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Annual Business Survey Report

on Chinese Enterprises in the United States

May 2023

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Chairman's Message

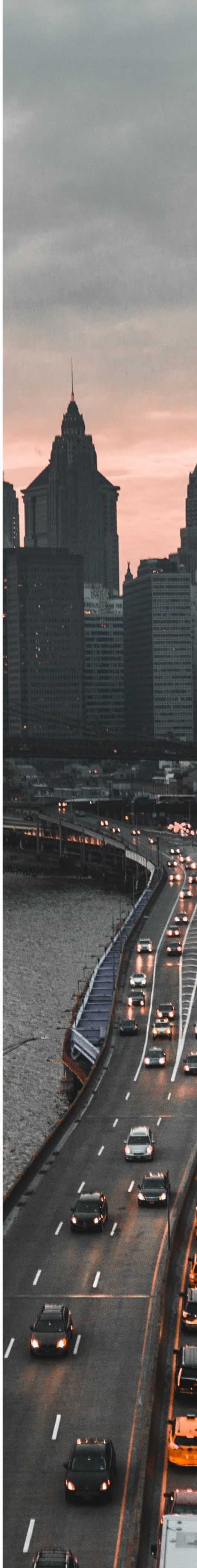
Dear Friends,

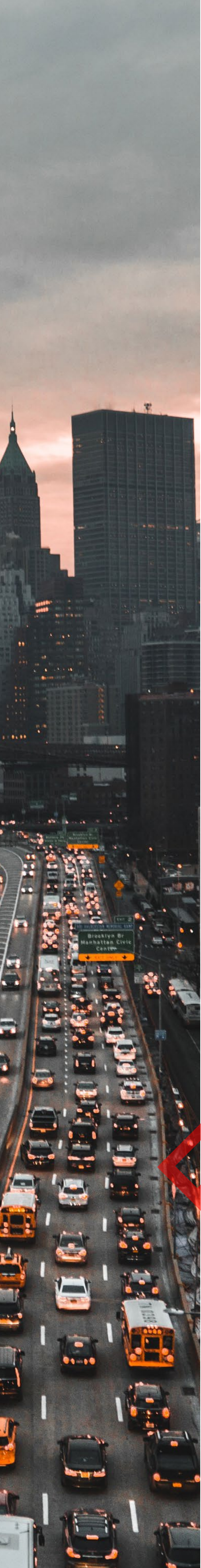
It is my pleasure to share with you the results of our 10th Annual Business Survey on Chinese Enterprises in the United States, a resource created by China General Chamber of Commerce - USA (CGCC), with great support from 101 Chinese companies who have participated in the survey this year. This survey has provided valuable insights into the current state of Chinese businesses operating in the U.S. and the challenges they faced in 2022. It assists relevant stakeholders to better understand the position of Chinese investments in the U.S., and offers constructive recommendations to both countries as they work towards greater mutual understanding and reasonable resolution of concerns.

As governments and economies continue to tackle challenges relating to inflation, market volatility, and supply chains brought about by an unprecedented pandemic, I believe business leaders and policymakers can find common ground by reminding ourselves of what has guided us in the past and how it should lead us into the future. The data included in this report provides an accurate and nuanced view of the experiences that our member companies are having on the ground in the U.S. Subsequent surveys and engagements with company executives reinforce the following key trends:

- **Chinese companies in the U.S. performed slightly worse than the previous year, with cautious expectations for subsequent developments.**
- **Tensions in U.S.-China relations and persistent inflation in the U.S. are top concerns for Chinese companies in the U.S.**
- **Chinese companies are mostly satisfied with the U.S. market and have developed localization strategies to maximize business growth.**
- **Past up and down cycles help Chinese companies develop diversification capability to cope with short-term fluctuations.**

If we extend the timeline a little bit longer and compare the results of ten survey reports over the past decade, we should notice that regardless of the circumstances, Chinese businesses





have shown remarkable resilience, active impacts, cumulative synergies and continuous evolution when adapting and thriving in the U.S. market.

If the time horizon goes further, we should also find that trade and investment between our two nations have been the cornerstone of our relationship for decades and has always shown resiliency during the peaks and valleys we have navigated throughout the years. After more than forty years of successful cooperation, despite increasing bilateral tensions, a damaging trade war, and continued legislative and executive action against China, China remains the United States' third-largest trading partner, and largest source of imports. Trade between the two largest economies has brought access to new markets in and outside of the U.S. and China, increased consumer choices, enhanced bilateral investment, created and supported millions of jobs, alleviated massive levels of poverty, enhanced the rule of law and the influence of global government and non-governmental institutions across the board. While challenges do exist, the cumulative synergy and the benefits of the partnership between the U.S. and China far outweigh any risks. As the world continues to recover from a devastating pandemic, Chinese companies' thinking, policies, and priorities continue to evolve. Flexible and agile business strategies and localization blueprints are developed and implemented to ensure long-term successes.

CGCC is privileged to be a participant and witness of the economic and trade cooperation between the United States and China. As the largest non-profit, non-governmental business organization bridging American and Chinese enterprises in the U.S., we remain committed to promoting cooperation and understanding between two countries. We will continue to provide support and resources to our members and work together with our partners to create a more favorable business environment.

I sincerely appreciate the great support that friends from all walks of life have given to CGCC. Specifically, I would like to thank all the participants in this survey for their valuable contributions. Your feedback is essential in helping us understand the needs and concerns of Chinese businesses in the U.S. We look forward to continuing our work together in the next 10, 20 and more years to come.

Sincerely,

Wei HU
Chairman of China General Chamber of Commerce – USA
President and CEO, Bank of China U.S.A.

Executive Summary

The global economy experienced continued turbulence in 2022, and Chinese companies operating in the U.S. continued to face an exceptionally complex environment.

In the first half of the year, new virus variants slowed the recovery of global trade. But those challenges began to ease in the second half of the year, which paved the way for local recoveries that gradually expanded to other regions.

At the same time, the severe setback caused by over two years of a pandemic, in addition to rising inflation and interest rates, are still being felt. On top of that, there has been no meaningful improvement to the strained relationship between the U.S. and China, which compounded the challenge for companies doing business in both markets. What's more, year-end layoffs in the U.S. technology industry further reinforced a cautious attitude towards full recovery.

Along with a series of environmental changes, the China General Chamber of Commerce's annual business survey of Chinese companies operating in the U.S. officially entered its 10th year. At this landmark point in time, we added additional themes and insights for the 2023 survey to further explore the overall perspective of Chinese companies in the U.S. and the recent changes they've experienced while doing business in two of the world's most important markets. We're confident this approach can provide a healthy reference point and deeper guidance to smoothly and steadily navigate the current turmoil.

With the support of 101 enthusiastic participants and many executives, the 2023 survey observed the following four themes:

1. Chinese companies in the U.S. performed slightly worse than the previous year, with cautious expectations for subsequent developments

- Compared to the 2022 survey results, only 42% of companies reported year-over-year revenue growth, and 24% experienced a revenue decline of more than 20% of those surveyed.
- 35% expect their U.S. revenues to remain flat over the next two years; 19% expect revenue to decline over the next two years; and the overall percentage of companies expecting lower revenues was 5% higher than last year's survey.
- Compared to the tough situation shown in the 2021 survey, the 2023 result shows improvement. However, it is still far from the high point five years ago when economic and diplomatic relations were more favorable.

2. Tensions in U.S.- China relations and persistent inflation are top concerns for Chinese companies in the U.S.

- This year 81% of respondents are concerned with the bilateral tension between the U.S. and China; 68% show concerns over the inflation in the U.S. and the impact on theeconomic environment.

- 44% of companies predict further deterioration in U.S.- China relations while 83% report that inflation and economic uncertainty has already had a negative impact on their business.

3. Chinese companies are mostly satisfied with the U.S. market and have developed localization strategies to maximize business growth

- Over 80% of Chinese companies are satisfied (or neutral) with all aspects of the U.S. business environment. Of these, 58% are very satisfied with the U.S. support for innovation, technology, and Environmental, Social, and Governance (ESG) concerns.
- While most companies report that they have largely or fully met their motivation for establishing a presence in the U.S., approximately 20% of companies report that actual growth has been lower than expected, while an additional 50% report that U.S. profitability is lower than their Chinese parent companies.

4. Past up and down cycles help Chinese companies cope with short-term fluctuations

- In the "up" market cycle, "new business areas and portfolio expansion" are the top strategic priorities adopted by Chinese companies.
- During the "down" cycle, 65% of respondents choose to "aggressively change their core business strategies", while 54% of respondents vote to "explore new business opportunities” to offset the pressure.

Based on our survey result analysis and interviews with senior management, we make five recommendations for Chinese companies operating in the U.S. :

i. **Don’t let a crisis go to waste.** Leverage the current downturn to enhance and fortify your operations and capabilities.

ii. **Build a systematic approach to increase the success rate of portfolio expansion.** Doing so to make diversification a more effective way to offset pressure on main business.

iii. **Leverage the U.S. market’s propensity for innovation.** Not only will this strengthen local business in the U.S., but it can improve the overall performance of global operations.

iv. **Embrace new digital tools.** As localization evolves, doing so will help to overcome inflation and ongoing staff shortages of qualified employees.

v. **Treat North America as a single market. Consider “regional expansion”** into Mexico and Canada to further bolster U.S. operations.