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The Long-term Development of the Business Conditions for European Companies in China

Authors Horst Löchel, Frankfurt School of Finance & Management
Marc Cedric Ziegler, Frankfurt School of Finance & Management

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Sino-German Center of Finance and Economics
Association since 2015
https://sgc.frankfurt-school.de
At **Frankfurt School of Finance & Management**
Adickesallee 32-34
60322 Frankfurt
Germany

Follow us:
Horst Löchel

Abstract

Nowadays, China is not only the second largest economy of the world but still among the fastest growing once and foreign companies expect many future growth opportunities to emerge in the country. Nevertheless, operating a foreign enterprise in the Chinese market is also challenging. This paper analyses the long-term development of the business conditions for European companies in China over the last 15 years, using the firm-level data from the 2009 to 2021 Business Confidence Surveys conducted jointly by the European Union Chamber of Commerce in China (EUCCC) and Roland Berger, Greater China. It will provide a time series on the development of various factors influencing the general conditions for foreign businesses in China, based on the perceptions of European companies operating in the PRC. In particular, the long-term development in four distinct categories will be empirically analysed, namely the (1) Chinese Business Environment, (2) Chinese Regulatory Environment, (3) Business Outlook, and (4) Financial Performance. The results emphasise that positive developments of the general business conditions for European companies in China have taken place over the last 15 years. At the same time, the perceptions of European enterprises on the business outlook in China are becoming increasingly pessimistic. It was also found out that, so far, no stable equilibrium concerning the general Chinese business conditions for European businesses has developed, as constantly new challenges for foreign companies are evolving, both of internal as well as external kind, while other concerns improve or even disappear.

Preface

By Jörg Wuttke, President of the European Chamber of Commerce in China (EUCCC)

On 11th December 2021, China did celebrate the 20th anniversary of its accession to the World Trade Organization (WTO). This was an extremely significant for the European Union Chamber of Commerce in China, given that one of the main reasons for its establishment was to monitor China's adherence to its WTO commitments. Over the past two decades, China has integrated substantially into the global economy, unlocking tremendous growth. President Bill Clinton stated in 2000 – on the acceptance of China's bid to join the WTO – that its accession would equate to an economic «one-way street», with benefits flowing straight to the US. Instead, China has since grown to become the world's second largest economy, its exports of goods have increased more than sevenfold, and it is consistently among the world's largest recipients of foreign direct investment (FDI).

Despite these phenomenal achievements having largely resulted from the economic reforms and opening that were both required and catalysed by China's WTO accession, the country has for some time been selectively applying the brakes on its reform programme. Speaking on the 10th anniversary of China's WTO accession, my European Chamber predecessor, Davide Cucino, remarked that "momentum towards liberalisation has slowed and ownership restrictions as well as compulsory technology transfer remain in place in key industries, including in sectors where China has now emerged as a global market leader." Ten years on, his words are still relevant. Take intellectual property rights (IPR), for example. While China has slowly improved both written IPR laws and related judicial processes, a significant 50 per cent of respondents to the Chamber's Business Confidence Survey 2021 stated that enforcement of IPR laws remains inadequate, a poor assessment by any objective standard.
Similarly, in standards, while China has made great progress in reforming its standardisation system, the country still falls short of its reporting duties to the WTO's Technical Barriers to Trade Committee.

Even more troubling is the area of SOE reform, where China appears to be moving backwards. Prior to its WTO accession, a major concern for other members was China's favourable treatment of its state-owned enterprises (SOEs). While this remains the case today – with the provision of subsidies to these companies often resulting in market distortions, both domestically and globally – there are signs in the 14th five-year Plan that this trend will actually accelerate. This is concerning for many reasons. Not only would pursuing bold economic reforms boost business confidence in China, leading to increased FDI flows, data also indicates there would be substantial gains for China's overall growth trajectory. World Bank projections show that should China pursue comprehensive reform and opening between now and 2050, its GDP per capita would be 65 per cent higher by the middle of this century compared to if it only implements limited reforms. That equates to a GDP per capita of around USD 55'000, or roughly USD 10'000 more than the current GDP per capita of my own county, Germany – quite the statement for a country looking to build a modern, socialist country by 2049.

Second, it would go a long way towards securing China's image as a true guardian of multilateralism. In January 2017, when many other countries were starting to look inward, China's leadership extolled the virtues of openness and globalisation during the Davos World Economic Forum (WEF). This year, speaking again at the WEF, President Xi described multilateralism as «the torch» that will illuminate «humanity's way forward». But in lieu of meaningful market opening and deeper regulatory reform, European businesses operating in China remain unconvinced by such rhetoric and have become immune to repeated promises. As we look towards the next two decades, China is at a critical juncture. As the global business environment becomes increasingly politicised, and some states become even more insular, the multilateral trading system can only be secured through actions, not words. That is why making good on its WTO accession agreement, by addressing such issues as SOE reform, IPR and standards reporting, as well as making a meaningful offer to join the WTO Global Procurement Agreement, would make such a powerful statement to the rest of the world. As a staunch supporter of globalisation, and a first-hand witness to China's miraculous growth over the past 20 years in the WTO, the European Chamber is confident China will choose the correct path.

1. Introduction

Business conditions in the People‘s Republic of China (PRC) for foreign enterprises have been subject to notable changes during the last decades. The initial steps for European companies to establish their businesses in the PRC were laid in 1975 when the development of Sino-European trade relations was sparked by the first visit of an official EU representative in China (Phelan, 2013). Since then, many amendments in Chinese domestic policies as well as international arrangements directly influenced the way of how European firms were permitted or even encouraged to operate within the PRC.

Especially the last 15 years witnessed far-reaching developments. Still, the period does compromise not only positive developments of the business conditions European companies face when operating in Mainland China but also retrograde tendencies, including continued protectionist measures by the Chinese government, market access restrictions and trade barriers, as well as the aspect of a missing level playing field between domestic and foreign companies in the Chinese market. Also, the general state of EU-China relations highly affects the operations of European companies in the PRC.

Nevertheless, the EU and the European companies themselves acknowledge the vast opportunities Chinese markets present for European businesses. China has become the EU‘s second-biggest trading partner and it is expected that a significant share of future world economic growth will be located in the PRC (O’Sullivan, 2016). Hence, European companies must be well-equipped to successfully operate in the foreign Chinese market and adapt their strategies to best survive the obstacles they face when doing business in Mainland China.

Here, it will be advantageous to provide constant measures on how the business conditions for European companies in China have developed in the long-term and continue analysing the current state of the general business conditions in the PRC. Particularly, such an analysis should provide clear guidance on the areas that have improved for European companies. However, more importantly, it must emphasise the aspects that need further amendments or even illustrate a threat for future operations. These profound results could be used by both the European enterprises operating in the PRC and entities such as the European Union overseeing business with China to address the challenges on hand and promote further development.

To fill this research gap, this paper will analyse the long-term development of the business conditions for European companies in China over the last 15 years. Here, it will discuss and interpret the identified changes and emphasise persistent challenges that European enterprises still face when doing business in China. Particularly, a time series on the development of various factors influencing the general conditions for foreign businesses in China will be provided, based on the perceptions of European companies operating in the PRC. The firm-level perceptions that will be included are adapted from the data of the Business

Confidence Survey, jointly published by the European Union Chamber of Commerce in China (EUCCC) and the consultancy company Roland Berger, Greater China. In particular, the long-term development in four distinct categories will be empirically analysed, namely the (1) Chinese Business Environment, (2) Chinese Regulatory Environment, (3) Business Outlook, and (4) Financial Performance.

This paper is structured as follows: Following the introduction, the second chapter will provide a literature review on the development of specific aspects of the Chinese business environment, the Chinese regulatory environment, as well as the Chinese business outlook, and particularly, how those aspects affect the general business conditions for foreign companies. The third part will then introduce the data and methodology of the Business Confidence Survey, which forms the basis of the empirical research of the paper. The discussion of the survey will be conducted in the fourth chapter, by separately analysing and interpreting the results of the four distinct categories outlined above. Lastly, the fifth part will provide concluding remarks.

2. Literature Review

When analysing the literature on the long-term development of doing business in China for foreign enterprises, the existing research focuses on distinct areas of the general business conditions in China. In particular, it is related to the (1) Chinese business environment, the (2) Chinese regulatory environment, as well as the (3) business outlook on the Chinese markets. Within those areas, a variety of different aspects that either directly or indirectly influence the way of doing business in and with China for foreign companies are emphasised.

2.1 Chinese Business Environment

Scholars relate to various factors of the overall Chinese business environment that influence the business conditions for foreign companies in China. One aspect that is emphasised is the general cultural distance in the Chinese business setting, which represent key barriers, but at the same time opportunities, for foreign enterprises doing business in the PRC, making it necessary to understand and leverage these country-related characteristics (Rashed and Un, 2016). Not only the overall cultural specifics have to be considered when entering the Chinese market, but also regional and subnational cultural differences within the country, respectively (Froese et al., 2019). As Bulis and Skapars highlight in their research, a lack in assessing cultural differences can lead to thorough conflicts between foreign enterprises and their local clients in China (Bulis & Skapars, 2012). In the past, these barriers directly led to the failure of many Sino-foreign cooperation projects and thus directly impacted how effective foreign companies can compete within the Chinese market (Zigang, 2004, p. 1).

Part of the cultural differences in China is the so-called aspect of 'Guanxi' (关系), which is from the Western perspective the most widely publicised aspect of the Chinese business culture, even described as the critical factor for business success in the PRC (Abramson and Ai, 1997; Buttery and Wong, 1999; Child, 1994; Davies, 1995; Wilson & Brennan, 2009). 'Guanxi' can be described as a system of relationships between individuals, which structures society based on a gift-counter-gift dynamic (Anglès, 2019). The system is essential for foreign companies to be applied in order to operate within China successfully, such as by building positive relationships with federal government officials or benefiting from the local suppliers 'Guanxi' to establish a distribution network for the company. However, some scholars question whether the strategic importance of 'Guanxi' for foreign companies operating in the Chinese market is diminishing (Hitt & Xu, 2016; Wilson & Brennan, 2010).

Another significant challenge for European companies is the unique Chinese management style, often changing rapidly, unexpectedly, and without any warnings (Muard, 2004). As Charles Zhang describes it: 'China is really a hybrid and always in transition (Gosset, 2014, p. 113). Other than Western management, Chinese management is often based on rigidly enforced hierarchy and the fear of losing face, leading to an ambiguity of Chinese managers towards foreigners and also makes them observe Western managers with curiosity, which creates barriers in obtaining information and even in making contracts (Anglès, 2019, Schlevogt, 2000b).Thus, it is essential for foreign enterprises to understand the unique business environment, engage with local management strategies to gain internal legitimacy, and adopt their Western management approach accordingly when dealing with Chinese companies acting as suppliers, distributors, and partners (Bel, 2015; Froese et al., 2019; Schlevogt, 2000b).

One concrete management challenge for foreign corporations in China is human resource management. Especially the process of attracting and retaining highly qualified personnel and talents is argued to remain challenging and even expected to worsen in the upcoming years (Froese et al., 2019). This creates fierce and intense competition between foreign enterprises as they must fight for skilled managerial staff, leading to rapid employee turnover and increasingly high personnel expenses (Armbruster, 2007).

2.2 Chinese Regulatory Environment

Also, of significance for foreign enterprises operating within the PRC is the Chinese regulatory environment, as described by the literature. Particularly, the general legal environment remains a highly challenging aspect (Rashed & Un, 2016). Within that, one obstacle is the state of the rule of law within the PRC. Even though much progress has been made, it is argued that in many provinces and regions, foreign companies still fear the unpredictability and contradiction of the Chinese legal environment, deterring them from expanding their operations. Particularly, they are concerned that the rule of law not only remains at an early stage, but it is also not fully established and sometimes lacks transparency (Armbruster, 2007; Hitt & Xu, 2016; Huang, 2003).

Another phenomenon that also heavily influences how successfully foreign companies are operating in China is the strong presence of formal and informal institutions. Hitt and Xu describe the Chinese institutional environment as a 'unique set of formal as well as informal institutions (Hitt & Xu, 2016, p. 589). Formal institutions, including the legal and regulatory environment, have been further strengthened to support entrepreneurial activities. However, informal institutions are still of high relevance for the Chinese authorities to control firms' activities, but at the same time essential for foreign companies to effectively do business in China.

Also, the Chinese judiciary system imposes challenges on the operations of foreign companies in China, as it is not perceived as independent, neither from the government nor from the CCP, and thus courts are not free in deciding on a verdict (Chow, 2015). However, there are also voices, like Carr and Harris, advocating that the legal system and written contracts do matter in China and that although Chinese courts may not always act entirely fair concerning foreign companies, in commercial cases, they act fairer than the subjective perception of Western individuals and enterprises (Carr & Harris, 2015). Nevertheless, the Chinese courts still lack discretion when applying international law, particularly when it is not favourable in the public interest, or more precisely, in the interest of the Chinese government (Fiermann &. Gendron, 2015).

Still of concern for foreign companies operating within the Chinese market, also depicting a reason for lower rates of Western FDI in China, is the discretionary and different enforcement of local laws and regulations as a result of the unpredictability of the legal environment, as argued in various research (Anglès, 2019; Armbruster, 2007; Schlevogt, 2000a). Huang describes the Chinese legal system to have a 'dualist nature', implying that specific laws and regulations apply to foreign companies, and others only apply to domestic firms, for example, regarding company incorporation, corporate governance, contracts, or tax issues (Huang, 2003). Nevertheless, some argue that the intensification of transparency in law enforcement, caused by the WTO accession, partly improved the predictability of the Chinese legal environment (Zhao & Wang, 2009). However, law enforcement in China was and still is unpredictable.

Much research relates to China's accession to the World Trade Organisation in 2001 as a highly relevant historical event concerning the development of the Chinese legal environment for foreign companies. Initially, it was necessary to enact several policies and regulations further to promote greater entry for multinational firms into the Chinese markets as well as to establish laws to protect property rights that comply with the requirements and obligations of the WTO (Hitt & Xu, 2016). Zhao and Wang (2009) summarise the process of the Chinese accession to the WTO as a new beginning for China as it has adopted international-best-practice institutions and amended its laws into conformity with WTO regulations. China‘s WTO membership also led to a decrease in tariffs and non-tariff barriers, as well as fewer restrictions on foreign investments. However, China had to place continuous efforts to reform and further adjust its legal framework to improve civil, criminal, administrative, and commercial law (Armbruster, 2007; Schlevogt, 2000a).

Relating to the existing literature, regulatory obstacles foreign companies face when doing business in China are emphasised in the context of China's regulatory environment. In comparison to Western nations, the regulatory intensity in China is very high (Schlevogt, 2000a). Foreign enterprises face regulatory challenges concerning two main aspects: First, China is still characterised as an emerging market with a relatively weak and fast-evolving regulatory institutional environment involving a great unpredictability in regulatory changes across a broad range of spheres with related government procedures appearing to be generally less transparent. Second, central and local governments make use of this institutional fragility and regulatory unpredictability to preferentially support domestic firms at the expense of foreign corporations (Froese et al., 2019).

Another factor within the Chinese regulatory environment directly affecting the operations of foreign corporations is the Chinese foreign direct investment policy. With introducing the so-called Provisional Regulations for Guiding the Direction of Foreign Investment in 1995, there has been clear guidance for FDI with a positive and negative list of economic sectors (Fung et al., 2004). This provided the base for the evaluation and approval of foreign-direct investments by classifying them as falling into one out of four categories: encouraged, restricted, prohibited, and permitted. Nowadays, the negative lists mainly concern strategic sectors, such as energy or technology industries, which the Chinese government wants to protect not only from foreign interference but are also closed for non-state Chinese enterprises (Anglès, 2019). However, there are scholars arguing that since 2008, the Chinese government has gradually abolished several incentives for foreign investments to boost domestic firms‘ development (Hitt and Xu, 2016).

In her research, Anglès quotes a famous saying from Hong Kong: 'If you have a good project, do not speak about it in the metro, or it will be implemented by somebody else the next day‘ (Anglès, 2019, p. 62). This is a comprehensive summary of another significant challenge that European companies face by doing business in China, namely protecting their intellectual property (IP). Whereas before, Chinese authorities were motivated to reform IP policies to initiate partnerships with Western nations to participate in global trade, recently, the Chinese IP policy is intended to promote domestic development in science and technology to become the world leader in terms of innovation (Shi et al., 2012; Wechsler, 2011). Although the Chinese market offers many opportunities for multinational corporations, it is also argued that foreign companies must pay attention to IPR when investing and operating in China (Rashed & Un, 2016). When a Western product is successful within the Chinese market, foreign companies will face fierce competition from domestic firms as the product will be copied, which will make it almost impossible for foreign companies to compete on price as the Chinese competitor will most likely be much cheaper (Wiedenbrugge, 2011). Several international corporations, for example, Microsoft, publicly communicated that they fear doing business in China due to violations of IPR and the missing protection of intellectual property (Fredendall et al., 2016; Stiglitz, 2008). Another issue emphasised in the literature, which is closely related to weak IPR protection, is that the government forces many foreign companies entering the Chinese market to transfer their technology to domestic companies. Some foreign enterprises avoid this issue by not transferring their proprietary knowledge to their Chinese partners (Bruun & Bennett, 2011; Chow, 2015; Fredendall et al., 2016). Even though the Chinese central government not only recognised the importance of IPR but also strengthened intellectual property protection, also to protect the Chinese intellectual property, the policies are still criticised by foreign enterprises for the real problem, namely the missing enforcement of IP laws (Hitt & Xu, 2016; Shi et al., 2012; Wiedenbrugge, 2011).

2.3 Business Outlook

When considering the existing research on how doing business for foreign companies in China has evolved, the business outlook on the operations of European enterprises in the PRC is often emphasised. The focus is primarily on developments considering recent shifts in socio-economic policies or geopolitical tensions that directly or indirectly affect the way European companies are permitted to operate in the Chinese market.

One of these developments highlighted in the literature is the so-called ‘New Normal Economy’, emphasising the considerable slowdown of China’s tremendous economic growth, which is perceived as a permanent shift (Shen, 2018). Regardless of the reasons for the ‘New Normal‘, it is stressed that these shifts have severe effects on the economy, including weaker investment and exports, lower output leading to falling employment, wages, and household consumption, as well as a decrease in production and the number of newly registered businesses – Chinese as well as foreign businesses (Liu et al., 2020). Thus, the Chinese government concentrates on further developing a revised growth model under the ‘New Normal‘, which relies more on private consumption, services, and especially innovation (Morrison, 2019) as well as a greater emphasis on market competition (Stephen, 2017).

One of China’s initiatives aiming to provide new sources of economic growth following the ‘New Normal’ is the so-called ‘Made in China 2025‘, announced in 2015, which intends to make China a global leader in ten core industrial sectors until 2025 (Anglès, 2019; EUCCC, 2017). By establishing ‘Made in China 2025‘, the political leaders want to promote ‘national champions‘ in these ten sectors, such as for advanced information technology or automated machine tools and robotics (Froese et al., 2019), and to strengthen China‘s capacity as a global trade power (Yu & Zhang, 2019). Some argue that even though the initiative seems to stand for exclusions, China still needs Western companies, particularly their technology and experience, meaning the initiative could also become an opportunity for foreign enterprises (Erdenebileg & Hu, 2017). However, there are also critical voices fearing that ‘Made in China 2025‘ will impose severe challenges on foreign companies and the global trading system, particularly through protectionist measures imposed by the Chinese authorities (Morrison, 2019). It is also argued that although the modernisation and upgrading of the Chinese manufacturing sectors initially provide highly attractive business opportunities and tremendous profits for foreign enterprises, the initiative might instead challenge the current supremacy of international corporations in the high-tech industry sectors, cause fiercer competition from Chinese companies and significantly fewer business opportunities for foreign enterprises (Wübbeke et al., 2016).

The literature also relates to global economic tensions that directly or indirectly challenge the operations of foreign enterprises in the PRC, such as the U.S.-China trade war. In recent years, the bilateral trade relationship was tremendously harmed by a trade war initiated under the administration of former U.S. President Donald Trump, launching an investigation concerning China’s innovation and intellectual property, which was deemed harmful to the interests of the U.S. economy (Morrison, 2019). Consequently, in March 2018, the U.S. government announced to raise tariffs on Chinese imports. China immediately responded, based on the rule of ‘Equal Size and Equal Proportion’, with tariffs on U.S. imports as well as filling additional charges against the U.S. trade measures on Chinese imports at the WTO (Yu & Zhang, 2019). Following intensive discussion on highest governmental level resulting in the introduction of the the so-called ‘Phase One Trade Agreement’ in February 2020, the escalation of the trade war has somewhat moderated (Piesse, 2021).

The literature also highlights the general EU-China relations as key aspect affecting the business outlook for European companies in the PRC. Already in 2003, the EU and China agreed on the so-called EU-China Comprehensive Strategic Partnership to accelerate their economic relationship (Löchel, 2020). Whereas for Europe, the comprehensive partnership supported the integration of China into the existing international order, for China, the cooperation was intended to facilitate its economic modernisation and emerge as a global superpower in the international system (Christiansen & Maher, 2017). It is emphasised that the EU largely benefits from an open global economy and extensive liberalisation in commercial policy with the PRC, especially considering increasing protectionist tendencies of the United States and anticipating that a significant share of future world economic growth will come from Asia, particularly China, (O‘Sullivan, 2016; Wübbeke et al., 2016). However, the fundamental differences in their worldviews and distinct interests remain omnipresent, leading to a growing number of trade disputes. In light of China’s transition process towards more high-tech and innovation, members of the EU regularly complain that China keeps certain domestic markets closed for European companies and still maintains restrictions on European investments in many sectors of its economy (Christiansen & Maher, 2017). Also, in recent years, Chinese enterprises seek to interact with European institutions in the field of research and development (R&D), raising concerns about transferring critical technology to China (Kratz et al., 2020). Generally, the degree of market openness between China and the European Union is perceived as somewhat asymmetric (Froese et al., 2019). However, there are also voices arguing that although European companies still face asymmetric market entry barriers when operating in China, the opening-up of China‘s domestic market for foreign companies has accelerated, including an easing of the ‘negative list‘, releasing or even lifting of caps in the financial sector, as well as the further opening of FDI in a variety of industries (Löchel, 2020). To enhance the missing reciprocity in the EU-China relations, the necessity for a bilateral Comprehensive Agreement on Investment (CAI) between the European Union and China was early recognised, starting negotiations in 2013 (Nicolas, 2014). Eventually, after seven years and over thirty intensive rounds of negotiations, the European Union and China concluded their discussions for a Comprehensive Agreement on Investment in December 2020. As the European Commission announced, China commits to a greater level of markets access for European investors and ensures fair treatment to EU companies, allowing competition on a better level playing field in China (European Commission, 2020). However, following sanctions of the EU on Chinese officials perceived to be involved in human rights abuse against Muslim Uyghur and China, as an reaction, imposing sanctions of several European entities in March 2021, the mandatory ratification by the European Parliament has ‘justifiably been frozen‘ (European Parliament, 2021; Koty, 2021). This failure can be interpreted not only as a serious setback for the business of European companies in China but also for the EU-China relations overall (Cremer and Löchel, 2021a, 2021b).

When considering the business outlook for foreign companies operating in China, the literature frequently relates to the Chinese Five-Year Plans (FYP). With the most recent 14th FYP, the Chinese administration mainly focuses on three core areas: First, sustainable growth by fostering economic security rather than pushing rapid development; Second, independence and self-reliance in science and technology; Third, dual circulation to stimulate the domestic economy (Löchel, 2021; Moon, 2021). Long argues that the emphasis on the development of new technologies can also positively impact European companies involved in technology development by building closer cooperation with Chinese institutions (Long, 2021). Nevertheless, while encouraging multinational companies to increase investment into R&D in China, at the same time, the Chinese government is also expected to continue following practices of forcing technology transfers from foreign enterprises (Bazzoli, 2021). Considering the ‘Dual Circulation Strategy’ (DCS), intended to reform the Chinese economy in order to cope with today’s hostile international environment by fostering internal consumption, some argue that the DCS is a relatively aggressive plan and inward-looking approach; however, a more consumption-based economy would benefit not only China itself but also foreign companies operating within the domestic market (Javed et al., 2021; Moon, 2021). Moreover, the central government continues to emphasise the importance of the global business community for the PRC and that the strategy is not intended as a closing-up or a sign of decoupling from the international economy (Grünberg & Brussee, 2021; Guillaumot, 2021). Policymakers in Beijing not only stress that they will continue to shorten the ‘negative-list‘, further lift restrictions on foreign investment outside the ‘negative list‘, promote opening-up in the automotive, financial, and other sectors, but also provide a market-oriented, law-based, and international business environment for foreign enterprises in China within the next five years (Pingping, 2021).

3. Research Design

In the following two sections, the paper will provide an empirical analysis of the long-term development of the business conditions that European enterprises face when doing business in China. Particularly, a time series on the development of various factors influencing the general conditions for foreign businesses in China will be added, based on the perceptions of European companies operating in the PRC. The observation period of the time series analysis will be from 2005 to 2021. While other research focuses on cross-country comparison of business perceptions, this paper will mainly evaluate the perceptions of European companies on the general Chinese business conditions rather than comparing them to the conditions in other countries.

The firm-level data used is based on the Business Confidence Surveys (BCS), published since 2004 and jointly conducted by the European Union Chamber of Commerce in China (EUCCC) and Roland Berger, Greater China. The enterprise survey aims to ‘take an annual snapshot of European companies successes and challenges in China‘ as well as to gather a rich set of data serving as ‘a broad indicator of how European companies judge the business environment in China‘ (EUCCC, 2009-2021). By systematically analysing the results of the BCSs from 2009 to 2021, there will be meaningful insights provided on the development of the perceptions of European companies concerning the quality of the general Chinese business conditions and the investment climate for European enterprises in China.

The Business Confidence Survey captures a broad range of questions and topics related to the business conditions for European companies in China. In order to identify, evaluate, and compare evolving trends over longer periods, the survey aims to be consistent in terms of the questions included and the data collected. However, the structure of the BCS slightly changes every year as questions that are considered no longer relevant or of little importance to assess the Chinese business conditions have been removed.

Based on previous analysis of the existing literature concerning the development of doing business in China for foreign enterprises, the presentation and discussion of the results from the BCS will be classified accordingly into the same categories, namely (1) Chinese Business Environment, (2) Chinese Regulatory Environment, and (3) Business Outlook. Moreover, indicators regarding the development of the participants‘ financial performance in China will also be included by adding the category (4) Financial Performance.

4. Empirical Results and Discussion

Before the empirical results will be presented, a few estimation issues must be acknowledged. As the extent of the Business Confidence Surveys from 2009 until 2021 slightly differs every year, for some questions, there is no data available for designated periods. Moreover, in some instances, the number or type of possible answers has changed slightly compared to previous years‘ questions, which will be marked at the respective tables. Nevertheless, these unique characteristics do not affect the results of the survey qualitatively.

4.1 Results

4.1.1 Chinese Business Environment

In the first section, the general business environment that European companies face when doing business in China will be analysed further, particularly major business challenges of operating in China, the investment climate and state of operations, as well as the R&D environment. These results will deliver a profound picture of the development of the Chinese business environment for European enterprises.

Doing business in China

Since 2014, the Business Confidence Survey has included the question ‘How has doing business in China for your company developed in the last year?‘. The collected data, as it can be seen in Table 1, shows that generally, a slight majority of the respondents reports that doing business has become more difficult with, on average, 51% of the European companies declaring it. Although there is some fluctuation across the examination period, the percentage of participants stating that they believe doing business in China has become easier is significantly smaller with, on average, just 8%. A proportion of 38% to 44% of the respondents decides for the answer option ‘About the same‘, stating that they do not see much development in the Chinese business environment from year to year.

In order to determine significant hurdles that European companies face when operating in the PRC, the participants of the BCS were asked to rank the top three business challenges they consider to be most significant, as depicted in Table 2. In almost every year analysed, the respondents state the Chinese economic slowdown as the most significant challenge for their operations in China. Only in 2013, they report rising labour costs to be most challenging, and in the recent 2021 survey, COVID-19 is mentioned as most profound. For the second most significant business challenge category, the threat of rising labour costs is indicated most often across the observation period from 2008 to 2021. However, challenges such as the global economic slowdown, the U.S.-China trade war, ambiguous rules and regulations, and competition from domestic firms are reported, too. Whereas for the first most significant business challenge, the Chinese economic slowdown was the most-selected challenge, in the case of the third-most significant business challenge, most of the respondents reported the global economic slowdown as most threatening for their operations in China. Nevertheless, other business challenges like the U.S.-China trade war, competition from domestic firms, or rising labour costs are included again. Also, the issue of talent attraction and retention is mentioned twice, in 2014 and 2017.

General investment and operations climate

Another interesting measure to assess the quality of the Chinese business environment for European enterprises is the domestic investment climate. Between 2010 and 2020, most respondents voted the Chinese market as either top or top-three destination for future investments, with an average proportion of approximately 65%, as indicated in Table 3. Also, the percentage of European companies declaring Mainland China as a top-five or top-ten investment destination is still at 26%. Even though there are some fluctuations in the results over the years, on average, only 4% of the participants consider the country lower than a top-ten destination, and just 5% report no planned investments into China at all.

This positive state of the attractiveness of the Chinese business environment for future investments is also in line with the data collected from the question of whether European companies intend to shift current or planned investments in China to other markets (Table 4). Here, it is noticeable that the proportion of respondents intending to shift investments outside China has fallen by more than half from 22% in 2011 to just 9% in 2021. At the same time, the percentage of participants not considering making any amendments in their investment plans has steadily increased from 78% to 91%.

Since 2016, the BCS had also asked European investors if they feel more welcome than when they first entered the PRC. As shown in Table 5, the results also provide a somewhat optimistic picture, with the proportion of respondents reporting to feel more welcome steadily increasing to a level of 30%, whereas the share of participants stating to feel less welcome strongly decreased from 49% in 2017 to 30% in 2020.

As the results on current and future investments already indicate a commitment of European companies to the Chinese market, there is also a positive outlook regarding the development of future operations reported by the participants. Although there are significant fluctuations in the results between 2007 and 2021, most of the respondents, on average 57%, intend to expand their operations in Mainland China, as shown in Table 6. In contrast, only around 23% of the companies do not plan to expand operations in the PRC.

Another factor that indicates the attractiveness of the Chinese business environment is the cost strategy that European companies are following. Here, the data illustrates that the proportion of respondents intending to cut costs in their operations in China has more than doubled from 22% in 2013 to 47% in 2020 (Table 7). On the other hand, the share of companies not reporting to cut costs has strongly decreased from 78% to 53%. However, from 2020 to 2021, there has been again a 9-percentage point decline in the number of enterprises planning to cut costs in Mainland China.

When evaluating the quality of a country's business environment, also factors that directly impact the companies' operations should be considered. Therefore the BCS, for example, includes questions regarding human resource issues by asking whether European companies face any challenges in attracting as well as retaining talented workers, as shown in Table 8. Between 2013 and 2020, a slight majority of the respondents' reports facing challenges in attracting the right talents, with on average 55%, whereas in retaining talented workers, more companies state not to face any challenges, with an average share of 57%. Although some fluctuation in the results can be observed, the general pattern remains fairly stable.

R&D environment

One distinct aspect of the Chinese market in recent years is the prominent research and development environment. To analyse the perceptions of European companies regarding the development of R&D in Mainland China, since 2016, the participants of the BCS were asked to evaluate the Chinese R&D environment as either more favourable, less favourable, or same as the worldwide average. The data in Table 9 indicates a substantial increase in the proportion of respondents declaring the R&D environment to be more favourable from just 15% in 2016 to 40% in 2020, while at the same time, the percentage of companies stating it to be less favourable than the worldwide average has more than halved in just four years from 45% to 22%.

Although the results above indicate that the attractiveness of the Chinese R&D environment has considerably increased in recent years, European companies still face some concerns, as can be seen in Table 10. Regarding the availability of incentives for foreign-invested enterprises and general incentives provided by the Chinese government, over the years, the vast majority of the respondents evaluates the Chinese R&D environment to be either very favourable, favourable, or neutral. In contrast, only small proportions declare it to be unfavourable or even very unfavourable. Also, in terms of the productivity of the R&D teams, most of the participants assess the Chinese environment to be rather favourable or neutral.

However, when considering the availability of talents, over the last four years, almost one-fourth of the companies declared the Chinese business environment to be unfavourable in order to find talented researchers and developers. Moreover, for the aspect of intellectual property protection, on average, only 20% of the respondents find the Chinese R&D environment either favourable or very favourable. At the same time, over one-third of the survey‘s participants assess it as somewhat unfavourable in this regard. Lastly, the ease of access to internet service is another significant challenge for European companies when conducting research and development in China, with on average half of the respondents finding the current state as (very) unfavourable.

4.1.2 Chinese Regulatory Environment

In assessing the development of the business conditions for European companies in China, the domestic regulatory environment must also be considered. The Business Confidence Survey captures many factors of the Chinese regulatory environment, including the development of regulatory obstacles, intellectual property rights protection, domestic market access, as well as the aspect of unequal treatment between foreign and domestic companies. These indicators will be further analysed in the following section.

Regulatory Obstacles

Table 11 provides an overview of the three most significant regulatory obstacles that European companies report to face when doing business in China. Between 2008 and 2013, most respondents declared discretionary law enforcement the top regulatory obstacle when operating in the Chinese market. Whereas from 2017 up until the most recent survey this year, ambiguous rules and regulations were mentioned to be most significant, following the obstacle of an unpredictable legislative environment from 2014 until 2016. Moreover, aspects like transparency (2007) and government regulation (2005 and 2006) are also reported as the most profound regulatory obstacle. For the category of the second most significant regulatory obstacle, administrative issues, and the business registration process, are reported most often across the examination period. Also, market access barriers and investment restrictions, the lack of coordination of different regulators, as well as IPR protection appear to be threatening for European enterprises. Lastly, as the third most profound regulatory obstacle, discretionary law enforcement and the local implementation of national standards, are mentioned several times over the years. Besides, corruption, discrimination against foreign firms, as well as issues concerning licenses and quotas are other regulatory obstacles to be reported.

Since 2017, companies participating in the BCS are also asked to describe their expectations on the development of the number of regulatory obstacles in the Chinese market over the next five years, as can be seen in Table 12. Over the observation period, the proportion of respondents expecting the number of regulatory obstacles to significantly increase slightly fall from 17% in 2017 to 12% in 2021. At the same time, the share of participants estimating regulatory obstacles to decrease slightly or even significantly was seen steadily increasing until 2020 to 23% and 6%, however, it somewhat fell again in 2021. Still, more companies anticipate the number of regulatory obstacles they face when doing business in China to increase rather than decrease in the years to come.

For the years 2015 to 2020, the survey also includes the company‘s assessment of the current Chinese administrations‘ efforts concerning economic reform, fighting corruption, the rule of law, and the reform of the state-owned enterprises. As illustrated in Table 13, only in terms of anti-corruption the proportion of respondents stating the government efforts exceeding their expectations can be seen to be constantly higher than the share of companies evaluating the efforts to be lower than their expectations. For the three other areas, significantly more participants rate the efforts of the Chinese administration as lower than their expectations.

Intellectual property protection

Within a country‘s regulatory environment, one crucial aspect that affects the attractiveness of doing business in the overall economy is the protection of intellectual property rights. To analyse how European companies evaluate the protection of their intellectual property when operating in Mainland China, in the BCS, the respondents are asked to assess the effectiveness of written IPR laws and regulations as well as the enforcement of those laws and regulations.

In terms of effectiveness, the data shows a steady decline in the proportion of participants rating China‘s IPR laws as inadequate from 32% in 2009 to 21% in 2021, as shown in Table 14. At the same time, the share of respondents describing the law‘s effectiveness to be excellent slightly increased from just 5% in 2009 to 14% in 2021, with some fluctuations in the years in-between. The percentage of companies evaluating it as adequate remains relatively constant with on average 64%.

Considering the rating of the enforcement of the IPR laws and regulations, a similar pattern of the results is noticeable, as seen in Table 15. Whereas in 2009, only 2% of the participants considered the enforcement of China‘s IPR laws to be excellent, over the years, the value gradually increased to even 10% in 2021. Also, the share of companies describing the enforcement as adequate increased significantly from 3% in 2009 to even 44% in 2020. However, the most significant development is the decline in the proportion of respondents rating the IPR law enforcement to be inadequate, with a 45-percentage point decrease from 95% in 2009 to 50% in 2021.

Since 2017, the survey has also asked the participating companies whether they have been compelled to transfer their technology to gain market access (Table 16) as well as if they have suffered any infringement of intellectual property (IP) while operating in China (Table 17). Although the observation period is relatively short, the results clearly indicate that the vast majority of the respondents, on average 84%, report not having been forced to transfer their intellectual property in terms of technology. In comparison, the proportion of participants reporting a transfer of technology has happened is just 16%. Also, by analysing the results regarding IP infringement, it is noticeable that the proportion of respondents declaring not to have suffered from any infringement gradually increased from 47% in 2017 to 63% most recently. At the same time, the percentage of companies reporting to rarely suffer from IP infringement in China has almost halved from 42% in 2018, the highest level so far, to 23% in 2021. The share of frequent IP infringements has fluctuated slightly over the years between 8% and 18%, with on average 16% of the respondents reporting it.

Market access

In order to deliver a thorough picture of the development of China's business conditions for European companies, the aspect of domestic market access for foreign enterprises, as part of the Chinese regulatory environment, should also be evaluated. Here, over the observation period from 2014 until 2021, approximately half of the respondents of the BCS report to see neither further market opening nor closing in their industry in Mainland China, as shown in Table 18. However, the proportion of participants stating to either see some or even significant market opening has slightly increased over the years, from 38% in 2014 to 42% in 2021. Nevertheless, on average, 11% of the companies that took part in the surveys expect some or significant market closing within their industry.

At the same time, the respondents were asked how greater market access would affect their future investment plans in Mainland China. When analysing the data in Table 19, it is noticeable that the share of European companies that are more or somewhat likely to increase investment in China, if market access barriers would be removed, steadily increased from 55% in 2014 to 65% in 2021, whereas the proportion of participants reporting that greater market access would have no impact on their investment decisions in the PRC slightly fell from 42% to 35%.

In analysing market access restrictions that European companies face when doing business in China, the BCS also examines whether these barriers lead to missed business opportunities. The results in Table 20 indicate that over the observation period from 2012 until 2021, only a slight majority of averagely 54% of the respondents' state that they did not miss any business due to market access restrictions. At the same time, 46% of the participants perceive market access restrictions as the main reason for missing business opportunities.

For the last three years, the respondents were also particularly asked if they faced any market access restrictions and if yes, whether they have been of the direct kind, for example, regarding the negative list, or indirect, such as complex administrative processes, as can be seen in Table 21. Whereas the percentage of participants reporting direct market access barriers has slightly decreased from 15% in 2019 to 12% in 2021, the share of indirect market access restrictions increased by the same proportion from 30% to 33% over the same period. In light of the ongoing discussion on the missing reciprocity in European and Chinese trade and investment relations as well as the negotiation and conclusion on the EU-China Comprehensive Agreement on Investment, the BCS recently included the question ‘Do you feel that Chinese companies in your sector enjoy better market access in Europe than European companies enjoy in China?‘ (Table 22). While the share of respondents answering ‘Yes‘ has gradually fallen to 54% in 2020, the percentage of participants replying ‘No‘ increased to 46%.

Level playing field

The last factor of the Chinese regulatory environment to be analysed is the aspect of a level playing field between domestic and European enterprises operating in the Chinese market. Since 2014, the participants have been asked to evaluate the treatment of foreign-invested companies by the Chinese government in their industry compared to domestic companies. While in 2014, more than half of the respondents stated that FIEs tend to receive unfavourable treatment by the Chinese government compared to domestic firms, the percentage gradually decreased to 39% in 2021, as shown in Table 23. At the same time, the proportion of participants rating the treatment of FIEs as more favourable slightly fell over the years from 11% to just 8%. Nowadays, most of the respondents assess the governments‘ treatment as somewhat equal, with a share of 54% in 2021.

For the last four years, the survey has also included an assessment of the participants‘ perceptions on when they expect to see a level playing field in the Chinese market. As the results in Table 24 indicate, the share of respondents reporting that national treatment already exists in their industry steadily increased from 15% in 2019 to 24% in 2021. However, on average, approximately one-third of the European companies do not expect a significant improvement of the situation in Mainland China at all or just after an extensive period of more than ten years.

Also, the outlook on the relationship between private businesses and the state-owned sector in China is analysed. Most recently, almost half of the respondents’ state that they expect SOEs to gain opportunities over the next two years at the expense of privately-owned enterprises (POEs), compared to 41% in 2019, as depicted in Table 25. At the same time, the share of those that believe POEs to gain opportunities at the expense of SOEs slightly decreased from 20% to 15%, while averagely 37% of the European enterprises expect both POEs and SOEs to have equal opportunities.

One specific area in which discretionary implementation and enforcement are particularly noticeable in China is in terms of environment protection measures. Up until the most recent BCS in 2021, European companies were first asked to evaluate the quality of the

Chinese governments‘ environmental protection measures, and secondly, to assess the enforcement of these regulations in the case of Chinese SOEs, Chinese POEs, and foreign enterprises.

As shown in Table 26, while in 2015 only 19% of the respondents rated China’s environment protection as strong, the share more than doubled to 39% in 2021. Also, the percentage of those describing it as adequate has doubled from 24% to 48%. This positive development is also reflected in the tremendous decline in the proportion of participants declaring the regulations to be weak from 57% to just 13% over the same period.

However, the results also indicate a discrepancy in the enforcement of environmental protection measures concerning different types of companies, as indicated in Table 27. In the case of Chinese SOEs and POEs, there is a clear upwards tendency in the share of respondents assessing the enforcement to be rather strong. Between 2015 and 2021, the proportion has almost tripled for Chinese SOEs from 23% to 60% and for POEs from 18% to 57%. At the same time, the number of participants describing the enforcement as weak tremendously fell by approximately 50% between 2008 and 2021 for both Chinese SOEs and POEs. Also, when evaluating the enforcement of environmental regulations for foreign enterprises, a general tendency of a falling share of respondents describing it to be weak and an increase in the proportion stating it to be strong, is identifiable. However, already in 2008, a much higher share of European companies, roughly 71%, assessed environmental protection enforcement for foreign enterprises to be strong, compared to just 5% in the case of domestic SOEs and POEs. The results in 2021 still indicate a disparity in the proportion of strong enforcement between Chinese and foreign firms of approximately 30 percentage points.

4.1.3 Business Outlook

The third category will deliver results on the European companies‘ perceptions concerning the business outlook in their sectors over the next two years in China. In particular, six specific factors will be analysed, with the participants to either select to be optimistic, pessimistic, or neutral.

First, the respondents were asked about their expectations regarding future growth. As depicted in Table 28, the proportion of European companies reporting to be optimistic about the growth outlook tremendously fell by approximately 50 percentage points from overwhelming numbers of 95% and 94% in 2006 and 2007 to just 45% in 2019. Interestingly, from 2020 to 2021, there has been again a sharp increase by 20 percentage points. Whereas there have been significant shifts for the optimistic responses, the percentage of participants stating to be pessimistic about growth has only moderately increased over the years from 5% in 2008 to 17% in 2020, the highest reported level so far. Although the general level of optimism among the participants has decreased in recent years, over the entire examination period, the majority of respondents constantly remained more optimistic about future growth in their sectors, with on average 68% of the participants, compared to just 8% reporting to be pessimistic.

Regarding the second factor on the outlook of profitability, the proportion of respondents stating to be optimistic about their company's profitability has dramatically fallen by even two-thirds from initially 62% in 2006 to just above 20% in 2020, as can be identified in Table 29. At the same time, the percentage of participants declaring to be pessimistic on future profitability has almost doubled from 18% in 2008 to 31% in 2020. While for the business outlook on growth, the number of respondents reporting to be optimistic was constantly significantly higher compared to those stating to be pessimistic, in the case of profitability, the average values of participants reporting to be optimistic and the values of the ones being pessimistic just differ by approximately ten percentage points. In particular, since 2016, more European companies have reported being pessimistic about the future profitability in China compared to the ones stating to be rather optimistic.

The outlook on competitive pressure in China is in line with the general tendency of a loss in optimism but a rise in pessimism among the European companies that completed the survey over the years, as seen for the aspects of growth and profitability. While in 2006, 29% of the participants reported being optimistic about the development of competitive pressure, the number fell by over 50% to just 12% in 2019, as can be identified in Table 30. On the other hand, there was a slight increase in the share of respondents declaring to be rather pessimistic from 38% in 2008 to 45% in 2020. Even though there were shifts in the proportion of participants stating to be either optimistic or pessimistic, the percentage of companies reporting to be neutral about the outlook on competitive pressure has stayed relatively constant, ranging from 40% to 48% across the examination period.

Also, the survey questions concerning the business outlook in terms of productivity (Table 31) and access to intermediate inputs (Table 32) yield similar results to the three factors mentioned before. Again, the same tendency is noticeable with a steady decline in the proportion of European companies reporting to be optimistic on the business outlook, while the percentage of pessimistic and neutral responses increases over the examination period.

Whereas for the business outlook of the previous five factors, the results indicate a general pattern of growing pessimism and falling optimism, in the case of the expectations of European companies on the development of labour costs in China, the data produces a different picture. As the results in Table 33 show, since the first year of the observation period in 2008, the proportion of respondents reporting to be optimistic about the outlook on labour costs has been relatively small, with an average of just 7%. In contrast, the percentage of participants stating to be pessimistic was tremendously higher, with values even over 60% in many years. However, among all observations, the year 2009 particularly stands out, not only reporting the highest level of participants to be optimistic with 13% but also stating only 28% of the respondents to be pessimistic about the development of labour costs in China.

4.1.4 Financial Performance

The last section of the analysis will examine various financial performance indicators of European companies doing business in China.

When analysing the financial performance of businesses, the general conditions of a country‘s economy should be evaluated, too, which are partly illustrated by the growth rates of the Gross Domestic Product (GDP). The growth rates of China‘s GDP have steadily increased up until 2007, peaking at approximately 14.2%, as illustrated in Table 39. However, with the global financial crisis, China’s GDP growth rates began to fall, even though increasing again in 2010. Nevertheless, the times of growth rates above 10% also come to an end in China, falling to a level of just above 6% in 2019, the lowest level since 1990.

Table 34 presents the yearly development of the respondents‘ revenue generated in the PRC from 2008 until 2021. In 2008, 76% of the participants reported a revenue increase of more than 5%, while only 4% declared a decrease in their revenue. In comparison, in 2021, the number of companies stating a revenue increase fell by 34 percentage points to only 42% of the respondents, the lowest level so far. At the same time, the proportion of decreased revenue rose to 24% compared to 4% in 2008. Even though there is some fluctuation in the year-to-year development of revenues, the vast majority of the European companies constantly report an increase in revenue with an average of 61%. In contrast, only 12% of the respondents experienced a fall in the revenue generated with their operations in Mainland China over the examination period. Also, the share of participants reporting a yearly revenue of above one billion euros more than doubled from 7% in 2009 to 15% in 2020, as seen in Table 35.

Beyond the revenue, another significant factor to measure financial performance is the development of the company’s Earnings Before Interest and Taxes (EBIT) and the resulting conclusion about their profitability. As can be identified in Table 36, before 2017, the percentage of European companies reporting positive EBIT fluctuated between 58% and 74%, whereas since 2017, the number constantly stayed above 70%. Also reflecting this positive development, the proportion of companies describing their EBIT as negative has fallen over the years from 28% in 2007 to just 8% in 2018, the lowest level reported so far. However, over the last three years, the number again slightly increased. Concerning the companies’ profitability, the data in Table 37 illustrates that from 2005 until 2021, on average, almost 70% of the respondents stated to operate profitably in Mainland China.

In order to analyse the financial performance of European companies in China compared to the worldwide average, the participants were also asked to evaluate their EBIT margins in contrast to their global operations. They could choose between the answers ‘Higher than company average worldwide‘, ‘Same as company average worldwide‘, and ‘Lower than company average worldwide‘, as shown in Table 38. The results depict that over the examination period from 2009 until 2021, 70% of the respondents report their EBIT margins to be either higher or the same compared to the worldwide average, while averagely, only 30% experienced lower EBIT margins. One noticeable feature is the substantial increase in the proportion of companies reporting their margins to be higher than their worldwide average by 13 percentage points from 38% in 2020 to 51% in 2021, the highest value so far.

4.2 Discussion and Interpretation

In the following part, the results of the previous analysis will be interpreted and discussed for the four distinct categories, respectively. Also, a general discussion on the overall picture of the results will be provided.

4.2.1 Chinese Business Environment

Even though the results of the analysis on how doing business for European companies in the PRC has developed over the years suggests that fewer firms report it to become more difficult, most of the respondents still believe that the ease of doing business in China has not improved at all or even become worse. Here, the data particularly emphasises the top-three business challenges mentioned most often in the last 15 years, namely the Chinese economic slowdown, rising labour costs, and the global economic slowdown. However, one can assume that other persistent challenges, too, lead to this rather negative perception, including the increasingly competitive Chinese market, regulatory issues, increasing politicisation of the markets caused by the influence of the CCP, market access barriers and investments restrictions as well as global and geopolitical tensions, such as the U.S.-China trade war.

Nevertheless, when considering the general Chinese business environment, the overall results indicate that positive progress has been made and the attractiveness for European companies indeed increased. For example, most European enterprises evaluate China as a top destination for future investment, and more and more foreign investors feel more welcome than when they first entered the Chinese market. Moreover, the share of European companies intending to shift their current or planned investments in China into other markets has become almost negligible. Also, over the years, most enterprises that participated in the survey planned to expand their operations in the PRC. Those positive trends emphasise the tendency of European companies to be committed to the Chinese market and to increase their investments and operations in Mainland China in the future. In particular, they appreciate the efforts by the Chinese government to improve the overall business environment and make it more accessible, transparent, and rule-based. Moreover, European enterprises intend to enhance their position and secure their share in the Chinese market, especially considering international tensions and general anti-globalisation tendencies. Also, the sheer size of the Chinese economy and the untapped growth potential be another reason for European companies to consider China as a substantial part of their global strategy, despite the difficulties and costs they face when doing business there.

Another area in which positive progress has been made is concerning China‘s R&D environment. More and more European companies consider the Chinese R&D environment to be more favourable than the worldwide average. One can suggest that this development largely reflects the recent efforts of the Chinese government to boost domestic innovation by providing a favourable environment for both domestic and foreign firms to conduct research and development within the PRC successfully. This tremendous support is also in line with China‘s intention to advance domestic science and technology in order to make it the primary driver of sustainable economic growth, as stated in many initiatives such as ‘Made in China 2025‘ or the recent 14th Five-Year Plan. In particular, European enterprises largely benefit from extensive government incentives, relatively low research costs, enormous financial support, and the high productivity of Chinese R&D teams. However, the respondents still declare the availability of talents, the ease of access to internet services, and intellectual property protection as obstacles when considering the Chinese R&D environment.

Besides the positive developments, the results also highlight areas that are still challenging for European companies when doing business in China. For example, many firms report that they have problems attracting and retaining qualified personnel in China. Reasons include barriers for employing foreign labour, ambitious career perspectives of Chinese talents, and the increasing shortage of domestic workers due to the ageing Chinese population. Moreover, also the share of European companies intending to cut costs within their Chinese operations has increased. This tendency can be possibly explained by the rise of general operating costs in China caused by human resource challenges, higher labour costs, and increasing competition from domestic companies, thus resulting in cost-saving strategies.

Although the perceptions of European companies on the ease of doing business in China only slightly improved, when considering distinct aspects of the general business conditions, the data mainly indicates profound improvements and positive development of the overall Chinese business environment over the years. Especially in line with the ongoing COVID-19 pandemic, the results emphasise the increasing importance of the Chinese market for European companies and the enhanced attractiveness of the general business environment as a result of profound measures taken by the Chinese government. Nevertheless, some persisting challenges remain, keeping the Chinese business environment challenging for the operations of European companies.

4.2.2 Chinese Regulatory Environment

The analysed data on the Chinese regulatory environment indicates many positive developments for European companies over the last 15 years. While several profound regulatory obstacles still exist when doing business in China, such as ambiguous rules and regulations, the unpredictable legislative environment, or discretionary law enforcement, the expectations on the future development of the regulatory obstacles have stabilised over the years, with most of the respondents anticipating the number at least not to change or even to decrease. Also, the efforts of the central government to improve the Chinese regulatory environment are widely recognised by European enterprises. However, some wish to see even more improvement concerning the economic reform, anti-corruption measures, the rule of law, and the reform of the state-owned enterprises. Those results emphasise that despite the large measures taken by the Chinese government to reduce regulatory obstacles, in recent years, some stagnation in the reform process is noticeable. Thus, China needs to continue focusing on its reform agenda in order to improve its regulatory environment to attract more foreign investments.

The aspect of intellectual property rights protection has particularly experienced far-reaching development over the last decade. More and more European companies rate the effectiveness of the Chinese IP laws and regulations as adequate. Also, the enforcement of these laws is increasingly regarded as adequate or even excellent. Moreover, the results depict that the majority of the European enterprises have never been compelled to transfer technology, nor did they suffer from any infringement on their intellectual property. These positive developments largely reflect the continuous efforts of the Chinese authorities to provide a safe and favourable environment for IP in China, not only for foreign enterprises but also for Chinese enterprises. In particular, the central government conducted legal reforms and established designated enforcement authorities, namely IP courts and tribunals, to enhance the safeguarding of intellectual property. However, it can be argued that the Chinese authorities were mainly motivated by the pressure of local companies and the awareness that strong IPR protection is needed to foster domestic innovation competence, which China perceives as key for its future sustainable economic growth. Although much progress has been made, the results indicate that China is also asked to continue building even more robust enforcement mechanisms for IPR.

Also, concerning market access for European companies in China, some improvements can be identified over the years. Not only does the majority of the respondents describe the state of market opening within their industry as either unchanged or towards more opening, but also more companies are likely to increase their investments into China in the case that greater market access will be granted. Moreover, most of the participants do not currently face any direct market access restrictions or barriers. The data also suggests that European companies are increasingly likely to enjoy the same degree of market access in China as Chinese companies in the EU. These results are consistent with the ongoing but slow-paced reforms by the Chinese government to allow for greater market access for foreign companies, for example, by shortening the negative list reducing the number of restricted sectors, removing protectionist measures, encouraging the inflow of FDI, as well as promoting a greater level of reciprocity in the Sino-European context. The results also indicate that the Chinese market is still highly attractive for European companies and that they even aspire to expand their operations and investments as soon as there is further opening. However, it is also stressed that for a significant share of European companies, market access restrictions still result in missed business opportunities and that over the years, there is not much improvement identifiable. That suggests that even though European companies now enjoy greater market access in China, the improvements are possibly outweighed by other direct or indirect obstacles they face when operating in the PRC. As the process of opening up for European firms remains incomplete, the Chinese government must follow its reform pledges and foster even greater market access while further improving its general regulatory environment to ensure the opening progress will not be negatively compensated.

As with the market access for European companies and the protection of intellectual property rights, also concerning the state of a level playing field between domestic and foreign enterprises in the Chinese market, improvement has been made. An increasing number of companies perceive the treatment by the Chinese government, in comparison to domestic companies, to be at least equal or even favourable. Also, more and more firms report that national treatment already exists in their industry or expect it to be achieved in a rather short period. One particular example here is the enforcement of Chinese environment protection measures. The results depict that these measures are not only increasingly perceived as adequate, but also more and more European companies believe the enforcement to be strong regarding all types of domestic as well as foreign businesses. The decline in discretionary law enforcement clearly indicates an increasing level playing field between domestic and European firms in the Chinese market as a result of the recent reforms by the Chinese policymakers to abolish unequal treatment and protectionist measures. Nevertheless, some disparities still exist, for example, due to varying interpretations of laws between different regions, differences in the enforcement of the same regulations among government authorities, and generally too ambitious rules to be equally implemented. Moreover, Chinese SOEs still receive preferential treatment by the policymakers to enhance their general economic goals such as innovation and self-reliance in core technologies, as again highlighted in the recent 14th Five-Year Plan. Thus, European companies still desire to achieve even more equal footing compared to domestic enterprises, requiring the Chinese government to foster equal treatment by fully implementing the rule of law and removing biased support for domestic businesses to ensure fair competition and a level playing field within the Chinese markets.

Overall, the Chinese regulatory environment is now more favourable for European companies doing business in China than ever before. A level playing field between domestic and foreign firms is evolving, and rather positive development of the Chinese market with fairer competition as well as more equal treatment is clearly noticeable. However, some differences in the national treatment, discretionary enforcement of laws, and certain regulatory obstacles remain present. Nevertheless, the Chinese government is aware of the necessity of further opening up and strengthening its regulatory environment to promote European investments and operations in the PRC, which are an essential part of China's future economic growth and sustainable development.

4.2.3 Business Outlook

The overall business outlook of European companies on their operations in the Chinese market can be described as somewhat mixed. There are certain factors for which the participants constantly report positive expectations, while for other aspects, the outlook is mainly considered pessimistic.

Concerning future growth, it is noticeable that the times of tremendous optimism have come to an end. However, most of the companies still being more optimistic than pessimistic about future growth within their industry. That development is in line with the Chinese economic slowdown under the so-called 'New Normal'. Also, the general global economic slowdown following the global financial crisis as well as international tensions and conflicts, such as the U.S.-China trade war or recent disputes in EU-China relations, is leading to less confidence among European enterprises about their growth outlook for China. Even though the Chinese authorities introduced measures to encounter these economic slowdown tendencies, it takes time for them to unfold and impact the perceptions of businesses. Nevertheless, the recent profound increase in optimism about growth reflects the positive perceptions of the European companies on the recovery of the Chinese markets from the omnipresent COVID-19 pandemic, especially compared to global markets.

Also, when considering the perceptions on profitability, competitive pressure, productivity, and access to intermediate inputs, the results indicate a continuous fall in optimism among the participants, whereas the share of pessimistic voices is moderately increasing. There is a bundle of reasons possibly leading to these shifts. One reason is that competition has become increasingly fierce in the Chinese market, both from Chinese privately- and state-owned enterprises, and is even expected to intensify in the years to come. This is mainly due to the fact of a general upgrading of domestic firms, building strong national champions for key industries, and making Chinese companies increasingly innovative. Another reason is that China is losing its cost advantage compared to other emerging countries in Southeast Asia as European enterprises face rising production costs when doing business in China, particularly because of increasing wages and a general shortage in the domestic workforce. Although the central government eased market access barriers for foreign enterprises over the years, the opening up of the Chinese market remains incomplete, and the business environment is still perceived as tight, resulting in pessimistic perceptions about the business outlook.

Over the entire observation period, most of the European companies that participated in the BCS stated to be rather pessimistic regarding the outlook on domestic labour costs. This pessimistic perception of the development of labour costs is also reflected by European companies emphasising rising labour costs to be among the top business challenges for doing business in China. One possible reason for these results is the ongoing shift of China‘s general economic strategy away from mass manufacturing towards advanced high-value-added production, causing an upgrade in the costs of the Chinese labour force.

Altogether, the results in this category indicate that European companies perceive business in China has become more difficult over the last 15 years and increasingly expect it to become even more challenging in the years ahead. Despite positive developments in the general business conditions European companies face when operating in the PRC, still many concerns prevail, and new challenges are evolving, leading to rather pessimistic perceptions on the general business outlook of the Chinese domestic market.

4.2.4 Financial Performance

The analysis of the collected data on the financial performance of European companies in China can be perceived as an overall summary reflecting the developments in the Chinese business environment, the Chinese regulatory environment, and the perceptions on the business outlook over the last 15 years. The financial indicators provide a relatively positive picture of the conditions that European companies face when doing business in China.

Although the high proportions of substantial revenue gains are becoming more and more moderate, most respondents still report positive revenue developments for their operations within the Chinese market. These results are in line with the general economic slowdown both in China and internationally. As China entered the state of the so-called ‘New Normal‘, implying an end of yearly GDP growth rates above 10%, the companies‘ revenues also had to adapt to the new general economic conditions. Moreover, global economic distortions, for example, the global financial crisis, the European crisis, or the U.S.-China trade war, have resulted in lower revenue growth for European companies in China. Besides the macroeconomic obstacles, there are also persistent challenges in the Chinese business environment, such as higher production costs or increased competition, as well as in the Chinese regulatory environment, like increased administrative hurdles or discretionary law enforcement, affecting the revenue development. Even though achieving tremendous revenue growth rates in China has become more challenging, the Chinese market still provides many opportunities and a favourable environment for European companies to generate substantial revenue. For example, they benefit from the increasing demand for European products as an effect of substantial growth in consumer spending by the growing Chinese middle class.

Also, the continuous high share of respondents describing their operations in Mainland China to be profitable, as well as the decline in unprofitable businesses, indicates an ongoing positive development of the general business conditions for European companies, allowing them to operate profitably within the Chinese markets, despite the sustained economic slowdown both in China as well as globally.

Moreover, the positive results on the comparison of the participants‘ EBIT margins in China to the worldwide average also suggest that the Chinese business conditions are rather favourable for operations of European companies. Although companies intend to diversify their investments and operations among different locations, the recent increase in the number of European enterprises describing their EBIT margins in China to be higher than the worldwide average emphasises the importance as well as the attractiveness of the Chinese economy for the companies‘ global operations, particularly taking the effects of the ongoing COVID-19 pandemic into account.

Considering the overall positive development of the financial performance indicators, it can be concluded that despite the persistent challenges and obstacles of operating in the Chinese market, as well as the continuing difficult economic situation, the business conditions for European companies in Mainland China have not worsened over the last 15 years but even partly improved.

5. Concluding Remarks

When putting all the data out of the four categories together, the results clearly indicate an underlying pattern. Whereas the perceptions of European companies regarding the business outlook are increasingly pessimistic, most of the other indicators, concerning the general business and regulatory environment as well as on the financial performance, indicate a somewhat positive development of the business conditions European companies face when doing business in China over the last 15 years.

For example, European companies rate the outlook in China concerning growth and profitability increasingly pessimistic. At the same time, when considering the companies‘ financial performance, especially in light of the ‘New Normal‘ of the Chinese economy, the results depict that in recent years the revenue levels of European enterprises in China have stabilised, and the actual profitability even increased, as based on the data on the companies EBIT. So, the perception of the business outlook is much worse compared to the actual performance of European companies operating in the Chinese market. Also, concerning competitive pressure, overall productivity, and the ease of doing business in China, many enterprises are still pessimistic about the future. However, the results on the general climate for investments, operations as well as R&D indicate that European companies evaluate the Chinese markets as increasingly favourable for future investments and even intend to expand their operations in Mainland China. A pessimistic pattern can also be identified concerning the expectations on the development of the number of regulatory obstacles European companies will face over the next five years. However, the results clearly indicate a continuously positive development regarding major obstacles, including the protection of intellectual property, the degree of market access, and the level playing field between domestic and foreign companies. This discrepancy between the rather pessimistic business outlook on the operations of European companies, but at the same time, the far-reaching improvements in the general Chinese business conditions can be explained by the fact that European entities still face severe obstacles when doing business in Mainland China. Although there is much improvement noticeable with many challenges of European companies to improve or even disappear, at the same time, new concerns of doing business in China are evolving. Those, for example, include an upgrade in domestic wages, challenges in attracting and retaining qualified employees, and increasing general production costs. Also, the market access for European companies is still restricted in certain sectors, regulatory barriers are still reported, and the level playing field between Chinese and foreign companies is at an initial stage. Moreover, doing business in China has become increasingly competitive due to the upgrading of Chinese enterprises and the efforts by the central government to make domestic businesses more innovative, leading European companies to adjust their expectations on future development within the Chinese markets.

However, it is not only these persistent challenges concerning the general business conditions in the PRC that lead to a rather negative state of pessimism on the outlook on the operations of European companies in China. There are also national as well as international economic challenges, such as the effects of the financial crisis, the general economic slowdown both in China as well as globally, the U.S.-China trade war, the continuing discussion on missing reciprocity in the EU-China relations, or domestic initiatives such as ‘Made in China 2025‘ that cause European enterprises to expect a negative shift in the development of China’s business conditions in the years to come.

Nevertheless, the effects of the lasting COVID-19 pandemic should be considered, too, as it demonstrates the importance and attractiveness of the local Chinese markets for the global strategies of European companies, possibly causing them to positively reassess their expectations about the future development of the Chinese markets for the operations of foreign enterprises.

Even though the perceptions of European companies on the business outlook of the Chinese market are increasingly pessimistic, the overall picture, based on the data from the survey, clearly indicates that the status quo remains and even suggests positive developments and far-reaching improvements over the last 15 years concerning the business conditions that European companies face when doing business in China. However, it should be noted that there is still no stable equilibrium as the general business conditions in China remain volatile as constantly new challenges for European companies, both of internal as well as external kind, are evolving while other concerns improve or even disappear.

In further research, this general view could be specified by looking at the results in a more differentiated way. For example, the specific company's characteristics, such as the number of employees, the revenue distribution, or the legal entity, could be considered respectively when analysing and interpreting the results. Another option would be to differentiate the results of the study in terms of the industry the participants are working in, delivering findings that are more tailored to a specific group of companies. Also, the observation period could be further extended to deliver even more indications about long-term trends and developments.

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Appendix

Panel 1: Survey Participants

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
Number of eligible legal entities	1098	1177	1347	1447	1403	1487	1474	1343	1302	1195	1326	1308	1262	1321	117	1098	1487
Number of eligible legal entities participated	313	374	598	557	526	552	541	506	570	532	585	626	585	528	89	313	626
Participation rate	29,00%	31,80%	44,40%	39,00%	37,00%	37,00%	37,00%	38,00%	44.2%	44.5%	44,10%	47,90%	46.4%	39%	5,74%	29%	48%
Rate of legal entities also participated the previous year	N.N.	N.N.	50,00%	59,00%	61,00%	64,00%	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	59%	6,03%	50%	64%
Number of questions asked	N.N.	N.N.	59	58	47	63	49	54	57	54	67	68	66	58	7	47	68

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Panel 2: Main Sector, 'Please indicate the main sector of your company'

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	295	497	595	557	659	552	540	506	562	532	585	626	N.N.				
Professional Services	41%	42%	42%	39%	36%	34%	36%	36%	35%	31%	29%	30%	N.N.	36%	4,48%	29%	42%
Industrial goods/services	29%	28%	27%	27%	28%	31%	25%	28%	34%	38%	36%	35%	N.N.	31%	4,21%	25%	38%
Consumer goods/services	6%	11%	10%	13%	13%	19%	21%	21%	18%	18%	18%	21%	N.N.	16%	4,99%	6%	21%
Others	24%	19%	21%	21%	23%	16%	18%	15%	13%	13%	17%	14%	N.N.	18%	3,81%	13%	24%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Panel 3: Legal Entity, 'Under which legal entity is your company registered in Mainland China?'

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	297	497	771	712	841	756	6600	614	668	635	585	626	N.N.				
Wholly-owned foreign entity (WOFE)	53%	50%	52%	52%	54%	49%	54%	56%	57%	62%	66%	69%	N.N.	56%	6,32%	49%	69%
Representative office	34%	32%	21%	18%	18%	16%	13%	13%	10%	8%	5%	6%	N.N.	16%	9,30%	5%	34%
Regional branch/office	15%	14%	7%	8%	8%	10%	8%	7%	8%	8%	6%	4%	N.N.	9%	3,12%	4%	15%
Joint venture	26%	23%	13%	15%	14%	15%	15%	13%	14%	13%	10%	11%	N.N.	15%	4,67%	10%	26%
Holding	8%	9%	4%	4%	3%	4%	4%	4%	3%	3%	2%	3%	N.N.	4%	2,09%	2%	9%
Foreign-invested commercial enterprise (FICE)	2%	2%	4%	5%	3%	4%	2%	3%	4%	3%	3%	4%	N.N.	3%	0,97%	2%	5%
Foreign-invested partnership enterprise (FIPE)	0%	0%	0%	0%	1%	1%	2%	1%	1%	1%	1%	1%	N.N.	1%	0,62%	0%	2%
Other	11%	12%	0%	0%	0%	0%	2%	2%	3%	2%	5%	2%	N.N.	3%	4,14%	0%	12%

Note: Multiple answers possible up to and including 2018
Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Panel 4: Number of Employees, 'How many employees does your company have in Mainland China?'

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	296	507	595	557	675	552	541	506	563	532	585	626	N.N.				
Category 3: Large companies (1000+)	24%	21%	20%	24%	22%	22%	21%	25%	28%	28%	27%	29%	N.N.	24%	3,14%	20%	29%
Category 2: 251-1000	16%	16%	16%	15%	20%	17%	19%	18%	18%	19%	20%	19%	N.N.	18%	1,71%	15%	20%
Category 1: SMEs (<250)	61%	63%	64%	62%	59%	61%	61%	58%	53%	52%	52%	53%	N.N.	58%	4,54%	52%	64%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Panel 5: Operating Time, 'For how long has your company been operating in Mainland China?'

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	296	507	595	557	675	552	541	506	563	532	585	626	N.N.				
Less than 5 years	N.N.	28%	27%	23%	19%	15%	17%	19%	15%	12%	13%	10%	N.N.	18%	6%	10%	28%
6-10 years	N.N.	21%	25%	27%	28%	31%	29%	25%	19%	18%	18%	14%	N.N.	23%	5%	14%	31%
More than 10 years	N.N.	51%	48%	50%	53%	54%	54%	56%	66%	70%	69%	76%	N.N.	59%	10%	48%	76%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 1: Development of Doing Business in China, 'How has doing business in China for your company developed in the last year?'

	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	552	541	506	570	532	585	626	585				
Business has become easier	10%	8%	6%	6%	8%	7%	9%	10%	8%	1,60%	6%	10%
About the same	39%	41%	38%	45%	44%	40%	42%	43%	42%	2,45%	38%	45%
Business has become more difficult	51%	51%	56%	49%	48%	53%	49%	47%	51%	2,93%	47%	56%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 2: Top Three Business Challenges, 'Please choose the top three business challenges your company perceives as having the greatest impact on future business in Mainland China'

	N	1.	2.	3.
2021	585	COVID-19	Global economic slowdown	U.S.-China trade war
2020	626	Chinese economic slowdown	U.S.-China trade war	Global economic slowdown
2019	585	Chinese economic slowdown	Global economic slowdown	Rising labour costs
2018	532	Chinese economic slowdown	Ambiguous rules and regulations	Global economic slowdown
2017	561	Chinese economic slowdown	Rising labour costs	Talent attraction and retention
2016	506	Chinese economic slowdown	Rising labour costs	Global economic slowdown
2015	541	Chinese economic slowdown	Rising labour costs	Global economic slowdown
2014	N.N.	Chinese economic slowdown	Rising labour costs	Talent attraction and retention
2013	586	Rising labour costs	Chinese economic slowdown	Global economic slowdown
2012	557	Chinese economic slowdown	Rising labour costs	Global economic slowdown
2011	595	Chinese economic slowdown	Rising labour costs	Global economic slowdown
2010	380	Global economic slowdown	Chinese economic slowdown	Competition from domestic firms
2009	232	Chinese economic slowdown	Global economic slowdown	Competition from domestic firms
2008	208	Chinese economic slowdown	Competition from domestic firms	Global economic slowdown

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 3: Development of Future Investments, 'On a global scale, where does China rank as a destination for future investments for your company?'

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	415	595	496	464	552	541	506	562	531	585	626	N.N.				
Top destination	21%	25%	30%	23%	20%	20%	20%	20%	17%	17%	19%	N.N.	21%	3,75%	17%	30%
Top three destination	47%	44%	46%	44%	48%	39%	40%	39%	44%	45%	46%	N.N.	44%	3,16%	39%	48%
Top five destination	18%	17%	12%	19%	16%	18%	17%	17%	18%	15%	14%	N.N.	16%	2,07%	12%	19%
Top 10 destination	13%	7%	7%	9%	11%	9%	8%	11%	11%	11%	10%	N.N.	10%	1,90%	7%	13%
Lower than top 10 destination	0%	7%	5%	5%	5%	5%	5%	3%	3%	5%	4%	N.N.	4%	1,79%	0%	7%
No planned investment	0%	0%	0%	0%	0%	9%	10%	10%	7%	7%	8%	N.N.	5%	4,54%	0%	10%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 4: Shifting Current or Planned Investments in China to Other Markets, 'Is your company considering shifting current or planned investments in China to other markets?'

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	557	557	573	552	541	506	562	531	585	626	585				
Yes	22%	22%	10%	11%	16%	11%	12%	11%	15%	11%	9%	14%	4,61%	9%	22%
No	78%	78%	90%	89%	84%	89%	88%	89%	85%	89%	91%	86%	4,61%	78%	91%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 5: Feeling of Foreign Investors, 'As a foreign investor in China, do you feel:'

	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	412	562	532	585	626	N.N.				
More welcome than when first entered	30%	20%	22%	26%	30%	N.N.	26%	4,56%	20%	30%
No change	70%	31%	31%	39%	40%	N.N.	42%	16,12%	31%	70%
Less welcome than when first entered	0%	49%	46%	35%	30%	N.N.	32%	19,51%	0%	49%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 6: Expanding Current Operations in China, 'Is your company considering expanding current China operations?'

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	534	552	541	506	562	531	585	626	585				
Yes	69%	52%	39%	48%	59%	63%	86%	57%	56%	47%	51%	55%	56%	51%	59%	57%	10,80%	39%	86%
No	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	6%	25%	31%	29%	28%	21%	21%	26%	22%	23%	7,38%	6%	31%
Do not know	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	8%	18%	13%	24%	21%	24%	23%	22%	19%	19%	5,44%	8%	24%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 7: Plan to Cut Costs, 'Does your company plan on cutting costs in China?'

	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	572	552	198	505	562	531	585	626	585				
Yes	22%	24%	39%	41%	38%	46%	43%	47%	38%	38%	8,88%	22%	47%
No	78%	76%	61%	59%	62%	54%	57%	53%	62%	62%	8,88%	53%	78%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 8: Challenges in Attracting and Retaining Right Talents, 'Is your company currently facing any challenges in attracting or retaining the right talent in China?'

Challenges attracting right talents

	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	559	552	541	506	562	532	585	626	N.N.				
Yes	54%	54%	61%	48%	58%	48%	61%	55%	N.N.	55%	5,08%	48%	61%
No	46%	46%	39%	52%	42%	52%	39%	45%	N.N.	45%	5,08%	39%	52%

Challenges retaining right talents

	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	554	552	541	506	562	532	585	625	N.N.				
Yes	43%	41%	47%	36%	43%	48%	47%	37%	N.N.	43%	4,56%	36%	48%
No	57%	59%	53%	64%	57%	52%	53%	63%	N.N.	57%	4,56%	52%	64%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 9: R&D Environment in China, 'How do you consider China's innovation and R&D environment compared to the worldwide average?'

	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	141	190	171	585	626	N.N.				
More favourable than the worldwide average	15%	23%	30%	38%	40%	N.N.	29%	10,43%	15%	40%
Same as the worldwide average	40%	34%	39%	35%	38%	N.N.	37%	2,59%	34%	40%
Less favourable than the worldwide average	45%	43%	31%	27%	22%	N.N.	34%	10,04%	22%	45%

Note: Up until 2019, asked only when the answer to "Does your company have a R&D centre in Mainland China" was "Yes", which explains the surge in the number of respondents in 2019

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 10: Factors Influencing China's R&D Environment, 'How does your company evaluate the following factors regarding R&D in China?'

Government Incentives

	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	141	190	171	585	626	N.N.				
Very favourable	17%	11%	18%	16%	15%	N.N.	15%	2,70%	11%	18%
Favourable	39%	47%	38%	42%	44%	N.N.	42%	3,67%	38%	47%
Neutral	35%	33%	38%	36%	36%	N.N.	36%	1,82%	33%	38%
Unfavourable	7%	9%	6%	6%	4%	N.N.	6%	1,82%	4%	9%
Very unfavourable	1%	1%	1%	1%	1%	N.N.	1%	0,00%	1%	1%

Availability of Incentives for FIEs

	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	141	190	171	585	626	N.N.				
Very favourable	5%	7%	12%	6%	8%	N.N.	8%	2,70%	5%	12%
Favourable	30%	27%	35%	33%	33%	N.N.	32%	3,13%	27%	35%
Neutral	54%	53%	41%	47%	48%	N.N.	49%	5,22%	41%	54%
Unfavourable	9%	12%	12%	13%	10%	N.N.	11%	1,64%	9%	13%
Very unfavourable	2%	2%	1%	1%	1%	N.N.	1%	0,55%	1%	2%

Productivity of R&D teams

	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	141	190	171	585	626	N.N.				
Very favourable	9%	9%	11%	7%	9%	N.N.	9%	1,41%	7%	11%
Favourable	35%	38%	30%	30%	35%	N.N.	34%	3,51%	30%	38%
Neutral	40%	39%	49%	49%	44%	N.N.	44%	4,76%	39%	49%
Unfavourable	16%	12%	10%	13%	11%	N.N.	12%	2,30%	10%	16%
Very unfavourable	0%	2%	1%	2%	1%	N.N.	1%	0,84%	0%	2%

Availability of talent

	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	141	190	171	585	626	N.N.				
Very favourable	11%	8%	11%	8%	9%	N.N.	9%	1,52%	8%	11%
Favourable	33%	37%	35%	28%	36%	N.N.	34%	3,56%	28%	37%
Neutral	33%	29%	30%	41%	32%	N.N.	33%	4,74%	29%	41%
Unfavourable	20%	22%	22%	19%	19%	N.N.	20%	1,52%	19%	22%
Very unfavourable	2%	3%	2%	5%	4%	N.N.	3%	1,30%	2%	5%

Ease of access to internet service

	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	141	190	171	585	626	N.N.				
Very favourable	2%	3%	4%	3%	4%	N.N.	3%	0,84%	2%	4%
Favourable	13%	13%	16%	11%	12%	N.N.	13%	1,87%	11%	16%
Neutral	37%	36%	31%	35%	33%	N.N.	34%	2,41%	31%	37%
Unfavourable	32%	34%	37%	32%	30%	N.N.	33%	2,65%	30%	37%
Very unfavourable	16%	15%	12%	19%	20%	N.N.	16%	3,21%	12%	20%

Ease of access to your company intranet service

	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	141	190	171	585	626	N.N.				
Very favourable	4%	4%	5%	4%	4%	N.N.	4%	0,45%	4%	5%
Favourable	23%	26%	27%	18%	18%	N.N.	22%	4,28%	18%	27%
Neutral	49%	47%	49%	51%	52%	N.N.	50%	1,95%	47%	52%
Unfavourable	21%	16%	18%	20%	19%	N.N.	19%	1,92%	16%	21%
Very unfavourable	4%	7%	1%	6%	7%	N.N.	5%	2,55%	1%	7%

Intellectual property protection

	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	141	190	171	585	626	N.N.				
Very favourable	6%	6%	5%	3%	4%	N.N.	5%	1,30%	3%	6%
Favourable	16%	16%	13%	14%	14%	N.N.	15%	1,34%	13%	16%
Neutral	40%	38%	46%	45%	45%	N.N.	43%	3,56%	38%	46%
Unfavourable	28%	31%	31%	30%	32%	N.N.	30%	1,52%	28%	32%
Very unfavourable	9%	9%	4%	7%	5%	N.N.	7%	2,28%	4%	9%

Note: Up until 2019, asked only when the answer to ‘Does your company have a R&D centre in Mainland China’ was ‘Yes’, which explains the surge in the number of respondents in 2019
Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 11: Top Three Regulatory Obstacles, 'Which are the top three most significant regulatory obstacles for your company when doing business in Mainland China?'

	N	1.	2.	3.
2021	585	Ambiguous rules and regulations	Market Access barriers and investment restrictions	Unpredictable legislative environment
2020	626	Ambiguous rules and regulations	Unpredictable legislative environment	Discretionary law enforcement
2019	585	Ambiguous rules and regulations	Unpredictable legislative environment	Administrative Issues
2018	532	Ambiguous rules and regulations	Administrative Issues	Discretionary law enforcement
2017	569	Ambiguous rules and regulations	Administrative Issues	Unpredictable legislative environment
2016	506	Unpredictable legislative environment	Administrative Issues	Discretionary law enforcement
2015	N.N.	Unpredictable legislative environment	Administrative Issues	Discretionary law enforcement
2014	552	Unpredictable legislative environment	Discretionary law enforcement	Administrative Issues
2013	569	Discretionary law enforcement	Administrative Issues	Corruption
2012	N.N.	Discretionary law enforcement	Lack of coordination of different regulators	Local implementation of national standards
2011	596	Discretionary law enforcement	Lack of coordination of different regulators	Local implementation of national standards
2010	381	Discretionary law enforcement	Registration Process	IPR Protection
2009	231	Discretionary law enforcement	Registration Process	Discrimination against foreign firms
2008	N.N.	Discretionary law enforcement	Registration Process	Local implementation of national standards
2007	N.N.	Transparency	Registration Process	IPR Protection
2006	N.N.	Government regulation	IPR Protection	Licences / quotas
2005	N.N.	Government regulation	Transparency	Registration Process

Note: Figures represent the proportion of respondents who rated each issues their 1-3 most significant regulatory obstacles
Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 12: Development of the Number of Regulatory Obstacles, 'How do you expect the number of regulatory obstacles facing your company in Mainland China to change over the next five years?'

	2017	**2018**	**2019**	**2020**	**2021**	**Mean**	**Std. Dev.**	**Min**	**Max**
N	461	456	528	615	540				
Will increase significantly	17%	18%	16%	14%	12%	15%	2,41%	12%	18%
Will increase slightly	32%	36%	31%	30%	34%	33%	2,41%	30%	36%
Will stay the same	33%	27%	25%	28%	30%	29%	3,05%	25%	33%
Will decrease slightly	15%	18%	25%	23%	20%	20%	3,96%	15%	25%
Will decrease significantly	3%	2%	2%	6%	5%	4%	1,82%	2%	6%

Note: Excluding answer 'Not applicable'

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 13: Evaluation of the Chinese Administration's Efforts, 'How does your company rate the efforts of the current Chinese administration over the past three years in the following areas?'

Economic Reform

	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	541	506	562	532	N.N.	626	N.N.				
Exceeds expectations	14%	9%	11%	17%	N.N.	16%	N.N.	13%	3,36%	9%	17%
Meets expectations	61%	53%	52%	61%	N.N.	62%	N.N.	58%	4,87%	52%	62%
Below expectations	25%	38%	37%	22%	N.N.	22%	N.N.	29%	8,04%	22%	38%

Anti-corruption

	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	541	506	562	532	N.N.	626	N.N.				
Exceeds expectations	47%	36%	31%	38%	N.N.	28%	N.N.	36%	7,31%	28%	47%
Meets expectations	38%	47%	50%	49%	N.N.	59%	N.N.	49%	7,50%	38%	59%
Below expectations	15%	17%	19%	13%	N.N.	13%	N.N.	15%	2,61%	13%	19%

Rule of Law

	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	541	506	562	532	N.N.	626	N.N.				
Exceeds expectations	9%	7%	6%	8%	N.N.	10%	N.N.	8%	1,58%	6%	10%
Meets expectations	61%	60%	56%	61%	N.N.	63%	N.N.	60%	2,59%	56%	63%
Below expectations	30%	33%	38%	31%	N.N.	27%	N.N.	32%	4,09%	27%	38%

Reform of SOEs

	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	541	506	562	532	N.N.	626	N.N.				
Exceeds expectations	9%	4%	5%	9%	N.N.	8%	N.N.	7%	2,35%	4%	9%
Meets expectations	52%	52%	47%	49%	N.N.	55%	N.N.	51%	3,08%	47%	55%
Below expectations	39%	44%	48%	42%	N.N.	38%	N.N.	42%	4,02%	38%	48%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 14: Effectiveness of China's IPR Laws and Regulations, 'How does your company rate the effectiveness of China's written intellectual property (IP) protection laws and regulations?'

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	56	375	612	484	457	451	430	428	459	448	449	523	459				
Excellent	5%	4%	7%	6%	7%	6%	10%	7%	10%	7%	9%	10%	14%	8%	2,67%	4%	14%
Adequate	63%	63%	66%	56%	58%	68%	67%	63%	61%	63%	67%	69%	65%	64%	3,83%	56%	69%
Inadequate	32%	33%	27%	38%	35%	26%	24%	30%	29%	29%	23%	20%	21%	28%	5,43%	20%	38%

Note: Excluding answer 'Not applicable'

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 15: Enforcement of China's IPR Laws and Regulations, 'How do you rate the enforcement of China's IPR laws and regulations?'

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	60	375	594	481	459	455	434	423	457	450	445	626	448				
Excellent	2%	1%	3%	2%	1%	2%	4%	2%	4%	5%	5%	5%	10%	4%	2,44%	1%	10%
Adequate	3%	22%	24%	17%	15%	19%	26%	27%	31%	35%	40%	44%	40%	26%	11,62%	3%	44%
Inadequate	95%	77%	73%	81%	84%	79%	70%	71%	65%	60%	55%	51%	50%	70%	13,52%	50%	95%

Note: Excluding answer 'Not applicable'

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 16: Forced Technology Transfer, 'Has your company felt compelled to transfer technology in order to maintain market access?'

	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	562	532	585	626	585				
Yes	10%	19%	20%	16%	16%	16%	3,90%	10%	20%
No	90%	81%	80%	84%	84%	84%	3,90%	80%	90%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 17: Infringement of IPR, 'Has your company suffered an infringement of IPR in China?'

	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	371	336	585	626	585				
Frequently	17%	18%	8%	11%	14%	14%	4,16%	8%	18%
Rarely	36%	42%	25%	24%	23%	30%	8,51%	23%	42%
No	47%	40%	67%	65%	63%	56%	12,12%	40%	67%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 18: Market Opening for Foreign Companies, 'Has there been any market opening in your industry in Mainland China for foreign companies (y-o-y)?'

	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	552	541	506	562	532	585	626	585				
Significant opening	7%	7%	7%	4%	6%	9%	10%	10%	8%	2,07%	4%	10%
Some opening	31%	37%	30%	32%	31%	31%	31%	32%	32%	2,17%	30%	37%
Unchanged	53%	43%	52%	52%	52%	53%	50%	50%	51%	3,29%	43%	53%
Some closing	8%	11%	9%	10%	9%	6%	9%	7%	9%	1,60%	6%	11%
Significant closing	1%	2%	2%	2%	2%	2%	1%	1%	2%	0,52%	1%	2%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 19: Effects of Greater Market Access on Investment Decisions, 'If greater market access were granted to foreign companies in your industry, how would this impact your company's investment decisions in China?'

	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	552	541	506	562	532	585	626	585				
More likely to increase investment	55%	60%	55%	56%	57%	27%	25%	31%	46%	15,14%	25%	60%
Somewhat likely to increase investment in China	0%	0%	0%	0%	0%	38%	37%	34%	14%	18,84%	0%	38%
No impact	42%	31%	35%	35%	36%	35%	38%	35%	36%	3,14%	31%	42%
Less likely to increase investment in China	3%	9%	10%	9%	7%	0%	0%	0%	5%	4,46%	0%	10%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 20: Missed Business Opportunities, 'Has your company missed out on business opportunities in China as a result of market access restrictions or regulatory barriers?'

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	557	555	552	541	506	562	532	585	626	585				
Yes	48%	45%	47%	50%	43%	45%	46%	43%	44%	45%	46%	2,22%	43%	50%
No	52%	55%	53%	50%	57%	55%	54%	57%	56%	55%	54%	2,22%	50%	57%

What percentage of your company's annual revenue in China do these missed opportunities represent?

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	272	266	259	89	218	254	243	254	274	N.N.				
0-10%	15%	19%	17%	42%	36%	41%	37%	35%	40%	N.N.	31%	11,03%	15%	42%
10-25%	36%	35%	37%	39%	32%	35%	26%	30%	30%	N.N.	33%	4,12%	26%	39%
25-50%	18%	15%	14%	5%	8%	3%	6%	9%	9%	N.N.	10%	5,00%	3%	18%
>50%	10%	9%	9%	7%	3%	5%	6%	4%	2%	N.N.	6%	2,85%	2%	10%
Do not know	21%	21%	22%	7%	21%	16%	25%	22%	19%	N.N.	19%	5,22%	7%	25%

Note: Asked only if the answer to "Has your company missed out on business opportunities in China as a result of market access restrictions or regulatory barriers?" was "Yes"

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 21: Market Access Restrictions for Foreign Companies, 'Does your company face market access restrictions in China?'

	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	590	639	592				
Yes, direct market access restrictions	15%	15%	12%	14%	1,73%	12%	15%
Yes, indirect market access barriers	30%	29%	33%	31%	2,08%	29%	33%
No	54%	55%	55%	55%	0,58%	54%	55%

Note: Multiple answers possible

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 22: Chinese Companies Market Access in Europe compared to European Companies Market Access in China, 'Do you feel that Chinese companies enjoy better market access in Europe than European companies enjoy in China?'

	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	310	316	346	N.N.				
Yes	62%	56%	54%	N.N.	57%	4,16%	54%	62%
No	38%	44%	46%	N.N.	43%	4,16%	38%	46%

Note: Excluding answer 'Do not know'

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 23: Foreign-Invested Companies Treatment' by the Chinese Government Compared to Domestic Companies, 'How does your company perceive foreign-invested companies' treatment by the Chinese Government in your industry compared to that of domestic Chinese companies?'

	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	552	541	506	562	532	585	626	585				
FIEs tend to receive favourable treatment	11%	12%	12%	10%	7%	11%	10%	8%	10%	1,81%	7%	12%
FIES are treated equally	34%	33%	31%	36%	41%	43%	50%	54%	40%	8,35%	31%	54%
FIES ten to receive unfavourable treatment	55%	55%	57%	54%	51%	45%	40%	39%	50%	7,17%	39%	57%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 24: Level Playing Field for Foreign Companies, 'When do you expect to see a level playing field through national treatment for foreign enterprises in your industry?'

	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	530	585	626	585				
National treatment already exists in my industry	0%	15%	23%	24%	15%	11,10%	0%	24%
<2 years	17%	16%	12%	12%	14%	2,56%	12%	17%
2-5 years	32%	23%	22%	20%	24%	5,29%	20%	32%
6-10 years	16%	12%	10%	10%	12%	2,83%	10%	16%
>10 years	7%	5%	3%	4%	5%	1,71%	3%	7%
Not expect significant improvement	28%	30%	29%	31%	29%	1,26%	28%	31%

Note: Answer option 'National treatment already exists in my industry' not given in 2018

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 25: Outlook on the Relationship between POEs and SOES, 'What best describes your outlook on the relationship between private business and the state-owned sector in China over the next two years?'

	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	585	626	585				
POEs will gain opportunities at the expense of SOEs	20%	16%	15%	17%	2,65%	15%	20%
POEs and SOEs will experience equal opportunities	39%	35%	37%	37%	2,00%	35%	39%
SOEs will gain opportunities at the expense of POEs	41%	48%	48%	46%	4,04%	41%	48%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 26: Governmental Environment Protection Measures, 'How does your company rate the government's environmental protection measures over the past year?'

	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	541	506	562	532	585	621	585				
Strong	19%	15%	22%	45%	44%	44%	39%	33%	13,30%	15%	45%
Adequate	24%	30%	25%	27%	21%	46%	48%	32%	10,91%	21%	48%
Weak	57%	55%	53%	28%	35%	10%	13%	36%	19,84%	10%	57%

Note: Answers "Weak" and "Poor" added for 2018, Excludes answer 'Do not know'

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 27: Enforcement of Environmental Regulations, 'How does your company assess the enforcement of environmental regulations in China on different companies?

Chinese SOEs

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	541	506	562	532	285	322	309				
Strong	5%	9%	10%	15%	17%	N.N.	N.N.	23%	23%	27%	50%	51%	60%	60%	29%	20,38%	5%	60%
Weak	90%	88%	88%	85%	83%	N.N.	N.N.	77%	77%	73%	50%	49%	40%	40%	70%	19,51%	40%	90%

Chinese POEs

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	541	506	562	532	308	337	313				
Strong	5%	9%	10%	15%	12%	N.N.	N.N.	18%	19%	22%	50%	55%	54%	57%	27%	20,33%	5%	57%
Weak	90%	88%	88%	85%	88%	N.N.	N.N.	82%	81%	78%	50%	45%	46%	43%	72%	19,55%	43%	90%

Foreign enterprises

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	541	506	562	532	399	458	416				
Strong	71%	75%	67%	71%	72%	N.N.	N.N.	74%	77%	79%	86%	90%	91%	89%	79%	8,43%	67%	91%
Weak	28%	25%	33%	29%	28%	N.N.	N.N.	26%	23%	21%	14%	10%	9%	11%	21%	8,32%	9%	33%

Note: No differentiation between Chinese SOEs and POEs from 2008 to 2011, Excludes answer 'Do not know'
Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 28: Business Outlook Concerning Growth, 'How would you describe the business outlook for your sector in China over the next two years concerning growth?'

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	207	232	450	591	543	600	550	539	498	557	519	584	626	585				
Optimistic	95%	94%	83%	65%	78%	80%	78%	72%	68%	58%	45%	56%	62%	45%	48%	68%	68%	15,78%	45%	95%
Neutral	N.N.	N.N.	12%	27%	20%	17%	19%	22%	27%	34%	40%	33%	30%	41%	36%	25%	27%	8,79%	12%	41%
Pessimistic	N.N.	N.N.	5%	8%	2%	3%	3%	6%	5%	8%	15%	11%	7%	15%	17%	6%	8%	4,81%	2%	17%

Note: Excluding answer 'Not applicable'
Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 29: Business Outlook Concerning Profitability, 'How would you describe the business outlook for your sector in China over the next two years concerning profitability?'

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	207	233	449	583	525	597	541	535	497	556	521	584	626	N.N.				
Optimistic	62%	63%	47%	35%	34%	37%	36%	30%	32%	28%	19%	23%	23%	22%	21%	N.N.	34%	13,74%	19%	63%
Neutral	N.N.	N.N.	35%	42%	50%	45%	48%	51%	52%	49%	49%	47%	52%	51%	48%	N.N.	48%	4,74%	35%	52%
Pessimistic	N.N.	N.N.	18%	23%	16%	19%	16%	19%	17%	23%	32%	29%	24%	27%	31%	N.N.	23%	5,68%	16%	32%

Note: Excluding answer 'Not applicable'
Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 30: Business Outlook Concerning Competitive Pressure, 'How would you describe the business outlook for your sector in China over the next two years concerning competitive pressure?'

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	206	230	450	587	528	589	547	533	494	552	516	584	626	585				
Optimistic	29%	29%	17%	16%	14%	15%	17%	16%	14%	16%	14%	16%	14%	12%	14%	13%	17%	5,03%	12%	29%
Neutral	N.N.	N.N.	44%	48%	43%	45%	48%	45%	47%	44%	42%	40%	41%	45%	41%	44%	44%	2,53%	40%	48%
Pessimistic	N.N.	N.N.	38%	36%	43%	40%	34%	39%	39%	40%	44%	44%	44%	43%	45%	43%	41%	3,37%	34%	45%

Note: Excluding answer 'Not applicable'
Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 31: Business Outlook Concerning Productivity, 'How would you describe the business outlook for your sector in China over the next two years concerning productivity?'

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	**N.N.**	**N.N.**	**N.N.**	**N.N.**	**N.N.**	549	483	569	518	501	475	533	496	584	626	N.N.				
Optimistic	N.N.	N.N.	N.N.	N.N.	N.N.	41%	40%	39%	40%	37%	28%	32%	31%	30%	31%	N.N.	35%	4,95%	28%	41%
Neutral	N.N.	N.N.	N.N.	N.N.	N.N.	50%	54%	55%	54%	53%	57%	52%	54%	59%	60%	N.N.	55%	3,08%	50%	60%
Pessimistic	N.N.	N.N.	N.N.	N.N.	N.N.	8%	6%	6%	6%	10%	15%	16%	14%	12%	9%	N.N.	10%	3,85%	6%	16%

Note: Excluding answer 'Not applicable'
Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 32: Business Outlook Concerning Access to Intermediate Inputs, 'How would you describe the business outlook for your sector in China over the next two years concerning access to intermediate inputs?'

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	410	381	383	354	393	388	584	626	N.N.				
Optimistic	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	14%	17%	13%	9%	10%	10%	8%	9%	N.N.	11%	3,11%	8%	17%
Neutral	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	74%	74%	74%	74%	73%	73%	82%	82%	N.N.	76%	3,88%	73%	82%
Pessimistic	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	N.N.	12%	9%	14%	17%	17%	18%	11%	9%	N.N.	13%	3,66%	9%	18%

Note: Excluding answer 'Not applicable'
Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 33: Business Outlook Concerning Labour Costs, 'How would you describe the business outlook for your sector in China over the next two years concerning labour costs?'

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	205	223	449	574	511	595	545	529	497	545	521	584	626	N.N.				
Optimistic	N.N.	N.N.	7%	13%	5%	5%	5%	7%	7%	8%	6%	8%	7%	7%	7%	N.N.	7%	2,06%	5%	13%
Neutral	N.N.	N.N.	31%	59%	43%	28%	30%	31%	35%	34%	39%	33%	29%	32%	38%	N.N.	36%	8,25%	28%	59%
Pessimistic	N.N.	N.N.	62%	28%	52%	67%	65%	62%	58%	57%	55%	59%	64%	61%	55%	N.N.	57%	9,82%	28%	67%

Note: Excluding answer 'Not applicable'

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 34: Revenue Development, 'How did your company's total revenue in Mainland China evolve compared to the previous year?'

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	N.N.	207	233	367	262	224	452	453	199	506	546	499	535	588	546				
Increased substantially (>20%)	N.N.	N.N.	N.N.	45%	35%	20%	41%	36%	22%	23%	17%	15%	16%	19%	13%	11%	10%	23%	11,47%	10%	45%
Increased (5-20%)	N.N.	N.N.	N.N.	31%	32%	30%	37%	39%	40%	36%	43%	36%	39%	47%	46%	39%	32%	38%	5,33%	30%	47%
Remained the same (+/-5%)	N.N.	N.N.	N.N.	20%	22%	27%	16%	18%	23%	29%	25%	35%	33%	26%	28%	32%	33%	26%	5,91%	16%	35%
Decreased (5-20%)	N.N.	N.N.	N.N.	3%	9%	16%	2%	5%	12%	9%	10%	12%	10%	7%	8%	12%	16%	9%	4,22%	2%	16%
Decreased substantially (>20%)	N.N.	N.N.	N.N.	1%	2%	7%	3%	1%	4%	3%	5%	2%	2%	1%	4%	5%	8%	3%	2,21%	1%	8%

Revenue Development

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
Increased	57%	80%	56%	76%	67%	50%	79%	75%	62%	59%	60%	50%	55%	66%	59%	50%	42%	61%	11,11%	42%	80%
Remained the same or decreased	43%	20%	44%	24%	33%	50%	21%	25%	38%	41%	40%	50%	45%	34%	41%	50%	58%	39%	11,11%	20%	58%

Note: Excludes answer 'Not applicable'

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 35: Revenue Distribution, 'What was the total revenue of your company in Mainland China to the nearest million EUR?'

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	N.N.	N.N.	N.N.	501	248	226	548	453	202	506	569	532	585	626	N.N.				
>EUR 1 bn	N.N.	N.N.	N.N.	N.N.	7%	5%	8%	10%	9%	9%	11%	11%	12%	15%	14%	15%	N.N.	11%	3,15%	5%	15%
EUR 251-1 bn	N.N.	N.N.	N.N.	N.N.	12%	5%	11%	12%	11%	10%	12%	10%	14%	12%	12%	12%	N.N.	11%	2,19%	5%	14%
EUR 51-250 mn	N.N.	N.N.	N.N.	N.N.	12%	11%	13%	19%	13%	15%	16%	15%	15%	17%	15%	18%	N.N.	15%	2,39%	11%	19%
EUR 11-50 mn	N.N.	N.N.	N.N.	N.N.	16%	12%	19%	15%	20%	19%	20%	16%	18%	20%	23%	19%	N.N.	18%	2,91%	12%	23%
EUR 1-10 mn	N.N.	N.N.	N.N.	N.N.	28%	20%	27%	27%	24%	23%	25%	27%	23%	20%	22%	23%	N.N.	24%	2,75%	20%	28%
<EUR 1 mn	N.N.	N.N.	N.N.	N.N.	26%	16%	22%	18%	22%	23%	15%	21%	17%	16%	15%	14%	N.N.	19%	3,89%	14%	26%

Note: Excluding answer 'Do not know'

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 36: EBIT Description, 'Please describe your company's earnings before interest and tax (EBIT) in Mainland China'

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	N.N.	N.N.	230	390	262	224	452	453	199	506	563	532	585	626	585				
Positive	N.N.	N.N.	61%	70%	63%	58%	74%	73%	64%	63%	70%	66%	71%	77%	75%	75%	73%	69%	5,91%	58%	77%
Breakeven	N.N.	N.N.	11%	14%	16%	23%	16%	14%	20%	21%	14%	20%	17%	16%	16%	15%	14%	16%	3,23%	11%	23%
Negative	N.N.	N.N.	28%	16%	21%	18%	11%	13%	15%	16%	16%	14%	11%	8%	9%	10%	13%	15%	5,11%	8%	28%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 37: Profitability

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	N.N.	N.N.	230	390	262	224	452	453	199	506	563	532	585	626	585				
Profitable Companies	61%	77%	61%	70%	63%	58%	74%	73%	64%	63%	70%	66%	71%	77%	75%	75%	73%	69%	6,21%	58%	77%
Non-profitable Companies	37%	23%	38%	30%	37%	42%	26%	27%	36%	37%	30%	34%	29%	23%	25%	25%	27%	31%	5,99%	23%	42%

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 38: EBIT Margin Compared to Worldwide Average, 'How did your company's EBIT margin in Mainland China evolve compared to the previous year?'

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	Std. Dev.	Min	Max
N	N.N.	N.N.	N.N.	N.N.	221	389	262	224	450	453	199	506	563	532	411	464	436				
Higher than company average worldwide	N.N.	N.N.	N.N.	N.N.	39%	37%	33%	42%	33%	30%	28%	24%	31%	35%	39%	38%	51%	35%	6,87%	24%	51%
Same as company average worldwide	N.N.	N.N.	N.N.	N.N.	28%	29%	37%	29%	34%	38%	36%	42%	41%	42%	36%	34%	28%	35%	5,17%	28%	42%
Lower than company average worldwide	N.N.	N.N.	N.N.	N.N.	33%	34%	30%	29%	34%	33%	36%	35%	28%	22%	25%	28%	20%	30%	5,07%	20%	36%

Note: Excludes answer 'Not applicable'

Source: Business Confidence Survey 2009-2021, European Union Chamber of Commerce in China (EUCCC)

Table 39: China's GDP Development

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Growth Rate	8,49%	8.34%	9,13%	10,04%	10,11%	11,40%	12,72%	14,23%	9,65%	9,40%	10,64%	9,55%	7,86%	7,77%	7,42%	7,04%	6,85%	6,96%	6,75%	6,11%	N.N.

Source: Macotrends.net, China GDP Growth Rate 1961-2020

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total GDP (Billions of US $)	$1,221	$1,339	$1,471	$1,660	$1,955	$2,286	$2,752	$3,550	$4,594	$5,102	$6,087	$7,552	$8,532	$9,570	$10,476	$11,062	$11,233	$12,310	$13,895	$14,343	N.N.

Source: Macotrends.net, China GDP 1960-2020