

# CHINA Market Access for EUSMEs

EUSME Centre

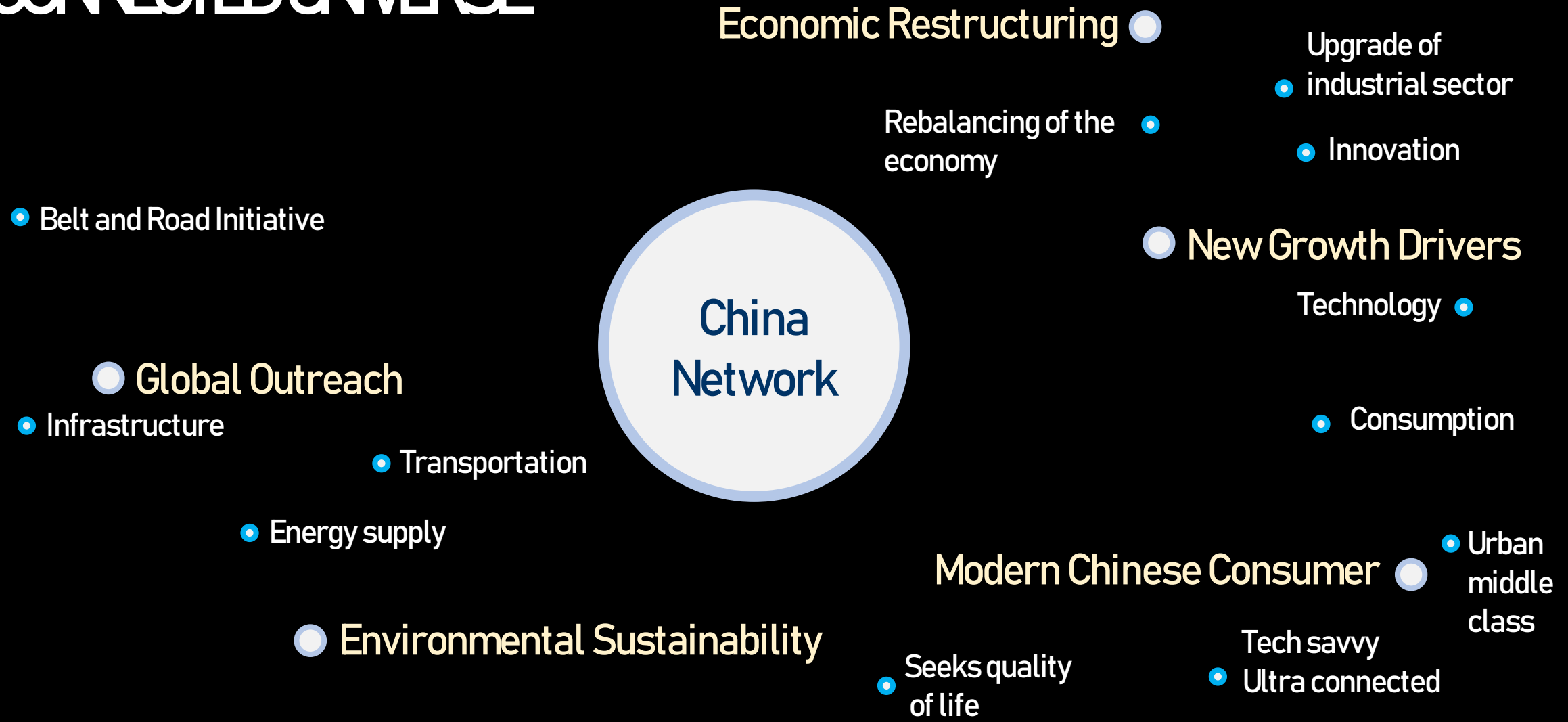


A project with the  
financial support of the  
European Union



# China today

## A CONNECTED UNIVERSE



# China Economic Outlook Contents

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- Strategic & Policy
- Investment
- Dialogues with China

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- Recovery
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- Outgoing Strategies & Overseas Investment Vehicles

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## Challenges Market Access

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- Limited Internationalization
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- Structure and Function
- EUSMEs in China
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# EU and China



The EU is China's **BIGGEST TRADING PARTNER** while China is the EU's **SECOND LARGEST TRADING PARTNER**



Trade in goods between the EU and China is worth **€1.5 BILLION** a day



EU exported to China **€198 BILLION** and imported **€375 BILLION** in 2017



In 2017 the EU exported **€45 BILLION** of services to China, while China exported **€28 BILLION** to the EU

- China is the EU's biggest source of imports and its second-biggest export market.
- EU's main imports from China are industrial and consumer goods, machinery and equipment, and footwear and clothing
- EU main exports to China are: machinery and equipment, motor vehicles, aircraft, and chemicals
- EU-China trade in services amounts to more than 10% of total trade in goods, and the EU's exports of services make up 19% of EU's total exports of goods

# EU and China

When China joined the WTO in 2001 it agreed to reform and liberalise important parts of its economy.

While China has made progress, some problems remain:

- a lack of transparency
- industrial policies and non-tariff measures that discriminate against foreign companies
- strong government intervention in the economy, resulting in a dominant position of state-owned firms, unequal access to subsidies and cheap financing
- poor protection and enforcement of intellectual property rights

In 2016 the EU adopted a new strategy on China mapping out the European Union's relationship with China for the next five years. The Strategy promotes **reciprocity, a level playing field and fair competition across all areas of co-operation.**



THE EU IS CURRENTLY NEGOTIATING WITH CHINA A:

# COMPREHENSIVE AGREEMENT ON INVESTMENT

THIS AGREEMENT SHOULD CREATE:



A MORE LEVEL PLAYING  
FIELD FOR BUSINESS



NEW MARKET OPPORTUNITIES  
FOR BOTH SIDES



AND ENCOURAGE CHINA TO:



ADVANCE  
ITS ECONOMIC REFORMS



GIVE THE MARKET  
A MORE DECISIVE ROLE



PAVING THE WAY FOR BROADER TRADE AMBITIONS WHEN THE CONDITIONS ARE RIGHT.

# EU and China - Investment

The [EU-China 2020 Strategic Agenda for Cooperation](#) puts an EU-China Investment Agreement as central to the EU's long-term bilateral relations with China. Negotiations for the [Investment Agreement](#) began in 2013

## The negotiations aim to:

- improve investment for European and Chinese investors by creating investment rights and guaranteeing non-discrimination
- improving transparency, licensing and authorisation procedures
- providing a high and balanced level of protection for investors and investments
- rules on environmental and labour-related aspects of foreign investment

# EU and China - Dialogues

The EU and China discuss policies and issues regarding trade and investment in a range of dialogues:

- the annual EU-China Summit: presidential level exchange on enhancing policy coordination on a number of issues, including trade
- the [EU-China High Level Economic and Trade Dialogue](#): EU vice-president and Chinese Vice Premier meet to discuss issues, accompanied by EU Commissioners and Chinese Ministers
- [Joint Committee on Trade](#): annual ministerial-level meeting
- Trade and Investment Policy Dialogue: Director-General level meeting
- Economic and Trade Working Group: expert-to-expert discussion



# Outlook

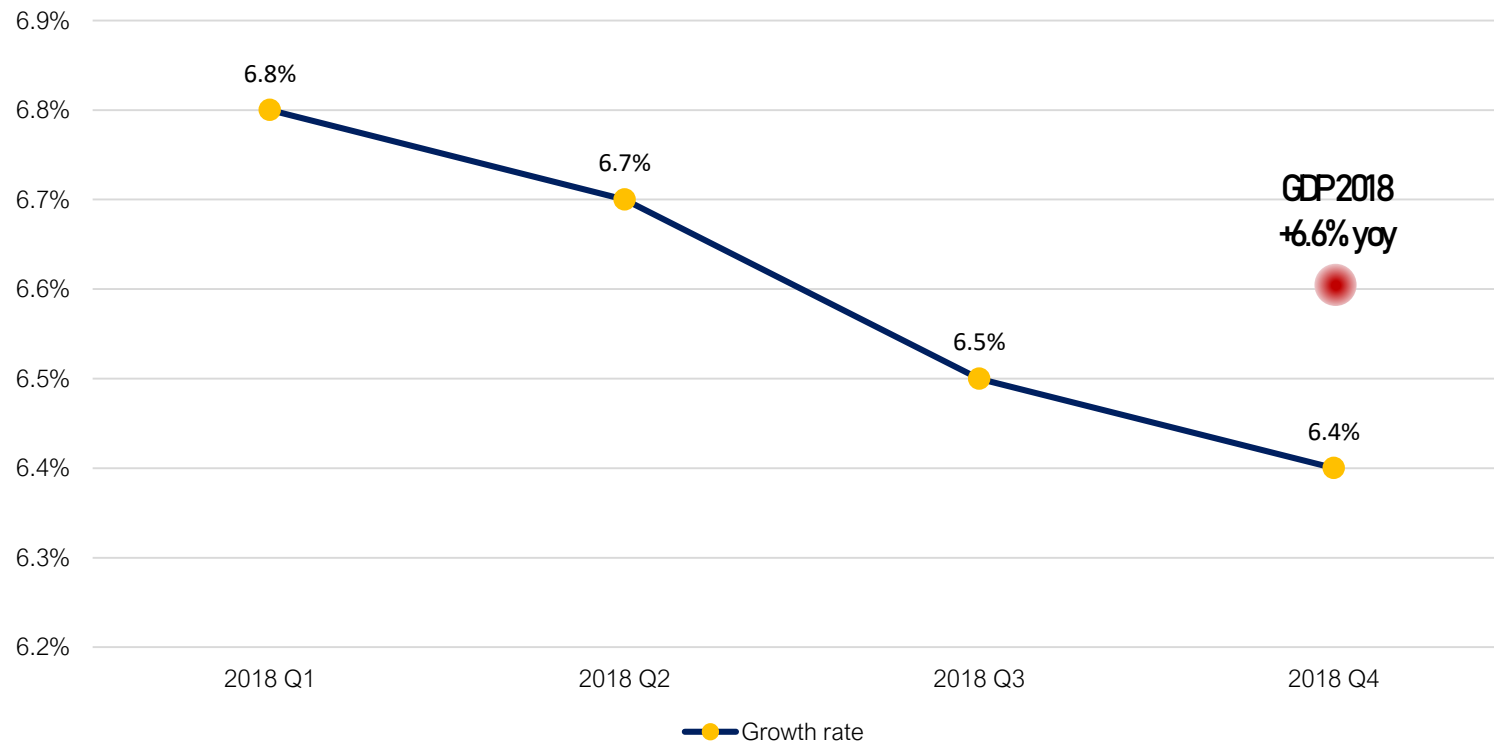
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# Looking back at 2018

## A YEAR OF TWO HALVES

### China 2017 - 2018 GDP Growth Rate



### Slow but steady

- China real GDP growth at the end of 2018 is 6.6%
- Economic **slowdown** starts in Q2 2018 but becomes evident in Q4
- Reasons to be found in
  - Deleveraging and credit tightening
  - Consequent slowing in the RE and automotive sectors
  - Trade Tensions with USA






# Policies effects

## Q1 2019: BOUNCING BACK..

INDICATORS	Q1 2019	EXPECTATIONS
GDP	6.4%	6.3%
INDUSTRIAL PRODUCTION	6.1%	5.9%
FIXED ASSETS INVESTMENTS	6.3%	5.5%
RETAIL SALES	8.0%	8.2%
REAL ESTATE DEVELOPMENT INVESTMENT	11.8%	N/A

# Policies effects

## ... BUT STILL SLOWING DOWN

INDICATORS	Q1 2019	EXPECTATIONS	Q1 2018 comparison
GDP	6.4%	6.3%	 -1.4%
INDUSTRIAL PRODUCTION	6.1%	5.9%	 -0.7%
FIXED ASSETS INVESTMENTS	6.3%	5.5%	 -1.2%
RETAIL SALES	8.0%	8.2%	 -1.7%
REAL ESTATE DEVELOPMENT INVESTMENT	11.8%	N/A	 1.6%

# Entering a new phase

## THE NEW NORMAL

NEW  
NORMAL

### The Policies

13<sup>TH</sup> FIVE YEAR PLAN    INTERNET+    MADE IN CHINA 2025    AIDP

### The Trends



# China's Outgoing Strategies & Overseas Investment Vehicles

## Rationale vs. Targets





# Looking forward EXPECTATIONS







# EU Companies in China

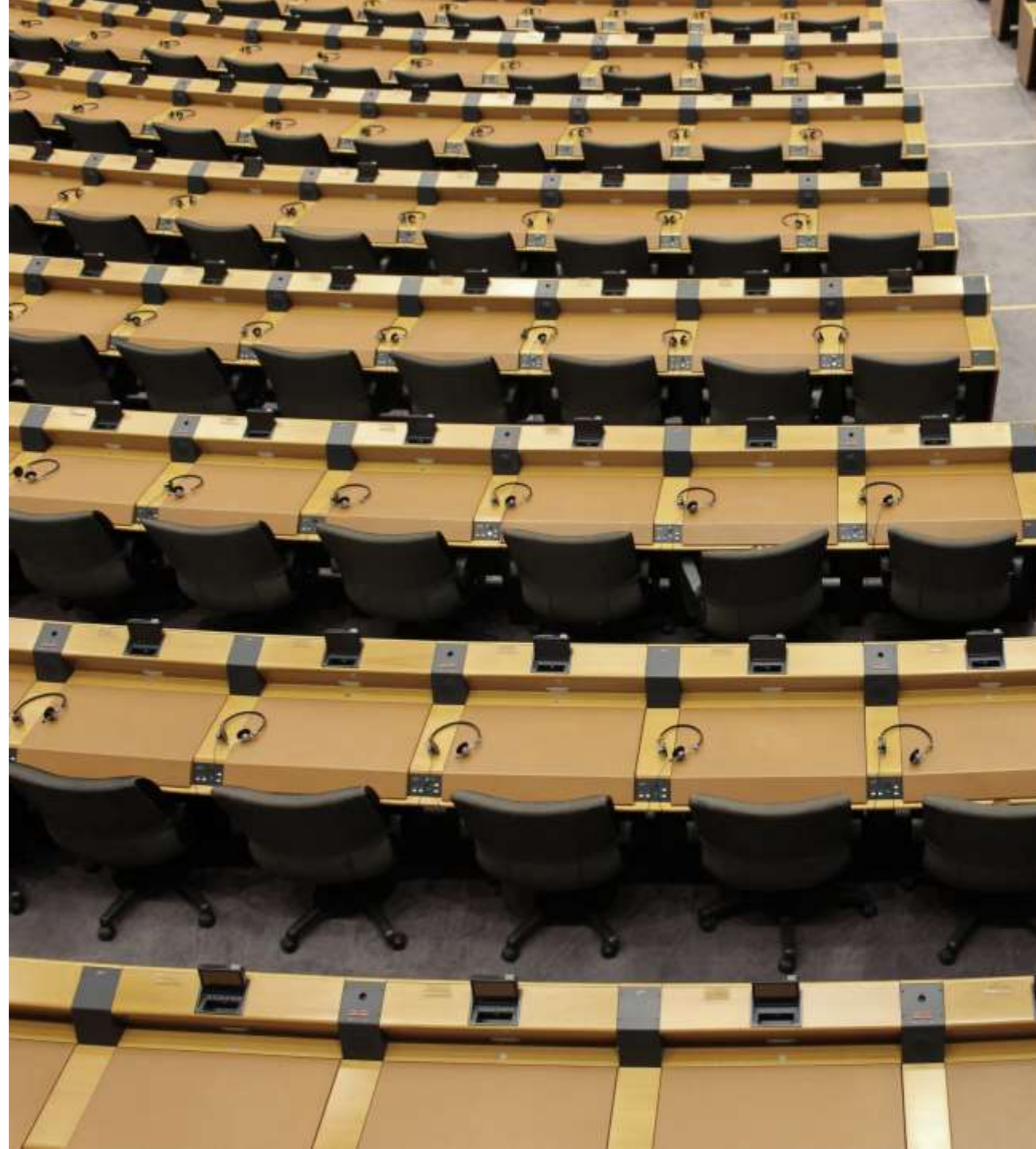
## ACCESS CHALLENGES

Economy	Ease of Doing Business Rank 	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors
Armenia	41	8	98	17	14	44	51
Slovak Republic	42	127	143	47	9	44	95
Turkey	43	78	59	60	39	32	26
Kosovo	44	13	100	113	37	12	95
Belgium	45	33	38	112	143	60	57
China	46	28	121	14	27	73	64
Moldova	47	14	172	81	22	44	33
Serbia	48	40	11	104	55	60	83

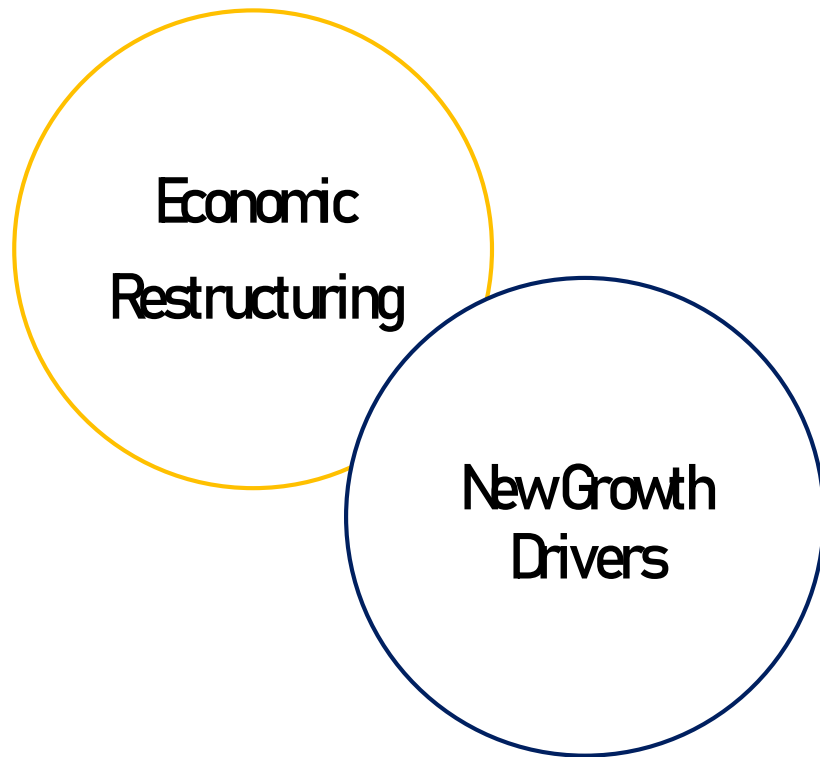
# EUSMEs accessing the market

## LIMITED INTERNATIONALIZATION

- 39% of SMEs in EU have **imported** from another country (inside or outside the Internal Market) in the past three years.
- 33% of SMEs in EU have been involved in **exports** to another country inside or outside the Internal Market.
- 80% of all exporting SMEs are oriented towards markets in other EU Member States.
- Relations with emerging markets -such as the BRIC - are generally still limited.
- 10% of EU SMEs export to China. 19% imports from China.
- FDI: 2% micro enterprises, 6% for small and 16% for medium-sized enterprises.



# Ways of WHERE THE OPPORTUNITIES LIE



We expect opportunities in	
Service sector	Agricultural machinery and technology
Automation	Aviation and aerospace equipment
Artificial Intelligence	Biopharma and high-end medical equipment
R&D and Innovation	Integrated circuits and new IT technology
New and advanced materials	High-end electronic equipment
Advanced marine equipment and high-tech vessels	High-end manufacturing control machinery and robotics
Advanced rail and equipment	Low and new-energy vehicles

**About**

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**THEEUSMECENTRE**

# EUSME Centre

## HELPING EUSMES ACCESSING THE CHINESE MARKET

- A project funded by the European Union in 2010 to help European small and medium-sized enterprises (SMEs) get ready to do business in China
- Implemented by 6 chambers of commerce
- An official member of European Enterprise Network (EEN)
- Partnered with over 270 government agencies and business support organisations in Europe and China
- Has a network of over 170 China experts worldwide
- Local office in Beijing
- In-house experts - Market Access, Legal, HR, Standards and Conformity & Business Development

Implemented by



# EUSME Centre

## OUR PARTNERS



See more partners of the Centre, visit: [www.eusmecentre.org.cn/partners](http://www.eusmecentre.org.cn/partners)



# EUSME Centre

## KEY ACHIEVEMENTS



- 177 Publications
- 100k+ Downloads



- 4273 Enquiries
- 28 Member States



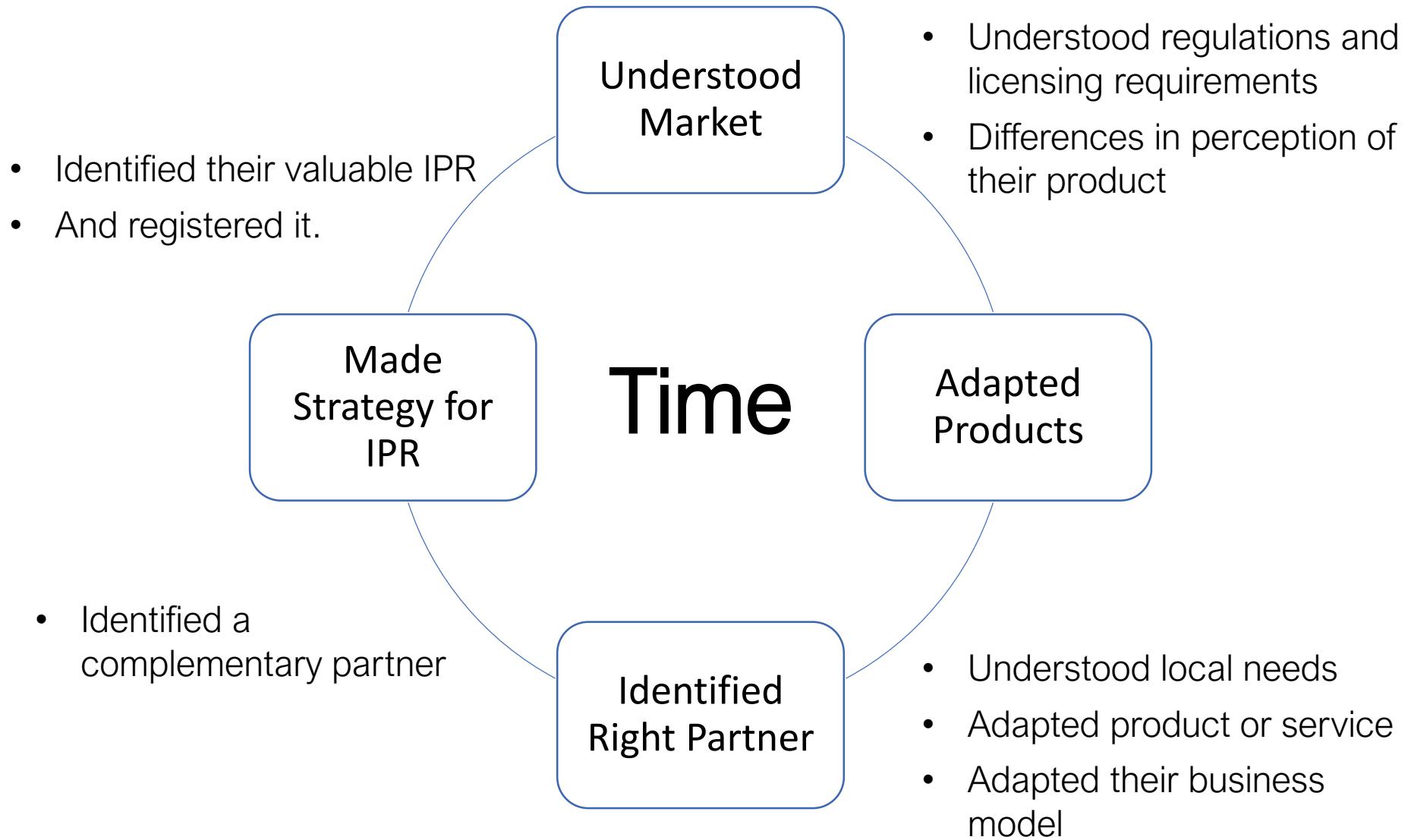
- 183 Webinar
- 9,376 Participants
- 45k+ YouTube Views



- 560 Trainings
- 23k+ Participants

# Entering the China Market

## SUCCESS FACTORS





# THANK YOU



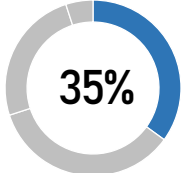
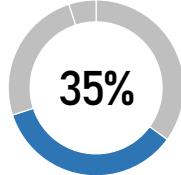
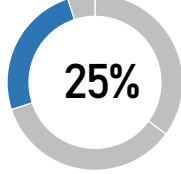
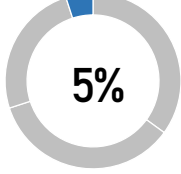
[www.eusmecentre.org.cn](http://www.eusmecentre.org.cn)



# Our point of view

## FREQUENT QUESTIONS

Over 4000 enquiries and consultations so far

BUSINESS DEVELOPMENT	 <p>35%</p>	<ul style="list-style-type: none"><li>• Looking for Chinese partners (26%)</li><li>• Market information (18%)</li><li>• Different ways to sell products (14%)</li></ul>
LEGAL	 <p>35%</p>	<ul style="list-style-type: none"><li>• Due diligence (25%)</li><li>• Ways to enter the market (22%)</li><li>• Business model feasibility (14%)</li></ul>
STANDARD & CONFORMITY	 <p>25%</p>	<ul style="list-style-type: none"><li>• Customs clearance (19%)</li><li>• Wine standard (14%)</li><li>• Textile standard (12%)</li></ul>
HUMAN RESOURCES	 <p>5%</p>	<ul style="list-style-type: none"><li>• Salary (40%)</li><li>• Termination (18%)</li><li>• Recruitment (12%)</li></ul>

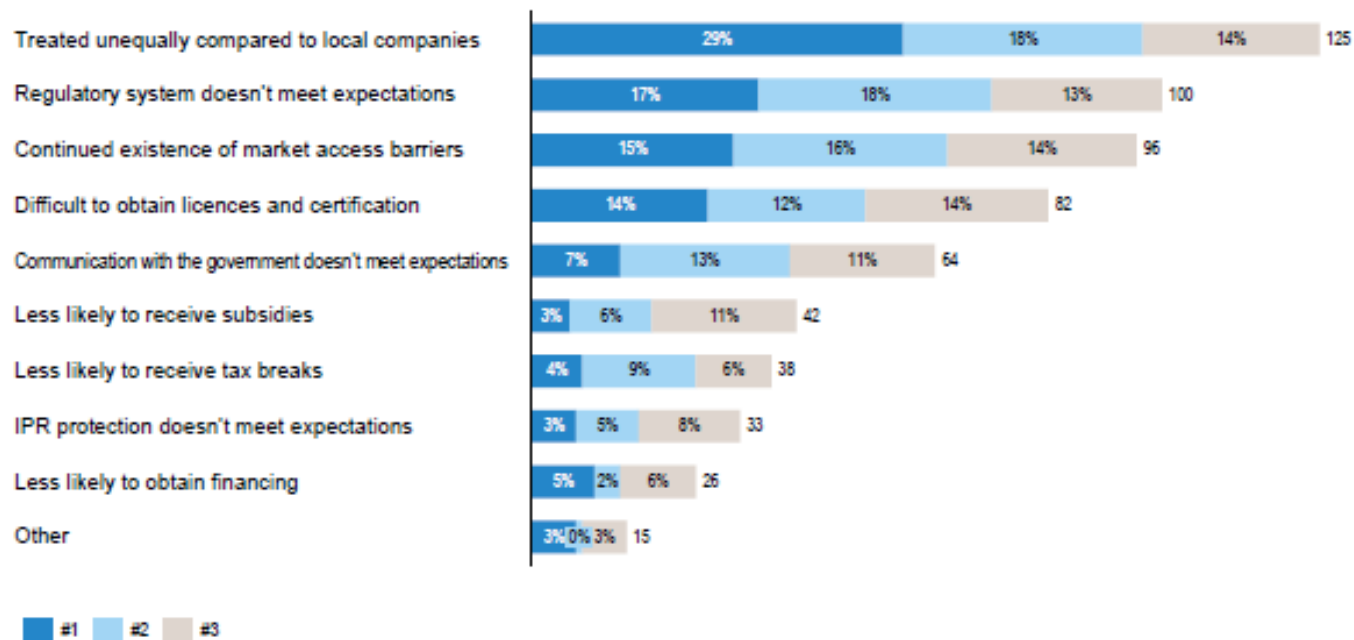
# EU Companies in China

## ACCESS CHALLENGES

Figure 19: Unequal treatment is the biggest source of discontent

What are the most significant reasons that you feel less welcome?

N=207



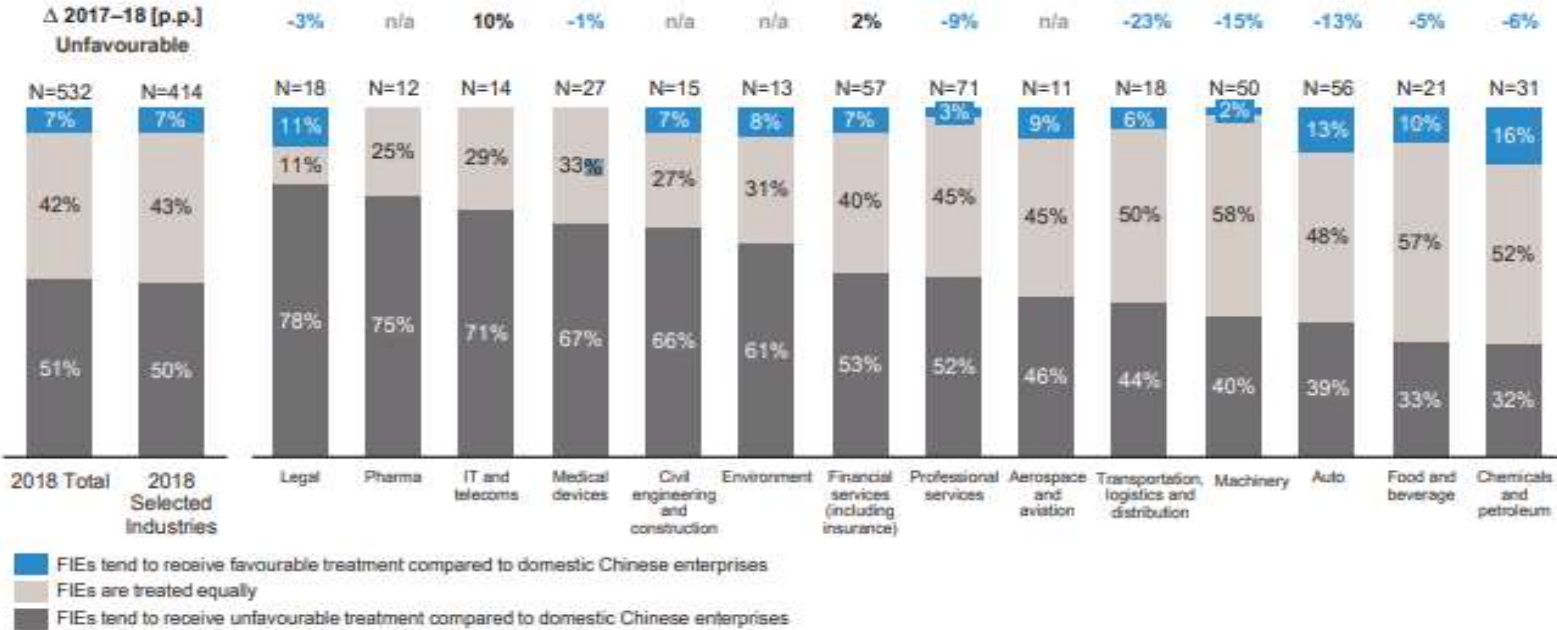
# EU Companies in China

## ACCESS CHALLENGES

**Figure 28: Unfavourable treatment by industry**

How does your company perceive FIEs' treatment by the Chinese Government in your industry compared to that of domestic Chinese enterprises?

Comparison by industry<sup>1</sup>



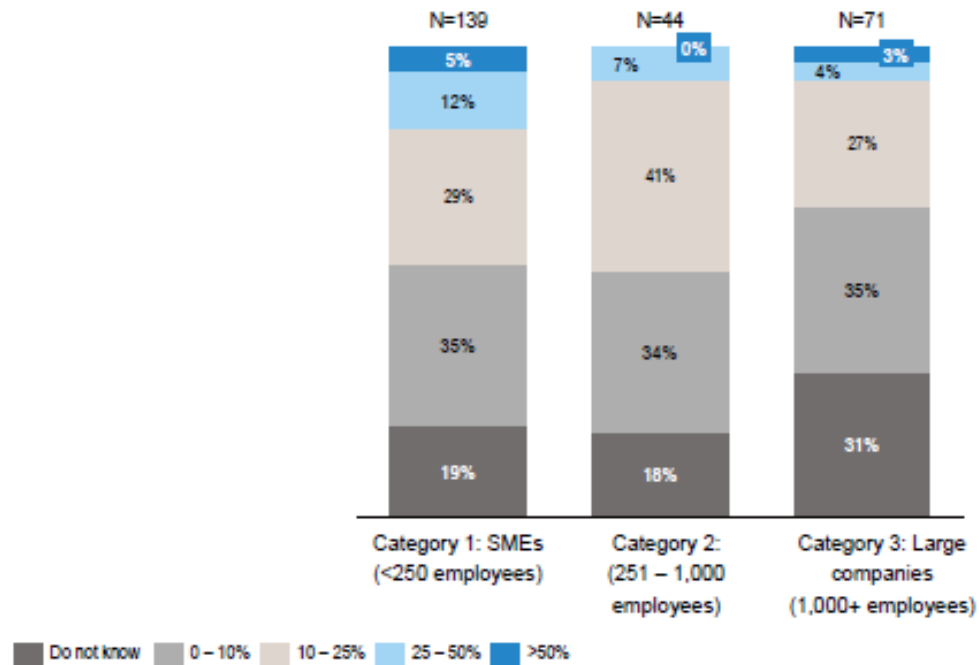
1. Industries selected are those for which there were at least 10 responses.

# EUSMEs in China

## MORE EXCLUDED – REGULATORY BARRIERS

Figure 60: Market access and regulatory barriers cost SMEs more

What percentage of your company's annual revenue in China do these missed opportunities represent? <sup>1)</sup>

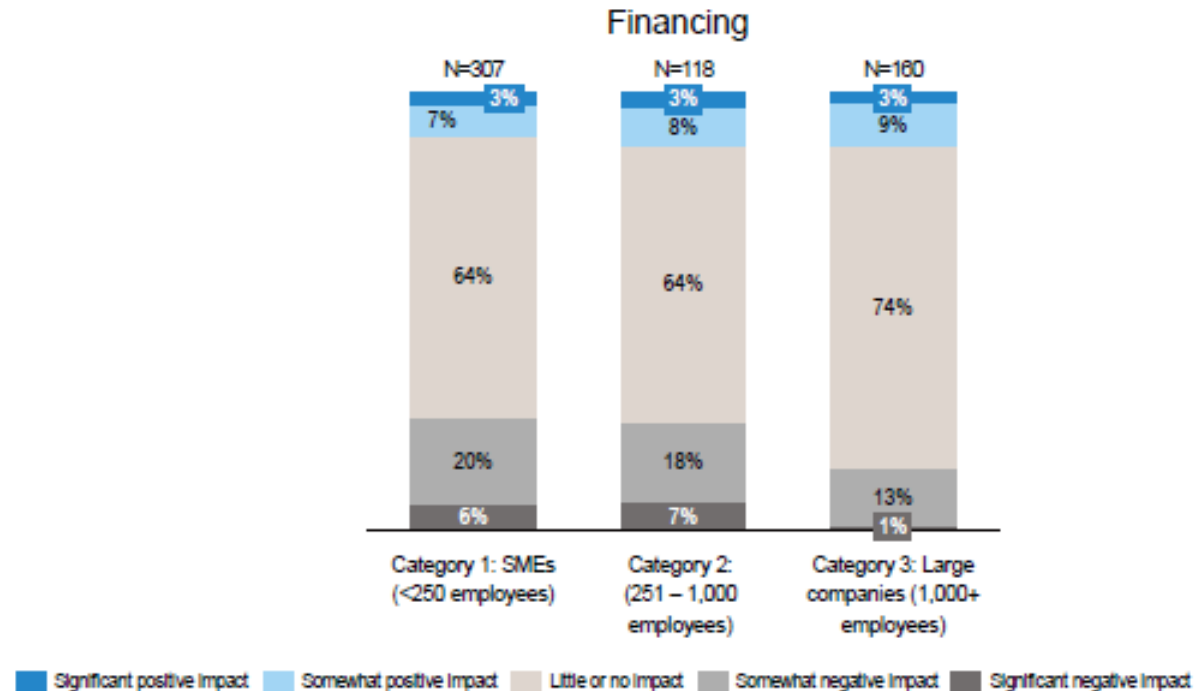


# EUSMEs in China

## MORE EXCLUDED – FINANCING

Figure 58: Lack of financing particularly troubling for SMEs

Please indicate the significance of the following factors affecting your company's net profit margin in 2018...



# Looking back

## CHINA – US TRADE TENSIONS

