


Spring 2022 survey of French enterprises in China

*From April 1st to May 9th
200 respondents*

Economic and human resources landscape in the current crisis status



French companies are highly impacted by the stringent COVID-19 containment measures and the situation in Ukraine

With more than 2100 subsidiary companies employing close to 445000 people, France is the first European investor in China by the number of companies. With its 1600 members, the French Chamber of Commerce and Industry in China (CCI FRANCE CHINE) represents the interests of French companies since 1992.

In the continuation of the surveys conducted by other foreign chambers of commerce in China (including the European Union, Germany, and the United States), the French Chamber of Commerce and Industry in China (CCI FRANCE CHINE) interrogated its members between April 1st and May 9th regarding the economic activity of French companies. 200 companies responded to the survey.

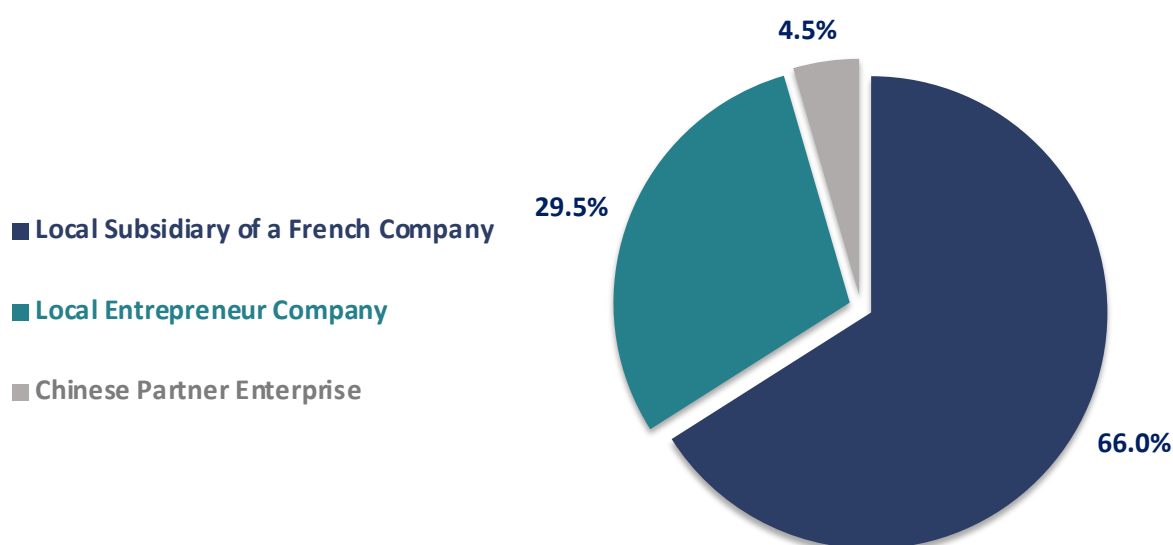
- **COVID-19 restrictions, leading in recent weeks to full or partial lockdowns across numerous cities accounting for 40 % of China's GDP, have an impact on investment strategies of the vast majority of subsidiaries in China (80 %) ; 16 % consider reducing their presence in the country.** The image of China has degraded in the eyes of their headquarters (76 %), notably as an investment destination (64 %) and for conducting R&D activities (36 %). Current COVID-19 restrictions strongly hamper the management of foreign human resources (85 %). Consequently, half of the respondents replace expatriate staff with local employees, two thirds of them citing entrance restricting into China and the loss of attractiveness of China. This trend, if it were to last, risks to deteriorate the communication between subsidiaries and the headquarters in France (68 %).
- **80 % of subsidiaries are affected by the gradual decoupling between China and the rest of the world,** which impacts their supply chains (48 %), the management of personal data (43 %) and legal compliance (40 %). More than half of companies impacted by the trend of "decoupling" consider to regionalize their presence, namely by remaining in China solely to meet the demands of the Chinese market.
- **China's intellectual property regime (56 %) and the regulatory environment (51 %) count amongst the main challenges faced by French firms.**
- **Nevertheless, China remains an attractive destination for innovation** in the eyes of French subsidiaries (86 %) and their headquarters (72 %); 54 % of the companies invest in R&D in China. The high potential of the Chinese market is well known to French companies; 37 % of subsidiaries still consider extending their investments.
- **Respondents are also impacted by the consequences of the invasion of Ukraine (37 %),** because of supply chain disruptions (55 %), a fall of their revenue (32 %), and the increase in energy prices (30 %).

The challenges met by French firms in China are significant and the attractiveness of China risks to suffer a lasting damage if the current COVID-19 restrictions were to be maintained. More specifically, it is high time to facilitate the arrival of expatriate workers in China after more than two years of strict border restrictions, by increasing international air traffic services, issuing visas, and improving quarantine conditions (housing, predictability, separation of families). These are essential factors to deepen industrial cooperation and foster the development of commercial opportunities for French and Chinese companies. For our commercial exchanges and bilateral investment flows to continue thriving, a transparent, predictable and fair business environment are necessary.

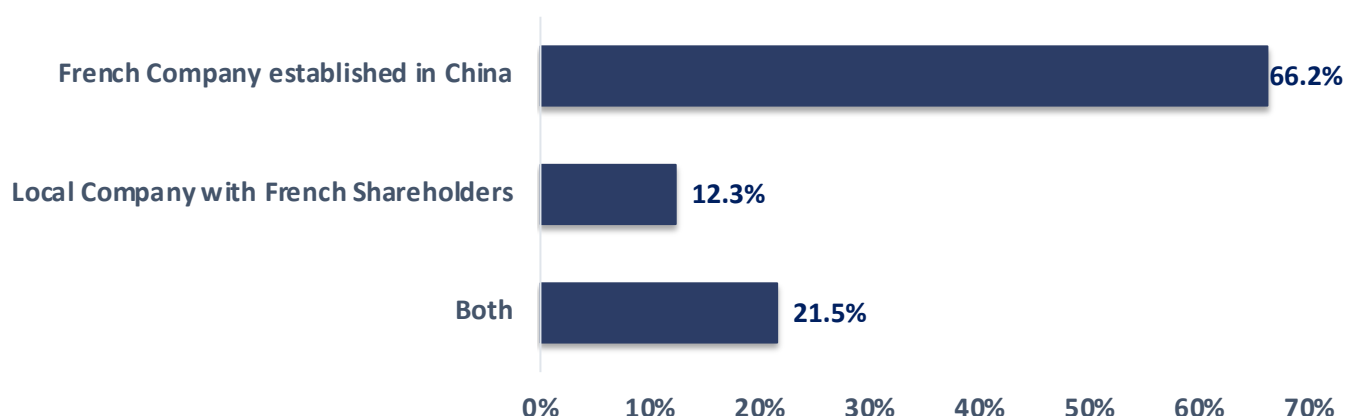


Profile of Respondents

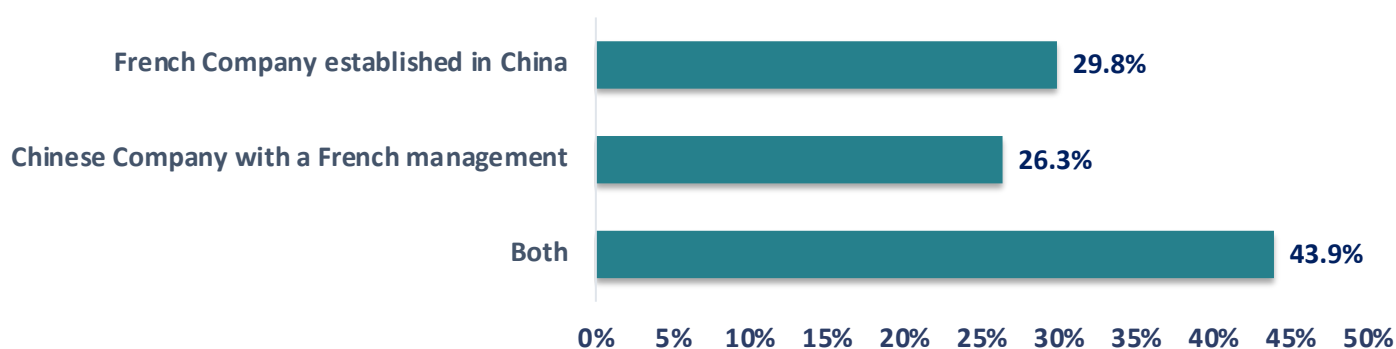
Company category



The local subsidiaries of a French company in China who completed the survey regard themselves as:



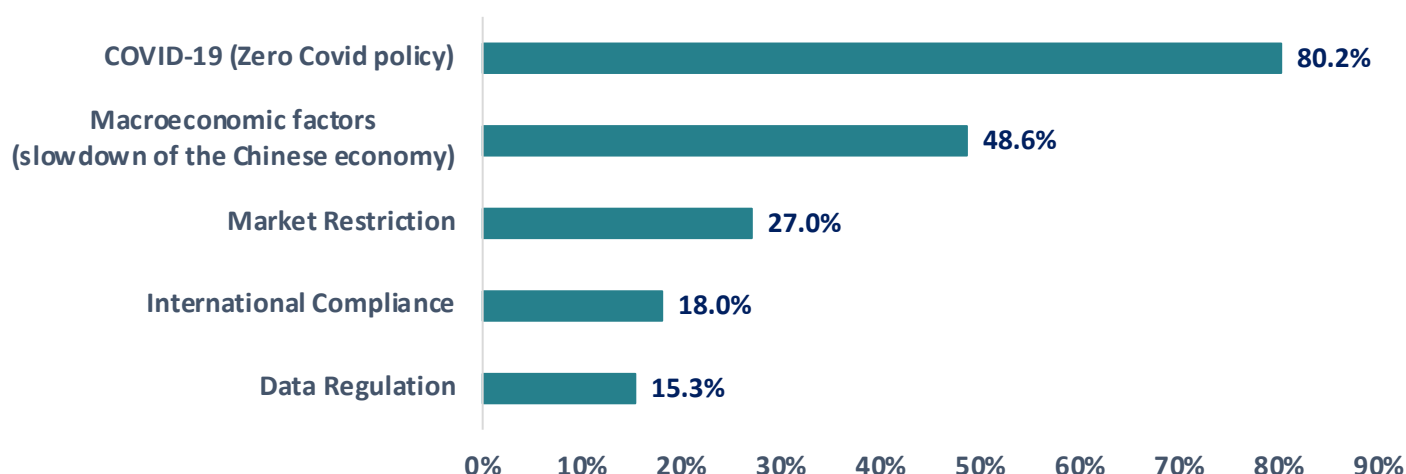
The Local Entrepreneur Companies who completed the survey regard themselves as:



Perception of China and Impact on Investments

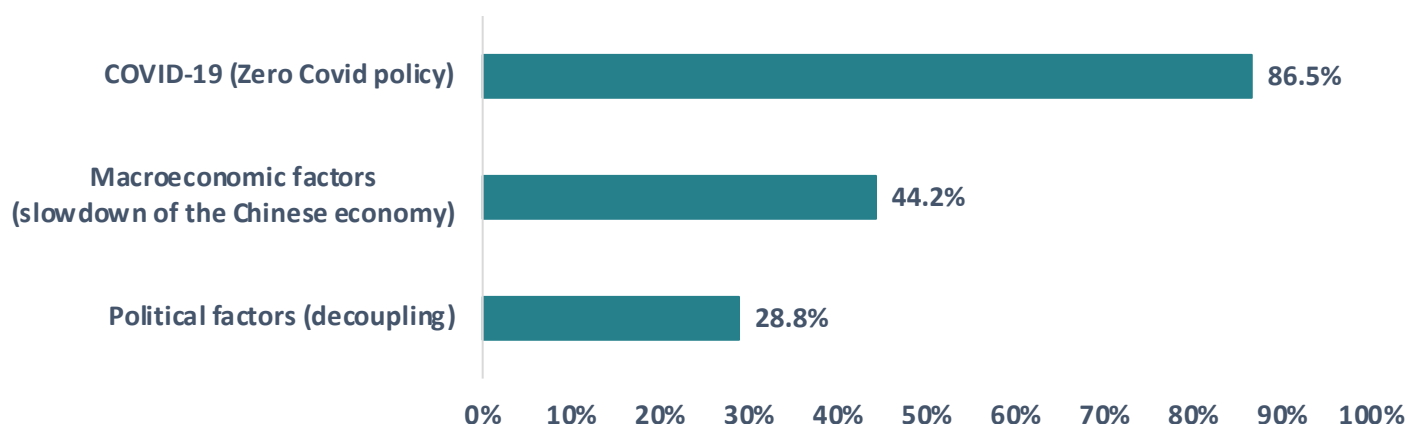
Subsidiary of a French company in China

Has your investment strategy been impacted by one or several of the following factors/ trends/ developments ?



Entrepreneur Local company

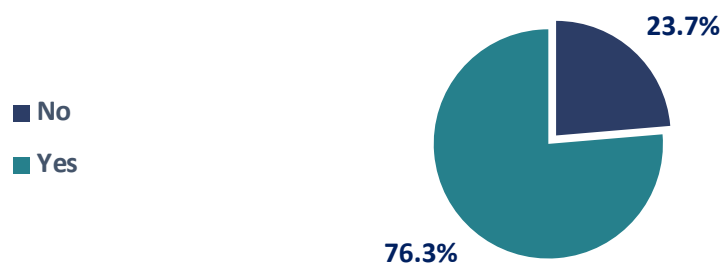
Has your investment strategy being impacted by one or several following reasons?



Perception of China and Impact on Investments

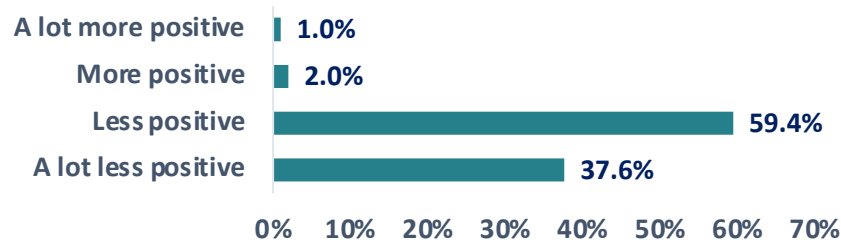
Subsidiary of a French company in China

Has there been a change of perception by your company's headquarter regarding China in the past months?

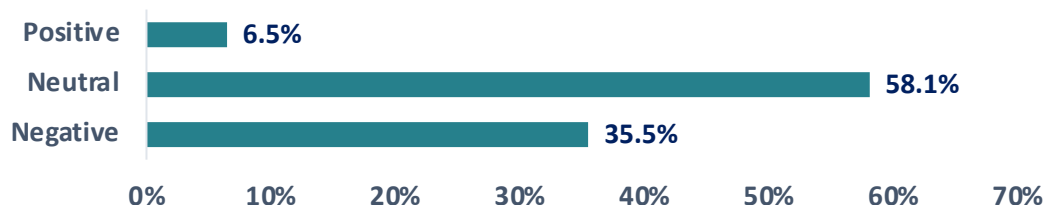


If your company headquarter had a change of perception toward China in these last few months...

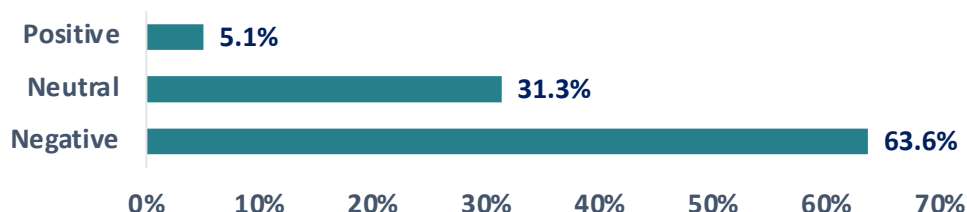
How did their perception evolve?



What was the impact of that change on R&D?



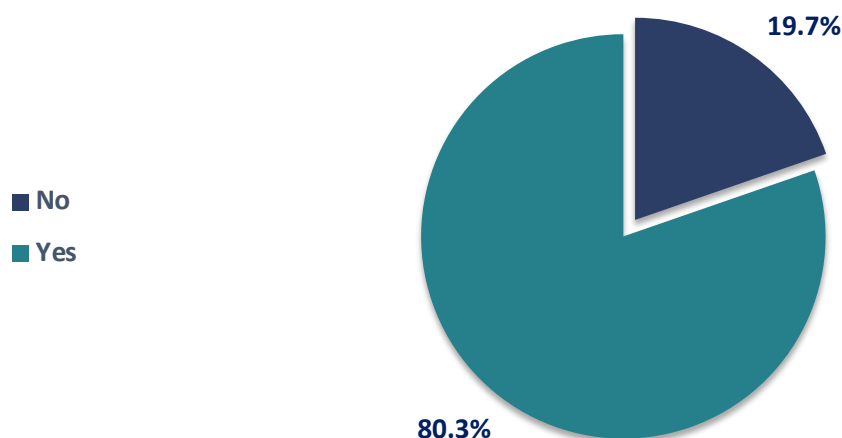
What was the impact on investment?



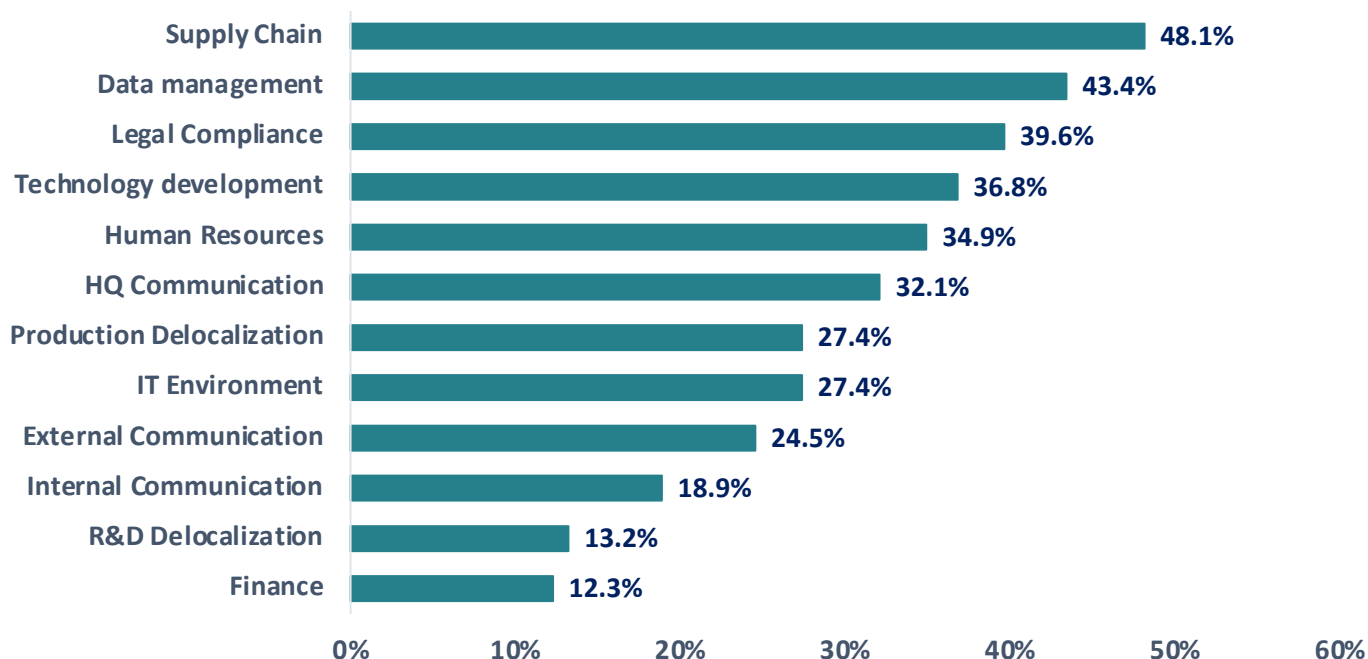
Decoupling and standards Challenges

Subsidiary of a French company in China

Do you observe an impact on your business from the trend of decoupling between China and the world?



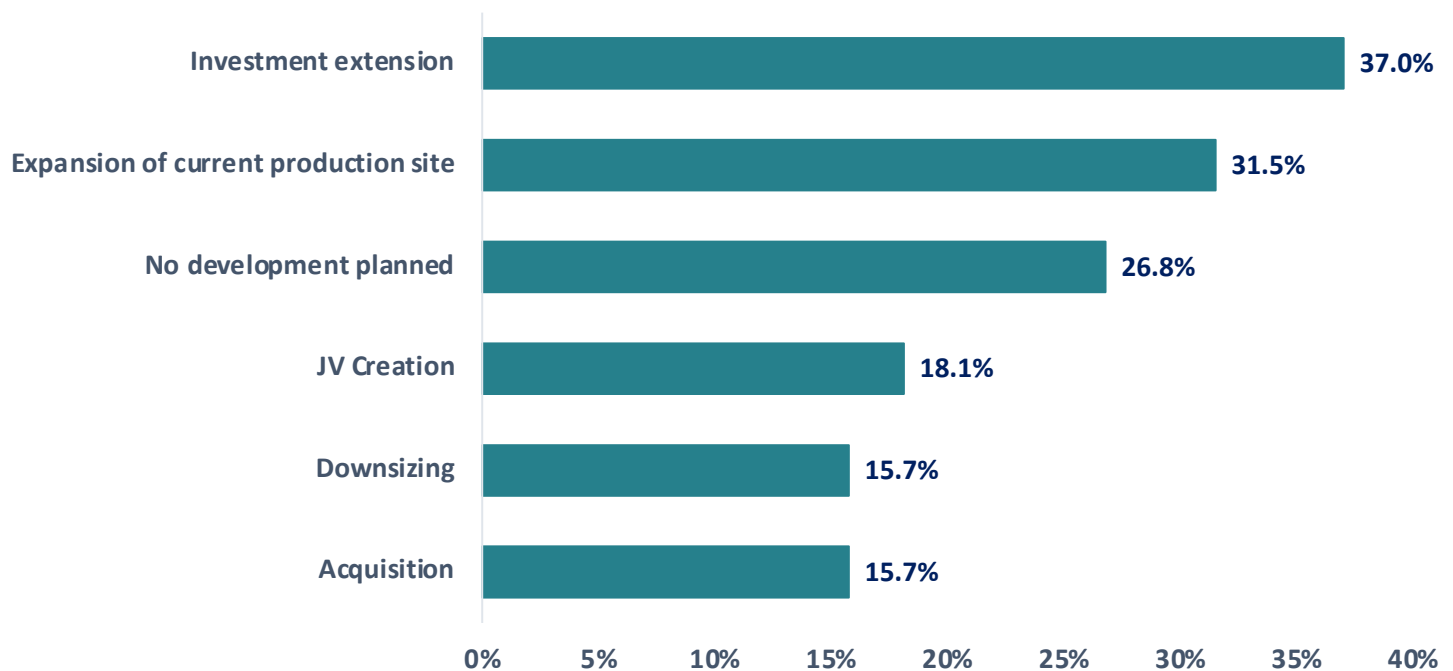
If yes, which aspects of your business are impacted?



Perception of China and Impact on Investments

Subsidiary of a French company in China

How do you plan to develop your activity in the next 3 years?



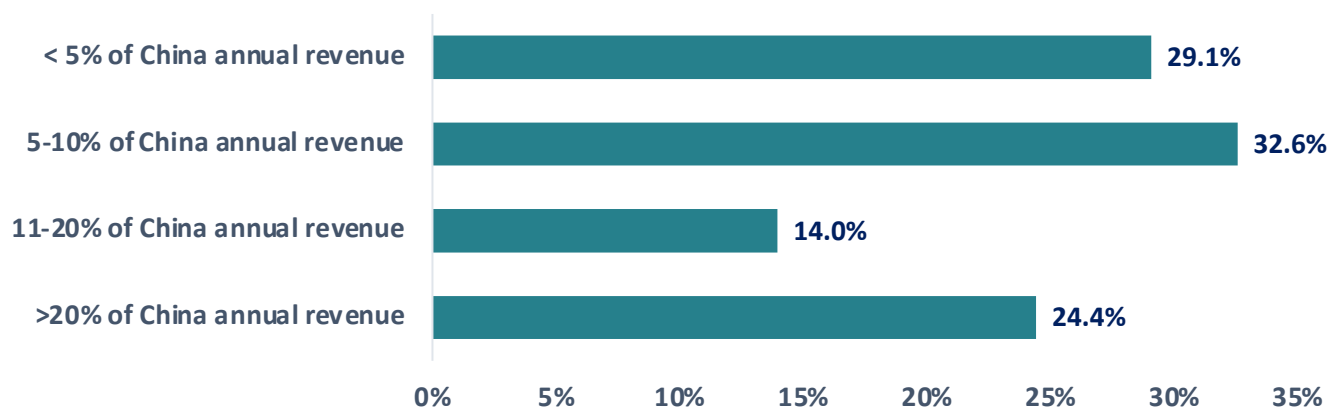
Reasons for no investment

- “Instability”
- “China is seen as a risk more than an opportunity”
- “Will be decided after the reopening of China’s borders”
- “Too many difficulties to enter / exit the country even for Chinese nationals, and fewer needs for our services as Chinese autonomy developed significantly”
- “No appetite for China investment from HQ”
- “Difficult to assess the market potential due to political instability / unclear political climate?”
- “Closing down China subsidiary and relocating production, notably in Portugal and Spain”
- “Recentring on EU business”

Perception of China and Impact on Investments

Subsidiary of a French company in China

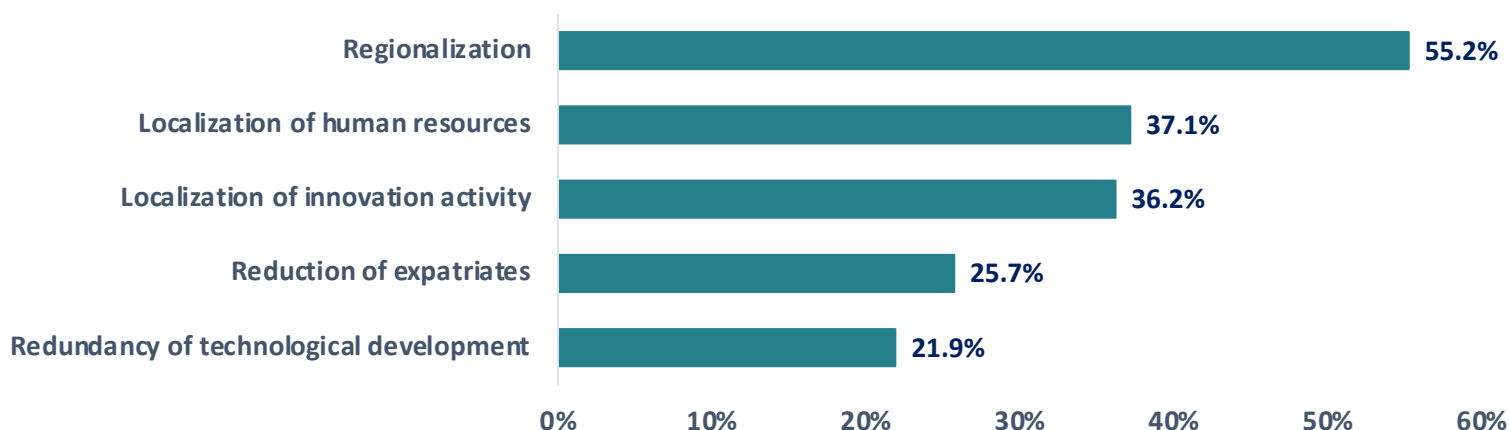
In case of investment/acquisition, estimation of the increase of the company's investments in China?



Decoupling and standards Challenges

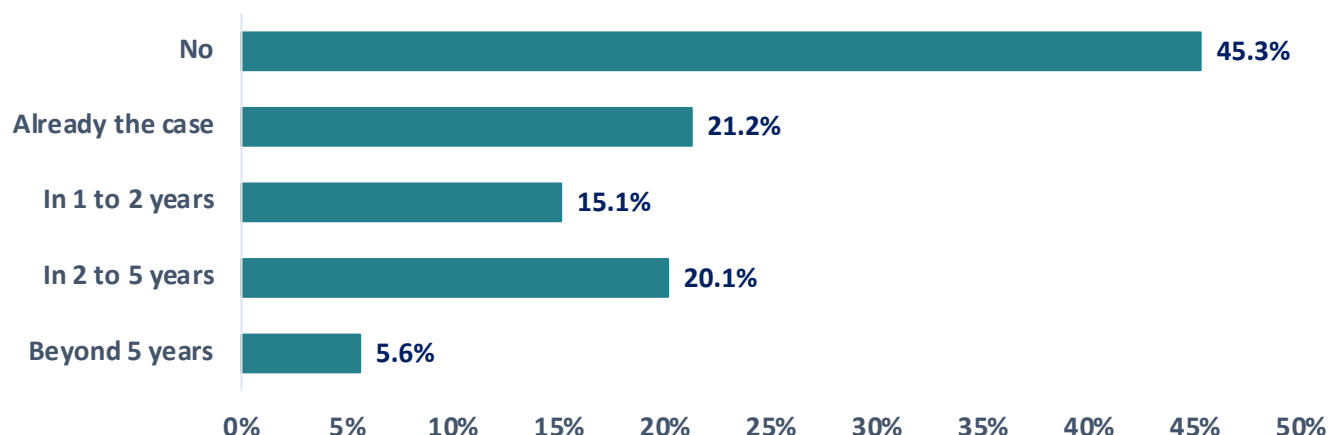
Subsidiary of a French company in China

If you perceive an impact of the decoupling between China and the world, through which means do you plan to adjust your strategy?



Subsidiary of a French company in China & Entrepreneur Local company

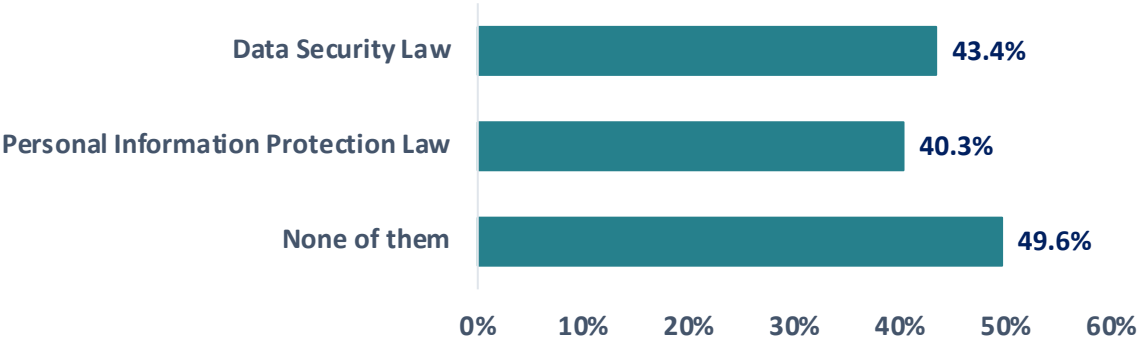
In your sector, do you anticipate a trend for the emergence of standards that would challenge your company's development



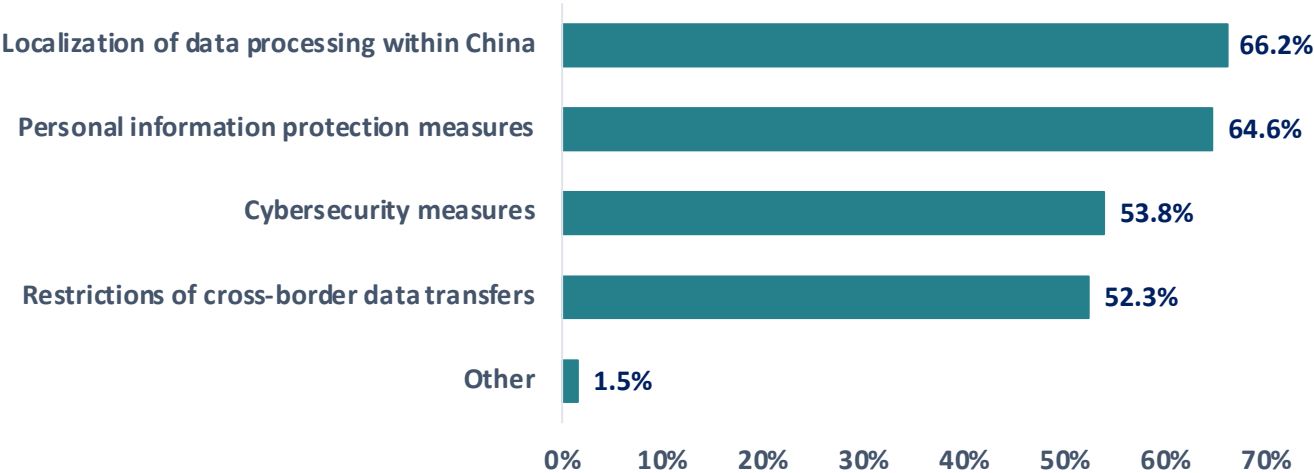
Decoupling and standards Challenges

Subsidiary of a French company in China

Has your company been affected by one of those two regulations?



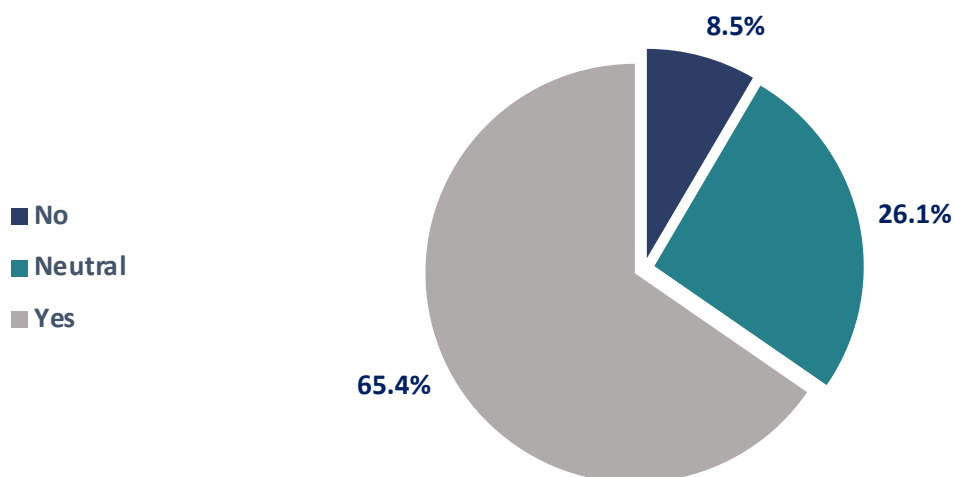
If yes, how were you affected?



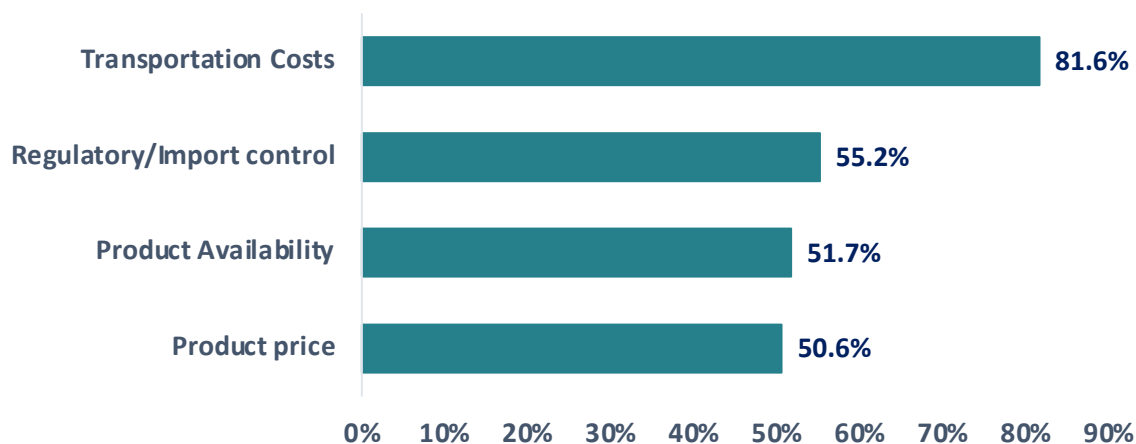
Supply Chain

Subsidiary of a French company in China

Has the supply of imported products/ material become harder?



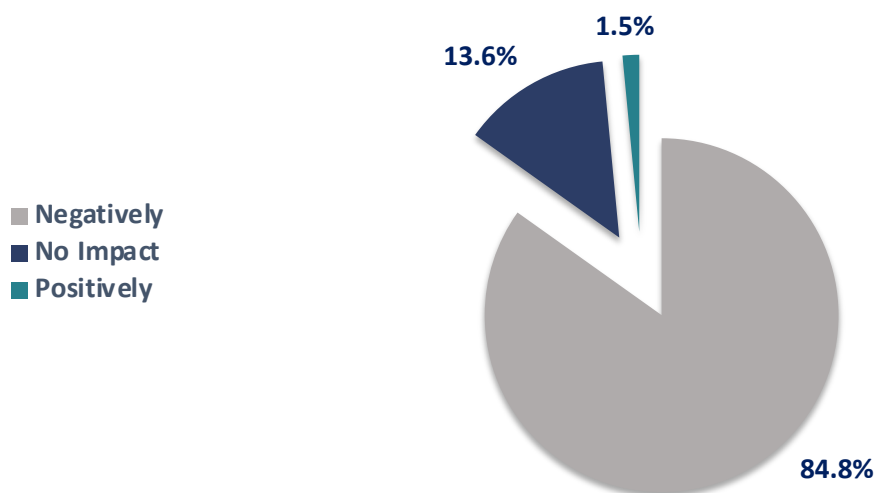
Reasons that make it harder for subsidiaries of French companies to import/source certain products/material



Zero Covid policy and foreign employees

Subsidiary of a French company in China

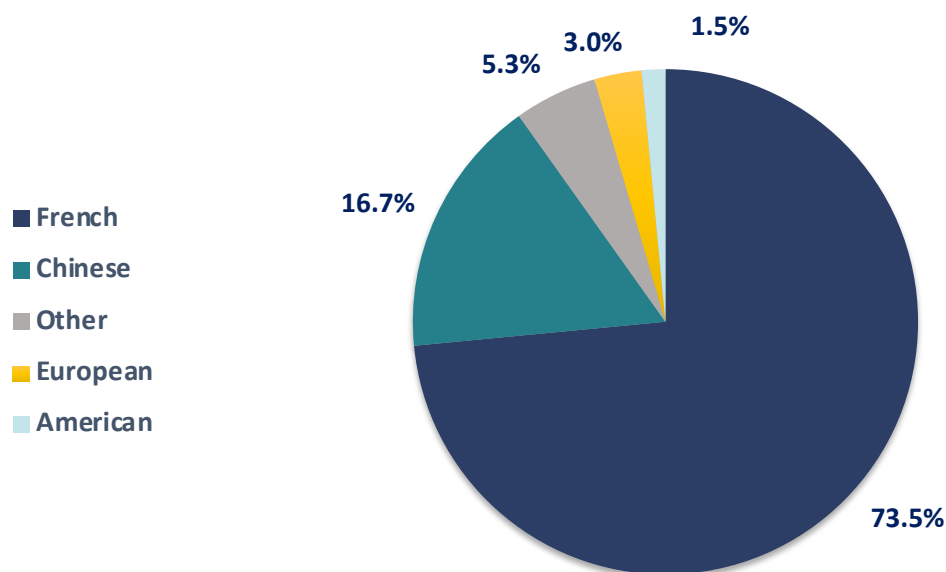
How is your company impacted by China's Zero Covid policy regarding/ with regards to foreign human resources/ foreign staff?



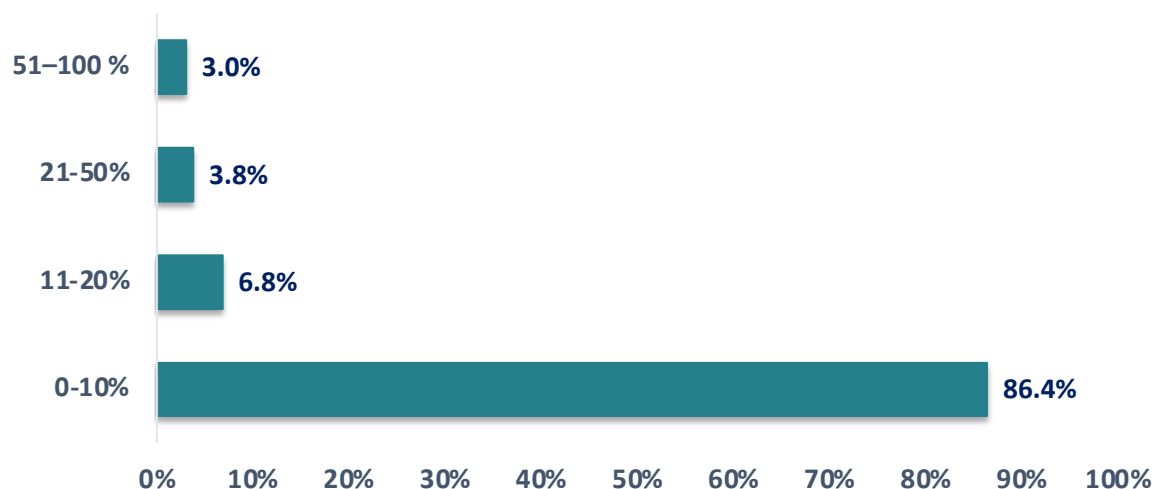
Status of foreign employees

Human resources trends for *Subsidiaries of French companies* in China

Nationality of the CEO in subsidiary of French companies in China



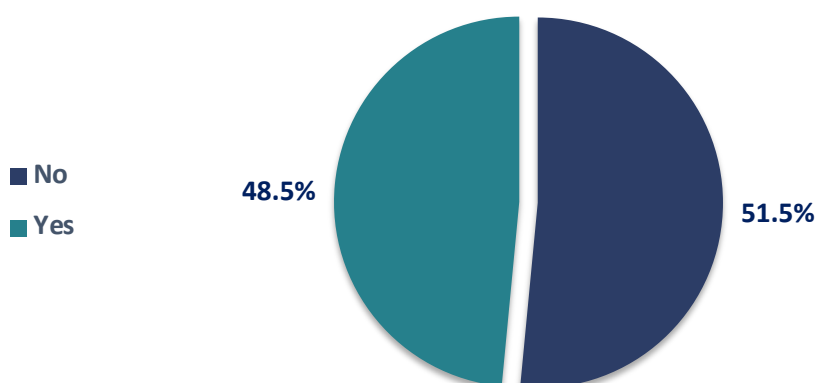
Ratio of expatriates in subsidiary of French companies in China



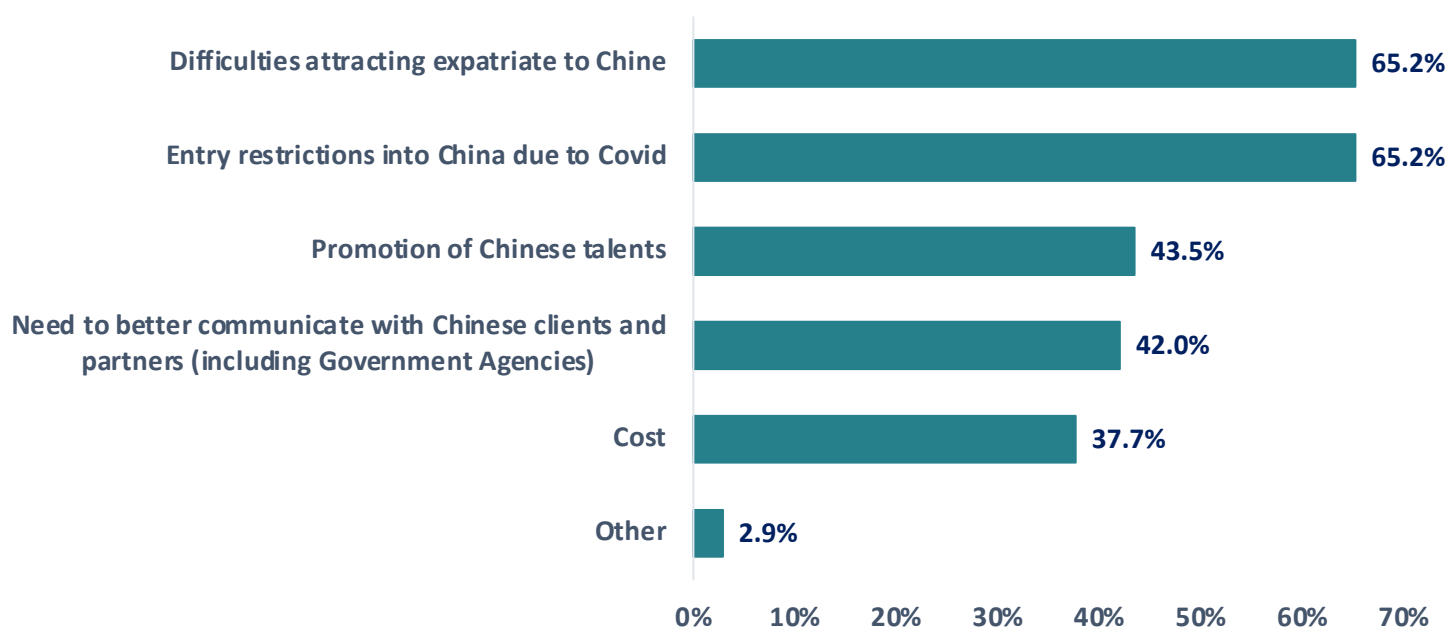
Reduction of foreign employees

Human resources trends for *Subsidiaries of French companies* in China

Is your company replacing expatriates by local talents ?



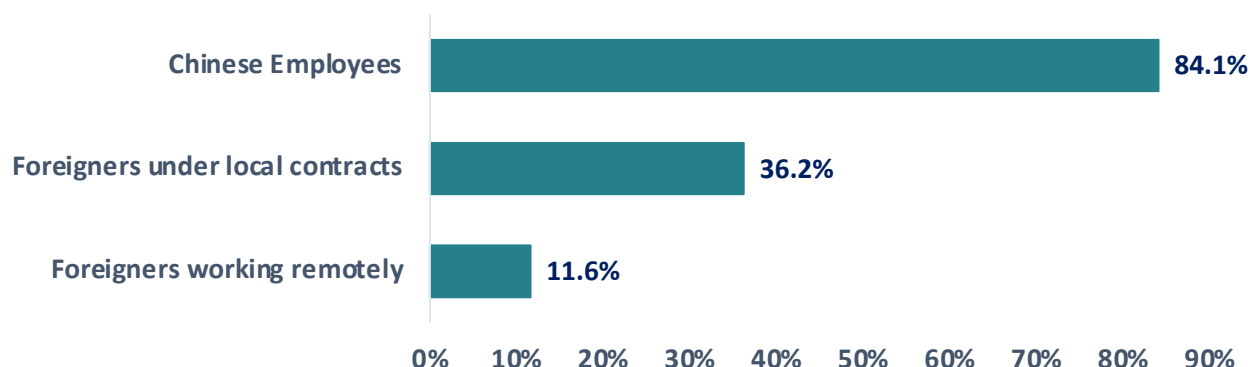
Those who answered “yes” listed the different reasons that led them to that decision



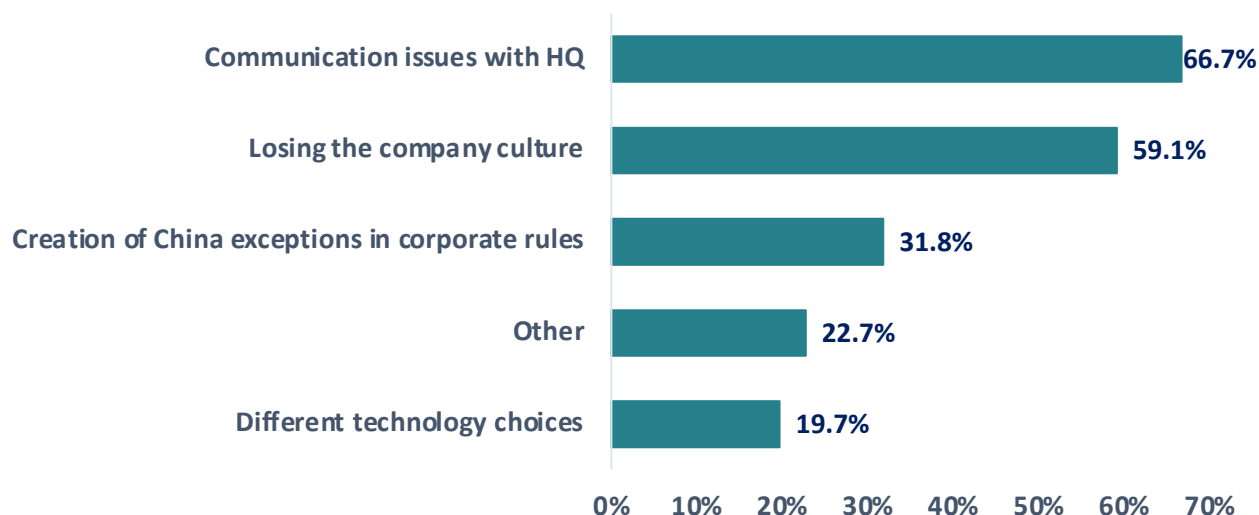
Reduction of foreign employees

Human resources trends for *Subsidiaries of French companies* in China

If your company is replacing their expatriates by local employees, by whom are they replaced?



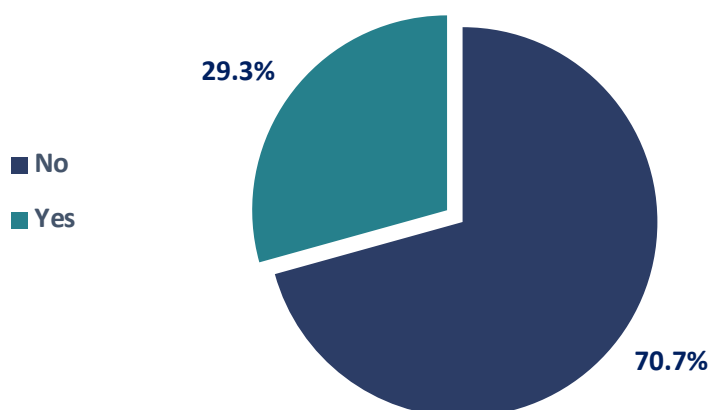
Challenges foreseen as consequences of foreign employees replacement



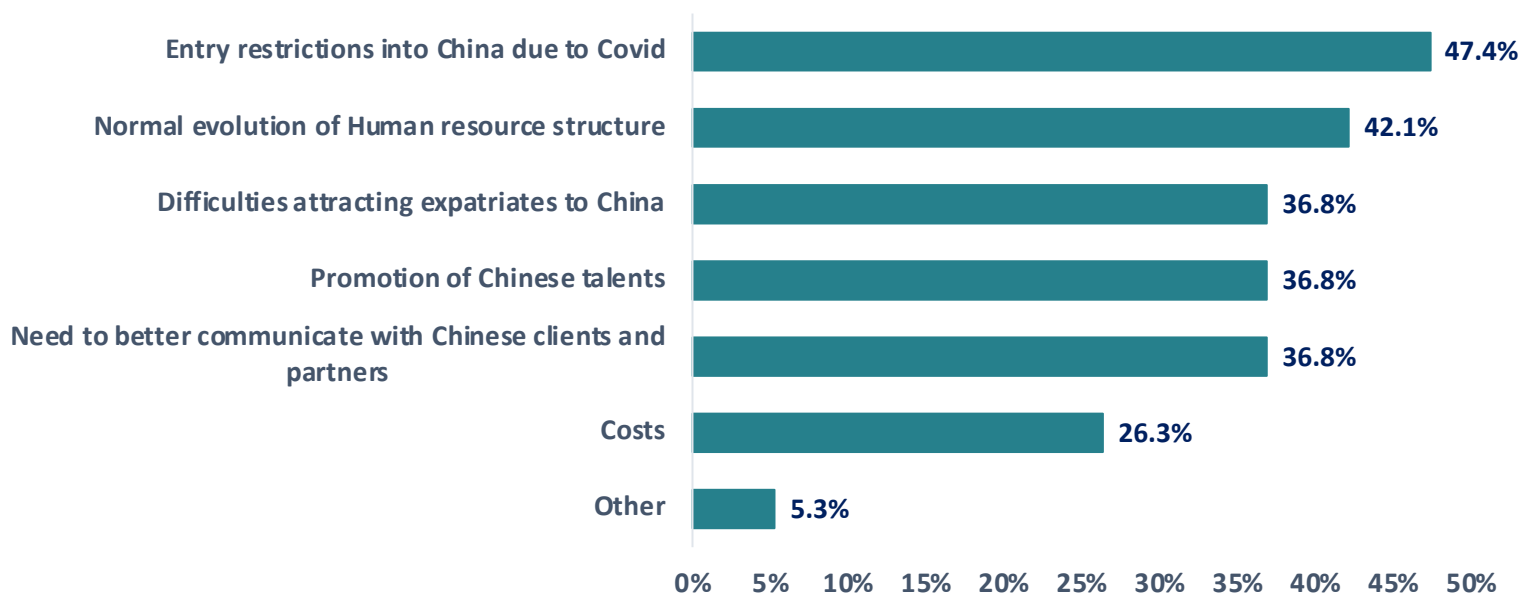
Reduction of foreign employees

Human resources trends for *Entrepreneur Local company* in China

Is your company replacing expatriates with Chinese employees?



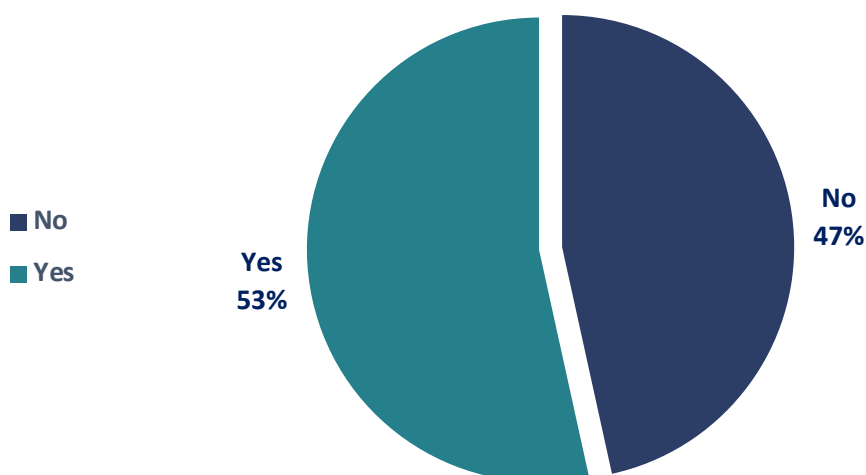
Reasons for the replacement of expatriates



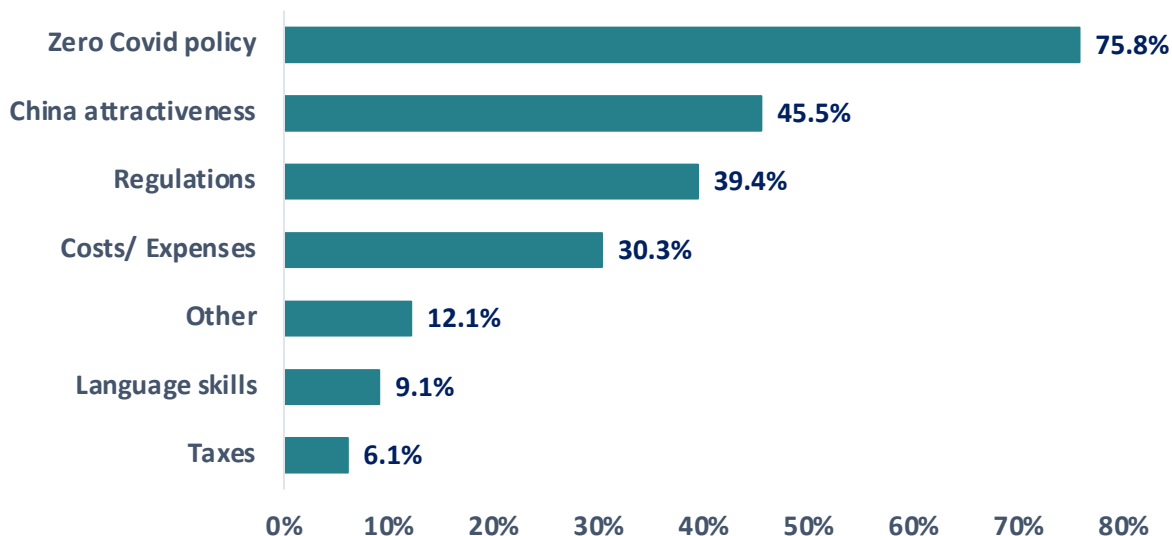
Reduction of foreign employees

Entrepreneur Local company

Are you facing issues in hiring non-Chinese employees?



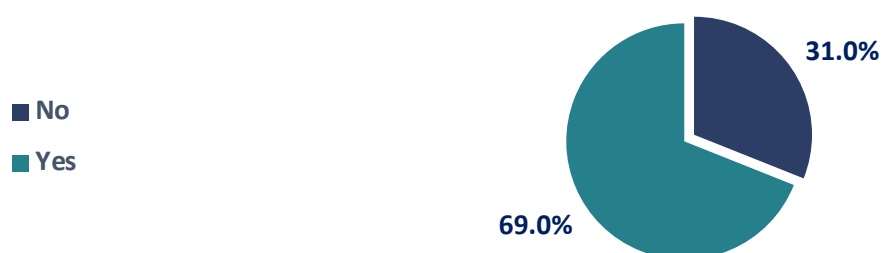
If you are facing issues with hiring non-Chinese employees, what are they?



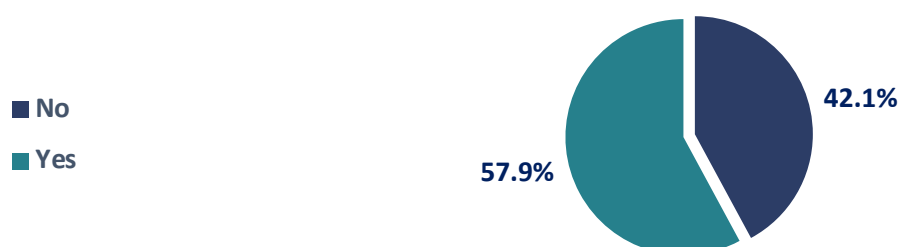
Perceptions of China and Impact on Investments

Entrepreneur Local company

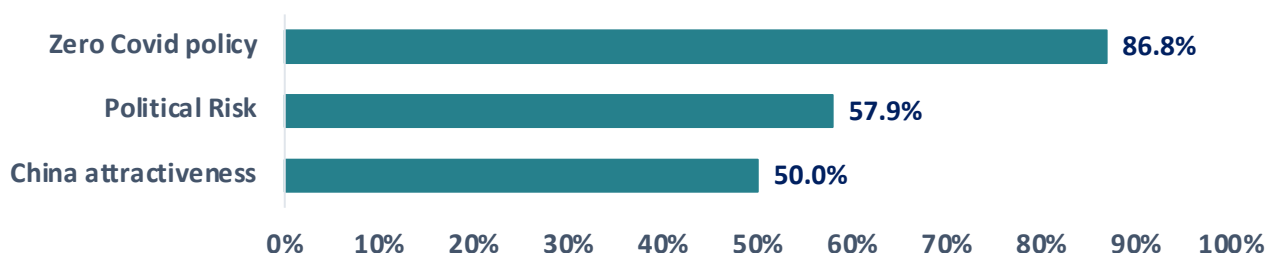
Have your overseas stakeholders/ partners had a change of perception toward China these past few months?



Do you feel communication with overseas stakeholders/ partners has become harder?



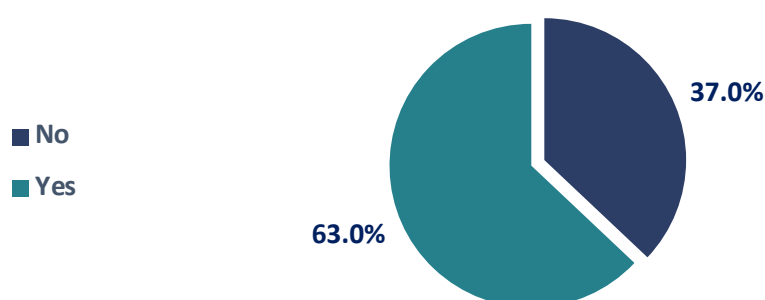
Here are the reasons why entrepreneur local companies are feeling that the communication with overseas stakeholders / partners has become harder:



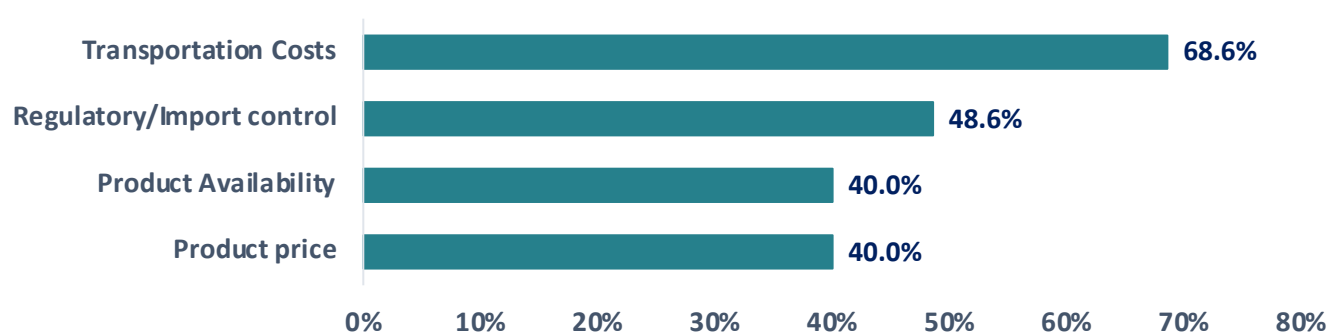
Supply chain

Subsidiary of a French company in China

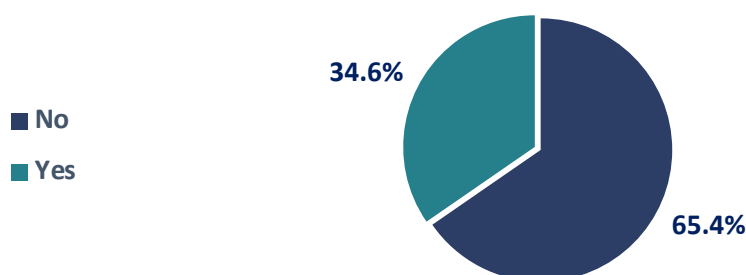
**Do you feel it is harder to import products/
materials ?**



**Reasons that make it harder for entrepreneur local
companies import products/materials**



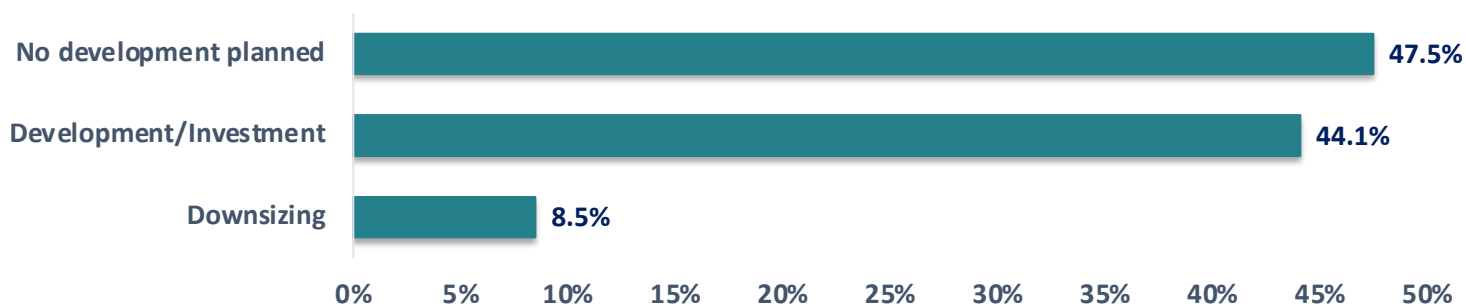
**Have you already faced a situation where
you were unable to replace the foreign
supply by a local supply?**



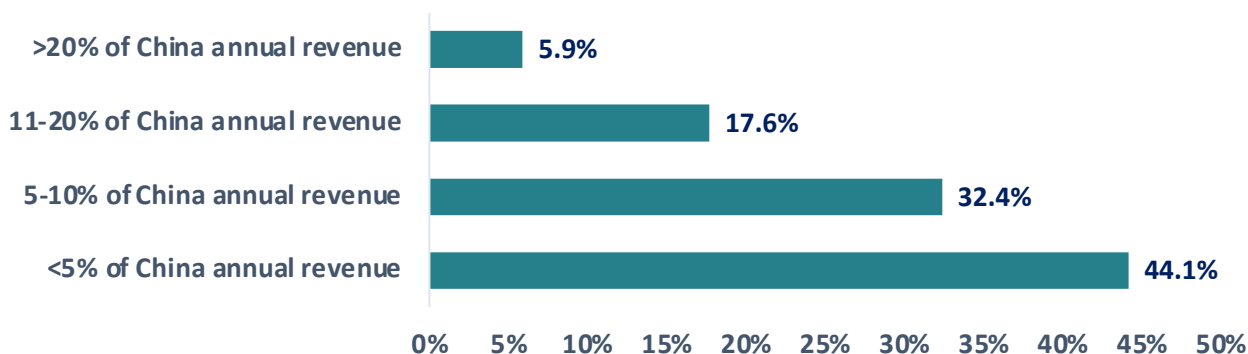
Perception of China and Impact on Investments

Entrepreneur Local company

How do you plan to develop your activity in the next 3 years?



In case of investment/acquisition, how much would you be likely to increase your company's investments in China?



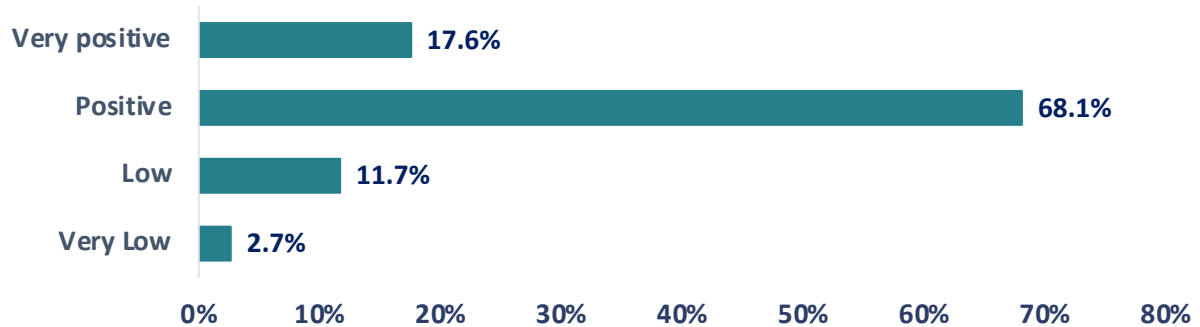
Reasons for non-investment:

- "Uncertainty of the local environment"
- "Changing market"
- "Wait and see how situation evolves"
- "No perspective"
- "Not enough resources"
- "No business need, focus on other markets"

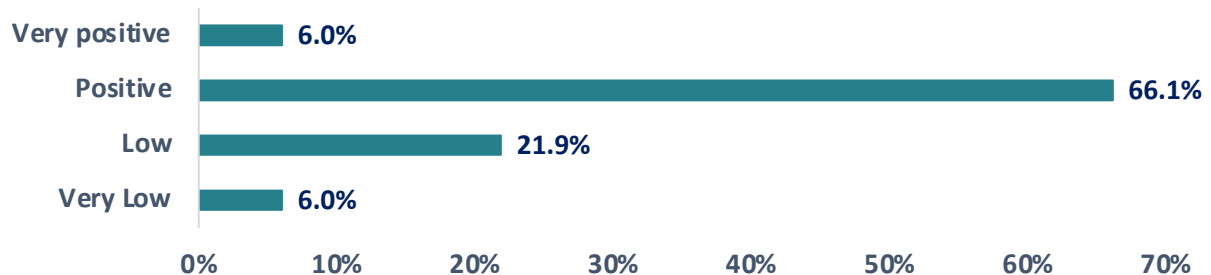
Innovation and R&D

*Subsidiary of a French company in China
& Entrepreneur Local company*

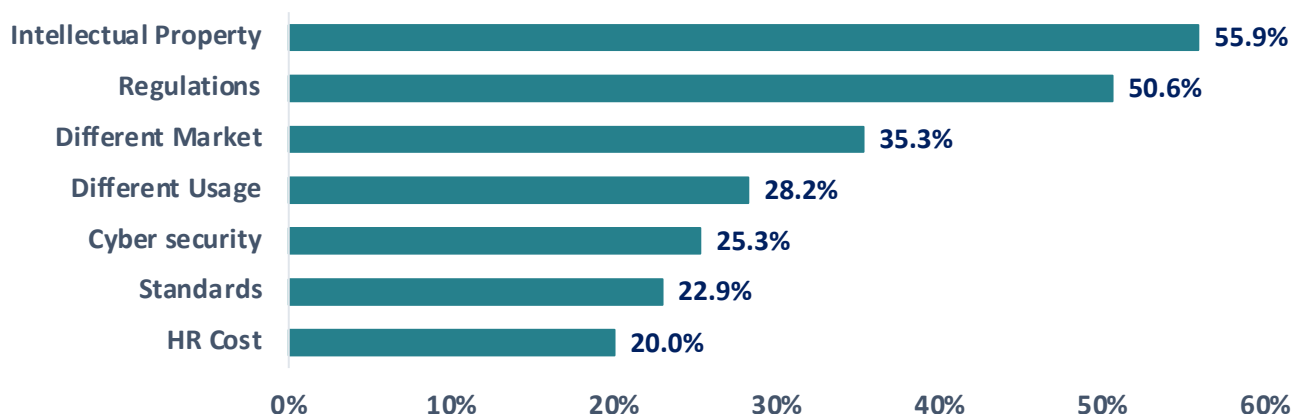
How do you assess the innovation capacities in China?



How does your head office assess the innovation capacities in China?



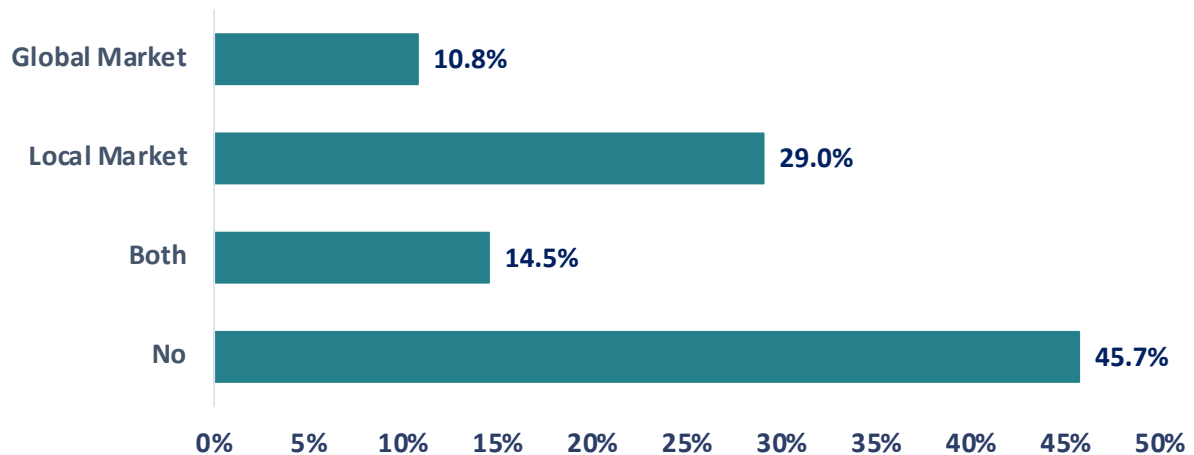
Have you identified obstacles to the development of innovation in China ?



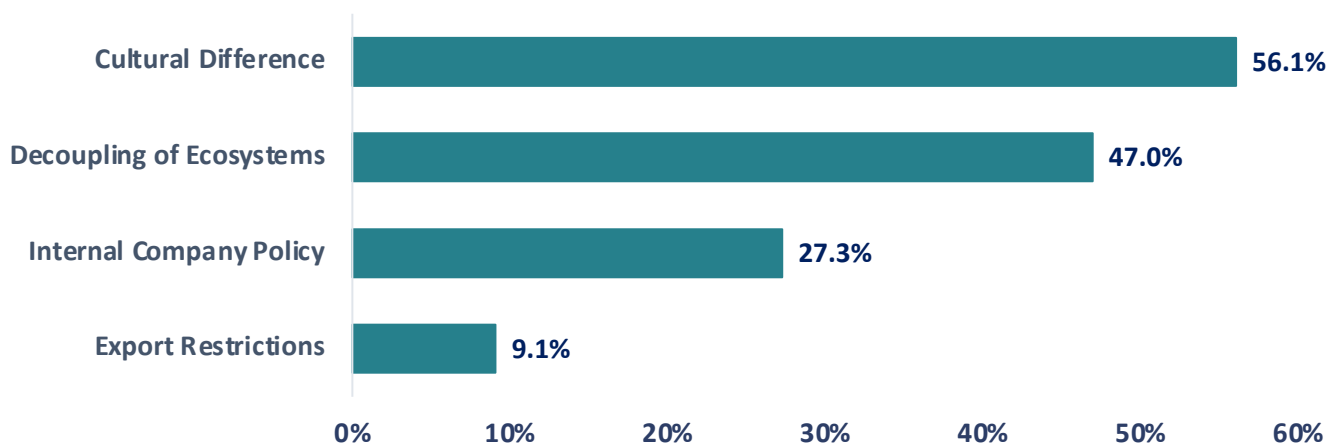
Innovation and R&D

*Subsidiary of a French company in China
& Entrepreneur Local company*

**Does your company invest in research & development
in China, and if so, for which market?**



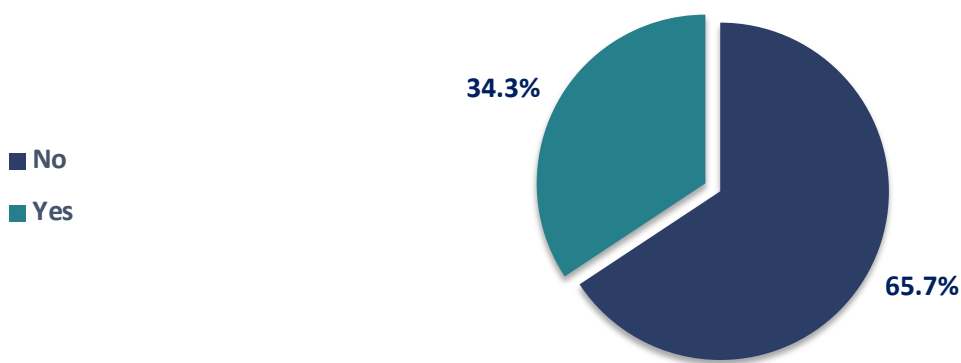
If you have selected “Local Market” only, why?



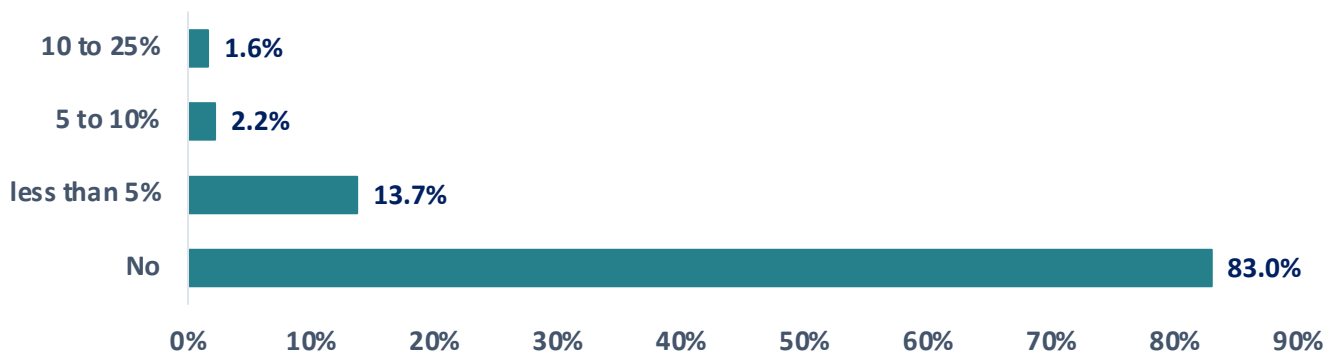
Innovation and R&D

*Subsidiary of a French company in China
& Entrepreneur Local company*

In your company, does the intellectual property protection policy encourage limiting R&D activities in China?



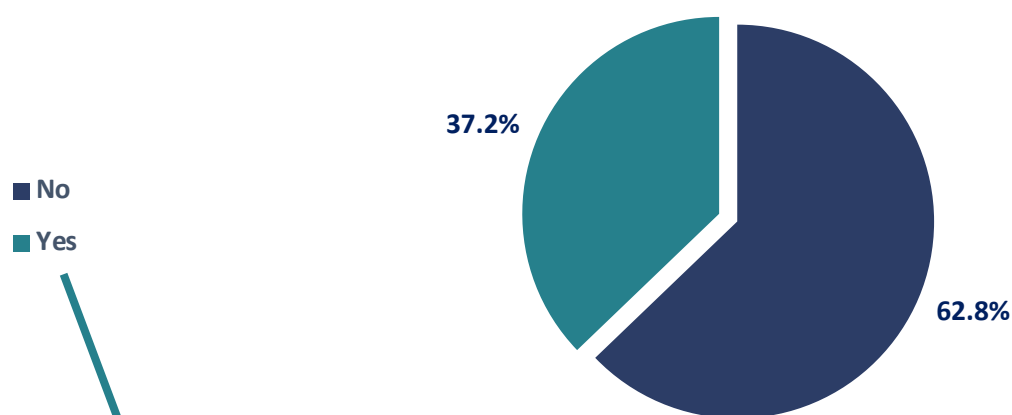
Does your company benefit from government funding supporting R&D investment in China?



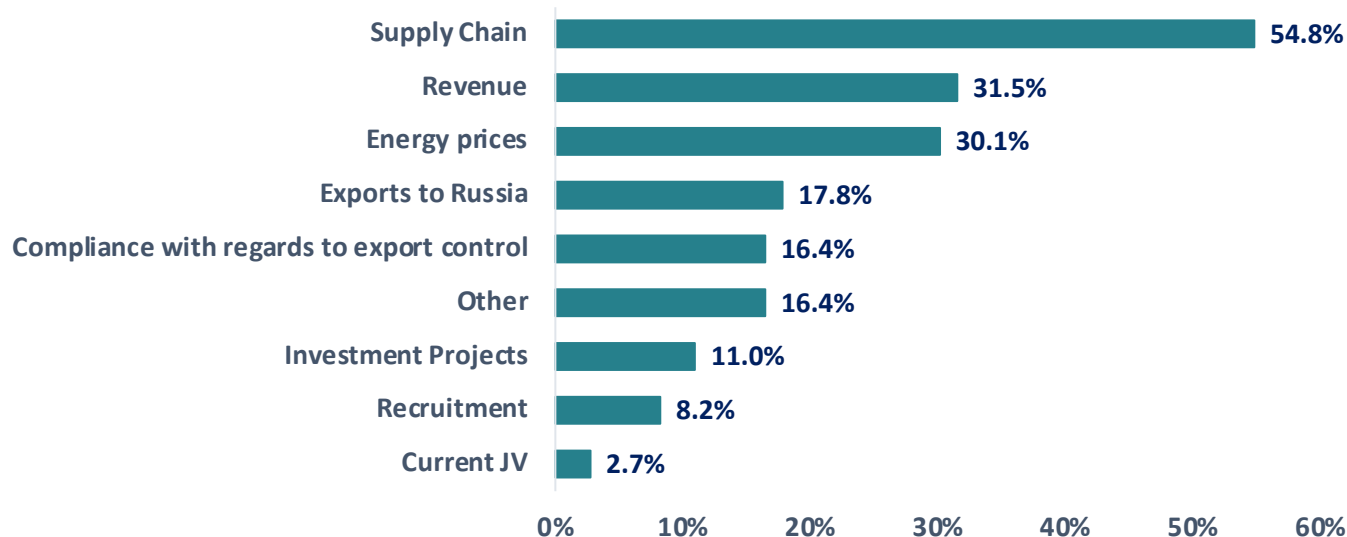
Impact of the invasion of Ukraine by Russia

All companies included

Impact of the invasion of Ukraine by Russia on operations in China



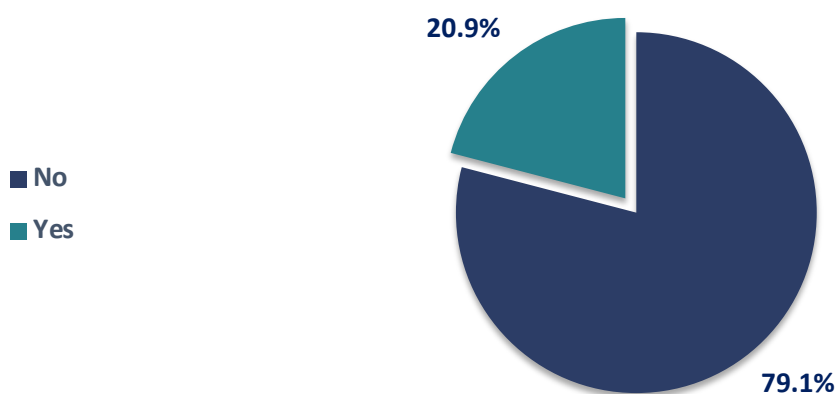
Company operations impacted by the invasion



Impact of the invasion of Ukraine by Russia

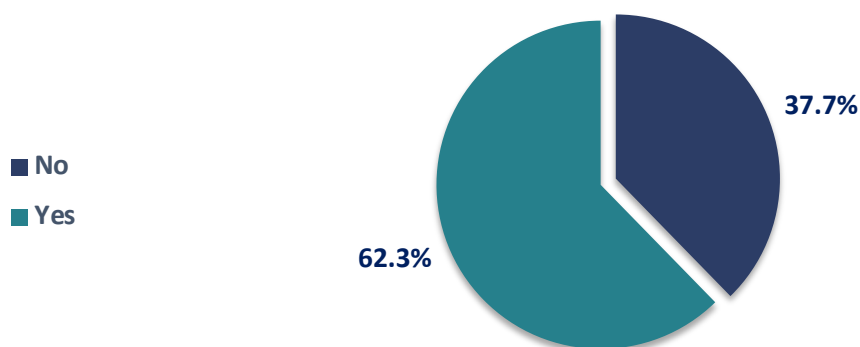
All companies included

Impact of European and American sanctions



↓

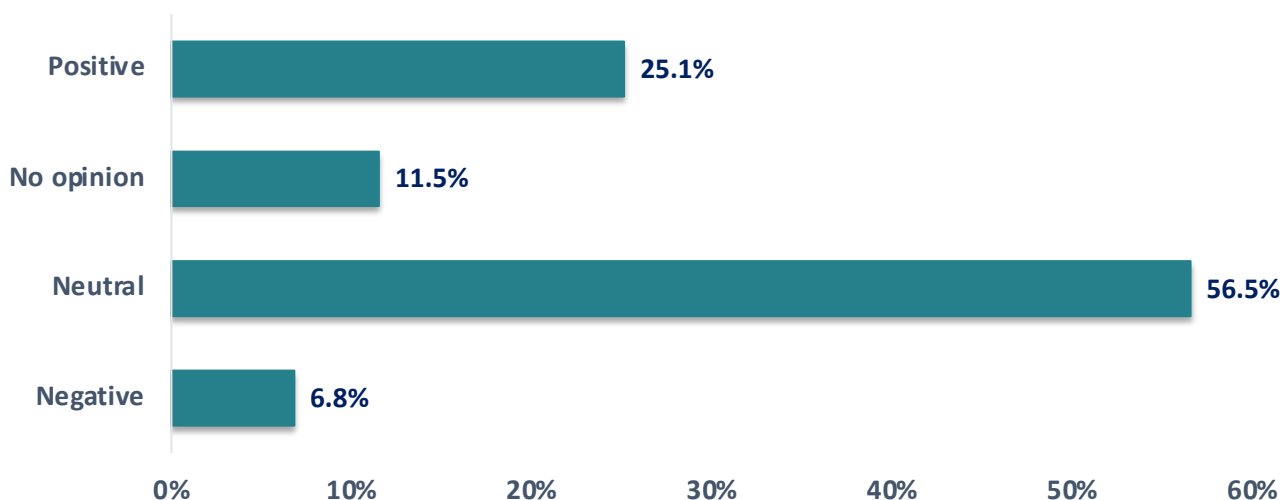
Monitoring effort of the EU and US sanctions to avoid potential impact



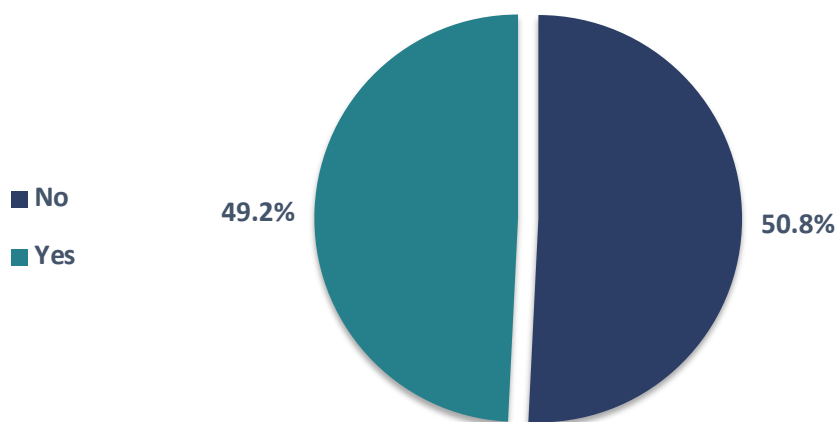
Impact of the invasion of Ukraine by Russia

All companies included

France's image in the eyes of the employees since the beginning of the conflict

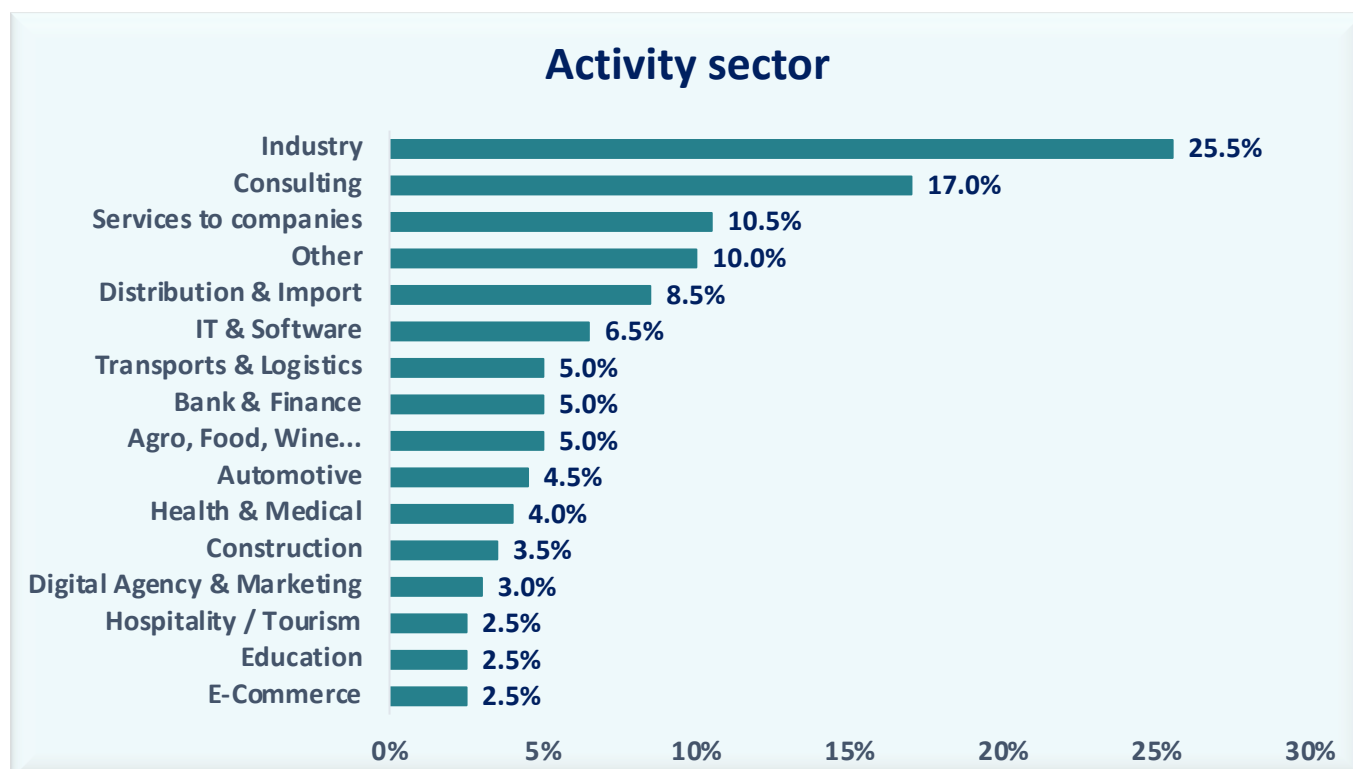


Are the foreign employees concerned about their presence in China as a result of the invasion?



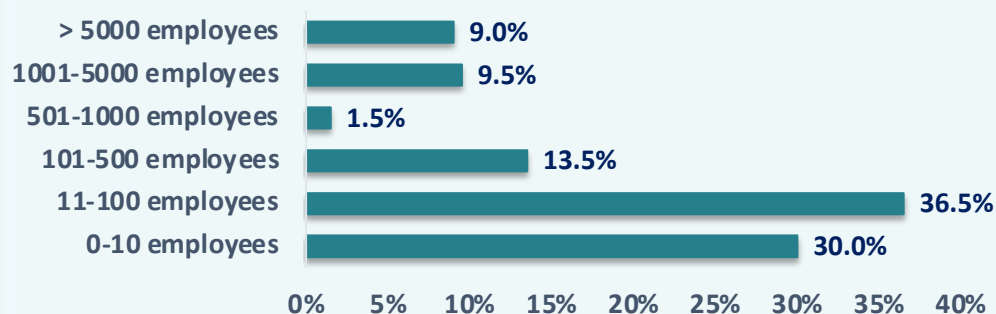


Profile of Respondents

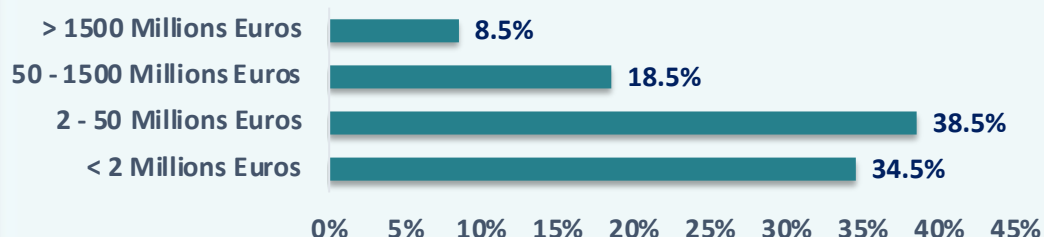


Profile of Respondents

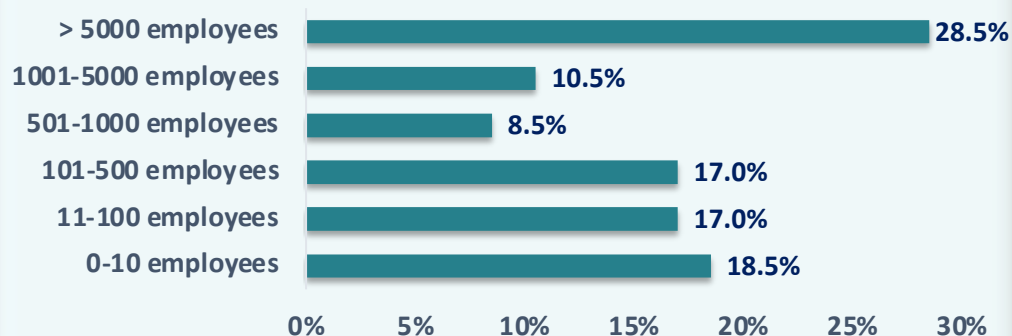
Number of employees in China



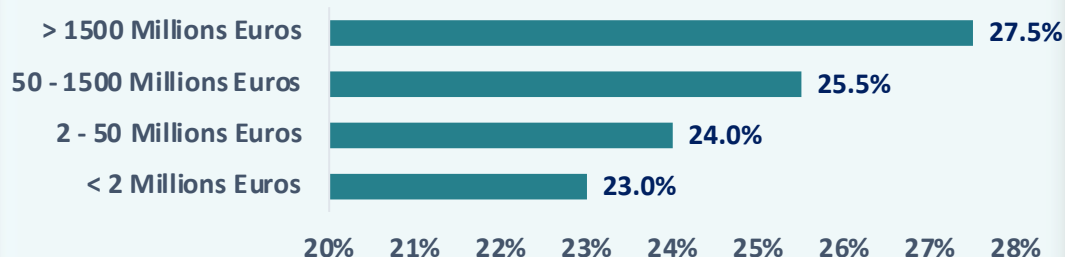
Company turnover in China (in Million Euros)



Number of employees worldwide

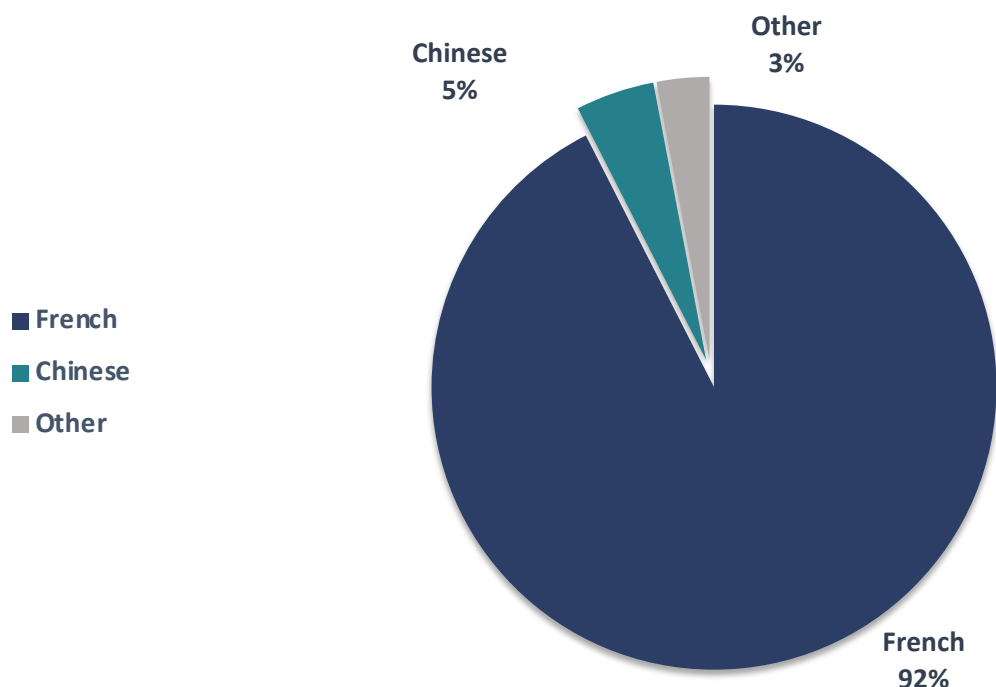


Company turnover worldwide (in Million Euros)

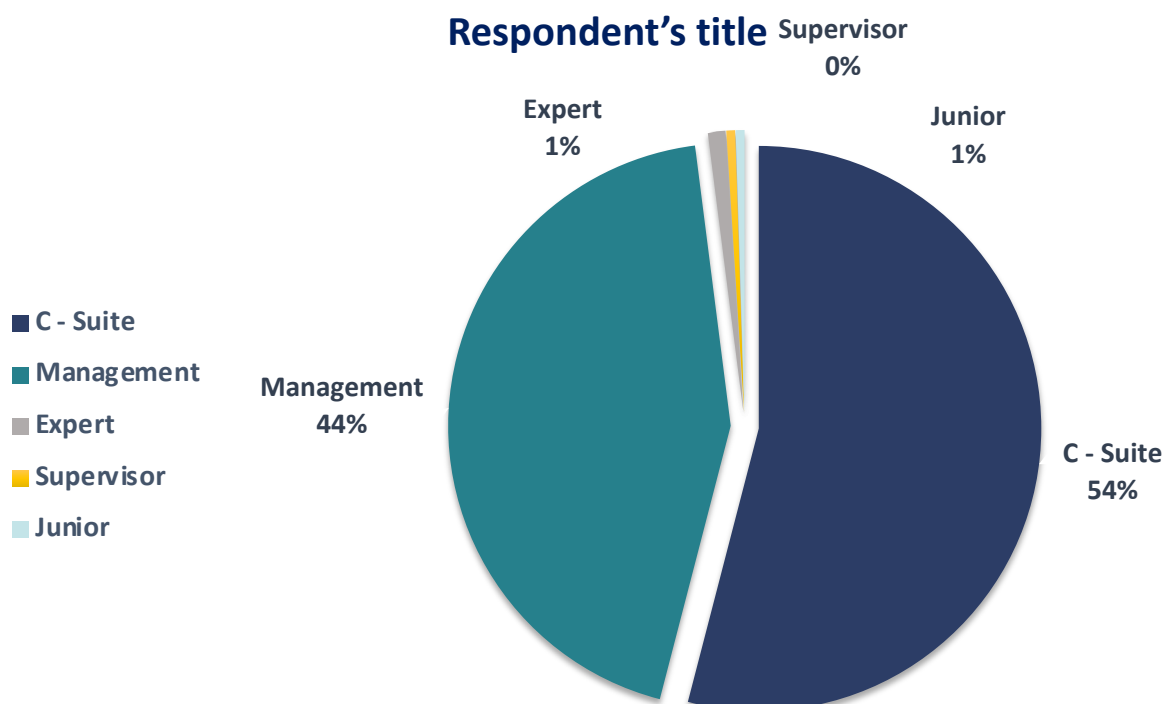


Profile of Respondents

Respondent's nationality



Respondent's title



SURVEY - SPRING 2022

Thank You

