



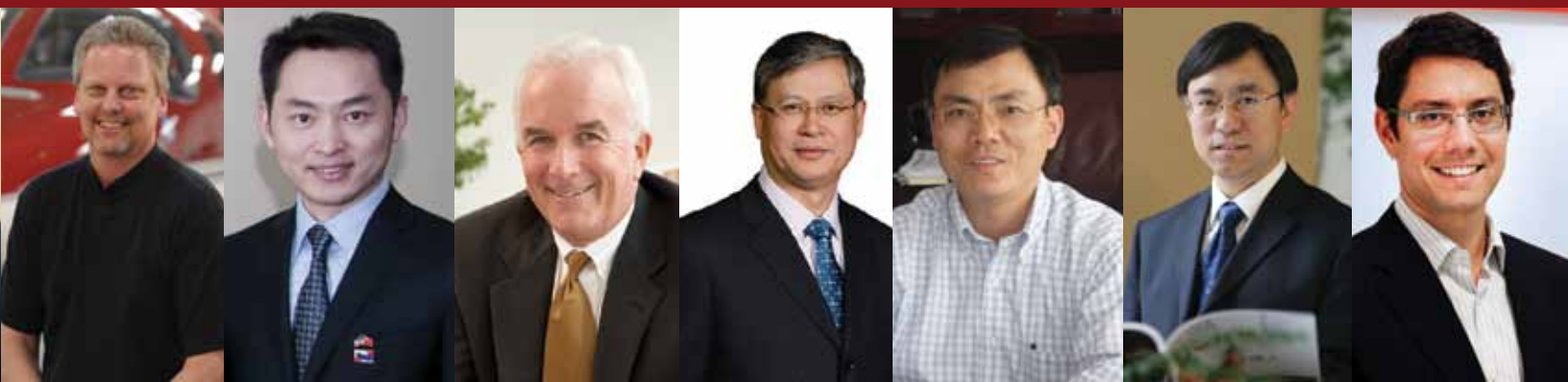
100 Years Standing Up for American Enterprise
U.S. CHAMBER OF COMMERCE

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Faces

CHINESE INVESTMENT IN THE UNITED STATES



This publication would not have been possible without the cooperation of Chinese business leaders who generously gave their time and thoughtful ideas for this report. We also wish to thank Deloitte and Las Vegas Sands for their support and acknowledge the contributions of the Albright-Stonebridge Group. We could not have produced this report without each of them.



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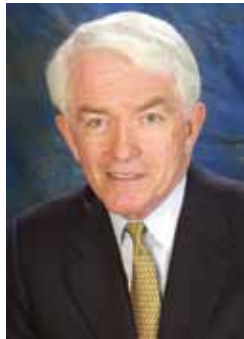
The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.



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INTRODUCTION



The U.S. Chamber of Commerce is committed to increasing two-way foreign direct investment (FDI) between the United States and China. We believe that it can yield significantly increased benefits to both countries.

Increased FDI has already led to greater economic growth, jobs, and opportunities in both China and the United States. It has strengthened the friendship between the world's two largest economies and has led to greater global stability and prosperity.

While obstacles remain, the potential for continued U.S. FDI in China remains bright. To help promote greater Chinese investment in the United States, the U.S. Chamber is releasing this important publication. *Faces of Chinese Investment in the United States* helps demystify the U.S. investment climate for Chinese business leaders who are interested in the American market. This report contains concrete and practical information, not theoretical explanations or reams of statistics. The advice in this report comes from the chairmen, CEOs, and other top executives of Chinese companies who have already been successful in the United States.

We gathered this material through direct interviews with Chinese business leaders who run companies large and small, state-owned and private, and manufacturers and service providers. We also included companies that have invested in different locations across America. If we were to summarize their outlook in a few sentences, it would probably be, "The U.S. market is highly competitive, open, and attractive. There are challenges, but they can be managed. Come and join us here!"

In addition to sharing the wisdom of these leaders, this report makes the case for why Chinese investment in the United States helps ordinary Americans. We have included local employment and other information that highlights the contributions of Chinese companies to the U.S. economy and local communities.

We hope that business leaders in China find this report useful and that it increases their interest in investing in the United States, to their benefit and to the benefit of both countries.

Sincerely,



Thomas J. Donohue
President and CEO
U.S. Chamber of Commerce

SUMMARY OF CONSIDERATIONS FOR CHINESE COMPANIES INVESTING IN THE UNITED STATES

There are great opportunities for Chinese companies in the United States. As shown in this report, most Chinese companies receive a warm welcome in the United States and do not face obstacles from the U.S. government. However, it is also true that the U.S. business environment is different from China's. Further, the reasons for investing in the United States will vary, as will the choice of location and the nature of a Chinese company's interaction with the U.S. government and local community.

The following are some considerations for Chinese companies thinking about an investment in the United States. They are all drawn from the interviews in this report. We hope that Chinese companies considering an investment in the United States will find this information useful and that it will encourage more of them to invest here.

Assessing the Potential for Investing in the United States

You may not think that investing in the United States makes sense for your company, but have you thought about all aspects of the investment? Thinking comprehensively can help you decide where to locate your investment and how much time and money it deserves, influence your business strategy, and help increase your chances of success. Some things to consider:

- **Have you taken a strategic view of the advantages of investing in the United States, including viewing it from the marketing, logistics, and productions perspectives?** While it may be more expensive to manufacture in the United States than in some other countries, have you looked at the benefits that a U.S. location can give to your long-term operations through proximity to customers, logistics, brand awareness, and a greater understanding of the market and its unique tastes and preferences? **Think of more than just cost; think also about competitiveness and profitability.**
- Can you afford NOT to invest in the United States? In other words, is your industry such that increased competitiveness and long-term survival require you to go out into the world, and in particular to the United States?
- If your goal is to broaden your market, have you considered all the aspects of how a U.S. investment can contribute to this goal? Increased physical proximity can be one advantage. **Shortening the time required to bring your product to market can also make your business more attractive to potential U.S. customers.** Further, being close to your customers will allow you to better understand their needs and tastes.
- **How will the investment fit into your global operations?** Will it be an independent unit, or will you need to make sure it is carefully integrated into your operations in China or around the world?

- Do you want to find a U.S. partner for your venture?
- Though your product may be a great success in China or other markets, **will it need to be adapted to fit the unique tastes and preferences of U.S. consumers?** Have you thought about where you will find the expertise to help you make this adaptation and what it will cost?
- **Are there ways to combine the strengths of your company in China with advantages you find in the United States, such as manufacturing in one country complemented by research and development (R&D) in the other?** In a globalized economy, combining the strong points of different countries can be a positive factor for success.
- Have you considered whether particular locations would help you overcome specific hurdles in your operations (e.g., human resources, technology, know-how)?
- If your focus is on R&D, have you looked carefully to find areas that have deep talent pools in your particular sector? In this regard, cost is probably not the main factor to consider; emphasize the availability of the talent you will need to drive your research activities.
- Is your investment focused on tapping into America technical talent? Have you thought about where you will find the needed talent?
- **Do different localities offer different financial incentives for your investment?** Although this can a significant factor, other considerations such as proximity to customers or technical talent might be even more important for your company.

Choosing a Specific U.S. Location

The United States, like China, is a big country. Different parts of the country will offer different advantages for a Chinese company. The proximity to big cities, technical talent, transportation hubs, policymakers, raw materials, customers, and other factors will vary across the country. In addition, some localities may offer financial incentives for certain types of investments but not welcome others. Some things to consider:

- Are you thinking about a particular location simply because other Chinese companies are located there? This may make sense, but **you should be certain to do a more detailed analysis of that location for your industry and your company.**
- If you are acquiring an existing company, you may have no choices regarding the location. Nonetheless, have you closely studied the business environment in that area so you can be well prepared to help fit in with the community from the business and personal perspectives?
- Do you have a U.S. partner or advisor who can give you advice regarding the location for your investment? **Local knowledge can be helpful in making a decision.**
- Have you thought about the short-term cost advantages and the long-term strategic and corporate strengths that different locations would bring to your venture?
- How important is it for you to be close to your customer and major industry partners, and which localities can provide this proximity?
- **Have you been in contact with local and state officials in various locations you are considering?** This can help you judge their level of interest in welcoming your investment and the level of financial incentives they might offer. Further, **such contact can provide a foundation for good relations with those officials if you decide to invest in that locality.**
- **Does a particular locality have an “ecosystem” for your sector, or is it developing one?** In other words, is the locality developing a concentration of suppliers, technical talent, and customers specific to your industry? If so, this can be particularly convenient for you and help ensure your success.
- Have you engaged local consultants who know the specific areas that you are considering? **Consultants can be great resources for helping you understand the advantages and disadvantages of particular locations.**
- Do you feel comfortable and welcomed when you visit a particular locality? Being welcomed can be important to your long-term success.

Building Relationships With Governments and the Broader Community

The U.S. economic, political, and cultural environment is very different from that of China. As a result, the business environment is also different. The vast majority of Chinese companies have no contact with the U.S. government, and

most that do have a positive experience. However, local governments can play a role in an investment. Most important, you must understand that success in the United States requires obeying all of the complicated and detailed federal, state, and local laws and regulations. Unlike in China, personal relations with officials play a very small part in the enforcement of laws and regulations. In addition, relations with labor unions and the local community can be important to the success of a U.S. investment. Some things to consider:

- Have you researched whether the U.S. federal government needs to review and approve your investment? Find a U.S. law firm with experience in foreign investments to give you advice on this question. **The vast majority of Chinese investments in the United States can be made with no review or approval needed from the federal government.**
- If you need to have a federal government review of your investment, have you hired experienced U.S. advisers to help you with this process? The vast majority of Chinese investments will not require such review, but if you are a state-owned company or are operating in a high-technology area, then it is likely that such a review will be needed to see if your investment will negatively affect U.S. national security. This does not necessarily mean that your investment will be rejected. Do not be afraid of some opposition from officials or the media. **A major, experienced U.S. law firm can give you advice that will maximize the possibility of having your investment approved.**
- Have you considered what types of outside professional services you will need to hire to be successful in the United States? U.S. laws and regulations are clear, but are complex and very strictly enforced. All companies must strictly obey the laws and regulations, including environmental, zoning, worker safety, and other laws. Unlike in China, U.S. officials give only limited help to companies in understanding and complying with laws and regulations. Such compliance requires capable and experienced U.S. professional advisers, including lawyers, accountants, and other types of consultants. These services are very expensive in the United States but are absolutely necessary for success. **Other kinds of consultants, such as companies that specialize in advice in public relations, marketing, advertising, and distribution, may also be helpful.**
- Do you have a plan to work well with local governments? Unlike in China, personal relationships with officials are not critical to your success. However, showing officials that you are a good “corporate citizen” who obeys U.S. laws and regulations is very important. Officials in the United States treat all companies, American and foreign, equally, but demand that they all carefully obey U.S. laws and regulations. They will judge your company on this basis.
- Have you thought about how to deal with negative publicity? The U.S. media is completely independent of the government, so even if some local officials welcome your investment, others might voice opposition in the media. Do not be discouraged by this. Look to your U.S. partners, friendly local officials, professional consultants, and others to help you devise strategies to deal with negative publicity.

- Have you considered how you can contribute to further developing U.S.-China relations? For large companies with major investments, finding opportunities to support the growing U.S.-China commercial relationship through participation in bilateral official meetings is useful. Smaller companies may find opportunities to be active with state or local efforts to further develop U.S.-China commercial relations, such as through participation in conferences or meetings with visiting officials.
- **Have you thought about how to make concrete contributions to the local community?** The salaries

you pay to workers and the taxes you pay to local governments are concrete expressions of the contribution you are making in the United States. However, corporate social responsibility projects that add extra value to the local community are highly appreciated and help you develop deeper relations with local citizens and the local government.

- Will you need to work with labor unions? U.S. labor unions are completely independent of the government. Working with them in a transparent way is very important.



CHINA NATIONAL OFFSHORE OIL CORPORATION

Location:

Houston, Texas

Type of Investment:

Joint venture

Type of Ownership:

State-owned

Total Amount Invested in
the United States:

About \$3.46 billion



The profile is based on a questionnaire completed by Jiang Qing, President of OOGC America, Inc., and Ren Qi, CNOOC Director of Business Development. CNOOC CEO Li Fanrong is pictured above.

FULFILLING DEMAND THROUGH U.S. PARTNERSHIPS

Background

China National Offshore Oil Corporation (CNOOC) is the largest producer of offshore crude oil and natural gas in China and one of the largest integrated oil and gas exploration and production companies in the world. The company is primarily engaged in exploration, development, production, and sales of oil and natural gas. CNOOC was established by China's State Council in 1982 to serve as the Chinese partner of international energy companies exploring and extracting oil and gas in Chinese waters. CNOOC has since grown beyond China's borders and is one of the country's largest outward-investing companies. The company operates assets in Asia, Africa, Oceania, South America, and North America, with more than 51,000 employees worldwide. CNOOC made its first U.S. investment in 2009, when it acquired a minority stake in several Gulf of Mexico deepwater blocks. Four years prior to this investment, CNOOC placed a \$18.5 billion takeover bid for California energy firm Unocal Corp., but eventually withdrew the bid because of political complications surrounding the investment. The company has since grown its U.S. presence by inking numerous co-investment projects with leading U.S. energy companies, including most recently committing more than \$2.2 billion in a shale oil and gas project with Chesapeake Energy in Texas.

Reasons for Investing in the United States

CNOOC bases all of its investment decisions on a strict, value-driven commitment that weighs risks against potential benefits for boosting reserves, production, and returns. Against this backdrop, the United States was an ideal investment environment for CNOOC due to its large market, stable political and economic environment, and transparent legal and taxation systems. In addition, the United States has rich shale oil and gas resources, as well as some of the world's leading energy companies with which CNOOC can partner to explore and extract these resources. The company has paid close attention to development trends of upstream operations in the U.S. petroleum industry, specifically developments related to shale oil and gas exploration. Seizing market opportunities here, CNOOC has partnered with U.S. companies in these segments to fulfill U.S. energy demand and also learn from its technologically advanced partners.

"Our investments here undergo a strict review of how the project will add to our global operations in terms of access to resources and new markets, and we weigh these benefits against the risks inherent in the project. Our existing investments in the United States add to our global operations and serve as a platform for our company's expansion here. We are constantly reviewing opportunities and appraising these opportunities against our long-term objectives of value-driven growth," said Jiang Qing, president of OOGC America, Inc., the legal name of CNOOC's operation in the United States.

Key Advice From CNOOC

Before considering an investment in the United States, determine how that project will fit into your global operations. Some companies choose to invest here to access the market, resources, technology, human resources, and so on. We invested in the United States to add value to our entire global contingent, from market access to cultivating know-how and technology.

Reasons for Investing in Certain Projects

CNOOC found that there was a need for operational support for shale gas projects in certain U.S. locations. These opportunities were consistent with the company's global goal to become a leader in shale and natural gas, and CNOOC was assured that its investments would be successful here because of the growing demand for energy resources in the United States. Thus, CNOOC chose to enter into a number of joint venture projects with U.S. energy companies, purchasing stakes in oil and gas fields and covering operational costs like drilling expenses in exchange for rights to resources. These deals are highly complementary for both investment partners, as the U.S. companies are provided capital assurance from CNOOC's investments and CNOOC gains access to resources, cutting-edge technology, and novel drilling practices through its partnerships.

CNOOC's U.S. investments range in location from Texas to Colorado and Wyoming. Regardless of the location, CNOOC operates with a firm commitment to abide by relevant laws and regulations and give back to the community in which it operates. *"We have always sought to fulfill our social responsibilities in overseas projects. In the United States, we maintain close contact with local communities and support projects that promote environmental protection and clean energy. We hire locally, pay our taxes, and make significant contributions to efforts to reduce pollution and greenhouse gas emissions,"* said Jiang Qing, president of OOGC America, Inc.

Key Advice From CNOOC

The areas you invest in will sometimes be dictated by the type of business in which you are engaged. Also, align your corporate social responsibility initiatives with the key goals of your investment—in CNOOC's case, clean and sustainable energy.

Role of the Government and Non-Governmental Organizations

CNOOC's failed bid for Unocal in 2005 came as a surprise to the company and motivated the leadership to place more resources into public relations and government relations. The company has also sought to invest in more joint venture projects with U.S. companies, as opposed to acquisitions.

In recent years, CNOOC has enjoyed positive and supportive relations with the U.S. government and has benefited from the growing bilateral U.S.-Chinese commercial relationship. For instance, CNOOC's investments in shale gas are consistent with the principles and targets of the U.S.-China Shale Gas Resource Initiative, a commercial project supported by Presidents Barack Obama and Hu Jintao to promote U.S.-China cooperation in shale gas exploration to reduce greenhouse gas emissions, promote energy security, and create commercial opportunities in this growing sector.

Key Advice from CNOOC

Devote resources appropriately to support your relationship with the U.S. government. Also, find government initiatives that are complementary to your business and seek opportunities to support the growing U.S.-China commercial relationship.

Factors for Success

Develop a full understanding of the business environment

CNOOC hired local financial, technical, legal, and tax consultants to assist with its U.S. investments. CNOOC discovered that there are stark differences in legal and business practices between the United States and China and that it is important to have a full understanding of these differences before making an investment.

"When in Rome, do as Romans do"

"We have put a lot of resources into accommodating cultural differences between the United States and China. We have tried to first accept the cultural differences and then make improvements on the way we interact and communicate with our American partners and the communities where we operate. This allows us to seek common ground while accommodating existing differences," said Jiang Qing, president of OOGC America, Inc.

CHINA TELECOM

Location:
Herndon, Virginia

Type of Investment:
Greenfield investment

Type of Ownership:
State-owned

Jobs Created in the
United States:
100



The profile is based on an interview with China Telecom president Tan (Donald) Yijun. President Tan is pictured above.

INVESTING IN THE UNITED STATES TO BETTER SERVE GLOBAL CLIENTS

Background

China Telecom Americas, one of the largest international subsidiaries of China Telecom Corporation, provides data, voice, and Internet protocol (IP) services and works with companies, organizations, and carriers that operate in China and the United States. In China alone, China Telecom provides services to more than 170 million telephone subscribers, 140 million CDMA mobile subscribers, and 80 million broadband customers. In 2000, the company expanded into the U.S. market, creating China Telecom Americas to offer its customers integrated services in the United States and China. China Telecom Americas' corporate headquarters is in Herndon, Virginia, and it operates in Chicago, Denver, Los Angeles, Miami, New York, San Jose, and St. Louis.

Reasons for Investing in the United States

China Telecom envisioned moving forward in its sector by transitioning from a traditional telecommunications services company to a world-class global information provider. To accomplish its vision, China Telecom knew that it had to operate in the United States, where it could develop new skills and improve its service capacity by operating in a major developed market. With so much traffic moving in and out of the United States, being a key player in providing end-to-end services to and from the United States is important. The United States is one of the world's major information hubs, so a presence is essential for providing better services to China Telecom's customers and for global development. *"We are transforming from a traditional telecom company to a world-class, global information provider. Our expansion in the U.S. has been fueled by multinationals that are involved in the U.S.-China business relationship. When commercial relations between the U.S. and China are well, our company does well. We want to continue to see positive U.S.-China commercial relations for our business and our customers," said Tan Yijun, president of China Telecom Americas.*

Key Advice From China Telecom

In the information technology and telecom sectors, a major presence in the United States is critical to becoming a global leader.

Reasons for Choosing Virginia

Unlike most Chinese companies that are clustered in the major commercial centers of New York and New Jersey or on the West Coast, China Telecom is the only major Chinese company headquartered in Northern Virginia, near Washington, D.C. This decision was driven by policy, business, and regulatory considerations.

Northern Virginia has excellent network infrastructure that facilitates China Telecom's operations. It is also near the U.S. Federal Communications Commission

and other agencies, enabling easier interaction. Most important, Northern Virginia is a major hub for U.S. and other international telecommunications companies, just as Silicon Valley is a hub for computer and Internet companies.

Key Advice From China Telecom

Do not choose a location just because other Chinese companies are already there. Decide on the best location for your company and sector from a business point of view and regulatory perspective.

Role of the Government and Non-Governmental Organizations

Overall, the day-to-day regulatory role of the U.S. federal government is transparent and implemented equally for all companies. For example, it is easy for a telecom company to obtain a license to operate in the United States. However, some aspects of federal government policy have created obstacles for China Telecom. They include restrictions on investing in communications infrastructure in the United States, such as a landing station for links with international carriers. In addition, the U.S. visa system can be slow, especially for skilled technical staff from China.

“Generally speaking, our interactions with the U.S. government have been positive. The government does a good job of providing a fair, competitive environment for telecom companies. However, there are a few small obstacles with regard to our ownership in landing stations and other infrastructure. Also, we have found that it has been difficult to get business visas on time. Visa processing can take up to a half-year. The telecommunications sector moves fast and operates 24 hours a day, seven days a week. It is important for us to get visas quickly because sometimes we need to bring over technical expertise for our customers,” President Tan said.

Key Advice From China Telecom

Think carefully about the role that the U.S. government will play in your operations. For the vast majority of Chinese companies, this may be limited or even positive. But in certain sectors, obstacles exist. You should not rule out investing in the United States; however, plan carefully and take into account the challenges you may face.

Factors for Success

Don’t hesitate to seek outside advice

In a highly regulated market, it is significant that China Telecom continues to get strong outside advice from tax experts, lawyers, and labor experts, among others. Securing such advice is expensive, but the United States has a complex and strictly enforced regulatory system. *“China Telecom spent a lot of money in this area, but we think it is worth it. If you fail to do it, you’re in trouble,”* said President Tan.

Understand the nature of your sector in the United States

Another key to success is understanding that the business and policy environment is different in the United States and in China. For example, in the telecom sector in China, the relationship among companies is basically one of competition. In the United States, though, network resources are not held by one player. Therefore, in addition to tough competition, companies must cooperate, sharing capabilities on a commercial basis.

Adjust your operations if needed to fit in with cultural differences

Understand the differences between the United States and China regarding the relative emphasis on laws and regulations, quality of service, and relationships. Adjust your operating substance and style to account for differences. In China, quality of service is important, but enterprises can also rely on their relationships with customers to a large extent to obtain and maintain business. In the United States, the value of relationships is less widespread, and competition proceeds almost exclusively based on the quality of the service a company provides. *“In the United States, service is the most important factor. Service comes first. If your customer service is good, you will sustain the customer. If you cannot provide the best service to the customer, you will lose your business,”* advised President Tan.

CIRRUS

Location:
Duluth, Minnesota

Type of Investment:
Acquisition

Type of Ownership:
State-owned

Jobs Created in the
United States:
**Sustained 500; will
create 150 in coming years**

Gross Sales in the
United States:
**Approximately
\$110 million**

Total Amount Invested in
the United States:
**More than \$100 million in
the next three years**



The profile is based on an interview with Cirrus CEO Dale Klapmeier. CEO Klapmeier is pictured above.

GROWING THROUGH COOPERATION

Background

In late 2011, the China Aviation Industry General Aircraft Company (CAIGA), a subsidiary of Aviation Industry Corp of China (AVIC), acquired a 100% stake in Cirrus Industries, the world's second-largest general aircraft maker. The purchase was the first acquisition of an aircraft maker by a Chinese company in the United States and the third acquisition by AVIC in the United States.

Cooperation between Cirrus and CAIGA came at a fortuitous time for both companies. After many years of being owned by a financial institution, Cirrus wanted to find an investor and partner that would work with the company to expand its operations in the general aviation industry in domestic and overseas markets. In particular, the company wanted to expand in China, which it recognized as a growth market for general aviation. Likewise, prior to the acquisition, CAIGA was interested in investing in a company with a strong brand name and product line to better understand the general aviation industry in the United States and expand its operations globally. When CAIGA and Cirrus joined forces, both companies were better positioned to achieve their corporate initiatives together. *"These latest developments in the U.S.-China trade relationship only serve to emphasize and confirm the vision, wisdom, and value of Cirrus' arrangement with the Chinese, an arrangement I supported from its onset, but one of which many were skeptical," said retired Congressman Jim Oberstar.*

CAIGA's investment, which occurred at a time when Cirrus was struggling financially, saved more than 500 jobs in Duluth, Minnesota, and allowed the company to sustain and even expand its operations in the United States. Cirrus anticipates adding another 150 jobs in the coming years and continually growing its manufacturing capabilities, thanks to CAIGA's investment commitments.

Reasons for Investing in the United States

The United States has long been the largest general aviation market in the world, representing approximately 50% of global general aircraft sales. CAIGA's leadership sought to secure a foothold in the United States to gain market access and to tap into the human resources and technical know-how that make the United States a competitive location for general aviation. CAIGA considered Cirrus an attractive partner due to its long history in general aviation and its well-established and popular product line widely used in the American market. Yet CAIGA opted to invest in Cirrus not only to be successful in the U.S. market, but also to become a supplier of world-class aircraft in its home market of China. China is the fastest-growing general aviation market in the world, and industry representatives estimate that by 2022 the market size may surpass that of the United States. *"The general aviation market is small in China. However, there is newfound wealth and interest in aviation and the market is growing quickly. Our partnership with CAIGA will fulfill this budding demand and we'll be better positioned to be a market leader in general aviation in China for years to come. We are starting to build with CAIGA an entire new industry in China from the ground up," said Dale Klapmeier, CEO of Cirrus Aircraft.*

Key Advice From Cirrus

When making an acquisition, look for potential complementarities with your partner company and ways you can combine your company's core competency with the unique strengths of your partner. Win-win cooperation can create great opportunities not only in the U.S. market, but in China and elsewhere. Gaining industry experience in the highly competitive American market can position your company for long-term success in many emerging markets, like China.

Reasons for Choosing Minnesota

Unlike a greenfield investment, choice of location was determined by Cirrus' existing facilities. Since the acquisition, management of both companies has worked closely to develop a strategy for the company's growth. This has entailed consistent and frequent communication between management teams and concerted efforts to be sensitive and flexible to cultural differences between the companies. To help bridge cultural gaps, CAIGA has sent four of its China-based employees to Minnesota to work full time. Likewise, Cirrus personnel travel frequently to China to meet with CAIGA leadership. *"Merging two corporate cultures is a challenge no matter where the respective companies are from. For us and CAIGA, we have tried to embrace it, cultivate it, and treat each other with courtesy and respect. While there are some decisions that now take a bit longer to make, we value our partner's views and believe our company is now stronger because of them,"* said Dale Klapmeier, CEO of Cirrus Aircraft.

Role of the Government and Non-Governmental Organizations

As part of the acquisition, CAIGA and Cirrus chose to voluntarily undergo a review of the deal by the U.S. government's Committee on Foreign Investment in the United States (CFIUS). CFIUS cleared the acquisition after a three-month review, which largely took the form of collecting and analyzing data.

The only complication during the review process was Cirrus' rocket technology, which had been used to eject parachutes out of Cirrus airplanes. Anticipating that this division of the company could raise national security concerns, Cirrus opted to divest the rocket propellant technology, clearing the way for CFIUS' approval of the acquisition. Although the CFIUS review was relatively straightforward, CAIGA found it difficult to acquire visas for visitors during the review period. Although

these complications did not jeopardize the deal, the delays slowed the acquisition process.

Key Advice From Cirrus

If you are a state-owned company or one operating in the high-technology area, it is likely that the U.S. federal government will review your acquisition to see whether the purchase could affect U.S. national security. This does not mean your deal will be rejected. Even if your investment receives some opposition from officials or the media, it will be approved if it does not adversely affect U.S. national security. As necessary, voluntarily or at request of the CFIUS panel, take steps to address national security concerns as long as they allow you to preserve the value of the investment.

Factors for Success

A shared vision

A critical element of success for Cirrus and CAIGA is the long-term outlook that both companies have on Cirrus' growth in the global general aviation market. Cirrus has collaborated with CAIGA to develop operational plans for the company, and CAIGA has helped Cirrus with long-term thinking about operations. Cooperation and a shared vision for growth have reinforced confidence by both companies in the acquisition's success. *"One area where CAIGA immediately filled gaps was in providing a cogent and long-term outlook on how to leverage our resources to grow domestically and internationally. While we had the technical expertise, they brought perspectives to the table we had never considered before. They were not interested in discussing the next quarter or fiscal year, but where we should be 5 or 10 years down the road,"* said Dale Klapmeier, CEO of Cirrus Aircraft.

Inspiration for new ways of thinking

The unique corporate perspective that CAIGA brought to the partnership has inspired new ways of thinking at Cirrus. CAIGA emphasized areas where it had deep corporate expertise and explored how its viewpoints and experience could augment its strategy with Cirrus.

DIGITAL LI-NING

Location:

Chicago, Illinois

Type of Investment:

Joint venture

Type of Ownership:

Private

Jobs Created in the
United States:

15

The profile is based on an interview
with Digital Li-Ning General
Manager Ray Grady.

EMBRACING HERITAGE TO DISTINGUISH ITSELF FROM COMPETITION

Background

Digital Li-Ning is a joint venture between Li-Ning, a Chinese fitness apparel and footwear company, and the Acquity Group, a Chicago-based digital marketing firm. Li-Ning, which was founded by Li Ning, a well-known gymnast and former Chinese Olympian, and Acquity began their partnership in August 2011 after Li-Ning initially experimented with selling its branded products in brick-and-mortar shops in the U.S. market. Realizing that the company would need to take a novel approach to successfully translate its brand to U.S. consumers, Li Ning worked with Acquity to launch an e-commerce platform through Digital Li-Ning to sell Li-Ning-branded products in an easy and engaging online format. Although the joint venture is less than a year old, Digital Li-Ning has found that its new approach to the U.S. market, which focuses on utilizing social media to enhance brand awareness and increase sales, is producing better results than its experience with conventional shops.

Reasons for Investing in the United States

Digital Li-Ning invested in the United States to bring the company's unique value proposition—founded on bringing Eastern philosophies and principles of movement to performance sportswear—to U.S. consumers. Established in 1990 in Beijing, Li-Ning has achieved notable achievements in the Chinese market and maintains more than 97% brand awareness in China. However, in the United States, Li-Ning's products are not well known, and the leadership of the company therefore sought a viable strategy to bring its highly successful products in China to U.S. consumers. Following an unsuccessful foray in the market through traditional retailing, Li-Ning overhauled its strategy and entered into a partnership with the Acquity Group to pursue digital-only sales. *"The American consumer is looking for something different and new. They are looking to engage with sports differently. We want to show the world our products via Facebook, Twitter, blogs, and any other digital destination where our consumers participate,"* said Digital Li-Ning General Manager Ray Grady. The approach has allowed Digital Li-Ning to access new shoppers in the United States and has been a cost-efficient way to build awareness around the brand.

Key Advice From Digital Li-Ning

Find a U.S. partner that can help translate your value proposition in the U.S. market. While your product or service may achieve great success in China, it may not fit the unique tastes and preferences of U.S. consumers. A U.S. partner can offer expertise and strategies to approach the U.S. market.

Reasons for Choosing Illinois

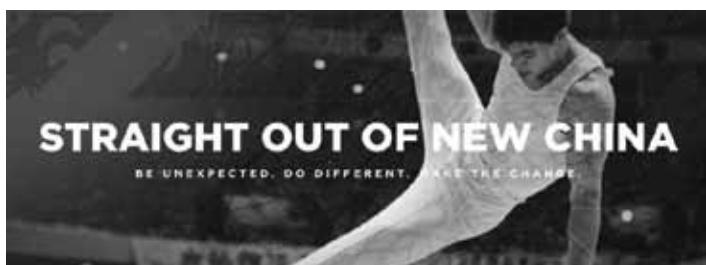
Acquity's strong contacts with local businesses and government representatives in Chicago were attractive to Li-Ning. Furthermore, Chicago is home to a tremendous amount of digital expertise, such as Internet and social media companies, and Digital Li-Ning found that available human resources complemented the company's desired business model. These factors made Chicago a cost-competitive location and appropriate venue to launch an e-commerce strategy.

Key Advice From Digital Li-Ning

Seek advice from your U.S. partner on a location for your investment. Consider the short-term cost advantages, as well as the long-term strategic and corporate strengths the venue would bring to your venture. Find a location that will help you overcome hurdles in your operations (e.g., human resources, technology, know-how).

Role of the Government and Non-Governmental Organizations

Federal, state, and city governments have not played a role in Digital Li-Ning's operations. There was no assistance or resistance from government authorities regarding the investment.



Factors for Success

Translating the brand to an American audience

Digital Li-Ning has focused intensely on understanding the preferences of U.S. consumers and structuring business and marketing plans to effectively meet these tastes. Digital Li-Ning's products offer a fresh approach to fitness apparel and sportswear. The company applies its own Eastern understanding of kinesthetics, movement, and athletics into its products, offering athletes a new way to engage in sports such as basketball, running, and other fitness activities. The challenge for Digital Li-Ning has been in translating this value proposition in terms that are familiar to U.S. consumers. By launching an e-commerce platform and increasingly utilizing social media, the company has successfully highlighted the unique characteristics of its products.

Engaging the U.S. public and establishing an identity associated with the brand

To complement the company's marketing strategy, Digital Li-Ning has increased its community engagement around the country to build an identity behind its brand. Among these activities have been hosting charity basketball tournaments, including one in coordination with the NBA All-Star Game, endorsing well-known athletes, such as international basketball stars José Calderón and Evan Turner; and rehabilitating outdoor basketball courts in urban and rural communities around the country. These activities have provided opportunities for Digital Li-Ning to highlight its approach to sportswear and fitness apparel and build a grassroots support base for the brand.

Sticking closely to whom you are

Digital Li-Ning has leveraged its Chinese roots and most cutting-edge product lines in China to appeal to U.S. consumers. For instance, the company has marketed a number of new products designed in China's 798 Art Zone, a popular art district in Beijing. The unique products in Digital Li-Ning's 798 collections are part of the company's broader efforts to position itself as a game changer in the fitness apparel and footwear industry.

EASYWAY INTERNATIONAL

Location:

La Vista, Nebraska

Type of Investment:

Brownfield investment

Type of Ownership:

Private

Jobs Created in the
United States:

15

Gross Sales in the
United States:

**\$350,650 at the
fiscal year ended 2011**

Total Amount Invested in
the United States:

\$3 million



The profile is based on a questionnaire filled out by Easyway President Wenliang Xu and his staff. President Xu is pictured above.

INVESTING TO EXPAND IN THE U.S. MARKET

Background

Easyway International is a global freight forwarder specializing in sourcing and logistics services. In April 2010, the company invested \$3 million to establish a new international shipping and logistics center in La Vista, Nebraska, marking the company's formal entry into the North American market. The investment created 15 jobs in La Vista, and Easyway anticipates employing additional workers in the coming years as the company scales its operations globally. The United States, in particular, has been identified as a key growth market for the company, as bilateral trade between China and the United States continues to grow.

Reasons for Investing in the United States

As an international shipping and logistics company, Easyway invested in Nebraska to gain access to the North American market, one of the largest logistics markets in the world. Nebraska's central location and convenient access to U.S. transportation arteries offered great opportunities for Easyway to serve the North American market. Easyway's investment in the United States also complemented the company's existing transportation network in China, providing customers with integrated logistics services across the Pacific. In addition, the company opted to invest in the U.S. market to study advanced logistics distribution management and promote cooperation with American industry leaders in the logistics field.

Key Advice From Easyway

Think about how you can augment your existing capabilities by investing in the U.S. market. Integrating your operations in the West and elsewhere can improve your value proposition globally. Studying industry best practices in the mature U.S. market can also complement this strategy and improve your operations.

Reasons for Investing in Nebraska

"Easyway International's decision to make La Vista, Nebraska, its first U.S. headquarters marks the beginning of an exciting global partnership that is sure to strengthen and expand through the years. This project is an outstanding example of all the best capabilities and resources that this Chinese conglomerate and our state have to offer, all streamlined into a winning business strategy for all involved," said Nebraska Governor Dave Heineman. Easyway chose to invest in La Vista after meeting a Nebraska Department of Economic Development and the Greater Omaha Chamber of Commerce trade delegation in Easyway's home province of Shaanxi. Easyway's management found Nebraska to be an ideal place for the company's North American headquarters, as it is easily accessible to major highways and to the headquarters of several well-known logistics companies in the Midwest. These factors together made Nebraska not only a cost-competitive choice for the company, but also a location from which the company could grow its business partnerships in the North American market.

In addition to the central location, the Greater Omaha area offered convenient access to logistics education degree programs at nearby academic institutions. Easyway was offered a Community Development Block Grant worth \$500,000 from the U.S. Department of Housing and Urban Development for the company's role in developing the La Vista community through its investment. Although the grant was not a principal reason for investing in Nebraska, it contributed to Easyway's positive view of the Greater Omaha business environment and added to the company's confidence to invest there.

Key Advice From Easyway

Gaining proximity to customers and important industry partners can be an effective guide to help you zero in on a location for your investment. Incentives can be an enticing supplement, but they should not be the principal reason for choosing a location.

Role of the Government and Non-Governmental Organizations

Easyway has enjoyed positive relationships with state and local government officials and business associations. *"The investment process was quite a learning experience for both of us and it has made Easyway a stronger company. It also allowed our department to become knowledgeable about specific challenges that Chinese companies face when entering the U.S. market. This knowledge has helped us to attract and work with four other Chinese companies that have set up or expanded operations in the state,"* said Joe Chapuran of the Nebraska Department of Economic Development.

However, Easyway still faces challenges with which local and state governments have limited ability to assist. In particular, securing employee visas tends to be slower than preferred for Easyway, and gaining access to reliable financing was a challenge during the early stages of Easyway's operations in the United States.

Key Advice From Easyway

Think long term and build into your strategic plans manageable steps to grow your company in the U.S. market. Become familiar with U.S. laws and regulations and establish reputable personal and business credit.

Factors for Success

Engage with the local government and business community to seek advice for your investment

A critical element of Easyway's success is the close relationship the company has built with the local government and business community. In particular, as a small company entering the U.S. market, Easyway received support from the Nebraska Economic Development Bureau and Omaha Chamber of Commerce. The two entities helped Easyway pick out a location for its office and aided in registering the company with state authorities. "As the first Chinese company to invest in the Greater Omaha metro area, Easyway International is truly a pioneer and an example for other Chinese-owned companies that are looking for a low-cost, high-growth potential market for their investments in the United States. The company has worked with local banks, attorneys, accountants, economic development agencies, and other service providers to ensure that they are making the best possible business decisions, and this careful planning will contribute to their successful growth in the future. The Greater Omaha Chamber supports the investment by Easyway International and is pleased to have them as a member of the Greater Omaha business community," said Marisa Ring, manager of the Greater Omaha Chamber.

Align your corporate social responsibility initiatives with your own corporate objectives in the U.S. market

Easyway developed a robust corporate social responsibility program in its host community to build awareness of its brand and support initiatives related to its business growth in Nebraska and in the United States. The company sponsors the Nebraska Trucking Association annual golf tournament and has donated to college scholarship funds at nearby high schools. These activities have helped the company grow its roots in the La Vista community and support its efforts to build long-lasting relationships with industry partners.

GCL-POLY

Location:

Richland, Washington San Francisco, California

Type of Investment:

Greenfield investment

Type of Ownership:

Private

Jobs Created in the United States:

40



The profile is based on an interview with GCL-Poly Chairman Zhu Gongshan. Chairman Zhu is pictured above.

A SOLAR TECH SURGE FOR WASHINGTON STATE AND SILICON VALLEY

Background

GCL-Poly is a green energy company that develops, constructs, manages, and operates wind and solar power plants, cogeneration plants, and solid waste incineration facilities. The company is China's largest polysilicon producer and a leading supplier of solar wafers internationally. GCL-Poly made its initial investment in the United States in 2009, when it signed a lease for a 10,000-square-foot office space dedicated to research and development (R&D) in Richland, Washington. Using this site as its regional R&D hub, GCL-Poly went on to hire 40 engineers focused on enhancing the company's in-house research capabilities to develop polysilicon. The company is currently in the process of opening a new R&D facility in San Francisco, California, dedicated to augmenting and complementing its Washington-based research capabilities to tap into California's burgeoning polysilicon market.

In November 2010, GCL-Poly and Wells Fargo jointly announced a program through which Wells Fargo granted GCL-Poly \$100 million in financing through 2011 to fund new solar photovoltaic projects in the United States. One of these projects is at the University of San Diego, where the university administration has agreed to purchase electricity under long-term contracts with GCL-Poly, which include the construction of 5,000 solar panels on the university's campus that will provide the institution with 15% of its energy needs. Five similar projects have been signed with Los Angeles area high schools in recent months. These projects have benefited from the advanced technology developed at GCL-Poly's U.S. R&D centers, providing these institutions with long-term and sustainable energy solutions for years to come.

Reasons for Investing in the United States

GCL-Poly has extensive sales in the United States. Its investment to date has been its significant R&D center in Washington state, with another, larger center planned for Silicon Valley. For GCL-Poly, the decision to invest in R&D activities in the United States was an easy one. The United States remains a leader in technology, has an abundance of highly qualified research talent, and provides great security for investors, including strong protection of intellectual property. Pursuing R&D in the United States allows GCL-Poly to combine the advantages of its China-based manufacturing with the technology advantages offered by the United States. The result is a more globally competitive position for the company.

Key Advice From GCL-Poly

Figure out what advantages the United States might have to be combined with your strengths in China. In a globalized economy, combining the strong points of different countries is important for success.

Reasons for Choosing Washington and California

GCL-Poly's decisions on location for its R&D centers were based on the human capital infrastructure available. Washington state is home to many high-tech companies, reflecting the high quality of technical talent available. It is also the home of a U.S. government-sponsored national energy research laboratory, also a major asset that GCL-Poly can draw on its R&D efforts. Similarly, GCL-Poly's plan to open a second R&D facility in Silicon Valley reflects the deep pool of technology talent available there. Even though Silicon Valley is more expensive than Washington state, the advantage of having such a deep pool of talent makes it feasible for GCL-Poly to add a new center there, while maintaining the existing center in Washington state.

Key Advice From GCL-Poly

If your focus is on R&D, seek out areas that have deep talent pools in your sector. Cost is probably not the main factor to consider; emphasize the availability of the talent you will need to drive your research activities.

Role of the Government and Non-Governmental Organizations

The U.S. government has been very welcoming of GCL-Poly's R&D centers. GCL-Poly Chairman Zhu Gongshan has been warmly welcomed by senior officials in meetings at the U.S. Department of Energy and by former Secretary of Commerce Gary Locke. U.S. government officials have encouraged even more investment by GCL-Poly. State and local governments in Washington state, Silicon Valley, and other localities that GCL-Poly has visited are equally supportive and encourage GCL-Poly's investment locally. *John Fox, Richland's mayor, said, "GCL's R&D center in Richland is a great step forward. It will diversify our fields with a whole new area of technology and use of energy."* The city of Houston has even made Chairman Zhu an honorary citizen of Texas. This reflects the strong desire by state and local governments to attract Chinese investment.

Average Americans, too, have welcomed GCL-Poly's investment. This is partially due to Americans' openness and acceptance of foreign companies and practical factors, which include the jobs the company has created and efforts to provide direct benefits to local communities, such as training for local schools on renewable energy.

Key Advice From GCL-Poly

Don't fear the U.S. government. Work closely with local communities, which will generally be very welcoming of your presence.

Factors for Success

Recognizing that there are differences between the U.S. and Chinese legal system

GCL-Poly recognized that the U.S. legal and policy environment is somewhat different than China's. It takes time to learn the laws in the United States, and GCL-Poly makes use of such experts, which is critical to success. In addition, employing Americans in managerial positions has been helpful in navigating the legal and policy environment.

HAIER AMERICA

Location:

**Camden, South Carolina
New York, New York**

Type of Investment:

**Manufacturing facility and
distribution company**

Jobs Created in the
United States:

350+

Total Amount Invested in
United States:

Approximately \$60 million



The profile is based on an interview with Haier America Chairman Michael Jemal. Chairman Jemal is pictured above.

COMMITTING TO THE UNITED STATES TO INNOVATE AND MANUFACTURE

Background

Haier is a Chinese consumer electronics and home appliances company and has the world's largest market share in white goods. The company produces such high-demand products as air conditioners, microwaves, refrigerators, computers, mobile phones, kitchen appliances, and computers. While the company has operated in China for almost 30 years, its first investment in the United States was in 2001, when Haier opened a \$40 million production facility in Camden, South Carolina, and became the first Chinese company to operate a manufacturing plant in the United States. Haier then proceeded to scale its U.S. operations, growing its investment in South Carolina; establishing its country headquarters in a landmark 52,000-square-foot building in downtown Manhattan; and opening new manufacturing and logistics capacity in New Jersey, North Carolina, and Arkansas. Today, Haier employs 230 people in its U.S. sales distribution company and 120 people in its manufacturing facility in South Carolina. Haier engages in all segments of the white goods market, from research and development (R&D) to production and sales.

Reasons for Investing in the United States

“As a global leader in consumer appliances and electronics, it was necessary to demonstrate its ability to successfully compete in the U.S. market. To demonstrate its commitment to the U.S. consumer, Haier established manufacturing facilities to cater to the markets needs,” said Michael Jemal, chairman of Haier America. This was important to the company, as it realized it wanted to be a core player in the U.S. market, competing with the established players in the market. Due to the complexities of transporting logistics, Haier found that manufacturing domestically could also provide cost savings from importing overseas. “It’s been said that we were the first Chinese manufacturer to establish a major manufacturing facility in the United States. At the time we were the exception as domestic manufacturers were farming out manufacturing outside the United States; we were doing the exact reverse,” said Michael Jemal.

Despite the challenges related to the Camden plant, the intangibles of elevating awareness of Haier’s commitment to developing products locally has been a tremendous help in approaching large and meaningful partners from the United States, including supply chain, retail, and consumers. For Haier’s brand, the investment in the United States has legitimized the fact that a Chinese manufacturer can go out of China and succeed. The experience proves that even though Haier is an international company based in China, it is a global manufacturer that builds to standards of the local markets where they are participating. This has had undeniable quality benefits back in China. Furthermore, the experience of learning about customers’ expectations and the association with peers in the industry has unquestionably made Haier more competitive. These contributions from Haier America have been instrumental in providing massive growth for Haier in China.

Key Advice From Haier

For manufacturing companies, investing in the United States needs to be a strategic decision with clear objectives revolving around brand strategy, marketing, logistics, and a production perspective. While it is likely that pure costs associated with manufacturing in the United States are higher than in some other countries, you must weigh the benefits of being located in the United States can give to your long-term operations, through proximity to customers, logistics, brand awareness, and a greater understanding of the market and its unique tastes and preferences. Haier made the long-term strategic decision to commit to the U.S. market and achieving this goal, and it required investing and manufacturing here.

Reasons for Choosing South Carolina

Haier had a positive experience investing in South Carolina. Before choosing Camden, the company scouted a number of locations to find an environment that would allow Haier to flourish. The factors most important in Haier's search were cost of land, access to skilled labor, and proximity to port facilities to ship components and capital goods. South Carolina offered the most favorable combination of all these factors.

To further strengthen its business, Haier is looking at R&D expansion in the United States in order to "reach the next level" and be a serious competitor and provider of electronics in the United States. In the long term, Haier is looking to invest more in the areas of R&D and engineering as well as manufacturing in closer proximity to customers to reduce the time needed to bring products to customers and enhance credibility and brand awareness.

Key Advice From Haier

The decision on what state to invest in all boils down to long- and short-term objectives and what is sustainable.

Role of the Government and Non-Governmental Organizations

"The government has been very supportive of our investment throughout the entire process, and we feel at home and welcome in South Carolina and are very comfortable doing business here," said Michael Jemal. Haier was even offered a number of incentives by South Carolina to invest in the state, which helped the company set up operations and build capacity in the United

States. Although the state government actively sought to support Haier's investment, the federal government was not involved in the company's investment in any way or at any stage.

Key Advice From Haier

Some states will be more supportive than others in incentivizing foreign investment. Attaining incentives that are complementary to your business goals can be a great way to establish capacity in the United States. While the state government may be involved in supporting your business, do not be surprised if the federal government does not play a role, particularly if your investment is a greenfield.

Factors for Success

A company's autonomy is essential for growth

When trying to overcome cultural differences, both the Chinese and American sides need to be willing to try each other's ways and see the results. Don't impose your own business habits on each other without giving the other side a chance to try things its way. This is how a company learns and grows, by giving each other autonomy. "A company's success is linked to its ability to innovate and thrive through well thought out goals and objectives and empowering each employee to succeed. Haier's success can be a lesson for foreign investors coming to the United States. The win-win model of individual goal combination whereby each employee is empowered to be his own CEO will enable a company to realize success and achieve its objectives," said Michael Jemal.

The objective must match the goal

"Clearly articulate and understand your objective in wanting to participate in the United States market and be sure that this step is synergistic with your entire company's plan. It's critical that this plan is also consistent with your company's actual ability. Make sure you have the dedicated focus and wherewithal to see your objective through. Define success and create the road map for that success," said Michael Jemal.

LENOVO

Location:

Raleigh, North Carolina

Type of Investment:

Acquisition of IBM's PC business

Type of Ownership:

Public

Jobs Created in the United States:

2,400

Total Amount Invested in the United States:

\$1.6 billion



The profile is based on an interview with Vice President and General Manager of Lenovo North America Tom Looney. Vice President Looney is pictured above.

INVESTING TO ATTAIN LONG-TERM SUCCESS IN THE UNITED STATES

Background

In 2005, Lenovo purchased IBM's personal computer division, a segment of the company that offered such popular laptop and desktop PCs as the *ThinkPad* and *ThinkCentre*. At the time, it was the largest acquisition in the United States by a Chinese company, valued at \$1.5 billion, and had significant impact on the global computer industry, as Lenovo was transformed overnight from the ninth largest PC maker in the world to the third largest. While the purchase of IBM's PC division provided Lenovo immediate market access, the company has continued its investments in the United States in order to drive innovation in cutting-edge mobile, desktop, and workstation solutions, as well as expand local assembly and customization-focused manufacturing. Today, Lenovo is a nearly \$30 billion company—and the second-largest PC company in the world—that has grown faster than the market average over the past 12 quarters and has been the fastest-growing PC company over the past 10 quarters. With operations in more than 60 countries and approximately 27,000 people worldwide, Lenovo has a global makeup. *"I don't work for a Chinese company or an American company. I work for a global company," said Tom Looney, vice president and general manager of Lenovo, North America.*

Reasons for Investing in the United States

Lenovo has become a leader in the PC space by providing world-class desktop and mobile computing products to consumer and enterprise customers around the world. The acquisition of IBM's PC division was a critical step in reaching this goal. Both commercially and geographically, IBM was an ideal complement to Lenovo. Before the acquisition, Lenovo was a competitive supplier of desktop and notebook PCs in the China market, but had struggled as a provider of mobile PCs in developed markets like the United States and Europe, where IBM was a leader. With IBM's PC division, Lenovo positioned itself competitively to sell mobile and desktop PCs to more customers around the world.

Yet Lenovo did not merely view the acquisition as an opportunity to sell more PCs to more people. The company wanted to innovate more, strengthen its R&D resources, and enhance its sales network. Following the acquisition, Lenovo retained the majority of IBM PC division's talent in the United States, including its global management team, and maintained its customer service and R&D structures to continue to offer high-quality products and services while channeling resources into innovation and product development.

North Carolina Secretary of Commerce Keith Crisco said that "Lenovo has proven to be a significant economic force for the state of North Carolina. As one of the world's largest personal computer companies, it has affirmed its commitment to our state by growing its investments in the region as it has expanded. By focusing on innovation and execution, this leading Global Fortune 500 company has brought favorable international coverage of North Carolina and has indicated to the world that we appreciate quality businesses and are eager to help them cultivate further success. Our state wants more companies

like Lenovo that offer employment opportunities that tap into our resources while serving as an active participant in our communities.”

Key Advice From Lenovo

Acquisitions and mergers should strengthen you and your partner’s corporate value proposition. Once the deal has been made, fully commit to blending the corporate cultures and developing together. Additionally, above everything else, make sure that your customer service does not suffer at the expense of integrating corporate entities. At Lenovo, everything begins and ends with customers.

Reasons for Investing in North Carolina

After the acquisition, Lenovo made the strategic decision to maintain IBM’s Raleigh facilities since IBM had superior R&D facilities and competitively manufactured mobile technology. Additionally, Lenovo wanted to expand its investment in R&D, and the Raleigh area offered great human resources through the location’s access to North Carolina’s Research Triangle—a region anchored by North Carolina State University, Duke University, and the University of North Carolina at Chapel Hill. Lenovo also liked the pro-business policies of North Carolina’s state government and thought the area was a pleasant place to live and conduct business.

“Lenovo is committed to helping the state of North Carolina by creating quality jobs. The jobs that this company creates cater to the high-tech, highly innovative workforce for which the Triangle is known worldwide. At the same time, Lenovo’s successful working relationship between its offices in North Carolina and in China shows the strong economic ties between the regions and the productive results that can occur for all sides through such partnerships,” said North Carolina Governor Bev Perdue.

Role of the Government and Non-Governmental Organizations

The U.S. government did not present any obstacles to the acquisition. The federal government’s Committee on Foreign Investments in the United States (CFIUS) reviewed the acquisition and did not find that the deal impacted national security. Despite the straightforward process involved in clearing the acquisition, Lenovo has experienced some difficulties with selling its PCs to the federal government, and there remains some reluctance from the government in conducting business with Lenovo. To improve its relationship with the government, Lenovo has recently invested in more

consultants and advisers to cultivate more federal and state government customers.

Key Advice From Lenovo

If you are a Chinese company that has a product which can be sold to the federal government, focus first on cultivating a customer base in the private sector and then concentrate on federal customers. As it relates to federal customers, and particularly early in their business development efforts in the United States, Chinese-owned companies may not be embraced as quickly by the public sector as they may be by the private sector. This is not an insurmountable challenge, however. Building a capacity to engage the federal government—both within the organization and by using professional service advisers in law, PR and lobbying—can be effective.

Factors for Success

Have a clear and concise strategy

After the acquisition, Lenovo began to cultivate its “protect and attack” strategy, which acted as a guide for the company’s operations in the United States and globally. This strategy aims to protect Lenovo’s core segments, investing to maintain its competitive advantage. In addition, the strategy calls for attacking new, nascent areas of the market where Lenovo could potentially become a market leader. Cloud computing is one of these areas, and the company has aggressively developed cloud services in certain markets like China, where it now has a 30% market share in cloud computing.

Create a clear transition plan

Lenovo’s successful completion of the IBM acquisition was made possible because the management of both companies worked together to create a clear transition plan in advance of the acquisition. The transition plan not only served as a guide during the handover in leadership, but it effectively reassured IBM’s existing clientele that the company would continue to provide high-quality products and services after the ownership transition was complete. This enabled Lenovo to retain the majority of IBM’s customer base and made the venture immediately profitable after the acquisition.

NANSHAN AMERICA

Location:

Lafayette, Indiana

Type of Investment:

Greenfield investment

Type of Ownership:

Private

Jobs Created in the
United States:

150 by end of 2012

Gross Sales in the
United States:

**\$100 million/year,
anticipated to reach
\$500 million by 2015**

Total Amount Invested in
the United States:

**More than \$200 million
since 2007**



The profile is based on an interview with Nanshan America President Du Lijun. President Du is pictured above.

INVESTING IN THE UNITED STATES TO ACCESS THE MARKET AND UTILIZE LOCAL TALENT

Background

Nanshan America is a wholly owned subsidiary of Nanshan Group, a large privately held aluminum manufacturer based in Shandong Province. Nanshan is China's second-largest aluminum producer. In February 2011, the company invested \$100 million to build a 435,000-square-foot aluminum extrusion facility in Lafayette, Indiana. Currently, 10 workers are employed at the facility, and Nanshan is anticipating hiring an additional 150 employees this year. The facility will produce high-end aluminum extrusions used in mass transportation and the automotive, locomotive, distribution, industrial, and electrical industries. When investing in Lafayette, Nanshan received a total of \$7.6 million in local incentives, including a \$1.3 million in performance-based tax incentives provided by the Indiana Economic Development Corporation.

Reasons for Investing in the United States

To produce high-end aluminum extrusion products, Nanshan needs access to top-notch industrial equipment and management and technical expertise. The company viewed investment in the United States as an opportunity to acquire these capabilities and segment its business to serve its U.S. customers more efficiently, as most of Nanshan's capital goods were already sourced from the United States and the company's U.S. customers mostly purchased high-end aluminum extrusion products. With this strategy in mind, Nanshan opted to build a large manufacturing plant in Lafayette, Indiana. *"It will be a very competitive combination—Chinese capital, state-of-the-art equipment from Europe and the United States with the most recently patented technology, experienced and innovative American management, and a talented local workforce,"* said Lijun Du, president of Nanshan America.

Key Advice From Nanshan

Recognize how investing in the United States can segment your business to make it more globally competitive. If possible, it is best to combine the company's core competency with localized advantages in the U.S. market. Accessing technology, high-quality equipment and facilities, and technical resources can improve the products.

Reasons for Choosing Indiana

Nanshan opted to invest in Lafayette, Indiana, to get closer to its American consumer base and access the region's excellent transportation infrastructure and human resources. The Midwest region currently represents more than 65% of Nanshan's U.S. market, while the remaining 35% is accessible through the area's efficient transportation system. Before the company made its decision, it evaluated several Midwestern states, weighing the benefits of each locality and the incentives offered by area governments. Ultimately, Nanshan selected Lafayette because of the region's efficient transportation

grid and availability of high-quality engineering and technical resources at Purdue University and nearby community colleges.

Additionally, Nanshan was offered an incentive package by the Lafayette city government and the state of Indiana, which augmented the company's own capital to construct its facility. The incentive package, which largely took the form of tax deductions and support for training employees, was offered to Nanshan because of the potential for cooperation between the company, the local community, and engineering-focused education institutions in the area. These factors showed that Nanshan was welcomed in the local community and made Lafayette a natural choice for the company. *"During the process of this strategic decision making, we have had a feeling that we are coming back home. The whole community is welcoming Nanshan as a friend coming back. And that is important for a Chinese company making its first \$100 million U.S. investment in the largest economy in the world,"* said President Lijun Du.

Key Advice From Nanshan

Select a location where you can align your corporate goals with the strengths and capabilities of local communities and find a location where you can serve your customers with efficiency. Communicate clearly with local and state governments to determine how they can be supportive of your investment in the United States.

Role of the Government and Non-Governmental Organizations

Nanshan has enjoyed extensive and positive relations with the Indiana state government, as evidenced by the state's investment incentives for Nanshan and the company's close collaboration with Purdue University. *"From our first contact and continuing today, collaboration defines our relationship with Nanshan. Du and other executives are enthusiastic, professional, sincere, and responsive. Nanshan is grateful for our assistance and gracious beyond description,"* said Jody Hamilton, director of Economic Development at Greater Lafayette Commerce.

As a Purdue University alumnus, Nanshan President Lijun Du has sought to tap the school's excellent engineering capabilities to bolster Nanshan's human resources. This has included a \$10 million donation to Purdue to facilitate research exchanges, training opportunities for students, and scholarships at the university. This positive association with Purdue has allowed Nanshan to extend its relationships beyond the state capital and into communities across Indiana.

Key Advice From Nanshan

Establishing positive relations with state and local governments can help ensure that your company operates on a stable footing. This is particularly true if you plan to recruit local talent. Make sure you are building this goodwill at all levels of state and local governments.

Factors for Success

Integrate workforce with local talent

A company that integrates its workforce with the local community can help drive business and create a positive reputation for the company's brand in the market. Additionally, local talent can help innovate products and provide expertise on how to operate successfully in the U.S. market. Nanshan did this by establishing a cooperative partnership with Purdue University that gives engineering students internship and employment opportunities at the company. In exchange, Purdue provides recruitment and training services for Nanshan. The cooperation has given Nanshan access to local managerial and technical expertise and has also allowed the company to develop deep relations across Indiana.

Comply with U.S. laws

Nanshan has brought to its investment a strict commitment to comply with U.S. laws and regulations and to operate transparently. This includes following strict environmental protection and air pollution laws, as well as cultivating a transparent corporate structure that allows government officials and U.S. citizens to understand the company's practices in the market.



NEXTEER

Location:

Saginaw, Michigan

Type of Investment:

Acquisition

Type of Ownership:

State-owned enterprise

Jobs Created in the
United States:

3,200

Total Amount Invested in
the United States:

**\$2.2 billion in net
revenue (2011)**



The profile is based on an interview with Robert Remenar, Nexteer board member and former President and CEO. Board member Remenar is pictured above.

NEXTEER FINDS THE RIGHT OWNER FOR SUSTAINABLE, LONG-TERM GROWTH

Background

Nexteer Automotive is a tier one automotive supplier committed exclusively to wheel-to-wheel advanced steering and driveline systems. For 90 years, the company was known as Saginaw Steering Gear and was part of General Motors. In 1999, the company became one of five Delphi divisions. In 2005, Delphi filed for bankruptcy in the United States, and the steering operations were in danger of being exited and wound down. Under the leadership of President and CEO Robert Remenar, the steering business unit worked out an agreement with Delphi to reorganize the steering business and find a new investor. The steering unit was restructured by consolidating manufacturing operations, closing plants, and significantly reducing its costs and workforce. Focus was put solely on product research and development, and the unit began to win new customers. Then, in late 2009, fueled by the complexities of bankruptcy, General Motors took the business back in temporarily to provide a safe harbor during the global economic downturn. The unit renamed itself Nexteer Automotive and began looking for a new owner that believed in the business and the product with a long-term point of view. In November 2010, Pacific Century Motors (PCM), a Chinese auto parts supplier, acquired Nexteer. In March 2011, AVIC Automobile Industry Holding Co., a Chinese state-owned parts manufacturer, purchased a 51% stake in PCM, effectively making AVIC the majority investor in Nexteer. Since the handover in ownership, AVIC has provided oversight through its participation on Nexteer's board of directors. Nexteer management retains full operational and commercial responsibility for executing the strategy sanctioned by Nexteer's board.

Reasons for Investing in the United States

The auto industry is global. To be successful, a component supplier must be able to provide its customers—premier automakers—with products in all major markets. The Nexteer investment was a critical element in PCM's strategy to support its customers in the U.S. market.

Key Advice From Nexteer

Going global is the key to success in many sectors in today's economy, especially in one where your key customers are themselves global companies.

Role of the Government and Non-Governmental Organizations

Early on, Nexteer management realized the importance of working closely with labor unions to establish wage and other benefits that would treat workers fairly while ensuring a sound economic foundation for the company. The result has been a new ratified contract that allows Nexteer to remain competitive from the United States. All this has

been accomplished with the union as a partner in the process. Nexteer increased the number of unionized jobs on its payroll from about 1,900 at the time of the acquisition to 2,300 today.

Although technically not required to undergo review by the U.S. government's Committee on Foreign Investment in the United States, PCM voluntarily requested a review to ensure that there would be no concerns about the acquisition. The review went smoothly, which reflects the fact that, except in limited cases, the U.S. government will not create obstacles for Chinese investment in the United States.

State and local governments were extremely supportive of Nexteer's investment. For example, the local government helped Nexteer secure a 10-year, \$70 million tax credit. This is not to say that every government official at every level has been positive regarding PCM's acquisition of Nexteer. Some officials have made negative comments and expressed concerns based on the fact that the parent company is Chinese. However, such criticisms have been limited, and by establishing a strong track record of keeping its commitments and working well with employees, labor unions, customers, suppliers, and the local community, Nexteer has shown that fears expressed by some have no basis in fact.

Key Advice From Nexteer

You may face criticism and opposition from some U.S. stakeholders. Don't be discouraged or frightened by this. Most U.S. officials and the local community are likely to be overwhelmingly supportive of your investment. Most important, operating ethically and with cultural sensitivity will overcome any negative views a small number of people may have.



Factors for Success



Operate on a legal and ethical standard

PCM's goal was to make Nexteer a model Chinese and global industrial company. This

included an emphasis on honoring its commitments to customers, suppliers, and workers while maintaining the highest levels of integrity and values. This decision to operate on world-class legal and ethical standards has been one key element in Nexteer's success. *"I want other Chinese investors to see this sale as a model of successful investment in the United States—a company that honors all commitments, supports the community where it operates, and is a strong corporate citizen with good alliances, high integrity, and value,"* said Robert Remenar, Nexteer board member and former president and CEO.

Retain existing management

PCM decided to retain Nexteer's existing management and to be open-minded in accepting its proposals. This strategy enabled PCM to inherit Nexteer's skills and experience in the auto industry. Equally important, the continuity of the management team helped signal that PCM would not make radical changes, which was important given the dramatic change from U.S. to Chinese ownership that created some uncertainty among company workers, suppliers, and customers.

Be sensitive to cultural aspects

The leadership of PCM and Nexteer also succeeded because they have been sensitive to the cultural aspects of melding a Chinese and U.S. firm; for example, customs and practices related to payments, open discussions, and media scrutiny can differ across cultures. One of the secrets of Nexteer's success has been the ability of its Chinese owners to recognize and adapt to these differences in business culture and practice in the United States.

SANY AMERICA

Location:

Peachtree City, Georgia

Type of Investment:

Greenfield investment

Type of Ownership:

Private

Jobs Created in the
United States:

**120; will add 300 in the
coming years**

Gross Sales in the
United States:

Nearly \$100 million

Total Amount Invested in
the United States:

**\$60 million (plan to invest
an additional
\$25 million)**



The profile is based on a questionnaire filled out by SANY America's Marketing Communications Coordinator Sean Mangieri and his staff. Jianguo Tang, President of SANY America is pictured above.

INVESTING IN THE UNITED STATES TO EXPAND R&D CAPABILITIES, MARKET OPPORTUNITIES

Background

SANY America is a subsidiary of SANY Group, China's largest heavy equipment manufacturer and its leading concrete-pumping equipment producer. In 2007, SANY agreed to invest \$60 million to build a 400,000-square-foot office and manufacturing facility in Peachtree City, Georgia. SANY, the first Chinese investment in Georgia, announced last year that it will put an additional \$25 million in Peachtree City to build a research and development (R&D) center adjacent to its manufacturing facility. When complete, SANY's \$85 million investment will create an estimated 500 jobs, more than 120 of which have already been created, in Georgia.

Reasons for Investing in the United States

As the world's largest maker of concrete-pumping equipment and sixth-largest manufacturer of heavy equipment, investing in the United States presented opportunities for SANY to improve its R&D capabilities and expand its footprint in the U.S. market. Although the company previously exported to the United States, SANY wanted to reduce the time needed to bring its products to customers and saw opportunities to manufacture in the U.S. market. The company built an advanced manufacturing facility in Peachtree City, Georgia, and invested in R&D to innovate its product line to better fit the unique tastes of its U.S. customers. This strategy has been successful for the company.

Key Advice From SANY

Engaging in R&D to adjust your product line to fit in the U.S. market can be a successful way to compete. There are deep R&D resources in the United States, and while hiring locally can be expensive, it can add tremendous value to your business in the long term.

Reasons for Choosing Georgia

The state government has worked hard to make Georgia a welcoming place for Chinese investment. The Georgia government operates an economic development office in Beijing, and China is currently Georgia's second-largest trading partner. More important, however, was Peachtree City's convenient access to transportation facilities: the Hartsfield-Jackson International Airport, the Port of Savannah, and three major interstates. This access to diverse air, sea, and land transportation made distribution of SANY's products both cost efficient and convenient, fulfilling the company's investment motive to reduce the time needed to bring products to market. Additionally, SANY was attracted to Peachtree City because of the region's access to human resources and technical expertise at nearby academic institutions. *"The talent from our academic institutions ensures that SANY will have a deep supply of the skilled workers needed to stay at the forefront of innovation,"* said Georgia Governor Nathan Deal.

Key Advice From SANY

Hone in on the most important factors needed for your success in the U.S. market (i.e. transportation infrastructure, market opportunities, access to human resources).



Role of the Government and Non-Governmental Organizations

The Georgia state government has invested a considerable amount of resources into expanding its commercial relationship with China, and state authorities often lead trade delegations to China to develop new business opportunities. SANY has enjoyed a tremendous relationship with the Georgia state government, in large part thanks to the role the company has played in expanding Georgia's relationship with China, including with SANY's home province of Hunan. The company participated in the Hunan governor's visit to Georgia in 2011 and engaged in other bilateral activities to support U.S.-China relations. These activities have helped SANY maintain and broaden its relationships with the state and federal government. *"SANY's location in Georgia is the result of the state's aggressive cultivation of a business climate attractive not only to foreign investment in general, but to Chinese companies in particular. Since SANY announced its arrival in Georgia in 2007, the company has thrived, and in fact it has announced a new R&D expansion that will create another 300 jobs in the community. SANY is a great corporate citizen in Georgia and its presence here has attracted interest in the state from quite a few other Chinese companies,"* said Chris Cumiskey, commissioner, Georgia Department of Economic Development.

Key Advice From SANY

Many local governments recognize the terrific opportunities that positive cooperation with China can bring to their localities and would welcome efforts by Chinese companies to expand bilateral relations between China and their states. High-level visits by state government leaders often present great opportunities to support bilateral relations between China and the United States. These activities can help build goodwill with federal, state, and local governments.

Factors for Success

Reliance on local human resources

A primary factor of SANY's success has been the company's reliance on human resources in the United States to localize its product line to fit to the market. The company has consistently recruited talent from U.S. academic institutions and has integrated local resources throughout all segments of its business.

Establishing a good relationship with the local government

A supportive local government can help a company's investment become a success in the United States. From the very beginning of SANY's journey in investing in the United States, it had the support of Georgia, which made for a smoother investment.



SUNTECH POWER

Location:

**San Francisco, California
Goodyear, Arizona**

Type of Investment:

Greenfield Investment

Type of Ownership:

Public

Jobs Created in the
United States:

200

Gross Sales in the
United States:

**More than
\$500 million/year**



The profile is based on an interview with Suntech Power CCO Andrew Beebe. CCO Beebe is pictured above.

SUCCESS THROUGH PLUGGING INTO A REGIONAL 'ECOSYSTEM'

Background

Suntech is the world's largest producer of solar panels. Established in 2001 in Jiangsu Province, Suntech has grown into a global player in developing, manufacturing, and marketing photovoltaic (PV) products. Suntech has delivered more than 25 million PV panels to more than a thousand customers in more than 80 countries. The company has positioned itself at the forefront of the renewable energy industry and has worked in the United States to produce reliable and high-tech solar panel modules.

Suntech started investing in the United States in 2007, with a representative office in San Francisco, California. The company expanded in October 2010 and built a state-of-the-art 117,000-square-foot manufacturing facility in Goodyear, Arizona, creating more than 150 high-paying jobs. Suntech invested in the United States to tap into the burgeoning U.S. renewable energy market and propel the company onto the global stage. The company has witnessed incredible success since its initial investment in the United States, growing from one U.S.-based employee in 2007 to nearly 200 today.

Reasons for Investing in the United States

Suntech understands the need to evolve as a global company. Only through globalization could it continue to grow and establish itself as a leader in its sector. The company realized that going global would necessarily involve a significant U.S. presence, and this was the major driver for its entry into the United States. *"Our decision to invest in the United States was in large part taken because we see large and growing market demand. One benefit of investing here is that the government stipulation for Buy American projects requires that goods be manufactured locally. We are able to sell into those channels, which is part of a larger strategic initiative for Suntech as we become deeper entrenched in the U.S. market,"* said Chief Commercial Officer Andrew Beebe.

Key Advice From Suntech

Recognize that in a globalized economy, it is not possible to be competitive by only operating in your home market. Today, corporate growth, increased competitiveness, and long-term survival require you to go out into the world, and the United States needs to be a key element in this strategy.

Reasons for Choosing Goodyear, Arizona

The decision to invest in Arizona has been an enormous success for Suntech, due to its patience and consideration when selecting a state for its manufacturing facility. *"States are very different in their approaches to attracting foreign investment. There is nothing wrong with shopping around to find the best location for investments in the United States. That's what we did, and we landed in Goodyear, Arizona,"* said Suntech's Chief Commercial Officer Andrew Beebe.

Many localities in the United States offer incentives, especially for companies in the renewable energy industry, but these should not be the main deciding factor. For Suntech, much more important was the ability to plug into this region's growing "ecosystem" of companies engaged in PV-related industries, including Suntech customers. Operating a manufacturing facility in close proximity to downstream and upstream solar companies in the region made Goodyear a cost-competitive choice for Suntech and allowed the company to access a healthy supply chain of PV products and services.

Key Advice From Suntech

Look beyond investment incentives to assess the broader needs of your company. Does your company require an ecosystem with a well-developed supply chain and customers nearby for success? If so, what localities can offer this environment? If no region has that ecosystem today, are there localities where there is a clear commitment to develop such an environment?

Role of the Government and Non-Governmental Organizations

The U.S. federal government has not played a significant role with regard to Suntech's investment in the United States. Suntech has not been subject to any special reviews or needed any special approvals from the federal government, though it does comply with relevant federal laws on issues such as environmental standards and worker safety.

Locally, the Greater Phoenix Business Council was extremely helpful and supportive in helping Suntech through the process of investing in Arizona. *"Suntech is a world leader in the solar industry and has piloted the link between China and the United States for solar investment. As one of the first companies to invest in Arizona, Suntech has also helped anchor the region as a leader in solar and renewable energy. Indeed, Greater Phoenix is now home to more than 80 solar and renewable energy companies. Suntech's technology achievements are second to none, and we're proud they call Arizona home,"* said Barry Broome, president and CEO of the Greater Phoenix Economic Council.

Goodyear has been very welcoming of Suntech's investment and has appreciated its local contributions, including the direct creation of jobs at the Suntech facility, large purchases of goods and services from other local companies, and corporate social responsibility efforts. Recently, Suntech's Goodyear facility was recognized by the *Phoenix Business Journal* as one of the best places to work in Arizona. Finally, local officials are proud to

have a forward-looking, transparent, global company in their community.



Key Advice From Suntech

Don't be frightened about obstacles posed by the U.S. federal government. Its laws apply equally to all companies operating in the United States. Local communities will judge you based on your actions and contributions, not on your country of origin.

Factors for Success

Corporate transparency

Suntech's corporate transparency allows government officials and U.S. citizens to understand its ownership structure, accounting procedures, management, and other policies. Suntech's transparency is rooted in its corporate culture and driven also by its listing on the New York Stock Exchange, which entails significant disclosure of corporate information.

Experts with knowledge of local laws and practices

Suntech understands that laws, accounting standards, and business practices vary significantly among countries. Suntech has pursued a two-pronged approach to meet the challenge of adapting to local laws and practices. It has sought top managerial talent from around the world for senior management positions in the company, and it employs local experts who provide the most detailed and up-to-date information regarding local laws, regulations, and practices.

TPCO AMERICA CORPORATION

Location:

**Gregory (Corpus Christi),
Texas**

Type of Investment:

Greenfield

Type of Ownership:

State-owned

Jobs Created in the
United States:

Approximately 800

Gross Sales in the
United States:

\$990 million/year

Total Amount Invested in
the United States:

Approximately \$1 billion



The profile is based on an interview with Tianjin Pipe president Li Qiang. President Li is pictured above.

INVESTING IN THE UNITED STATES TO BETTER SERVE OIL AND GAS INDUSTRY CUSTOMERS

Background

TPCO Enterprise Inc., was established in 1993 in Houston, Texas, as a subsidiary of Tianjin Pipe (Group) Corporation (TPCO), the world's third-largest maker of steel pipe. TPCO's initial entry into the market began in the 1990s, and TPCO began to invest significantly in the market last year based on a market and feasibility study started in 2007. It committed approximately \$1 billion over a three-year period to build a manufacturing facility in Gregory (Corpus Christi), Texas, that ultimately would be capable of producing some 500,000 tons of steel pipe annually and producing seamless pipe products used for oil and gas well casings, as well as drill pipe green tube, line pipe, and other steel applications. TPCO America Corporation (TPCO America) broke ground on the facility in August 2011 and expects the project to be completed by the end of 2014, with some functions operational by the end of 2012. The \$1 billion investment is the largest amount ever invested by a Chinese company in the U.S. manufacturing sector, and it underscores TPCO's commitment to the U.S. market and the value it places on its partnerships with leading U.S. energy production companies.

Reasons for Investing in the United States

Since the United States, in particular Texas, is home to some of the company's largest oil and gas customers, with huge demand and not enough output of seamless steel pipe, TPCO made the strategic decision to add manufacturing capacity in the United States to better serve these customers and develop deeper contacts in the U.S. business community to support the company's operations.

Additionally, TPCO was attracted to investing in the United States because of federal and state government policies that encouraged overseas investment in the U.S. market. For example, the U.S. Department of Commerce's *SelectUSA* initiative, which serves as an information clearinghouse on federal rules, regulations, and resources for overseas investors, provided TPCO with a clearer picture of the U.S. business landscape. TPCO found that its investment was consistent with the direction of federal government policies to promote U.S. energy independence and complemented state and federal government efforts to strengthen the U.S. manufacturing sector.

Key Advice From TPCO

Gaining proximity to your core customer base is an important reason to invest in the United States. Shortening the time required to bring your product to market can also make your business more attractive to potential U.S. customers. Also, look for ways to link your business goals with government policies in your sector. *SelectUSA* and state economic development offices are great resources and can provide helpful guideposts on available investment opportunities in the United States.

Reasons for Investing in Texas

TPCO decided to retain a consulting firm to help conduct a feasibility report and market survey on potential locations for the company's U.S. investment. These local consultants provided TPCO with invaluable advice on the benefits of certain states and cities. Ultimately, the company selected Texas because the state is a leader in the oil and gas industry and many of TPCO's customers and markets are based near Corpus Christi. In addition, TPCO found the state and city governments to be supportive of the company's investment, and the local government even invested to improve the roads outside of TPCO America's property. This level of concrete support generated practical benefits for TPCO America and made it feel welcomed in the Corpus Christi area.

TPCO America also made explicit efforts to engage the local community through charitable programs, local business functions, and participation in community events, strengthening TPCO America's cooperation with local government. *"A great relationship with the local community is very important to TPCO America and we have fortunately felt very welcomed to invest in Corpus Christi. In August of last year, we held a groundbreaking ceremony for our new facility and, to our surprise, more than 500 people from the local community showed up to participate in the event, even though we had not formally encouraged that many to attend. When our company's management entered the room to kick off the event, all 500 people stood up and applauded. We were really grateful for this gesture and it made us understand the community's enthusiasm for our investment,"* said Li Qiang, TPCO president.

Key Advice From TPCO

Local consultants can be great resources for helping you find the right location for your investment. Additionally, make it a priority to develop good relationships with the state and city governments as well as the local community.

Role of the Government and Non-Governmental Organizations

The federal government has had very little interaction with TPCO and has not presented any obstacles to the company's investment in the United States. However, TPCO has benefited from close interaction with state and local government officials, who have educated the company on compliance with federal and state industry laws, such as those governing environmental protection.

Key Advice From TPCO

Make compliance with U.S. laws and regulations a top priority for your company. Local governments can, at times, be a resource for helping you comply with U.S. laws. In any case, the investor will bear the risk by himself.

Factors for Success

Use available resources to find a competitive location

TPCO relied on a number of resources to find the right location for its successful investment in the United States, including hiring local consultants, taking advantage of government programs offered through *SelectUSA*, and relying on local government advice and support. These resources are available to all Chinese companies interested in investing in the United States; using all or a combination of these resources can provide valuable insights on how and where to invest.

Bridge cultural differences and focus on communication

"U.S. culture varies significantly from Chinese culture, and TPCO has made it a priority to adapt to business customs here and improve our communications to prevent any misunderstandings from developing with our partners and customers. There are different ways of doing the same thing between U.S. and Chinese business practices, and we have worked hard to make sure our customers are treated well and are comfortable with our service." Li Qiang, TPCO president.



WANXIANG AMERICA

Location:

**Elgin, Illinois
Rockford, Illinois**

Type of Investment:

**Acquisition and
greenfield investment**

Jobs Created in the
United States:

5,600

Gross Sales in the
United States:

\$2 billion

Total Amount Invested in
the United States:

**Approximately
\$500 million**



The profile is based on an interview with Wanxiang America president Ni Pin. President Ni is pictured above.

AN AMERICAN SUCCESS STORY

Background

Wanxiang America is a global automotive and clean energy company engaged in manufacturing, sales, and research in the United States. Since its founding in 1994 in Elgin, Illinois, it has grown to include 27 manufacturing facilities across 14 states. In 2002, the company purchased a 168,000-square-foot build-to-suit facility for its automotive and industrial products, which has expanded its engineering capabilities and provided its customers with a larger and more sophisticated product line. One in every three vehicles running on the roads in America is using components made by Wanxiang's U.S. operations.

In April 2010, Wanxiang supplemented the financing it received from the Illinois state government by investing \$12.5 million to build a 40,000-square-foot solar panel manufacturing plant in Rockford, Illinois. In August 2010, Wanxiang was awarded a \$4 million grant to develop a 40-megawatt solar facility at Chicago-Rockford International Airport, the largest such project in the Midwest. Although this project has been scaled back due to financing constraints from the state government, Wanxiang has continued to manufacture solar panels at its Rockford location.

Reasons for Investing in the United States

Wanxiang knew that the U.S. market was critical to achieving success in the global economy. While focusing solely on sales to the U.S. market, Wanxiang discovered that manufacturing in the United States could be more profitable than in China, even though labor in China was less expensive. The strengths of the United States, including advanced technology, engineering talent, and strong quality control and design, could be combined with the strengths of the company in China, including its rich experience in manufacturing and sourcing equipment and its focus on a high profit margin.

Key Advice From Wanxiang

Think globally and combine the strong points of the United States and China to produce maximum profits. Don't think only in terms of the lowest cost; think about competitiveness and profitability.

Reasons for Choosing Illinois

For Wanxiang, two major factors in selecting a location were proximity to customers and a welcoming environment. Being near Chicago was natural since 80% of Wanxiang's customers were within a six-hour drive of the city. Additionally, feeling "at home" is important to Wanxiang. The company was warmly welcomed by officials. *"Wanxiang America is a global leader in renewable energy, and its efforts are spurring job growth and innovation right here in Illinois," Illinois Governor Pat Quinn said.* *"The company's Rockford Solar Project is putting Illinois residents back to work building the largest solar field in the Midwest, and helping us significantly increase solar energy*

production. We are committed to helping Wanxiang continue to grow and lead the solar industry.”

Key Advice From Wanxiang

Consider the location relative to your main customers and seek a locality that welcomes your company.

Role of the Government and Non-Governmental Organizations

The U.S. federal government has not posed any obstacles to Wanxiang in the United States. The government’s main concern is to see that all its laws are enforced, and Wanxiang has always complied. *“The nice part about operating in the United States is that the system is very clear about what you should do shouldn’t do. As a company, we understood the importance of respecting the system and following the rules. Many companies look to create a new system and to figure out a way to re-create the system. As a company, we knew that in the United States we needed to be forthright, clear, respectful, and follow the rules,”* said Wanxiang America President Pin Ni.

Wanxiang has had positive relations with U.S. labor unions owing to transparency about its plans. As a result, Wanxiang has always reached mutually satisfactory outcomes with them, even when the company had to reduce its workforce in a factory or lower wages. The company has not faced any strikes at its facilities.

The company contributes to local communities near its facilities, including through the taxes it pays to local governments. It also undertakes programs to help improve education in local communities, including a program to train U.S. teachers in the San Francisco area about clean energy. Moreover, Wanxiang supported President Obama’s 100,000 Strong Initiative, which aims to send 100,000 American students to study in China over the next four years.

Key Advice From Wanxiang

Follow U.S. law and the government should not pose obstacles. Work with labor unions and the local communities in a transparent manner to show them the contribution the company makes locally.

Factors for Success

Retaining top local advisers and consultants

Wanxiang uses local lawyers and other service professionals when necessary. Although fees for outside advice are startling to Chinese companies, such advice is critical to success in the United States.

Complying with U.S. laws

Laws and policies in the United States are clearer and firmer than in China. Wanxiang realized that it is important not to try to circumvent U.S. rules or find “an easier way” to do things.



WORLDAWN POWER EQUIPMENT, INC.

Location:

Beatrice, Nebraska

Type of Investment:

Acquisition

Type of Ownership:

Private

Jobs Created in the United States:

25; goal of 200 by 2017

Gross Sales in the United States:

\$20 million

Total Amount Invested in the United States:

\$25 million

REVVING ENGINES IN THE LAWN MOWER CAPITAL

Background

Worldlawn Power Equipment, Inc., is a branch of Jiangsu World Group, Inc., based in Jiangsu Province, China. Jiangsu World Group has eight subsidiaries, one publicly traded company, and more than 10,000 employees worldwide. Its main manufacturing business includes heavy equipment, combines, environmental protection machinery, and lawn and garden machines. Worldlawn Power Equipment, Inc., manufactures residential and commercial lawn mowers, with expertise in the lawn mower industry developed from its years of manufacturing and distributing lawn mowers in Asia, Australia, Europe, and the United States.

Reasons for Investing in the United States

Worldlawn saw opportunities in the U.S. power equipment industry, as products in the industry are priced at a very high retail rate. *“Worldlawn wanted to sell its outdoor power equipment in North America because of the huge opportunity for growth. We believe we bring a great quality product to North America at a great value,”* said Worldlawn President Hardy Shao.

Furthermore, Worldlawn chose the United States as its North America headquarters because of its central location. The majority of Worldlawn products are sold in the United States; however, thanks to the North American Free Trade Agreement, the company has opportunities to grow in Canada and Mexico.

Reasons for Investing in Nebraska

Worldlawn Power Equipment, Inc., has had a U.S. office since 2006. When Worldlawn acquired Encore Power Equipment in early 2011 and expanded into manufacturing operations, the company opted to move all operations to Beatrice, Nebraska. *President Shao felt that Beatrice was “more centrally located and made a better operating base for shipping mowers to its major markets in the U.S. Southeast, Northeast, and Midwest.”* In addition, the local workforce in Beatrice has a wealth of professional people with the right expertise for the company’s jobs. As the U.S. base of operations for Husqvarna, Encore, and ExMart, Beatrice has long had a reputation as America’s Lawn Mower Capital, but the area weathered layoffs in recent years as Encore struggled to remain viable and Husqvarna consolidated its operations in South Carolina. Since Worldlawn’s move to Beatrice, the company has revived 25 jobs for the community, and the company hopes to expand operations and hire 175 more employees over the next six years, more than replacing all of the jobs that have been lost. *Overall, Worldlawn is pleased to be based in Beatrice, as expressed by President Shao: “I’m glad to call Beatrice my home. It is a very friendly community, and people in the Midwest are really sincere and honest. The air is very fresh. People in the capital often come to ask how they can help us. I enjoy being here.”*



The profile is based on an interview with Worldlawn Power Equipment president Hardy Shao. President Shao is pictured above.

Role of the Government and Non-Governmental Organizations

Worldlawn emphasizes the importance of Nebraska state government's assistance throughout each step of the investment process.

Key Advice From Worldlawn

When investing in the United States, make sure your company has enough capital. Due to the economic malaise in the United States, it is hard to get loans from the banks. There is more access and resources in China, where the financial environment is better. The Chinese bank seems more willing to support businesses for growth.



Factors for Success

Give back to the local community

Worldlawn understands the importance of giving back to the community. The company is actively involved in the local chamber of commerce, and has contributed to the Southeast Nebraska YMCA foundation's construction efforts related to a new children's project.

Overcome differences with experience and local support

For Worldlawn and many Chinese companies invested in the United States, learning to navigate the U.S. legal system and bridge business culture differences is challenging. President Shao compares the business and legal differences to technical drawings and prints: American engineers read technical drawings from right to left, whereas Chinese drawings are read from left to right. In short, views and ways of doing things are sometimes just the opposite. To surmount these challenges, the right service providers are crucial. Worldlawn relied on a California law firm to handle the legal aspects of its investment, and Mr. Shao's 18 years in the United States have given him linguistic and cultural fluency that has also proven crucial.

ZTE

Location:
Richardson, Texas

Type of Investment:
Publicly traded

Type of Ownership:
Public

Jobs Created in the
United States:
Approximately 300

Total Amount Invested in
the United States:
More than \$13 billion



The profile is based on an interview with President of North America region of ZTE corporation and CEO of ZTE (USA) Cheng Lixin. CEO Cheng is pictured above.

LOCALIZING GLOBAL PRACTICES TO SUCCEED IN THE U.S. MARKET

Background



ZTE is the second-largest telecommunications equipment producer in China and the world's fourth-largest mobile phone manufacturer by unit sales. The company specializes in producing wire products, data telecommunications equipment, mobile phones, software, optical transmission equipment, and other mobile hardware. In November 1997, ZTE listed on the Shenzhen Stock Exchange, and in December 2004, ZTE listed on the Hong Kong Stock Exchange. ZTE made its initial investment in the United States when it opened its U.S. headquarters in Richardson, Texas. The company has since established regional offices in California, Colorado, Georgia, Illinois, Kansas, New Jersey, North Carolina, Virginia, and Washington state.

Reasons for Investing in the United States

ZTE's mission is to make quality communications technology accessible to all. ZTE began by providing communications equipment to remote villages in China, bringing telephony to rural areas often for the first time. Over time, ZTE expanded its business to urban areas within China and then globally to markets around the world.

As a global company, ZTE wanted to establish a presence in the U.S. telecommunications market in order to strengthen partnerships with American technology companies, provide its unique product offering to U.S. consumers, and utilize American talent and innovation to conduct research and development (R&D). ZTE USA was established in 1998 in order to achieve these goals and has provided greater flexibility for U.S. consumers and supported U.S. jobs and economic growth through purchases of American technology products and components.

"There are many reasons why we chose to invest in the United States, but ultimately we made the decision to gain access to the talent here and to be close to our customers. Since our initial investment, we have opened 10 offices and 5 R&D centers in the United States and are very optimistic about our growth over the next five years. Last year our U.S. sales grew by 157% year-on-year. By 2015, we expect the U.S. market to be our largest handset market for the company, bigger than China," Cheng Lixin, CEO of ZTE USA.

"ZTE is a prime example of how international trade benefits everyone involved," Kansas Governor Sam Brownback said. "As governor, I appreciate how important international trade and investment are to the economic health of the state."

Key Advice From ZTE

Find a location that maximizes access to customers, technical partners, and talent.

Role of the Government and Non-Governmental Organizations

Many government entities in the United States have responded positively to ZTE's investment, despite occasional challenges and sensitivities. For example, U.S. officials and media have occasional difficulty distinguishing between Chinese companies and have at times lumped different Chinese companies together in analyzing concerns regarding foreign investment in the United States. ZTE has steadily worked toward building strong relationships with U.S. political leaders and businesses by clarifying its business and investment goals and objectives.

"ZTE has been fortunate to engage with government representatives in a very positive manner in the United States and elsewhere. This is partly due to our transparency in corporate governance, equity structure, and decision-making processes. We are a publicly traded company and even 20% owned by non-Chinese investors. We have an American serving on our board of directors and operate in 140 countries. We don't see ourselves as a Chinese company or an American company, but as a global corporation that makes decisions to bring value to our customers and investors," said Cheng Lixin, CEO of ZTE USA.

ZTE has also demonstrated its desire to do business in the United States by attracting well-known American investors including JP Morgan Chase & Co., Massachusetts Financial Services Company, and Sun Life Financial, Inc. Timothy Steiner, an American citizen, currently serves on ZTE's board of directors, and approximately 80% of ZTE USA employees are American citizens.

Key Advice From ZTE

Don't be discouraged by negative publicity. Strong efforts to get your message out, at all levels of U.S. society and the government, are important.

Factors for Success

Approach the United States with a clear understanding of operational differences

ZTE approaches investment in the United States with a clear understanding of the differences between the two countries. For example, the Chinese government often provides an all-inclusive approach to assisting companies with all aspects of foreign investment. In the United States, however, government agencies provide limited assistance to investors upon initial entry to allow maximum flexibility. ZTE recognized this difference and responded by investing in professional market entry services to establish a foothold in the United States.

Localize practices

ZTE has adapted its business operations and practices for the U.S. working environment, including hiring American employees, understanding U.S. consumer needs, and placing significant emphasis on customer, partner, and employee communications. In particular, ZTE recognized the importance of adopting a transparent and clear style of communication across its business practices.

ZTE also seeks to encourage a continuous dialogue between the company and American influencers—senior executives from ZTE frequently participate in U.S.-China forums, including the CEO and Former Senior Government Officials Dialogue organized by the U.S. Chamber of Commerce, to foster a respectful environment for business growth.

Recognize the importance of CSR activities

ZTE actively engages in corporate social responsibility (CSR) activities, including support for local hospitals. These activities directly benefit the communities in which ZTE is investing.

NOTES



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