

# [***Why China Still Beckons For Some Globally Minded Foreign Businesses***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6931-M981-JBCM-F0MM-00000-00&context=1516831)

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**Highlight:** What s more, there may be an upside to the bad news, American Chamber of Commerce in Shanghai Chairman Sean Stein said at the U.S.-China Business Forum held in New Yor... China is not only investable, but it's essential, for many businesses, says American Chamber of Commerce Chairman Sean Stein

**Body**

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About half of Tesla's deliveries last year came from its Shanghai Gigafactory, Chinese Ambassador to the U.S. Xie Feng told the 5th U.S.-China Business Forum organized by Forbes China in New York on Aug. 29.

Future Publishing via Getty Images

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Barely a day goes by without bad news about China s economy. Yet for some foreign companies, China still beckons. What s more, there may be an upside to the bad news, American Chamber of Commerce in Shanghai Chairman Sean Stein said at the U.S.-China Business Forum held in New York on Tuesday.

Chinese government officials scrambling to meet investment targets are currently in a good position to give incentives to foreign companies that wish to be there, Shanghai-based Stein said via a Zoom video.

What people are telling me is that in their history of working in China, he said, they've never seen such a charm offensive to try and encourage them to invest more or to expand an existing investment.

As we talk with government officials, it becomes clear that they've gotten a new KPI from on high in Beijing, said Stein, who is also co-chair of China Public Policy for law firm Covington & Burling. At all levels, all they want to talk about is how we're going to increase investment, how we're going to persuade you to come, and what can we do to make that happen, whether it's some sort of subsidy or land or a tax break, or something like that or a license or some sort of administrative approval, Stein told the audience of more than 100 businesspeople at the event held at Forbes on Fifth and organized by Forbes China, the Chinese-language edition of Forbes.

And so what we're telling people is, yes, they're interested in bringing in investment and if the investment makes sense for you, a big if, but if it does, now is the time to negotiate with local governments because they're empowered to give incentives.

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American Chamber of Commerce in Shanghai Chairman Sean Stein addressed the U.S.-China Business Forum in New York on Aug. 29 via Zoom video.

Ethan Covey

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One plus for investing in the country remains its help in spreading out costs globally, Stein said. We're seeing many companies who are in large global markets that need economies of scale. If you're not in China, you're not going to get the economies of scale needed to be globally competitive.

Other companies which have very high upfront engineering costs that have to be distributed across a large volume of sales are probably not going to be competitive even in their home market for very long if they aren t present in China, he said.

That s especially true for businesses that are suppliers to China. American companies learned during Covid that they need to have resilient supply chains and need to have effective redundancy in their supply chains; Chinese companies learned the very same lesson, Stein said. And so Chinese companies are now insisting that their suppliers be close to them, a demand that is requiring investment.

Joint ventures are also not what they once were. Many companies point out that when they first came to China, they were forced to take a venture partner and that joint venture partner was essentially a millstone. It held them back. It made it difficult for them to operate and raised costs. But often now that's not the case, Stein said.

Now when we see new investments coming in, foreign investors are often looking for a joint venture partner a Chinese joint venture partner because in many cases, they've got capabilities that the foreign company doesn't have on its own. Sometimes that's nimbleness in the digital space or more effective marketing. Sometimes it's even technology, he noted. Sometimes it's government relations.

Another driver of American investment is a wish to keep on top of competition. Many executives worry about the companies that no one's ever heard of and that are spending days and nights thinking about how to disrupt their business, and are looking for ways to beat them on cost or beat them on speed to market, Stein said.

Prominent U.S. business leaders to visit China of late include Tesla s Elon Musk, JPMorgan s Jamie Dimon and Starbucks Laxman Narasimhan. Chinese Ambassador to the U.S. Xie Feng noted Tesla s and Starbucks expansion in the country during a presentation at Tuesday s forum. (See related posthere.) U.S. Commerce Secretary Gina Raimondo visited the country last week in part to help give a boost to American businesses there.

Though investment plusses are still present, China is no doubt more complicated than it used to be and harder to succeed in, Stein also said.

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Participants at the U.S.-China Business Forum exchanged on current business trends.

Nathan Covey

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In the past for instance, foreign investors worried about competition from very large, well-funded state-owned businesses. While that's still a concern, what's an even bigger concern is that Chinese companies have grown up and become much more effective at trying to fight for market share.

Earlier improvements in areas such as intellectual property, transparency, predictability of regulation, and an assurance that the legal administrative justice system is going to be balanced for both local and foreign players have reversed, he noted.

For years, it was getting better a little bit year after year, maybe just 2 or 3%, but after four or five years, that turned into some big significant gains, Stein said. But what we've seen over the last couple of years is, in fact, that has started to trend the other way and it's becoming more difficult in all of those areas, he said.

There's a perception that all of those are now working more against U.S. business than for U.S. business or even foreign business, Stein said. And then, on top of this, complex data regulations are adding to challenges. China is not an easy place to do business. And so it's not every company that's able to thrive in this environment.

And so what I would encourage everyone to do is come and see how China has changed over the time since you've been here, because it's changed a lot. The attitudes, the way the government operates, how foreign businesses are viewed, the regulatory environment everything is different, compared to only a few years ago, Stein said. And if you're not here and you haven't been here, it's just hard to know.

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Chinese Ambassador Xie Feng addressed this year's U.S.-China Business Forum.

Chinese Embassy in the U.S.

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Other event speakers included George Wang, vice chairman of Zhonglu Group; Wei Hu, Chairman, China General Chamber of Commerce USA; Bob McCooey, Vice Chairman, Nasdaq; Li Zhenguo, President, LONGi Green Energy Technology; Craig Allen, President, U.S.-China Business Council; Abby Li, Director of Corporate Communication and Research, China General Chamber of Commerce; Lu Cao, Managing Director, Global Corporate Bank, Corporate & Investment Bank, J.P. Morgan; Amy Lei, Vice President, Fuyao America; and Zhang Zhaojie, General Manager, Agricultural Bank of China, New York Branch.

Also speaking were Ken Jarrett, Senior Advisor, Albright Stonebridge Group; Sunny Wang, President, Broad USA; and Chad Smith, Chief Marketing Officer, Moomoo Technologies Inc.; Alexandre Chenesseau, Evercore; Brendan Ahern, chief investment officer, KraneShares; and James Hsiung, retired professor of ***politics*** and international law at New York University.

The 5thU.S.-China Business Forum was held in person for the third time since 2019; it was held online in 2020 and 2021 during the height of the Covid 19 pandemic.

See related post:

China Ambassador to U.S. Xie Feng Calls For New Path Forward In Ties

Businesses Have Role In Helping Terrible U.S.-China Ties: Former U.S. Ambassador Max Baucus

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