Impact of U.S. and Chinese Tariffs on American Companies in China

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

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

- Over 60% of respondents say the **initial $50 billion** of tariffs from both the U.S. and China negatively impact their companies. The percentage of companies expecting to be negatively affected by the **second round of tariffs** jumps to 74.3% for the U.S. tariffs ($200bn) and 67.6% for Chinese tariffs ($60bn). Over twice as many companies anticipate a "**strong negative impact**" if the second round of tariffs are implemented.
- The **practical impact of combined tariffs** is reflected in **loss of profit** (50.8%), **higher production costs** (47.1%), and **decreased demand** for products (41.8%). Only 11.8% of respondents have reduced employees, though the second tranche of tariffs will most likely raise this percentage.

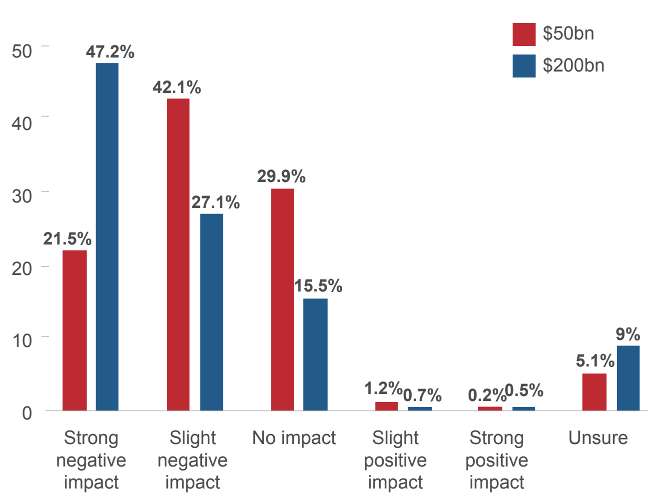
Over half of respondents note increase in non-tariff barriers

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

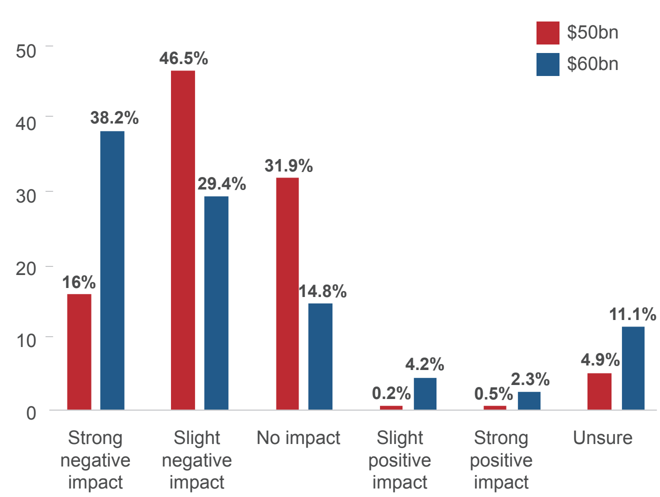
Supply chains significantly impacted, with some companies reassessing investment plans

- **Adjusting supply chains** is a common response to the tariffs, with many companies seeking to source components and/or assembly **outside of either the U.S.** (30.9%) **or China** (30.2%). Nearly one-third (31.1%) say they are considering delaying or canceling investment decisions.
- But **the majority**, nearly two-thirds (64.6%) of respondents, **have not relocated** and are not considering relocating manufacturing facilities out of China. Among those who are, the top destinations are Southeast Asia and the Indian Subcontinent. Only 6% say they are considering relocation back to the U.S.

Impact of U.S. tariffs on your business



Impact of Chinese tariffs on your business



Industries most impacted by initial $50bn tariffs:

U.S. Tariffs

Machinery 82.6%
Electronics 81.3%
Automotive 80.5%

Chinese Tariffs

Agribusiness 88.9%
Chemicals 80.8%
Healthcare products 75%
Automotive 75%

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

U.S. Tariffs

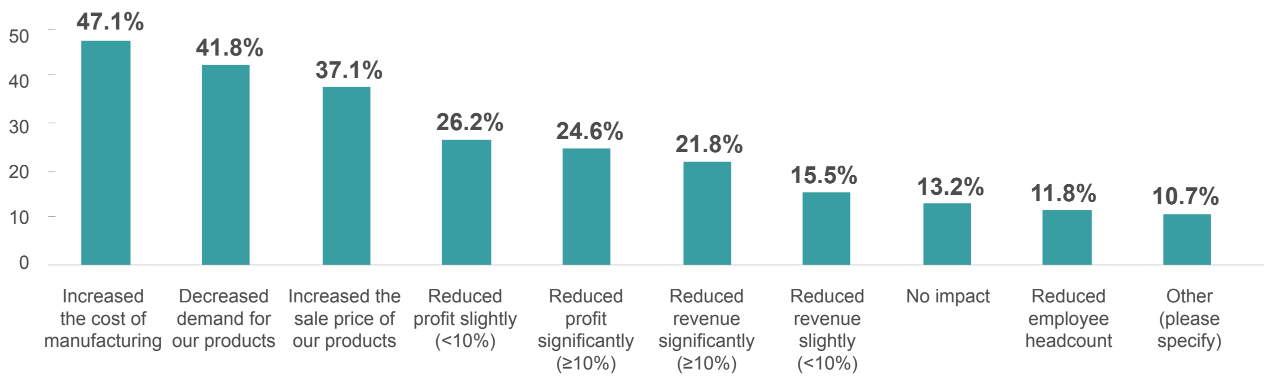
Automotive 88.9%
Machinery 86.9%
Electronics 81.2%

Chinese Tariffs

Other industrial 86.7%
Chemicals 84.6%
Aerospace 81.8%

Impact on Business Operations

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



Impact on business operations by industry

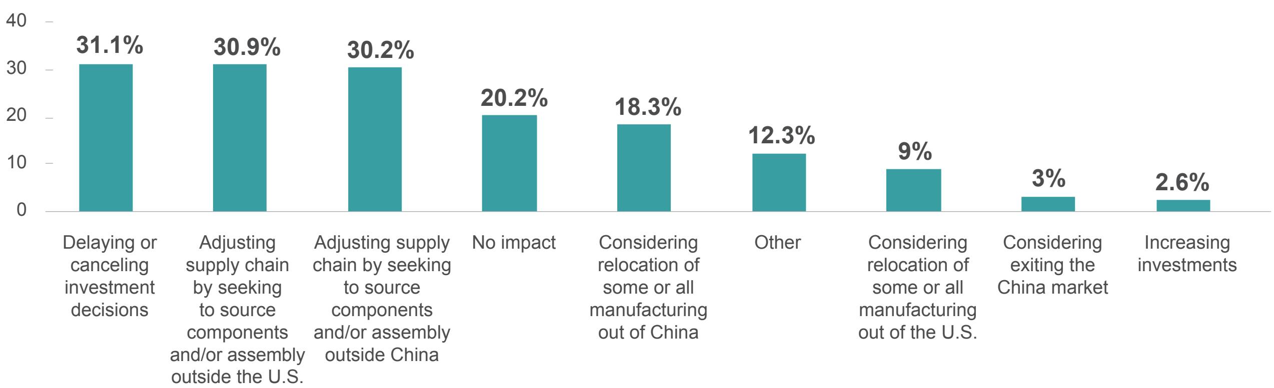
Reduced profit	
Healthcare products	82.1%
Electronics	75.0%
Chemicals	65.4%
Machinery	63.2%
Automotive	61.1%

Increased cost of manufacturing	
Machinery	77.9%
Chemicals	73.1%
Aerospace	72.7%
Electronics	68.8%
Automotive	63.9%

Increased sale price of product	
Retail & distribution	69.2%
Agribusiness	66.7%
Aerospace	63.6%
Machinery	55.9%
Chemicals	53.8%

Impact on Business Strategy

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



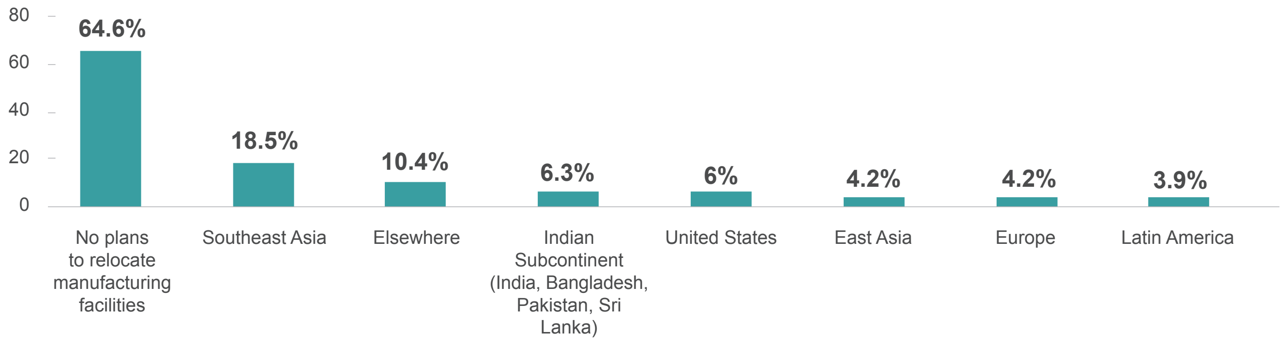
Impact on business strategy by industry

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

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

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

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

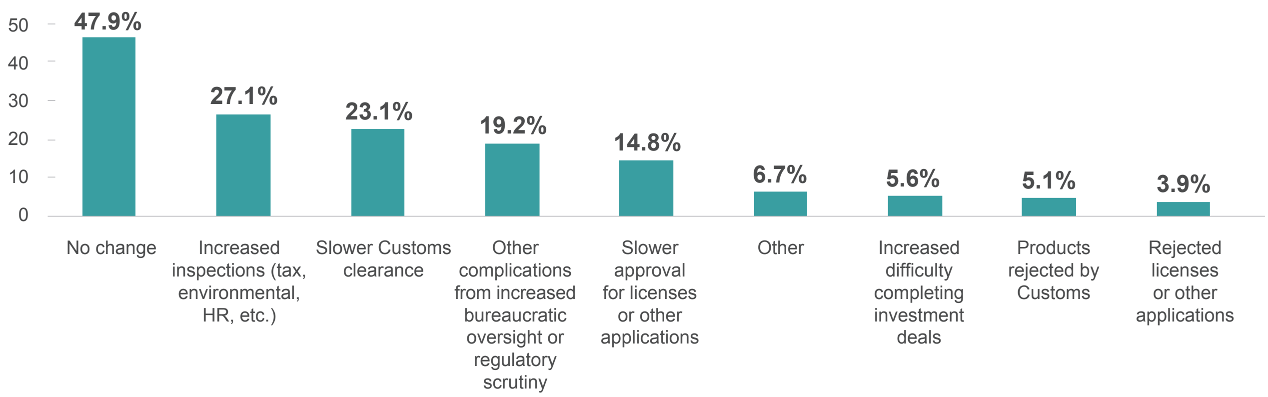


Relocation trends by Industry

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

Non-tariff Barriers

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



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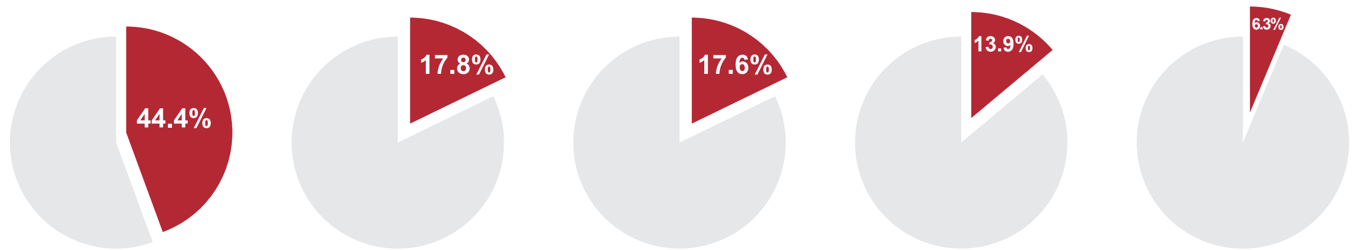
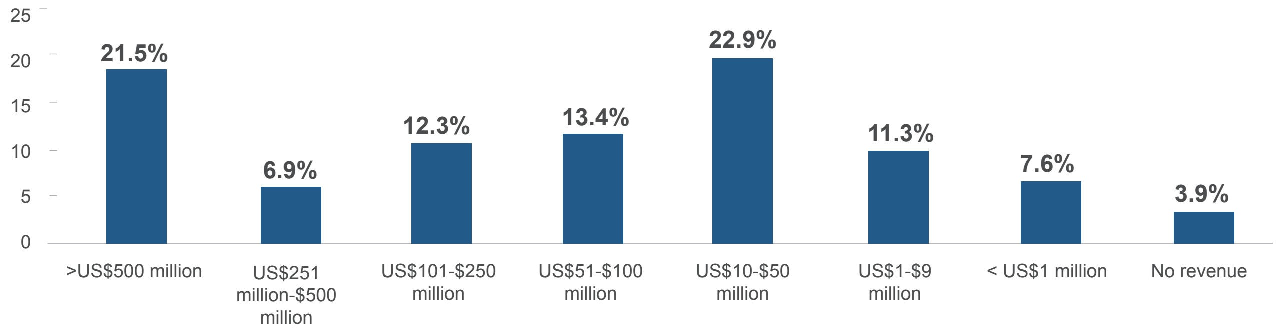
Survey Demographics

Primary strategy in China:



Total annual China revenue:



Primary China operations:

Industry	Responses	Percentage
Machinery, equipment, systems and controls	69	16.0%
Other services (e.g., law, human resources, accounting, marketing, advertising and PR, research, consulting)	51	11.8%
Automotive and transportation vehicles	36	8.3%
Other	35	8.1%
Consumer products	30	6.9%
Healthcare products (e.g., pharmaceuticals, medical devices)	28	6.5%
Chemicals	26	6.0%
Financial services (e.g., asset management, banking, insurance, investment)	22	5.1%
Electronics (non-consumer)	16	3.7%
Other industrial (e.g., mining, paper and packaging)	15	3.5%
Technology/telecommunications - hardware	15	3.5%
Retail and distribution	13	3.0%
Transportation and logistics	11	2.5%
Aerospace	11	2.5%
Agribusiness	9	2.1%
Education	8	1.9%
Media and entertainment	7	1.6%
Oil and gas/energy	7	1.6%
Hospitality and travel and leisure	6	1.4%
Healthcare services	6	1.4%
Real estate and development	6	1.4%
Technology/telecommunications - services	5	1.2%
Total	**432**	**100%**

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