



European Chamber Business Confidence Survey 2009

In partnership with

Roland Berger
Strategy Consultants





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EXECUTIVE SUMMARY

European businesses remain confident about China, but call for more action to maintain growth

The world has become a very different place since the European Chamber's 2008 Business Confidence Survey was published on November 25th 2008. In the few short months since then, a credit crisis that began in the United States has engulfed the international financial system, dragging the global economy into the most severe economic maelstrom of the post-war era.

Against this radically altered economic backdrop, the European Union Chamber of Commerce in China, and its survey partner Roland Berger Strategy Consultants, decided to push forward their annual survey. Instead of waiting until autumn 2009, when the survey is normally completed, they asked members of the Chamber to respond to the survey in spring in order to get an up-to-date assessment on the state of their businesses in China.

As in previous years, the survey examined the key confidence indicators of European businesses in China, including profitability, market access and government transparency. This year's survey also asked questions pertaining to the impact of the crisis. Specifically we wanted to gain a better understanding about the depth and breadth of its effect on members' business, the new strategies they are adopting to cope with the crisis, and how their attitudes toward China – including long-term plans – have changed in its aftermath.

The 2009 findings show that virtually none of the respondents, of which there were more than 300 this year, came away unscathed from the crisis, with 98% of them reporting that it had impacted their businesses in China. But for most, that impact in China was dwarfed by the fallout in their domestic markets, with 71% indicating that the Chinese economy has proven more resilient than Europe or other traditionally strong markets where our members are headquartered globally.

As a result, companies are shifting their global strategies and outlook to reflect the redrawn international economic map - and China is rising in relative importance. European companies are continuing to increase their commitment to China as a key market. This trend, the onset of which was identified in the 2008 survey, has clear strategic implications. Among these, some of the most notable are the acceleration in the number of local staff being hired – including senior management, and the continued emphasis on strategies based on increasing market share.



Reflecting the rising strategic importance of China, European companies express confidence in the Chinese economy and in its potential to grow. In fact, almost half of all respondents think that the crisis “will be over” in China in the first half of 2010, more than a year earlier than in other regions. While they do not yet see China as being the driver of the world economy, our respondents do believe that domestic demand can continue to fuel impressive growth here in the medium- to long-term. In response, European companies are preparing investment strategies and expansion plans, with less than one-third planning to scale back or postpone their investments in China.

But while there is optimism, there is also concern among European businesses that not enough has been done to bring the economy to the next level of maturity, to a level which would sustain growth in the long term. A strong majority welcomes the stimulus package currently being rolled out and is confident of its impact on economic growth, but just 13% believe that this will be enough to sustain growth this year or unleash the full potential of China’s latent domestic demand. When asked what more can be done to ensure stable and sustainable growth in China, more than 50% identified the promotion of more free competition and the breaking down of existing monopolies as the primary actions needed to drive growth in the years ahead.

The results of the 2009 Business Confidence Survey highlight a European business community that, despite the negative impact of the global economic crisis, remains bullish on China in most sectors, and primed to back up that confidence with continued investment in the local economy provided the Chinese government is also committed to creating a more free, fair and competitive market.