In 2021, the BCS achieved a 46.7% response rate, slightly lower than 2020, but still 2nd highest ever

**Survey design**
66 questions on 3 core themes:
- Company profile & financial performance
- Outlook on Chinese business environment
- Outlook on company strategy

And 5 thematic issues:
- Supply Chains
- SOE reform
- Politicisation of business
- Digital and Data
- Environment

Also a chapter-specific section

**Survey execution**
4-week answering period during February 2021

46.7% response rate among eligible entities

Almost equal representation of companies across sectors

- Professional services
- Industrial goods and services
- Consumer goods and services
Breakdown of respondents by company size

N=585

Source: Business Confidence Survey Data, Roland Berger analysis
Breakdown of respondents by industry

N=585

**Professional Services (29%)**
- Financial services (including insurance)
- IT and telecommunications
- Legal
- Media and publishing
- Professional services

**Industrial Goods / Services (40%)**
- Automotive and auto components
- Aerospace and aviation
- Chemicals and petroleum
- Civil engineering and construction
- Environment
- Machinery
- Transportation, logistics and distribution
- Utilities, primary energy and other commodities

**Consumer Goods / Services (19%)**
- Cosmetics
- Education
- Fashion and textile
- Food and beverage
- Hospitality
- Medical devices
- Pharmaceuticals
- Retail
- Travel and tourism

**Other (12%)**
- Agriculture
- Government affairs
- Other

Source: Business Confidence Survey Data, Roland Berger analysis
Breakdown of respondents by time in Mainland China

N=585

- ≤ 5 years: 10%
- 6 - 10 years: 13%
- ≥ 10 years: 76%

Source: Business Confidence Survey Data, Roland Berger analysis
Key Findings

- Navigating in the dark… and through an unprecedentedly challenging year
- Decoupling: not exactly what we saw a year ago
- Accelerating the reform agenda: a must in an increasingly difficult business environment
Revenue takes a hit, but not as much as expected

How did your company’s total 2020 revenue in Mainland China evolve compared to 2019? ¹)

¹) Excludes answer "Not Applicable"

Years mark which edition of the BCS, but revenue numbers are from the previous fiscal year

- Increased substantially (>20%)
- Increased (5–20%)
- Remained the same (+/-5%)
- Decreased (5–20%)
- Decreased substantially (> 20%)
Steady EBIT as companies adapted to new realities

Please describe your company's earnings before interest and tax (EBIT) in Mainland China in 2020.

EBIT holds fast
Optimism on growth surges, other outlooks hold steady

How would you describe the business outlook for your sector in China over the next two years? (1/3)
Lowest desire to leave the market on record

Is your company considering shifting current or planned investments in China to other markets?

Where to?  1)  2)

- ASEAN
- Asia-Pacific (other than ASEAN)
- Africa
- South America
- North America
- Europe
- Middle East
- South Asia
- Other

1) Asked only if answer to “Is your company considering shifting current or planned investments in China to other markets?” is “Yes”
2) Multiple answers possible, percentage divided by number of respondents
JV positions strengthened as European players batten down the hatches

**Does your company have a joint venture (JV) with a Chinese company (including SOEs and POEs)?**

- Yes: 30%
- No: 70%

**In light of market opening announcements and lifting of equity caps in 2020, has your company increased its share in a JV?**

- Yes, my company bought out our Chinese partner to establish a WFOE: 2%
- Yes, my company increased its share but it remains <50%: 6%
- Yes, and my company took a controlling share: 18%
- No: 73%

1) Asked only when the answer “Does your company have a joint venture (JV) with a Chinese company (including SOEs and POEs)? is "Yes"
## Five times as many onshoring as offshoring

Has your company reviewed its supply chain strategies in the last two years?

<table>
<thead>
<tr>
<th>Response</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, but we are not planning any significant changes</td>
<td>38%</td>
<td>20%</td>
</tr>
<tr>
<td>Yes, we are planning to further onshore supply chains into China</td>
<td>67</td>
<td>13</td>
</tr>
<tr>
<td>Yes, we are planning to fully onshore supply chains into China</td>
<td>117</td>
<td>63</td>
</tr>
<tr>
<td>Yes, we are planning to diversify future investment outside of China, but no changes in China</td>
<td>32</td>
<td>10%</td>
</tr>
<tr>
<td>Yes, we are planning to shift some current investment in China to other markets</td>
<td>11</td>
<td>4%</td>
</tr>
<tr>
<td>Yes, we are planning to fully divest from China</td>
<td>4</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>1%</td>
</tr>
</tbody>
</table>

N=311

1) Excluded respondents who chose “Non-production company” in Q52s

80% reviewed supply chains
A third of manufacturers exposed to critical input disruptions

Does your company import any equipment or components from abroad for which it cannot find comparable replacements, or for which finding alternatives would mean accepting lower quality, higher costs or compatibility issues?

N=311

- Yes, and there are no viable alternatives: 34% (105)
- Yes, but there are alternatives at a higher cost: 13% (39)
- Yes, but there are alternatives at lower quality: 27% (83)
- Yes, but there are alternatives that will have compatibility issues: 15% (47)
- No, we have no such components or equipment: 21% (64)
Indirect market access barriers three times as common as direct ones

Does your company face market access restrictions in China?  

<table>
<thead>
<tr>
<th>Option</th>
<th>2020</th>
<th>2021</th>
<th>N=639</th>
<th>N=592</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, and they are direct market access restrictions</td>
<td>15%</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes, but they are indirect market access barriers</td>
<td>29%</td>
<td>33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>55%</td>
<td>55%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N=592  

1) Multiple answers possible, percentage calculated by number of respondents
Pharma, construction and legal missed out the most due to market access restrictions and regulatory barriers

<table>
<thead>
<tr>
<th>Industry</th>
<th>2021 Total N=585</th>
<th>2021 Selected industries N=480</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional services</td>
<td>45%</td>
<td>47%</td>
</tr>
<tr>
<td>Financial services (including insurance)</td>
<td>52%</td>
<td>53%</td>
</tr>
<tr>
<td>Machinery</td>
<td>69%</td>
<td>79%</td>
</tr>
<tr>
<td>Auto</td>
<td>79%</td>
<td>79%</td>
</tr>
<tr>
<td>Petrochemicals</td>
<td>69%</td>
<td>79%</td>
</tr>
<tr>
<td>Environment</td>
<td>69%</td>
<td>79%</td>
</tr>
<tr>
<td>Medical devices</td>
<td>64%</td>
<td>75%</td>
</tr>
<tr>
<td>IT and telecom</td>
<td>42%</td>
<td>55%</td>
</tr>
<tr>
<td>Pharma</td>
<td>22%</td>
<td>34%</td>
</tr>
<tr>
<td>Food and beverage</td>
<td>52%</td>
<td>65%</td>
</tr>
<tr>
<td>Legal</td>
<td>52%</td>
<td>65%</td>
</tr>
<tr>
<td>Transportation, logistics, and distribution</td>
<td>35%</td>
<td>63%</td>
</tr>
<tr>
<td>Retail</td>
<td>35%</td>
<td>63%</td>
</tr>
<tr>
<td>Education</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td>Aerospace and aviation</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>Civil engineering and construction</td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Has your company missed out on business opportunities in China as a result of market access restrictions or regulatory barriers?

- Yes
- No
Equal treatment progresses, but 46% still see unlevel playing field

How does your company perceive foreign-invested companies' treatment by the Chinese Government in your industry compared to that of domestic Chinese companies?

- Foreign-invested enterprises tend to receive favourable treatment compared to domestic Chinese companies
- Foreign-invested companies are treated equally
- Foreign-invested enterprises tend to receive unfavourable treatment compared to domestic Chinese companies

= 46%
The state advances (again), the private sector retreats (again)

What best describes your outlook on the relationship between private business and the state-owned sector in China over the next two years?

<table>
<thead>
<tr>
<th>Private business will gain opportunities at the expense of the state-owned sector</th>
<th>N=585</th>
<th>N=626</th>
<th>N=585</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Private business and the state-owned sector will experience equal opportunities</td>
<td>39%</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>The state-owned sector will gain more opportunities at the expense of the private sector</td>
<td>41%</td>
<td>48%</td>
<td>48%</td>
</tr>
</tbody>
</table>

N=585  
2019  
2020  
2021
# Regulatory obstacles change little Y-o-Y

Which are the top three most significant regulatory obstacles for your company when doing business in Mainland China? ¹ ²

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>#1</th>
<th>#2</th>
<th>#3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambiguous rules and regulations</td>
<td>17%</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>Market access barriers and investment restrictions</td>
<td>13%</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>Unpredictable legislative environment</td>
<td>11%</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Discretionary enforcement of rules and regulations</td>
<td>8%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Licensing requirements/registration processes for products</td>
<td>9%</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Administrative issues (e.g. tax-related matters, corporate banking, etc.)</td>
<td>6%</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Customs procedures</td>
<td>6%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Intellectual property rights protection</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Discrimination against foreign-invested enterprises in public procurement</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Data protection requirements</td>
<td>4%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>2%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Restrictions on access to financing</td>
<td>4%</td>
<td>4%</td>
<td>12%</td>
</tr>
<tr>
<td>Corruption</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Technology transfer requirements</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Uncertainty over the application of anti-trust rules</td>
<td>3%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Impediments to accessing legal redress (e.g. courts)</td>
<td>2%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

¹ Figures represent the proportion of respondents who rated each issue their #1–3 most significant regulatory obstacles; ² percentages divided by number of respondents
Growing concern mounts over tech localization push

Which of the following challenges do you expect your company will face due to China’s requirements/guidelines for CII and ‘secure/autonomous and controllable’ technologies? 1)

<table>
<thead>
<tr>
<th>Challenge</th>
<th>CII</th>
<th>Secure/autonomous and controllable technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost public/government procurement opportunities</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Lost business opportunities in the private sector</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Greater scrutiny from Chinese customers</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>None of the above</td>
<td>69%</td>
<td>66%</td>
</tr>
</tbody>
</table>

N=644

1) Multiple answers possible
Foreign Investment Law fails to stop compelled tech transfers

Has your company felt compelled to transfer technology in order to maintain market access?

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>19%</td>
<td>81%</td>
</tr>
<tr>
<td>2019</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>2020</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>2021</td>
<td>16%</td>
<td>84%</td>
</tr>
</tbody>
</table>
For first time, half of respondents find IPR enforcement to be excellent or adequate

How does your company rate the effectiveness of China's written intellectual property (IP) protection laws and regulations?

1) How do you rate the enforcement of China's IPR laws and regulations?

<table>
<thead>
<tr>
<th></th>
<th>N=484</th>
<th>N=457</th>
<th>N=451</th>
<th>N=430</th>
<th>N=428</th>
<th>N=459</th>
<th>N=448</th>
<th>N=449</th>
<th>N=523</th>
<th>N=459</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
<td>10%</td>
<td>7%</td>
<td>10%</td>
<td>7%</td>
<td>9%</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>2013</td>
<td>56%</td>
<td>58%</td>
<td>68%</td>
<td>67%</td>
<td>63%</td>
<td>66%</td>
<td>67%</td>
<td>69%</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>38%</td>
<td>35%</td>
<td>26%</td>
<td>24%</td>
<td>29%</td>
<td>29%</td>
<td>23%</td>
<td>20%</td>
<td>21%</td>
<td></td>
</tr>
</tbody>
</table>

How do you rate the enforcement of China's IPR laws and regulations?

1) "Not applicable" excluded
72% see Chinese firms as equally or more innovative than European ones

Within your industry, how innovative do you feel Chinese firms are compared to European firms?

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly more innovative</td>
<td>14%</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Slightly more innovative</td>
<td>19%</td>
<td>21%</td>
<td>23%</td>
</tr>
<tr>
<td>Equally innovative</td>
<td>28%</td>
<td>28%</td>
<td>30%</td>
</tr>
<tr>
<td>Slightly less innovative</td>
<td>27%</td>
<td>26%</td>
<td>21%</td>
</tr>
<tr>
<td>Significantly less innovative</td>
<td>12%</td>
<td>12%</td>
<td>9%</td>
</tr>
</tbody>
</table>

= 72%

N=532
N=585
N=626
N=585
Business becomes more political (again)

Has the business environment in China become more political in the last year?

N=585

- Much more political: 13% (77)
- Somewhat more political: 28% (164)
- No change: 51% (300)
- Somewhat less political: 5% (29)
- Much less political: 3% (15)

= 41%
Foreign worker numbers nosediving

Has your company increased or decreased the number of foreign employees in the past five years?

N=626

- Increased by >50%: 2% (14)
- Increased by 26–50%: 2% (10)
- Increased by 0–25%: 14% (82)
- Remained the same: 41% (237)
- Decreased by 0–25%: 21% (123)
- Decreased by 26–50%: 8% (47)
- Decreased by >50%: 6% (36)
- We have no foreign nationals working for our company: 6% (36)

= 35% saw a decrease
= 18% saw an increase
European companies do the heavy lifting on decarbonisation

When does your company aim to reach carbon neutrality? ¹)

- 6%: We have already reached carbon neutrality
- 49%: 2020–2030
- 21%: 2031–2040
- 11%: 2041–2050
- 3%: After 2050
- 11%: Other

N=372
What is the expected impact of the RCEP on your business?

N=585

- Little or no impact: 39% (231)
- Too early to tell: 35% (204)
- Somewhat positive impact: 19% (111)
- Significantly positive impact: 4% (25)
- Somewhat negative impact: 2% (9)
- Significantly negative impact: 1% (5)
Thank you