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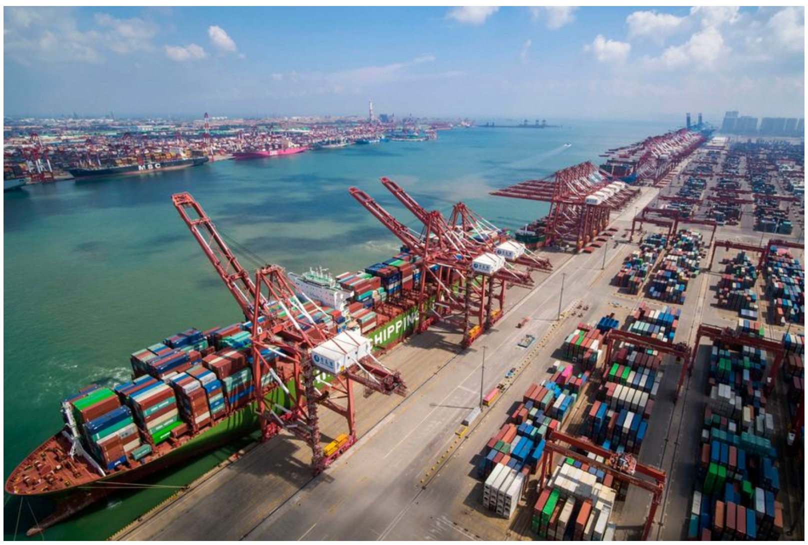
CFO JOURNAL

U.S. Companies Preparing for Long-Term 'Confrontational Relationship' With China

Businesses have started to diversify supply-chain investments away from the China market, U.S.-China Business Council executive says



A container ship is docked a port in Qingdao in eastern China's Shandong province. An executive with the U.S.-China Business Council said that U.S. companies are expecting trade tensions with China to extend beyond current trade negotiations. PHOTO: ASSOCIATED PRESS

By Mark Maurer

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BOSTON—U.S. companies are preparing for tensions with China to extend far beyond the status of the continuing trade discussions, an executive for the U.S.-China Business Council said Monday.

"When we talk to companies, there's a realization that no matter what happens with this trade deal, we're going down a trajectory of a much more confrontational relationship with China that's very unlikely to shift in the opposite direction in the future," Jacob Parker, vice president of China operations for the council, said during a panel at a conference organized by the Association for Financial Professionals. The council represents about 220 U.S. companies that conduct business in China.

Businesses are making arrangements to diversify their supply-chain investments away from the China market and enacting other structural changes to account for that, Mr. Parker said. It could take about three to five years to build up the supply chain elsewhere, he added.

The U.S. and China reached a truce in trade negotiations this month, with the U.S. agreeing to put off a round of tariff increases originally scheduled for October. China agreed to increase purchases of U.S. agricultural products. No formal agreement was signed last week, pending further discussions of details.

The long-term effects of the tariff dispute could affect some companies' financial positions and credit ratings as well as the loss of long-term supply contracts, said Ted Pokorski, the director of treasury at Regal Beloit Corp., a Beloit, Wis.-based maker of electric motors, who also spoke on the panel.

A survey of U.S.-China Business Council members in August said that optimism about China is at a historic low, adding that more businesses are halting their investment in the country and only a slight majority of companies expect their revenue in China to rise next year.

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Corrections & Amplifications
A previous version of this article incorrectly identified the Association for Financial Professionals as the Association of Financial Professionals. (Oct. 22, 2019)