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Sino Benelux Business Survey 2018



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Sino-Benelux Business Survey

- This year's Sino Benelux Business Survey has been organized by the Benelux Chamber of Commerce in Beijing, Shanghai & Guangzhou, with support of the official representations of The Netherlands, Belgium and Luxembourg in China and in partnership with MS Advisory China.
- We have examined the performance and expectations of Benelux businesses in China and researched how companies have dealt with changes within their environment.
- This year, 166 companies have participated in the business survey, which is a significant increase compared to last year's Sino Benelux Business Survey (98(+) companies).
- As in 2016 and 2017, this survey was conducted so that the Benelux business community and other important stakeholders may better understand the business climate in China.

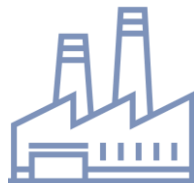
Methodology

- The research was conducted through an online questionnaire that was shared by mail, newsletters, WeChat and LinkedIn.
- Approximately 2000+ Benelux companies have been contacted, with a total of 166 companies returning the questionnaire. The field work, which took place in February, March and April 2018, was actively supported by the Benelux Chamber of Commerce across China and the official representations in China of the Netherlands, Belgium and Luxembourg.
- The survey consisted of 61 open and multiple choice questions on 8 themes: Survey Demographics, Business Performance, Business Climate, Belt and Road Initiative, Onward Expectations for 2018, Role of Embassies & Chamber of Commerce and Corporate Social Responsibility in China.
- This year the Sino-Dutch and Sino-Benelux Business Survey have been merged together;

SURVEY DEMOGRAPHICS



This year 166 companies have participated in the Sino-Benelux Business Survey



Most of the respondents come from Industrial Goods and Services (> 40%) and Consumer Goods and Services (>25%)



On average, the respondents have operated in China for 12.6 years.



More than 50% of the respondents are SMEs with a revenue from 1mil to 100 mil RMB

BUSINESS PERFORMANCE



Revenue growth and the profit margin of the respondents in China remained fairly positive.

88% of the companies report a revenue growth and a profit in China.



Following analyzing our data, there seems to be a direct correlation between size of business in China and profit margin.

BUSINESS CLIMATE

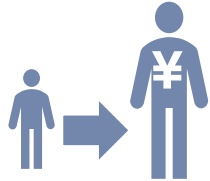


66% of the respondents are favourable/optimistic on the Chinese market today. At the same time 56% worry about preferential treatment of local competitors.



63% worry about the difficulties in obtaining government approvals in China.

CHALLENGES/NEGATIVE DRIVERS



Most of the respondents indicate that salary costs is the most significant negative driver for their business in 2017 and remains a challenge for 2018.



According to the respondents, “Unlevelled Playing Field” has become the second most negative driver for their business in China.

BELT AND ROAD INITIATIVE (BRI)



Belt & Road Initiative (BRI) is China’s centerpiece program to increase its trade with the rest of the world.

Only 20% of the respondents came across BRI partnership and business opportunities.



77% of the respondents indicate the need for more information on Belt and Road initiative.

ECONOMIC NETWORK IN CHINA



Most respondents would use economic networks to develop their professional and personal network.



The services most likely to be used in the future have been indicated “advice and support with specific issues” for their business. The service that has been used the most is smooth visa procedure for Chinese partners.

CSR IN CHINA



ISO 26000 and OECD guidelines are seldom part of a company’s operation. On the other hand there is an increased attention for CSR.



Furthermore, the majority of respondents believe that CSR compliance is seen as an advantage for clients and suppliers in China.

Definitions

- ISO 26000 is the international standard developed to help organizations effectively assess and address those social responsibilities that are relevant and significant to their mission and vision; operations and processes; customers, employees, communities, other stakeholders; and environmental impact.
- OECD is an intergovernmental economic organization with the task to stimulate economic progress and global trade. It is a forum of countries describing themselves as committed to democracy and the market economy, providing a platform to compare policy experiences, seeking answers to common problems, identify good practices and coordinate domestic and international policies of its members.
- Economic slowdown, or the “new normal”, means the Chinese economy has entered a new phase after its high-speed GDP growth. The government aims to stimulate qualitative growth by refocusing the economy on domestic consumption.

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Corporate Social Responsibility

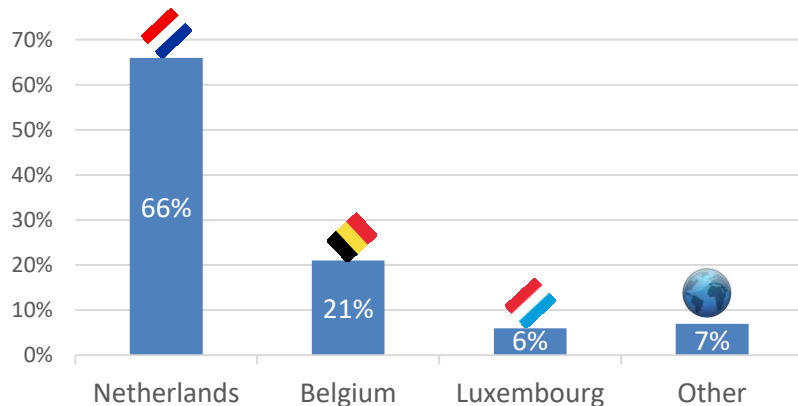
Closing Remarks



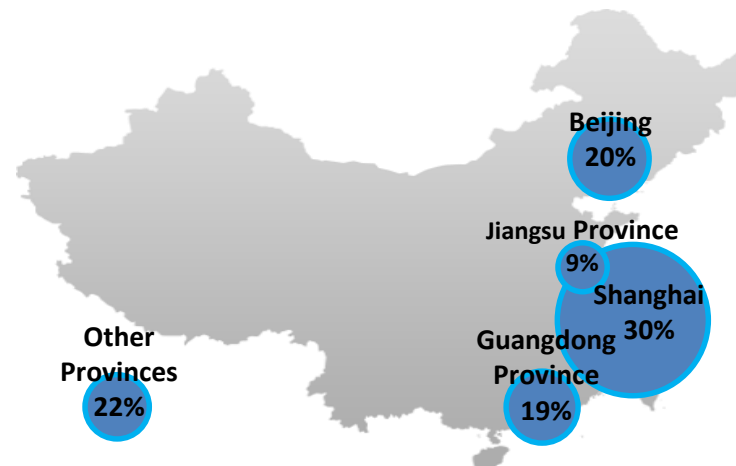
Survey Demographics

Geography of the Respondents

Parent company



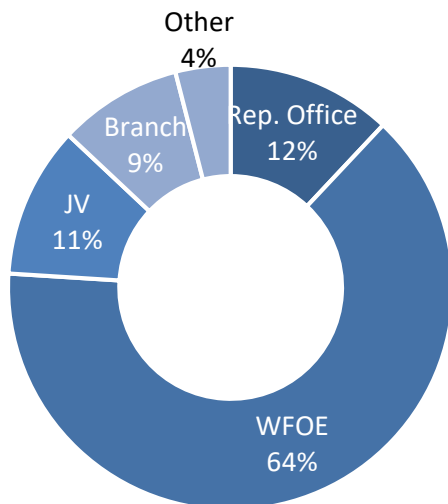
Region in Mainland China



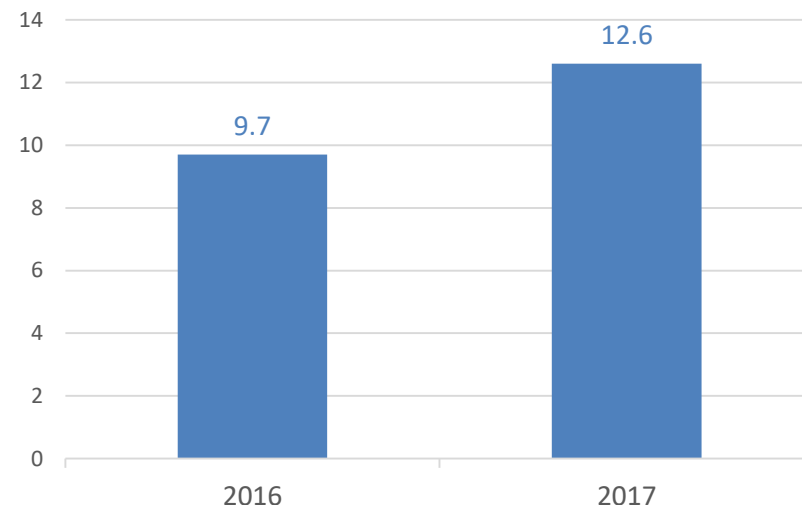
- In total, **93% of the respondents** are subsidiaries of Benelux companies; the remaining 7% have either strong relations with the Benelux market or have management from Belgium, the Netherlands or Luxembourg.
- Similar as last year's business survey, **mostly companies from first-tier cities in China** have taken part.
- A total of **31% of the respondents** come from other regions than Beijing, Shanghai and Guangdong Province.
 - Only 20% of "other provinces" comes from coastal regions, "other provinces" are evenly spread across China.

Entry modes in China

Company structure

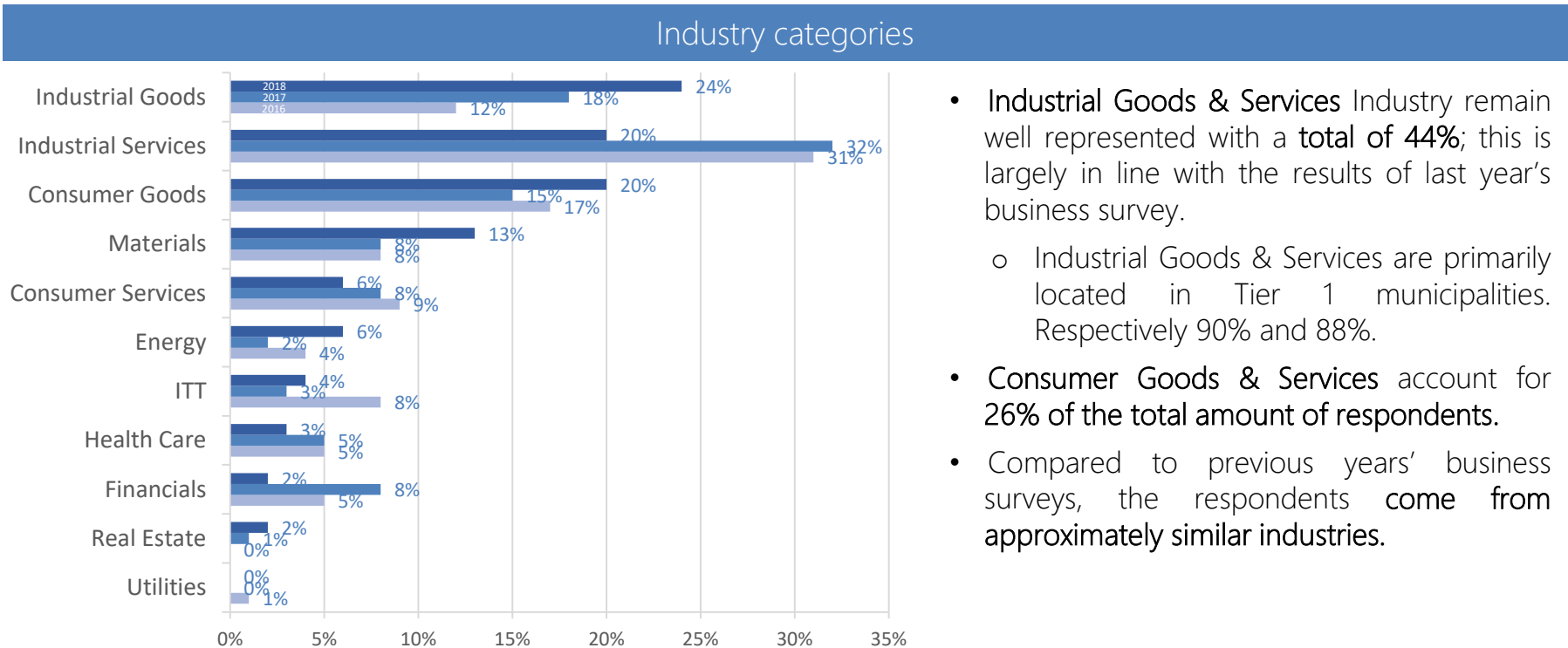


Years in China



- 75% of the respondents have entered China via a Wholly Foreign Owned Enterprise (WFOE) or via a Joint Venture
- On average, the respondents had 12.6 years of formal operations in China.
 - Compared to last year's survey, the average years of formal operations in China increased by around 2.9 years. This is largely due to additional respondents compared to last year's survey.

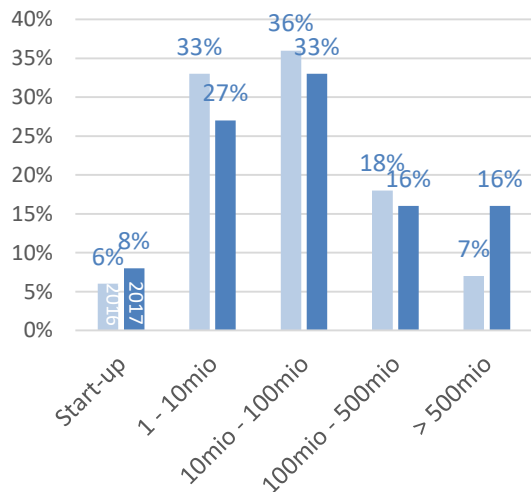
Industry Sectors Represented



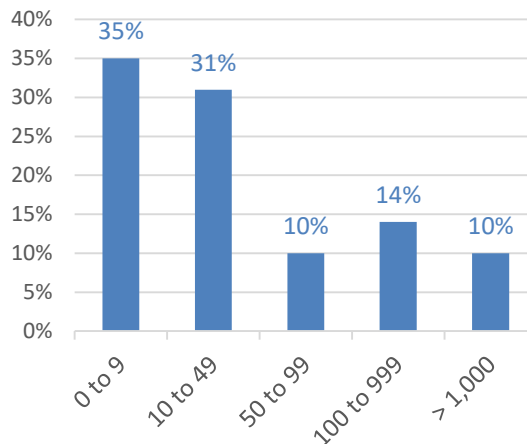
- Industrial Goods & Services Industry remain well represented with a total of 44%; this is largely in line with the results of last year’s business survey.
 - Industrial Goods & Services are primarily located in Tier 1 municipalities. Respectively 90% and 88%.
- Consumer Goods & Services account for 26% of the total amount of respondents.
- Compared to previous years’ business surveys, the respondents come from approximately similar industries.

Company Size

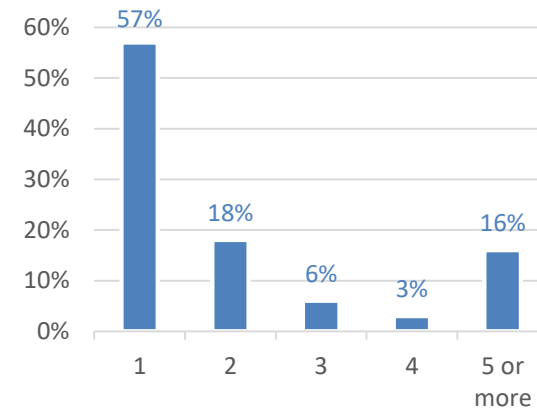
Size by revenue (RMB)



Size by employees In China



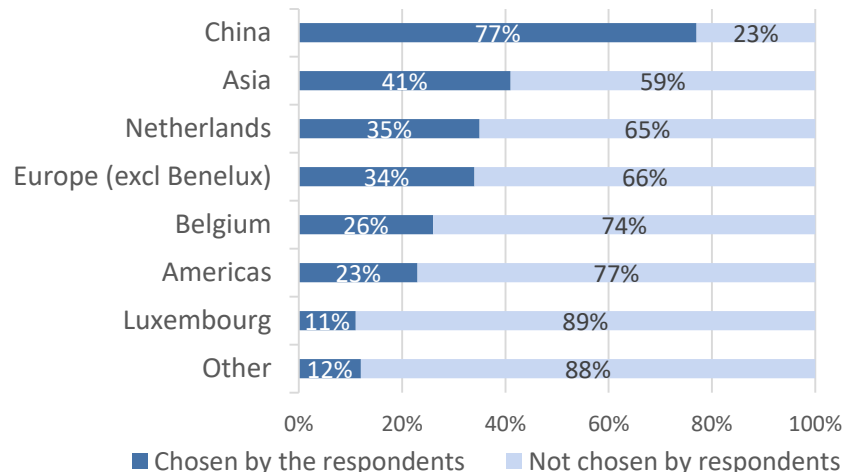
Number of establishments in China



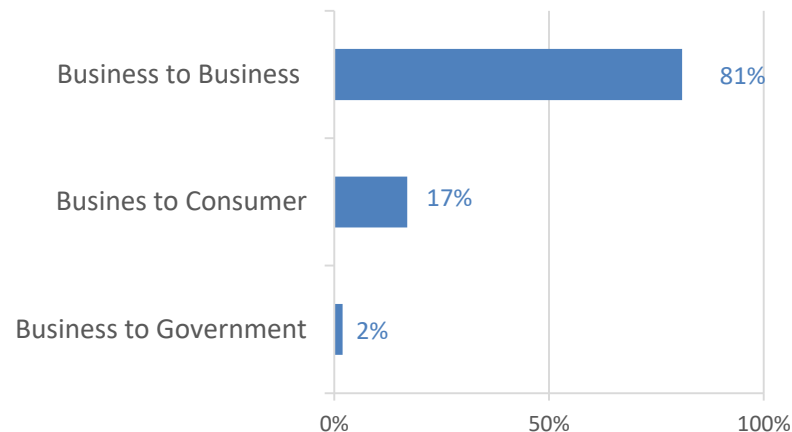
- Based on revenues and employees, **2/3 of the respondents are SMEs in China.**
 - Around 60% have a revenue size from 1 to 100 million RMB; 66% have less than 50 employees in China.
- 58% of most SMEs in China are a part of large companies with more than 100 employees worldwide.

Markets Served & Business Model

Markets served



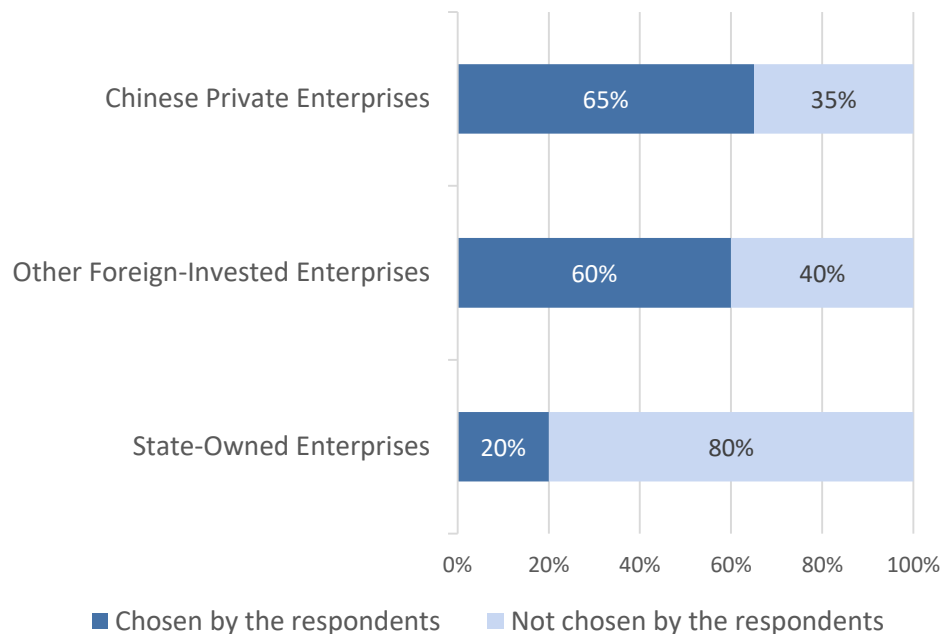
Type of business model



- China is still the dominant market served; only 23% of respondents that are operating in China are not directly serving the domestic market.
- 81% of the total are into B2B transactions. **86% of the companies focused on B2C are serving the Chinese market.**
- 39% of the respondents** that are solely focused on the Chinese market come from the Industrial Goods & Services sectors. For Consumer Goods & Services 27% of the respondents are solely focused on the Chinese market.

Major competitors

Major competitors in the Chinese market

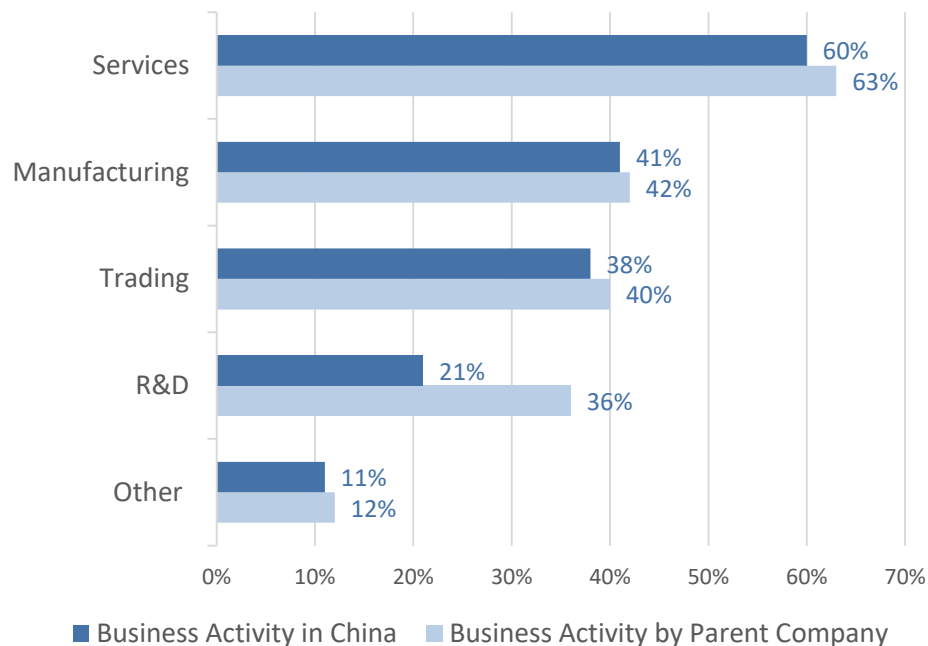


Note: respondents chose more than one type of competitor.

- The respondents have indicated that both **Chinese and Foreign Invested enterprises** are mostly their competitor, respectively 65% and 60%.
 - We have cross-compared that Tier 1 municipality/ cities like Beijing, Shanghai, and Guangdong are fairly balanced between Foreign-Invested Enterprises and Chinese Private Enterprises as competitor.
- Sector with the most competitors:
 - Chinese private enterprises: 100% consumer Services.
 - Other foreign-invested enterprises: 75% Health Care.
 - State-owned enterprises: 100% Financials.

Business Activity

In China vs. Parent Company

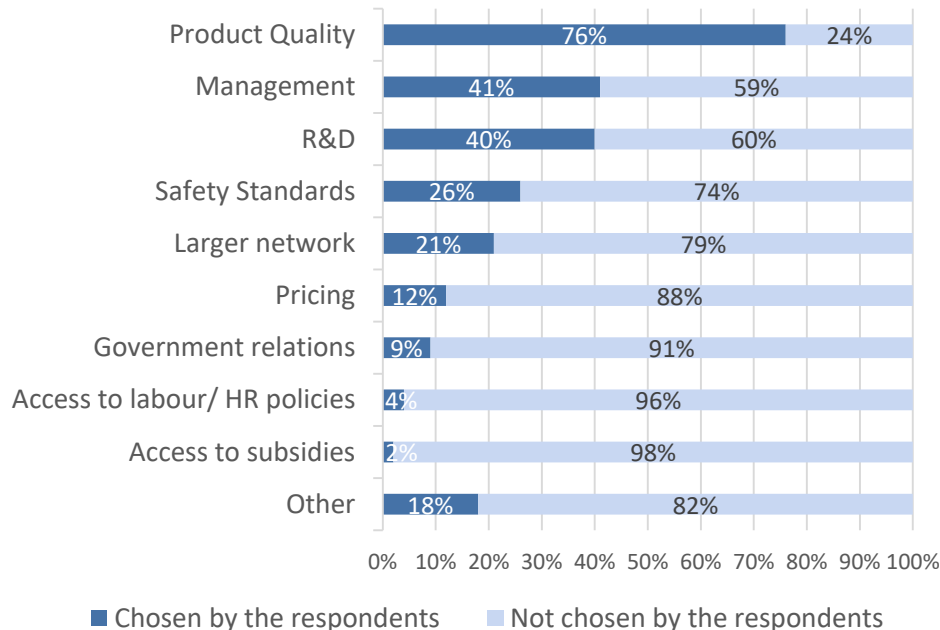


- The results indicate that the respondents' business activity in China mostly resembles that of their parent companies'.
- It should be noted, however, that R&D activities are more frequent at parent company level.
 - Indicated that 15% more R&D activities take place at the parent company, rather than at the Chinese subsidiary.

Note: respondents can choose more than one answer.

Competitive Advantage

What makes you competitive in the Chinese market?
Where do you see your strongest advantages compared with Chinese companies?

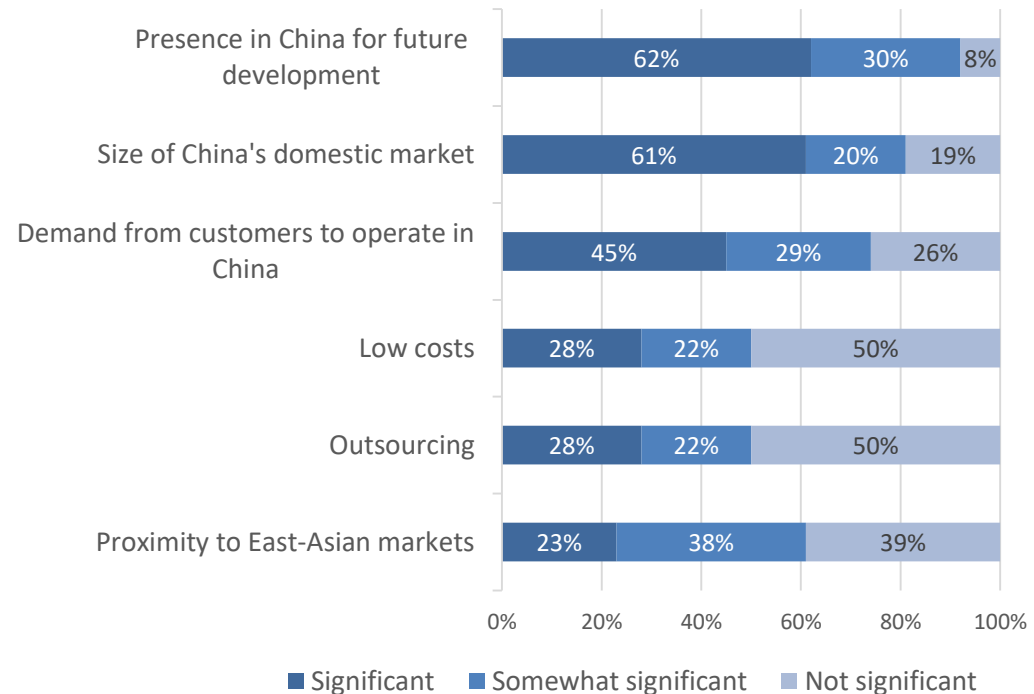


- All types of sectors uniformly agree that their “product quality” is their strongest competitive advantage in China.
 - 72% of companies from IT & Telecom, Healthcare and Financials Industry also indicate the ability of their management team as important competitive advantage in China. Since these businesses are mostly focused on providing services, these results are plausible.
- ‘Other’ includes answers provided by respondents as competitive advantage (a) their professional service experience, (b) knowledge and (c) language skills; thus, competencies of staff.

Reasons for being active in China

Strategic motivations for being active in China

- The main motivation for being active in China is related to the potential for **future development in China** according to the respondents of the business survey (62%).
- Further, in terms of the size of the **domestic market**, 61% of the respondents indicate this as an **important reason** to be active in China.
- For 45% of the respondents, meeting **customer demands to operate in China** is most significant.
- (i) **low costs** and (ii) **outsourcing** have become less interesting for Benelux companies in China.
 - Approximately **50%** indicate **these are not significant reasons** to be active in China; shift from the past when low cost and outsourcing were main drivers into China.

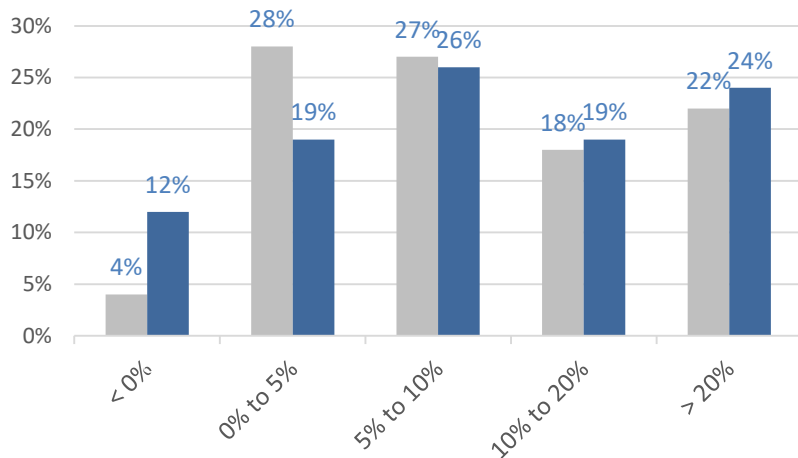




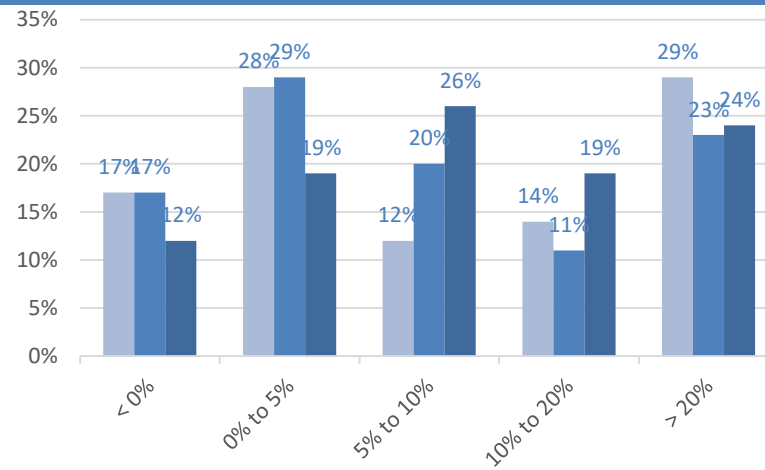
Business Performance

Revenue Growth

% Revenue growth 2017



% Revenue growth from 2015 to 2017

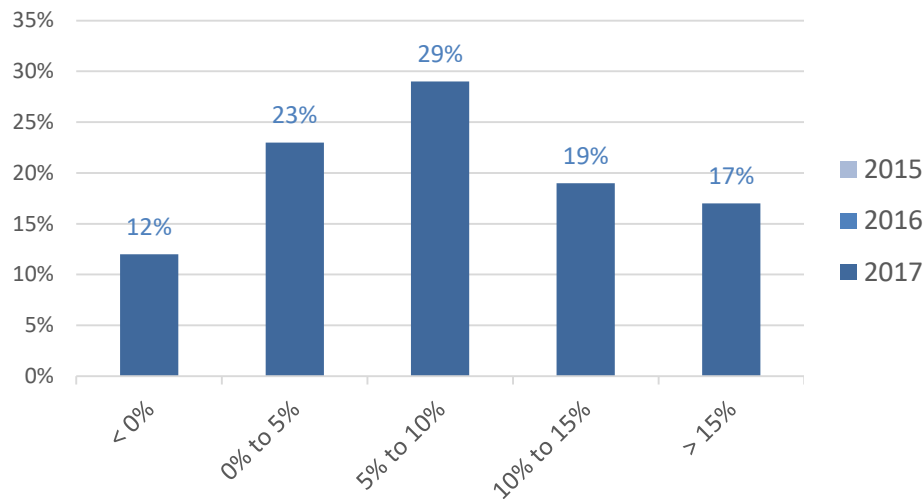


■ Results of 2015 in SBBS 2016
 ■ Results of 2016 in SBBS 2017
 ■ Expectations for 2017 in SBBS 2017
 ■ Results of 2017 in SBBS 2018

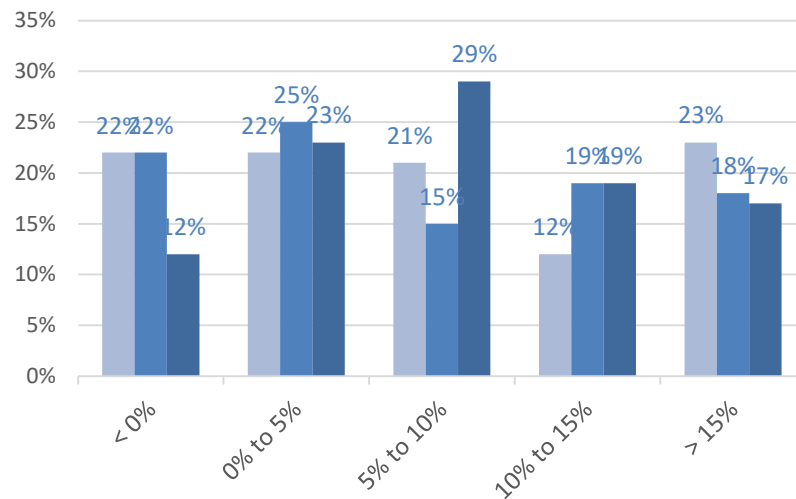
- 69% of the respondents achieved 5% or higher revenue growth in 2017.
- Every year we see between 10% to 20% of the respondents experience a decrease of their revenue.
- The general trend this year is to have less companies with a decrease on very low growth (25%) of revenue, but with more companies achieving between 5% and 20% growth.

Profit Margin

Profit as % of revenue in 2017

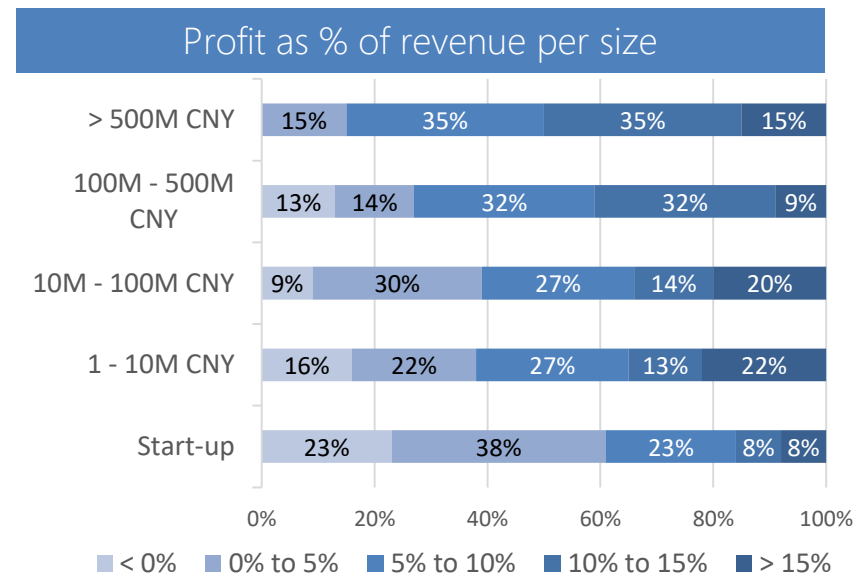
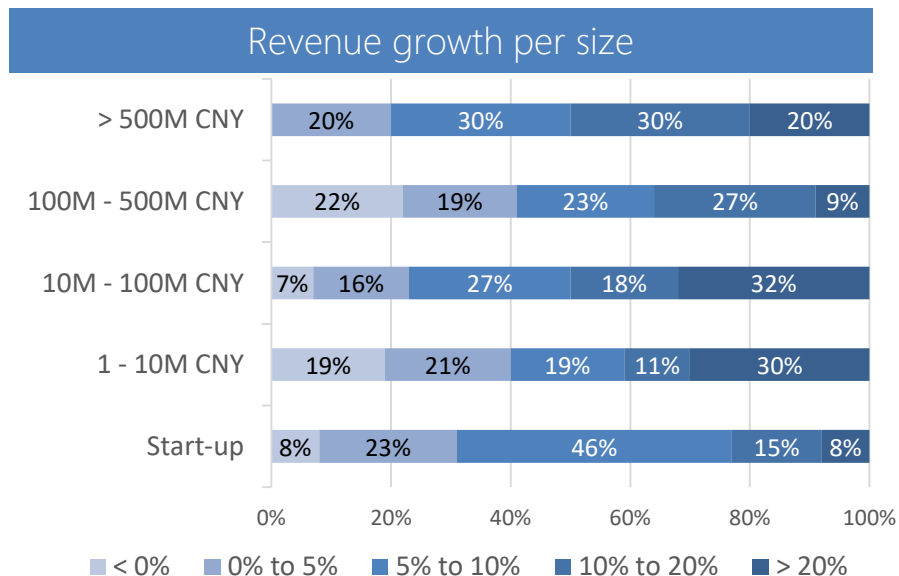


Profit as % of revenue 2015 to 2017



- 65% of the respondents achieved profit margin which is higher than 5% in 2017.
- Compared to previous years' business survey, 10% less of the respondents have indicated to be loss-making China.
- Compared to last year, approximately 14% of respondents have indicated this year that their profit margin is higher between 5% to 10% in China.

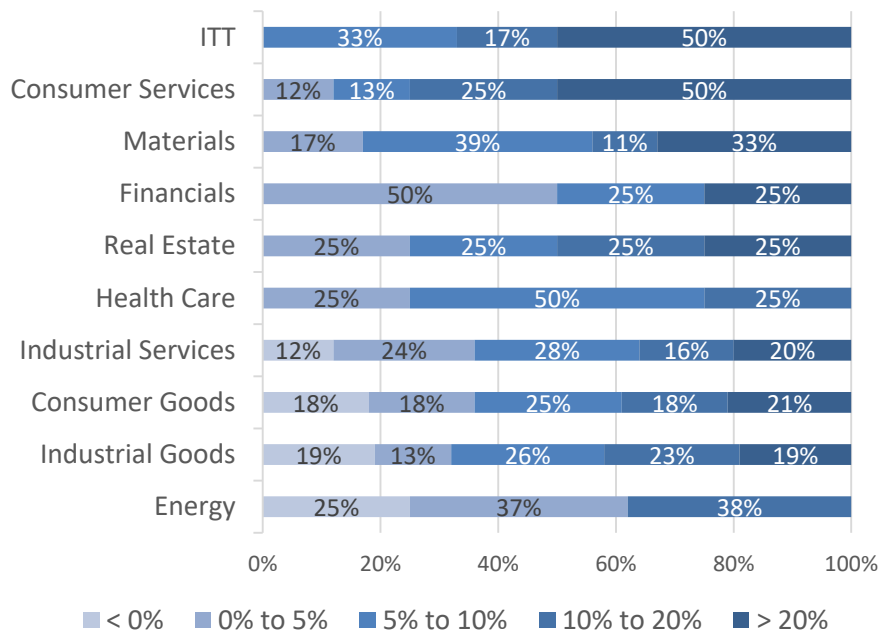
Revenue Growth and Profit Margin per Size



- Across different size of companies, revenue growth and profit margin of the respondents in China remained fairly positive.
 - Approximately 80% to 85% of the category with revenue above 500 million RMB have seen revenue growing and profit margin above 5%.
- It seems there is a direct correlation between size of business in China and profit margin.

Revenue Growth per Sector

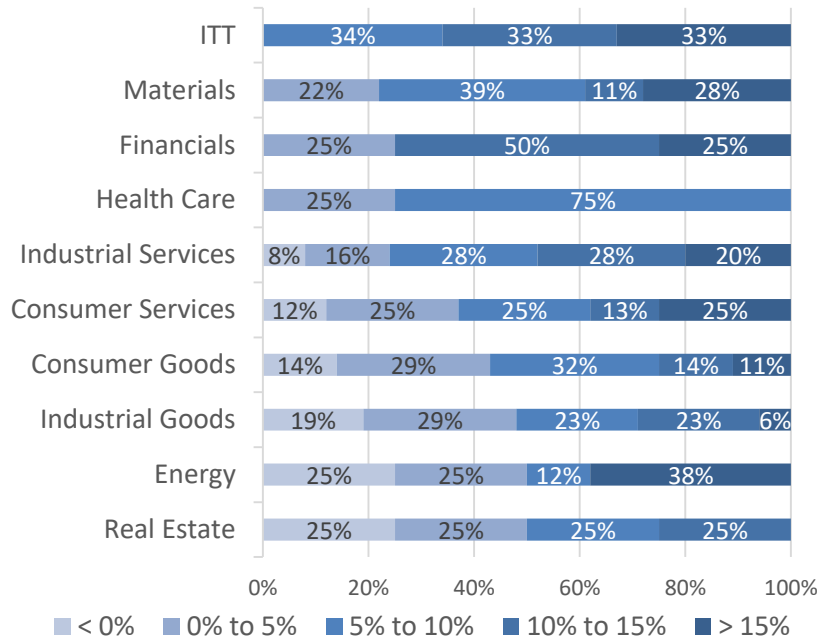
Revenue growth per sector



- Respondents from the ITT and Consumer Services indicate stronger growth in 2017; approximately 50% of the respondents indicate to have revenue growth of more than 20%.
- Respondents from the Energy sector indicate less significant growth in 2017; approximately 62% either have seen revenue growth decrease or grow in between 0 to 5%.
- 79% of respondents from the Consumer Goods identified China as one of their major markets served.
- Similarly, 68% respondents from Industrial Goods & Services identify China as one of their markets.

Profit Margin per Sector

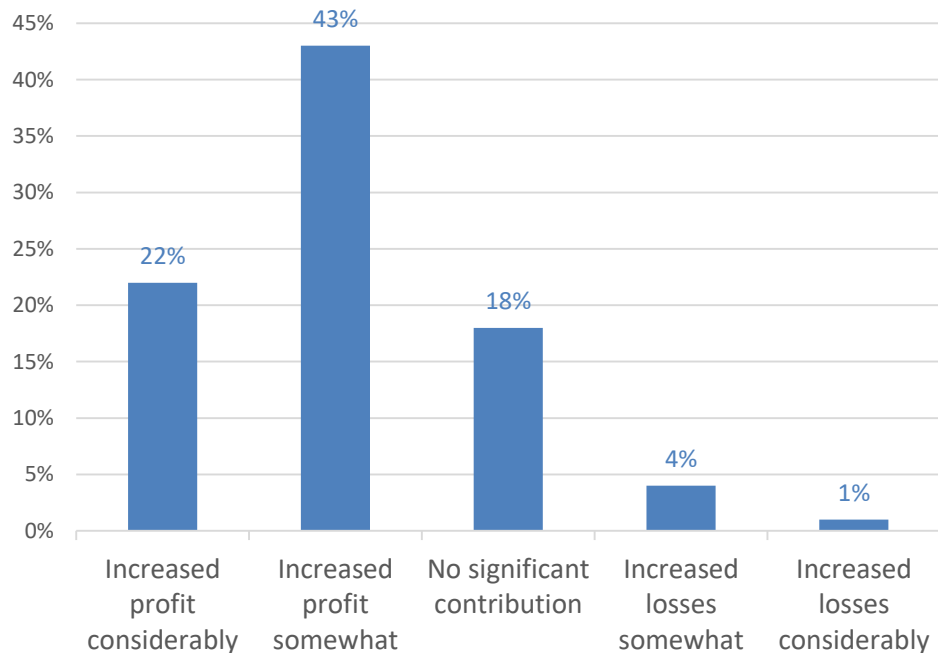
Profitability per sector



- Respondents from the ITT Industry indicate as well for strong profitability in 2017; approximately 66% of the respondents indicate to have profitability of more than 10% and none indicated loss or slower profit margin.
- Respondents from the Materials Industry indicate also profitability in 2017; approximately 39% of the respondents indicate to have profitability of more than 10%.
- Respondents in the Energy and Real Estate sector, the more capital-intensive industries, indicate a less strong profitability compared to other industries; approximately 50% had either less or in between 0 to 5% profit margin.

Contribution to Overall Performance

How did your Company's profitability in China contribute to your group's global profitability?

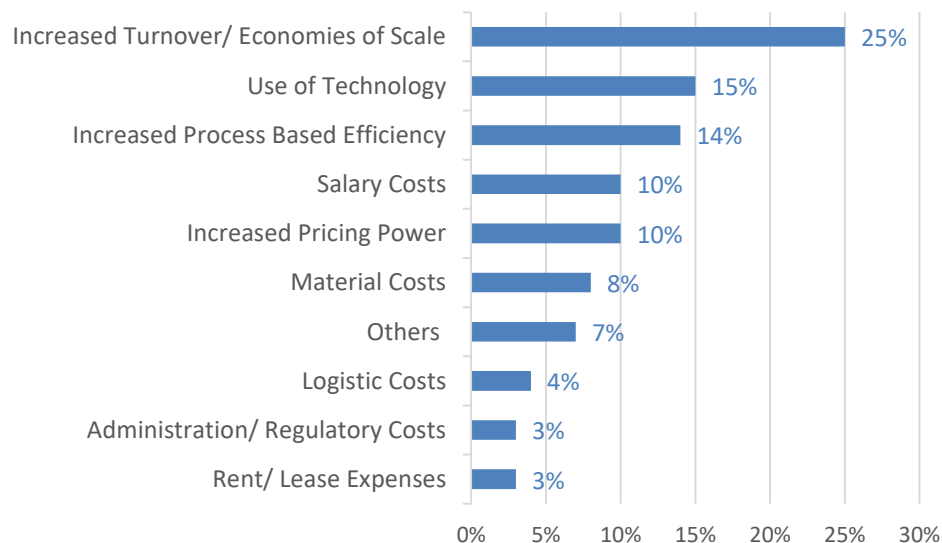


- Overall 65% of the respondents have indicated that their operations in China have **contributed to their global profitability**.
 - 80% of the larger-sized firms (500 mio RMB revenue and up) reported a significant profit contribution.
 - 50 % of respondents from the health care sector reported a significant profit contribution with 50%.

Note: 18 respondents answered "not applicable".

Positive Drivers in 2017

Most significant positive drivers

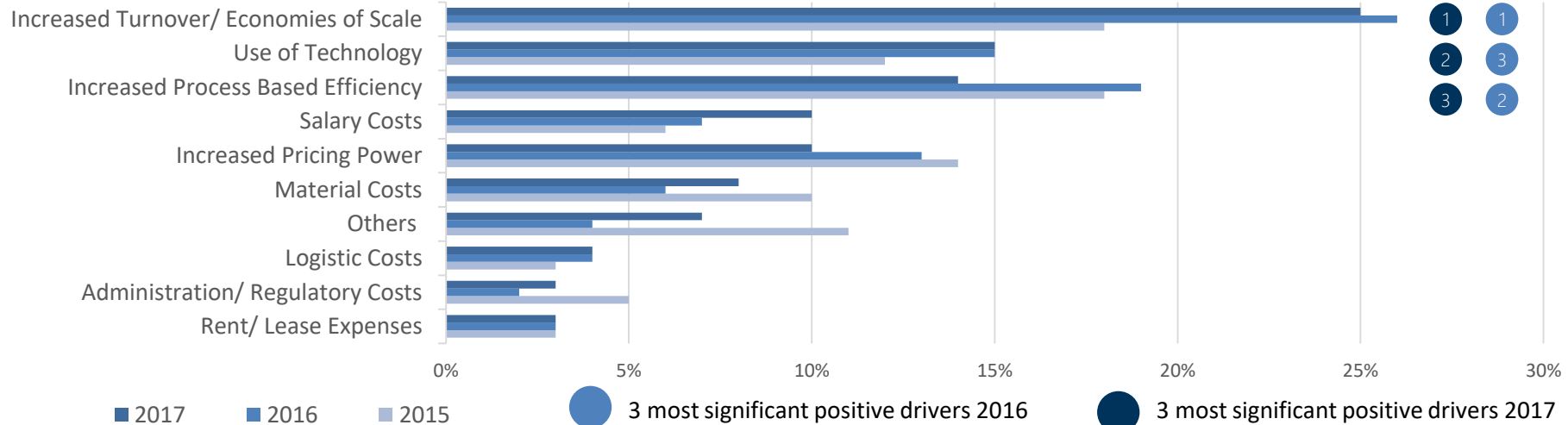


- Most respondents indicated that “increased turnover/economies of scale” as their most significant positive driver in 2017.
 - 71% of start-ups and 77% for larger-sized firms ranked this as their most significant driver.
- The second most significant driver is **use of technology** and with **third most important driver increased process based efficiency; driving towards automation in China.**
 - 63% of SME-sized companies with 10 to 100 mio RMB revenue ranked technology as their most significant positive driver.
 - These firms are mostly active in Industrial Goods, Consumer Goods and Materials in China.

Note: The results are calculated by assigning numerical weights to each answer: 3 points for most significant, 2 for 2nd most significant, and 1 for 3rd most significant.

Compared to previous business survey

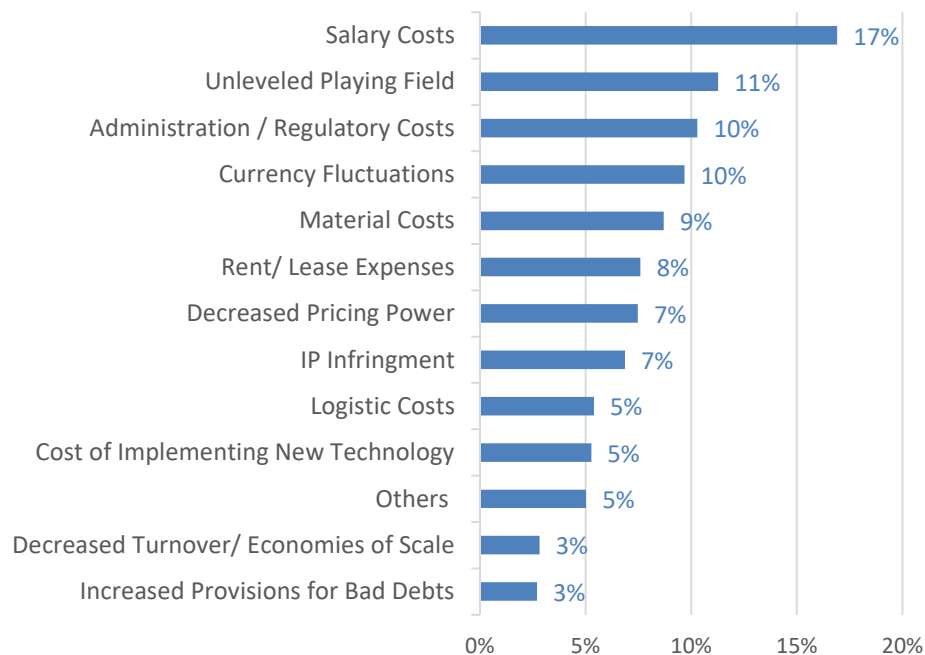
Most significant positive drivers



- The results on the positive drivers this year are largely in line with previous year business survey. The top 3 remains similar.
- Several respondents mentioned in the category 'Other' that **development of domestic market** have benefited them in 2017. While in the last year's business survey, most of the respondents within the category 'Other' had indicate that **strategic developments within their company and in the Chinese market** have benefited them in 2016.
- Respondents from Energy, Industrial Goods and Industrial Services perceive Salary Costs as a positive driver this year.

Negative drivers 2017

Most significant negative driver

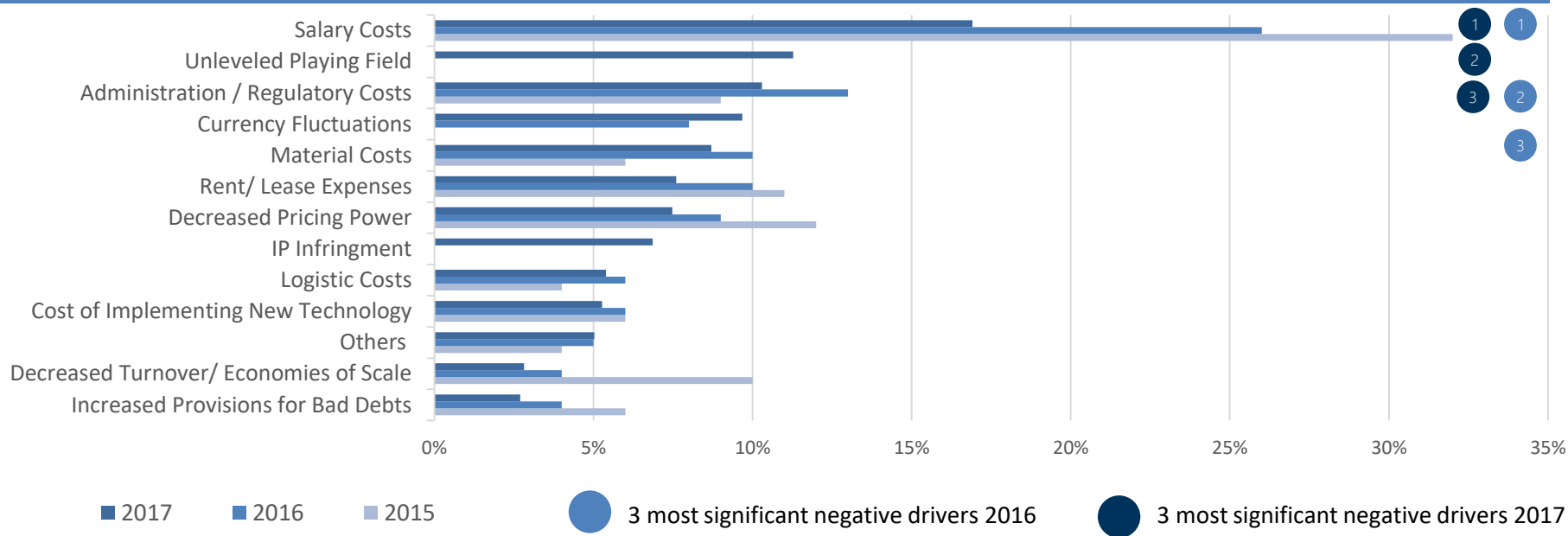


- Most of the respondents indicate that salary costs is the most significant negative driver for their business in 2017.
- A new category “Unlevelled Playing Field” has immediately become the second most negative driver of business.
- Within the category ‘Other’, several of the respondents indicate that there is an **increase of competition on the market**.

Note: This year, we added “Unleveled Playing Field” and “IP Infringement” as negative drivers.

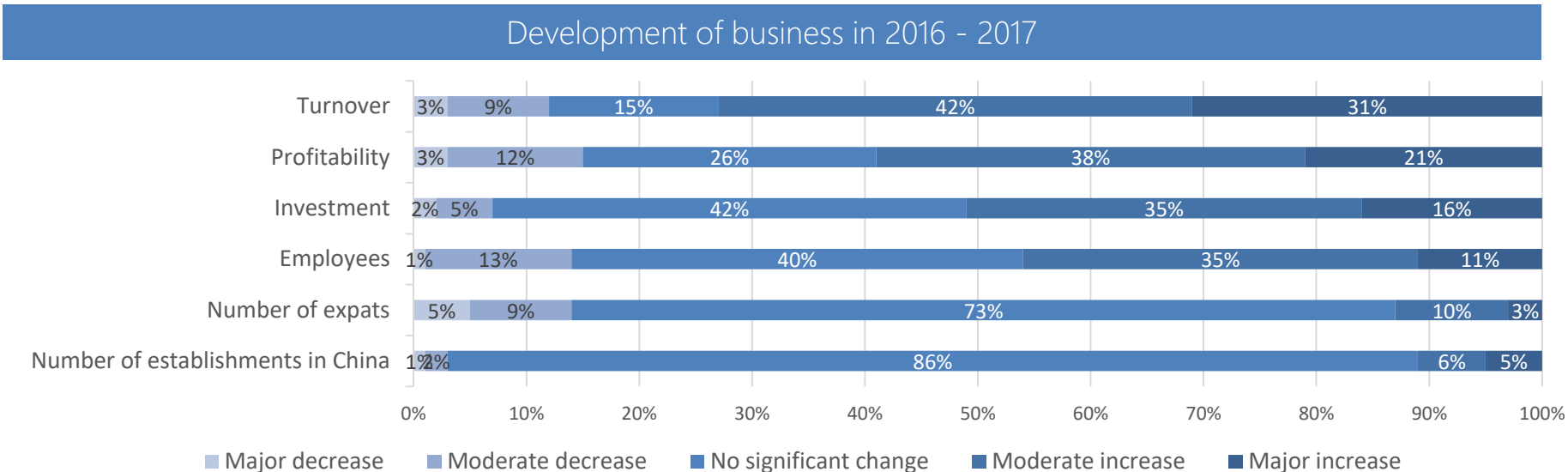
Compared to previous business surveys

Most significant negative drivers



- Salary costs has been this year a less significant negative driver compared to previous surveys.

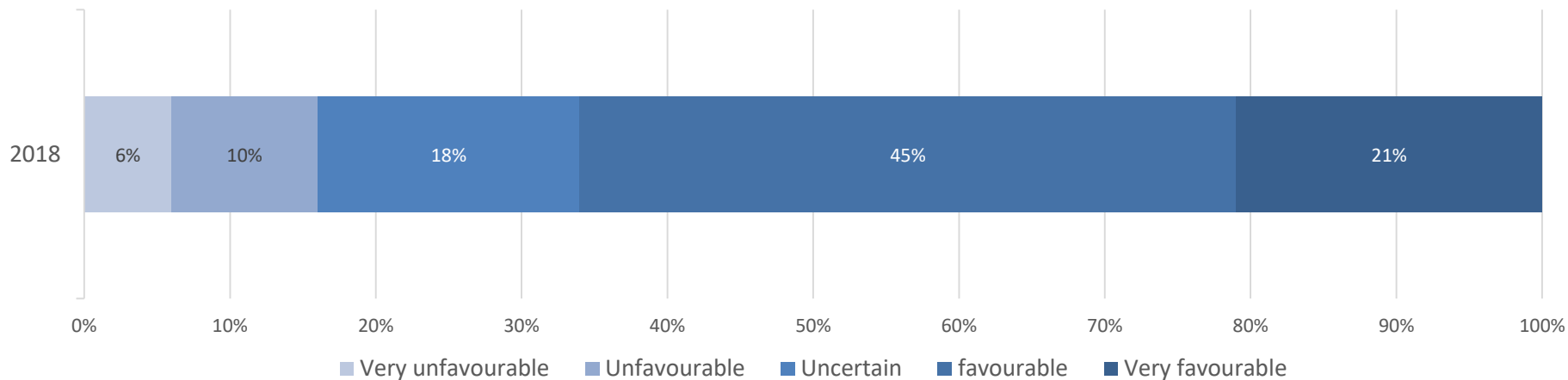
Development of business in 2016 - 2017



- Most respondents indicate between moderate to major increases in turnover (73%), profitability (59%) and investment (51%).
- 50% of the respondents who answered major or moderate decrease in number of expats also answered a major or moderate decrease in number of employees.

Perception Chinese Market today

How do you perceive the Chinese market today?



- 66% of respondents indicated to be optimistic (favorable to very favorable) about the Chinese market.
 - 100% of the ITT sector with is optimistic about the Chinese market.
 - Approximately 72% of the respondents with a revenue size from 10 to 100 million RMB (large SMEs in China) are as optimistic (favorable to very favorable) about the Chinese market today.

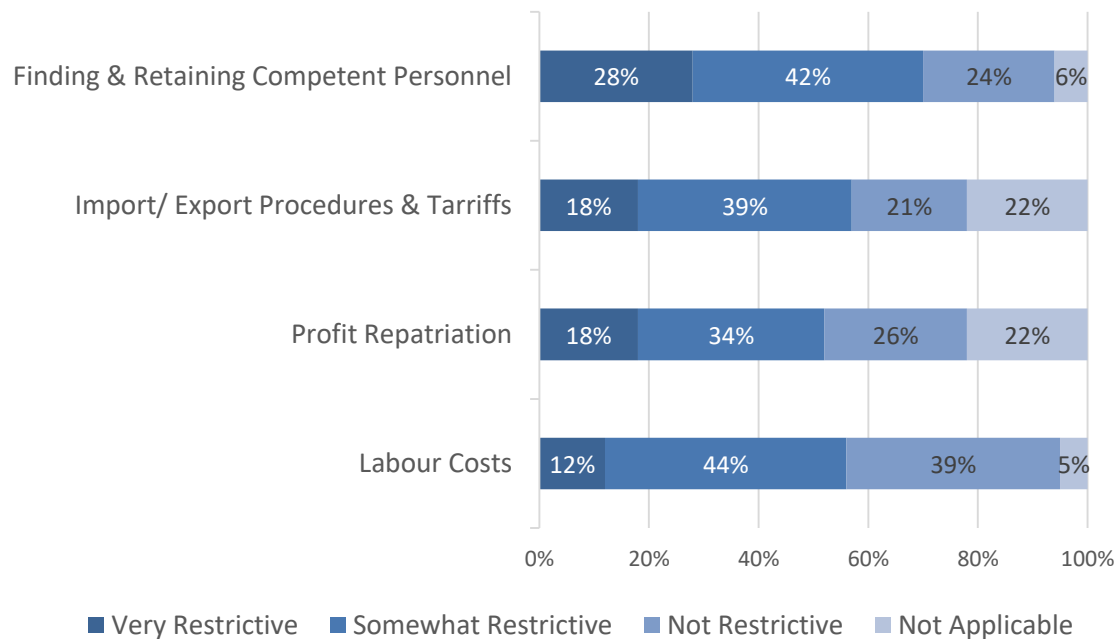
Business Climate



Business Environment

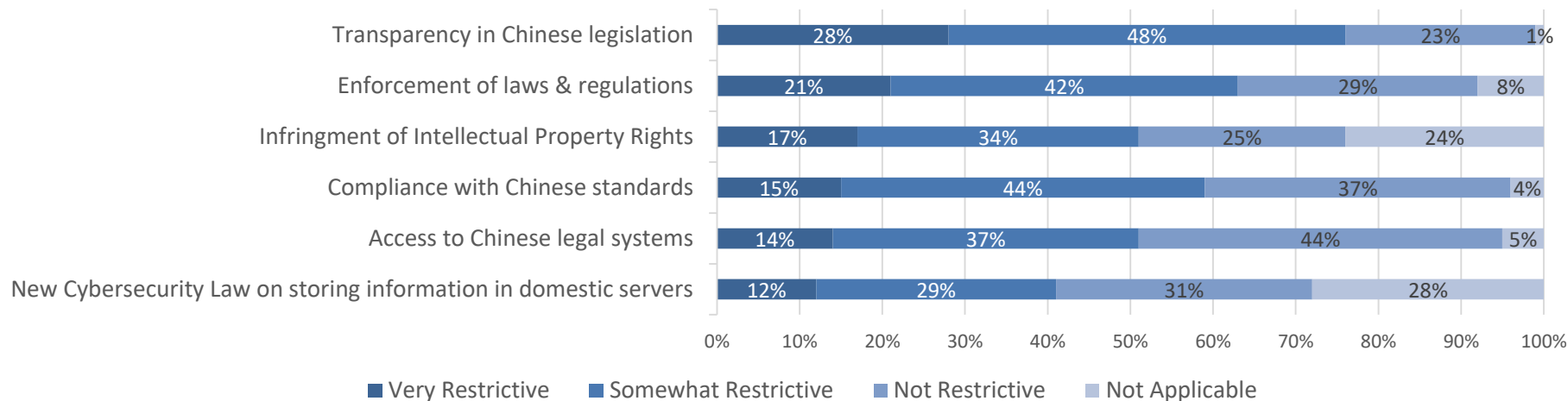
Business operations in China

- 70% indicate that finding and retaining staff in China as either very or somewhat restrictive for their business operations within China;
 - 100% of the companies active in ITT found this to be the most restrictive.
- 57% indicate that import & export procedures and tariffs as either very or somewhat restrictive for their business.
 - Consumer Goods' companies are the most sensitive to these procedures and tariffs (74%).



Regulatory Environment

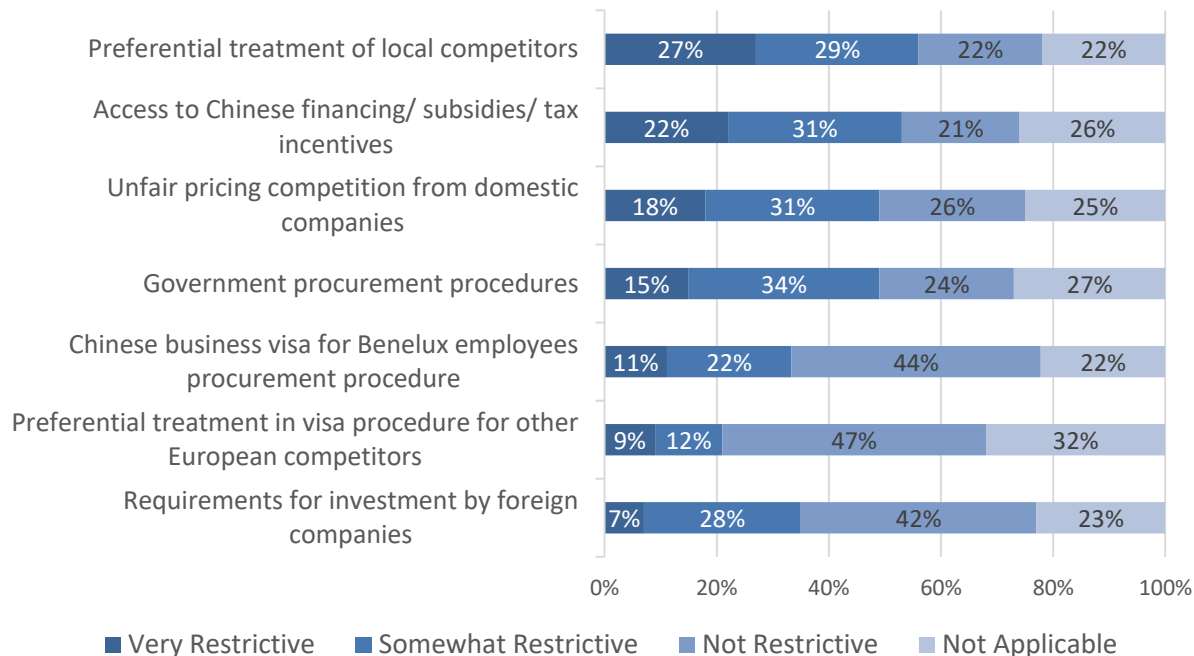
Regulatory environment in China



- Overall, most respondents consider the regulatory environment either as very or somewhat restrictive for their business.
 - 76% feel that lack of transparency Chinese legislation is restrictive to their business.
 - A total of 63% indicate that the enforcement of laws and regulations for their business as restrictive.
 - Regarding the new Cybersecurity Law, however, 31% indicate this is not restrictive and 28% even not applicable.

Level Playing Field

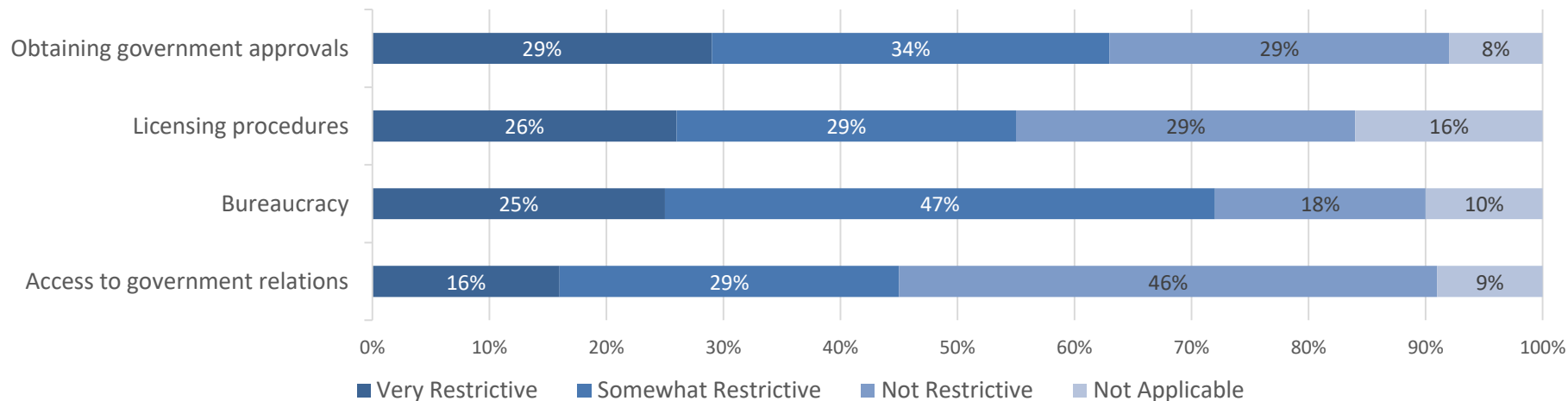
Level playing Field



- 60% of respondents which indicated profitability between 10% - 15%, have indicated unfair pricing competition from their domestic competitors.
- More than 60% of firms who incurred a net loss, perceive preferential treatment of local competitors as major factor creating an unlevel playing field.

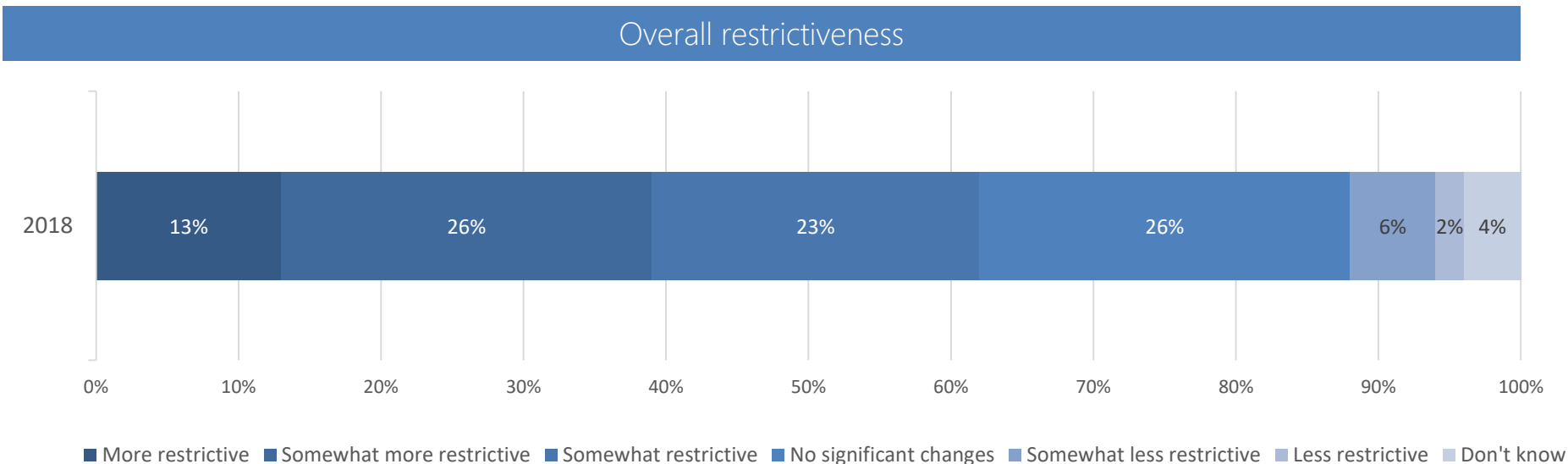
Government Relations

Government relations in China



- Approximately 63% of the respondents have indicated difficulties in receiving government approvals. At least 72% of respondents address the bureaucracy to be restrictive in China.
- This resonates with previous Sino Benelux business surveys wherein dealing with local government for business and approvals were indicated by most of the respondents to be challenging and restrictive.

Restrictiveness in China



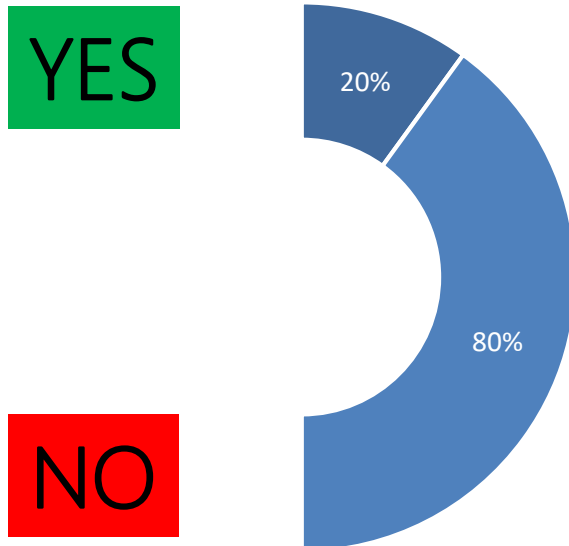
- To conclude, **overall 62% of respondents** have indicated feeling **different levels of restrictions** in conducting their business in China.
 - Only **8% of the respondents** indicated a decrease on various levels of restrictiveness on doing business in China.



Belt & Road Initiative

Belt & Road Initiative (BRI)

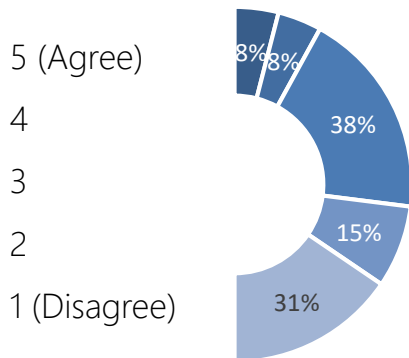
In 2017, our company came across some prospective project or potential partners involved in the BRI?



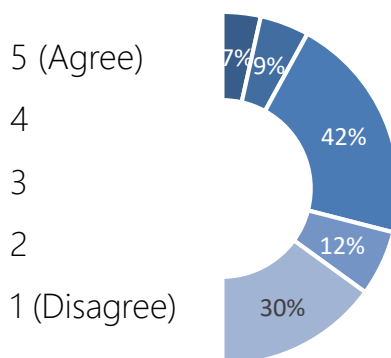
- Belt & Road Initiative (BRI) is the centerpiece program of the Chinese government to increase trade between China and the rest of the world.
 - China aims to achieve this goal by investing heavily in international infrastructure and harmonization of financial and legal relations with participating countries.
 - The general perception of western countries is that this initiatives mostly support Chinese companies.
- The respondents of our survey indicated that only 20% came across projects and potential partners in relation to the BRI. Of this 20% companies most come from the Industrial Services, Consumer Services and ITT.

Impact on the business

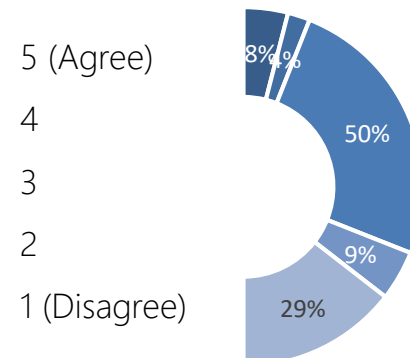
Level playing field



Ownership and Joint Venture restrictions



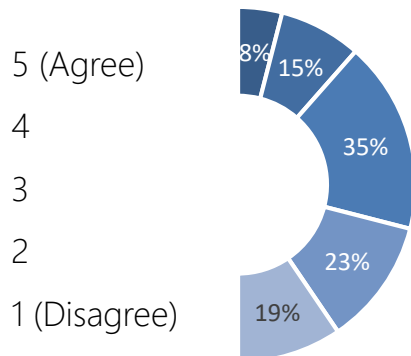
Intellectual property rights protection



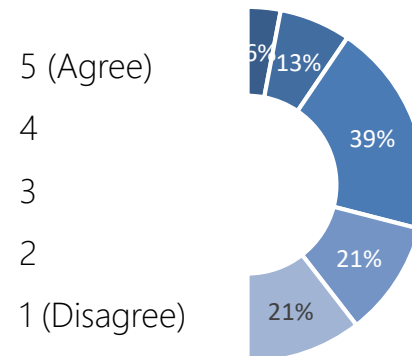
- Respondents are generally neutral or disagree on positive impact of BRI in certain aspects of the business climate. Even the 20% of the respondents whom had experience with BRI.
- 46% of the respondents do not consider the BRI to have a positive impact on level playing field for their business. Level playing field means biases and discrimination between foreign and Chinese firms, 40% have no specific opinion.
- 42% also do not consider BRI to have a positive impact on ownership and Joint Venture restrictions on their business.
- 38% do not consider the BRI to have a positive impact on Intellectual property rights protection on their business, and 50% have no specific opinion about this.

BRI Awareness

I have sufficient knowledge about the opportunities & threats arising from the BRI



The continuous legislation revisions & economic reforms have made significant improvements in my industry



- To some extent, the general neutrality towards BRI may be explained by the **lack of sufficient knowledge and exposure to BRI's efforts**. **42%** consider themselves to have insufficient information about the opportunities and threats arising from the BRI and 35% have no specific opinion about this.
- In the same light, respondents do not yet experience considerable progress in the recent economic reforms and policy changes. **Only 17% agree with this statement.**

BRI Business Opportunities?

What BRI opportunities do the respondents see for their business in China?

The companies that have indicated that they encountered opportunities and potential clients (20%) experienced the following opportunities:

Infrastructure: opportunities to provide train shipment services, railway storage, air cargo, harbor technology, contractors for airport projects, etc.

Advisory: Investment consultancy, advisory and research on how to be participate in the BRI.

Companies are actively setting up offices and production facilities in BRI locations.

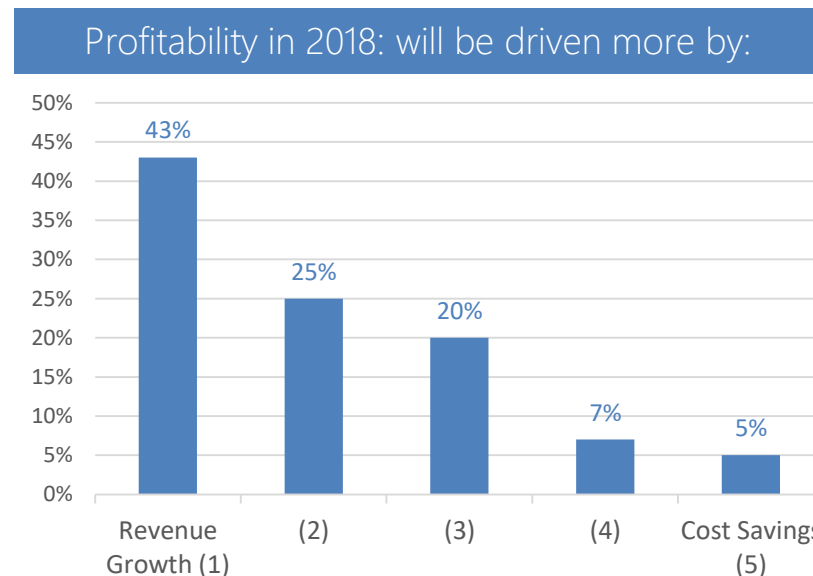
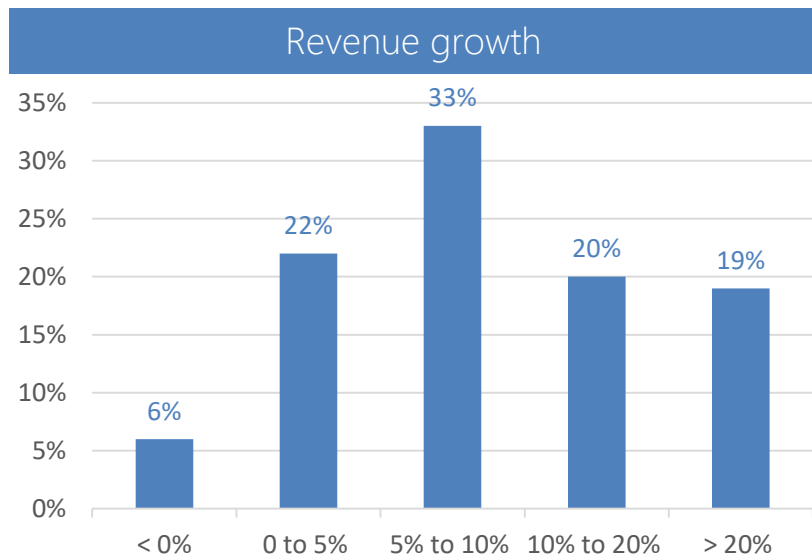
The Belt & Road initiative makes it easier to get local government interested in international initiatives.

Encountered potential clients whose interest in China started because of the BRI.



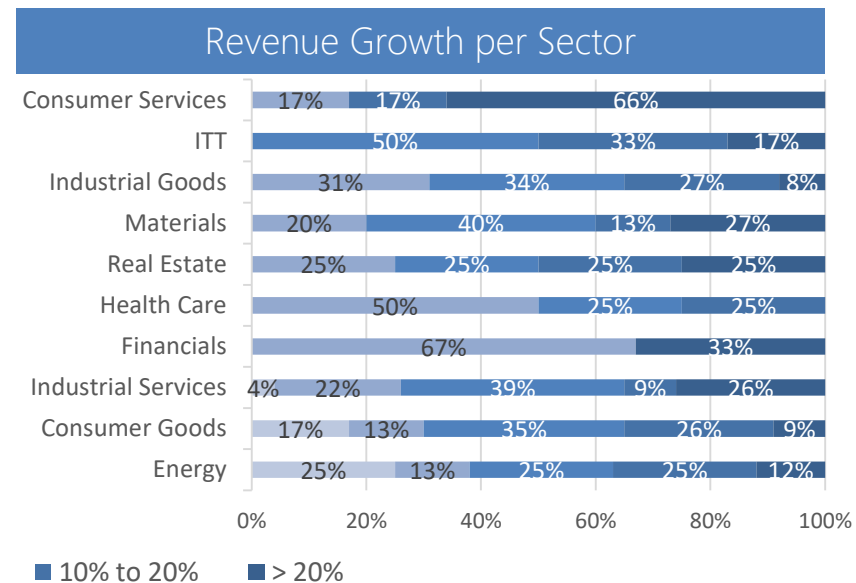
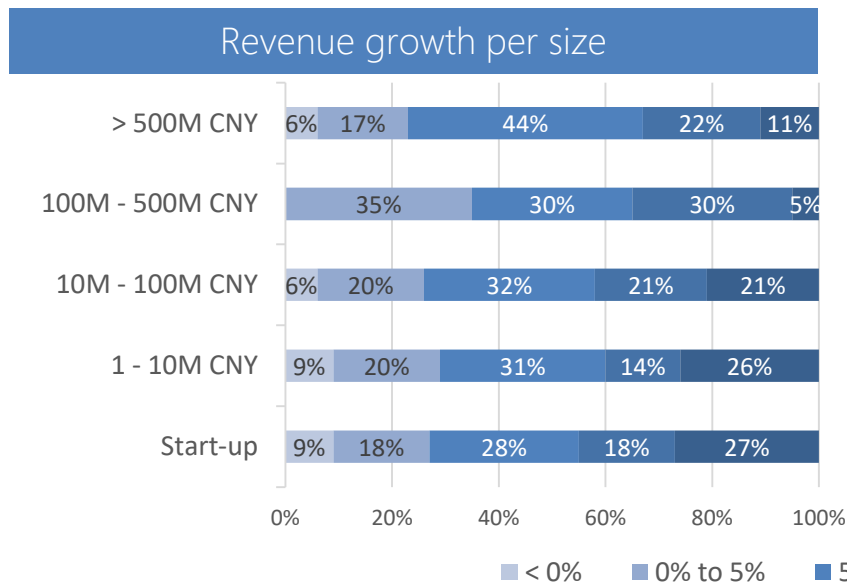
Onward Expectations

Expectations 2018



- 72% of the respondents expect their revenue to grow with more than 5%.
- 68% of the respondents mostly expect their profitability to be influenced by revenue growth in 2018. Only 12% indicate this would mostly be due to cost savings.

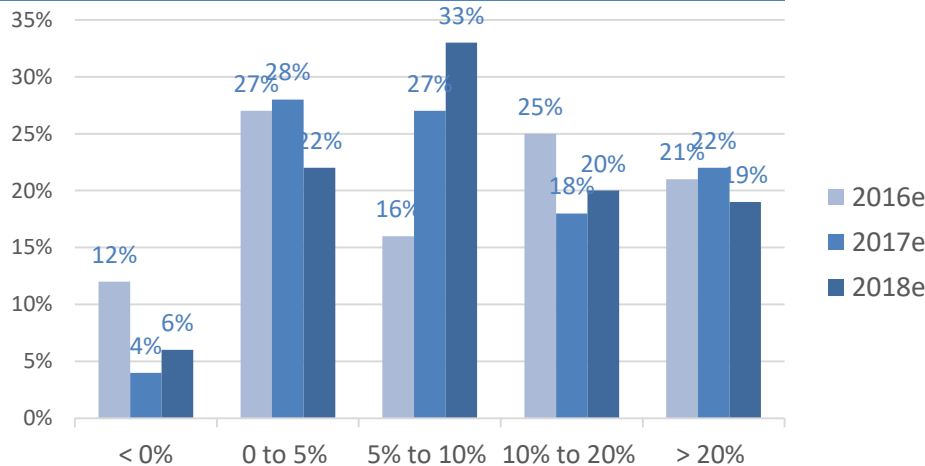
Revenue Growth Expectation Per Size and Sector



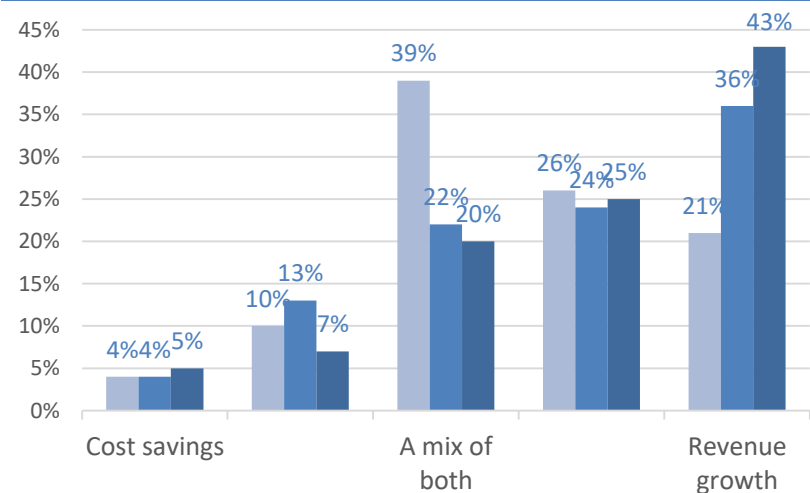
- Most of the respondents expect a revenue growth for 2018. It is normal that start-up are expecting the highest revenue growth for 2018.
- The sector with the highest revenue growth expectation for 2018 is Consumer Services with 66%.

Compared to previous year's business survey

Revenue growth



Profitability in 2018: will be driven more by:



- Compared to business survey 2016 and 2017 expectations, revenue growth expectations above 5% and higher have increased with approximately 10% and with 5%. Confidence of respondents have increased.
- 68% of the respondents expect their profitability would be influenced by revenue growth. This is generally more positive as compared the results of the business survey of last year. (2017). The expectations in 2016 were mostly focused on a mix of cost saving and revenue growth, which is now decreased with 19%.

Expected Challenges

Most challenging aspects of your business for 2018

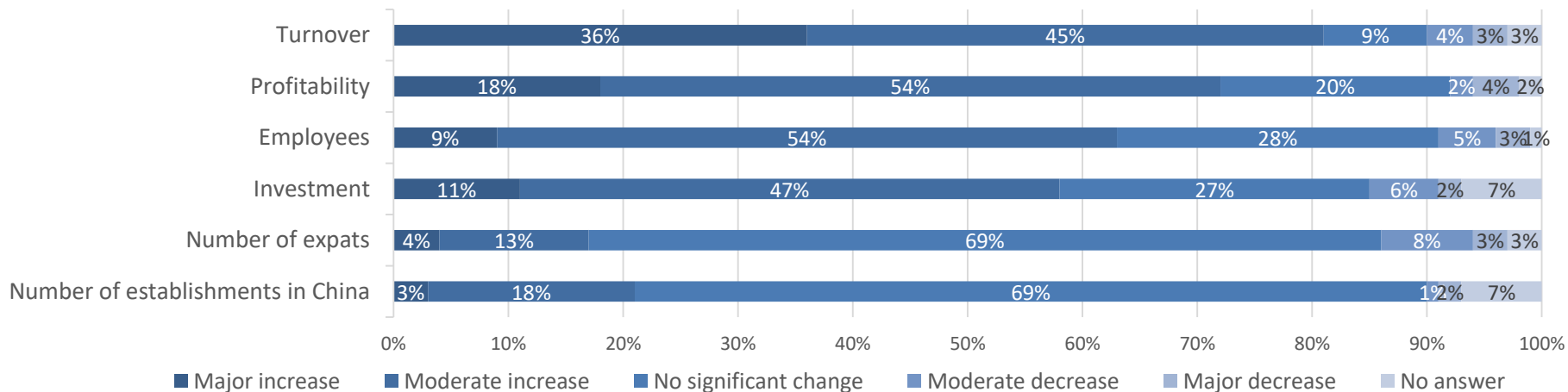


- The **most challenging aspect** for Benelux businesses for 2018 has been indicated is “**managing sales volumes and meeting sales targets**”, which is different from last wherein salary costs have been indicated most significant challenge.
- Different from last year survey but similar as in 2015, **managing 3rd parties** has become again the third most important challenge for Benelux businesses.

3 most challenging aspect for 2017
 3 most challenging aspect for 2016

Outlook 2019-2020

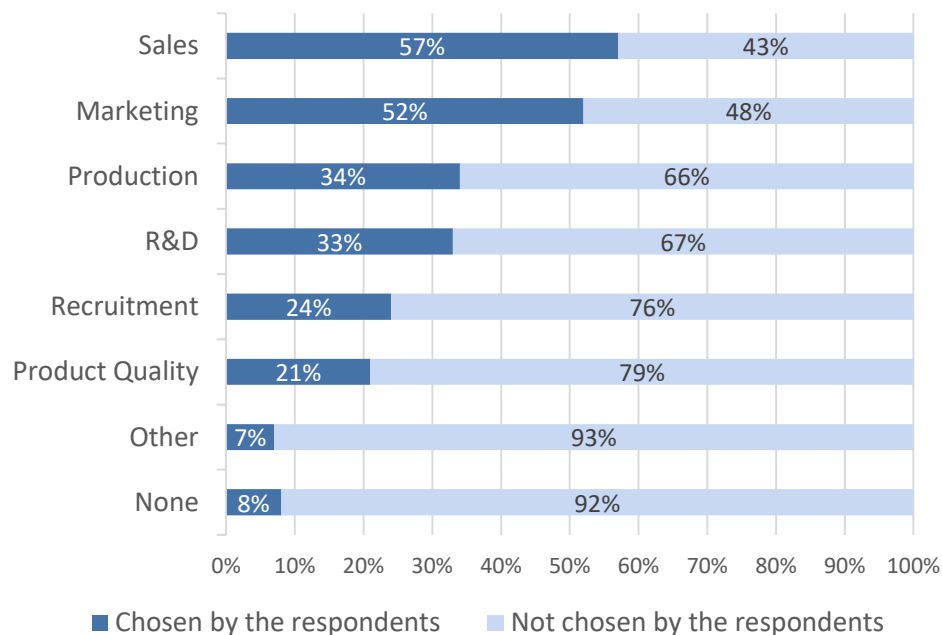
What is the outlook for the Chinese business of your company for the period 2019-2020



- Approximately 3/4 of the respondents expect to have a major to moderate increase on turnover and profitability for the period 2019 to 2020. The companies are generally positive about the financial forecasts for their business in China.
- 69% of the respondents would not expect the number of expats or establishments to significantly change for their operations within China. Only 17% would expect an increase in expats of their company, which is generally in line with the trend on staffing in foreign-invested companies in China.

Future Investments

In which fields is your company considering to invest in the next 2 years?

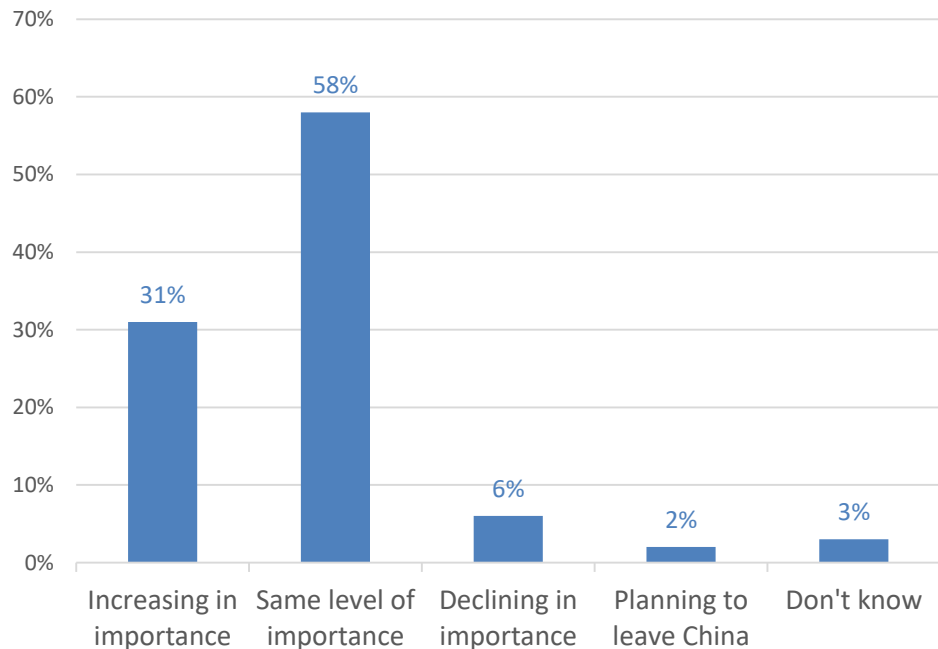


- More than 50% of the respondents have indicated that main areas companies consider for investment in their Chinese subsidiaries are **Sales and Marketing**.
 - These results are well in line with the expectations that companies would create more profitability via revenue growth, thus **becoming more sales-driven**.
- Approximately 33% of the respondents indicate that production and R&D would be more invested; mostly industries from the following sectors ITT and Health Care have indicated with 50% to invest in production.
- 'Other' investment areas include: IT, engineering, storage and office rentals.

Note: respondents can choose more than one answer.

Group's strategy

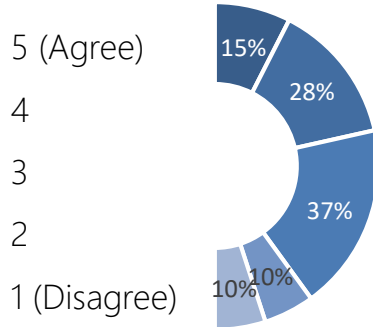
How important will China be in your group's strategy in the next two years?



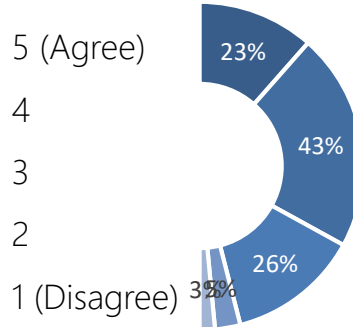
- Majority of the respondents with **89%** still perceive their Chinese operations to bear the same level of importance or increasing level of importance in their overall global strategy.
- Based on revenue within China:
 - **40%** of companies with a revenue between 10mio – 100mio indicate that China's importance is an increasing part in their group's strategy in the next two years.
 - **36%** of start-up firms also indicate that China's importance is an increasing part in their group's strategy in the next two years.

Macroeconomic Developments

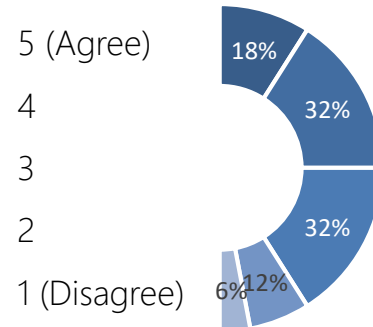
They believe their industry will grow faster in 2018 vs 2017



The changing economic environment in China on the long run would positively impact the Chinese economy



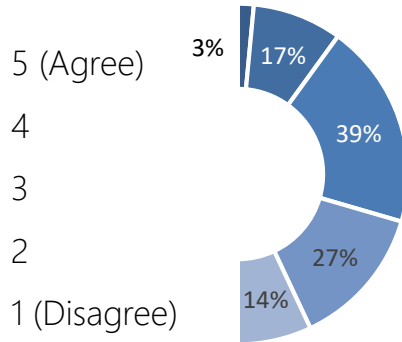
The recent technological innovations and developments in China will have positive impact on their business in 2018



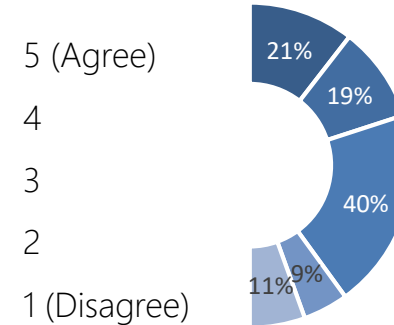
- Overwhelmingly, the respondents expect their industry will grow faster in 2018 than 2017. The highest growth can be expected in Industrial services (57%).
- 66% of the respondents do expect the changing economic environment to have a positive impact on the long run.
- Respondents agree that recent technological developments and innovations will positively impact their business in China; only 18% disagree with this statement. The sector who agrees the most is ITT.
- The expectations are in line with the results of last year’s business survey.

Macroeconomic Developments

The current world geopolitical changes to have a negative impact on the activity of their company in China



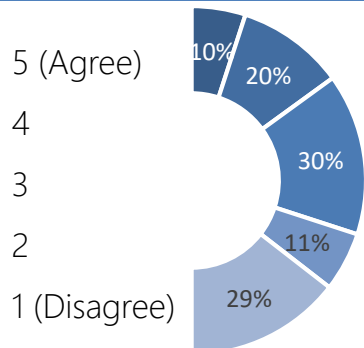
Made in China 2025 "MIC 2025" will increase the competitiveness of domestic competitors in their industry



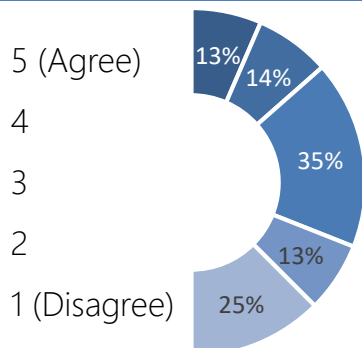
- Interesting result is that respondents in this survey do not expect international geopolitical developments to affect their business in China; only 20% agree with this statement. This result is in line with the result of last year’s business survey.
- MIC 2025 is an initiative from the Chinese government to transform China into a hub for advanced manufacturing.
 - 40% of respondents expect MIC 2025 will increase the competitiveness of domestic competitors, especially Industrial Good and Services as well as Consumer Goods 42%; only 20% disagree with this statement.

Operational

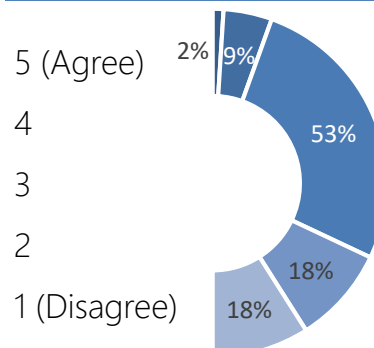
Expect to make additional investments in R&D in 2018



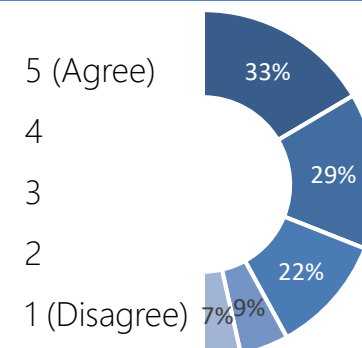
Expect to make additional capital investments in 2018



The receivable collection period & bad debt expense will decrease in 2018



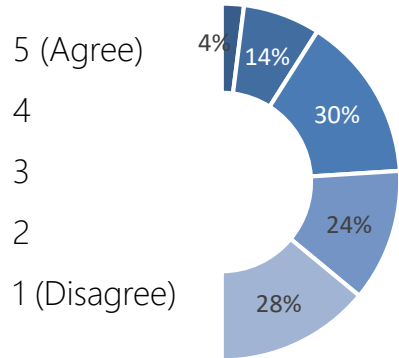
There will be more opportunities to increase revenues outside Tier 1 & Tier 2 cities



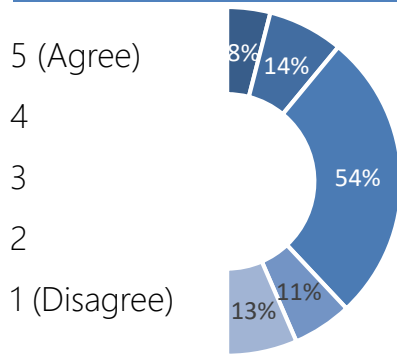
- A majority (62%) of the respondents expect more opportunities for growth outside of traditional markets such as Beijing, Shanghai or Guangzhou; only 16% disagree with this statement.
- Compared to last year's survey the results on the following statements: "expect to make additional capital investments" and "more opportunities to increase revenues outside Tier 1 & Tier 2 cities" were similar. The respondents who agreed the most on these two statements are companies with a revenue size above 500mio with 59%.

Laws & Regulations

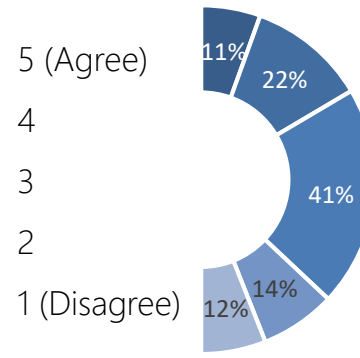
The regulatory environment will improve and the cost of compliance will decrease in 2018



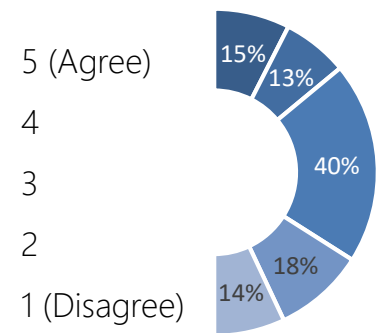
The implementation of the new Transfer Pricing regulations in China will affect my pricing strategy in China



The fluctuation of the Yuan will have a negative impact on my Company in China in 2018



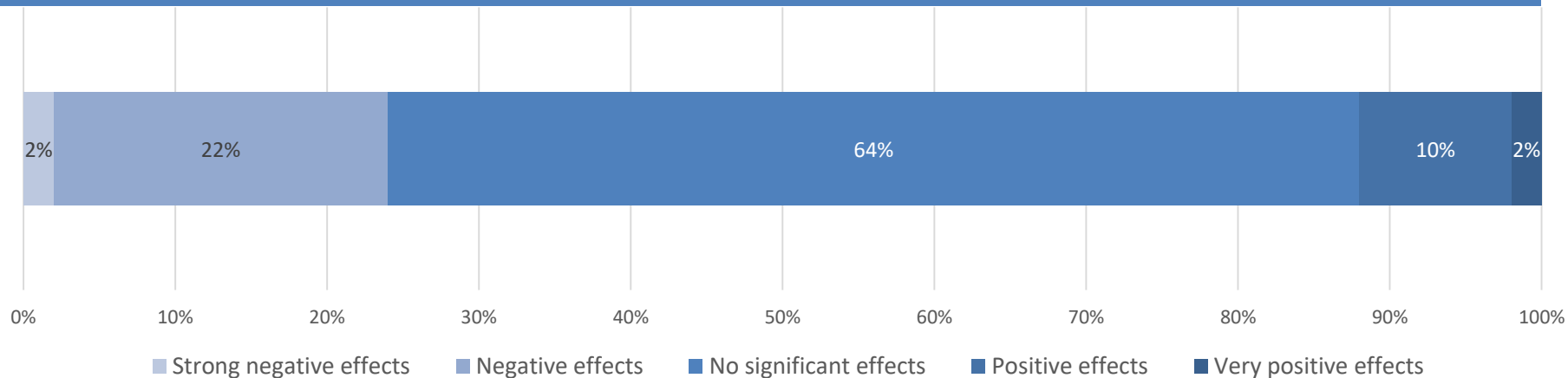
The new visa regulations will negatively impact my company's expat procurement procedures



- In terms of fluctuation of the Yuan in 2018, the respondents neither strongly agree nor disagree with these statements. Furthermore, 54% of the respondents have no strong idea whether new Transfer Pricing regulations will impact their pricing strategy.
- Though the new visa regulations has been in place since last year April 2017, the respondents indicate approximately the same opinion about the new visa regulations on procurement of visas for expats similar as last year's survey.

Economic slowdown

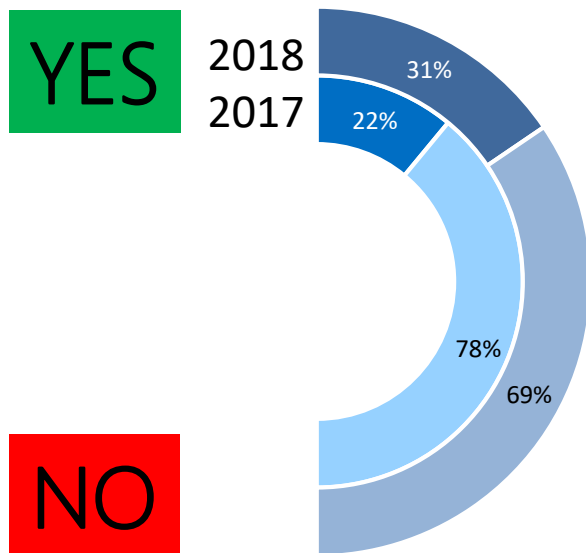
How do you expect the economic slowdown in China will impact your business?



- Economic slowdown, or the “new normal”, means the Chinese economy has entered a new phase after its high-speed GDP growth. The government aims to stimulate qualitative growth by refocusing the economy on domestic consumption.
- Overall with **64% respondents expect** that the economic slowdown will have **no significant impact on their business**.
 - In particular, Real Estate sector expect with 50% to have a strong negative effect due to the economic slowdown. This in line with current developments in China, wherein more focus has been put on domestic consumption.

Remain in China?

As the business environment in China is changing, would you consider moving some Chinese activities to other Asian countries



- 69% of the respondents do not consider moving some Chinese activities to other Asian countries.
- Based on revenue within China:
 - 35% of companies with a revenue between 10mio – 100mio would consider moving to other Asian countries.
 - 40% of companies with a revenue between 100mio – 500mio would consider moving to other Asian countries.
- Based on profit within China:
 - 50% of companies with net loss in 2017 would consider moving to other Asian countries.

Why Remain in China?

Why respondents would stay or leave China?

STAY

- Their focus of their business activity is on the Chinese market/ the domestic market. They aim to sell to Chinese businesses/consumers.
- The Chinese market is still growing and provides still a lot of business opportunities to foreign businesses active in China.
- Their supply chain or their supplier is focused on the Chinese market.

LEAVE

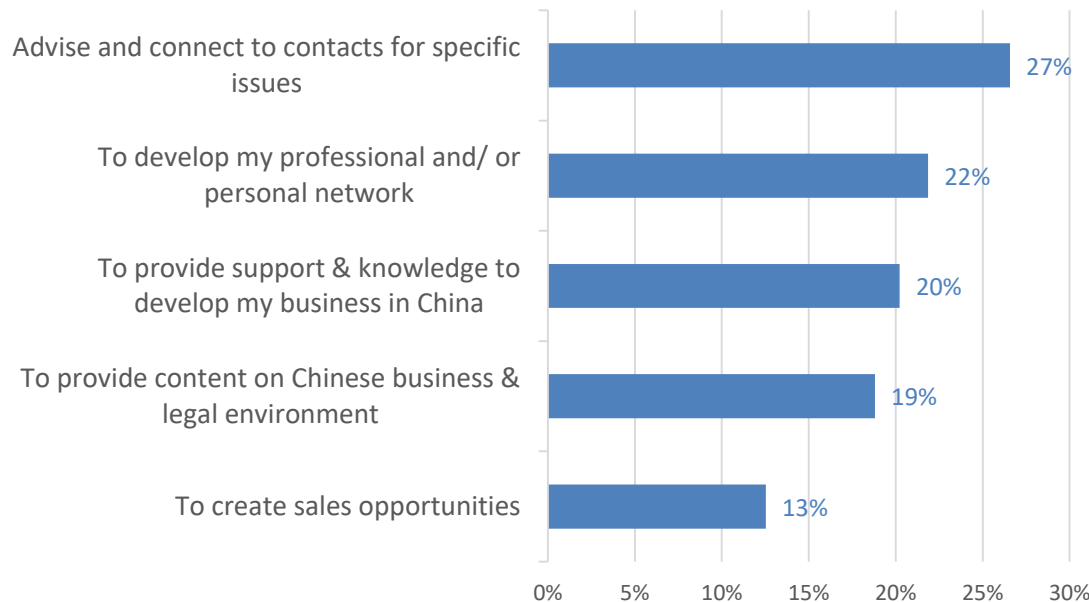
- Similar as in previous editions of the business survey, this year the respondents also indicate that salaries are becoming too high compared to other locations in Asia.
- Next to salary costs, overall cost of production is becoming too high in China.
- Some respondents even indicated they already have moved their activities to South and South East Asia in the past due to the above mentioned concerns.



Economic Network in China

Benelux Chamber of Commerce

Most important expectations

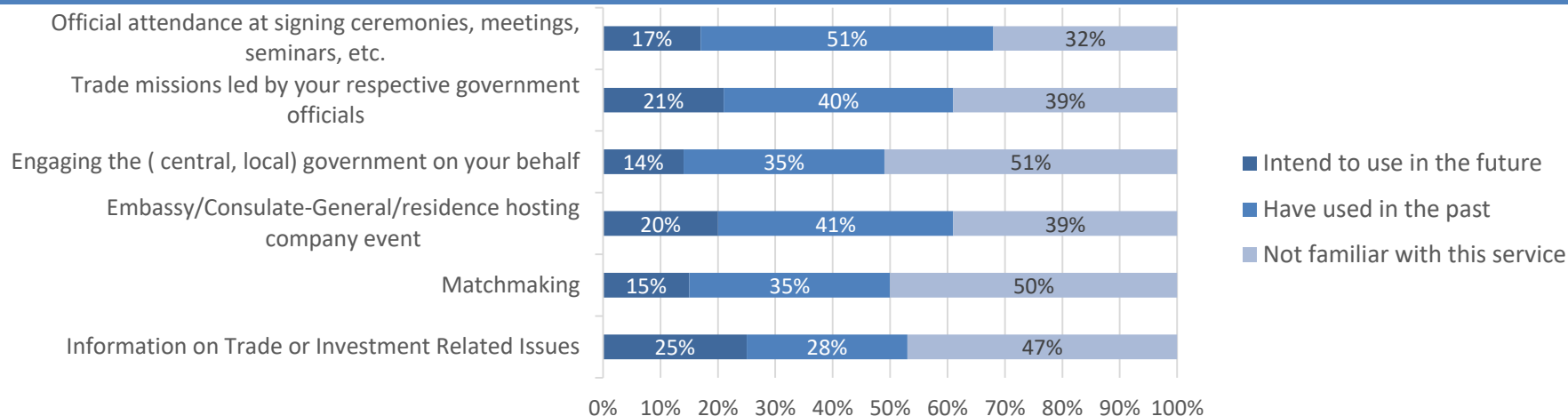


Note: The results are calculated by assigning numerical weights to each answer: 3 points for most significant, 2 for 2nd most significant, and 1 for 3rd most significant.

- Respondents indicated that they mostly seek from the Benelux Chamber of Commerce network in China to build more connections for their business in terms of specific issues (27%) and to develop professional and personal network (22%).
- On the other hand, they also seek via this network to develop knowledge in relation to their business in China (20%) and learn more about business & legal environment in China (19%).
- Only 13% seek to create sales opportunities from the BenCham, which is the least significant expectation according to the respondents.

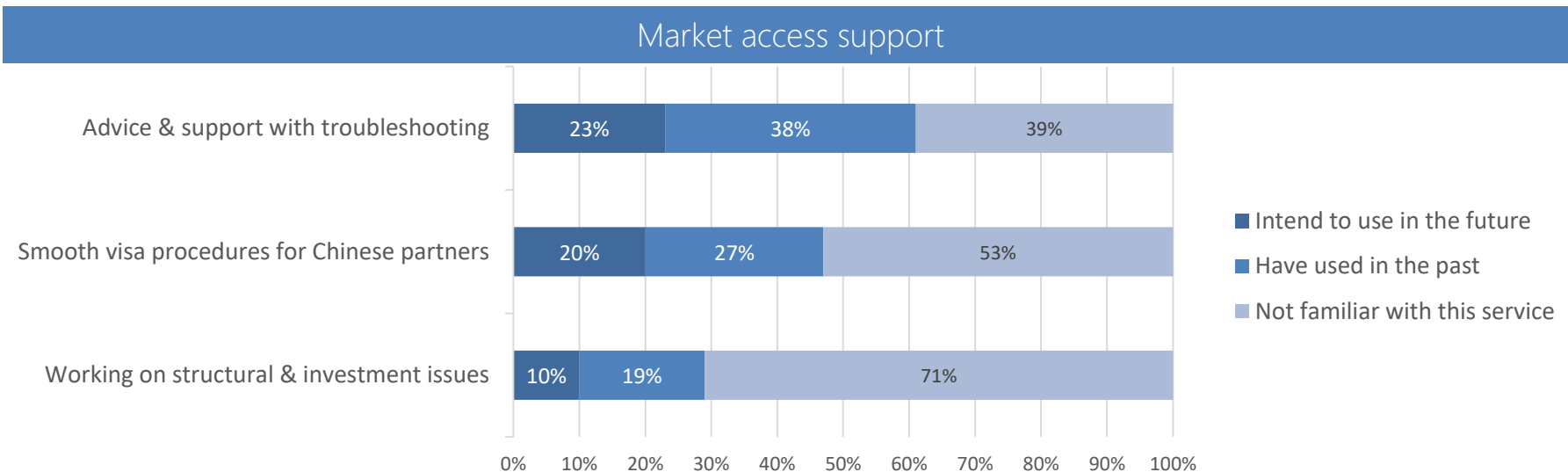
Country's economic network

Trade & Investment Promotion



- More often than large enterprises, the smaller companies within our survey with 72% intend to use their country's economic network for trade missions led by their respective government officials.
- Official attendance at signing ceremonies, meeting, seminars and company events have been used most in the past.
- "Not familiar with this service" could also be answered in response to this question.

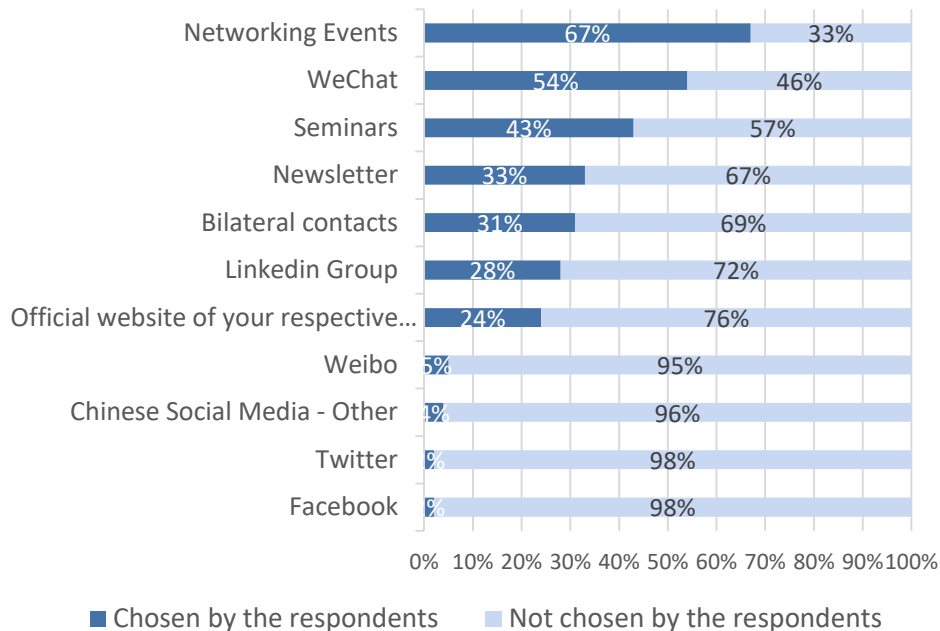
Market access support



- Advice and support with troubleshooting have been used the most (38%) and also intent to be used most in the future.
- More often than with larger enterprises, the smaller companies within our survey with 44% indicated need support with smooth visa procedures for Chinese partners.
- “Not familiar with this service” could also be answered in response to this question.

Country's economic network

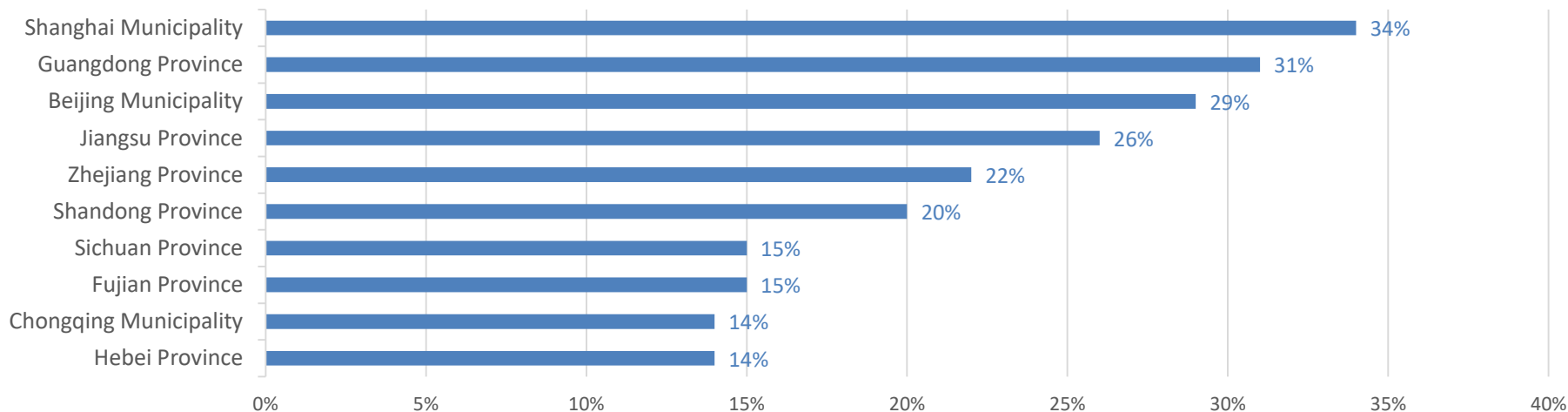
Through which channel do you stay in contact with your country's economic network?



- Most of the respondents stay in contact with their country's **economic network** through **joining networking events (67%)**.
 - Other means such as WeChat (54%), Seminars (43%) and newsletters (33%) are popular means for Benelux businesses.
- Companies clearly use more **popular means of communication available for foreigners** and foreign enterprises in China, which are **WeChat and LinkedIn**.
- Other means such as Facebook, Twitter, Weibo and other Chinese Social media the respondents indicate generally not to use to get in touch with the economic network.

Trade mission

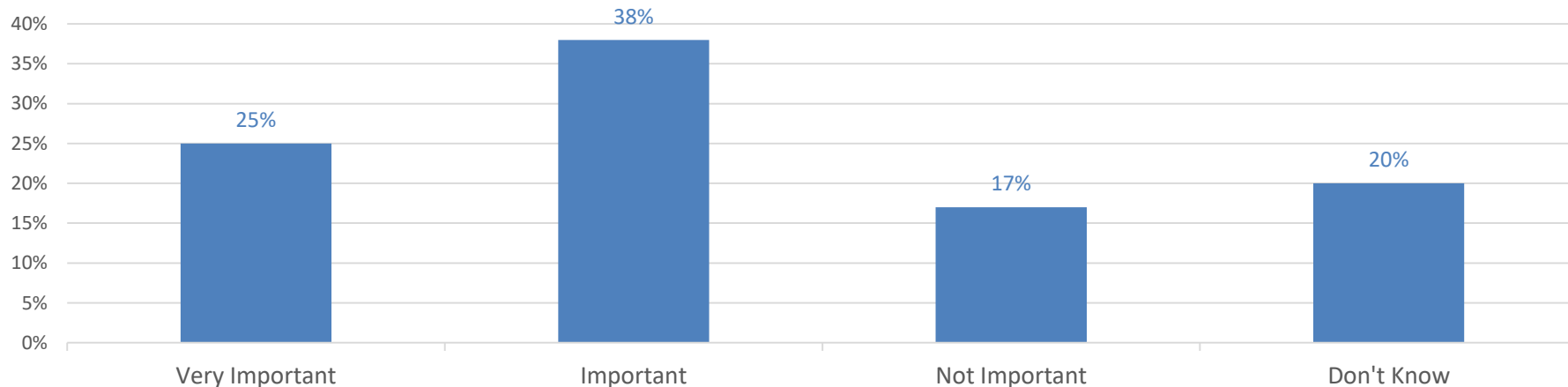
Top 10 regions



- Most of the respondents of the business survey are interested to participate in a **fact-finding/trade mission** that is organized by the China economic network.
 - The **first-tier regions in China** (Shanghai, Guangdong, Beijing) remain most popular for the respondents.
 - Other provinces in **the second tier regions in China** (Jiangsu, Zhejiang, Shanghai) are also of interest.

Country's economic network

How important would you grade the existence of your country's economic network for your business?



- Approximately 63% of the respondents indicate of the existence of their country's economic network for their business growth/existence as either important or very important.
 - 67% of respondents from Health Care and Financials perceived their country's economic network to be important for their businesses.
 - 44% of respondents with revenues above 500 mio RMB also indicate the importance of their country's economic network.



Corporate Social Responsibility

Experiences and views

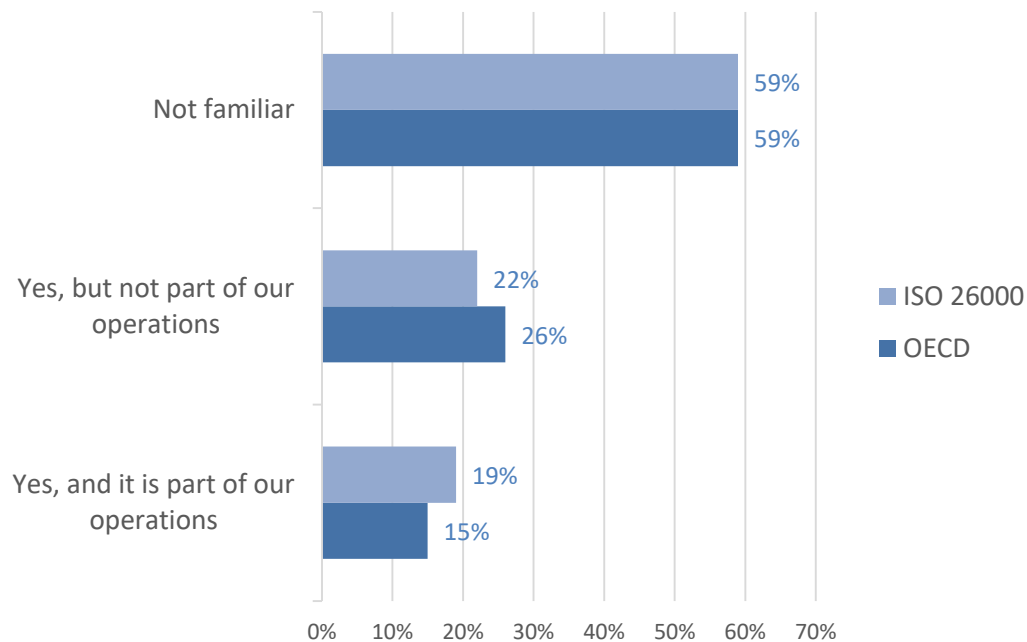
Experiences and views on CSR



- 77% of the respondents agree there is increased attention for Corporate Social Responsibility within China.
 - Approximately 60% of the respondents also have indicated that CSR has become a topic able to be discussed with Chinese partners, and Chinese partners within the supply chain are aware of this topic.
 - Furthermore, a majority of respondents believe that the CSR compliance is important for clients & suppliers in China. Mostly from Consumer Services with 67%.

Corporate social responsibility

Is your company familiar with the following guidelines on CSR in China?



- 60% have indicated that they are not familiar with ISO 26000 and OECD guidelines on Corporate Social Responsibility.
 - A total of 22% of the respondents is familiar with ISO 26000 and 26% aware of the OECD guidelines. But it is not a part of their operations.
 - Mostly companies who are start-ups are aware of these ISO 26000 and OECD guidelines with 37% and from the following industries: Health Care (50%) and Consumer Goods (29%).

Note: Definitions can be found on the executive summary (3).



Closing Remarks

Closing Remarks

- The results have indicated the profit margin and revenue growth in 2017 has been better compared to the results of 2015 and 2016 results.
- As a result, the **expectations for 2018 are higher than in 2017**. Overall, respondents agree that their business in China will grow in the future.
- A particular concern from the Benelux companies are **unlevelled playing field and level of restrictiveness for their business in China**. Also **salary costs** has been the most significant **negative driver**, but less than the previous years.
- In terms of the **Belt & Road Initiative**, there is still little participation and knowledge about this **initiative**. Even the companies that came across BRI projects share the same opinion.
- Overall, companies are **very positive** about the Chinese market which they expect to grow faster compared to last year, despite the existing challenges of doing business in China.

Thanks for your attention!



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