China General Chamber of Commerce - USA

Connecting People · Building Trust · Expanding Cooperation

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 the U.S.

CGCC is an independent, non-partisan, non-governmental chamber of commerce since its inception. As of March 2022, CGCC's Chinese member companies have cumulatively invested over $135 billion, employ more than 220,000 people, and indirectly support over one million jobs throughout the United States.

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.

Mission

CGCC is committed to strengthening communication and cooperation between businesses in the United States and China to achieve economic growth and positive social impact, by integrating private sector resources, working with existing U.S. organizations and other chambers of commerce.

Vision

Uniting U.S.-China business communities and advancing opportunities for our members to achieve economic growth and prosperity, and positive social impact.

Values

Member-Centric
Our members' interests lie at the core of what we do and drive every decision we make.

Respect for All
We embrace diversity and inclusion. We strongly believe in our duty to connect people from all walks of life and provide them with opportunities for open dialogue and cooperation.

Always Evolving
We believe in fostering an evolving and forward-thinking culture that adapts to the needs of today's modern world, providing industry best practices to meet complex daily challenges and create new opportunities for our members and local communities.

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2023 Survey Key Findings

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 13% 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 results shows improvement. However, it is still far from the high point five years ago when economic and diplomatic relations were more favorable.

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

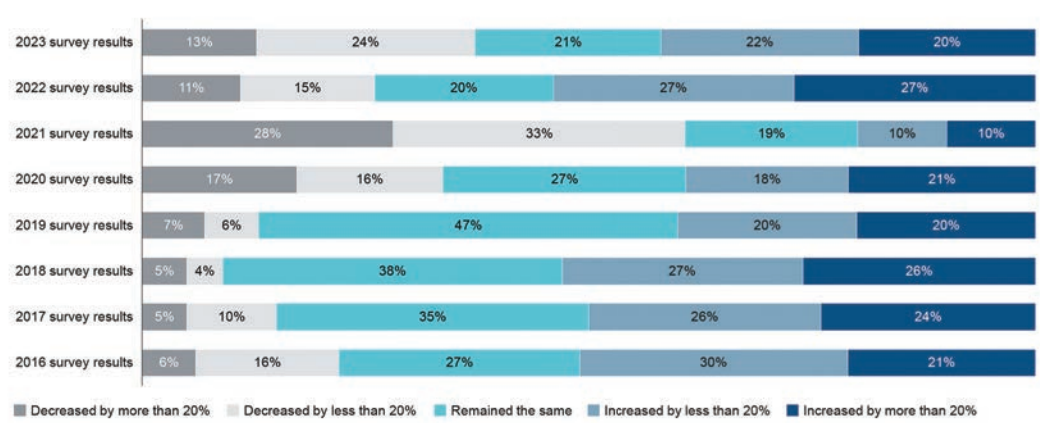
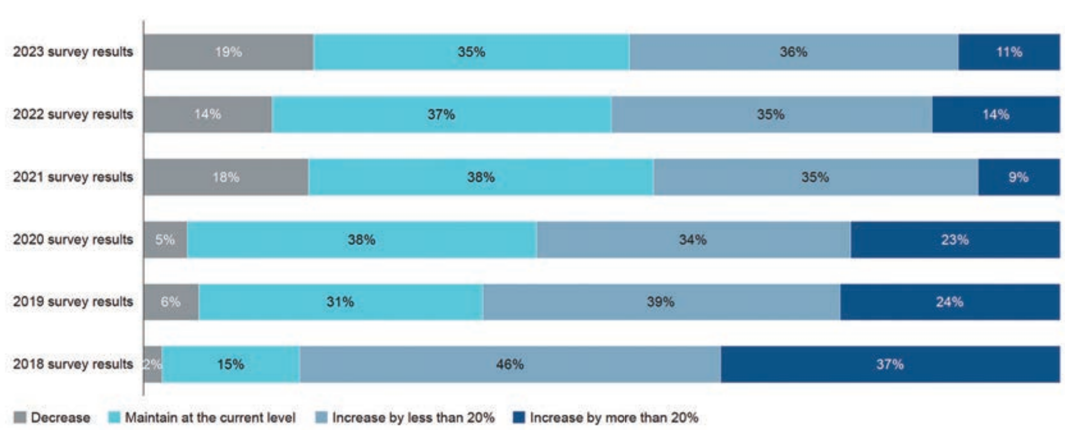


Figure 7: Year-on-year change of forecasted revenue projections over the next two years



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 the economic 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.

Figure 11: Challenges for Chinese companies in the U.S. as they see in short term

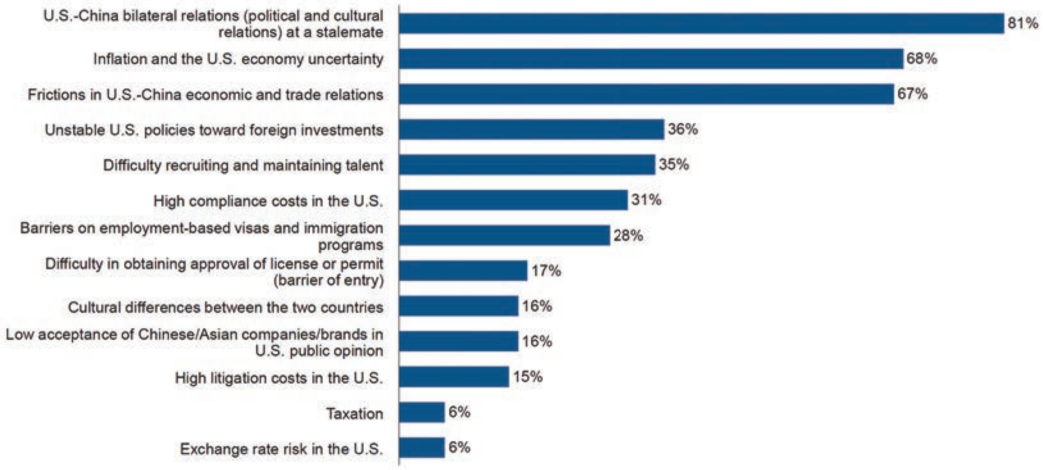


Figure 12: Year-on-year change of future expectations on U.S.-China relations

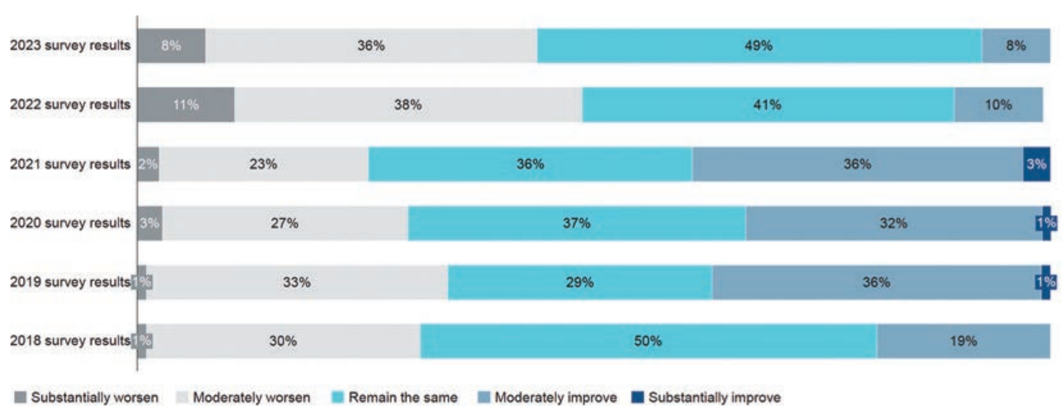
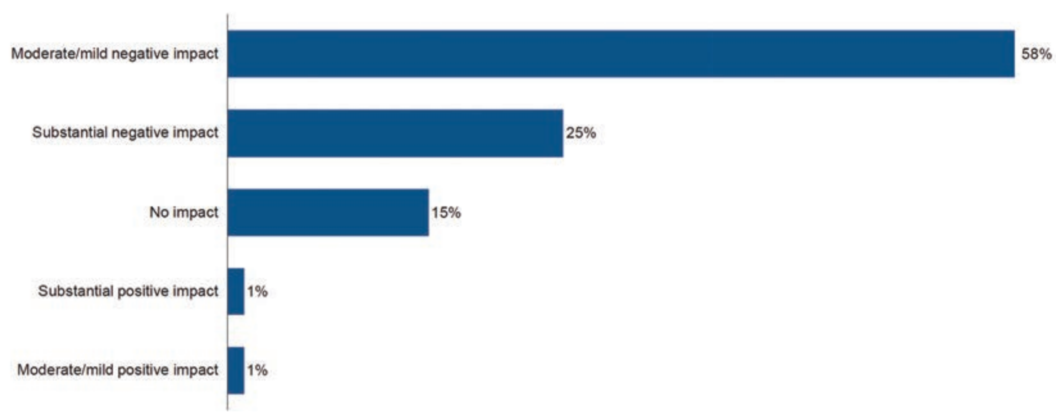


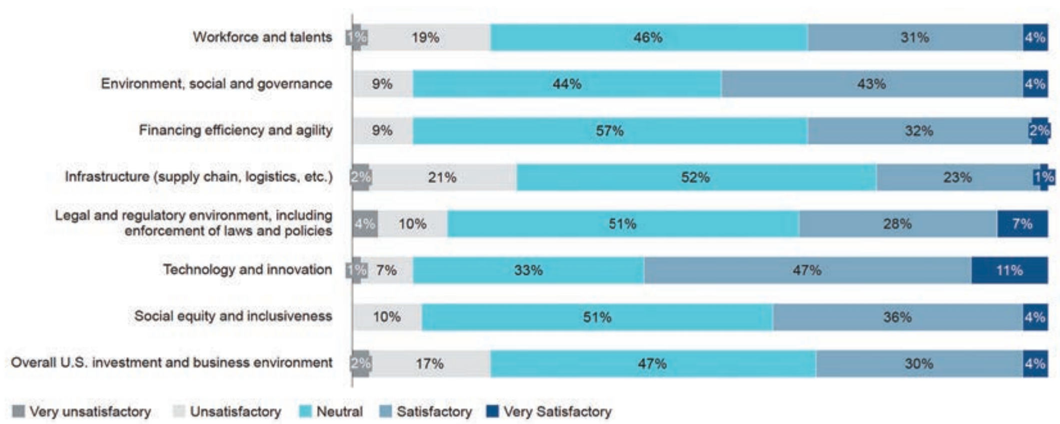
Figure 13: Impact of inflation on business in 2022



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

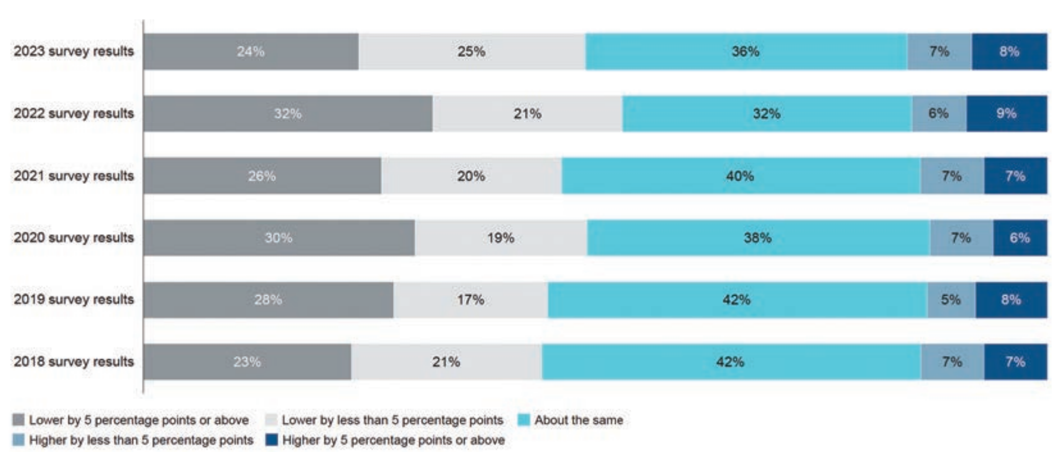
- Over 80% of Chinese companies are satisfied (or neutral) with all aspects of the U.S. business environment. Of these, 58% are very satisfied with the U.S. support for innovation, technology, and Environmental, Social, and Governance (ESG) concerns.

Figure 29: Evaluation on different aspects of the U.S. investment and business environment



- 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.

Figure 26. Year-on-year change of U.S. companies' EBIT margin



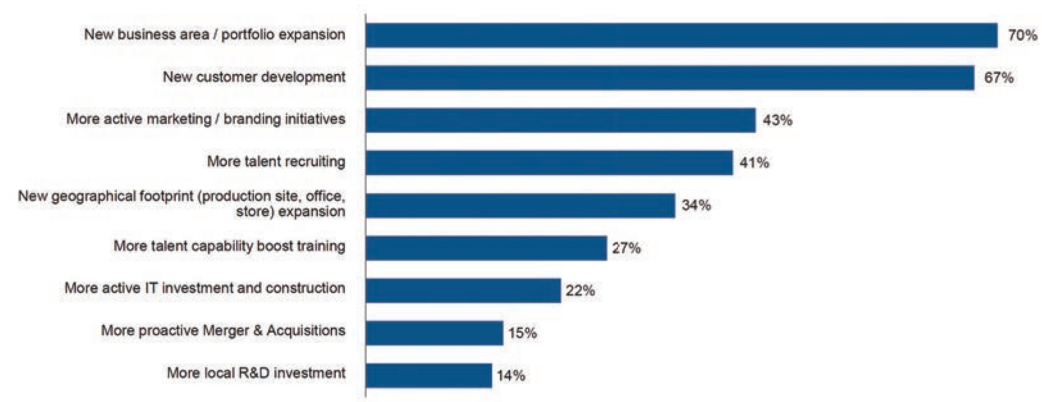
"We are leveraging downturns to recuperate, revamp our online and offline systems, and solidify connections with airline partners. In addition to our current capabilities and ongoing efforts, we have colleagues dedicated to government affairs who communicate with the Chinese government and have already submitted documents to increase flights. We are gathering strength until better times come."

– U.S.-China business lead of a major U.S. airline

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

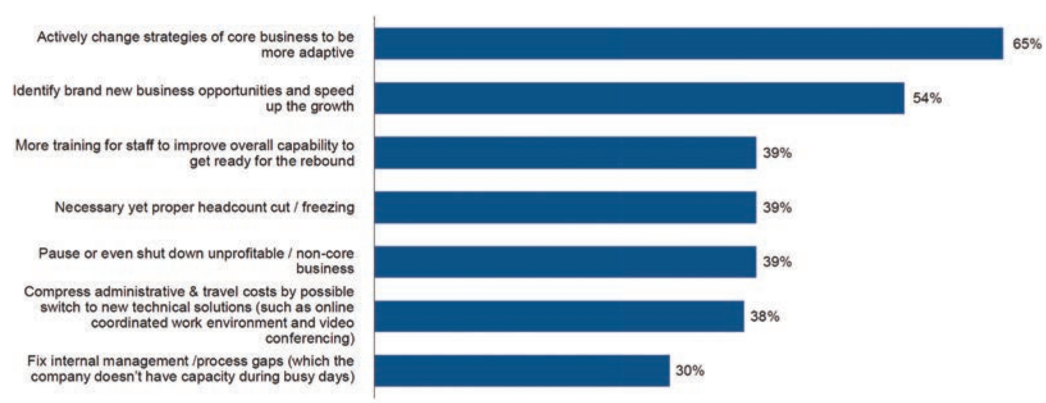
• In the "up" market cycle, "new business areas and portfolio expansion" are the top strategic priorities adopted by Chinese companies.

Figure 35: Most important actions on the journey of development of Chinese companies during the "up" cycles



• 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.

Figure 37: Most important actions on the journey of development of Chinese companies during the "down" cycles



"Last year, our revenue experienced a slight decline during major holidays such as Chinese New Year and the middle of the year, which did not meet our expectations. However, we were able to boost our revenue towards the end of the year during Black Friday and Christmas. Despite these fluctuations, our overall performance remained relatively good, and we met more than 95% of our original expectations. This year, we have decided to not only expand our operations in U.S. but also establish a stronger presence in other parts of the world. Given the potential impact of U.S.-China policies, we aim to diversify our resources by establishing different routes."

– Leading Chinese logistics provider

Advice for Chinese Companies in U.S.

1. Don’t let a crisis go to waste.

Leverage the current downturn to enhance and fortify your operations and capabilities. Chinese companies in the U.S. should take advantage of the slumping market and allocate greater attention and resources to improving their internal strengths, especially since the opportunity cost of doing so is currently lower than it would be in a bull market. This is especially true for Chinese companies operating in the U.S.

2. 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. Given its priority for Chinese companies in the U.S., identifying new businesses with a rational and proven approach is an essential skill. Given the high failure rate and challenges of diversifying the main business, however, it is important to understand the risks and difficulties of entering a new line of business.

3. 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.

4. Embrace new digital tools.

As localization evolves, doing so will help to overcome inflation and ongoing staff shortages of qualified employees. We recommend Chinese companies in the U.S. wholly embrace digitalization, automation, and artificial intelligence technologies to overcome staffing shortages and increase efficiency.

5. Treat North America as a single market.

Consider “regional expansion” into Mexico and Canada to further bolster U.S. operations.

Acknowledgments

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"Corporate and individual customers in the U.S. market in general have shown considerable acceptance and support for innovation, and they have demonstrated a strong willingness and ability to pay a premium for technological and functional innovation. At the same time, with the support of the patent and other regulatory systems, unique innovations can be better protected, and relying on innovation to achieve revenue and profit growth abroad can be well guaranteed. Thus, Chinese companies in the U.S. should indeed be more liberal, especially in consumer industries."

– A Chinese company manager in the U.S. information service industry