



# Combating the COVID-19 Pandemic

Europe is dealing with its darkest hour since World War II, and over 60% of Chinese companies are negatively affected

For the members of the China Chamber of Commerce to the EU (CCCEU), the business environment in the European Union (EU) is evolving dramatically. Two major factors can be seen at play. First, the COVID-19. As the pandemic spreads worldwide, Europe has become the new epicenter. There are more and more cases being reported every day than in China at the height of the epidemic in that country. According to the OECD Economic Outlook Interim Report March 2020, global and euro-area economic prospects remain subdued and very uncertain due to the coronavirus outbreak. Second, changes in the EU business policies and environment. In 2019, EU member states have adopted and implemented the EU Foreign Investment Screening Regulation, the European Green Deal and digital economic transformation policies.

The juxtaposition of the above factors raises many questions. How do Chinese companies respond to the changing EU business environment? Do they see room for cooperation or rather cause for concern? To what extent will these factors affect their confidence in the EU market? How do they perceive the European Green Deal? To assess the latest developments in Chinese companies' business performance across Europe and their perception of the changing business environment in the EU, the Brussels-based CCCEU launched a two-week Business Environment Survey in Spring 2020. Among about 1,000 members, the CCCEU invited 100 to participate in an online survey. In total, the CCCEU received 61 valid questionnaires. All information is processed under the EU General Data Protection Regulation (GDPR).

## Key findings

- **Over 60% of Chinese companies deem that the COVID-19 pandemic has a negative impact on their business activities**

The COVID-19 pandemic has undermined global economic growth. The results of the survey show that 63.98% of Chinese companies deem that the COVID-19 epidemic will have a negative impact on their business activities. Because of the ongoing spread of the pandemic, the EU and its member countries will further tighten controls, leading to the percentage of Chinese companies affected by the pandemic increasing as well. In addition, the responses show that 18.03% of companies remain optimistic, and 18.03% are uncertain about possible outcomes.

- **The positive effects of EU geopolitics, politics and policies need to be enhanced**

During the last decade, the EU has encountered many challenges such as the sovereign debt crisis, terrorist attacks and the refugee crisis. At the end of last year, the political scenario was also evolving

downside risks have increased. Trade tensions and policy uncertainty have taken a toll on confidence, trade, investment and growth. In this context, half (49.18%) of our members deem that their business activities are negatively affected by these factors. Besides, 66.57% of our members are uncertain about the possible impact of the EU Foreign Investment Screening Regulation.

The extent to which the EU Foreign Investment Screening Regulation will have an impact on Chinese companies is also a focus of our survey: 27.87% of companies consider that the new regulation has already had a negative impact on their business activities; 44.26% estimate that there has been no significant impact so far; and 26.23% deem the impact to be still uncertain and difficult to evaluate.

- **More than half of the companies are still struggling with their business operations in Europe**

More than half (52.46%) of the companies are still struggling to make a profit in Europe. The four main reasons: difficulty in obtaining construction permits (50.82%); limited access to credit/financing (50.82%); heavy taxes (40.98%); and constraints in cross-border trade (40.98%). 60.66% of the companies indicate their pre-tax income and total investment in Europe in 2019 was more or less equal to figures in the previous year; and 21.31% indicate an increase of 5-20%.

- **The European business environment has improved, yet further reinforcement is needed**

Compared with the early years of entry into the European market, over a half (52.46%) of the companies suggest that the business environment has improved. The main reasons: better communication with local governments (22.95%); improved equal treatment compared with local enterprises (21.31%); and relaxation of market access (14.75%). But it is noteworthy that 9.84% of the companies state that the business environment is less friendly. Three major reasons for this: increasing barriers to market access (40.98%); other reasons (19.67%, including rising labour costs, high taxes, social security requirements, and hurdles in high-tech immigration qualifications); and unfair treatment compared with local enterprises (13.11%).

- **Despite challenges, over 60% of the companies plan to increase investment in the EU**

Despite all the challenges and difficulties listed above, a majority of companies (over 60%) plan to continuously increase investment in Europe; 49.18% plan to increase investment by 5-20%; and 11.48% aim to increase investment by more than 20%.

## Policy recommendations

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According to our survey, our members generally deem the business environment in Europe to have improved slightly, and their outlook for the future business activities is cautiously optimistic. Yet, this will depend on the extent to which their current operational difficulties are resolved and whether the business environment improves. The feedback is one of the key barometers of the current state of the business environment in the EU, especially as a key indicator of the openness of the EU market. To this end, we strongly urge both the Chinese and European sides, especially the EU and its member states, to attach great importance to the results of the survey. We hope this feedback serves both as a strong call and a feasible list of priorities for the EU and its member states to further address these issues and to improve the overall business environment.

Substantially, based on these findings, the CCCEU strongly advises the EU and its member states to focus on the following recommendations:

- **Actively combating the COVID-19 and reducing the administrative burden on businesses; providing systematic support for enterprises soon as possible, and ensuring Chinese-funded enterprises are offered the same treatment as local companies.**

The COVID-19 issue has and will continue to cause direct economic losses and have unpredictable negative impact on numerous companies. We notice that the EU and its member states have evaluated the possible economic and social impact of the pandemic, and adapted and tailored policies to cope with the situation, for instance, with lower administrative burden, tax reduction and subsidy support. Chinese companies should benefit from these measures as well.

- **Working continuously to optimize the business environment, eliminating unfair treatment, and further supporting the health and growth of Chinese companies during these challenging times.**

Optimizing the business environment will lead to the sound development of Chinese companies and, in turn, will boost Europe's economic growth and the employment rate. We reiterate the fundamental importance of a rules-based, transparent, non-discriminatory, open, free and inclusive international trade. We call on the EU to cooperate closely with China within the World Trade Organisation (WTO) framework, adhere to the WTO provisions, further remove market access barriers, better implement a non-discriminatory policy, and steadily grant equal treatment to foreign (Chinese) companies. More specifically, the EU should work further on enhancing the efficiency of processing construction permits, on providing diverse access to credit or financing process for foreign-funded enterprises, and on relaxing cross-border trade policies.

- **Mitigating the fluctuations in EU geopolitical, political, and policy environment to generate a positive impact on business.**

Taking effective measures to minimize the negative effects of the fluctuations in the geopolitical

environment is key. We call on the new EU leadership to pay dual attention to the continuity and changing of policies and regulations. For companies to better understand updated policies and regulations, we call on the EU to provide sufficient support measures. Meanwhile, more effective communication strategies for different enterprises are urgently needed.

- **Enhancing effective communication with Chinese companies to increase their investment in Europe, especially in priority areas.**

Based on the joint statement of the 21st EU-China Summit on 9 April 2019, we call on the EU to reach the conclusion of the EU-China Comprehensive Investment Agreement in 2020. At the same time, we stress the importance of the EU's new leadership to further strengthen dialogue with foreign (Chinese) companies. To stimulate investment and operations in the prioritized areas, we look forward to the EU adopting a flexible and effective multi-pronged approach towards Chinese companies.

- **Seeking opportunities during the COVID-19 crisis.**

Indeed, the pandemic will have a profound negative impact on the global economy. At the same time, however, it may also bring opportunities such as international mergers and acquisitions for Chinese companies. We notice that the three years after the 2008-09 global financial crisis were a key period for Chinese companies going for international mergers and acquisitions. Currently, some Chinese companies have both the will and capability to “go global” and invest in Europe. The CCCEU will assist Chinese companies in the EU to do market research, seize market opportunities, and achieve further growth in both China and Europe.

The CCCEU and its members are ready to support the EU and its member states in addressing these issues and seeking solutions. We actively provide all-round support to our members to achieve success.

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This Report was produced by the research team of the China Chamber of Commerce to the EU (CCCEU) on the surveys completed by our members, which we warmly thank. The CCCEU is a platform between China and the European Union, which serves the best interests of Chinese enterprises investing in the EU. Established in August 2018, the CCCEU speaks on behalf of its 60 members and represents more than a thousand Chinese enterprises in the EU.

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