Data Summary

Company Executive Commentary Analysis

Based on 125 data points acquired by scraping shareholder letters and 10-K MD&A (*CEO Sentiment (Shareholder Letter, 10-K MD&A).xlsx*), we can see that there has been a structural break in global corporate strategy in the past decade.

Early in the 2010s, executives across sectors were almost unanimously optimistic about China as companies were seeing significant growth (Apple MD&A, 2012) from the Chinese market.

However, the sentiment has shifted drastically recently and this is not surprising based on the policies and regulations proclaimed by US and Chinese governments

Policy and Regulation Analysis

Decoupling between US and China has been a constant theme since the late 2010s. I have selected 10 policies from both US and China that have been featured heavily in multiple news outlets and newspapers, hence can be seen as material policies with profound ramifications. Based on the policies selected, it seems that China had an accommodative stance towards foreign firms until the USTR hit China with tariffs in 2018, and since then the policies have been escalatory from both sides.

Data Synthesis

2010-2018

In the early 2010s, China was warming up to global firms as seen Chapter 12 “第十二篇 互利共赢 提高对外开放水平” of the 12th Five Year Plan (2011, China National People's Congress) indicating a mutually beneficial opening up. This was met with enthusiasm by company executives as many saw “tremendous potential” (Blackrock Shareholder Letter, 2012) in venturing into the Chinese market.

China saw the necessity to move up the global value chain transitioning from the “factory of the world” to high-tech manufacturing as outlined in “Made in China 2025” (2015, China Natural Resources Defense Council) serving as a blueprint for innovation in key sectors such as information technology and EVs, which Tesla welcomed by recognizing that “China could become one of its largest markets” (Tesla MD&A, 2015).

To further this endeavor, heavy controls on foreign companies operating in China were loosened once “外商投资准入特别管理措施(负面清单)(2018年版)” (China Natural Resources Defense Council, 2018) was published, removing equity caps on foreign capital, which allowed the “construction of Gigafactory Shanghai” (Tesla MD&A, 2019).

2018-2025

However, the decoupling of trade relationship between US and China started when the US imposed 25% tariffs on Chinese imports via Section 301 (USTR, 2018). This prompted Auto companies towards “local production … avoiding tariffs” (Tesla MD&A, 2019) as well as Tech companies blaming “tariffs … [for] component costs” (Apple MD&A, 2021). The tariffs mostly remained in place even after the change in US administrations and even increased for some categories.

In conjunction with the tariffs, the US started to restrain companies operating in US jurisdiction from certain types of activities that would give advantage to China. US semiconductor and software companies were prohibited from selling advanced technology to China (US BIS, 2019 and 2022) and businesses in the US were barred from dealing with Chinese companies related to the Chinese military (US OFAC, 2020), forcing banks to "de-risk and exit" (Citi Shareholder Letter, 2023) from some of the local Chinese companies.

As a result, China pushed back to these measures by announcing "Anti-Foreign Sanctions law" 中华人民共和国反外国制裁法 (China National People's Congress, 2021) and "Anti-Espionage law" 中华人民共和国反间谍法 (China National People's Congress, 2023). In combination with the US sanctions, these Chinese laws caught Tech companies and Banks in between and forced these companies to choose a side. Jamie Dimon echoed this sentiment saying "growing geopolitical tensions importantly with China" (JP Morgan Shareholder Letter, 2023). Further oomph was added to the pushback as China imposed export restriction on rare earth minerals through 商务部 海关总署公告2023年第23号 关于对镓、锗相关物项实施出口管制的公告 (China Ministry of Commerce, 2023) disrupting supply chains for tech companies that "sources critical components from China, facing risks of supply chain disruptions" (Qualcomm MD&A, 2025).

Data Analysis and Conclusion

When juxtaposing the executive commentary with policies and regulations, there does not seem to be a catch-all approach and each sector seems to be taking a different approach. The different approaches of these companies seem to hinge on two factors: 1) company's cutting-edge technology, and 2) company's customer base.

First, the part about companies with advanced technology is fairly obvious. The US-China trade war is not about the economy, but it is really the competition for world supremacy. From this perspective, acquiring the better technology and building a moat around the technology is critical to prevent the competitor from gaining advantage. In essence, the reason US and China issued these policies against each other is to ensure they have the technology and the other does not. This is why we see Tech companies (with advanced technology) and Banks (conduits of US seniorage) pivot away from China and sticking to business in the Western hemisphere. Tech companies and Banks are seeing their "business concentrated in China, and the risks of such concentration are exacerbated by U.S./China trade and national security tensions" (Qualcomm MD&A, 2025).

Another factor is the customer base. Even though currently in a deflationary regime, China is the most populous country and there is great potential if consumer sentiment were to recover in the future. As a result, companies that face retail customers directly, such as Auto companies and Consumer Goods companies are entrenched in the China market. This is very different from the Tech companies which deal with other Chinese Tech companies or Banks which deal with institutions and do not have a large retail banking presence in China. Some Auto companies explicitly state that they "want to remain strong in … China" (Volkswagen Shareholder Letter, 2023) as well as some Consumer Goods companies identify Greater China as one of their "key regions" (Procter&Gamble MD&L, 2023)

This clearly shows that there are at least two different main factors when it comes to a company's direction when reacting to a policy: advanced tech and customer base. Executive commentaries from Tech companies and Banks were more reactive to US policies as they were prohibited from the US government to export/use said advanced technology in China. Executive commentaries from Auto companies and Consumer Goods companies were more reactive to Chinese policies as they are mainly looking to expand their customer base in China which is dictated by China greenfielding their business.