JOINT PRESS RELEASE  
May 22, 2019

From May 16-20, 2019, AmCham China and AmCham Shanghai 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%).

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## 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?

<table>
<thead>
<tr>
<th>Options</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong negative impact</td>
<td>90</td>
<td>37.7</td>
</tr>
<tr>
<td>Slight negative impact</td>
<td>89</td>
<td>37.2</td>
</tr>
<tr>
<td>No impact</td>
<td>35</td>
<td>14.6</td>
</tr>
<tr>
<td>Slight positive impact</td>
<td>1</td>
<td>0.4</td>
</tr>
<tr>
<td>Strong positive impact</td>
<td>3</td>
<td>1.3</td>
</tr>
<tr>
<td>Unsure</td>
<td>21</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>239</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

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?

<table>
<thead>
<tr>
<th>Options</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong negative impact</td>
<td>78</td>
<td>32.6</td>
</tr>
<tr>
<td>Slight negative impact</td>
<td>101</td>
<td>42.3</td>
</tr>
<tr>
<td>No impact</td>
<td>39</td>
<td>16.3</td>
</tr>
<tr>
<td>Slight positive impact</td>
<td>1</td>
<td>0.4</td>
</tr>
<tr>
<td>Strong positive impact</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unsure</td>
<td>20</td>
<td>8.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>239</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
3. How will the combined tariffs impact your business operations in China? (Check all that apply)

<table>
<thead>
<tr>
<th>Options</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease demand for our products</td>
<td>124</td>
<td>52.1</td>
</tr>
<tr>
<td>Increase the cost of manufacturing our products</td>
<td>101</td>
<td>42.4</td>
</tr>
<tr>
<td>Increase the sale price of our products</td>
<td>91</td>
<td>38.2</td>
</tr>
<tr>
<td>Reduce profit slightly (less than 10%)</td>
<td>81</td>
<td>34</td>
</tr>
<tr>
<td>Reduce profit significantly (10% or more)</td>
<td>65</td>
<td>27.3</td>
</tr>
<tr>
<td>Reduce revenue significantly (10% or more)</td>
<td>64</td>
<td>26.9</td>
</tr>
<tr>
<td>Reduce revenue slightly (less than 10%)</td>
<td>59</td>
<td>24.8</td>
</tr>
<tr>
<td>Reduce employee headcount</td>
<td>33</td>
<td>13.9</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>24</td>
<td>10.1</td>
</tr>
<tr>
<td>No impact</td>
<td>23</td>
<td>9.7</td>
</tr>
</tbody>
</table>
4. How are tariffs and U.S.-China trade tensions impacting your business strategy? (Check all that apply)

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

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

<table>
<thead>
<tr>
<th>Options</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsure</td>
<td>96</td>
<td>40.2</td>
</tr>
<tr>
<td>Will not apply for an exclusion</td>
<td>95</td>
<td>39.7</td>
</tr>
<tr>
<td>Will apply to the U.S. Department of Commerce</td>
<td>36</td>
<td>15.1</td>
</tr>
<tr>
<td>Will apply to the State Council Customs Tariff Commission</td>
<td>24</td>
<td>10</td>
</tr>
</tbody>
</table>
6. Have you experienced any non-tariff retaliatory measures since tariffs were first implemented in July 2018? (Check all that apply)

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

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

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

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

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

10. What is your primary strategy in China?

<table>
<thead>
<tr>
<th>Options</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Produce or source goods or services in China for the China market</td>
<td>103</td>
<td>43.1</td>
</tr>
<tr>
<td>Produce or source goods or services in China for the U.S. market</td>
<td>30</td>
<td>12.6</td>
</tr>
<tr>
<td>Produce or source goods or services in China for markets other than the U.S. or China</td>
<td>22</td>
<td>9.2</td>
</tr>
<tr>
<td>Import goods into China</td>
<td>41</td>
<td>17.2</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>43</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>239</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
11. What is your total annual China revenue?

<table>
<thead>
<tr>
<th>Options</th>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No revenue</td>
<td>9</td>
<td>3.8</td>
</tr>
<tr>
<td>&lt; US$1 million</td>
<td>9</td>
<td>3.8</td>
</tr>
<tr>
<td>US$1-$9 million</td>
<td>36</td>
<td>15.1</td>
</tr>
<tr>
<td>US$10-$50 million</td>
<td>60</td>
<td>25.1</td>
</tr>
<tr>
<td>US$51-$100 million</td>
<td>35</td>
<td>14.6</td>
</tr>
<tr>
<td>US$101-$250 million</td>
<td>34</td>
<td>14.2</td>
</tr>
<tr>
<td>US$251 million-$500 million</td>
<td>14</td>
<td>5.9</td>
</tr>
<tr>
<td>&gt;US$500 million</td>
<td>42</td>
<td>17.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>239</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
12. My company’s China operations are primarily categorized as:

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