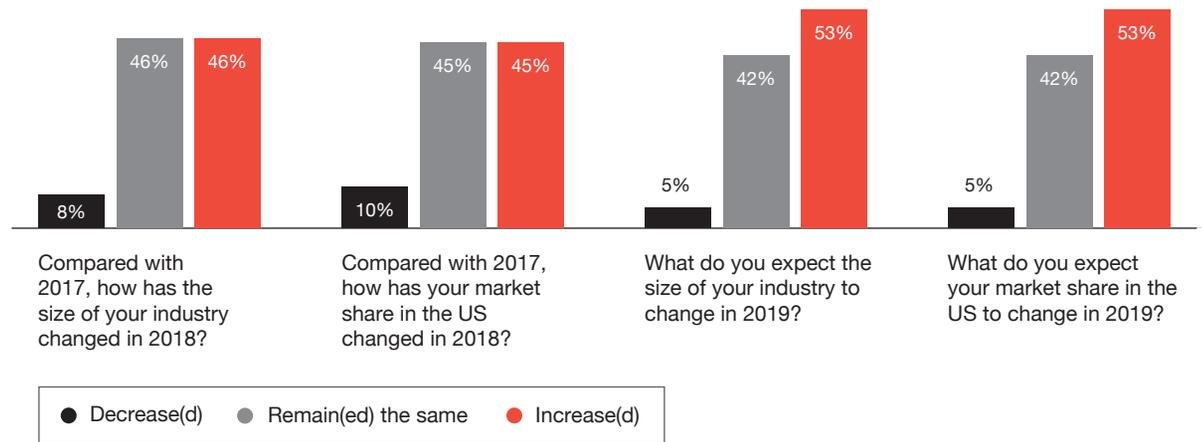
Figure 23b: Resources & Industrials



**QUESTION 23-C**

Please choose the trend of industry growth and market share of your company in 2018 and the expectations for those in 2019.

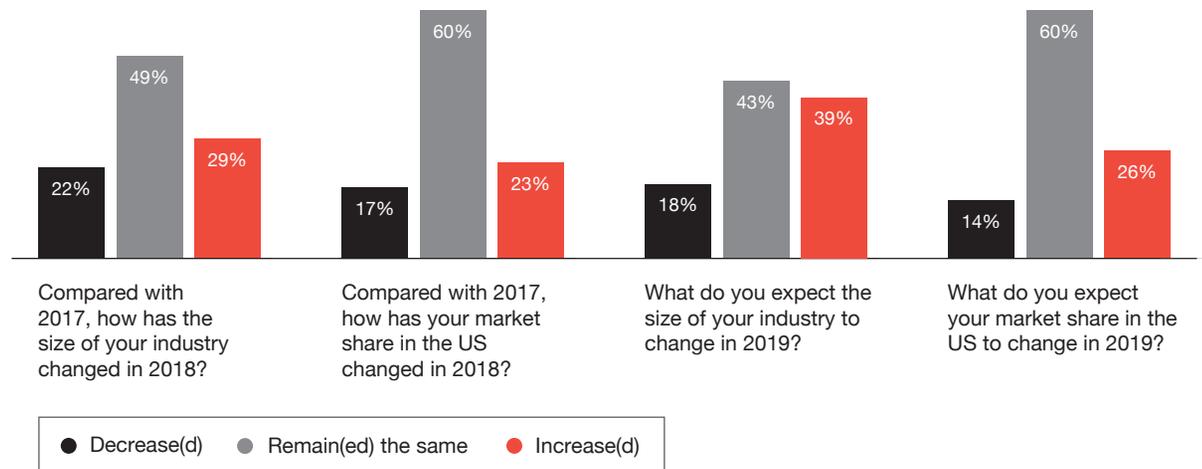
Figure 23c: Consumer Products



**QUESTION 23-D**

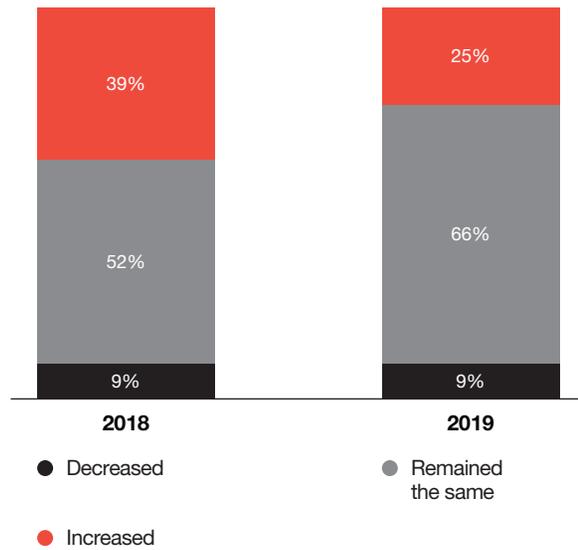
Please choose the trend of industry growth and market share of your company in 2018 and the expectations for those in 2019.

Figure 23d: Service



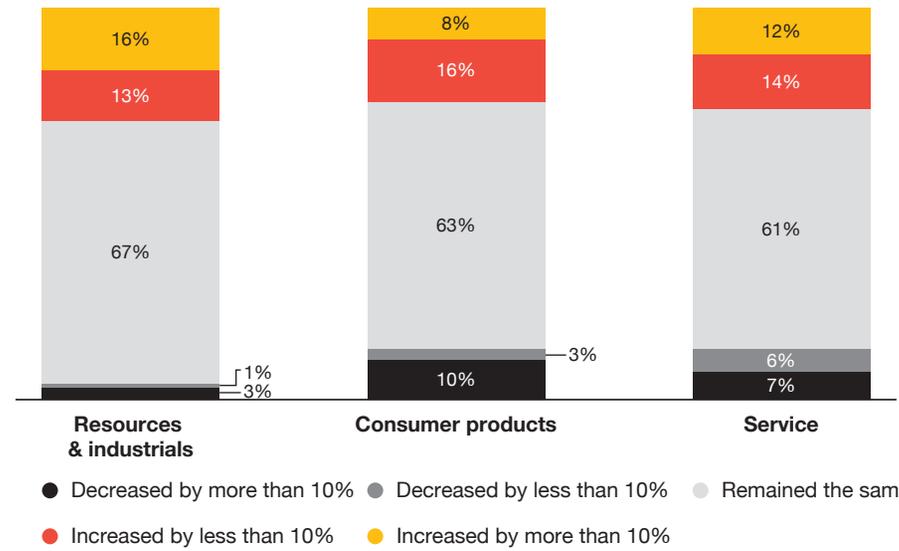
**QUESTION 24-A**

What was the change in your company's new business investment in the United States last year?



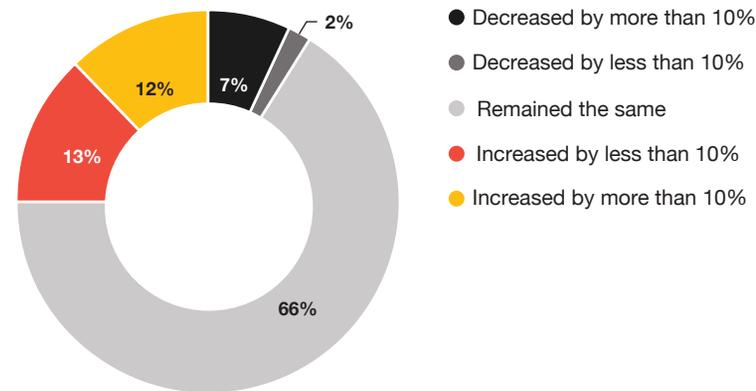
**QUESTION 24-B**

What was the change in your company's new business investment in the United States last year?



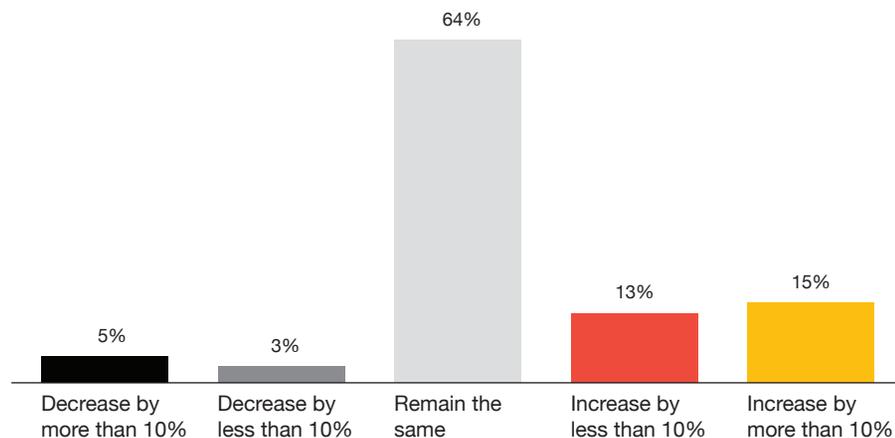
**QUESTION 24-C**

What was the change in your company's new business investment in the United States in 2018?



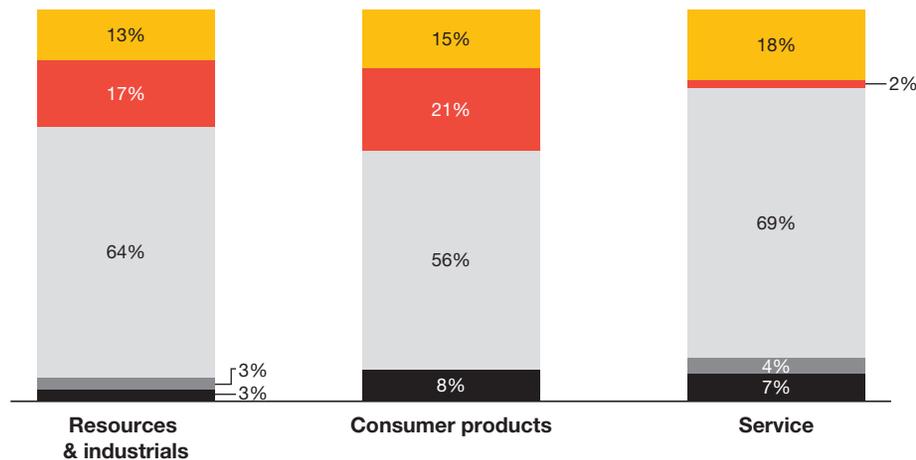
**QUESTION 25-A**

What changes do you expect from your company's new investment in the US business in 2019?



**QUESTION 25-B**

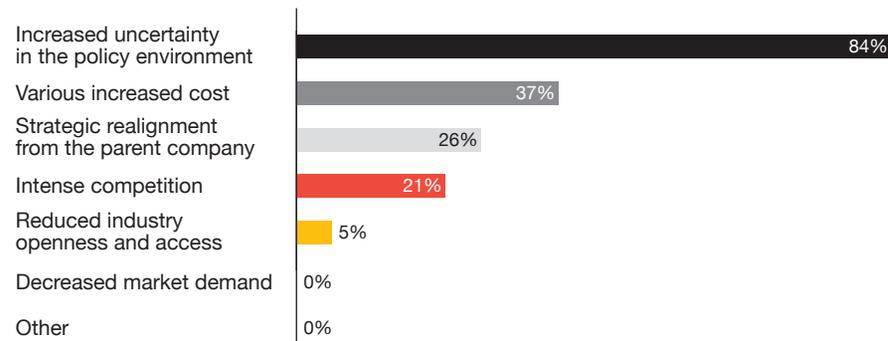
What changes do you expect from your company's new investment in the US business in 2019?



- Decreased by more than 10%
- Decreased by less than 10%
- Remained the same
- Increased by less than 10%
- Increased by more than 10%

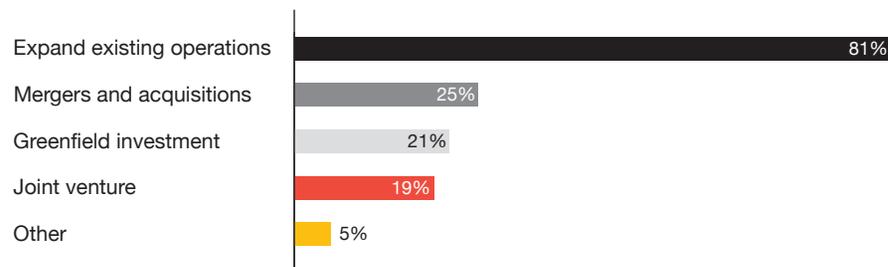
**QUESTION 26**

If your company is going to reduce investment in the US in 2019, what are the reasons? (Please select all that apply)



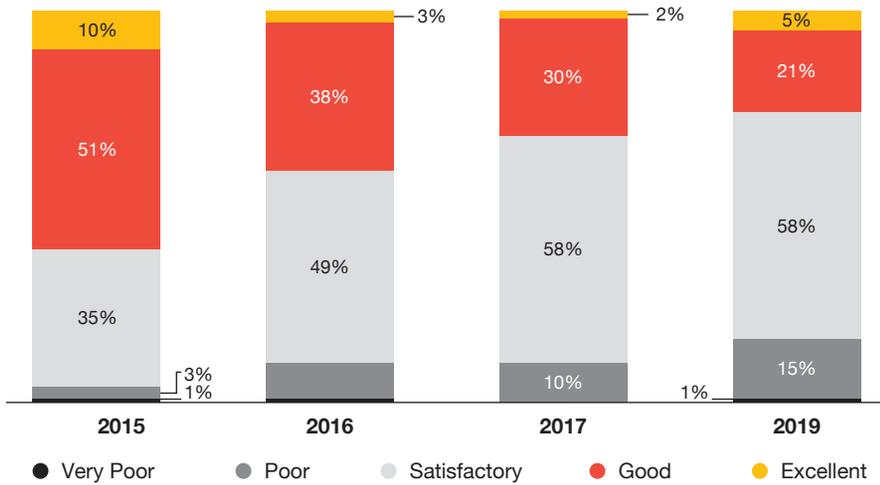
**QUESTION 27**

If your company is going to increase investment in the US in 2019, which of the following approaches will be chosen?



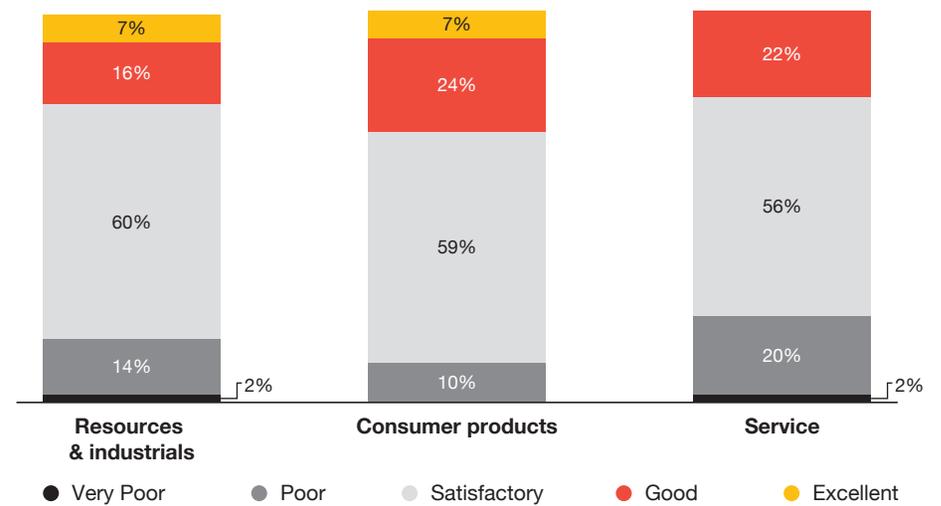
**QUESTION 28-A**

How do you evaluate the US overall investment and business environment?



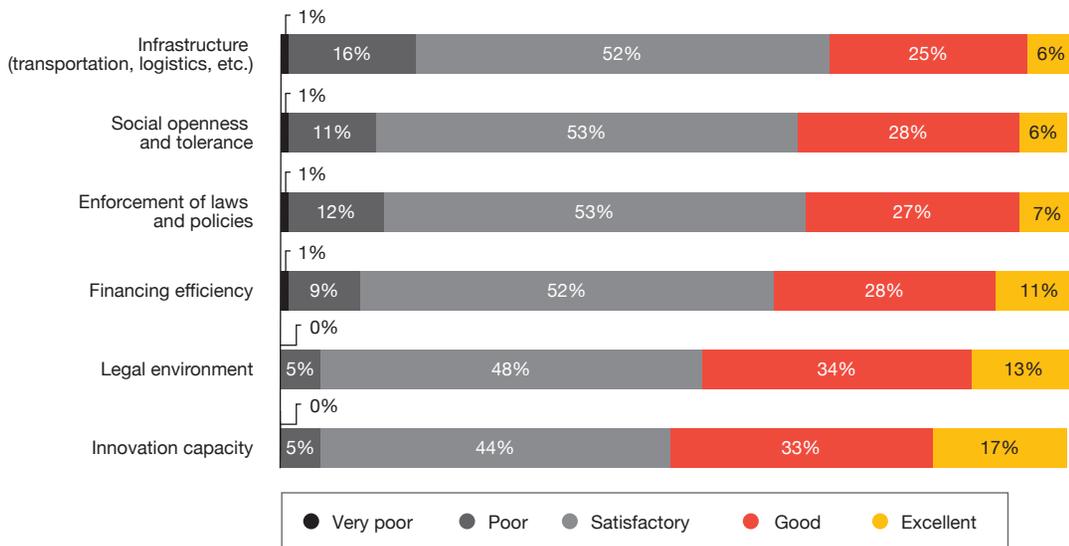
**QUESTION 28-B**

How do you evaluate the US overall investment and business environment?



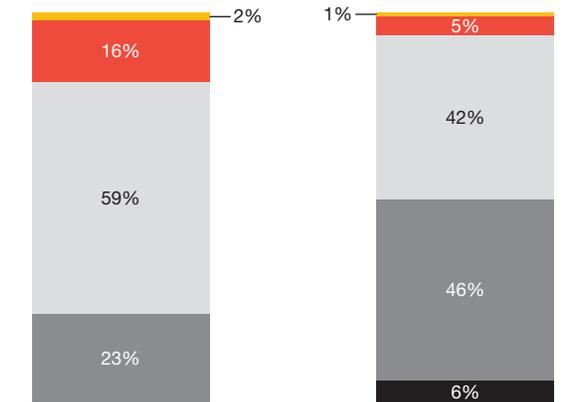
**QUESTION 28-C**

How do you evaluate the US overall investment and business environment?



**QUESTION 29-A**

Compared to two years ago, how has the US investment and business environment changed last year?



**2018**

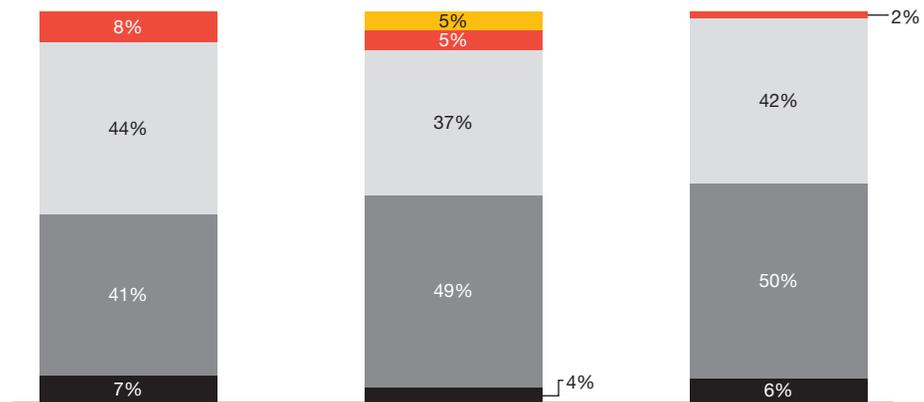
**2019**

- Substantially declined
- Moderately declined
- Remained the same
- Substantially improved

- Moderately declined
- Moderately improved

**QUESTION 29-B**

Compared to two years ago, how has the US investment and business environment changed last year?



**Resources & industrials**

**Consumer products**

**Service**

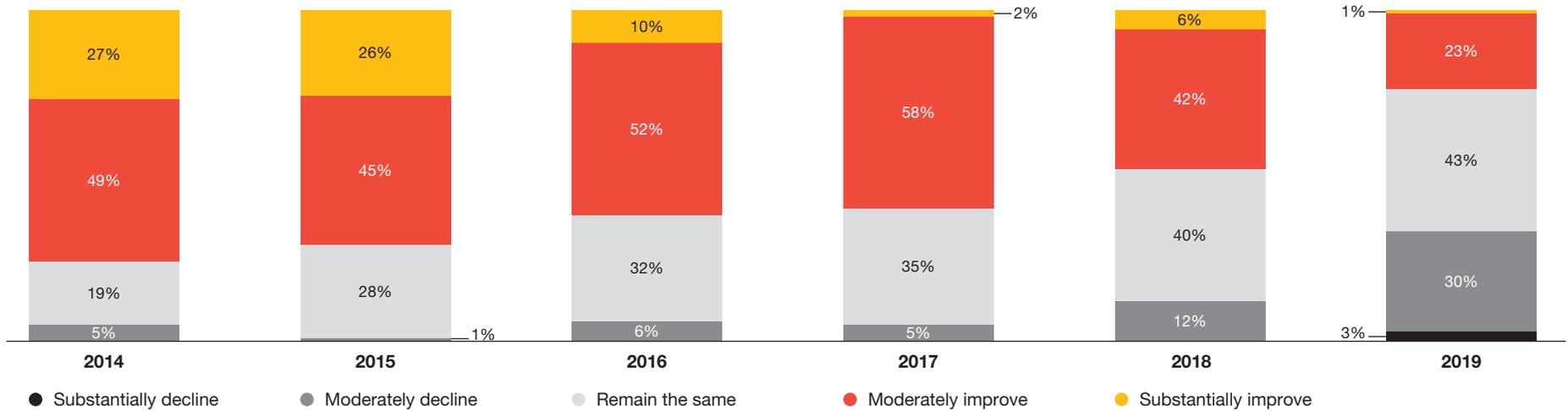
- Substantially declined
- Moderately improved

- Moderately declined
- Substantially improved

- Remained the same

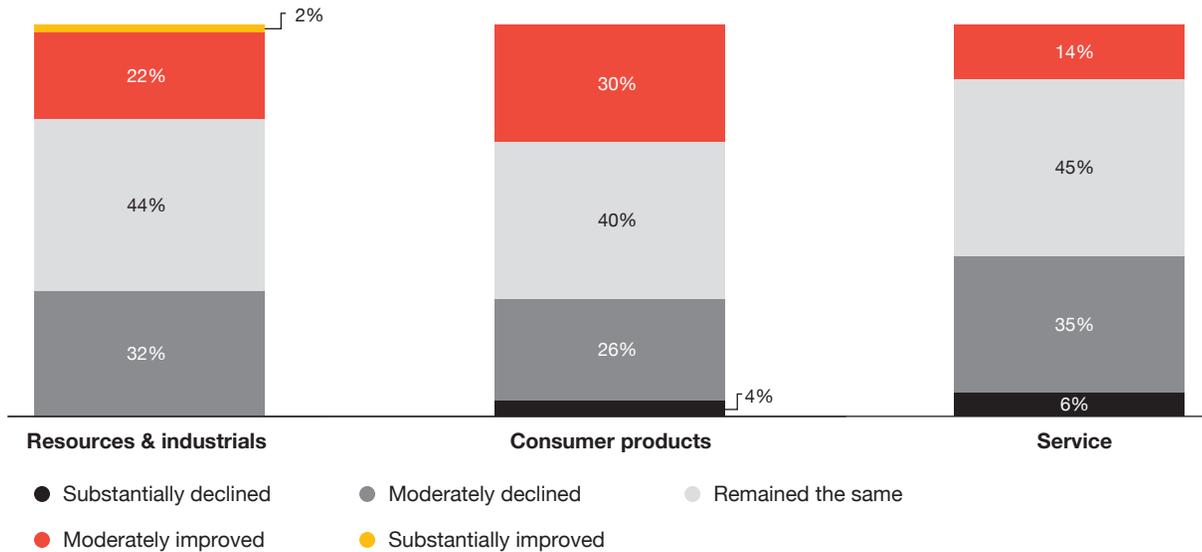
**QUESTION 30-A**

How do you forecast the US investment and business environment in the next two years?



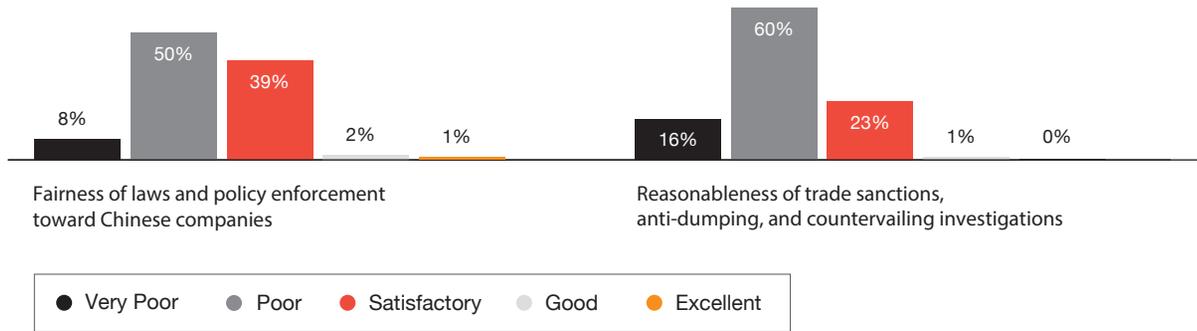
**QUESTION 30-B**

How do you forecast the US investment and business environment in the next two years?



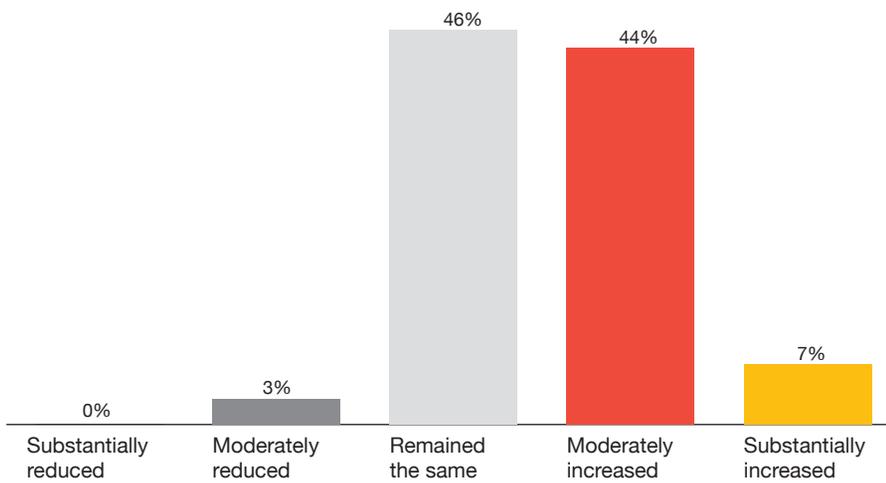
**QUESTION 31**

In 2018, many entrepreneurs experienced critical changes in the US investment and business environment. Please evaluate the following elements of political environment and policy development.



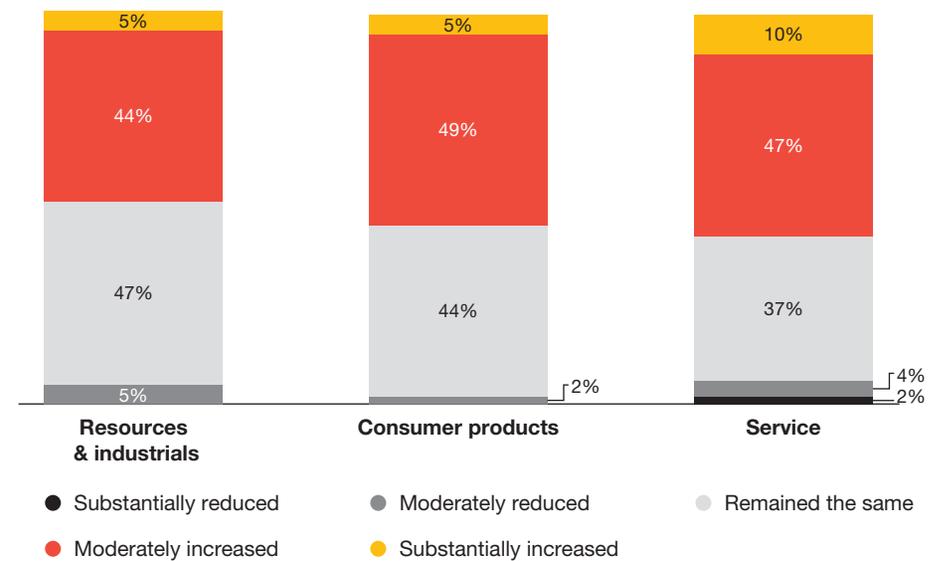
**QUESTION 32-A**

In the past two years, how has the rigor of law enforcement changed in your industry?



**QUESTION 32-B**

In the past two years, how has the rigor of law enforcement changed in your industry?



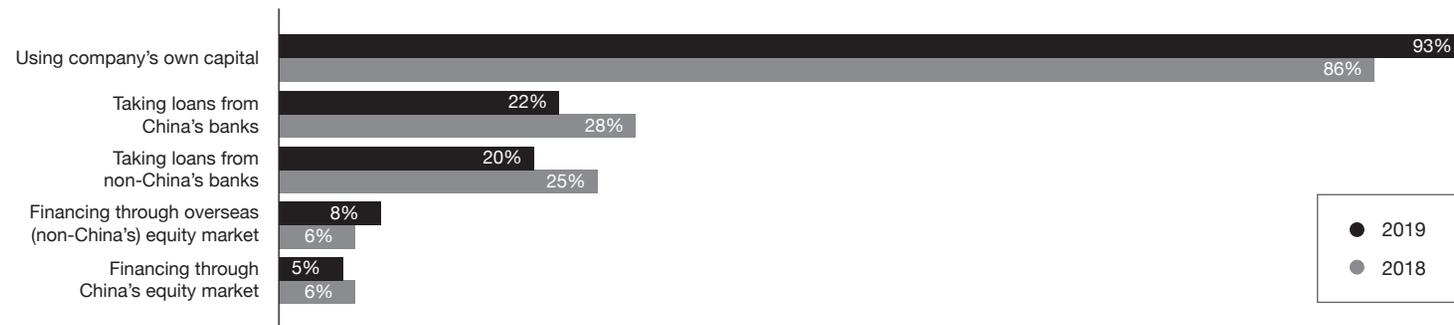
**QUESTION 33**

**Is your company adversely affected by the following policies or positions of the US government?**



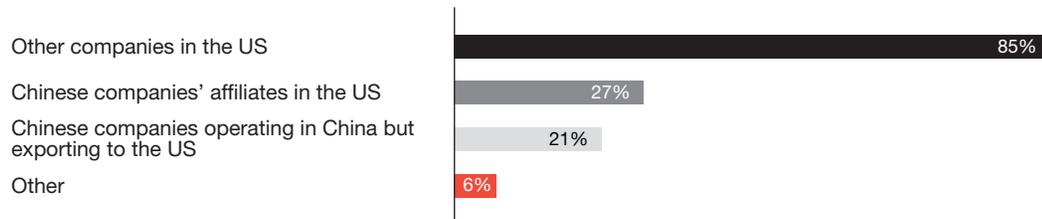
**QUESTION 35**

**How does your company raise capital for US investment projects?**



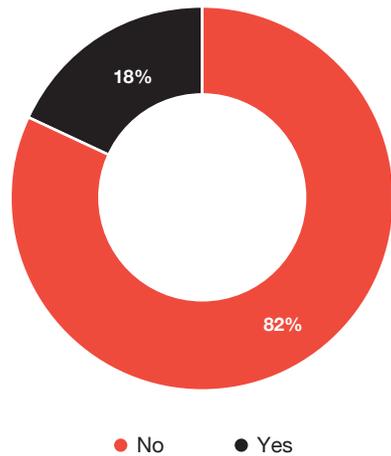
**QUESTION 36**

**Which of the following are your company's major competitors in the US?**



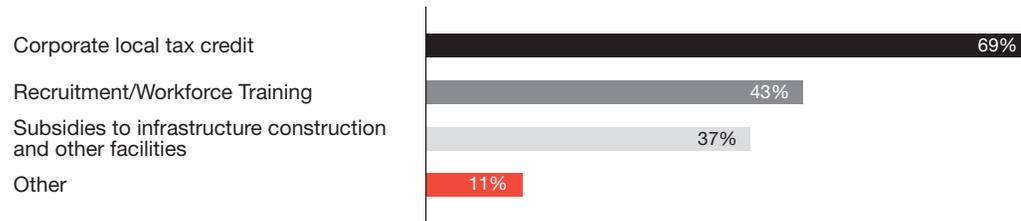
**QUESTION 37**

Does your company enjoy special support and incentives from local governments when investing in the US?



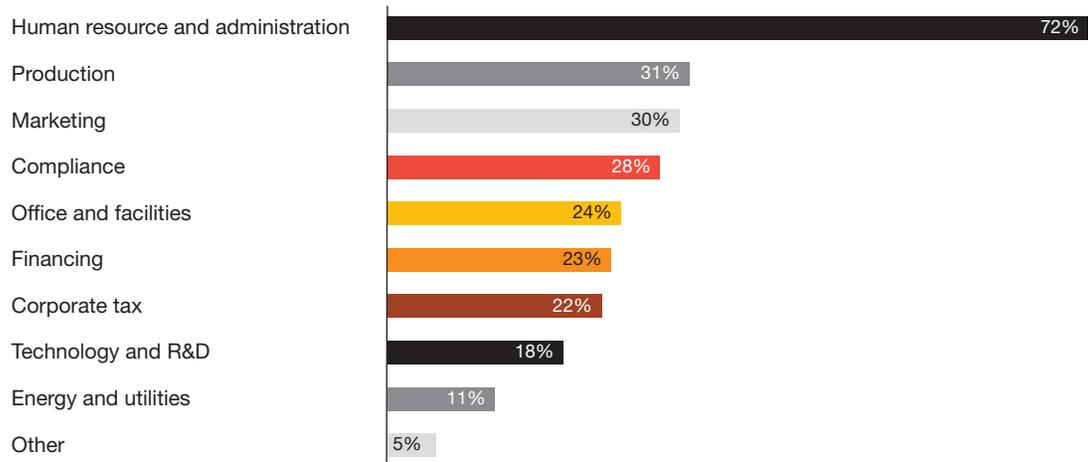
**QUESTION 38**

Which of the following special support and incentives from local governments has your company received?



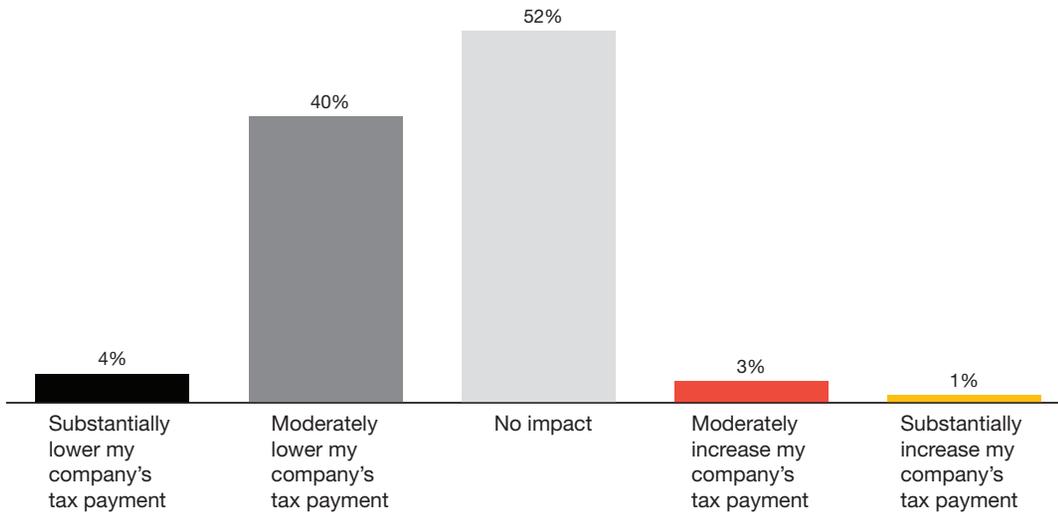
**QUESTION 39**

Which of the following operational costs concern your company the most?



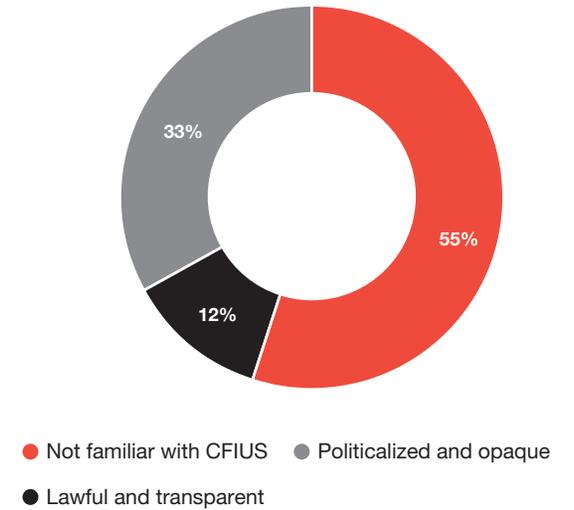
**QUESTION 40**

How would the 2017 Tax Cuts and Jobs Acts impact your company's taxation in the US?



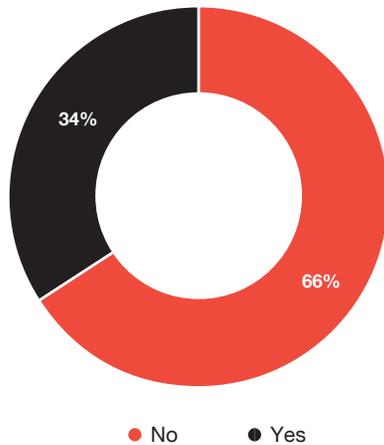
**QUESTION 41**

How do you view the Foreign Investment in the United States (CFIUS) review?



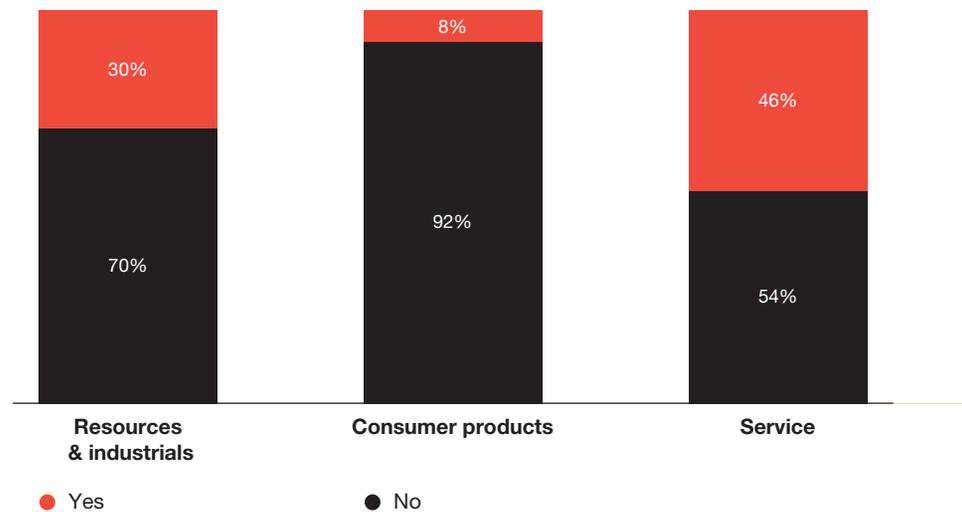
**QUESTION 42-A**

Has the Committee on Foreign Investment in the United States (CFIUS) review affected your company's investment plans in the US?



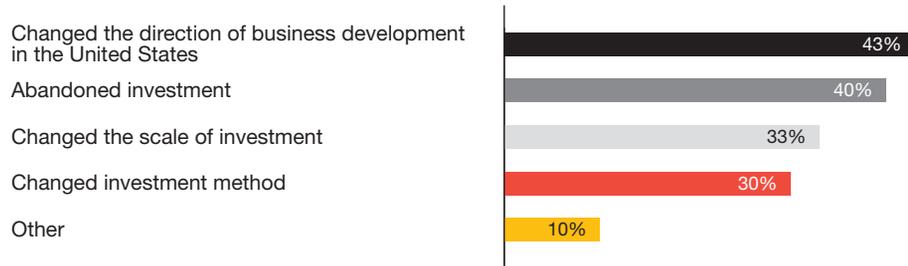
**QUESTION 42-B**

Has the Committee on Foreign Investment in the United States (CFIUS) review affected your company's investment plans in the US?



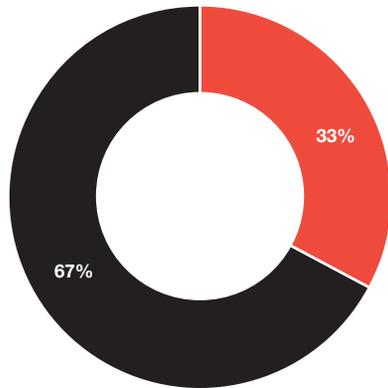
**QUESTION 43**

**How has the Committee on Foreign Investment in the United States (CFIUS) review affected your company's investment plans in the US?**



**QUESTION 44-A**

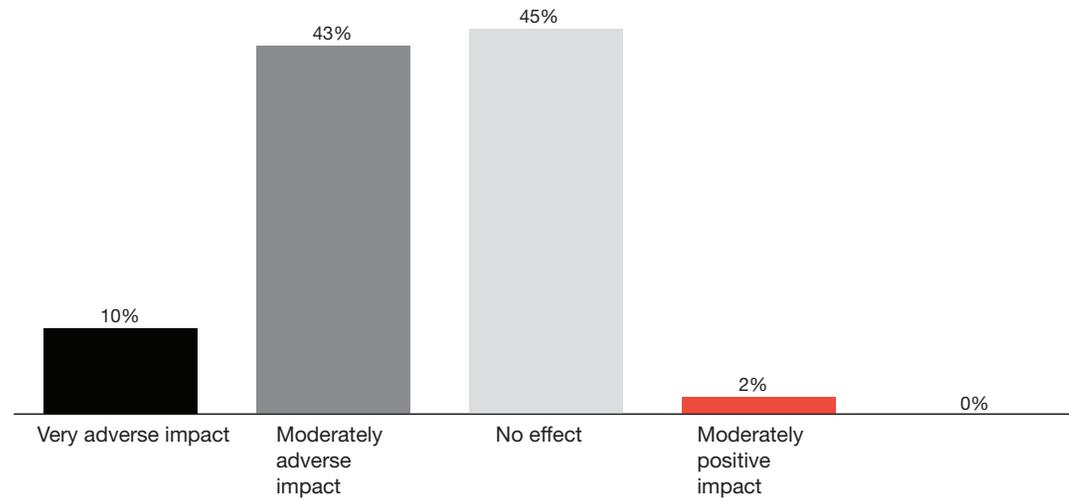
**Are you familiar with Foreign Investment Risk Review Modernization Act (FIRRMA)?**



- Not familiar with the issue at all
- Familiar with the issue

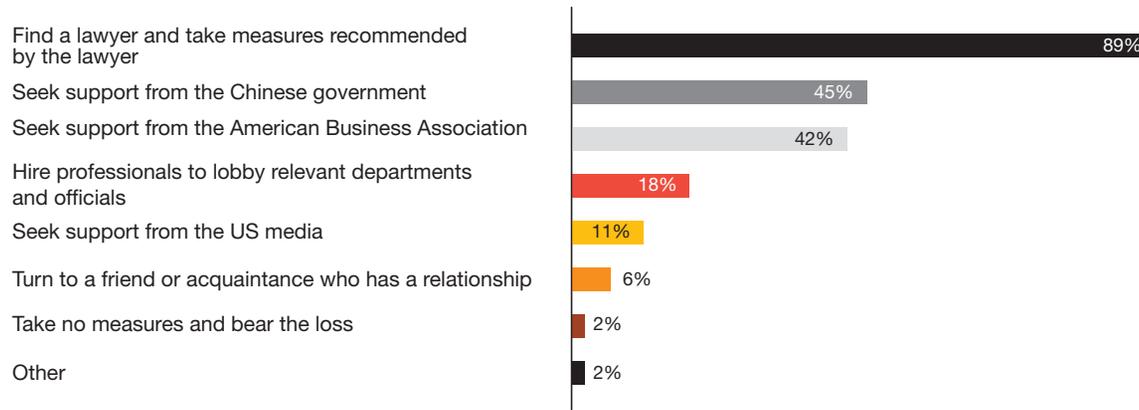
**QUESTION 44-B**

**Would the Foreign Investment Risk Review Modernization Act (FIRRMA) have an impact on your company's US investment plans?**



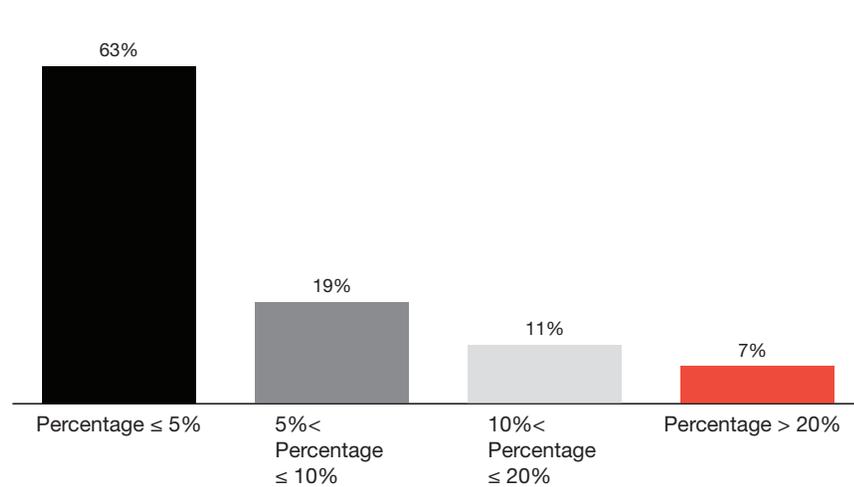
**QUESTION 45**

**If your company is being treated unfairly, which of the following measures would you take?**



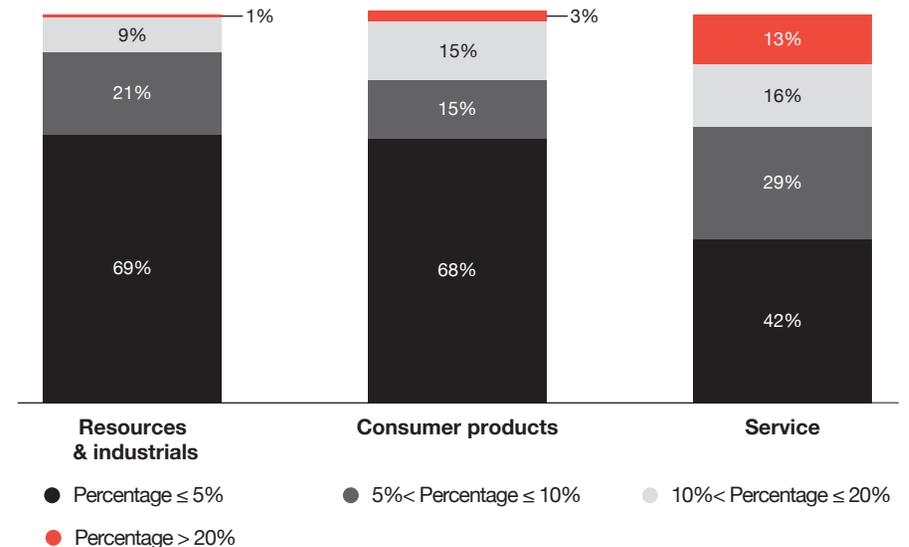
**QUESTION 48-A**

**What is the company's spending on compliance as a percentage of sales and administrative expenses (SG&A)?**



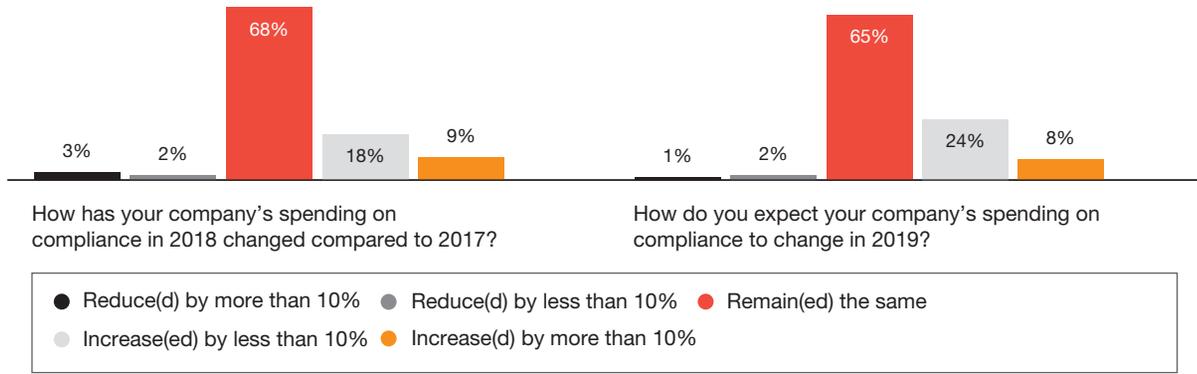
**QUESTION 48-B**

**What is the company's spending on compliance as a percentage of sales and administrative expenses (SG&A)?**



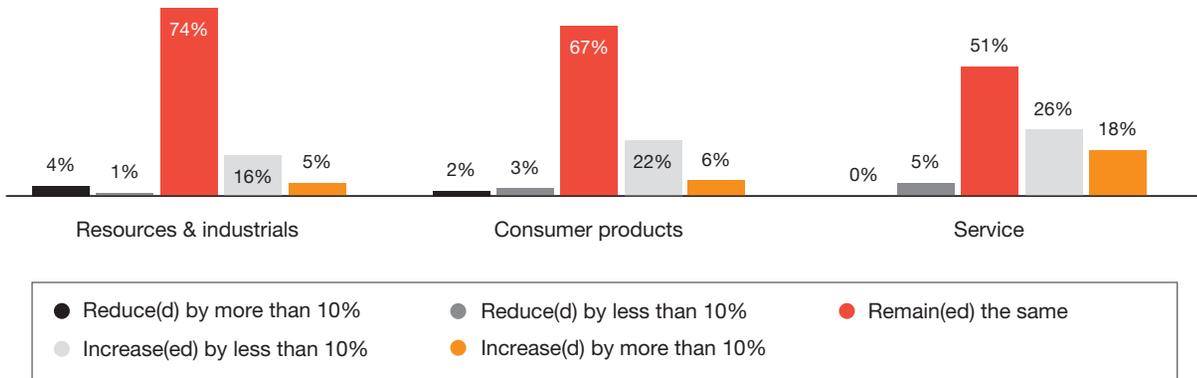
**QUESTION 49-A**

Please provide your company's change in compliance cost for 2018 and forecast for 2019.



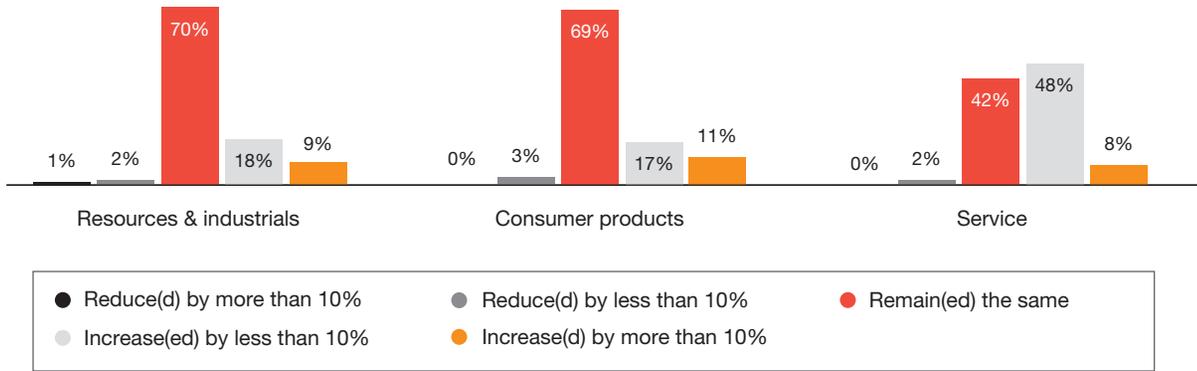
**QUESTION 49-B**

How has your company's spending on compliance in 2018 changed compared to 2017?



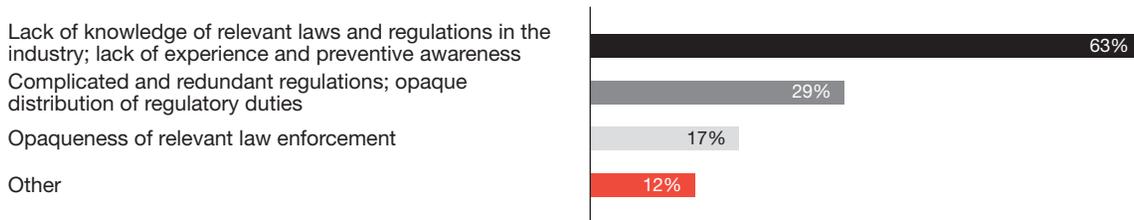
**QUESTION 49-C**

**How do you expect your company's spending on compliance to change in 2019?**



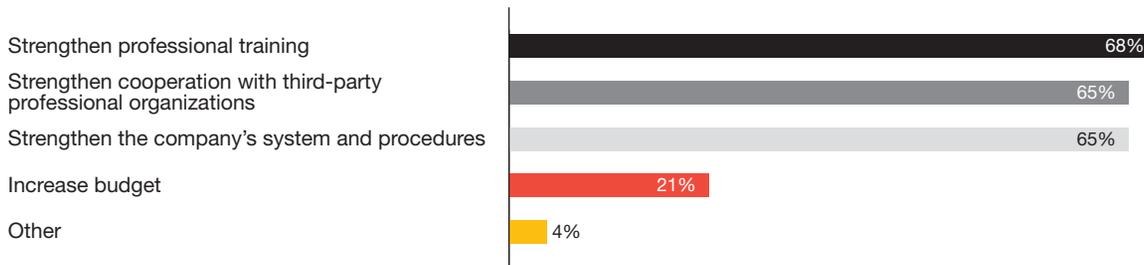
**QUESTION 50**

**What are the main challenges facing your company in complying with government regulation?**



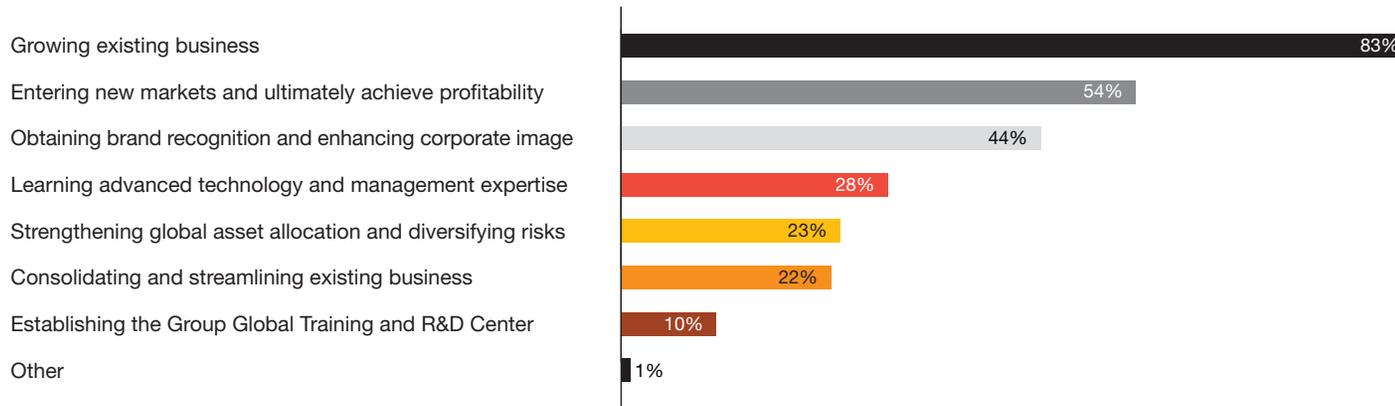
**QUESTION 51**

**Which of the following steps did your company take to address the challenges complying with regulation?**



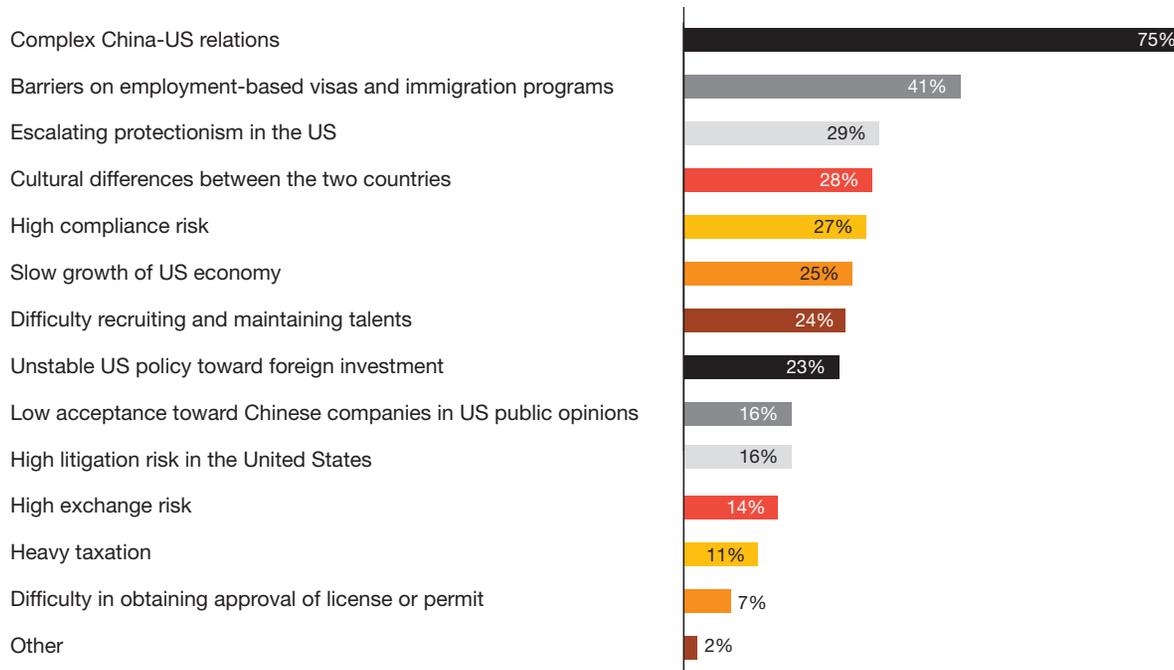
### QUESTION 52

What were the primary objectives for your company in 2018?



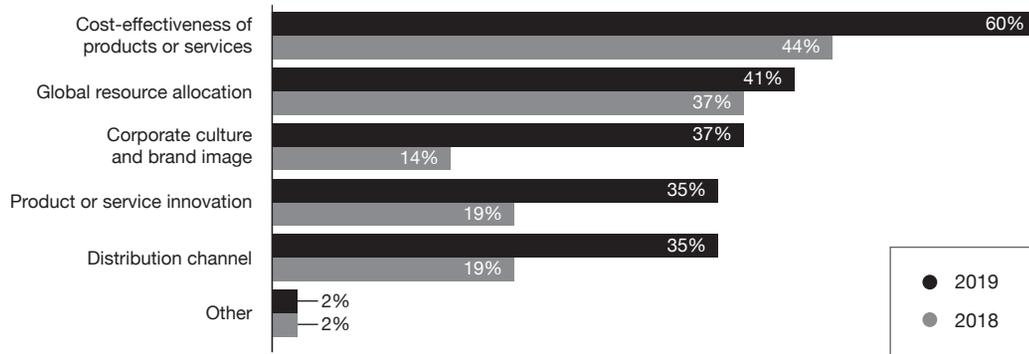
### QUESTION 53

Which of the following items are your most difficult challenges in conducting business in the US?



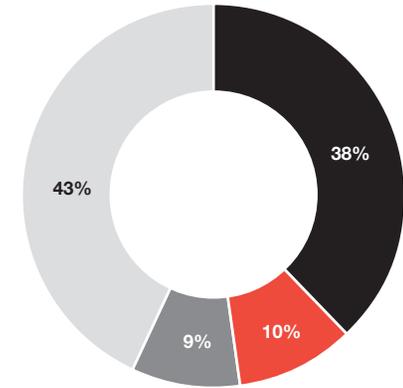
**QUESTION 54**

What is/are your company's comparative advantages?



**QUESTION 56**

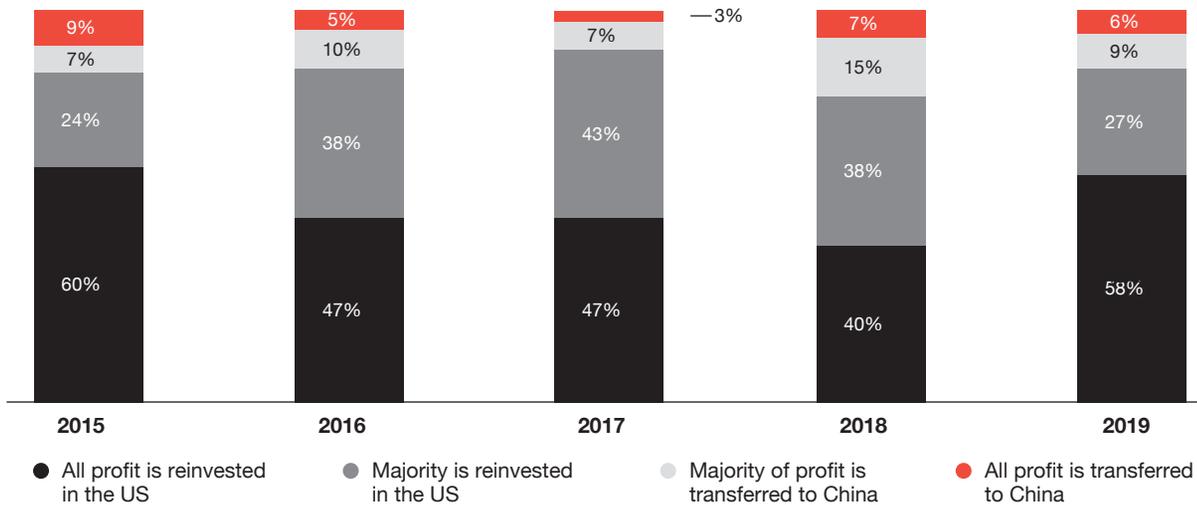
Did your company's US operation in 2018 directly involve China-US trade in goods?



- My company imported products from China to the US for sale or assembly
- My company exported products from the US to China for sale or assembly
- My company's operation was involved in both import and export
- My company did NOT involve China-US trade in goods

**QUESTION 55**

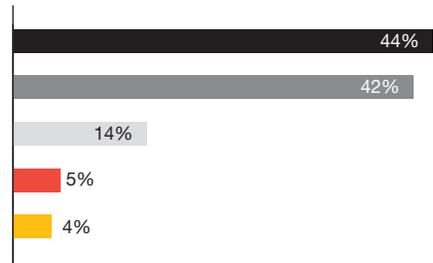
How does your company distribute the profits from its US operations?



**QUESTION 57**

**Starting in July 2018, the United States imposed tariffs on \$250 billion of Chinese products. China quickly responded with tariffs on \$110 billion of US products. If the new tariffs stay effective, how will this affect your company's investment strategy in the short term (within two years)?**

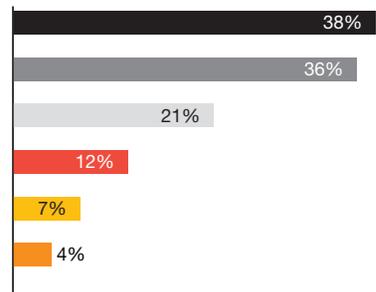
- Delay investing in the United States, and wait until both countries to reach a deal
- Proceed with the original investment plan, and bear the adverse short-term effects brought by tariffs, hoping the disputes will be resolved soon
- Not subject to new tariffs, therefore, proceed with the original investment plan
- Accelerate investing in the United States and achieve manufacturing in the US
- Other



**QUESTION 58**

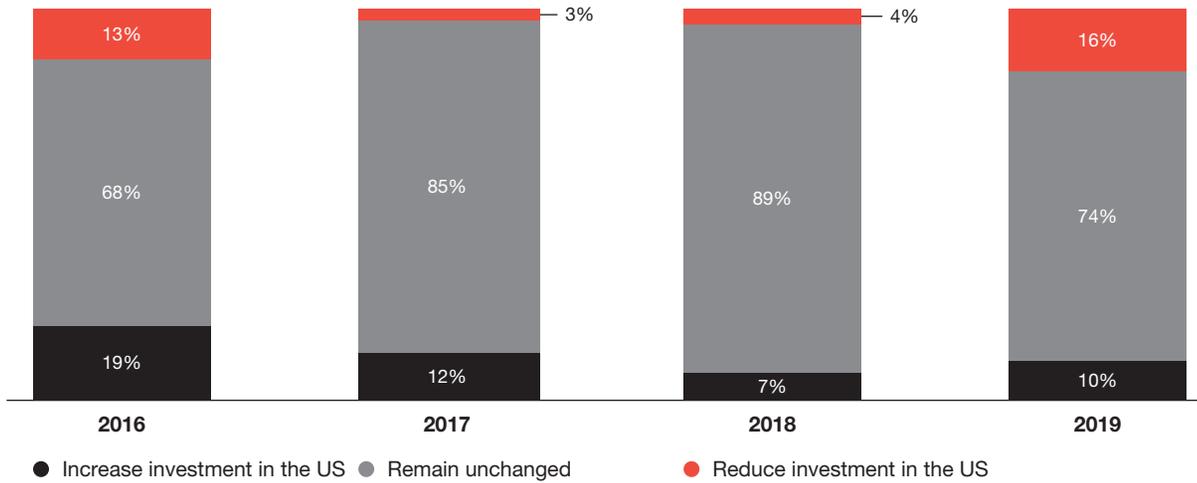
**Starting in July 2018, the United States imposed tariffs on \$250 billion of Chinese products. China quickly responded with tariffs on \$110 billion of US products. If the new tariffs stay effective, how will this affect your company's investment strategy in the long run (after two years)?**

- Re-adjust global supply chain network, manufacture in a third country to avoid tariff on China's imports
- Proceed with the original investment plan, and bear the adverse long-term effects brought by tariffs
- Not subject to new tariffs, therefore, proceed with the original investment plan
- Manufacture in the US to avoid tariff
- Other
- Exit US market



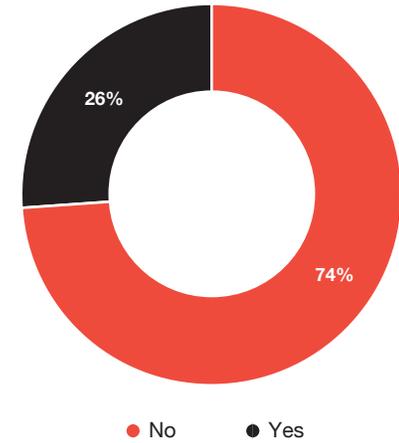
**QUESTION 59**

How does the current state of the Chinese economy affect your company's investment plans in the United States?



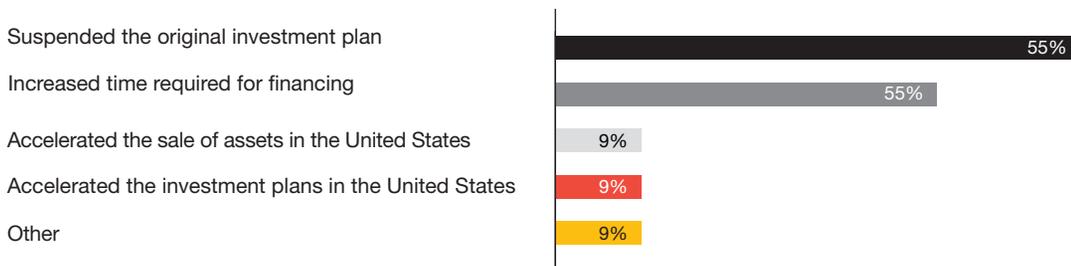
**QUESTION 60**

In 2018, has China's new economic and financial policy reforms affected your investment plans in the United States?



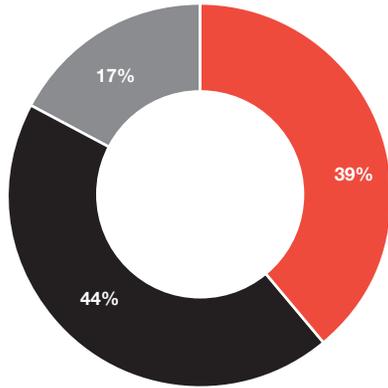
**QUESTION 61**

In 2018, how has China's new economic and financial policy reforms affected your investment plans in the United States?



**QUESTION 62-A**

Has the China's "Guiding Opinions" on overseas investment affected your investment plan in the US?

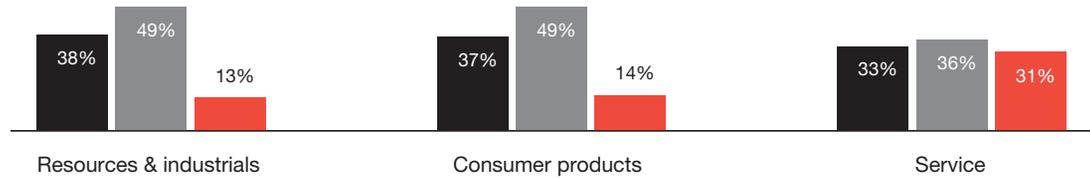


- Not familiar with this policy
- It has not affected my investment plan in the US
- It has affected my investment plan in the US

On August 18, 2017, the Chinese government released "Opinions on Further Guiding and Regulating the Direction of Overseas Investment" (Guiding Opinions), restricting Chinese companies to conduct outbound investments that do not align with Chinese macroeconomic regulatory policies, including investment in real estate, hospitality, movie theater, entertainment, athletic club, etc.

**QUESTION 62-B**

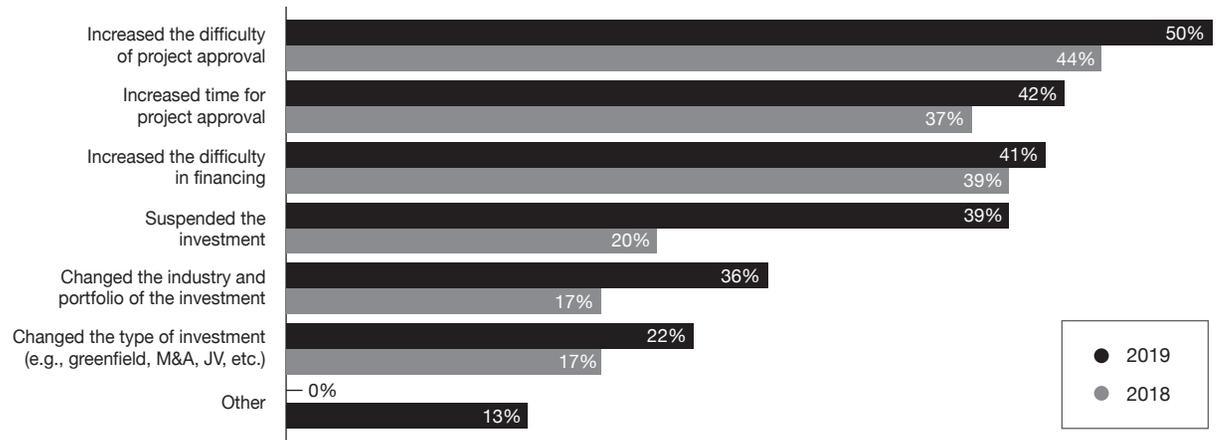
Has the China's "Guiding Opinions" on overseas investment affected your investment plan in the US?



- Not familiar with this policy
- It has not affected my investment plan in the US
- It has affected my investment plan in the US

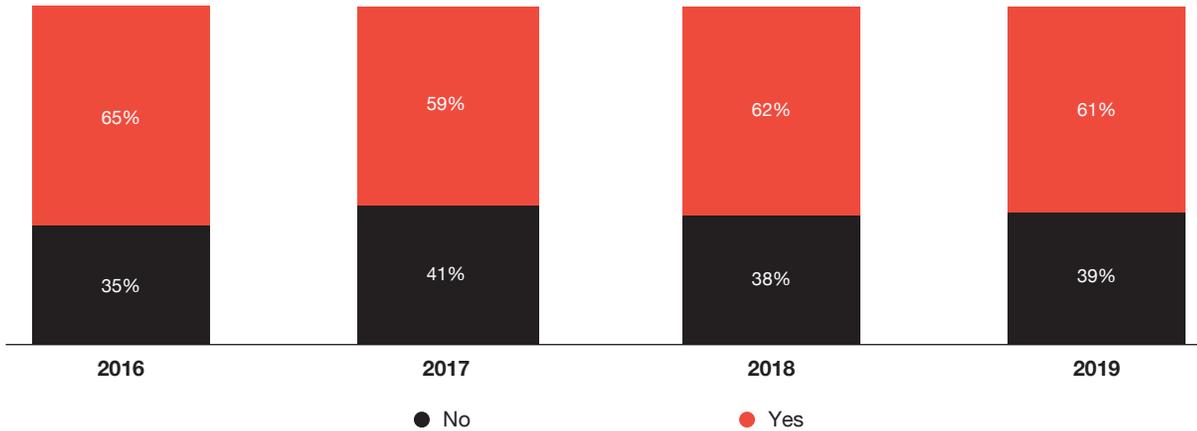
**QUESTION 63**

How has the Chinese government's "Guiding Opinions" on overseas investment affected your investment in the US?



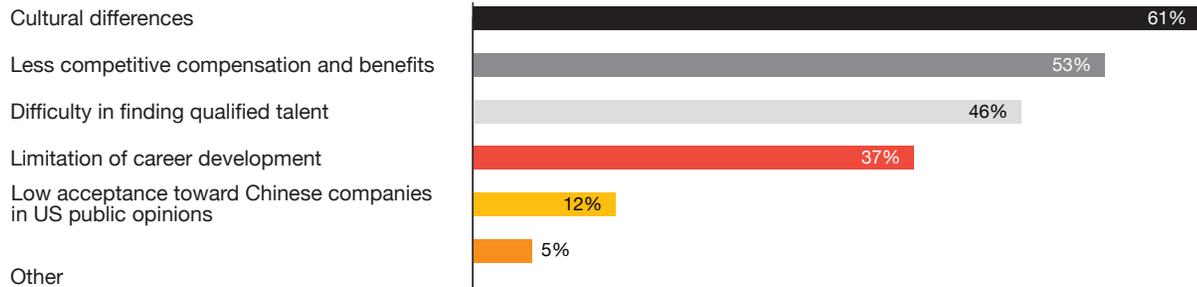
**QUESTION 64**

**Has your company experienced challenges in hiring or retaining talent in the US?**



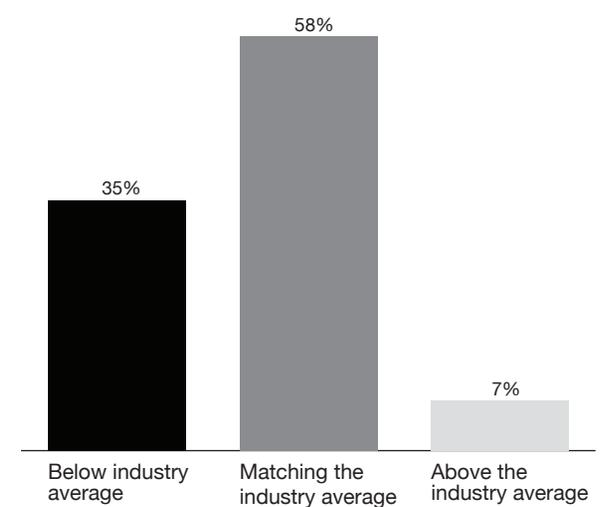
**QUESTION 65**

**Which of the following caused your company the challenges in hiring or retaining talent in the US?"**



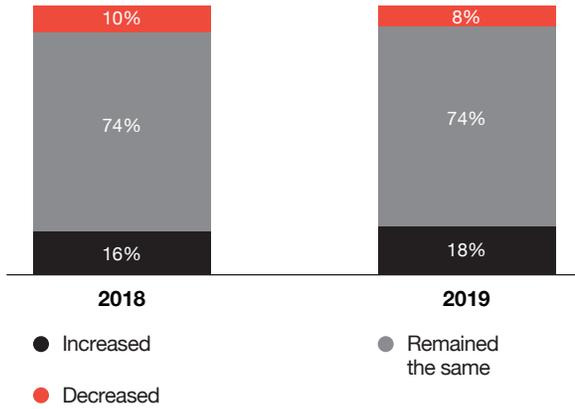
**QUESTION 66**

**How has the labor turnover rate of your company in 2018 compared to the industry average?**



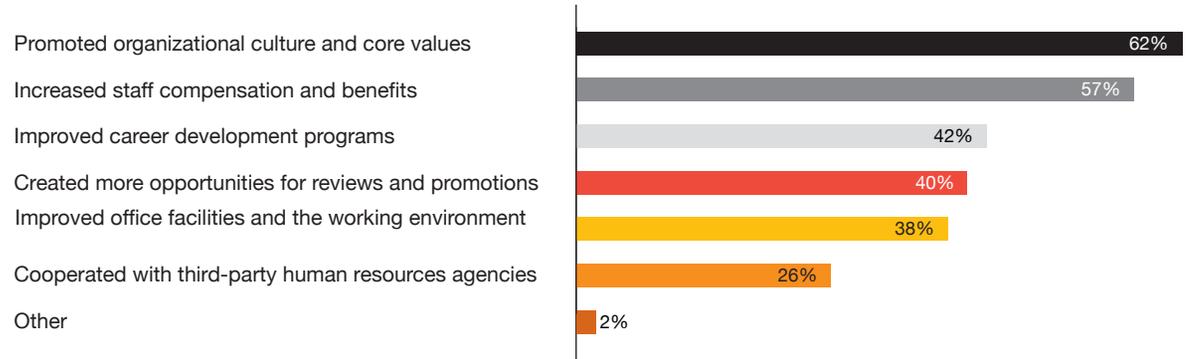
**QUESTION 67**

Compared to two years ago, how has the labor turnover rate of your company changed last year?



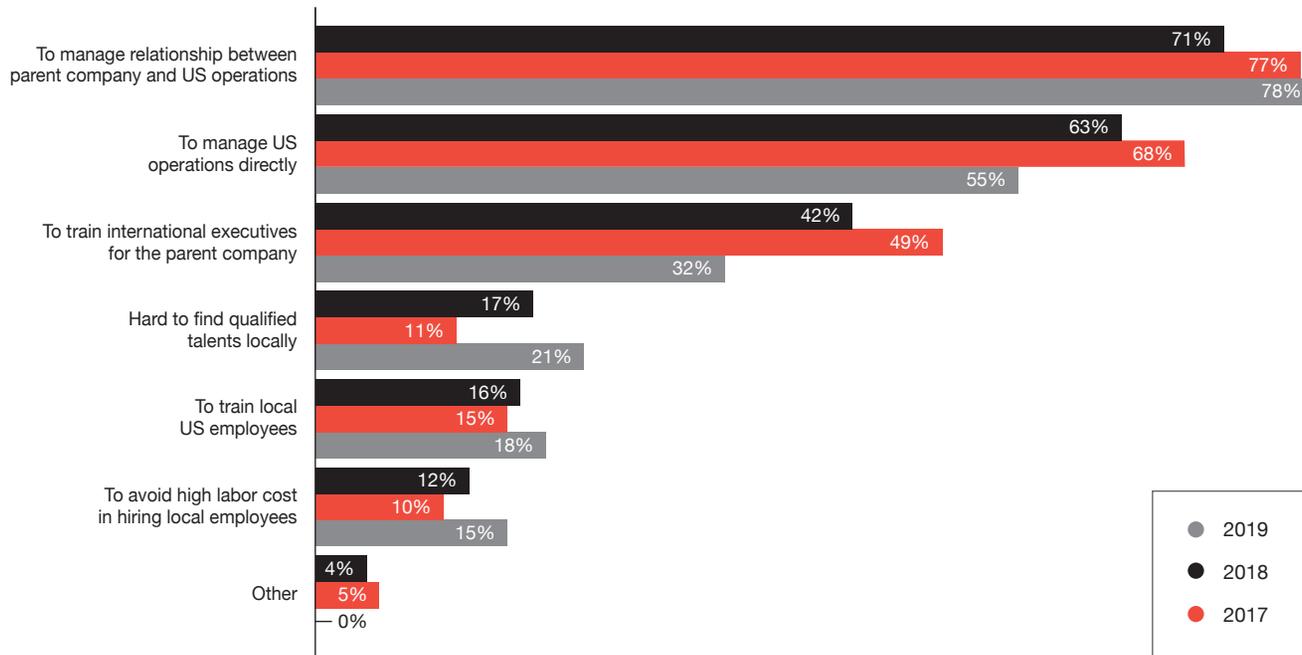
**QUESTION 68**

What has your company done to address the challenges in human resources management?



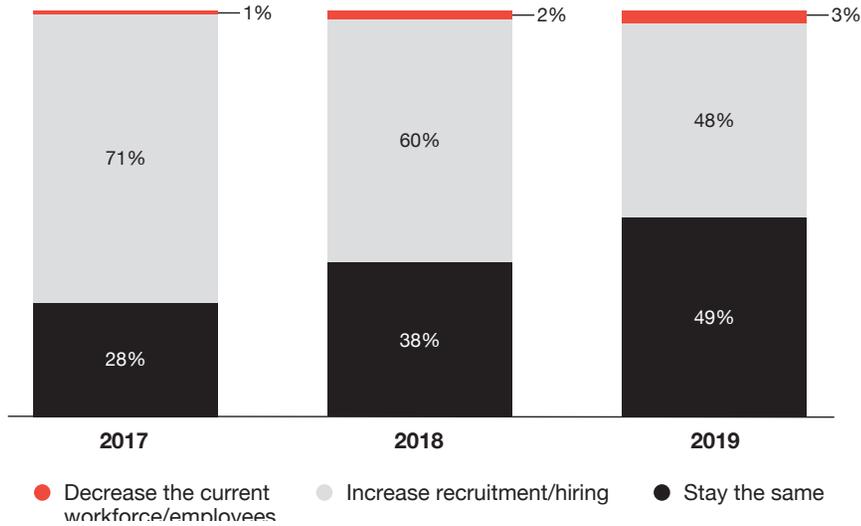
**QUESTION 69**

What are the primary reasons for your parent company to send expatriates to the US, if any?



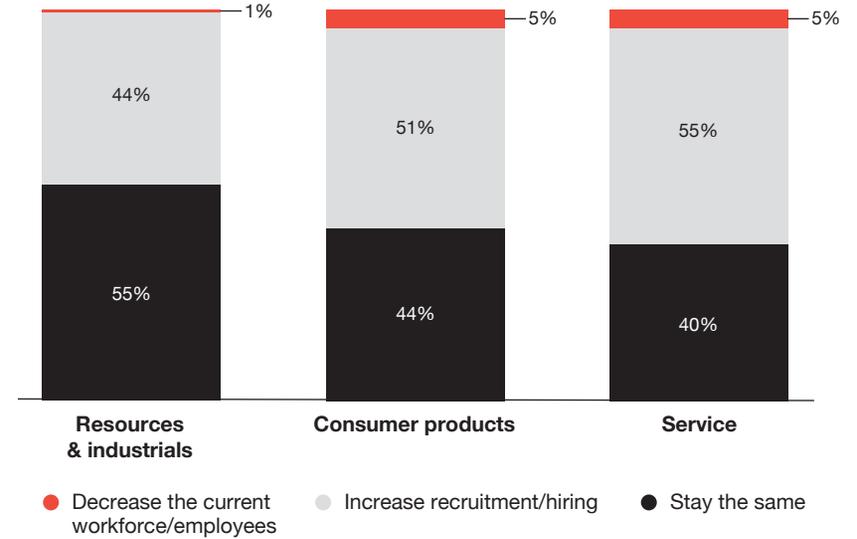
**QUESTION 72-A**

How will your company adjust its headcount in the following two years?



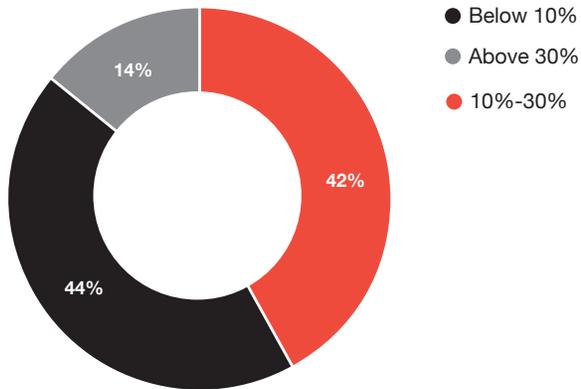
**QUESTION 72-B**

How will your company adjust its headcount in the following two years?



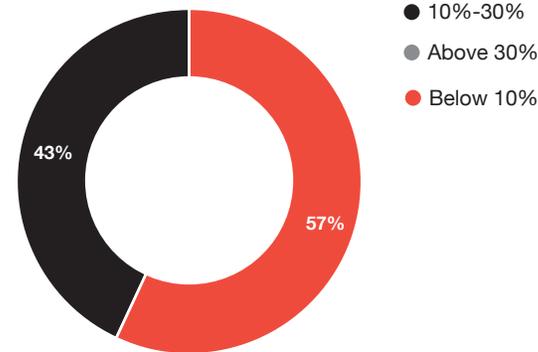
**QUESTION 73**

If your company plans to increase hiring in the following two years, how much do you estimate headcount will increase?



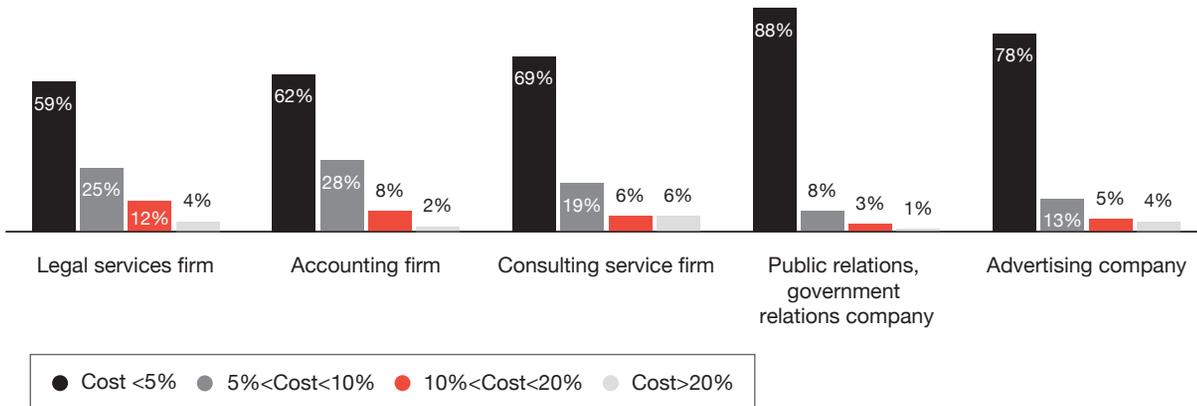
**QUESTION 74**

If your company plans to reduce headcount in the following two years, how much do you estimate headcount will decrease?



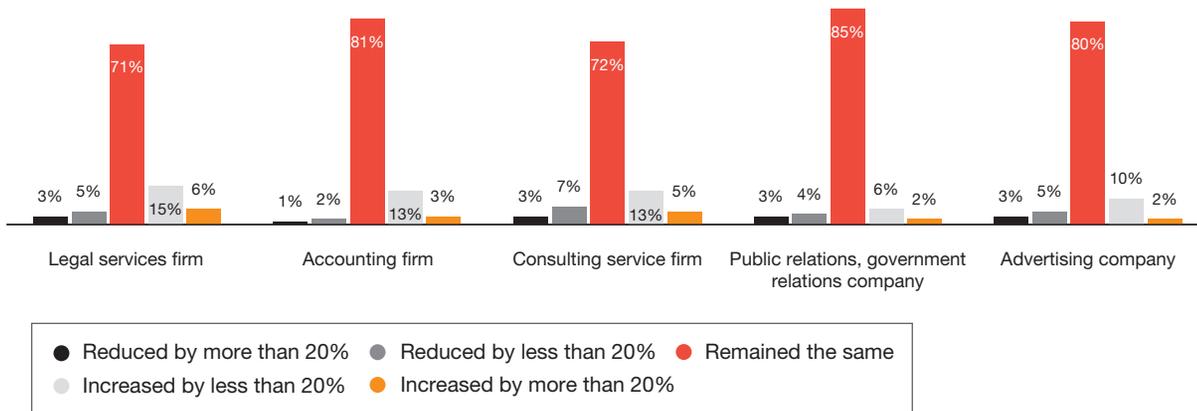
**QUESTION 76**

What was the proportion of expenses paid to the following firms counted towards your sales and administrative expenses (SG&A) in 2018?



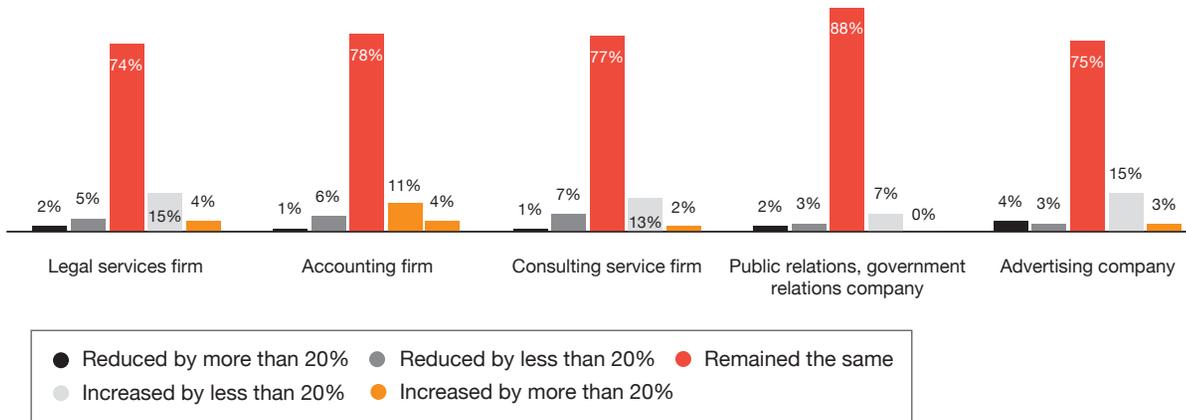
**QUESTION 77**

Compared with 2017, how did total fees paid to third-party service organizations change in 2018?



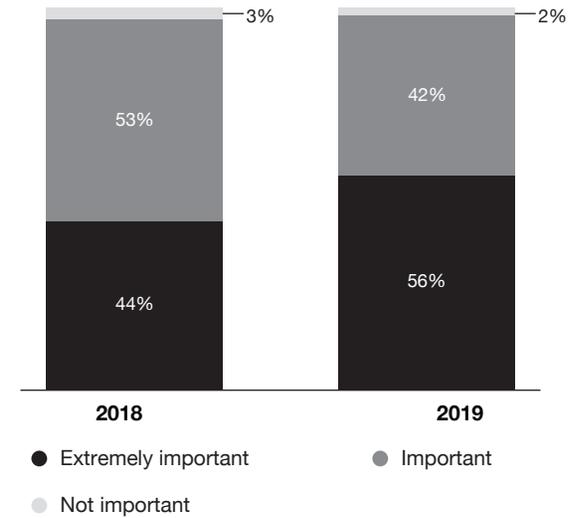
**QUESTION 78**

How do you expect the fees paid to third-party service organizations to change in 2019?



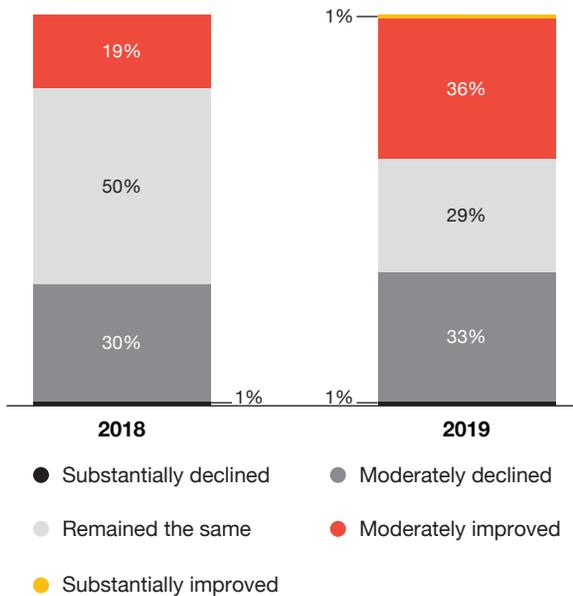
**QUESTION 80**

How important is a stable and healthy China-US relationship to your company's business in the US?



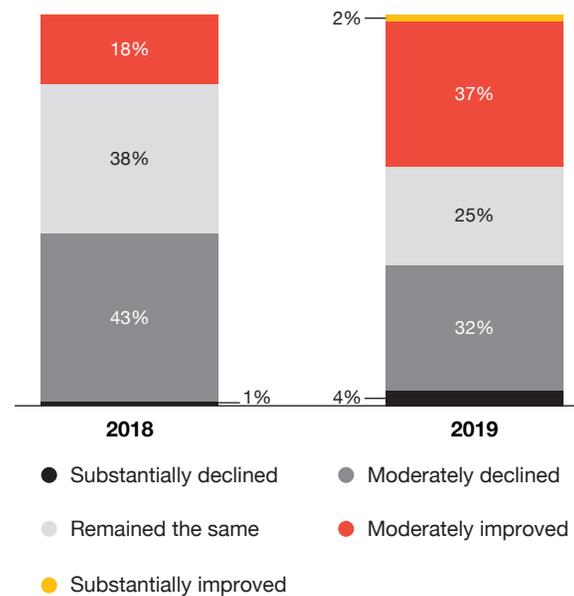
**QUESTION 79-A**

How do you foresee China-US relations?



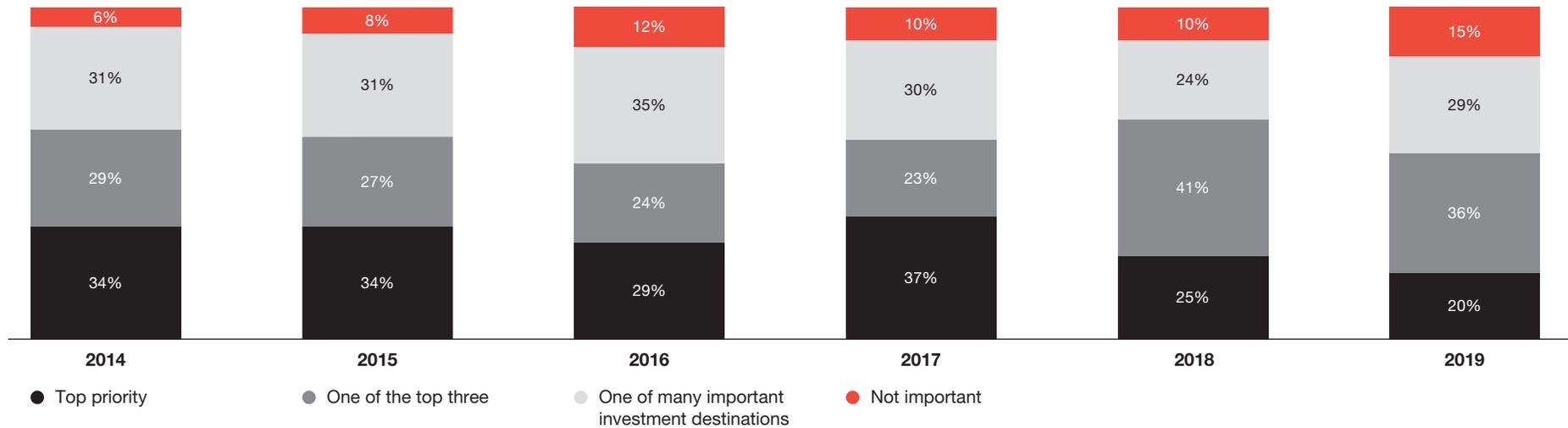
**QUESTION 79-A**

How do you foresee China-US economic and trade relations?



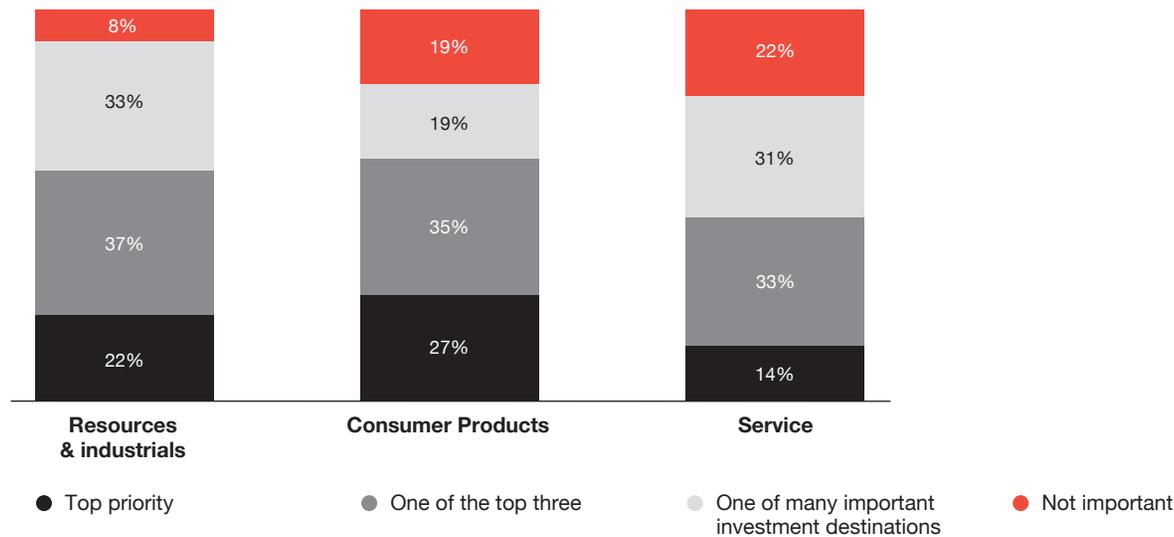
**QUESTION 81-A**

How important is the US market in your company's global landscape?



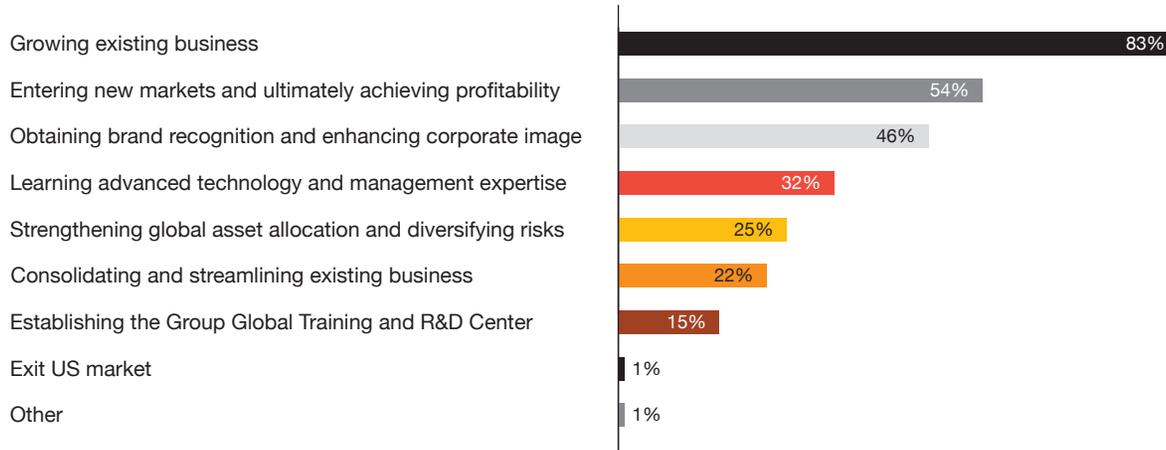
**QUESTION 81-B**

How important is the US market in your company's global landscape?



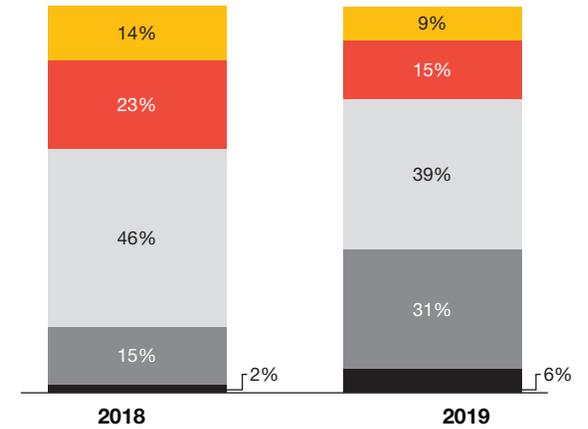
**QUESTION 82**

Which of the following best describes your operational goals in 2019?



**QUESTION 83-A**

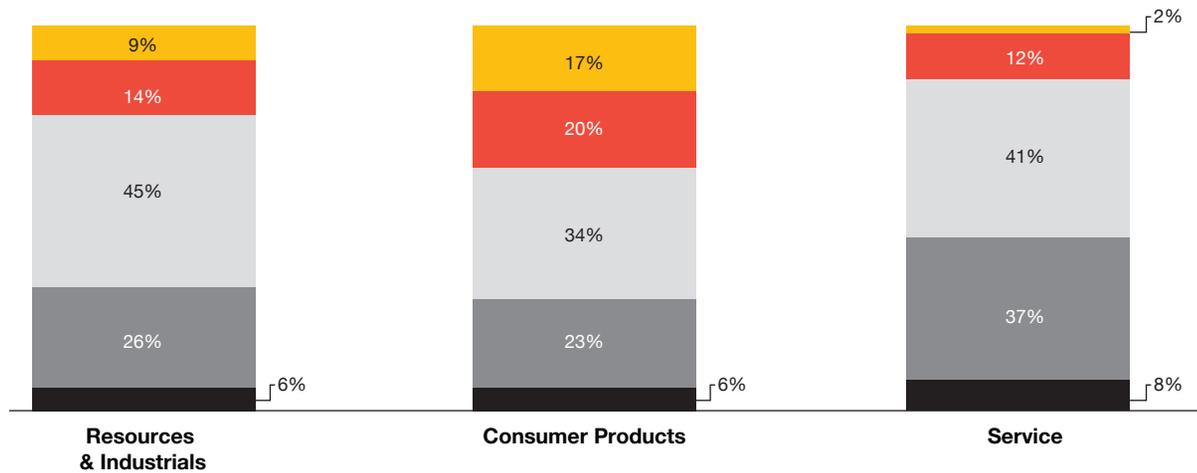
What is your annual revenue forecast in the next two years?



- Decrease
- Maintain at the current level
- Increase by less than 20%
- Increase by 21%-50%
- Increase by more than 50%

**QUESTION 83-B**

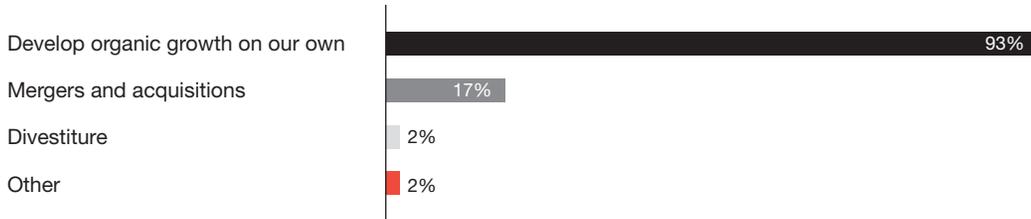
What is your annual revenue forecast in the next two years?



- Decrease
- Maintain at the current level
- Increase by less than 20%
- Increase by 21%-50%
- Increase by more than 50%

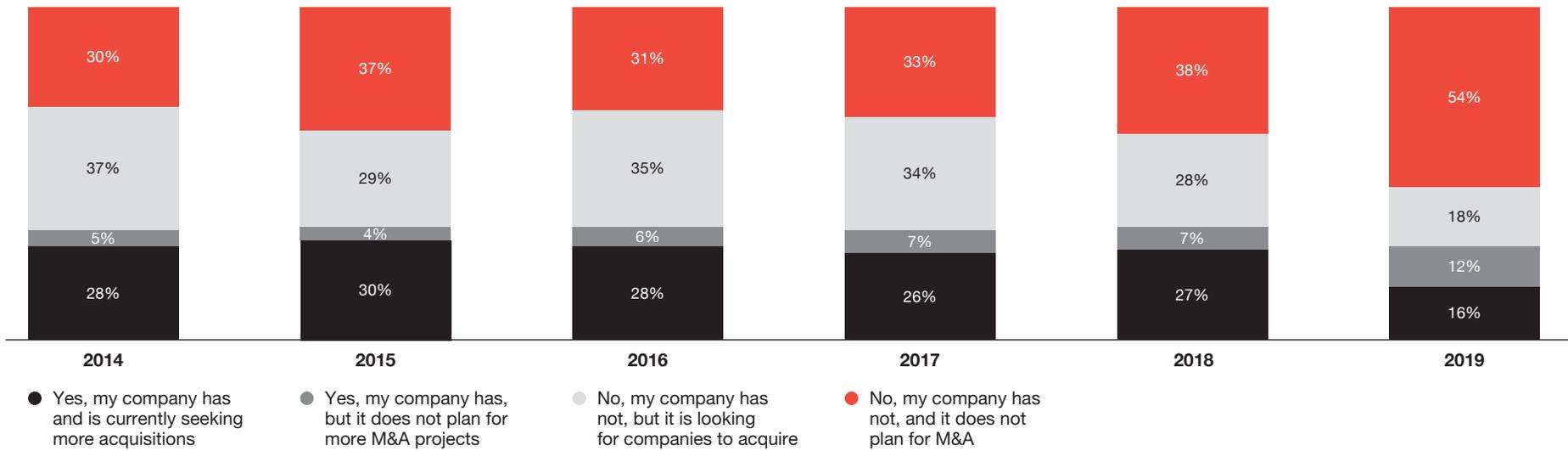
**QUESTION 84**

Which of the following are the best ways to achieve these operational goals?



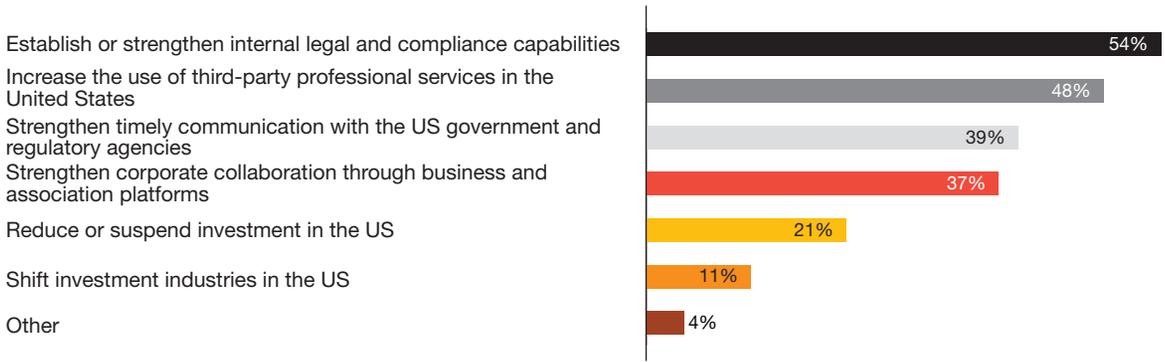
**QUESTION 85**

Has your company conducted or does it plan to conduct M&A in the US?



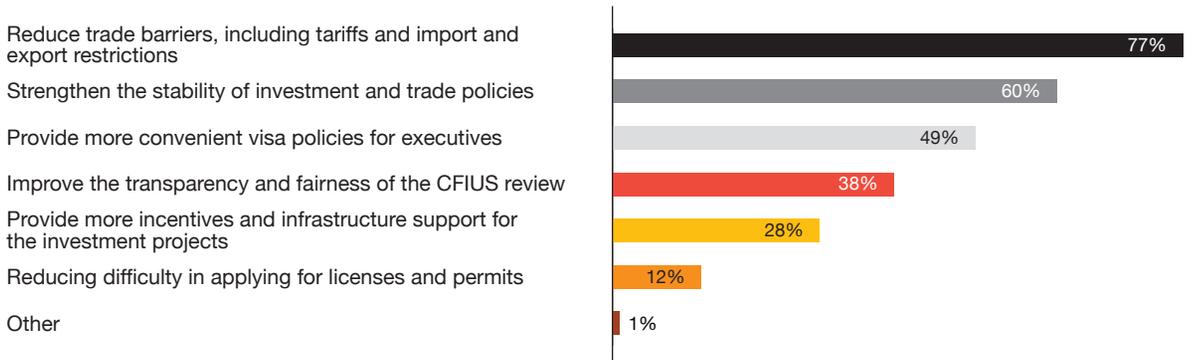
**QUESTION 86**

Recently, the global economic condition has become complex and volatile. With insufficient growth in the world's economy, sluggish trade and investment activities, and rising trade protectionism, China-US relations are facing unprecedented challenges. What initiatives has your company taken or planned to adapt to address the current situation?



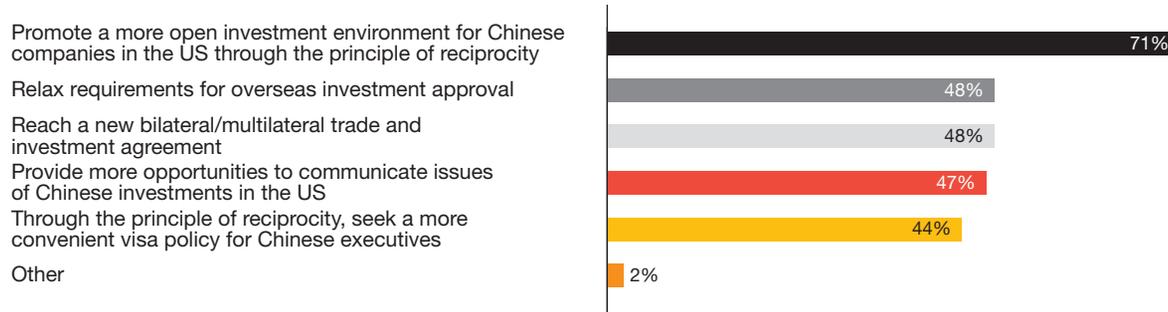
**QUESTION 87**

Which of the following actions could the US government take to improve the business environment in 2019?



**QUESTION 88**

**Which of the following actions could the Chinese government take to help promote Chinese investment in the US?**



# About CGCC and CGCC Foundation

## About China General Chamber of Commerce – USA

Founded in 2005, the China General Chamber of Commerce - USA (“CGCC”) has been recognized as the largest and most influential non-profit organization representing Chinese enterprises in the US. Its membership consists of more than 1,500 Chinese and US companies, 54 of which are ranked on the 2018 Fortune Global 500. CGCC’s mission is to create value, generate economic growth, and enhance cooperation between the US and Chinese business communities. CGCC conducts extensive research and provides a broad range of programs, services, and resources to its members and key stakeholders in an effort to foster the mutual understanding, trust, and engagement between China and the US. As of 2018, CGCC’s Chinese member companies have cumulatively invested over \$120 billion, employ more than 200,000 people, and support over one million jobs throughout the United States. CGCC is a national organization and includes CGCC-New York (CGCCUSA-HQ), CGCC-Chicago, CGCC-Houston, CGCC-Los Angeles, CGCC-San Francisco and CGCC-Washington DC.

## About CGCC Foundation

Established in 2014, CGCC Foundation is a 501(c)(3) tax-exempt organization. The mission of CGCC Foundation is to deepen mutual understanding and cooperation between the United States and China through research, public charity and engagement in economic, cultural and social exchanges.

For more information, please visit [www.cgccusa.org](http://www.cgccusa.org)

**Connecting people**  
**Building trust**  
**Expanding cooperation**



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Report authors: **Evan Junchen Pan, Michael Horn, Elsie Pan, Collins Xiaochen Luan**

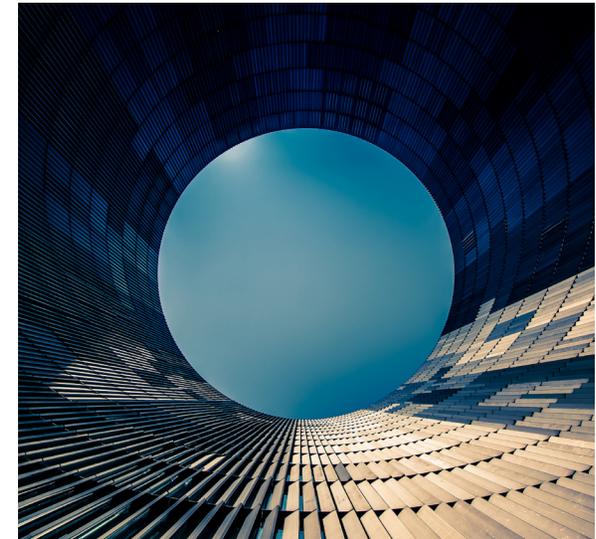
Art Director: **Christopher Tepler**  
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