



REQUEST FOR PROPOSALS
February 07, 2011

PERIOD OF PROPOSAL SUBMISSION ENDS:
5:30 PM, February 28, 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 bilateral foreign direct investment between the United States and 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 bilateral foreign direct investment between the United States and 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:

Chinese Investments in the United States:

1. Provide a comprehensive, macro-level overview of patterns in Chinese-based investment* in the United States over the past twenty years. What trends are observable in these investment flows? Which U.S. economic sectors (i.e., natural resources, financial services, telecommunications, etc.) are receiving the most significant investments of Chinese capital? In the economic sectors most affected, provide case studies to illustrate the market impacts of these investments.
2. Identify and assess the incentives for Chinese entities to invest in the United States – i.e., what are the benefits that the U.S. market offers to Chinese investors? Provide as well a macro-level assessment on the impacts (both positive and negative) of Chinese investment in the United States (i.e., effects on employment, access to capital in the financial services sector, etc.).
3. Provide a comprehensive list and timeline for intended Chinese investments in the United States that were either blocked, voluntarily withdrawn, or had restrictions placed upon them as the result of a review by the Committee on Foreign Investment in the United States (CFIUS). Insofar as data is available, provide an assessment as to why each proposed investment deal encountered difficulty with CFIUS. Identify the patterns, if any, discernible in these cases – i.e., identity of the investor, nature of the products or services provided by the target company, etc.
4. Provide estimates as to the extent that Chinese investment in the United States is controlled by PRC state-owned enterprises (SOEs),[†] as well as by PRC state-controlled investment vehicles (the China Investment Corporation, the State Administration for Foreign Exchange, etc.). This should include a breakdown of estimated investment percentages in the major economic sectors identified per item #1 (i.e., “SOEs are responsible for XX% of Chinese investment in the banking sector,” etc.). Provide an assessment as to whether there are any identifiable differences between the patterns of investment made by private Chinese firms and those made by SOEs / state investment vehicles. If so, what are those differences? Are there any patterns to indicate that Chinese SOEs and state investment vehicles might be undertaking investments based on PRC state policy goals (technology acquisitions, influence in particular market sectors, etc.) rather than on individual corporate profit motives?
5. Provide an overview and assessment of the role played by PRC state-controlled banks in supporting investments in the United States. What, if any, are the discrepancies between the supports provided to SOEs and state investment vehicles for this purpose, and the supports provided to Chinese private companies?

* For the purposes of this project, “Chinese-based investment” shall include investment capital originating from the People’s Republic of China, as well as from Hong Kong.

[†] 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 controlled by the central government.

6. Is there any evidence 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, is there any evidence 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? Provide an examination and assessment of the processes and legal/regulatory framework by which the U.S. Government does (or does not) track such transactions that offer the potential for hidden influence and/or control of U.S. companies by foreign investors.

U.S. Investments in China:

7. Provide a comprehensive, macro-level overview of patterns in U.S.-based investment in China over the past twenty years. What trends are observable in these investment flows? Which Chinese economic sectors (i.e., manufacturing, financial services, transportation, etc.) are receiving the most significant investments of U.S.-based capital? In the economic sectors most affected, provide case studies to illustrate the market impacts of these investments.
8. Provide an estimate as to the overall amount of investment from U.S.-based companies into China over the past twenty years. Also, provide an analysis as to the extent that U.S. corporations invested in China tend to repatriate their profits, or to reinvest them inside China.
9. Identify and assess the incentives for U.S. entities to invest in China – i.e., what are the benefits that the Chinese market offers to U.S. investors, and what are the major incentives (favorable tax rates, etc.) that the Chinese government offers to prospective foreign investors? Also examine whether or not these incentives are tailored towards attracting investment in particular economic sectors or fields of technology; and if so, identify these sectors and explicate the relevant incentive policies.
10. Provide a macro-level assessment on the impacts (both positive and negative) on the United States economy of investment in China by U.S. entities (i.e., effects on employment within the United States, impacts on the competitiveness and profitability of U.S. firms, etc.).
11. Provide a comprehensive list and timeline for significant intended U.S. investments in China that were either blocked, voluntarily withdrawn, or had restrictions placed upon them as the result of regulatory intervention by Chinese government agencies. Provide an assessment as to what, if anything, these cases reveal about the state of market access for foreign firms as it pertains to China’s WTO commitments. Further, provide an assessment as to what, if anything, these cases reveal about the interests of the Chinese government (at both national and regional levels) in protecting particular companies or economic sectors from foreign competition and/or foreign influence.
12. Provide an assessment on the longer-term impacts on the United States of the transfer of high tech research and manufacturing capabilities to China, and the likely longer-term impacts on U.S. economic and national security.

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 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 February 28, 2011** or it will not be accepted or considered.

Electronic submissions are acceptable.

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

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