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2022 Annual Business Survey Report on Chinese Enterprises in the United States

June 2022

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Executive Summary

2021 turned out to be a more decisive year than anyone could have predicted. We inevitably entered a COVID decade where its economic and social effects have cast both immediate and long-term shadows into the future. Rising tensions across every dimension of the U.S.-China relationship generated a growing awareness on both sides that the risks of unintended conflicts were now becoming real possibilities. Several defining moments took place in the trade sphere, having a profound impact on the strategic positions and adjustments of Chinese companies operating in the United States.

In its ninth consecutive year, the CGCC (China General Chamber of Commerce -USA) Annual Business Survey on Chinese Enterprises in the U.S. details the experiences and sentiments of Chinese companies in the U.S., based on responses from 111 companies and a select number of executive interviews. In a complex, changing, and increasingly contested environment, the business operations and investments of Chinese companies in the U.S. outlined a mixed picture of slightly recovered performances and mounting uncertainties bred by the tumultuous circumstances throughout 2021.

Several key themes emerged in this year's survey:

1. Company performances stabilize and slowly recover from disruptions since the pandemic.

Estimated performance results for 2021 show that revenue, profitability, and Earnings Before Interest and Taxes (EBIT) margins rebounded from the last two years. Over half of the companies (54%) reported increased revenue in 2021, compared to only 20% in 2020. EBIT bounced back to 2018 levels, as Chinese companies took profitability improvement and business growth as primary objectives.

2. Company satisfaction of the U.S. investment and business environment rebounded, but the results vary in sectors.

29% of respondents reported moderate or substantial improvement (6% in 2021 result). 24% of respondent companies made new investments in the U.S. in 2021. That number doubled results for 2020. Energy, materials, financials and IT companies indicated the highest level of satisfaction and expansion.

3. While companies continue to be optimistic about their opportunities in the U.S., that

optimism is in decline due to sustained trade disruptions, an increasingly uncertain regulatory environment, difficulty attracting and retaining talent, and a strained U.S.-China relationship.

About half of the companies (49%) forecast an increase of revenue over the next two years, and 27% of respondents (12% in 2021 results) expect more business investments will be made in 2022. However, companies' U.S. operations face mounting pressure to sustain contributions to their global revenues and support from parent companies. Share of global revenues from their U.S. operations declined for the first time since 2018. Parent companies' commitment to the U.S. declined. Only 52% of respondent companies reinvested its profits into its U.S. operations.

4. Dimmed expectations of the future U.S.-China relationship.

As U.S.-China relations grow complicated, the general unfriendliness towards China force Chinese companies to be challenged on various fronts in this stalemate. Only 10% of respondents see bilateral relations improving in the upcoming year, the lowest since 2018. 19% of respondents (39% in 2021 result) foresee that the U.S.-China economic and trade relations will moderately or substantially improve in 2022.

With expanding challenges and risks over the past years, Chinese companies' compliance with U.S. law and regulations has begun to catch the attention of managers and policymakers in both countries. A few high-profile sanctions of China-oriented multinationals by U.S. authorities demonstrate the enormous challenges Chinese investors face in compliance and the dire consequences of U.S. investigation and prosecution for noncompliance. The 2022 survey includes some key themes in the **Legal and Compliance** area:

- About 80% of respondents have a general compliance policy, but some important, specific compliance programs are lacking at most firms. Only 52% of the companies have internal staff handling compliance matters.
- U.S. regulators and companies' Chinese headquarters play a crucial role in the design of the compliance programs, the role of in-house compliance directors should be elevated.
- Both the compliance staff and compliance budgets increased slightly in 2021.
- Complexity of U.S. laws and regulations and potential conflicts of rules between the U.S. and China are the top challenges for Chinese firms, reflecting the growing tensions between the two countries.

In the past few years, Chinese companies have experienced elevated resistance in entering and penetrating the U.S. market. Defining incidents including the trade war and COVID-19 outbreak boosted anti-Asian/China sentiments and resulted in a difficult situation affecting not only Chinese businesses but the larger Asian communities in the U.S. As Chinese companies continue to invest in elevating their brands as part of a continuation of their U.S. operations, some trends emerged in the **Brand and Trust** area:

- Chinese companies in the U.S. face critical challenges in brand and trust.
- Companies' brand strategies are impacted by their evolving objectives, challenges, and the structures of their functional departments.
- Companies are taking actions on societal issues to raise brand awareness and earn trust of the market, but the areas of focus are not entirely aligned with topics of concern to the U.S. public discourse.
- Chinese companies are being relatively conservative in adopting brand strategies to defend their traditional comparative advantages. This stresses the need for companies to invest in building resonating brands with compelling stories and intangible assets.

Survey Methodology

Overview

The Annual Business Survey on Chinese Enterprises in the U.S., first published in 2014 by China General Chamber of Commerce (CGCC) - USA and CGCC Foundation, is a flagship project that aims to identify key trends and overall business sentiment Chinese enterprises in the U.S. and provide readers of the opportunity to gain deeper insights into the development of these industries.

This report is based on CGCC's ninth Annual Business Survey on Chinese Enterprises in the U.S. The data was collected through a survey of senior executives of U.S. operations of Chinese companies. This year's survey was conducted in March and April of 2022 and includes a total of 111 valid corporate responses. This report outlines the major survey and interview findings, and is linked to historical data from prior CGCC surveys, where available.

CGCC developed and distributed the survey questionnaire. The survey consisted of a set of questions for all participants, along with additional questions focusing on legal & compliance, and brand & trust. CGCC also conducted a targeted set of interviews with company executives on those two topics. CGCC compiled the data from across the survey and interviews, identified several key themes, analyzed the data, and drafted the report.

This publication is composed of three sections: the core report, which includes narratives of major findings, analyses, and recommendations, based on survey results with historical survey data for selected questions. Featured insights detail company reflections and develop industry insights in the context of two topics - Legal and Compliance, and Brand and Trust. The Appendix includes the remainder of the survey results in a question-by-question format. CGCC is grateful to its members and collaborators for their contributions to this important research.

To ensure high-quality data, CGCC performed data quality checks to identify any respondents that had very high rates of leaving questions blank, as well as always selecting the first or last answer presented. As a result of this checking, four respondents were considered invalid and removed from the survey dataset prior to analysis.

Survey Demographics

Respondents' U.S. operations span a broad range of all 11 sectors in the Global Industry Classification Standard (GICS), as shown in Figure 1. For analytical purposes and to enhance statistical power, the responses across these 11 sectors were compared in selected questions in the Appendix.

In terms of their parent companies' corporate ownership structure, almost half (48%) of the respondents are entirely privately-owned, and about one fifth (19%) are wholly government-owned, as shown in Figure 2.

Figure 1. Respondents' sectors

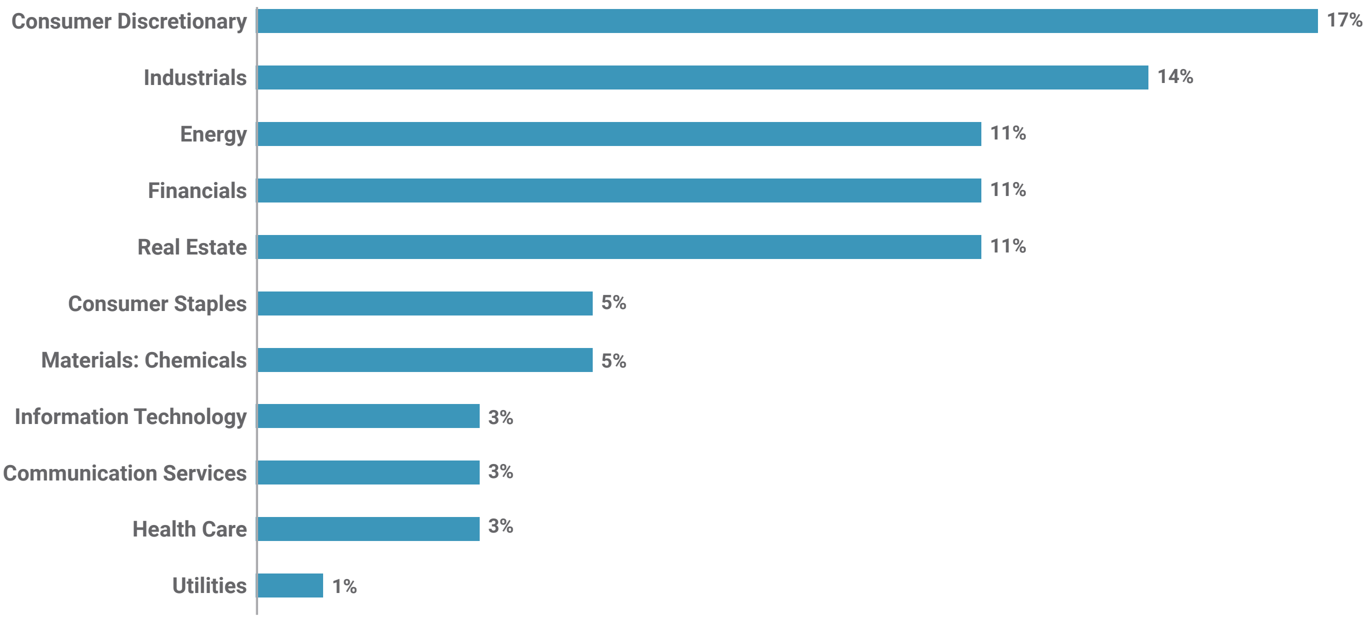
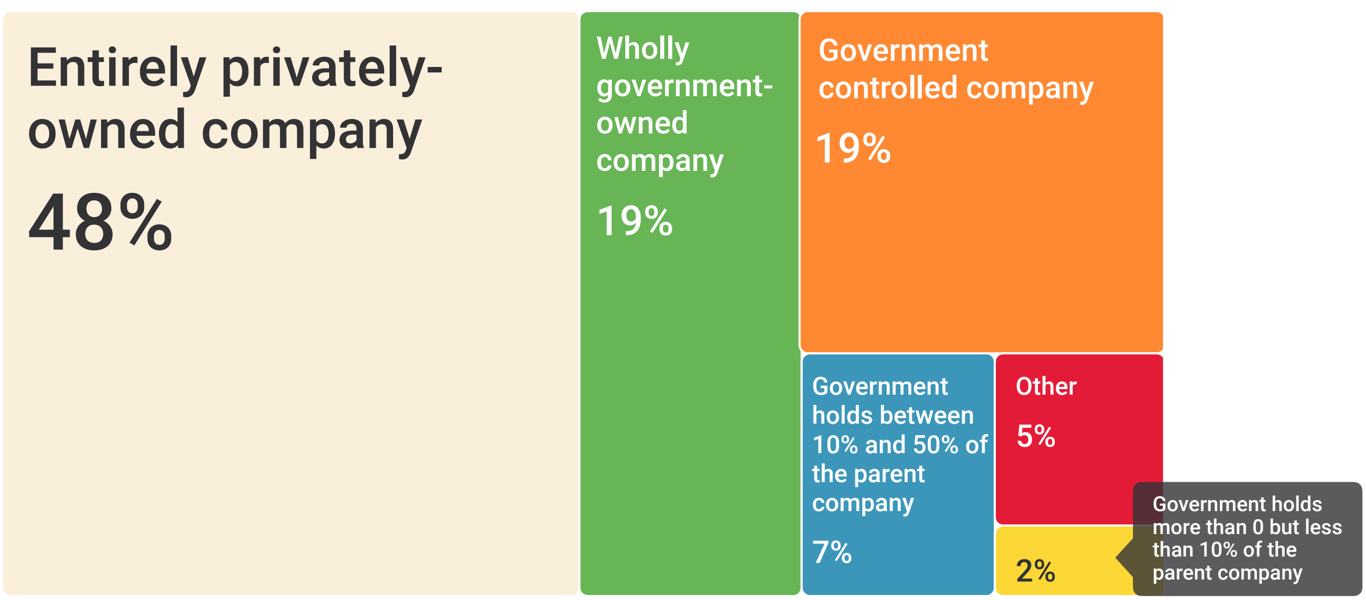


Figure 2. Ownership structure of respondents' parent companies



Business Performance

The rightward trend in Figure 3 showed that the revenues of surveyed Chinese companies operating in the U.S. have been stronger than the year prior. In CGCC's 2017 survey, 55% had revenues of $10 million or below. Of those surveyed this year, only 30% had revenues of this level, whereas 48% had revenues of $50 million or above, a record high in the recent six years.

Figure 3. Year-on-year change of companies' annual U.S. revenue

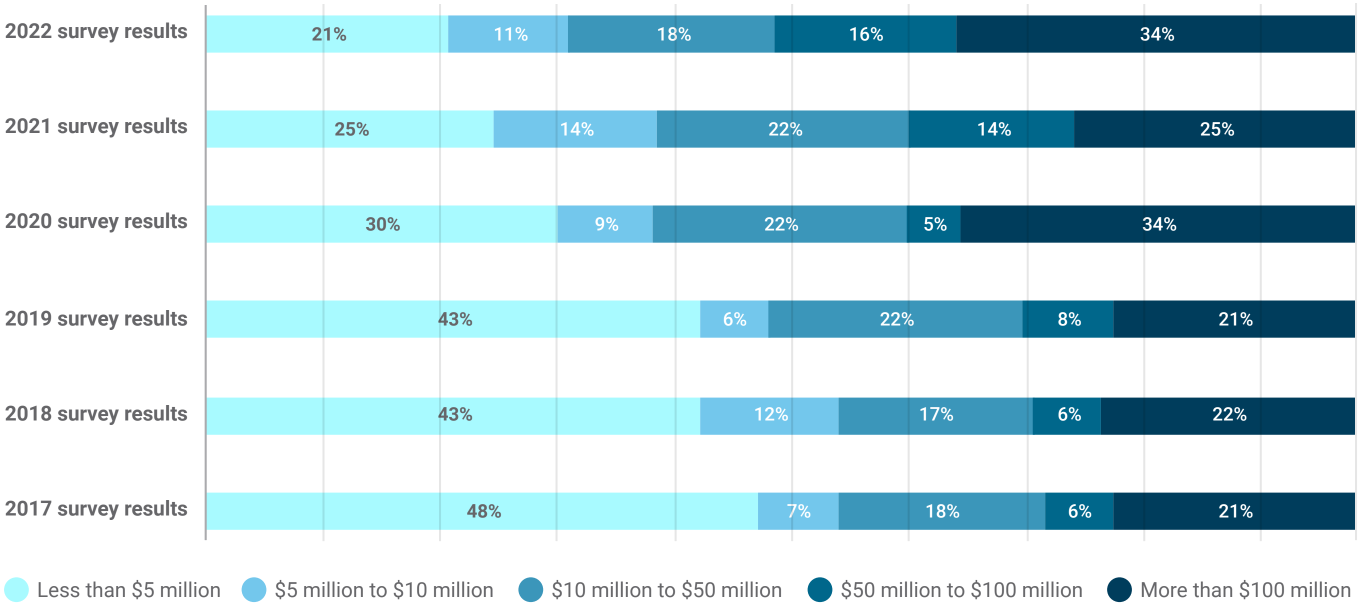
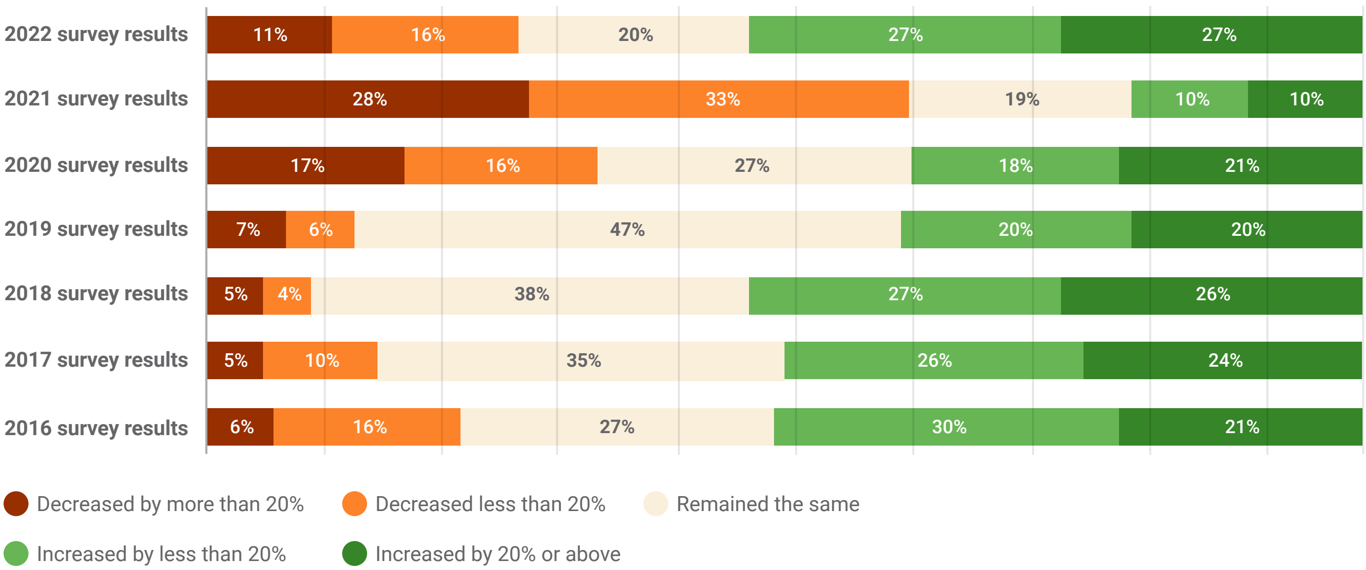
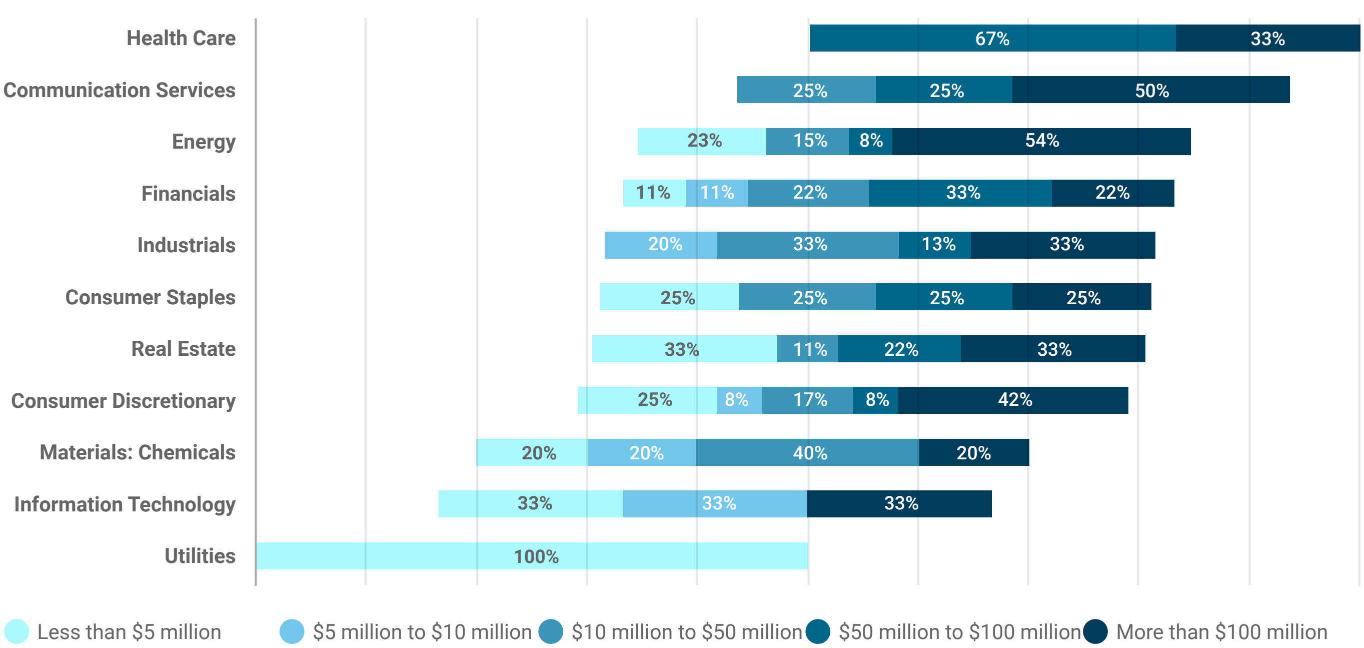


Figure 4. Year-on-year change of companies' annual U.S. revenue change



To a large degree, the changes in revenue reflected an annual growth prior to COVID-19 and even bounced back to the level of 2018 survey results. Yet the impact of the pandemic and other fluctuations led to a decrease in some companies' revenues , which have not been restored to the pre-pandemic level, as shown in Figure 4. Overall, estimated performance results for 2021 illustrated a clear recovery as companies take profitability improvement and growth as their primary business objectives (see Figure 11) throughout their operations in the year 2021.

Figure 5. By Industry - What was your company's annual U.S. revenue in 2021?



However, the results did not convey total optimism about the business environment. Several indicators needed to be considered when making a more specific conclusion. Performances varied dramatically among different sectors. As shown in the by-industry results, companies reported overwhelmingly optimistic annual revenue performances in Healthcare, Communication Services, and Energy, etc. Additionally, with inevitable limitations of this year's survey methodology, company performances were not adjusted for inflation and other possible market adjustments that may increase business concerns in the coming future.

Aligned with annual revenue, surveyed companies reported they have managed profitability moderately better in the past year (shown as earnings before interest, tax, and EBIT, in Figure 6). EBIT was slightly restored to the 2020 level, indicating the market resilience and companies' well-managed transition to the post-pandemic new business normal, as shown in Figure 7.

Yet, survey respondents reported parent companies had maintained a high level of commitment to their U.S. operations, as shown by their willingness to accept lower levels of profitability in the U.S. compared to levels in China (see Figure 8). Over half of the companies reported lower U.S. EBIT than their Chinese headquarters, hitting the nadir since 2018. Margin compression was not just due to COVID-19, as shown in Figure 9. For many enterprises, surveyed executives noted the cost of risk management and regulatory compliance also continued to weigh on profitability.

Figure 6. Year-on-year change of companies' estimated EBIT margin

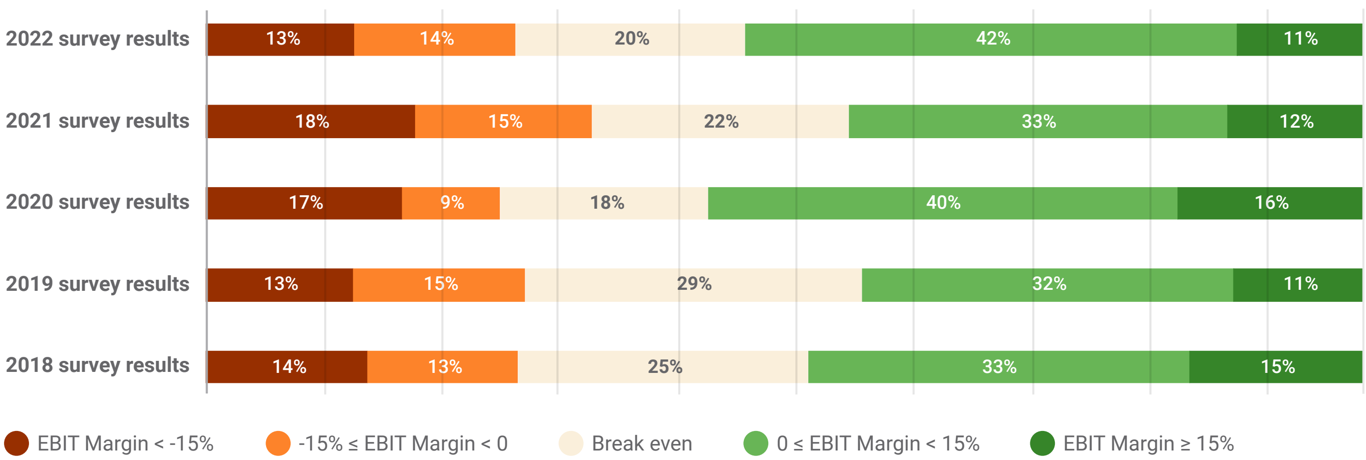


Figure 7. Year-on-year change of companies' estimated U.S. EBIT margin

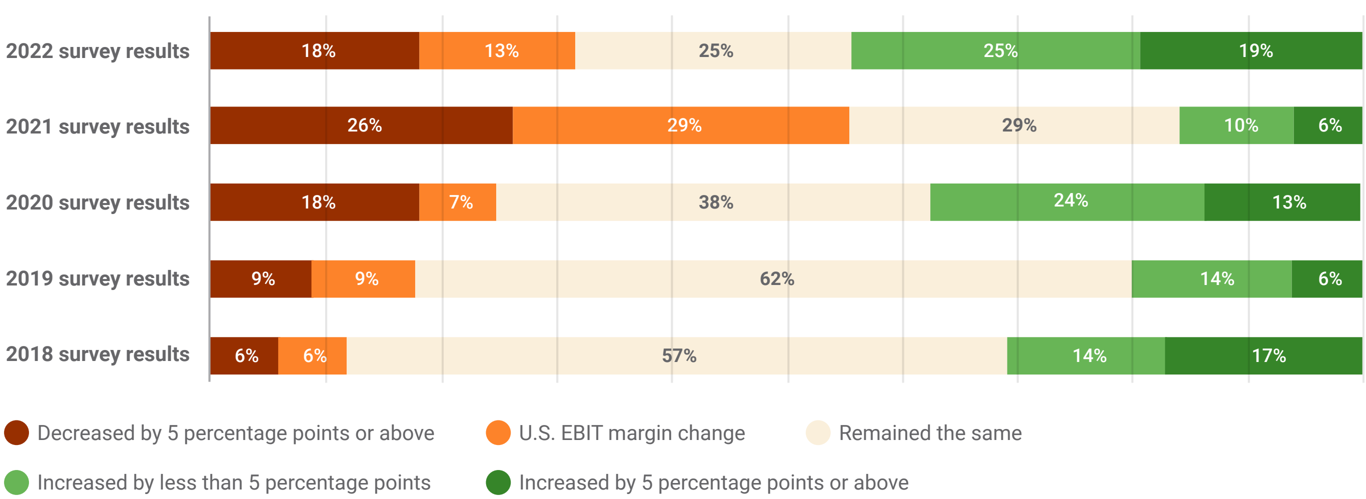


Figure 8. Year-on-year change of comparisons between U.S. company and parent company EBIT margins

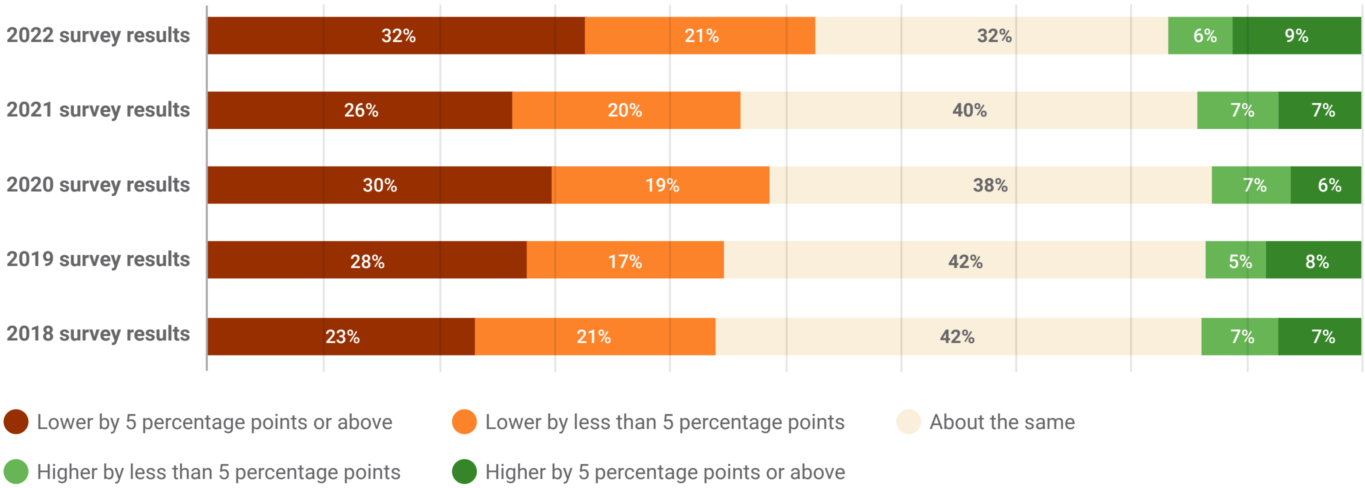
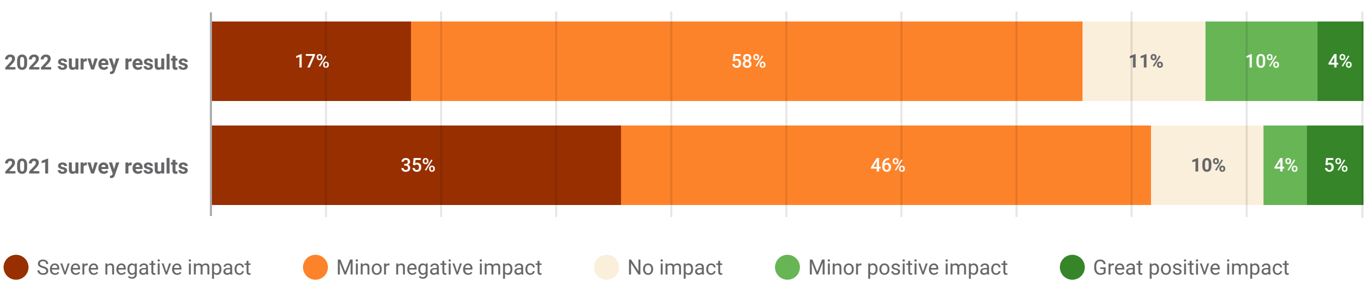


Figure 9. Year-on-year change of estimated impact of COVID-19 on financial performances

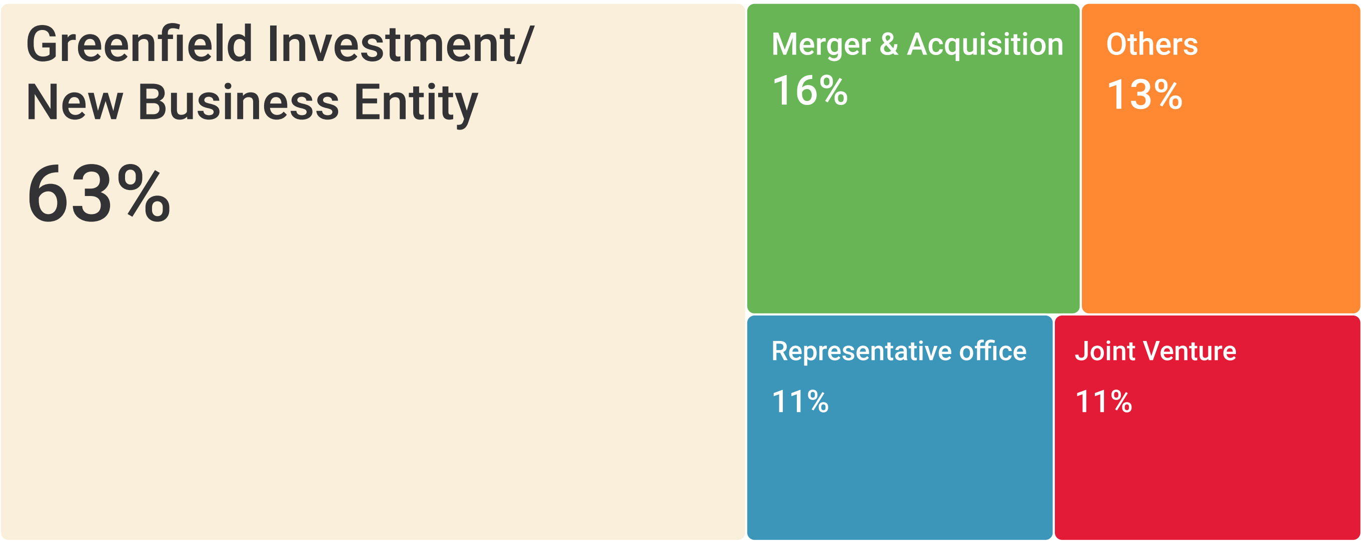


Business Objectives and Operation

As a trend that has been well documented in CGCC's annual business surveys for nearly a decade, the majority of Chinese companies entering the U.S. market did so through greenfield investments - they were more likely to establish a new business entity than acquire an existing one. According to our 2022 survey results (see Figure 10), 63% of respondents entered the U.S. market via this means. Another 11% indicated that they began operations through a representative office (an organizational unit in the U.S. that is not a discrete corporate entity but an extension of a foreign company's organization with a limited scope of operations). In contrast, a form of acquisition - either by direct purchase of an entire corporate entity or of an entity's operating assets - was used by 27% of respondents to start their U.S. businesses.

As the overall Chinese investment flow to the United States plummeted significantly in the past years, greenfield projects seemed to prevail, despite mounting pressures

Figure 10. Through which of the following corporate structure did your comapny establish its business in the U.S.?



from the capital market, legal and compliance practices, and challenges of recruiting and retaining employees over recent years. In terms of scale, greenfield investments were, in general, smaller than M&A investments. However, instead of just taking over a company or asset, greenfield investment generated new spending that went into the market and new jobs in the local community, making a stronger impact on the economy - usually in underserved areas such as the southern or midwestern states.

Companies and investors preferred the greenfield investment strategy largely because it offered 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 were able to smoothen the establishment of their first commercial presence in the U.S. without encountering many of the difficulties they otherwise might. There were additional upsides to the greenfield strategy: 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.
Investment objectives continued to shift, as shown in Figure 11. Improving profitability and recovering/growing existing businesses remained primary objectives for most surveyed companies. However, respondents noted they are investing less in consolidating/streamlining existing business (22% compared to 30% in 2021 results), as well as learning new technologies and developing management expertise (14% compared to 17% in 2021 results), reflecting the maturation of said companies' U.S. strategies. Now, they are focusing more on applying these technologies and expertise to drive growth, innovation, and operational excellence. For example, by entering new markets or expanding customer base, obtaining brand recognition, and enhancing corporate images. According to surveyed executives, companies are focusing more on brand enhancement as part of a broader strategy for their products and services to receive greater acceptance and to counter anti-China/Asia sentiments.

Early in President Biden's presidency, Chinese enterprises' anticipation and expectation for a strong economic recovery were generally positive in light of low unemployment, higher wages, and more job opportunities. However, this cautious optimism lasted briefly as companies experienced the exacerbated effects of the uncertainties of the business environment bred by various tumultuous circumstances.

Expected future challenges continued to evolve, Chinese investors were uneasy about the state of U.S.-China relations, as shown in Figure 12. The complex U.S.-China relations, on both governmental and economic levels, posed the greatest challenges to businesses surveyed, triggering overwhelming concerns by the vast majority of the respondents. The impact of COVID-19 and its aftermath shrank to some extent. 51% of surveyed companies considered it one of the main challenges

Figure 11. Primary business objectives in the U.S. in near-term

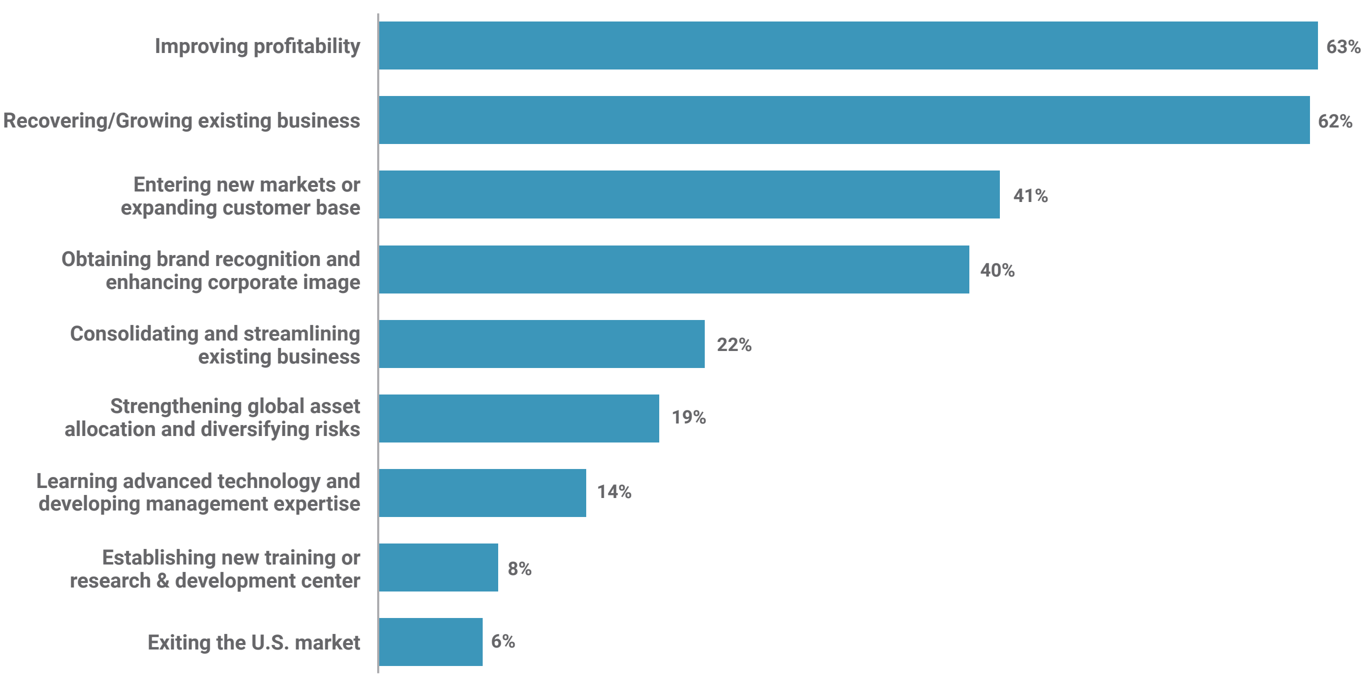
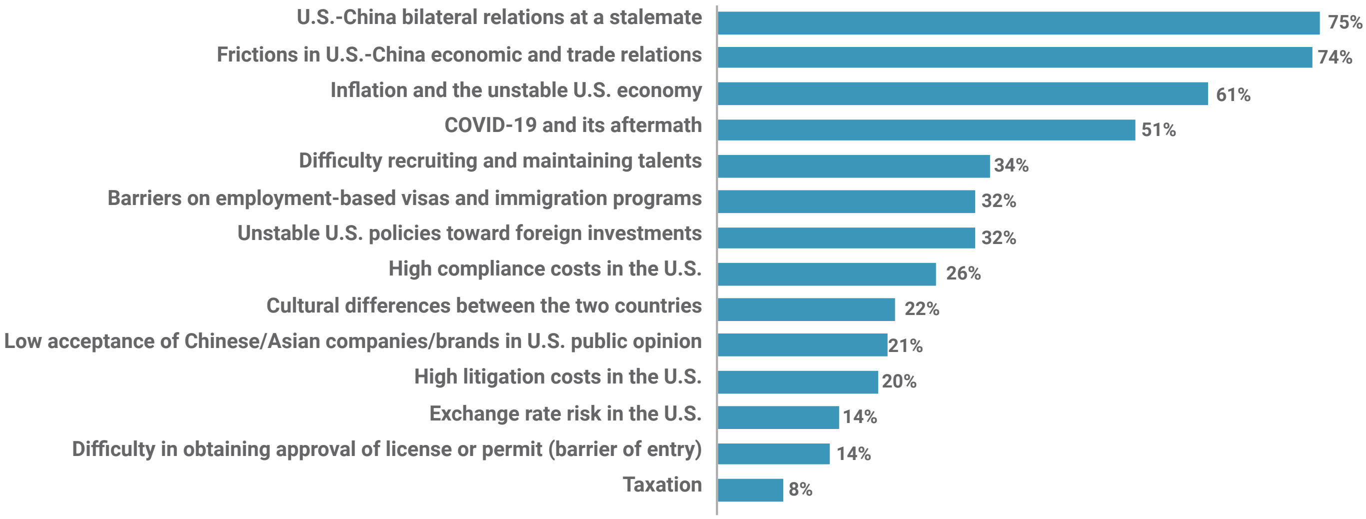


Figure 12. Challenges for companies to conduct business in the U.S. in near-term



in 2021, whereas the number was 69% in the survey results last year.

Furthermore, 34% of respondents stated that difficulty recruiting and maintaining talents in the U.S. was now a major challenge for business operations. Interviewed executives also reflected that most Chinese companies in the U.S. expected their current struggles to hire and keep workers will linger into 2022. After huge recent fluctuations in the job market - record low unemployment in the months before the pandemic, record job losses during, and record re-hiring in the aftermath - employers have faced severe talent shortages in the past 12 months.

Many observers point to acute, post-pandemic, presumably short-term factors:

- **Workforce burnout and depression**
- **Fear of infection, resulting in fear of returning to the workplace**
- **Extended unemployment and other benefits**
- **Increased family care needs**
- **Location disruption**
- **Specific industry changes - e.g., healthcare, restaurants & hospitality, and public safety**
- **Hastened retirements and career-pausing**
- **Postponed schooling/training/graduation, causing delayed workforce entry**

It is worth noting that 61% of surveyed companies claimed that inflation and the unstable U.S. economy might lead to their conservative investment strategy, while only 35% of respondents indicated that way last year. When assessing the current risks to the U.S. economy, Harvard Business Review indicated that “the path of inflation, and the policies to contain it, remain the main threat” to the business landscape, which is partially due to the business fact that firms discovered pricing power and used it widely to protect their profit margins during this difficult time.

Figure 13. Year-on-year change of profit distribution from its U.S. operations

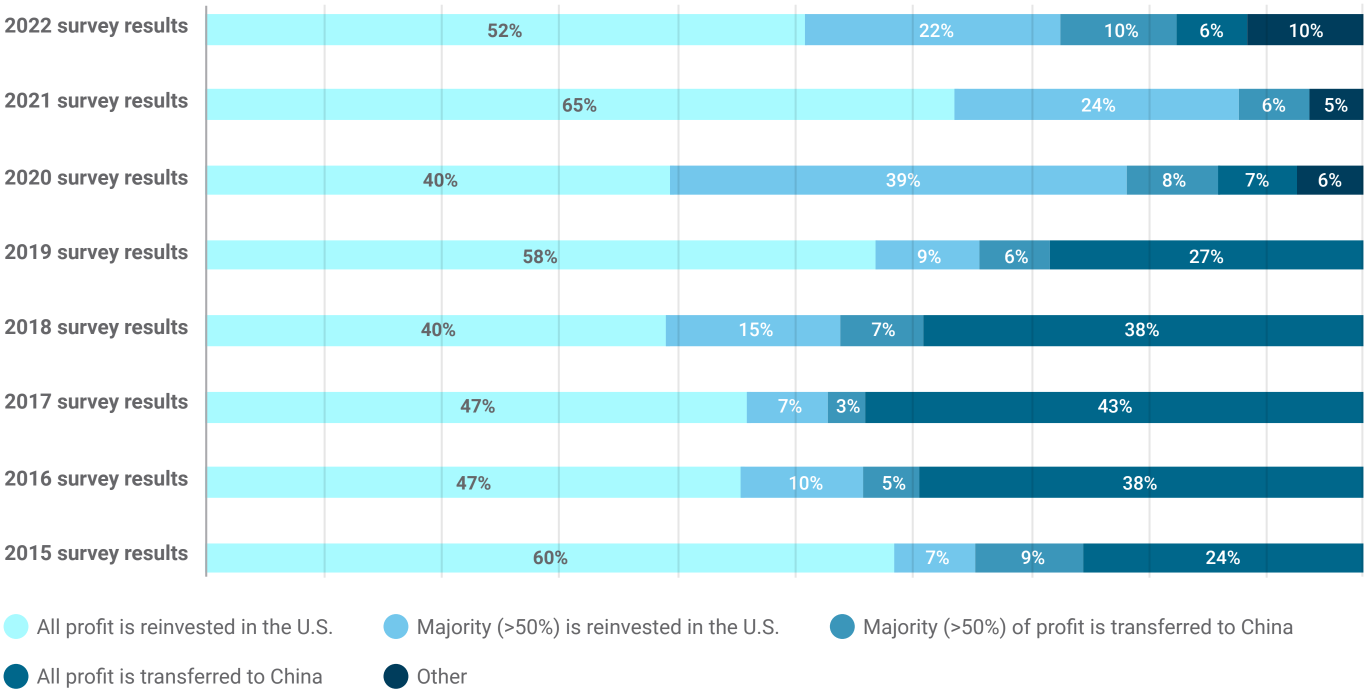
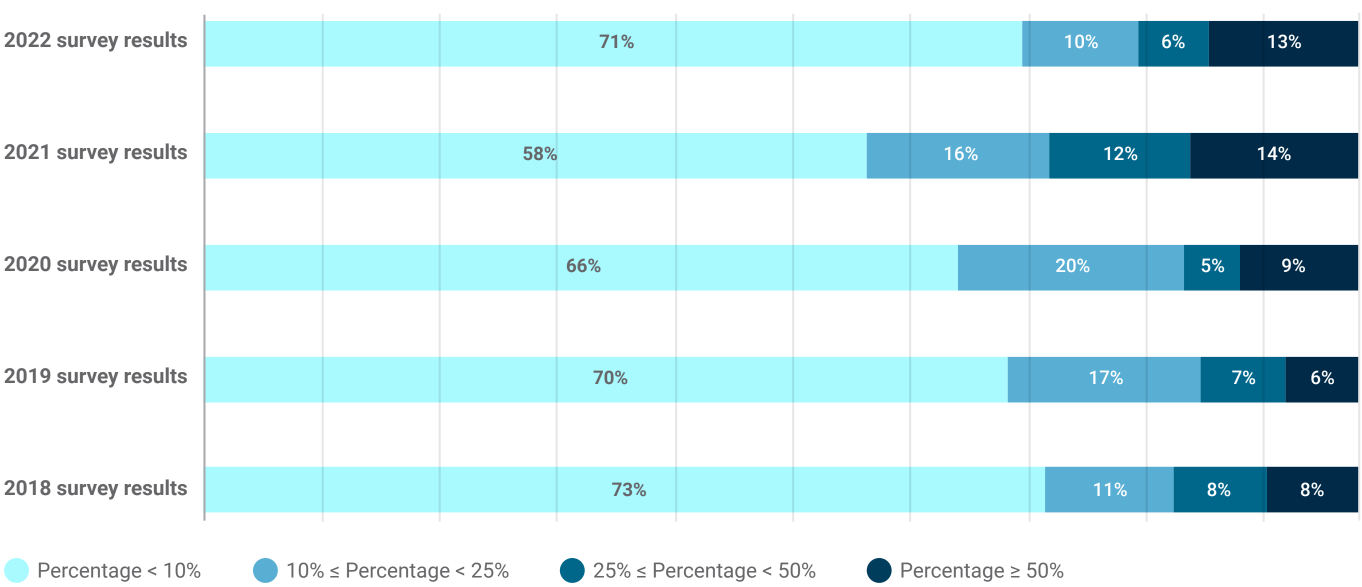


Figure 14. Year-on-year change of parent company's annual revenue contribution by the U.S. company



As U.S.-China relations remain stalemate in many dimensions as the global economy entered the third year of the pandemic, the 2022 survey responses and executive interviews highlighted slightly wavering/shaking trends regarding parent companies' commitment to the U.S. market. Compared to the 2021 survey results (90%), only 74% of respondents reported that they had reinvested the majority of their U.S. profits in the local business this year, as shown in Figure 13. The business strategy of Chinese companies reflected above is partially supported by the declining performance of their U.S. business operations reported in Figure 14, showing a growing number of respondents' annual revenue contribution to their parent companies becoming low.

While companies anticipated a full business recovery from the past couple of years, there was an urgent need for a strong U.S. performance to demonstrate the strategic position and influence of a U.S. presence in their headquarters' global business landscape.

Surveyed Chinese companies identified a range of ways their strategy or investment priorities have changed as preparation to walk out of the direct impact of the pandemic was initiated, as shown in Figure 15. Unlike the 2021 survey results, this year, the severe, unexpected nature of COVID-19 highlighted benefits of investing in digital transformation and flexible workplace arrangements. It also conveyed benefits of identifying, evaluating, preparing to respond to emerging risks, maintaining a flexible cost base, and spurring investments in new products and services. These investments are anticipated to stimulate long-term benefits for the surveyed companies.

Figure 15 revealed that, as the pandemic abates, companies are, to some degree, decreasing their focus on operational stability and customer engagement. According to interviewed executives, such a shift away from the respective areas was not an indication of insignificance, but a reflection that companies have begun to return to "normalcy".

Figure 15. How has the COVID-19 pandemic impacted your strategic focus and investment of your U.S. operations?

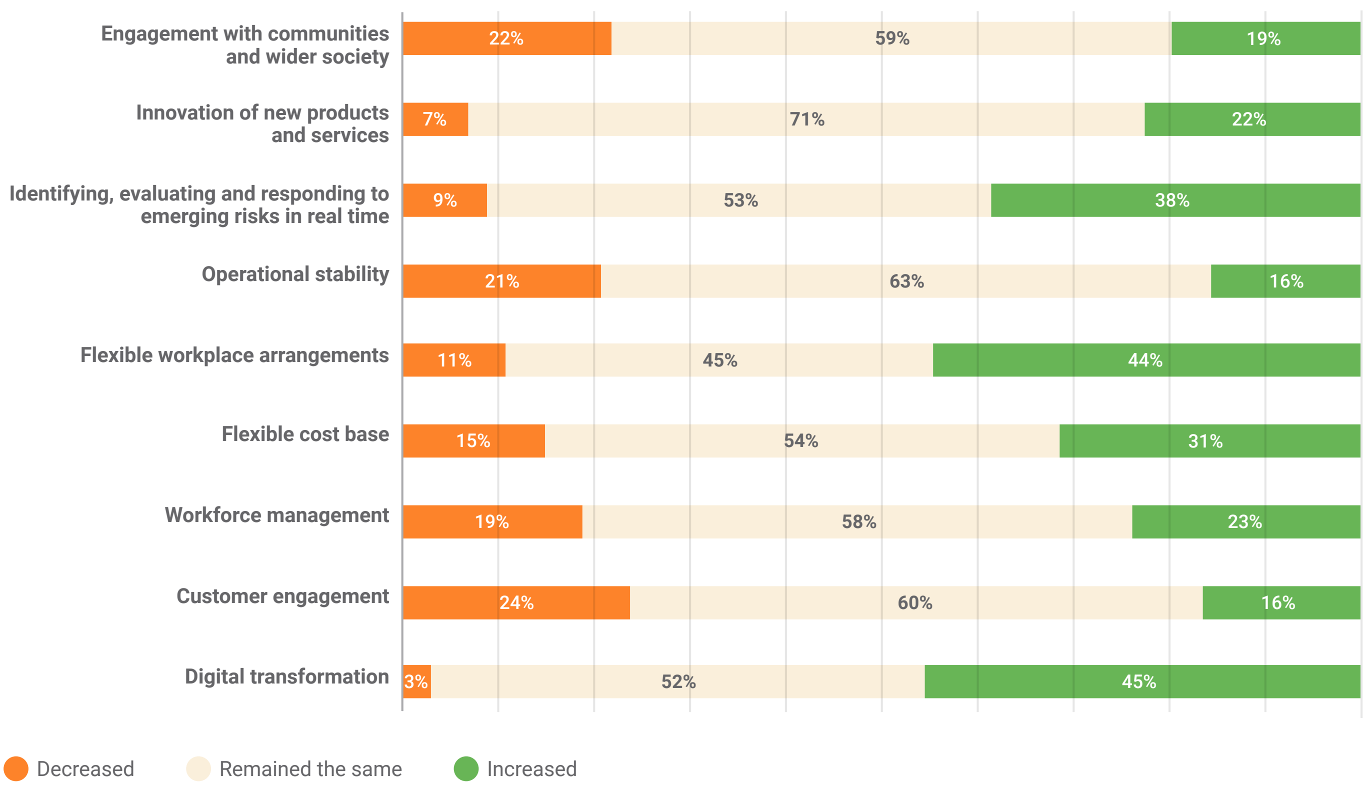
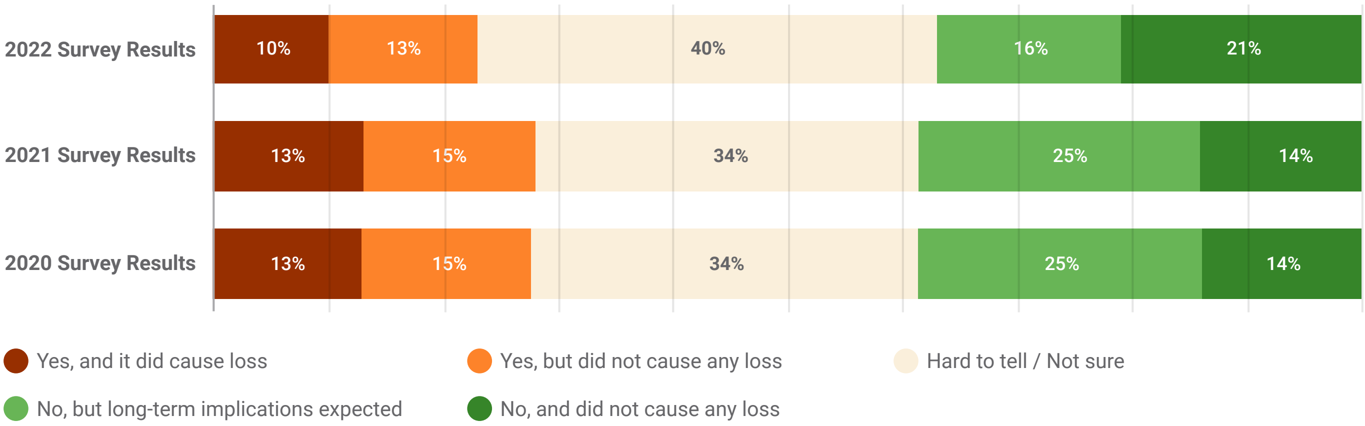


Figure 16. Impacts of anti-China/Asia sentiments during the COVID-19 pandemic



Surveyed companies remained focused on the adverse effects of anti-China/Asia sentiments on their employees and corporate performances. Survey data highlights that such sentiment existed prior to the pandemic, but surveyed executives noted that it has become more pronounced in public discourse since 2020. As shown in Figure 16, surveyed companies expressed some concerns in regard to the short- and long-term impacts, but respondents also reported that the impacts may not be as negative as they thought last year. The percentage responding to this sentiment has caused economic losses to drop from 13% to 10% over the past year. About 40% responded that the effects are still hard to tell.

Business and Investment Environment

Our data and interviews with business executives indicated that Chinese companies remained committed to the U.S. market over the long term. In fact, we observed a clear bouncing back in terms of assessment of the U.S. business and investment environment by respondent companies this year, shown in Figure 17. 29% of respondents claimed a moderate or substantial improvement in the local business climate (6% in 2021 result). The percentage of a moderate or substantial deterioration has dropped significantly from 79% to 44%, yielding a better level than the pre-pandemic era.

However, as we delved into the detailed by-industry perspectives on the business environment, the improvements in numbers did not necessarily translate into the overall optimism of Chinese companies operating in the U.S. Positive feedback clustered in sectors including consumer staples, financials, real estate, and utilities, which accounted for a favorable amount in the surveyed companies.

Figure 17. Year-on-year change of investment and business environment for the Chinese companies

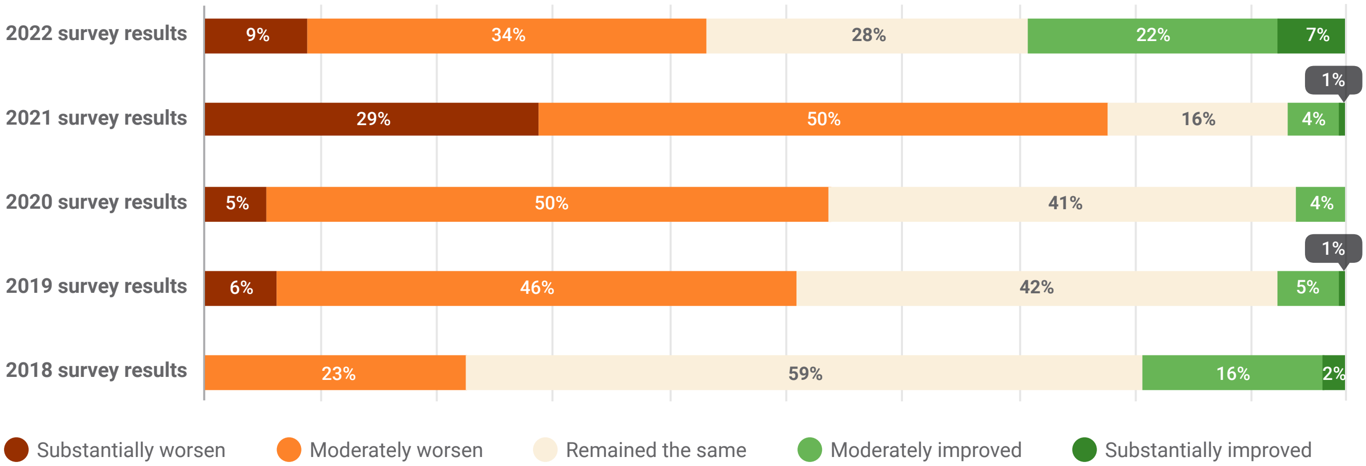
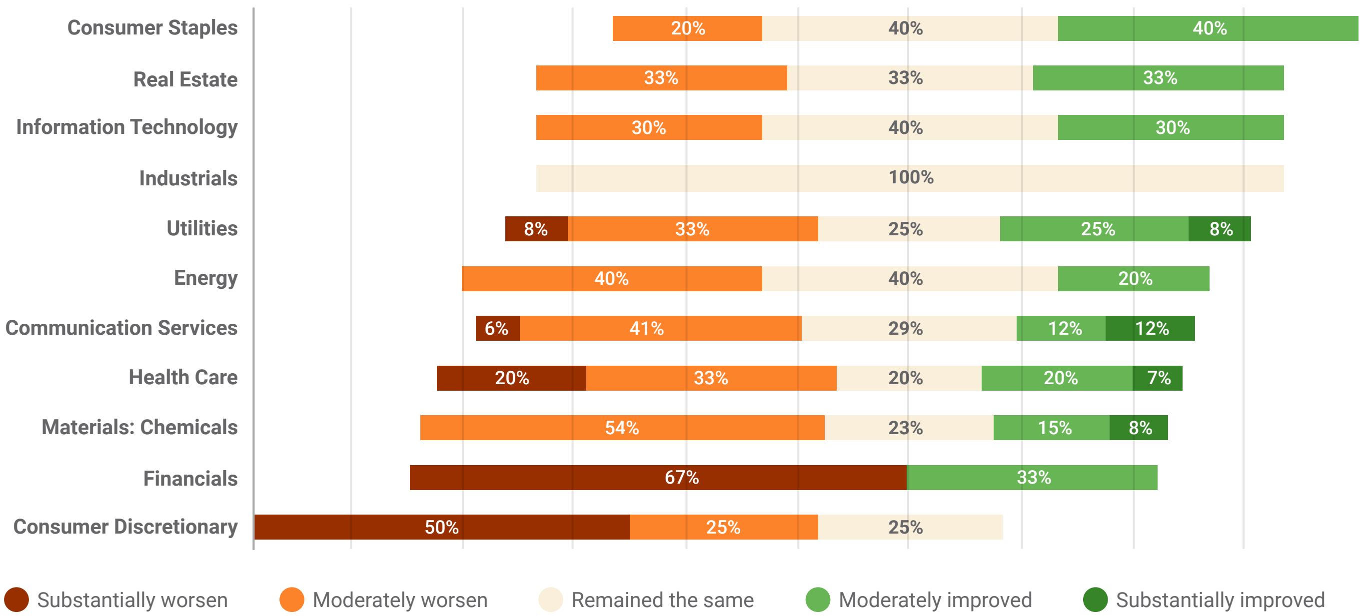


Figure 18. By Industry - Compared to 2020, how has the U.S. investment and business environment changed in 2021?



The deteriorating bilateral relations between the governments and market headwinds, including the pandemic, accelerated the perception by surveyed Chinese companies operating in the U.S. of a slowly declining investment and business environment in the U.S., as observed in recent years throughout CGCC's annual surveys.

When a company makes location decisions for its business investments, it is effectively voting for the country that can best benefit its success in the global market. Over the past decades, business activities have become increasingly mobile, and more and more countries have become viable contenders for them. According to our consecutive survey results, the U.S. remained intact among the top priority for Chinese companies' global investment planning.

Figure 19 demonstrates the top advantages of the U.S. business and investment environment that have attracted Chinese investors in the past year. The aspects remained solid and consistent through previously well-documented CGCC business surveys since 2014. From the business-friendly environment, supply chain, infrastructure and workforce factors, the diversity and openness of this nation are what truly allow businesses from all countries and industries to find their place in the market, and thrive.

In this context, investments in U.S. operations by survey respondents have generally been slowing in recent years compared to the pre-pandemic era, as shown in Figure 20. According to interviewed executives, this reflected a perceived worsening business environment for Chinese companies and a maturing of investment strategies compared to previous years.

However, it is worth noticing that 24% of respondent companies made new investments in the U.S. in 2021. This number doubled when looking at the survey results for 2020. In a similarly positive vein, the percentage of companies that decreased their new investments shrank almost half from 39% in 2020 to only 20% in 2021. The majority of new investments were made in the energy, IT, and financial sectors, indicating that the market is expanding in those industries. The results also aligned with the trend that Chinese companies tend to invest in digital transformation during the pandemic years, as previously shown in Figure 15.

Figure 19. How would you evaluate the following aspects of the U.S. investment and business environment in 2021?

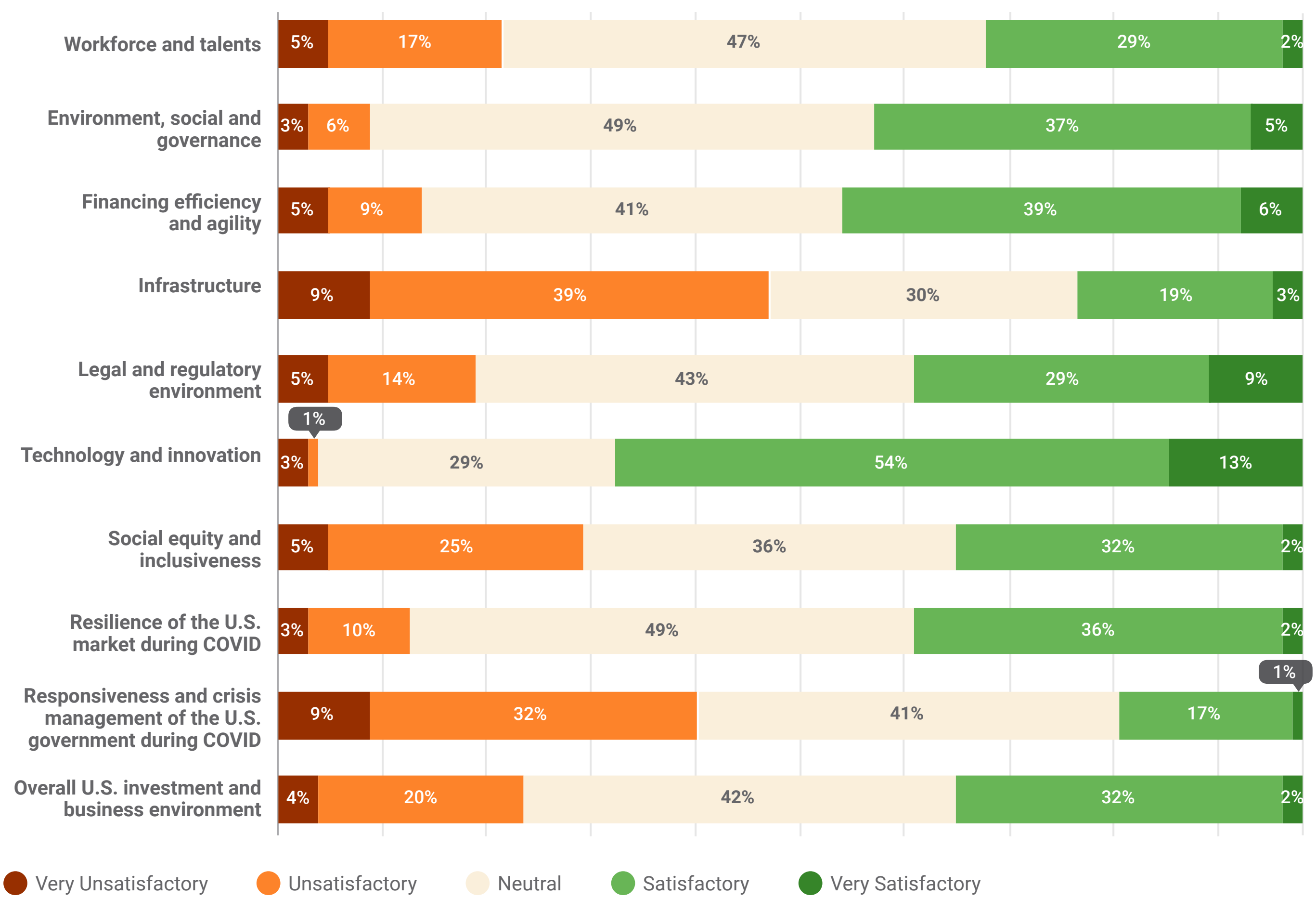


Figure 20. Year-on-year change of new business investment in the U.S. by Chinese compaies?

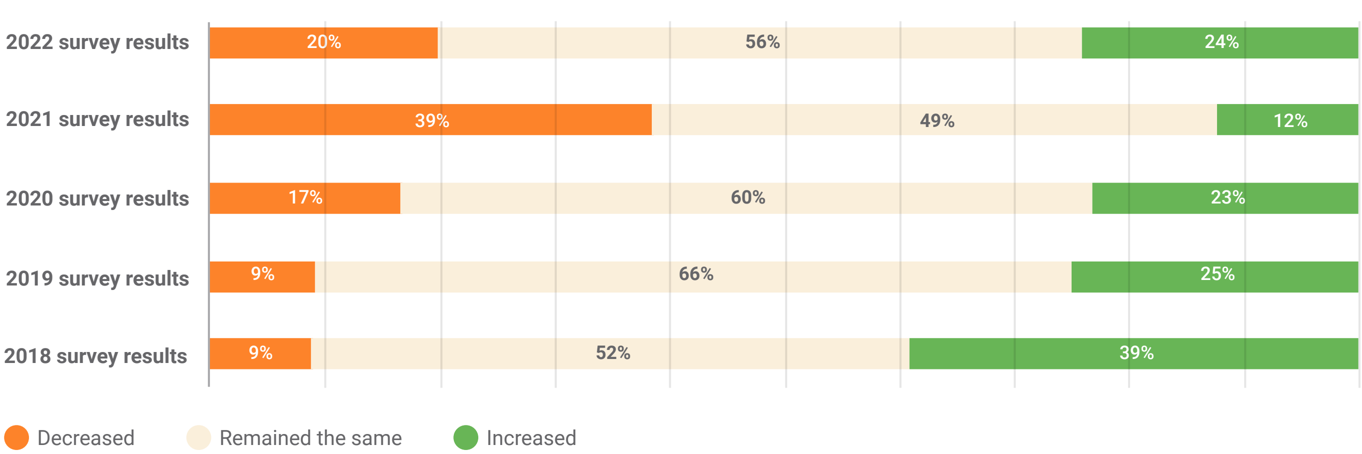
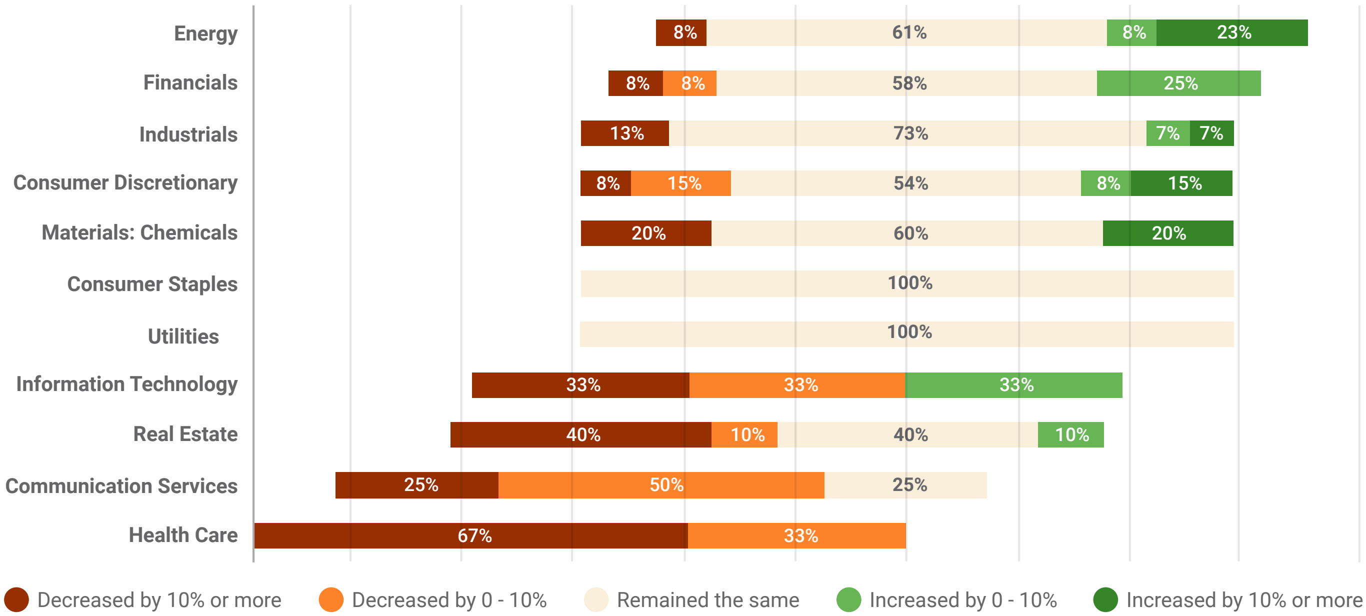


Figure 21. By Industry - compared to 2020, how has your company's new business investment in the U.S. changed in 2021?



Business Outlook

Looking forward, the near-term outlook on U.S.-China relations has grown less optimistic as geopolitical and policy challenges dampen that optimism about the U.S. business environment. Nearly half (49%) of surveyed Chinese companies forecast worse U.S.-China relations than the year prior (25%). As shown in Figure 22-1, only 10% of them expected improvements, which was almost only one fourth of the 2021 results (39%). Interviewed executives highlighted that their companies were actively monitoring bilateral relations and playing a role in building stronger, positive relations, for example, through industry associations.

Figure 22-1. Year-on-year change of future expectations on U.S.-China bilateral relations

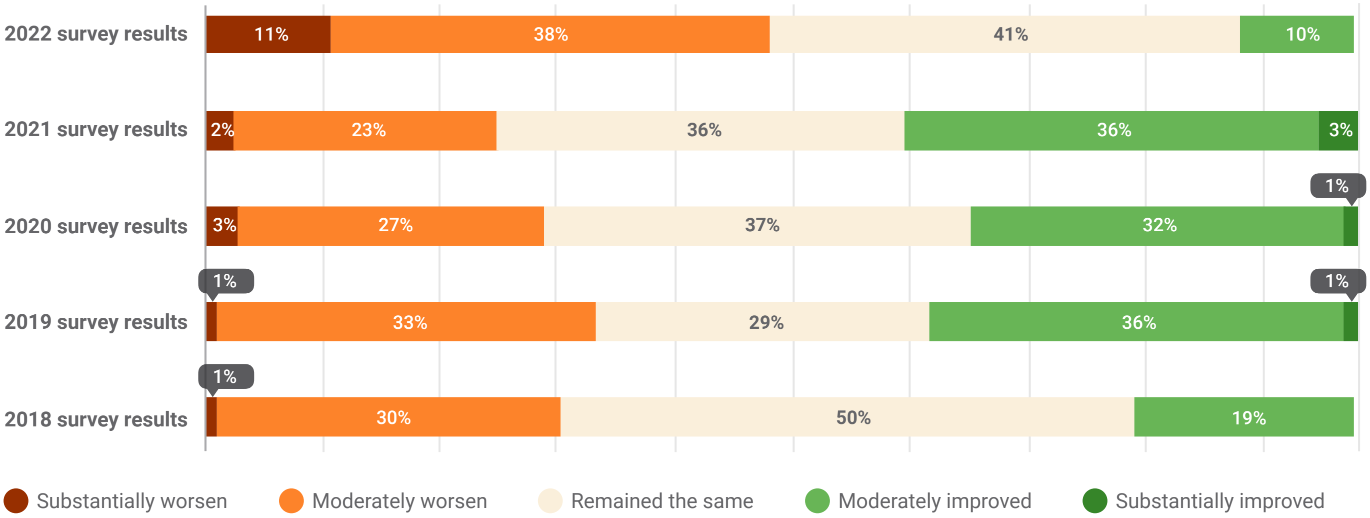
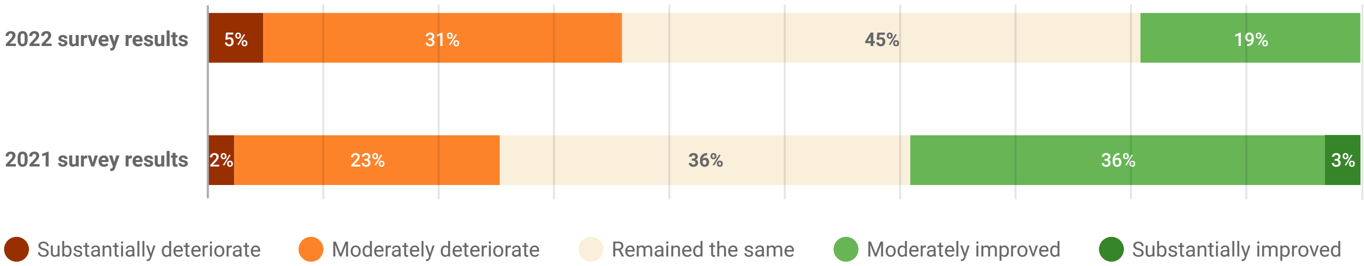


Figure 22-2. Year-on-year change of future expectations on U.S.-China trade and economic relations



All of these factors have taken a toll on revenue expectations, which respondents indicated have been falling in recent years: in CGCC's 2018 and 2019 surveys, 83% and 63%, respectively, were forecasting revenue increases in the coming two years. In this year's survey, only 49% expected higher revenues over the next two years; yet 14% expected lower revenues (see Figure 23).

The surveyed companies' investments in U.S. operations are expected to evolve somewhat in the coming year, as shown in Figure 24. For most (63%) companies, investments are expected to remain the same, although over a quarter are still planning on investing more (27%), more than double the number in 2021 (12%). A small minority (10%) are decreasing their investments, which has improved significantly from the 2021 result, 39%. Overall, surveyed Chinese companies maintained a sustained focus on the U.S., even with short-term challenges from the pandemic and headwinds in terms of the business and investment environment. The obvious net optimism decline, however, should not be neglected.

Figure 23. Year-on-year change of forecasted revenue projections over next two years

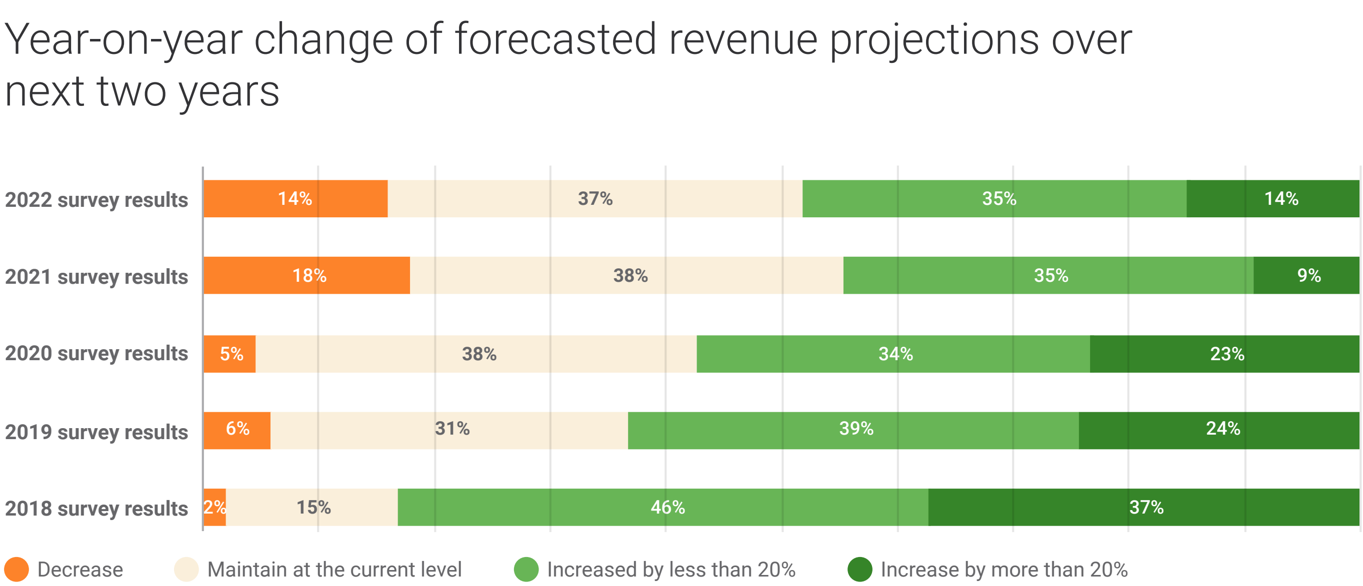
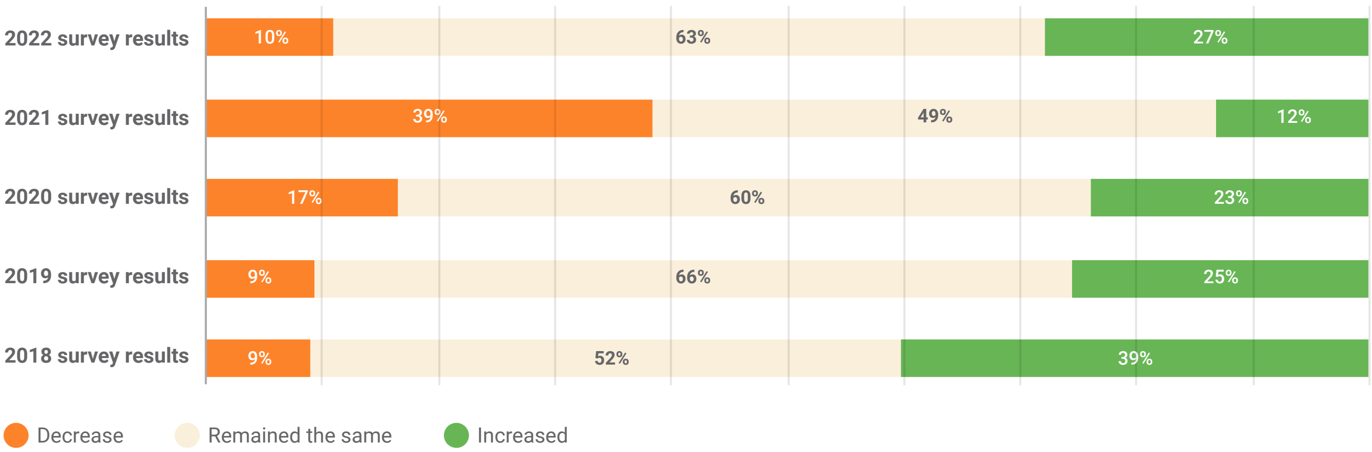


Figure 24. Year-on-year change of investment expectation in the U.S. in the coming year



Featured Insights

Legal and Compliance

General introduction of the importance of compliance for Chinese companies in the U.S.

A nexus of legal, regulatory, and social norms constrains the behavior of all firms, and "the contemporary compliance function is the means by which firms adapt to these constraints."[1] In the past three decades, the landscape of corporate compliance in the U.S. has undergone a profound transformation. Since the early 1990s, expanding regulation, increasing risk for firms, and major changes in the U.S. federal prosecution system created strong incentives for corporations to build and strengthen their internal compliance capacity.[2] Today, many U.S. firms, especially those operating in heavily regulated industries (e.g., banking), employ hundreds of in-house compliance professionals and spend millions of dollars each year purchasing compliance-related services from outside providers, transforming compliance from an often-neglected informal aspect of corporate governance into its own industry and profession that is still growing.[3]

Against the backdrop, Chinese investors' compliance with U.S. law and regulations has begun to catch the attention of managers and policymakers in both countries. A few high-profile sanctions of China-based multinationals by U.S. authorities demonstrate the enormous challenges Chinese investors face in compliance and the dire consequences of U.S. investigation and prosecution for noncompliance.

Due to vast social, political, and economic differences between China and the U.S., Chinese firms investing in the U.S. must overcome significant information gaps to comply with U.S. laws and regulations, let alone social norms and codes of business conduct. However, despite the growing importance of compliance for Chinese firms in the U.S., there is very little research on this subject. The 2022 CGCC Annual Business Survey Report aims to fill the gap by presenting and analyzing some key statistics about the Chinese companies. Note that due to the extraterritorial reach of U.S. enforcement, Chinese companies doing business primarily outside the U.S. could still be sanctioned by U.S. authorities. In other words, compliance with U.S. law is a topic pertinent to almost all Chinese companies with even tangential connections to the U.S. (e.g., using the U.S. financial system). But for purposes of this report, we focus on Chinese companies with investments in the U.S.

1. Sean J Griffith, Corporate governance in an era of compliance, 57 Wm. & Mary L. Rev., 2082-83 (2015).

2. Some claim that the present era of compliance began in 1991 with the adoption of the US Sentencing Guidelines for Organizations that associate the penalties of prosecuted corporations with the existence of effective compliance programs. Id. at, 2084.

3. Eugene Soltes, The Professionalization of Compliance, Cambridge Handbook on Compliance, 34 (2021).

Achievements and challenges in compliance: an extended journey

Major compliance challenges in the U.S.

The CGCC survey of 2022 inquired about the challenges Chinese firms face in complying with U.S. laws and regulations. Unsurprisingly, "complex and ambiguous U.S. laws and

Figure 25. Main challenges in complying with U.S. laws and regulations

regulations" tops the list of the major challenges (51%). As noted, expanding regulation has been a key driving force of the U.S. corporate compliance movement since the early 1990s, and vague standards instead of clear-cut rules permeate the regulations. For instance, a mitigating factor in the prosecution of a corporation for noncompliance is the maintenance of an "effective" compliance program, but what makes a program "effective" is largely up to the enforcement agency's interpretation.[1] Therefore, even sizable U.S. companies with highly sophisticated compliance staff cannot guarantee full compliance, much less Chinese investors that entered the U.S. in the past decade and are still testing the market.

Moreover, about half of the survey respondents consider potential conflicts between U.S. and Chinese laws and regulations to be a major challenge. In the past few years, the deteriorating U.S.-China relations and the rapidly shifting geopolitical order have led to more conflicts of regulations between the two countries, as both adopt expanding sanctions and corresponding blocking regulations. While such conflicts concern all multinationals simultaneously exposed to both the Chinese and the U.S. markets, they are of particular importance to Chinese investors in the U.S. The complexity and ambiguity of U.S. laws and regulations, plus the wide discretion enjoyed by U.S. enforcement agencies, further exacerbate the problem.

About 24% of the survey respondents consider lack of awareness about noncompliance cost as a major challenge. This likely stems from the differences between the regulatory regimes in China and the U.S. Though bargaining also plays a key role in U.S. government prosecution of corporate noncompliance, the process is notably different and premised on a great deal of institutional knowledge. Therefore, Chinese investors accustomed to the home-state system may underestimate or be ignorant about noncompliance costs in the U.S.

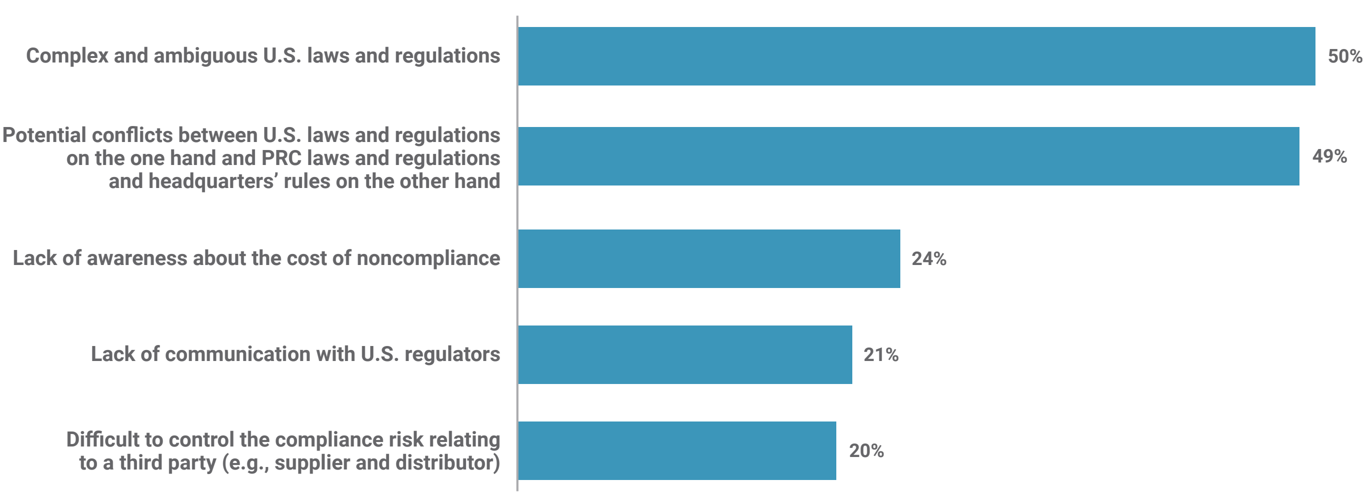
Relatedly, about 20% respondents regard lack of communication with U.S. regulators as a major challenge in compliance. This is partially due to lack of mutual understanding. On the one hand, the government-business dynamics in the two countries are vastly different, so some Chinese managers are unsure about the appropriate approach to interact with U.S. regulatory agents. On the other hand, many U.S. government agents lack basic understanding about the organizational structure, corporate culture, and the home-state institutional setting of Chinese companies. When uncertainties, ambiguities, and misinformation abound, decision-makers tend to rely on cognitive shortcuts in the form of biases, stereotypes, and uninformed assumptions. Such decision-making by U.S. enforcement agents in the context of the U.S.-China rivalry will presumably result in unfavorable outcomes. Hence, Chinese managers reasonably prefer to keep a low profile, avoiding contacts with U.S. regulators whose assumptions, priorities, and expectations are also highly unpredictable.

Furthermore, about 20% respondents find it challenging to control the compliance risk relating to third parties. As Chinese investors in the U.S. rely extensively on business partners, it is difficult for them to effectively monitor the partners' behavior. While large multinationals with market power may put pressure on its suppliers to comply with certain U.S. regulations and social norms, few Chinese companies operating in the U.S. enjoy that kind of power. Also, the U.S. subunits of Chinese multinationals tend to generate only a small portion of their global revenue, so even if the headquarters may enjoy bargaining leverage over business third parties, they may not apply the leverage on behalf of the U.S. affiliates.

Some of these challenges, and most of the others listed in Figure 25 and 26, may be overcome or mitigated by hiring compliance professionals. For instance, employing a seasoned compliance professional to lead the in-house compliance department will help the Chinese company to navigate complex and ambiguous U.S. laws and regulations, as well as interact with U.S. regulators. Other challenges, however, cannot be addressed simply by spending more on

1. *Griffith, Wm. & Mary L. Rev., 2091 (2015).*

Figure 26. Top 5 challenges in complying with U.S. laws and regulations



compliance. For instance, to deal with the conflicts between U.S. and China regulations, Chinese companies may have to reorganize their businesses or restructure certain transactions. While such conflicts are beyond the control of individual firms, collectively, Chinese companies should raise their concern the two governments to ease the tensions in the bilateral relations and harmonize their regulations.

Structure of compliance at the U.S. and Chinese headquarters levels

For Chinese companies in the U.S., their headquarters handle compliance in a way that is notably different. 34% of the responding companies' headquarters have established one department that handles risk, legal, compliance and audit work together. By comparison, only 11.2% of the U.S. affiliates would have one unit overseeing all these lines of work. One may attribute the difference to the relatively limited size and scope of the Chinese invested businesses in the U.S., so some Chinese investors deem it more cost-effective to outsource some of the service needs.

Meanwhile, about 88% of all the surveyed companies reported to have established internal compliance functions in their headquarters in China, which are performed either by a stand-alone compliance department or a department charged with multiple tasks including compliance. By comparison, only 52% of the U.S. subunits have internal staff handling compliance matters. Considering how important U.S. compliance is, the lower percentage probably reflect limited operations in the U.S.

Also worth noting are the percentages of stand-alone compliance departments. While about 25% of the Chinese firms have established compliance departments in their headquarters, about 17% have set up such departments in the U.S. Among these 17%, only two reported to have no internal legal or compliance staff at the Chinese headquarters, and five have no stand-alone department in the Chinese headquarters, which lead to the preliminary conclusion that at least 41% of the Chinese investors that have established stand-alone compliance departments in the U.S. pay more attention to compliance in the U.S. than in China.

In-house compliance committee

Compliance is complex and it touches on all aspects of a U.S. business, ranging from employment to antitrust. Increasingly, U.S. companies set up special committees to supervise compliance work. The survey data show that some Chinese investors have adopted the model, with 33% of the responding firms having established compliance committees (Figure 28).

As expected, compliance and legal are the two departments or functions that serve on the compliance committee at most of the firms (i.e., 82% and 79% respectively). Finance, internal audit and HR also play a role in about 40% of the committees. Note that information technology currently only sits on compliance committees at 24% of the firms. Given the recent expansion of regulations over data security and privacy, more Chinese firms should consider including the IT directors in their key compliance decisions.

Figure 27. Chinese Headquarters - Structure of the legal and/or compliance department

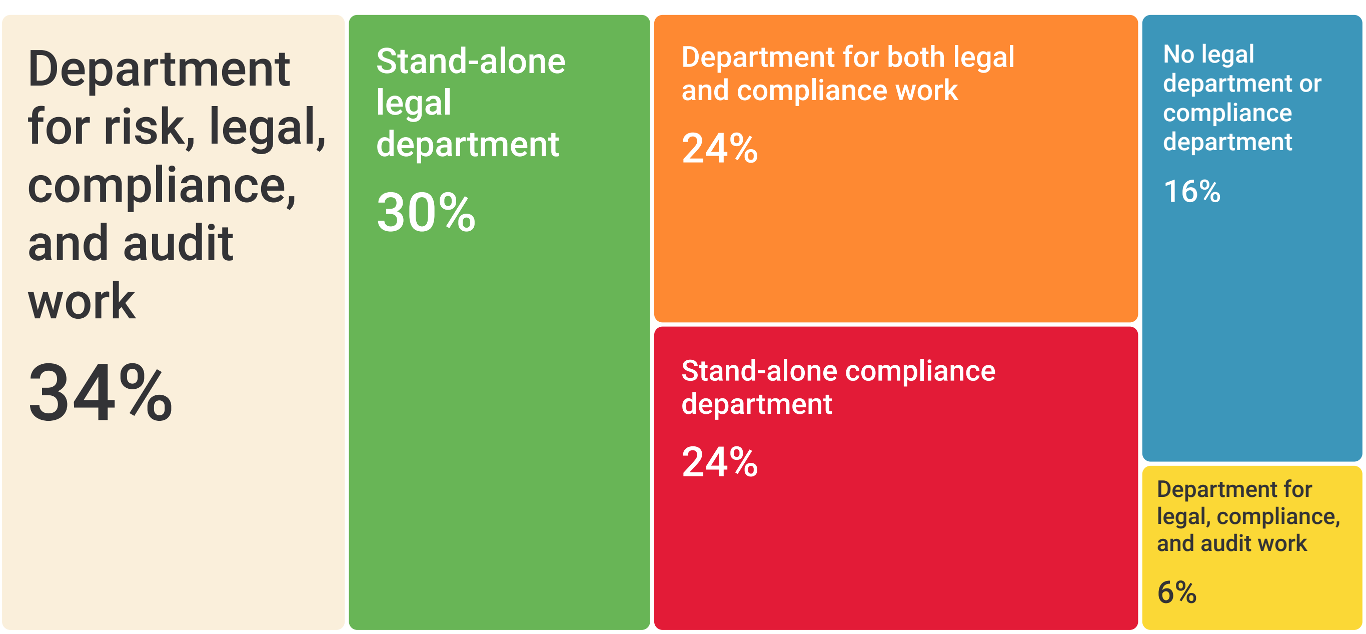
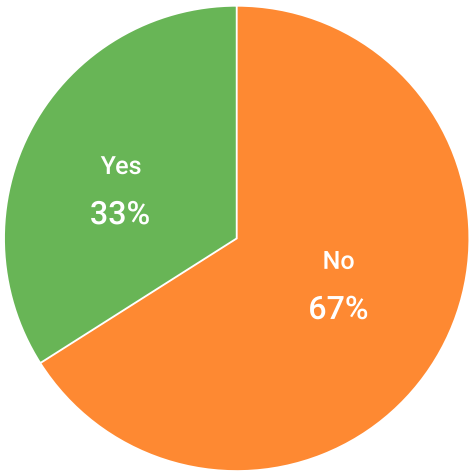


Figure 28. Does your company have an in-house compliance committee to support compliance efforts?

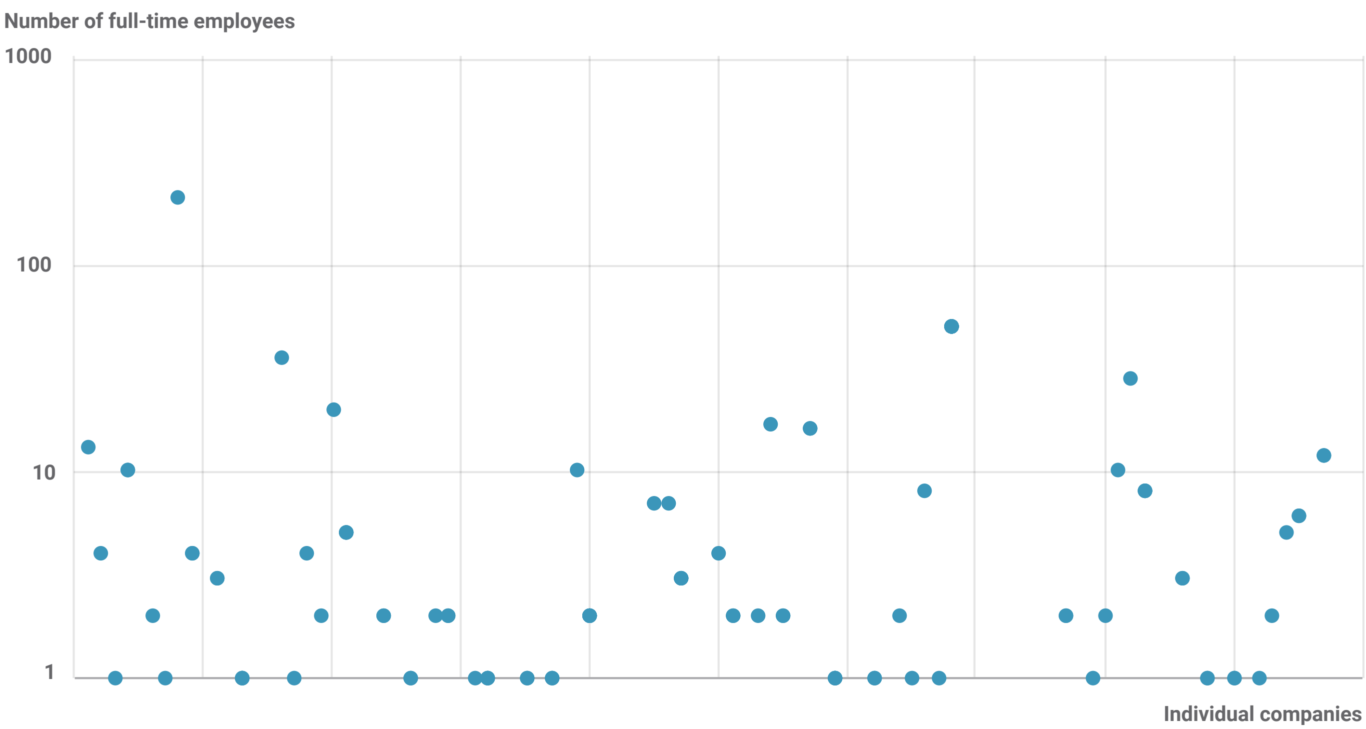


Size of compliance staff

The compliance staff at the Chinese firms varies significantly in size (see Figure 29). While many have no full-time compliance professional in house, one firm has as many as 210. On average, a responding firm has between five and six in-house compliance employees. If the Chinese companies without any full-time compliance employee are excluded from the calculation, the average size of the compliance staff would be 9.4. Because the average number of employees at a responding Chinese companies is 737.5, the ratio between the number of employees in the compliance function and the total number of employees in the U.S. is one in-house compliance employee per 135 employees.

The size of in-house compliance staff also varies significantly across different Chinese-invested businesses. One major factor that determines the variation is the regulatory sector. Chinese firms investing in heavily regulated sectors such as finance, insurance, pharmaceutical, and telecommunications, tend to have a larger compliance department than those investing in other sectors. Moreover, another factor is the investment duration of a Chinese firm in the U.S. In other words, holding the regulatory sector and the total number of employees under control, Chinese investors that entered the U.S. market earlier tend to have more compliance employees, indicating learning and adaptation. As Chinese investors accumulate experience of doing business in the U.S. regulatory environment, they

Figure 29. Number of full-time employees in a compliance function role



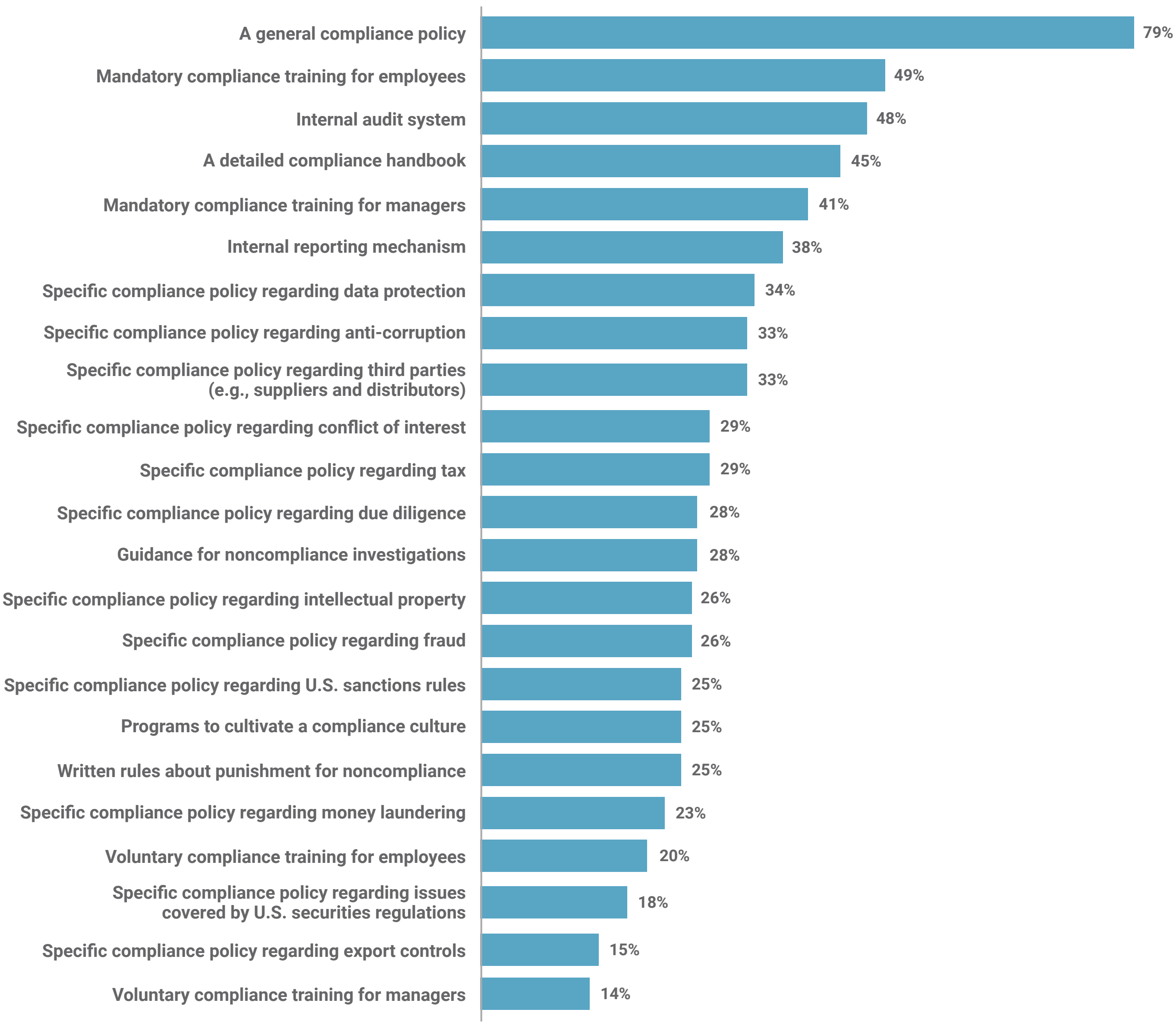
begin to appreciate the importance of compliance and invest more in this regard.

Compliance programs

The common core of U.S. compliance comprises four functional parts: 1. a structural nexus, 2. information flows, 3. monitoring and surveillance, and 4. risk-rated enforcement.[1] An effective U.S. compliance program should aim at fulfilling all these functions. Evaluated by this standard, some Chinese investors have room to improve their programs. As revealed in Figure 30, while about 80% of the responding firms reported to have a general compliance policy, the percentage is much lower when it comes to more specific but crucial enforceable elements of U.S. compliance programs. For instance, only about 50% of the firms have mandatory compliance training for employees, and only 40% have such training for managers. Given the vast differences between China and the U.S. in terms of corporate compliance, more Chinese firms should require their staff to attend educational programs about the U.S. system. Similarly, only about 44% of the firms have compiled detailed compliance handbooks. Due to the complexity and ever-changing nature of U.S. compliance, few employees or managers can be expected to acquire and retain sufficient compliance knowledge from training programs. It is therefore imperative for employees to be able to consult a detailed handbook whenever compliance questions arise. Also, having such handbooks available to employees is presumably essential to any "effective" compliance program, a necessary

1. Griffith, Wm. & Mary L. Rev., 2093 (2015).

Figure 30. What does your company's U.S. compliance program include?



condition for the program to be a mitigating factor in the prosecution of corporate violations of U.S. law.

Another important element of an effective compliance program is an internal audit system. Less than half of the Chinese firms have set up such a system, which is supposed to prevent or uncover any breach of law and ethical norms. The same is found regarding internal reporting mechanisms. Only 37% of the Chinese firms have established such a mechanism to allow employees to pass information about actual or possible noncompliance to corporate decision makers. Again, the system is not only critical to avoid and rectify violations of U.S. laws and regulations but also an indispensable part of an "effective" compliance program,[1] the availability of which protects the companies from prosecution in relation to noncompliance by employees and other affiliated parties.

Moreover, slightly more than 30% of the Chinese firms have specific compliance policies regarding third parties, data protection, and anti-corruption. Given the rising tensions between the U.S. and China, these areas have caught a great deal of regulatory attention. Chinese investors in the U.S. should invest more in such programs to mitigate noncompliance risk.

Parties that influence the design of the programs

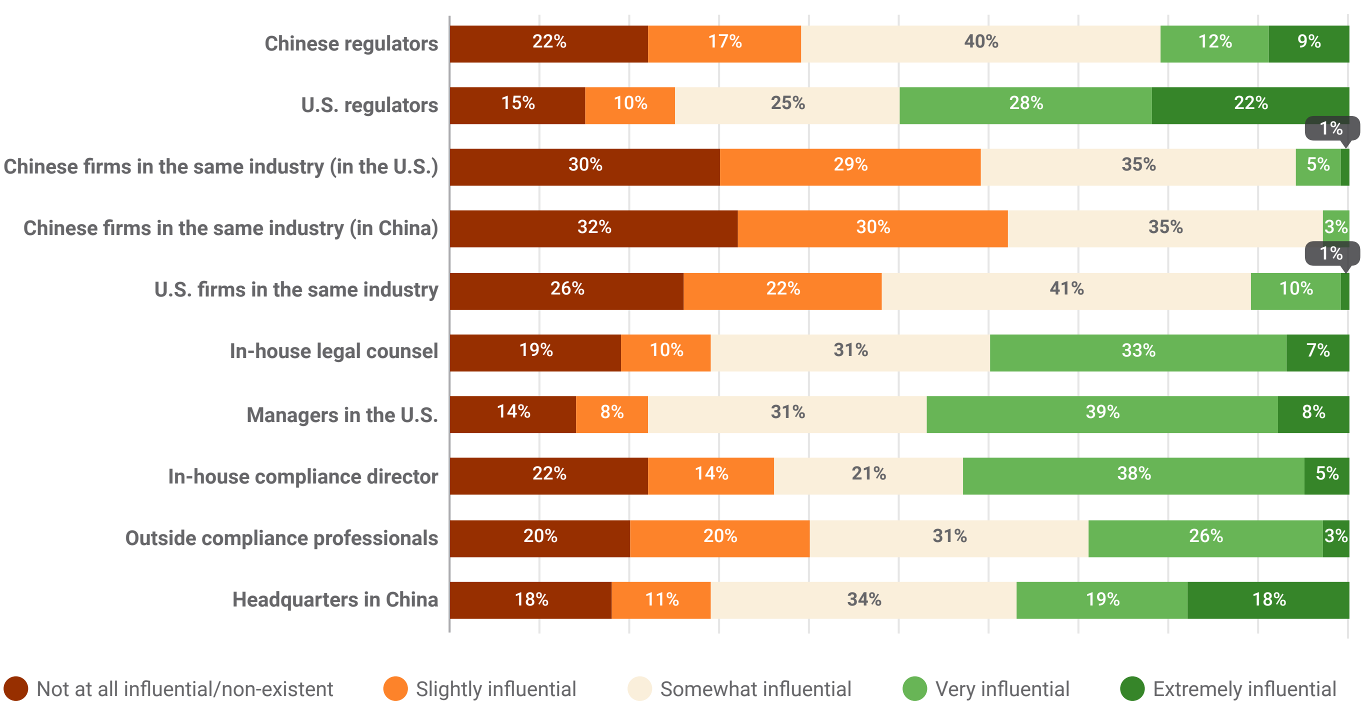
In designing their U.S. compliance programs, the Chinese investors rely most heavily on U.S. regulators, the headquarters in China, and Chinese regulators. The U.S. government has been the leading force in the development of corporate compliance first by issuing the Sentencing Guidelines for Organizations in 1991 and then by a series of non-prosecution agreements (NPAs) and deferred prosecution agreements (DPAs), which are settlements agreements with corporations that have violated U.S. laws and regulations.[2] Apart from U.S. regulators, the Chinese headquarters of the responding firms also play an important role because of the high stakes of U.S. compliance.

Moreover, Chinese regulators also influence the U.S. compliance program as conflicts between the rules of the two countries multiply. That being said, many responding firms consider Chinese regulators not influential at all, so the average score is relatively low. The conflicts may be limited to certain industries. Because of the wide differences between China and the U.S., Chinese firms in the same industry have the least influence over the U.S. compliance program. Similarly, most Chinese investors disregard the compliance experience of fellow Chinese investors operating in the U.S. In comparison, about 10% of Chinese firms would consider U.S. peers to be very influential in their design of U.S. compliance programs (see Figure 31). The finding suggests a gap. U.S. companies closely follow their peers and frequently adopt the practices they have adopted "in order to keep from falling behind the industry standard." It is understandable that Chinese firms,

1. Id. at, 2088.

2 Id. at, 2092.

Figure 31. How did tyhe following parties influence the design of your U.S. compliance program?



being much different from U.S. firms in many ways, cannot fully adopt the compliance models of their U.S. counterparts, and instead they rely primarily on U.S. regulators, local managers, Chinese headquarters, and in-house compliance staff to design their own compliance programs. Still, adopting the "market practice" in compliance will offer Chinese investors more protection of the compliance risk.

Compliance budget

For the vast majority of Chinese firms, the compliance budget accounts for less than 5% of their selling, general, and administrative expenses, as shown in Figure 32. Notably, about 38% have established no compliance budget. For these firms, compliance is either an insignificant issue, or the expense occurs only occasionally and unpredictably, so a budget cannot be made for it. About 17% of the Chinese firms reported a compliance budget that exceeds 5% of the SGA expenses.

Preliminary analysis has shown that the compliance budget measure of Chinese investors in the U.S. varies with regulatory intensity and a company's listing status. More specifically, Chinese companies operating in heavily regulated U.S. sectors tend to have a higher ratio between compliance budget and the SGA expenses. Also, if a Chinese invested U.S. business is listed or is controlled by a listed company, it is more likely to report a higher ratio of compliance budget and SGA expense.

Changes in compliance

For most of the Chinese firms, the compliance budget remained the same in the 12 months prior to the survey (see Figure 33). About 14% experienced a slight increase in the budget whereas about 7% had a slight decrease. Overall, the percentage of firms that reported increased compliance budget is twice the percentage that reported compliance budget decline. The U.S.-China tensions and the deteriorating regulatory environment for Chinese firms in the U.S. probably explain the finding.

Similarly, most of the Chinese investors reported a relatively stable compliance staff. Meanwhile, about 15% increased the number of their compliance employees, whereas about 12% reduced their compliance staff. The former reflected the growing compliance pressure on the firms, and the latter the fact that some Chinese investors have scaled back their U.S. investment or exited heavily regulatory businesses. Since hiring generally lags demand, we naturally observe relatively more stability in the compliance staff.

To summarize, compliance has become an increasingly important part of corporate governance in the U.S., and Chinese investors face daunting challenges in this area. According to the survey data, complex and ambiguous U.S. laws and regulations and deterioration of U.S.-China relations posed the most challenge to Chinese companies operating in the U.S. While the vast majority of the Chinese firms have adopted general compliance policies, many have neglected elements that are considered crucial to effective compliance programs. In designing the compliance program, U.S. regulators and the Chinese headquarters have played pivotal roles. In the past 12 months, most of the Chinese investors have reported stable compliance budget and staff, with slight overall increase in both aspects.

There cannot be a set compliance program applicable to all Chinese investors in the U.S. given their heterogeneities. However, some compliance practices should be adopted by more. Compliance training, for instance, should be required for

Figure 32. Annual budget for compliance as a % of sales & administrative (SG&A) expenses

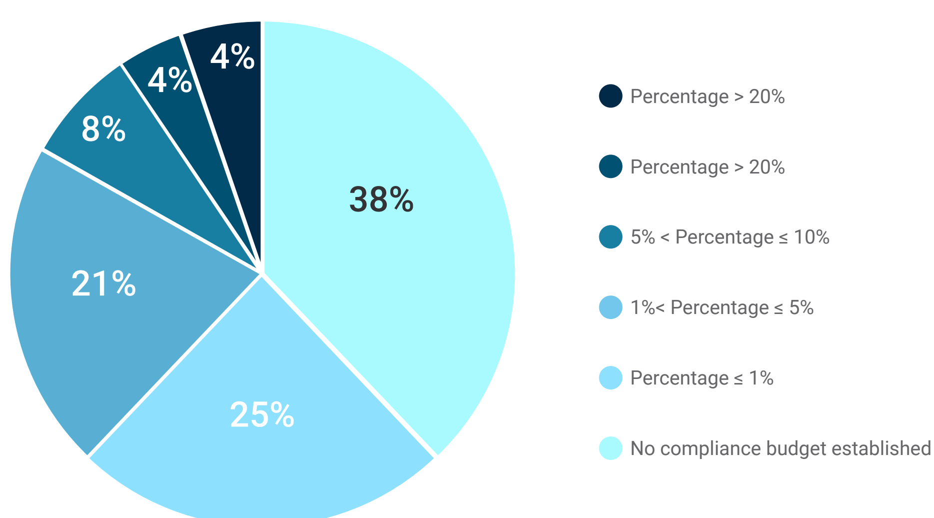
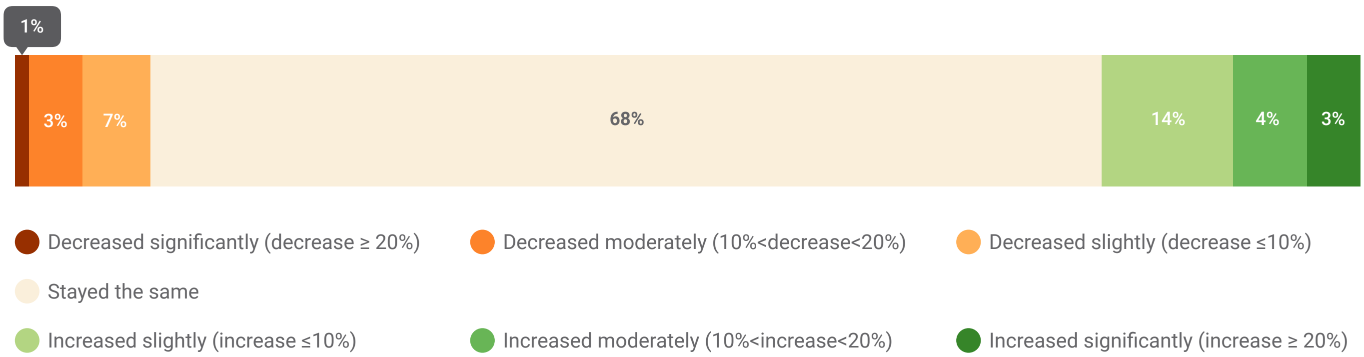


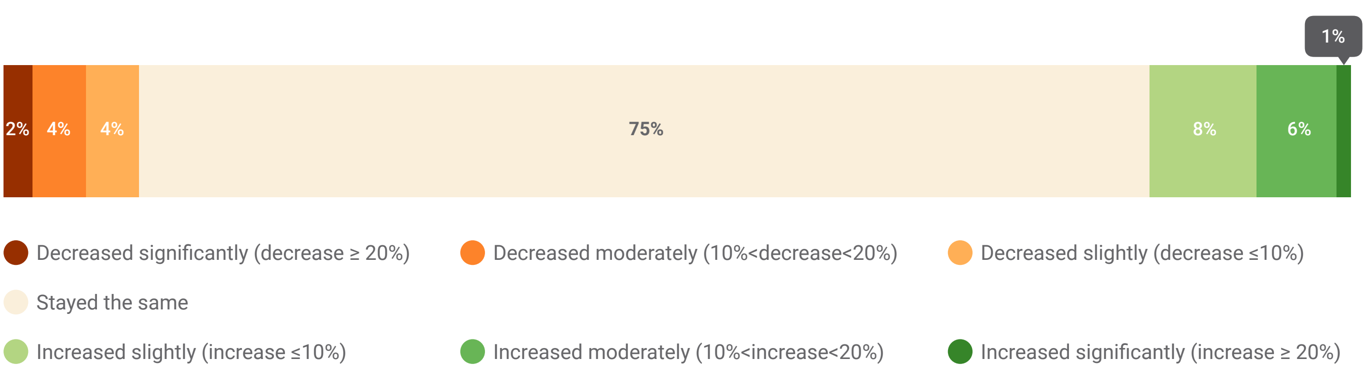
Figure 33. How has the budget for compliance at your company changed over the past 12 months?

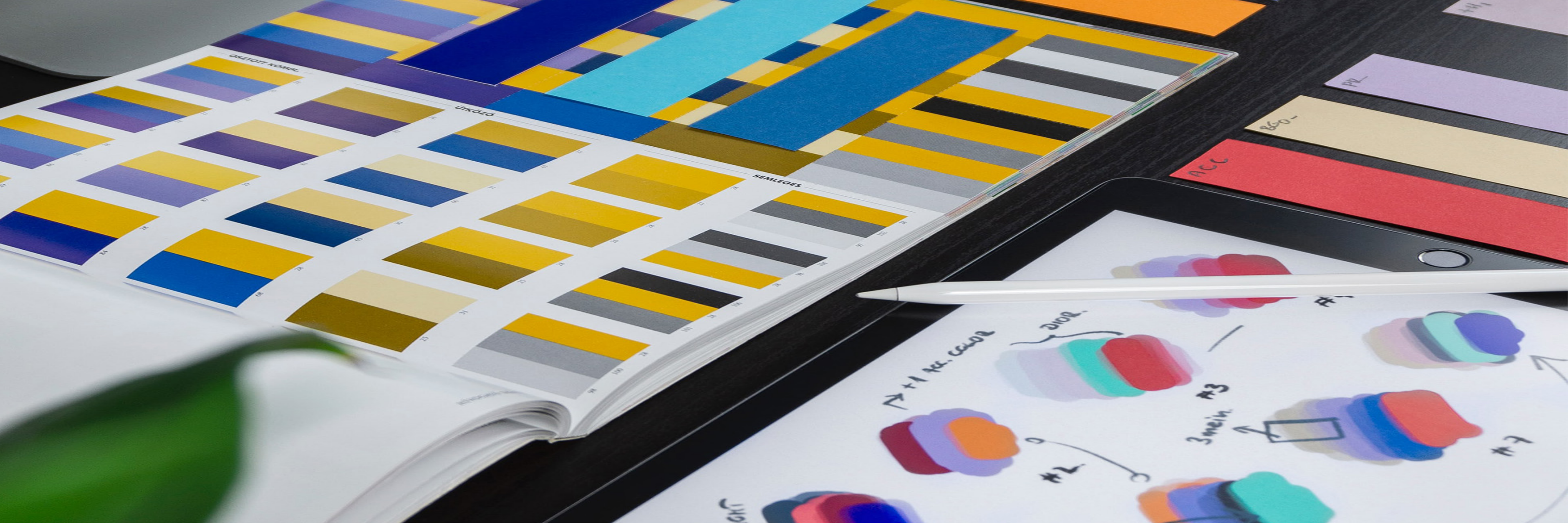


more of the Chinese companies in the U.S. Also, more should have put in place internal reporting mechanisms to allow information flow, a key mechanism to ensure an effective compliance system. Likewise, more Chinese companies should establish and strengthen a monitoring system such as internal audit to prevent noncompliance actions.

To implement these programs is costly. Chinese companies may consider investing more in U.S. compliance. It is hard to compare the compliance cost of Chinese companies with their U.S. counterparts as the two are vastly different. But given the absence of some key compliance practices, further investment by Chinese companies in U.S. compliance is probably necessary. Also, in designing the programs, Chinese companies should rely more heavily on professional compliance directors and U.S. managers.

Figure 34. How has the compliance function staffing at your company changed over the past 12 months?





Featured Insights

Brand and Trust

Imperative challenges in brand and trust for Chinese companies in the U.S.

A strong brand in the market could provide the hosting company various advantages in a society of consumers. For companies like Coca-Cola or Pepsi, emphasizing on the brand plays a significant, if not the most important, role in their success. Business-to-business branding that is tailored towards the company's target customers to convey its expertise is all about building a trusting relationship between the company and its customers. The connection among customers and brands influences brands themselves through customer acquisition and retaining. Brand loyalty is the key in the relationship among brand trust, brand effect, and a company's market share and relative price of its products, with purchase loyalty leading to greater market share, and attitudinal loyalty leading to a higher relative price for the brand. The greater the market share of a brand, the greater the need for loyalty, especially given the increasing number of consumers pursuing a brand-based purchase. A great seller's loyalty is as much about maintaining a consistent, long-term brand as it is about selling the brand to the highest bidder, which helps to maximize value in a sales environment.

In the past few years, Chinese companies have experienced elevated challenges in entering the U.S. market. Political events and the trade war challenged globalization. U.S.-listed Chinese companies are facing intensified investigations and heightened delisting risks. The outbreak of COVID-19 and the following pandemic have resulted in travel bans and shipment restrictions, and have led to sharp rise in order cancellations.

In the early days of the pandemic, boosted anti-Asian/China sentiment was seen in the U.S., resulting in a trust crisis affecting not only Chinese businesses but the safety of Asian people living in the U.S. as well. During April and May in 2022, China experienced another wave of outbreak of COVID-19, resulting in shutdowns at multiple locations including Shanghai, one of the busiest shipping ports in East Asia. This has given the already fragile global supply chains another big hit. Some U.S. companies have started to shift some of their supply chains outside China, relocating factories to India and Southeast Asia. In order to tame high inflation in the U.S., the U.S. Federal Reserve is raising interest rates at its fastest pace in more than two decades, hoping to reduce demand and suppress prices. A side effect of this rate increase is a strengthened dollar, which adds an extra challenge for the export of goods from China to the U.S. We believe these factors will persist for a while, and the headwinds for Chinese companies in the U.S. will continue into 2023.

When asked in our 2022 Business Survey for current brand presence in the U.S. (see Figure 35), 29% of the responded companies feel they currently have a weak brand presence, and 31% feel neutral. Only 7% of the respondents feel their brand presence is extremely strong, followed by 34% feeling somewhat strong. There are 7% respondents feeling their brand presence is extremely weak or even non-existent. Although more companies feel strong than weak regarding their U.S. brand presence, companies feeling strong in this account are a minor part (41%) in the group. The data clearly echoes the challenging business environment that Chinese companies are currently facing in the U.S. Considering the foreign nature of Chinese companies in the U.S., it is especially important that entrepreneurs be highly motivated in boosting brand and trust when trying to enter or to expand into the U.S. market.

Objective is the major driving force in the planning for action. We asked the business objectives regarding the U.S. brand strategy of our surveyed companies (see Figure 36), and a little more than half (52%) answered that they would just like to maintain a U.S. corporate presence, and another 9% mentioned their objective is to establish a U.S. corporate presence. The remaining 39% respondents have an objective of establishing or maintaining a U.S. brand presence. The current situation that more than 60% of the surveyed companies do not have a brand-oriented objective may reflect a business decision from Chinese entrepreneurs when balancing investment in building a brand and its outcomes, or an attitude of backing off from the U.S. market.

For those whose objectives are establishing or maintaining a U.S. brand presence, the top three reasons are (see Figure 37): (a) to form an integral part of the company's global strategy; (b) to expand our customer base; and (c) to develop direct

Figure 35. How strong of a brand presence do you feel your company currently have in the U.S.?

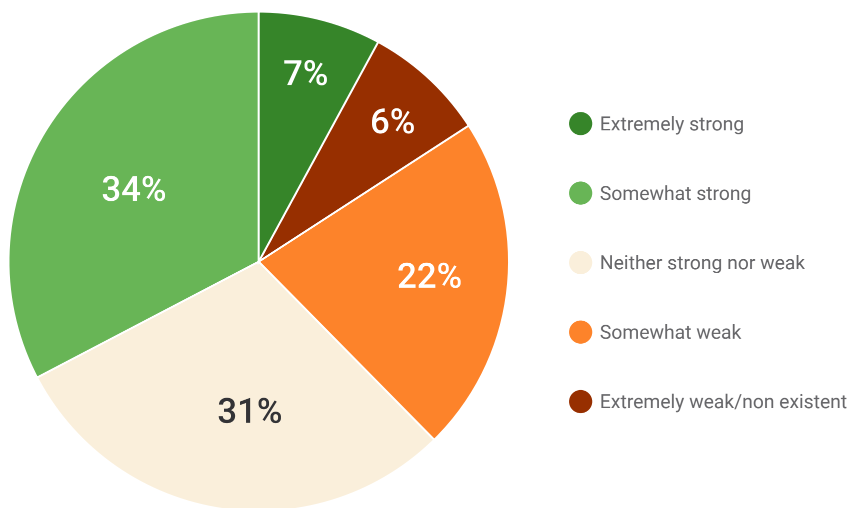


Figure 36. What's your primary objectives in branding?

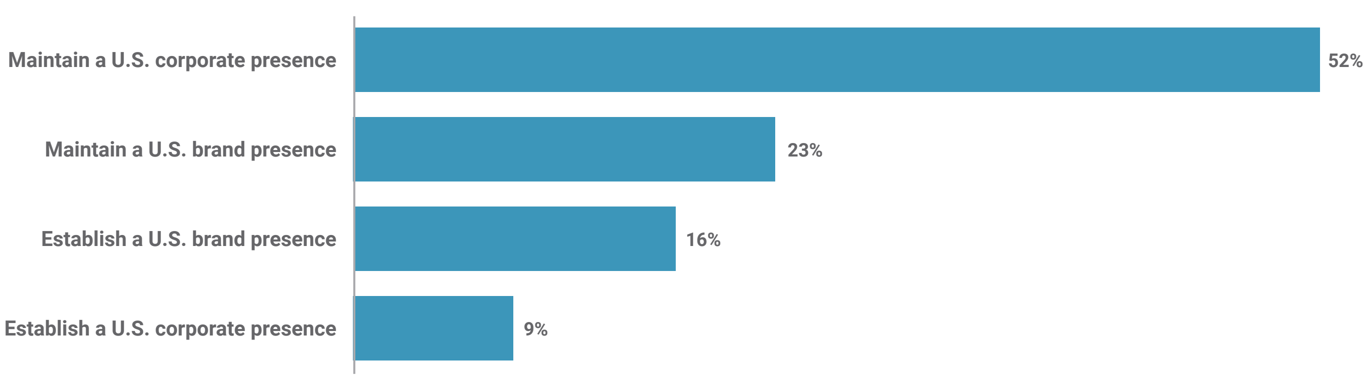


Figure 37. Why does your company wish to establish a U.S. brand presence?

relationships with key suppliers, partners, and investors. It is interesting to see that while 57% respondents take "to expand our customer base" as a reason, only 19% take "to gain direct access to the U.S. consumer groups". This reflects that more of the respondents to this question take other businesses in the U.S. as customers rather than selling directly to U.S. consumers. The least chosen reason is "to build out a more robust supply chain" with only 14% of respondents choosing it, reflecting the fact that manufacturing and raw materials needed by the responding companies are mostly from outside the U.S.

When asking about the main challenges that Chinese companies face when it comes to branding/marketing in the U.S. market (see Figure 38), the top five claimed challenges are: (a) low trust of Chinese brands by customers in the U.S. market; (b) prevailing anti-China sentiments in the U.S. public discourse; (c) lack of understanding of the U.S. governmental system and regulatory scheme; (d) complex and ambiguous U.S. regulations and sanctions against China; (e) breaking the cultural differences: translating company commitments and capabilities into messages that the U.S. market can readily understand and accept.

The U.S. is needless to say an important piece in a company's strategy for globalization, with arguably the largest consumer markets in some industries and access to matured financing, global talents, services, intellectual properties, and supplies of some commodities and goods. Our surveyed results show that the hesitation of Chinese companies in establishing or maintaining a strong U.S. brand is only temporary (see Figure 39). As the time horizon goes from current (the year 2022) to short term (less than five years) then to long term (more than five years), more companies ticked up the importance of corporate branding to their U.S. business strategy along the spectrum. In the long term, we believe globalization is an irreversible trend that companies have to embrace to thrive.

Figure 38. Main challenges in branding/marketing in the U.S. market

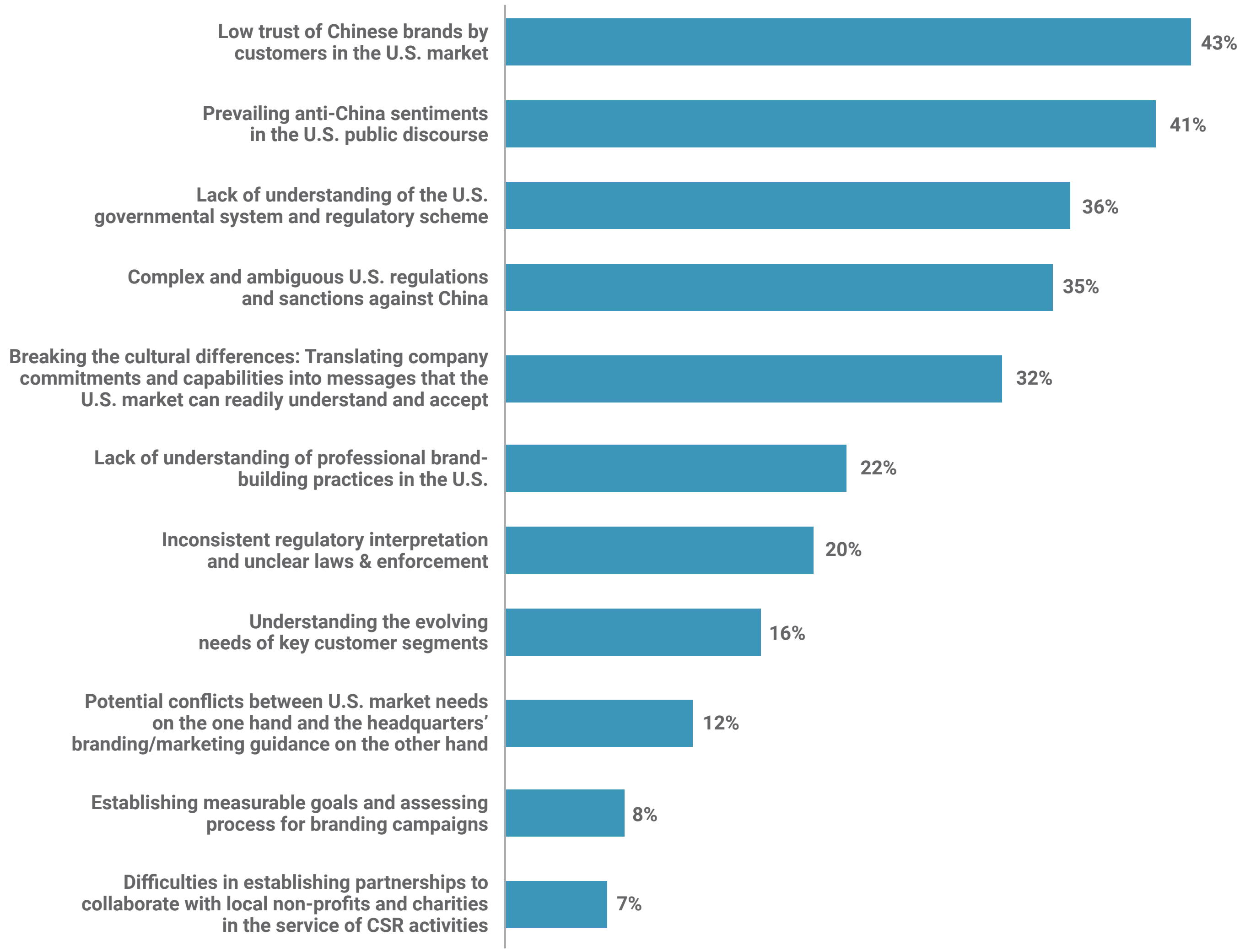
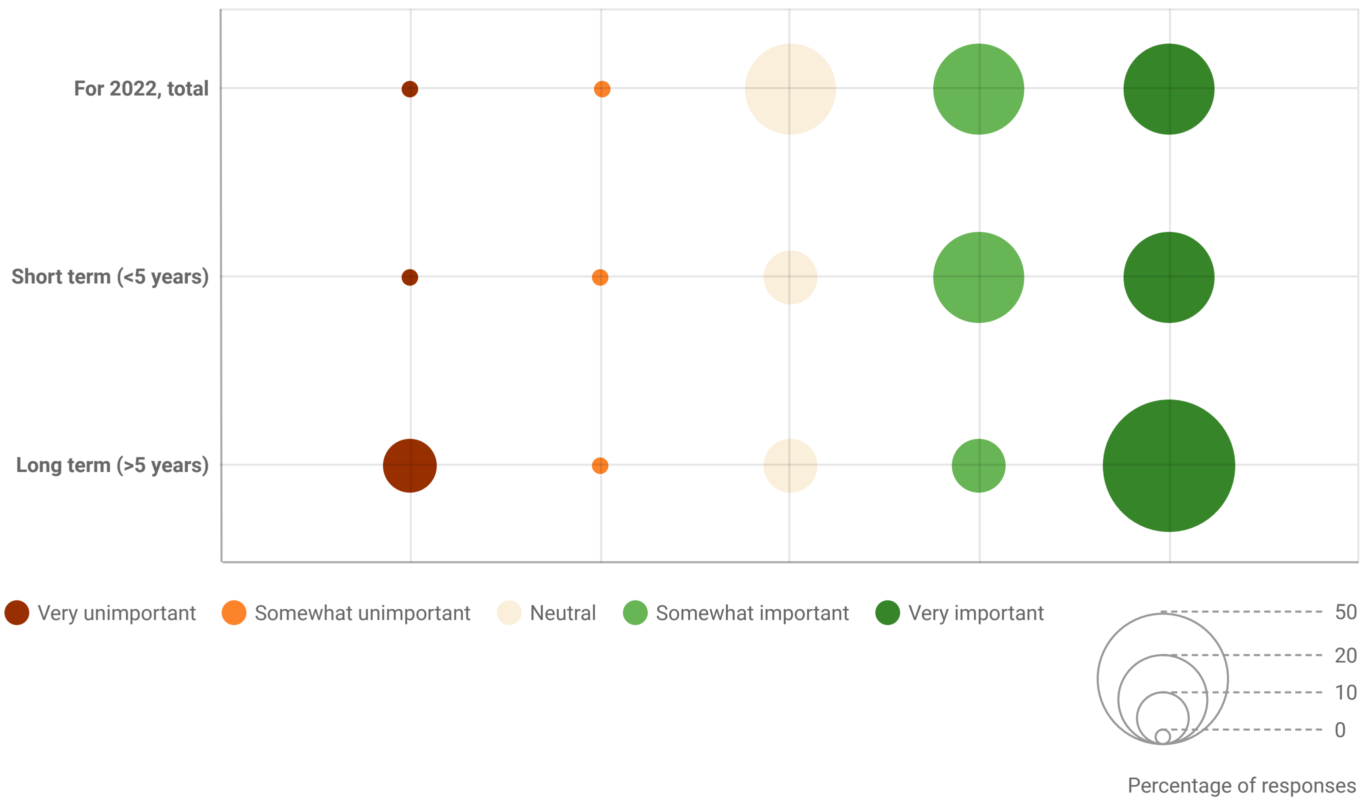


Figure 39. Importance of corporate branding to immediate, short-term, and long-term U.S. business strategy



Brand strategies: a tale of two cultures

At the core of a brand is trust and relationship building, which connects a company with other market participants including consumers, partners, investors, and other stakeholders who are often based in a specific, sometimes different, cultural environment. The challenges that our surveyed companies face when entering the U.S. are in essence challenges from a different cultural environment. Therefore, an emphasis on an in-depth understanding and an in time responding of the U.S. environment, whether regulation requirement or consumer sentiment, need to be incorporated in a company's brand strategy.

It should be noted that functional and operational establishment of companies could potentially impact their branding strategies. We surveyed companies on their brand and marketing related functions (see Figure 40-1). While 41% of the responded companies have a corporate marketing department at the Chinese headquarters level, only 18% have a corporate brand department at the U.S. level. Similarly, there are significantly less companies that have their brand department reporting to U.S. level than their marketing department. On the contrary, more companies have their brand department reporting to China than having their marketing department reporting to China (see Figure 41).

For decision making over the company's U.S. brand strategies, headquarters in China exert heavy influences, with 54% of surveyed companies indicating this having a large amount of influence or being the sole decision-maker (see Figure 42). Compared with those who have a corporate brand department at the Chinese headquarters level, those who have this department at the U.S. level tend to believe that corporate branding is important for their 2022 U.S. business strategy (see Figure 40-2). It is suggested that companies should better set up a local office with employees present in the U.S. This could allow companies to response in time to changes and emergent events or crisis.

We asked about the brand/marketing objectives that company primarily focused on in the past year (see Figure 43), and ranked all choices with top selections being selected by companies that tend to have a strong brand presence in the U.S. The top

Figure 40-1.Brand/marketing functions in Chinese companies

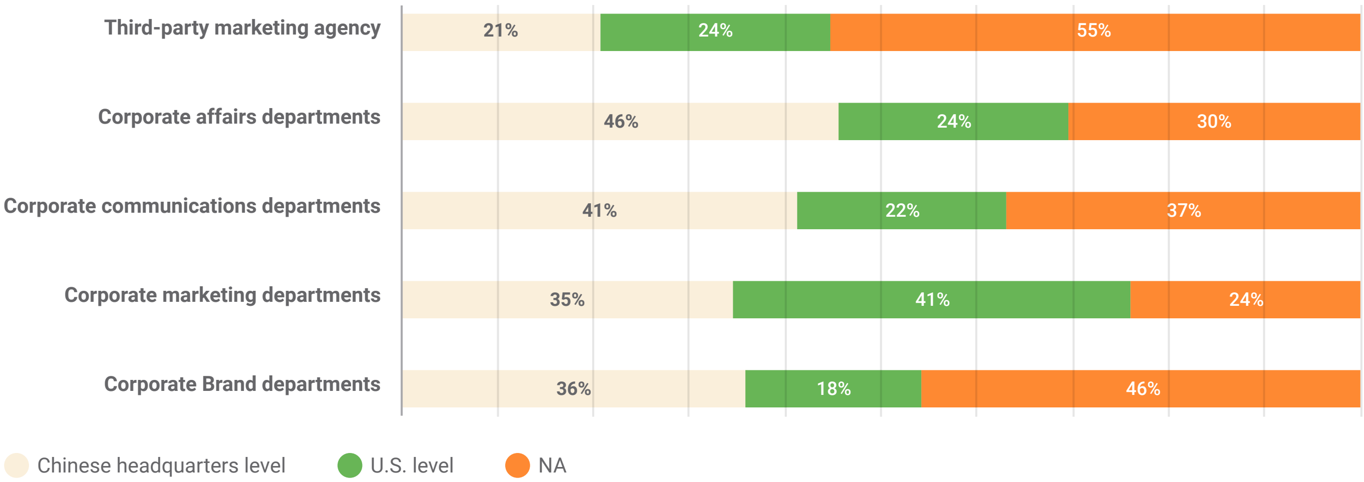
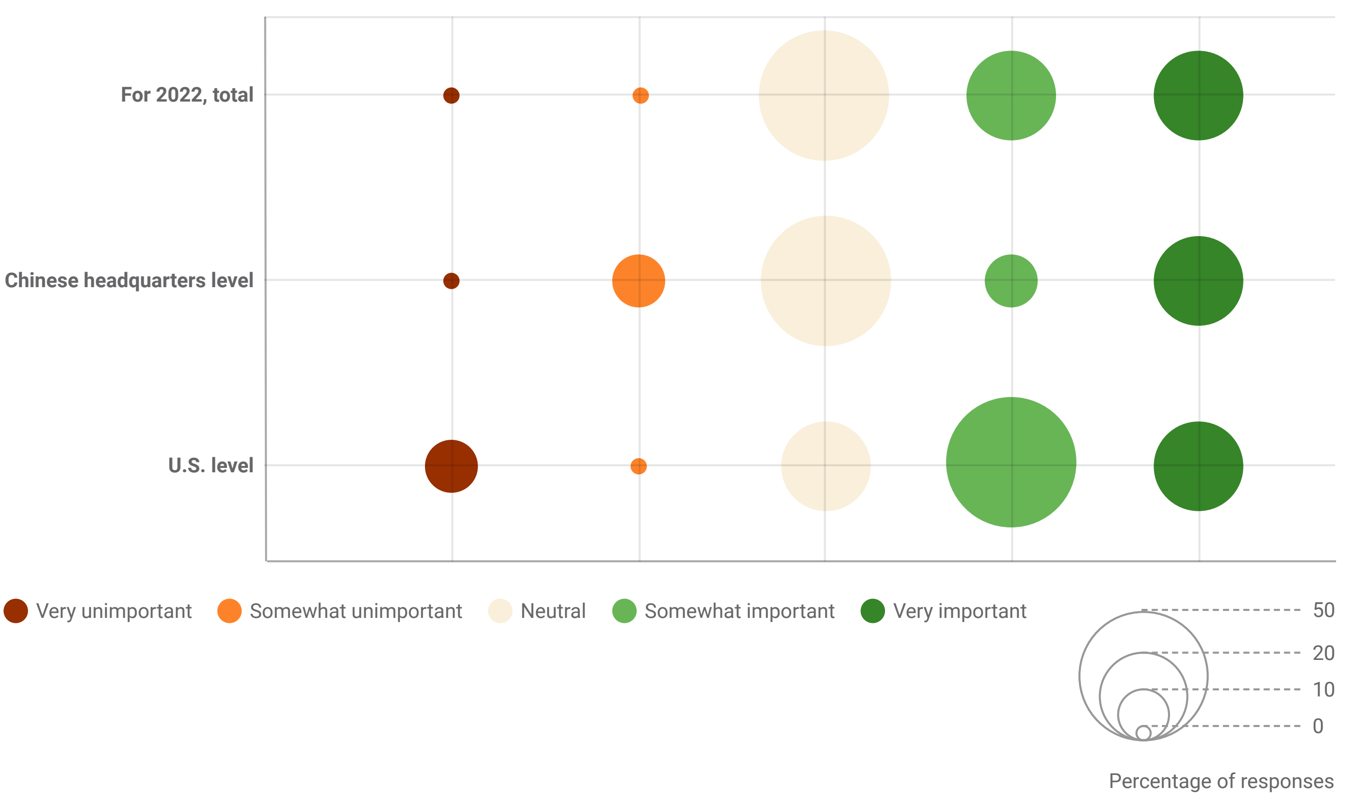


Figure 40-2.Importance of brand/marketing functions in Chinese companies



three objectives that companies with a strong brand presence tend to have are: (a) investing time and resources into the communities in which you operate; (b) building trust in our company and leadership team; (c) supporting new businesses development and expansion into markets. Following these are objectives that are more common in setting up a marketing-related strategy: (a) improving marketing ROI; (b) updating the company's mission, vision and values; (c) building relationships with the media and press outlets; (d) building customer loyalty.

Our survey shows that companies are taking actions on societal issues to raise brand awareness and earn trust of the market,

Figure 41. Whom do the following brand/marketing departments report to?

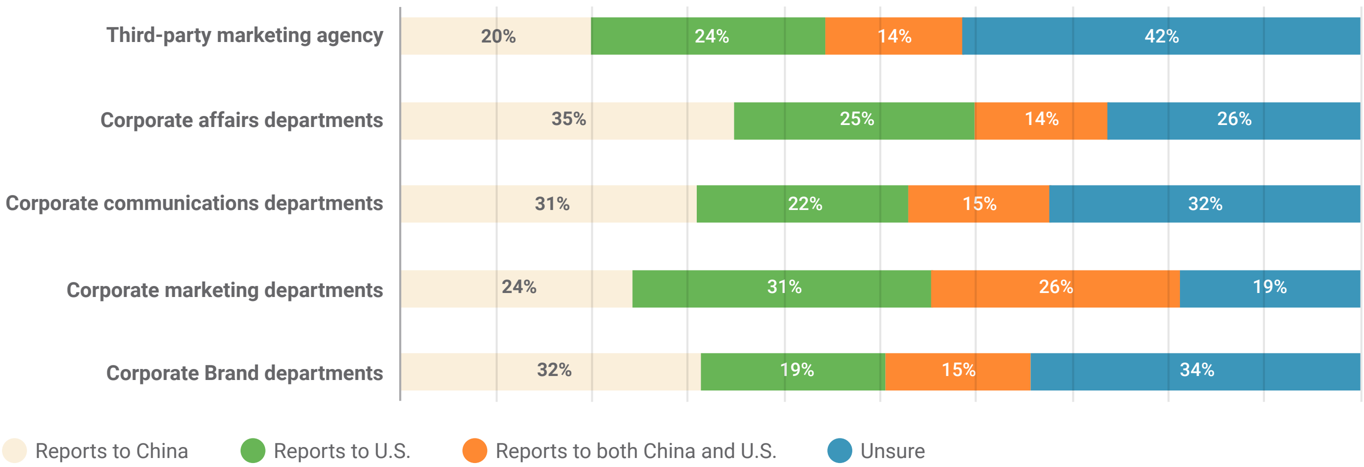
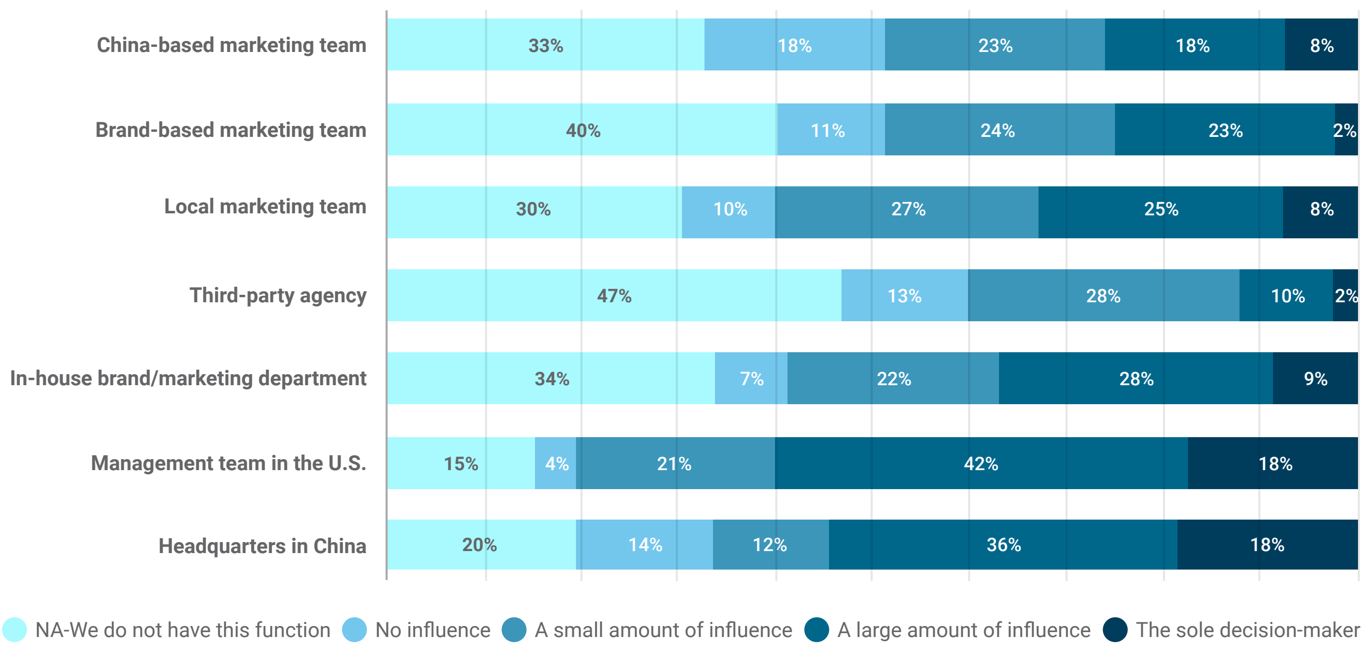


Figure 42. How do the following functions influence your company's U.S. branding strategies?



but the areas of focus are not entirely aligned with topics of concern to the U.S. public. In fact, Chinese companies are relatively conservative in adopting brand strategies to defend their traditional comparative advantages. This stresses the need for companies to invest in building resonating brands with compelling stories and intangible assets.

We asked companies whether they feel that engaging on social issues is beneficial to earning trust with stakeholders and building brand in the U.S. The majority (73%) answered yes for this question (see Figure 44). Further breaking down of the data shows that public companies have a higher chance of saying yes for this question, reflecting their social responsibilities as a public company.

In our survey, companies think the top social issue that they should take action on to best earn trust with stakeholders and build the company's brand in the U.S. is climate change, with

Figure 43. Primary brand/marketing objectives of the year 2021

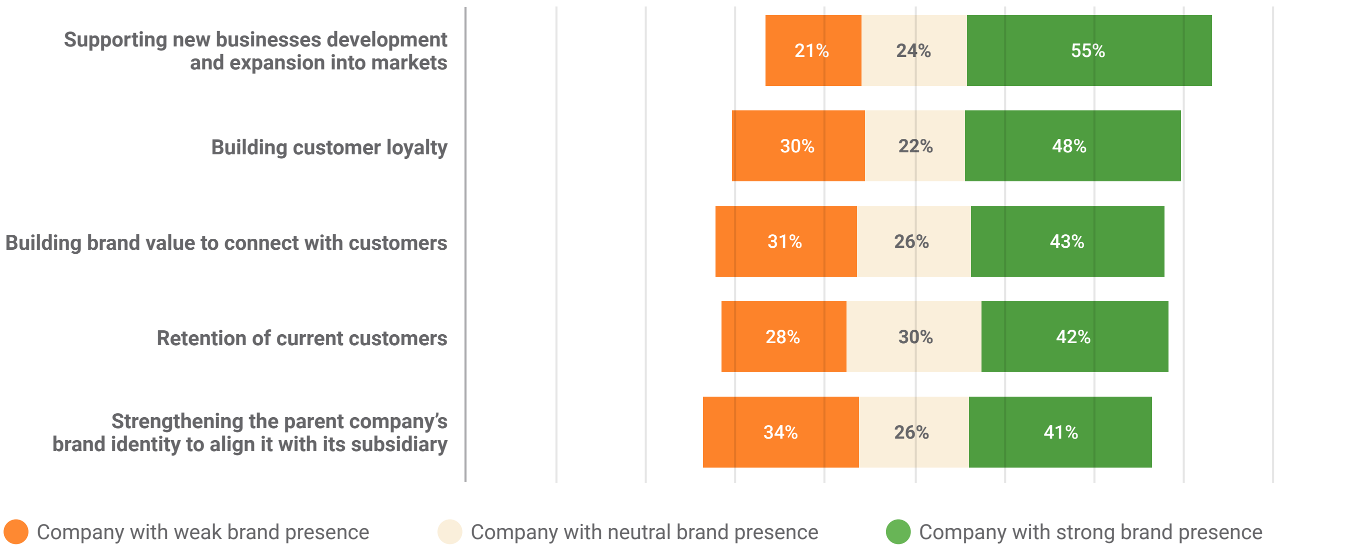
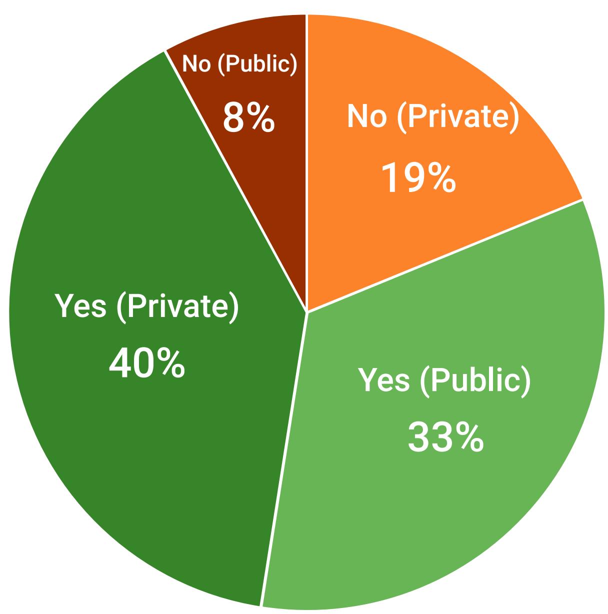


Figure 44. Does engaging in social issues beneficial to earning trust in the U.S.?



more than half (53%) of the surveyed companies selecting this issue (see Figure 45). Yet progress of responses to climate change in the U.S. is slow. The U.S. left the 2015 Paris Agreement in 2017 during Trump's administration then re-joined in early 2021 under Biden's signature, and the nation is the only one that has not ratified the Kyoto Protocol. The split in people's opinion towards climate change in the U.S. is also reflected in some surveys taken in the U.S., with climate change being only the fifth important social issue. China has been playing a leading role in addressing climate change, and has been making progress in its nation-wide carbon neutral strategy. This might have a spill-over effect for Chinese entrepreneurs when trying to judge which issues are important on the other side of the Pacific.

Based on our survey, strategies that companies have adopted in brand and trust building in the U.S. focus mostly on aspects that already show solid evidence in brand and trust building. These include high quality products and services, customer service, communication with customers, and improving customer experience (see Figure 46). When ranked by how strong their brand presence in the U.S. is, the top three strategies from companies that have strong U.S. brand presence are: (a) created content that not only promotes the brand but explains its values; (b) created consistent brand content; (c) incorporated the needs of multiple stakeholders into business decisions (e.g. employees, customers, society).

For building brand and trust in the U.S. market, we see two tales emerging from two different cultures. One is what the U.S. public deems as important social issues and the trend and impacting factors of their sentiment. The other is what c-suite executives in China consider as important issues. Filling up the gap calls for a team that has a deep understanding of the U.S. culture and local environment. Companies who have strong motivations tend to have strong brand presence in the U.S., and are taking actions in an effective way when building brand and trust in this culturally different overseas market.

Figure 45. What social issues do you think your company should take actions on to best earn trust with stakeholders and build your company's brand in the U.S.?

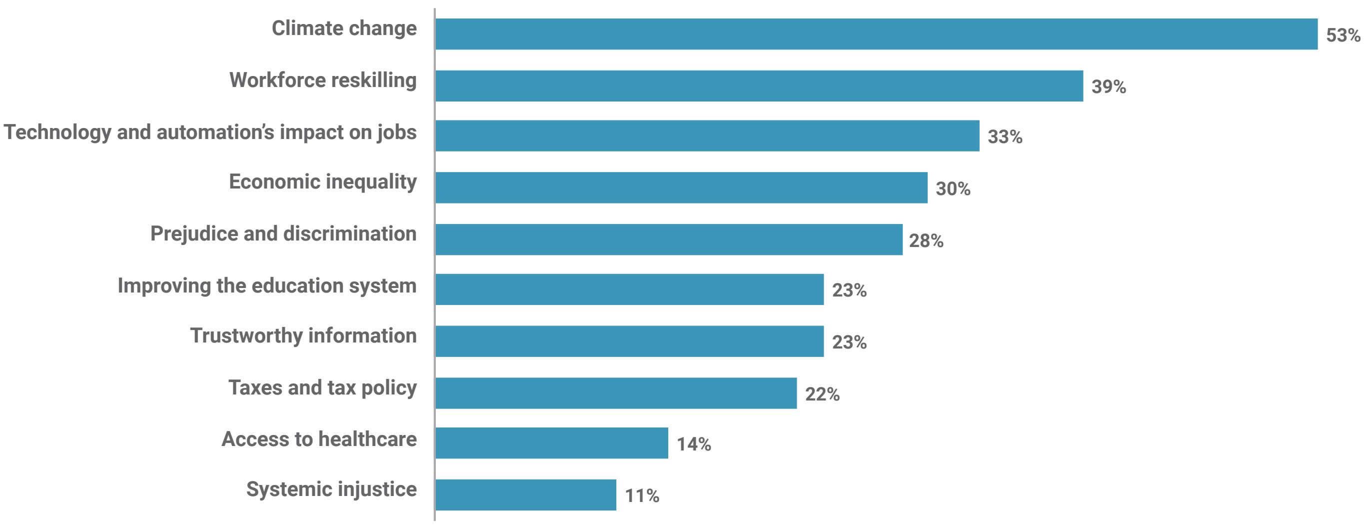
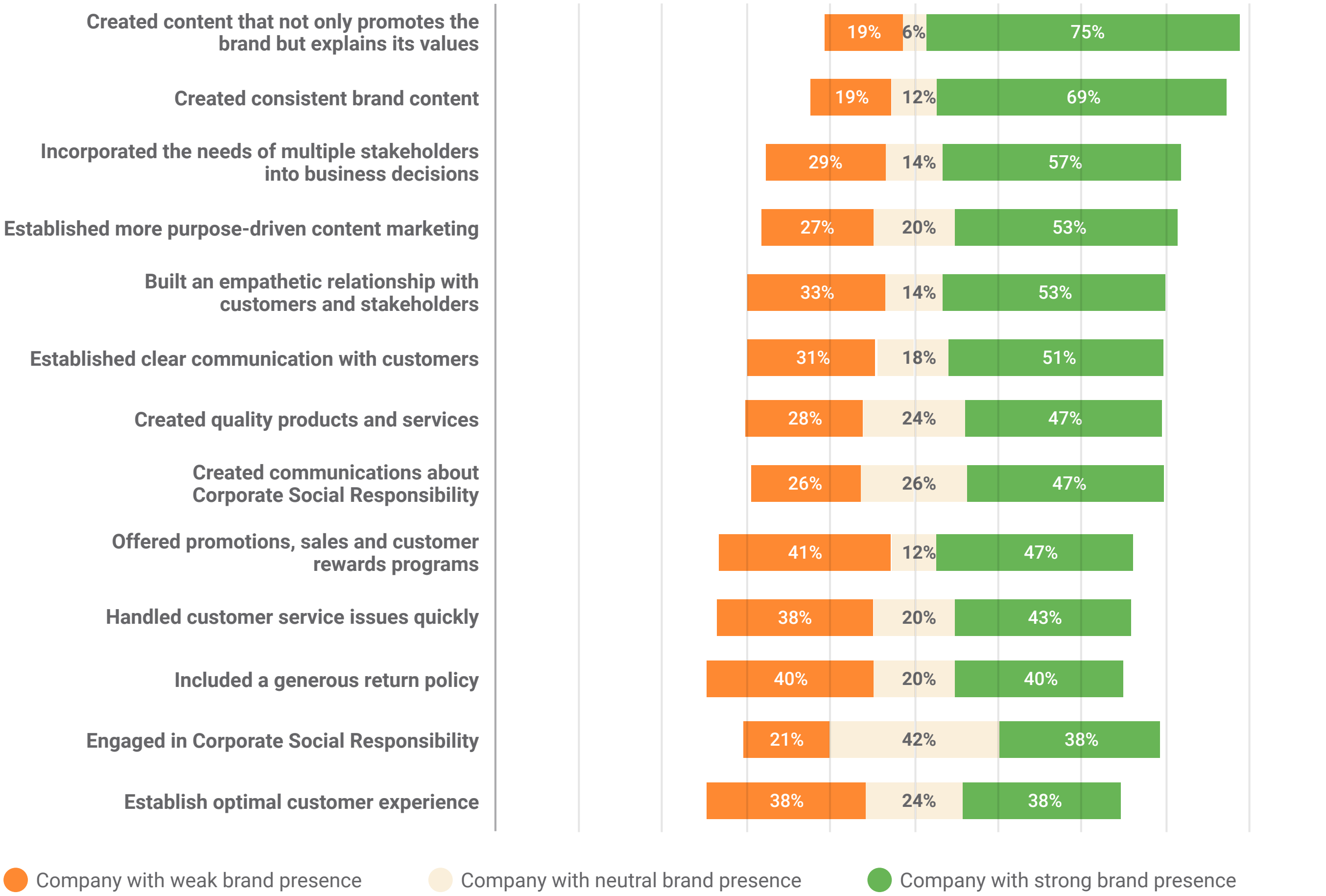


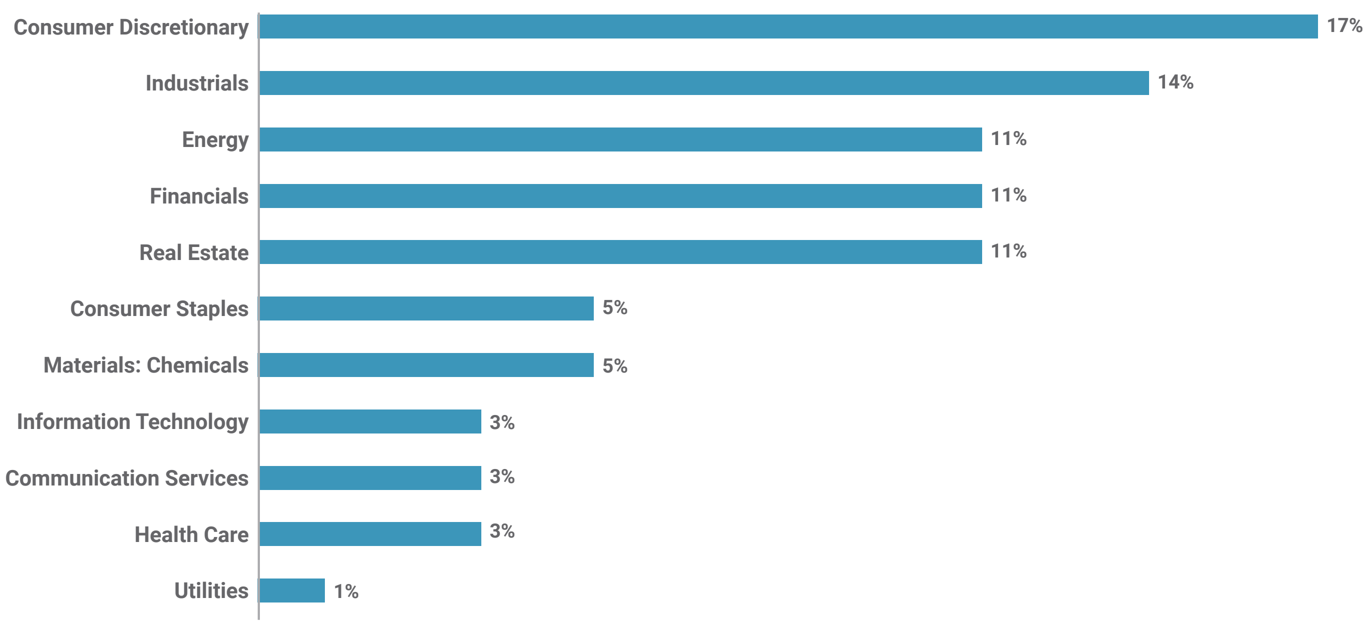
Figure 46. What new strategies have you adopted to build and enhance brand trust in the U.S.?



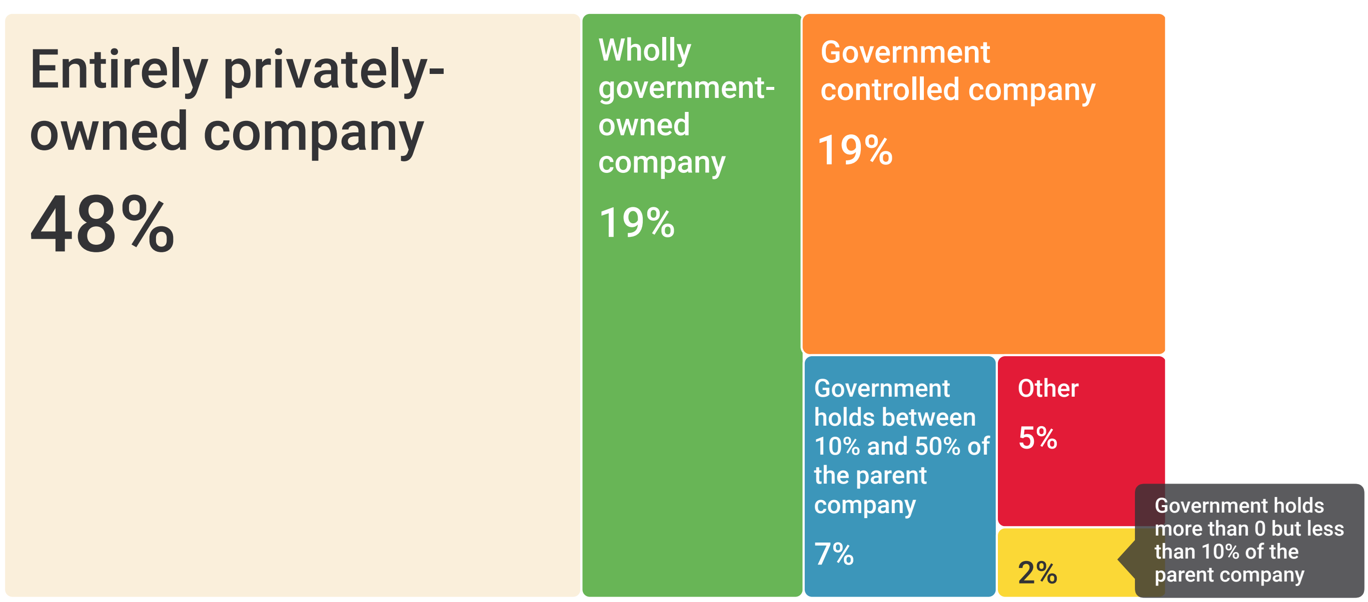
Appendix

Additional Survey Results

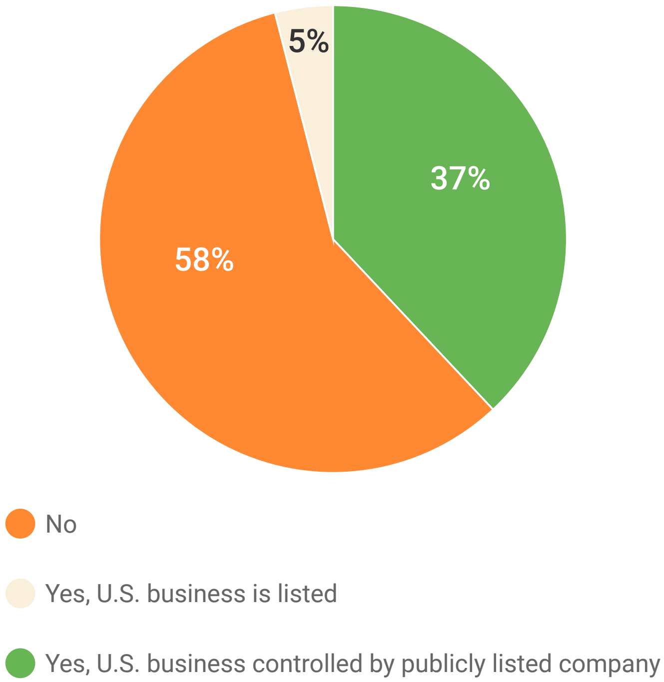
Respondents' sectors



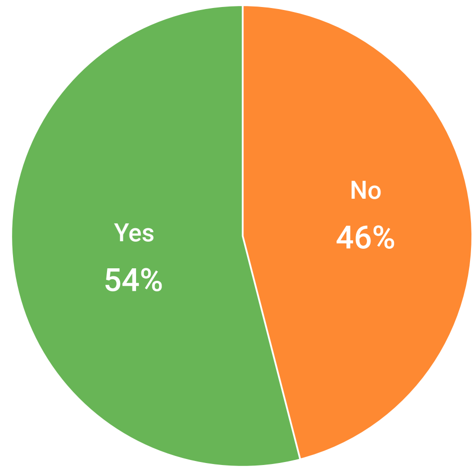
Ownership structure of respondents' parent companies



Is your company's U.S. business publicly listed or controlled by a publicly listed company?



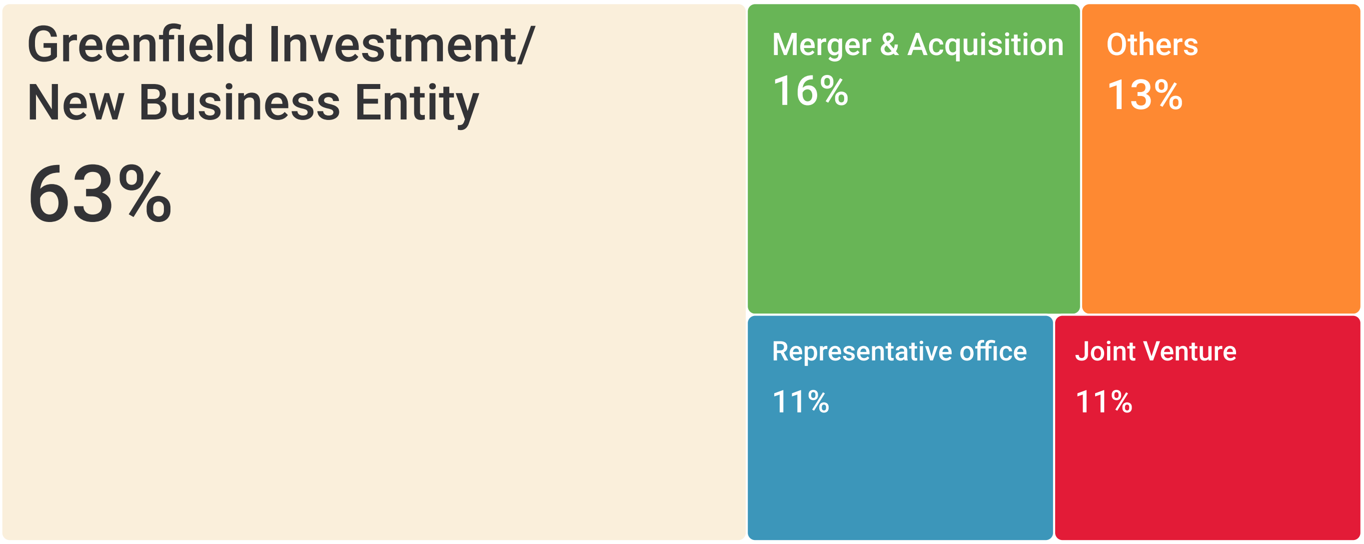
Is your parent company publicly listed?



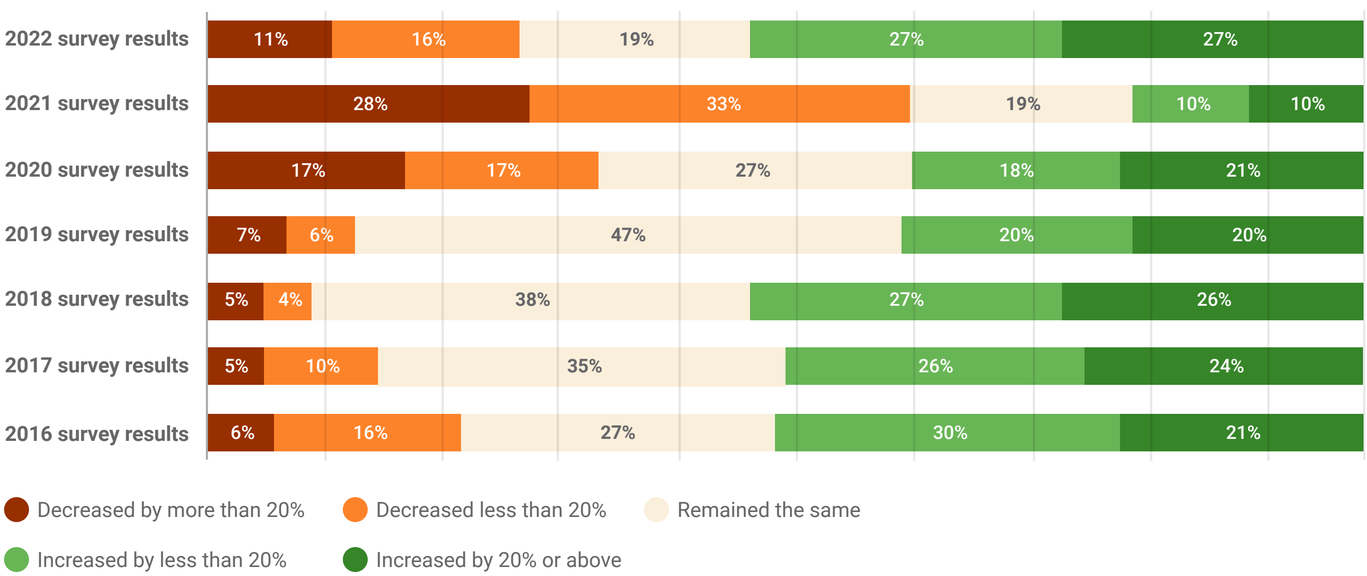
Where is your U.S. company listed?

Where is your parent company listed?

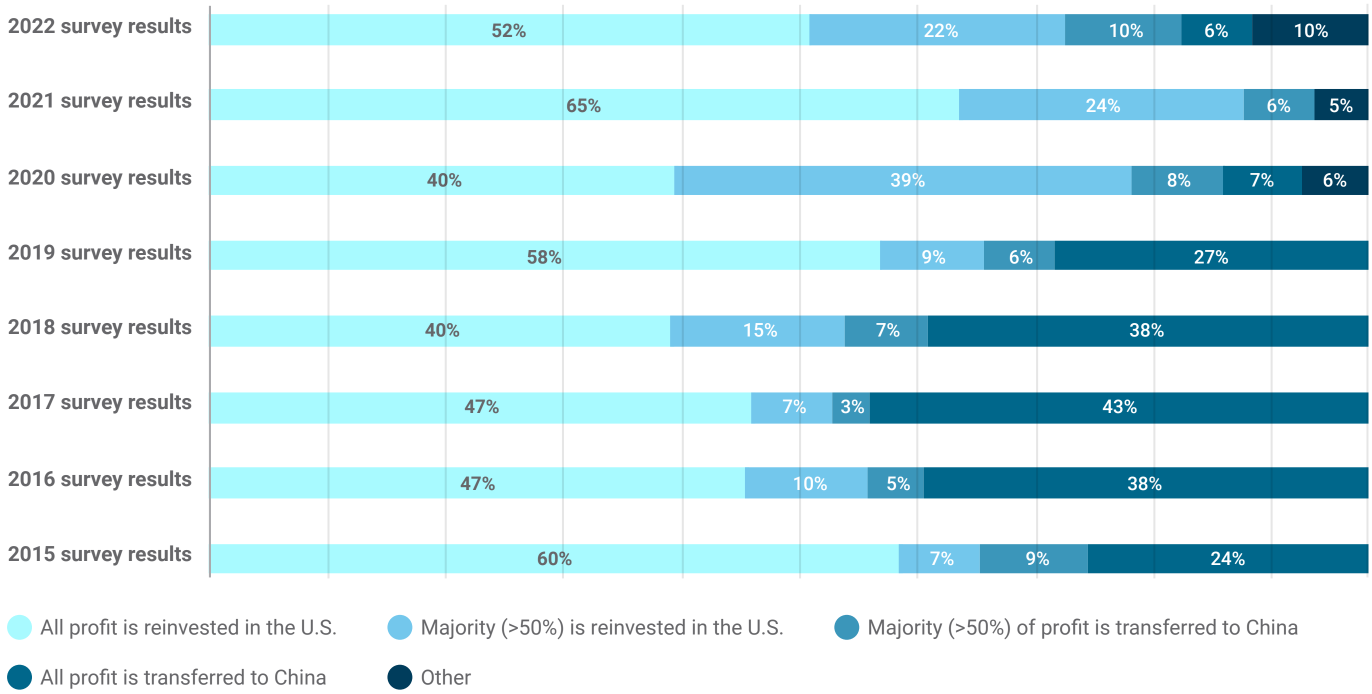
Through which of the following corporate structure did your comapny establish its business in the U.S.?



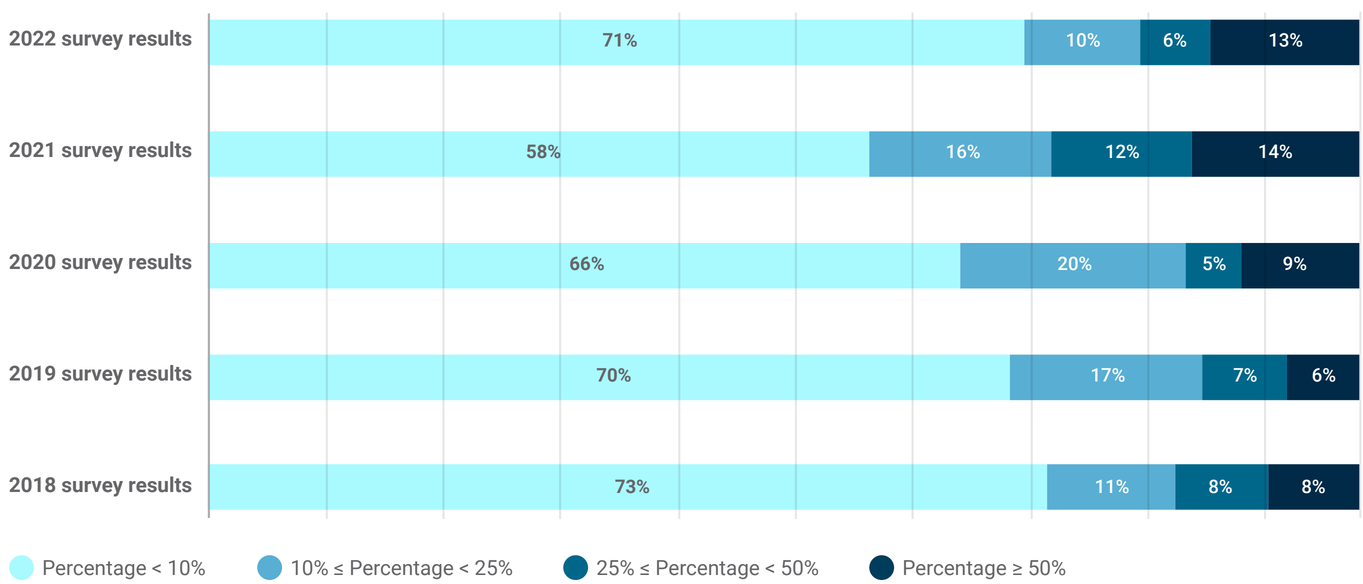
Year-on-year change of companies' annual U.S. revenue change



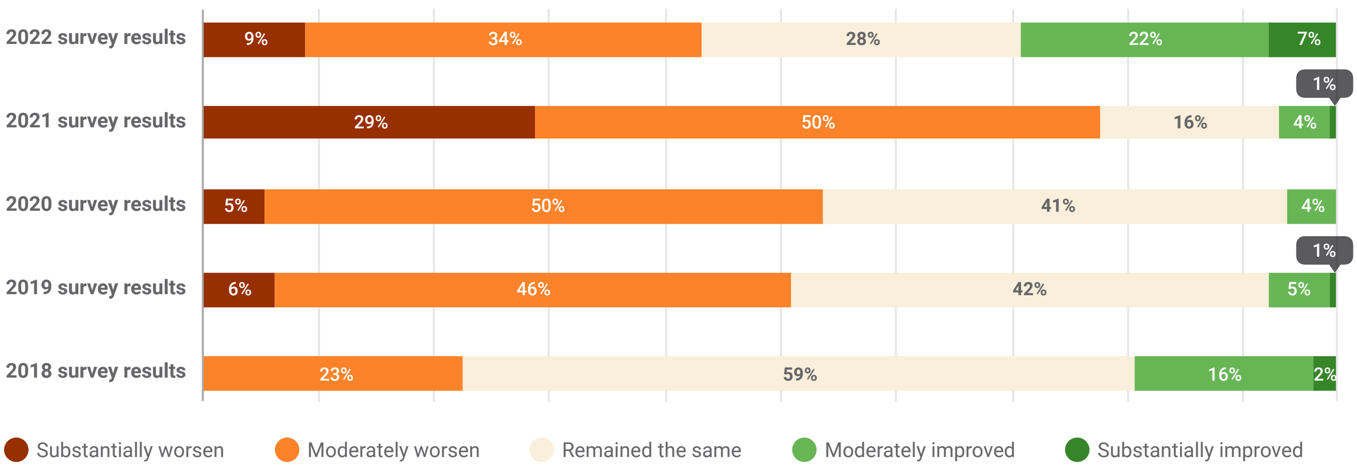
Year-on-year change of profit distribution from its U.S. operations



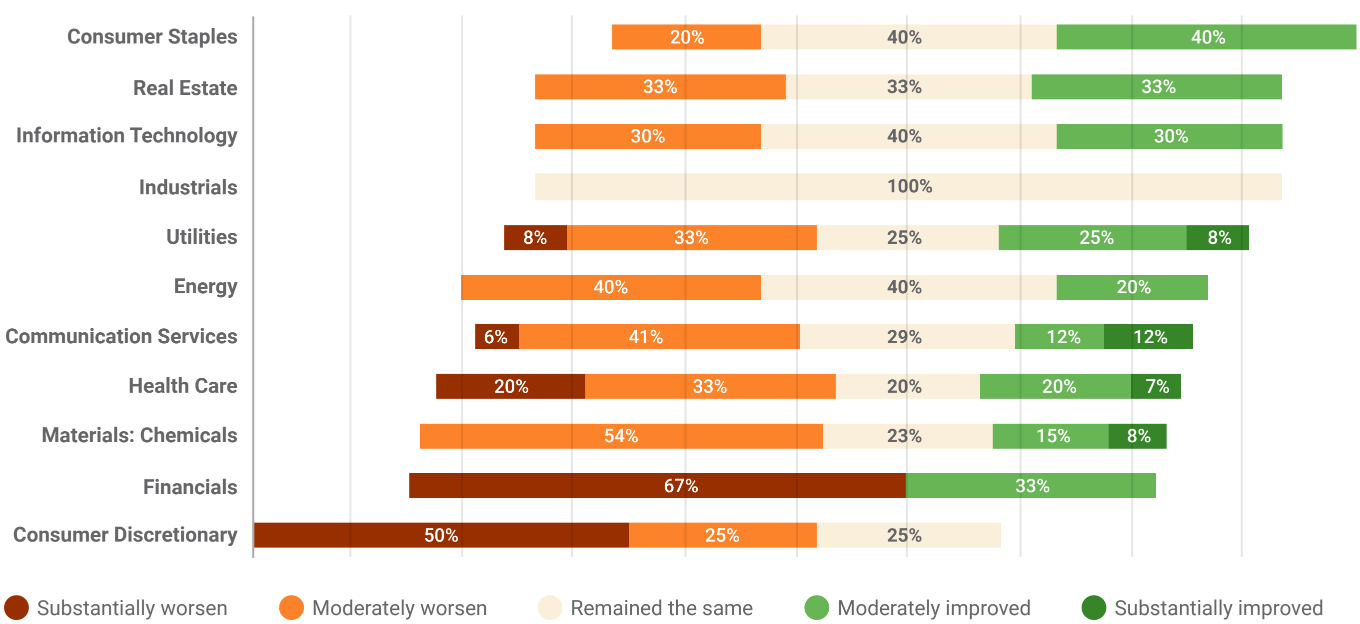
Year-on-year change of parent company's annual revenue contribution by the U.S. company



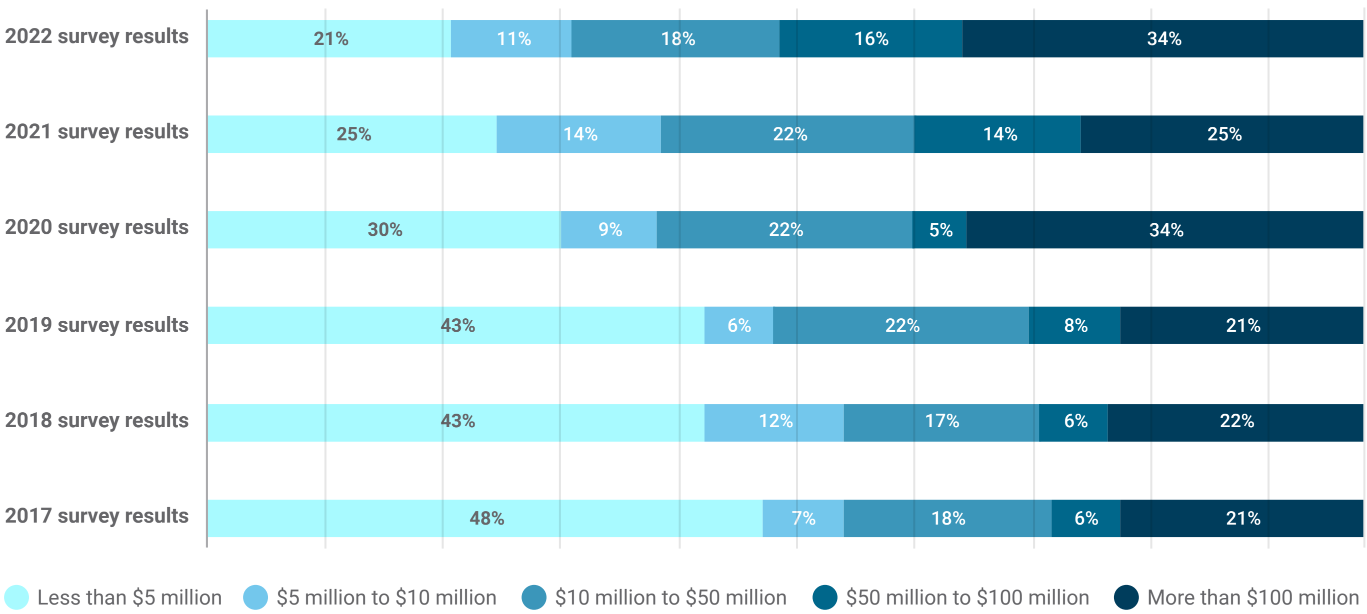
Year-on-year change of investment and business environment for the Chinese companies



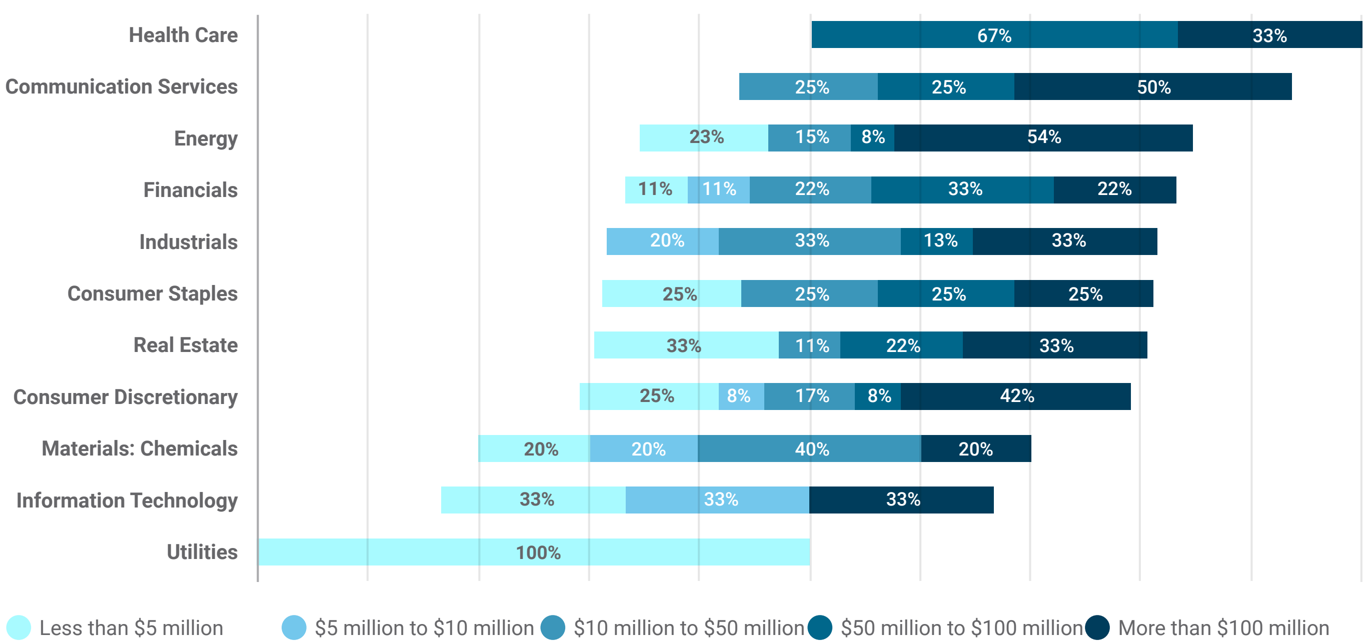
By Industry - Compared to 2020, how has the U.S. investment and business environment changed in 2021?



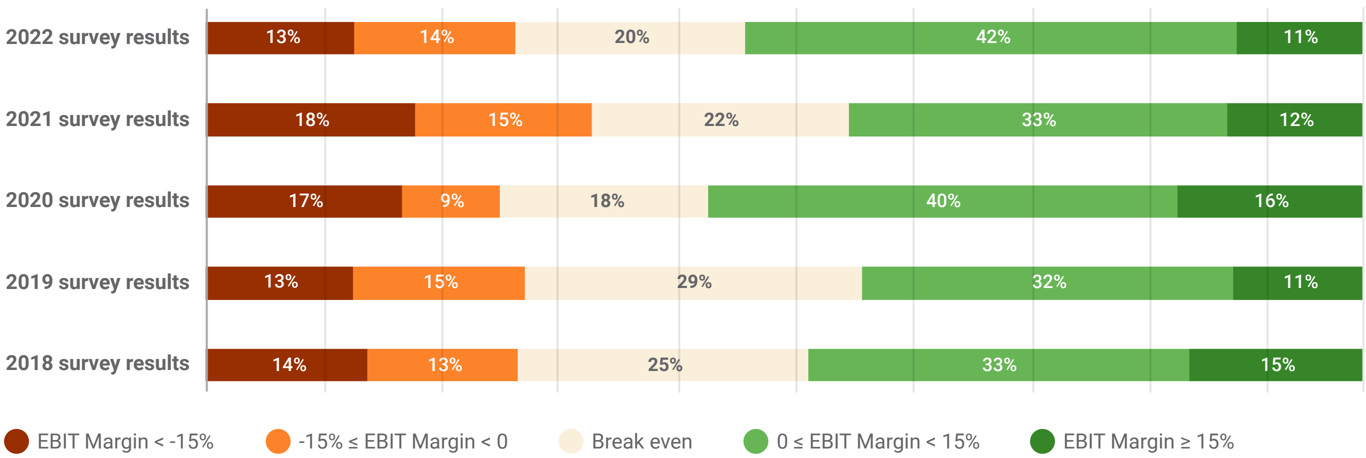
Year-on-year change of companies' annual U.S. revenue



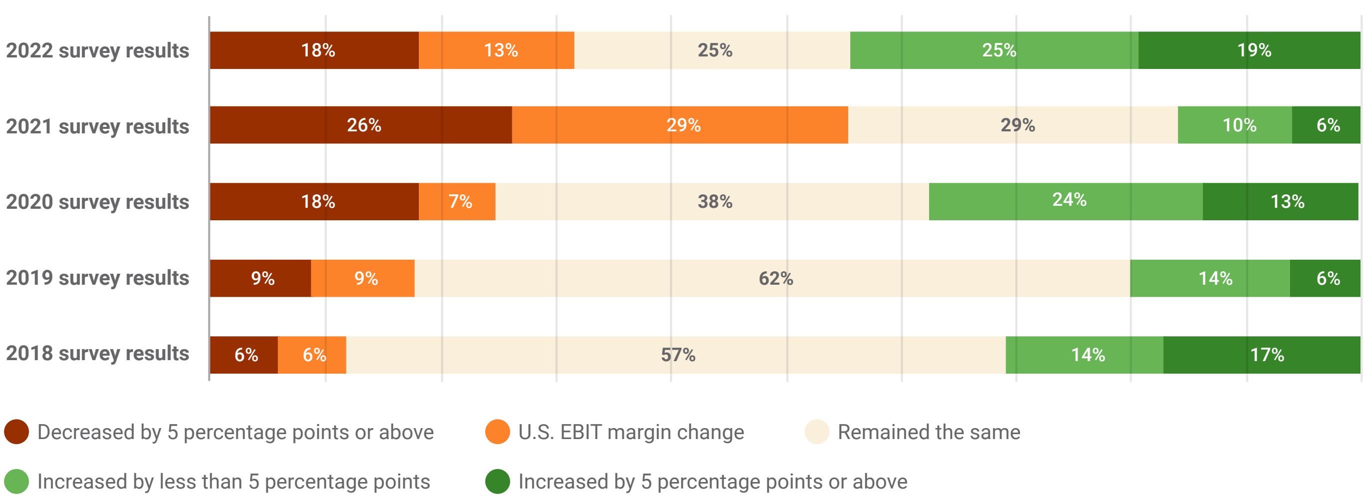
By Industry - What was your company's annual U.S. revenue in 2021?



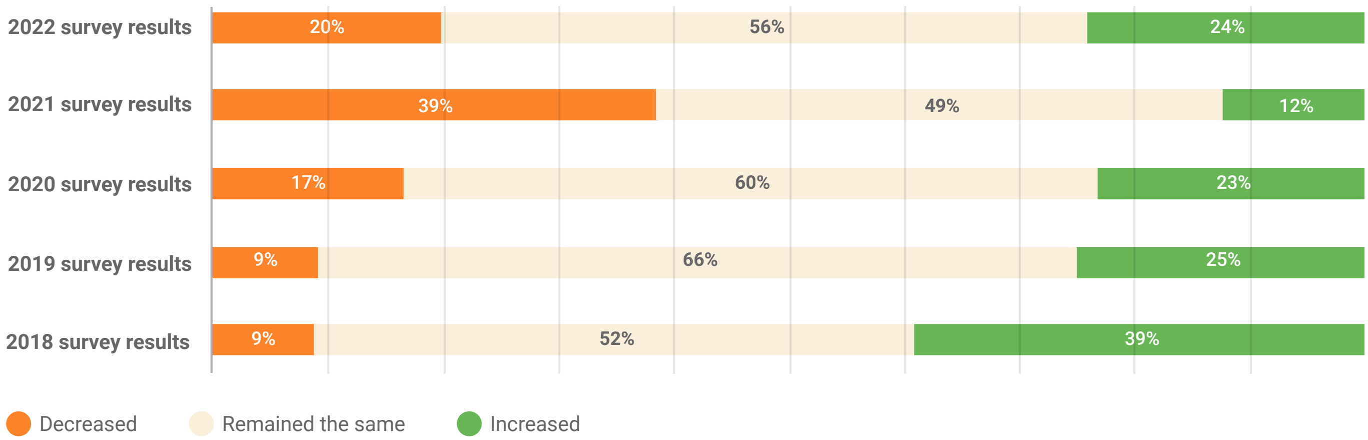
Year-on-year change of companies' estimated EBIT margin



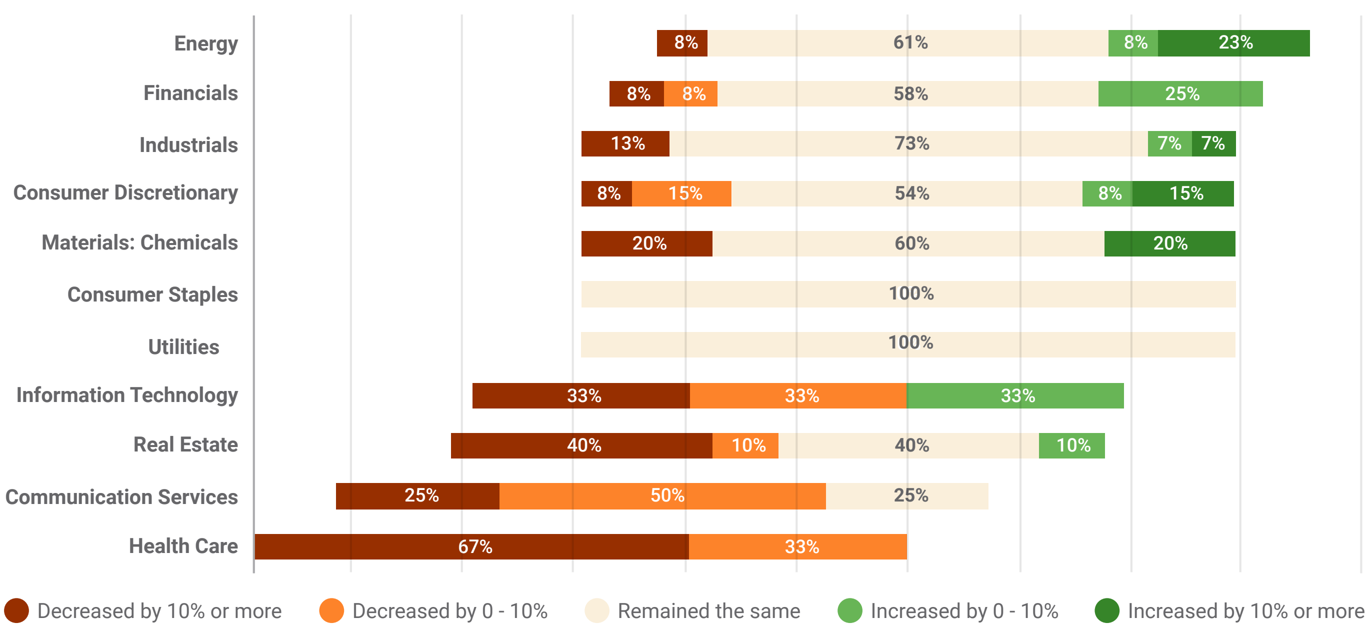
Year-on-year change of companies' estimated U.S. EBIT margin



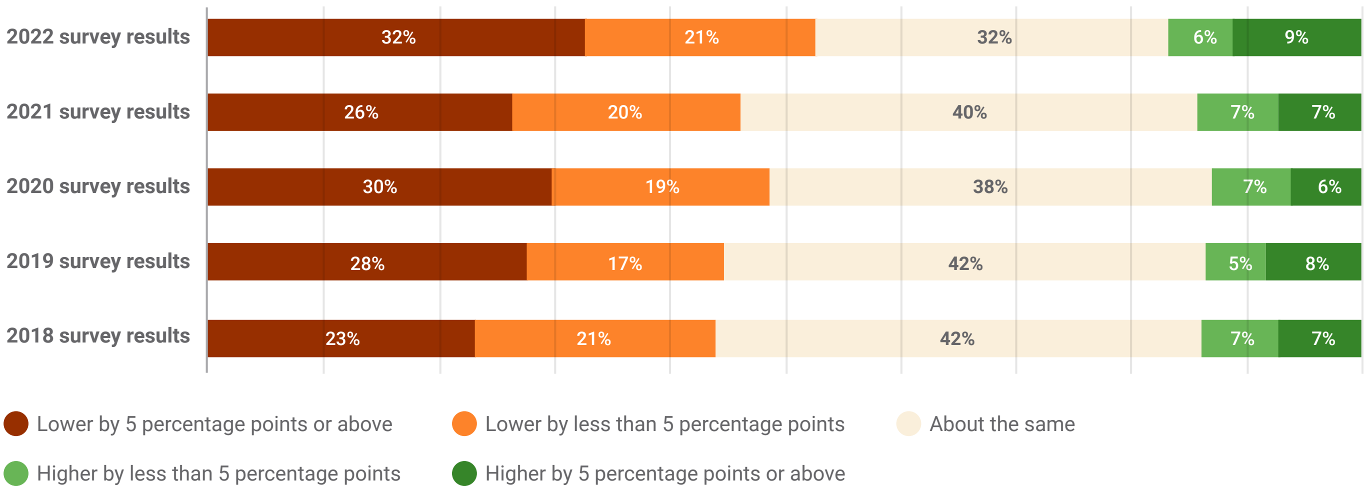
Year-on-year change of new business investment in the U.S. by Chinese compaies



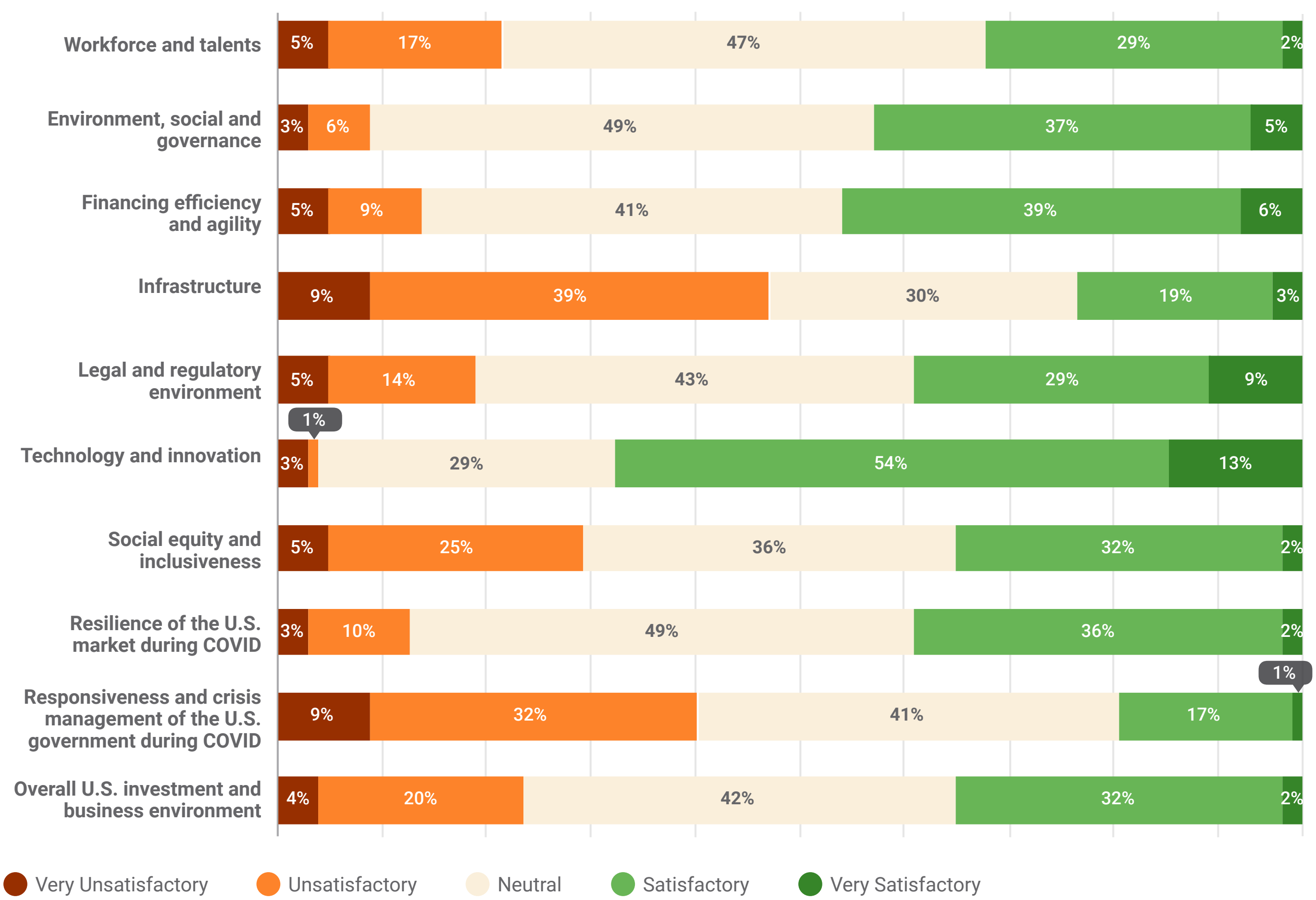
By Industry - compared to 2020, how has your company's new business investment in the U.S. changed in 2021?



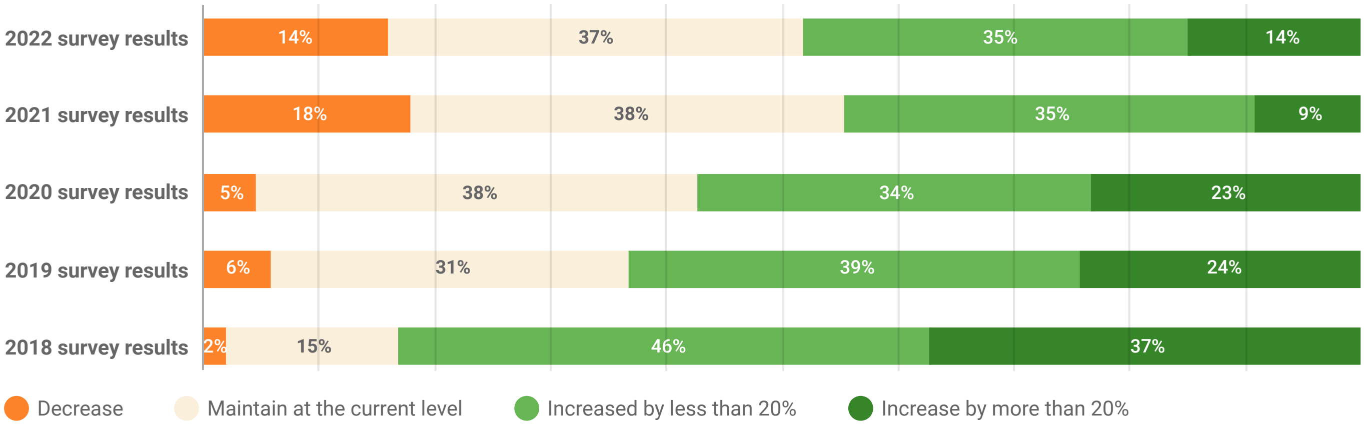
Year-on-year change of comparisons between U.S. company and parent company EBIT margins



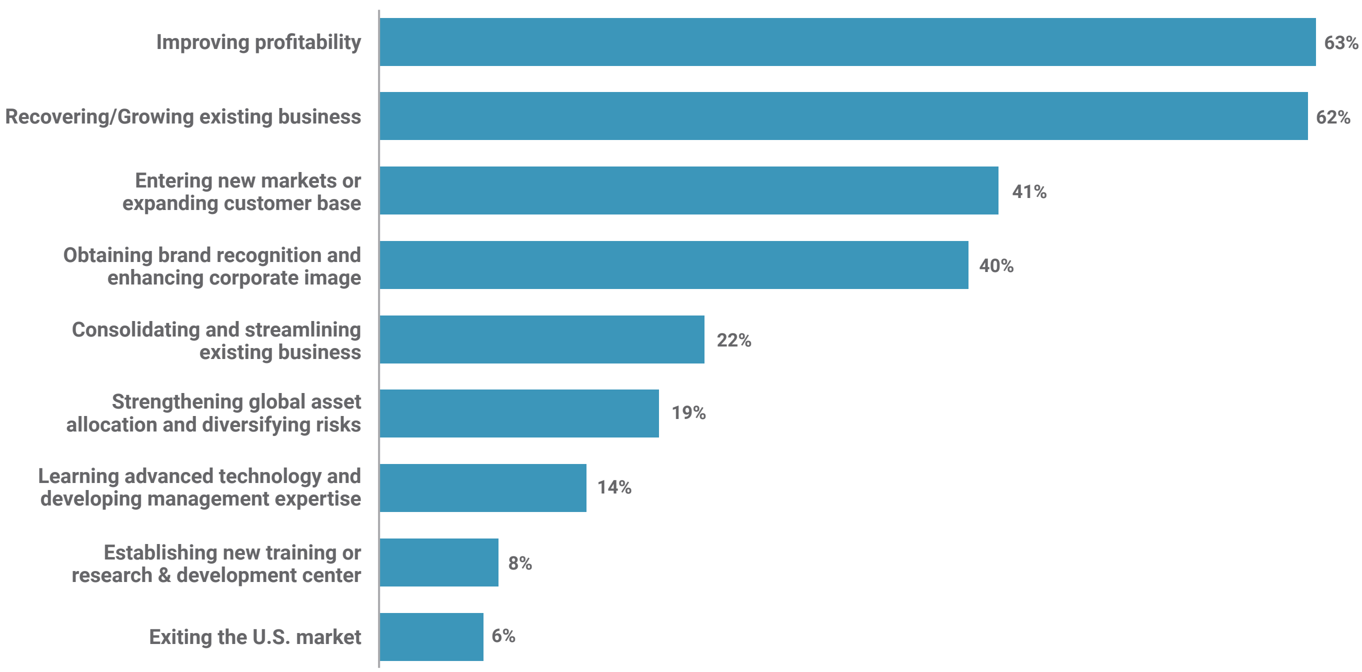
How would you evaluate the following aspects of the U.S. investment and business environment in 2021?



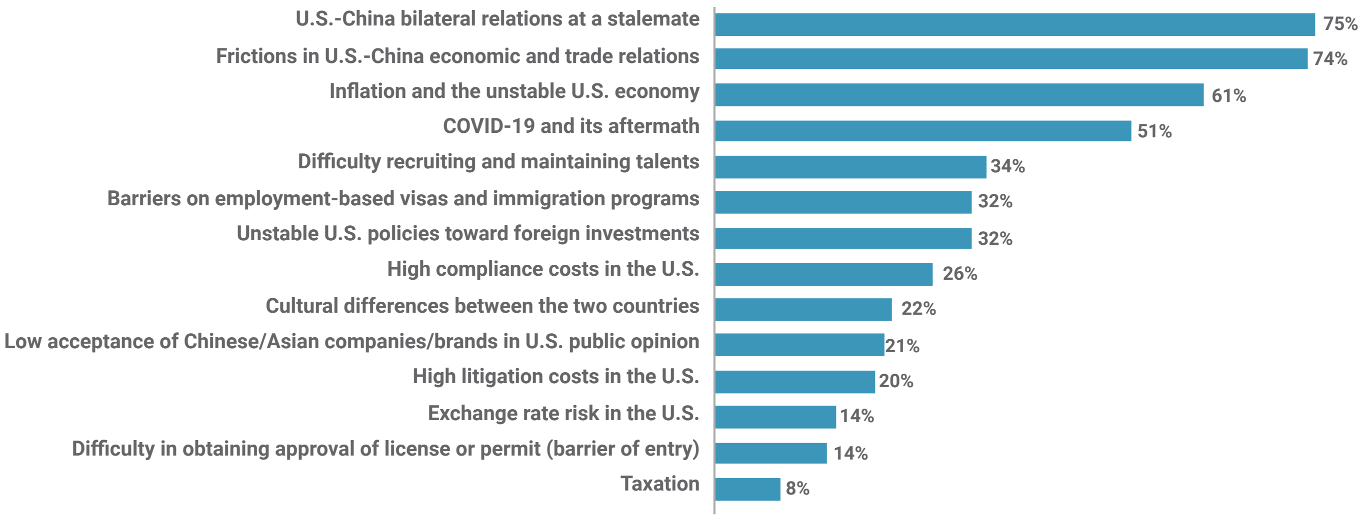
Year-on-year change of forecasted revenue projections over next two years



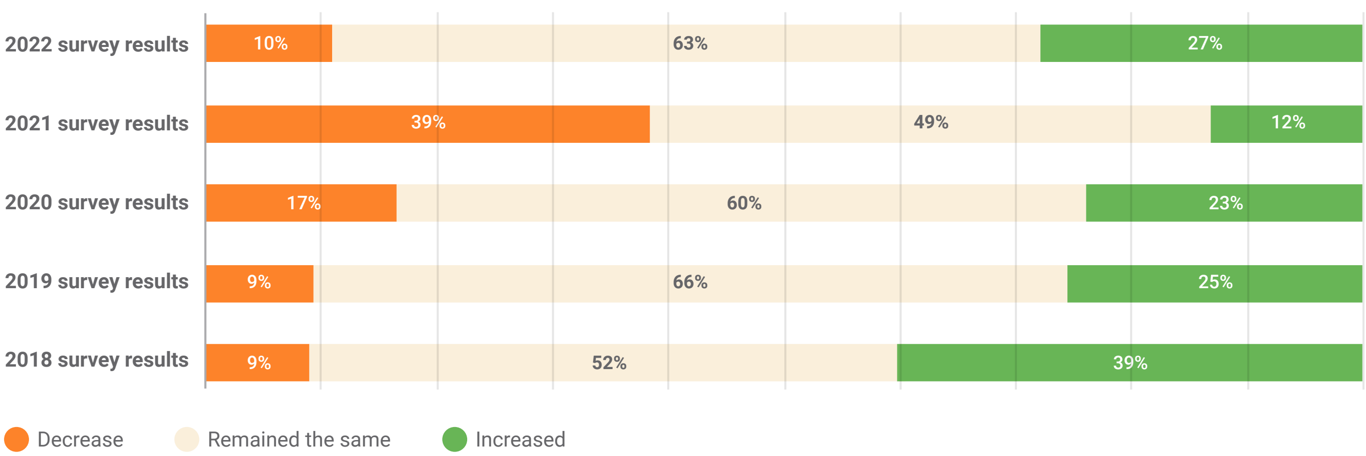
Primary business objectives in the U.S. in near-term



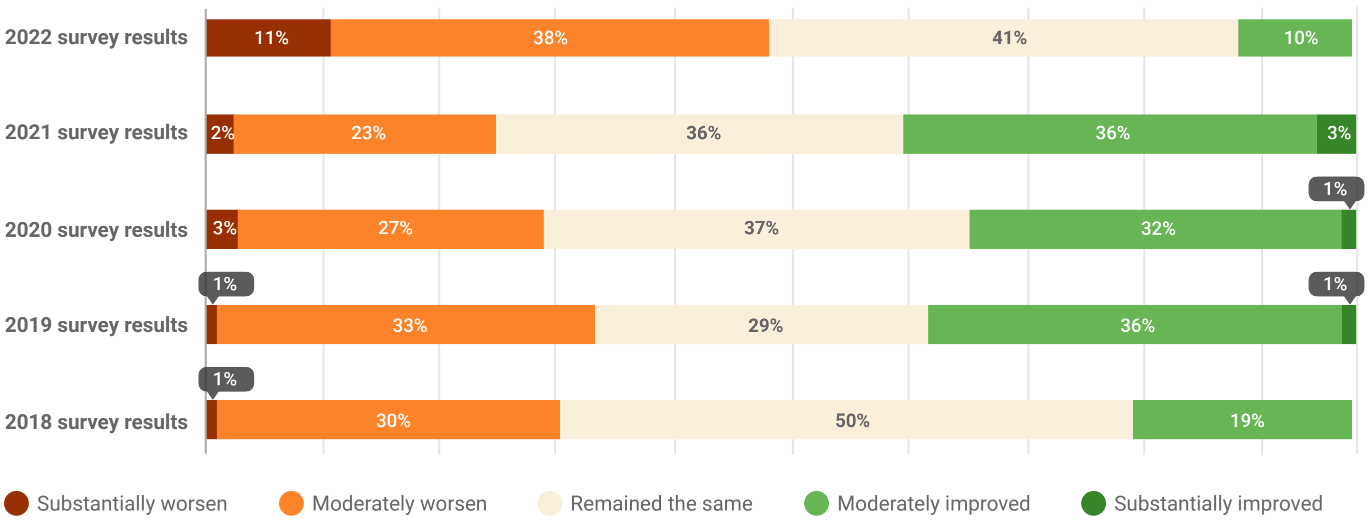
Challenges for companies to conduct business in the U.S. in near-term



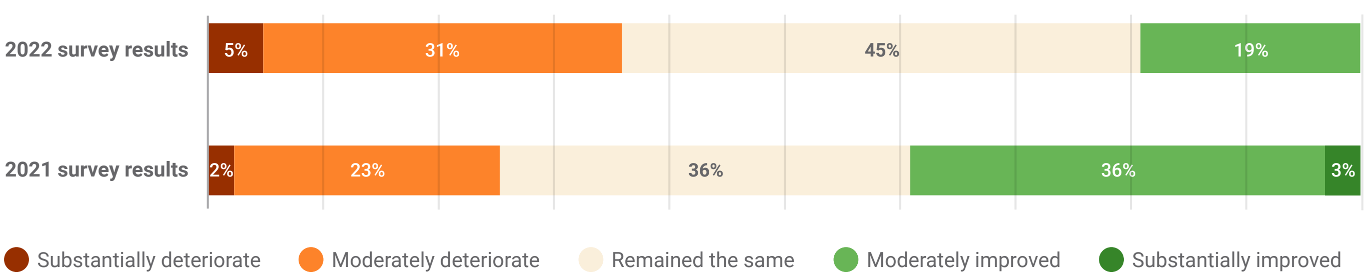
Year-on-year change of investment expectation in the U.S. in the coming year



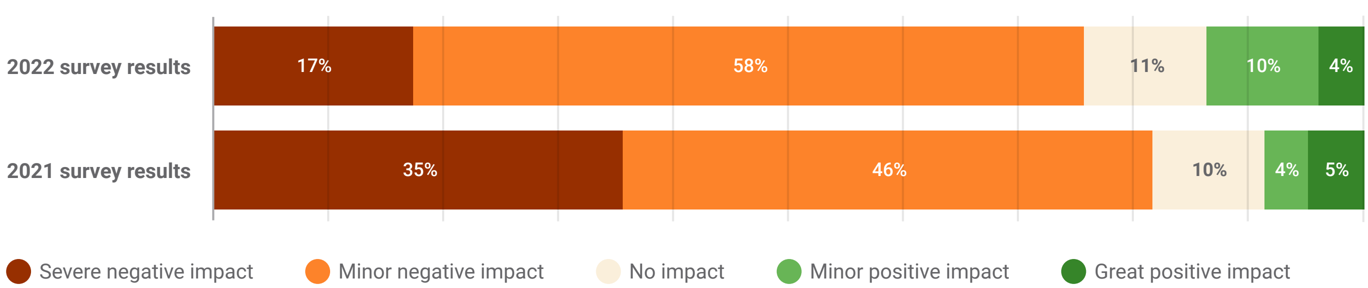
Year-on-year change of future expectations on U.S.-China bilateral relations



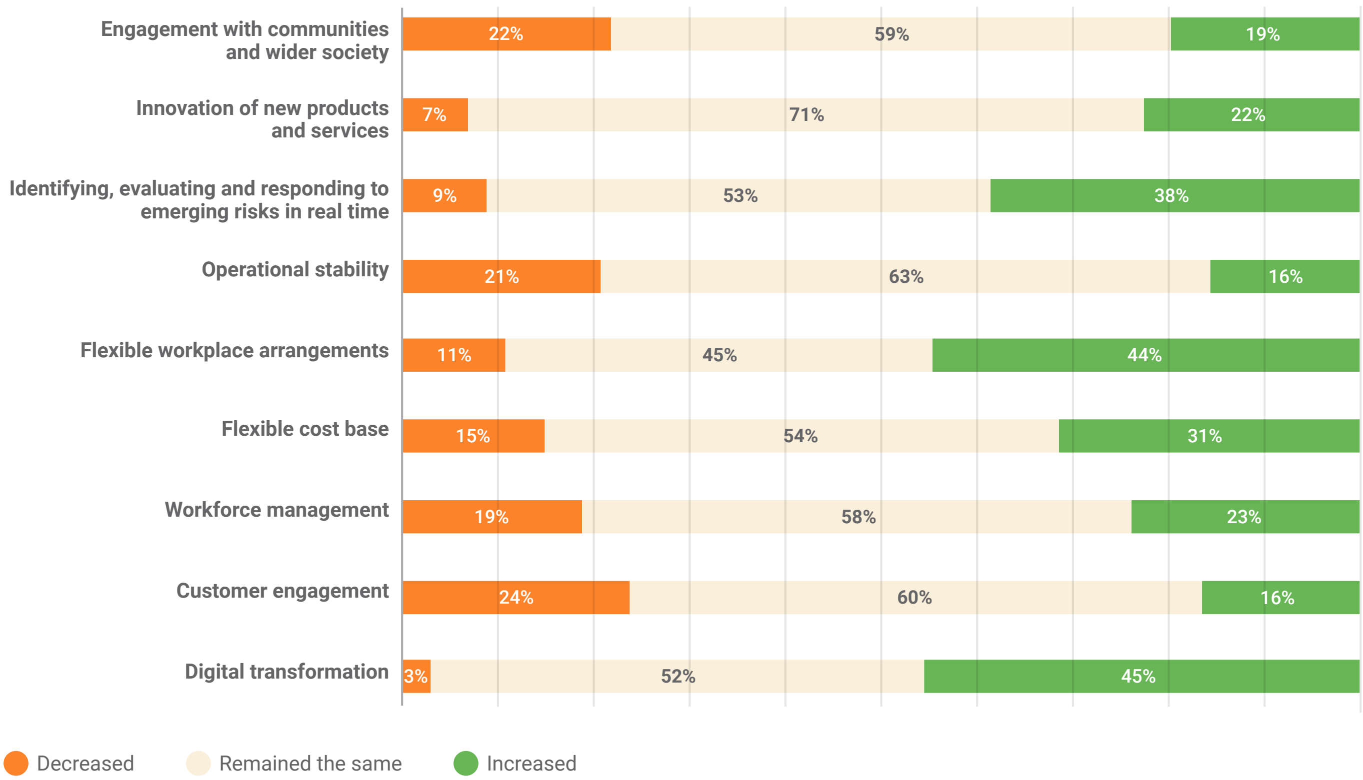
Year-on-year change of future expectations on U.S.-China trade and economic relations



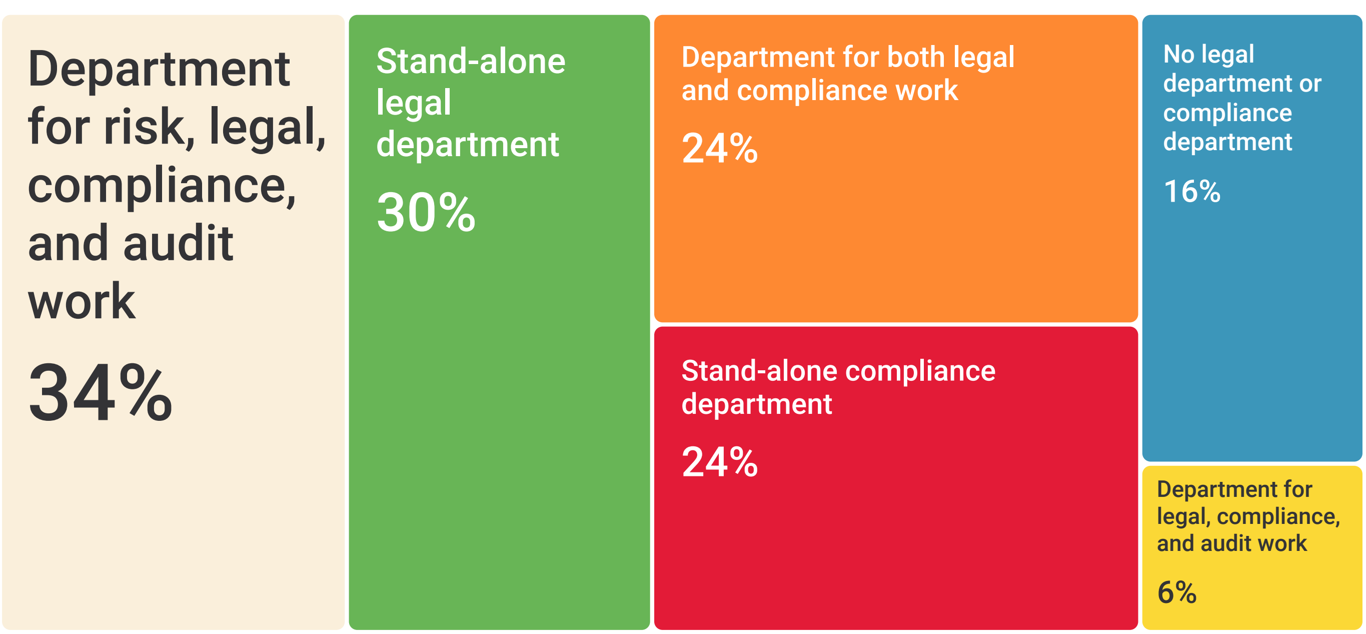
Year-on-year change of estimated impact of COVID-19 on financial performances



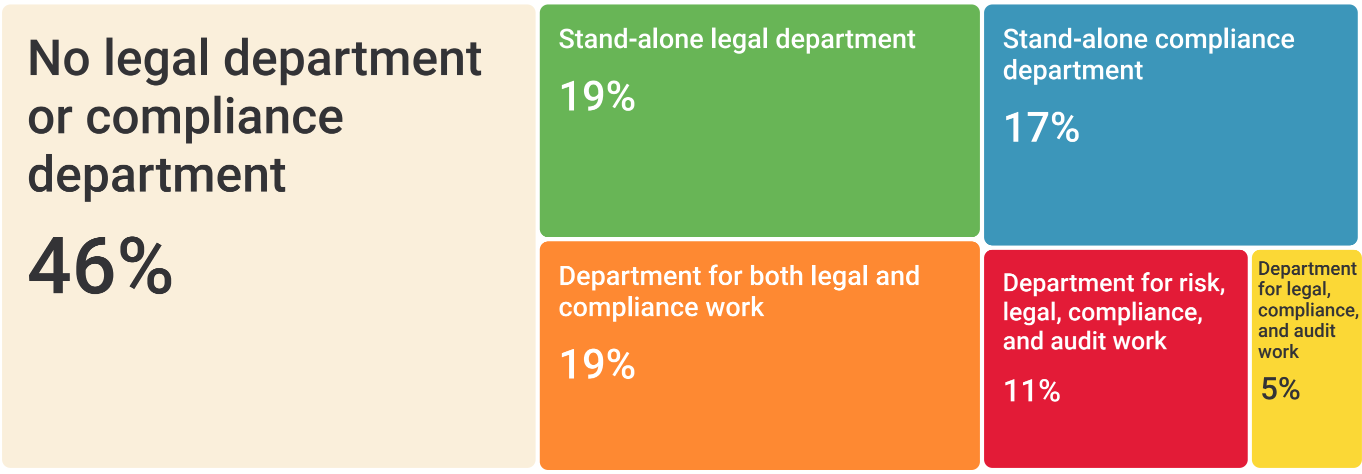
How has the COVID-19 pandemic impacted your strategic focus and investment of your U.S. operations?



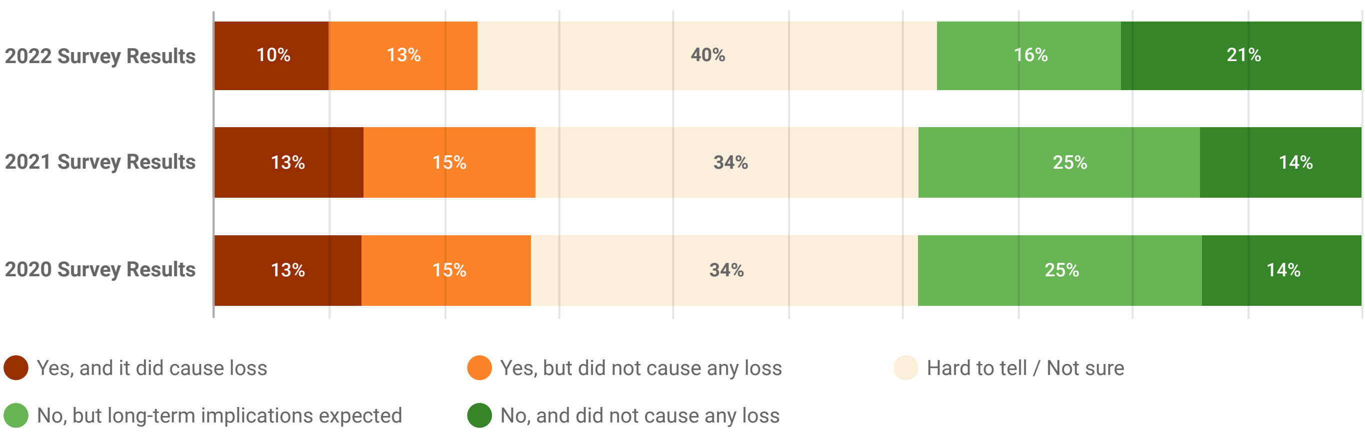
Chinese Headquarters - Structure of the legal and/or compliance department



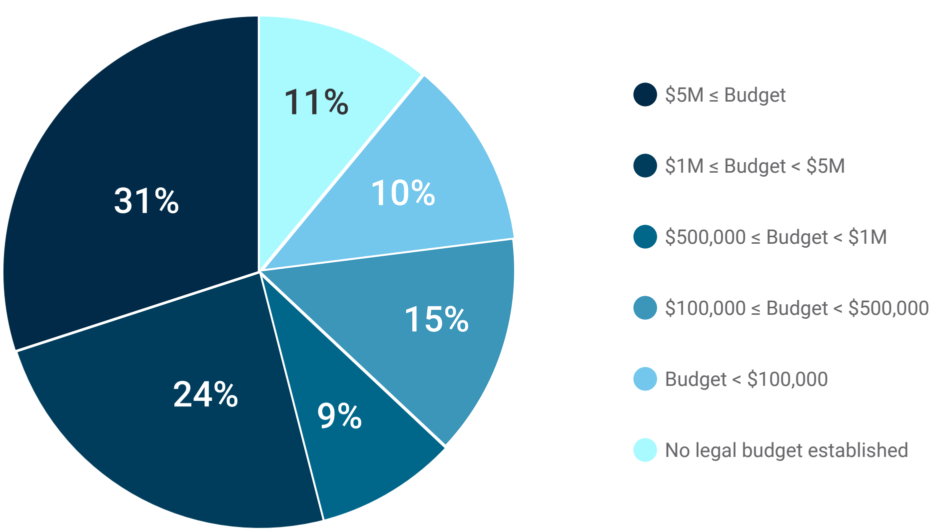
U.S. Operation - Structure of the legal and/or compliance department



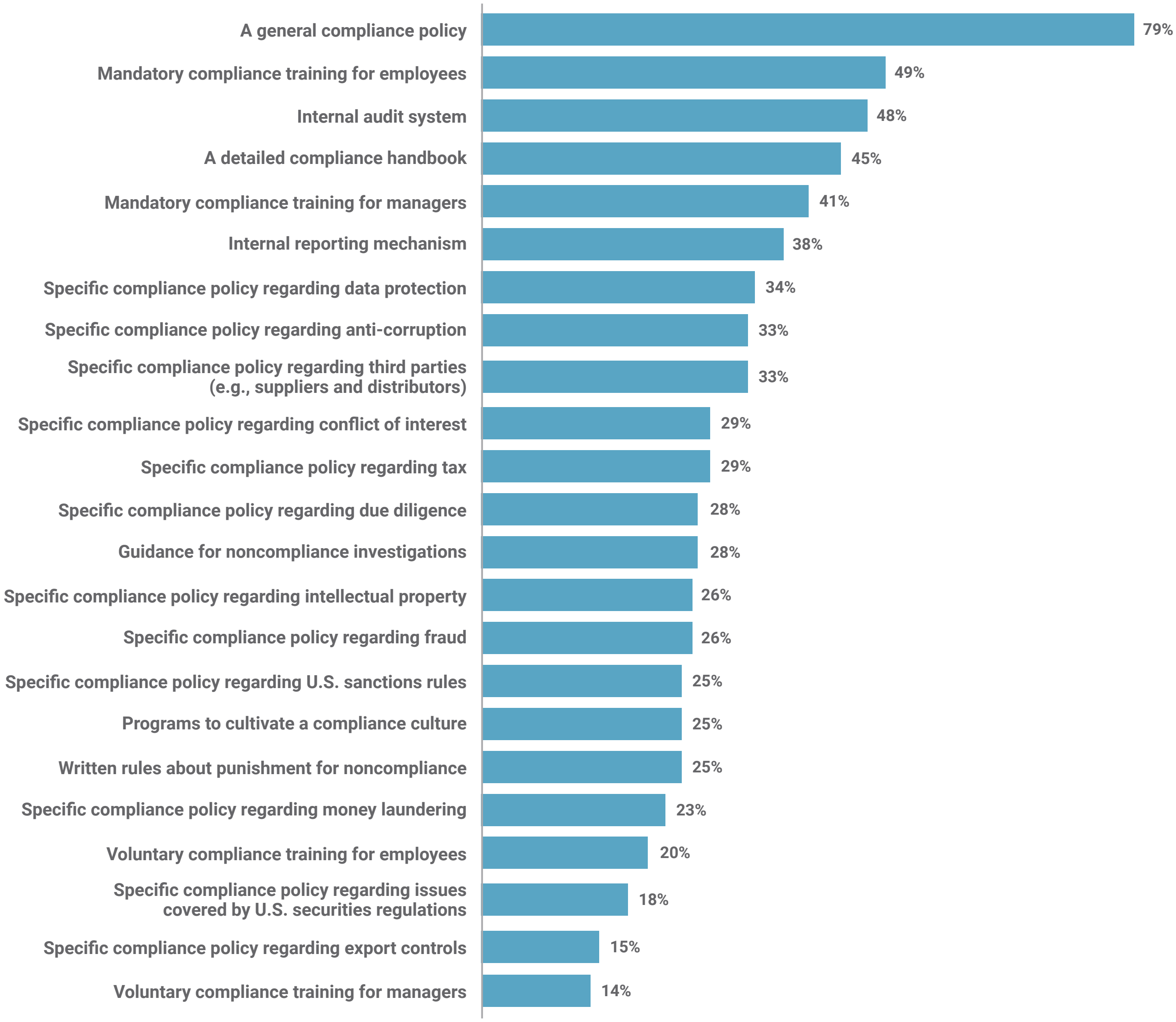
Impacts of anti-China/Asia sentiments during the COVID-19 pandemic



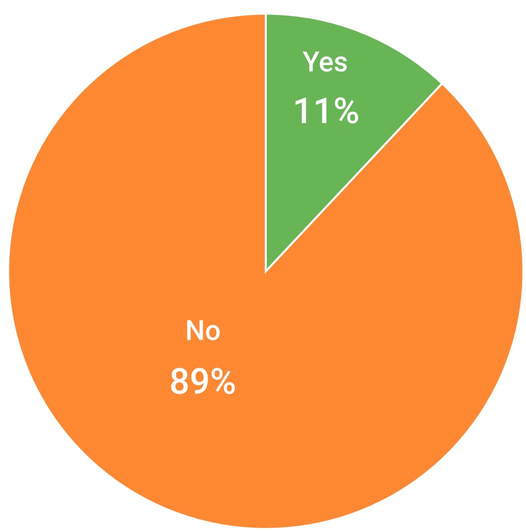
What is your company's approximate total annual U.S. legal budget?



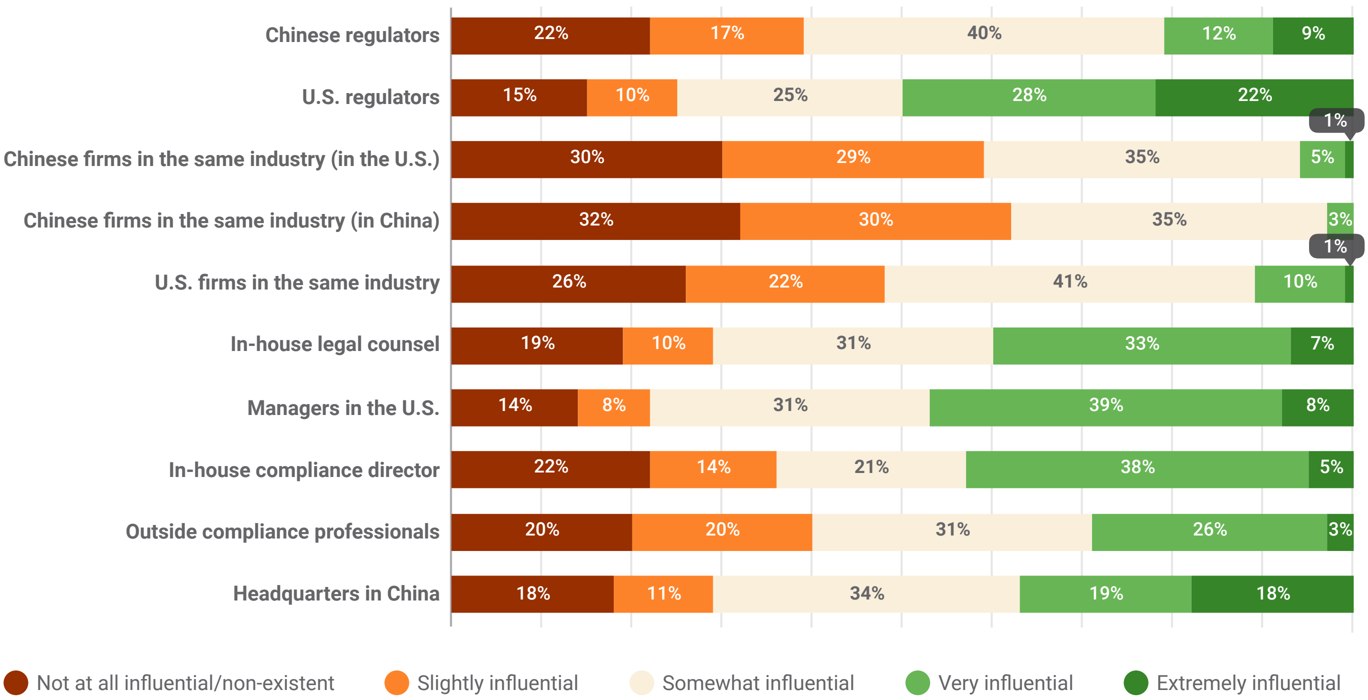
What does your company's U.S. compliance program include?



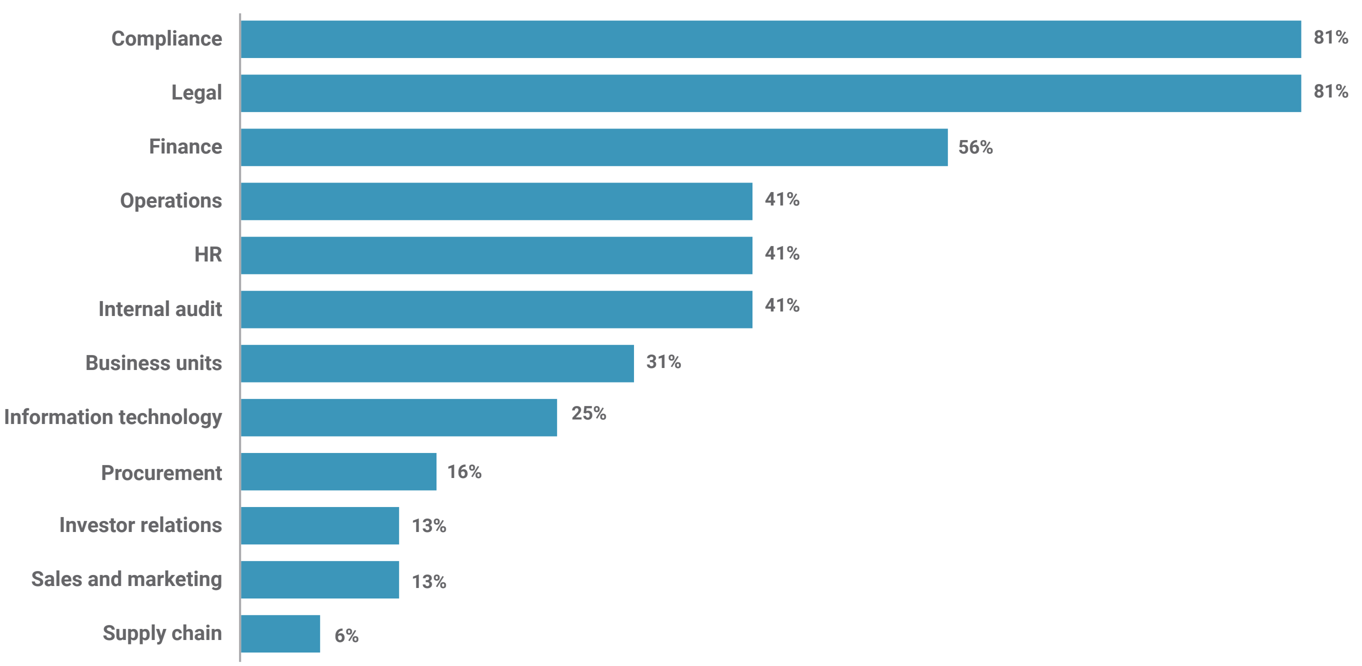
Has your company ever been treated unfairly by a U.S. regulatory agency?



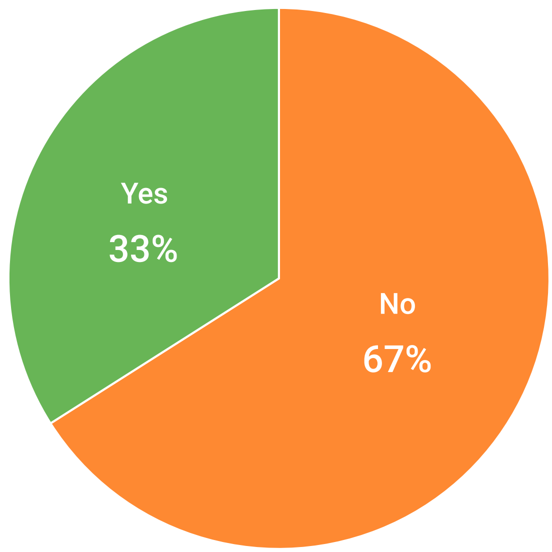
How did tyhe following parties influence the design of your U.S. compliance program?



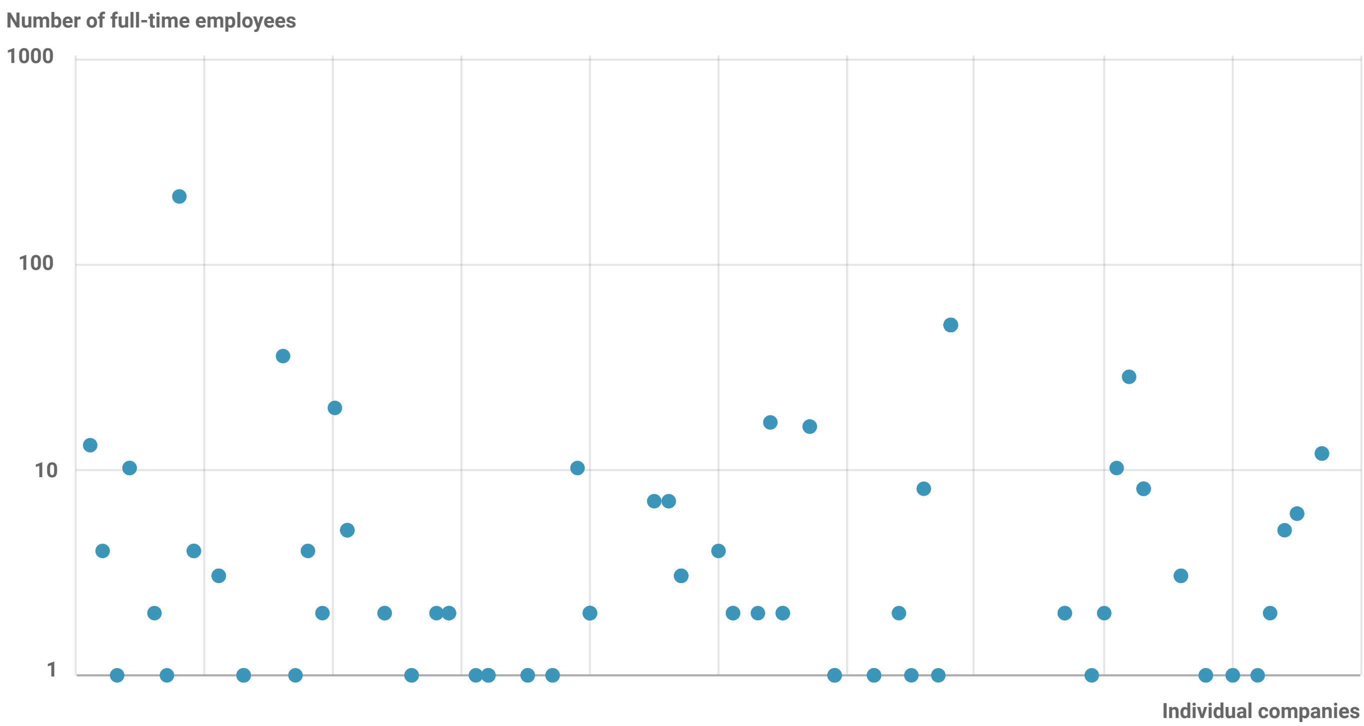
What departments or functions serve on the compliance committee?



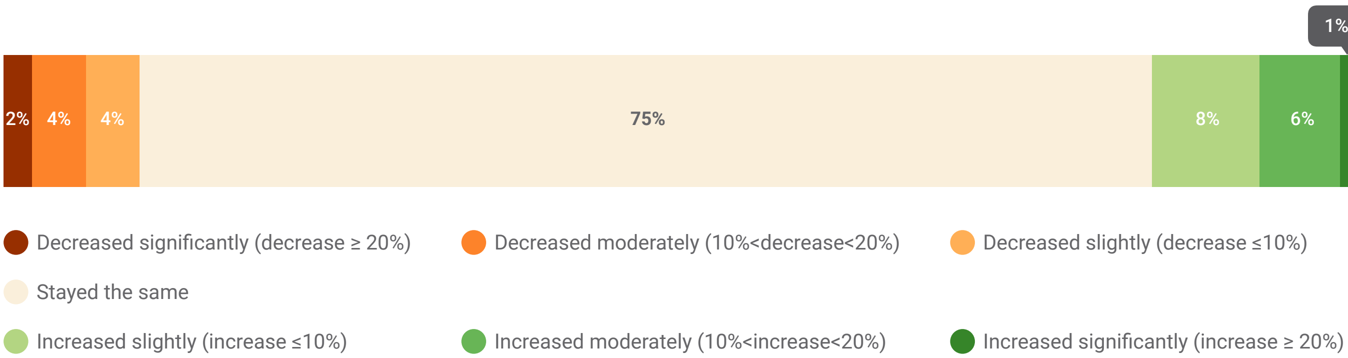
Does your company have an in-house compliance committee to support compliance efforts?



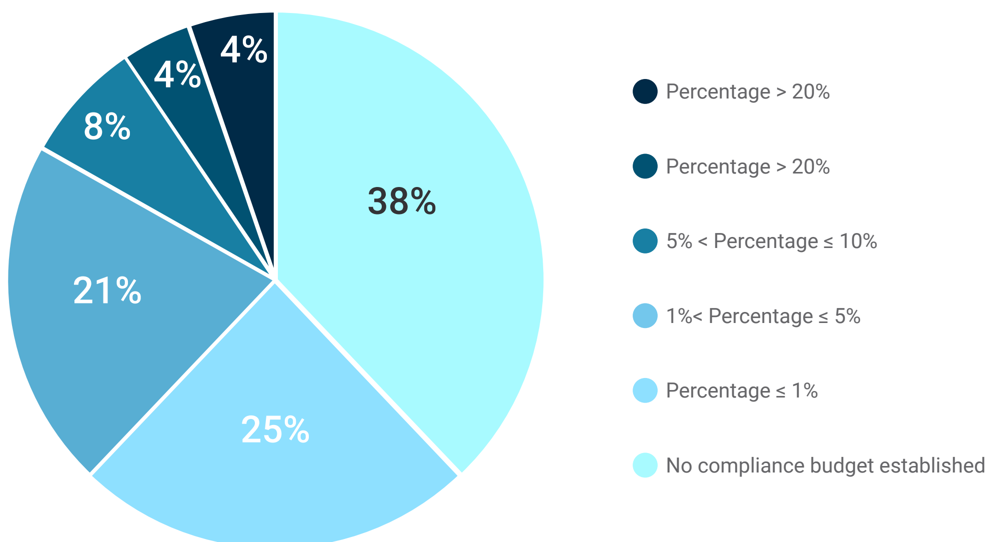
Number of full-time employees in a compliance function role



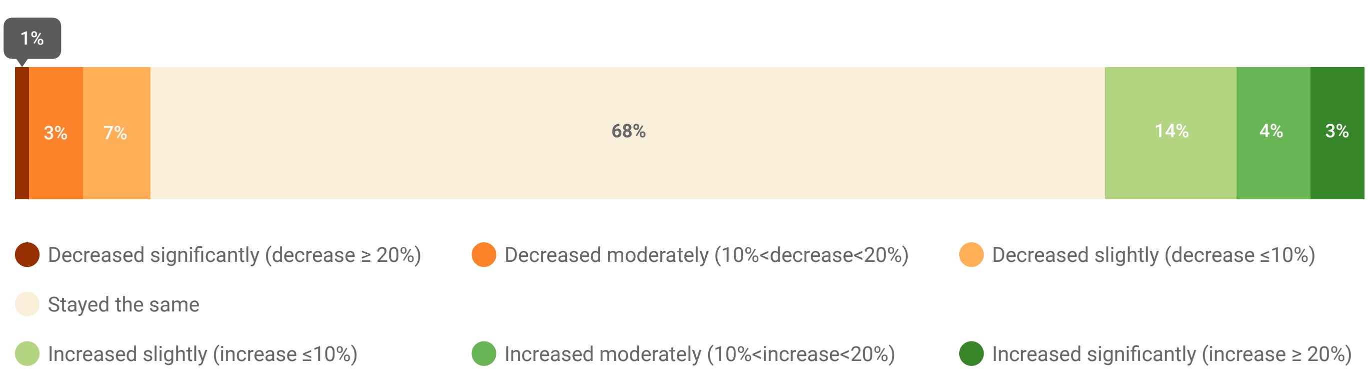
How has the compliance function staffing at your company changed over the past 12 months?



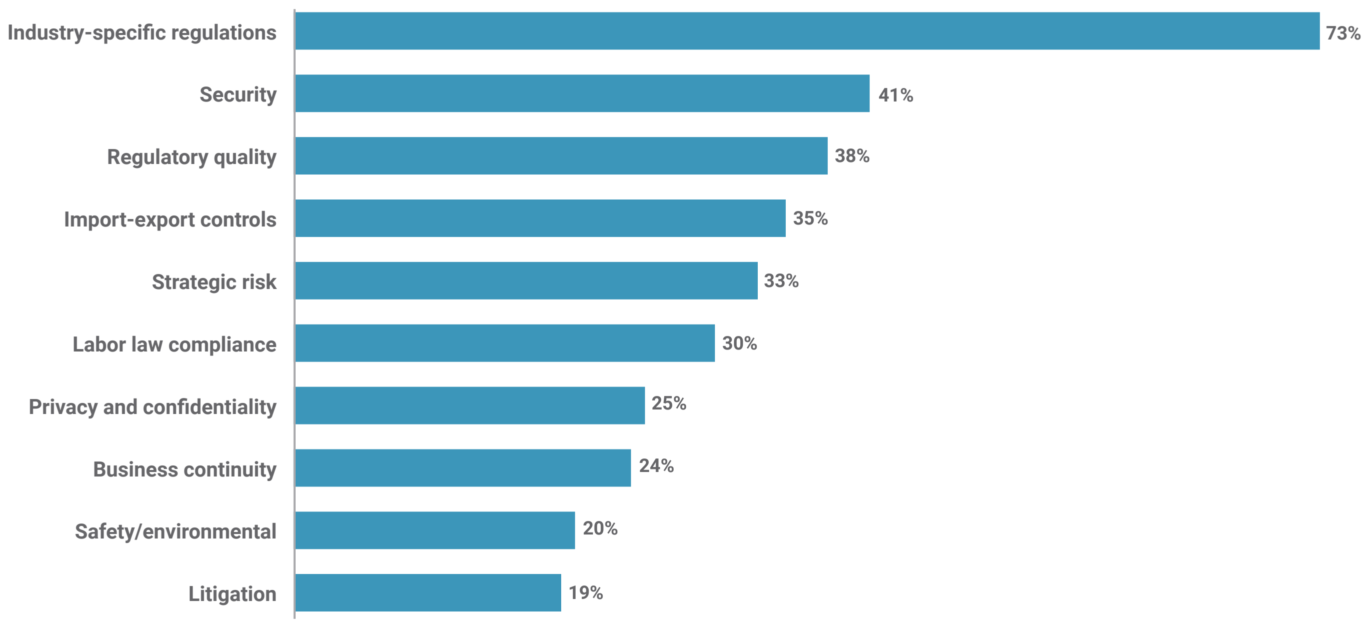
Annual budget for compliance as a % of sales & administrative (SG&A) expenses



How has the budget for compliance at your company changed over the past 12 months?



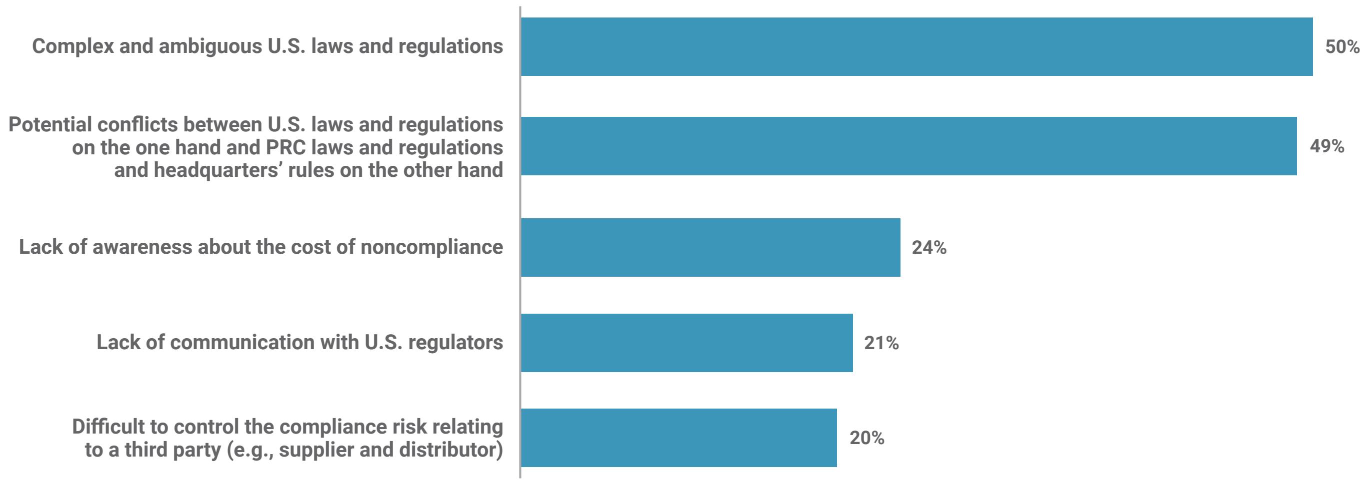
Top 10 areas of perceived risks to your U.S. business



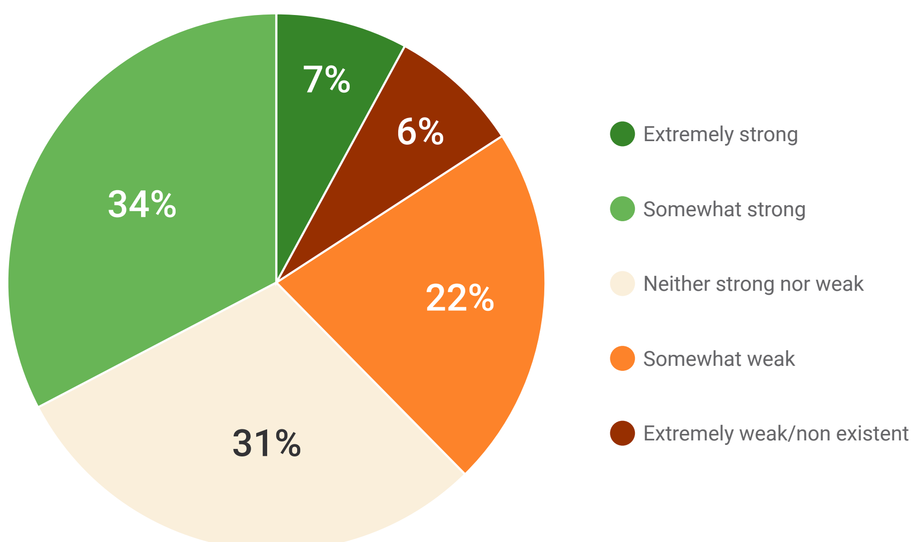
If been treated unfairly, which of the following actions did your company take?

Main challenges in complying with U.S. laws and regulations

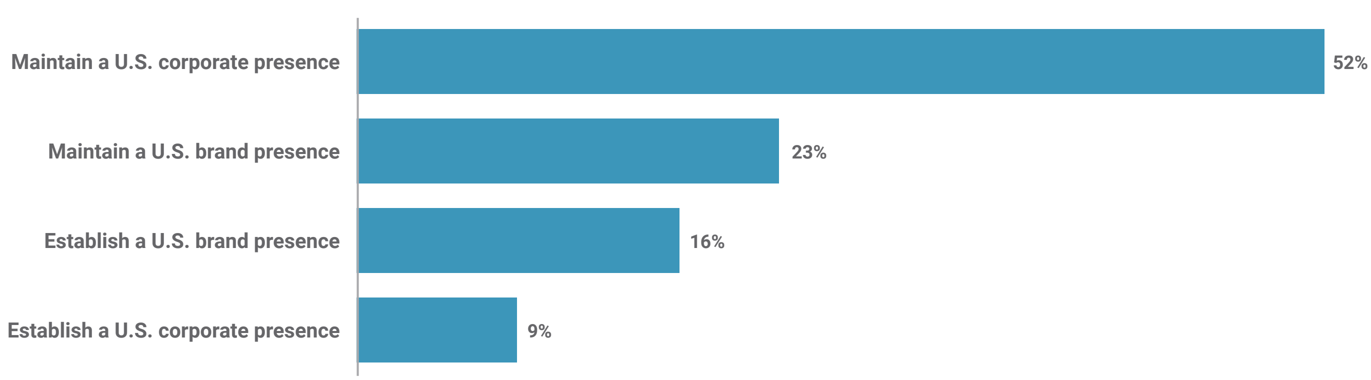
Top 5 challenges in complying with U.S. laws and regulations



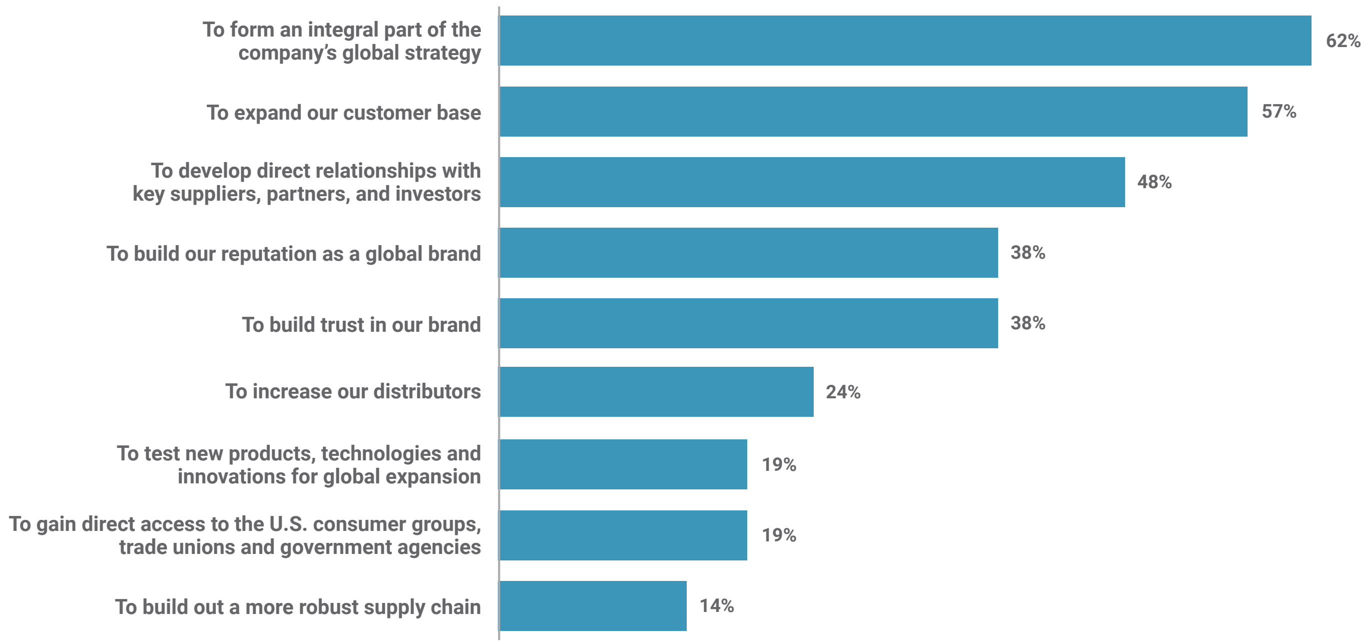
How strong of a brand presence do you feel your company currently have in the U.S.?



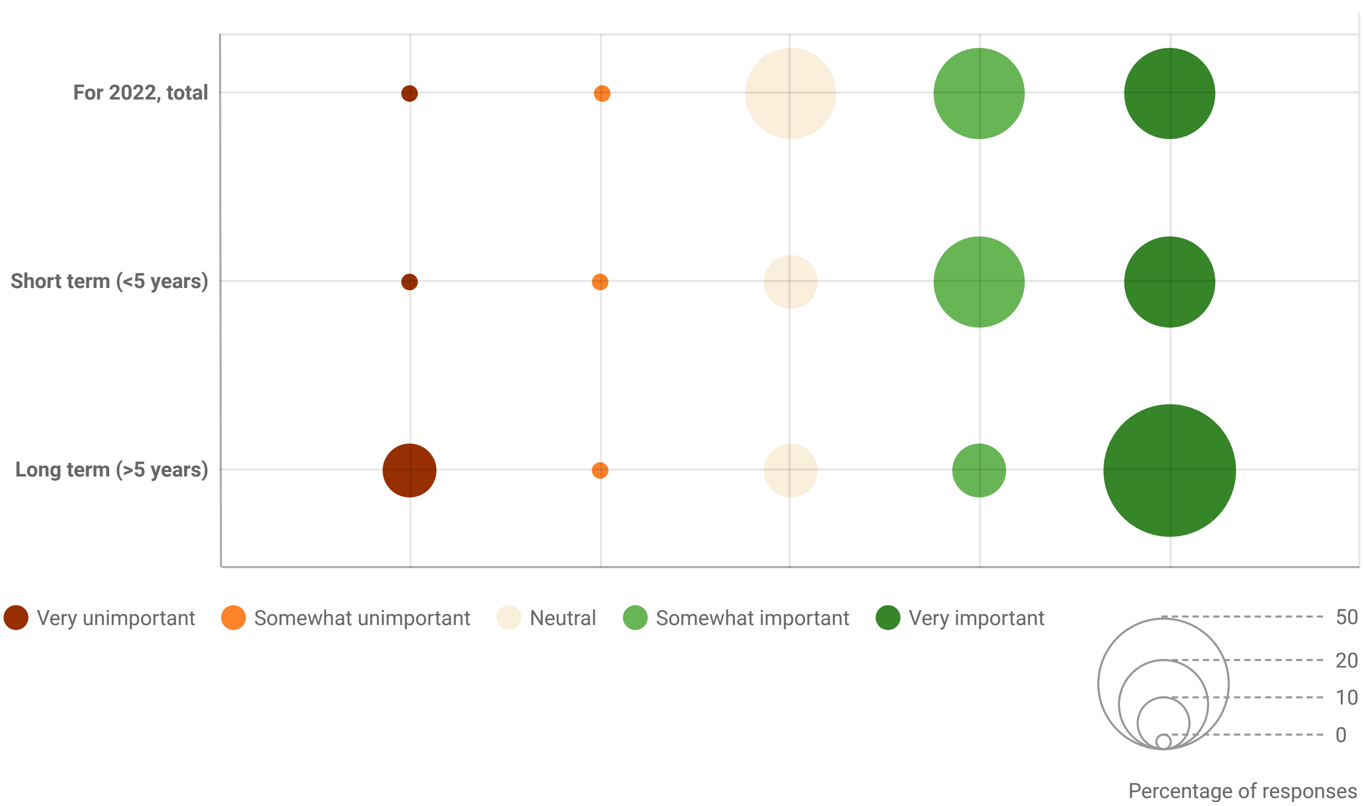
What's your primary objectives in branding?



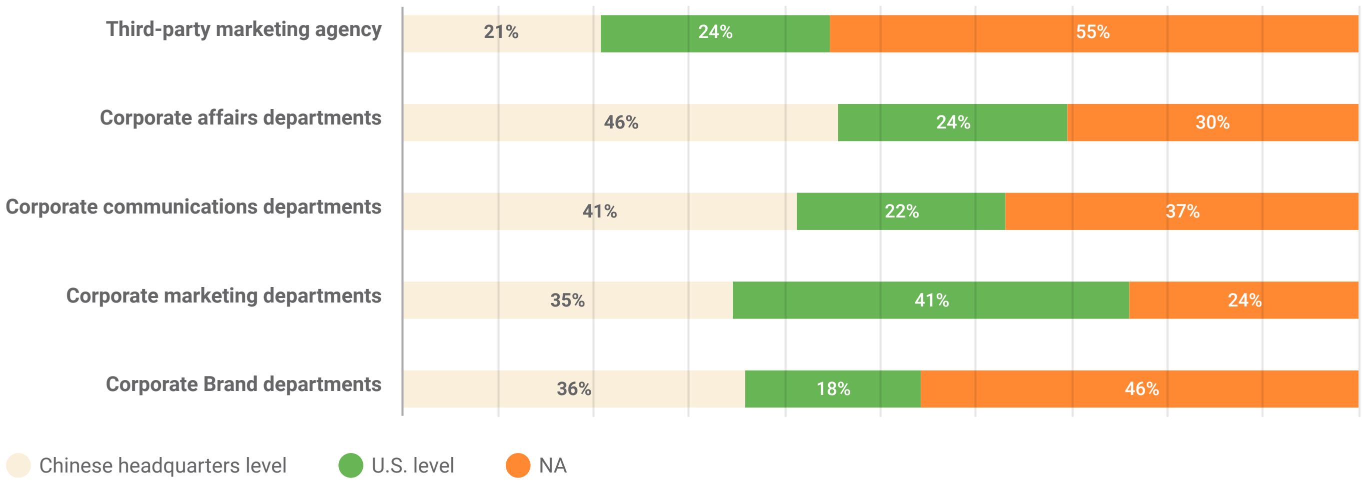
Why does your company wish to establish a U.S. brand presence?



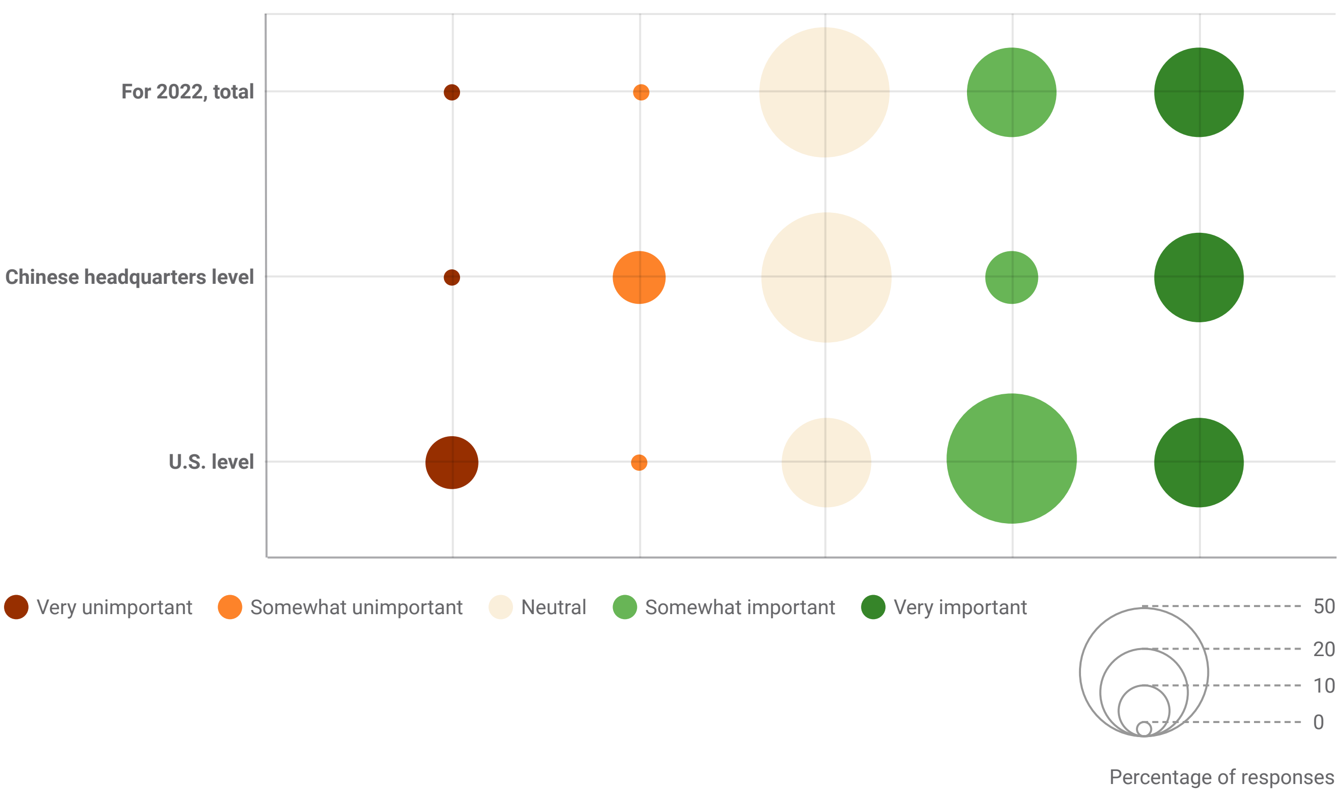
Importance of corporate branding to immediate, short-term, and long-term U.S. business strategy



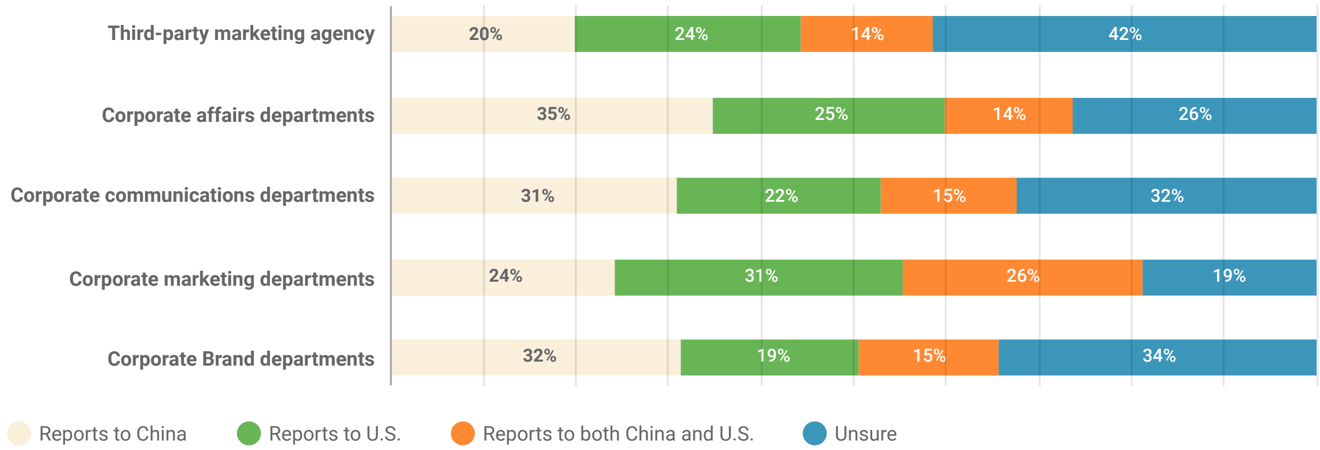
Brand/marketing functions in Chinese companies



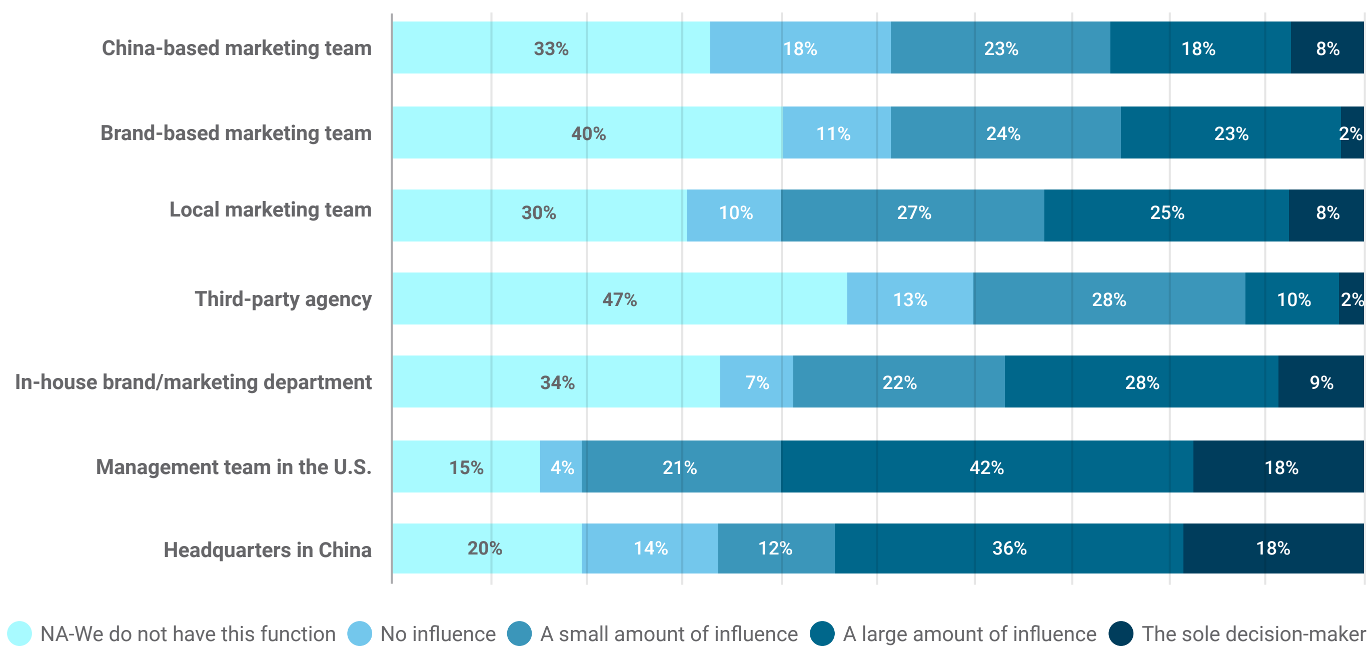
Importance of brand/marketing functions in Chinese companies



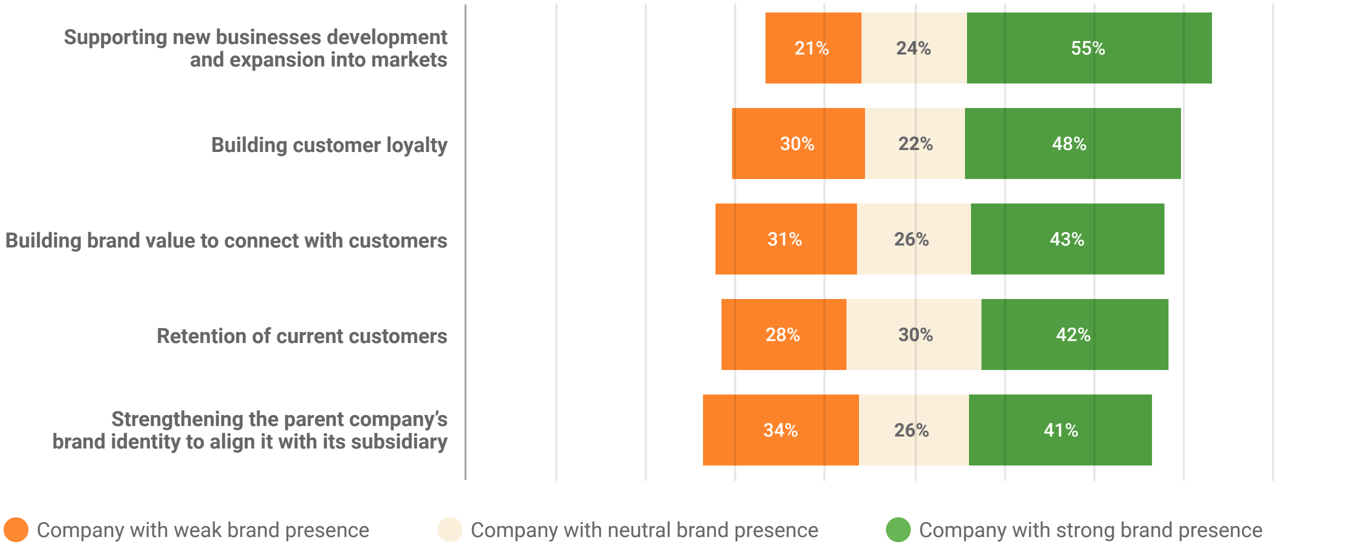
Whom do the following brand/marketing departments report to?



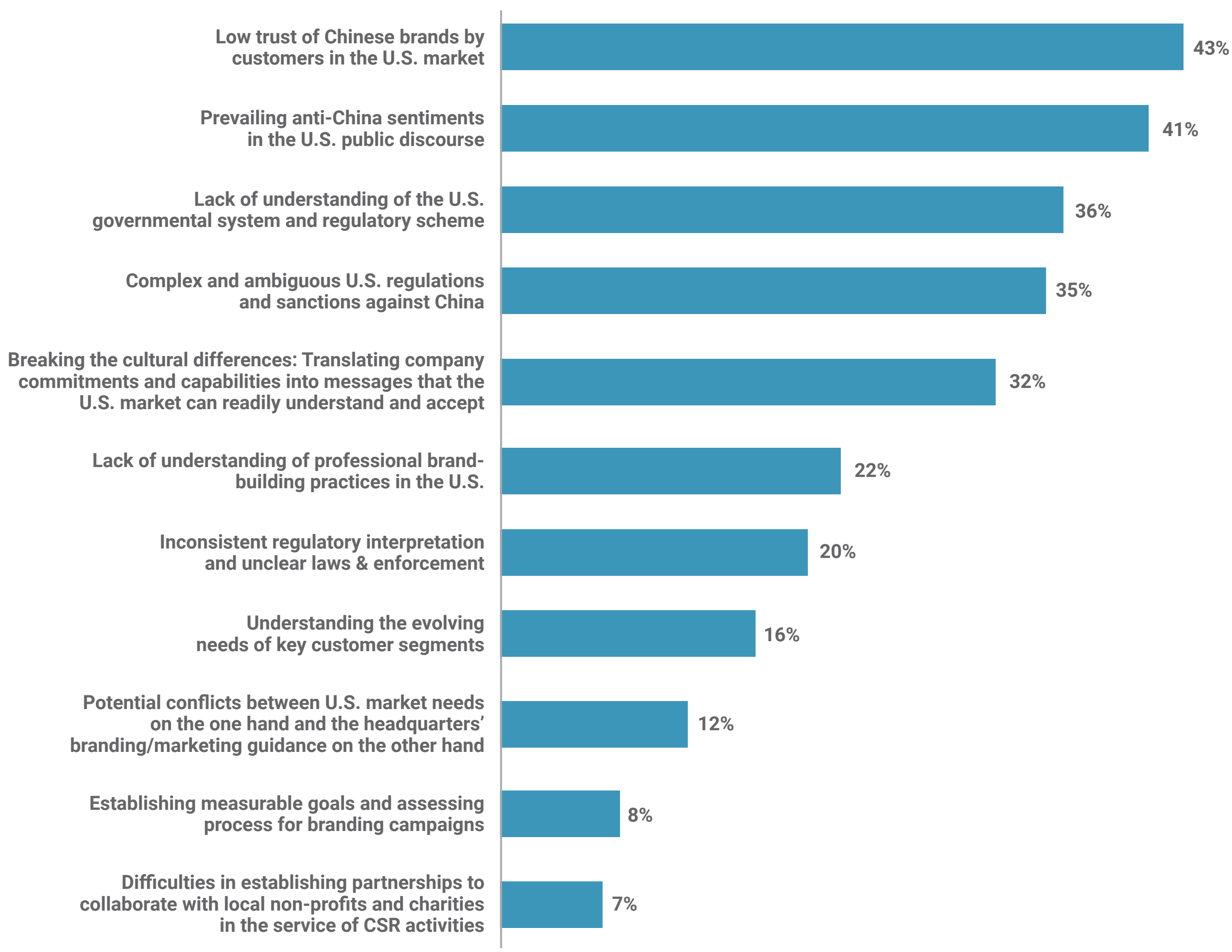
How do the following functions influence your company's U.S. branding strategies?



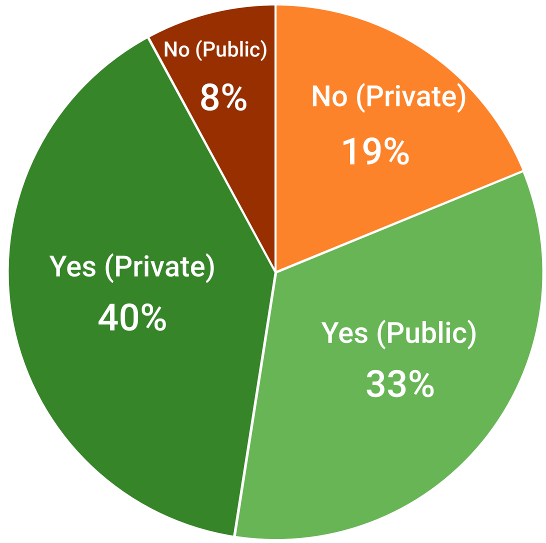
Primary brand/marketing objectives of the year 2021



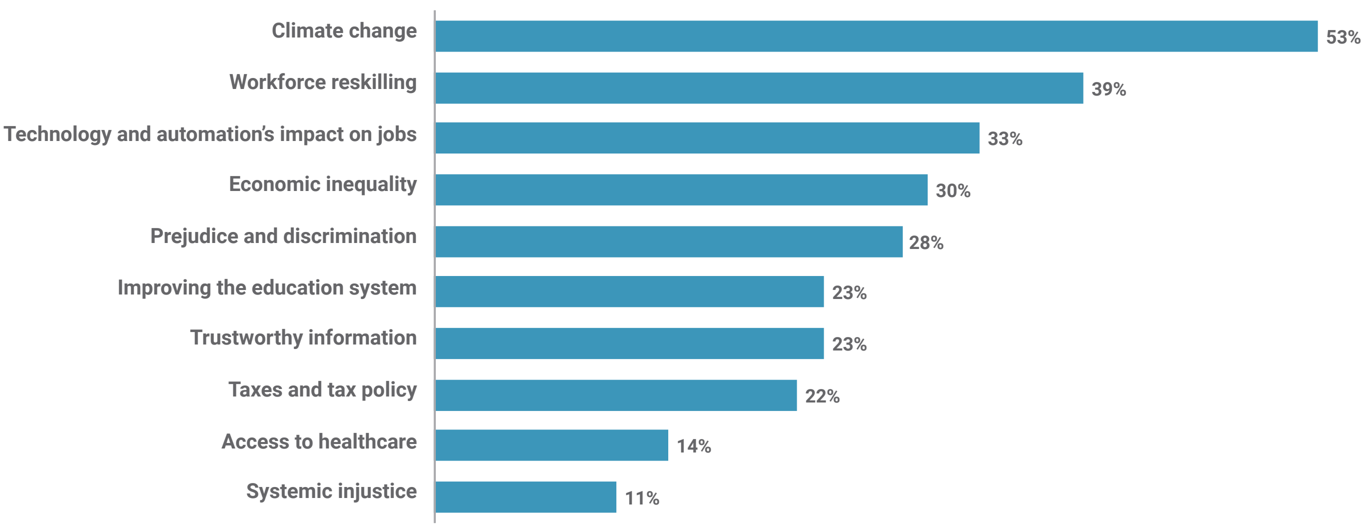
Main challenges in branding/marketing in the U.S. market



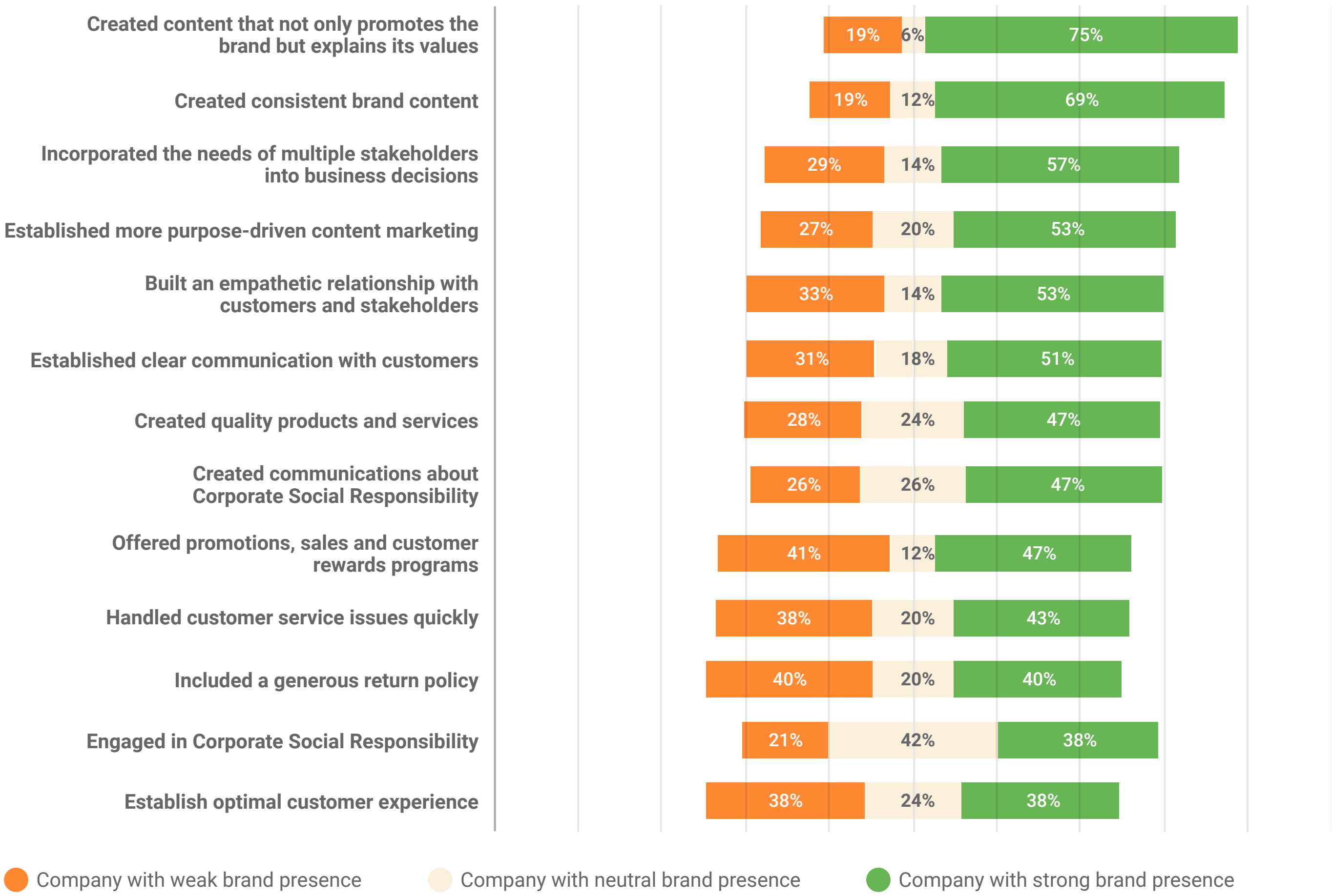
Does engaging in social issues beneficial to earning trust in the U.S.?



What social issues do you think your company should take actions on to best earn trust with stakeholders and build your company's brand in the U.S.?



What new strategies have you adopted to build and enhance brand trust in the U.S.?



How could CGCC better assist your company in brand and trust elevation?

About China General Chamber of Commerce - USA

Founded in 2005, China General Chamber of Commerce – USA ("CGCC") has been recognized as the largest and most impactful non-profit organization representing Chinese enterprises in the U.S. With a mission to create value, generate economic growth, and enhance cooperation between the U.S. and Chinese business communities, CGCC offers a broad range of programs, services and resources to over a thousand multinational members across its footprint in New York, Chicago, Houston, Los Angeles, San Francisco and Washington D.C.

As an independent, non-partisan, non-governmental chamber of commerce, CGCC's work is made possible through the generous support of its member companies and corporate sponsors from both the U.S. and China, 43 of which are ranked on the 2021 Fortune Global 500. As of March 2021, CGCC's Chinese member companies have cumulatively invested over $125 billion, employ more than 220,000 people, and indirectly support over one million jobs throughout the United States.

The Chamber's experience of working with renowned institutions and distinguished business leaders across a broad range of sectors make it an essential platform for any business to better understand, engage with, and contribute to some of the most critical issues and deal-making between the world's two largest economies. CGCC also publishes frequent research, including its flagship Annual Business Survey Report which assesses Chinese Enterprises operating in the U.S. and identifies key trends and overall business sentiment.

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.

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