

Opportunities remain for American business in China



Leng Cheng and Tiffany Mei

After nearly two decades of preparation and US\$5.5 billion in total investment, the recently opened Shanghai Disney Resort represents both the largest single US investment in China as well as a major vote of confidence in the host country's economic future.

In its latest China Business Report, based on the results of its annual business climate survey, the American Chamber of Commerce in Shanghai also noted the importance of China as an investment destination for American companies. This importance is due both to the size of its market as well as its historical levels of economic growth.

Over the past decade, China has been the fastest growing export market for the US. Amid strengthening bilateral economic ties, China has also become a major exporter of capital to the US. Despite some anxieties over China's macro-economic climate and industrial restructuring efforts, many see a bright future for Sino-American business ties.

Kenneth Jarrett, president of the American Chamber of Commerce in Shanghai, describes this economic and commercial

relationship as the most important bilateral relationship in the world "in terms of scale and the level of interdependence between the two countries."

Although US investment growth in China is slowing under the pressure of an over-arching economic slowdown and rising labor costs, the trend can be seen as a natural pause after a previous cycle of heavy investment in China and the shifting preferences of investors.

"New investments coming into China have been relatively stable over the past few years. But it's also quite diversified," said Jarrett.

"On an annual basis, if you look at the amount of new investments flowing into China, you can see that they are still very heavy on the manufacturing side. But if you look at the sum total of newly arrived companies, there are a lot of smaller professional services such as those provided by consulting companies, law firms, health care services like hospital management and elderly care, education and tourism companies. These are all very active services at the moment where a lot of US companies are looking here for opportunities," he said.

To build a more hospitable business environment for US companies in China

and help local regulators receive swift feedbacks from foreign investors, the chamber communicates regularly with its counterparts at the Shanghai Municipal Commission of Commerce. It also engages in dialogues on specific issues with the Shanghai Customs and China's inspection and quarantine authorities.

It's hoped that communications with different government bodies can help ease the challenges that American enterprises face in China, said Jarrett. These include operational problems, like hiring talent and regulatory issues where transparency and credibility are a source of concern.

"Sometimes companies don't have enough understanding of what's coming in ... For them, they want as predictable and stable a regulatory environment as possible, and need more flexibility on market access," Jarrett explained.

Looking ahead to the next cycle of US-China business cooperation, AmCham is hoping for further progress on China's recalibration of the relationship between government and the market. This includes breakthroughs in the China Pilot (Shanghai) Free Trade Zone for the benefit of foreign investors, as well as the adoption of "international practices" to resolve economic problems, said Jarrett.

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