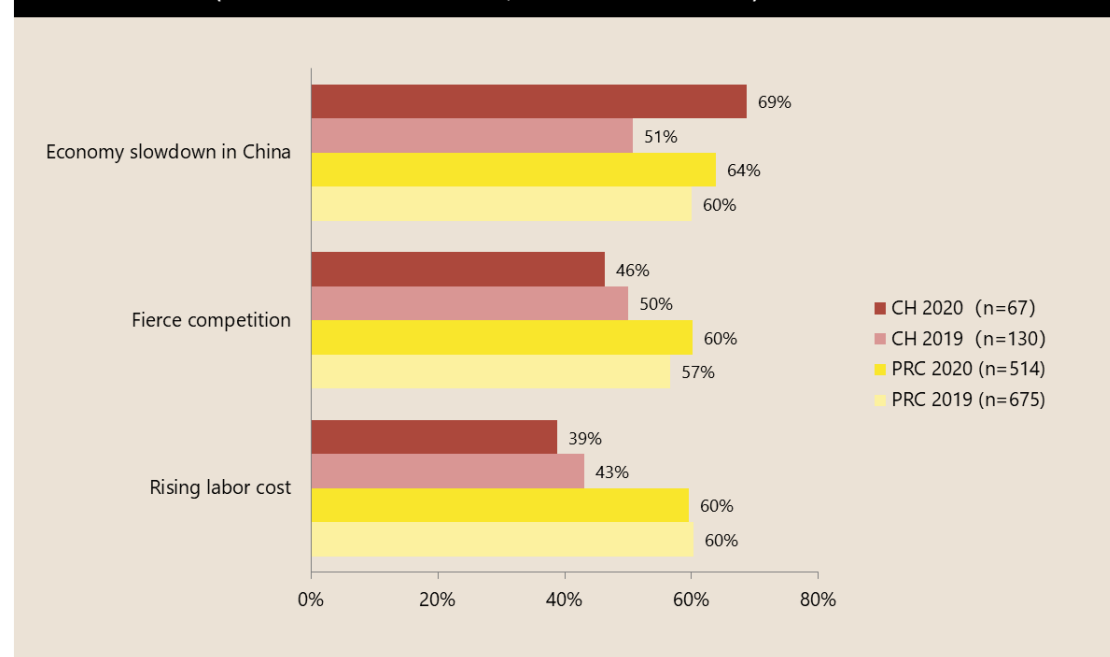


## Fears Over Intensified Slowdown

**In pre-Covid-19-times, the continued slowdown of China's economy was the biggest external challenge, the "2020 CEIBS – Swiss Businesses in China Survey" reveals. The pandemic is expected to further aggravate this trend.**

Our previous analysis of Swiss Businesses in China published in the 2019-summer edition of the Bridge was titled "Economic Slowdown becomes top concern". The current survey was completed days before the Wuhan lockdown and the main concern was a further intensified "Economy Slowdown in China" with 69% of Swiss firms listing it as a challenge against only 51% in the 2019 survey.

**FIGURE 1 - WHAT ARE THE GREATEST EXTERNAL CHALLENGES FOR YOUR COMPANY? (MULTIPLE ANSWERS, TOP 3 ANSWERS)**



The slowdown that came, however, happened in the most unexpected and unforeseen way of the COVID-19 pandemic.

Its enormous impact is not yet known and it will be extremely interesting to have the result of the survey we will conduct at the end of this year.

Meanwhile, the feedback we collected jointly with CEIBS, Swiss Embassy in China, Swissnex, Swisscham, Switzerland Global Enterprise and China Integrated, from December 2019 to January 2020, provides very valuable benchmarks on the performance realized in 2019 by Swiss businesses, market trends overall illustrated by the answers of

over 500 Chinese companies and additional US and European companies and what they expected from 2020.

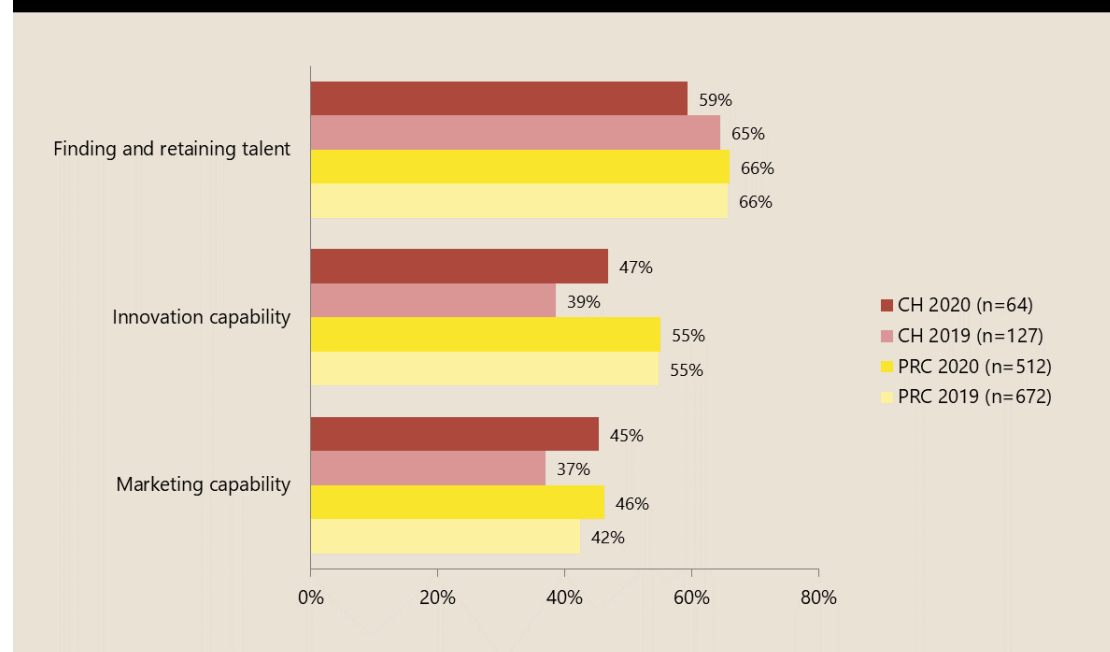
## CHALLENGES, COMPETITIVE ADVANTAGES & SALES SUCCESS FACTORS

### Finding and Attracting Talent Remains the Top Internal Challenge

As ever since we conducted the first survey in 2005, Human Resources have been identified as the top challenge and factor of success.

With slower growth, however, the intensity of the challenge is diminishing while innovation and marketing become key competitive advantages to build up for success.

FIGURE 2 - WHAT ARE THE GREATEST INTERNAL CHALLENGES FACING YOUR COMPANY IN CHINA? (MULTIPLE ANSWERS, TOP 3 ANSWERS)

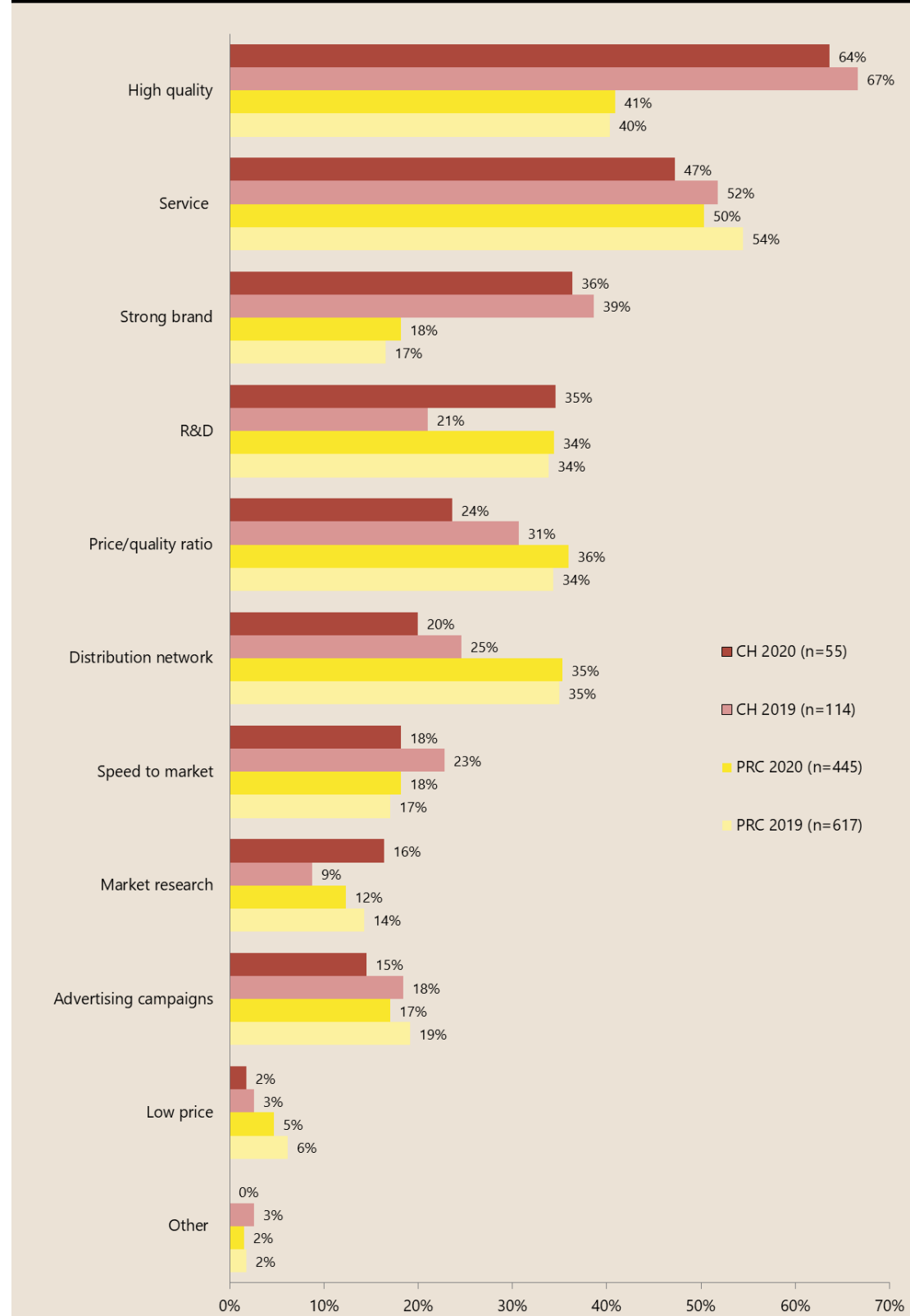


Building these advantages is certainly more and more important as competition and rising costs remain the other key external challenges that businesses face in the Chinese environment.

### The Swiss still Sell on Quality and Brand

To sell, Swiss firms differentiate themselves very clearly from their Chinese competitors through “High Quality” and “Developing a Strong Brand”

**FIGURE 3 - WHAT ARE THE MOST IMPORTANT FACTORS FOR THE SUCCESS OF YOUR SALES IN CHINA? (MULTIPLE ANSWERS)**



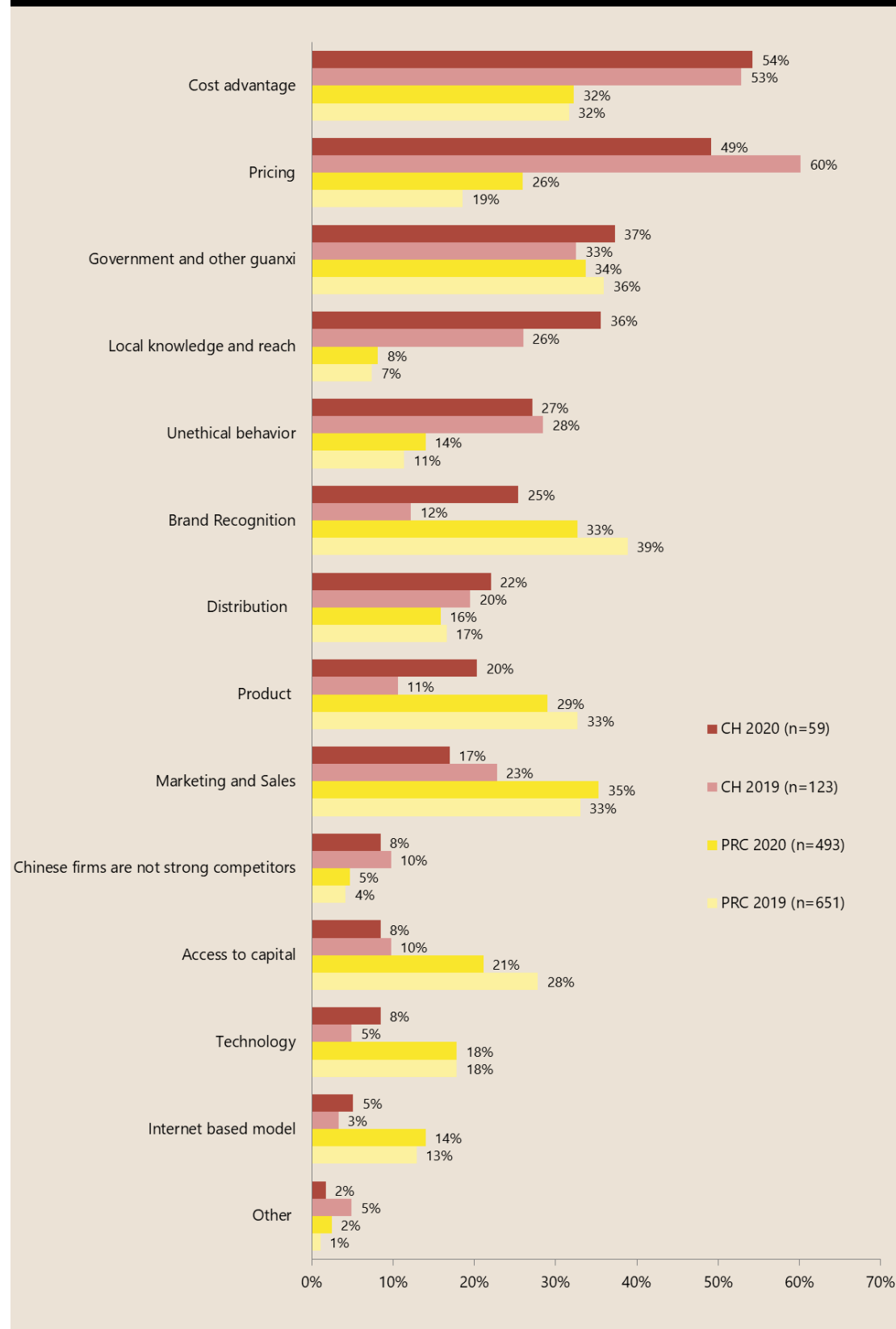
They also woke up to the critical importance of R&D and market research, two elements where they are this year on a par with Chinese respondents.

Chinese firms, traditionally weaker at branding and innovating, compete and differentiate by putting emphasis on service, distribution and providing cost effective goods and services (price/quality ratio).

This is well confirmed by the way Swiss and Chinese firms see the advantages of their competitors. “Cost advantage” and “Pricing” remain the top advantages Swiss firms see in their competitors, even though Government, relations, “Local knowledge and reach” come right after.

On the other hand, Chinese businesses see “Brand recognition”, “Product”, “Marketing and sales” as the stronger advantage of their competitors.

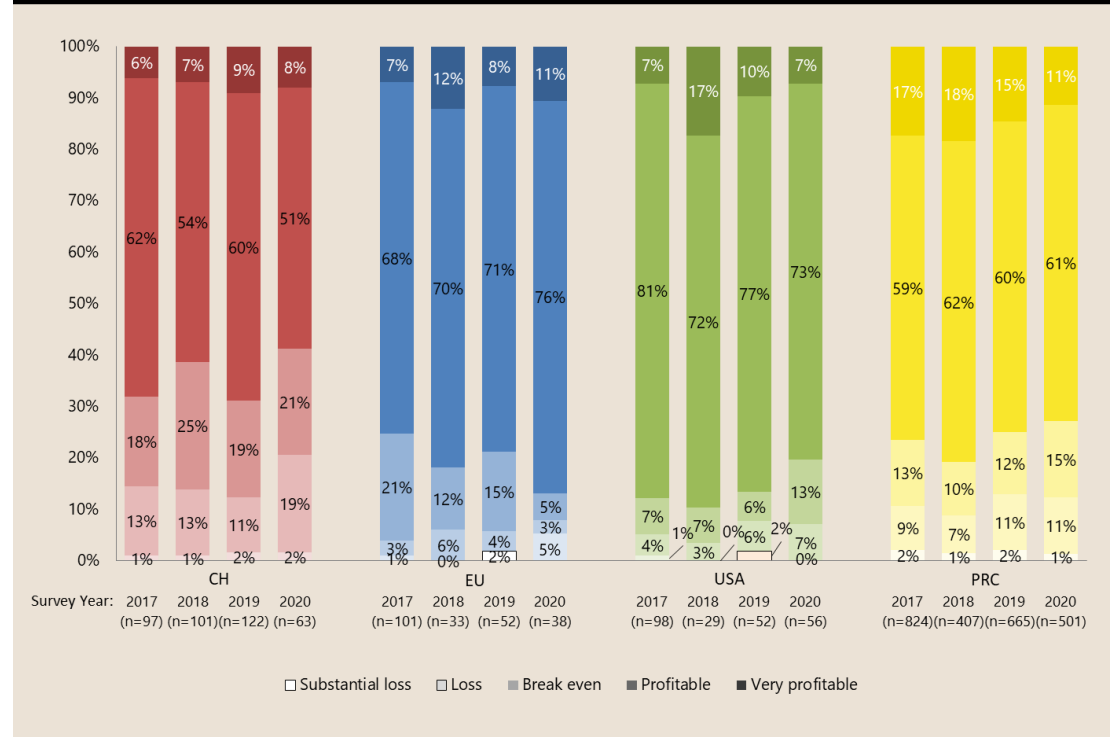
**FIGURE 4 - WHAT ARE THE COMPETITIVE ADVANTAGES OF YOUR MAIN CHINESE COMPETITORS? (MULTIPLE ANSWERS)**



**PERFORMANCE of 2019 and WHAT DID WE EXPECT for 2020...**

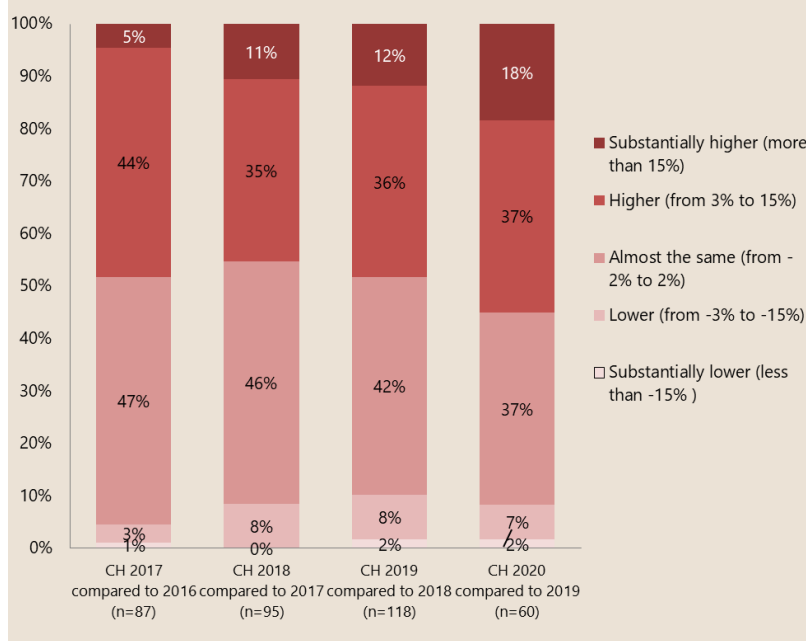
In 2019, Swiss and Chinese respondents reported slightly lower profitability than in the previous three years. Still, the large consider that their operations have been “very profitable” or “profitable”.

FIGURE 5 - HOW PROFITABLE DO YOU CONSIDER YOUR CHINA OPERATION IN 2019?



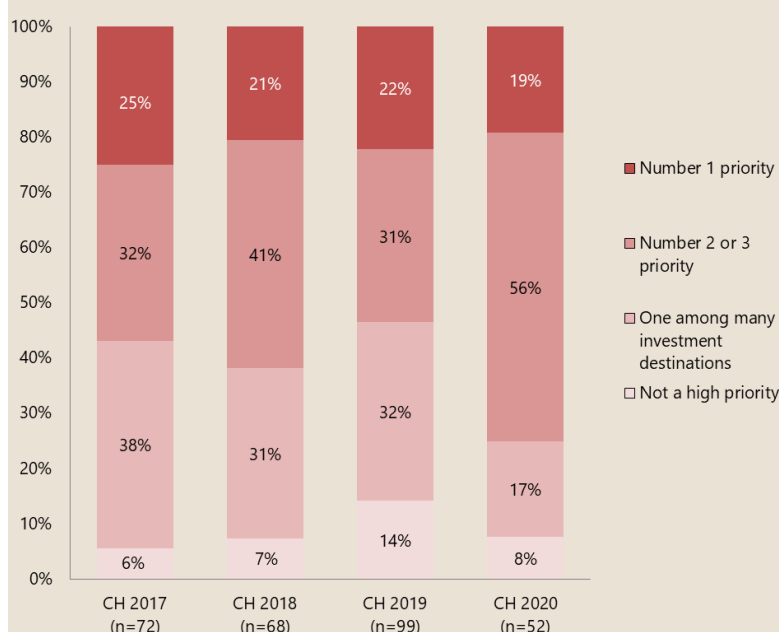
When asked about expectations for this year, Swiss have been optimistic for 2020 with a significantly larger number of firms expecting higher or substantially higher profitability when compared to previous years.

**FIGURE 6 - HOW DO YOU EXPECT YOUR COMPANY'S CHINA PROFIT IN 2020 COMPARED TO 2019? (CH COMPANIES)**



The confidence expressed by Swiss firms in terms of 2020 results is amply matched by their views of China as a priority market for development. No less than 75% see it as their company's top three investment destination, a significant increase over the past 3 years average of 57%.

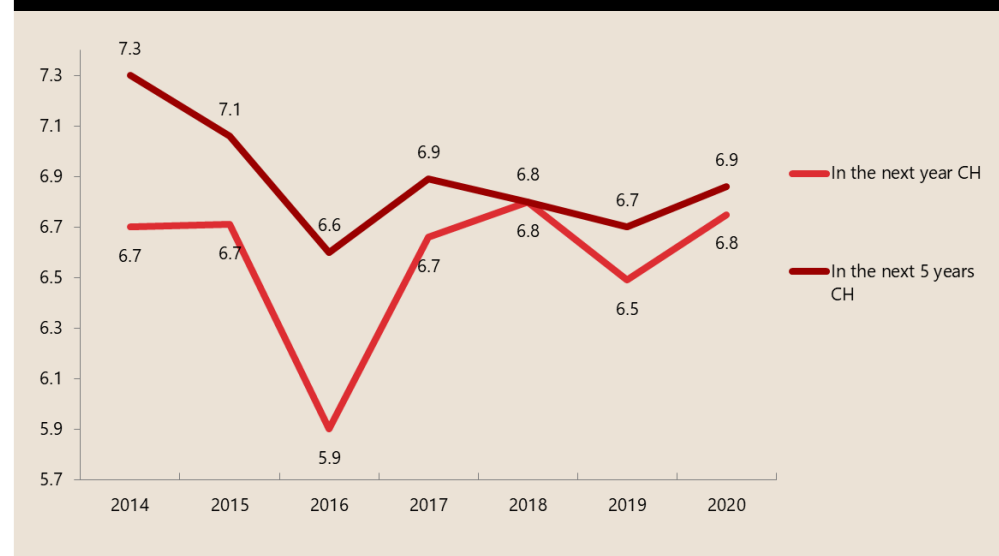
**FIGURE 7 - HOW DOES CHINA RANK IN YOUR GLOBAL INVESTMENT PLANS? (CH COMPANIES)**



It is difficult to expect that these projections will be realized considering the pandemic, but again it will be most interesting to compare results of the survey we will carry out at the end of this year, particularly in terms of how Chinese and other international firms will do.

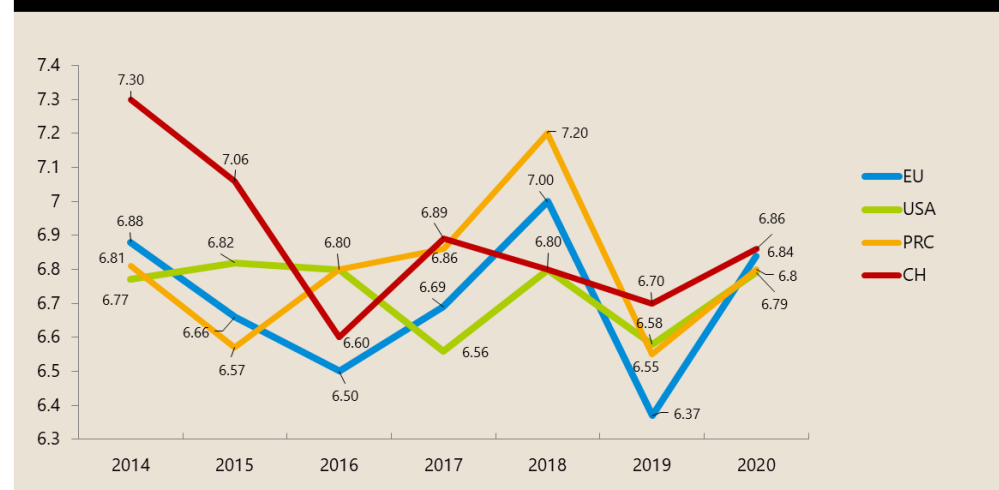
Overall and despite the geopolitical rivalry, trade war and increased top down management of the Chinese society, the Swiss have been confident about their business prospects for 2020 and in the 5 years to come. Their confidence level is as high as it has been in the last 5 years.

**FIGURE 8 - ON A SCALE OF 3-10, HOW CONFIDENT ARE YOU THAT YOUR OPERATIONS IN CHINA WILL BE SUCCESSFUL IN THE NEXT YEAR, AND IN THE NEXT 5 YEARS? (CH COMPANIES)**



In this respect, however, the Swiss optimism is remarkably shared by all other survey respondents over the long term:

**FIGURE 9 - ON A SCALE OF 3-10, HOW CONFIDENT ARE YOU THAT YOUR OPERATIONS IN CHINA WILL BE SUCCESSFUL IN THE NEXT 5 YEARS?**





Will this once in a century pandemic prove to be a turning point and fundamentally alter the business confidence that China has inspired to Chinese and foreign companies alike?

Maybe, but the stimulus package of 10 trillion RMB announced at the end of May and the expected rebound of the Chinese economy in the second half of 2020 will no doubt be of much attraction when compared to the vastly depressed economies of the rest of the world.

## Appendix

Here are some additional charts for those interested in more details.

FIGURE 1 - HOW MANY EMPLOYEES DOES YOUR COMPANY HAVE GLOBALLY?

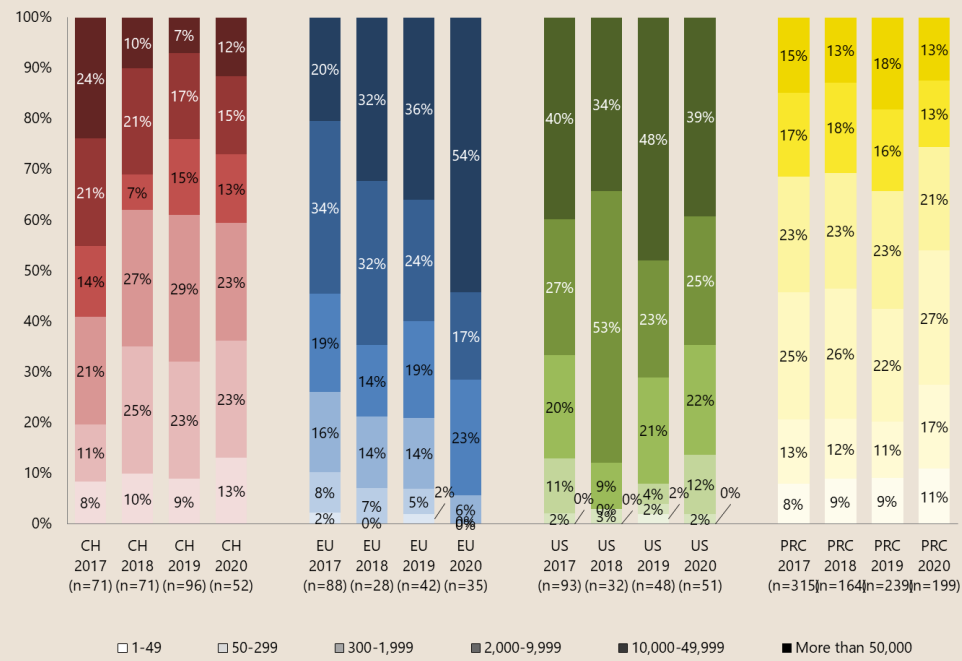
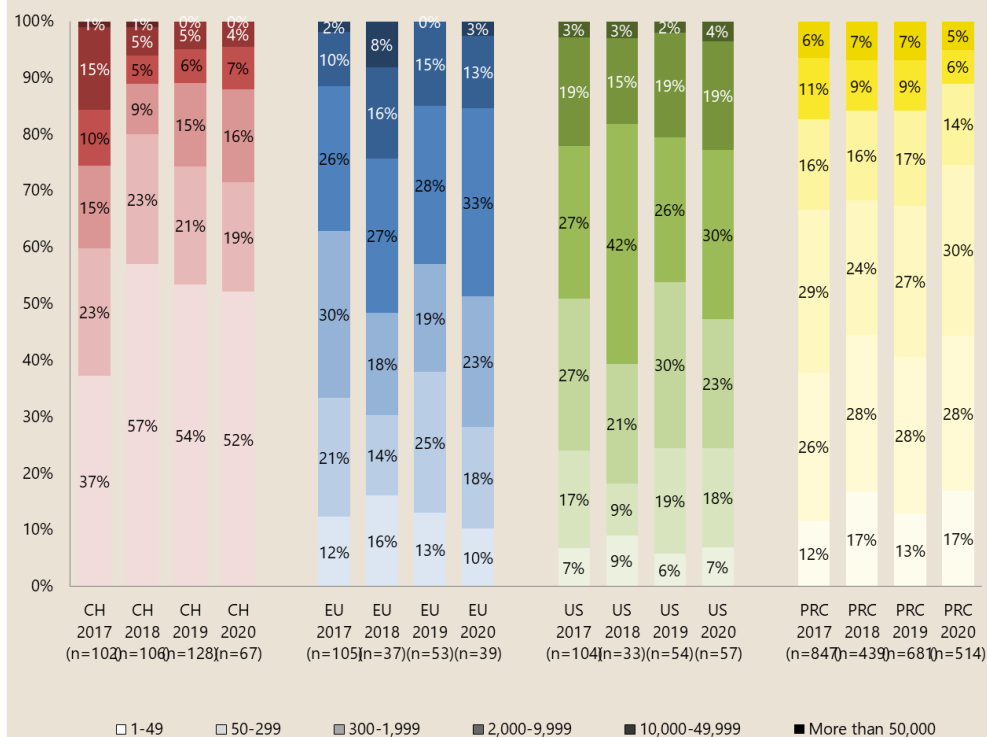
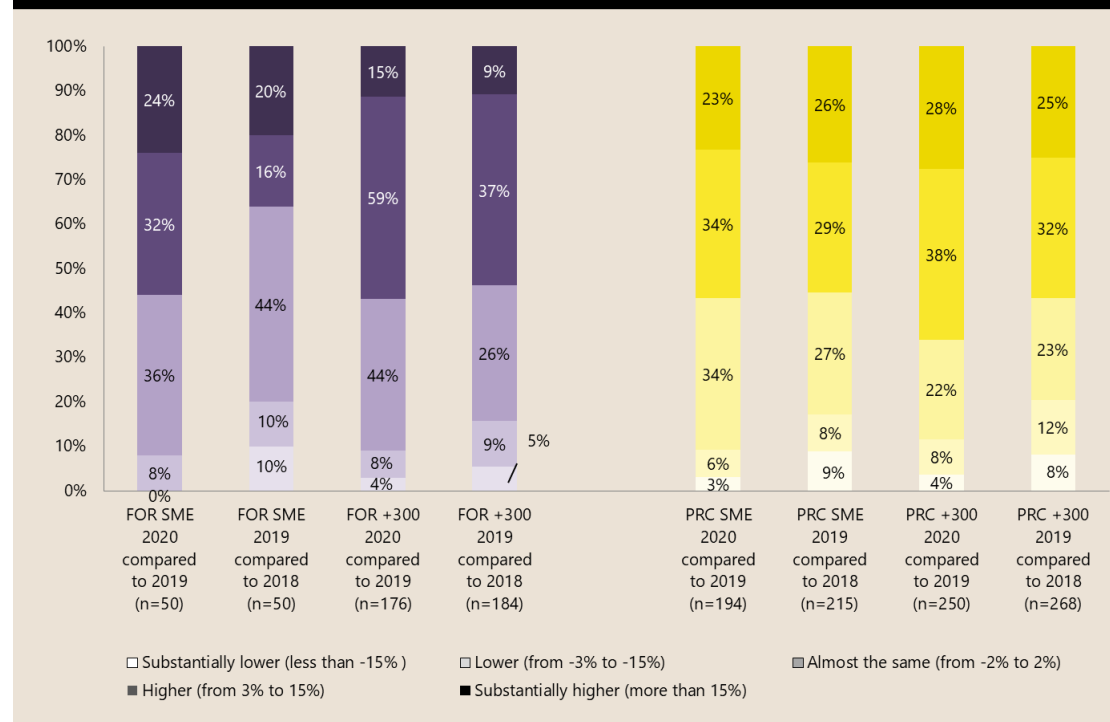


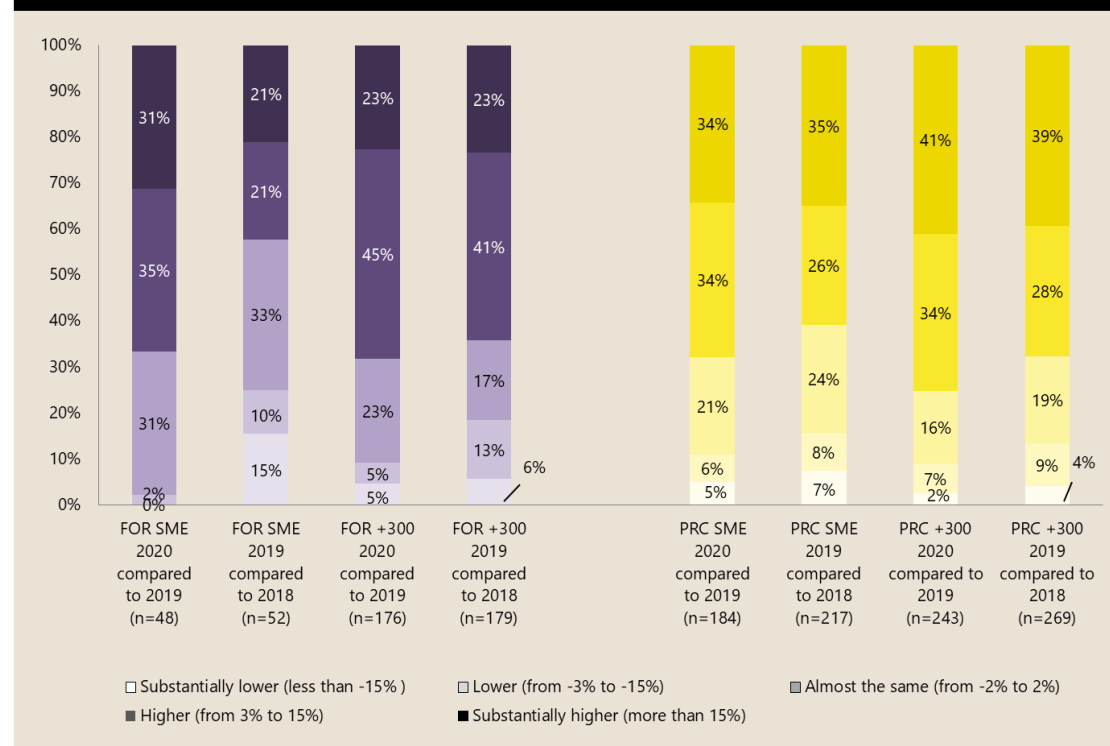
FIGURE 2 - HOW MANY EMPLOYEES DOES YOUR COMPANY HAVE IN CHINA?



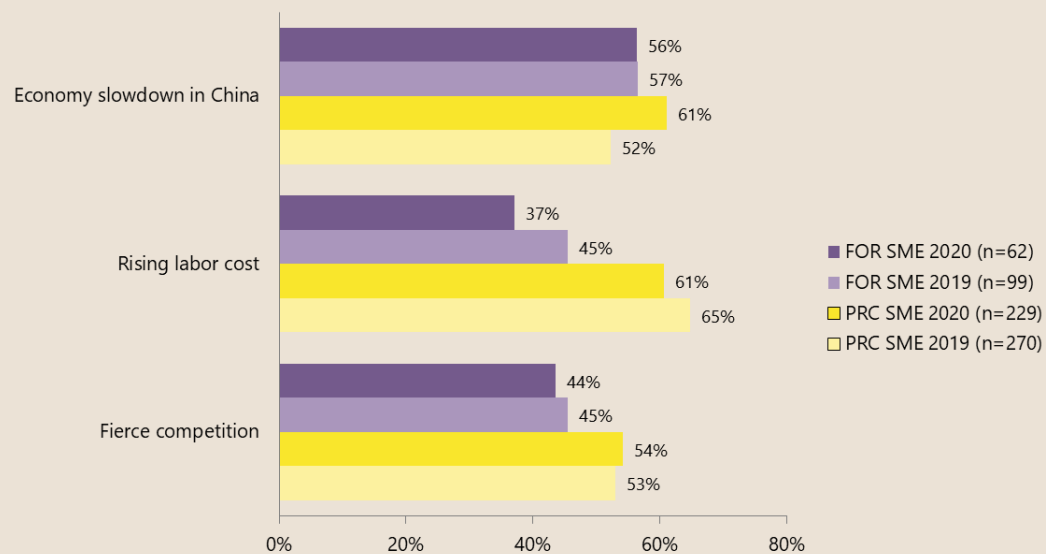
**FIGURE 4 - HOW DO YOU EXPECT YOUR COMPANY'S CHINA PROFIT IN 2020 COMPARED TO 2019? (SME VS. LARGER FIRMS)**



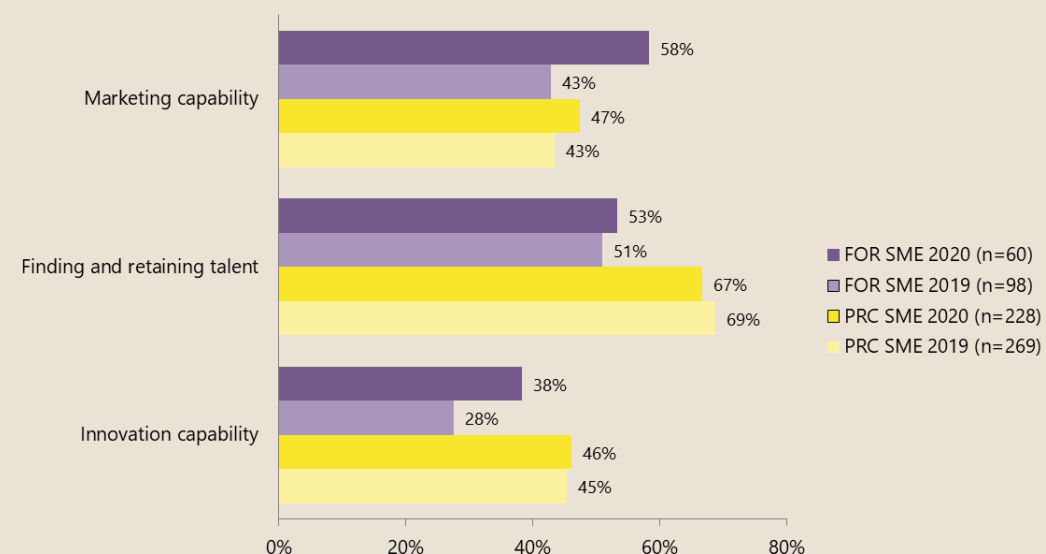
**FIGURE 5 - HOW DO YOU EXPECT YOUR COMPANY'S CHINA SALES IN 2020 COMPARED TO 2019? (SME VS. LARGER FIRMS)**



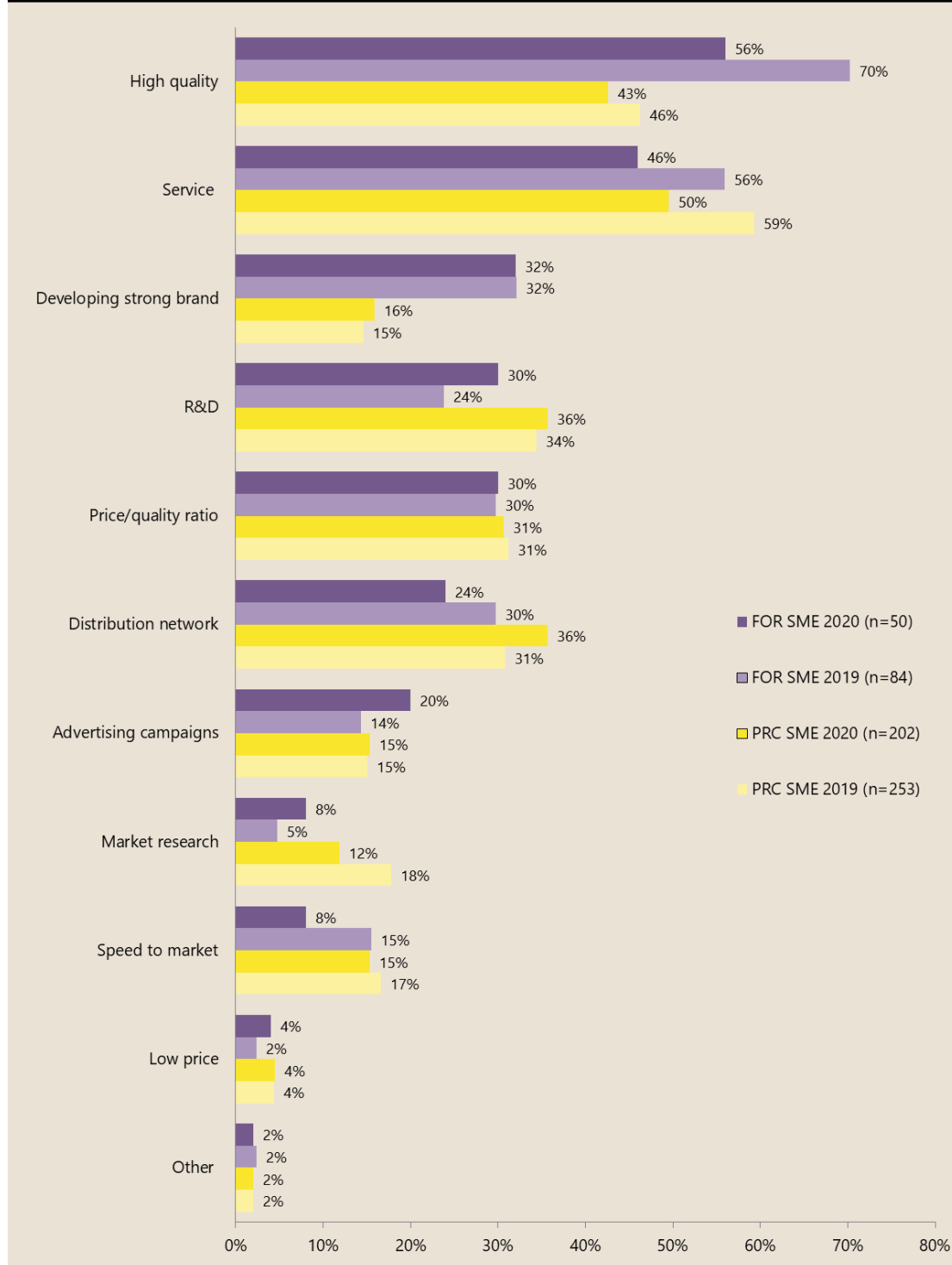
**FIGURE 6 - WHAT ARE THE GREATEST EXTERNAL CHALLENGES FOR YOUR COMPANY? SME (MULTIPLE ANSWERS)**



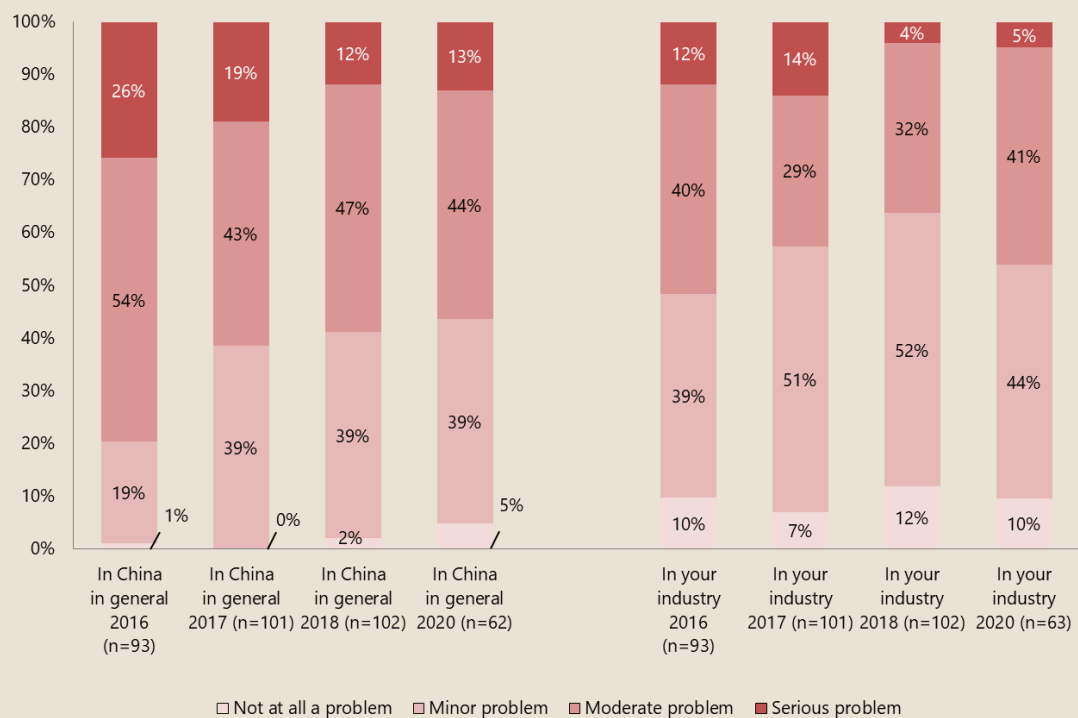
**FIGURE 10 - WHAT ARE THE GREATEST INTERNAL CHALLENGES FOR YOUR COMPANY? SME (MULTIPLE ANSWERS)**



**FIGURE 12 - WHAT ARE THE MOST IMPORTANT FACTORS ON THE SUCCESS OF YOUR SALES IN CHINA? SME (MULTIPLE ANSWERS)**



**FIGURE 30 - IN YOUR VIEW HOW SERIOUS IS CORRUPTION IN CHINA IN GENERAL AND IN YOUR INDUSTRY? (CH COMPANIES)**



**FIGURE 62 - WHAT IS THE EFFECT OF CHINA-U.S. TRADE CONFLICTS ON YOUR COMPANY'S BUSINESS?**

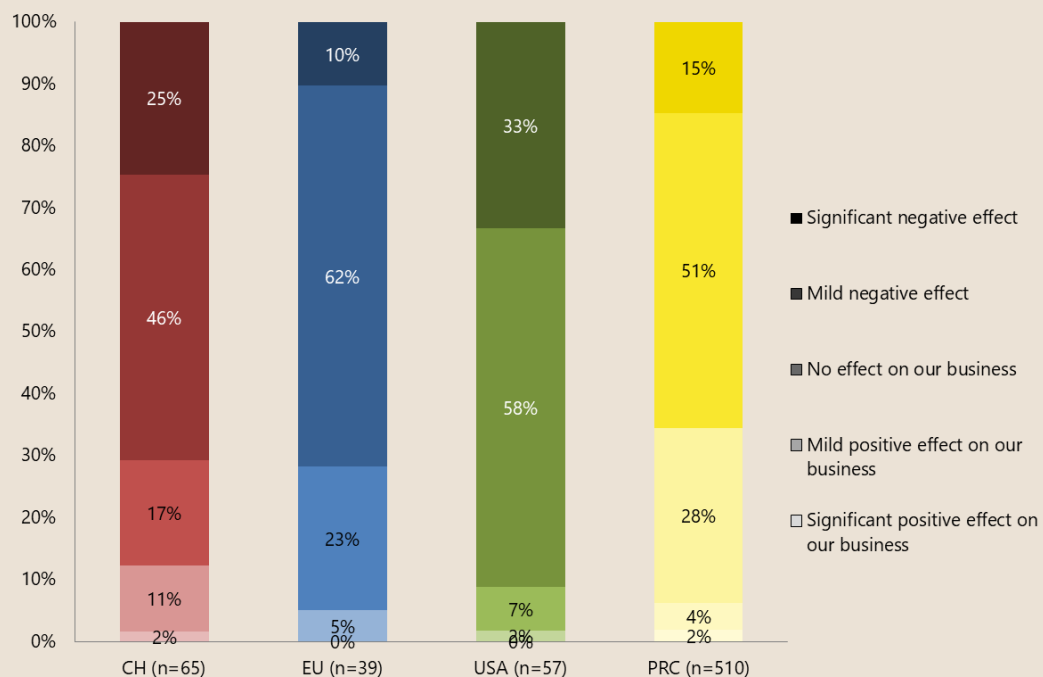
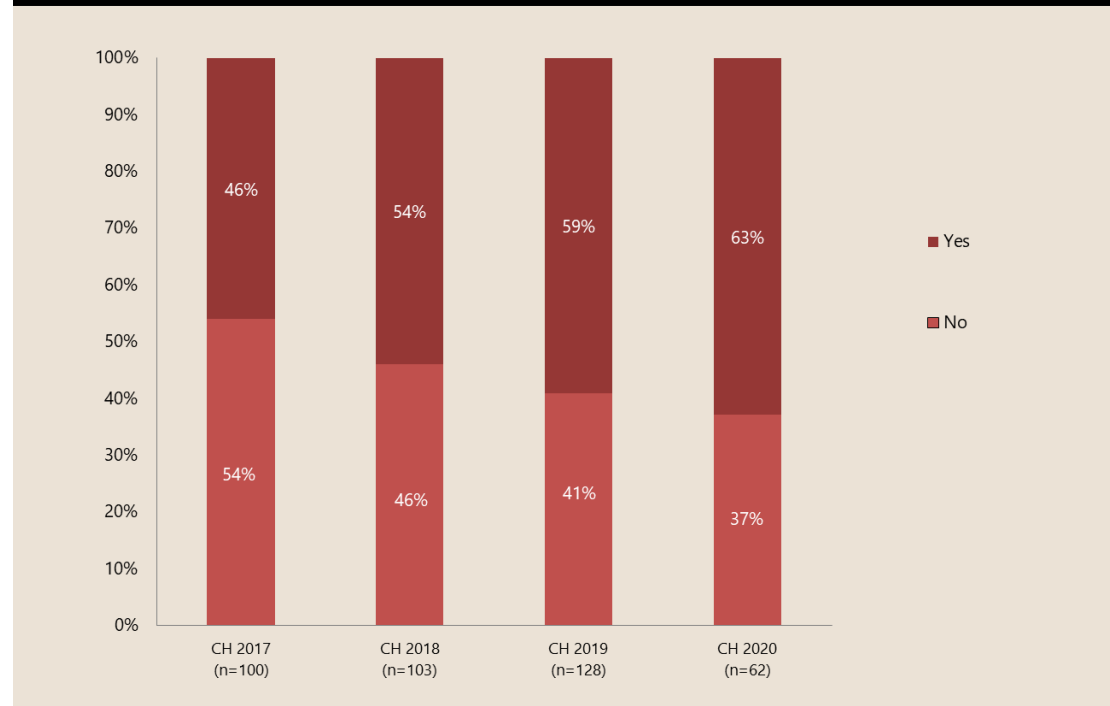


FIGURE 64 - DO YOU MAKE USE OF THE SINO-SWISS FREE TRADE AGREEMENT FOR YOUR IMPORTS FROM SWITZERLAND?



- End -