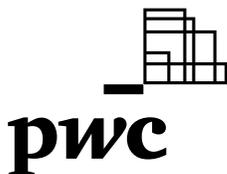




2020 Annual Business Survey Report

Chinese Enterprises in the United States



Copyright © 2020 by China General Chamber of Commerce – USA and CGCC Foundation, all rights reserved. This report may not be reproduced either in part or in full without the prior consent of China General Chamber of Commerce – USA and CGCC Foundation.

In addition to original survey data, this report contains information derived from sources believed to be credible and accurate. However, no representation or warranty (express or implied) is made as to the accuracy or completeness of any of this information. This report is provided for informational purpose only and does not, in any way, constitute investment advice. China General Chamber of Commerce – USA and CGCC Foundation do not accept any liability for losses either direct or consequential caused by the use of this information.

Table of contents

Chairman's message	1
Executive summary	2
Methodology	3
Overview of Chinese investment in the U.S.	5
Strategic responses to the ongoing challenges	19
Mini survey results	25
Appendix A	26
Appendix B - Mini survey	66
About CGCC	68
About CGCC Foundation	68
About PwC	69

Chairman's message

For the seventh consecutive year, China General Chamber of Commerce – U.S.A (CGCC) has conducted its annual business survey on Chinese enterprises in the United States, and we are pleased to share the findings with you in this report. At this moment when our relationship is being challenged on various forefronts, the data and information presented in this report have become more important than ever, in assisting relevant stakeholders to better understand the position of Chinese investments in the U.S. as an integral part of the overall bilateral business relationship.

One thing is for sure, as supported by the vast data and facts collected from this survey, that Chinese companies hold substantial interest to invest in the U.S. economy, and when they do, their investment translates to job creation and economic growth, their earnings are reinvested in the U.S. market, and their efforts to bond with local communities result in strong impacts. On the other hand, trade between our two countries, already under stress from the trade conflicts of 2018–19, has been disrupted by the coronavirus pandemic. Our members' prospects of the U.S. business environment have become widely diverged, immediately affecting their confidence and delaying their actions in making new investments in the U.S. Some highlights of this year's report include that:

- 2019 marked a five-year downturn for both growth and profitability;
- Companies held conservative views on U.S.-China bilateral relations but were optimistic towards market recovery and improvement;
- Cultural difference emerged as one of the top challenges for Chinese enterprises in the U.S.;
- Self-improvement formed the essence of Chinese enterprises' strategic measures to cope with the current market challenges;
- United States remains a top priority for members to invest and operate businesses.

The "Phase One" trade agreement signed on January 15, 2020 was a breakthrough in the nearly two-year decline in trade relations between the world's two largest economies, signifying a new chapter and rebalance of our bilateral and economic relations. Along this course, CGCC is not only encouraging and facilitating dialogue between our two governments, but we are working hard to create opportunities in growing Chinese investments in the U.S. The goals of these combined efforts are simple. They are to build trust, foster greater transparency, alleviate confusion and misunderstanding, and seek out new areas of cooperation.



Currently, our Chinese member companies have invested over \$123 billion in the U.S. economy, directly employing more than 220,000 people, and indirectly supporting more than one million jobs in the U.S. labor market. CGCC members are committed to long-term goals in supporting growth and creating job opportunities and are making great strides to become environmentally and socially responsible corporate citizens. Chinese enterprises also implement and support various charity programs, truly investing in health, education, small businesses, and local infrastructure in local communities.

It is no secret that on a national level, China and the U.S. 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 decades. While this year's survey reveals that growth and profitability have dramatically fallen under these recent circumstances, I remain confident that our leaders and the overall business community are striving to resolve differences and return our relationship to one that has created four decades of enormous benefits for the world economy and the people of both nations. We know there is challenging work ahead, and CGCC stands ready to support both governments as they embark on the next phase of this significant relationship.

I hope you enjoy reading this report and find it useful and informative. As businesses from both countries still hold deep commercial interests in investing in each other's economy, CGCC is committed to carry out more constructive engagement with various stakeholders in building the bridges and achieving great synergies that come from a better understanding and cooperation.

Chen Xu
Chairman, China General Chamber of Commerce—U.S.A
President & CEO, Bank of China U.S.A

Executive summary

As businesses and investors await a global economic recovery, the economic relationship between the United States and China remains a focal point. Troubles in that relationship, whether generated by the coronavirus or by political tensions, could create risk for global growth and potential obstacles for any member of the U.S.-China business community.

U.S.-China commercial ties expanded greatly over three decades. In 2018, China was, in terms of goods, the largest U.S. trading partner (with total trade at \$660 billion), the third-largest U.S. export market (at \$120 billion), and the largest source of U.S. imports (at \$540 billion). China is the second-largest foreign holder of U.S. Treasury securities (at \$1.11 trillion as of June 2019). As the United States and China have increased tariffs since 2018, year-to-date (YTD) bilateral trade flows decreased in the first three quarters of 2019, with U.S. imports from China falling by 13%. Foreign direct investment (FDI) flows in both directions have also slowed since 2017.

The slowdown of FDI growth came after deep structural shifts in the U.S.'s overall national strategy and positions towards China, including labeling China as a "strategic competitor." The U.S. concerns that underpin these bilateral trade tensions stem from specific practices endemic to China's economic model that systematically tilt the playing field in favor of Chinese companies domestically and globally. As a result, a protracted decline in trade relations 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 U.S.

During the height of the decline in trade relations, tariffs disrupted supply chains, created uncertainty for firms, raised costs for consumers, and caused global growth to slow. A fresh round of tariffs would be even more harmful - they would derail the fragile global recovery and impose additional costs on the people in both countries as unemployment skyrockets and savings are drained by the economic consequences of the coronavirus. It would also threaten the implementation of the Phase One trade agreement further. According to PwC's CEO survey, of

those CEOs who expressed 'extreme concern' about trade conflicts, the one between the U.S. and China overshadowed other protectionist moves as particularly worrisome, with over 80% expressing concern. More than half of those 'extremely concerned' Chinese CEOs continue to vigorously shift their growth strategy (58%) and production (63%) to alternative territories. The current challenge for U.S.-China relations is to avoid fostering a relationship shaped only by competition and to identify where mutually beneficial outcomes are achievable. The trade and investment front is definitely the most important area where such progress may be possible.

In the midst of this complicated environment, CGCC conducted its 7th 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 U.S. market and improve the future of the U.S. and China business relationship. The U.S. remains a key investment target for Chinese companies, with 51% indicating that the U.S. market is a top three priority. In fact, with the signing of the Phase One trade agreement in January and a hopeful pause in the tit-for-tat tariffs that have defined much of the past 18 months, CGCC member companies started 2020 with an increasingly promising outlook that additional investment and trade measures will continue to unfold.

CGCC members have invested over \$123 billion in the U.S. economy building factories and setting up new businesses, which employ an estimated 220,000 people. These investments have revitalized struggling communities, built new hospitals, provided new funding to school systems, and developed much-needed infrastructure. Addressing each and all of challenges between the U.S. and China will require exceptional wisdom, creativity, and persistence. The bilateral economic relationship has served as the ballast for the overall relationship between the two nations since the normalization of diplomatic relations in 1979. Neither of us can afford to ignore or mismanage this important stabilizing influence and driver of economic benefits and goodwill.

Methodology

This report is based on the seventh annual survey of CGCC's members with operations in the U.S. The data was collected through a survey of senior executives at more than 1,000 companies, all of which are U.S. operations of Chinese investors. This year's survey was executed in February and March of 2020 and includes a total of 160 responses.

It should be noted that the survey was conducted prior to the COVID-19 outbreak and the deterioration of US-China relations. The data within this report therefore do not reflect member reactions to either of these two events/trends; rather, the data captures the overall sentiment of Chinese business in the United States near the close of 2019. With both these new opportunities and challenges, CGCC is working both to follow up on the recent US-China tensions and facilitate COVID-19 relief efforts.

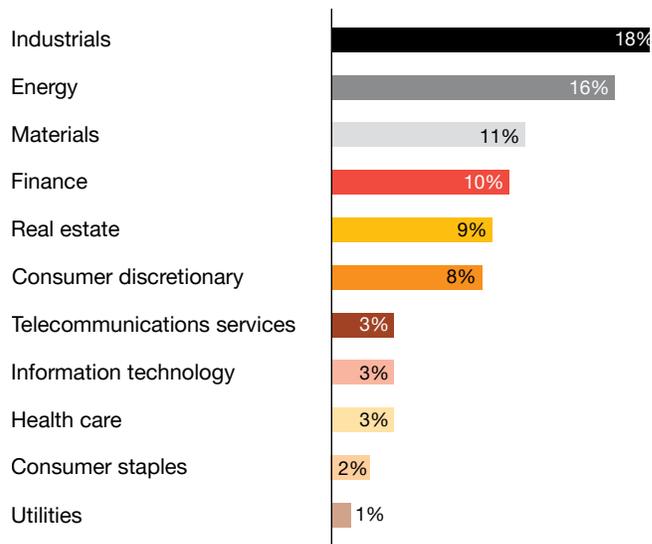
CGCC composed the questionnaire, gathered the survey responses, analyzed data, and conducted interviews. Through a joint business relationship, CGCC collaborated with PwC on the production of this report. Deemed necessary and appropriate, relevant data, facts, interviews, and findings from PwC's thought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

A mini survey was created and distributed in an effort to capture how CGCC member companies evaluate their standing and strategize their response during an unexpected global pandemic. Questions probed into the impacts of COVID-19 on the daily operations of Chinese companies in the U.S., the estimated duration of the ongoing pandemic and the direct/potential influences of anti-China rhetoric and fraying between the two countries. The survey was kept short for its exigency with four questions to the essence. 140 responses were collected, representing 7 distinctive industry sectors.

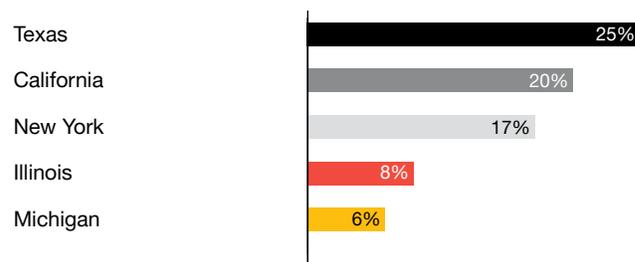
This publication is composed of two sections. The first section, the report, includes the narratives of major findings, analysis, and recommendations based on the survey results this year. The second section, the appendix, exhibits all survey results in a question-by-question format, with historical survey data supplemented in selected questions.

CGCC is grateful to its members and partners for their contribution to this research.

Main industry of operation in the U.S.



Top 5 states of surveyed company headquarters

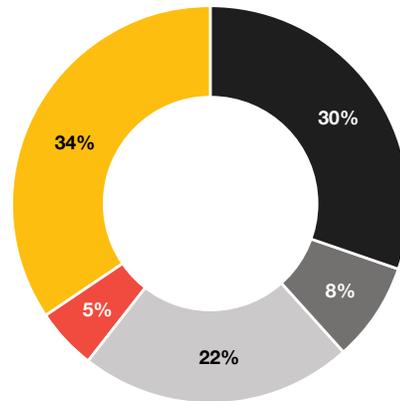


Survey demographic highlights

Respondents' U.S. operations span a broad range of 10 sectors out of the 11 sectors in the Global Industry Classification Standard (GICS). For analytical purposes and to enhance statistical power, these 10 sectors were further congregated into three groups, and the responses across such three groups were compared in selected questions in the appendix 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 19 states in the US, some having subsidiary offices and facilities in multiple states. The top 5 states where the surveyed companies headquartered are shown at the table below.

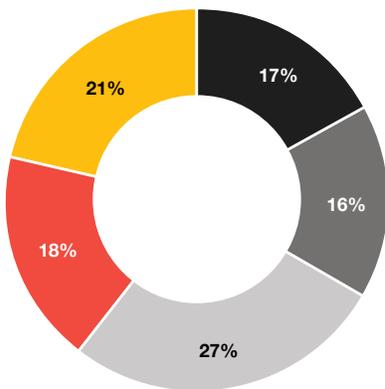
Additional demographics information can be found in the appendix section.

What was your company's annual U.S. revenue in 2019?



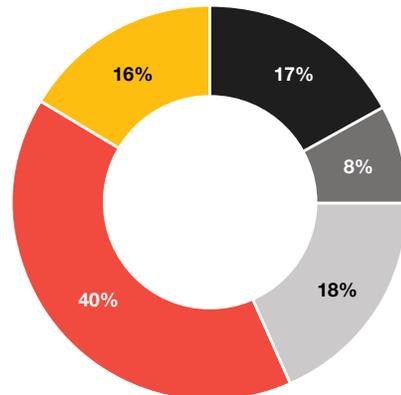
- Less than \$5 million
- \$5 million to \$10 million
- \$10 million to \$50 million
- \$50 million to \$100 million
- More than \$100 million

How did your company's annual U.S. revenue change in 2019 compared to 2018?



- Decreased by more than 20%
- Decreased by less than 20%
- Remained the same
- Increased by less than 20%
- Increased by more than 20%

What was your company's estimated EBIT margin in 2019



- EBIT Margin < -15%
- -15% ≤ EBIT Margin < 0
- Break even
- 0 ≤ EBIT Margin < 15%
- EBIT Margin ≥ 15%

Overview of Chinese investment in the U.S.

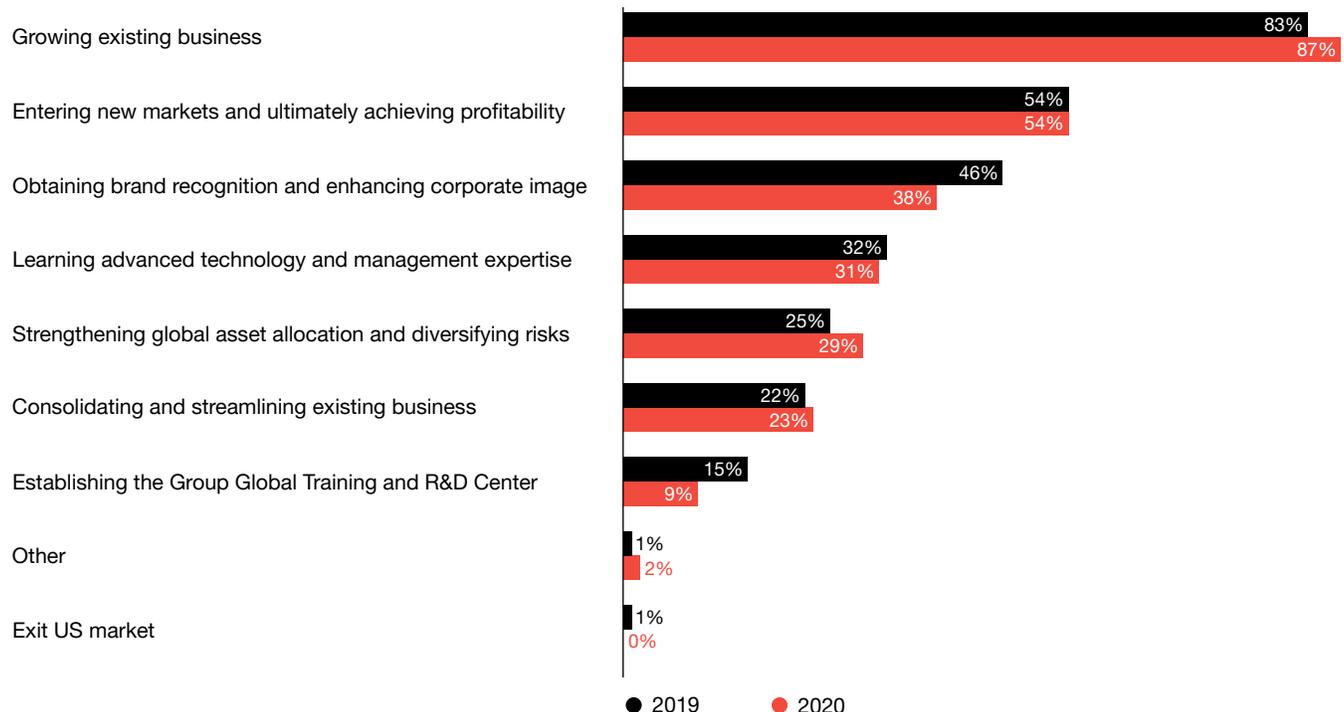
Why do CGCC members invest in the U.S.?

After experiencing explosive growth over the past four decades - an average of nearly 10% GDP growth per year - 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 U.S. is a key area for investment from those companies that wish to compete on a global scale - over 51% of respondents to our survey indicated that the U.S. market is either their top priority or in their top three international investment priorities. However, Chinese

investment in the U.S. remains low compared to the investment from other countries. According to the latest statistics from the U.S. 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 U.S.

As such, CGCC members participating in our survey are motivated to invest in the U.S. by this desire to fully engage in the global economy, driven by either direct financial motives or strategic motives. Financial motives play the biggest role, with 87% of respondents citing growing their existing business as a primary objective.

Which of the following best describes your operational goals this year?



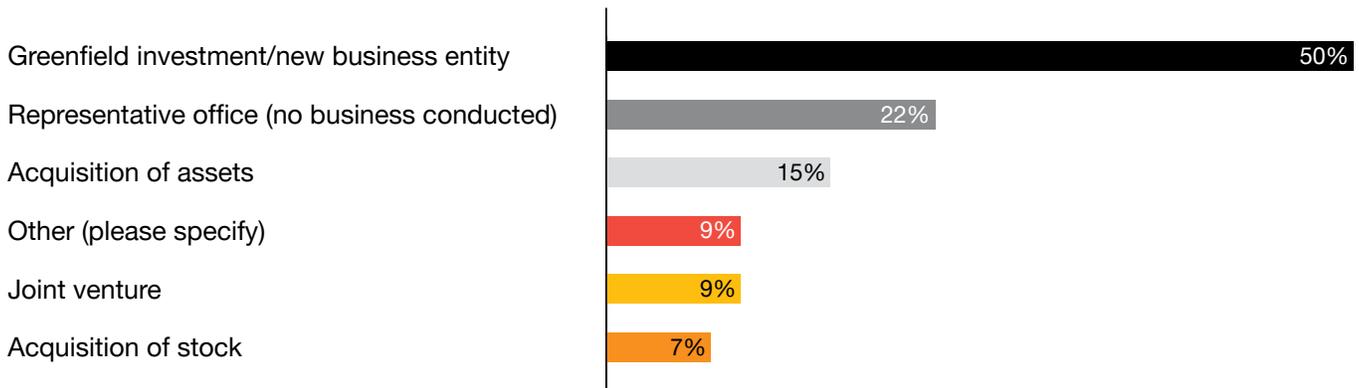
Half of respondents indicated that entering a new market and achieving profitability is a primary objective. Meanwhile, growing brand recognition tops the strategic objectives among Chinese companies, with 38% of respondents indicating that it is a priority.

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.

How Chinese companies invest: Greenfield and M&A

The majority of Chinese companies entering the U.S. market do so through greenfield investment - that is, they are more likely to establish a new business entity than acquire an existing one. According to our survey, 50% of respondents entered the U.S. market this way. Another 20% indicated that they began operations through a representative office (an organizational unit in the U.S. 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 23% of respondents to start their U.S. businesses.

Through which of the following corporate structures did your company establish its business in the U.S.?



20%

indicated that they began operations through a representative office (an organizational unit in the U.S. that is not a discrete corporate entity but rather an extension of a foreign company's organization with a limited scope of operations).

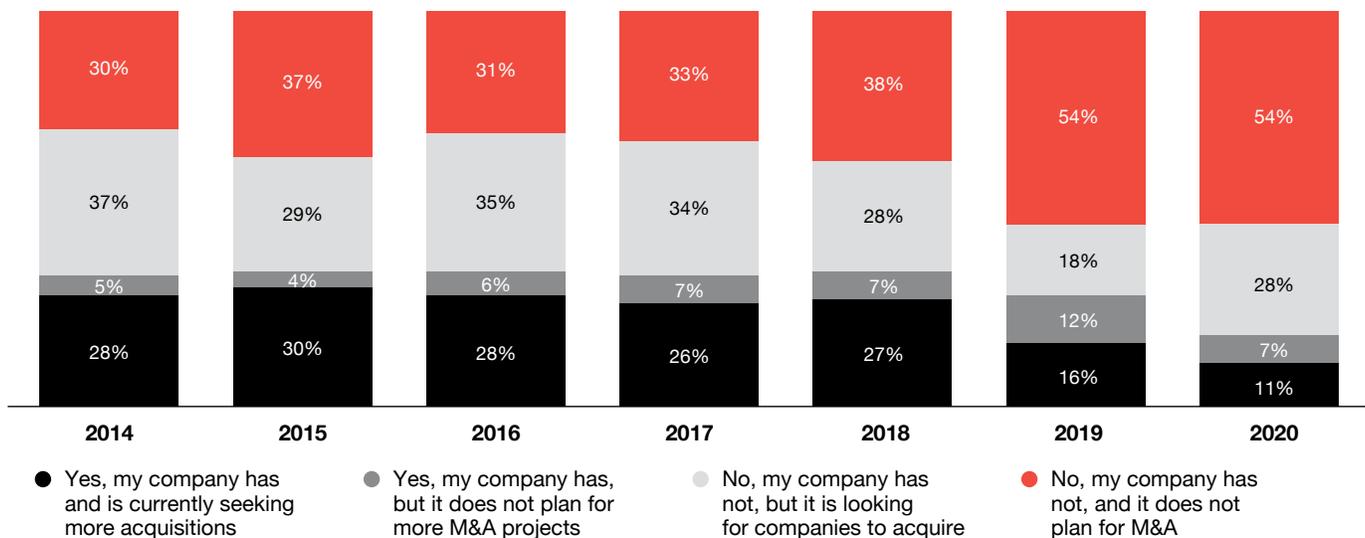
As the overall Chinese investment flow to the United States plummeted significantly in the past two years, the volume of greenfield projects seemed to show strong resistance, staying on track of robust and stable progression at a level of about one to two billion dollars a year. In terms of scale, greenfield 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.

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 U.S. 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, U.S. 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.

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 U.S. in terms of volume. The vast majority of Chinese capital invested in the U.S. — as much as 90% — is through M&A, not greenfield investment. In addition to turnkey 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 U.S. industries that have high barriers to entry and regulatory requirements.

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



Despite these advantages, companies that pursue an M&A investment strategy encounter a number of obstacles. Combining two companies is a daunting task for any management team, and Chinese companies see post-merger integration as a common source of difficulties. Due to the complicated nature of M&A - requiring the ability to make decisions, deploy capital, and comply with local regulations quickly across borders and into new markets - companies can encounter a number of issues including those related to labor, the environment, accounting, cash flow, management, taxes, and legal risks. Cultural differences can sometimes arise during mergers or acquisitions with U.S. businesses, too. One tactic for overcoming such challenges is to rely on a strong local management team, and to ensure the Chinese investors themselves have the international experience and expertise required to lead a global company.

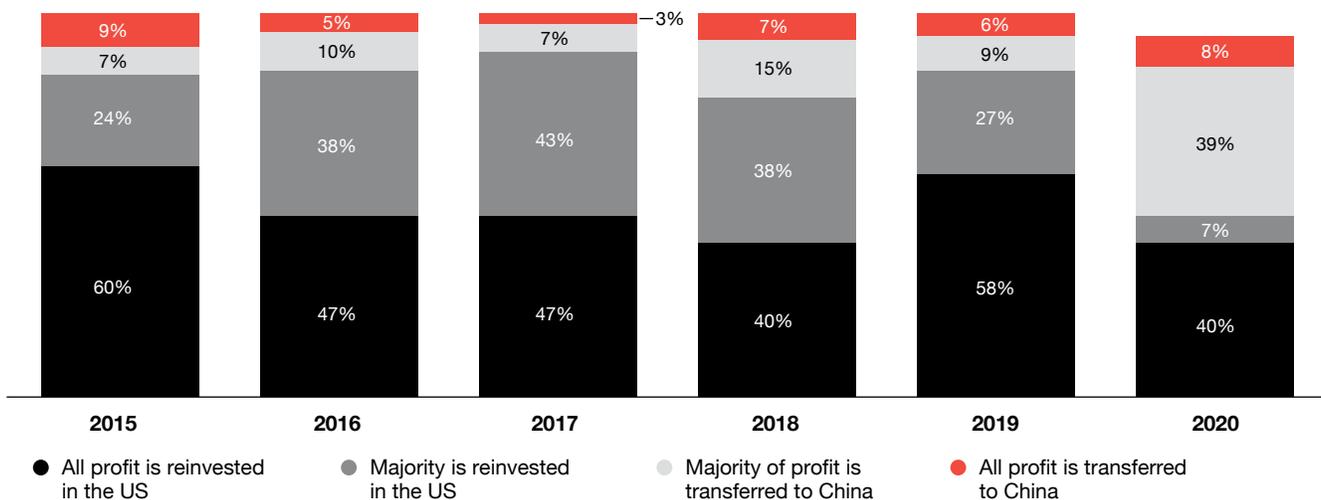
While companies that invest through M&A as opposed to a greenfield strategy are not immediately investing in building a new factory or office from scratch, the vast majority of companies reinvest their earnings in the U.S. According to our survey, 79% of respondents reinvest the majority of their profit into the US, with 40% indicating that all of their profits are reinvested.

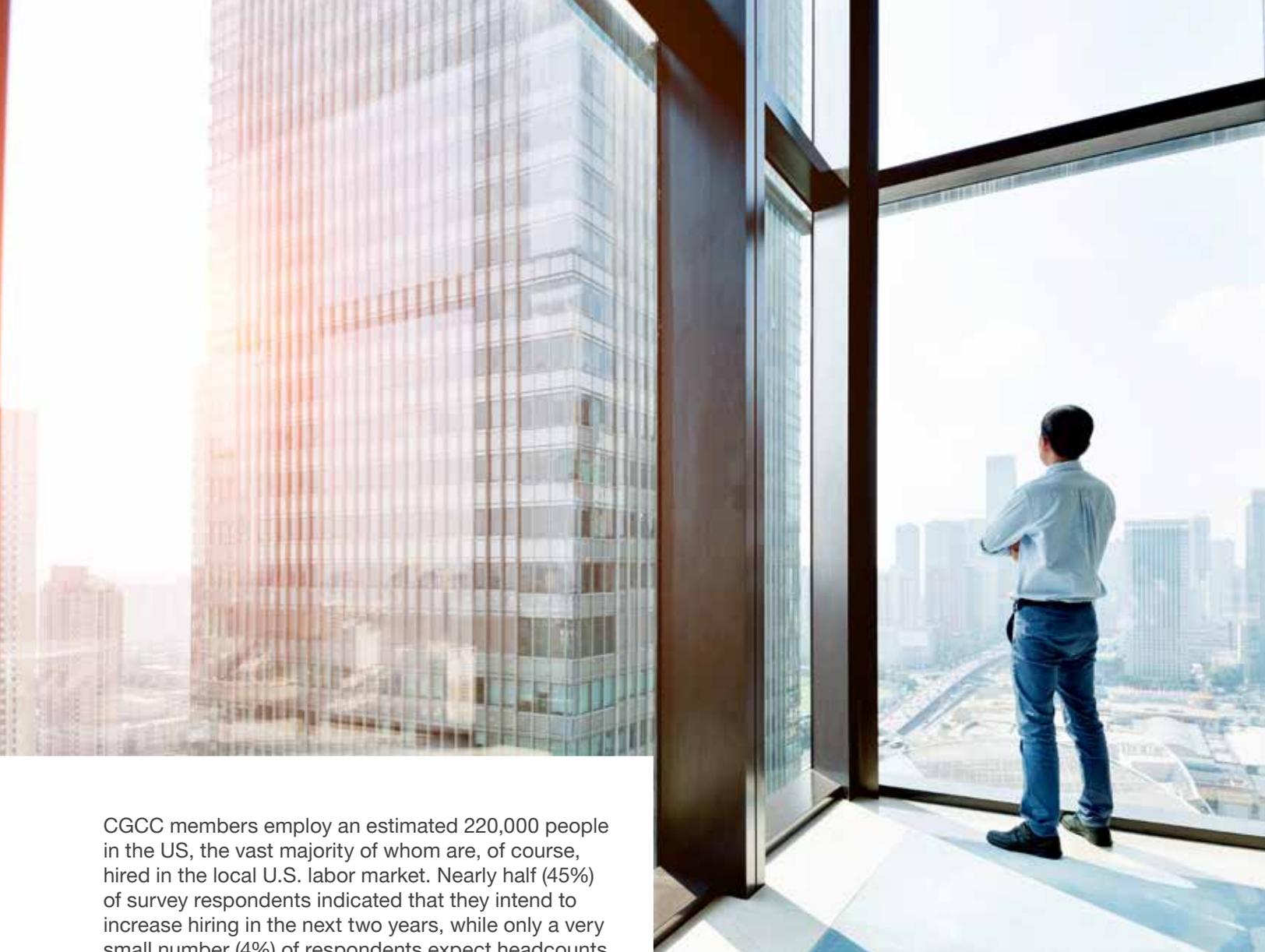
Investment impact: Jobs, growth, revitalization of local businesses and communities

Chinese investments in the U.S. yield both direct and indirect economic benefit to the U.S. and its local communities via the purchase of locally sourced equipment and intermediate goods, the leasing 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.

With growing revenue and profitability, China's companies are more willing to keep investing in the U.S. More than three quarters of respondents said that all or the majority of their profits will be reinvested within the U.S.

How does your company distribute the profits from its U.S. operations?





CGCC members employ an estimated 220,000 people in the US, the vast majority of whom are, of course, hired in the local U.S. labor market. Nearly half (45%) of survey respondents indicated that they intend to increase hiring in the next two years, while only a very small number (4%) of respondents expect headcounts to decrease. Among those companies anticipating staff growth, nearly 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 59% 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 U.S. When a Chinese company establishes an office or a plant, it also means new opportunities for local businesses. New investment attracts more people 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.

For Chinese manufacturing companies specifically, 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.

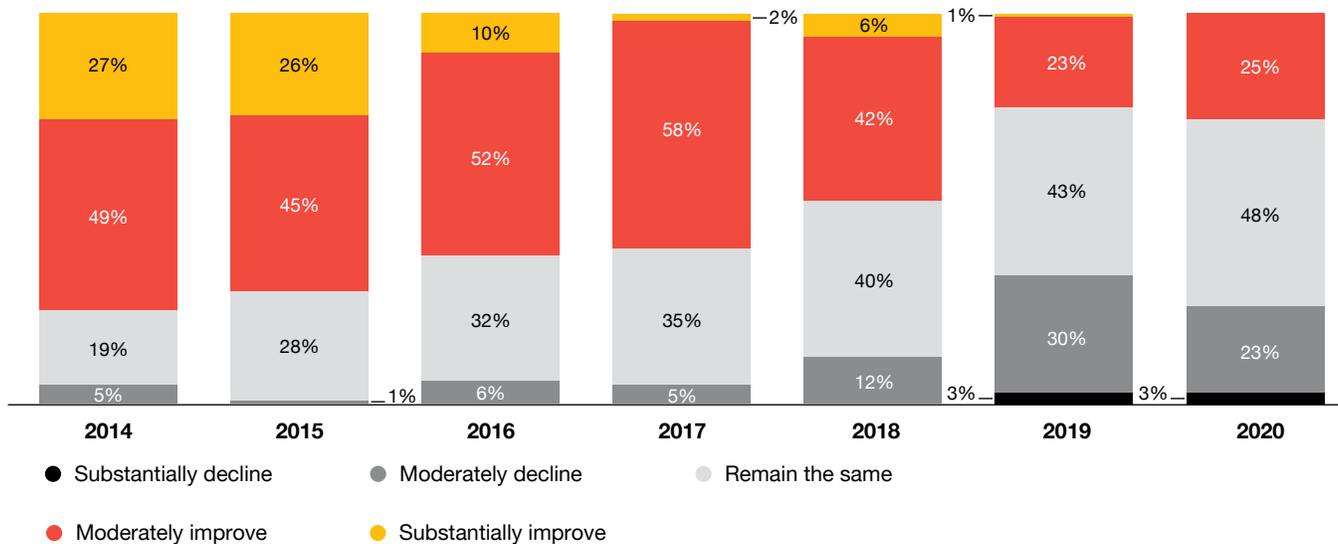
Investment outlook: Challenges and opportunities

Amidst a neutral or negative outlook for business/ investment relations and somewhat lower EBIT for respondents in the U.S. versus globally (q22), respondent businesses continue to invest in the US, with many citing the legal environment and enforcement of laws and policies as being neutral to very satisfactory, (q 25) even in light of many negative policies towards China and Chinese firms, such as a tightening of work authorization/ visa policies and higher tariffs impacting a vast majority of respondents (q28). This shows that the U.S. market is seen as strategically important even in light of negative trends and EBIT in the current environment.

Although reports of strained China-US relations - from increasing tariffs to the US's expanded use of the Committee for Foreign Investment (CFIUS) review powers - have captured headlines in both countries, the actual impact to Chinese investment in the U.S. is not as substantial as these headlines might indicate. Two-thirds of respondents to our survey expect the U.S. investment and business environment to either remain the same or improve over the next two years, and over 90% of respondents expect that their investments in the U.S. will either remain the same or grow over the next year.

However, CFIUS, a once rarely utilized tool that has been increasingly utilized by the current administration has impacted over 1/4 of respondents (q30) and these CFIUS reviews have led to tangible changes in the proposed investment or even their overall business strategy. (q 31)

How would you forecast the U.S. investment and business environment for the next two years?



90%

of respondents expect that their investments in the U.S. will either remain the same or grow over the next year.

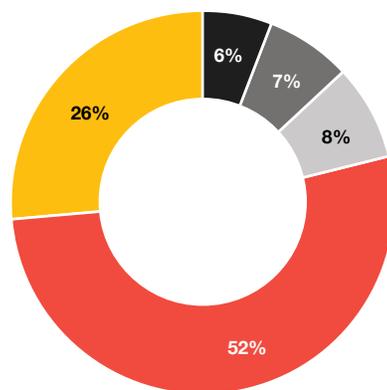
However, despite the overall positive outlook, Chinese investors are nevertheless uneasy about the state of US-China relations, with three quarters of respondents citing the complex relationship between the countries as one of the key challenges that they face. 23% of respondents expect the U.S. investment and business environment to decline over the next two years. Further, 52% of respondents stated that uncertainty in the policy environment is the main reason they could see reducing investments in the U.S. It's worth noticing that 24% of surveyed companies claimed that the decrease of market demand might lead to their conservative investment strategy, while zero respondents indicated that way last year.

Chinese companies (qs in 50s) remain mostly unsure of the business environment they will face going forward but cite Chinese/US relations as the biggest impediment to their success. This shows some lack of awareness of the political environment in the U.S. where both parties to varying degrees have become more hostile to globalization, offshoring, and China in particular. With China ascendant and showing its strength through shows of hard and soft power on an increasing scale, the chance for further conflict is perhaps more elevated than Chinese companies and their C-suites believe... although increased spending on legal and govt relations from 2019-2020 shows that firms are beginning to respond. (q75)

Of the policy-related challenges, difficulty obtaining work visas and tariffs top the list of concerns, with over three quarters of respondents stating that they had been adversely impacted by these policies. The ever-escalating decline in trade relations has cast a shadow over the development of most companies operating in the U.S., with some 78% of respondents reporting being negatively impacted in 2019. Also,

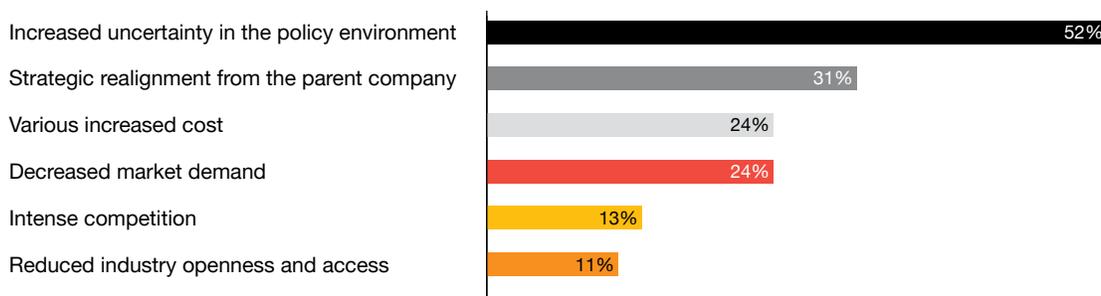
a total of 65% of respondents either already experience impact on their business relationship with U.S. partners and/or clients which caused a loss (37%), or expect long-term implications (28%). Challenges associated with supply chain management and daily operation are widespread in the surveyed companies. As a result, 30% of respondents impacted by the decline in trade relations will delay or cancel future investment in the US, and 44% intend to increase investment in other regions. Among potential regions to invest, 50% are considering other Asian countries, followed by European countries (43%), South America (30%) and other North America, i.e., Mexico and Canada (28%).

How has your company been impacted by the decline in China-U.S. trade relations to remain neutral in the past year?



- Positive impact
- No impact
- No impact, but long-term implications expected
- Minor negative impact
- Severe negative impact

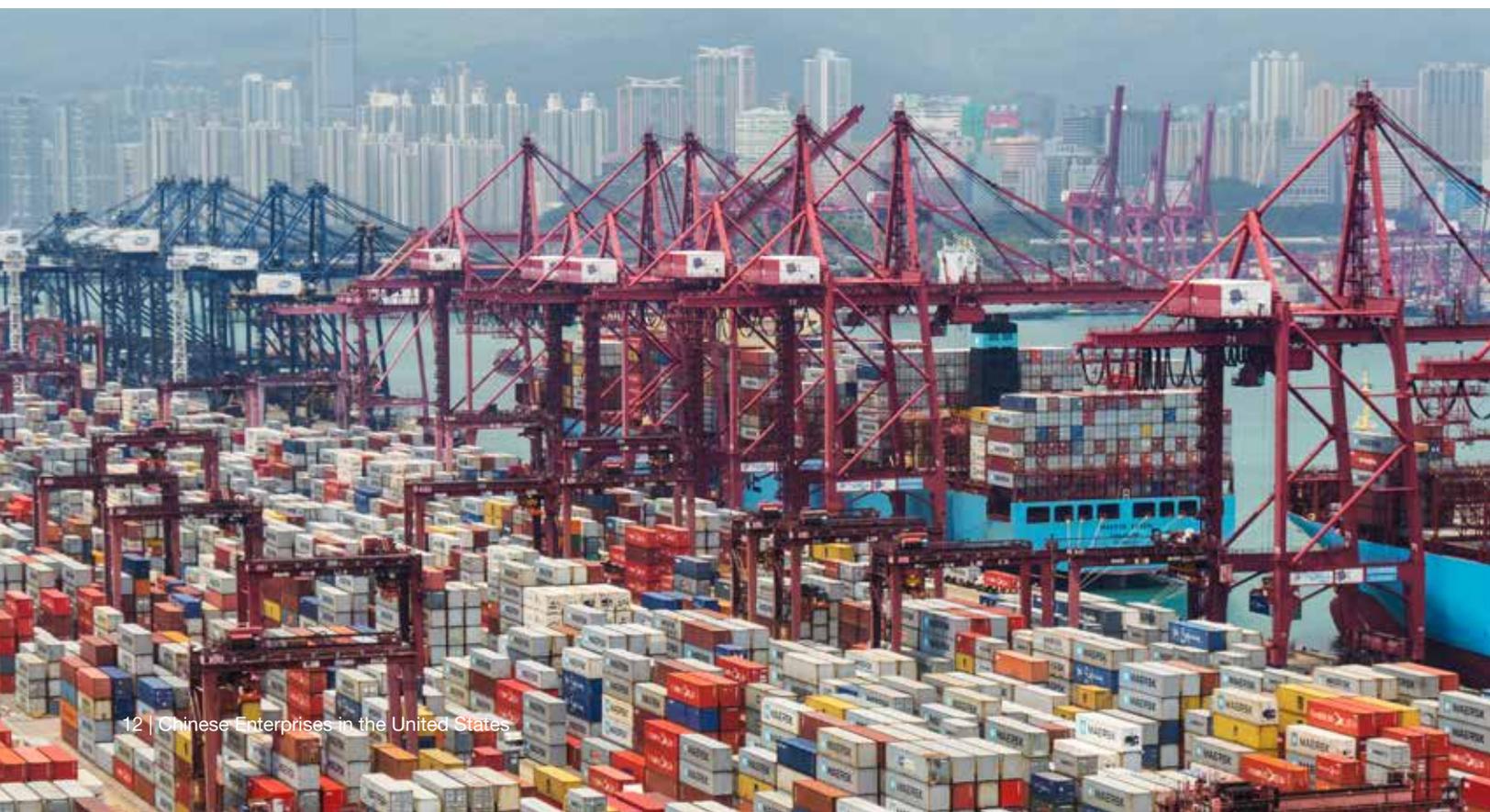
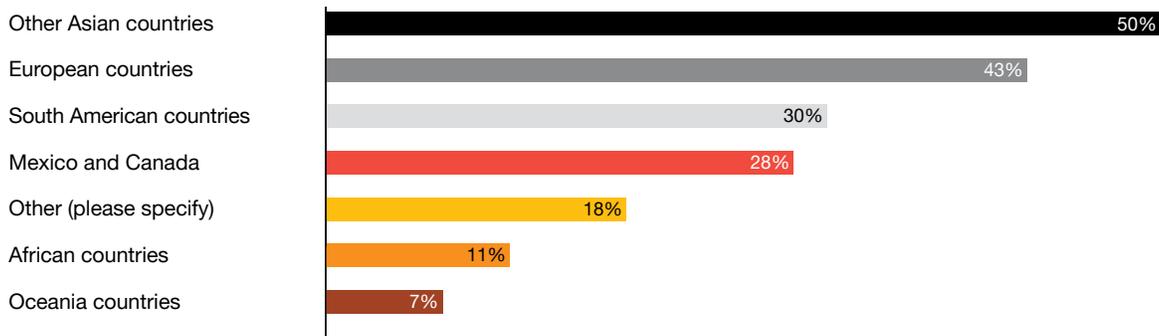
If your company will reduce its new business investment in the U.S. in 2020, what are the reasons?



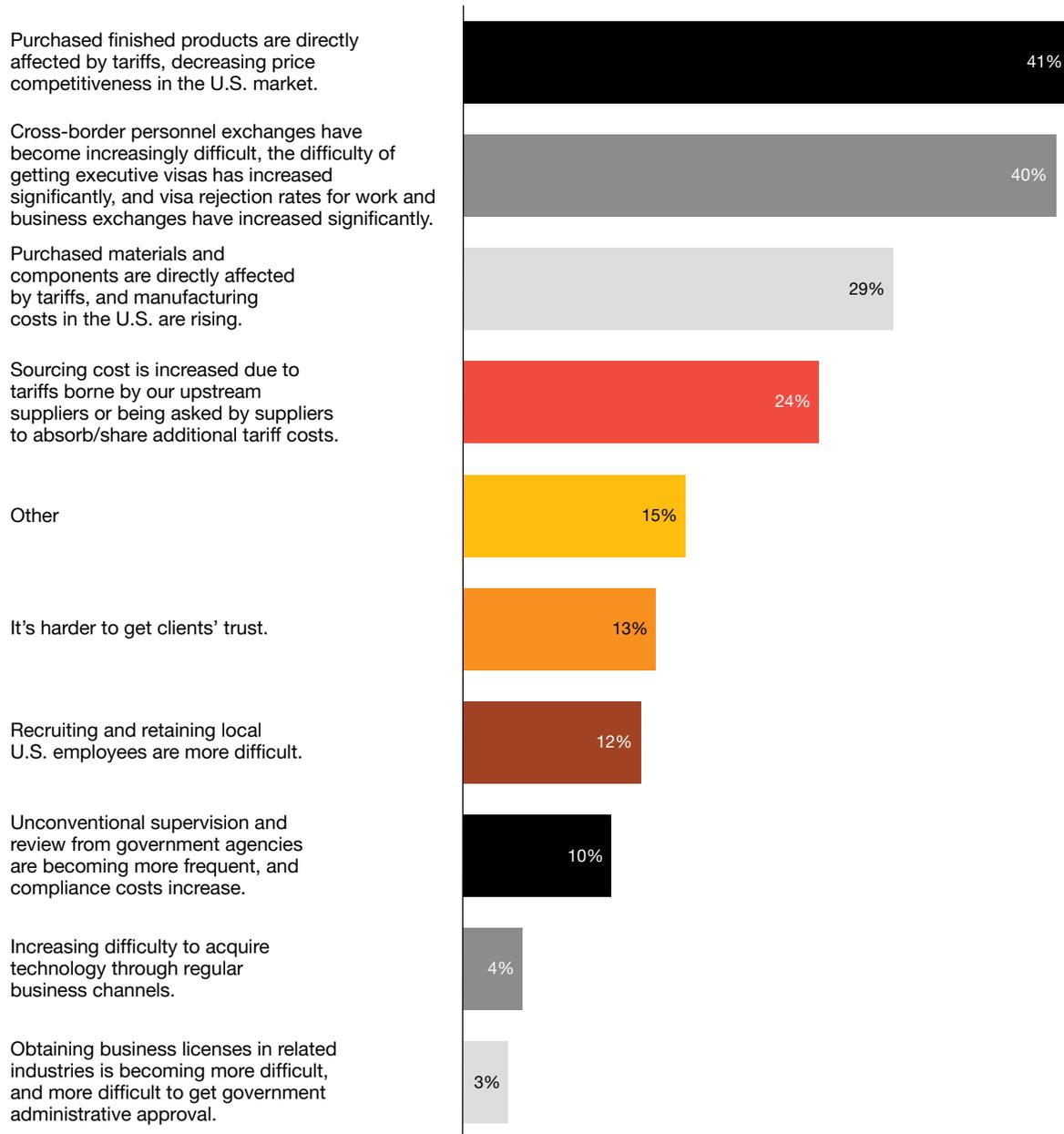
While the Trump Administration is succeeding in its goals of making it more difficult to import goods into and do business in the U.S. for foreign firms, respondents are shifting their investments to other regions while they hold off on investing further in the U.S. (q 43 and 44). While the U.S. consumer may deem this an unfortunate side effect, respondents are reducing expenditures, controlling costs, and improving their competitiveness, which may ultimately make them stronger on a global scale while U.S. companies that are protected domestically lose their

competitive edge abroad and eventually at home. Additionally, respondents have been increasing their spending on lobbying and have also increased their communication with government officials year over year. While these strategies portend more active engagement from respondents, these activities may still be too defensive in nature, as opposed to a proactive government relations and policy strategy that could reap greater benefits when tied directly into the company's business and product strategy.

If yes, where does your company plan to invest?



If your company has been negatively impacted, then in what aspects?



78%

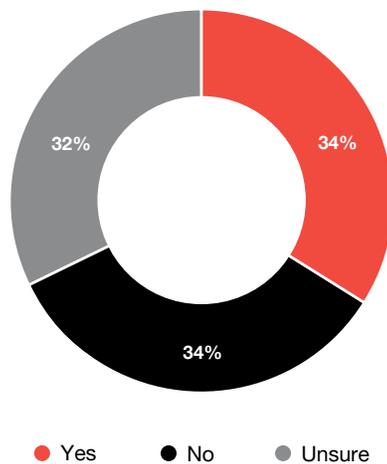
of respondents reporting being negatively impacted by the ever-escalating decline in trade relations between the U.S. and China in 2019.

When discussing specific trade impacts, it is apparent that cost increases as a result of punitive tariffs rank highest among any adverse impacts, with 41% and 29% of respondents indicating direct impacts on their imported finished products and materials/components, respectively. Another 23% reported indirect impact from tariffs affecting their upstream suppliers. Tariff is an above-the-line cost for import businesses, which not all companies are experienced in actively managing, considering the relatively low average import duty rate prior to the trade tensions between the U.S. and China intensified in 2018.

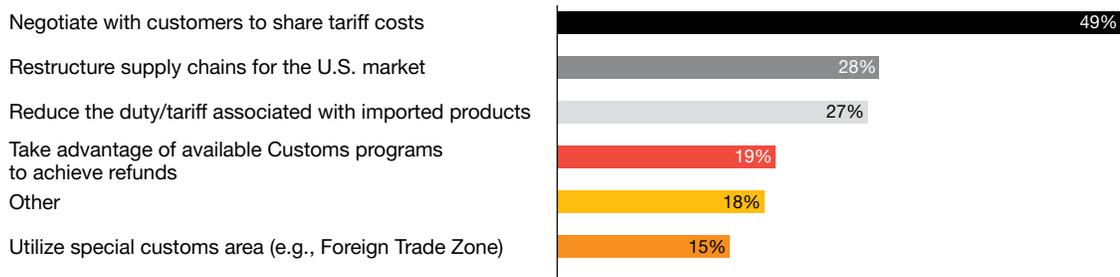
However, the complexity of bilateral relations goes beyond a decline in trade relations - it is also associated with the current U.S. national strategy towards China, labeling it as a “strategic competitor.” As the US-China relationship is changing in fundamental ways, companies generally hold conservative views on its future directions. Many of the essential ideas that once guided the relationship are being called into question, such as engagement, cooperation, and convergence. When being asked about the forecast of the US-China relations in 2020, 37% of the respondents anticipate it to remain the same, while the number last year was only 29%. When President Donald Trump signed the partial trade deal with China on January 15, it was viewed as the

world’s two largest economies trying to contain an economic struggle. However, 57% of our respondents are “unsure” about the preliminary trade agreement being a meaningful turning point for the China-U.S. trade conflicts, while 53% are “unsure” about it being implemented as reported.

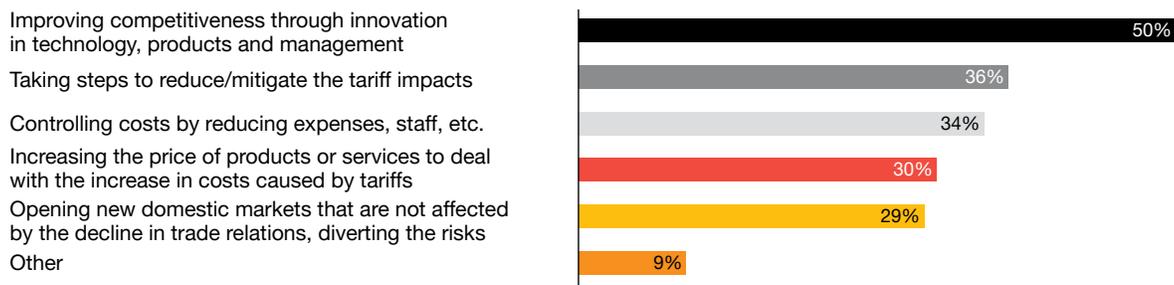
Has your company performed any quantitative assessments of their impact from additional tariffs implemented by the U.S. administration, in order to inform any management decisions?



If your company has taken steps to reduce tariff impacts, what are these initiatives?



Facing the likely long-term standoff of business and economic conflict between China and the U.S., what does your company plan to do in order to deal with the new environment in the U.S. market?

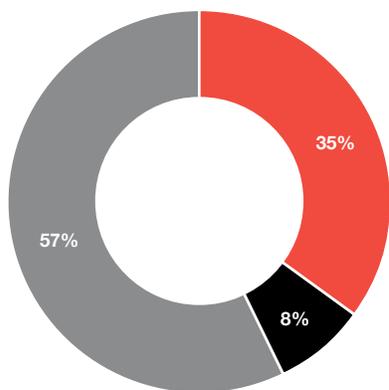


Despite the acute awareness of tariffs directly affecting the bottom line and business competitiveness, only around one-third of respondents indicated affirmative actions to quantitatively assess their impact to inform management decisions. This is not totally surprising since it was not an area attracting much senior-level management attention historically. However, the changed U.S. trade landscape has certainly escalated the significance of tariff issues, and driven the trend among all U.S. businesses to more closely monitor, and actively manage their implications. For Chinese companies surveyed, the predominant (49%) action to reduce impacts appears to be negotiating with downward customers in order to share the burden of tariff costs with the latter. Success of this approach depends heavily upon the relative pricing/negotiation power and therefore varies widely. The next common

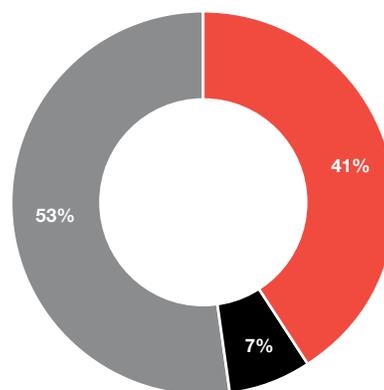
initiative (28%) involves restructuring supply chains for goods destined for the U.S. market, which likely entails heavy investment based on a long term strategic transition. In comparison, potentials from more active planning and mitigation strategies utilizing currently available US mechanisms do not appear to be fully realized, with 19% of respondents seeking duty refunds (such as Duty Drawback, a unique program in the US providing for refunds of duties paid on goods imported in the past 5 years that are linked to an exported, or destroyed, article), and 15% using special customs areas such as a Foreign Trade Zone. In the longer term, however, more Chinese companies (36%) plan to take active steps to reduce the tariff impacts, second only to those aspiring to improve competitiveness through innovations in technology, products, and management (50%).

Do you feel that the January 2020 preliminary trade agreement is a meaningful turning point for the China-U.S. trade conflict?

Do you have confidence in the January 2020 preliminary China-U.S. trade agreement being implemented as reported?



● Yes ● No ● Unsure

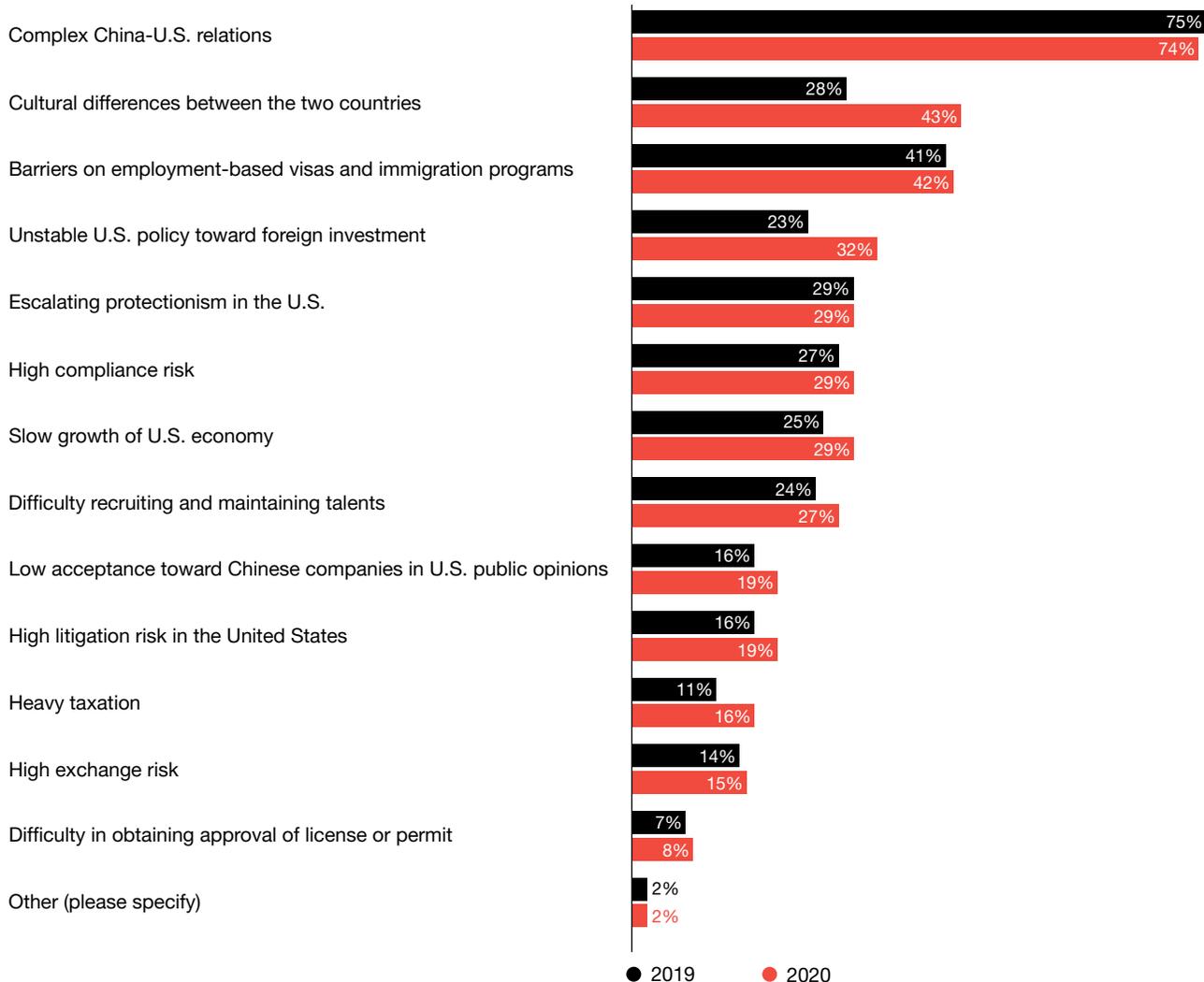


● Yes ● No ● Unsure

On top of the systematic challenges that all businesses in the industry face, such as labor concerns, competition, and changes in the economic environment, Chinese companies also struggle with idiosyncratic challenges caused by unfamiliarity or low adaptation to the US regulatory environment. (Q.36) Despite the headlines filled with news regarding decline in trade relations every day, surprisingly, 55% of respondents are not familiar with the regime. However, of those respondents that are familiar with CFIUS review, three quarters feel that it is politicized and opaque. Nearly one-third of survey respondents say that it will have an adverse impact on their investment plans in the U.S.

For the systematic challenges, complex U.S.-China Relations tops the most difficult challenges in conducting business in the U.S., as always in recent years. However, we observed that cultural differences between U.S. and China emerged as one of the top challenges of conducting business in the U.S. this year. In the current bilateral climate, Chinese companies are actively seeking strategies to ease or remit the cultural conflicts (i.e. operation management styles, anti-Asia/China sentiments, etc.) experienced here in the U.S. Additionally, unfamiliarity is the major reason for majority of the companies who face compliance challenges - nearly two-thirds of respondents indicated their unfamiliarity with the laws, as opposed to one-third that cited the complexity of the laws themselves, as their main concern in the compliance area.

Which of the following items are your most difficult challenges in conducting business in the U.S.?

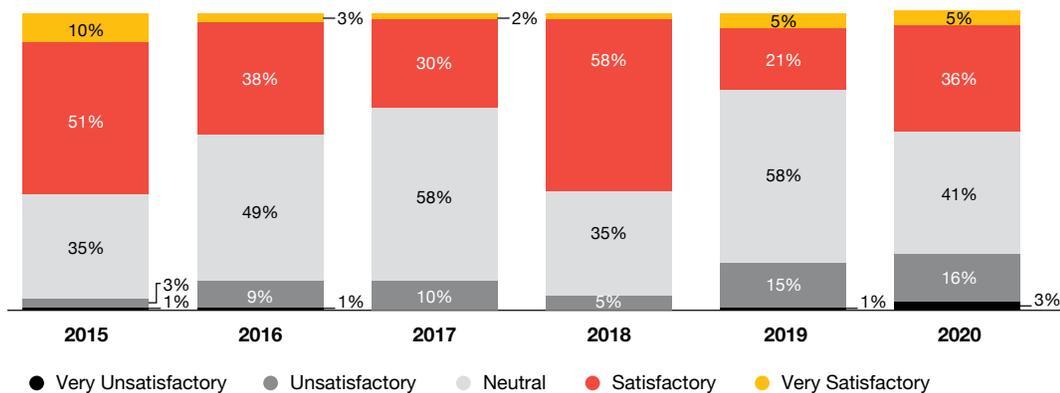




Despite these challenges, however, over two-thirds of survey respondents remain optimistic about the U.S. business and investment environment over the next two years. CGCC members are consistent in their high praise for many of the fundamental elements of the nation's commercial system. Over 80% reported that they are satisfied with the overall business environment in the US, praising the nation's innovation capacity, legal environment, and financing efficiency.

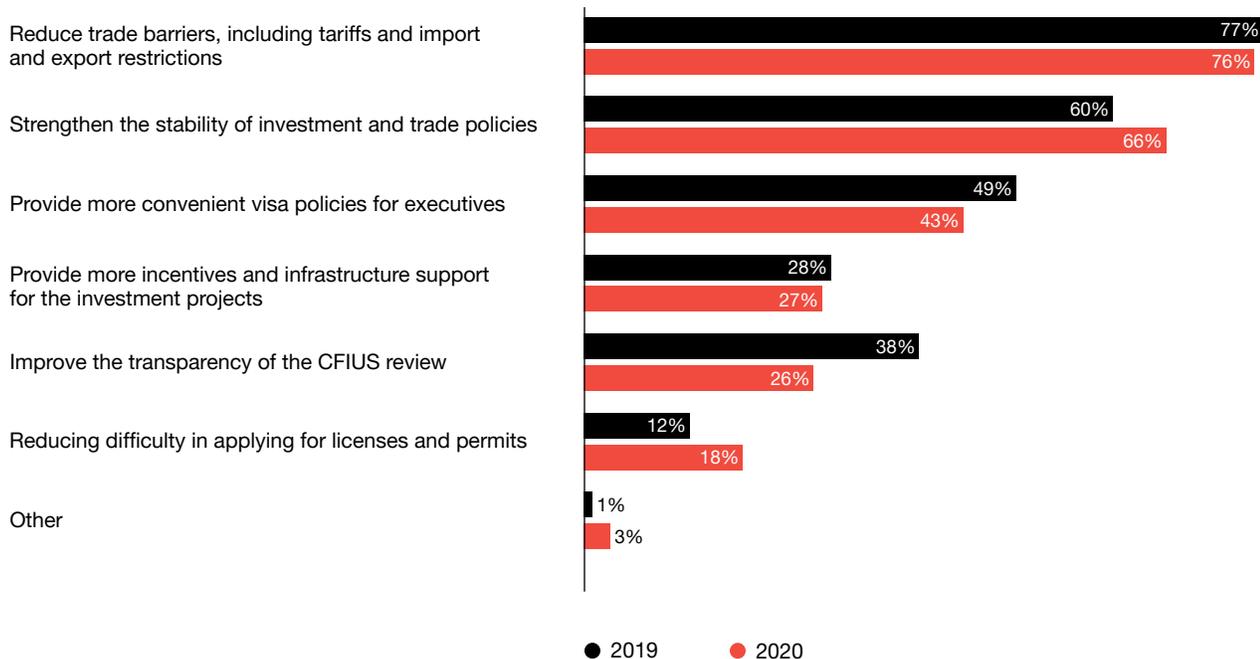


How do you evaluate the following elements of the U.S. investment and business environment?

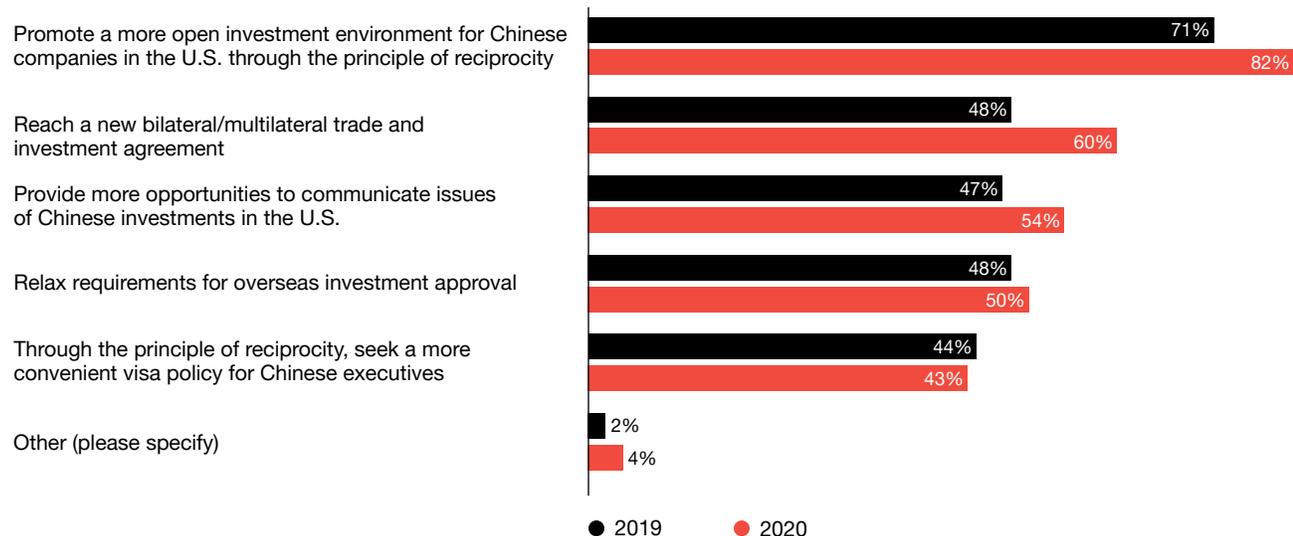


The continuing decline in trade relations between these two countries still presents a major caveat on the path forward when Chinese companies map out their U.S. investment strategies. While some additional tariffs were reduced in rates in the past year as a result of the preliminary trade agreement reached by the two sides, the majority of them remain (as does the possibility of further tariffs being implemented) and the enforcement activities by the authorities governing imports have increased.

Which of the following actions could the U.S. government take to improve the business environment in 2020?



Which of the following actions could the Chinese government take to help promote Chinese investment in the U.S.?



Strategic responses to the ongoing challenges

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 U.S. 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 U.S. 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.



Innovation

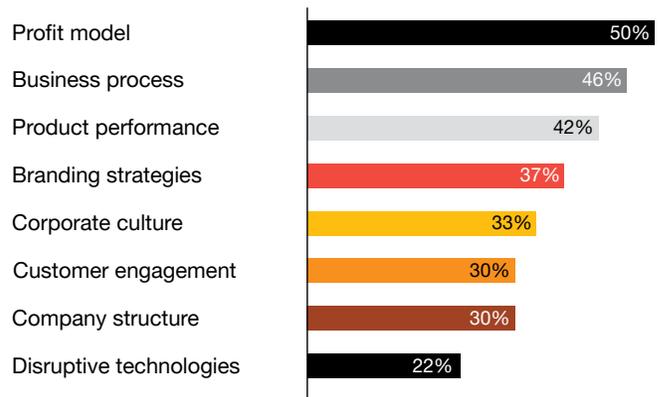
China has become one of the global leaders in technology innovation, and even while experiencing a decline in trade relations with the United States, has surged in innovation across many sectors of its economy from technology to e-commerce. For companies operating in the US, innovation also plays a considerable role to accurately predict and promptly respond to clients demand at the local market. About one quarter of the Chinese companies have established a R&D center in the U.S. While over half of respondents consider themselves as innovation “pioneers” or “experimenters”, over one quarter of them indicated that their company’s budget for innovation will increase in 2020.

Top areas of innovation Chinese companies are pursuing, as we observed in the survey, are profit model (50%), business process (46%) and product performance (42%). Disruptive technologies that are most commonly explored and utilized are Big Data Analytics / Cloud Computing (29%), Robotic Process / Automation (22%) and Artificial Intelligence & Cognitive Computing (16%). As being empowered by the innovation and technological progress, Chinese companies are taking the advantages and contributing to the public good of the local community, and the international collaboration to address environmental challenges and a variety of other shared interests (including cybersecurity and the stability of the financial system).

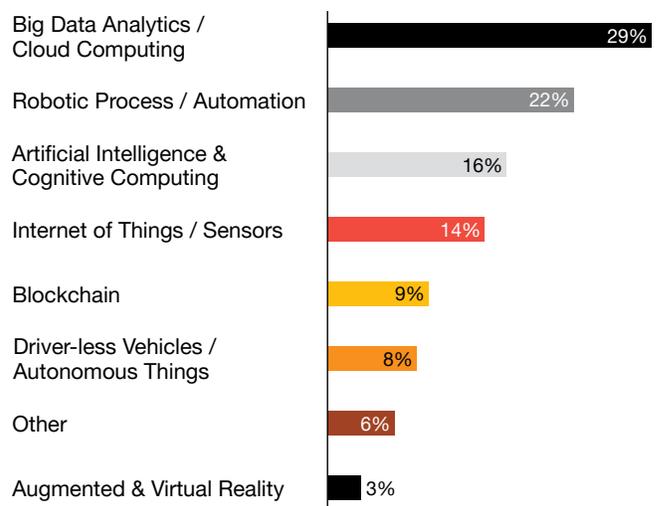
However, given the challenges participants cited in understanding the legal and regulatory environment, it is surprising that Chinese companies do not utilize policy/regulatory strategy to further their innovation and strategic goals in the U.S. Most participants cited relying on culture, skilled workforces, and design to drive innovation. Given that the legal and regulatory environment continues to fragment across geographies, this could be a new area for innovation that drives growth in the U.S. and globally and could become a competitive differentiator as companies continue to look to strategic and new markets for growth.

Different from the domestic environment, the U.S. market provides Chinese companies unique and diverse opportunities for advancing innovation. When being asked about the outside resources that companies have been utilizing, continuous customer experience analysis, workshops with industry experts, and cooperation with universities/research institutions form the top choices. The rich innovation capacity and professional operation of the overall U.S. market allow Chinese companies pursue innovation and technological progress in a more efficient manner.

Which types of innovation does your company pursue?



Which of the following technologies and processes are relevant for innovation in your company

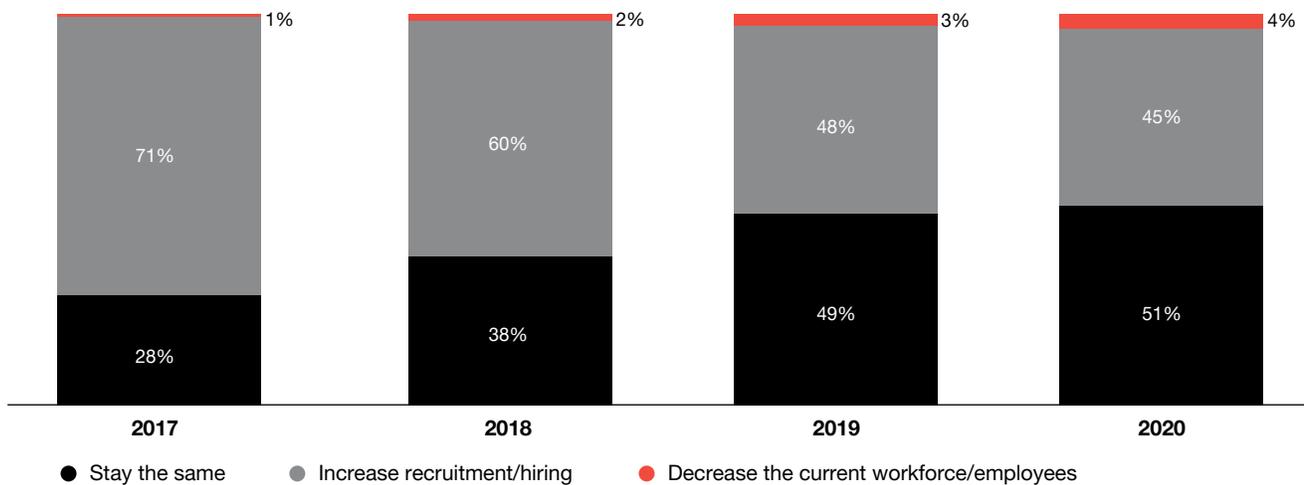


Hire local talent

The talent war is global and is heating up. Only by hiring the right people for the right positions can Chinese companies achieve their development goals. According to our survey, most respondents' U.S. operations are still relatively small and are in the early stages of expanding their business in the U.S. market. As a result, a large portion of them are increasing headcounts and hiring more employees. Although we observed a pause for most of Chinese companies in terms of hiring due to the economic uncertainties in 2019, over 95% of them plan to increase or maintain their headcounts in 2020. Most of the new hires are from the local markets.

On average, a typical Chinese company will hire four local employees for every one expatriate that was sent to manage the U.S. 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.

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



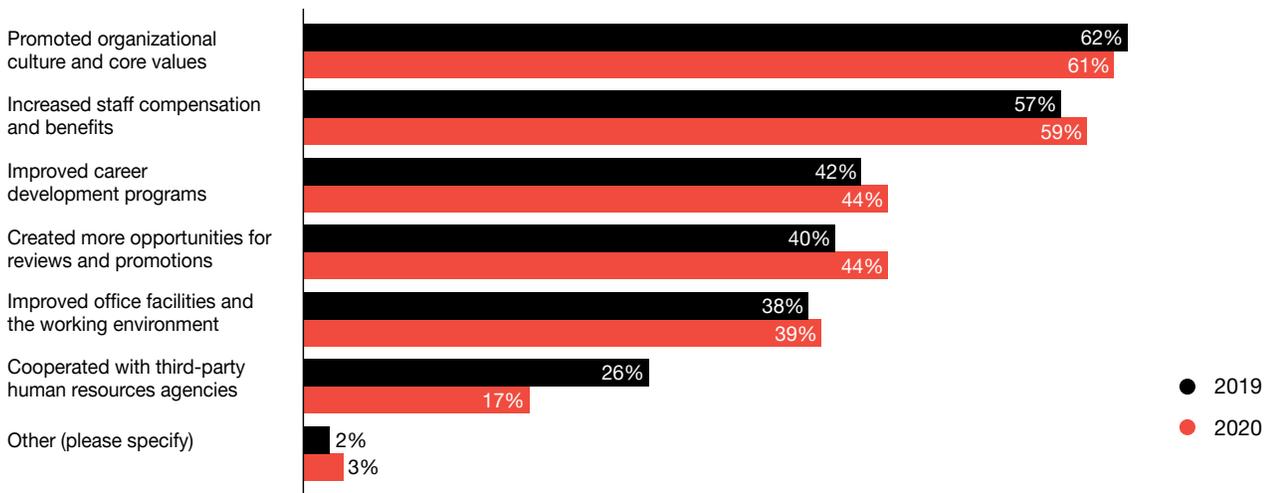
Localization efforts go beyond simply increasing the rate of local hires of a company, but often more importantly focus on developing succession plans in transforming the mid-level or even executive management composition from majority Chinese expatriates to majority American professionals. Our survey respondents indicated that the leading reasons for bringing employees over to the U.S. 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.

For some technology-dependent companies, maintaining a portion of Chinese managers is necessary for technological support purposes.

A common practice for Chinese companies in the U.S. is to transition top positions to capable U.S. executives who, at the same time, understand the corporate culture.

Finding capable talent is often not an easy thing to do. To tackle those challenges, companies implement a series of strategies including promoting organizational culture and core values (61%) and increasing compensation and benefits (59%). 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.

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



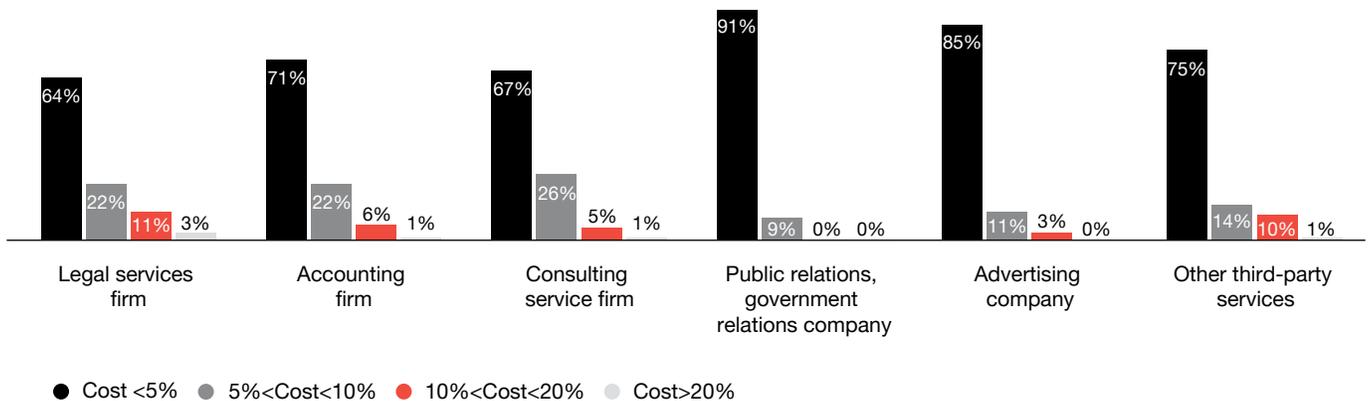
Utilize third-party service firms

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. Survey results have shown that utilizing third-party firms has been one of the most common solutions to various challenges that respondents face. Among Chinese companies who have cooperated with third-party professional organizations to better comply with regulations, nearly half said 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.

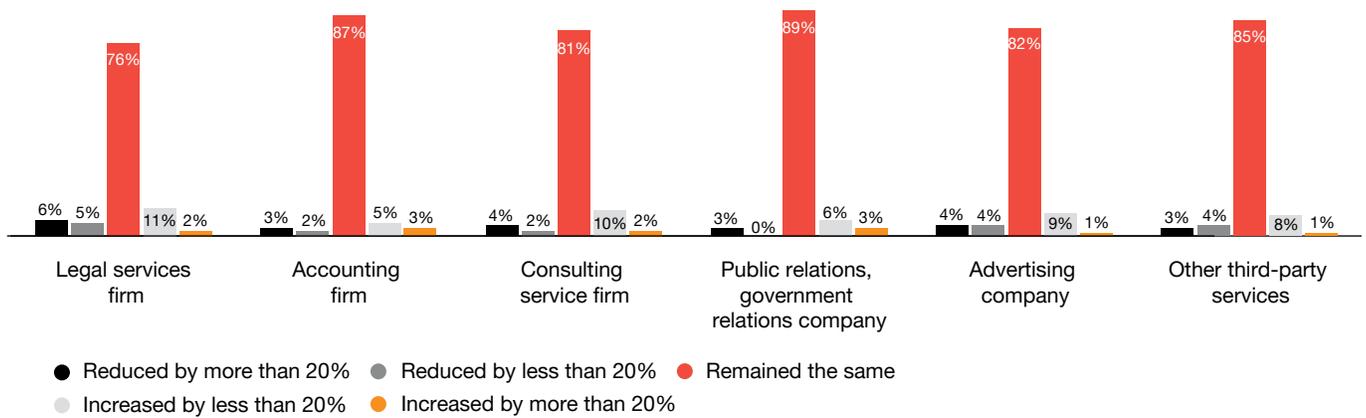
While for the majority of respondents, the expense associated with legal, accounting, consulting, public and government relations, and advertising firms respectively accounts for less than 5% of the overall Sales and Administrative Expenses (SG&A), these expenses are nonetheless clearly on a rising trend. The majority of respondents maintained and increased their expenses paid to third-party service organizations compared to last year's survey, and their budget is expected to increase in the coming year. Currently, not only have the conventional U.S. 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.

Roughly 2/3 of respondents cited a lack of knowledge of relevant laws and regulations in their industry as the main challenge faced in regards to government regulations, thereby demonstrating that management teams should be engaging public policy, legal and compliance professionals that are well versed in these areas more often and more deeply in order to decrease friction as they invest in or expand their operations in the U.S.

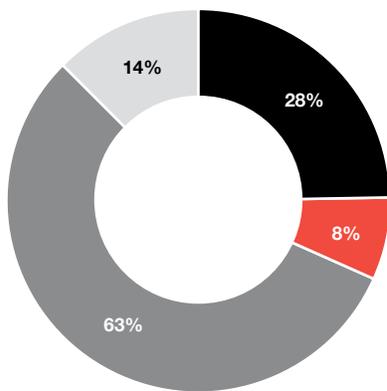
What was the proportion of the following expenses counted towards sales and administrative expenses (SG&A) in 2019?



How do you expect the fees paid to third-party service organizations to change in 2020?



What are the main challenges faced by your company in complying with government regulations?



- Complicated and redundant regulations; opaque distribution of regulatory duties
- Opaqueness of relevant law enforcement
- Lack of knowledge of relevant laws and regulations in the industry; lack of experience and preventive awareness
- Other (please specify)

Mini survey results

The summary results of the CGCC mini survey recently completed reveal that our member companies, regardless of industry category, has been affected in some way by both the COVID-19 pandemic and the negative rhetoric regarding US-China relations. The categorical breakdown of companies surveyed includes 10 groupings with the largest one as Financial and Real Estate firms, representing over 35% of all respondents.

The ongoing pandemic exacerbates existing worries. 90% of the respondents answered that the pandemic had either a minor or severe negative impact on the company's results. 7% of the respondents believed that while there was no immediate impact, a long-term effect is foreseeable. Over 95% of respondents believed these impacts would last from 6 months to 3 years before returning to some sense of how their companies previously defined normalcy. Only a small number of companies in the telecommunications sector believed that any return would occur within the next 6 months.

Together with information collected before the pandemic, the mini survey does not present a promising outlook on the near horizon. For the past seven years, respondents to our annual surveys had reported increasing concern that business environment in the United States might worsen. More grew pessimistic and conservative while fewer of them stay positive about the outlook. Satisfaction with business environment also declined, and all these unexciting signs were prominent before the outbreak.

One mechanism through which COVID-19 adversely impact Chinese companies is likely to be the anti-China rhetoric and the fraying between the two countries. Over 50% of the companies claimed events have adversely affected their operations, 36% of the respondents have noticed identifiable loss. 37% of the respondents answered that they were uncertain of the impact these events will have on their companies. Although respondents' generally perception of overall US-China relationship did not change for the past three years, now the loss and uncertainty caused by a deteriorated US-China relationship and hostility are acute. This relatively new realization could be a break from the knowledge we had learned in the past.

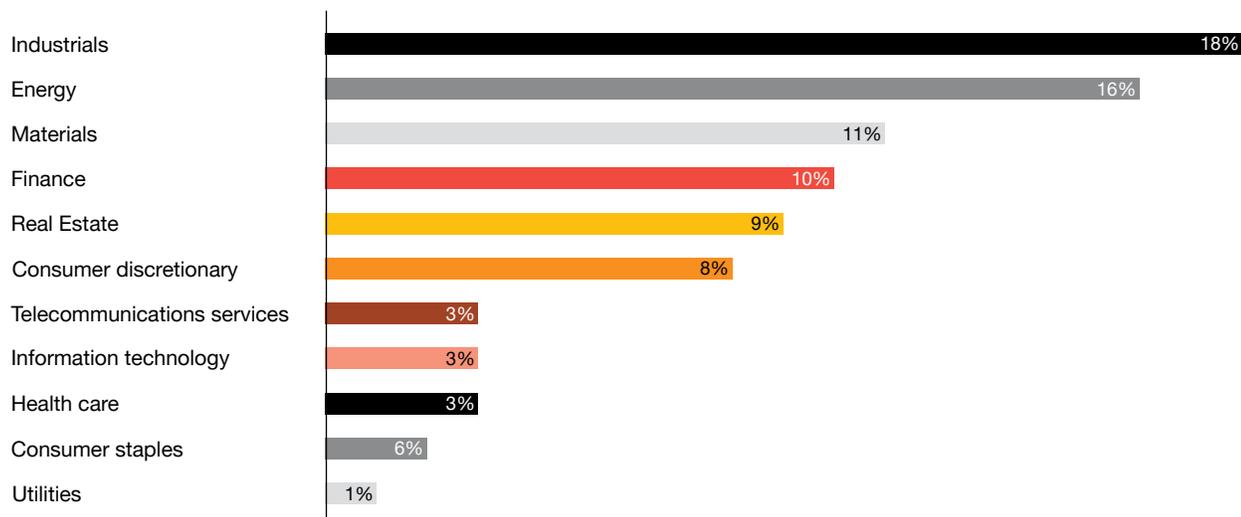
In sum, these survey responses have shown consistency and shift in terms of respondents' perception of their business's outlook. Their perception will greatly affect how they business in the future. We will continue to monitor the changing landscape and follow up with businesses' response.



Appendix A

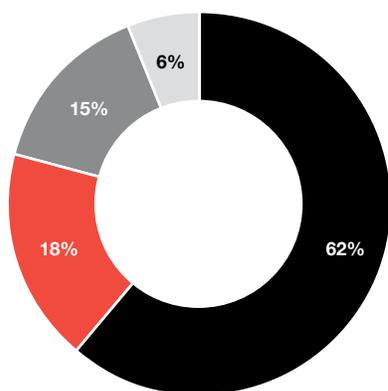
QUESTION 3a

Main industry of operation in the U.S.



QUESTION 3b

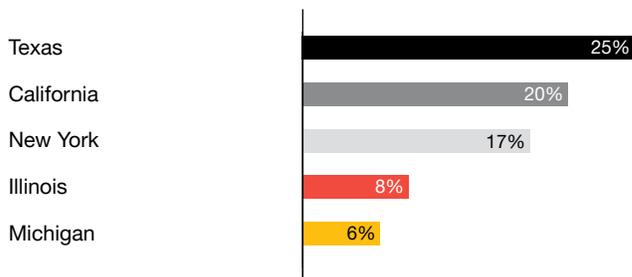
Main industry of operation in the U.S.



- Services
- Consumer Products
- Others
- Resources & Industrials

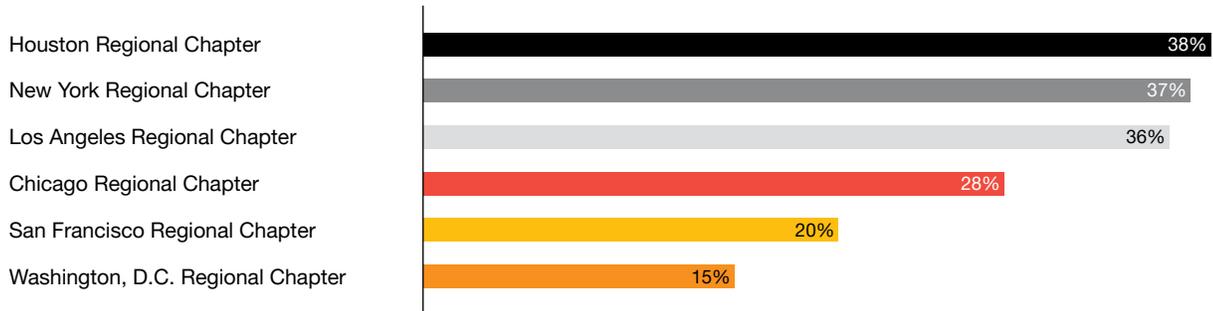
QUESTION 3c

Top 5 states of surveyed company headquarters



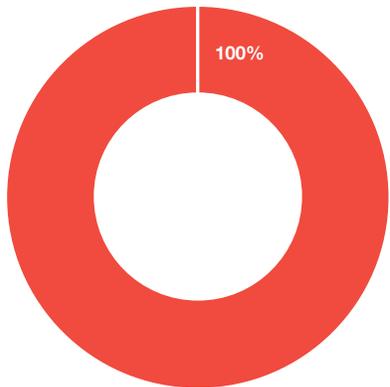
QUESTION 5

In which areas does your company have investments? (The category is based on CGCC regional chapters)



QUESTION 7

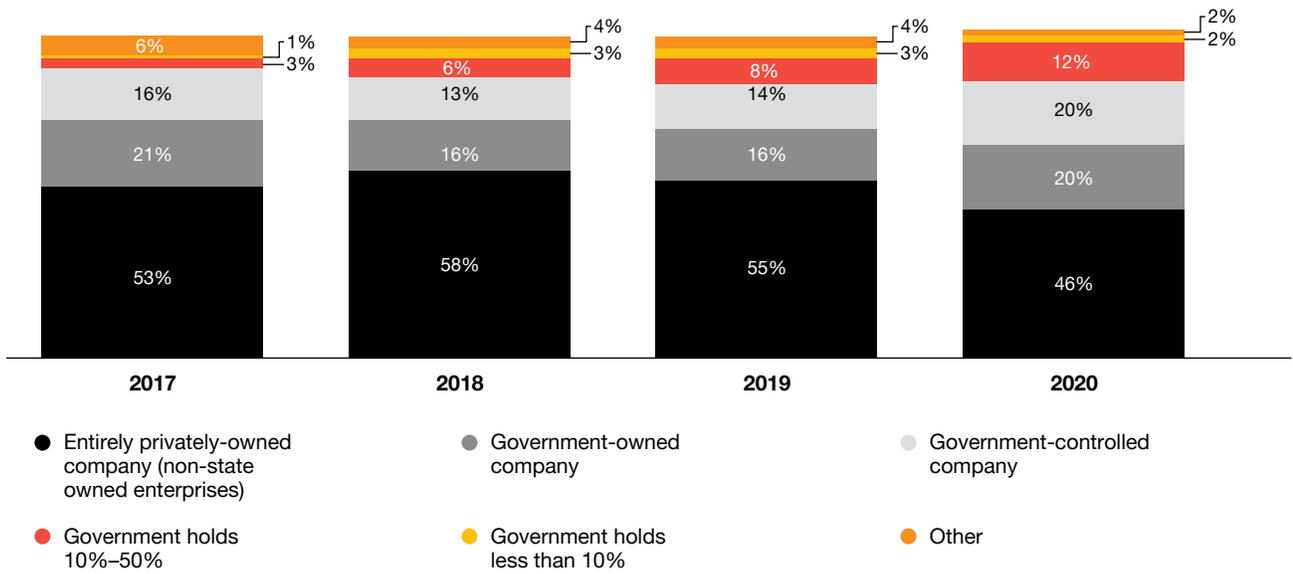
How did your workforce change in 2019?



- Increased hiring
- Remain the same
- Decreased hiring

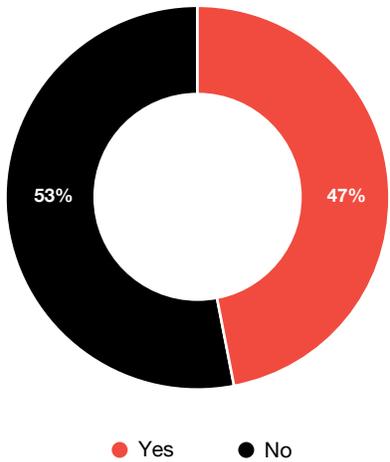
QUESTION 8

What is the ownership structure of your parent company?



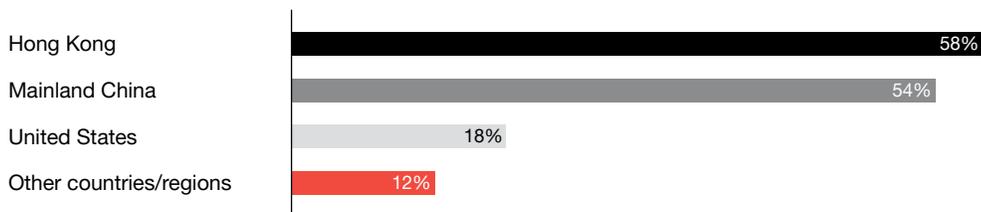
QUESTION 10

Is the U.S. subsidiary managed by a listed company?



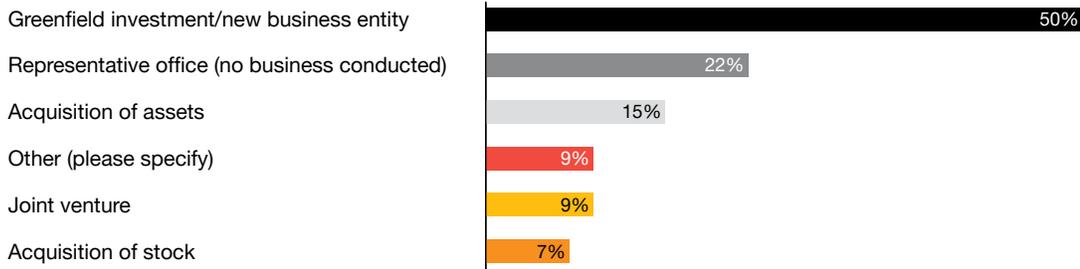
QUESTION 11

Where is the company listed?



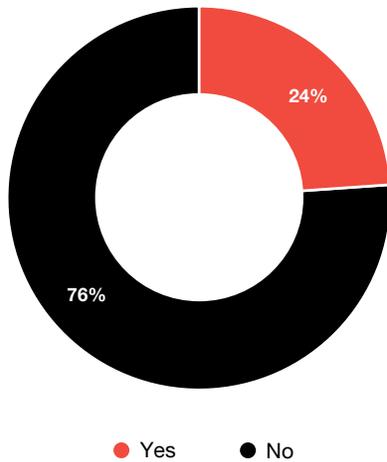
QUESTION 12

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



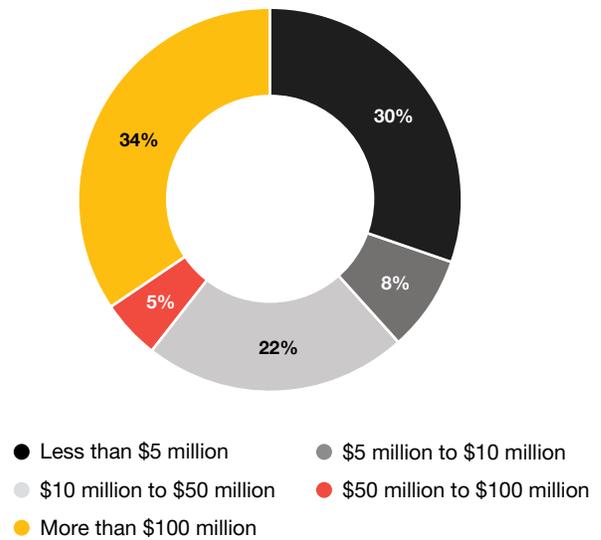
QUESTION 13

Does your company have a research and development center or a training center in the U.S.?



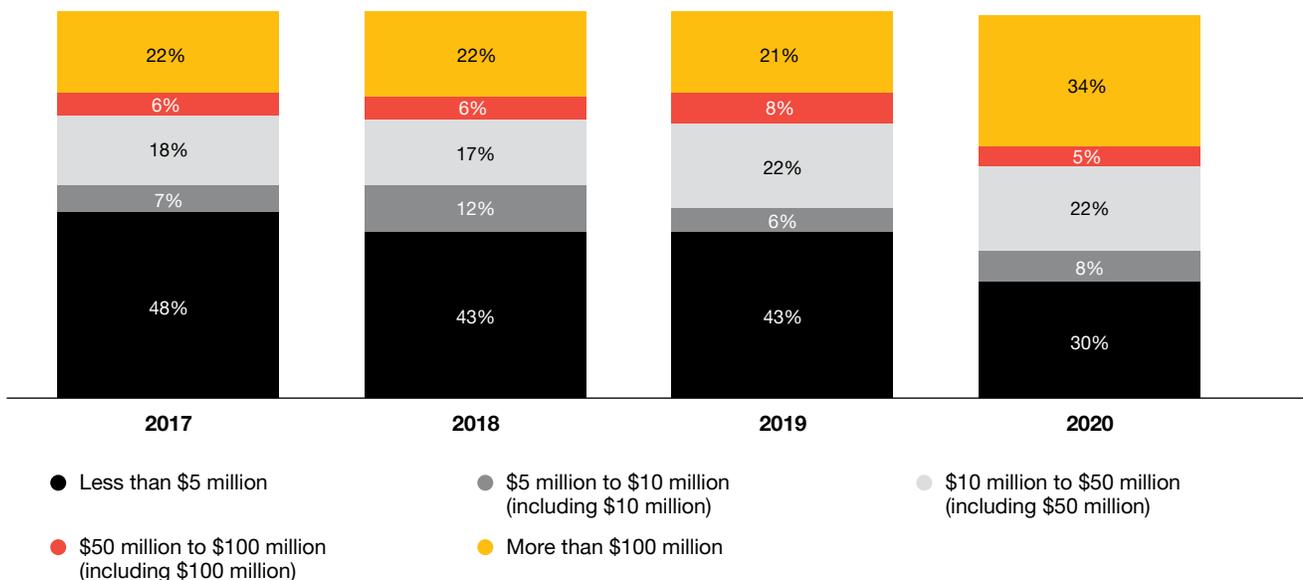
QUESTION 17a

What is your company's annual U.S. revenue in 2019?



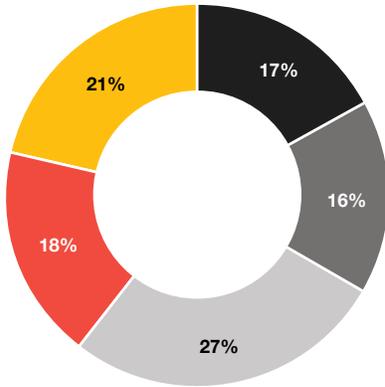
QUESTION 17b

What was your company's annual revenue in the U.S.?



QUESTION 18a

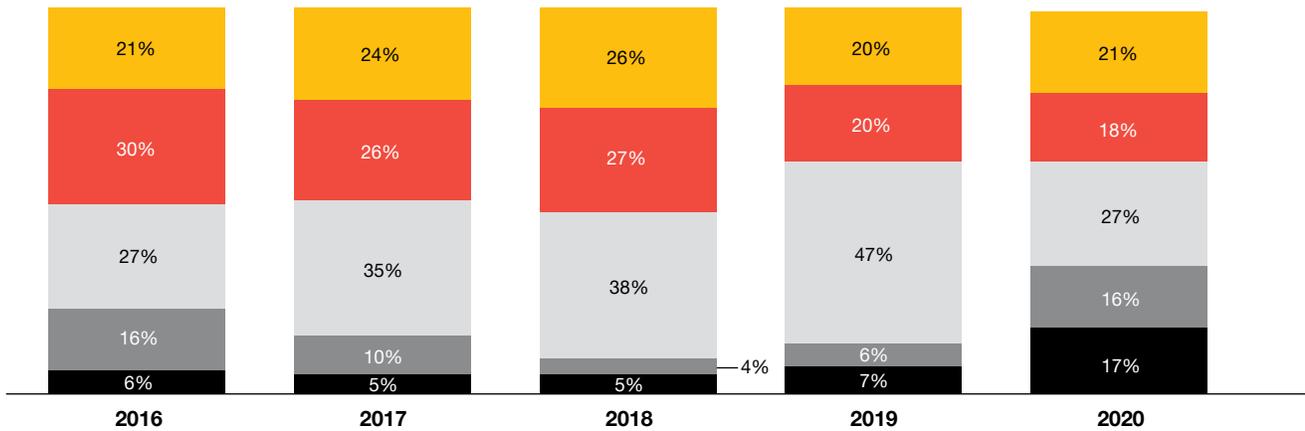
How did your company's annual U.S. revenue change in 2019 compared to 2018



- Decreased by more than 20%
- Decreased by less than 20%
- Remained the same
- Increased by less than 20%
- Increased by more than 20%

QUESTION 18b

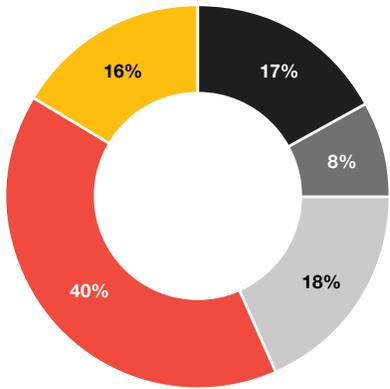
How did your company's annual U.S. revenue change last year compared to the year before?



- Decreased by more than 20%
- Decreased by less than 20%
- Remained the same
- Increased by less than 20%
- Increased by more than 20%

QUESTION 19a

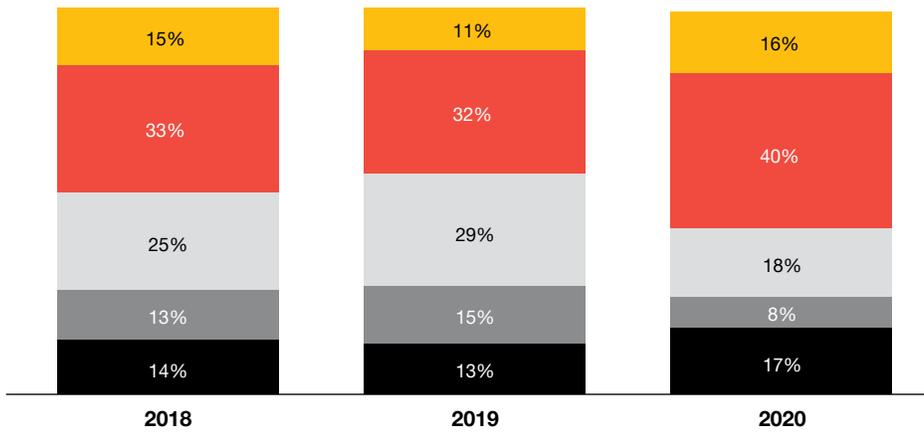
What was your company's estimated EBIT margin in 2019?



- EBIT Margin < -15%
- -15% ≤ EBIT Margin < 0
- Break even
- 0 ≤ EBIT Margin < 15%
- EBIT Margin ≥ 15%

QUESTION 19b

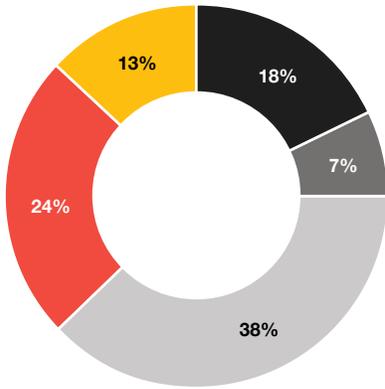
What was your company's estimated EBIT margin?



- EBIT Margin < -15%
- -15% ≤ EBIT Margin < 0
- Break even
- 0 ≤ EBIT Margin < 15%
- EBIT Margin ≥ 15%

QUESTION 20a

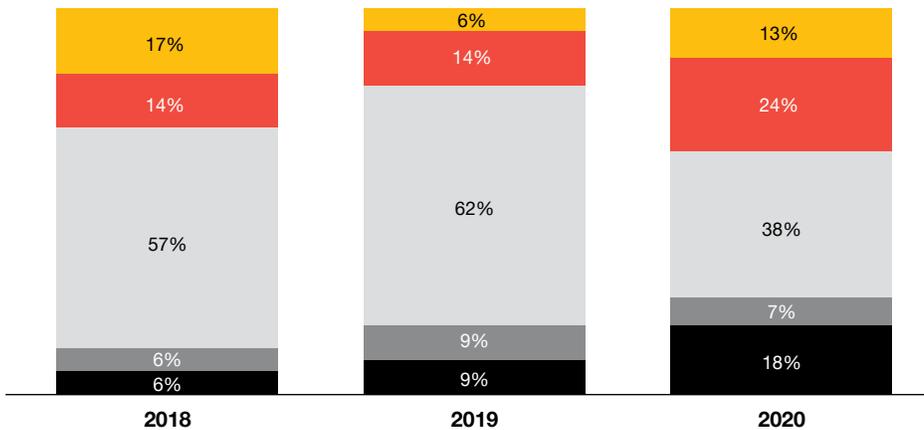
How has your company's EBIT Margin in the U.S. changed in 2019 compared to 2018?



- Decreased by more than 5 percentage points
- Decreased by less than 5 percentage points
- Remained the same
- Increased by less than 5 percentage points
- Increased by more than 5 percentage points

QUESTION 20b

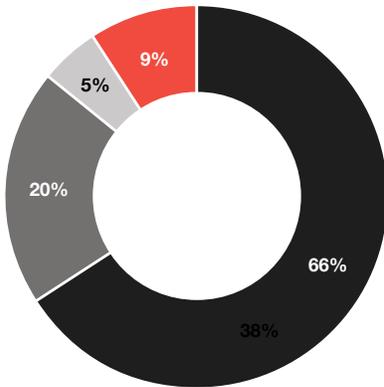
How has your company's EBIT Margin in the U.S. changed compared to the year before?



- Decreased by more than 5 percentage points
- Decreased by less than 5 percentage points
- Remained the same
- Increased by less than 5 percentage points
- Increased by more than 5 percentage points

QUESTION 21a

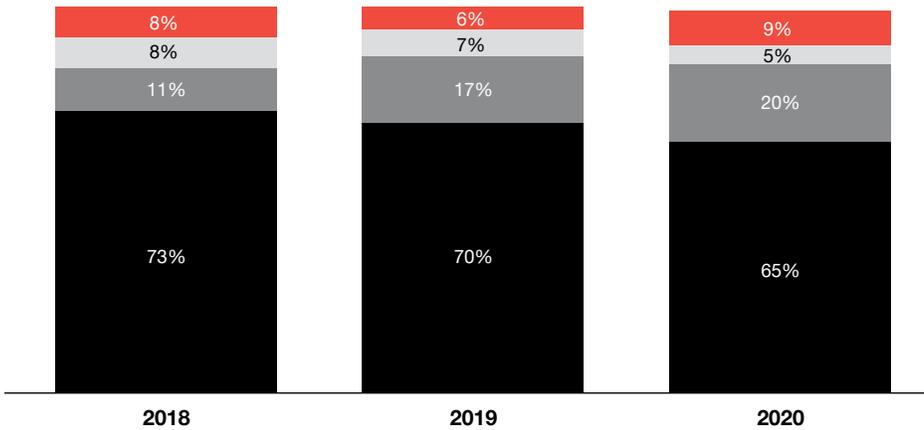
What percentage of your parent company's annual revenue is contributed by the U.S. company?



- Percentage < 10%
- 10% ≤ Percentage < 25%
- 25% ≤ Percentage < 50%
- Percentage ≥ 50%

QUESTION 21b

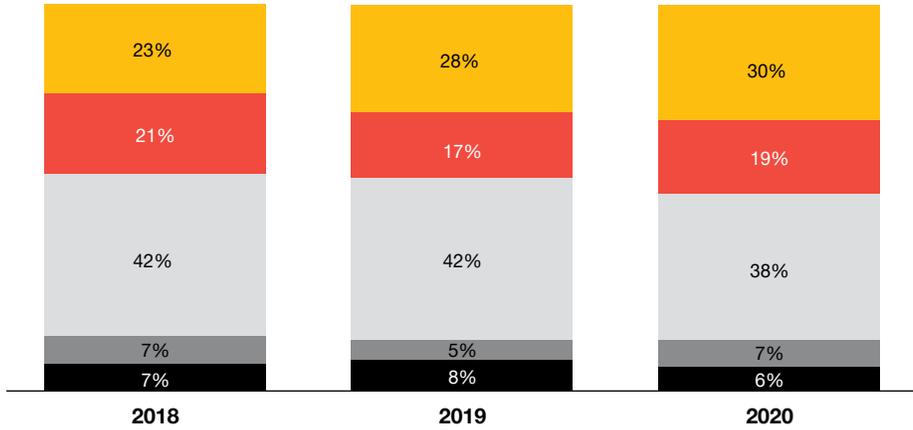
What percentage of your parent company's annual revenue is contributed by the U.S. company?



- Percentage < 10%
- 10% ≤ Percentage < 25%
- 25% ≤ Percentage < 50%
- Percentage ≥ 50%

QUESTION 22

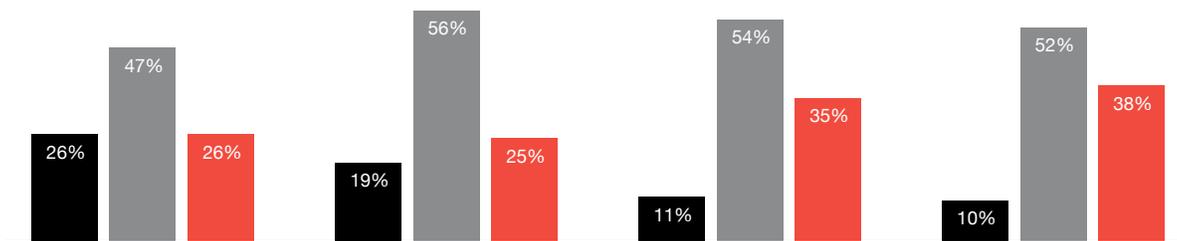
How did your company perform in EBIT Margin compared to your parent company's average EBIT Margin globally?



- Higher than global EBIT Margin by more than 5 percentage points
- Higher than global EBIT Margin by less than 5 percentage points
- About the same
- Lower than global EBIT Margin by less than 5 percentage points
- Lower than global EBIT Margin by more than 5 percentage points

QUESTION 23

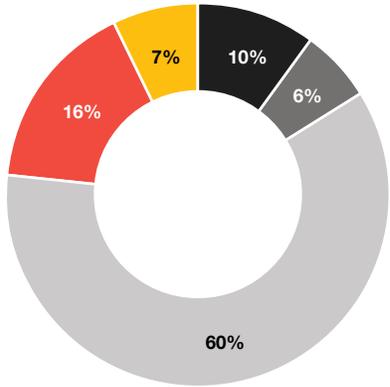
Trend of industry growth and market share of your company in 2019 and the expectations for those in 2020.



- Decrease(d)
- Remain(ed) the same
- Increase(d)

QUESTION 24a

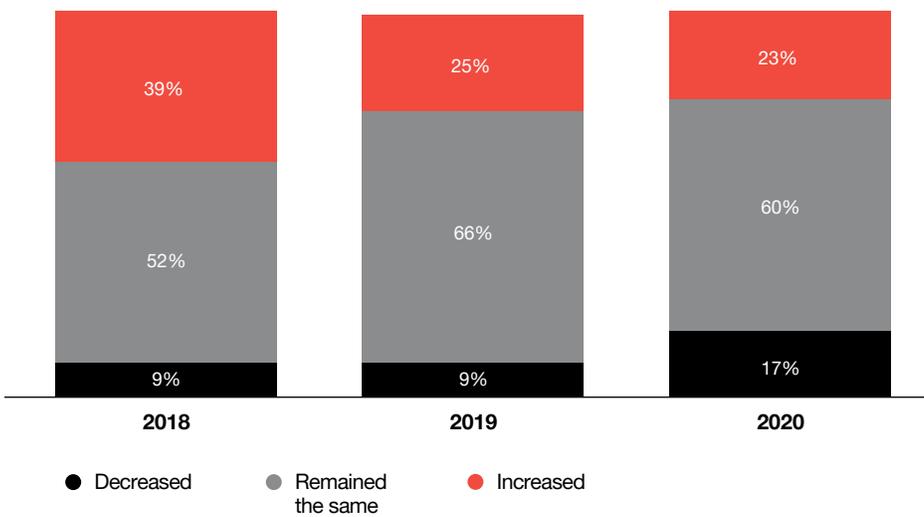
How has your company's new business investment in the United States changed in 2019?



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

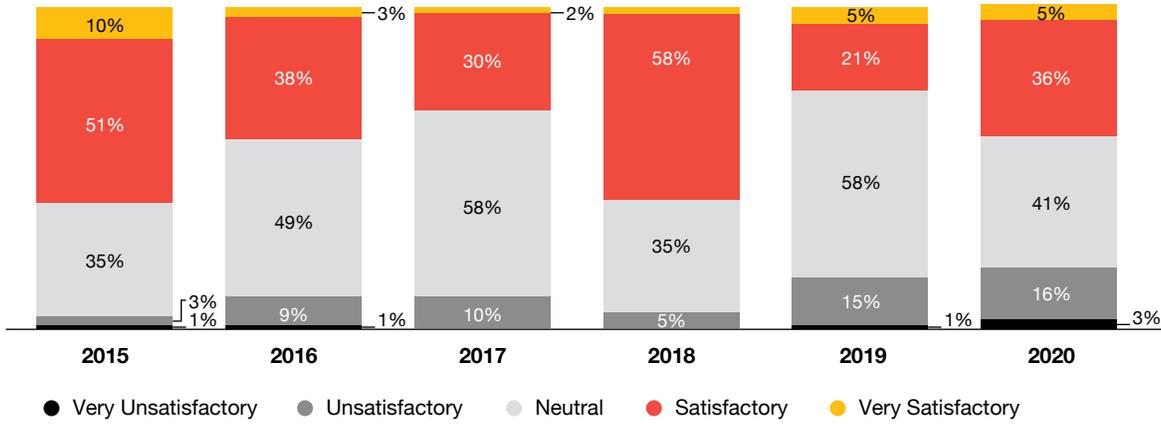
QUESTION 24b

How has your company's new business investment in the United States changed?



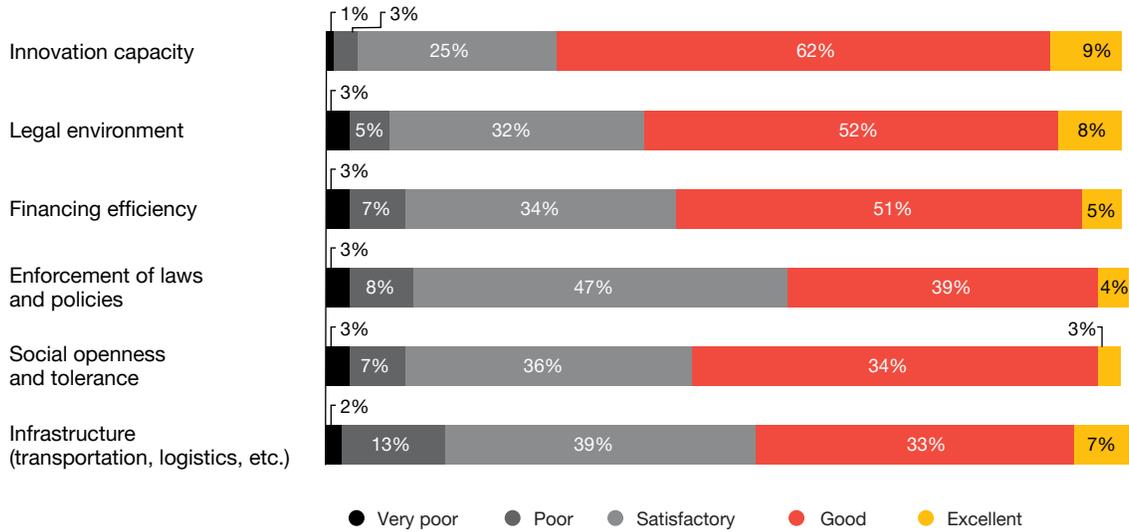
QUESTION 25a

How do you evaluate the U.S. overall investment and business environment?



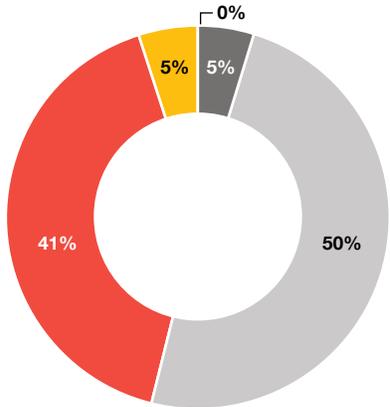
QUESTION 25b

How do you evaluate the following elements of the U.S. investment and business environment?



QUESTION 26a

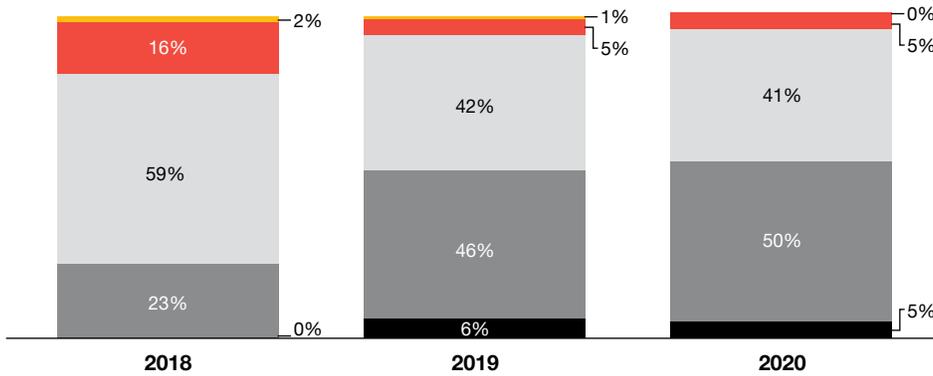
How has the U.S. investment and business environment changed in 2019?



- Substantially worsen
- Moderately worsen
- Remained the same
- Moderately improved
- Substantially improved

QUESTION 26b

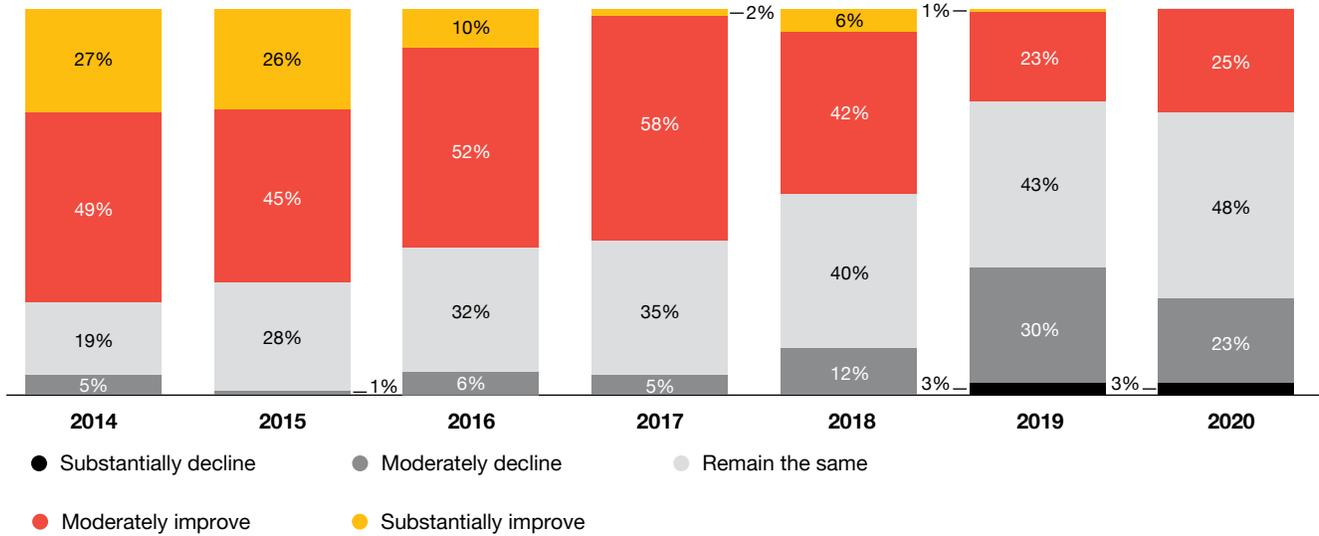
How has the U.S. investment and business environment changed in the last year?



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

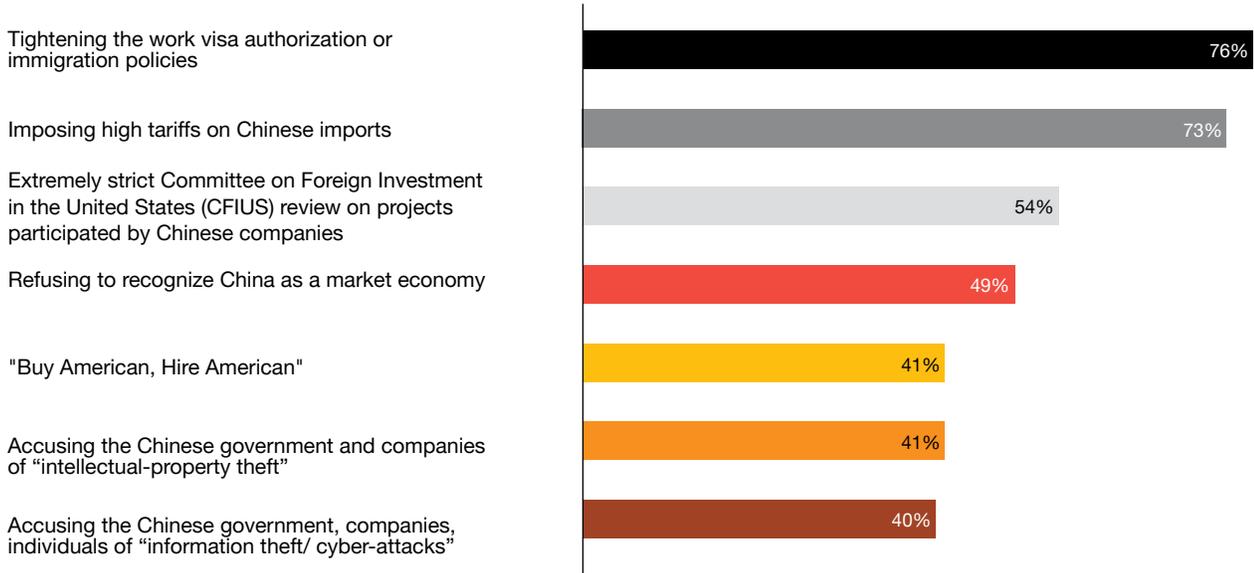
QUESTION 27

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



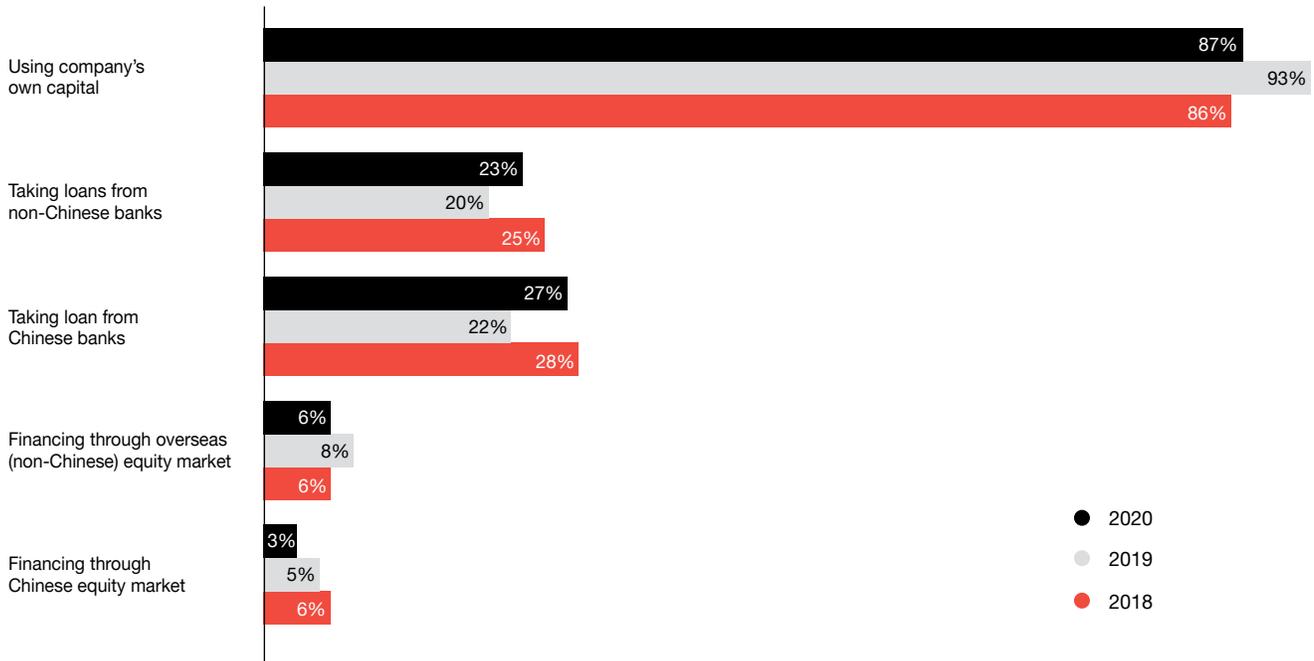
QUESTION 28

How has your company been affected by the following policies or positions of the U.S. government in 2019?



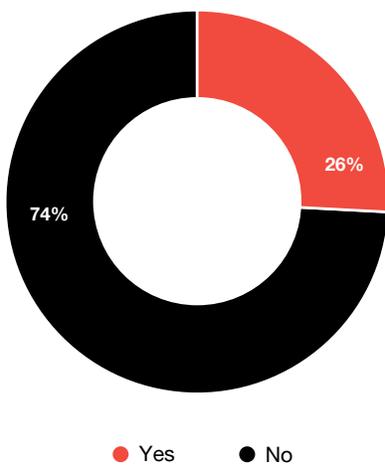
QUESTION 29

How does your company raise capital for U.S. investment projects?



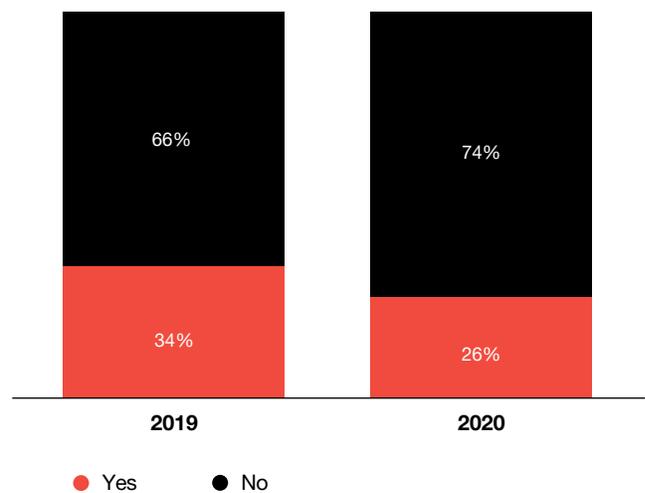
QUESTION 30a

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



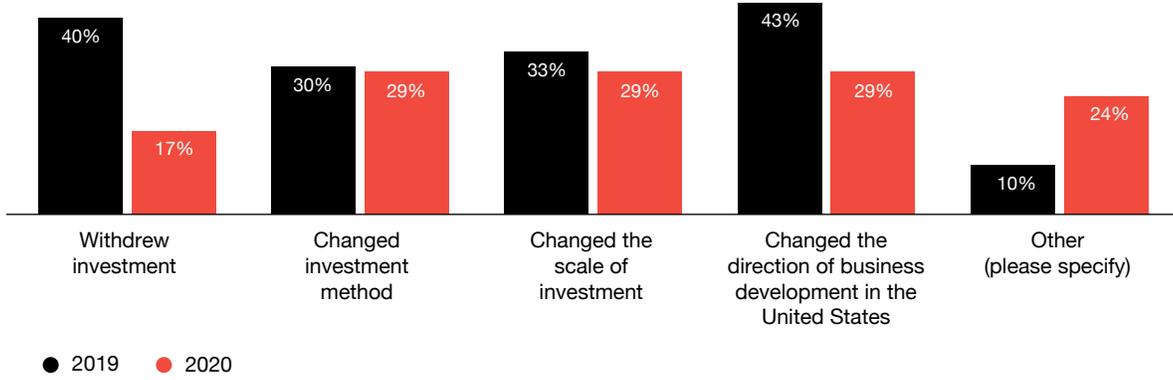
QUESTION 30b

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



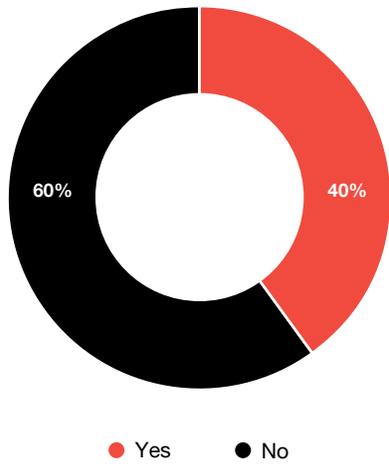
QUESTION 31

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



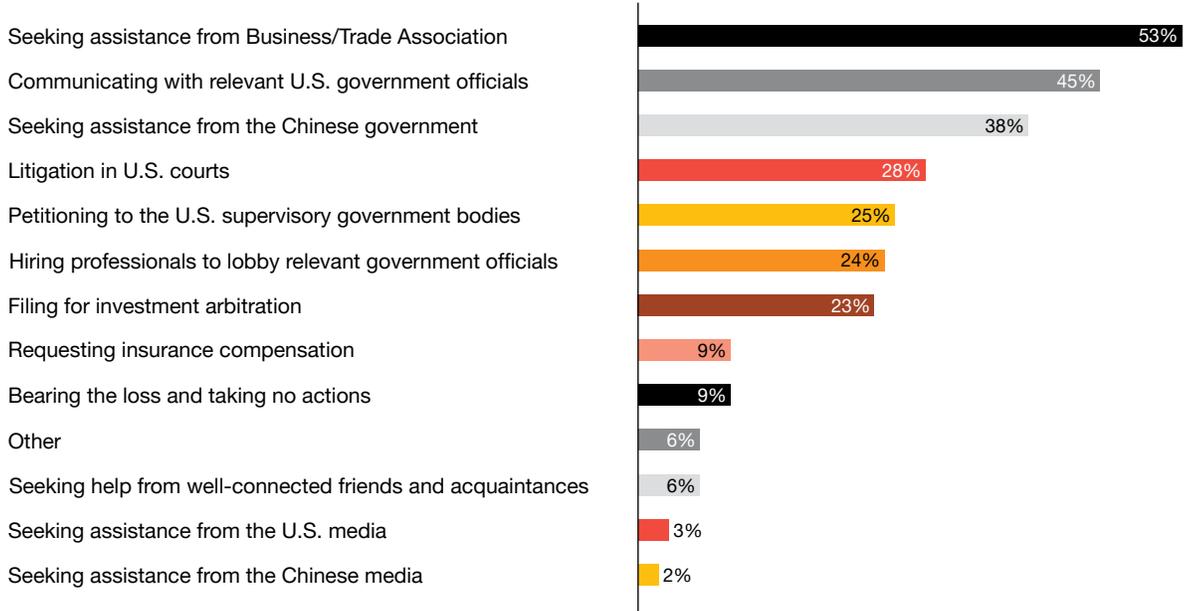
QUESTION 32

Has your company experienced any challenges/difficulties due to U.S. government policies and regulations?



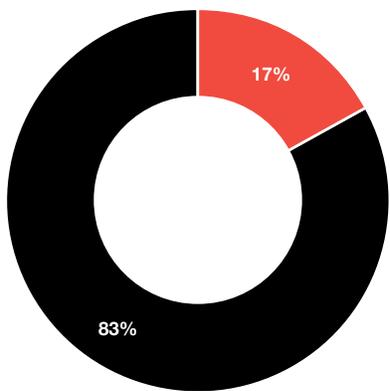
QUESTION 33

If your company experiences challenges/difficulties mentioned above, which of the following measures would you take?



QUESTION 34

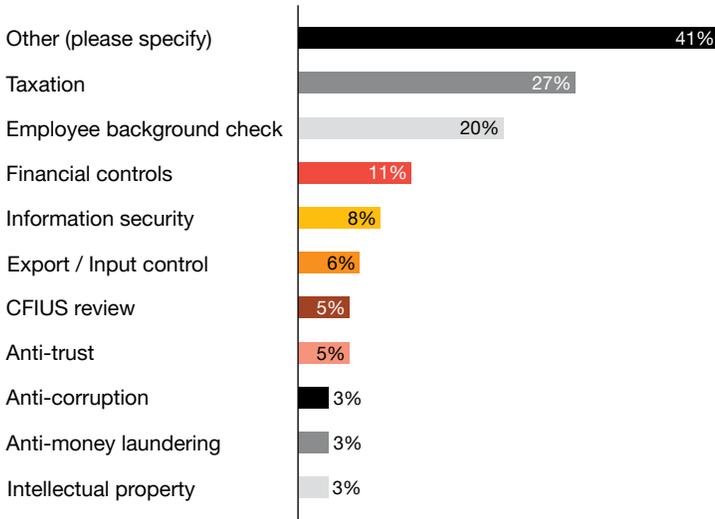
Has your company been investigated by federal, state, or other regulatory authorities in 2019?



● Yes ● No

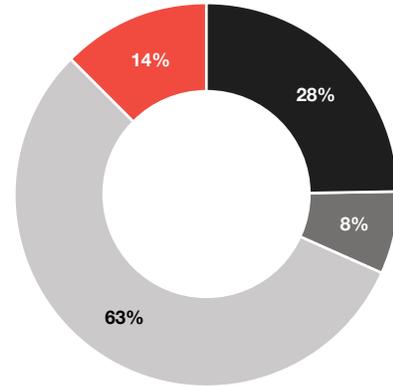
QUESTION 35

What types of investigations did the regulatory authorities pursue?



QUESTION 36a

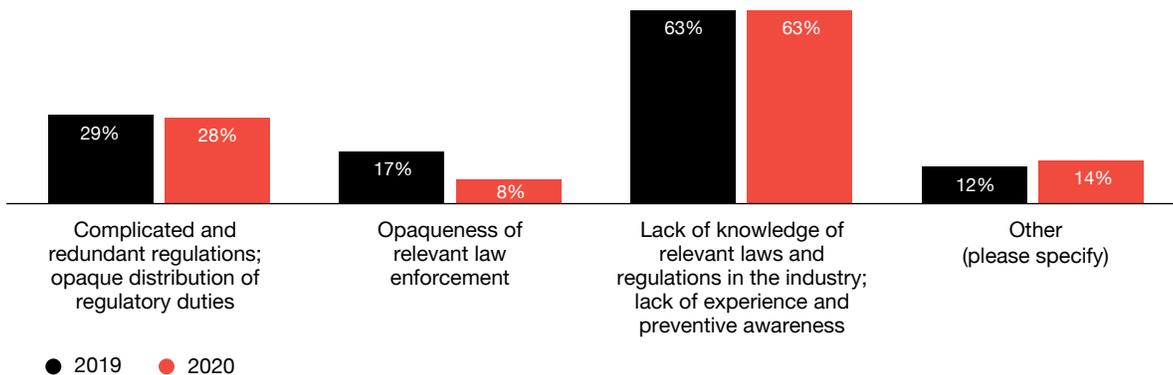
What are the main challenges faced by your company in complying with government regulations?



- Complicated and redundant regulations; opaque distribution of regulatory duties
- Opaqueness of relevant law enforcement
- Lack of knowledge of relevant laws and regulations in the industry; lack of experience and preventive awareness
- Other (please specify)

QUESTION 36b

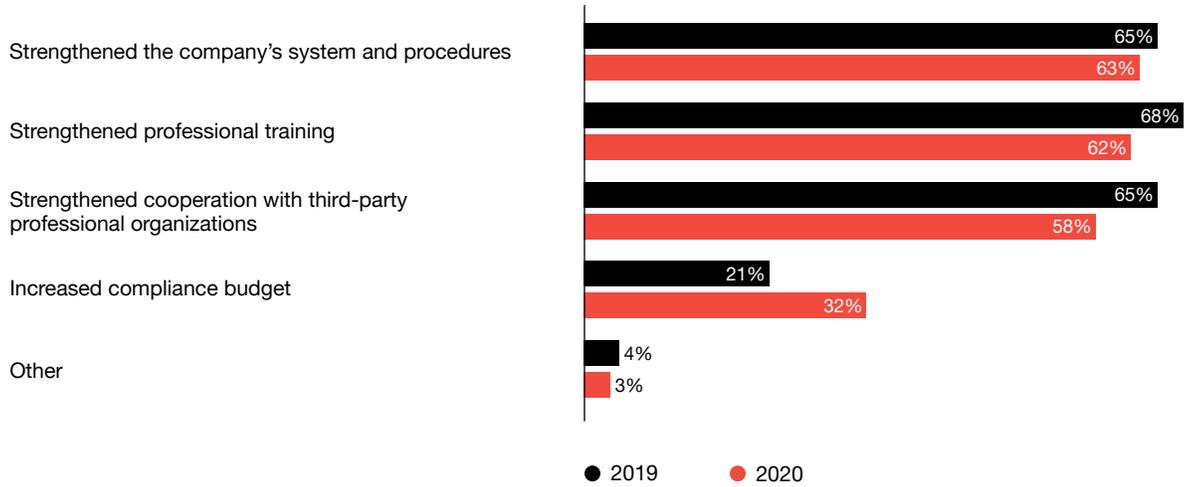
What are the main challenges faced by your company in complying with government regulations?



- 2019
- 2020

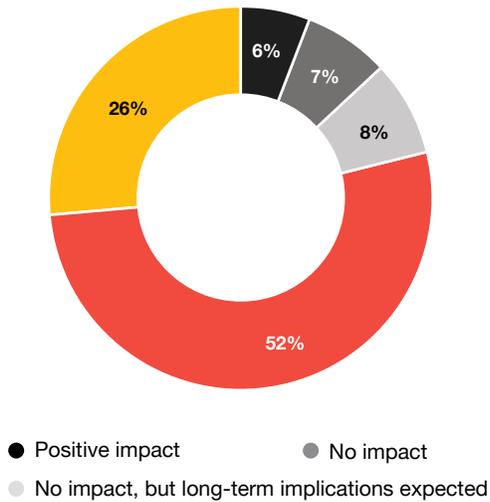
QUESTION 37

Which of the following steps did your company take to address the challenges complying with government regulations?



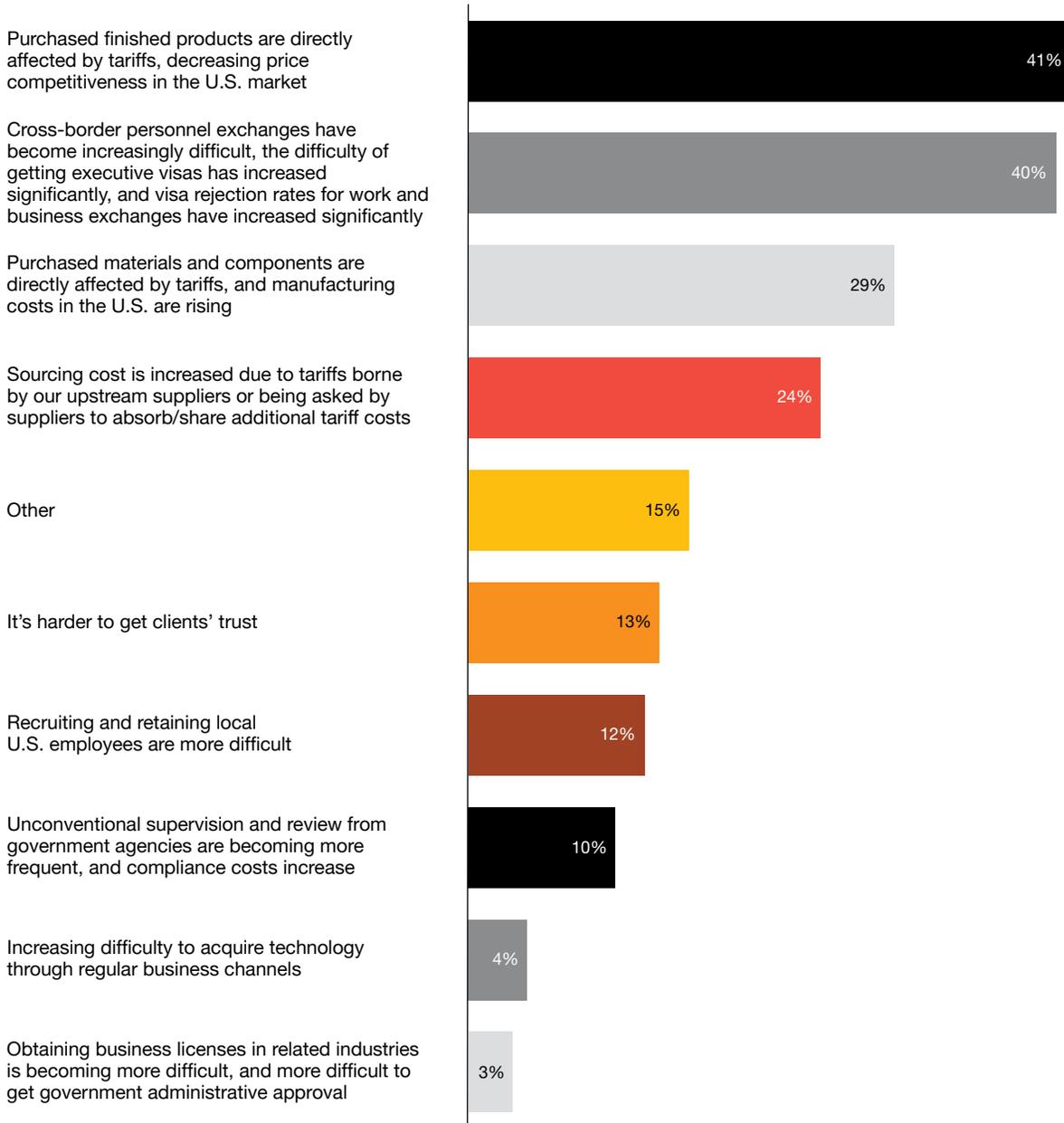
QUESTION 38

How has your company been impacted by the decline in China-U.S. trade relations to remain neutral in the past year?



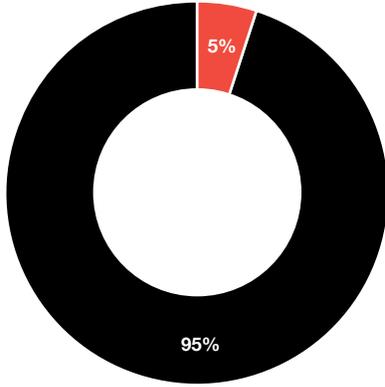
QUESTION 39

If your company has been negatively impacted, then in what aspects?



QUESTION 40

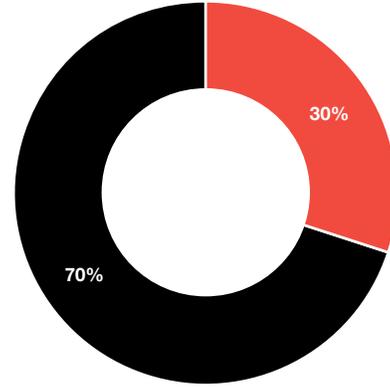
Does your company headquarters plan to withdraw from the U.S. market due to the China-U.S. decline in trade relations?



● Yes ● No

QUESTION 41

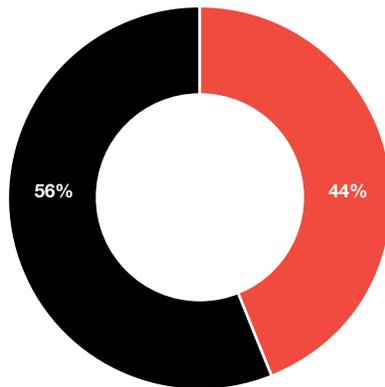
Does your company headquarters plan to cancel or hold off investments in the U.S. due to the China-U.S. decline in trade relations?



● Yes ● No

QUESTION 42

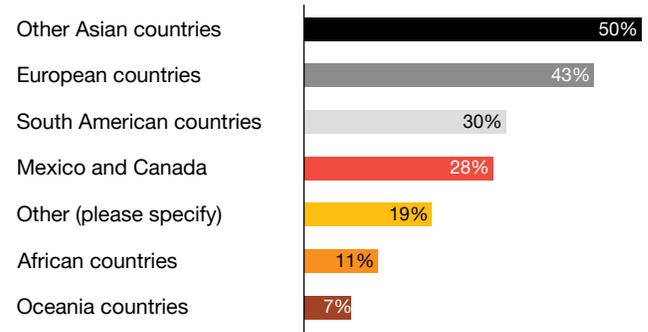
If planning to cancel or hold off investments in the U.S., will your company increase investment in other regions?



● Yes ● No

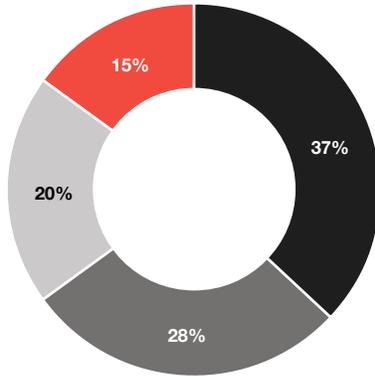
QUESTION 43

If yes, where does your company plan to invest?



QUESTION 44

Has the China-U.S. decline in trade relations affected your company's business relations with U.S. partners or clients?

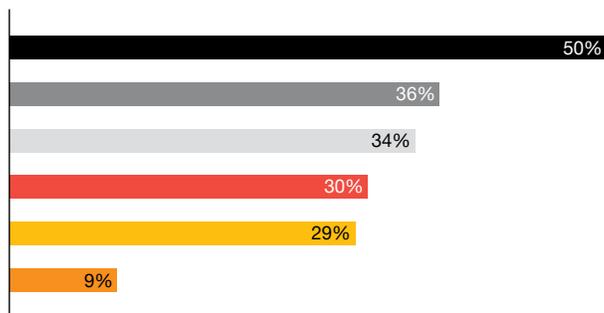


- Yes, and it did cause loss
- No, but long-term implications expected
- No, and did not cause any loss
- Yes, but did not cause any loss

QUESTION 45

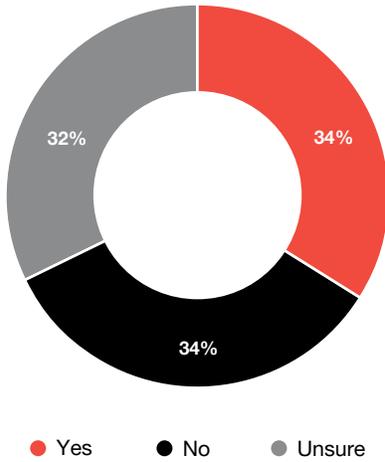
Facing the likely long-term standoff of business and economic conflict between China and the U.S., what does your company plan to do in order to deal with the new environment in the U.S. market?

- Improving competitiveness through innovation in technology, products and management
- Taking steps to reduce/mitigate the tariff impacts
- Controlling costs by reducing expenses, staff, etc.
- Increasing the price of products or services to deal with the increase in costs caused by tariffs
- Opening new domestic markets that are not affected by the decline in trade relations, diverting the risks
- Other



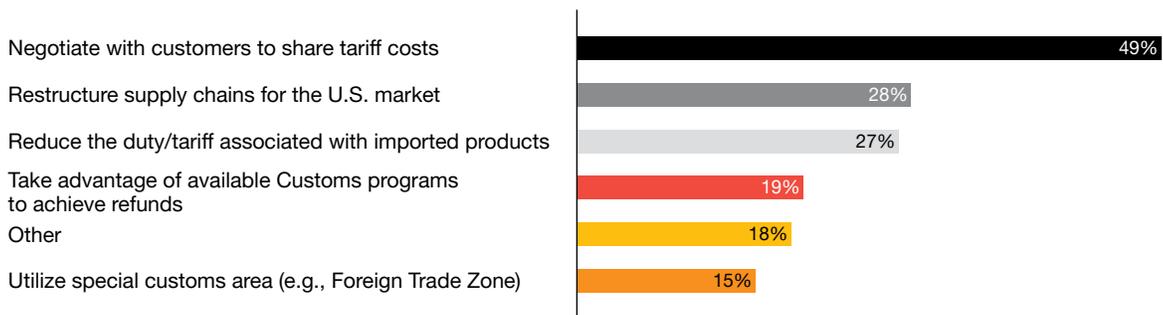
QUESTION 46

Has your company performed any quantitative assessments of the impact from additional tariffs implemented by the U.S. administration, in order to inform any management decisions?



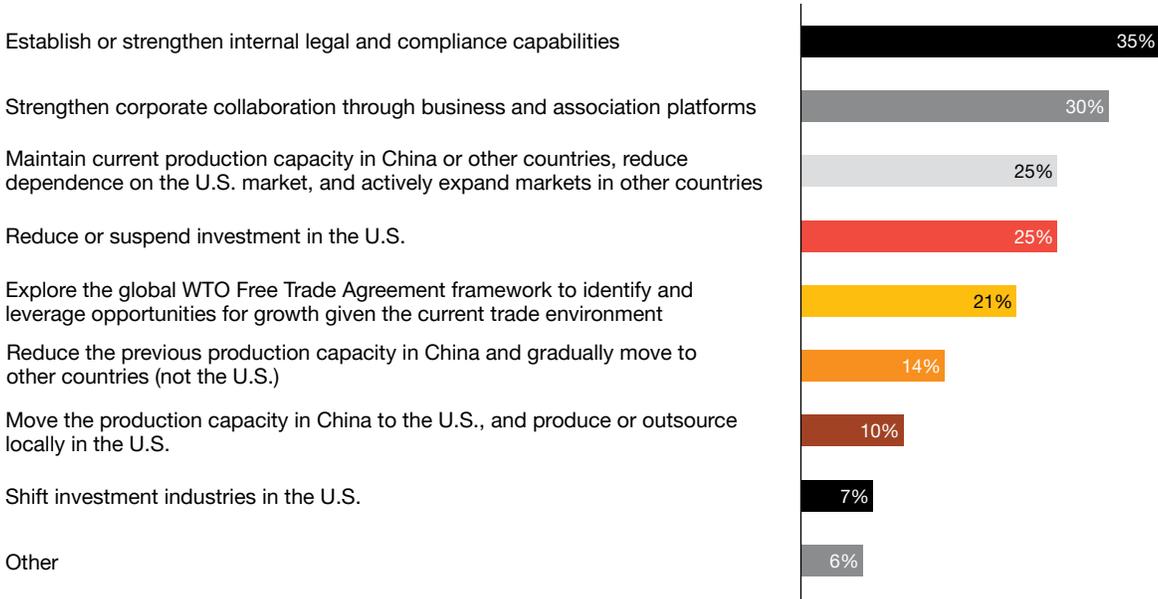
QUESTION 47

If your company has taken steps to reduce tariff impacts, what are these initiatives?



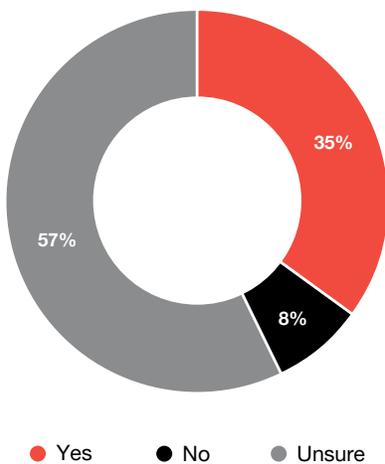
QUESTION 48

Facing the likely long-term standoff of business and economic conflict between China and the U.S., what does your company plan to do in order to deal with the new environment in the global market?



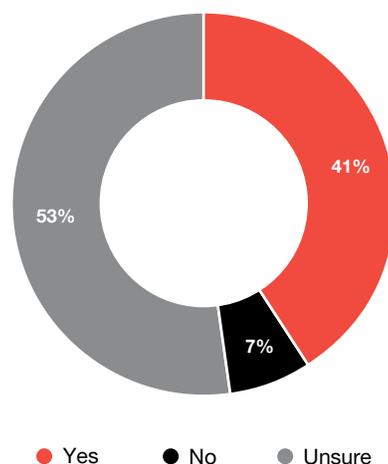
QUESTION 49

Do you feel that the January 2020 preliminary trade agreement is a meaningful turning point for the China-U.S. trade conflict?



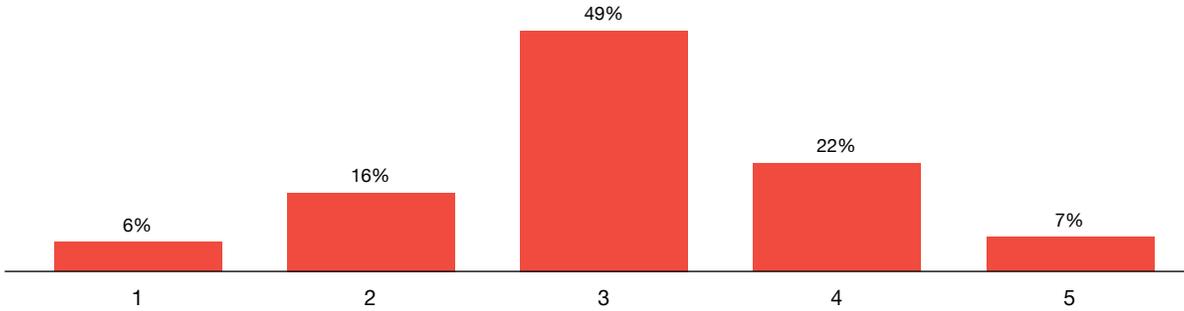
QUESTION 50

Do you have confidence in the January 2020 preliminary China-U.S. trade agreement being implemented as reported?



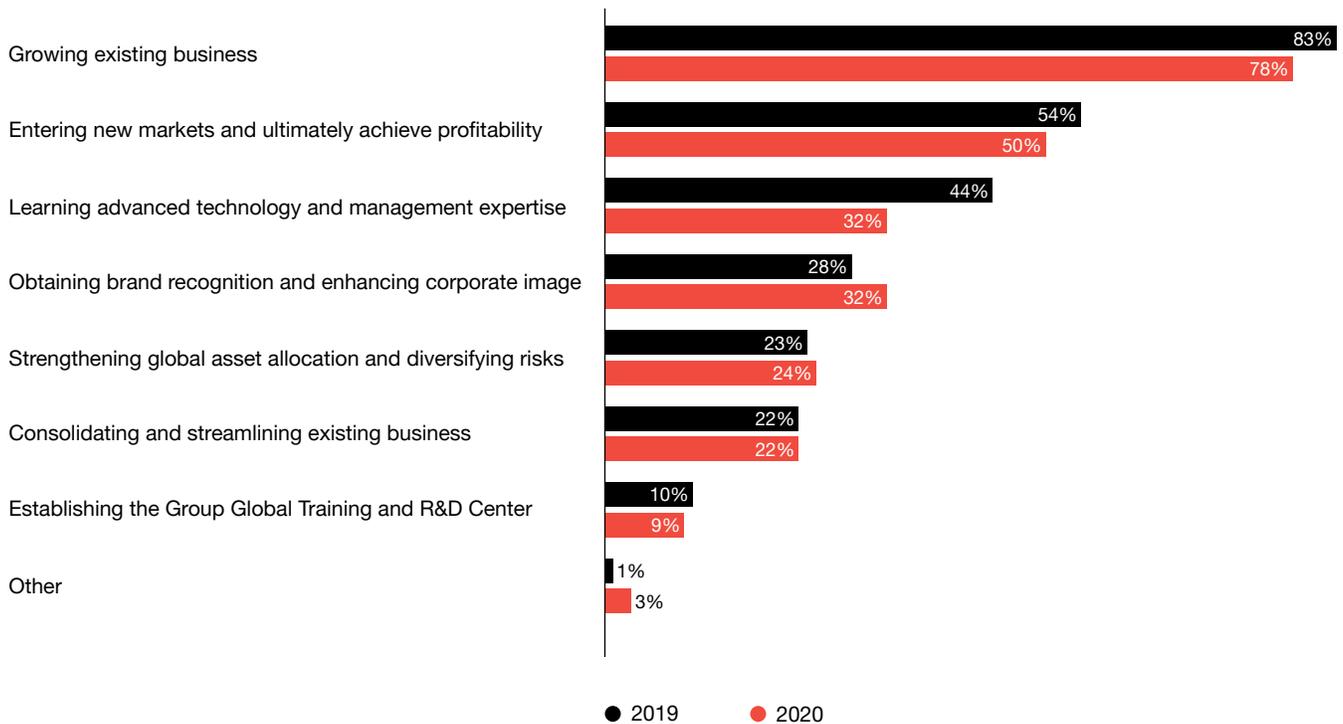
QUESTION 51

Please rate your confidence on the China-U.S. trade environment improving in the next five years on a scale of 1-5: (larger numbers indicate stronger confidence levels)



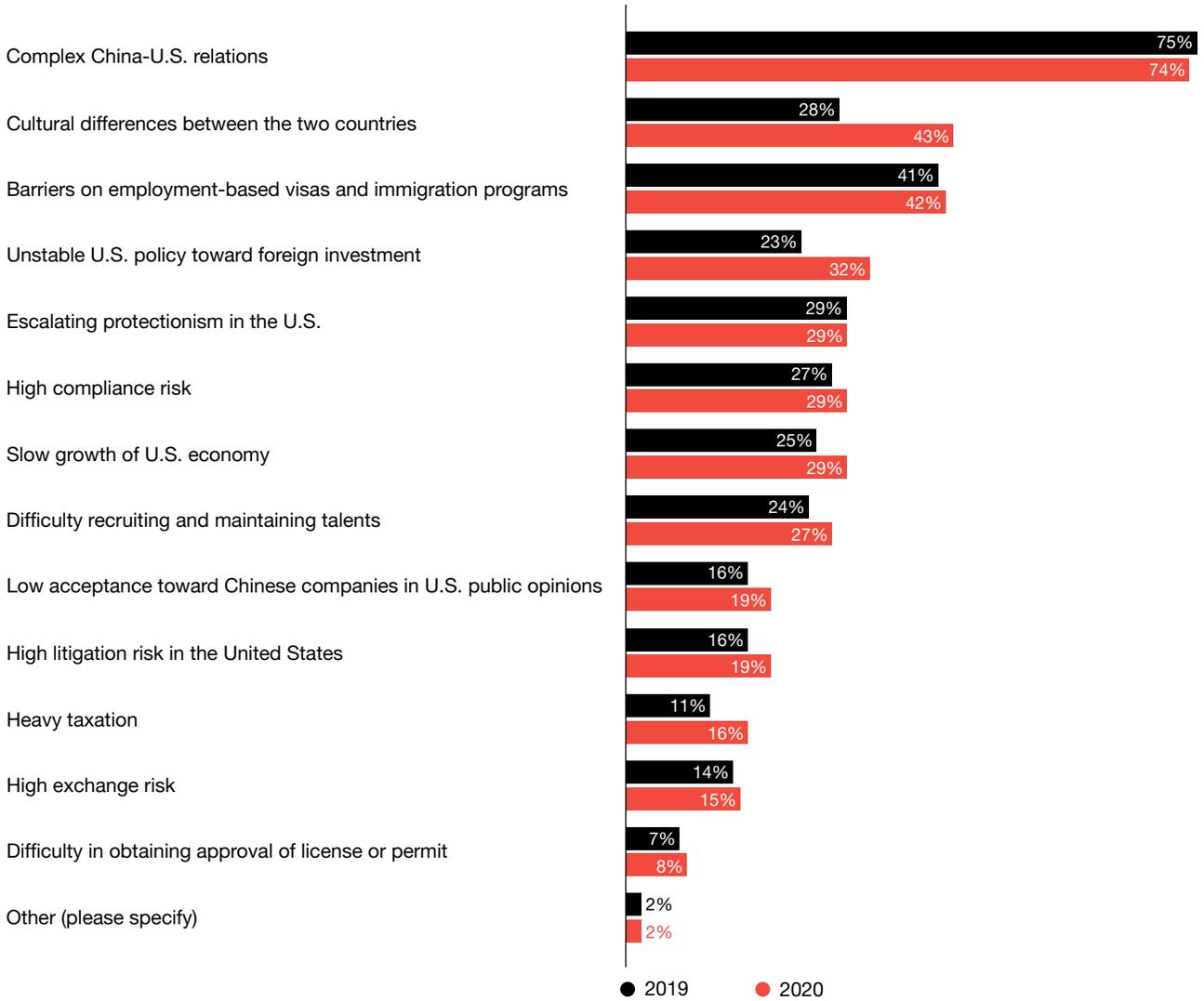
QUESTION 52

What were the primary objectives for your company?



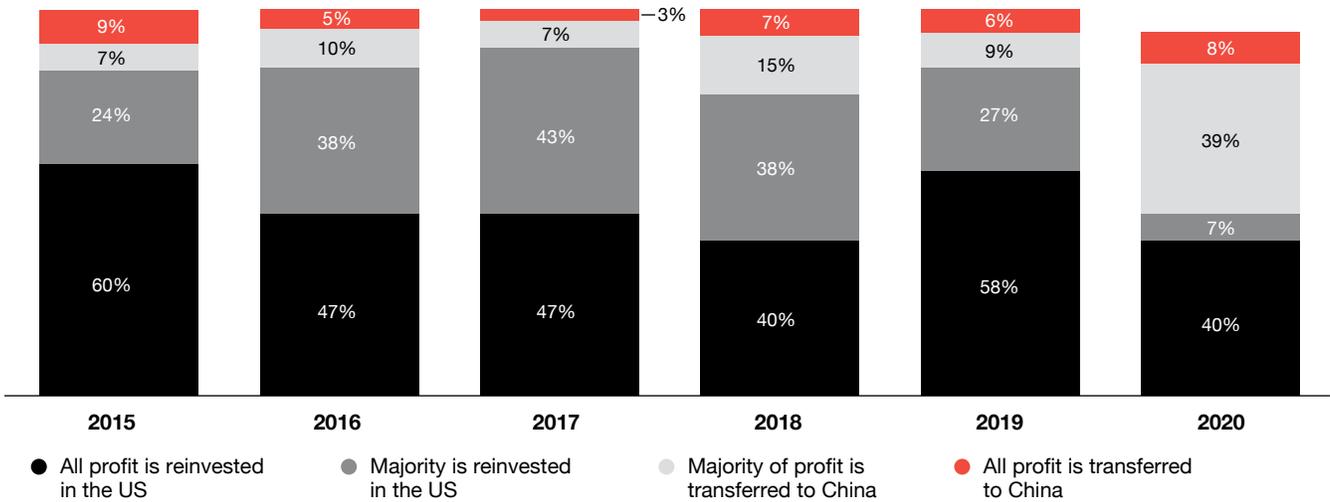
QUESTION 53

Which of the following items are your most difficult challenges in conducting business in the U.S.?



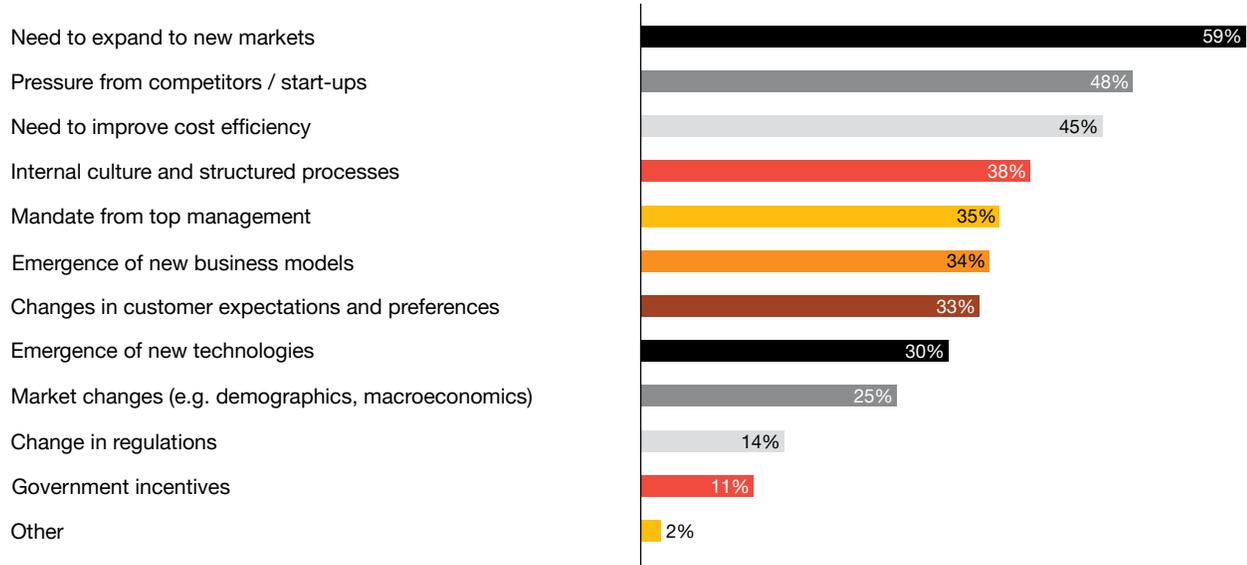
QUESTION 54

How does your company distribute the profits from its U.S. operations?



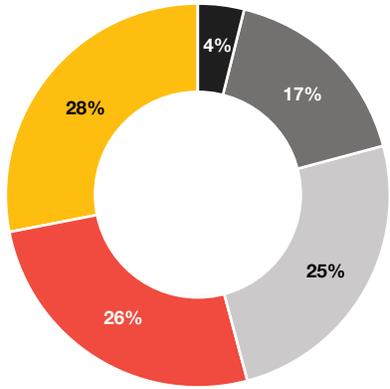
QUESTION 55

What triggers innovation activity in your company today?



QUESTION 56

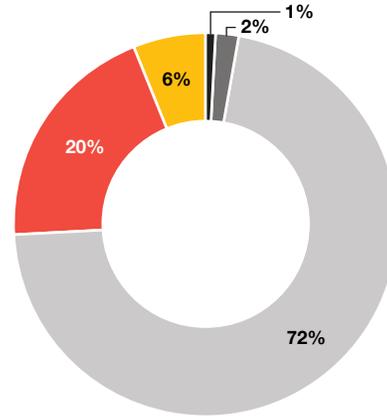
How would you describe your company as an innovator compared to your competitors?



- We do not have any competitors
- Follower
- Experimenter
- Not applicable
- Pioneer

QUESTION 57

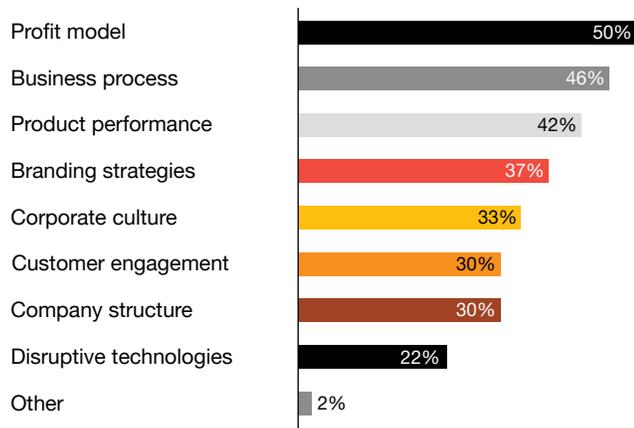
How will your company's budget for innovation change over the next 2 years?



- Decrease by more than 20%
- Decrease by less than 20%
- Remain the same
- Increase by less than 20%
- Increase by more than 20%

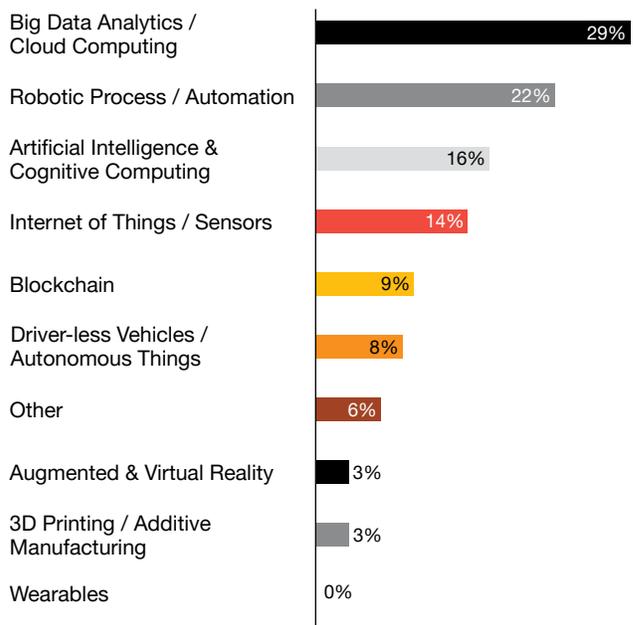
QUESTION 58

Which types of innovation does your company pursue?



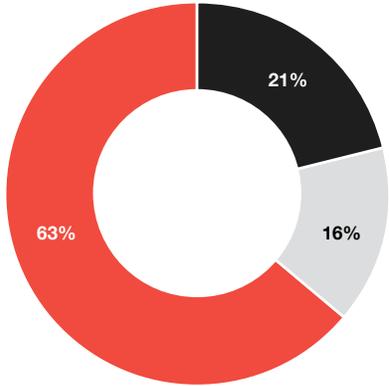
QUESTION 59

Which of the following technologies and processes are relevant for innovation in your company?



QUESTION 60

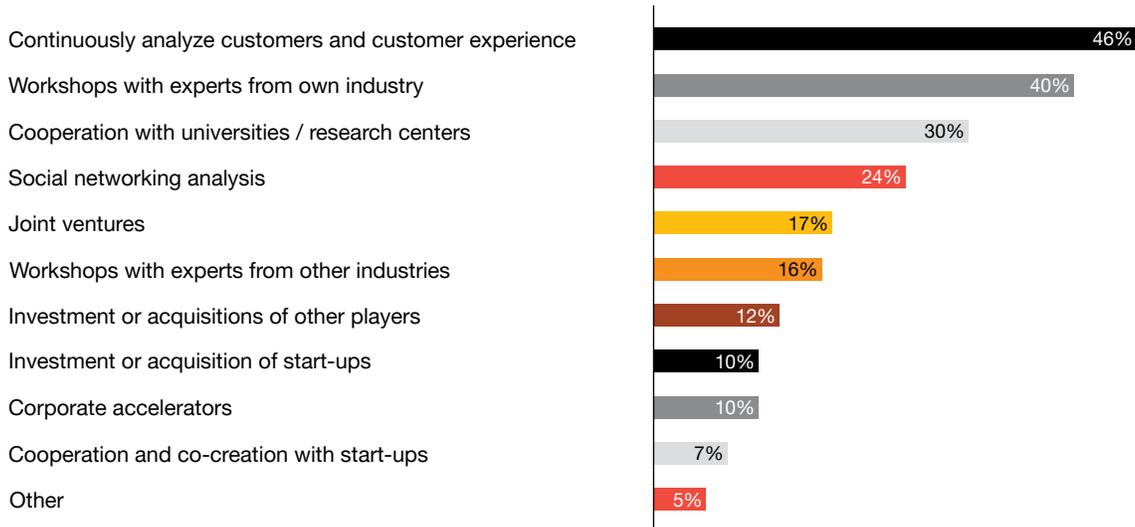
Which one below is more important to the innovation in your company?



- External environment
- Internal environment
- Equally important

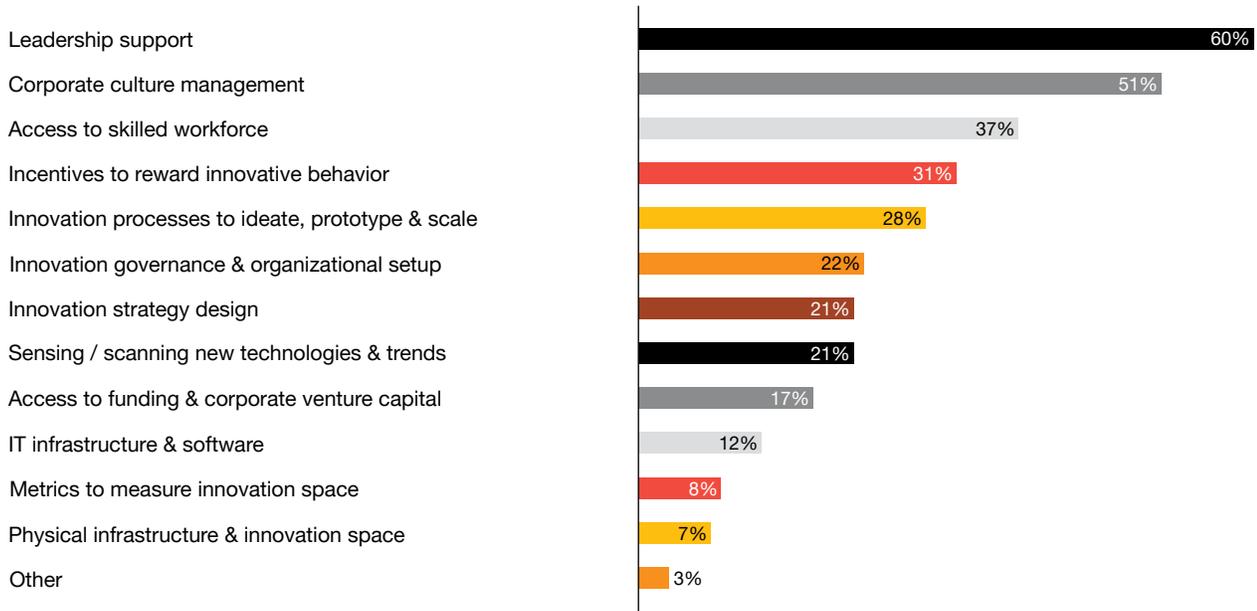
QUESTION 61

What outside resources does your company utilize for innovation?



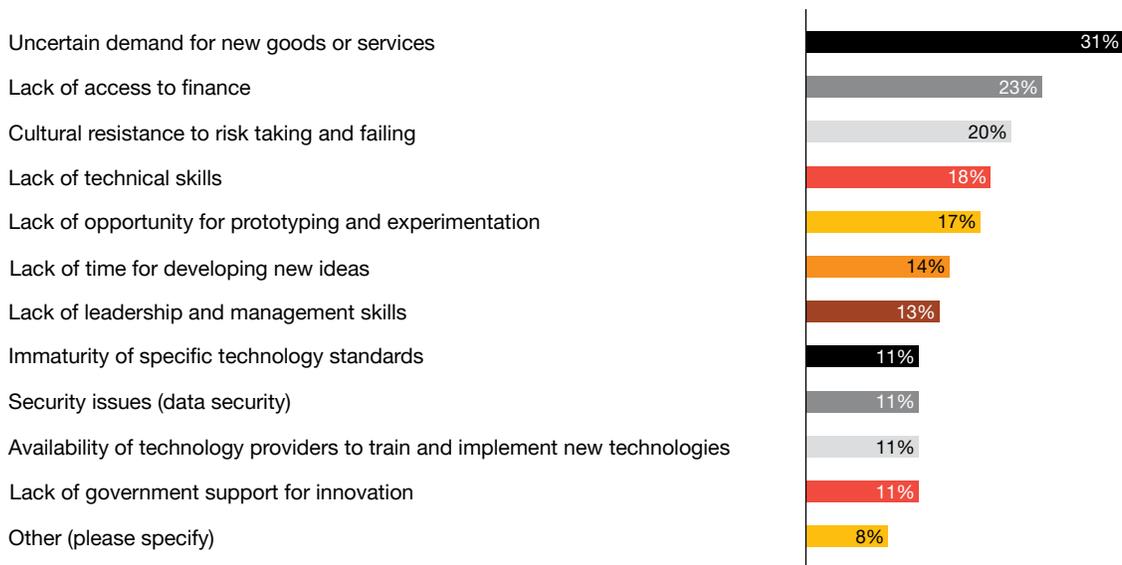
QUESTION 62

What internal resources does your company utilize for innovation?



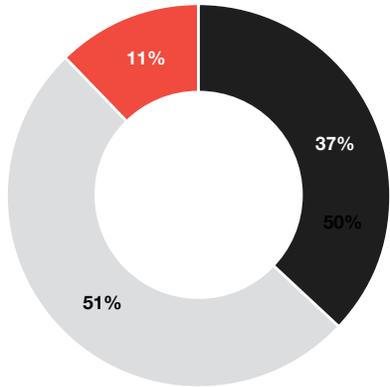
QUESTION 63

What are the main obstacles faced in fostering innovation within your company today?



QUESTION 64a

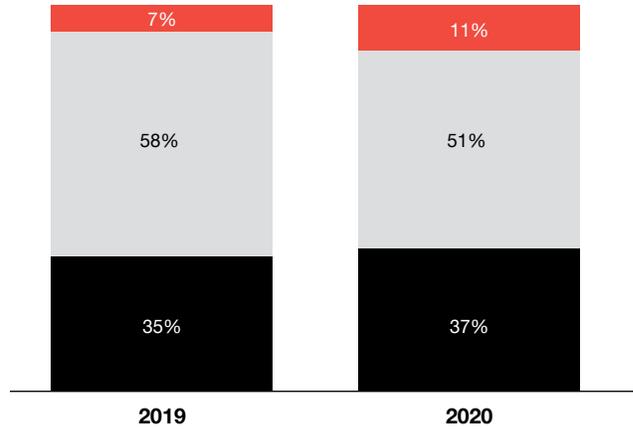
How was your company's labor turnover rate in 2020 compared to the industry average?



- Below industry average
- Matched the industry average
- Above the industry average

QUESTION 64b

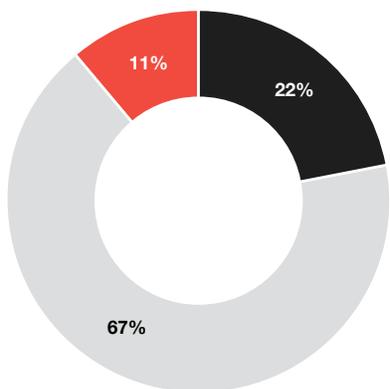
How was your company's labor turnover rate compared to the industry average?



- Below industry average
- Matched the industry average
- Above the industry average

QUESTION 65a

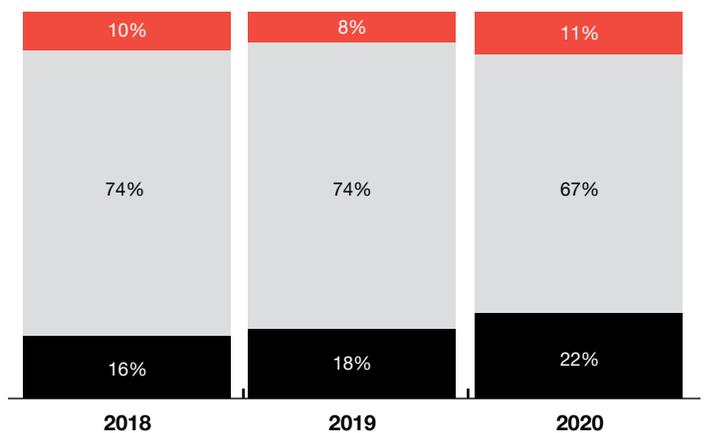
How was your company's labor turnover rate in 2020 compared to that of 2019?



- Increased
- Remained the same
- Decreased

QUESTION 65b

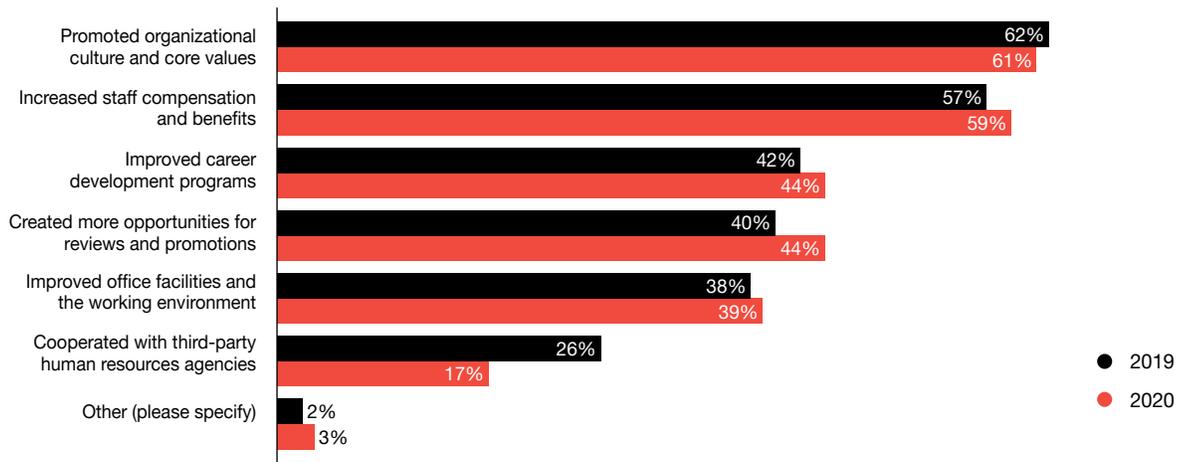
How was your company's labor turnover rate last year compared to the year before?



- Increased
- Remained the same
- Decreased

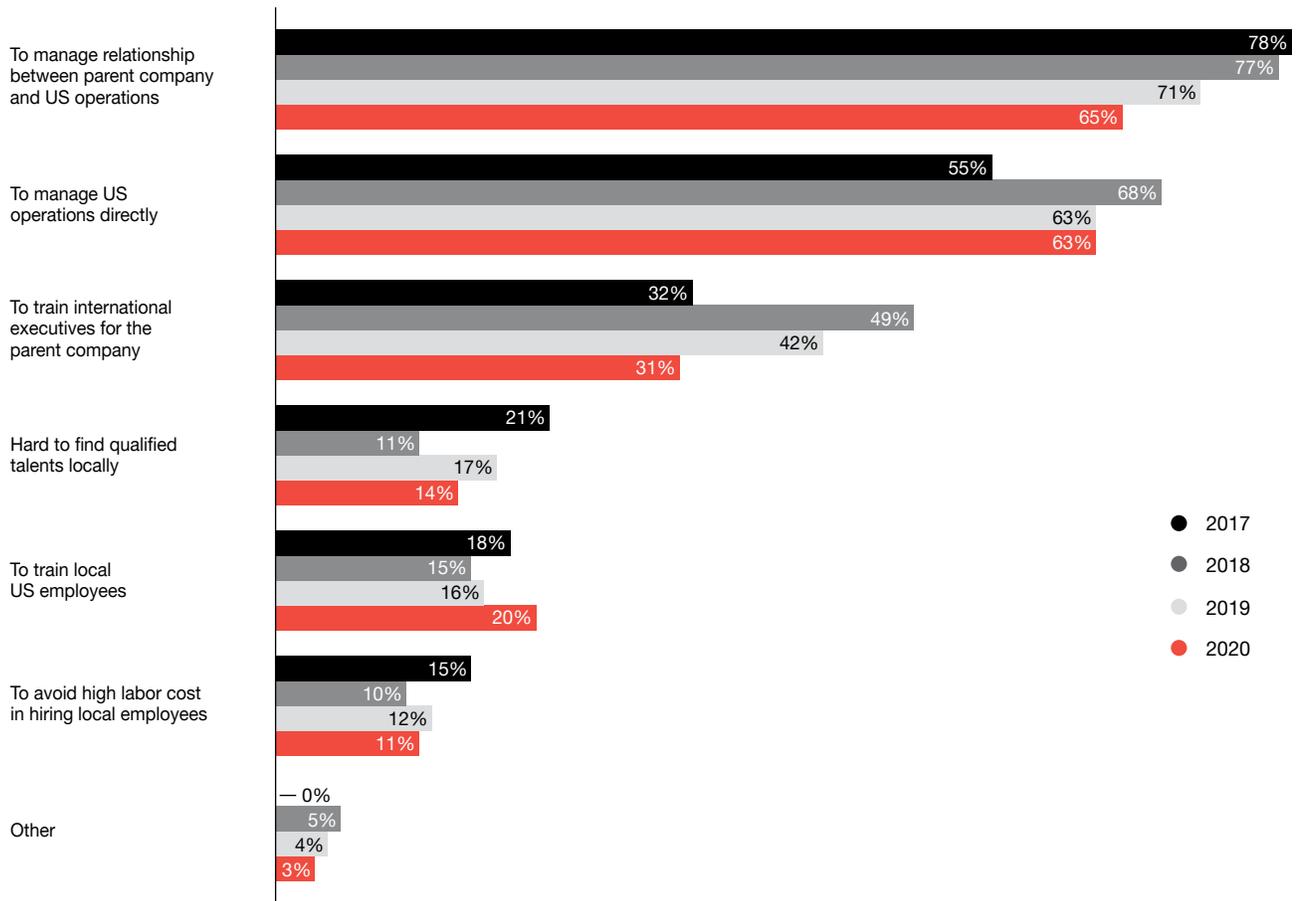
QUESTION 66

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



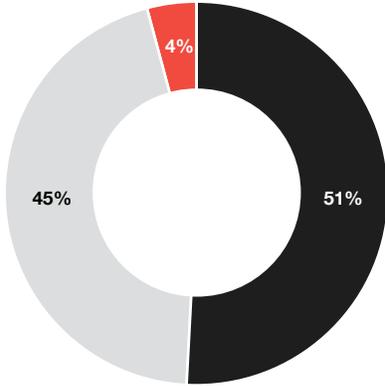
QUESTION 68

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



QUESTION 69a

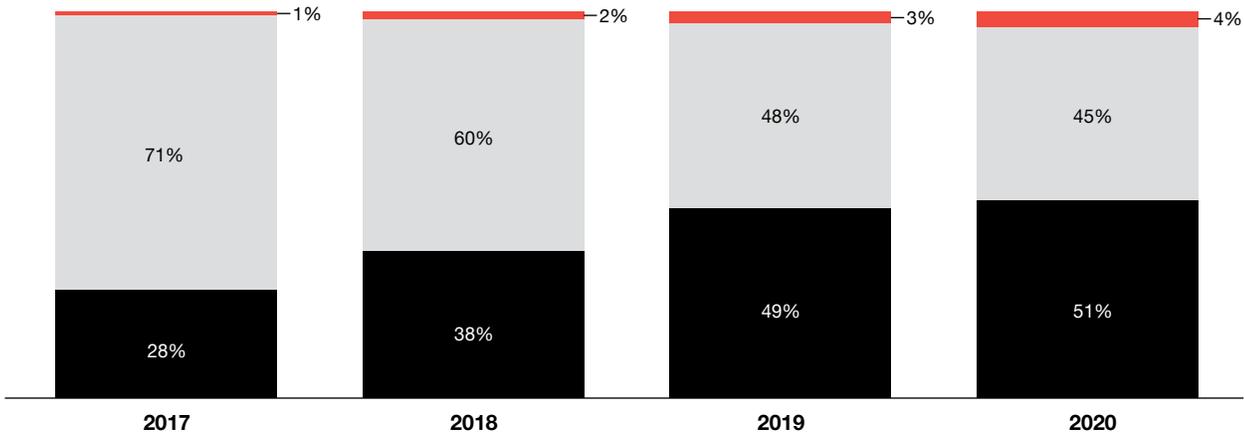
How will your company adjust its headcount in the next two years?



- Stay the same
- Increase recruitment/hiring
- Decrease the current workforce/employees

QUESTION 69b

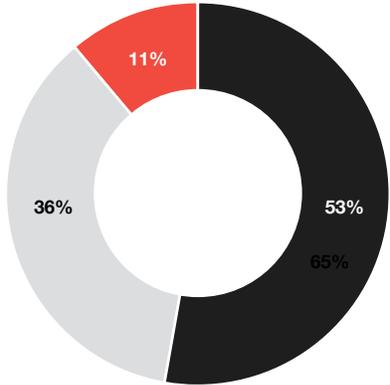
How will your company adjust its headcount in the next two years?



- Stay the same
- Increase recruitment/hiring
- Decrease the current workforce/employees

QUESTION 70a

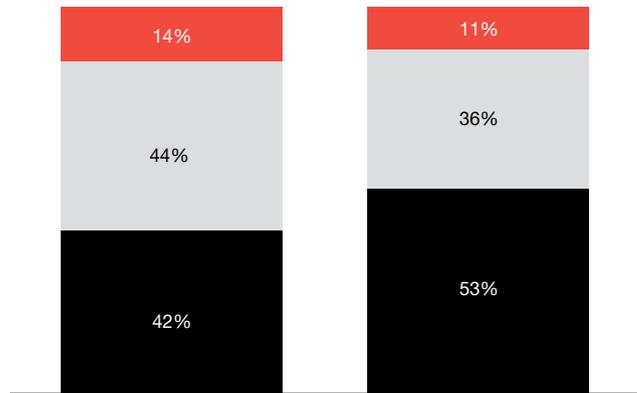
If your company plans to increase hiring in the next two years, what is the estimated percentage of increase?



● Below 10% ● 10%-30% ● Above 30%

QUESTION 70b

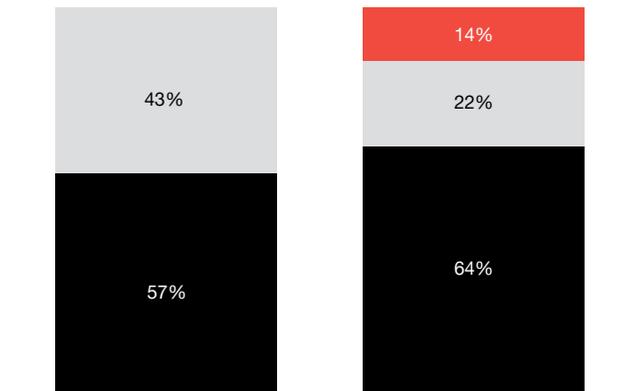
If your company plans to increase hiring in the next two years, what is the estimated percentage of increase?



● Below 10% ● 10%-30% ● Above 30%

QUESTION 71

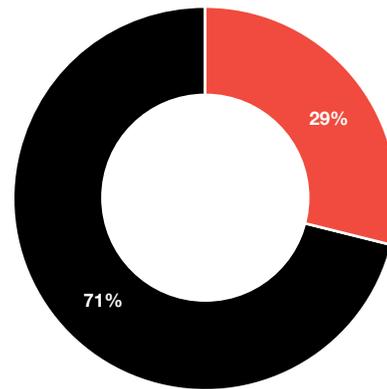
If your company plans to reduce headcount in the next two years, what is the estimated percentage of decrease?



● Below 10% ● 10%-30% ● Above 30%

QUESTION 72

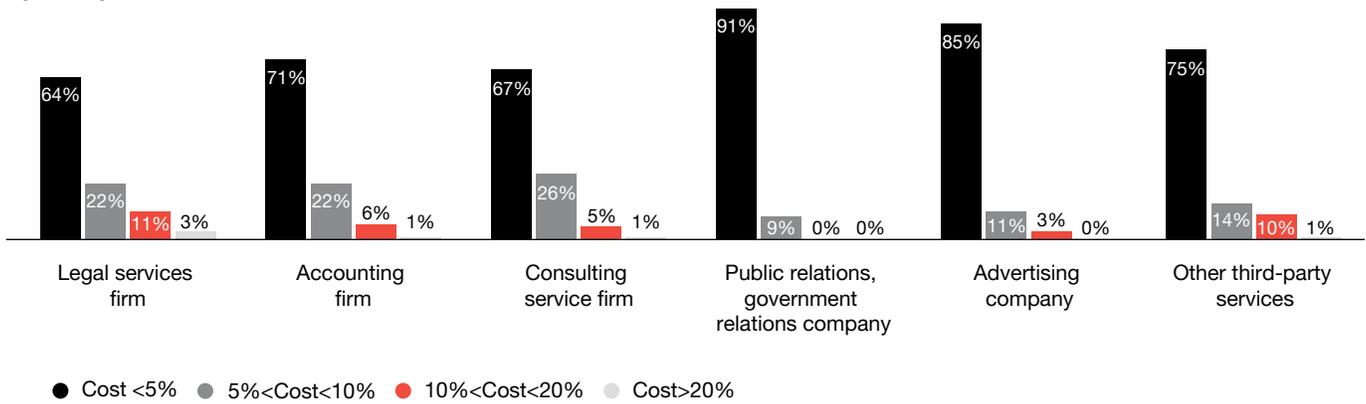
Has your company experienced any legal disputes in the U.S.?



● Yes ● No

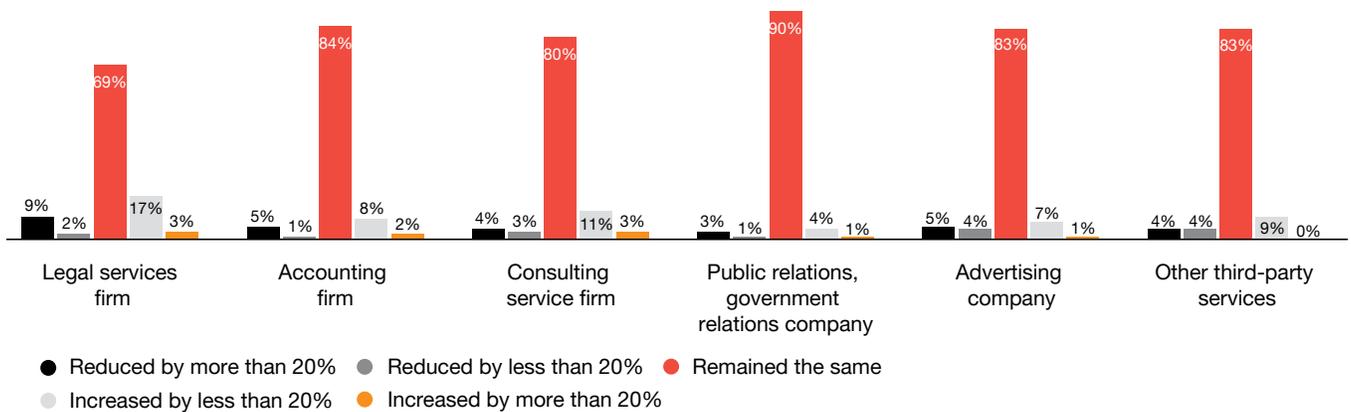
QUESTION 74

What was the proportion of the following expenses counted towards sales and administrative expenses (SG&A) in 2019?



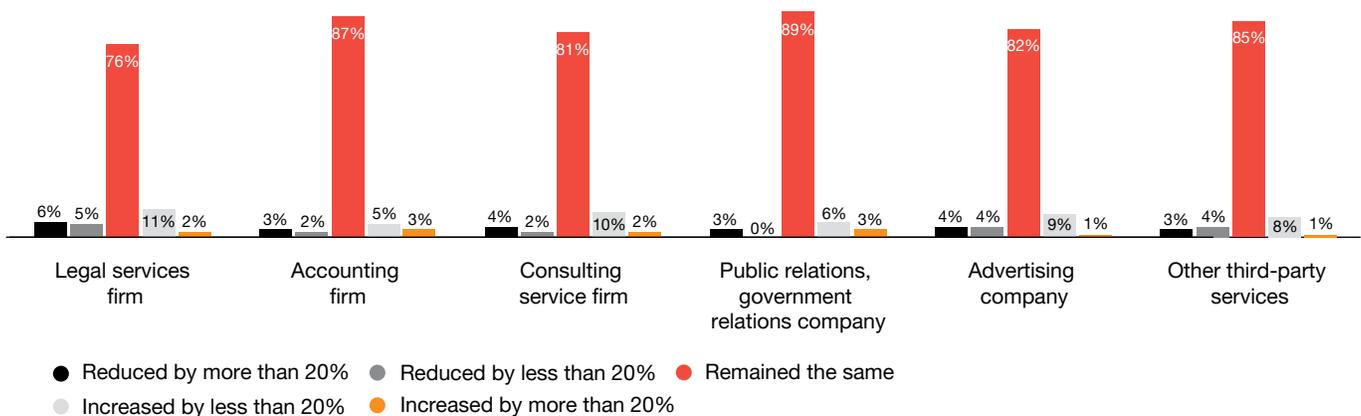
QUESTION 75

How did total fees paid to third-party service organizations in 2020 change compared to that in 2019?



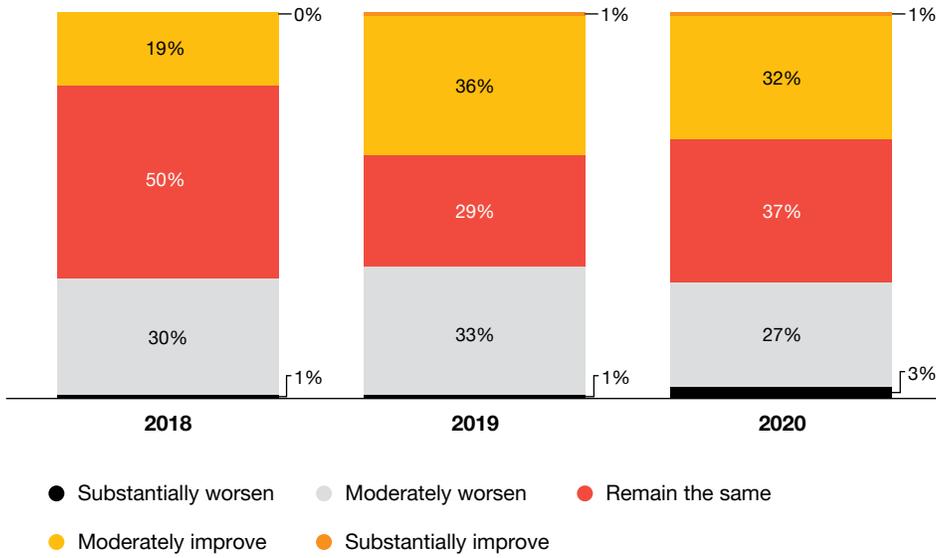
QUESTION 76

How do you expect the fees paid to third-party service organizations to change in 2020?



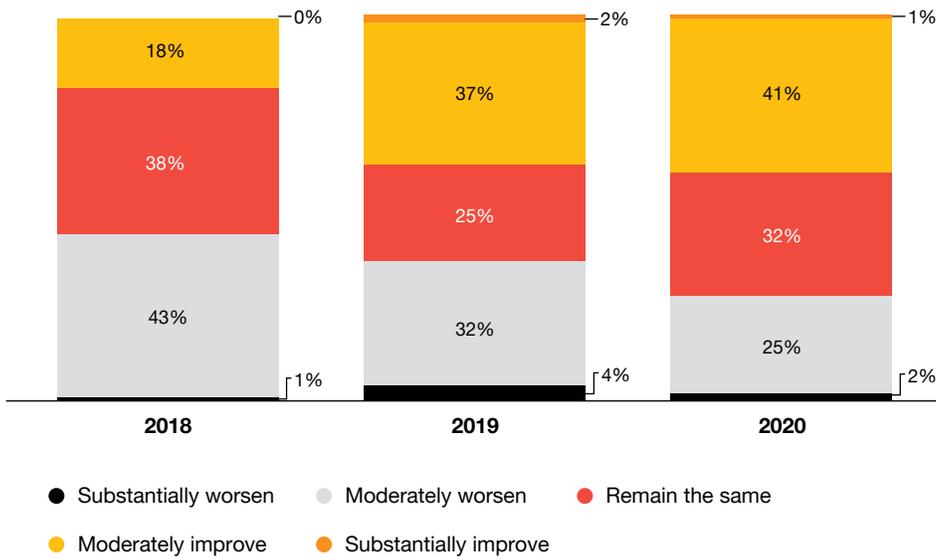
QUESTION 77a

How do you foresee China-U.S. relations in 2020?



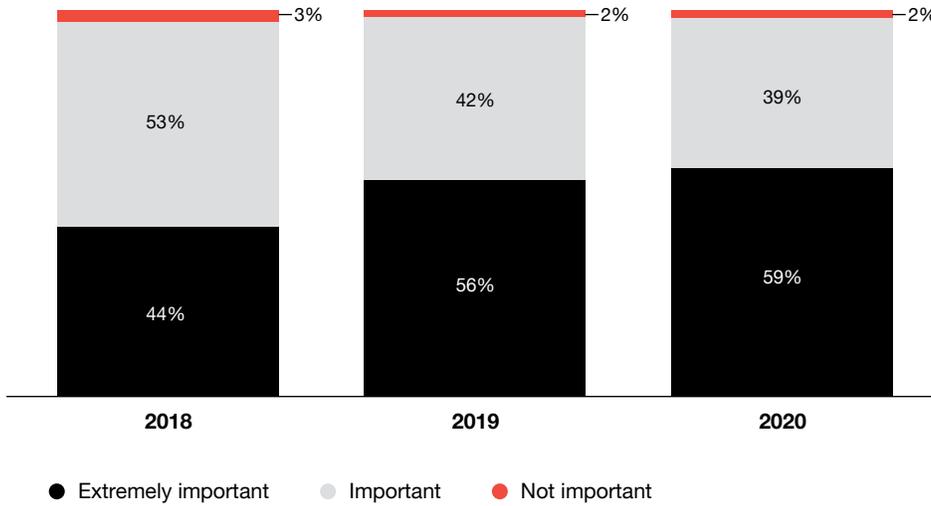
QUESTION 77b

How do you foresee China-US economic and trade relations in 2020?



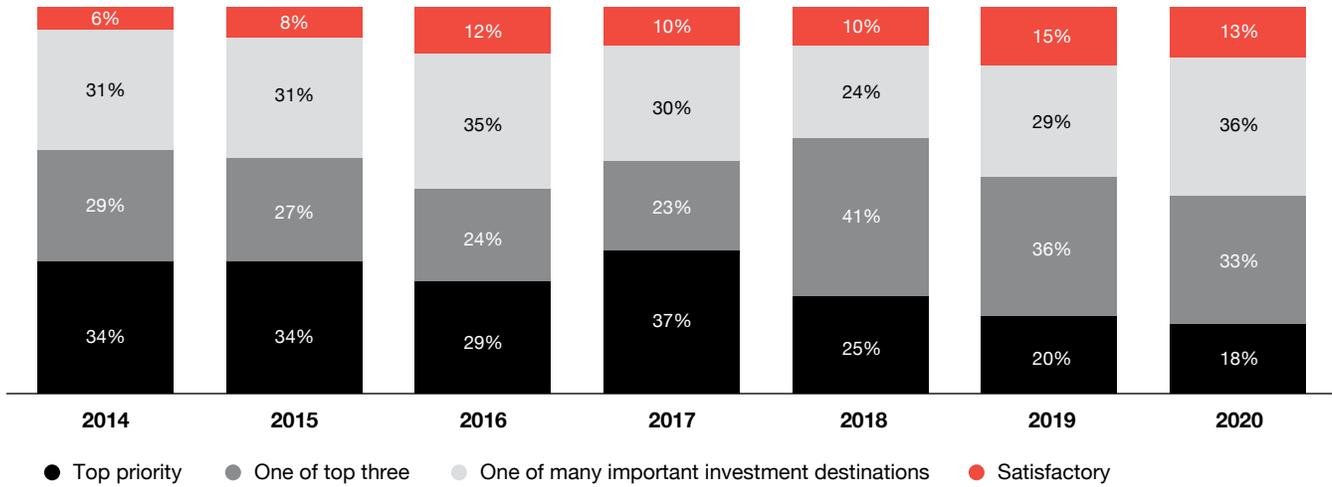
QUESTION 78

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



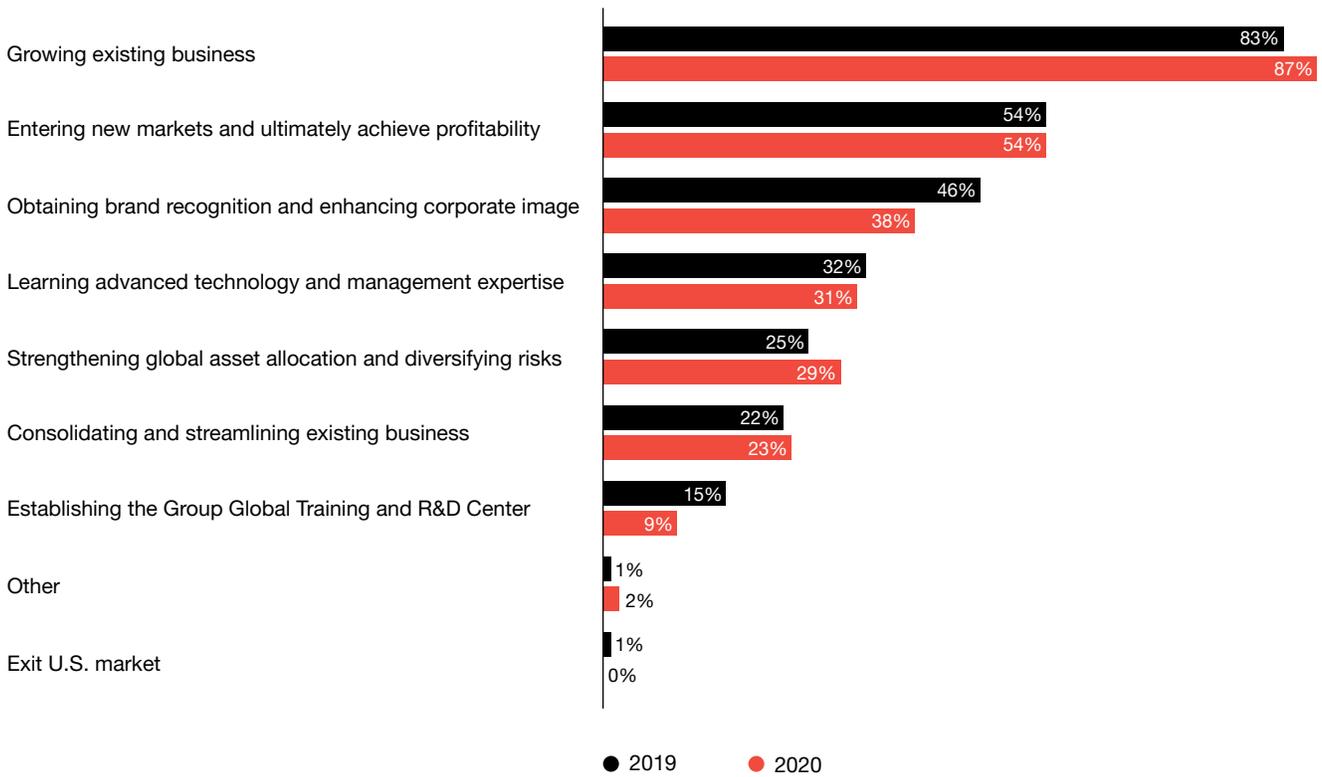
QUESTION 79

In 2020, how important is the U.S. market in your company's global landscape?



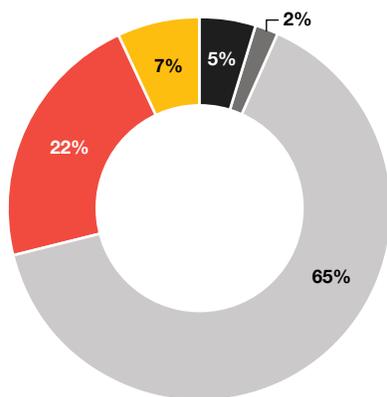
QUESTION 80

Which of the following best describes your operational goals in 2020?



QUESTION 81

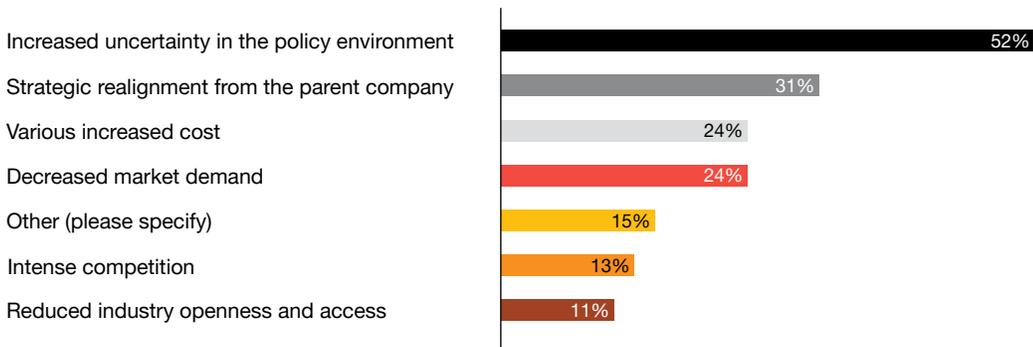
How do you expect your company's new business investment in the U.S. to change in 2020?



- Down by more than 10%
- Down by less than 10%
- Remain the same
- Up by less than 10%
- Up by more than 10%

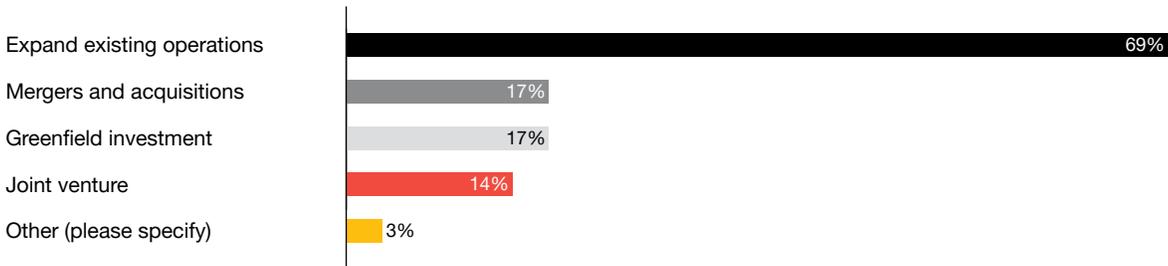
QUESTION 82

If your company will reduce its new business investment in the U.S. in 2020, what are the reasons?



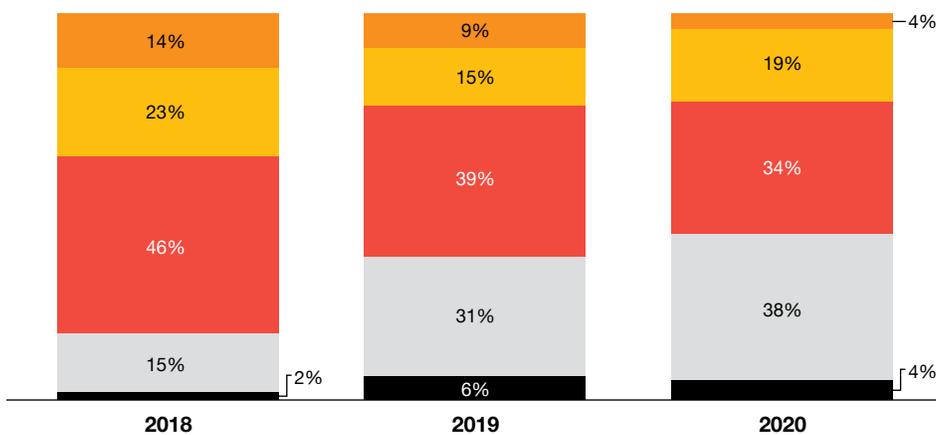
QUESTION 83

If your company will increase investment in the United States in 2020, which of the following methods will be chosen?



QUESTION 84

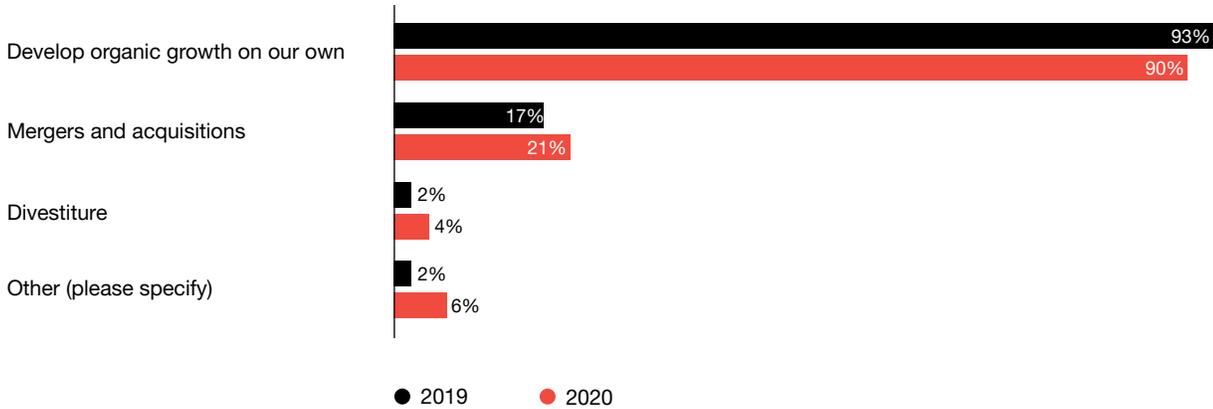
What is your annual revenue forecast for the next two years?



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

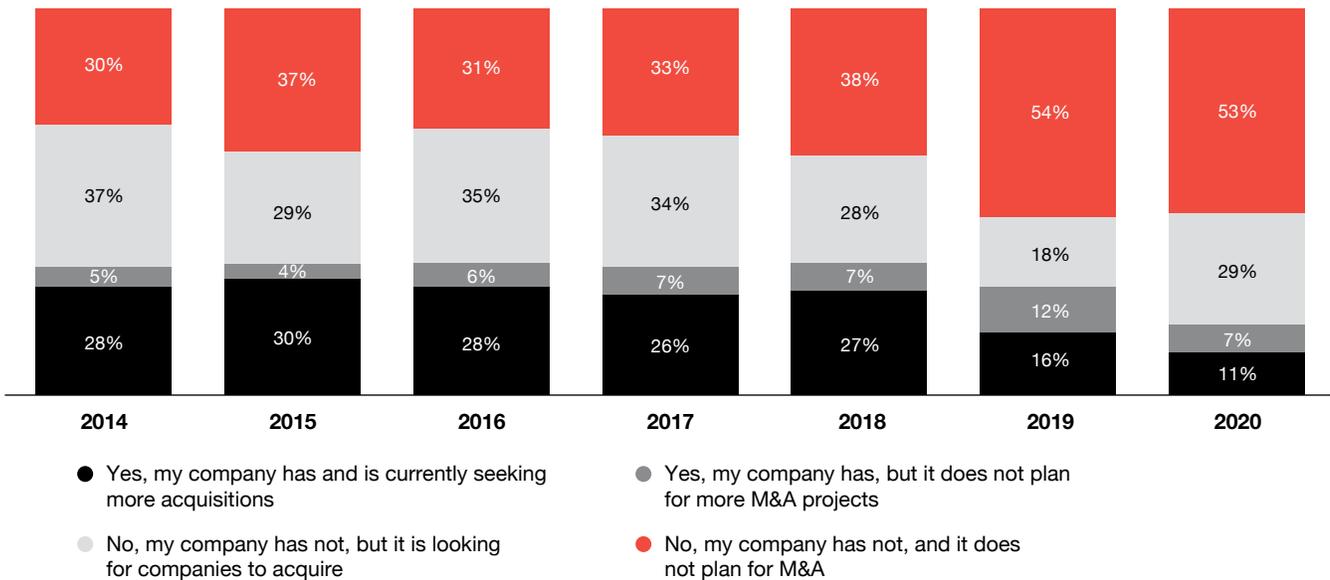
QUESTION 85

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



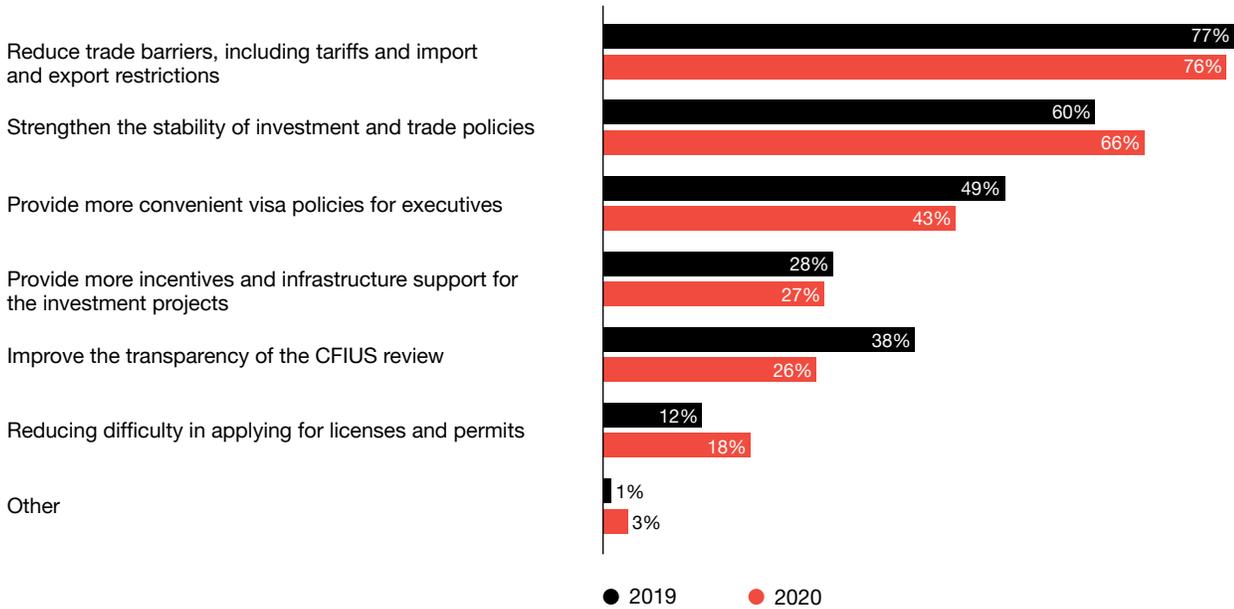
QUESTION 86

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



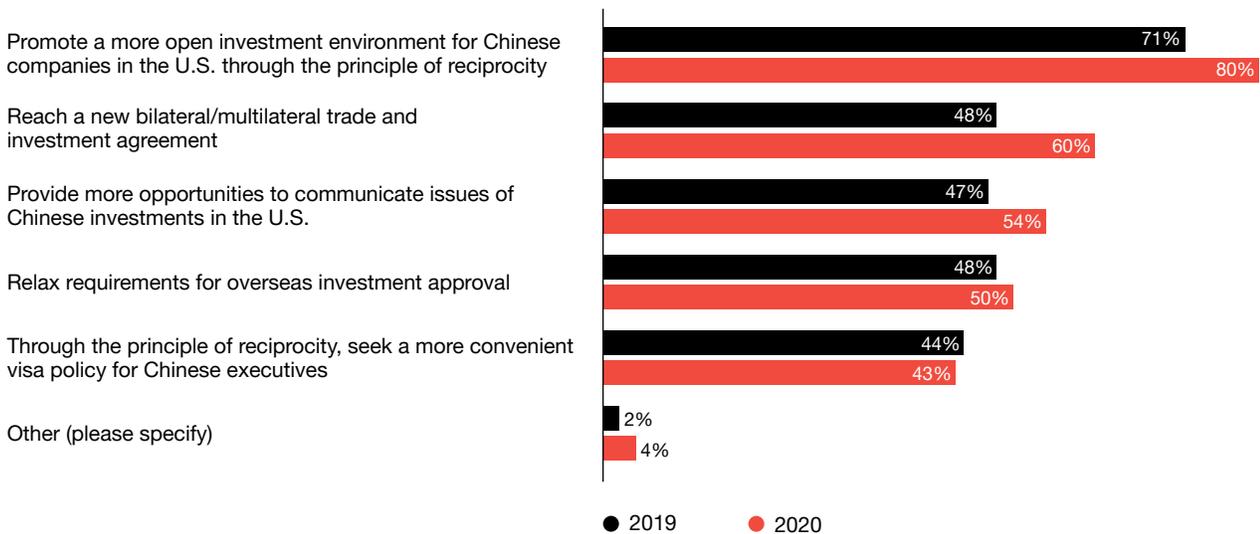
QUESTION 87

Which of the following actions could the U.S. government take to improve the business environment in 2020?



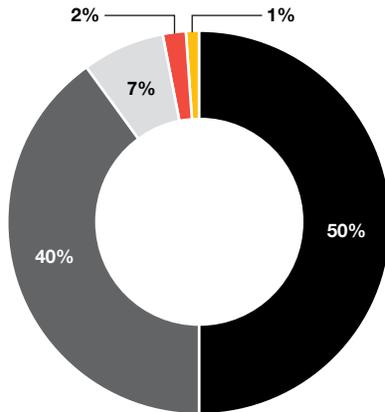
QUESTION 88

Which of the following actions could the Chinese government take to help promote Chinese investment in the U.S.?



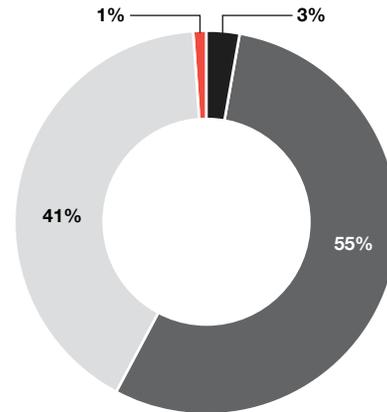
Appendix B - Mini survey

What is the estimated impact of COVID-19 on your company's overall financial performance for 2020?



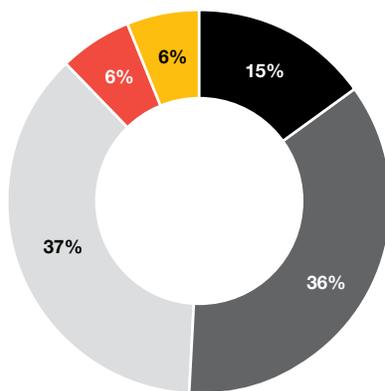
- Severe negative impact
- Minor negative impact
- No impact, but long-term implications expected
- No impact
- Positive impact

How long do you think the COVID-19 impacts will last until the next normal?



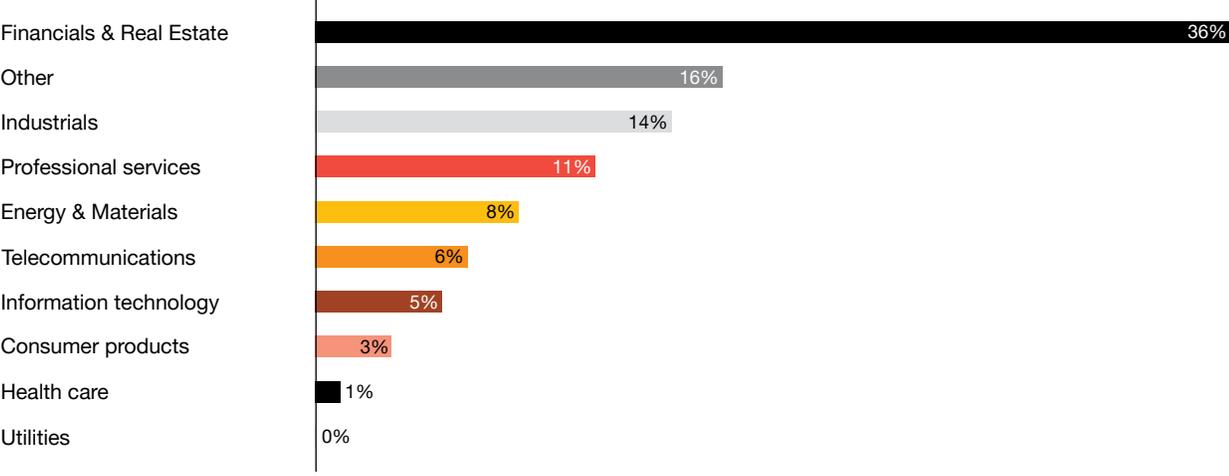
- Within 6 months
- 6 months to 1 year
- 1-3 years
- More than 3 years

Has your company been adversely impacted by the anti-China rhetoric and fraying between the two countries during the COVID-19 pandemic?



- Yes, but did not cause any loss
- Yes, and it did cause loss
- Hard to tell / not sure
- No, and did not cause any loss
- No, but long-term implications expected

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



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 U.S. Its membership consists of more than 1,500 Chinese and U.S. companies, 54 of which are ranked on the 2019 Fortune Global 500. CGCC’s mission is to create value, generate economic growth, and enhance cooperation between the U.S. and Chinese business communities. CGCC conducts extensive research and provides a broad range of programs, services, and resources to its members and key stakeholders to foster the mutual understanding, trust, and engagement between China and the U.S. As of 2019, CGCC’s Chinese member companies have cumulatively invested over \$123 billion, employ more than 220,000 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 D.C.

About CGCC Foundation

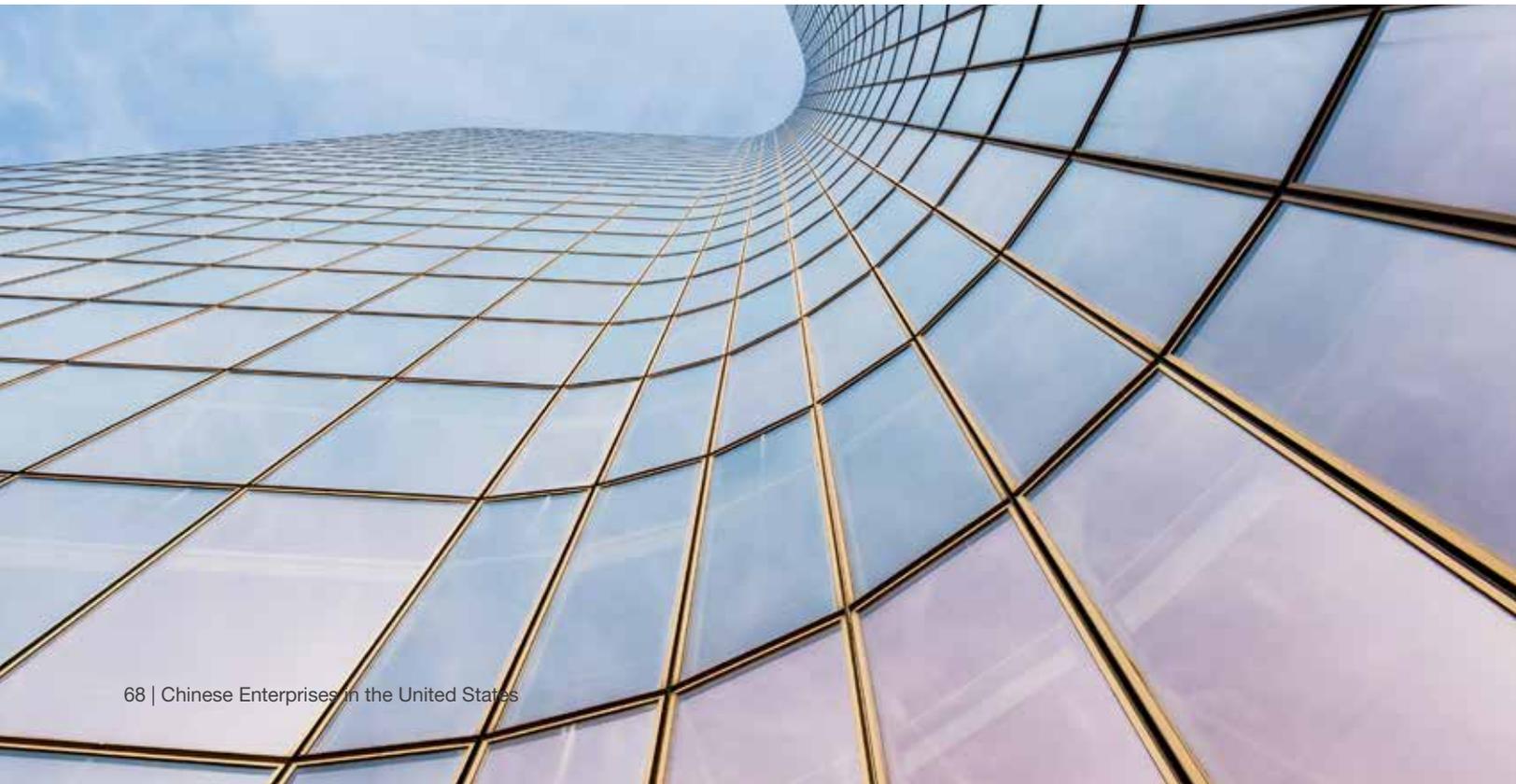
Established in 2014, CGCC Foundation is a 501(c)(3) tax-exempt organization. The mission of CGCC Foundation is to deepen mutual understanding and cooperation between the United States and China through research, public charity, and engagement in economic, cultural and social exchanges.

Acknowledgments

China General Chamber of Commerce – USA, CGCC Foundation, and PwC would like to thank all survey respondents for their continued support in participating the 2020 annual survey.

Report authors: **Elsie Pan, Maytee Pereira, Carl Holshouser, Michael Horn, Arie Esquenazi, Yikun Shao, Abby Ying Li**

Art Director: **Christopher Tepler**
Designer: **Van Collins**



About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

PwC Financial Crimes Unit

PwC is one of the leading financial crime fighting consulting organizations in the world due to our accelerated use of technology, depth of industry experience, regulatory knowledge, and global reach. Our integrated approach to mitigating financial crime risk has been co-developed with clients as we worked with them to remediate large scale issues and manage complex problems.

Our success has resulted in bringing our streamlined approach and automations to the client's business-as-usual operating processes. The savings have also been so significant that they have led to clients asking to outsource their investigative procedures to us. With systems secure, technology future-proofed, and operations compliant, our clients find a path forward while everyone else is hindered by obstacles.

PwC Global Trade Service Team

PwC's Global Trade Service team comprises specialist practices in the various disciplines that impact international trade considerations. Our breadth of experience allows us to assist clients in navigating the uncertain global trade environment in an agile and dynamic manner, helping them minimize risk and maximize growth opportunities whenever possible.

PwC Strategic Policy Advisers

The Strategic Policy Advisers practice assists clients in navigating the shifting policy, regulatory, legislative, and compliance environment that has a direct impact on a business's ability to grow and innovate by providing clients with comprehensive strategies to define and execute their government and regulatory affairs strategies in this increasingly fragmented and complex policy landscape.



**China General Chamber of Commerce – USA
CGCC Foundation**

19 E 48th Street, 3rd Floor
New York, NY 10017

www.cgccusa.org

Tel: (646)-928-5129

Email: contact@cgccusa.org



Official Wechat Account



CGCC Official Website



Chinese Wechat Users