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中美关系与跨国公司在华业务

Latest trends in the US-China Relations: Implications for MNCs in China

Abstract

The China-U.S. relations sharply deteriorated since 2018. In the economic and trade realm, the Trump administration has launched a trade war against China by imposing tariffs. while the US policy of decoupling contains cutting-off technology and humanistic exchanges and sanctioning targeted Chinese companies on the Entity List. Upon taking office, the Biden administration revamped did not initiate any fundamental resets to Trump's China policy regarding economy and trade. The tariffs and decoupling policies are not only kept in place but even has been extended to other sectors.

In 2020, the COVID-19 pandemic caused an unprecedented recession in global economy, with negative growth in all major economies except China. In the midst of the trade war and global pandemic, many multinational corporations suffered severely in their business in China. These circumstances compounded uncertainties for global

companies when evaluating whether they should continue and expand their businesses in China: will the Chinese market remain open for foreign investment? will it adopt exclusionary policies? While the measures the Chinese government recently announced on improving the business environment and opening up more areas for foreign investments are certainly welcomed by these global companies, they are still questioning whether these policy directives will be implemented efficiently and effectively in the future. How will the large global multinational corporations conduct their business in China? Under the impact of worsening China-US relations and widespread disruptions under the pandemic, Will they choose to relocate outside China? These questions will be the main concerns of this study.

Over the past decades, multinational corporations have reaped huge benefits in the Chinese market and in return made outstanding contributions to China's economic and social development. In addition, foreign enterprises in China have introduced modern corporate management concepts to their Chinese counterparts and nurtured a global supply chain, which optimized and upgraded the Chinese manufacturing structure. At the same time, they are actively practising corporate social responsibility, such as increasing the number of jobs created in China, improving the quality of employment, cultivating innovative talents and enhancing China's innovation capacity.

This report mainly selects U.S. companies from all the global multinational corporations operating in China as the research subjects. The research methodology includes both qualitative and quantitative analysis. In the qualitative analysis section, this report will summarize the operation of multinational corporations in China from official data, documents and relevant reports in domestic and foreign media, and understand their future trends of development through (unbiased) analysis of the current economic and trade relations between the U.S. and China, relevant policies of the U.S. and China, and the business environment in China. In the quantitative study, this report focuses on 94 of the 121 U.S. companies with economic activities in China among the 2020 Fortune 500 and makes quantitative judgments about their business strategies - focusing on whether these 94 companies and 28 of them high-tech companies have plans to increase the proportion of their investments in China or withdraw their operations in China. The quantitative assessment reveals that most of the U.S. firms in China will maintain their operations in China for a considerable period in the future, while some will increase the proportion of their

operations in China.

In response to these circumstances, this study concludes with recommendations to relevant policy-making departments and enterprises. These recommendations include: accelerating the development of the digital economy and the digital transformation of enterprises; enhancing corporate social responsibility practices; moving forward with the opening-up of more sectors; China and the United States should resume trade negotiations and formulate rules on digital trade; promote the full opening of the general manufacturing industry and the orderly opening of the telecommunications industry to lay a solid foundation for a new era of globalization with greater openness and integration.

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Part I Background of the Study

Multinational corporations (MNCs) have played an important role in China's economic development since the Reform and Opening-up. Amid the unpredictable global politics and economy, the business development and future strategies of multinational corporations (MNCs) in China are subject to a great deal of uncertainty. This section will describe the changing business and political environment encountered by multinational corporations in China. These contexts will facilitate the understanding of the strategic decisions of multinational corporations in China.

1.1 Development History of Multinational corporations in China

A multinational corporation is a large form of business organization that emerged in the post-World War II globalization process. It exports capital and technology through the global network, acquires economic resources that can effectively expand interests, realizes global division of labour and production, and achieves growth and the maximization of profits. After China's reform and opening-up, a large number of multinational corporations and foreign capital have entered China, and while gaining profits, they have also brought enormous beneficial effects to the country's development. According to the Ministry of Commerce, by the end of 2019, more than 1 million foreign enterprises established businesses in China and the country has attracted more than $2 trillion foreign investment cumulatively.

According to a survey by the Chinese Academy of International Trade and Economic Cooperation at the Ministry of Commerce, foreign investment has contributed to China's economic development mainly by increasing the provision of production factors in the Chinese economy and in particular the capital accumulation process after the reform and opening-up. As the fastest-growing source of capital, the amount of fixed-asset investment that foreign entities has contributed accounted for 11.8% of the national total when the proportion reached the peak in 2009 Foreign investment has accelerated the restructuring of China's economy, facilitating the tendency to economic development, promoting the tendency to industrial structure changes, and prompting the continuous optimization of industrial structure. Foreign investment has also accelerated China's industrialization process, and is an important facilitating force for China's transformation and upgrading in the new era. At the same time, foreign investment has increased employment opportunities in China, providing tens of millions of jobs. The number of Chinese in

entities invest by capital from Hong Kong, Macao, Taiwan and foreign countries peaked at 29.63 million in 2014 (2014), and the proportion of tax collected from foreign investment in total national tax revenue reached its peak in 2009 at 23.46%. Finally, foreign investment has played an important role in the development of China's foreign trade, with foreign-invested imports and exports reaching a peak of 58.87% in 2006 and even in 2018 it still maintained an impressive level at 42.57%.[1]

In recent years, as China's economy has grown rapidly and the national economic base has increased, there has been a relative decline in the share of employment, fiscal taxes, imports and exports, and fixed asset investment generated by foreign investment in China. The Chinese government has taken the initiative to improve the investment and business environment by introducing policies to ensure the continued inflow of high-quality foreign investment. This includes accelerating the construction of free trade experimental zones, exploring the innovative policies and mechanisms of free trade ports, continuously reducing the negative list of foreign investment access, and expanding the opening up of the service sector. Meanwhile, regarding improving the legal and policy environment, relevant laws such as the *Foreign Investment Law*, the *Patent Law* and the *Anti-monopoly Law* have been put into effect to strengthen the protection of the rights and interests of foreign investors. The amount of foreign investment in China, including those by the large multinational corporations, has remained stable, with actual utilization of non-financial FDI nationwide reaching ¥941.52 billion in 2019, with a 5.8% from last year[2] In 2020, China not only achieved positive growth in FDI inflows amid a sharp decline in global FDI, but also surpassed the United States as the world's top direct investment destination.

From 2018 to 2020, the world mainly faces the impact of the COVID-19 pandemic and the trade war between China and the U.S., leading to a severe decline in international trade and investment and negative economic growth, which in turn triggered the spread of trade protectionism and populism around the world. China is the only economy in the world that maintained positive growth in 2020. However, during the early stages of the pandemic, the global industrial supply chain underwent profound changes due to the impact of the pandemic lockdown

[1] Ministry of Commerce, Institute of International Trade and Economic Cooperation, 40 Years of Multinational Corporations' Investment in China, http://www.mncsummit.org.cn/u/cms/www/201910/191650449waf.pdf, October 2019.

[2] National Development and Reform Commission of the People's Republic of China actual use of foreign capital in 2019, https://www.ndrc.gov.cn/fggz/lywzjw/wstz/202003/t20200312_1223000.html, 12 Mar. 2020.

along with the China-U.S. trade war. The relevant policies corresponding to these dynamics and the evolving geopolitical landscape will have a profound impact on China's economic development path for an extended period in the future.

1.2 The Impact of the COVID-19 Pandemic

As of August 15, 2021, the cumulative number of confirmed COVID-19 cases reached 207 million and has caused over 4.37 million deaths worldwide. The United States, the country most severely affected by the pandemic, has 37 million confirmed cases and nearly 637,000 deaths cumulatively.[3] The world economy is in serious decline due to the pandemic lockdown. According to the International Monetary Fund (IMF) in October 2020, the world's average GDP is expected to fall by 4.4% in 2020, while the U.S. GDP falls by 3.5% in 2020, both recessions surpassing the 2008 financial crisis.[4]

The impact of the COVID-19 outbreak on the global economy is largely attributed to the quarantine policy. These imposed policies halted the value chain cycle: it had dampened the consumption on the demand side while on the supply side the suspension of production activities led to a drastic contraction in manufactured goods purchases and production capacity. Except for the healthcare industry and e-commerce which grew rapidly due to the surge in online shopping, almost all industries experienced massive losses. Meanwhile, issues like the shortage of medical supplies, lack of production capacity and lagging R&D capabilities directed related to the pandemic have raised concerns from across the society about health and safety. For relevant industries, these circumstances force them to shift the geography of value chain location. The pandemic has also accelerated the digitalization and consumer habits diverting to online platforms, which has contributed to the rapid growth of e-commerce businesses. China's cross-border e-commerce imports and exports grew by 31.1% in 2020, with exports reaching 1.12 trillion RMB, which is an increase of 40.1%.[5]

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[3] Huanqiu: Interprerting the global epidemic on August 15, https://m.huanqiu.com/article/44NI1t669pf, August 16, 2021.

[4] International Monetary Fund, https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD,; January 2021 IMF World Economic Outlook Update revises GDP growth to -3.5% vs -3.4% respectively, see https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update.

[5] China government: exports up 40% in scale to record high cross-border e-commerce growth, http://www.gov.cn/xinwen/2021-02/22/content_5588149.htm#:~:text=2020%E5%B9%B4%E4%B8%AD%E5%9B%BD%E8%B7%A8,%E9%A1%B9%E6%8C%87%E6%A0%87%E5%9D%87%E5%88%9B%E6%96%B0%E9%AB%98%E3%80%82, 22 February 2021.

Even though the negative impact of the pandemic has been mitigated to some extent, the IMF noted that the disparities in vaccination R&D capacity and social development level across different countries will result in a skewed recovery which is asynchronous, unequal and uneven. As the first country to achieve positive economic growth during the pandemic, the suppressed consumer demand in China will be released under the guidance of the "double-cycle" policy, while the Biden administration has set universal vaccination and domestic economic recovery as the priority, meaning that the US economic recovery could also be expected. . At the same time, the economic relationship between China and the U.S. during the pandemic has demonstrated certain complementarities in economics and trade. Data show that total commodity trade between China and the U.S. rose despite the higher average tariff than pre-2018 level. According to the General Administration of Customs, commodity trade between China and the U.S. increased by 8.8% in 2020, with China's exports to the U.S. increasing by 8.4%, reversing the 10.1% decline in total bilateral trade in 2019.[6]

In sum, the growth of China's commodity trade in 2020, particularly the rapid growth of cross-border e-commerce trade, suggests that the strength of China's complete industrial system along with its success in containing the pandemic safeguards its capacity to supply sufficient products to the world. For the multinational corporations, maintaining their purchases or direct investment to build factories in China, will reduce their cost in production and supply.

1.3 China-U.S. Trade War and the Phase One Agreement

On July 6, 2018, the U.S. imposed 25% additional tariffs on $34 billion worth of Chinese goods exported to the U.S. and on the same day China's Ministry of Commerce responded with retaliatory tariff, which led to the start of a full-blown trade war.. Subsequently, several rounds of tariff increases and countermeasures were taken by both sides. The US-China Business Council and Oxford Economics reported in January 2021 that a trade war with China would cost the United States 0.5 per cent ($108 billion) in GDP, 245,000 jobs and $1.7 trillion in market capitalization for U.S. firms in 2018-2019. If China-U.S. trade friction escalates further, the real GDP of the U.S. could potentially decrease by $1.6 trillion over the next five years and it could

[6] China.com: General Administration of Customs: China-US bilateral trade in goods up 8.8% last year, China-Australia down 0.1%, http://news.china.com.cn/txt/2021-01/14/content_77115142.htm, January 14, 2021.

lose 732,000 jobs in 2022 alone.[7] As of the release of this study, the U.S. still imposes an average tariff of 19.3% on 66.4% of Chinese goods, and 58.3% of its exports to China are also charged by a tariff of 20.7%, which is much higher than the average tariff for the rest of the world and much higher than the 3.1% average before the outbreak of the trade war.[8] Tariffs between the two countries have yet been rolled back by the signing of the first phase of the trade agreement.

Non-tariff barriers and diplomatic means have also been widely used by the U.S. government for its attempt to "decouple" China. Those that caused the most damaging impact on China-U.S. economic exchanges include the expansive use of the "Entity List" against Chinese companies, cutting off their technological exchanges with foreign firms and their links to business partners on the upstream and downstream of the supply chain. By May 2020, the number of Chinese entities on the "entity list" had reached 181. On April 9 2021 and July 9 2021, the U.S. Department of Commerce added seven more Chinese companies and 23 Chinese entities/individuals engaged in the supercomputer sector to the "entity list."[9]

In addition to this, the Trump administration tightened visa policies, restricted the entry of academics and Chinese Communist Party members, along with adding several polytechnic universities to the entity list and even suspended U.S. education programs in China. BBC China noted that more than 500,000 people will be affected by such measures.[10] As the flow of top talents around the world is a key factor driving the US economic growth, the restrictions on Chinese entering the US will cause a significant brain drain, which will be a drag on the long-term economic development and will further weaken the inclusiveness and attractiveness of the U.S. system. Notwithstanding the Biden administration's executive orders to ease the visa and immigration restrictions, it is not likely that the U.S. government will stop its moves towards

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[7] U.S.-China Business Council：The US-China Economic Relationship，https://www.uschina.org/reports/us-china-economic-relationship。

[8] Person Institution for International Economics：US-China Trade War Tariffs：An Up-to-Date Chart，https://www.piie.com/research/piie-charts/us-china-trade-war-tariffs-date-chart

[9] U.S. Department of Commerce：Commerce Adds Seven Chinese Supercomputing Entities to Entity List for Their Support to China's Military Modernization，and Other Destabilizing Efforts，https://www.commerce.gov/news/press-releases/2021/04/commerce-adds-seven-chinese-supercomputing-entities-entity-list-their。

Reuters: Exclusive U.S. set to add more Chinese companies to blacklist over Xinjiang, https://www.reuters.com/world/china/exclusive-us-set-add-more-chinese-companies-blacklist-over-xinjiang-2021-07-09/, July 9, 2021

[10] BBC Chinese: Trump further tightens U.S. work visas involving a large number of technology company employees， https://www.bbc.com/zhongwen/simp/world-53147211。

decoupling with China in human and economic and trade exchanges. The continued pressures from the US on Chinese high-tech sectors have very significant implications for the ongoing and expanding investment and operations of global high-tech companies in China.

On January 15, 2020, the United States and China signed the *Economic and Trade Agreement between the Government of the People's Republic of China and the Government of the United States of America*, or known as the Phase I Economic and Trade Agreement in Washington, D.C. The signing of the Phase I ETA is a milestone marking ease of trade frictions between the U.S. and China. However, the event is only a temporary "cease-fire" rather than a permanent end of the trade war, and it's unlikely the bilateral relations could be brought back on track. The agreement also reflects the attitude and interpretations on the economic and trade cooperation and competition from both countries:

Firstly, China is committed to maintaining economic and trade cooperation the United States. China has made significant concessions on intellectual property rights, financial openness, and trade opportunities, Since 2018, China has also gradually liberated the restrictions on the percentage of shares that foreign companies are allowed to hold in automotive joint ventures shareholding in foreign while also lowering the tariffs on auto imports[11]. These practices also led to Tesla's "$10 billion VAM" winning of various concessions from the Shanghai municipal government ranging from land and loans in exchange for the future tax contribution and jobs, as well as the 100% foreign ownership of the Sichuan Hyundai. The 100% foreign ownership of the Sichuan Hyundai. Subsequently, China committed to accelerate the opening up of financial services, including insurance, securities, credit ratings, etc.[12] In December 2020, the State Council Information Office released a white paper on "China's Energy Development in a New Era", proposing to build a mechanism of competition and price determination for the energy market. Overall, through market-oriented reforms in representative industries including automobiles, finance and energy since the outbreak of the trade war in 2018, China has demonstrated its determination on high-quality development and deepened reform and opening-up, as well as its integration with globalization,. On the one hand, the efforts mentioned above are certainly driven

[11] Xinhua: The foreign share ratio restriction in the auto industry will be lifted within 5 years for domestic new energy vehicles to meet the big test, http://www.xinhuanet.com/auto/2018-04/18/c_1122699045.htm.

[12] See Chapter IV of the Economic and Trade Agreement between the Government of the People's Republic of China and the Government of the United States of America.

by the heavy pressure from the trade war, and on the other hand, mainly attributed to China's long-term strategy on domestic industrial transformation and upgrading.

Secondly, the trade war has caused some pains for particular sectors in China but apparently not enough to interrupt its normal economic activities and growth. The strong resilience originated from not only the large size of the economy but also connected with the differences and complementarities between the domestic industrial structures in China and the U.S. respectively. The global distribution of industrial chains, which was driven by the transnational flow of capital has enhanced the high dependence of the U.S. consumers on intermediate manufactured goods, while China has also imported a large amount of natural resource, manufactured goods and high-tech products to the U.S. At the same time, the trade imbalance between the U.S. and China can be largely attributed to traditional statistical methods which neglected the large share of benefits that U.S. firms gained from the Chinese market. Regarding the cost of the trade war, the reduction in the import quota and rise of tariff is a heavy blown on the U.S. agricultural sector: China was the U.S's top largest buyer of agriculture products - the leading sector in the U.S. exports to China and also the target on which China has imposed retaliatory tariffs. .[13] Therefore, the phase one Agreement specifically addresses the issue of agricultural quotas and China's commitment to "expand its purchase and import of manufactured goods, agricultural products, energy products and services from the United States by no less than $200 billion over the 2017 levels," reflecting the practical concern from the United States on these specific sectors. The signing of the phase one deal yielded notable positive results as China's agricultural and crude oil imports from the U.S. increased in 2020 despite the impact of the pandemic. Information from the General Administration of Customs shows that China imported ¥ 931.87 billion from the United States in 2020, an increase of 10.1 per cent. The imports of agricultural products were ¥162.74 billion, up by 66.9 per cent, and the imports of soybeans, pork, cotton and crude oil increased by 56.3 per cent, 223.8 per cent, 121.7 per cent and 88 per cent, respectively.

However, the technological decoupling with China escalated, specifically by banning

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[13] Bureau of Industry and Security：U.S. Trade with China，https://www.bis.doc.gov/index.php/country-papers/2575-2019-statistical-analysis-of-u-s-trade-with-china/file；Person Institution for International Economics：21-2 The US-ChinaTradeWar and Phase One Agreement，https://www.piie.com/sites/default/files/documents/wp21-2.pdf。

Chinese high-tech firms from purchasing components with U.S. intellectual property rights. Many Chinese technology companies experiencing enormous difficulties in buying key technological products., for example, Huawei is unable to access TSMC, its OEM partner of the "Kirin" chips, and its procurement denied by global technological corporations.

The decoupling instigated by the United States has created great uncertainty for global multinational corporations. Companies operating in China, especially the multinational actors, are caught in a dilemma: on the one hand facing the uncertainty in policies from both the US and China, on the other hand, they are concerned about the possibilities that that Chinese companies pushing towards technological independence, from which they would permanently lose the Chinese market.

1.4. The Comprehensive Investment Agreement (CAI) and Regional Comprehensive Economic Partnership Agreement (RCEP)

Besides the phase one trade deal with the United States, China also signed the China-EU Comprehensive Investment Agreement (CAI) with its second-largest economic and trade partner, the European Union at the end of 2020 after a seven-year negotiation. A little earlier than the CAI, China signed the RCEP with its top economic and trade partner, the ASEAN, as well as Japan, South Korea, Australia and New Zealand, which constitute the world's largest regional FTA in terms of the trade volume. If successfully implemented, the CAI and RCEP will deepen China's economic ties with the EU, ASEAN, Japan and Korea both on paper and in practice. while filling the investment and trade gaps left over by the China-U.S., frictions, and have a positive impact on the economic integration of the East and Southeast Asian region.

In the RCEP agreement, the signing parties are committed to bring down the tariffs to zero within 10 years for more than 90% of goods. RCEP marks that for the first time China built a closer connection with the Japanese market, the 3rd largest economy through constructing a regional free trade area.86% of the goods traded between China and Japan and 83% of the goods traded between Japan and South Korea will eventually be eliminated from tariffs. This is also a strong push for the China-Japan-ROK FTA itself, which had been going through negotiations for years but still waiting for the final conclusion.[14] As of the end of April 2021, China, Japan and

[14] Chinese government website: RCEP has extraordinary significance for Japan, http://www.gov.cn/xinwen/2020-11/19/content_5562466.htm, Nov. 19, 2020.

Singapore have ratified the RCEP, which will enter into force in the first half of 2022 if the ratification process of the remaining countries proceeds smoothly.

The value of the CAI for businesses between China and Europe cannot be underestimated. From the information released by both sides so far, China's commitment to opening-up covers three aspects: Firstly, China has made substantial commitments to open up investment in the manufacturing sector, which accounts for more than half of the total EU investment in China, including 28% in the automotive sector and 22% in the basic materials sector. Secondly, China has significantly expanded the scope of its commitments across the services sector, particularly in telecommunications, financial services, private healthcare, environmental services, R&D, and air transport-related services. Thirdly, China also offers new targeted market openings that go beyond its current autonomous level of liberalization, including the removal of current restrictions on joint venture requirements (mainly in hospitals and clinics), economic needs tests (in electric vehicle manufacturing sector), and foreign investment bans (in cloud services and or monopoly rights (in computer reservation systems.[15] Chinese investment in the EU started to decline in 2017 due to various factors. EU investment in China stood at $7.31 billion in 2019, nearly 30% down from $10.43 billion in 2018. Chinese investment in the EU was $20.53 billion, which declined by d57.1% from the previous year. However, according to survey data from the European Union Chamber of Commerce in China, 63% of EU companies in China claimed that China remains one of their top three investment destinations.[16] With the completion of the CAI negotiations, and after legislative approval, it will provide effective protection for companies with investment activities on the other. Although the European Parliament froze the CAI deliberations in May 2021 for political reasons, the long-negotiated agreement is based on strong incentives for cooperation will remain a common bilateral choice despite the disagreements and frictions in other aspects. During the third online session of the 7th China and Globalization Forum on the theme "The Multilateral Trading System in a Changing International Landscape", Pascal Lamy, former

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[15] Institute of Economic Research, Chinese Academy of Social Sciences: Basic information on the China-EU Comprehensive Investment Agreement, http://ie.cass.cn/academics/economic_trends/202101/t20210111_5243669.html, January 11, 2021.

[16] Roland Berger: European Union Chamber of Commerce in China Business Confidence Survey 2020, https://www.rolandberger.com/zh/Insights/Publications/%e4%b8%ad%e5%9b%bd%e6%ac%a7%e7%9b%9f%e5%95%86%e4%bc% 9a%e5%95%86%e4%b8%9a%e4%bf%a1%e5%bf%83%e8%b0%83%e6%9f%a52020.html, June 10, 2020, P34.

President of the World Trade Organization, said that China and Europe should consider practical measures to continue to promote bilateral investment. Nicolas Chapius, EU Ambassador to China, who also spoke at this session of the Globalization Forum, reiterated that cooperation between China and the EU is not only an option but also a necessity.

The acceleration of economic integration in East Asia and the establishment of closer cooperation between China and Europe are extremely beneficial for global multinational corporations to continue their presence in East and Southeast Asia. East Asia is now becoming the most economically dynamic region in the world. By 2040, Asia will account for more than 50% of global GDP and contribute 40% of global consumption.[17] Foreign investors continue to prosper in the Asia Pacific market. 2020 saw negative global FDI growth of 42% due to the COVID-19,[18] while China's actual utilization of non-financial FDI bucked the trend and reached a record high of ￥999.98 billion, up 6.2% than the previous year (approximately $144.37 billion in US dollar terms, which is a 4.5% increase).[19] The wider region of East Asia, including China, will be an important international investment destination for an extended period, and the RCPP and CAI will push forward this trend.

1.5. Biden-Era China Foreign Policy and the Impact on Business

After two hundred days in office, the Biden administration has not fundamentally changed Trump's strategy toward China. Biden, Treasury Secretary Janet Yellen, and Chief Trade Representative Katharine Tai have all publicly stated that they will roll back the high tariffs imposed by Trump on China in the short term. Strategic Competition Act 2021, Interim National Security Strategic Guidance, and the Endless Frontier Act, labelled China as a strategic competitor in the cutting-edge fields of science and technology and embarked on an aggressive push to a fierce rivalry. Even so, this position is already less hostile to Trump and his officials overtly calling China as a threat. There have already been several high-level talks in 2021 at Anchorage (Yang Jiechi/Wang Yi vs. Blinken/Sullivan), Shanghai (Xie Zhenhua vs. Kerry), and

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[17] McKinsey：The future of Asia：Asian flows and networks are defining the next phase of globalization，https://www.mckinsey.com/featured-insights/asia-pacific/the-future-of-asia-asian-flows-and-networks-are-defining-the-next-phase-of-globalization#，2019.9.18

[18] Xinhua: Leap to World's Largest Foreign Capital Inflow Destination Shows China's Resilience, http://www.xinhuanet.com/fortune/2021-01/28/c_1127034068.htm, Jan. 28, 20201.

[19] Ministry of Commerce: China's utilization of foreign investment in 2020 grew 6.2% in scale to a record high, http://www.mofcom.gov.cn/article/i/jyjl/j/202101/20210103032941.shtml, January 21, 2021.

Tianjin (Xie Feng vs. Sherman) as well as a video call (Liu He vs. Yellen), working towards the construction of a high-level dialogue mechanism.

Against this backdrop, the predictability of its China policy in the Biden administration and will not be as aggressive as the Trump administration in dealing with China. However, given that a consensus has been reached within the United States on a tough stance against China, it is unlikely that the Biden administration will make a clean break with his predecessor.

With Biden in the White House, the U.S. renounced its withdrawal from the World Health Organization (WHO), returned to the Paris Agreement on climate change, and approved the appointment of a new WTO Director-General, Ngozi Okonjo-Iweala, again demonstrating its commitment to resume its role in international cooperation. Before taking office, Biden published an article that made it clear that the U.S. and China would be able to cooperate on climate change, nuclear non-proliferation and arms control in the future. These three issues for cooperation were later supplemented by the area of health security. At present, China and the United States are most likely to reach cooperation in climate change first, which could be carried on in two spheres: one is on international politics, in which China and US might work together on pushing forward global actions to reduce GHG emission. The other is at the economic sphere, which involves various segments on the global supply chain and gives more room for cooperation between the two countries in areas such as emission-reduction technologies, clean energy applications, and green finance.

With the joint efforts of the two governments, U.S. Special Presidential Envoy for Climate John Kerry visited Shanghai in April 2021 marking the resume of the communication channel on climate change. In May, after a phone call between U.S. Chief Trade Negotiator Kathleen Tai and Chinese Vice Premier Liu He, the Chinese authorities subsequently announced that normal communication between China and the U.S. in the field of economic and trade had begun. This all shows that there is still room for normal communication and cooperation between the two countries even in the context of competition. Among the business community, in August 2021, 36 of the most influential U.S. business groups representing retail and chip manufacturers as well farmers are calling on the Biden administration to restart= trade talks with China and reduce

tariffs on imports.[20] Clearly, the impetus to resume China-U.S. trade and lower tariffs is also widespread among the U.S. business community.

There is a clear sense at the top of both sides that the China- U.S relationship will not revert to the trajectory that both sides have been on for the past four decades. According to an article by Huiyao Wang, the director of the Center for China and Globalization, the China- U.S. relationship needs to build a new “co-opetition”. As Chinese Foreign Minister Wang Yi said at a press conference at the Two Sessions 2021, the U.S. and China need to "compete on a fair and equitable basis" to create a new “co-opetition” relationship with both competition and cooperation.[21]

U.S. multinational corporations are important partners in this new “co-opetition” relationship. Although some U.S. companies showed support for Trump's 301 investigations into China in 2017, perception of the China-U.S. relationship among the U.S. business community has gradually shifted since 2019 as the negative impact of the China-U.S. trade war occurred. [22]According to a survey of 100 U.S. companies operating in China conducted by The U.S.-China Business Council in June 2019, while 17% of companies stopped or reduced their business in China in the past year during the escalating phase of the U.S. trade war, 87% of U.S. companies have no plans to move out of China. Only 3 per cent of U.S. companies in China plan to respond to Trump's "Made in America" call to move production lines back to the U.S., and the main reason is the increased cost in the investment and production activities in China.[23] A similar data and conclusion were presented in a joint report by AmCham Shanghai and PwC published in September 2020 showing that those firms intend to shift production out of China plans for non-US locations. Only 3.7% were moving some production out of China to the United States, while the cost of production is still their main concern. In March 2021, the American Chamber of Commerce in China published a survey of 345 U.S. companies in China conducted in October and

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[20] The Wall Street Journal：Business Groups Call on Biden to Restart Trade Talks with China, https://www.wsj.com/articles/business-groups-call-on-biden-to-restart-trade-talks-with-china-11628212436， August 6. 2021

[21] CCG: New competition to be forged in US-China relations in new era, http://www.ccg.org.cn/archives/62665, March 18, 2021

[22] BBC Chinese: Trade war escalation: six charts to understand whether U.S. companies in China are staying or going. https://www.bbc.com/zhongwen/simp/world-49528614

[23] Deutsche Welle: Decoupling? U.S. companies in China do not want to, https://www.dw.com/zh/%E8%84%B1%E9%92%A9-%E5%9C%A8%E5%8D%8E%E7%BE%8E%E4%BC%81%E4%B8%8D%E6%84%BF%E6%84%8F/a-54881296

November 2020. The results show that about 81 per cent of U.S. companies in China expect their industries to achieve growth this year, 2/3 of the companies in the survey said their companies will increase investment in China operations this year, and the percentage of participants that expressed expectations for improved China-U.S. relations rose from 30 per cent last year to 50 per cent this year.[24] Regarding investment, according to the Bureau of Economic Analysis (BEA), total U.S. direct investment in China has increased year over year since 2011, and total U.S. investment in China grew by more than $4 billion in 2018 amid a $50 billion decrease in total investment in the Asia-Pacific region compared to last year.[25]

In general, U.S. companies in China have always valued the potential profits they could gain in China, and their support for U.S. foreign policy depends in part on whether relevant policies can enhance their interests in China while avoiding the Competition is caused by unequal favoritism against foreign firms by the Chinese government. Under the Biden administration, China's new energy and green finance sectors will generate significant benefits due to the potential for China-U.S. cooperation in climate change and China's specific commitments on emissions reduction and the carbon neutrality targets. At the same time, as China's reform and opening-up and market-oriented policies continue to be introduced, as well as the relaxation of foreign ownership restrictions, a large number of U.S. companies have launched plans to enter the Chinese market.

1.6. Summary: The Impact of the International Macro-Environment on Multinational corporations' Business in China

The overall impact of the current international macro-environment on the operation of multinational corporations in China is still positive. The global economy is poised to stage its most robust post-recession recovery in 2021. . For example, the IMF raised the global economic forecast in 2021 from 5.5% to 6% in early April, while China's growth rate raised from 8.1% to 8.4%. The rapid economic growth will lead to the recovery and development of global trade and investment, which is conducive for the purchases and investments of multinational corporations in China. In fact, the rapid growth of China's foreign exports in 2020 has already exemplified this

[24] Globe and Mail: American Chamber of Commerce in China: 2/3 of surveyed U.S. companies in China will increase investment in Chinese business, most worried about political tensions between the U.S. and China, https://world.huanqiu.com/article/42FEPQZdHLR

[25] U.S. Bureau of Economic Analysis: https://apps.bea.gov/iTable/iTable.cfm?reqid=2&step=1&isuri=1#reqid=2&step=1&isuri=1.

trend.

Driven by economic development, making further moves in opening up is the starting point of its strategy in response to the mass unpredictability in the international arena. This firm strategic principle has been under implementation even before the China-U.S. trade war. At the end of 2016, the State Council executive meeting adopted the “Notice on Several Measures to Further expand opening-up and to actively take advantage of foreign investment.” Taking this as a starting point, in the following years, Chinese leaders and Chinese government agencies have continuously released signals to continue furthering opening-up, with measures including expanding the construction of free trade zones, accelerating the alignment with international trade rules and opening financial, automotive, and energy sectors to foreign investments. In early 2021, said they would "fully open up general manufacturing" and "orderly open up telecommunications." In early 2021, the government announced it would "fully open up the general manufacturing sector" and "open up telecommunications sector to foreign investment in an orderly manner" and other further opening measures.[26] At the same time, the business environment will be optimized by reducing the negative list, improving policy transparency and consistency in implementation, and creating a fair market environment with equal treatment and fair competition for domestic and foreign enterprises.[27] In this way, foreign capital will be retained and attracted to invest and operate their business in China.

Despite the positive macroeconomic news, the impact of the U.S. technology "decoupling" policy on China will likely affect large technology multinationals that do business in China in the foreseeable future, leading them to relocate their industrial chains or implement measures to diversify their production capacities to balance off the shocks triggered by policy uncertainties. Such uncertainty still surrounding the China-U.S. relationship has a considerable impact on the sourcing and production of foreign companies' supply chains in China. Questions like whether the Chinese market will be interested in foreign companies' operations in China and whether it will take exclusionary policies that make foreign companies in China uncertain about to the next steps regarding maintain or expanding their operations in China in the future. In addition,

[26] China Economic Network: Ministry of Industry and Information Technology: comprehensive opening of the general manufacturing industry, the orderly opening of foreign investment access restrictions in the field of telecommunications, http://www.ce.cn/xwzx/gnsz/gdxw/202103/01/t20210301_36346580.shtml, March 1, 2021.
[27] China.gov.hk: Expanding the opening to the outside world to optimize the business environment, http://www.gov.cn/zhengce/2019-03/08/content_5371869.htm, March 8, 2019.

while the measures are taken by the Chinese government to improve the business environment and open up more sectors for foreign access have been welcomed by foreign companies in China, they still have some doubts about how long it will take to implement these policies and how efficiently they will be implemented in the future.

To this end, this study will take both qualitative and quantitative approaches to investigate the current business conditions of foreign enterprises in China and, on this basis, offer relevant recommendations.

Part II Research Methodology

2.1. Relevant Definitions

In this report, "foreign enterprises in China," or similar concepts, is defined as foreign enterprises that have the following actions in mainland China: purchasing raw materials, components or finished products, investing (including holding shares in enterprises headquartered in mainland China), establishing factories, setting up R&D centres, and setting up training institutions. Since multinational corporations are more open and transparent than small and medium-sized enterprises, their industrial chains are relatively easy to track. Therefore, without specific reference the term "foreign companies in China" in this report is generally referred to as "foreign multinational corporations in China" in order to facilitate the investigation and research here. However, in some of the cited reports, such as the European Union Chamber of Commerce and the American Chamber of Commerce, the definition of “enterprises” generally refers to all the enterprises that are headquartered in the member economy but have operations in China.

The concept of “the impact of the international environment on foreign firms in China” includes two levels of cause and effect: the first level is the outcome level, where foreign firms in China make relevant decisions between 2018 and March 2021: to increase capital, to increase procurement and to hire more people, to set up more research centers or training institutions in China; otherwise conversely, to divest, to reduce procurement and to hire fewer people and to close research centers and training institutions in China, etc. The second level traces the causes and examines the basis for these decisions, including possible losses in the market competition, higher labor costs, changes in the business environment, and the impact of China-U.S. relations and pandemic on the procurement costs. By analyzing the causal relationships between the factors at these two levels and the relevant decision made by those firms, we could then determine the impact of the international environment on foreign firms in China.

2.2. Research Methodology

The research methodology of the report is a combination of both qualitative and quantitative studies. Firstly, through the qualitative study, we investigate and analyze how the macro-environment affects foreign companies in China through literature, data analysis and research. The main literature and data come from various official sources, including the statistics

and policies released by national governments, research reports issued by industry associations, relevant financial reports released by foreign companies in China (if available), as well as reports and interviews conducted by domestic and foreign media on foreign companies in China and policy makers in relevant countries and economies. In addition, CCG visited and researched several foreign companies' managers in China for in-depth research, and held several research roundtables or closed-door meetings with the heads of these companies for further discussions on the current situation. The results of the research and the views derived from these discussions will be presented in the text.

The second research method is quantitative. The research team took a sample of 123 U.S. companies from the 2020 Fortune 500 List, and among them, there are 94 U.S. companies with operations in China, We searched on their public information from 2018 through March 2021 to identify the specific perceptions of the Chinese market among these 94 companies. This identification process set four dependent variables that are relevant to determine the perceptions of these 94 companies, including increases, decreases, restructuring of operations in China, and global business restructuring. These four dependent variables will be associated with the following independent variables: China-U.S. relations, (Chinese) market competition, changes in business triggered by technology or other market factors. These dependent variables are not necessarily associated with a single but also possibly a combination of independent variables. For example, a large multinational company divesting in China (dependent variable) may have had to withdraw part of its business in China because of intense market competition (independent variable), but it may also have had to cut off product supply to Chinese firms because of the impact of China-U.S. relations (independent variable). These factors will be further discussed in the quantitative analysis section.

Part III Impact of Current China-U.S. Relations on Multinational corporations in China

By exploring and analyzing the development of foreign companies in China (mainly U.S. companies in China) in China mainly through qualitative research such as literature, data and case studies, this section will present the basic situation and development logic of foreign companies operating in China. Since changes in China-U.S. relations have a more direct impact on the entry of foreign companies into China, especially on US companies. Therefore, this section will focus on the impact of the changes in China-U.S. relations on U.S. companies in China.

Currently, multinational corporations in China are facing the risks and challenges of increased uncertainty in the China-U.S. relationship, the global spread of the COVID-19 pandemic, and rising production costs in China. However, the Chinese market has significant and enormous advantages. China's sound economic fundamentals, continuously optimized business environment, huge market demand, complete industrial chain, well-developed infrastructure and abundant talent pool continue to attract foreign investment. In the process of investing and operating in China, multinational corporations have contributed to China's economic and social development in many ways, and have also gained a lot in the Chinese market. It is clear that China is still full of opportunities for multinational corporations.

3.1. The Development of Multinational corporations in China and their Contribution to China

3.1.1 The Investment of Multinational Corporations in China

From 1987 to 2019 as statistics have been available, the U.S. has been one of the major sources of foreign investment in China, with U.S. investment in China growing from $260 million to $2.69 billion. Among them, in 2018, the U.S. established 1,750 new foreign-invested enterprises in China, up 30% year-on-year; the realized amount of FDI (differentiated from the contractual value) was $2.69 billion, up 1.5% from last year. 1,733 new foreign-invested enterprises were established by the U.S. in China in 2019, decreased by 1.0% from last year, accounted for 4.2% of the number of new foreign-invested enterprises in China; the actual use of foreign capital was $2.69 billion, down 0.1%, accounting for 1.9% of the actual utilization of

foreign capital in China.[28]

Table 1 Foreign direct investment, 1979-2019

Year	Number of Enterprise	actual utilization of foreign capital（100 million dollars ）
Total	1001635	22904.7
1979-1982	920	17.7
1983	638	9.2
1984	2166	14.2
1985	3073	19.6
1986	1498	22.4
1987	2233	23.1
1988	5945	31.9
1989	5779	33.9
1990	7273	34.9
1991	12978	43.7
1992	48764	110.1
1993	83437	275.2
1994	47549	337.7
1995	37011	375.2
1996	24556	417.3
1997	21001	452.6
1998	19799	454.6
1999	16918	403.2
2000	22347	407.2
2001	26140	468.8
2002	34171	527.4
2003	41081	535.1
2004	43664	606.3
2005	44019	724.1
2006	41496	727.2
2007	37892	835.2
2008	27537	1083.1
2009	23442	940.7
2010	27420	1147.3
2011	27717	1239.9

[28] Department of Commerce: Commerce Data Center, http://data.mofcom.gov.cn/lywz/inmr.shtml.

2012	24934	1210.7
2013	22819	1239.1
2014	23794	1285
2015	26584	1355.8
2016	27908	1337.1
2017	35662	1363.2
2018	60560	1383.1
2019	40910	1412.3

Data source: Ministry of Commerce of China.

By the end of 2019, more than 1 million foreign-invested enterprises were established in China and attracted more than $2 trillion in cumulative foreign investment. Currently, foreign-invested enterprises account for less than 3% of the country's enterprises but contribute nearly half of foreign trade, one-fourth of the output value and profits of industrial enterprises above the scale, one-fifth of tax revenue, and about 13% of urban population employment.[29]

3.1.2. U.S. Investment in China Has Remained Stable in Recent Years

From 1987 (when statistics have become available) to 2019, the United States has been one of the major sources of foreign investment to China, growing from $260 million to $2.69 billion. In 2019, the U.S. established 1,733 new foreign-invested enterprises in China, down 1.0% from last year, accounting for 4.2% of the number of new foreign-invested enterprises in China; the actual amount of foreign investment invested was $ 2.69 billion, down 0.1% from last year, accounting for 1.9% of the actual amount of foreign investment used in China. In 2018, the U.S. established 1,750 new foreign-invested enterprises in China, up 30% from last year; the realized amount of FDI amounted to $ 2.69 billion, up 1.5% from last year.[30]

According to the U.S. Department of Commerce, U.S. direct investments in China were not directly by the changes in China-U.S. relations during the four years from 2016 to 2019. The stock of U.S. investment in China was $97.5 billion in 2016. This figure continues to grow in the following years, at $105.1 billion (2017), $109.3 billion (2018) and $116.2 billion (2019), respectively.[31] In terms of actual annual investment flows, the total annual U.S. investment in

[29] Ministry of Commerce: China Foreign Investment Statistics Bulletin 2020, http://images.mofcom.gov.cn/wzs/202011/20201111182920243.pdf

[30] Ibid

[31] Bureau of Economic Analysis News Release：Direct Investment by Country and Industry 2019，https://www.bea.gov/sites/default/files/2020-07/dici0720_0.pdf，July 23, 2020.

China has remained relatively stable since 2008, but its share in its total global investment has steadily declined, which is somewhat related to the competition in the Chinese market as well as industrial shifts, but has not seen a substantial decline due to the turn in China-U.S. relations.

Table 2 List of U.S. investments in China from 1987 to 2019 (Amount in USD billion)

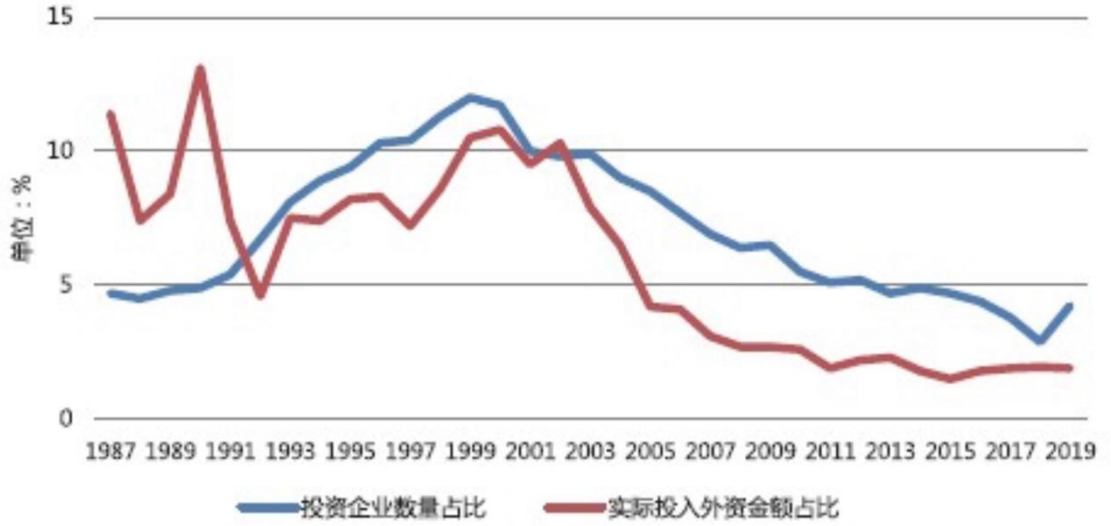
Year	Number of New Enterprise			Realized Amount of Foreign Capital		
	From U.S. in China	All Countries （Region）	Ratio	From U.S. in China	All Countries （Region）	Ratio%
1987	104	2233	4.7%	2.6	23.1	11.3%
1988	269	5945	4.5%	2.4	31.9	7.5%
1989	276	5779	4.8%	2.8	33.9	8.3%
1990	357	7273	4.9%	4.6	34.9	13.2%
1991	694	12978	5.3%	3.2	43.7	7.3%
1992	3265	48764	6.7%	5.1	110.1	4.6%
1993	6750	83437	8.1%	20.6	275.2	7.5%
1994	4223	47549	8.9%	24.9	337.7	7.4%
1995	3474	37011	9.4%	30.8	375.2	8.2%
1996	2517	24556	10.3%	34	417.3	8.1%
1997	2188	21001	10.4%	32	452.6	7.1%
1998	2238	19799	11.3%	39	454.6	8.6%
1999	2028	16918	12.0%	42	403.2	10.4%
2000	2609	22347	11.7%	44	407.2	10.8%
2001	2606	26140	10.0%	44	468.8	9.4%
2002	3363	34171	9.8%	54	527.4	10.2%
2003	4060	41081	9.9%	42	535.1	7.8%
2004	3925	43664	9.0%	39	606.3	6.4%
2005	3741	44019	8.5%	31	724.1	4.3%
2006	3205	41496	7.7%	30	727.2	4.1%
2007	2627	37892	6.9%	26	835.2	3.1%
2008	1772	27537	6.4%	29	1083.1	2.7%
2009	1530	23442	6.5%	26	940.7	2.8%
2010	1502	27420	5.5%	30	1147.3	2.6%
2011	1426	27717	5.1%	24	1239.9	1.9%
2012	1301	24934	5.2%	26	1210.7	2.1%
2013	1061	22819	4.6%	28	1239.1	2.3%
2014	1176	23794	4.9%	24	1285	1.9%
2015	1241	26584	4.7%	21	1355.8	1.5%
2016	1238	27908	4.4%	24	1337.1	1.8%

2017	1346	35662	3.8%	27	1363.2	2.0%
2018	1750	60560	2.9%	27	1383.1	2.0%
2019	1733	40910	4.2%	27	1412.3	1.9%

Data source: Ministry of Commerce of China.

Although the share of U.S. investment in all the FDI in China has declined in the 21st century, other countries/regions have invested in China at a rapid pace. Still, the share of U.S. investment in China rebounds in recent years.

Figure 1 Share of U.S. Investment in China, 1987-2019



Data source: Ministry of Commerce of China.

In 2019, the top 5 industries with the largest amount of U.S. investment in China were Manufacturing, Mining, Finance, Information transmission, Software and information technology services, and Leasing and business services. 48.5% of new enterprises are from those top five industries the investment accounted for 84.6% of the realized amount of foreign capital. U.S. firms investing in China's manufacturing sector demonstrated several notable characteristics: firstly, they invest in the capital- and technology-intensive industries in which their home countries have comparative advantages; secondly, they invest in large enterprises with advanced technologies; and thirdly, they invest mostly in trade substitution, with frequent internal trade between their branch in China and their parent companies in the U.S. to maintain their parent companies' monopoly.

For example, General Motors' 2017 annual report shows that it sold 4 million vehicles in China, exceeding the 3.6 million sold in the United States.[32] However, China's customs trade data shows that China imported a total of only 1.2 million vehicles from all countries in 2017. General Motor assembles and sells through their branches in China, therefore these activities occur within China and are not reflected in foreign trade data.

Table 3 Top 5 industries in terms of U.S. investment in China in 2019

Industry	Number of New Enterprise	Ratio %	Real Money Invested （$10,000）	Ratio （%）
Total	1733	100.0	268638	100.0
Manufacture	288	16.6	86495	32.2
	4	0.2	44892	16.7
Finance	2	0.1	35219	13.1
software and information technology service	293	16.9	33454	12.5
leasing and business service	253	14.6	27156	10.1

Data source: Ministry of Commerce of China.

U.S. companies have a significant presence in the Chinese manufacturing market. Data shows that the total assets and total sales of U.S. companies in the Chinese manufacturing market exceed trillions of RMB and have increased year after year, while net income has also maintained growth.

Table 4 Share of U.S. firms in China's manufacturing market (in billions of RMB)

Index	Year	American Enterprise （1）	Foreign Invested Enterprise（2）	Manufacturing enterprises（3）	（1）/（2）（%）	（1）/（3）（%）
Total asset	2015	11767.17	185661.09	782522.00	6.34	1.50
	2016	12800.59	196940.40	835603.00	6.50	1.53
	2017	14318.88	199984.09	863143.00	7.16	1.66
	2018	14243.60	208064.00	866343.70	6.85	1.64

[32] General Motors Media Center: https://media.gm.com/media/cn/zh/gm/news.filter.html/AP/CN/ZH/NewsTab/Sales.html.

Net Income	2015	717.19	14587.47	57975.00	4.92	1.24
	2016	792.23	16571.82	65281.00	4.78	1.21
	2017	1002.67	17286.22	66368.00	5.80	1.51
	2018	1169.43	15526.20	56964.40	7.53	2.05
Total Sales	2015	13755.19	237335.67	992647.00	5.80	1.39
	2016	14181.73	243294.89	1047711.00	5.83	1.35
	2017	16253.50	240209.80	1019598.00	6.77	1.59
	2018	17111.87	236296.20	931189.80	7.24	1.84

Data source: BEA, China Statistical Yearbook

Note: (1) refers to U.S. enterprises in mainland China (2) includes enterprises invested by Hong Kong, Macao and Taiwan (3) refers to enterprises with more than 20 million annual average revenue from their main business

3.2. The Contribution of Multinational Corporations to China's Economic and Social Development

Since the reform and opening-up, foreign investment in China has contributed to China's economic and social development in many ways, in addition to bridging China's gap in terms of capital and technology.

3.2.1. Foreign-Owned High-Tech Enterprises in China Have Enhanced China's Innovative Capacity and Helped Cultivate Innovative Talents

High-tech enterprises in China have set up a large number of research centers in China, which on the one hand enhance China's local innovation capacity and on the other hand help to train a large number of innovative talents. The internal expenditure on research and development (R&D) of large foreign-funded enterprises in China increased from ¥69.08 billion in 2010 to ¥140.57 billion in 2016, with an average annual growth rate of approximately 6.5%, the share of internal expenditure on R&D of all industrial enterprises were maintained above the level of 12%.

The R&D centers of foreign high-tech enterprises have certain technology spillover effects, which enhanced China's independent innovation capability. Through joint venture R&D, joint R&D, and R&D support, foreign high-tech enterprises transfer some of their technologies

and equipment to domestic enterprises or research institutions and generate certain knowledge spillover through talent and information exchange, R&D resource sharing, etc.

For example, US-based Johnson & Johnson established the Johnson & Johnson Asia Pacific Innovation Center in Shanghai in 2014 as one of its four global innovation centers, aiming to contribute breakthrough healthcare solutions to patients and consumers worldwide. It also established Johnson & Johnson Asia Pacific's first and the world's largest innovation incubator in 2019.[33]

Merck established the Global Biopharmaceutical R&D Center in Beijing, the Display Materials R&D China Center, Surface Solutions Technology Application Network China, the OLED Technology China Center, the Life Science Lab and the BioReliance® End-to-End Biodevelopment Center in the Asia Pacific in Shanghai, and the Lithography Materials R&D China Center in Suzhou. In 2019, Merck established the Shanghai Innovation Center and the Guangdong Innovation Center in Guangzhou, linking China's innovation resources to Merck's global innovation system and resources.[34]

Siemens has 21 R&D centers in China (as of 2019) and established the Siemens Corporate Technology China (CT China) in 2006, which became the largest research branch outside its German headquarters, it also established the first R&D lab focusing on digital technologies in China in 2016 and set up in 2019 it set up the first Siemens artificial intelligence lab outside Germany in China.[35]

Qualcomm collaborates with more than 10 universities to promote basic research in wireless communications, including well-known institutions and research institutes such as the Chinese Academy of Sciences, Tsinghua University, Peking University, Shanghai Jiaotong University, Zhejiang University, Beijing University of Posts and Telecommunications, Shenzhen University, Shandong University, etc. The research covers various important areas of wireless communications technology, including 3G/4G/5G technology, multimedia, artificial intelligence, robotics, computer vision, image recognition, 3D reconstruction and many other aspects. With Qualcomm's funding, several universities have set up independent mobile communication

[33] Johnson & Johnson: https://www.jnj.com.cn/our-heritage/20170404154930.

[34] https://www.merckgroup.com/cn-zh。

[3535] https://new.siemens.com/cn/zh.html。

laboratories, covering various important areas of wireless communication and promoting local basic research on wireless communication.[36]

The R&D of foreign companies in China has a strong incentive to localize, often closely following up with the local market trend and carrying out the R&D and design process of new products and technologies according to the Chinese context, which has to some extent enhanced local innovative technologies and promoted the cultivation of local innovative talents.

In recent years, the number of R&D personnel working in foreign-funded enterprises has been rising. The number of R&D personnel om large foreign-funded enterprises have experienced steady growth, with the number of R&D personnel increasing from 284,400 to 432,800 and equivalent full-time equivalents rising from 228,300 to 330,600 from 2009-2016, achieving an increase of 52.17% and 44.85% respectively.[37]

The main ways for foreign high-tech companies to cultivate technology talents include hiring local R&D personnel, jointly training future technology talents with research institutes or universities, and hosting or sponsoring innovation competitions.

For example, BD (China) has established innovation and training centers covering various fields to introduce cutting-edge international technologies, equipment and total solutions, and provide professional technical support and standardized application training to help medical professionals improve their professional skills for the benefit of Chinese patients.[38]

Schneider Electric launched a university cooperation program in 2006 and has since launched various forms of cooperation with more than 100 universities, including the use of labs and the construction of teaching practice bases.[39]

Honeywell established the China Aviation Academy in Shanghai in 2009 and signed a memorandum of cooperation with the Civil Aviation University of China in 2016 to cooperate on a series of talent training programs for the aviation industry, including offering Honeywell

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[36] https://www.qualcomm.cn/

[37] The full-time equivalent of R&D personnel refers to the sum of full-time personnel plus part-time personnel converted to full-time personnel according to the workload, which is a comparable indicator for international comparison of science and technology manpower input. full-time equivalent of R&D personnel is calculated by adding up the full-time equivalent of personnel participating in R&D projects and the full-time equivalent of management and direct service personnel who should be apportioned in R&D projects.

[38] BD：https://www.bd.com

[39] https://www.schneider-electric.cn/zh/。

Engineering Excellence courses and elective courses for new students, providing interns and graduate training positions, etc. In addition, Honeywell has held the Honeywell Aerospace Innovation Competition, a Honeywell Star Program, with numerous Chinese institutions of higher learning since 2015 to identify and develop Chinese aviation and related engineering and technology talent.[40]

SAS has hosted the SAS Data Analysis Competition for Chinese universities for six consecutive years since 2013, with about 3,000 teams of undergraduate and graduate students participating each year, tapping many future data scientists for companies and becoming an important platform for talent cultivation and discovery.[41]

3.2.2. The Introduction and Cultivation of Global Supply Chains Have Promoted the Optimization and Upgrading of China's Manufacturing Structure

Since the reform and opening up, foreign enterprises have come to China to invest and build factories, and together with local enterprises, they have established a complete industrial production system in China. In recent years, the latest trend in recent years is that foreign investments are moving into the high-end sectors from those in the low-end. Some foreign-funded enterprises in high-tech service and manufacturing industries have accelerated their inflow into China, which has promoted China's industrial structure transformation. Foreign high-tech enterprises have gradually laid out some high-end industrial production bases in China.

For example, ABB announced its decision to invest in a "factory of the future" in Shanghai in October 2018, and signed a comprehensive strategic cooperation agreement with the Shanghai Municipal Government. Located in Kangqiao, Shanghai, the 67,000-square-meter facility will use advanced manufacturing processes including machine learning, digitalization and collaboration solutions to create the most advanced, flexible and automated factory in the global robotics industry - a leading-edge center for the use of robots to build robots. The new factory is expected to be operational in 2021, with a total investment of $150 million.[42]

Foreign high-tech companies at the top of the global industrial chain have helped China cultivate and improve its high-tech supply chain while being deeply involved in the Chinese

[40] https://www.honeywell.com.cn/

[41] https://www.flysas.com/en/。

[42] https://global.abb/group/en

market. For example, in the information industry, Dell has over 70% of its global electronics production capacity in China, and the vast majority of its supply chain layout is concentrated in the Asia-Pacific region, including China.[43] In the digital economy, Qualcomm provides technical support and services to Chinese partner companies to jointly cultivate the Internet economy industry chain. early 2018, Qualcomm, together with research institute IHS Markit, released the "5G Economy" report, which predicts that the overall economic benefits of 5G will peak globally by 2035 and will produce products and services worth up to$12 trillion; the 5G value chain itself will create up to $3.5 trillion in output by 2035, including $984 billion in output in China. In the promising future 5G network environment, such as online taxi, social network photo sharing, live video, GPS precision positioning and navigation, chat communication services and sharing economy, etc., can use Qualcomm technology solutions to open up the interlink between the various links, creating new job opportunities and promoting social progress.

As the world's largest end-to-end technology company, Dell's IT product lines and solutions in China are extensive, covering almost all major branches of the IT industry chain, meeting the mainstream application needs of the IT industry and providing upstream and downstream support for the Chinese industry chain. With global leading supply chain management experience, Dell gives priority to local enterprises in the process of selecting and cultivating suppliers, helping the local supply chain develop towards digitalization, sustainability and internationalization, and ultimately fostering a high-quality and efficient domestic IT industry ecology. For example, Dell chose Kunshan as the location of its factory that produces components for the laptops, which successfully drove the development of electronic component manufacturing and assembly enterprises and formed the supply chain of electronic products in the region. in East China.

3.2.3. Introducing Modern Business Management Concepts to China

Multinational corporations have applied a large number of efficient management concepts in their global operations. They accompanied the entrance of multinational corporations into China and are constantly replicated in various enterprises through localization. The notable examples include Wal-mart supply chain management introduced in 1996 and Six Sigma management introduced by Lenovo in cooperation with Motorola in 2001. These modern

[43] https://www.dell.com/zh-cn

enterprise management concepts have been widely applied in procurement, production, R&D and inventory, and have had an important impact on Chinese enterprise management and corporate culture construction. At the same time, the entry of foreign multinational corporations has driven the engagement between Chinese capital and the international capital market, which is conducive to the construction of modern enterprise systems and the promotion of Chinese enterprises to go global.

3.2.4. Increasing the Number of Employment in China and Improving the Quality of Employment

While taking advantage of China's huge labor market, foreign investment has also provided a large number of job opportunities in China. Foreign investment in China has been dominated by greenfield investment, and thus the direct employment effect is larger. This means that foreign companies can drive more employment with a smaller volume.

According to the National Bureau of Statistics, the number of foreign-invested enterprises employed increased from 210,000 in 1987 to 26.66 million in 2016, an increase of nearly 126 times in 30 years. The number of foreign-invested enterprises accounted for only 0.76% of the total number of enterprises that year in 2018, created 12.91 million jobs, accounted for 7.32% of urban employment nationwide; foreign-invested enterprises also have higher average household employment The average employment capacity of foreign-funded enterprises is 8.6 times higher than that of national enterprises, of which 9.6 times higher than that of national enterprises in 2018.

In addition to directly driving employment,[44] foreign-funded enterprises also indirectly promote employment through inter-industry and intra-industry linkage, i.e., the impact of foreign-funded enterprises on the number of people employed by other manufacturers in the same industry or upstream and downstream related manufacturers, such as increased demand for products from other related supporting services or manufacturing industries, which promotes the expansion of the relevant sector and thus increases the number of jobs in that sector. At the same time, foreign-owned enterprises also enhance the quality of employment in China. For example, it raises the wage level of workers and improves the human capital stock in China.

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[44] https://data.stats.gov.cn/easyquery.htm?cn=C01。

Honeywell, for example, has four major business groups - the Aerospace Group, the Specialty Materials and Technologies Group, the Smart Buildings and Homes Group, and the Security and Productivity Solutions Group - all of which are now located in China and employ 13,000 people and more than 3,000 R&D staff. Since it entered China in the 1990s, Qualcomm has established several wholly-owned companies, joint ventures and branches in Beijing, Guizhou, Shanghai, Shenzhen, Chongqing and Xi'an, with R&D and innovation centers in Beijing, Shanghai and Shenzhen, employing more than 2,000 Chinese staff, nearly 70 per cent of whom are engaged in R&D, engineering and customer service.[45]

3.2.5. Practicing Corporate Social Responsibility

Some multinational corporations in China actively practice corporate social responsibility. Practising corporate social responsibility is also an important measure for localization of multinational corporations in China, mainly in environmental protection, education, medical care and other aspects.

Qualcomm, for example, actively practices corporate social responsibility in supporting the fight against epidemics, empowering social development with innovation, conducting responsible business operations and working with partners to accelerate the building of the 5G ecosystem.

After the outbreak of the pandemics, Qualcomm first donated 7 million RMB to the China Red Cross Foundation for 20 negative pressure ambulances and nearly 2,000 sets of medical isolation suits to support frontline healthcare workers in Hubei Province to stay healthy and safe while fighting COVID-19. Qualcomm donated hundreds of mobile electronic devices and laptops through the China Children and Youth Foundation to provide teachers and students in remote areas with the tools, platforms and network connectivity they need to teach online. Qualcomm also partnered with non-profit organizations to provide quality STEM (science, technology, engineering and mathematics) educational resources to schools and communities through the Tech Makers curriculum. In China, Qualcomm conducts responsible corporate operations, saving about 2 million kilowatt-hours of electricity in one year, which is equivalent to the reduction of greenhouse gas emissions by about 1,700 tons of carbon dioxide equivalent.

Qualcomm China also partnered up with more than 20 industry partners to launch the "5G

[45] https://www.honeywell.com.cn/

Internet Innovation Program" to promote innovation in 5G devices and ecological cooperation and help unleash the potential of 5G. Qualcomm China, together with local governments and partners, established joint innovation centers in Nanchang and Hangzhou respectively to further accelerate local advanced technological innovation. Qualcomm invested in four Chinese start-ups focused on cutting-edge technologies such as smart hardware, communications technology, assisted driving and cloud computing to continue to drive the cultivation and expansion of the smart and connected ecosystem.

In the area of environmental protection, DuPont and the China Association of Environmental Journalists have been working together for 17 years on the environmental report series, which has become one of the most important environmental public welfare activities in the field of environmental journalism in China. In the area of education and poverty alleviation, DuPont and Nippon Paint launched the "Color for Love" Hope School Painting Project in 2009, and with the assistance of the China Youth Development Foundation, painted the exterior walls of 100 Hope Primary Schools nationwide.

DuPont supports China's efforts on epidemic prevention and control. From January to May 2020, DuPont produced 1.6 million pieces of protective gear in China, imported 3 million pieces of protective gear, and donated more than emergency supplies worth of 2.55 million RMB through the China Red Cross Foundation, including more than 16,000 pieces of protective gear to protect healthcare workers and those on the front lines.

Dell also actively supports the development of primary and secondary education. According to 2019 statistics, Dell has donated more than 172 million RMB to support the development of youth education and social assistance in China; 352 Dell Learning Centers have been established in poor areas of China to provide information technology and computer technology training to local children and youth, benefiting more than 320,000 students; and more than 27 million RMB has been donated to the China Education Development Foundation-Dell Dell has donated more than 27 million RMB in funds and equipment to the China Education Development Foundation-Dell "Connected Classroom" public service-learning program, directly benefiting more than 40,000 students and over 2,000 teachers.

In terms of volunteer services, Dell employees in Greater China contributed more than 65,000 hours of volunteer services in 2017, and more than 50% of employees joined the Resource

Group Planet as members of volunteer environmental organizations; in 2017, the Planet Dell China Employee Resource Group organized the "E-waste Recycling Campaign" in six offices nationwide, and recycled e-waste. In 2017, the Planet Dell China employee resource group organized an "e-waste recycling drive" in six offices across China, recycling more than 1.3 tons of e-waste.

In the area of healthcare, Abbott Foundation and the Youth Science and Technology Center of the China Association for Science and Technology (CAST) jointly organized the Abbott Family Program, a long-term program for youth science education, which aims to promote families' in-depth understanding of science through fun science experiments and help people understand the role of science in improving human health. Since its launch in 2010, the program has reached more than 60 cities across China with nearly 88,000 children and parents participating. The Abbott Foundation Center for Clinical Nutrition Development is a philanthropic program established by the Abbott Foundation, Shanghai Children's Medical Center, and Project HOPE (World Health Foundation) to advance clinical nutrition development and strive to become a model for child nutrition practice. With the help of this program, the medical staff at Shanghai Children's Medical Center has reduced the risk of malnutrition in children after hospitalization by more than 80% compared to their initial admission.

3.3. Risks and Challenges Encountered by Multinational corporations in China under the Current Situation

3.3.1. China-U.S. Trade Frictions

The uncertainty of China-U.S. relations, especially the tense China-U.S. trade relations, has had a greater impact on multinational corporations operating in China.

On April 4, 2018, the U.S. government released a list of goods which will impose 25% tariffs on 1,333 items of $50 billion of Chinese imports to the U.S. On April 5, 2018, President Trump ordered the Office of the U.S. Trade Representative to impose an additional $100 billion of tariffs on Chinese imports based on the "301 investigations." Chinese imports with tariffs. As a result, China-U.S. economic and trade friction has escalated.

We analyze the impact of U.S. tariff sanctions on U.S. investment enterprises in China, using the U.S. announcement of a 25% tariff increase on $50 billion of Chinese products in 2018 as an example.

First, the tariff sanctions on $50 billion of products in 2018 directly affect the exports of goods to the U.S. by U.S.-invested enterprises in China in the manufacturing sector. The exports of U.S.-invested enterprises in China to the U.S. have been growing year by year and have reached $12.06 billion in 2018. According to the tariff list of the goods that worths $50 billion released by the Office of the U.S. Trade Representative, industries such as chemicals, primary and processed metals, machinery, computers and other electronic products, electrical equipment, appliances and components, and transportation equipment are among the industries subject to the 25% tariff increase. Exports to the U.S. from U.S. companies in China in these industries were $8.31 billion in 2018, accounting for 68.9 per cent of total exports to the U.S. from U.S. companies in China in that year. The data seem to show that tariff sanctions have a greater impact on U.S. exports to the U.S. from U.S. firms in China.

However, looking at the share of exports to the U.S. of U.S. firms in China in their total sales, the share was only 3.9% in 2018, reflecting that the main sales market of U.S. firms in China is in China and exports to the U.S. are not their main business. Therefore, we conclude that, overall, the impact of tariff sanctions on exports to the U.S. by U.S. firms in China is limited.

On the other hand, China-U.S. trade frictions have a greater impact on the supply chains of multinational corporations in China. According to the survey report "Supply Chain Strategies of U.S. Companies in China Under the Impact of the COVID-19 Pandemic Outbreak" released by the American Chamber of Commerce in China, the American Chamber of Commerce in Shanghai, and PricewaterhouseCoopers, nearly half of the respondents said that the mutual tariffs imposed in the China-U.S. economic and trade frictions have increased the costs associated with their supply chains by 10 per cent, and another 16 per cent of the companies surveyed increased their costs by 30 per cent; the China-U.S. trade dispute has affected 90 per cent of U.S. The China-U.S. trade dispute has affected 90% of U.S. companies' supply chains, especially in supplier selection, risk management and cost control; China-U.S. trade friction and deteriorating bilateral relations are the most important concerns for 60% of U.S. companies' supply chain operations in China in the next 3 years; to improve overall competitiveness, most U.S. companies have supply chain transformation needs in the next 1-3 years, focusing on operation management improvement, digital transformation and supply chain strategy transformation.

3.3.2. Uncertainty Brought by the U.S.-China "Decoupling" in Science and Technology

Changes in China-U.S. relations will have the greatest impact on foreign-owned high-tech companies, as there is a bipartisan consensus in the United States to move away from over-reliance on China in high-tech manufacturing.

The United States has repeatedly placed Chinese companies and institutions on its Entity List. The list includes technology companies that focus on artificial intelligence software and hardware development and network communication services, as well as research institutes and companies that purchase foreign equipment and components. Some multinational corporations in China are concerned that China's countermeasures will cause difficulties for U.S. companies' operations in China. According to CCG, from May 14 2019 to April 8 2021, the U.S. Department of Commerce has placed 336 Chinese individuals or entities on the export control Entity List. The entities in question include several important Chinese technology companies such as Huawei, China Ocean and some provincial and municipal national supercomputing centers.

In response to the U.S. Entity List, China has also established the Unreliable Entity List, which will be published and implemented in September 2020. The first batch of companies on the "Unreliable Entity List" has not yet been released. [46]However, there has been speculation about the composition of companies on the list, for example, Lockheed Martin, which has been sanctioned by China multiple times, may be included in the list. A group of U.S. multinational technology and manufacturing companies with operations in China are also likely to be included on the list. The creation and existence of the list create significant uncertainty for multinational corporations conducting business in China. On January 9, 2021, the Ministry of Commerce issued the Measures for Blocking the Improper Extraterritorial Application of Foreign Laws and Measures (Ministry of Commerce Order No. 1 of 2021), which became effective on the date of publication. As of the completion of this report, there were no relevant blocking cases. However, some of the foreign companies surveyed in China indicated that the introduction of the "Entity List" and related laws at the bilateral level has complicated their business in terms of product sourcing, production, sales and investment. In fact, China's "list of unreliable entities" and the Ministry of Commerce's Order No. 1 of 2021 have provided China with certain countermeasures, but they have not been implemented in practice, and there are no cases and implementation

[46] MOFCOM Order No. 1 of 2021: Blocking the Improper Extraterritorial Application of Foreign Laws and Measures, http://tfs.mofcom.gov.cn/article/bc/202101/20210103029710.shtml, January 9, 2021.

standards for reference, which has created a sense of crisis for some foreign enterprises in China. "On June 10, 2021, the Standing Committee of the National People's Congress adopted the Law of the People's Republic of China on Anti-Foreign Sanctions, which specifies the specific countermeasures to be taken by the Chinese government in the event of foreign sanctions. The introduction of this law has also brought a degree of pressure on foreign companies in China, mainly due to concerns that the general context of these laws and regulations being introduced has caused easy business uncertainty.

In fact, the "decoupling" of the U.S. and Chinese technology industries would be even more detrimental to the development of the U.S. technology industry. According to the BCG report, broad unilateral export restrictions imposed by the U.S. on U.S. semiconductor companies to ban them from providing services to Chinese companies may not work as intended. Continued restrictions on exports to China could have a profoundly negative impact on the U.S. semiconductor industry. Since the "trade war" began, median year-over-year revenue growth for the top 25 U.S. semiconductor companies has plummeted from 10 per cent in the four quarters immediately preceding the first round of tariffs in July 2018 to 1 per cent at the end of 2018. In each of the three quarters that the U.S. restricted sales of certain technology products to Huawei in May 2019, median revenue for top U.S. semiconductor companies fell between 4 per cent and 9 per cent. Many of these companies view the trade conflict with China as a significant factor in their performance. BCG believes that a de facto technology decoupling between the U.S. and China would likely result in an 18 per cent decline in the U.S. semiconductor industry's global market share, a 37 per cent decline in industry revenue, a 60 per cent reduction in R&D spending and 124,000 fewer jobs, breaking the virtuous cycle of innovation in the semiconductor industry and resulting in a loss of U.S. global leadership position.[47]

In addition, the U.S.-China decoupling in the field of semiconductors and other technologies has had a significant impact on the global supply of semiconductors. The global chip shortage that began in the second half of 2020 has led to a massive short supply in chips for the industry demand for automotive and home appliances, forcing some of the world's automotive

[47] Boston Consulting Group：How Restrictions to Trade with China Could End US Semiconductor Leadership：https://www.dx2025.com/wp-content/uploads/2020/05/BCG%EF%BC%9AHow-Restrictions-to-Trade-with-China-Could-End-US-Semiconductor-Leadership.pdf。

giants to either slow or halt production. An important reason for the chip shortage is that under the U.S. Entity List sanctions, on the one hand, companies are stockpiling large amounts of inventory to cope with the possible "supply cuts", and on the other hand, Chinese chip designers and foundries are being removed from the global supply chain while the productions elsewhere have been suspended due to the pandemic, resulting in a shortage of global chip capacity.[48]

On March 11, 2021, in response to the difficulties encountered by the semiconductor industry, the China Semiconductor Industry Association (CSIA) and the Semiconductor Industry Association in the United States announced that they would jointly establish a joint working group on technology and trade restrictions. It is reported that e through the working group, the two sides will commit to timely information communication and exchanges mechanism for the semiconductor industry in China and the United States to exchange policies on export control, supply chain security, encryption and other technical and trade restrictions.[49]

China's relevant countermeasures mainly include tariff increases and sanctions. In addition to the aforementioned list of unreliable entities, Department of Commerce Order No. 1 of 2021 and the Anti-Foreign Sanctions Law. According to the Peterson Institute for Economic Research (PIIE), China's average tariffs on U.S. imports rose to 20.7% from 7.2% in 2017. The tariffs on products were stabilized, only after the signing of the Phase One trade deal[50]

In October 2020, according to the Ministry of Commerce dumping of imported EPDM rubber was found in an investigation and afterwards China imposed anti-dumping tariffs of 222% and 214.9% on Dow Chemical Company and Exxon Mobil Corp respectively,. [51]Some EU and South Korean companies were also subject to the same anti-dumping duties. This case occurred during the first round of negotiations between China and the U.S., which raised public concerns. Nevertheless, the involvement of the EU and South Korea frames the penalty as a normal

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[48]BenKlayman,StephenNellis:Trump'sChinatechwarbackfiresonautomakersaschipsrunshort,Reuters,https://www.reuters.com/business/autos-transportation/trumps-china-tech-war-backfires-automakers-chips-run-short-2021-01-15/, Jan15,2021.

[49] Reuters: U.S.-China Working Group on Technology and Trade Restrictions in Semiconductor Industry Formed, First Glimmer of "Technology War" Between the Two Countries, https://www.reuters.com/article/sinous-semiconductor-export- restrictions-idCNKBS2B30BU, March 11, 2021.

[50] PIIE：US-China Trade War Tariffs：An Up-to-Date Chart，https://www.piie.com/research/piie-charts/us-china-trade-war-tariffs-date-chart

[51] Reuters: China's Ministry of Commerce says anti-dumping duties on EPDM rubber originating from the U.S., South Korea and Europe; U.S. company's duty rate over 200%, https://cn.reuters.com/article/china-moc-us-anti-dump-duty-1218-idCNKBS28S0WQ, Dec. 2020 18.

anti-dumping case rather than a part of the trade war frictions. During the same period, China announced sanctions on three U.S. companies - Lockheed Martin, Raytheon and Boeing Defense over the $1.8-billion arms sales to Taiwan, though without specifying how the sanctions would be applied. Of the three companies, except for Raytheon which has no operations in China, Lockheed Martin has nuclear and energy operations in China, and Boeing Defense's parent company, the Boeing Group, has extensive interests and business relationships in China. Although these penalties and sanctions were justified from China's perspectives in defence of sovereignty, still these practices raise concerns for some foreign companies in China. Finally, another effect of the uncertainty is that the so-called nationalist sentiments may lead to their exclusion from the Chinese market. Although the Foreign Investment Law has been amended and highlighted the need to create a business environment with "equal treatment," "fair competition" and "openness and transparency," foreign companies in China, foreign companies in China remain concerned that external pressures are forcing China to place greater emphasis on "national security", which would negatively affect the accessibility of foreign firms in participating in major domestic projects, thus affecting their business development in China.

To avoid competition in the technology sector, the U.S. and China could cooperate in climate change, sustainable development, the fight against pandemics, the digital economy and even economic recovery. For example, in the fight against pandemics, they can cooperate through assistance in pandemic prevention equipment, exchanges of scientists and public health experts, and commitments under the WHO framework in helping other developing countries.

The U.S. Special Presidential Envoy for Climate John Kerry visited China from April 14 to 17, 2021, sending a positive signal of enhanced cooperation between China and the United States in the field of climate change.[52] Both countries communicated and exchanged views on aspects of the climate crisis and resumed the mechanism for Climate Change Policy Dialogue and Cooperation between the two sides. Then, on April 22, at the invitation of U.S. President Joe Biden, Chinese President Xi Jinping attended the Leaders' Climate Summit by video and proposed to "To build a community of life for man and nature ". In the field of climate change, China and the United States have a broader space in energy, transportation and finance. The landing of

[52] Reuters: U.S. Presidential Climate Envoy Kerry to Visit China from 14 to 17, China, U.S. to Exchange Views on Climate Change Cooperation, etc.,
https://cn.reuters.com/article/us-climate-envoy-china-0414-idCNKBS2C10VN, April 14, 2021.

Tesla's "super factory" in China is an important symbol of China's acceptance of U.S. companies to produce and sell new energy vehicles in China.[53] In addition, China has a high demand for imported clean energy, mainly natural gas. Statistics from China's General Administration of Customs show that U.S. sales of liquefied natural gas (LNG) to China will be 12 times higher in 2020 than in 2019, a very rapid increase.[54] There is also plenty of room for capital matchmaking and cooperation between China and the U.S. in green finance.

Ambassador Qin Gang also emphasized that the economic and trade cooperation between China and the United States is mutually beneficial, and China will further open up its doors to the world. He hoped that the business community of China and the United States will continue to strengthen exchanges and cooperation and inject more positive energy into the development of bilateral relations.

3.3.3. Global Value Chain Reshaping and the Return of U.S. Manufacturing

The world today is undergoing a major change unprecedented in a century, and the globalization process has suffered serious setbacks. With the profound development of the new round of scientific and technological revolution and industrial change, the global value chain has undergone new changes and is facing structural restructuring.

Under the impetus of the new round of scientific and technological revolution and industrial revolution, the global value chain has seen new changes. Currently, the global value chain is facing fundamental adjustment and restructuring. Artificial intelligence, industrial Internet makes manufacturing processing and other traditional industries are relocated to developed countries. The U.S. manufacturing industry is also witnessing companies bringing back productions. Since the Obama administration launched the U.S. Manufacturing Renaissance Plan, the U.S. has made extensive use of the so-called "innovation policy", relying on the U.S. National Network for Manufacturing Innovation (NNMI) to integrate various innovative resources from manufacturing enterprises, universities, non-profit organizations and the government to provide various forms of industrialization support for enterprises, to consolidate the U.S. leading position in world leadership in advanced manufacturing.

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[53] Xinhua: Xi Jinping's speech at the Leaders' Climate Summit, http://www.xinhuanet.com/2021-04/22/c_1127363132.htm, April 22, 2021.

[54] MOFCOM: US-Russian LNG exports to China surge in 2020, http://www.mofcom.gov.cn/article/i/jyjl/e/202102/20210203038703.shtml, February 13, 2021

As we enter 2021, the United States has introduced a series of various bills targeting China. In his first month in office, Biden ordered federal agencies to conduct a 100-day review of the supply chains of four key products: semiconductors, rare earth minerals, high-capacity batteries for electric vehicles, and pharmaceuticals, which concluded with the release of a more than 250-page review report, including the creation of a "Supply Chain Trade Action Team" to target trade actions against China. On June 9, 2021, the U.S. Senate passed the American Innovation and Competition Act of 2021, authorizing $190 billion to increase U.S. technology and research and approving $54 billion to strengthen U.S. production and research in semiconductors and communications equipment. in July, the U.S. House Foreign Affairs Committee passed a bill entitled "Ensuring U.S. Global Leadership and Engagement," or the "Eagle Act." The series of bills reflect the U.S. competition with China in the value chain.

In July 2018, the Brookings Institution released the *Global manufacturing scorecard: How the US compares to 18 other nations* which provided an updated assessment of the policy environment for global manufacturing. Through a comparative analysis of 20 manufacturing-related indicators of 19 major countries in the world, the results show that the U.S. ranks third in the world in terms of the manufacturing environment with a score of 77 with "excellent workforce, advanced technology and favorable business policies". After the United Kingdom and Switzerland (both countries scored 78 points), while China ranked 13th in this ranking, and still has a large gap compared to the United States.[55]

So, will the return of U.S. manufacturing weaken the willingness of U.S. companies to invest in China?

To a certain extent, the economic and trade friction between China and the U.S. has increased the uncertainty of the supply chain system of U.S. companies investing in China, to some extent forcing the multinational corporations to re-examine whether to “reshore” back the United States. However, China has important advantages in terms of industrial capacity, industrial support system, and market, etc. The possibility of the U.S. rebuilding the manufacturing supply chain system separately from China is very small, and thus for the return of U.S. companies, it is unlikely to happen.

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[55] Brookings Institution, USA: Global manufacturing scorecard: a comparative study of the United States and 18 countries (in Chinese), http://zktsg.com/qikan/43b984d47c16387da018fdf1e6aa2613.html, July 10, 2018.

However, for the semiconductor industry which mainly focuses on chip design and manufacturing, China currently does not have a complete industrial chain production capacity, nor does it possess all the technology. Therefore, in the semiconductor industry, including software design and research and development, part of the high-end hardware production and research and development and other high-tech industries, there is a possibility and reality of "decoupling" between the United States and China in the coming period.[56]

Taking the example of industrial software, industrial development is inseparable from mechanical equipment, the "brain" of mechanical equipment is the industrial software, and thus industrial software is also a key point of competition in science and technology. Some people call industrial software the "lifeline" of the technology competition between the United States and China. Developed countries have a consensus: to master the global industrial layout of the dominant power, you must master the core technology of large-scale industrial software. In the future, the competition in the field of industrial software will become more and more intense, especially in the era of artificial intelligence, industrial software is the cornerstone of building intelligent manufacturing. Industrial software can be divided into several categories: R & D design, production scheduling and process control business management. In the context of intelligent manufacturing, R & D and production control software are the most important. Therefore, we cannot ignore the backflow possibility of the industry.

The return of the U.S. manufacturing industry, if it happens, is more likely to be in high-end manufacturing, such as in the field of high-end hardware manufacturing. Although traditional manufacturing has declined, current U.S. manufacturing has shifted to cutting-edge manufacturing with the highest added value, such as in the aerospace, fine chemical, and high-performance materials industries, but also in the semiconductor industry. To maintain the need for global competitiveness, the U.S. has also stepped up protectionist initiatives for high-end manufacturing, which is currently already in a dominant position.

3.3.4. The Global Spread of the COVID-19 Pandemic

The global spread of the COVID-19 pandemic, which began in 2020, has increased the risk of economic "decoupling" between the U.S. and China at a time when the relationship was

[56] Dui Shenning, Yang Danhui: U.S. tariff sanctions ruling on China and the impact on U.S. investment enterprises in China, International Business, Vol. 11, 2018.

treacherous. While the domestic COVID-19, has been contained, the foreign pandemic has increased the risk to multinational corporations in China in the import supply chain. Some companies that rely heavily on foreign supply chains are at risk of supply chain disruption. The industries that have their import supply chains most affected includes the automotive, machinery and equipment, chemical, pharmaceutical, and aerospace industries. The outbreak has accelerated the consideration of some multinational corporations to adjust their global industrial layout, such as U.S.-based companies considering a manufacturing repatriation assessment, however, this repatriation has not occurred at this time.

Although some companies may consider adjusting their industrial layout due to economic and trade frictions, industrial chain repatriation and the COVID-19 pandemic. However, due to transportation radius and cost factors, especially during the pandemic, the completeness, stability and efficiency of China's supply chain have shown greater advantages compared to other countries and regions. Foreign companies mainly targeting Chinese market demand further increase their localization rather than moving out of China. For example, Daimler 2020 data shows that 83% of the 132,000 Mercedes-Benz vehicles sold in China in the first quarter were produced locally.[57]

For now, the impact of the pandemic on the supply chain has not yet resulted in outflows of multinational corporations. However, the impact of the pandemic is also reflected in other aspects beyond the supply chain, affecting the return of multinational corporations expatriate employees and their families to China; with the normalization of pandemic prevention and control, companies' investment in pandemic prevention and control has increased, which also leads to a subsequent increase in operating costs.

3.4. China's Attractiveness to Multinational corporations According to Investment Motivation Theory

John Harry Dunning, a British scholar, in his study of multinational corporations' investment location, divided FDI into four types according to different motives: efficiency-seeking, market-seeking, resource-seeking and strategic asset-seeking. Different investment motives have different considerations on the investment environment.

The core influences on the efficiency-seeking type are the real market size, potential

[57] Baimler：daimler.com/en/。

market growth and external economic environment, as well as the scope and rules of market access.

The core influences on the market-seeking type are mainly related to the quality and scale of raw materials, the price level of raw materials, infrastructure construction, logistics costs, and the scale of domestic investment, and the institutional factors are related to preferential policies, market-entry restrictions, and industry control efforts.

The economic factors affecting resource-seeking FDI mainly involve raw material quality and scale, raw material price level, infrastructure construction, logistics cost, and domestic investment scale, while institutional factors involve preferential policies, market-entry restrictions, and industry control.

The economic factors affecting strategic asset-seeking FDI are mainly the intensity of R&D activities, and the institutional factors are the strength of intellectual property protection, patent level, policy preferences and restrictions, risk level, and innovation policies. The core influencing factors are the abundance of strategic assets and the level of intellectual property protection.

The Chinese market has significant advantages in terms of efficiency, market, resources, and strategic assets sought by multinational corporations.

3.4.1. Efficiency: Improving Foreign Investment Facilitation and Optimizing the Business Environment with Various Reform Measures

The ongoing reforms undertaken by the Chinese government in recent years have both enhanced the efficiency of foreign investment operations in China and are themselves one of the key manifestations of high efficiency in governance decisions and implementation.

These reforms have made a greater degree of effort to improve the business environment and enhance the facilitation of foreign investment, and have achieved better results. The *World Bank's Doing Business Global Report* indicates that China's business environment ranked 78th, 46th and 31st among 190 countries and regions during 2018-2020, with a relatively fast rise in ranking.[58]

Specific measures to improve the business environment and enhance investment facilitation include the two specific aspects.

[58] World Bank: Doing Business Global Report, https://chinese.doingbusiness.org/zh/doingbusiness.

The first is to enhance the freedom of investment and relaxation of access measures. In recent years, China has promoted investment freedom with the implementation of the negative list system as the core, easing restrictions on foreign investment access in several areas. six times in seven years, the negative list of foreign investment access has been revised, with restrictions compressed from the initial 190 to 33 in the 2020 national version, 30 in the pilot free trade zone version and 27 in the free trade port version. "The Catalogue of Industries Encouraging Foreign Investment" was revised for two consecutive years, and the total number of entries in the 2020 version increased by 127 compared with the previous year's version.[59]

Catalogue of Encouraged Foreign Investment Industries (2020 Edition) was released on December 28 2020 and will be implemented from January 27 2021. [60]Compared with the 2019 edition, the main changes include the following: firstly, further leveraging the active role of foreign investment in the supply chain of the industrial chain. The state continues to focus on manufacturing as the key direction to encourage foreign investment and adds relevant content according to the "attracting capital to complement the chain", "attracting capital to strengthen the chain" and "attracting capital to expand the chain" orientations. Secondly, to further encourage foreign investment in productive services. The state will promote the integration of service and manufacturing industries as one of the priorities of this revision, the development of new business models and new infrastructure construction in the expansion of openness.

The second major change is to promote the "management and service" and other reforms and increase the docking with international rules. The "Regulations on Optimizing the Business Environment" adopted in October 2019, clearly optimize the business environment should adhere to the principles of market-oriented, rule of law, internationalization, fair treatment of domestic and foreign enterprises and other types of market entities; establish a unified, open, competitive and orderly market system, promote the free flow of all kinds of production factors under the law, and ensure that all kinds of market players participate fairly in market competition; and clarify that market player should comply with internationally-accepted rules in international economic and

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[59] The Central People's Government of the People's Republic of China: 2020 version of the negative list of foreign investment access further reduced - two 7! The path of foreign investment to China is wider, http://www.gov.cn/xinwen/2020-06/26/content_5522015.htm , June 26, 2020.

[60] Central People's Government of the People's Republic of China: Catalogue of Industries Encouraging Foreign Investment, http://www.gov.cn/zhengce/zhengceku/2020-12/28/5574265/files/b145a6631698460e8777d1ab4581ef1f.pdf.

trade activities.

In the field of intellectual property rights, China's economic development and continuous adjustment and changes in its economic structure over the years have resulted in a complete system of intellectual property rights in China from scratch over the past 40 years, and China has developed certain advantages in terms of quantity and standards, both in the areas of intellectual property innovation, application, authorization and enforcement. In particular, with the continuous innovation of China's digital economy, China has become a global leader in the protection of intellectual property rights in the digital economy, and to a certain extent has the strength to participate in setting the rules of the intellectual property game.

China is changing from a major intellectual property rights import country to a major intellectual property rights creation country, which has led to greater importance attached to protecting intellectual property rights by all sectors and the introduction of relevant measures. According to the World Intellectual Property Organization (WIPO), China continues to lead the world in patent filings in 2020, after surpassing the United States in 2019 and becoming the largest source of international patent applications filed through WIPO. 2020 saw a 16.1% from last year increase in the number of patent applications filed in China, placing it firmly in first place in the world with 68,720. Since the operation of the World Intellectual Property Rights Patent Cooperation Treaty in 1978, the U.S. has reigned at the top of the list. In 2019, China overtook the U.S. for the first time as the world's largest source of patent applications. For the fourth consecutive year, Huawei Technologies of China became the world's largest source of patent applications. Five of the top ten largest filing universities are from China.[61]

China is currently increasing its efforts to protect the intellectual property rights of foreign companies. China has clarified in the new Law of the People's Republic of China on Foreign Investment that technology transfer shall not be compulsory, the intellectual property rights of foreign investors and foreign-invested enterprises shall be protected under the law, technical cooperation based on voluntary principles and commercial rules shall be encouraged, the terms of technical cooperation shall be determined by agreement between the investing parties, and no administrative means shall be used to compel technology transfer. In recent years, the

[61] CCTV: World Intellectual Property Organization: China continues to lead international patent applications in 2020, http://m.news.cctv.com/2021/03/02/ARTI7VlbNEgw6NCk4TQb8LYB210302.shtml, March 2, 2021.

establishment of the Intellectual Property Court, the amendment of a series of IP laws such as the Patent Law, and China's quest to join FTAs with higher IP protection provisions are objectively changing the status quo of IP protection in China.

Intellectual property rights issues have been a major concern for foreign investors entering China. As a result, there is a need to further strengthen and improve the uniformity of enforcement standards, the training of talents, and the standardization of intellectual property rights management in the future.

3.4.2. Market: A Complete Industry Chain and Giant Market for 1.4 Billion Consumers

Since the reform and opening-up, China's economy has continued to grow rapidly. During the high growth period of 1978-2008, China's economy grew at an average rate of 9.8%. From 2013 to 2018, China's economy continued to grow fast, with an average annual growth rate of 7.0%, significantly higher than the world's average growth rate of 2.9% during the same period. During this period, China's average annual contribution to world economic growth was 28.1% These reforms have made a greater degree of effort to improve the business environment and enhance the facilitation of foreign investment, and have yielded better results. By 2019, China's economy will be $14.4 trillion, or 16.6% of the world, equivalent to about 67% of the United States, and China will contribute about 30% to global growth.[62]

In particular, at a time when the COVID-19 pandemic is spreading globally, China's economic data has caught the world's attention. 2020 China's total economic volume exceeded the 100 trillion RMB mark for the first time, with a from last year growth of 2.3%, making it the only major economy in the world to achieve positive economic growth. foreign trade imports and exports were significantly better than expected, and the scale of foreign trade hit a new record high, with the total value of goods trade imports and exports reaching 32.16 trillion RMB, according to customs statistics RMB, an increase of 1.9% from last year.[63]

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[62] Central People's Government of the People's Republic of China: Significant Improvement in International Status Continued Increase in International Influence - Report No. 23 in the Series on the Achievements of Economic and Social Development in the 70th Anniversary of the Founding of New China, http://www.gov.cn/xinwen/2019-08/30/content_ 5425839.htm, August 30, 2019.

[63] General Administration of Customs: Online platform for customs statistics, http://43.248.49.97/.

Figure 2 The Gap Between the Total GDP of China and the United States is Gradually Narrowing

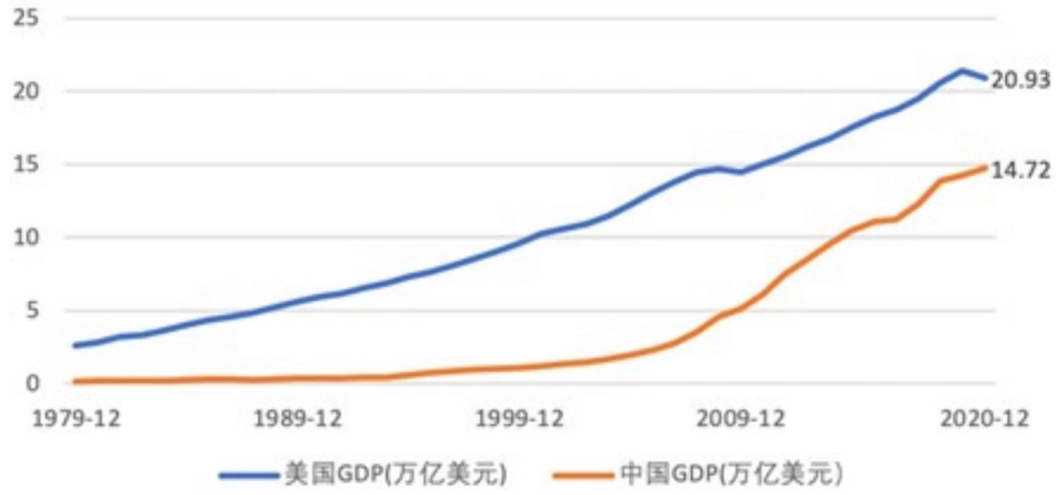

Figure 3 Comparison of real GDP growth rates between the U.S. and China

China's new economy and new industries are developing rapidly. In 2019, the value added of high-tech manufacturing, strategic emerging industries and equipment manufacturing grew by 8.8%, 8.4% and 6.7%, respectively, compared with the previous year, with growth rates 2.9, 0.5 and 1.4 percentage points faster than those of industries above the scale. In 2019, the information service industry was a standout, with a from last year growth rate of 18.7%. In terms of sub-sectors, mobile games, online shopping and car-hailing platforms, travel platforms, big data

and cloud computing and many other sub-sectors grew at 30%-50%. Many unicorns have been born in each sub-sector, making Chinese companies rapidly gain a voice in the global innovation and entrepreneurship arena.

The rapid growth of the Chinese economy has ensured that China has become a huge consumer market and manufacturing base. Foreign companies see the Chinese market as "critical" and unique in its importance. China has the world's largest unified market of 1.4 billion people and the world's largest middle-income group of 400 million people. Compared to China's huge market of 1.4 billion people and 400 million middle-income groups, Europe has 740 million people, the United States has 330 million people and Japan has 130 million people.

China's urbanization process is still lagging behind developed countries by approximately 20%, but still has great potential for improvements. 2019 China's urbanization rate reached 60.60%, and the space is still huge when entering the stage of urban cluster metropolitan area development.[64] The current urbanization rate of 60.6% in China is slightly higher than the world average of 55.3% but significantly lower than 81.3% in high-income economies and 65.2% in middle- and high-income economies, and there is still about 20 percentage points of space for China's urbanization. According to the UN World Urbanization Prospects 2018, China's urbanization rate will reach 70.6% in 2030 and about 80% in 2050. China will add about 190 million urban population in the next two decades, mainly concentrating in the urban clusters and metropolitan areas. The new urban population will generate extensive demand in a wide range of sectors, including infrastructure, real estate, new retail, health care, culture and entertainment.

In terms of China's consumption expenditure as a share of GDP, the consumption rate averaged 53.4% from 2011-2019. In 2020, despite the impact of the COVID-19 pandemic, the final consumption expenditure still reached 54.3% of GDP, which is 11.2 percentage points higher than gross capital formation, the highest level in recent years. China's construction of a new “double-cycle” development pattern also requires better use of the advantages of a super-sized domestic market in opening up.[65] If compared with developed economies at 70% or 80%, China's average contribution of final consumption expenditure to economic growth has more room for

[64] United Nations Department of Economic and Social Affairs: World Urbanization Prospects 2018 Revision. https://www.un.org/development/desa/publications/2018-revision-of-world-urbanizationprospects.html, May 2018.
[65] Xinhua: Increasing residents' income and expanding domestic demand at source, http://www.xinhuanet.com/2021-03/06/c_1127175251.htm, March 6, 2021.

improvement.

For example, Ford repositioned its China business in 2018, placing the Chinese market alongside the North American market as the company's two core markets. Ford China was upgraded to an independently operated business unit, with the upgraded Ford China reporting directly to the company's global headquarters.

China has built an independent and complete industrial system, with 39 major categories, 191 medium categories and 525 subcategories under the UN International Standard Industrial Classification of All Economic. It also has a comprehensive industrial chain of key industries such as light industry, textiles, petrochemicals, coal, iron and steel, non-ferrous, automobiles, ships, transportation, logistics, wholesale and retail, and e-commerce, and is the only country in the world that has all the industrial categories in the UN Industrial Classification. It is the only country in the world that has all the industrial sectors in the United Nations Industrial Classification. Relying on the complete industrial system and industrial chain, China's manufacturing value has steadily ranked first in the world since 2010, and the output of more than 200 industrial products ranks first in the world. Along with the new technological revolution and the wave of globalization, China's traditional industrial chain has been undergoing reconstruction and transformation, while the new industrial chains are emerging, and the integration of one, two, three industries, advanced manufacturing and modern service industry, industrialization and informatization is accelerated, gradually developing in the direction of ecology, intelligence, digitalization, platform, internationalization and multi-industry integration.

A complete industrial system and a continuously innovative industrial chain are one of the major strengths of China's economic development, which gives China another advantage in attracting foreign investment, namely, China's manufacturing industry has a complete industrial chain with a mature supply chain system and a foreign trade type production structure matching international standards.

Take the automobile industry chain as an example, the industrial system in China fully covered the demands from the upstream materials to midstream motor electric control and other components and to the downstream market demand. Achieving full industry chain coverage in one country will greatly reduce the procurement and logistics costs for enterprises, and shorten the time needed to respond to demand and technology changes. At the same time, China's industrial

chain is also upgrading to a high value-added direction, and the proportion of high value-added manufacturing in the manufacturing industry is gradually increasing.

3.4.3 Assets and Resources: Good Infrastructure and Highly Quality Human Resources

In terms of transportation infrastructure, China has a well-developed air, shipping, and land transportation network.

By the end of 2019, China had 238 licensed transport airports and 106 transport airports with an annual passenger throughput of more than 1 million passengers. In 2019, Beijing Capital International Airport completed 100 million passengers, ranking second in the world for 10 consecutive years; Shanghai Pudong International Airport completed 3,634,200 tons of cargo and mail throughput, ranking third in the world for 12 consecutive years. In shipping, according to the World Shipping Council (WSC), Chinese ports occupied seven of the top 10 busiest container ports in the world in 2018, with only Singapore (second), Busan (sixth) and Dubai (10th) being non-Chinese ports.[66]

In terms of roads and railroads, by the end of 2020, the country's railroad mileage reached 146,300 km, including 38,000 km of high-speed railroads, ranking second and first in the world respectively. By the end of 2019, the total length of China's roads reached 5,012,500 km. Among them, the lengths of highways reached 149,600 km, ranking first in the world. The rapid development of highway and railroad infrastructure has significantly improved the capacity and transport efficiency of roads and accelerated the development of the logistics industry.

In the area of electricity supply, the country generated 7,503.43 billion kWh of electricity in 2019, accounting for 1/4 of the world's total electricity generation.[67] In the first half of 2019, the national grid had an average supply reliability rate of 99.9539% in urban areas and 99.8182% in rural areas. Adequate power supply capacity and a high 99% power supply reliability rate provide a strong guarantee for business operation and development.[68]

In the field of mobile communications, the total number of 4G base stations in China has

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[66] World Shipping Council：Top 50 World Container Ports，
https://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports.。

[67] World Rail Information Network: China National Railways Group Limited 2020 Statistical Bulletin, http://mrail.ally.net.cn/index.php?a=show&catid=472&typeid=13&id=61444, March 5, 2021

[68] China Energy: Analysis|Status of the Electricity Industry in 2021, https://www.china5e.com/news/news-1113595-1.html, April 26, 2021.

reached 5.75 million, and more than 718,000 5G base stations have been opened. [69]The world's largest 4G network has been built, and more than 98% of administrative villages are connected to fibre-optic Internet. At the same time, 5G is also starting to enter the road of commercialization, and 5G infrastructure construction is steadily advancing. 5G construction work is advancing at the same time, China will build a new generation of backbone transmission networks with large capacity, high network speed and flexible management, and form a more complete commercial satellite communication service system.

China is currently accelerating the construction of new infrastructure. The scope of the "new infrastructure" includes information infrastructure, convergence infrastructure, and innovation infrastructure. The "new infrastructure" also provides new opportunities for the development of related foreign enterprises.

Although China's competitive advantage in some labor-intensive industries has declined due to an ageing population and increasing labor costs, China's huge talent pool and growing R&D investment have created a new "demographic dividend. With a labor force of nearly 900 million people, more than 700 million employed, and a total of about 200 million highly-educated people, with more than 8 million college graduates each year, China's demographic dividend is shifting to a talent dividend. China's new economy is rapidly emerging, with the number of unicorns second only to the United States. According to UN statistics, the number of engineers in China was about 1.52 million nationwide in 2018, the total number leading among major countries in the world, with about 1,105 engineers per million people, far exceeding the number of engineers estimated based on GDP per capita (392).

3.5. Multinational corporations Are Still Bullish in the Chinese Market

Through the analysis of investment data, analysis of multinational corporations' financial reports, and relevant research responses, we observe that the majority of multinational corporations in China are still bullish on the huge potential and resilience of the Chinese economy, on China's fast-growing domestic demand market, and on its determination to open up and investment facilitation expectations, and will focus more of their business on China and continue to expand or maintain their investment in China in the future.

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[69] China Government Website: 2020 Communications Industry Statistical Bulletin, http://www.gov.cn/xinwen/2021-01/26/content_5582523.htm, January 26, 2021

3.5.1. Foreign Investment in China Grows against the Trend

The United Nations Conference on Trade and Development's Global Investment Trends Monitor report shows that,[70] due to the impact of the COVID-19 pandemic, the total global FDI in 2020 will be approximately US$859 billion, a significant contraction of 42% compared to 2019, but China's absorption of foreign investment will grow against the trend by 4% to $163 billion (and in terms of China's statistics, the actual use of foreign investment in 2020 will be ¥ 999.98 billion, an increase of 6.2%), surpassing the U.S. as the world's largest foreign investment inflow, while China's global share of foreign investment absorption increased significantly, to 19%.

In stark contrast, FDI absorption by developed economies fell significantly in 2020, by about $229 billion, plunging 69% from the previous year and the lowest level in nearly 25 years. FDI flows to the United Kingdom, Italy, Russia, Germany, Brazil and the United States all fell sharply, with the United States absorbing about $134 billion in FDI, down nearly half from the previous year.

Entering 2021, foreign investment in China proceeded hotly, with major projects landing intensively. Among them, global R&D centers, headquarters projects and supply chain operation centers have become hot spots. In Shanghai, for example, 62 foreign investment projects with a total investment of $11.85 billion were landed at the beginning of 2021. The projects cover industries such as artificial intelligence, biomedicine, integrated circuits, digital economy, and fashionable consumer goods. In Songjiang District, Shanghai, PepsiCo will set up its China headquarters and Ning Tacteasy Supply Chain Management Co., Ltd. will invest RMB 700 million to build a supply chain operation center for its headquarters in East China; Hongqiao Business District signed eight big foreign investment projects, including Shanghai Yuhu International Cold Chain Project, Global Outlet Headquarters Base Project, Danieli Multinational Regional Headquarters Project, Sidari Shopping Park Headquarters Project, Ingenious Aviation Project, Ltd. and Sangsheng Group's Headquarters Base project.[71]

3.5.2. Financial Reports of Selected Multinational corporations Show Good Profitability in

[70] UNCTAD: Global Investment Trends Monitor, https://unctad.org/system/files/official-document/diaeiainf2021d1_en.pdf, January 2021.

[71] Xinhua: Bullish on Chinese market, foreign investment in New Year's fiery layout, http://www.xinhuanet.com/money/2021-01/25/c_1210993542.htm, January 25, 2021.

China

Before the outbreak of COVID-19, a significant number of multinational corporations had already made good profits from their business in China, and their profitability in China was higher than the global average profitability.

Table 5 Revenue of multinational corporations in the Chinese market

Company	Country of Origin	China Market Operating Revenue (US$ billion)	China market share of the global market (%)
APPLE	U.S.	447	19
SUMSUNG	Korea	313	16
BHP	Australia	188	52
BOSCH	Germany	165	19
INTEL	U.S.	148	24
QUALCOMM	U.S.	146	65
WMT	U.S.	123	10
BOEING	U.S.	119	13
MICRON	U.S.	104	51
Panasonic	Japan	90	12
SIEMENS	Germany	80	10
Nestle	Sweden	67	-
Anglo American	U.K.	64	22
P&G	U.S.	53	8
F.I.A.T.	U.S.	47	4
CAT	U.S.	40	7
AISIN	Japan	34	10
FAURECIA	France	30	-
HONEYWELL	U.S.	29	-
AEON	Japan	25	3
GMC	U.S.	-	42
Nike 2016	U.S.	11	13
FORD	U.S.	-	18
NISSAN	Japan	-	6

Data source: 2017 financial reports of each company.[72]

[72] Institute of International Trade and Economic Cooperation, Ministry of Commerce: 40 Years of Multinational Corporations' Investment in China, P33.

Note: Operating income in U.S. dollars is obtained by converting the currency units in each company's annual report at the exchange rate on the day of the statistics.

Over the past 40 years since their entry into China, multinational corporations have taken advantage of China's comparative advantages, gained factor cost advantages, gained a wide market space and earned huge profits. The rate of return of multinational corporations' investment in China is higher than their global average. According to the U.S. Department of Commerce's BEA statistics, since 2000, when U.S. companies' investment returns in China first exceeded their global investment returns, the gap has been widening. 2014 investment returns in China reached 16.5%, 5.5 percentage points higher than their global investment returns. Even in 2018, a year of global economic downturn and escalating trade friction between the U.S. and China, U.S. companies' return on investment in China reached 11.2%, 2.2 percentage points higher than their global return on investment of 8.9%.[73]

In 2020, the global pandemic of COVID-19 has generally affected the business performance of multinational corporations. A large amount of data also shows that the Chinese market has become an important guarantee for the stable business performance of multinational corporations. At the same time, China's huge market potential, solid economic fundamentals, continuously improving the business environment and promotional fee policies, as well as effective pandemic prevention and control, have attracted multinational corporations to increase investment in China.

According to the quarterly or annual reports released by major multinational corporations in the first quarter of 2021, companies such as Starbucks, Sketchers and BMW all experienced declines in their global businesses, but showed grow varying levels for their business in China. Sketchers' total retail sales in China grew 11% year-over-year in 2020, BMW's cumulative new vehicle deliveries in China increased 7.4% year-over-year, and Starbucks' same-store sales in China returned to positive growth in the fourth quarter of 2020, up 5% year-over-year.[74]

As the "winner" in the China-U.S. technology "decoupling", Apple is gaining more profits

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[73] U.S. Department of Commerce：https://www.commerce.gov/data-and-reports/reports。

[74] A haven for epidemic shocks: A look at China market gravity from multinational companies' earnings reports, https://finance.sina.com.cn/tech/2021-02-19/doc-ikftpnny7817136.shtml, February 19, 2021.

in China's high-end smartphone market. Apple reported record revenue growth of 21% year-over-year in the first quarter of fiscal 2021, with revenue in Greater China up 57% year-over-year. In its second-quarter fiscal 2021 results, announced in late April, Greater China revenue grew 87% year-over-year.[75]

Apple Inc. suggested that the iPhone replacement upgrade in China hit a record high, and China's 5G network construction is well established, the pandemic prevention and control is effective, and there are still good sales expectations for the future. In addition to the consumer side, on the production side, a large number of Chinese enterprises in the Apple industry chain, such as Lixun Precision and Lanshi Technology, have made important contributions to the prosperity of Apple products in the global market. The Chinese "apple chain" has also promoted the rise of China's smartphone industry, which has facilitated the innovative development and large-scale popularity of smartphones in the world.[76]

Tesla is a typical example of multinational investment in China. 2019 saw Tesla receive policy and financial support from China to set up in Shanghai. Tesla's global sales in 2018 were about 245,000 units, and the completion of the Shanghai plant has significantly increased its capacity to reach 499,500 units in 2020, accounting for 23% of global electric vehicle sales. 23% of global electric vehicle sales. Tesla's Shanghai plant production capacity not only meet Chinese market demand but also exports to more than a dozen European countries and regions. In addition, the production cost of the Shanghai plant is lower than its U.S. plant, and the localization rate of components continues to increase, which are important supports for Tesla's improving financial data. Under the influence of various positive news, Tesla's share price also surged from a low of $37.03 per share (May 31, 2019) to a high of $883.09 per U.S. share (Jan. 26, 2021).

3.5.3. Multinational Corporations Claim on their Incentives for Future Investments in China

The 2020 Business Climate Survey released by the China-U.S. Business Council shows that precisely because they maintain long-term confidence in the Chinese market, 87 per cent of the companies surveyed have no plans to move production out of China, and only 4 per cent said

[75] Apple Newsroom: Apple Announces First Quarter Results, https://www.apple.com.cn/newsroom/2021/01/apple-reports-first-quarter-results/, January 27, 2021.
[76] Xinhua: China Market "Gravity" from Multinational Companies' Earnings Reports, http://www.xinhuanet.com/2021-02/19/c_1127114489.htm, Feb. 19, 2021.

they have or plan to move operations back to the U.S.; 75 per cent of the companies surveyed said their resource investment in China operations will increase or remain at the current level in the coming year due to the need to expand their business scale and production, increase staff, and launch new products.[77]

In November 2020, Swedish truck and bus manufacturer Scania held a production base inauguration ceremony in Rugao, Jiangsu Province, becoming one of the first foreign commercial vehicle manufacturing companies to establish a wholly-owned plant in China. For investing in China, Scania has done quite a long research. He Mochi, President of Scania China Group, said that the 14th Five-Year Plan has repeatedly mentioned logistics and supply chain. China is coordinating infrastructure construction and aims to become a transportation powerhouse by improving comprehensive transportation corridors and hubs for the logistics networks, therefore it is the best time for Scania to expand its business.[78]

In September 2020, American water technology company Xylem (China) Ltd. announced the opening of a new sales office in Zhengzhou, Henan Province, to better serve the ecological environmental protection, comprehensive improvement of rural water systems and rural wastewater treatment projects in the Yellow River basin. The "new infrastructure" will bring new momentum and great opportunities for China's economy to move towards high-quality development in the post-pandemic era, said Lv Shuping, President of Xylem China and North Asia. The strategic focus and business direction of Xylem in China are closely associated with new infrastructure.[79]

In November 2020, Starbucks invested $156 million in the Starbucks China Coffee Innovation Industrial Park in Kunshan, Jiangsu Province. At the 2020 Starbucks Global Investor Conference, Starbucks said it plans to open 600 new stores in China in the fiscal year 2021 and will be present in 230 cities in China by the end of the fiscal year 2022, reaching a total of 6,000 stores.[80]

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[77] National Committee on United States-China Trade: 2020 China Business Environment Survey, https://www.uschina.org/sites/default/files/member_survey_2020_-_cn.pdf.

[78] People's Daily: "We have firm confidence to continue investing in China", https://wap.peopleapp.com/article/6145651/6051909 , 2021

[79] Ibid

[80] PR Newswire: Starbucks China Coffee Innovation Industrial Park Officially Begins Construction, https://www.prnasia.com/story/298802-1.shtml, November 16, 2020

On March 26, 2021, U.S. fries giant Blue Weston will invest $250 million to expand its fries processing capacity in China. Founded in 1950 on a small farm in the northwestern U.S., Blue Weston has grown into one of the world's largest frozen potato companies, supplying fries to more than 100 countries/regions.[81]

The above observations show that foreign companies are optimistic about the huge potential and resilience of China's economy, the country's fast-growing domestic demand market, as well as the determination to open up and investment facilitation is expected to focus more of their business in China in the future. However, despite the determination, many multinational corporations are still facing many uncertainties in policies and markets. This will certainly have some impact on their development of business in China.

[81] Wall Street Journal: Blue Weston to expand French fries processing capacity with new plant in China. https://cn.wsj.com/articles/%E8%93%9D%E5%A8%81%E6%96%AF%E9%A1%BF%E5%B0%86%E5%9C%A8%E4%B8%AD%E5%9B%BD%E6%96%B0%E5%BB%BA%E5%B7%A5%E5%8E%82%EF%BC%8C%E6%89%A9%E5%A4%A7%E8%96%AF%E6%9D%A1%E5%8A%A0%E5%B7%A5%E8%83%BD%E5%8A%9B-11616726149

Part IV Quantitative Study - Case studies of Multinational corporations' Operations in China, Taking the US Top 500 in China as Examples

In this part of the quantitative study, U.S. multinational corporations in China are taken as the target of the study. This is because, among all the countries, the U.S. have the largest number of multinational corporations in China and thus the largest cases available. According to *Fortune* Global 500 Ranking released in 2020, a total of 123 U.S. multinational corporations have relevant business in China. Since the external factors affecting foreign enterprises in China mainly include China-U.S. relations and the COVID-19 pandemic, with greater direct impact from this bilateral situation，U.S. multinational corporations in China have high consistency due to their association with the U.S. The various considerations reflected in the decision making of each company are more relevant to the China-U.S. relations. Thus, the selection of U.S. firms in China for quantitative research is more likely to obtain clearer conclusions.

4.1. The Definition of U.S. Multinational corporations in China and Research Variables

This study seeks to identify the decision logic along with the causality of U.S. multinational corporations in China concerning the Chinese market in light of the uncertainty of the current macro environment. As aforementioned, the U.S. multinational corporations in the Fortune Global 500 Ranking 2020 were selected as the research subjects for this study. Most of the Fortune 500 enterprises are listed companies with relatively transparent financial data, higher public disclosure of company investment and business layout, clear business segments, and understandable business models. This paper relies on the collection of public information of the above enterprise to analyze, screen, count, and research. These public materials include information from the company's official website, media release, annual or quarterly financial reports, public statements of the company, as well as a large number of industry studies and company research reports issued by brokerages and industry research institutions. This public information cannot cover all the business details of these enterprises, with limited resources, it hereby informs that there is the possibility of having defects and loopholes on this issue in the report.

The total number of U.S. multinational corporations in 2020 Global 500 Ranking is 121. The number of U.S. multinational corporations with business relations to China during a specific

period is 96. The definition of "having business relations with China" includes companies purchasing relevant products from China, holding shares in relevant companies headquartered in China, having investments or factories in China, or establishing research centers, design centers, training centers, branch offices, regional offices, etc. in China. The duration of these business establishments is set from 2010 to date (May 2021). This study will investigate the changes in China-related business of U.S. multinational corporations in China from January 1, 2018 to the present (May 2021). The starting point is set on January 1, 2018 because of the outbreak of the Zhongxing incident early that year and the China-U.S. trade war in July changed the decision-making logic of many companies and created uncertainty for their business development. Therefore, it is of practical significance and research value to study the impact of uncertainty on multinational corporations in China so far in 2018.

The research dependent variables are set for four. According to business changes of specific enterprises in China, namely, increases/decreases of purchases, investment, shareholdings, plant construction, R&D, training, and labor recruitment in China, it defines the decision-making behavior of specific enterprises as three types: increasing, decreasing, and restructuring (both increases and decreases) of business in China. Also, a fourth variable, global (business) realignment, is added to find the correlation between such changes and transformation in its global operations. Whether a company is looking to transform its business, or shrink its business (e.g., layoffs and divestments) or increase its business (e.g., mergers and acquisitions with multibillion-dollar or more), it can be considered to be undergoing global business restructuring. For reasons of growth changes in the Chinese market, revenue and profit of specific cooperation are not included in the dependent variable.

Once the dependent variables were defined, the study correlates them with the independent variables. The dependent variables include three types: China-U.S. relations, competition in the (Chinese) market, and business adjustments due to technology or other reasons. In the correlation of the dependent variable and the independent variable, the dependent variable is not necessarily correlated with single independent variables but may also be multiples. Finally, based on the correlation, the weight occupied by the -U.S. relationship on the overall U.S. multinational corporations' decisions in China can be determined.

In addition, aside from excluding two multinational corporations that exited the Chinese

market in the early 2010s, this research will classify the 94 enterprises (whether in high-tech industries or not) that maintain a presence in China (based on the 2017 National Economic Standard Classification of the Ministry of Industry and Information Technology of the People's Republic of China). Also, whether these 94 firms express their positions on relations in their public actions and statements will be the reference of the classification of three categories: critical (China), neutral, and optimistic (China market).

This study will not be error-adjusted due to the sample size and the presence of certain subjective factors during the period of correlation.

4.1.1. Dependent Variable: Business Adjustment of U.S. Multinational Corporations in China

The public information and data retrieval indicates that 96 of the 121 U.S. Fortune 500 companies have had relevant business in China since 2010, accounting for 79.3% of all U.S. Fortune 500 companies. Excluding the two companies that completely withdrew from the Chinese market in 2011 and 2014 (New York Life and Best Buy), a total of 94 US Global 500 companies have relevant business in China so far in 2018. A total of 28 of the 94 companies are classified as high-tech enterprises according to the Ministry of Industry and Information Technology's *National Economic Standard Classification* 2017.[82]

In total, 53 of the 94 enterprises have not undergone relatively apparent business adjustments from 2018 to date, while the remaining 41 enterprises have undergone significant changes in their business in China, i.e. 43.6% of the US Global 500 companies in China have undergone significant adjustments in their business in China in the past three years or so. The relevant findings are.

1. 28 of the 41 companies have increased their operations in China, with 13 of them seeking to adjust in global markets while increasing their China presence.

2. 10 of the 41 firms reduced their business in China, with 7 of them reducing their presence in China while also realigning globally.

3. three of the 41 companies restructure their operations in China, i.e., both reduced and increased some of their business in China. These three companies are Apple, Google and IBM, all

[82] National Bureau of Statistics: 2017 Industry Classification of the National Economy (GB/T 4754-2017), http://www.stats.gov.cn/tjsj/tjbz/hyflbz/201710/t20171012_1541679.html, September 29, 2017.

high-tech companies, while all three are also intensively restructuring their global presence.

4. 21 high-tech companies (75% of all high-tech companies with relevant business in China) among 41 companies have adjusted their business in China, among which 7 companies have reduced their business in China and 11 companies have increased their business in China; 3 companies have restructured their business in China.

Preliminary conclusions can be drawn from the above findings that the vast majority of U.S. multinational corporations in China have maintained stable connections in China from 2018 to date (May 2021), with less than half of them adjusting their business in China (all 94: 41 adjusted). However, companies that increased their business in China accounted for the majority (Adjustment 41: Increase 28: Decrease 10: Restructuring 3), indicating that the majority of U.S. multinational corporations in China continue to maintain their business in China, while a significant number of companies are also seeking to expand their operations in China, with no clear large-scale disinvestment phenomenon.

However, it is interesting to note that U.S. high-tech multinationals in China are seeking change. Most high-tech companies (existing 28: adjusting 21) are adjusting their business in China. Eleven of these companies are increasing their operations in China, seven are downsizing, and three others are restructuring.

The specific changes are shown in the following table.

Table 6: Changes in the operations of 41 U.S. multinationals in China

	U.S. Multinational corporations	**Increase**	**Decrease**	**Reconstruction**	**Global Adjustment**	**Remarks**
1	Wal-Mart	√			√	Increase Jingdong shares, plan to take a stake in TikTok
2	Amazon*		√		√	Cut Chinese local e-commerce, increase global investment
3	ExxonMobil	√			√	Increase Huizhou chemical project, global shrinkage
4	Apple*			√	√	Cut Ovation procurement, set up China clean energy

						investment fund
5	AT&T*		√		√	End cooperation with Huawei under pressure, increase 5G investment
6	Alphabet (Google)*			√	√	End cooperation with Huawei, invest in Jingdong, games and autopilot
7	Ford	√				Set up electric vehicle factory in Nanjing
8	Costco	√				Open more brick-and-mortar stores in China
9	Chevron*		√		√	Exits Kawahigashi Energy Project (retains interest), expands in Japan and Australia
10	JPMorgan Chase	√			√	Became the first wholly-owned foreign brokerage firm in China and keep the global expansion
11	General Motors	√			√	Upgraded and expanded Shanghai design center, transformed to new energy vehicles
12	Warburg Union	√				Takes a stake in China Pharmacy and enters Tmall
13	Verizon*		√		√	Cancelled cooperation with Huawei and increased investment in 5G
14	Microsoft*	√			√	Increase investment in cloud services and staff hiring in China, and continue global expansion
15	Kroger	√			√	Entered Tmall and transformed into an e-commerce
16	Citi Bank		√		√	Cut personal banking business in multiple countries (including China), global repositioning
17	General Electric*	√				Increased investment in healthcare and gas in China

18	Dell*	√			√	Increase investment in China by $25 billion and expand global business
19	Johnson & Johnson*	√				Increase investment in China and set up R&D center
20	IBM*			√	√	Sells AI healthcare in China, adds Greater China Technology Division, in transition
21	Boeing*	√			√	Expanded production at Tianjin plant, acquired Embraer
22	United Parcel	√				Delayed business in Shanghai
23	Intel*		√		√	Sell China business, set up a factory in US
24	Facebook		√			Discontinue cooperation with Huawei
25	Energy transportation companies	√				Establish offices and joint ventures in China
26	Goldman Sachs	√				Seeking to establish a wholly-owned company in China, global business expansion
27	Morgan Stanley	√				Seeking to set up a wholly-owned company in China
28	Caterpillar*	√				Establish pilot site in Qingzhou
29	Cisco*		√		√	Lay off employees in China, reduce procurement, and continue global business expansion
30	Pfizer*	√			√	Establish a joint venture in China, set up Hangzhou R&D center, and expand globally
31	AIG	√				Expected to invest $5 billion along the "Belt and Road" route

32	Freightliner	√				Obtained bank card clearing license in China
33	Liberty Insurance	√				Increased capital in registered companies in China
34	Tyson Foods	√			√	Build factory in Hubei, set up regional headquarters in Shanghai, and aggressively acquire in Asia and Europe
35	Oracle*		√			Planned to exit China, CEO expressed unwillingness to train talents for China
36	Nike		√			Involved in Xinjiang cotton incident, closed several foundry factories in China
37	Coca-Cola*	√			√	Increased investment in production lines and factories, continued global expansion
38	Honeywell*	√				Opened regional headquarters in Hubei
39	3M*	√				Add design center in China
40	Starbucks	√			√	Continued store openings in China and joint global expansion with Nestle
41	Thermo Fisher*	√			√	Established production center in Suzhou and completed tens of billions of dollars of acquisitions globally

*Note: Firms with * are "high-tech manufacturing and service industry enterprises" as defined by the Ministry of Industry and Information Technology (MIIT) in 2017, including Coca-Cola, which has invested more in sustainable agricultural technology in China and is included in the high-tech service industry enterprises.*

4.1.2. Independent Variable: China-US Relations, Market Competition and Business Models, Technological Upgrades and Transformation

The dependent variables in this study are set as three kinds of transformation triggered by China-U.S. relations, market competition and business models, and technological iterations and updates. This study searched the public behaviors and statements of 94 aforementioned companies

associated with China-U.S. relations, trade war, and corporate social responsibility. In total, 33 companies publicly made public statements on China-U.S. relations issues or took legal action or participated in CSR activities in China, and found the following.

1. 25 companies participated in co-signing open letters about the damage caused by trade wars, suing Trump's tariff policy on China, opposing Trump's WeChat ban, opposing China-U.S. decoupling, believing that trade wars will have negative impacts, and publicly expressing optimism about the China market, with four of them (MetLife, PepsiCo, Caterpillar, ConocoPhillips) providing several to $10 million of RMB. Four of these companies (MetLife, PepsiCo, Caterpillar, and ConocoPhillips) provided funds ranging from millions of RMB to $10 million to help fight the pandemic in China or to promote public welfare activities in China.[83]

2. The executives of 8 enterprises have publicly expressed criticism or neutrality toward the Chinese market. Among them, Facebook's Mark Zuckerberg said China violates intellectual property rules, Oracle's CEO said he is not willing to train talent for China, and Amazon said China's business environment is risky; HP, Cisco, Tyson Foods and Dow executives took a relatively neutral stance, saying respectively that the trade war could have negative effects, it would split the Internet into two. The China-U.S. trade war has affected their business, or that they did not consider increasing or reducing investment in the Chinese market until the situation with China became clear. Google executives, on the other hand, said the trade war has not affected revenue growth.

Table 7: Public non-commercial actions or statements taken by U.S. multinational corporations in China regarding China-U.S. relations and related policies.

	Company	Public non-commercial actions or statements
1	Walmart	Oppose Trump's Ban on WeChat, Participate in Co-signing Open Letter Against Tariff Hikes
2	Amazon	China's business environment is at risk
3	Apple	Oppose Trump's ban on WeChat
4	Berkshire Hathaway	Oppose trade war
5	AT&T	Lobbying to end telecom sanctions on China
6	Alphabet (Google)	Unaffected by trade war

[83] Reuters：Over 600 U.S. companies urge Trump to resolve trade dispute with China，https://www.reuters.com/article/us-usa-trade-china-tariffs-idUSKCN1TE36K

7	Ford	Oppose Trump's Ban on WeChat, Join Open Letter Against Tariff Hikes
8	Kaikei City	Participate in an open letter against tariff hikes
9	Warburg Union	Prosecute tariff policies against China
10	Home Depot	Prosecution of China's tariff policy
11	Citi Bank	China business is still an important segment
12	General Electric	Former CEO says he opposes China-US decoupling
13	Target	Prosecution of China tariff policy, participate in the joint open letter against tariff increase
14	Boeing	Can't afford to lose China market
15	United Parcel	Oppose Trump's ban on WeChat
16	Facebook	Criticizes China's unfavorable intellectual property protection
17	MetLife	Donated 3 million RMB to help China fight the pandemic, opposed Trump's ban on WeChat
18	Walt Disney	Oppose Trump's ban on WeChat
19	Procter & Gamble	Oppose Trump's ban on WeChat
20	Pepsi	Donated 8 million RMB to help China protest
21	Hewlett-Packard	China-US trade war may bring negative impact
22	Goldman Sachs	Oppose Trump's ban on WeChat
23	Morgan Stanley	Oppose Trump's ban on WeChat
24	Caterpillar	Invest $10 million in China for the public good
25	Cisco	China-US decoupling will split the Internet into two
26	AIG	Optimistic on the Chinese market
27	Dow	Conservative attitude on investment in large projects until the visions for U.S.-China relations are clear
28	Tyson Foods	Trade war affects company revenue
29	Oracle	Reluctant to train talent for China
30	Coca-Cola	Optimistic about the Chinese market
31	Honeywell	More concerned about China market despite trade war
32	ConocoPhillips	Donation to help China protest
33	Starbucks	Oppose Trump's WeChat ban

3. In addition to being affected by the China-U.S trade war directly triggered by Trump's tariff hike, 11 companies were directly impacted by other China-U.S policies, namely

Anson Insurance: U.S. officials accuse Chinese hackers of stealing Anson data

AT&T: cancelled business with Huawei

Google: Suspended cooperation with Huawei

Verizon: cancelled business with Huawei

Boeing Group: Group subsidiary Boeing Defense allegedly sells weapons to Taiwan under Chinese sanctions, Boeing aircraft orders delayed

Facebook: cancelled business with Huawei

Lockheed Martin: Suspected of selling weapons to Taiwan was sanctioned by the Chinese government

FedEx: Alleged Huawei Express submitted to the U.S. government for verification

Dow: 220% anti-dumping duty imposed by the Chinese government (regular anti-dumping case, not related to the China-U.S. trade war)

Nike: involved in the Xinjiang cotton incident and may close the China foundry, 2014 has gradually moved production lines to Southeast Asia

Arrow Electronics: alleged business connection with the Chinese military

At present, these 11 companies, in addition to Lockheed Martin's business in China cannot be confirmed or checked, five companies in China without significant changes (Anson Insurance, FedEx, Dow, Nike and Arrow Electronics), three companies (AT&T, Verizon, Facebook) to reduce their business in China but not all exit the rest of the business in China;[84] Google, although suspended cooperation with Huawei, but still increase its business in China; Boeing, on the other hand, increased its business in China (continuing to expand production capacity at its Tianjin plant), and in 2021 Boeing's president publicly stated that it could not afford to lose the Chinese market. This result shows that even the U.S. multinationals in question are relatively limited in their withdrawal from China operations under the direct impact of U.S. and Chinese policies.

4. The U.S. multinational corporations with changes in their operations in China (41) are divided into two categories, category A for increasing businesses (28) and category B for decreasing and restructuring (13). Then combining the changes in category A with the independent variables, the China-U.S. relation, as one of the independent variables, has almost no effect on the increased investment in China by category A firms. One exception is that in response to the downward spiral of the China-U.S.. relation, China has increased its opening, particularly in the

[84] AT&T has partnerships with Chinese telecom operators in China, Verizon has procurement programs in China, and Facebook takes on overseas advertising business for Chinese companies.

financial, automotive and energy sectors, which has largely led to six US multinational financial firms (JP Morgan, Goldman Sachs, Morgan Stanley, AIG, Express and Liberty Insurance) choosing to increase their operations in China, and among the automotive firms' Ford and General Motors increasing their investments in China. In addition, 13 of the 28 Class A companies have made more adjustments to their global operations while increasing their presence in China, including several to tens of billions of dollars in acquisitions. There is a correlation between the expansion of China and global operations.

Based on the mentioned statistical results, it is concluded that the reasons why U.S. multinationals that have increased their operations in China have made decisions to increase their inputs are not very closely linked to the China-U.S. . relations. The reasons for these decisions are, on the one hand, related to their global expansion and transformation factors and, on the other hand, related to China's more open policy. While China's introduction of more open policies is certainly a response to the sharp downward spiral in China-U.S. relations since 2018, these open policies were already present in China's Openness agenda, with commitments made long before China acceded to the WTO in 2001.

The correlation between the B category firms and the independent variables would be justified based on a three-level standard of "high – medium - low" shown as followed.

Table 8: The relevance of U.S. multinational corporations to reduce or adjust their business in China

Company Relevance	China-U.S. Relations	Market Competition	Seeking Transformation	Remarks
Amazon*	Medium	High	Medium	China's local e-commerce companies are failing to compete and are competing to a high degree with China in the cloud business
Apple*	Medium	High	High	Semiconductor supply chain shifts, seeks clean energy and automotive presence in China
AT&T*	High	Low	Medium	Discontinued cooperation with Huawei to expand in the 5G field
Alphabet*	High	High	Medium	China stops working with Huawei, invests in gaming and self-driving, and competes in the AI field
Chevron*	Low	Medium	Medium	Transfer of operating rights to the

				Northeast Sichuan gas field, unrelated to U.S.-China relations, is highly competitive in the Chinese market
Verizon*	High	Low	Medium	Discontinued cooperation with Huawei to expand in the 5G field
Citi Bank	Medium	Medium	High	Divestment of personal business, transformation to B2B business, sensitive relationship between China and the United States in the financial sector
IBM*	Low	High	High	Weak growth, business contraction, seeking transformation
Intel*	High	Medium	High	Returned to the U.S. to build a factory, lost competition, looking for transformation
Facebook	High	Medium	Low	Closing accounts from China, competing with TikTok
Cisco*	High	High	Medium	Hit by taxation, increased competition in China market
Oracle*	Medium	Medium	Medium	Cloud products not competitive enough in China, business not successful in China, global transformation
Nike	High	Medium	High	Xinjiang cotton incident, rising production costs and moved the industry chain, the first companies to digitalize customization transformation

*Note: Companies with * are "high-tech manufacturing and service companies" that meet the definition of the Ministry of Industry and Information Technology 2017 criteria*

Combined with the independent variables, it assesses that the majority of companies to reduce their business in China, or to restructure their business in China could be primarily attributed to the impact of the China-U.S. relationship (7 highs and 4 mediums in total), followed by the influence of the strategic transformation of these companies for internal and external reasons in the course of their development (5 highs and 7 mediums), the weakest factor is the adjustment due to fierce market competition (5 highs and 6 mediums), but the difference is not significant compared to the correlation with strategic transformation.

Thus, category B firms, those reduced or restructured their operations in China, made these decisions firstly because of the impact of China-U.S. relations on their operations in China, and secondly because of both transformation decisions and market competition, which made these enterprises choose to reduce their business investment in China. However, it is noteworthy that in particular that 10 of the 13 category B companies are high-technology companies.

If we look at technology companies as samples, there are 28 high-tech companies among the 94 U.S. Fortune Global 500 companies that have a presence in China. Seventy-five per cent of these high-tech companies (21) have changed their operations in China. One-third of the 21, or seven enterprises, have chosen to reduce their operations in China, namely Amazon, AT&T, Chevron, Verizon, Intel, Cisco and Oracle. The three companies that have restructured are Apple, Alphabet (Google) and IBM, all of which are ICT companies or Internet companies, except Chevron, which is the only energy company within.

Moreover, the correlation between these 9 companies' business changes in China and the China-U.S. relationship is 5 high, 3 medium and 1 low respectively, showing a strong correlation. Interestingly, 15 of the 21 technology companies with changes in their business are in the process of making significant global business adjustments. This could be either attributed to that companies are repositioning their global market to follow technological advancements, or because China and the US are repositioning their business weights globally while adjusting their business in China.

4.2 Basic Findings

Through quantitative analysis, the correlation between dependent and independent variables, this report concludes the following.

1. The turbulence and changes in China-U.S. relations have not caused the withdraw of most top Global 500 U.S. companies in China, but rather a significant number of them have been attracted by the Chinese market and have increased their investment. However, concerns regarding China-U.S. relations have been plagued U.S. multinationals in China. Of the 94 Fortune Global 500 companies with a business presence in China, less than half (41 enterprises) have made significant changes to their operations in China, and 28 of the 41 companies have chosen to increase their operations. Among those enterprises that chose to reduce or adjust their

business, though the China-U.S. relationship had a greater impact on their decisions, the companies' search for transformation and the attractiveness of the Chinese market or increasing competition also contributed to their decisions. For example, the Chinese government's decision to open up its financial sector has directly attracted large U.S. financial groups to increase their operations in China. Meanwhile, Amazon's local e-commerce business in China has been severely hit by the rise of local e-commerce companies in China and has had to close its local operations.

2. The turbulence and changes in China-U.S. relations have had a relatively huge impact on the business of the Global 500 U.S. high-tech companies in China and have, to some extent, promoted these companies to adjust their business in China while making corresponding adjustments globally. Twenty-one of the 28 high-tech companies has adjusted their business in China. Although 11 of them have increased their business in China, 10 companies have reduced or restructured their business in China, and their considerations for decision-making are more related to the changes in China-U.S. relations. Ten companies have made global business adjustments while reducing their business in China. In Apple's case, for example, Apple cancelled the purchase of Ovation, an important company in the Chinese supply chain, meanwhile, in recent years including 2021, it encouraged Foxconn, a foundry, to transfer its production capacity to India and committed to investing $430 billion in the United States in the next five years.[85] At the same time, Apple's establishment of a clean energy fund in China from 2018 to 2019[86] and news about Apple's possible placement of its foundry for new energy vehicles in China since 2020 have also received significant media coverage.[87] Apple's reduced share of its semiconductor business in China and increased presence in China's new energy sector is consistent with the current trend of the U.S.'s attempt in "decoupling" from China in the semiconductor sector, while at the same time trying to cooperate in the climate change sector.

3. Most of the Fortune Global 500 U.S. companies in China are more cautious in their public attitude toward China, and those companies which have publicly stated their

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[85] Apple Press Release：Apple commits $430 billion in US investments over five years，https://www.apple.com/newsroom/2021/04/apple-commits-430-billion-in-us-investments-over-five-years/,April26,2021

[86] Apple Press Release：Apple-launched China Clean Energy Fund invests in three wind farms，https://www.apple.com/newsroom/2019/09/apple-launched-china-clean-energy-fund-invests-in-three-wind-farms/,Sept,24,2019。

[87]GlobalTimes：China very likely to be Apple's car production base，analysts，https://www.globaltimes.cn/content/1210808.shtml,Dec23,2020。

position are overwhelmingly supportive of normalizing trade between the U.S. and China. In total, 33 of the 94 U.S. multinational companies in China have stated (or partially stated) their attitude toward the China-U.S. trade war through different forms and channels. Only three of these companies (Amazon, Facebook and Oracle) have publicly expressed their criticism of China's policies and business environment. The other five companies were more neutral in their official stance, while the remaining 25 companies expressed their expectations for the normalization of trade relations and their confidence in their future development of the Chinese market.

In May 2021, the American Chamber of Commerce in China released the "2021 American Business in China White Paper", which presents some of the perceptions of U.S. companies about conducting business in China by conducting a questionnaire survey. The key findings are consistent with the report conclusions that, most U.S. companies in China would not consider moving their production and purchase out of China, and a significant number of them intended to increase their investment in China. This indicates that the Chinese market remains highly attractive to U.S. companies and that this attractiveness will not change significantly due to the current situation in U.S.-China relations.[88]

In June 2021, the European Union's China Chamber of Commerce released the 2021 Business Confidence Survey Report, the overall findings of which are consistent with the 2021 White Paper on U.S. Companies in China. The EUCCC report shows that three-quarters of EU companies in China have higher earnings in 2020, with 51% reporting higher yields than the global market average for their business in China and a 13% increase over 2019. There are 68% of EU companies in China are optimistic about business growth, which signifies a 20% increase compared to the data of 2019. Meanwhile, more than a quarter of manufacturers are moving their

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[88] AmCham China：2021 American Business in China White Paper, https://www.amchamchina.org/white_paper/2021-american-business-in-china-white-paper/, May,17,2021. According to the white paper, 50 percent of AmCham China members said the investment climate is improving, while 38 percent said it is staying the same. 75 percent of members said they are optimistic about China's economic recovery over the next two years, and 85 percent of respondents said they do not plan to relocate their companies' manufacturing or sourcing processes outside of China. Nearly two-thirds of members said they plan to increase their investment in China in 2021, with most of them expecting to increase their investment by 1 to 10 percent. In the survey of the top 10 business challenges facing U.S. companies in China in 2021, the top four are "increased tensions between the U.S. and China" (78 percent), "increased labor costs" (40 percent), and "inconsistent/uneven enforcement of legal and regulatory interpretations. Inconsistent/unclear enforcement of legal and regulatory interpretations" (37%) and ""Increased competition from private companies in China" (33%). In addition, data security, regulatory compliance risks, protectionism, quality/review of Internet access service products, difficulty in obtaining licenses, and IPR infringement ranked fifth to tenth in terms of major risk challenges.

supply chains into China, outpacing by four times the number of manufacturers moving their supply chains out of China.[89]

4. This paper mainly focuses on the Fortune Global 500 companies, but it should be emphasized that due to the limitations of the statistics of the Fortune 500 itself, many well-known companies in various industries have not been included in this study. For example, Qualcomm, which has a large share of the global cellphone chip market, has successfully set up two R&D centers in Beijing and Shanghai, the first global innovation center in Shenzhen， and joint innovation centers in several Chinese cities since its entrance to China in the 1990s. Since 2018, the integrated circuit industry where Qualcomm is situated has continued to be affected by trade tensions between the United States and China. However, Qualcomm still maintains research and cooperation with relevant companies in China. In June 2021, the person in charge of Qualcomm said in an interview with Chinese media that addressing the uncertainty caused by geopolitics, "strong business cooperation between Chinese and U.S. companies will eventually become the strongest stabilizing force in the relationship between the two countries. That's how we have always viewed our industrial cooperation with China. And we will continue to expand and strengthen that partnership."

In addition to Qualcomm, other companies in the semiconductor industry, such as Western Digital, have highly evaluated the Chinese market and are ready to expand operations of their data center in China.[90] In areas aside from semiconductors, such as chemicals, Eastman Chemical which has invested in China for nearly 20 years, has joined an open letter initiated by more than 600 U.S. companies in 2019 calling on the Trump administration to reopen trade talks between the United States and China. At the same time, Eastman has not decelerated its business expansion in China, with its tire additives business officially opening its Shanghai laboratory in 2019 and a new Eastman product unit going into production successfully at its Nanjing plant in 2021.[91]These companies generally hope that the China-U.S. trade war will end peacefully, and

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[89] Roland Berger: 2021 Business Confidence Survey Officially Released, http://www.chnmc.com/wisdom/Insights/2021-06-08/16180.html, June 8, 2021

[90] HE Wei: Western Digital to expand further as data application segment rises, China Daily, https://www.chinadaily.com.cn/a/202010/10/WS5f810b13a31024ad0ba7dc93.html. Oct 10, 2020

[91] Eastman: Eastman's Tire Additives Business Officially Opens Shanghai Lab, https://www.eastman.com/Company/News_Center/2019/Pages/Tire-additives-shanghai-lab-chinese.aspx#_ga=2.220129808.820458873.1630379426-308611838.1630379426, 18.09.2019

they retain more hopes for the Chinese market, which is quite representative of the decisions of multinational companies in China.

Eastman: Eastman's New Dimethyl Ethanolamine Successfully Launched in China, https://www.eastman.com/Company/News_Center/2021/Pages/Eastman-starts-up-new-DMAE-unit-Chinese.aspx#_ga= 2.11519549.820458873.1630379426-308611838.1630379426, February 4, 2021

Part V. Conclusion and Recommendations

5.1. Conclusion

Through the two parts of quantitative and qualitative research, the conclusions that could be made in this report are: the changes in relations have had a certain impact on the business of large multinational corporations in China, especially on the issue of tariffs, which has had a wide impact and increased the procurement costs of some US companies in China; more than a half of the multinational corporations have maintained their business in China while adopting a wait-and-see attitude; however, the vast majority of them have not withdrawn from their business in China. On the contrary, more than 40% of multinational corporations have decided to increase their business in China, encouraged by the attraction of the Chinese market and more open policies. The survey illustrates that multinational corporations which were increasing their business in China also adjusted their global strategic layout, which means the Chinese market is an important part of the global strategies of numerous multinational corporations in China.

Relatively speaking, the business of high-tech multinational corporations in China has been more severely impacted than that of all U.S. multinational corporations there. The China-U.S. relationship is an important factor of their business, especially the U.S. policies of "decoupling" from China's technology, including the Entity List and related sanctions, which cut off high-tech companies from cooperation with Chinese companies along the supply chain, making it impossible for some high-tech companies to maintain cooperation with their original partners and forcing them to withdraw from their business in China. This has made it impossible for some high-tech companies to maintain cooperation with their original partners and has to abandon their business in China. A small number of multinational corporations with more diversified businesses have withdrawn from their "decoupling"-related businesses in China while repositioning their non-decoupling businesses. This business restructuring shows that high-tech companies do not want to give up the Chinese market and choose the restructuring path to maximize their market interests.

A significant number of multinational corporations in China have maintained relative stability in their business. However, uncertainties have caused them to have more concerns about doing business in China, mainly about not being treated equally and competitively in the Chinese

market. The relevant uncertainties come from two sources. On the one hand, the U.S. government continues to introduce policies that are unfavorable to trade and investment with China. While this uncertainty has been reduced more since the Biden administration took office, the uncertainty still needs to be confronted. The Biden Administration added seven Chinese supercomputer institutions to the Entity List in April 2021 is a fact. On the other hand, China's "new infrastructure" and "dual circulation" strategies implemented since 2018, in the 14th Five-Year Plan, massive funds were injected into ICT construction. At the same time, the promotion of the free trade zone and the opening to more areas have created opportunities for multinational corporations. However, they are also concerned that the political environment may lead to sentiments against foreign capital or companies, resulting in compensation for product sales, unsuccessful bids for related projects, and even rulings and judgments in commercial disputes against themselves.

Finally, it should be noted that the impact caused by parts of Chinese and the American policies during implementation is lagging, which will affect the multinational corporations' business in China while generating more uncertainty. In the case of China, the effects of a series of measures taken by the end of 2020 to date in the regulation of Internet businesses and in the promotion of the real economy and digital manufacturing will only gradually emerge over a long period. Some of the new measures, such as laws and regulations in various FTAs and infrastructure, are still in a process of matching multinational corporations' strategies in China. Therefore, there remains a possibility of greater adjustment and layout of multinational corporations' business in China in the future.

5.2. Recommendations

In response to the findings of this study, hereby the researcher attempts to put forward effective suggestions and recommendations. The logic of these suggestions is based on the following points: first, China-U.S. relations are an important factor affecting multinational corporations' business in China at present. To ensure the stability of multinational corporations' business in China, it is necessary to stabilize the China-U.S. relations and improve the business environment, including a better relationship of fair play, more effective policy enforcement, and a regulatory structure that is fully aligned with international rules. Secondly, for enterprises, to eliminate the related uncertainties and gain competitive advantages in the Chinese market, they

need to deepen their understanding of it, further improve their localization efforts and assume more corporate social responsibility. For this reason, the researcher has divided this report into two parts, one with recommendations for policymaking and the other are suggestions for companies.

5.2.1. Recommendations for Policymaking

The recommendations in this section mainly intend to improve the business environment and promote the integration of Chinese regulations with international rules, to reduce the obstacles for multinational corporations to operate in China and provide a smooth interface between the Chinese market and the international market.

A. Provide a friendly business environment for the development of multinational corporations, especially high-tech multinational corporations, and promote the transparency of government regulation and governance, including clarifying regulatory boundaries, improving relevant laws, and entitling relevant enforcement departments with correspondent authorities, such as Internet courts, intellectual property courts, financial courts, etc.

B. Establish cooperation mechanisms with the U.S. and Europe on digital economy as soon as possible, carry out dialogues with the U.S. and Europe, such as setting up the China-U.S.-Europe Digital Trade Summit and initiate the establishment of international data alliances and digital enterprise associations to deliberate the rules of global digital trade from official to private sectors, promoting common regulation-making on digital trade and global investment.

C. Strengthen humanistic exchanges. Consider establishing a dialogue for humanities exchanges between China and the United States, such as the South China Sea, or encouraging civil institutions in China and the United States to establish a mechanism for humanities exchanges through thinktanks and other institutions; restore and enhance the level of cooperation in science and technology, and establish more communication in these fields according to the model of the "China-U.S. Working Group on Technology and Trade Restrictions in the Semiconductor Industry".

D. Promote cooperation on climate change, mainly looking for cooperation in areas such as green finance. Promote the establishment of a joint China-U.S. climate change working group as soon as possible. Both sides can cooperate in green finance, such as issuing green bonds, to

provide effective financing for infrastructure cooperation in clean energy and other areas, including third parties.

E. Strengthen cooperation on intellectual property rights. China needs to strengthen intellectual property protection. The level of intellectual property rights protection should be enhanced in future regional trade negotiations (including CPTPP) and WTO reform process. On the one hand, the negotiations are used to reinforce the improvement of IPR protection capacity; on the other hand, the international protection capacity for China's IPR should be strengthened.

F. CPTPP is the only FTA with relatively complete and regulated digital trade rules at present, and we should continue to push for joining CPTPP to push back the establishment of domestic digital trade rules. If the U.S. seeks to join CPTPP at the same time, the process of joining CPTPP by both sides is expected to add a new platform for dialogue and trade dispute resolution between China and the U.S.

G. Increase the opening-up efforts and comply with the process of "promoting the opening-up of the general manufacturing industry and the orderly opening-up of the telecommunications industry" during the 14th Five-Year Plan. We will promote the acceleration of the relevant legislative procedures and the legal and regulatory dovetailing through the full piloting and experience gathering in each FTA in China. Strengthen the full and equal opening of domestic standards organizations to foreign enterprises in China.

H. Commit to restart bilateral investment agreement negotiations between China and the U.S. to establish a framework for cooperation between China and the U.S. and global multinational corporations to invest in China. The two countries can promote the negotiations based on the exchanged negative lists, improve the quality while shortening the length of the lists, starting the BIT at an early date based on the principle of "focusing on the major issues, prioritizing the easiest tasks, and moving forwards to each other".

I. The U.S. and China could reciprocally relax restrictions on enterprise access and market competition, and the U.S. could cancel some suppression of Chinese enterprises, such as Huawei, TIKTOK, Tencent, Ali, Xiaomi, etc. China should relax the investment and operation of U.S. high-tech enterprises. While the U.S. is "building a wall" to hinder Chinese enterprises, the Chinese side should not "build a wall" but should "tear down the wall" by opening pilot projects, partially by opening up, and strengthening network regulation. China should "tear down the wall"

instead of "building a wall" and may gradually and limitedly open up U.S. companies such as Google, Twitter and Facebook in mainland China by opening up some of them and strengthening network regulation.

J. China and the United States can strengthen infrastructure cooperation. In addition, to find more opportunities for collaboration in third-party markets, the U.S. and China can maintain dialogue and communication in core areas of infrastructure cooperation, such as energy development, where China can take advantage of investing in U.S. plants to help build its infrastructure and where U.S. energy products can be better exported to China.

K. Chinese government departments should promote communication with multinational corporations, explain and clarify relevant laws and policies, and strengthen implement of intellectual property rights to ensure compliance with laws, strict enforcement, and prosecution of violations.

5.2.2. Recommendations for Businesses

A. Enterprises should make adequate assessments on various possibilities and establish crisis management mechanisms to achieve shock absorption and buffering of crises. For example, in the Xinjiang cotton incident, a company avoided sensitive topics and publicly stated that it had investigated its supply chain enterprises and found no violations, which relatively well defused the crisis.

B. Management of multinational corporations in China should move from the back end to the front end, when business in China occupies a certain percentage of the multinational corporations' global business and its importance increases significantly, the corporate management should transfer some of its management capabilities to China instead of maintaining them at the headquarters to ensure good communication between the China business and the corporate headquarters and to maintain in-depth knowledge of the market. Addressing this issue, some multinational corporations, due to the rising share of their China business, have put their executives in China permanently and are well-placed to ensure that decisions are made in the Chinese market. While some multinational corporations have complex business segments in China and lack executives to coordinate, leading to difficulties in business integration and collaboration, and poor communication between Chinese companies and headquarters.

C. Companies should be more actively involved in corporate social responsibility (CSR) practices, enhance localization, and brand construction, taking responsibility for their products. CSR is an important part of local governance for multinational corporations. At present, though there are many multinational corporations' CSR practices in China, their influence has not yet effectively expanded. A part of multinational corporations engages in CSR practices with a relatively low profile. They should seek multi-faceted cooperation with government departments, academic institutions, other enterprises, and civil organizations to package their corporate social responsibility practices, enhance their persuasive and infectious power, and strengthen their brand image effectively and reasonably. This is also a spur and encouragement for local Chinese companies to practice CSR.

D. Establish more effective communication channels with the government, defend their legitimate interests from the perspective of enterprises, and take a fair and objective view of the current market competition and government regulation.

E. Suggest that U.S. enterprises in China tell the story of win-win cooperation between China and the United States. During the difficult period of China-U.S. relations, it was recommended that U.S. enterprises should be the disseminators, promoters, and practitioners of China-U.S. friendship, strive to improve the perception of the U.S. community towards China, contributing to the cooperation between two countries to create a favorable international environment for business development.

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Founded in 2008 and headquartered in Beijing, the Center for China and Globalization (CCG) is China's leading global non-governmental think tank. It has more than ten branches and overseas

representatives and over 100 full-time researchers and staff engaged in research on globalization, global governance, international economy and trade, international relations and global migration. CCG is also a national Postdoctoral Programme Research Center certified by the Chinese Ministry of Human Resources and Social Security.

While cultivating its own research teams, CCG has also built an international research network of leading experts in China and overseas. CCG engages in ongoing research on China and globalization from an international perspective. CCG publishes more than 10 books every year in English and Chinese and a series of research reports. It shares its research findings with the public and has published hundreds of thousands of related books and reports, which receives hundreds of thousands of website visits annually.

CCG has been involved in promoting many national development and global governance policies. It regularly submits policy recommendations to relevant state agencies and ministries, many of which have been commented on by the central leadership and have served as reference for major decisions made by relevant departments, continually promoting government policymaking and institutional innovation.

CCG has developed a variety of events and platforms, providing effective channels to exchange ideas between policymakers, experts, scholars, and industry leaders. CCG uses these platforms to put forward public policy recommendations and share insights for the public interest. Each year, we hold many high-profile flagship forums which are noted for their international vision, impactful and constructiveness. We also hold more than 100 events annually, including seminars, roundtables, luncheon meetings, release events for new research findings, and policy input exchange meetings.

CCG has established long-term cooperation with many international organizations, international think tanks and related institutions to jointly host seminars for academic exchange or to undertake joint research. CCG is also active in conducting regular international research and exchange activities, attending influential international forums and participating in dialogues on the world

stage. As one of the first Chinese think tanks to "go global," CCG has held bilateral and multilateral events or took part in Athens Democracy Forum, the Paris Peace Forum, the Munich Security Conference, the World Economic Forum， Munk Debates, China Social and Economic Symposium of Harvard University and other important international events. It has maintained close contacts with institutes including the Brookings Institution, the Center for Strategic and International Studies, Council on Foreign Relations (CSIS), the Cato Institute, the Carnegie-Tsinghua Center, the Carnegie Endowment for International Peace, Pew Research Center, Dialogue of Civilizations Research Institute，the Korber Foundation，German Institute for International and Security Affairs (SWP), the Italian Institute for International Political Studies (ISPI), the Heritage Foundation, the American Enterprise Institute and the Asia Society.

CCG has become an important platform for exchange and dialogue between embassies, and international politicians, think tanks and organizations. It has built bridges and mechanisms for communication between China and the rest of the world through holding receptions, round table conferences, and lectures by famous scholars, giving full play to the role of think tanks in track II diplomacy. After over a decade of development, CCG has grown into a significant think tank with global impact that promotes China's globalization process. CCG was the first Chinese non-governmental think tank to achieve this feat and is consistently considered the leading Chinese non-governmental think tank in authoritative think tank evaluations at home and abroad.