

## As COVID-19 subsidies in China, British businesses urge more market reform

- Despite the wider challenges of COVID-19, China's swift economic recovery has ensured that it remains a key market for British businesses in 2021.
- Companies have seen less progress in market reform, and the Foreign Investment Law has had little impact in levelling the playing field.
- Tensions within the UK-China relationship are of significant concern and are weighing in on investment decisions.

**8th December 2020** – The *British Business in China: Sentiment Survey 2020-2021* finds that British companies remain resilient, optimistic and committed to the China market, despite the depth of economic disruption the market endured in 2020. China's economic recovery has ensured that it remains a top priority market for British businesses, and they are continuing to increase or maintain investment, despite levels of optimism having slipped over last year. China's economic rebound has been remarkable, but the core regulatory challenges facing British businesses on the ground remain largely unchanged. In order to sustain this long-term growth, holistic market reform must continue.

The survey collated the views of 256 British companies across China from globally-recognised multinationals to small dynamic enterprises, and represents over £20 billion of revenue in China.

### **Main findings:**

- COVID-19 has had a noticeable dampening effect on business sentiment, with **decreased levels of optimism** on last year and earnings down for 45% of companies.
- The majority of respondents (44%) will nonetheless be **increasing investment** in 2021, driven by China's market potential (82%).
- **SMEs are recovering more slowly** than large multinational companies, and their hiring strategies are notably more modest than they were in 2019.
- China is the **top priority market** for two in five businesses and only 3% are actively relocating operations out of China.
- Nearly half of all businesses face market access barriers in their sector and only 16% have seen a positive impact from the **Foreign Investment Law**.
- One in four British companies believe that they are **treated unfavourably** compared to private Chinese companies, which rises to one in three compared to SOEs.
- The top three **regulatory barriers** remain the same as last year:
  - 1) Navigating cybersecurity and IT restrictions.
  - 2) Accessing or moving company finances.
  - 3) Competition with SOEs or state-sponsored competition.
- Trends companies are most interested in are **technological innovation** and **China's economic prospects**.
- More than three quarters of companies anticipate a negative impact on their operations from **global economic uncertainty** due to COVID-19 next year.
- Three in five businesses express concern around the current state of the **UK-China relationship** and its impact on their operations.

“The Sentiment Survey truly offers a national perspective from British business leaders operating on the ground in the world’s second largest economy,” said St. John Moore, Chair of the British Chamber of Commerce in China. “At a time when the Chinese economy has emerged from the turmoil of the COVID-19 pandemic, it is absolutely vital to understand the opportunities and also the potential challenges facing British companies going into 2021.”

These challenges are all the more acute given the significance of the Chinese market to global British businesses in the wake of COVID-19 and China’s economic recovery. British companies remain resilient and committed to China, but active market liberalisation must be accelerated. In turn, this will be met with increased investment and job creation, supporting both the Chinese and British economies in their respective recoveries.

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The British chambers of commerce in China consist of the Beijing, Shanghai, Guangdong and Southwest Chambers. We are a group of independent, not-for-profit organisations for British business focused on boosting UK-China trade and investment across China on behalf of a strong and diverse membership. With over two decades’ worth of business experience in China, we provide advocacy, advice and networking opportunities for our members, helping their business reach its full potential in one of the world’s fastest growing markets. The British Chambers are recognised as official representatives of British business in China by both the British and Chinese authorities.

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