Amid escalating U.S.-China bilateral trade tensions, AmCham China and AmCham Shanghai conducted a joint survey of member companies to measure the impact of tariffs imposed by both the U.S. and Chinese governments. The survey was conducted between August 29 and September 5, 2018. Over 430 companies responded to the survey, of which 60.6% are in manufacturing-related industries, 25.8% in services, 5.5% in retail and distribution, and 8.1% in other industries. Major findings from the survey include:

Negative impact of tariffs is clear and far-reaching, rising costs a top concern

- Over 60% of respondents say the initial $50 billion of tariffs from both the U.S. and China negatively impact their companies. The percentage of companies expecting to be negatively affected by the second round of tariffs jumps to 74.3% for the U.S. tariffs ($200bn) and 67.6% for Chinese tariffs ($60bn). Over twice as many companies anticipate a “strong negative impact” if the second round of tariffs are implemented.

- The practical impact of combined tariffs is reflected in loss of profit (50.8%), higher production costs (47.1%), and decreased demand for products (41.8%). Only 11.8% of respondents have reduced employees, though the second tranche of tariffs will most likely raise this percentage.

Over half of respondents note increase in non-tariff barriers

- China has warned that it will use qualitative measures in addition to tariffs in responding to U.S actions, as it cannot match U.S. tariffs dollar for dollar. A slim majority (52.1%) reported suffering the consequences of such measures, mainly through increased inspections (27.1%), slower customs clearance (23.1%) and other complications from increased bureaucratic oversight or regulatory scrutiny (19.2%).

Supply chains significantly impacted, with some companies reassessing investment plans

- Adjusting supply chains is a common response to the tariffs, with many companies seeking to source components and/or assembly outside of either the U.S. (30.9%) or China (30.2%). Nearly one-third (31.1%) say they are considering delaying or canceling investment decisions.

- But the majority, nearly two-thirds (64.6%) of respondents, have not relocated and are not considering relocating manufacturing facilities out of China. Among those who are, the top destinations are Southeast Asia and the Indian Subcontinent. Only 6% say they are considering relocation back to the U.S.
### Industries most impacted by initial $50bn tariffs:

- **U.S. Tariffs**
  - Machinery: 82.6%
  - Electronics: 81.3%
  - Automotive: 80.5%

- **Chinese Tariffs**
  - Agribusiness: 88.9%
  - Chemicals: 80.8%
  - Healthcare products: 75%
  - Automotive: 75%

### Industries most impacted by proposed $200bn (U.S.) & $60bn (Chinese) tariffs:

- **U.S. Tariffs**
  - Automotive: 88.9%
  - Machinery: 86.9%
  - Electronics: 81.2%

- **Chinese Tariffs**
  - Other industrial: 86.7%
  - Chemicals: 84.6%
  - Aerospace: 81.8%

### Impact on Business Operations

**How are these combined tariffs impacting your business operations in China? (Check all that apply)**

- **Increased the cost of manufacturing**: 47.1%
- **Decreased demand for our products**: 41.8%
- **Increased the sale price of our products**: 37.1%
- **Reduced profit slightly (<10%)**: 26.2%
- **Reduced profit significantly (≥10%)**: 24.6%
- **Reduced revenue significantly (≥10%)**: 21.8%
- **Reduced revenue slightly (<10%)**: 15.5%
- **No impact**: 13.2%
- **Reduced employee headcount**: 11.8%
- **Other (please specify)**: 10.7%

### Impact on business operations by industry

#### Reduced profit

- Healthcare products: 82.1%
- Electronics: 75.0%
- Chemicals: 65.4%
- Machinery: 63.2%
- Automotive: 61.1%

#### Increased cost of manufacturing

- Machinery: 77.9%
- Chemicals: 73.1%
- Aerospace: 72.7%
- Electronics: 68.8%
- Automotive: 63.9%

#### Increased sale price of product

- Retail & distribution: 69.2%
- Agribusiness: 66.7%
- Aerospace: 63.6%
- Machinery: 55.9%
- Chemicals: 53.8%
Impact on Business Strategy

How are tariffs and U.S.-China trade tensions impacting your business strategy? (Check all that apply)

- Delays or canceling investment decisions
- Adjusting supply chain by seeking to source components and/or assembly outside the U.S.
- Adjusting supply chain by seeking to source components and/or assembly outside China
- No impact
- Considering relocation of some or all manufacturing out of China
- Other
- Considering relocating facilities entirely out of China
- Increasing investments

Impact on business strategy by industry

- **Delaying or canceling investment decisions**
  - Agribusiness: 66.7%
  - Other industrial: 56.3%
  - Retail & distribution: 53.8%
  - Transportation & logistics: 45.5%
  - Aerospace: 45.5%

- **Seeking to source components and/or assembly outside China**
  - Machinery, equip., etc.: 51.5%
  - Automotive: 50.0%
  - Aerospace: 45.5%
  - Electronics: 43.8%
  - Chemicals: 38.5%

- **Seeking to source components and/or assembly outside the U.S.**
  - Automotive: 47.2%
  - Chemicals: 46.2%
  - Machinery, equip., etc.: 45.6%
  - Aerospace: 45.5%
  - Electronics: 43.8%

If you have relocated or are considering to relocate China-based manufacturing facilities to other countries because of the tariffs and or concerns over the future of U.S.-China trade relations, where are you relocating to? (Check all that apply)

- No plans to relocate manufacturing facilities: 64.6%
- Southeast Asia: 18.5%
- Elsewhere: 10.4%
- Indian Subcontinent (India, Bangladesh, Pakistan, Sri Lanka): 6.3%
- United States: 6%
- East Asia: 4.2%
- Europe: 4.2%
- Latin America: 3.9%

Relocation trends by industry

- **Relocating China-based manufacturing by industry**
  - Consumer products: Southeast Asia 33.3%
  - Other industrial: Southeast Asia 33.3%
  - Retail & distribution: Elsewhere 30.8%
  - Aerospace: Indian Subcontinent 27.3%
  - Technology & telecom hardware: Southeast Asia 26.7%
  - Automotive: Southeast Asia 25.0%
  - Chemicals: Southeast Asia 23.1%

Non-tariff Barriers

Have you experienced an increase in any of the following non-tariff barriers in recent months?

- No change: 47.9%
- Increased inspections (tax, environmental, HR, etc.): 27.1%
- Slower Customs clearance: 23.1%
- Slower approval for licenses or other applications: 19.2%
- Other complications from increased bureaucratic oversight or regulatory scrutiny: 14.8%
- Slower approval: 6.7%
- Increased difficulty completing investment deals: 5.6%
- Products rejected by Customs: 5.1%
- Rejected licenses or other applications: 3.9%
Impact of U.S. and Chinese Tariffs on American Companies in China

Survey Demographics

Primary strategy in China:
- Proportion of companies that produce or source goods or services in China for the China market: 44.4%
- Proportion of companies that import goods into China: 17.8%
- Proportion of companies that fall under other categories (includes those who qualify for multiple or none of the categories): 17.6%
- Proportion of companies that produce or source goods or services in China for the U.S. market: 13.9%
- Proportion of companies that produce or source goods or services in China for markets other than the U.S. or China: 6.7%

Total annual China revenue:
- Revenue exceeding US$500 million: 21.5%
- Revenue between US$251-$500 million: 6.9%
- Revenue between US$101-$250 million: 12.3%
- Revenue between US$51-$100 million: 13.4%
- Revenue between US$10-$50 million: 22.9%
- Revenue between US$1-$9 million: 11.3%
- Revenue between US$251-$500 million: 7.6%
- Revenue below US$1 million: 3.9%
- Revenue of zero: 3.9%

Primary China operations:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery, equipment, systems and controls</td>
<td>69</td>
<td>16.0%</td>
</tr>
<tr>
<td>Other services (e.g., law, human resources, accounting, marketing, advertising and PR, research, consulting)</td>
<td>51</td>
<td>11.8%</td>
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<tr>
<td>Automotive and transportation vehicles</td>
<td>36</td>
<td>8.3%</td>
</tr>
<tr>
<td>Other</td>
<td>35</td>
<td>8.1%</td>
</tr>
<tr>
<td>Consumer products</td>
<td>30</td>
<td>6.9%</td>
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<tr>
<td>Healthcare products (e.g., pharmaceuticals, medical devices)</td>
<td>28</td>
<td>6.5%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>26</td>
<td>6.0%</td>
</tr>
<tr>
<td>Financial services (e.g., asset management, banking, insurance, investment)</td>
<td>22</td>
<td>5.1%</td>
</tr>
<tr>
<td>Electronics (non-consumer)</td>
<td>16</td>
<td>3.7%</td>
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<tr>
<td>Other industrial (e.g., mining, paper and packaging)</td>
<td>15</td>
<td>3.5%</td>
</tr>
<tr>
<td>Technology/telecommunications - hardware</td>
<td>15</td>
<td>3.5%</td>
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<tr>
<td>Retail and distribution</td>
<td>13</td>
<td>3.0%</td>
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<tr>
<td>Transportation and logistics</td>
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<td>2.5%</td>
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<tr>
<td>Aerospace</td>
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<td>2.5%</td>
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<tr>
<td>Agribusiness</td>
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<td>2.1%</td>
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<tr>
<td>Education</td>
<td>8</td>
<td>1.9%</td>
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<tr>
<td>Media and entertainment</td>
<td>7</td>
<td>1.6%</td>
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<tr>
<td>Oil and gas/energy</td>
<td>7</td>
<td>1.6%</td>
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<tr>
<td>Hospitality and travel and leisure</td>
<td>6</td>
<td>1.4%</td>
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<tr>
<td>Healthcare services</td>
<td>6</td>
<td>1.4%</td>
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<tr>
<td>Real estate and development</td>
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<td>1.4%</td>
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<tr>
<td>Technology/telecommunications - services</td>
<td>5</td>
<td>1.2%</td>
</tr>
<tr>
<td>Total</td>
<td>432</td>
<td>100%</td>
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