



**REQUEST FOR PROPOSALS
September 9, 2011**

**PERIOD OF PROPOSAL SUBMISSION ENDS:
5:30 PM, October 3, 2011**

The U.S.-China Economic and Security Review Commission (hereafter “the Commission”) invites submission of proposals to provide a one-time unclassified report on patterns in investments made in the United States by investors from the People’s Republic of China (PRC), and the potential impacts on future U.S. economic and national security.

ABOUT THE COMMISSION. The Commission was established by Congress in 2000 to monitor and report to Congress on the economic and national security dimensions of the United States’ trade and economic ties with the PRC. Further details about the Commission are available on its website at: www.uscc.gov .

The Commission solicits this research pursuant to its Congressional mandate (contained in 22 U.S.C. 7002), which states that “The Commission... shall investigate and report exclusively on...

“ECONOMIC TRANSFERS.—The qualitative and quantitative nature of the transfer of United States production activities to the People’s Republic of China, including the relocation of high technology, manufacturing, and research and development facilities, the impact of such transfers on United States national security, the adequacy of United States export control laws, and the effect of such transfers on United States economic security and employment.

...

“ACCESS TO UNITED STATES CAPITAL MARKETS.—The extent of access to and use of United States capital markets by the People’s Republic of China, including whether or not existing disclosure and transparency rules are adequate to identify People’s Republic of China companies engaged in harmful activities.

...

“WORLD TRADE ORGANIZATION COMPLIANCE.—The Commission shall review China’s record of compliance to date with its accession agreement to the WTO, and explore what incentives and policy initiatives should be pursued to promote further compliance by China.”

ABOUT PROPOSALS. The Commission solicits proposals from contractors capable of providing a one-time unclassified report on patterns in investments made in the United States by investors from the People’s Republic of China (PRC), and the potential impacts on future U.S. economic and national security.

Key issues and questions to be addressed by the report are:

1. Provide a succinct, macro-level analysis of the existing resources and capabilities of PRC-based investors to invest overseas. Additionally, identify patterns in the worldwide nature of outward foreign investment by PRC actors over the last ten years.
2. There has been significant recent public policy research regarding the extent and character of investments made in the United States by Chinese entities.^{*} Building upon this research, provide a projection for likely patterns in such investments for the next 5 years, to include: (a) estimates on available investor capital; (b) the U.S. economic sectors and regions most likely to attract investment; and (c) categories of investments (portfolio, mergers & acquisitions, greenfield) and the economic sectors most likely to attract investment of each type. Provide as well an analysis of the projected economic trends and PRC government policy positions likely to affect such investment activity.
3. Identify existing U.S. government data collection and oversight activities regarding PRC investment in the United States. What data is currently collected? What oversight authority exists within the U.S. government to monitor and assess the impacts of PRC investments in the United States?
4. Provide estimates as to the extent that Chinese investment in the United States is controlled by PRC state-owned enterprises (SOEs)[†] and state-invested enterprises (SIEs),[‡] as well as by nominally private companies that may be acting with delegated state authority.[§] As identified in recent public policy research on the extent of Chinese investments in major U.S. economic sectors (*see item #2 above*), provide a breakdown of estimated investment percentages in major economic sectors based on the nature of the investor (i.e., “SOEs are responsible for XX% of Chinese investment in the U.S. banking sector,” etc.). Provide at least a limited number of case studies (3-4) to illustrate the nature of these deals.
5. Provide estimates as to the extent that Chinese investment in the United States is controlled by PRC state-controlled investment vehicles (i.e., the China Investment Corporation, the State Administration for Foreign Exchange, etc.); or as applicable, by

^{*} Examples of recent research into macro-level patterns of Chinese investment in the United States include, but should not necessarily be limited to: Derek Scissors, “China’s Investment Overseas in 2010,” Heritage Foundation, Feb. 3, 2011; Thilo Hanemann, “Chinese FDI in the United States: Q1 2011 Update,” Rhodium Group, June 8, 2011; Daniel Rosen and Thilo Hanemann, *An American Open Door: Maximizing the Benefits of Chinese Foreign Direct Investment* (Washington, DC: Asia Society and the Woodrow Wilson Center for Scholars, May 2011); Nargiza Salidjanova, “Going Out: An Overview of China’s Outward Foreign Direct Investment,” (U.S.-China Economic & Security Review Commission, March 30, 2011); and Ken Davis, “Outward FDI from China and its Policy Context,” Columbia FDI Profiles, 2010.

[†] For the purposes of this project, the definition of “state-owned enterprises” will include companies owned by local and regional governments in the PRC, as well as those owned by the central government.

[‡] For the purposes of this project, the definition of a “state-invested enterprises” will be companies in which either national, regional, or local governments in the PRC own a significant equity interest.

[§] Examples of such companies could include nominally private “national champions;” and/or companies with nominally private but opaque ownership and management structures, which have close affiliations with the PRC government through either their origins or their leading personnel, and which have access to favorable financing support from state banks.

- Chinese state-controlled banks. As identified in recent public policy research on the extent of Chinese investments in major U.S. economic sectors (*see item #2 above*), provide a breakdown of estimated investment percentages in major economic sectors based on the nature of the investor (i.e., “entities affiliated with the China Investment Corporation are responsible for XX% of Chinese investment in the U.S. energy sector,” etc.). Provide at least a limited number of case studies (2-3) to illustrate the nature of these deals.
6. To date, very limited information has come to light regarding the role played by PRC state-controlled financial services companies in supporting overseas investments. Provide an overview and assessment of the role played by PRC state-controlled banks or other financial actors in providing lending supports to investments made by Chinese investors in the United States. Provide as well an overview and assessment of the role played by other major forms of financial support from state entities, such as below-market insurance provided by state-owned insurance firms. These topics should be analyzed in relation to relevant protocols of the Organization for Economic Co-operation and Development (OECD), and the extent to which support is available in terms of market rates and availability.
 7. Provide an overview and assessment of the capital supports (below market interest rate loans, loan forgiveness, subsidized research and development costs, etc.) offered by Chinese state-controlled entities to state-owned enterprises, state-invested enterprises, and nominally private companies that may be acting with delegated state authority (*as defined in the footnotes to item #4*). Assess the extent to which these capital supports provide a competitive advantage (*vis-à-vis* U.S. and other international companies) for acquisitions and other investments in the U.S. marketplace.
 8. What evidence exists to support concerns that multiple PRC state-controlled entities might act in collusion to purchase assets in the United States, without open disclosure of their relationships to one another, and thereby “fly under the radar” of disclosure and regulatory requirements? Similarly, what evidence exists to support concerns that Chinese entities could covertly acquire influential stakes in U.S. companies through the use of hedge funds and similar investment vehicles, and/or by employing reverse mergers in order to list on U.S. securities exchanges without going through the full scrutiny of an initial public offering (IPO) of equity shares?
 9. Some intended overseas deals by Chinese investors have been blocked by Chinese government regulators. Provide an overview and assessment of the PRC regulatory framework for outward-bound foreign direct investment (OFDI), to include: an overview of the agencies involved; the procedures for approval of OFDI deals; the capital thresholds requiring government review; etc. Also, in light of China’s increasing levels of OFDI, are there any changes to this system under discussion? If so, what are the proposed changes, and what factors (or interest groups) are pushing them forward?
 10. Many economic commentators, business leaders, and government officials support Chinese investment in the United States on the grounds that it generates jobs and economic growth. Provide an overview and assessment of the current and potential economic impacts of Chinese investment in the United States, with a particular focus on

estimates related to job creation: i.e., How many jobs have been created in the United States by Chinese investors over the past 5 years? Do Chinese investors who purchase majority equity stakes in U.S. companies tend to leave those companies in place, or to transfer operations to China? (This analysis should be based on quantifiable empirical data, rather than on abstract principles of economic theory.) Provide at least a limited number of case studies (2-3) to illustrate the nature of such investments.

11. Identify the investment history of existing Chinese investments and announced plans for new investments in the United States. Compare the activities, or announced activities, of these investment entities to the historical pattern of developed country investments in the United States over the past 20 years. Are Chinese investments similar to developed country investments in terms of sourcing patterns, job creation, research and development (R&D) activities, technological transfers, and other aspects of corporate operations? In terms of net job creation, are Chinese investments similar to, or different from, historical norms of developed country investments (i.e., are Chinese investments focused on achieving market returns or creating greater demand for Chinese-produced products, etc.)?
12. Examine and assess the motivations that Chinese investors have to invest in the U.S. market (i.e., security of investments, etc.) relative to other potential markets. Are there any patterns to indicate that Chinese state-owned or -affiliated entities might be undertaking investments based on PRC state policy goals (technology acquisitions, influence in particular market sectors, etc.), or does the evidence indicate that these investors are solely pursuing individual institutional profit motives? Or, is it some combination of both? Also, provide an assessment as to the identifiable differences (if any) in the patterns of investment made by the entities identified in items #2 and #4 (*above*) – if there are differences, what are they and why?
13. Many U.S. companies have been left in a financially distressed situation in the aftermath of the 2008 global financial crisis. Assess the extent (if any) to which financially distressed companies may be attractive to Chinese investors, and assess the reasons as to why this might be the case.
14. Provide an overview and assessment of the efforts by U.S. actors to encourage Chinese investment in the United States. What have been the efforts made in this regard by the U.S. Commerce Department and other federal entities, as well as by state and local governments, the National Governors Association, etc.? What actions have been made by private sector actors such the U.S. Chamber of Commerce, investment banks, hedge funds, etc.?

Additional Requirements of the Commission:

1. Prior to the award of any contract, the contractor must be registered in the federal Central Contractor Registry (CCR).
2. Once a contractor has been selected for this project by the Commission and a contract signed, public notice of this will be made on the Commission's website.

3. The Commission's goal is to have a report prepared for review in a timely fashion. In ordinary circumstances, once a contractor has been selected by the Commission and a contract signed, a draft of the report must be submitted to the Commission for review no later than 120 days from the date of contract confirmation. The Commission will then endeavor to provide comments and requests for adjustments within 30 days; subsequently, the final report must be submitted within 30 days of formal receipt of the Commission's comments. The Commission recognizes that, under certain circumstances, a contractor may wish to have more time to prepare the first draft of the report under the contract. The contractor, in their initial submission, should stipulate the time frame for submissions of the initial review draft. It is to be understood, however, that time is of the essence in completing research contracts for the Commission.
4. As work on the report progresses, the Commission's Research Coordinator shall act as a representative of the Commission in monitoring the progress, quality, and responsiveness of the report to the major issues of concern identified in the RFP. The Research Coordinator shall, on request to the contractor, be entitled to informal briefings on the status of the research work and to readings of the draft in progress.
5. The contract shall be subject to termination if the Commission deems that the work is of unsatisfactory quality.
6. At the Commission's discretion, the report procured via this Request for Proposal may be posted on the Commission's website.
7. Each organization or individual responding to this request must warrant that it/he/she will perform this work solely for the Commission, and that the resulting report will not be shared with other parties without the prior written consent of the Commission.
8. The Commission expects contractors to identify all personnel working on the contract, and that there will not be any delegation of responsibilities to other parties without prior written approval of the Commission.
9. After completion of the report, the Commission staff, in consultation with the Contractor, will prepare a short summary of the research for posting on the Commission's web site and other media. The Commission staff shall consult with the contractor in preparing said document.
10. At the discretion of the Commission, the contractor will be expected to participate in activities relating to the dissemination of a final report. This could include, but not necessarily be limited to, briefing the content of the research to Commissioners and Commission staff, appearance as witnesses before hearings held by the Commission, and briefing the contents of the research to staff members of committees of the U.S. Congress. Briefing requests will be reasonable and will be subject to mutual agreement.

Primary Selection Criteria:

1. The Commission will determine which organization or individual responding to this request will be awarded the contract based on a comprehensive "best value" analysis of

the proposals received, to include costs, technical value, and ability to complete the work satisfactorily and on time.

2. The primary weighting criterion in selection shall be the assessed qualifications and ability of an organization or individual to address the fundamental research points enunciated above (“key issues and questions to be addressed by the report”).
3. The cost and amount of time necessary to complete the report will also be considered as criteria in the selection process.

Proposal submissions should include:

1. A statement of the applicant’s relevant qualifications to satisfy the terms of this request for proposals (RFP), to include curricula vitae for personnel intended for work on the project.
2. Identification of the principal researchers who will be responsible for the preparation of the report. It is understood that the designation of the researchers is a critical element of the proposal, and any changes regarding which individuals will be involved in the report’s preparation must be approved by the Commission in advance and in writing.
3. A description of the research methodology the applicant proposes to employ. In describing methodology, the submission should provide detailed descriptions of the sources and methods that will be used to research the report’s topic and the extent to which Chinese language sources, if any, and other primary materials will be used.
4. An estimate of the time the applicant will need to complete the required work.
5. The price the applicant will charge to the Commission to complete the work set forth in this RFP.

Firms and individuals wishing to submit a proposal in response to this Request for Proposal must ensure that the response arrives at the following location by **5:30 PM on October 3, 2011** or it will not be accepted or considered.

Electronic submissions are acceptable.

Proposals, as well as inquiries or any other correspondence related to this matter, should be directed to:

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