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From May 16-20, 2019, AmCham Shanghai and AmCham China conducted a joint survey of our member companies to assess the impact of the increase in U.S. and Chinese tariffs on companies operating in China. The survey received nearly 250 responses, with companies represented as follows: 61.6% manufacturing-related, 25.5% services, 3.8% retail and distribution, and 9.6% from other industries. A similar survey was conducted in September 2018. The key findings from the survey are:

- **The negative impact of tariffs is clear and hurting the competitiveness of American companies in China.** The vast majority (74.9%) of respondents said the increases in U.S. and Chinese tariffs are having a negative impact on their businesses. The impact was higher for manufacturers at 81.5% for U.S. tariffs and 85.2% for Chinese tariffs. The impact of the tariffs is felt through lower demand for products (52.1%), higher manufacturing costs (42.4%), and higher sales prices for products (38.2%).

- **To cope with the impact of the tariffs, companies are increasingly adopting an "In China, for China" strategy (35.3%), or delaying and canceling investment decisions (33.2%).** In China for China is a strategy to localize manufacturing and sourcing within China to mainly serve the China market. Such strategy constitutes a rational choice for many companies to insulate themselves from the effects of tariffs while maintaining their ability to pursue domestic market opportunities.

- **While over half of respondents (53.1%) have not seen any increase in non-tariff retaliatory measures by the Chinese government, roughly one in five have experienced increased inspections (20.1%) and slower customs clearance (19.7%).** Members also experienced slower approval for licenses or other applications (14.2%) and other complications from increased bureaucratic oversight or regulatory scrutiny (14.2%).

- **Approximately 40.7% of respondents are considering or have relocated manufacturing facilities outside China.** For those that are moving manufacturing out of China, Southeast Asia (24.7%) and Mexico (10.5%) are the top destinations. Fewer than 6% of members said they have or are considering relocation of manufacturing to the U.S.

- **If no agreement to resolve the trade frictions is reached within the next two months, members are most concerned about a deterioration of the bilateral relationship (52.7%).** As a reflection of this sentiment, 42.7% of members supported a return to the status quo, showing that members want a deal and a return to the pre-tariff predictability and stability of the U.S.-China trade relationship. At the same time, this would suggest that 53.3% of members favor negotiations continuing towards a deal that addresses structural issues allowing them to operate on a more level playing field. Additionally, members are also concerned about an increase in operating costs (45.6%) and being forced to find alternative sources for items currently produced in either the U.S. (22.2%) or China (22.2%).

Complete Survey Results

1. How will the May 10, 2019 increase in U.S. tariffs on $200 billion of Chinese goods from 10% to 25% impact your business?

Options	Responses	Percentage
Strong negative impact	90	37.7
Slight negative impact	89	37.2
No impact	35	14.6
Slight positive impact	1	0.4
Strong positive impact	3	1.3
Unsure	21	8.8
Total	239	100

2. How will the proposed latest round of Chinese tariffs, between 5% and 25% on $60 billion of U.S. goods beginning June 1, 2019 impact your business?

Options	Responses	Percentage
Strong negative impact	78	32.6
Slight negative impact	101	42.3
No impact	39	16.3
Slight positive impact	1	0.4
Strong positive impact	0	0
Unsure	20	8.4
Total	239	100

3. How will the combined tariffs impact your business operations in China? (Check all that apply)

Options	Responses	Percentage
Decrease demand for our products	124	52.1
Increase the cost of manufacturing our products	101	42.4
Increase the sale price of our products	91	38.2
Reduce profit slightly (less than 10%)	81	34
Reduce profit significantly (10% or more)	65	27.3
Reduce revenue significantly (10% or more)	64	26.9
Reduce revenue slightly (less than 10%)	59	24.8
Reduce employee headcount	33	13.9
Other (please specify)	24	10.1
No impact	23	9.7

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

Options	Responses	Percentage
Restructuring China operations to be more heavily 'In China for China'	84	35.3
Delaying or canceling investment decisions	79	33.2
Adjusting supply chain by seeking to source components and/or assembly outside the U.S.	60	25.2
Adjusting supply chain by seeking to source components and/or assembly outside China	54	22.7
Considering relocation of some or all manufacturing out of China	47	19.7
No impact	34	14.3
Other (please specify)	23	9.7
Considering relocation of some or all manufacturing out of the U.S.	23	9.7
Increasing investments	7	2.9
Considering exiting the China market	6	2.5

5. Does your company plan to apply for an exclusion from the tariffs? (Check all that apply)

Options	Responses	Percentage
Unsure	96	40.2
Will not apply for an exclusion	95	39.7
Will apply to the U.S. Department of Commerce	36	15.1
Will apply to the State Council Customs Tariff Commission	24	10

6. Have you experienced any non-tariff retaliatory measures since tariffs were first implemented in July 2018? (Check all that apply)

Options	Responses	Percentage
No Change	127	53.1
Increased inspections (tax, environmental, HR, etc.)	48	20.1
Slower Customs clearance	47	19.7
Slower approval for licenses or other applications	34	14.2
Other complications from increased bureaucratic oversight or regulatory scrutiny	34	14.2
Others (please specify)	16	6.7
Challenges with U.S. employee visa applications	14	5.9
Increased difficulty completing investment deals	10	4.2
Products rejected by Customs	10	4.2
Rejected licenses or other applications	6	2.5

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

Options	Responses	Percentage
No plans to relocate manufacturing facilities	144	60.3
Southeast Asia	59	24.7
Mexico	25	10.5
Indian Subcontinent (India, Bangladesh, Pakistan, Sri Lanka)	20	8.4
Elsewhere (please specify)	15	6.3
United States	14	5.9
East Asia	10	4.2
Europe	9	3.8

8. What specific outcome of any trade deal is most important to your company?

Options	Responses	Percentage
A return to the status quo	102	42.7
Guarantee of equal enforcement of Chinese regulations for foreign and domestic enterprises	35	14.6
Increased market access	29	12.1
Improved IPR protection	24	10
End to market-distorting subsidies in Chinese industrial policies	17	7.1
Other (please specify)	15	6.3
More purchases of U.S. goods by China	7	2.9
Resolution of the trade imbalance	4	1.7
A trade deal enforcement mechanism	3	1.3
Measures to stop currency manipulation	2	0.8
An end to forced technology transfer	1	0.4
Total	239	100

9. What are your top concerns if no agreement to resolve the trade frictions is reached within the next two months? (Check all that apply)

Options	Responses	Percentage
Deterioration of bilateral relationship	126	52.7
Increase in operating costs	109	45.6
Will force us to find alternative source for items currently produced in the U.S.	53	22.2
Will force us to find alternative source for items currently produced in China.	53	22.2
Will force us to relocate some China operations	43	18
Unclear	28	11.7
Will force us to relocate some U.S. operations	19	7.9
Other (please specify)	14	5.9
No impact	8	3.3

10. What is your primary strategy in China?

Options	Responses	Percentage
Produce or source goods or services in China for the China market	103	43.1
Produce or source goods or services in China for the U.S. market	30	12.6
Produce or source goods or services in China for markets other than the U.S. or China	22	9.2
Import goods into China	41	17.2
Other (please specify)	43	18
Total	239	100

11. What is your total annual China revenue?

Options	Responses	Percentage
No revenue	9	3.8
< US$1 million	9	3.8
US$1-$9 million	36	15.1
US$10-$50 million	60	25.1
US$51-$100 million	35	14.6
US$101-$250 million	34	14.2
US$251 million-$500 million	14	5.9
>US$500 million	42	17.6
Total	239	100

12. My company's China operations are primarily categorized as:

Options	Responses	Percentage
Machinery, Equipment, Systems & Controls	35	14.6
Other Services (e.g., Law, Human Resources, Accounting, Marketing, Advertising and PR, Research, Consulting, etc.)	25	10.5
Others (please specify)	23	9.6
Automotive & Transportation Vehicles	20	8.4
Electronics (Non-consumer)	17	7.1
Chemicals	16	6.7
Healthcare Products (e.g., Pharmaceuticals, Medical Devices)	13	5.4
Consumer Products	13	5.4
Financial Services (e.g., Asset Management, Banking, Insurance, Investment)	11	4.6
Technology/Telecommunications - Hardware	9	3.8
Agribusiness	9	3.8
Retail and Distribution	9	3.8
Other Industrial (e.g., Mining, Paper & Packaging, etc.)	8	3.3
Education	6	2.5
Technology/Telecommunications - Services	5	2.1
Media and Entertainment	4	1.7
Oil & Gas / Energy	4	1.7
Real Estate and Development	4	1.7
Hospitality and Travel & Leisure	3	1.3
Transportation and Logistics	2	0.8
Aerospace	2	0.8
Healthcare Services	1	0.4
Total	239	100