The Swiss Business in China Survey 2024

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The Swiss Business in China Survey 2024

2024年度瑞士在华企业调查

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Preface

Dear readers,

The 2024 edition of the Swiss Business in China Survey captures business sentiment from a diverse set of Swiss companies in China. It provides valuable insights into their key challenges, future opportunities and strategic considerations. It is with great pleasure that I introduce this year's Survey and encourage stakeholders interested in advancing Sino-Swiss economic relations to consider its latest findings.

Talking to business leaders, I have recently noticed two trends: i) a more cautious approach against the backdrop of tough competition and geopolitical tensions, but also ii) strong confidence in the longer term success of their company's operations in China. The Survey corroborates this with a broader-based empirical picture of China's business landscape.

Of particular interest in this year's Survey are the diverging perceptions between Swiss-based managers at corporate headquarters and the women and men on the ground in China. It is natural that different perspectives lead to different perceptions, but there appears to be a widening gap that suggests the need for more face-to-face exchanges and better internal communications.

The Embassy welcomes and promotes opportunities for exchanges of views and dialogue. We celebrated the 10th anniversary of the Sino-Swiss Free Trade Agreement together with Federal Councillor, Guy Parmelin and China's Minister of Commerce, Wang Wentao. We are using platforms like the Sino-Swiss Economic Forum in Beijing to re-connect businesspeople and high-ranking officials. We stimulate dialogue through a series of company visits and events all over China in our SwissAmbassador@work programme.

The current survey is also a call for action. Bridging the gap is our mission. As we consolidate our trade and investment relations, let us remain attentive to the voices and opinions of all stakeholders!

Jürg Burri
Ambassador of Switzerland
to the People's Republic of China

Executive Summary

While the 2022 and 2023 surveys tracked the unprecedented disruptions wreaked on Swiss businesses in China by the pandemic, its ensuing zero-COVID policy and abrupt re-opening, along with increasing international geopolitical tensions, *The Swiss Business in China Survey 2024* **provides rich new findings and insights on the post-pandemic state of Swiss business in China**.

Despite being less confident than they were in 2023 following the hopeful re-opening of the country, Swiss firms maintain **a high level of confidence in successfully doing business in China**. Indeed, we have to go back to the 2015 survey to match the levels of confidence seen today.

Nonetheless, there are downsides. This year's survey aimed to add further understanding to the differences between the expectations of managers based in Switzerland responsible for Chinese operations and the managers running the businesses locally. These are important as they confirm the discrete perceptions of company managers based at Swiss Head Offices at home and on the ground in China:

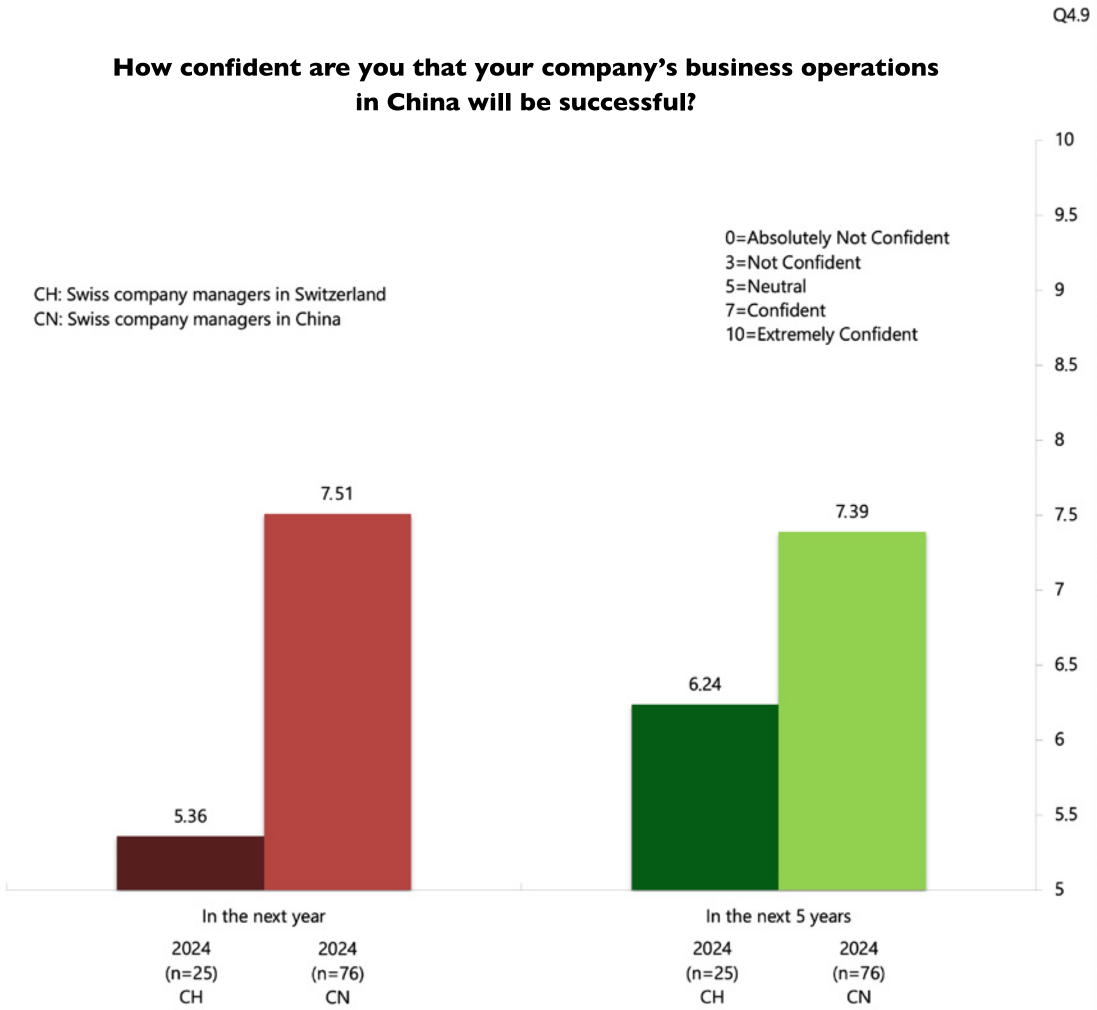

Figure 0.1: Business confidence of Swiss and Chinese managers at Swiss companies, in the next year and in 5 years.

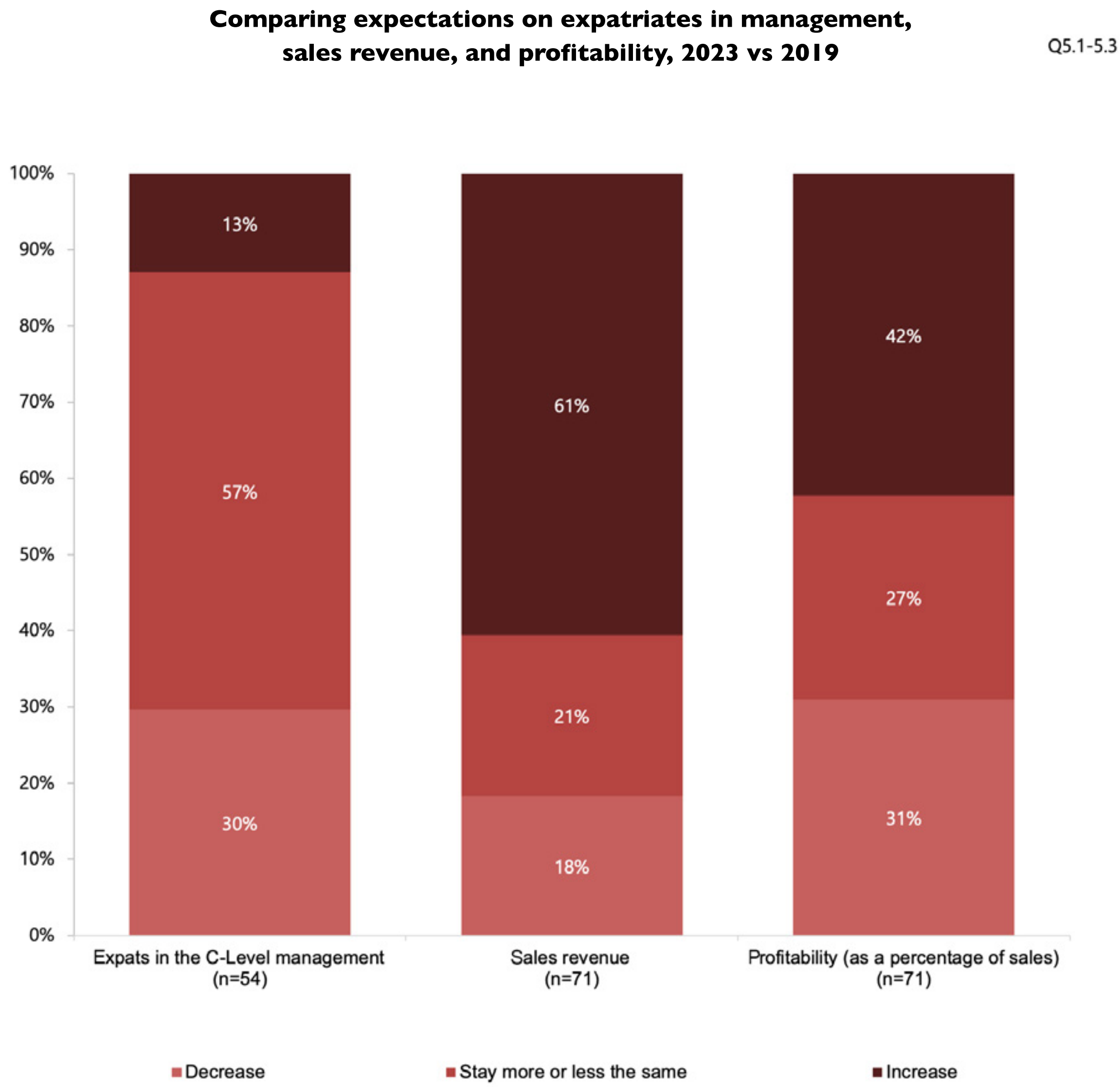

***Figure 0.2:** Comparative expectations.*

Overall, the high level of confidence displayed by China-based respondents comes not as a result of expectations for better financial outcomes, at least not in the short term. **Swiss businesses now have considerably lower expectations than in the past in terms of their sales and profit growth**.

In addition to comparing their situation with the past year, this year's survey took the opportunity to ask its respondents to compare 2019 with 2023, to understand the impact of the 4 pandemic years. Here is how they responded:

While many more companies have expanded their sales in China than have seen turnover fall (61%, increasing from 18% in 2019 for a 43% net gain), only a net 11% of Swiss companies (42% against 31%) managed to increase their profitability.

This is a consequence of both a **slowing economic growth rate** and **ever-fiercer competition from local competitors that are rapidly developing technological and overall capabilities**. Section 2.2 of this report provides an **in-depth evaluation of how Swiss firms in China are handling the challenges of this fast-evolving market**.

China's potential for further economic growth is evaluated in Section 1.2 of this report.

One pertinent finding is that **the management of Swiss companies in China has been strikingly localized over the past 4 years**. It remains to be seen if new developments in visa-free travel and other facilitations for foreign businesspeople will reverse this trend.

Despite the challenges, **the investment intentions of Swiss companies in China remain fairly strong**. **Almost half of them (49%) view China as a top-3 priority investment market**. While this proportion remains relatively high, it is the lowest proportion ever reported by these surveys (excluding the zero-COVID period).

Investment intentions may also have been boosted by a **perception of lower geopolitical tensions** (see Section 3.5). In this regard, it is interesting to note that **50% of US companies reported** in a separate survey **that China remains a top-3 investment priority**.

The previous years of massive disruption have nevertheless taken their toll. Only **a net 29% of Swiss companies plan to increase their investments in China in 2024**, **just half of the net average 60%** of respondents that planned to do so in pre-pandemic **2018 and 2019**.

The silver lining of this new slower growth situation is the **less prominent challenge that Swiss companies now face in terms of human resources** (HR), even though finding and retaining the right talent has not gone away as an internal challenge (see Section 3.2).

In 2024, **more Swiss companies see progress in terms of economic reforms than those that do not** (a net positive 47%). Moreover, **regulatory issues have decreased as an external challenge** compared to the previous two surveys (down to 29% in 2024, compared to 39% and 47% previously, see Section 2.4).

However, **Chinese measures to increase local production and pressure for import substitution is a growing problem for Swiss businesses** (30% in 2024, as compared to 19% and 23% in the previous two surveys).

We would like to sincerely thank all of the respondents to *The Swiss Business in China Survey 2024*. Their input has enabled us to report valuable and timely insights on the opportunities for Swiss firms doing business in China at a time when such information is not easily available.

Thanks to their time and efforts, Swiss companies in China will be better equipped to communicate the issues and challenges that they face to their Head Offices, leading to better outcomes and **more successful business activities** in the future.

Summary of Findings

The 2024 survey results may be summarized by the following key insights:

- Swiss companies have **managed to weather the significant challenges of the last four years** pretty well. Despite the fact that higher turnover was not matched by increased profitability, **average sales growth has been positive** for Swiss businesses in China.
- Survey responses on investment plans and business confidence **point to continued positive views of China's potential but a significantly more cautious approach**, most probably as a result of persistent geopolitical risks and harder to achieve financial returns due to the economic slowdown.
- While the regulatory environment is seen as less of an issue, Swiss companies feel an **increasing pressure to produce locally** both **to be locally competitive and to meet regulatory requirements**.
- The already **fierce competition is intensifying**, particularly from local companies, due to the economic slowdown and idle capacity. Moreover, **local competitors are improving their technology, service and marketing capabilities**.

Timeline for the Surveys of Doing Business in China in 2024

This year's business survey of Swiss firms active in China started in December 2023 and was concluded in April 2024.

Surveys of US, EU and German firms in China were undertaken over a similar time period and provided broadly similar results. A comparative analysis is provided in Section 1.4.

In the meantime, the economic situation in China has not changed in any significant way and we are confident that the results presented in this survey remain generally representative of Swiss business sentiment in doing business in China.

Methodological Note on Weighted Scores: A New Indicator to Support the Visualization of Trends

This year we have introduced an innovative new tool to support the visualization of trends. The Weighted Score Method is now used to quantify the qualitative performance of each survey result into one specific single numerical value.

The weights are assigned to the categories in each figure. For example, the profitability bar chart maps the categories 'Large Loss', 'Loss', 'Breakeven', 'Profitable', and 'Very Profitable' to weights of 0, 0.25, 0.5, 0.75, and 1 respectively.

The weighted score is calculated by multiplying the weights to the values of each legend (the percentages) based on the distribution within each bar in the chart, thus providing an aggregated score. This score represents the proportionate responses across the specified category, making it an effective tool for users to quickly understand overall performance.

Additionally, in order to ensure accurate comparisons across various surveys with different category counts, we have implemented data normalization techniques. Normalization adjusts the data to a common scale and merges differing (but largely similar) categories. By doing so, we are able to ensure that each set contributes equitably to the final analysis. This step is essential in order to maintain fairness and reliability in our comparative evaluations.

PART I

1. Analysis and Opinion

Practitioner, Academic, and Comparative Perspectives on this Survey and China's Future Opportunities

1.1 SCCC Management Summary on the Swiss Business in China Survey 2024

Felix Sutter, Former President of SCCC Zürich Chapter (Oct 2015 – Jun 2024);
Robert Wiest, President of SCCC Zürich Chapter (Jun 2024 – present)

A well diversified number of Swiss companies operating in mainland China have responded to the 2024 survey. Therefore, the survey presents a good reflection of the economic realities faced by a foreign owned commercial entity operating in China. The news is mixed, but the headline message is that almost 18 months after the lifting of pandemic restrictions, neither the markets nor the businesses of Swiss companies operating in China have fully recovered.

Diverging Perceptions of the Chinese Economy

While the geographical distance has not increased in the past four years, the 2024 survey identifies for the first time that there are differences in the perception of the Chinese economy between management team members based in China and those working from Switzerland. This growing cultural distance prompts Swiss company headquarters to question their China-based management teams on how they should perceive opportunities and risks, acceptable market conditions and regulations, and how to interpret government measures and views on the Chinese economy. This divergence in perceptions reflects a broader uncertainty in assessing market dynamics from different geographical and cultural standpoints.

Market Dynamics and Strategic Adjustments

Many of the difficulties associated with cultural differences, adapting product and marketing strategies to the Chinese market, and the required appetite for risk needed to operate in China were previously justified by growth potential and profits. However, while growth potential still exists in certain market segments, profits have dramatically slumped due to a significant increase in local competition. Going forward, many organizations will need to reassess the risk profile of their activities in China and make strategic decisions on what to continue, what to stop, and what to start. This adjustment seems to already be underway, as is evidenced by a decrease in the planned investments in China by some Swiss companies.

Localization of Management and the Swissness Initiative

Over the past four years, the localization of management in Swiss companies operating in China has reached new levels. A significant number of the management personnel have had little or no exposure to Switzerland and may have been interviewed and hired solely via video calls. Therefore, it is of utmost importance to drive a Swissness initiative to maintain the Swiss cultural elements within these organizations. The Swiss embassy, led by Swiss Ambassador Jürg Burri, is spearheading such an initiative by visiting Swiss companies and fostering an understanding of what Switzerland stands for. Swissness also enhances the perception of Swiss brands and the quality of their products and services, which is crucial for maintaining a competitive edge.

Market Recovery and Consumer Confidence

The survey confirms that post-pandemic China represents a more settled and developed market, with ups and downs and distinct Chinese characteristics. This invokes more confidence that the market will recover and consumer confidence will eventually return. The positive sentiment is reflected by the compounded confidence in the Chinese market, reaching levels last seen in 2015. This stands in contrast to the overall market confidence in China, which has dropped in 2024 compared to 2023. This discrepancy could be the result of Swiss companies exploiting opportunities unique to their economic strengths.

Comparison with Other International Companies

The responses indicate that Swiss companies in China are having similar experiences to other foreign entities from Europe or the US, with this survey's results aligning closely with those of other countries' Chambers of Commerce and industry associations. Local competition in product design and pricing remains challenging, forcing Swiss companies to be even more innovative and efficient, a hallmark of the Swiss economy. However, fair competition is crucial, and issues like IPR violations and market distortions pose significant challenges.

Regulatory Environment and Geopolitical Risks

The regulatory environment in China is known for its unpredictability, vagueness, and short implementation timelines. The survey confirms that these issues remain a perennial concern for Swiss companies operating in China. Increased regulations—or at least awareness of such regulations—on data export, data management, and related cyber risks are significantly higher than four years ago. Geopolitical risks are also playing a role, influencing both the risk of operating in China and the pace of recovering market confidence. Export control regulations by various countries are adding another layer of complexity and cost to doing business with China.

Summary/Conclusion

The trends in China's markets have not dramatically changed since the start of the recovery from the pandemic. However, when compared to just 4 years ago, China is now a very different market to operate in or to enter. A balanced risk management approach involving both the local management team and the Swiss-based headquarters is advisable. Swiss companies must navigate a complex landscape of cultural differences, regulatory challenges, and market dynamics to achieve sustainable success in China.

1.2 China's Opportunities for Growth: A Polytransition Perspective

Dr. Tomas Casas-Klett (HSG) and Dr. Jun Zhang, Professor of Economics and Dean of School of Economics at Fudan University, Shanghai

Business sentiment surveys such as this primarily focus on the here and now. As a result, the answers of the respondents take the annual temperature on a range of comparable issues. This is precisely why this kind of research is interesting. At the same time, it is always important to keep the mid- and long-term in mind when investing in and trading with a country. This piece analyzes the longer time horizon economic prospects of China.

The first section argues that China is best understood not from a "polycrisis" challenge (Tooze, 2022) perspective but analytically from that of a 'polytransition'. More specifically, it is undergoing and managing five profound and simultaneous transitions. These all imply reforms, new policies, and shifting elite business models. The outcomes of this complex multi-layered process over the next decade will affect the nation's sustainable value creation and growth prospects, the attractiveness of China as an investment destination, and of Chinese firms as strategic business partners.

1. China's Polytransition

The five transitions are generally known, especially to foreign businesspeople in the country, as they variously affect revenue growth, prospects for profits, and operational variables. They are all, in one way or the other, articulated in other parts of this report.

(a) From Investment to Consumption

This is the most critical transition as traditional investment and export-led growth is reaching its limit. This is evident in the current overcapacity in the Chinese economy. While a strong supply side is associated with robust competition, guarantees fair prices, and keeps inflation in check, China's greatest economic expansion potential lies on the consumption side, still comparatively low as a percentage of GDP at under 55% (compare below to Switzerland, Germany and the US) as shown in Figure 1.1.

Foreign experts stress that there are "No quick fixes" for "China's long-term consumption growth" (Wright, Boullenois, Jordan, Tian, & Quinn, 2024). More bluntly, as Pettis (2023) puts it: "Unless Beijing can somehow manage to set off a surge in consumption growth, which is possible but highly unlikely, it will be very difficult for a rebalancing China to grow at rates much higher than 2 percent." The underlying assumption is that the transition from investment to consumption is nearly impossible because incumbent elite business models, such as those using land sales to finance local government expenditure, will resist and simply cannot transition out of the existing paradigm on their own. Historically, in many instances, large countries have required external mega-shocks to realize this transition. The key question for China is the degree of vigor that policies to increase demand, like the strengthening of health and social systems, will be pursued. As explicitly indicated in the July 2024 Resolution of the Third Plenary Session of the 20th Central Committee of the Communist Party of China (CPC), China is planning to improve the system of basic public services. Concretely, this inclusive reform drive means to enhance income distribution, strengthening the social security system while deepening the coverage of the medical and healthcare system (Communist Party of China, 2024). When successfully implemented, this reform will strengthen consumption meaning that, along with other measures, it could reach 60% of GDP by the end of the decade.

(b) From the West to the Rest

China's original growth relied on exports to the West, which is where its supply chains started and ended (from R&D to the destination of its manufactured goods). Today, progress is being made in building global networks to/from literally everywhere in the world, the idea being that goods will be crisscrossing China. The Chinese logic for building the Port of Changcay in Peru is as much to strengthen its trade with Peru as it is for Peru to export more to Japan. Interestingly, one can conceptualize the trend as China utilizing the labor from other countries as it exports its capital (to put its trade surplus to work) which is in in contrast to the Western approach that imports labor (through immigration). Geopolitics drives part of Chinese ODI to Vietnam, Mexico or Singapore, and while strengthening China's current position, such activities will also significantly contribute to China's growth and wealth in the long run. As the rest of the world grows, China's diversified portfolio of investments will appreciate in value and increase the country's wealth.

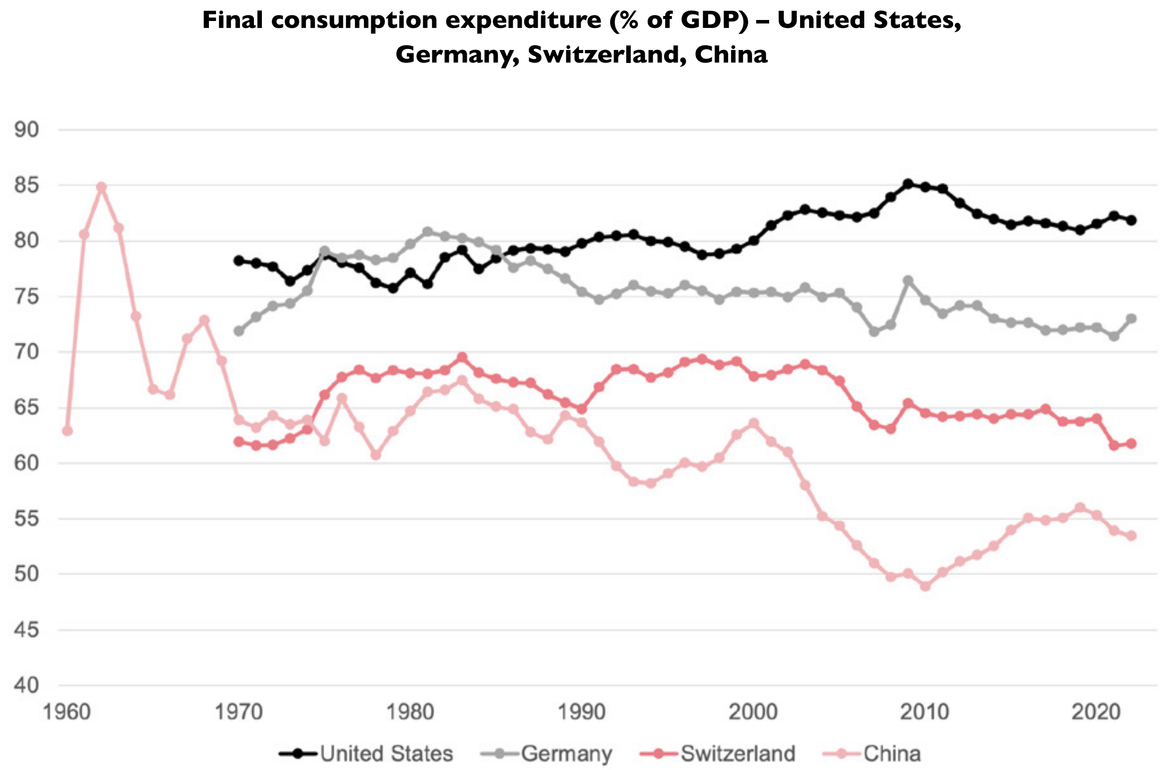

Figure 1.1: *Final consumption expenditure (% of GDP) for United States, Germany, Switzerland, and China.*
Sources: *World Bank national accounts data, and OECD national accounts data files (2024a).*

(c) The Energy Transition Towards a Low-carbon Economy

Like the rest of the world, a low carbon economy is a strategic priority for China. Its leadership in batteries, EVs, and solar panels is testimony to the fact that in this transition China's top-down vs bottom-up balance of policies and ecosystems model of "government support, economies of scale and constant innovation" (You, 2023) do create growth. Still, maintaining the ecology vs growth balance is not without problems; if done too quickly—as when decarbonization leads to power outages (Shen, Hove, Hu, Dupuy, Bregnbæk, Zhang, & Zhang, 2024)—it can compromise growth. Regardless, the energy transition will be costly for every country depending on how seriously it is undertaken. China is clearly serious.

(d) From 'Made in' to 'Created in'

China has achieved the transition from 'Made in China' (as exemplified by a Harvard Business Review article entitled: "Why China Can't Innovate", Abrami, Kirby, & McFarlan, 2014) to 'Created in China' (as exemplified by a Harvard Business Review article entitled: "China's new innovation advantage", Dychtwald, 2021). Leaving behind the 'copy-paste paradigm' is an evident achievement. In many areas, China is now the most innovative player in the global competitive landscape. But at what cost? Innovation can also lead to misallocated resources (Zhang, 2024a). Overinvesting in the future via excessive innovation and related risks means burning capital while overlooking other more modest high-productivity manufacturing and services sectors that create growth. Will China find the productive balance in terms of the right amount of resources that it needs to invest in innovation?

(e) From Products to Services

The final component addressed in China's polytransition is a services sector that represents a much smaller proportion of GDP than in advanced economies (see Figure 1.2 below). China has many low value-added services, from restaurants to small merchants, but homegrown online platforms such as Alibaba, Pinduoduo, or Bytedance are extremely optimized and efficient. On the other hand, China lacks high-end financial services, competitive sports leagues, or world class consulting companies. This suggests that there is still low-hanging fruit to generate growth in services with open markets and the right incentives.

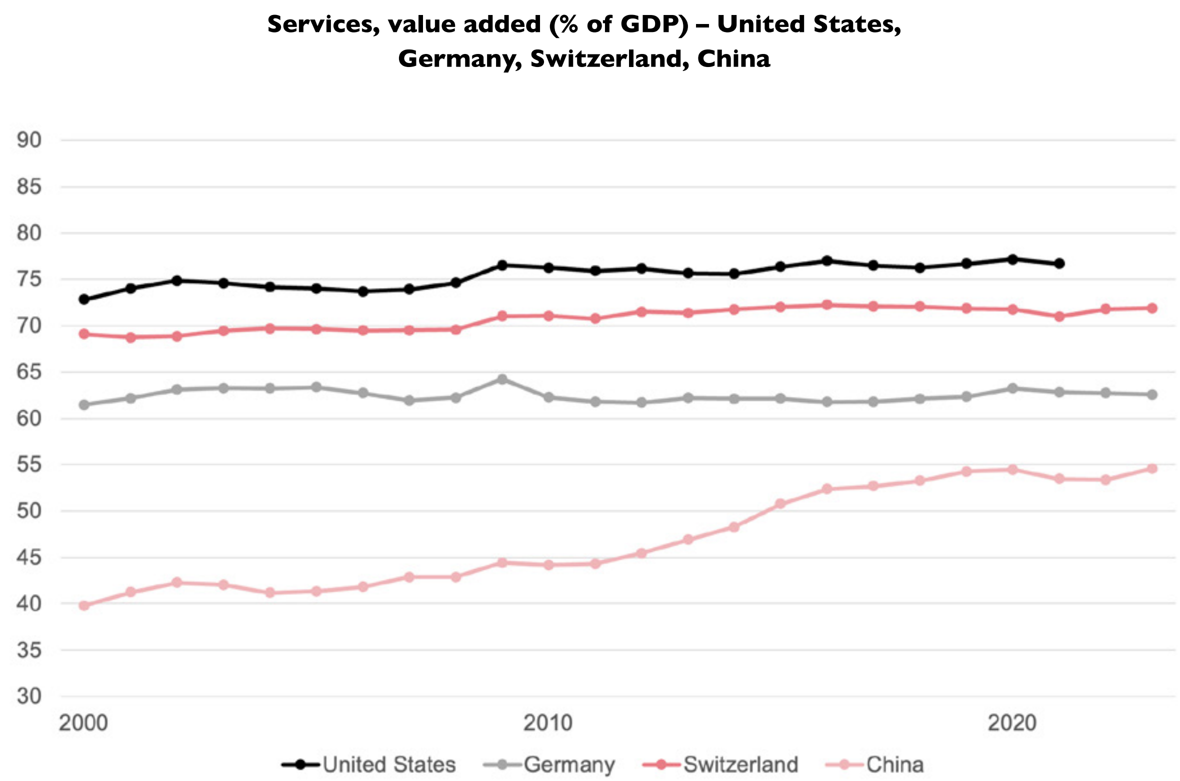

Figure 1.2: *Services, value added (% of GDP) for United States, Germany, Switzerland, and China.*
Source: *World Bank national accounts data, and OECD national accounts data files (2024b).*

2. China's Dilemmas

The waters the country must navigate to successfully manage the polytransition to fulfil its growth potential are full of rapids, some of which could scuttle a particular transition, while others could even sink the whole package and trap the country. These are conceptualized as 10 dilemmas and reviewed on the basis of how successfully they might be managed.

(a) Bubbles

Bubbles are not necessarily bad in their origin, as they are an expression of animal spirits and optimism, but they must be managed to prevent them growing out of all proportion, as distorting the allocation of resources in the economy could wreak havoc. Real estate was such a bubble. It was essential in powering China to middle-income status and improving standards of living remarkably. Yet it was not stopped at the right time (one might recall similar oversight in 1980s Japan or around 2005 in the US). It has now become imperative to burst this bubble while avoiding new ones from forming. Overcapacity is an indication that an existing elite business model has excessive resources, access to finance, and institutional privileges, leading to a situation where investment expectations have run ahead of demand. The real estate sector represents the largest such overhang and given its size (over 20% of GDP) it may take another 5 years to restore a supply/demand balance. IMF research puts this in context as "Housing starts have fallen by more than 60 percent relative to pre-pandemic levels, a historically rapid pace only seen in the largest housing busts in cross-country experience in the last three decades", while on the other hand "home prices have also decreased only modestly in part because some cities have sought to limit price declines through rules and guidance on listing prices" (Hoyle & Jain-Chandra, 2024). In the meantime, and as this bubble flattens, business sentiment will be muted and the economy will see less growth (perhaps 1% less per year) than it otherwise would. Fortunately, and unlike Japan, China never fell prey to bubbles in the financial market. Also, China's problems with bubbles are classical capitalist issues of oversupply and solving them offers an opportunity to move towards more productive business models.

(b) No High Finance

China's elite financial business models significantly lag behind those in the manufacturing sector. The stock market hardly allocates any of China's massive savings and SMEs find it difficult to get access to finance. Venture capital is now majority run by state-affiliated entities. Without liberalization and foreign expertise this will remain the soft underbelly of the Chinese economy. On the other hand, opening up to foreign finance would expose China to external shocks. The dilemma between stability (avoiding bubbles) and value creation (efficient capital allocation) will not be resolved this decade. China is pushing for capital markets reform focusing on streamlining institutional fundamentals. This includes strengthening the Science and Technology Innovation Board (STAR) of the Shanghai Stock Exchange, which is modeled on NASDAQ and caters to China's technology-driven enterprises, along with a commitment to support Shanghai in building a financial center that serves both domestic and international finance needs.

(c) Risk Pricing

China has historically exhibited an avoidance to bankruptcies. The floodgates have not yet opened, even as some companies have been allowed to go under, indicating that risk is being priced better in the economy. However, *The Economist* (2023) still asks "why aren't firms going under?" noting that "the government's desire to avoid bankruptcies is another drag on growth" and pointing out that more needs to be done. The downside of this transition is that it will be increasingly hard to get finance in the private sector. At the same time, the moral hazard implicit in state guarantees must be phased out. The pricing of risk and the generation of risk-related information is an important structural challenge for the country. Overall, the Chinese approach to managing risk is not to simply let firms go under, but rather to create conditions for them to adapt and transform, as is evident now in both real estate and manufacturing sectors.

(d) Deleveraging

Singapore grew and continues to grow with great amounts of government debt (150% of GDP, higher than Switzerland at 17% or the US at 110%, World Bank 2024c). While debt per se is not a problem in China, some sectors need to shrink and reduce their debt burden. Yet capital still needs to be selectively provided to value creating firms to support growth. In principle, these can be both Chinese private firms and state owned enterprises (SOEs), though the former are preferred a priori as they do not represent a value transfer (see EQx framework, Casas-Klett & Cozzi, 2024). While China's debt markets remain insulated from the vagaries of foreign investors, unless there is further opening up of the financial sector, overseas capital will not contribute to China's growth as much as its associated expertise potentially allows.

Economic Power (ii)		Coalition Dominance	67
15/151		Firm Dominance	104
		Creative Destruction	10

Figure 1.3(a): *China's ranking in the EQx Economic Power index area and its three pillars (out of 151 countries).*
Source: *Casas-Klett & Cozzi, 2024, p. 73, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4779686*

(e) State-owned Enterprises

Chinese SOEs (with the leading cohort having a return on assets of 1.5% vs its private counterparts' 3.9%) may create less value than US firms (6.7%), and their German (2.6%) and Swiss (6.3%) counterparts (Mei, 2022), yet they provide much needed stability in a changing world. Putting state resources to use at SOEs might also be more efficient than government spending. Is the value they create satisfactory? Not necessarily.

Further to the July 2024 Resolution of the Third Plenary Session of the 20th Central Committee of the Communist Party of China (CPC), Yang Ruilong points out how the dilemma will be solved: "yes, Beijing intends to grow China's state-owned capital and enterprises bigger and stronger; at the same time, Beijing doesn't intend for SOEs to take 'leading positions in every sector', and the call for SOEs to 'concentrate' in strategic sectors means they should also exist others to make away for private companies" (Wang, Du, Jia, & Wang, 2024). Further insight is provided by Zhang (2024b) who notes that the problem of SOEs is not one of ownership or management—this is solvable with high quality executives and human capital—but one of power: "Promoting the development of the private economy: The key lies in restricting the abuse of power". In the Elite Quality Index (EQx), one of the sub-indices is 'power' and few countries have the three pillars that make up the 'economic power' index area so split: Firms can be extremely dominant in their sectors (where China ranks 104 out of 151 countries), especially on account of possessing large SOEs, but also in terms of coalition or industry dominance (rank 67/151). Fortunately, there is a strong countervailing force as China does very well in Schumpeterian creative destruction, an incredible rank (number 10 out of 151). If the power of certain elite business models is reduced, China's entrepreneurship will further strengthen.

(f) Inequality

The middle-income trap is a well-known economic phenomenon. The journey to becoming an advanced economy requires value creation engines that receive institutionally-sanctioned access to privileges or resources. Such elite business models imply inequality, but there is no way to achieve growth without inequality before reaching advanced economy status. Yet inequality alone will not cause growth. The key is to ensure that resources go to the elites that will create value and growth.

(g) Demographic Decline

This is a problem in terms of consumption, not in terms of the environment or productivity. For instance, Korea's population has now been stagnating for a few decades while the nation has multiplied its industrial output. Many Chinese retire early (55 for women, 60 for men) which its apt given their low contribution to value creation. So, even with a declining population, the increasing share of productive labor will see a form of demographic dividend. However, the extent to which aggregate demand declines will matter.

EQx 21/151	Power Sub-index 36/151		Value Sub-index 11/151
Political Power (i) 63/151	Economic Power (ii) 15/151	Political Value (iii) 12/151	Economic Value (iv) 12/151

Figure 1.3(b): *China's ranking in the EQx and its four index areas (out of 151 countries).*

(h) Animal Spirits

These emotional indicators of how willing individuals are to undertake risk or make financial decisions have been flat, or even in slow and steady decline for a few years now. This is visible in the stock market or in the fact that "job stability and security are what Chinese youth want now" (Ma, 2023). While excessive over-optimism can generate bubbles, the lack of an appetite for risk slows down everything. Confidence cannot be conjured up with a magic wand. The Chinese used to be risk-takers, but individuals are now burdened by mortgages or their children's education and companies by stricter regulations and fierce competitive pressures. How to return China to a country of bold and confident entrepreneurs and consumers is a challenge with no easy answers as any solution lies at the intersection between self-interest, psychology and cultural dynamics. As a step forward in this direction, the Resolution (Communist Party of China, 2024) has made it clear that the state will protect property rights, and all the various forms of ownership shall be subject to the same constraints. Moreover, judicial protection is emphasized as the correct application procedures to settle economic disputes. It is also very significant that barriers to entry and exit will be lowered. Thus there will be an easier "market access system to ensure greater accessibility for new forms of business and new sectors", while at the same time "we will refine the enterprise bankruptcy mechanism, explore the establishment of a bankruptcy system for individual persons, move ahead with integrated reforms concerning the deregistration of enterprises, and improve the market exit system". It is a known fact that the easier it is to exit a business, the higher the number of entries.

(i) Foreign Creative Forces:

Shanghai in 2024 feels like Tokyo in 2000 after the post-bubble exodus of foreigners. Somewhere between half and two thirds of foreigners have left. What's more, that might include 80% of the 'creative foreigners'—entrepreneurs, architects and artists. Those that remain are the committed managers and executives such as those interviewed in this survey. While engaged in businesses they contribute immensely to the economies of both China and their country of origin. Still, the city's vibe would be enriched by 'creative' global talent as one sees in Singapore, London or New York. China does have a tremendous reservoir of creativity emerging creativity, and thus and thus the country is seeing an explosion of creative value added across industries, from fashion and food to cars and electronic displays. Still, it is a loss for both sides if the creative elements of the world are not connected. Beauty benefits from network effects and its demand contributes to animal spirits.

(j) The AI Shock

Nobody yet knows how the AI disruption is going to pan out. The global economy could be completely re-shaped, with many white-collar jobs lost if the lay-offs at American Big Tech companies are reproduced elsewhere. In this environment, stability is better than growth prospects. On the one hand, AI may generate marginal productivity gains (and be very minor, see Acemologu, 2024) while on the other, there could be tremendous amounts of new value created as the marginal cost of intelligence approaches zero and boosts the economy. The stability vs growth dilemma in the face of the AI revolution is probably still the largest issue facing both China and the world as a whole at this historical juncture.

3. Successful Transitions and a New Sustainable Cycle

As these 10 dilemmas meet the many transitions ahead, including the five described, focusing only on the short-term becomes dangerous. A future optimistic scenario is 6-7% growth in consumption and 0-1% growth in investment for a 4% overall growth rate over the next decades (Pettis, 2023). Yet here, even fiscal spending must be treated with care since the pandemic showed how in many Western countries this approach created levels of inflation that have impoverished its citizens. Traditional monetary and fiscal remedies aimed at easing transitions and mitigating crises might instead intensify them, with the effects of policy being short-lived.

China will be discerning and approach challenges holistically. For instance, land reform solutions suggested by Western pundits based on the deregulation of transfers of collectively owned village land will "let rural residents unlock substantial wealth tied up in their land [enabling] farmers to lease or sell their land at market value, providing them with additional disposable income" (Wright, Boullenois, Jordan, Tian, & Quinn, 2024, p. 35). Yet while such policies would boost demand they would also cause a concentration of land ownership by local elites and lead to the type of poverty and slums seen in other unregulated emerging markets. In other words, short term solutions come with long-term trade-offs. China's political system is famously focused on the long-term and has a track record of not being distracted by temptations.

In dealing with the polytransition and until new policies and actions clearly bear fruit, the Chinese economy will likely be flat in comparative terms, maybe for the next few years. This is not a W-shaped economy with swings and ups and downs, but an L-shaped one with stable but minor growth, muted animal spirits, and low inflation.

After an unprecedented 40-year run of high growth this is not at all surprising and is, in comparative terms, a decent outcome. At the same time, it is also true that the danger with an L-shaped pattern is an economy without variance where there is little information. That is, policymakers lack vision in the muddled tranquility of stagnation; knowing what levers and reforms work and which ones do not is difficult. The overarching policy should be to proactively use market allocative mechanisms, while phasing out incentives for low productivity firms sector by sector, elite business model by elite business model.

If the reforms are acceptably bold and structural, there will be more information (e.g., on risk), increased liberalization, better allocation of capital, deregulation, and even a charm offensive towards foreign businesses in China. At the tail end of the polytransition one could see long-run growth of between 4 and 5%. The key is that the monetary fixes most of the West is so addicted to should be forfeited. Regarding fiscal policy, and notwithstanding the negative effects of higher debt and taxation, the centralized Chinese state has more leeway. Over the next five years our take is that Chinese will consume more, and China will see higher complexity value chains, be more green and sustainable, more international, more technologically-adept, while further opening up to Western investment and trade, and even to financial capital and culture. This survey shows that this is the implicit position taken by many Swiss firms.

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1.3 China – Quo Vadis? What has happened to China's Economy and what should International Businesses Expect in the Coming Years

Nicolas Musy, Founder and Delegate of the Board of the Swiss Centers China

China's post-pandemic recovery has been slower than most pundits originally expected. As a result, the following questions emerge for foreign firms doing business in the country:

- Is China's economic growth and potential for international business investment permanently impaired?
- What is China's leadership strategy for the economy?
- What will China's economic trajectory be in 2024 and beyond?
- What opportunities remain for international companies and what risks should be mitigated?

China's latest economic indicators and the experience of companies on the ground provide essential insights for the new strategies that international firms need to do business in the country.

1. Why is China's Economy Slowing Down?

A number of events that took place during the COVID-19 years have permanently changed China's economic outlook. Although they occurred in the second half of 2020, they were not caused by the pandemic itself or the growing geopolitical tensions of 2022 that together played only aggravating roles.

Still, the events that unfolded in the three pandemic years (2020-2022) have set China on a trajectory that might be difficult to reverse.

The Real Estate Crisis

The crisis started with a decision by the central government to burst the real estate bubble. In August 2020, new regulations imposed limits on how much money real estate developers could borrow according to their financial situation. This triggered the much talked about defaults and bankruptcies of many of China's real estate giants. Although apartment prices were carefully controlled by local government to avoid a crash in the market and a big fall in real estate prices, the value of the homes owned by the population dropped steadily. This trend became perceptible in the second quarter of 2023 and the decreases have accelerated in 2024.

This crisis was unavoidable because the real estate industry was clearly in a bubble and government action needed. Even in 2018, 88% of all new urban homes were bought by families that already had a property, and over 90% of Chinese families owned their dwelling (Rogoff & Yang, 2020). However, these social accomplishments point to the end of growth in a key economic sector.

Falling real estate prices

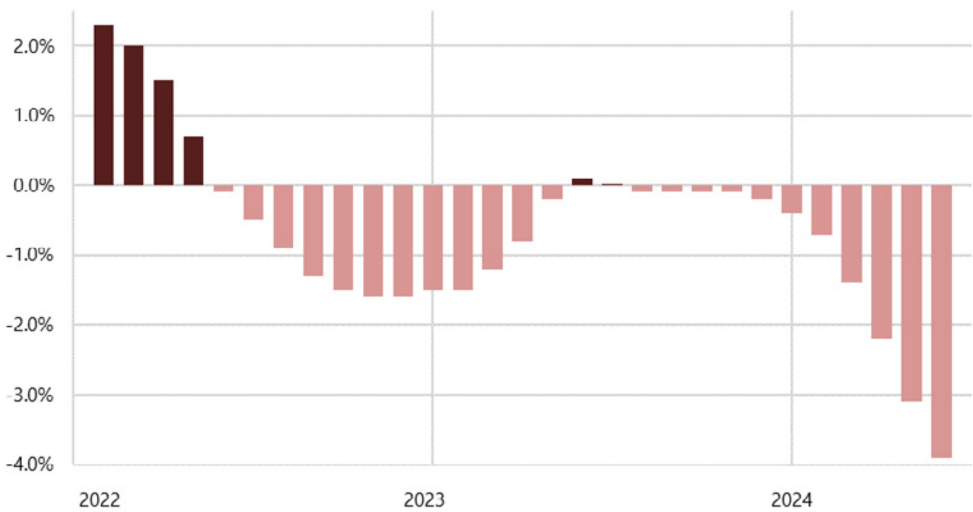

Figure 1.4: *Chinese montly year on year price change for new residential real estate (%).*

Source: *Trading Economics. (2024). China Newly Built House Prices YoY Change. Retrieved from https://tradingeconomics.com/china/housing-index*

China's real estate sector is oversupplied

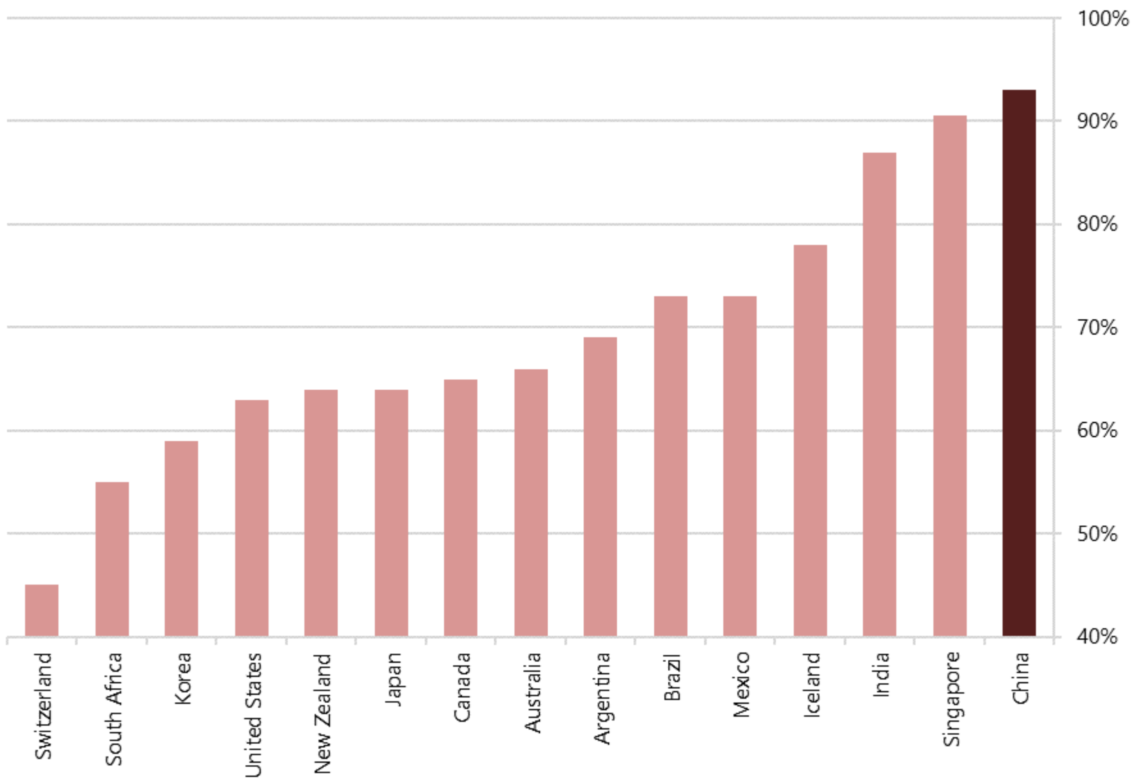

***Figure 1.5:** Percentage of Chinese urban families owning their dwelling.*

***Sources:** EMF Hypostat; IBGE: Instituto Brasileiro de Geografia e Estati; OECD Affordable Housing Database; Statistics Canada; Statistics of Japan; Statistics Singapore; Stats NZ; United States Census (*based on *Rogoff, $ Yang, 2020).*

In addition, China's total population started to shrink in 2022, a decline that has since accelerated. With fewer inhabitants, most of whom now own their homes, there is little need for more new housing in China. The result has been a steady drop in new construction projects that will eventually leave the real estate sector to work solely on the replacement and refurbishment of old homes.

China's real estate sector and its dependent industries (for example, home decoration or household appliances) were at one point deemed to account for 25% or more of the Chinese economy (Rogoff & Yang, 2020). The sharp drop in this important sector's activity has obviously resulted in lost jobs and business opportunities that have negatively impacted growth.

However, the fall in house prices has also reduced the wealth of Chinese consumers. Indeed, estimates indicate that about 70% of Chinese citizen's wealth has been concentrated in real estate (Dong, 2020). With house prices declining even faster than new homes in the second-hand market, the Chinese middle class has seen its main store of wealth shrink.

This crisis in the real estate sector and its impact on how Chinese families perceive their falling wealth levels has been compounded by a second factor: the doldrums in the stock market.

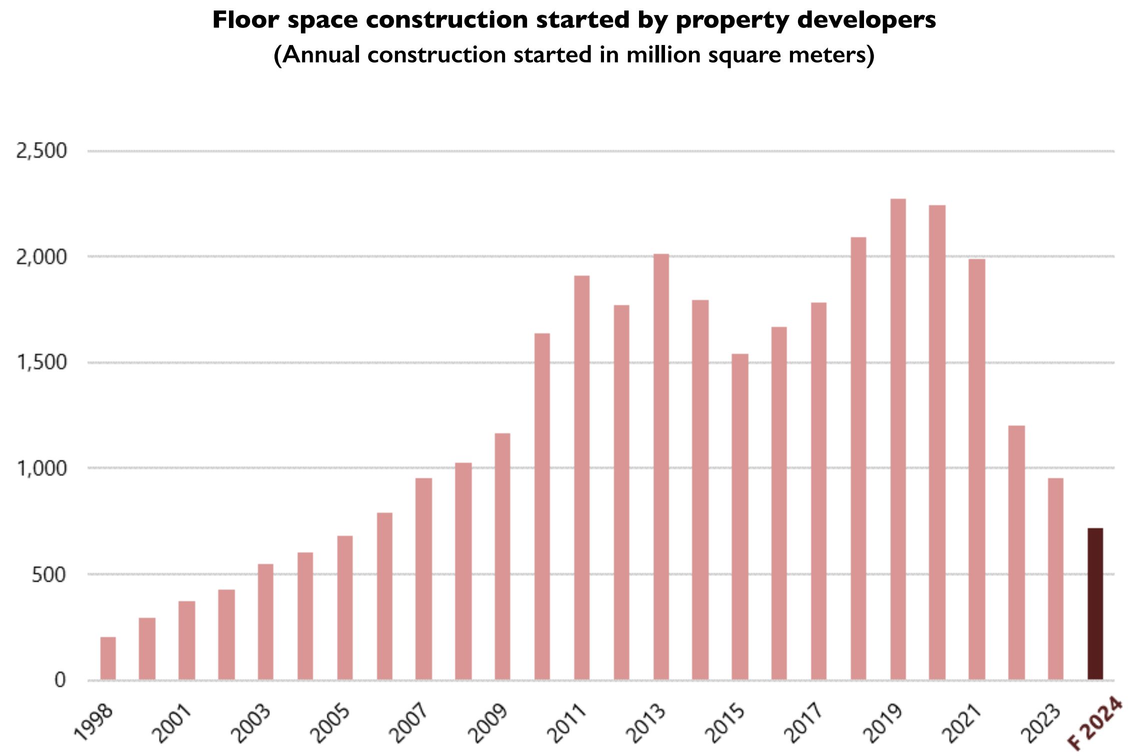

Figure 1.6: *Annual construction starts in million square meters.*

Source: *Zhang, W.Y. (2024, July 21). Yearly construction of real estate in China. Retrieved from https://www.statista.com/statistics/242622/yearly-construction-of-real-estate-in-china/. F 2024 forecast made by the author based on the first 6 months 2024.*

Reining in the Big Private Tech Companies

In November 2020, shortly after the regulations to restrict funding to real estate developers, the Chinese government halted the IPO of the Ant Group a week before it was due to take place (the Ant Group was the Alibaba company providing direct financial services to the users of the Alibaba group of internet companies). In the same month, the Chinese authorities summoned 27 major internet companies to a meeting and instructed them to end their monopolistic practices, unfair competition, and counterfeiting (Zhang, 2023).

Fines were imposed on a number of companies and this drive to control the practices of the big tech firms, while probably needed, had a very negative impact on China's stock market. It lost over 50% of its value in the 22 months from its peak on the 1st of January 2021 until the end of October 2022. After a mild recovery, the index was back down to the October level by the end of June 2024 (this has made the Chinese stock market the worst performing market in all major economies over the same period).

A significant number of Chinese households have invested in the stock market and bought financial products that are linked to equities. On average, real estate property and stocks account for more than 80% of a Chinese individuals wealth.

Seeing their wealth steadily decline, Chinese families have taken a prudent and traditional path: they have saved and reduced their consumption. This has further reduced China's growth potential and put additional pressure on the job market, already weakened by the employment lost with the end of the real estate boom.

As a result of this slower growth and tougher job market the feeling of economic insecurity in the population has been compounded (see Section 2.2 of this survey: retaining employees has become easier over the past 2 years).

Stagnating equity market

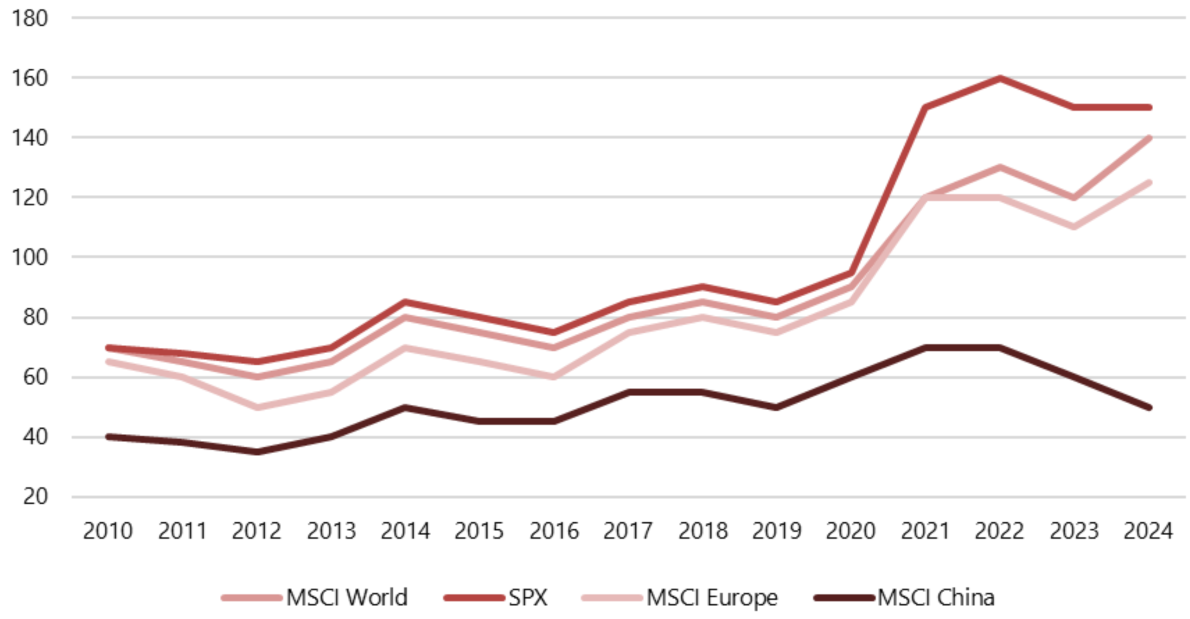

Figure 1.7: *MSCI equity indexes, SPX (Jan 2018=100).*

Source: *Rosen, P. (2024, February 11). The US, China, and Europe's economies are drifting apart. The global 'decoupling' is moving markets. Retrieved from https://www.businessinsider.com/us-vs-china-economy-europe-global-decoupling-wall-street-markets-2024-2*

Supply Chain Disruptions and the De-risking of Foreign Firms

China controlled the pandemic by locking down Wuhan, closing its borders, and applying a zero tolerance policy to the virus. This allowed China to become the supplier to the world in the second half of 2020 and 2021 at a time when the pandemic disrupted the rest of the world's industrial production capacity. But in April 2022, the much more contagious Omicron variant of the virus started to spread, forcing a two-month lockdown of Shanghai. Due to the importance of the port city and the Yangtze Delta region, this lockdown caused significant disruption to international supply chains. It also made many international companies and nations aware of their dependency on China's production capabilities.

At the same time, geopolitical tensions were steadily increasing. In August 2022, three months after the end of the lockdown, China reacted strongly to Nancy Pelosi's visit to Taiwan (at the time, she was third in line to the US Presidency). Coming after Russia's unprecedented and unexpected attack on Ukraine in February, 2022 and the immediate sanctions that ensued, the risk of conflict in Asia suddenly became a key factor in most international companies' strategic considerations. It was no longer a far-fetched notion that trade restrictions could be imposed on China, just as they had been on Russia.

In the 40 years since China's opening to foreign business and development, international firms only had to consider Chinese and global economics to define their strategies. In the space of a few months, they now unexpectedly needed to consider their Chinese supply chain risks.

Needless to say, the possible re-election of a protectionist US President who has promised to impose 60% tariffs on all Chinese good entering the US has kept this risk very alive in the minds of business leaders, as is highlighted by the McKinsey June 2024 global survey of CEOs (McKinsey & Company, 2024). As a consequence, before the end of 2022, international companies started shifting their supply chains out of China. The suppliers of these multinationals have been the first to feel the impact of this new de-risking atmosphere (Business Insider, 2023).

A well-known example of de-risking is Foxconn, the major contract manufacturer for Apple products based in Taiwan. It has been the biggest private employer in China since 2011, providing 1 million Chinese jobs and, until 2020, manufacturing practically all of Apple's products in China. However, in fiscal year 2023 (Capoot, 2024), Foxconn produced 14% of the world's iPhones in India, twice the amount that were made there in fiscal year 2022.

The companies that are transferring production out of China still rely to a great extent on components made there. However, when suppliers set-up production sites out of China they also look for lower cost locations. It is therefore quite likely that these components will also be localized in Thailand, Vietnam, India, Mexico, or other new manufacturing destinations, as happened in China when it became the manufacturing country of choice.
International trade is an important part of China's economy: it accounts for about 20% of China's employment (Zhang & Woo, 2022), probably more than the real estate industry does today. Keeping in mind that China-based foreign companies were responsible for 31.5% of Chinese exports and 35% of its imports in 2022 (Textor, 2024), both international trade and foreign direct investment are critically important to China's economy. It is then not surprising that the Chinese government is putting enormous efforts into rebuilding its global economic relations.

2. China's Economic Policies and Responses to Maintain High Growth Rates

The Chinese Consumer Confidence Trap

The Third Plenum of the 20th National Congress of the Communist Party of China started on 15 July 2024, but did not strongly address the decreased spending enthusiasm of Chinese consumers, though confidence is unprecedentedly low. Since April 2022, the confidence index (published officially by the National Bureau of Statistics) has been at a historically low level of around 86, with the exception of the rebound that happened in early 2023 when China cancelled all pandemic control measures. Previously, the lowest the index has been since first being recorded in 1990 is 97 (a score of 100 indicates neutral consumer confidence).

It appears that instead of encouraging domestic consumption, the Chinese leadership has elected to promote innovation and technology development to generate more added value and achieve further growth.

Consumer Confidence Index in China

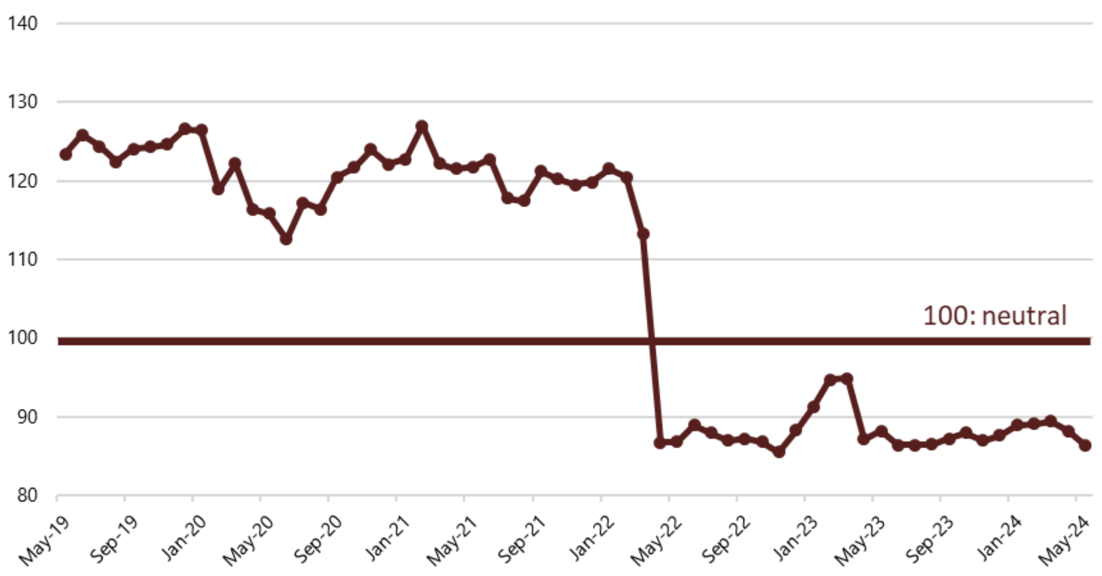

Figure 1.8: *Consumer Confidence Index in China, May 2019 - May 2024.*

Source: *Textor, C. (2024, July 10). Consumer confidence in China. Retrieved from https://www.statista.com/statistics/271697/consumer-confidence-in-china/*

The Promotion of Investments to Maintain Growth Causes Overcapacity and Trade Tensions

Chinese consumers are definitely spending more frugally than in the pre-pandemic years. Domestic retail sales growth for the first 6 months of 2024 reached only 3.7%, about half of what it was prior to the pandemic. However, this does not mean that the Chinese do not have money. In fact, the situation is quite the contrary: households saved during the pandemic as consumers did in other regions of the world, but in China, this trend has continued post-pandemic.

In fact, the Chinese have even increased their savings rates. They are now saving more than 35% of their incomes. In comparison, Germans, save slightly more than 10% and Americans just about 3%. The result of such a savings pot is an uncontrolled investment boom in sectors that are seen as very promising, such as electric vehicles, battery manufacturing, and other green technologies.

To take the example of electric vehicles, at the time of writing there were over 100 manufacturers of EVs in China, down from 500 active companies in 2019! (*Bloomberg News*, 2023). The unsurprising consequence of this rush to promote EV manufacturing is a severe underutilization of Chinese automotive manufacturing capacity, 35% of which was idle in the first quarter of 2024 (National Bureau of Statistics of China, 2024).

The solar panel industry is another case in point. China's expected production capacity in 2024 is 900 GW (Clean Energy Associates, 2024). At the same time, global demand is expected to reach only around 400 GW (SolarPower Europe, 2023). In other words, China has the capacity to produce more than double the total quantity of solar panels that the world will need in 2024.

This overcapacity has predictably been spilling over China's borders and is one of the reasons for the protectionist reactions now being touted by other countries. The US has led the way by imposing (among others) 100% import taxes on Chinese EVs. The EU is following, albeit with lower proposed tariffs and subject to ongoing negotiations with China to see if an agreement can be reached.

However, the protectionist reaction is not limited to developed economies. On 2nd July 2024, Indonesia announced up to 200% tariffs on certain low-cost Chinese imports (Strangio, 2024). Brazil has imposed quotas on a number of steel products and is also ramping up import duties on EVs that will reach 35% (Reuters, 2024).

China's Investment-driven Growth Model is Leading to Slower Growth

Underconsumption means Overinvestment

China's high levels of savings are leading to high levels of investment as a result of Chinese households' low level of consumption. Consumption as a percentage of GDP is now much lower in China than it has been for any other economy at a similar stage of development. Now that the real estate sector is no longer able to absorb China's high savings rates, manufacturing is seeing overinvestment.

In such a situation, economists calculate that without reforms to transfer sufficient income to households to boost consumption in China, the country's growth must eventually go down to 2-3% per year until its economy is rebalanced, i.e., investments and consumption are in a proportion that fits China's stage of economic development (Pettis, 2022). The problem is that no other country in a situation similar to China has previously managed such transfers because they go against vested interests (in China's case, mostly local governments and the businesses that work for them).

If one country in history is capable of carrying out such transfers, it is certainly modern China with its huge state capacity. Still, at this moment in time, no decision to transfer wealth to households (either through higher wages or more generous social security) has clearly been made, though a growing number of Chinese economists clearly recognize the need to do so.

Based on this Macro View, what should we Expect in Practice?

China's leadership is accustomed to achieving what it sets out to do. It is therefore likely that Chinese leaders will use all their resources and experience to continue achieving relatively high growth rates (4.5-5%) in the years to come, try to avoid the erection of trade barriers against Chinese products, and continue to increase their exports to the world.

We should expect that this strategy will succeed, at least in many markets and for some time to come. In fact, exports from China grew by 3.8% in the first 6 months of 2024 when compared to the same period in 2023, and the June 2024 trade balance hit a monthly record of USD 99 billion. indicating that consumers are buying fewer imported products (which amounts to import substitution).

However, we should also expect that, over the next few years, protectionist measures will be put in place by both major economies, as well as some less-developed ones to reduce China's export potential.

As a result, the already brutal competition within the Chinese market will only intensify and continue to bring producer prices down (China's Producer Price Index has been in negative territory since September 2022). Very low inflation is also likely to continue to prevail (China's inflation was 0.2% in 2023 and 0.1% in the first half of 2024). With low inflation and a reduction of interest rates abroad, China will also be able to continue to lower its own benchmark rates and make its manufacturing base more competitive. Incentives to favor technology development, innovation, the green economy, and import substitutions will be ramped up in accordance with China's strategy that was declared at the third plenum, and will support the further competitiveness of Chinese producers.

Nevertheless, if Chinese consumption does not revive, growth will most likely slow further to stay at a level of 2-3% for longer than a decade, the time it will take for excess investments to be depreciated and consumption to become the main driver of the economy.

Despite this, a low economic growth rate does not mean the absence of business opportunities. After all, 2-3% is at the higher end of the expected growth rates of the US or the EU and the sheer size of the Chinese economy will continue to provide considerable opportunities, even with zero growth.

3. What Comes Next for International Businesses in China?

This new period of economic rebalancing that China is now entering into will bring many opportunities, but it will also come with more risks than foreign investors have been used to.

There are no indications that foreign companies are leaving the market. We do not know of any Swiss firm that has closed its operations in China, though we have heard of a few companies without a local presence that have decided to stop selling in the market.

Still, the opposite approach to the current challenges is more common. Swiss companies that have been doing business in China without a local presence are now setting up shop there in order to better serve their customers and retain their position in the market. Abandoning the second largest market in the world is not a sensible strategy for most foreign businesses that have had success in China.

Companies that are active in the fastest growing sectors are boosting their investments. For example, at the end of last year, Clariant opened a new plant dedicated to anti-flammable materials for EV batteries (ECHEMI, 2023); a Swiss SME producing adhesives specialized for glueing foam is shipping a growing number of containers for automotive and furniture applications from Switzerland to China; Ypsomed is building a 15,000 square metre facility to localize its production of insulin pens (Ypsomed, 2023); and Straumann is investing CHF 170 million in its Shanghai campus and production facility (Straumann Group, 2023).

To mitigate risks, most new investments are made in China with the purpose of serving the local market. For these 'local for local' investments to be successful, it is important that they are planned with intensifying competition in mind: high operational efficiency, optimal investment, and running costs need to be built into the concept from the outset and all available local incentives applied for. Reducing financial risks can be done by obtaining loans from local banks that are eager to find good projects to fund and provide attractive interest rates. Continuous sales success will depend on providing the best products and developing well-recognized brands for the Chinese market (Section 2.3 of this survey provides detailed insights on these aspects).

To mitigate risks against trade barriers or sanctions, the foreign businesses that export a significant proportion of their product from China are establishing additional operations in other low- or best-cost countries. In doing so, they offer an alternative to their customers who want to de-risk their supply chains. This 'China +1' strategy is an effort that requires management resources, additional investments, and a new learning curve. Still, it is considered a worthwhile insurance policy in a climate of uncertain geopolitics.

China's development plan also offers opportunities to newcomers that can supply new products and technologies. The push for new technology and innovation is generating a strong need for high quality technical products, components and equipment that international companies—particularly Swiss firms— are well placed to fulfill. Though China encourages import substitution for mature technologies, the need for rapid development means that advanced and new technologies, highly efficient equipment, or smart innovations are still imported.

China is probably the country that has benefited most from the past 30 years of globalization. Its leaders are very much aware of this fact and they intend to further promote openness and free trade. The recent decision the leadership made to discuss an upgrade of the Sino-Swiss Free Trade Agreement is a good illustration of their willingness to promote China's international economic integration.

Whether as a local player producing and selling in China or as an international provider importing into the country, the Chinese market keeps on providing important opportunities. While the business environment is not easy and will grow ever more competitive, those that enjoy success in China are likely to be extremely competitive worldwide.

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1.4 Comparative Analysis: The Swiss vs EU, US and German Surveys

Fengyi Yang and Lena Cheng Zeng, University of St.Gallen

The following analysis compares the results of the Swiss Business in China Survey 2024 with similar surveys: the Business Confidence Survey 2023/24 (2024) conducted by the German Chamber of Commerce in China (n=566); the China Business Climate Survey Report 2024 (2024) conducted by the American Chamber of Commerce in China (n=343); and the European Business in China 2024 (2024) conducted by the European Union Chamber of Commerce in China (n=529). The data collection period of the surveys spans from the last quarter of 2023 until the first quarter of 2024. As was the case last year, the German survey started in September 2023, with the US survey commencing in October 2023, both lasting for a month. The European Union survey had a later starting date for the data collection process, beginning in January 2024 and lasting over Chinese New Year until April.

All surveys got prime press coverage in their country's media, highlighting the importance of doing business in China. The key takeaways from the surveys emphasized different issues. For instance, in Germany, the main headline was "German Firms in China Say Economy Is on 'Downward Trajectory'" (Murphy & Mayger, 2024), stressing that survey respondents expected the post-pandemic recovery to take up to three years. The TV show, Tageschau (2024), reported that a large majority of German business were facing significant disadvantages fueled by "unfair competition". Reforms were urged in order to ensure a fair and friendly market for foreign firms, especially with regard to discrimination in market access, public tenders, and tax incentives.

In America, CNBC (2024) reported that "U.S. companies say it's harder to make money in China now than before the pandemic", pointing to the increasing challenges faced by US businesses in China and noting that profitability has become more difficult compared to pre-pandemic times. Bloomberg (2024) also provided in-depth commentary, discussing the latest survey results and analyzing the business climate, challenges, and opportunities for US companies in the Chinese market on its TV channel. In France, Radio France Internationale (2024) reported that the overall attractiveness of the Chinese market is declining, emphasizing that European companies' willingness to invest in China has dropped to a historic low.

Going beyond this general media reporting on the surveys, this comparative analysis piece examines the actual survey data from firms based in the EU, US, Germany, and Switzerland that are operating in China, and firstly focuses on three perspectives: competitive pressures, profitability, and investments. It then provides an overview of the main issues affecting these firms, highlighting both the differences and similarities and thus articulating the wider picture of doing business in China.

Competitive Pressures

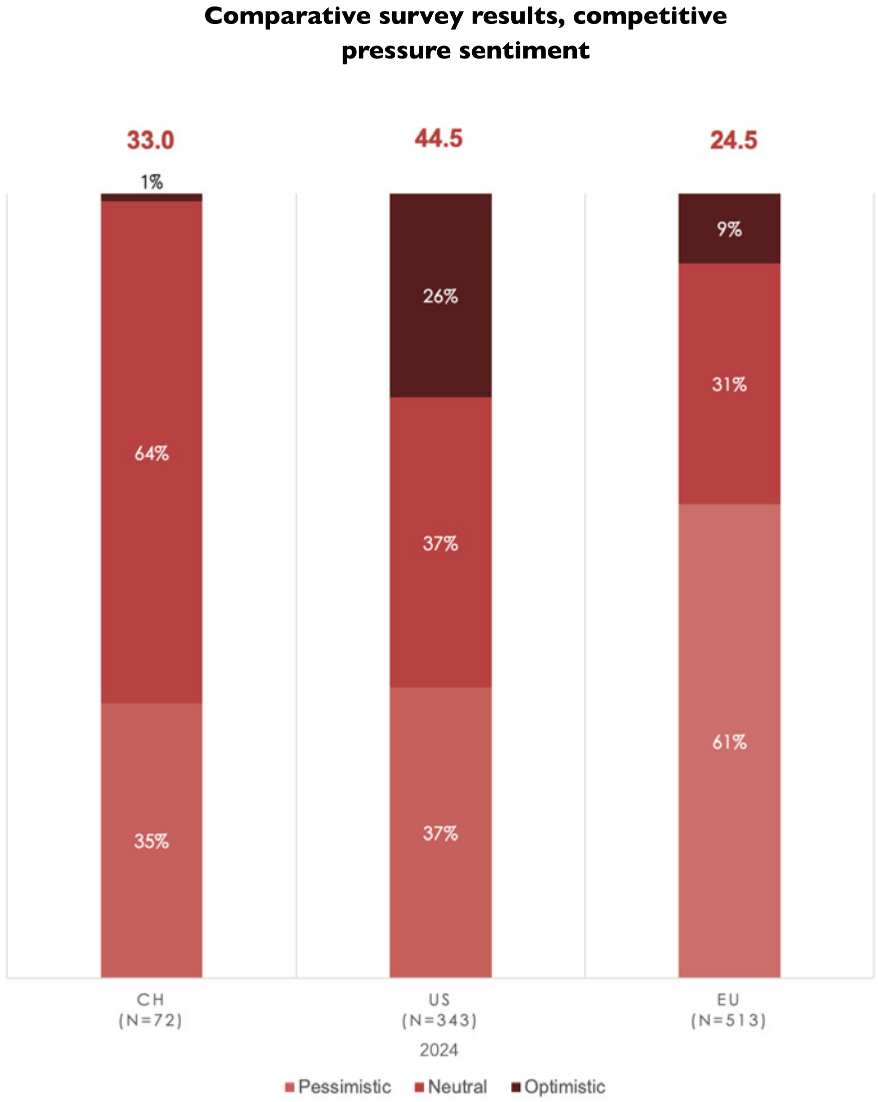

Figure 1.9: *Competitive pressure sentiment of Swiss, US and EU businesses in China.*
Sources: *American Chamber of Commerce, 2024, p. 29; European Chamber of Commerce, 2024, p. 28.*

Competitive pressure is on the rise. Part of this is related to China's drive to boost local manufacturing innovation and investment in a bid to offset the country's real estate slump. The US and its allies have criticized Beijing's associated policy shift, while China uses classical free market arguments and points to Western protectionism of less-efficient industries. The EU survey is particularly interesting on this topic as it shows that 60% of respondents expect competitive pressures to intensify, the highest level on record, while the proportion of those that are confident they will prevail against greater competitive risk sinks to below 10% for the first time (European Chamber of Commerce, 2024, p. 28). This might be a result of facts on the ground, since 42% of respondents have lost market share to domestic players in the past five years (European Chamber of Commerce, 2024, p. 27). In the Swiss survey, a paltry 1% of firms are optimistic about their prospects amid increasing local competitive pressure, suggesting an alarming decline in confidence.

The rise of local competition and the ensuing competitive pressures on Western firms has clearly had an impact on confidence. Some attribute this to the unfair treatment reported by many foreign firms in terms of market access, regulatory enforcement, and public procurement. Interestingly, US firms are more optimistic about their ability to thrive under these pressures (see the weighted score of 44.5 vs the EU weighted score of 24.5 in Figure 1.9 above). The confidence level of Swiss companies lies in between the US and EU extremes with a weighted score of 33 (see details on page 8).

Profitability

Comparative survey results, profitability

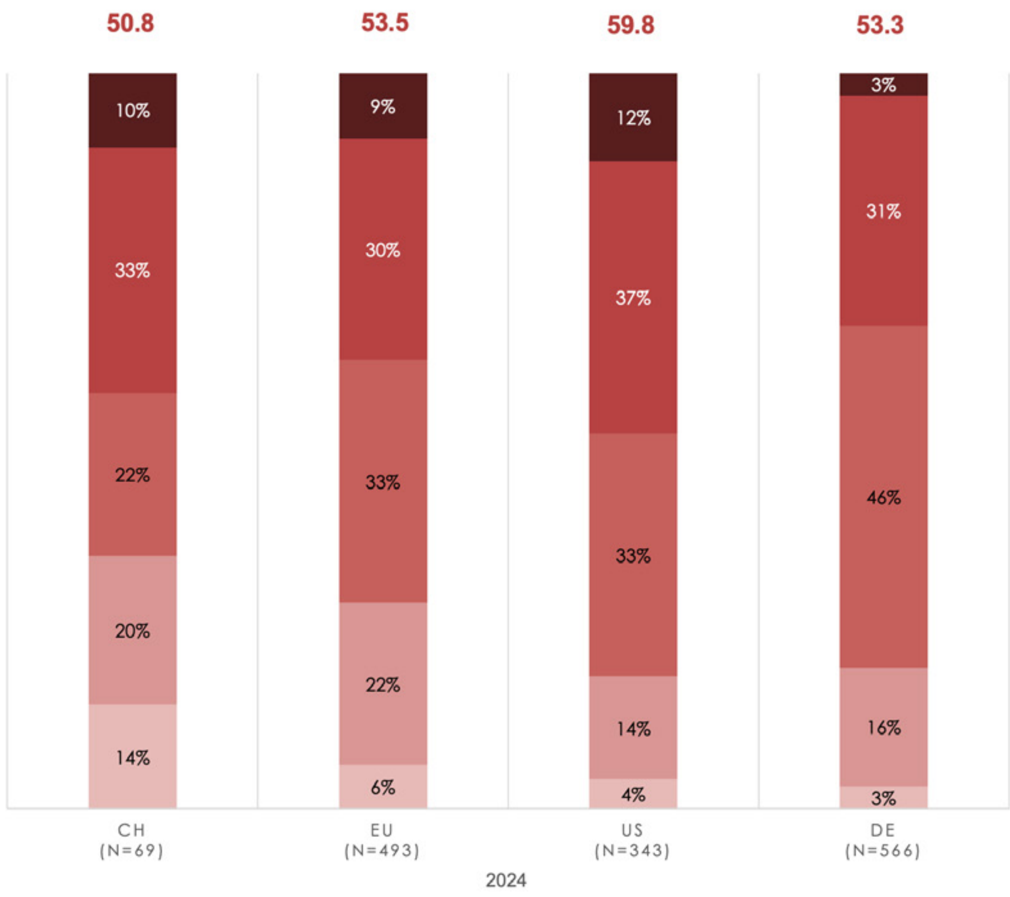

Figure 1.10: Profitability of Swiss, EU, US and German firms in China.

Sources: German Chamber of Commerce, 2024, p. 13; American Chamber of Commerce, 2024, p. 24; European Chamber of Commerce, 2024, p. 13.

Swiss firms have a weighted score of 50.8, at the lower end the comparative profitability range (see details on page 8), a category that is led by US firms with a score close to 60. Almost half (49%) of the US respondents anticipated profitability, yet one third reported that their profit margins in China are lower than global levels (American Chamber of Commerce, 2024, p. 29). In the EU survey, profits were reported by 39% of respondents, but the percentages for the two loss categories (28%) were not negligible (European Chamber of Commerce, 2024, p. 28). In Germany, the categories that reflect profitability stand at 34%, with the loss categories adding up to 19%, remaining positive overall and similar to 2023 (German Chamber of Commerce, 2024, p. 15).

Investments

Comparative survey results, investment plans

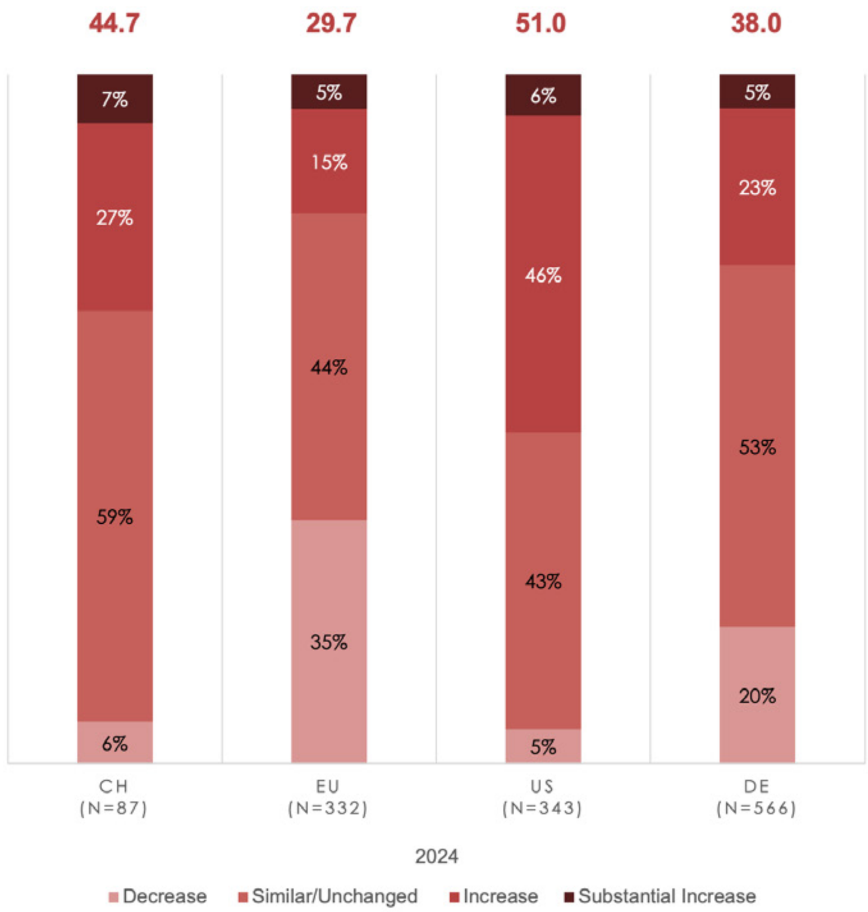

Figure 1.11: *Investment plans for Swiss, EU, US and German Firms in China.*
Sources: *German Chamber of Commerce, 2024, p. 13; American Chamber of Commerce, 2024, p. 42; European Chamber of Commerce, 2024, p. 3.*

China's attractiveness as an investment destination has rebounded after last year's sharp dip for US and German companies, while the EU as a whole has retained the most negative sentiment with 35% of firms planning to decrease investments—a historic low—while barely 20% of the surveyed companies plan to increase their investments (European Chamber of Commerce, 2024, p. 3). The weighted score for EU companies of 29.7 is problematic and is in deep contrast to the US weighted score of 51.0 and where around 50% of respondents consider China to be among their top three global investment priorities, a 5% year-on-year increase (American Chamber of Commerce, 2024, p. 42). Interestingly, 46% of respondents intend to increase their investments by modest margins of between 1-20% (American Chamber of Commerce, 2024, p. 42). This underscores the continued (though to some extent dwindling) interest in Chinese investment. Switzerland again occupies the middle ground with a weighted score of 44.7 (see details on page 8).

The Top 5 Challenges: An Overview

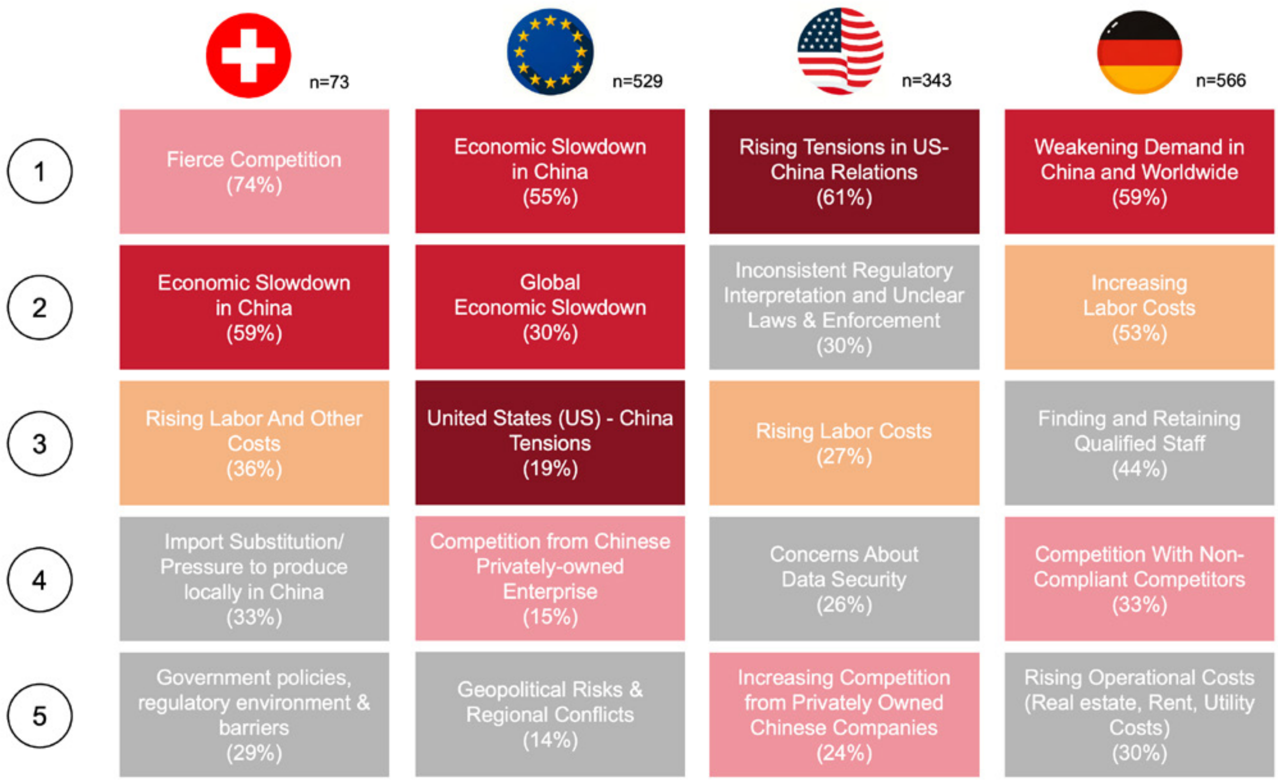

Figure 1.12: *The top 5 challenges faced by Swiss, EU, US, and German firms in China.*
Sources: *German Chamber of Commerce, 2024, p. 44; American Chamber of Commerce, 2024, p. 31; European Chamber of Commerce, 2024, p. 10.*

Despite the slight differences in the way that the survey questions were framed, several common challenges are apparent for foreign firms operating in China:

1. **Weak demand and the economic slowdown**
   The economic slowdown in China and across the world is a common concern in all four surveys. The key factors affecting China's growth prospects are dwindling Chinese consumption and lower demand.

2. **Rising US-China tensions**
   Geopolitical risks and tensions, particularly the worsening state of US-China relations, are highlighted by 61% of American companies and are also a concern for EU firms.

* ***Note for Figure 1.12:*** *Identical highlighted colors indicates the same category of business challenge (i.e. pink represents challenges faced in competition).*

* ***Methodological note:*** *Slightly different questions were asked in each survey. For instance, the US and EU survey respondents were required to rank the top business challenges they faced, while the German respondents were asked to select the top three operational and macroeconomic business challenges.*

3. **Rising labor costs**
   Increasing labor costs are of growing concern to western firms, particularly those in Germany, where 53% of companies ranked it as a major challenge, second only to weakening demand. It is also reported as the third most important concern for Swiss companies (cited by 36% of respondents) and for American firms (cited by 27% of respondents).

4. **Rising competition**
   Fierce competition is reported as the top challenge for Swiss firms, with 74% of respondents citing it as being problematic. Competition in the Chinese market is clearly shown to be an intensifying challenge. More specifically, for 15% of EU and 24% of American companies, this challenge includes the emergence of extremely agile privately owned Chinese companies.

5. **Operational and compliance challenges**
   Operational and compliance challenges are material concerns for respondents from all countries included in this review. A third of Swiss firms report that the pressure for import substitution is pushing them to consider producing locally in China. About 30% of Swiss firms also report restrictions from government policies and barriers, while a similar number of US firms grapple with inconsistent regulatory interpretation and insufficient data security guarantees. A striking 44% of German firms reported struggles with finding and retaining qualified staff. The Germans also complain about competition from non-compliant firms, while they must balance rising operational costs for items such as real estate, rent, and utilities. Meanwhile, 14% of EU firms face difficulties emanating from geopolitical instability and regional conflicts. These challenges all add complexity to the operating environment of Western firms and impact performance.

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2. Survey (1/2): After the Post-pandemic Rebound, Business Confidence Slides in 2024 but Investment Intentions Remain Strong

PART II

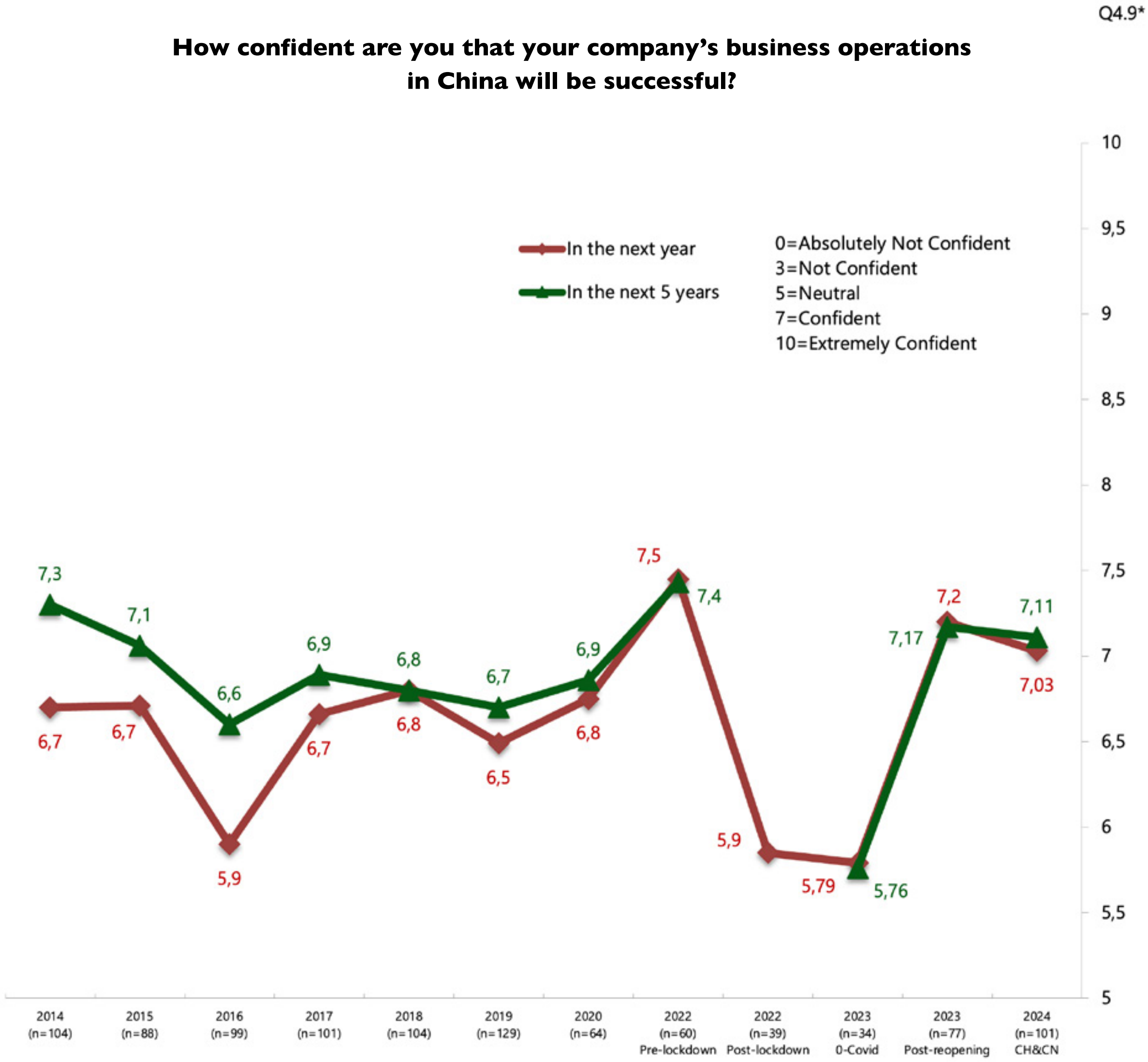

Figure 2.1: Confidence in doing business in China.

*The top right corner of all applicable figures references the question number in the survey instrument.

After the extraordinary events of 2022 (during which we were forced to carry out the survey in two phases) and the end of the zero-COVID policy in China (in December 2022), expectations for 2023 were sky high. Business confidence rebounded to reach some of the highest levels ever recorded in the history of the Swiss Business in China Survey (a confidence level of 7.2 out of 10).

However, the economic bounce of 2023 was short lived and Swiss companies' confidence in doing business in China fell in the 2024 survey.

Nevertheless, if one takes a longer-term perspective, the numbers are not historically low. On aggregate, Swiss managers reported better confidence levels than they did in the pre-COVID years; from 2016 to 2020, business confidence levels were lower than 7.0.

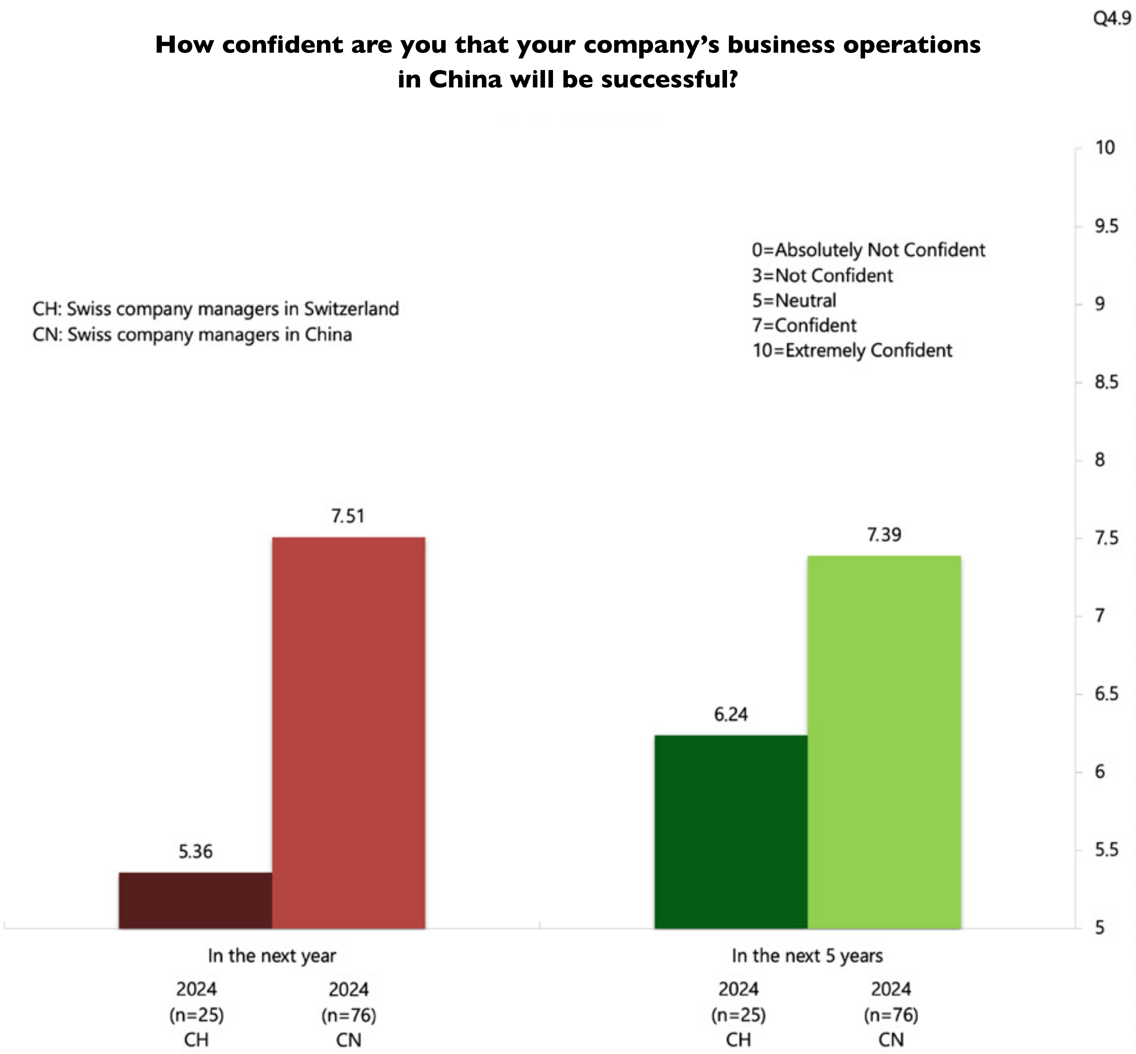

Figure 2.2: Business confidence of Swiss and Chinese managers at Swiss companies in the next year and in the next 5 years.

It is however worth noting that the opinions of managers based in China are surprisingly different from those based at head offices in Switzerland, particularly with regard to 2024 (as is reflected in Figure 2.2).
In the longer run (5-year horizon), China-based managers remain more positive than their Swiss-based counterparts, but to a lesser extent.

2.1 Sales, Profitability and Investment Expectations

Expectations for sales, profits and investment growth all declined in 2024. Still, China remains a top priority investment market for about half of Swiss businesses active in the country.

Sales

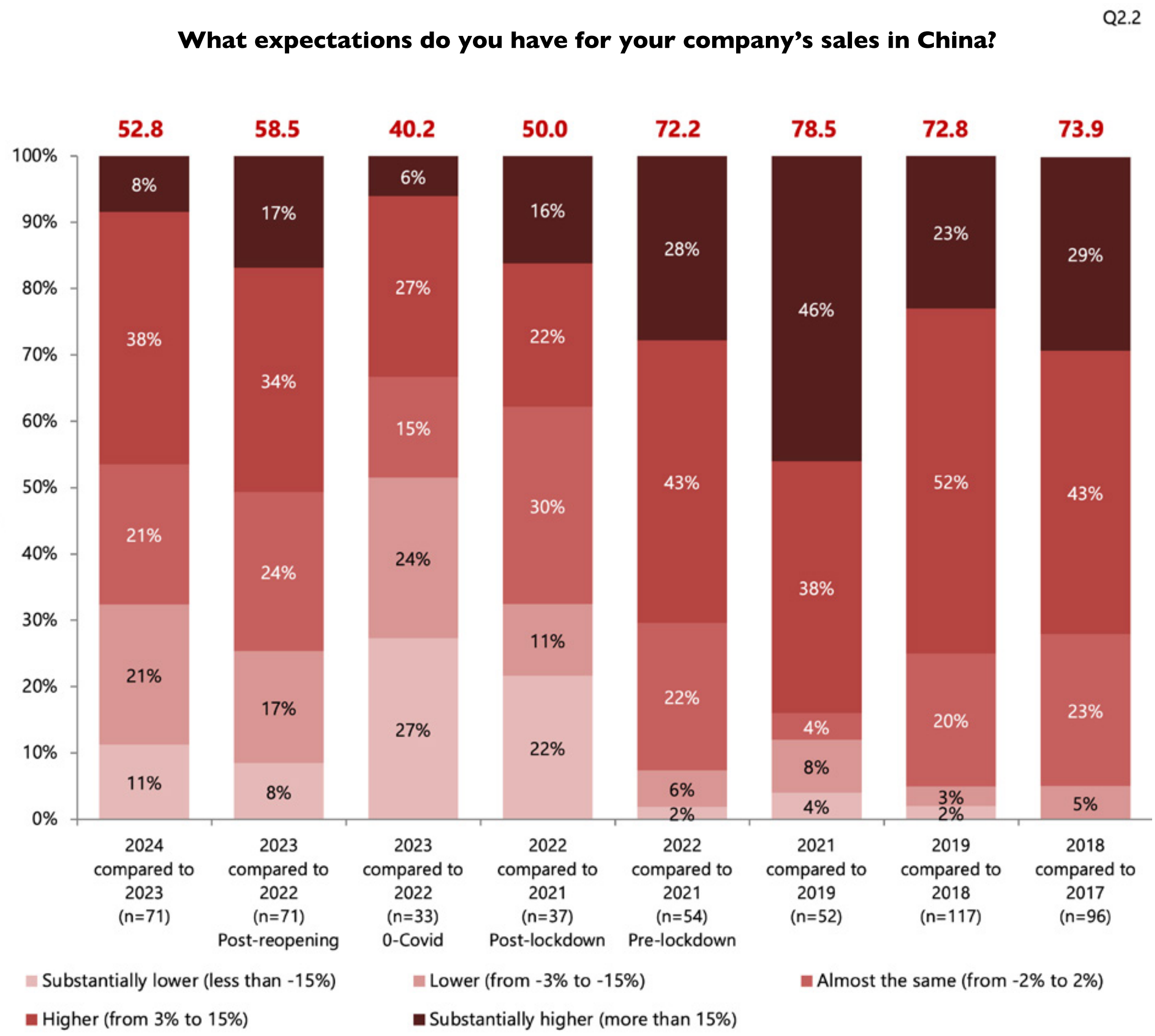

Figure 2.3: *Sales growth expectations.*

46% of survey respondents expect higher sales in 2024 compared to the 51% that did so in 2023, matching the lower business confidence level reported in this year's survey.

Still, this 46% exceeds those that expect lower sales (32%) indicating that Swiss businesses on average expect an expansion in their sales in the China market.

However, it must be noted that a much lower number of companies expect sales growth compared to the pre-COVID years of 2018 and 2019, which saw 72% and 75% of respondents expecting increased sales. It is also the lowest percentage of companies expecting sales growth in any of our recent surveys with the exception of the zero-COVID period (when the expectation of sales growth fell to 33%).

Profits

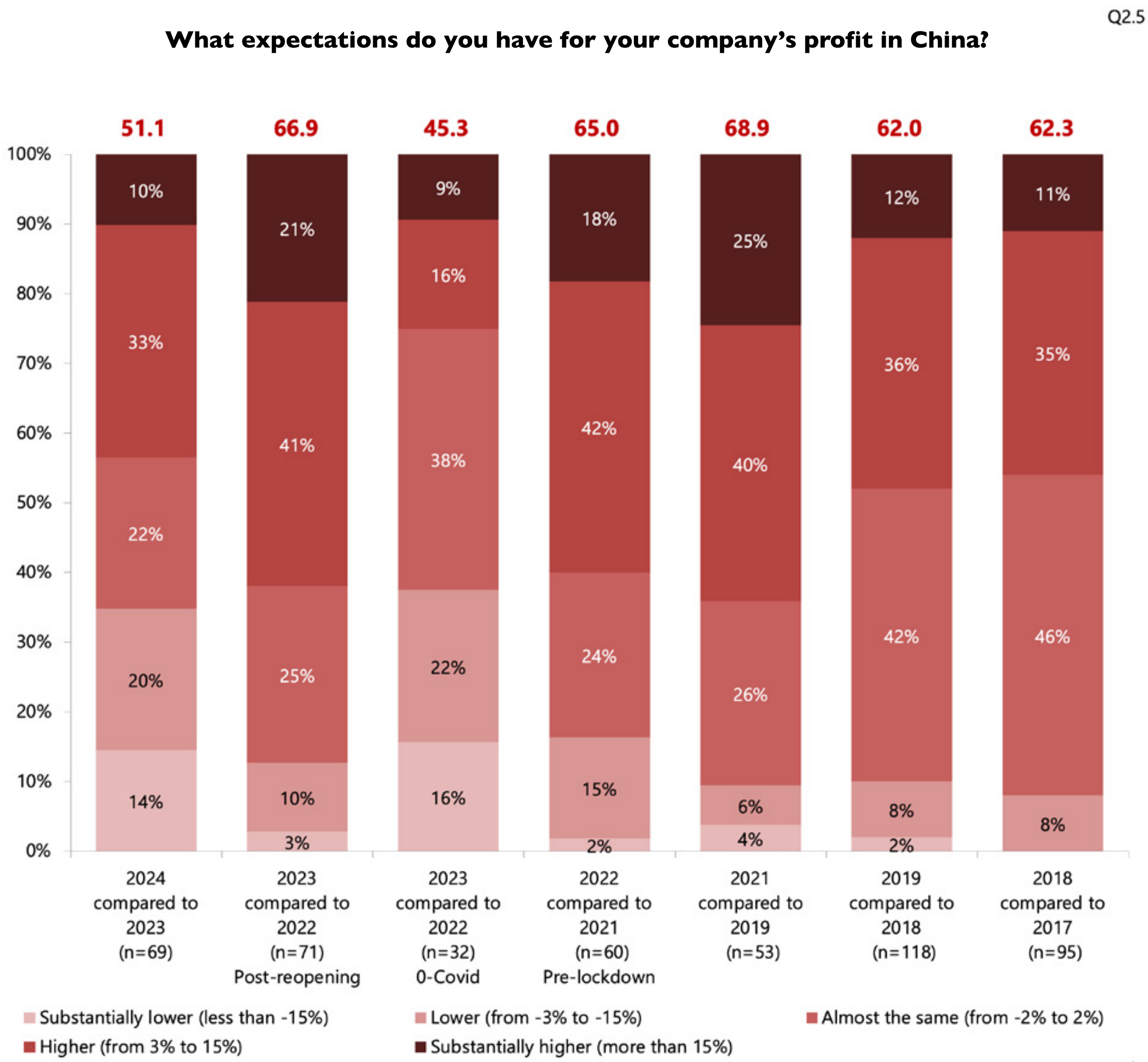

Figure 2.4: Profit growth expectations.

The number of Swiss businesses expecting higher profits in 2024 (43%) is as low as it has ever been if one excludes the zero-COVID period of 2022 that included Shanghai's total lockdown.

Although more businesses expect increasing profits compared to those that do not, the number of companies that expect their profits to fall in 2024 (34%) is as high as it has ever been in recent years, and is considerably higher than in the pre-COVID years of 2018 (8%) and 2019 (10%).

Investments

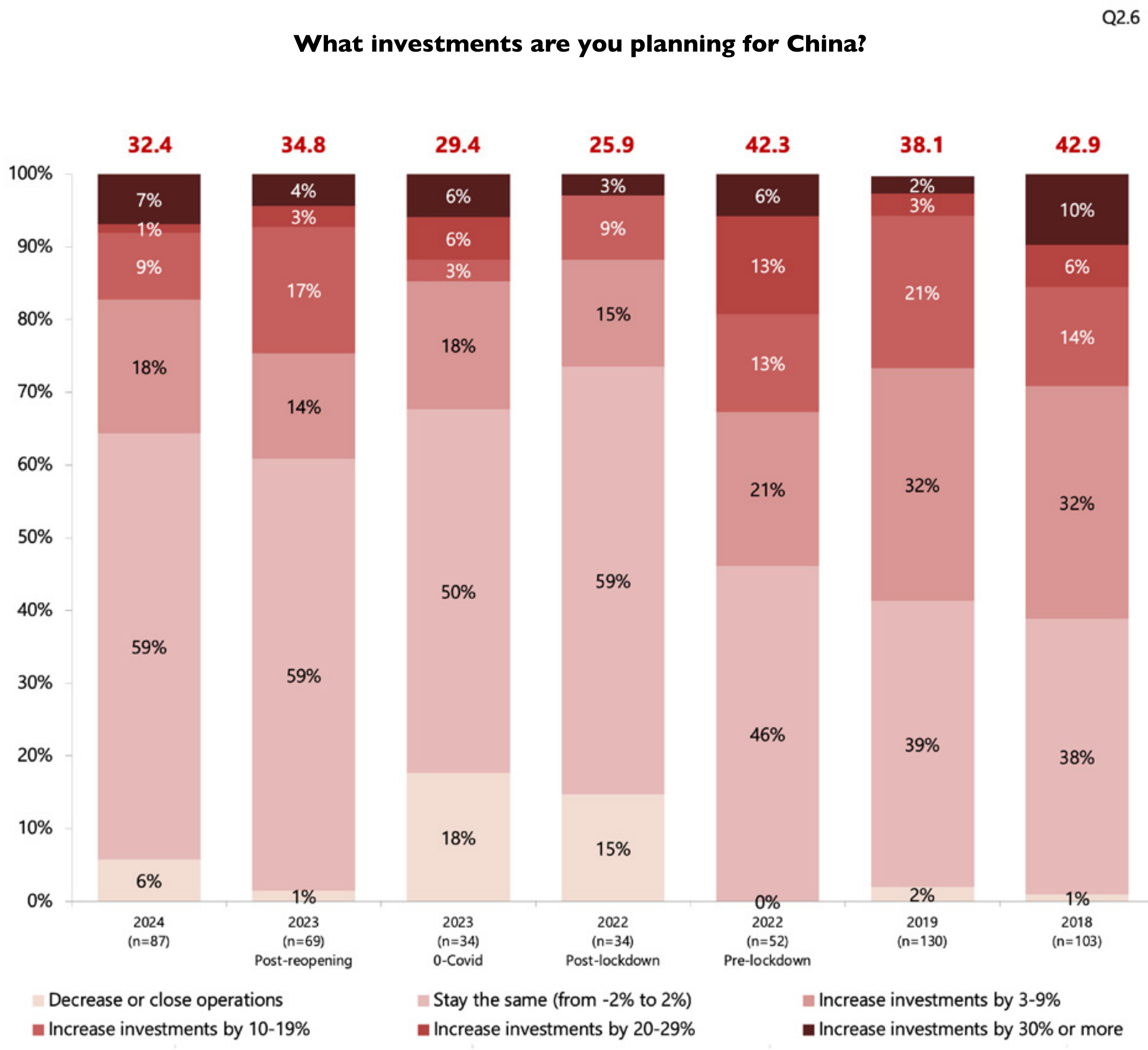

Figure 2.5: China investment plans.

In 2024, the proportion of Swiss firms that are planning to increase investments (35%) continues to decline when compared to post-reopening intentions (38% of the 2023 survey respondents). The decline in 2024 is even more pronounced when results are compared to the pre-COVID years (61% in 2018 and 59% in 2019 planned to increase investments).

However, while we concluded in the 2023 report that the uncertain global geopolitical situation was a primary cause of the lack of a positive intention to invest, such concerns have now partially abated, as can be seen in other parts of this report. Other causes are now at play, with the lackluster performance of the Chinese economy and rapidly growing local competition being the likeliest factors affecting investment intentions.

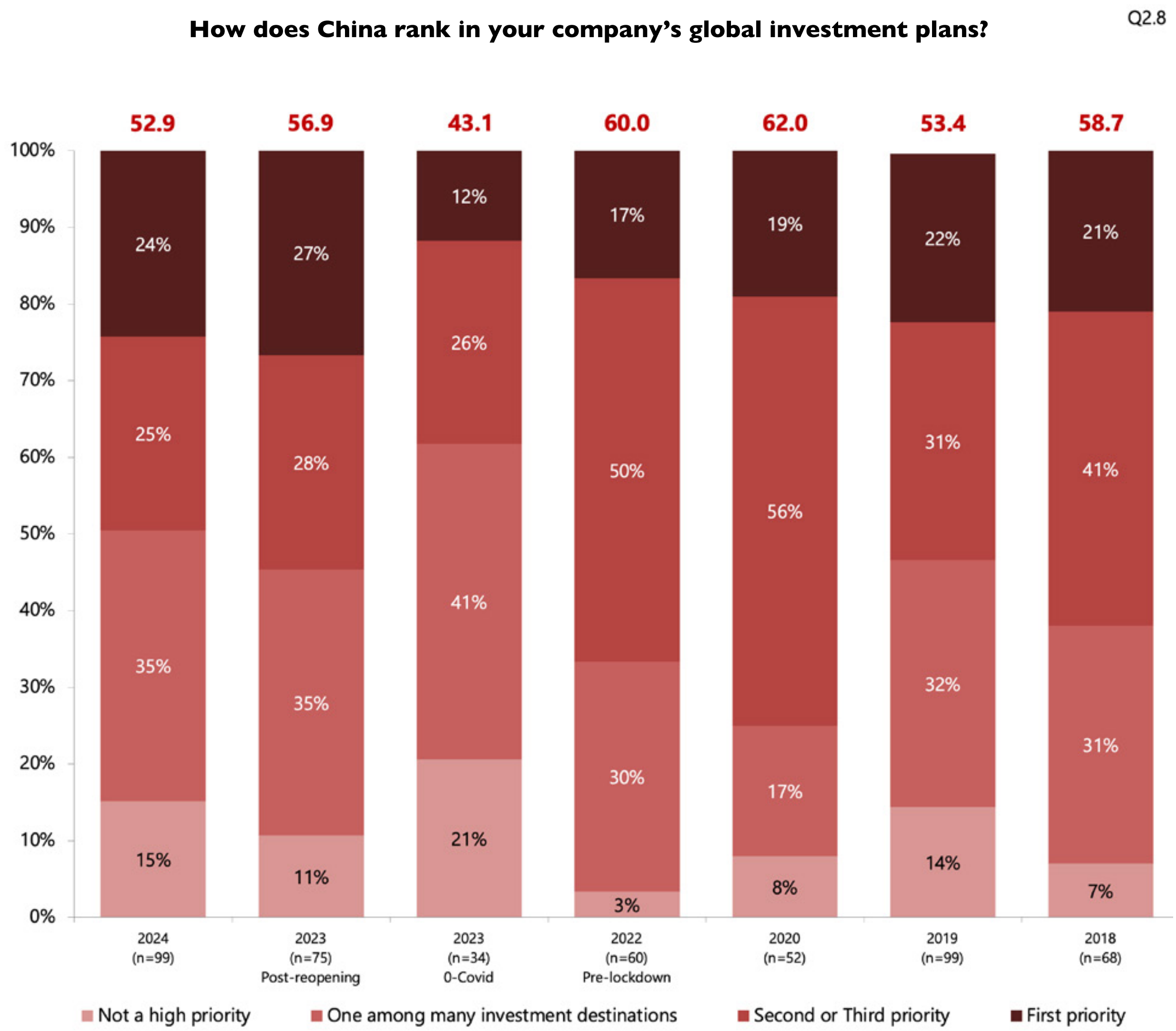

Figure 2.6: *How China is ranked in global investment plans.*

While a large proportion of Swiss companies active in China (49%) still see the market as a one of their top-3 investment destinations, this percentage is again lower than in our 2023 survey (55%).

It is also the first time (excluding the zero-COVID period in 2022) that a majority of survey respondents do not see China as a top-3 priority for investment.

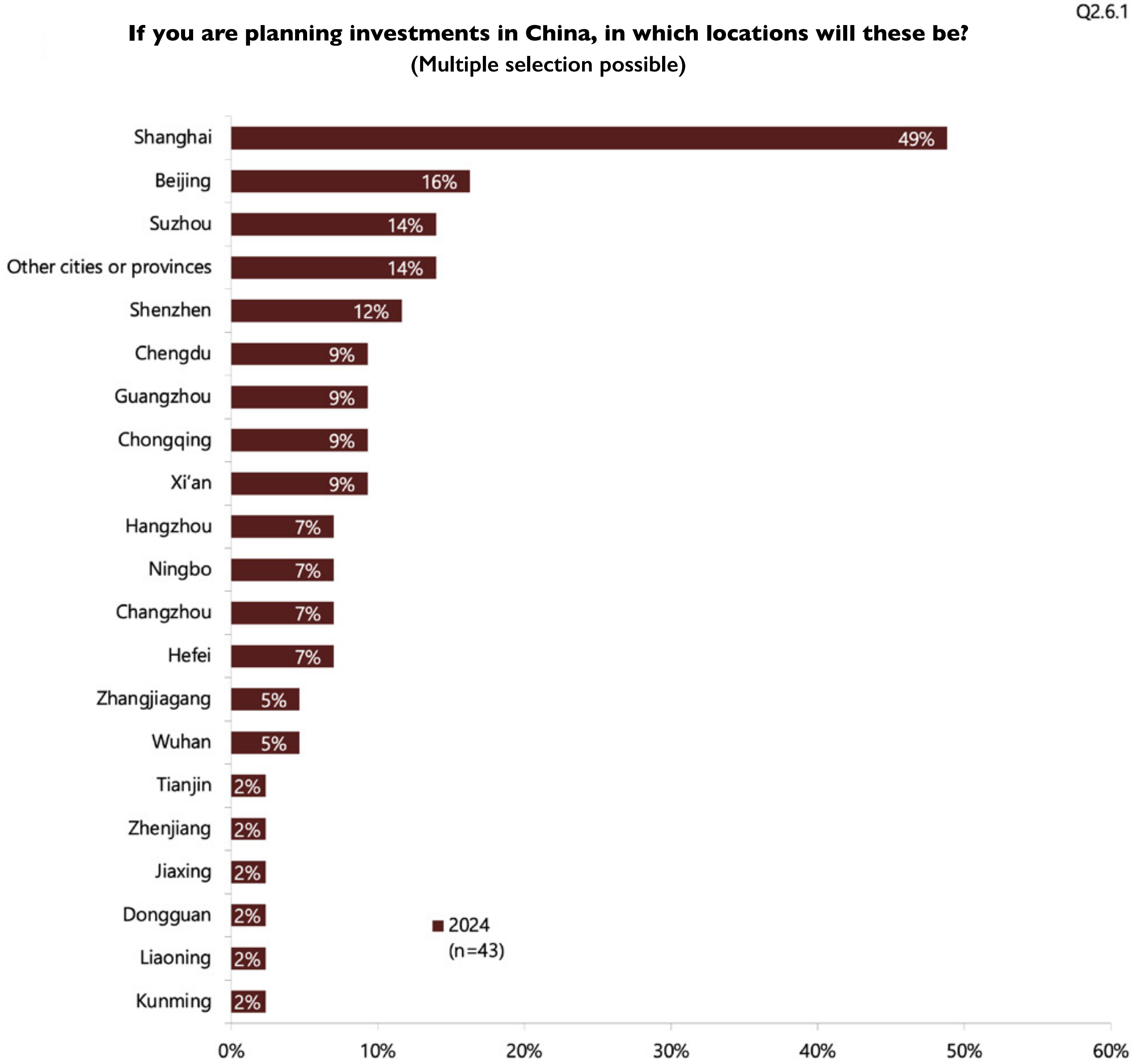

Figure 2.7: *Target cities for China investments.*

While Figure 2.7 indicates the locations where survey respondents plan to invest, it should be emphasized that there is a likely bias in these results. The number of responses originating from businesses located in Shanghai for this question is higher than the overall proportion of Swiss companies based in the city when compared to China as a whole.


Beijing
Tianjing
Xi'an
Zhangjiagang
Zhenjiang
Changzhou
Suzhou
Shanghai
Hangzhou
Chengdu
Chongqing
Shenzhen

2.2 Success and Competitive Advantage in China

Swiss companies are increasingly reliant on the quality of their products to be successful in China. As they face ever-fiercer competition, brand strength and a comprehensive approach in building competitive advantage is becoming critically important to maintain price differentials.

Key Success Factors

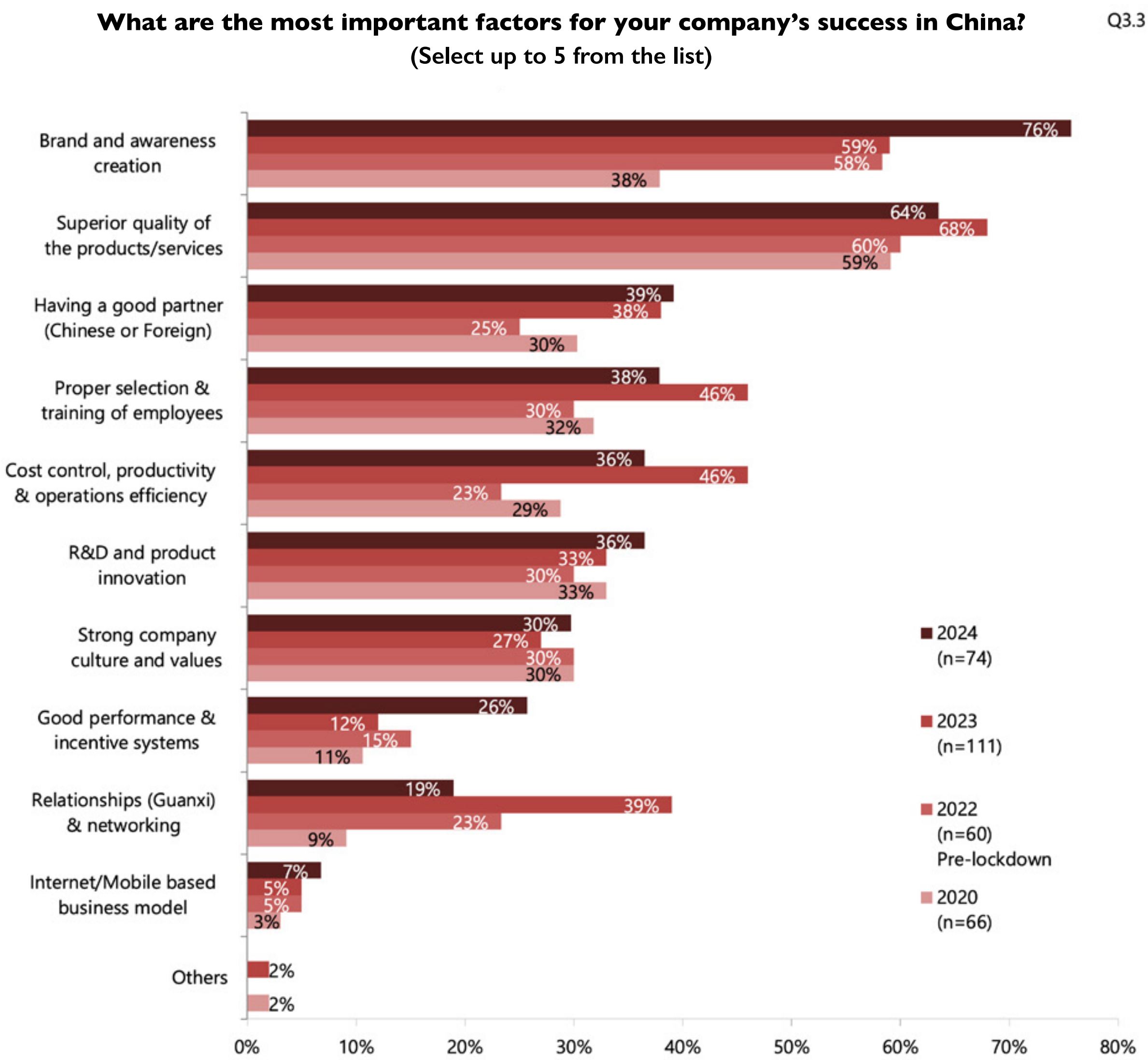

Figure 2.8: *Key success factors for Swiss companies in the Chinese market.*

While the previous survey found no fundamental changes in the relative importance of the different success factors, the 2024 respondents broadly classify these into two different groupings.

On the one hand, '**Brand and awareness creation**' and '**Superior quality of the products/services**' take preeminence, as was the case in earlier surveys. Interestingly, however, brand awareness (cited by 76% of respondents) is clearly seen as more important than the quality of products and services (64%) in this survey. This confirms the growing importance of this factor, a trend evidenced by previous surveys. This is probably because of the increasing marketing efforts of competitors (particularly Chinese companies) and because improvements in their products has narrowed the quality gap, making branding relatively more important.

On the other hand, there are no significant differences in the importance of the next four factors, all of which are selected by 36-39% of respondents: '**Having a good partner (Chinese or foreign)**'; '**Proper selection and training of employees**'; '**Cost control, productivity & operation efficiency**'; and '**R&D and product innovation**'.

Interestingly, "**Relationships (Guanxi) & networking**" is perceived to be less important to a large proportion of the respondents (only 19% selected this factor).

Overall, this indicates that in order **to be successful in China's business environment, a more comprehensive approach to building competitive advantages** is needed, when in the past, a few silver bullets (such as product/service quality or having good Guanxi) may have been sufficient.

Methodological note:

From 2023, respondents to this question had the option to select a maximum of 5 success factors, while only 3 were previously allowed. This change to the methodology was made because additional elements were added to the list of items that respondents could select. The greater flexibility that this change affords respondents results in a more accurate overall picture.

The same methodological change applies to all survey questions that include "Select up to 5 from the list".

Sales Success Factors

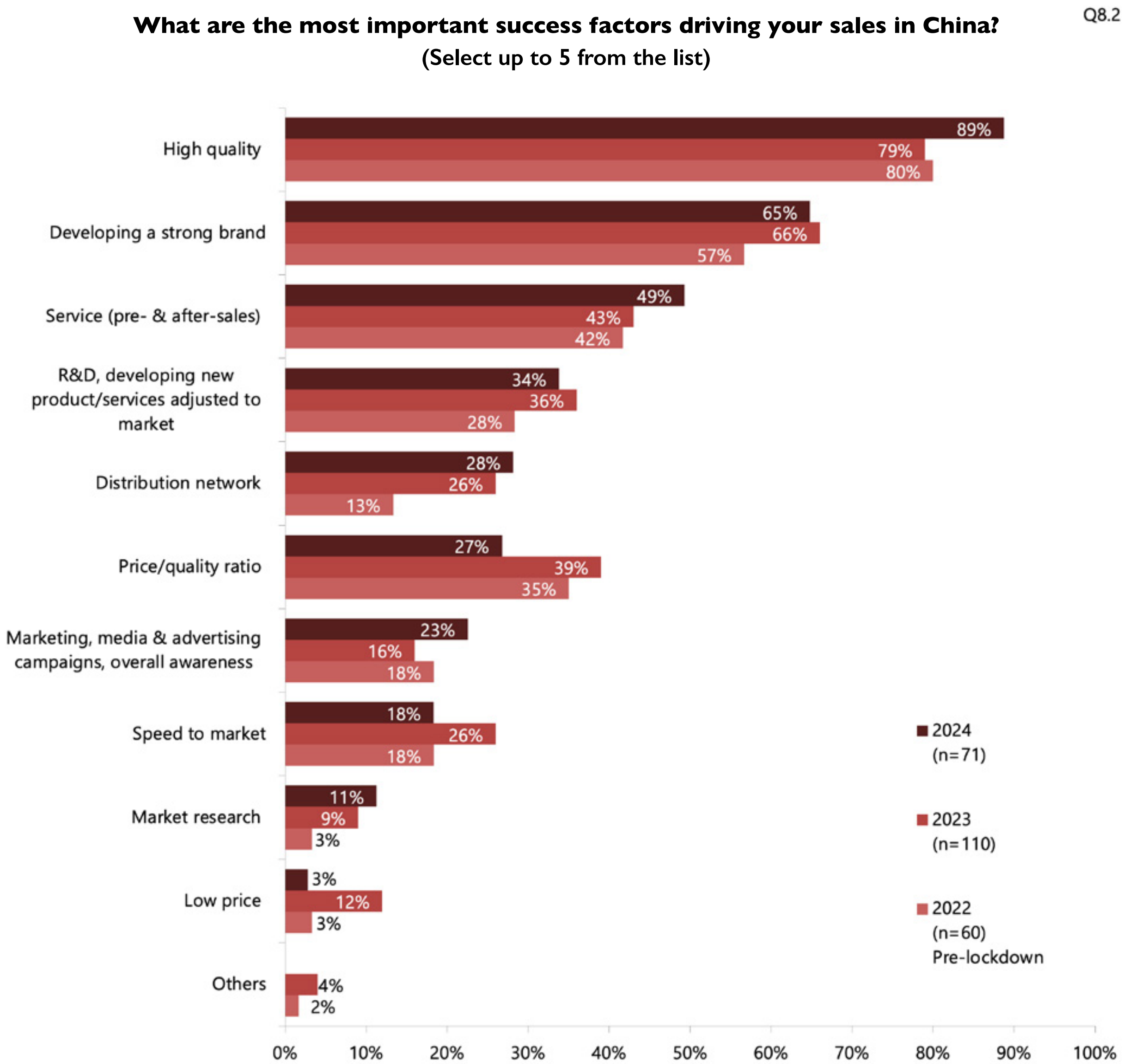

Figure 2.9: *The most important success factors driving sales in China.*

There are no fundamental changes to the key success factors for driving sales in China. '**High quality**' and '**Developing a strong brand**' remain well ahead of other factors. '**High quality**' has been selected by a greater number of respondents in this survey, making it an increasingly stronger success factor for sales than '**Developing a strong brand**', in apparent contradiction to the answers given to the previous question.

It is also worth noting that '**Price/quality ratio**' is deemed to be significantly less important than in the two previous surveys. It indicates once more that Swiss companies do not compete on price.

We would suggest that quality remains the key objective sales argument, while branding is growing in importance to valorize the quality of Swiss products/services and offset the price differences with constantly improving competitor products. In other words, Swiss companies need to reinforce their reputation for quality and develop stronger brands to justify price differences with their competitors' products, which at the same time are catching up in quality. (See Figure 2.14 and the discussion of Chinese companies' competitive advantages over Swiss firms operating in China, as well as Section 2.3 on Innovation and R&D).

Marketing Success Factors

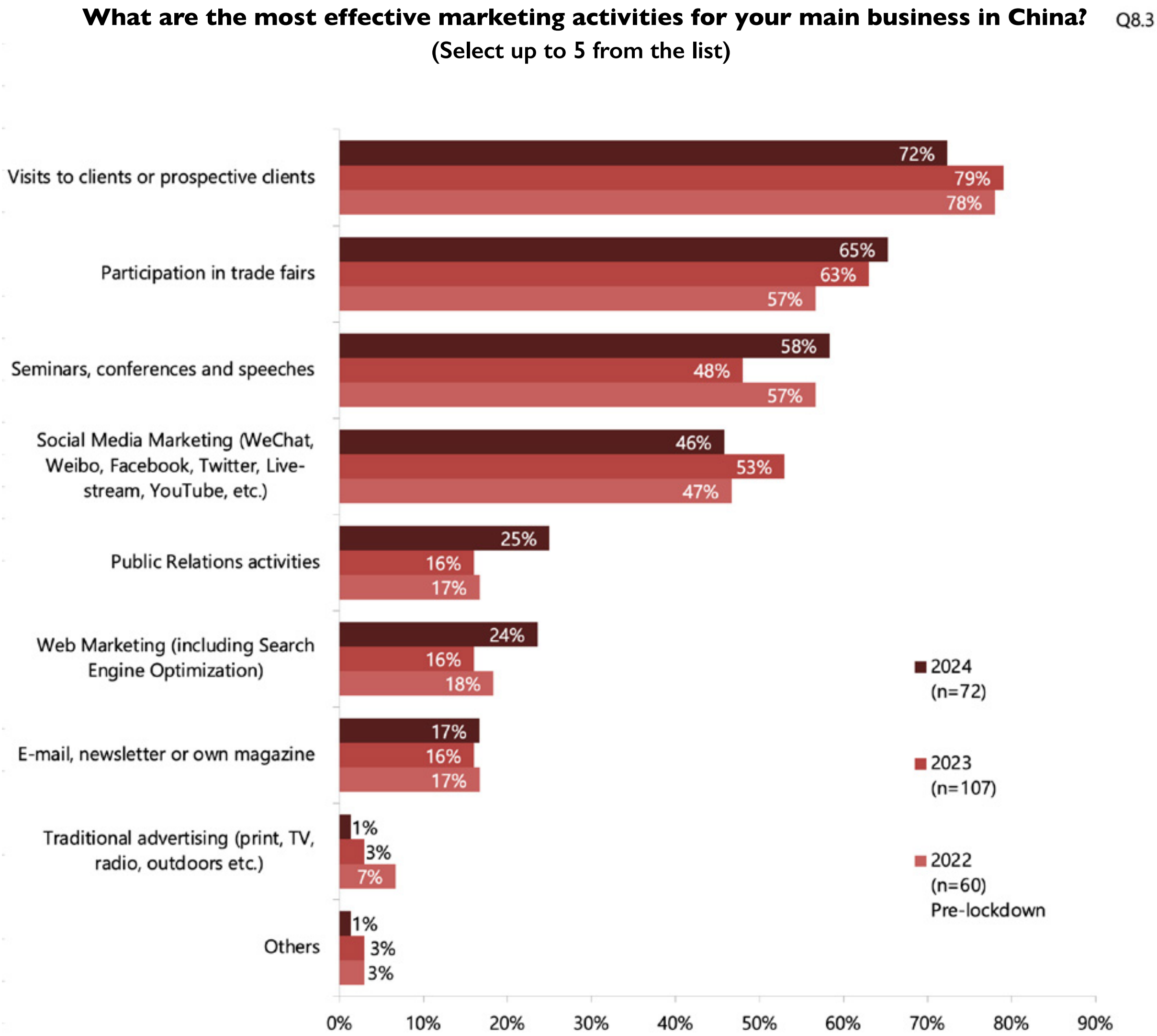

Figure 2.10: Effectiveness of marketing activities in China.

Little is changing in terms of marketing priorities. Clearly, activities with a direct reach to individuals are preferred, even though much is generally said about the importance of social media marketing in China. The fact that digitial marketing is reported to be less important than might be expected is probably because few Swiss companies active in China are typical consumer goods companies. In fact, only 1% of this survey's respondents are active only in the consumer goods sector—see Part IV for further details on the composition of this survey's sample and how it has evolved over time.

2.3 External Challenges: The Competitive Landscape Keeps Shifting

While the pandemic understandably reduced the intensity of competition in China, since production was hobbled by measures to stop the virus transmission, the post-pandemic landscape can now be characterized by renewed and brutal competition. Domestic Chinese firms are now clearly the most important rivals for Swiss businesses as a slowing economy and overcapacity pushes local competitors to be ever more resourceful and capable.

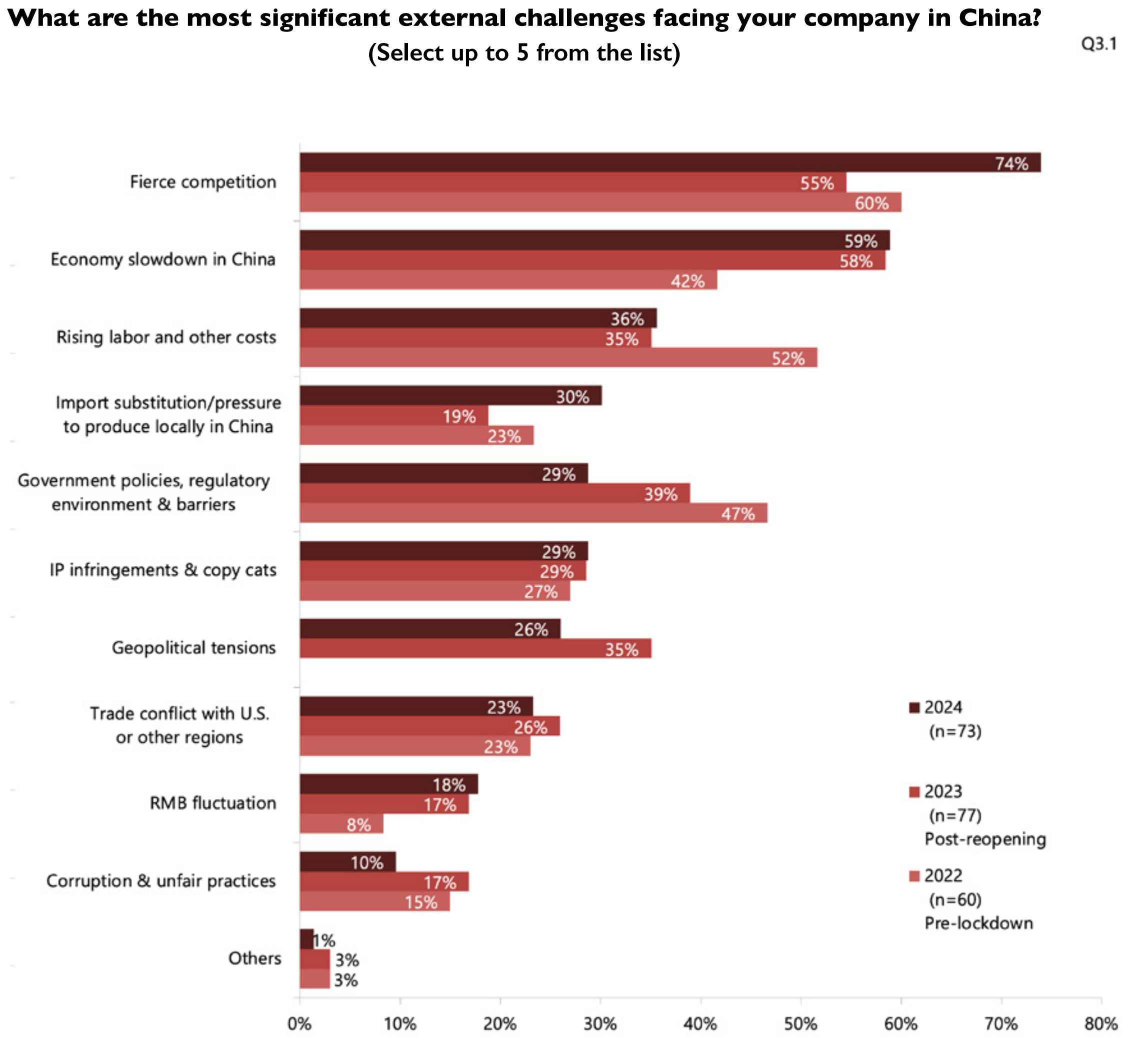

***Figure 2.11:** Most significant external challenges.*

In the 2023 survey, we reported on the significant external challenges that Swiss companies' identified. While the end of 2022 and the beginning of 2023 (when the survey was conducted last year) were full of disruptions due to the end of the zero-COVID policy, this years results illustrate that the Chinese business environment continues to evolve very quickly.

'**Fierce competition**' has become by far the strongest challenge (selected by 74% of respondents). This is most certainly linked to the overcapacity that has developed in the Chinese economy following the bursting of the real estate bubble (see 'China – Quo Vadis' in Section 1.3 of this report).

At the same time, '**Import substitution/pressure to produce locally**' has become a significant issue (selected by 30% of respondents against 19% in the 2023 survey), while '**Geopolitical tensions**' are perceived to be less of an issue (this was seen as a challenge for 35% of respondents in the previous survey, but has now fallen to 26%.)

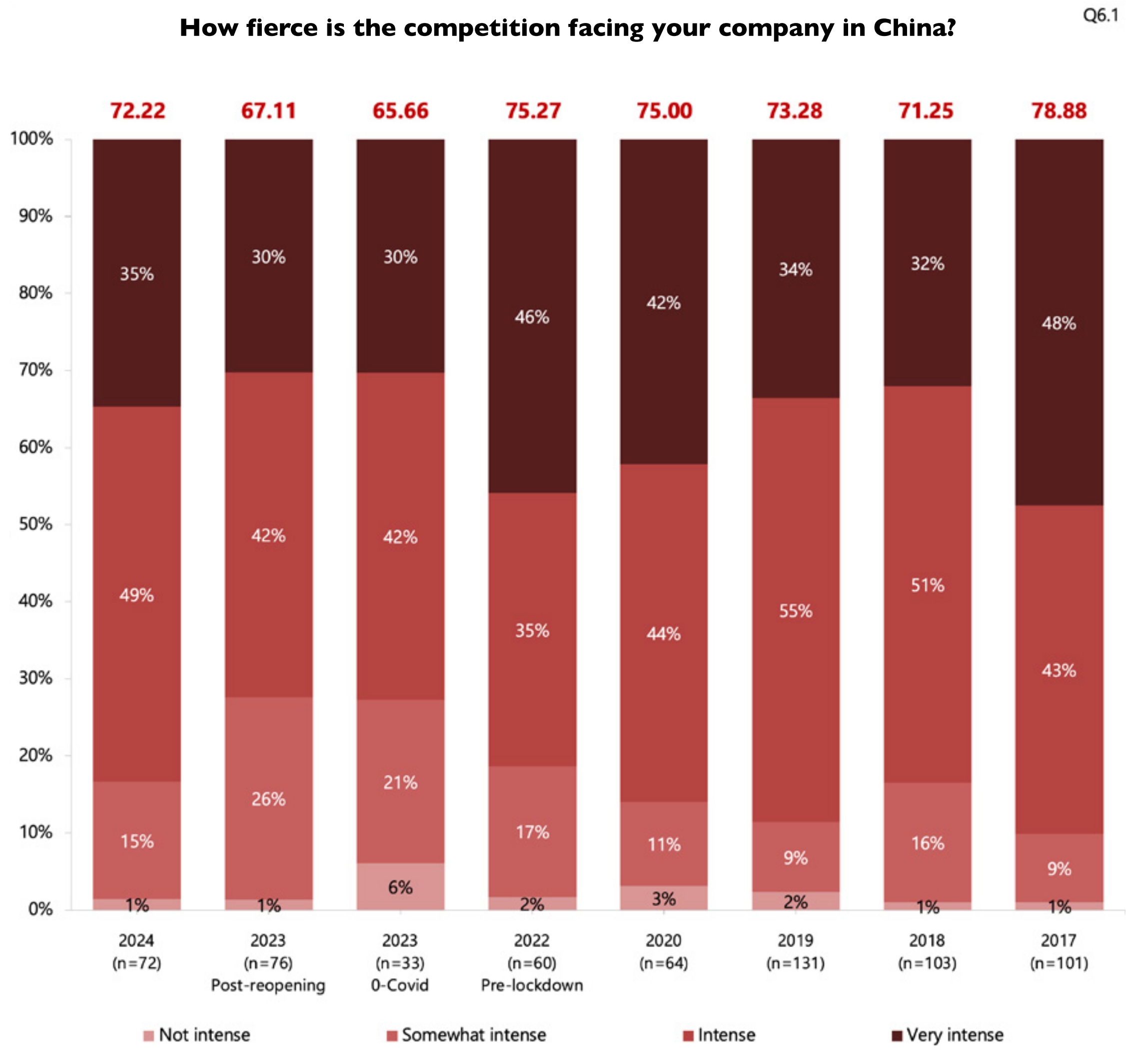

Figure 2.12: Competition intensity in China.

While competition became a lesser issue during the pandemic years, this survey's results clearly show that it has returned to pre-COVID levels.

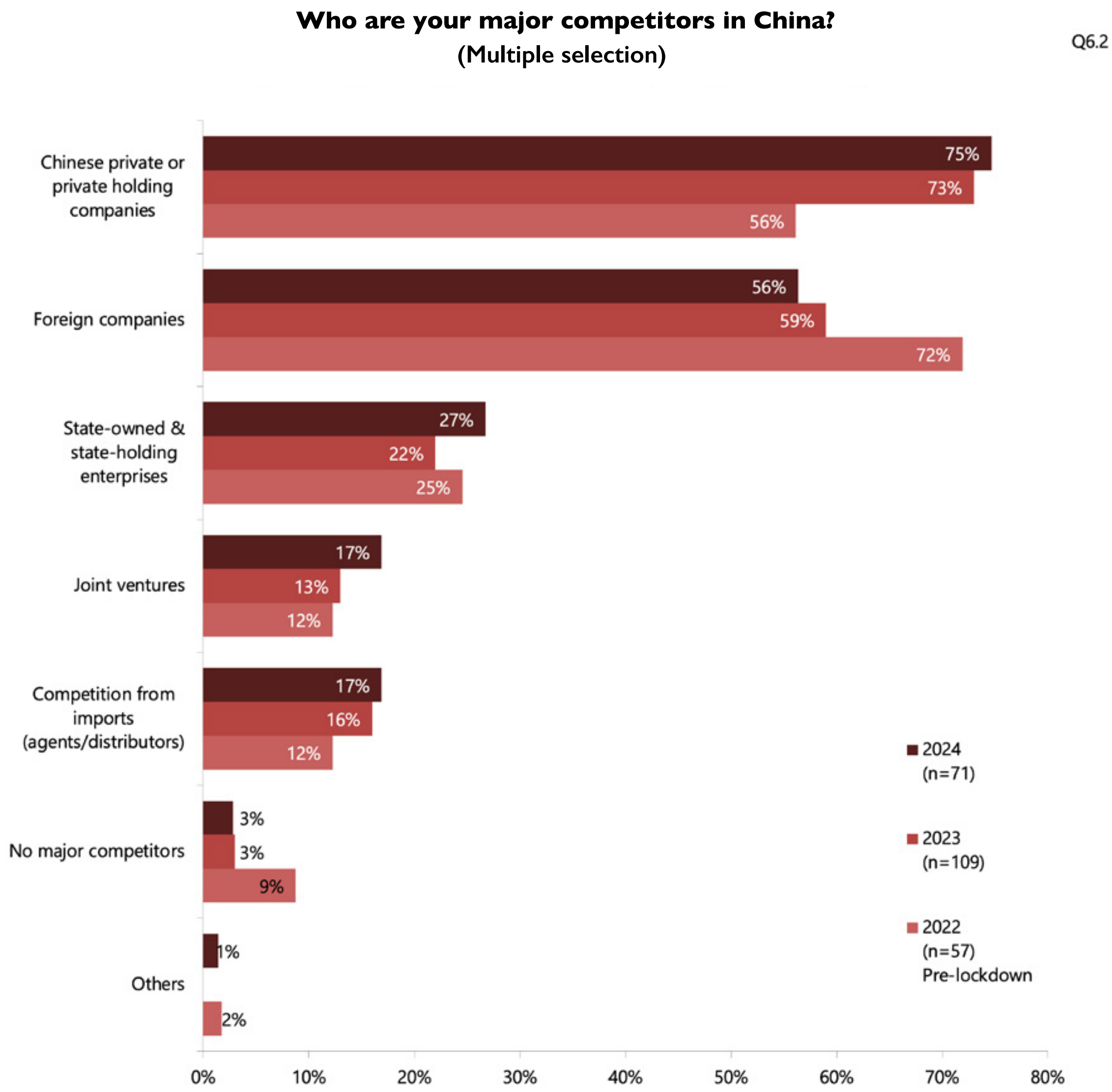

***Figure 2.13:** Types of competitors to Swiss Companies in China.*

This survey confirms that private Chinese companies have become the main competitors to Swiss businesses in China. Until 2022, foreign companies were seen as a more important source of competition for Swiss companies.

Considering that Swiss businesses compete on quality, the growth of local rivals is a reasonable indication of the increased ability of Chinese companies to ascend the quality ladder, a trend that has now been steadily observed over many years.

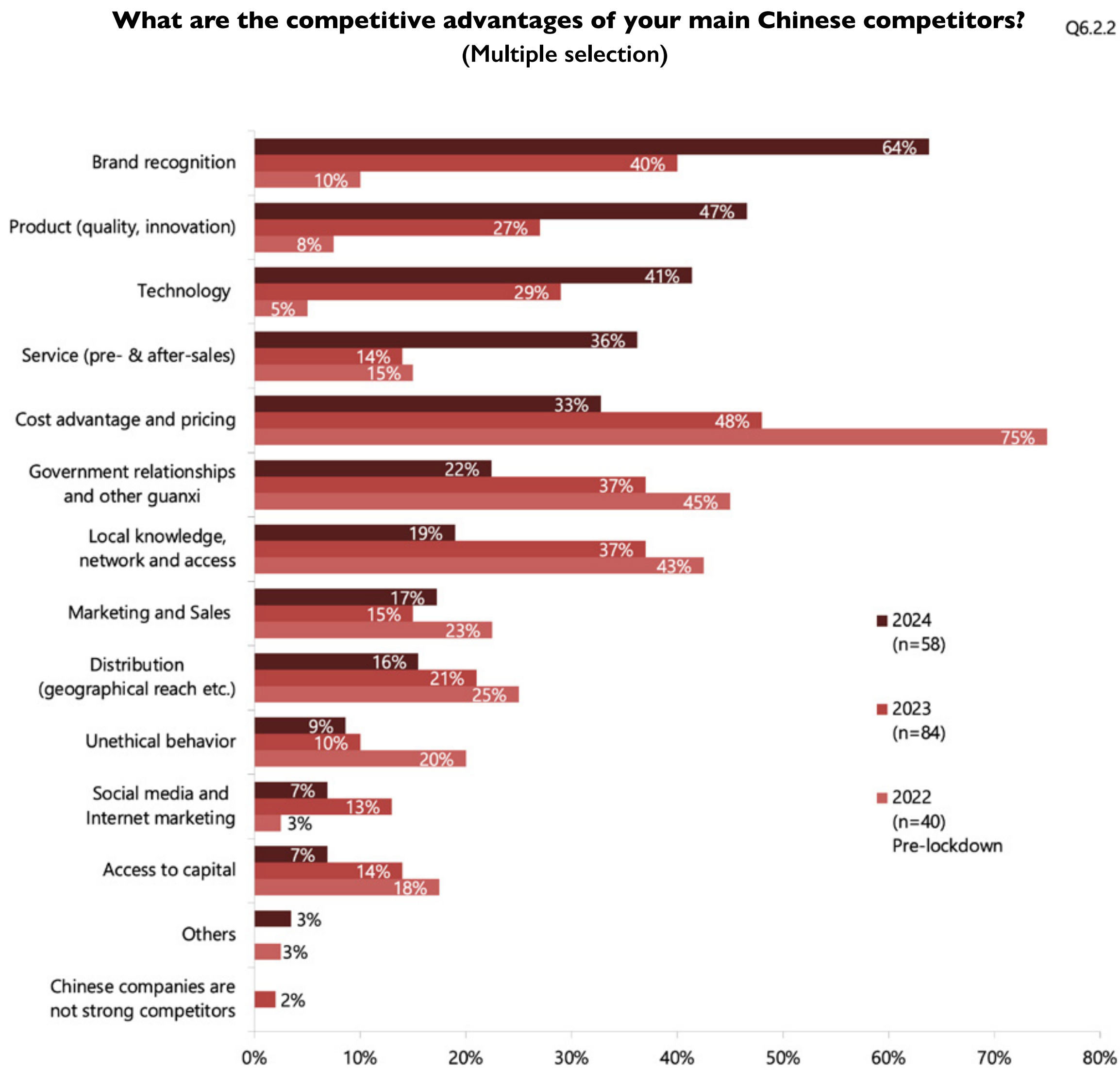

Figure 2.14: Chinese companies' competitive advantages over Swiss firms operating in China.

In the previous survey we stated that: "domestic Chinese competitors seem to have made a leap forward in terms of acquiring the traditional advantages of Swiss companies".

The above insight is even more evident and applicable to this year's survey data. Indeed, '**Cost advantage and pricing**', '**Government relationships and other guanxi**', as well as **'Local knowledge, network and access'** are selected as competitive advantages by far fewer respondents when compared to the previous survey. At the same time, the opposite is true of '**Brand recognition**', '**Product (quality, innovation)**' and '**Technology**'.

This year's survey results therefore point to a steady shift in China's business environment that is affecting Swiss and most probably all other international companies as well. The business landscape is becoming more typical of a developed and mature market where players compete on the traditional elements of quality, branding, technology, and service. However, the incomparable size of the Chinese market, the advances made in local technology development, and the strong encouragement provided for local production have coalesced to create an extraordinarily intense level of competition.

2.4 Regulatory Challenges, Corruption, Reforms and Policies

Regulatory hurdles are becoming less of an issue but more institutional stability is desired.

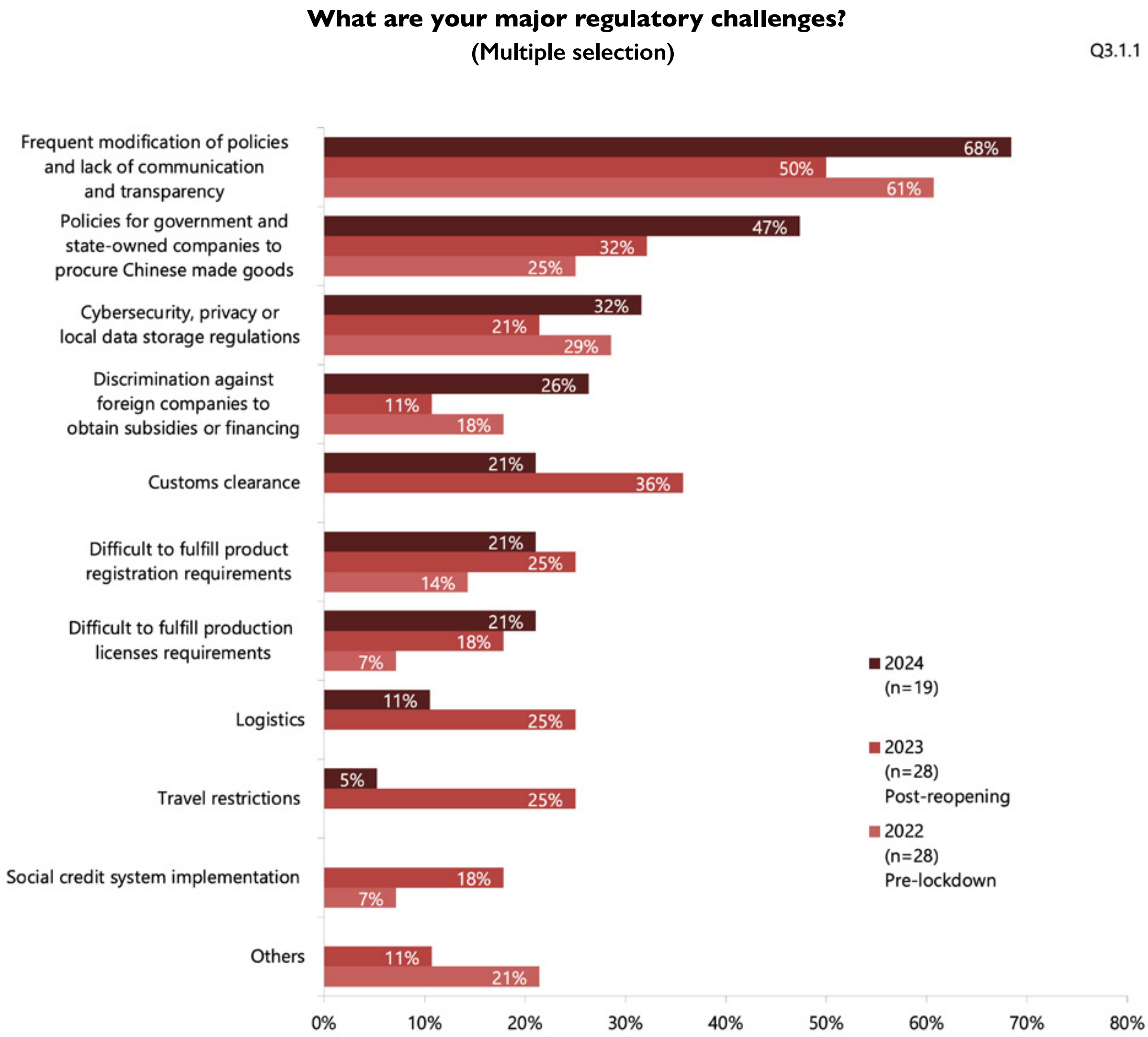

Figure 2.15: *Major regulatory challenges in China.*

This question was only asked to the respondents who selected it as an external challenge, hence the small number of answers (19). In itself, this indicates that **regulatory hurdles have become less problematic**.

For the respondents that did answer, '**Frequent modification of policies and lack of communication and transparency**' remains the top regulatory challenge, with '**Policies for government and state-owned companies to buy Chinese made goods**' growing in importance.

'**Customs clearance**', a major regulatory issue for Swiss companies in the 2023 survey has dropped in importance, indicating that Chinese authorities are working to ease problems and encourage international trade and investment.

Economic Reforms

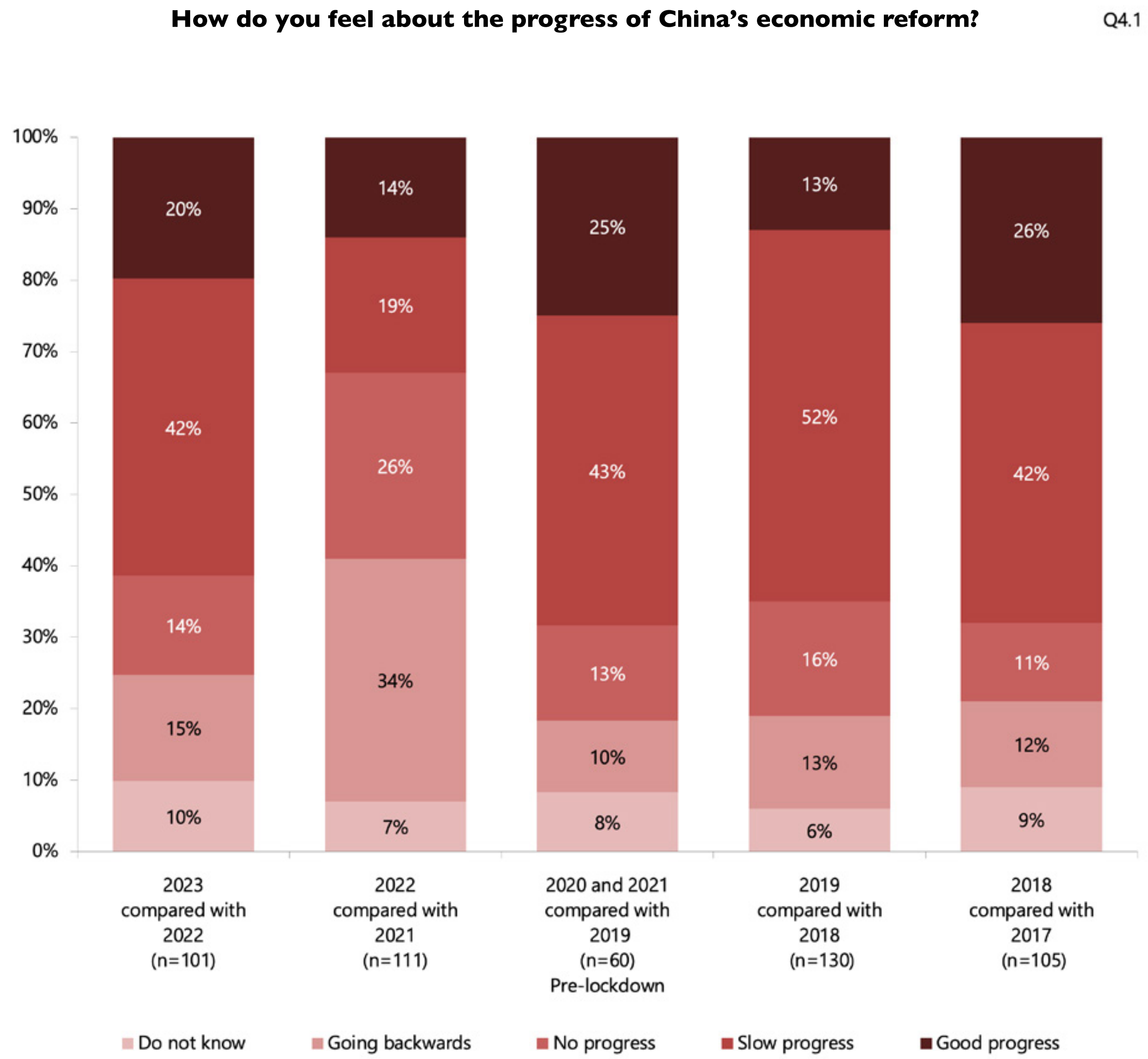

Figure 2.16: Perceived progress on China's economic reforms.

This survey's results indicate that progress on Chinese economic reform is perceived rather positively and is now in line with pre-pandemic years. Still, 39% of respondents see no progress or regression.

Institutional Quality

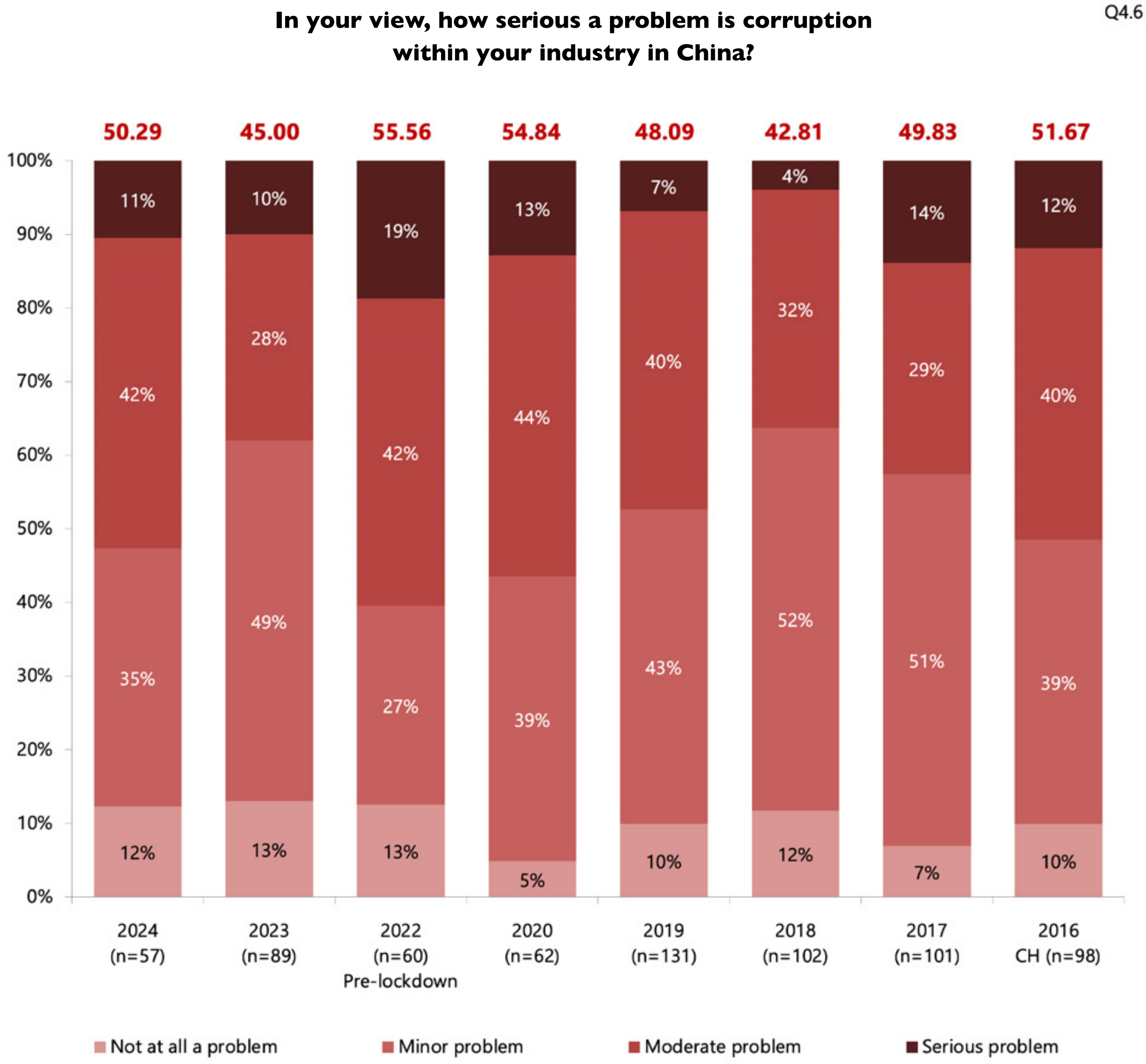

Figure 2.17: Perceptions of corruption in respondents industry in China.

53% of this survey's respondents see corruption to be a serious or moderate problem. This proportion has fluctuated back and forth over time and this year's results are more or less in the average range.

Considering that the statement is subjective and that there is turnover in the survey respondents every year, one could argue that the perception of corruption is not fundamentally changing among Swiss companies.

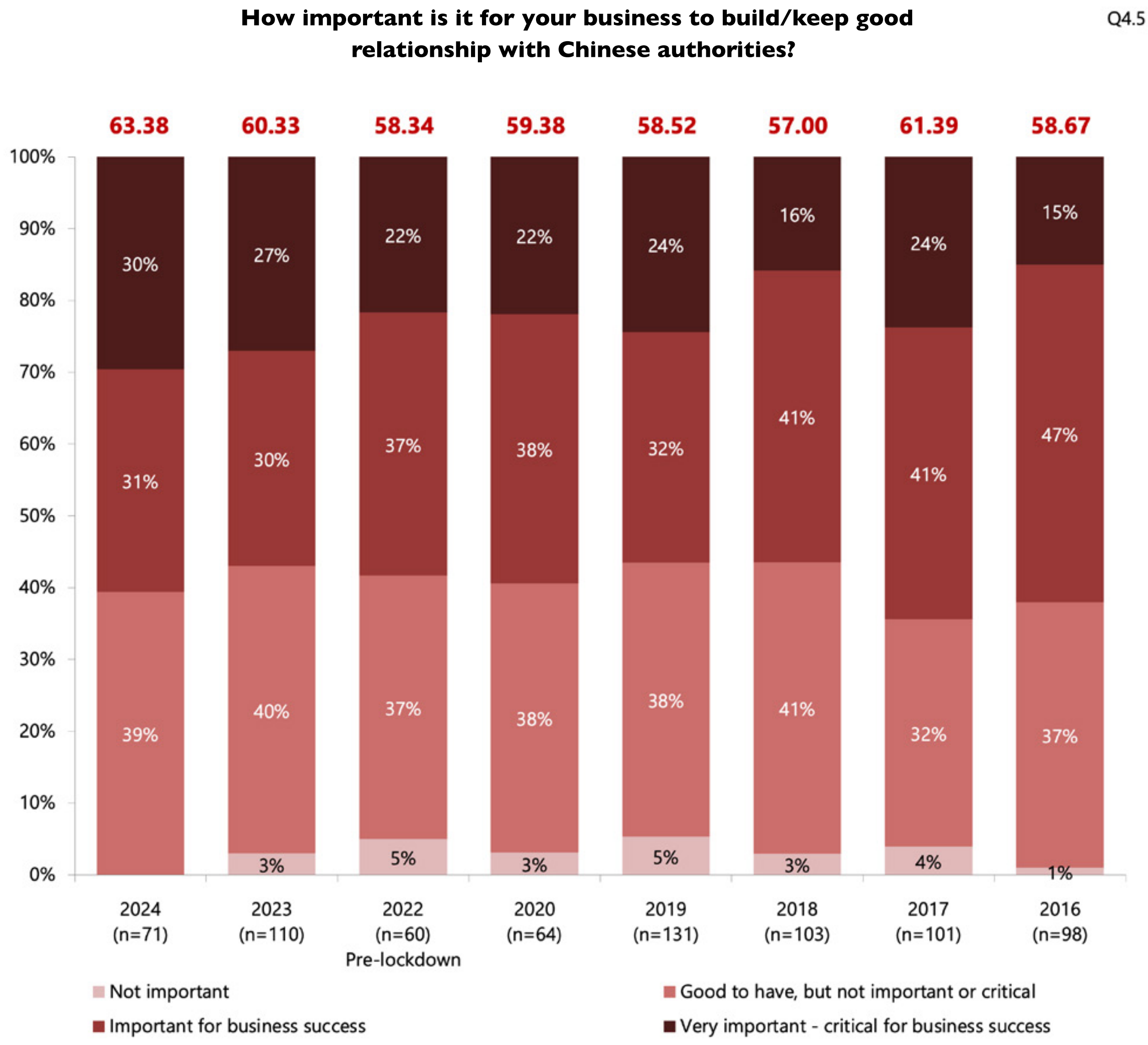

***Figure 2.18:** Importance of building/keeping a good relationship with Chinese authorities.*

In terms of relationships with authorities, there is a slight trend for more respondents to report that these are critical for success, indicating a slowly increasing influence of authorities on business. In particular, for the first time, no respondent asserted that government relations are of no importance for their business.

Looking forward, for the next 5 years, what aspects of government actions will have the most positive impact on your company's business operations in China? Q4.8
(Multiple selection possible)

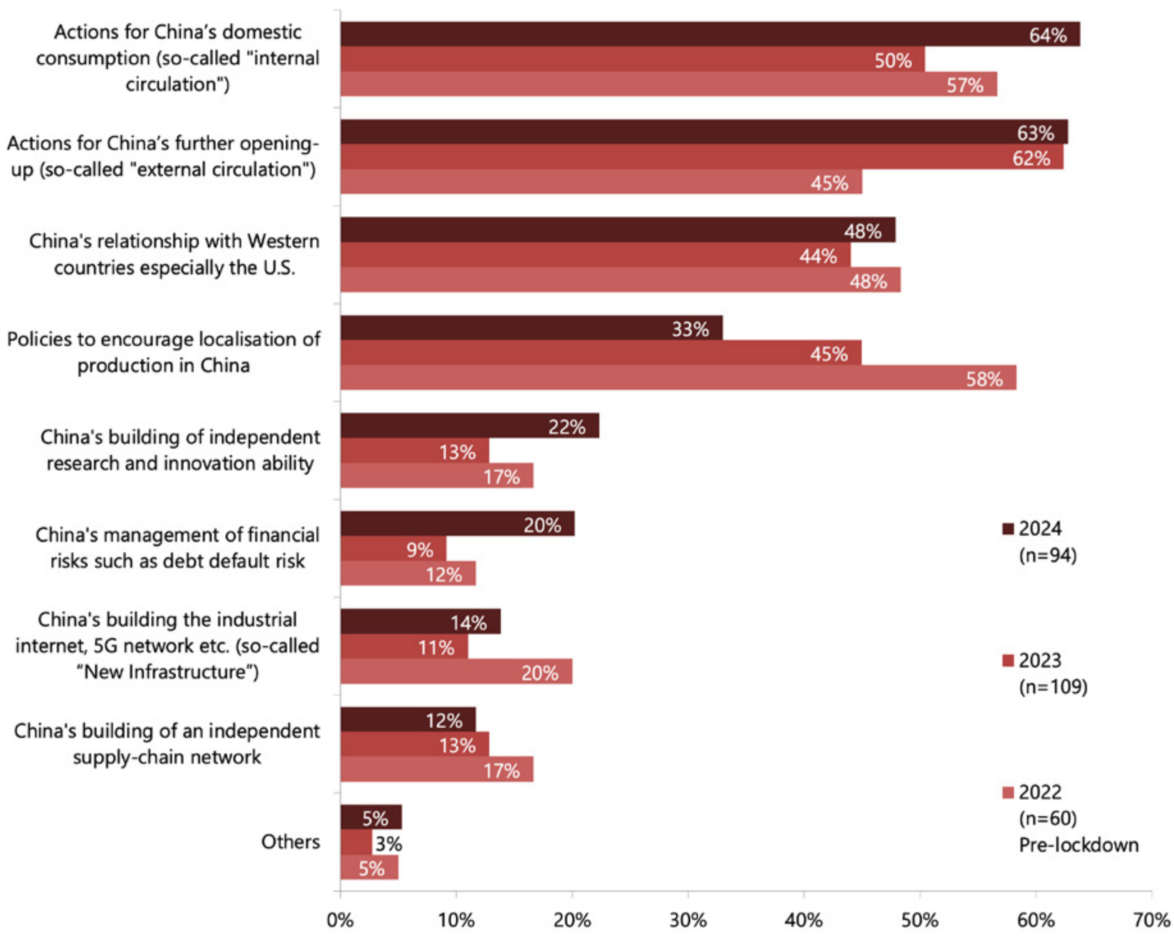

Figure 2.19: Positive impact factors on the Chinese business environment over the next five years.

In the previous survey, Swiss firms saw a further economic opening up of China as the most positive impact factor on their operations. This year, Chinese efforts to **stimulate domestic consumption** have become just as important for business success. This confirms that Swiss companies see the current weakness in China's economy as a major issue.

While China's relationships with Western countries (and particularly the US) are still seen as an important concern in terms of how they affect the business environment, **Policies to encourage the localization of production in China** are increasingly perceived as being a less positive development.

3. Survey (2/2): The Internal Challenges are Equalizing in Levels of Importance

PART III

3.1 An Equalization of Internal Priorities

Human resources (HR) clearly remains the leading challenge, though its importance continues to decrease. Other internal challenges now require equal levels of attention. As with business success in general, managing contemporary internal challenges requires a more comprehensive approach than in the past.

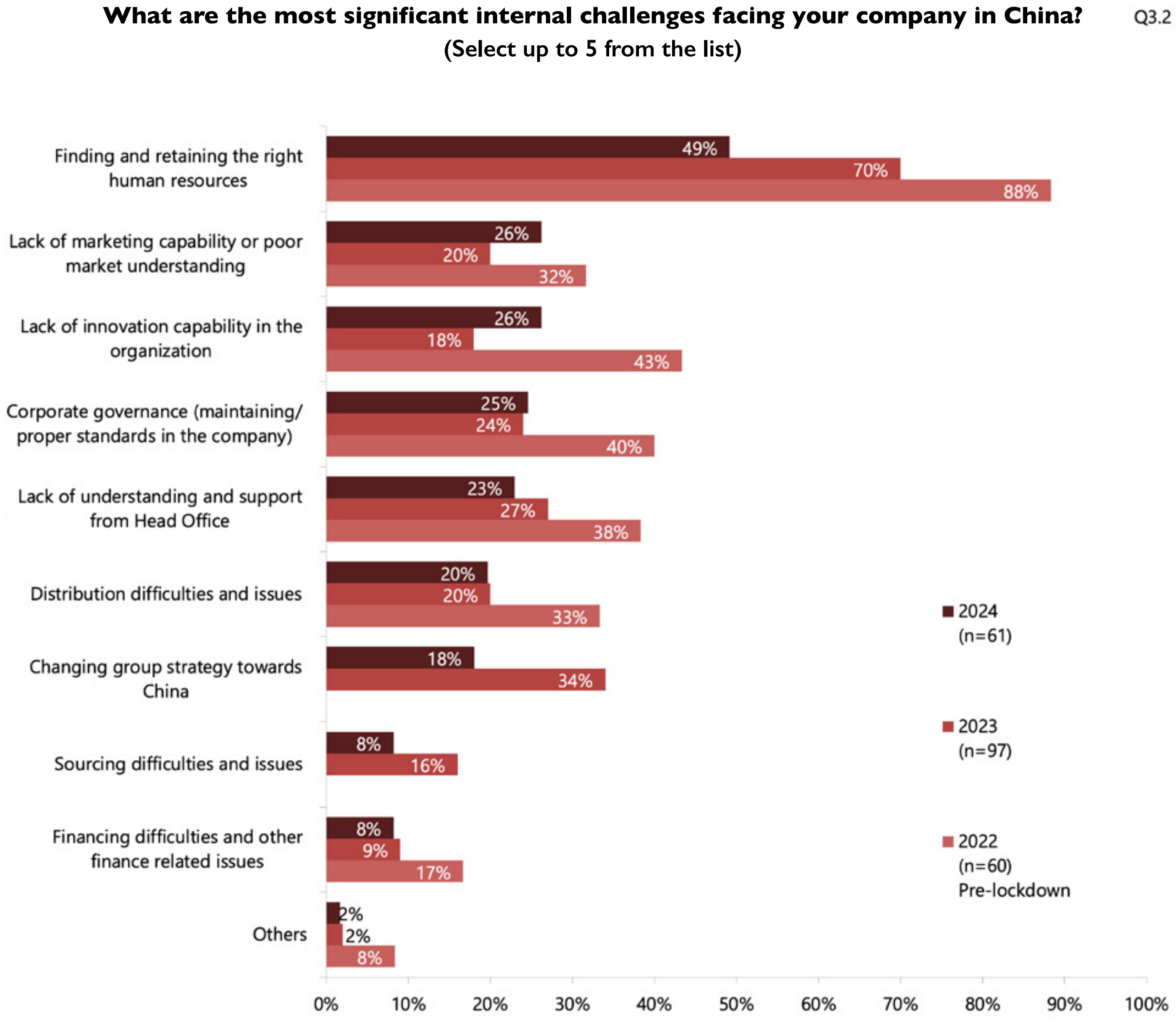

Figure 3.1: *The most significant internal challenges faced by Swiss companies in China.*

Last year's survey saw two factors emerging in importance as challenges for managers of Swiss companies in China: '**Changing group strategy towards China**' (selected by 34% of respondents), and '**Lack of understanding and support from Head Office**' (27%). In 2024, these two issues are seen as being less important (falling to 18% and 23% respectively).

With regard to better understanding from the head office, this is probably a consequence of the lifting of the travel restrictions put in place during China's pandemic years. This would also seem to confirm that face-to-face personal interactions are crucial, at least when important cultural differences are involved between head office and subsidiaries, as is the case with China.

The falling importance of group strategic change as an internal challenge might have occured because key adjustments have been implemented over the past 12 or 18 months.

Though seen as being less important than in previous surveys, '**Finding and retaining the right human resources**' remains the most important internal challenge facing Swiss companies in China. The slowdown in the Chinese economy and the resultant overcapacity have most probably made it easier for Swiss companies retain staff. Finding and hiring suitable talent remains problematic, however, as is clearly indicated in the next section (3.2).

A '**Lack of innovation capability in the organization**' is again identified as an important issue, and is on a par with a '**Lack of marketing capability or poor understanding of the market**' and '**Corporate governance**'.

As was the case when analyzing the overall success factors, this indicates that **comprehensive and multi-layered approaches to management** are increasingly needed in a complex market like China.

3.2 Securing High-Quality Human Resources Remains the Most Important Issue

While Swiss companies are still struggling to obtain the right talent, the 2024 survey results point to a less challenging HR situation when compared to the pre-pandemic years.

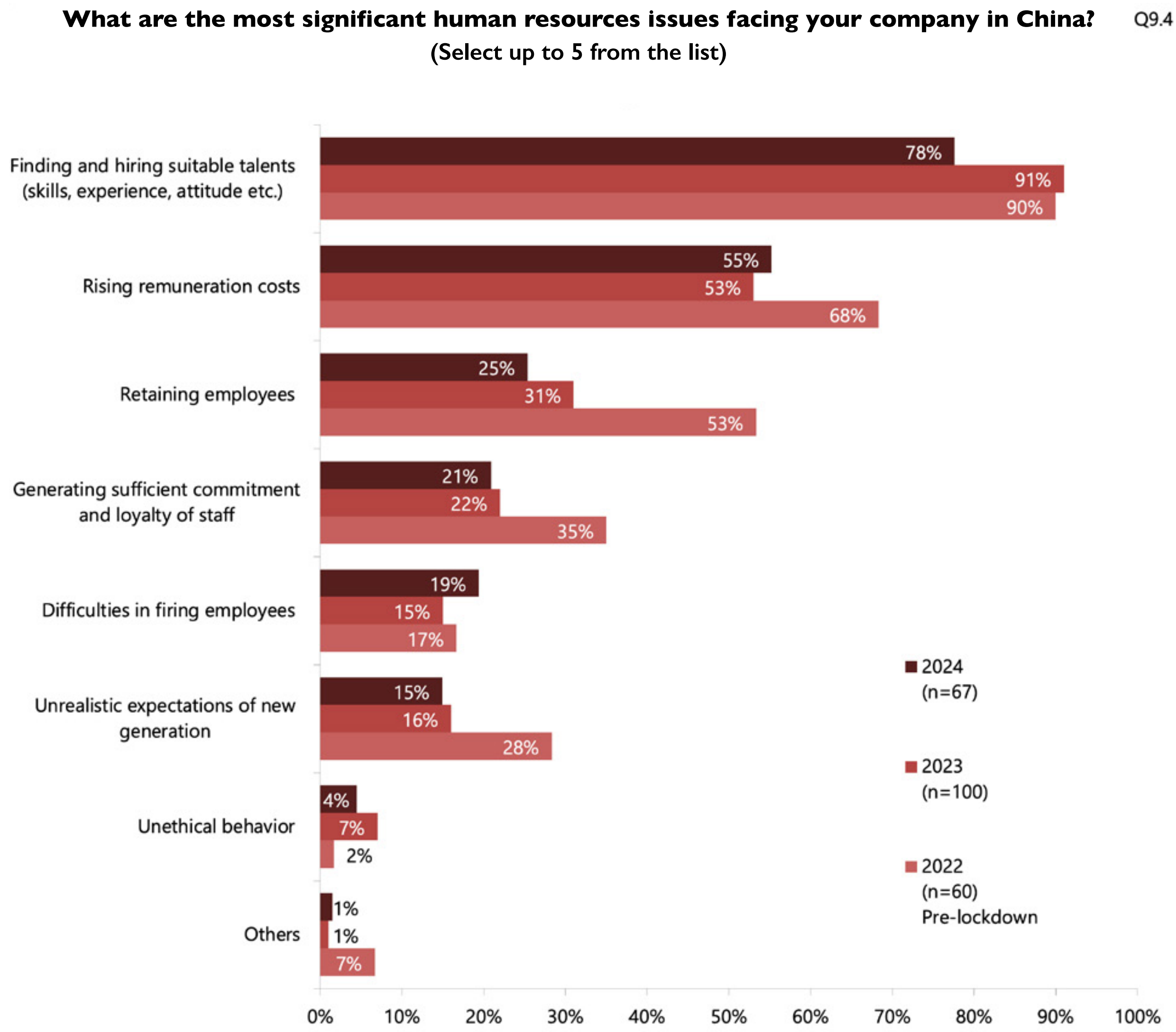

Figure 3.2: *Key human resources issues facing Swiss companies in China.*

There is no doubt that '**Finding and hiring suitable talent**' remains the key HR issue facing Swiss companies (it is also an important overall success factor), but it was cited by slightly fewer respondents as being problematic this year. At the same time, **'Retaining employees'** has also become easier, pointing to fewer opportunities for employees as a result of the weaker economy.

Still, '**Rising remuneration costs**' remain on the mind of over half of the respondents. This suggests that while it is easier to retain employees, the weaker labor market has not yet translated into better availability of the highly-qualified people that Swiss companies need to operate successfully in China.

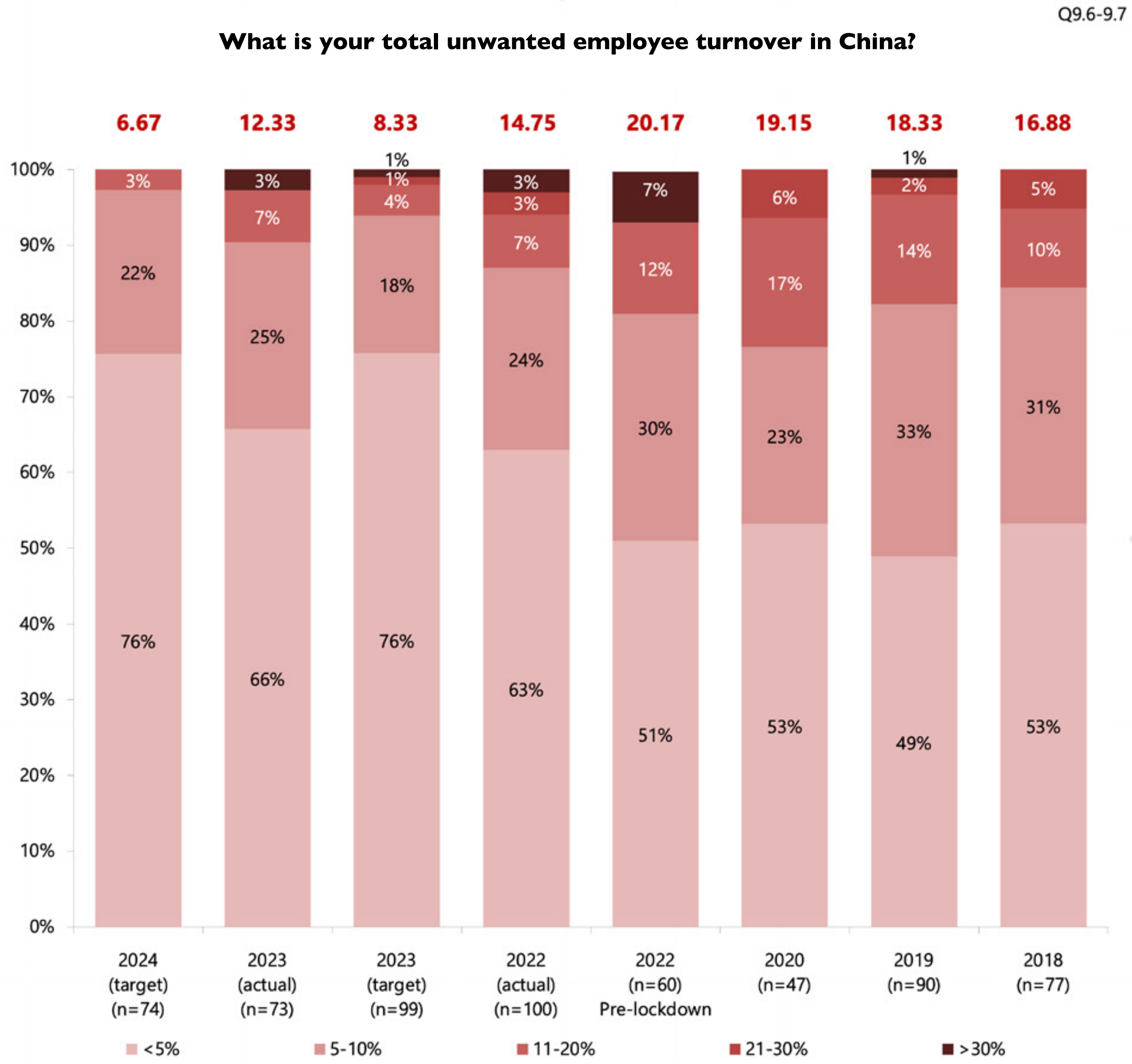

Figure 3.3: Total unwanted employee turnover.

The survey answers point to a clear trend of smaller employee turnover, confirming that staff retention is less of an issue than it was pre-pandemic. This is most likely another result of the weakening Chinese economy.

Still, 35% of this survey's respondents reported an actual unwanted staff turnover of more than 5% in 2023, a higher number than they had targeted. Essentially, retaining good employees is still one of the key tasks for Swiss companies in China.

Q9.5

What do you expect the salary increases to be for your Chinese business?

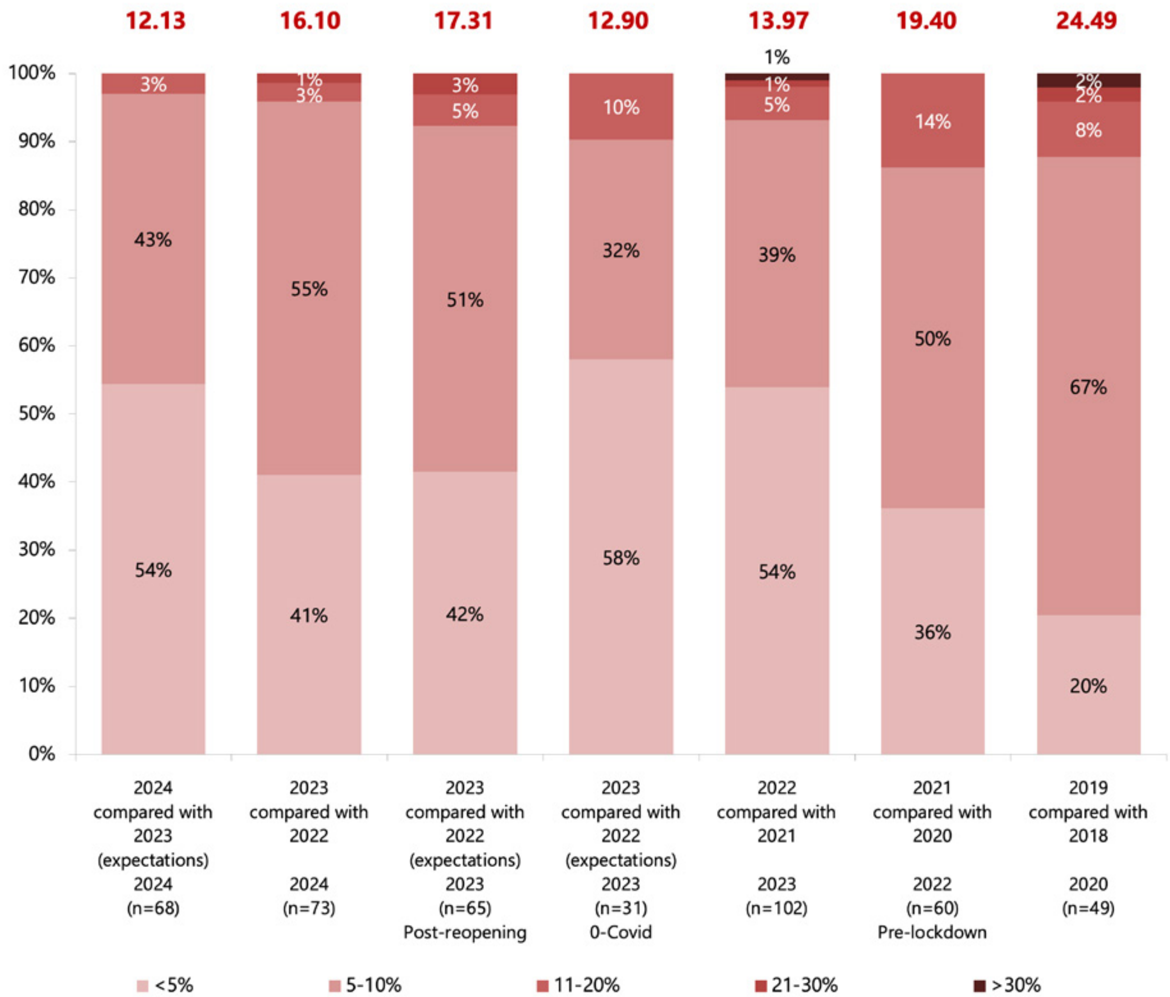

Figure 3.4: Expected salary increases.

The expected salary increases reported by survey respondents adds further to the impression that retaining high-quality employees remains a challenge in China.

Despite an average Chinese inflation rate of only 0.2% in 2023, almost 60% of respondents planned to increase salaries by over 5% in 2024. This points to an economy—weakening or not—that has strong competition for the kind of talent that Swiss companies need.

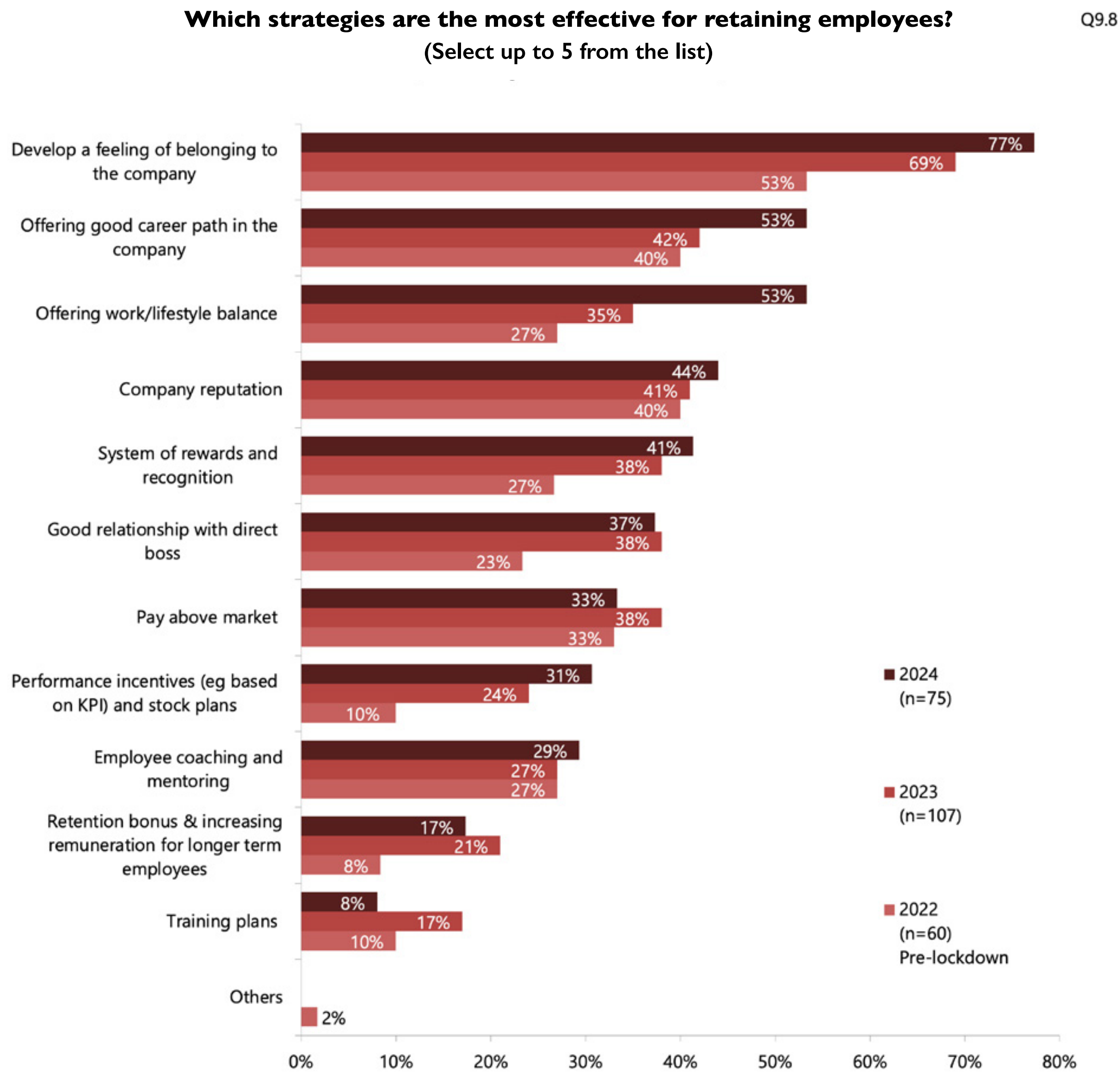

***Figure 3.5:** Most effective strategies for retaining employees.*

In terms of employee retention, the preferred strategies are not changing much. However, it is worth noting that companies now see '**Offering work/lifestyle balance**' as a significantly more important factor than was previously the case. It is now rated as having the same importance as '**Offering a good career path in the company**'.

Chinese employees of foreign companies have typically been of two kinds: those looking for career advancement and fast increasing remuneration and those who would rather have a job providing a stable, good income and a good work-life balance,

This survey result clearly indicates that having an attractive work-life balance is becoming as attractive to employees as a fast career path.

3.3 Innovation and R&D Returns to Importance

With the pandemic over, Chinese companies are again catching up to their Swiss competitors in terms of their R&D performance. Swiss companies also intend to do less R&D for their global operations in China.

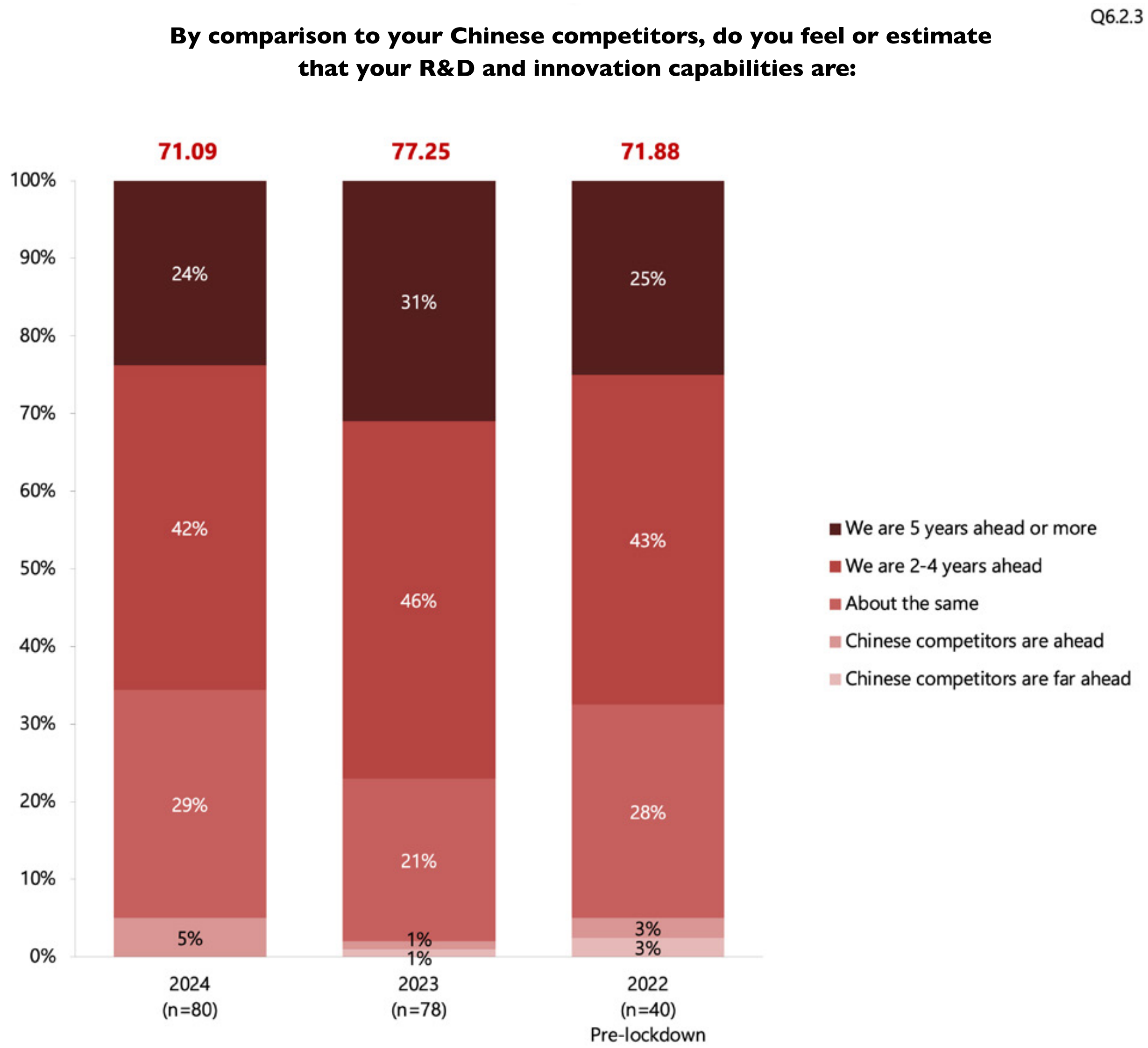

Figure 3.6: *Swiss firms' perceptions of their R&D capabilities in relation to Chinese competitors.*

The respondents to the 2023 survey were more confident about their R&D and innovation capabilities than those that answered in 2022, but in this year's survey confidence levels have fallen.

In 2024, 34% of Swiss companies estimate that their Chinese competitors are ahead or at about the same level as them, compared to just 23% in 2023. It will be interesting to see how this plays out in subsequent surveys and whether Swiss companies can keep up.

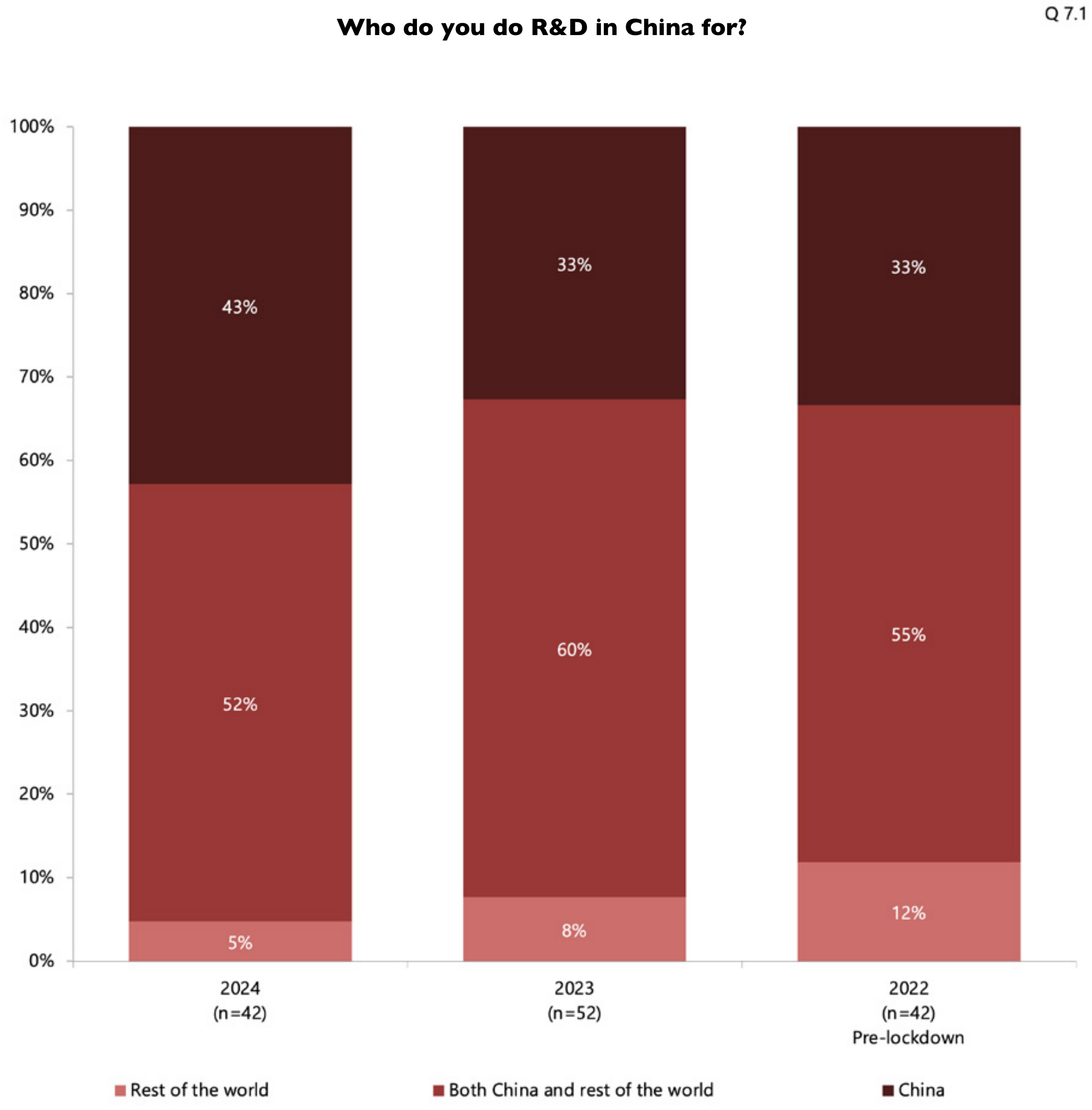

Figure 3.7: Users of Chinese-based R&D undertaken by Swiss firms.

Though it would be premature to declare it a trend, Swiss companies appear to be focusing more on R&D undertaken in China for the Chinese market. Subsequent surveys will hopefully allow us to better understand if R&D strategies are being repurposed as 'local for local'.

3.4 Lack of Understanding and Support from Head Office is Perceived as an Internal Challenge for about a Quarter of Respondents

The alignment of HQ with its subsidiaries is essential for Swiss companies.

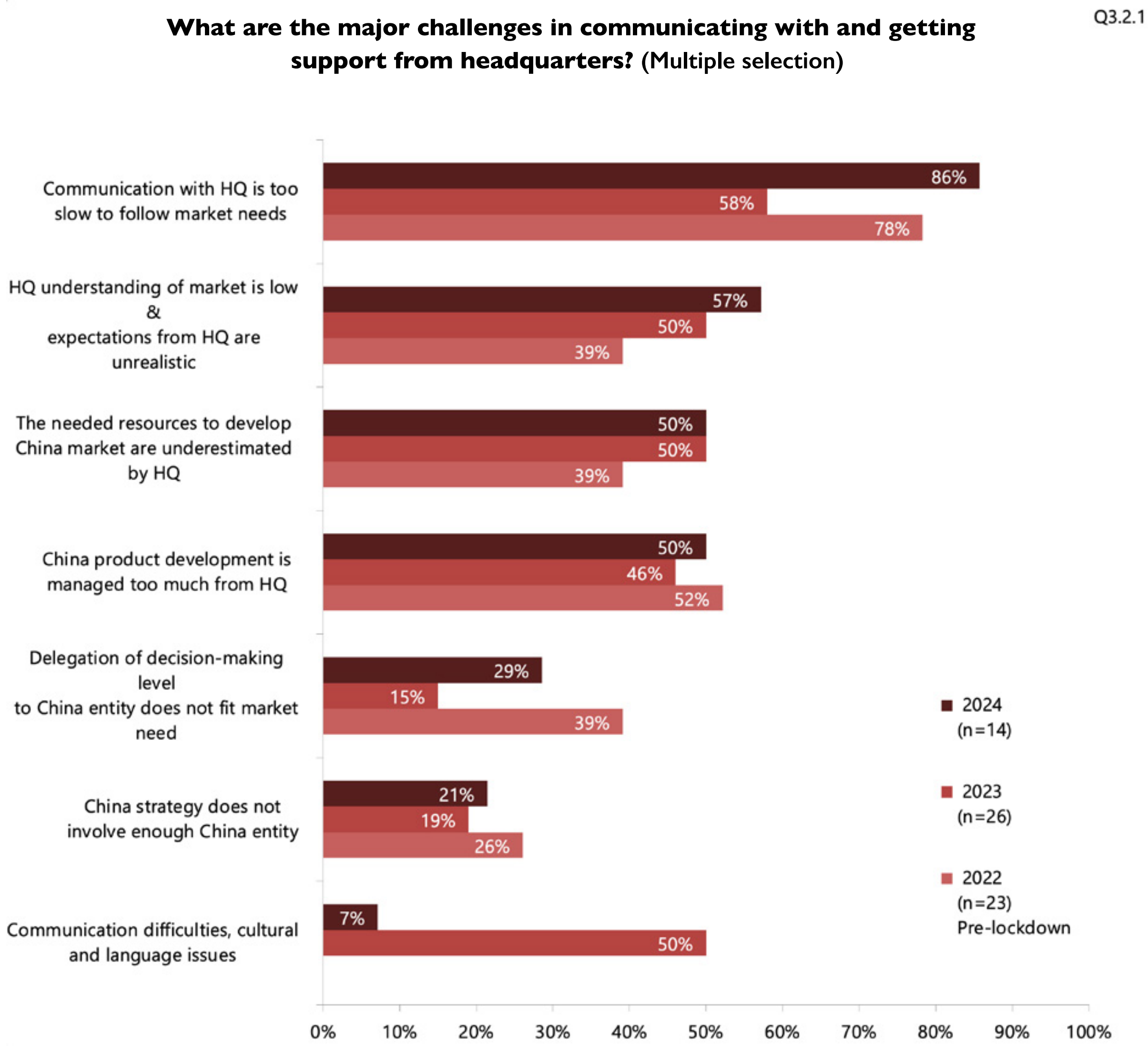

***Figure 3.8:** Major challenges in the relationship with HQ.*

Although only a relatively small number of companies report problems with their relationship with HQ (14), challenges remain and have not fundamentally changed over the last 3 years. The exception is that there has been an improvement with regard to communication, which can certainly be credited to the post-pandemic lifting of travel restrictions.

3.5 Geopolitics are still a Factor in the Business Equation

In 2024, geopolitics became less of a reason for companies to reconsider their investment plans when compared to previous years.

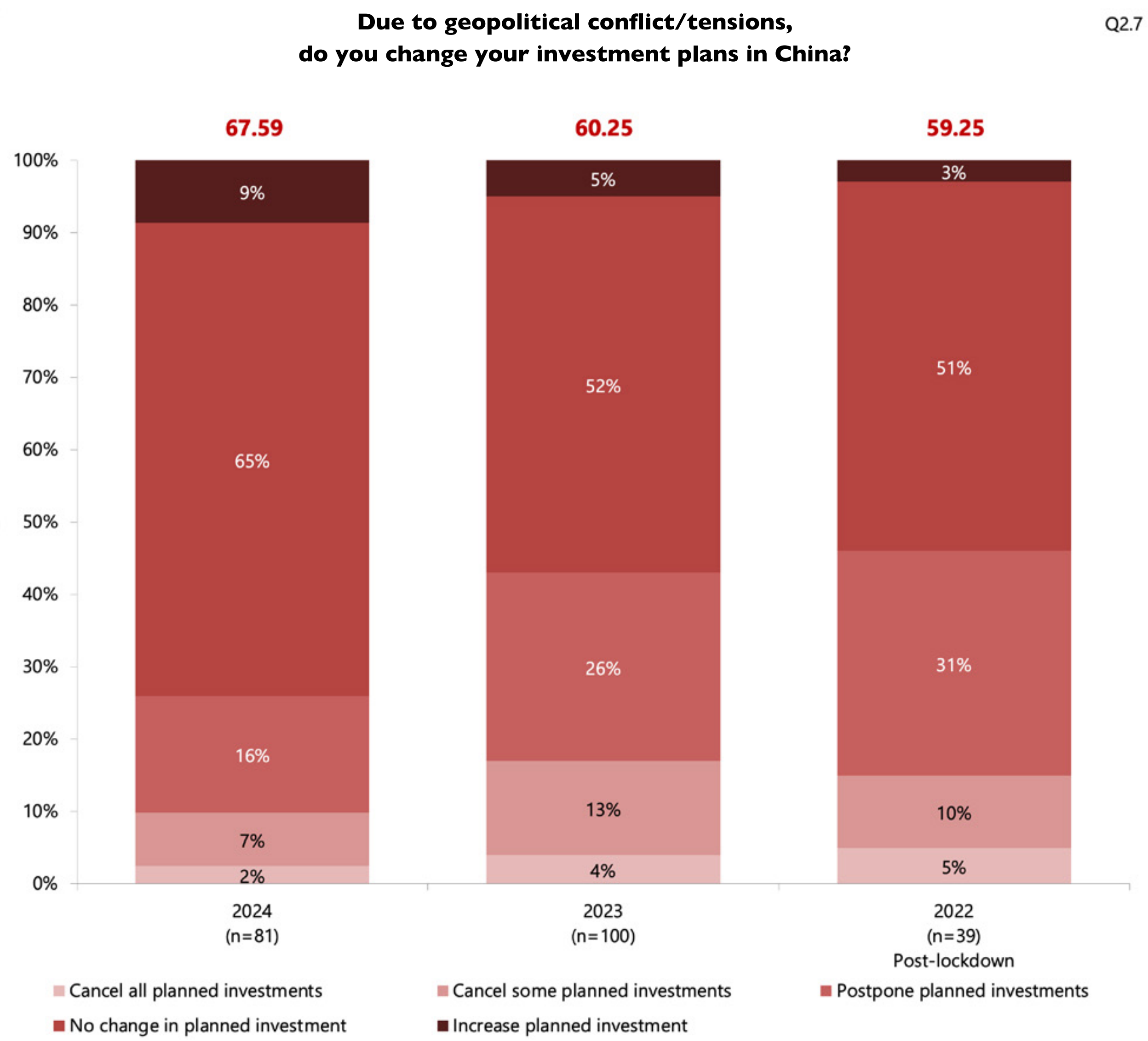

***Figure 3.9:** Impact of geopolitical events on Chinese investment plans.*

After 2 years of geopolitical tensions having quite a high impact on Swiss investment plans in China, this year's respondents have at least partially adjusted to the new situation. Still, 25% of respondents are postponing or reducing their investment plans due to geopolitical risks, while just 9% aim to increase these.

3.6 What has Changed Between 2019 and 2024?

To get a clearer picture of long-term trends, and since 2022 was skewed by the pandemic restrictions, this survey asked respondents to compare 2019 with 2024. The overall sentiment is clearly positive. Swiss businesses have been able to make good progress in China over the past 5 years. However, a small percentage have chosen to de-risk and move some of their supply chain out of China.

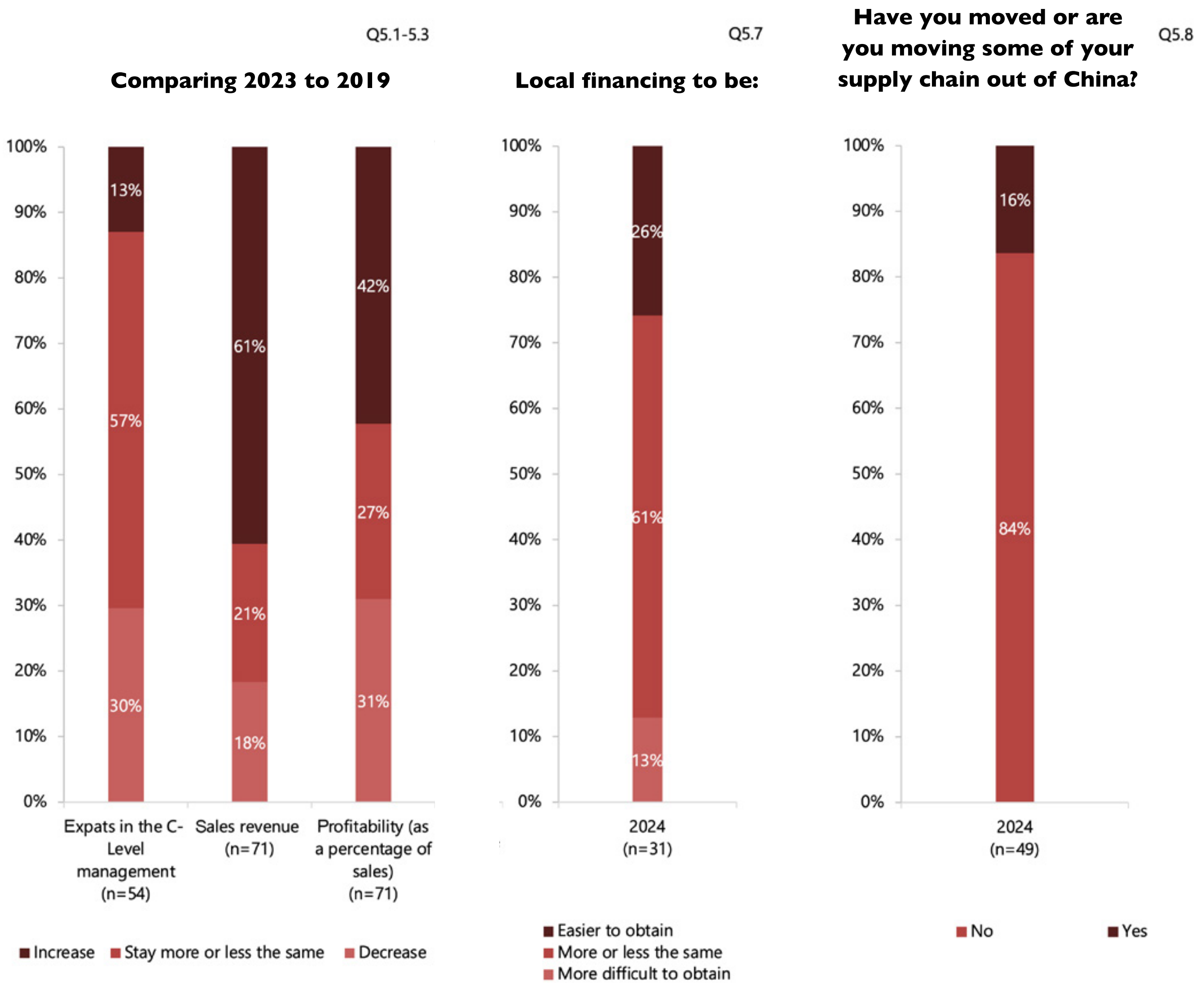

Figure 3.10: *How does 2024 compare to 2019 for Swiss companies?*

4. Survey Demographics

PART IV

4.1 Descriptive Statistics for the 2024 Survey Respondents

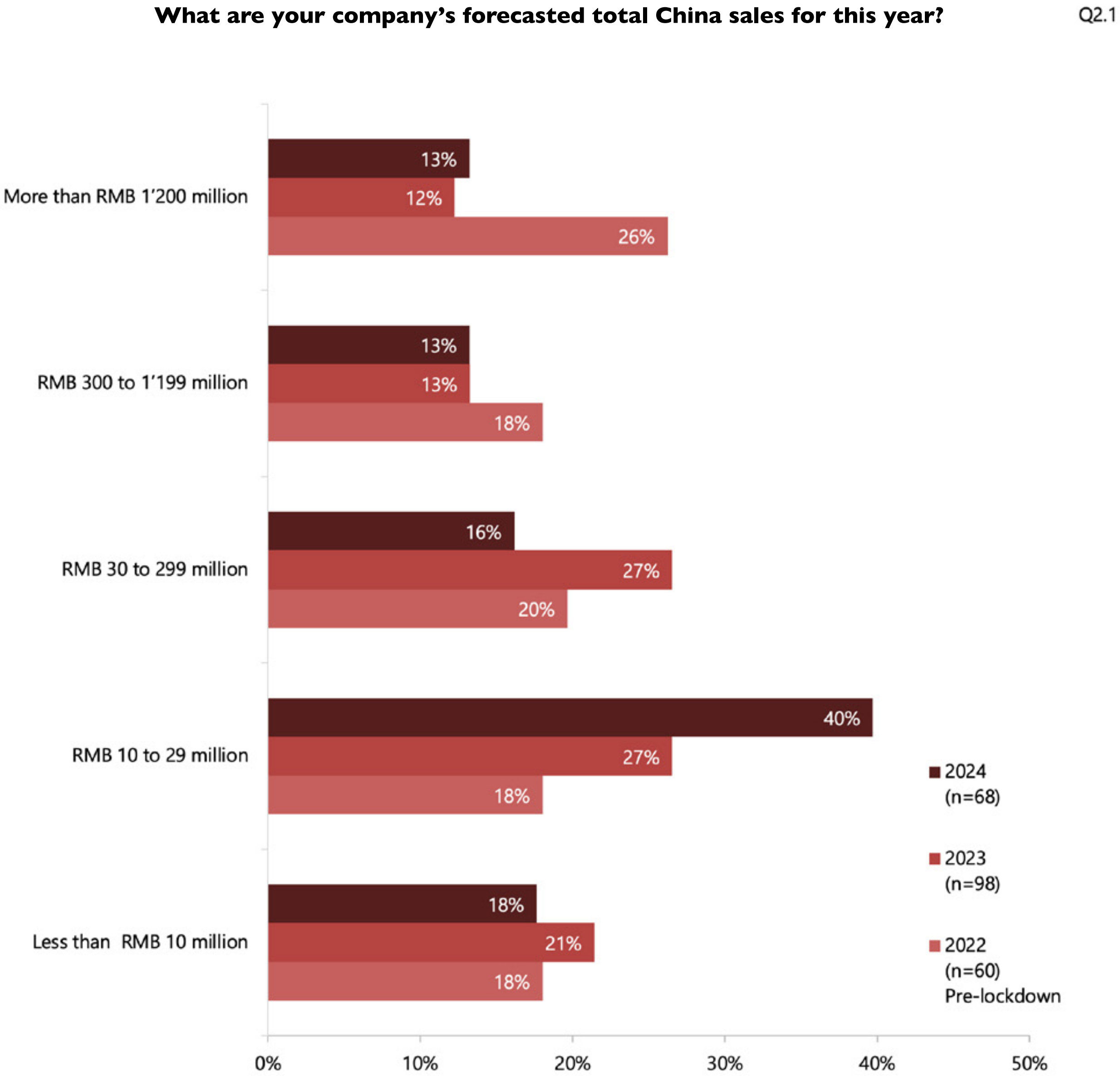

***Figure 4.1:** Forecasted total China sales of Swiss businesses.*

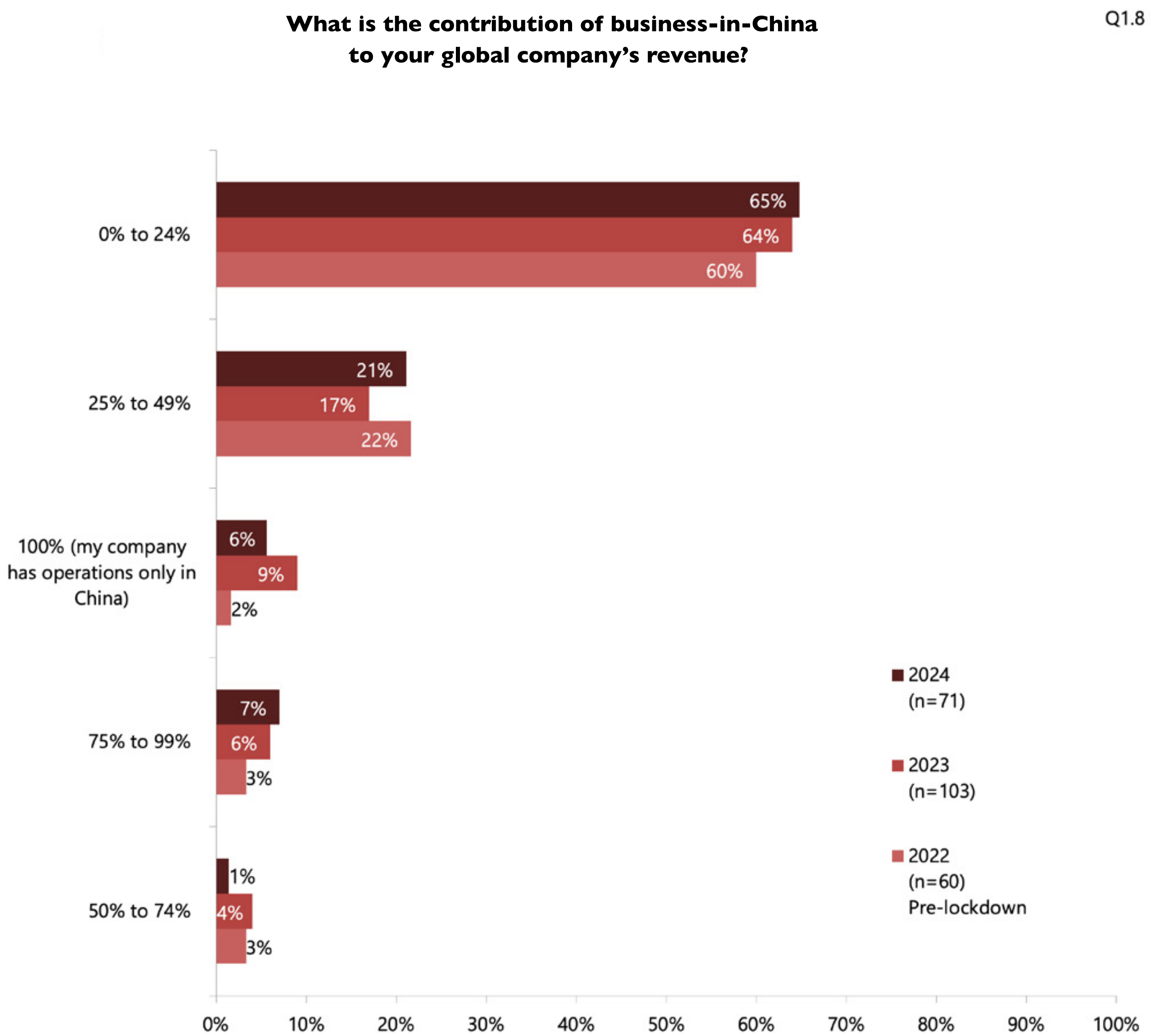

Figure 4.2: *The contribution of the Chinese business to Swiss firms' total global revenue.*

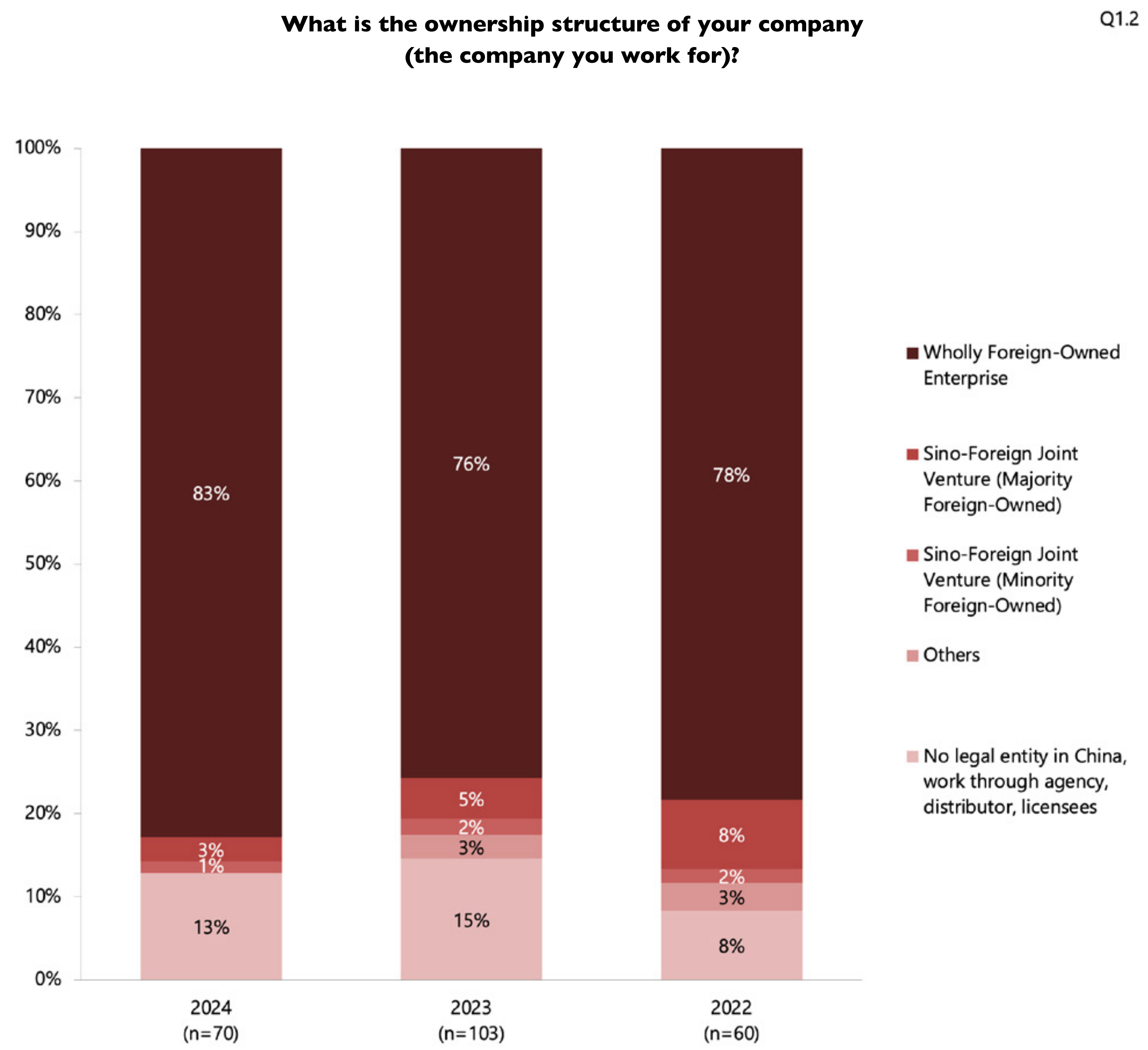

Figure 4.3: Corporate ownership structure.

Is your company listed?

Q1.3

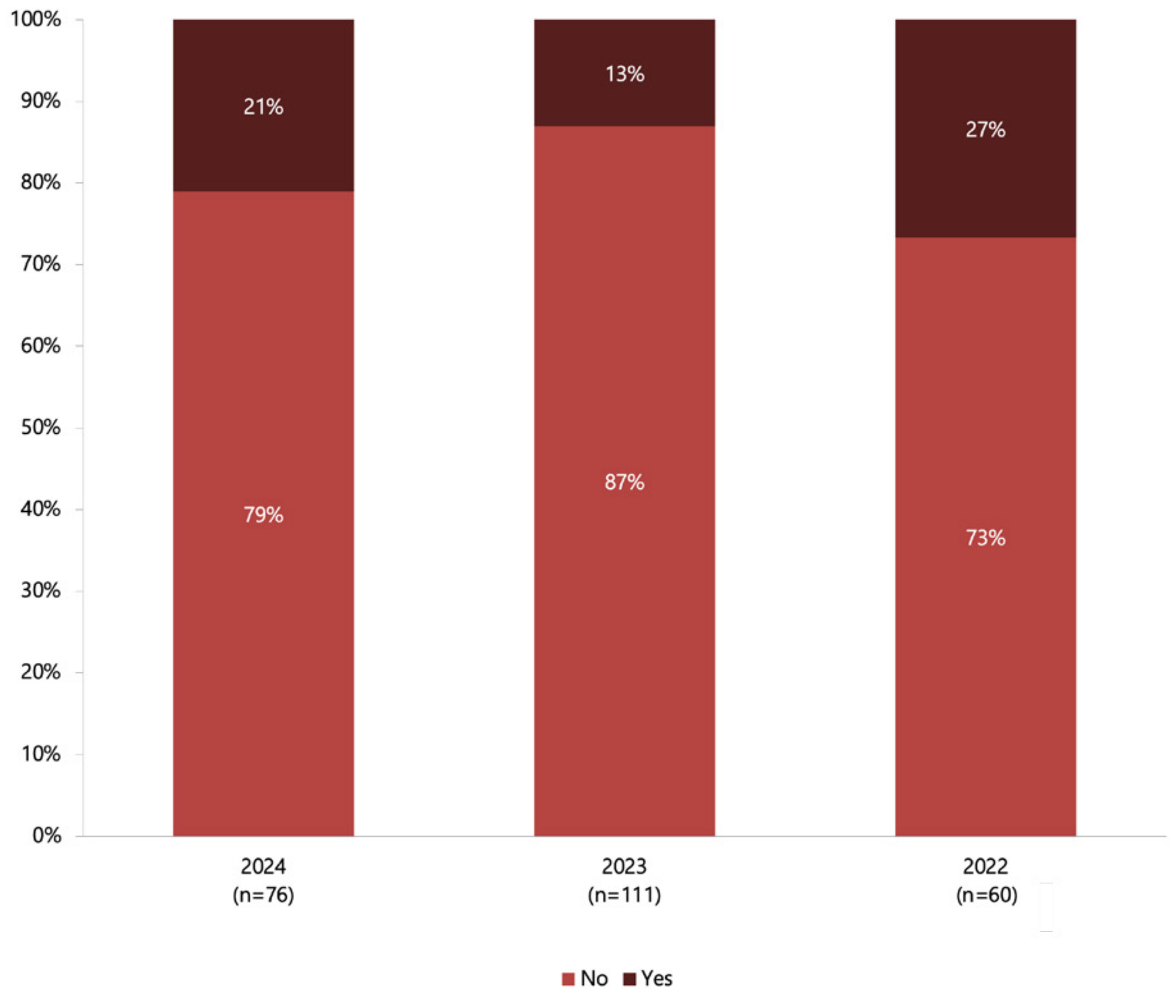

Figure 4.4: *Public vs private company type of survey respondents.*

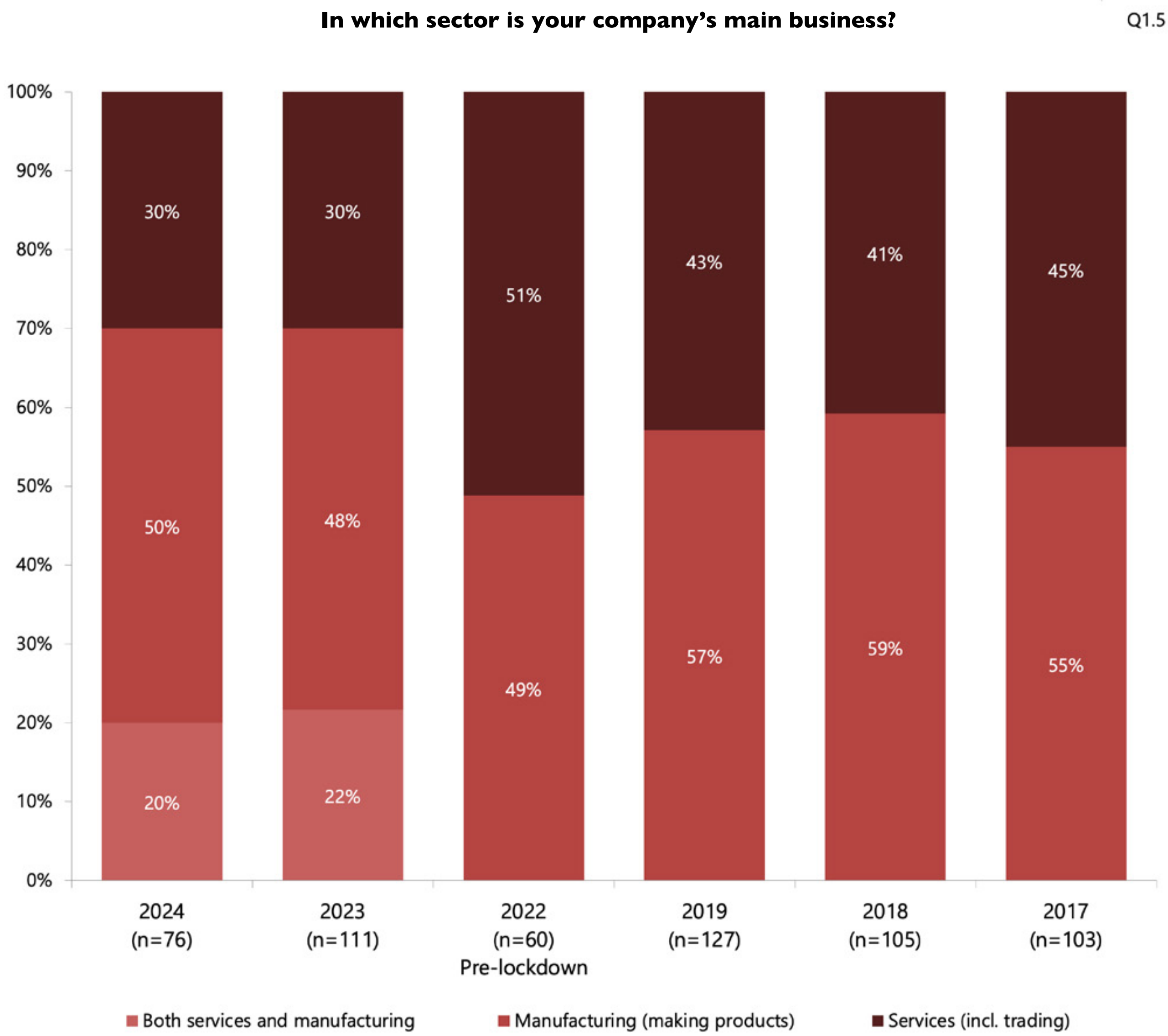

Figure 4.5: *Business sector of Swiss companies in China.*

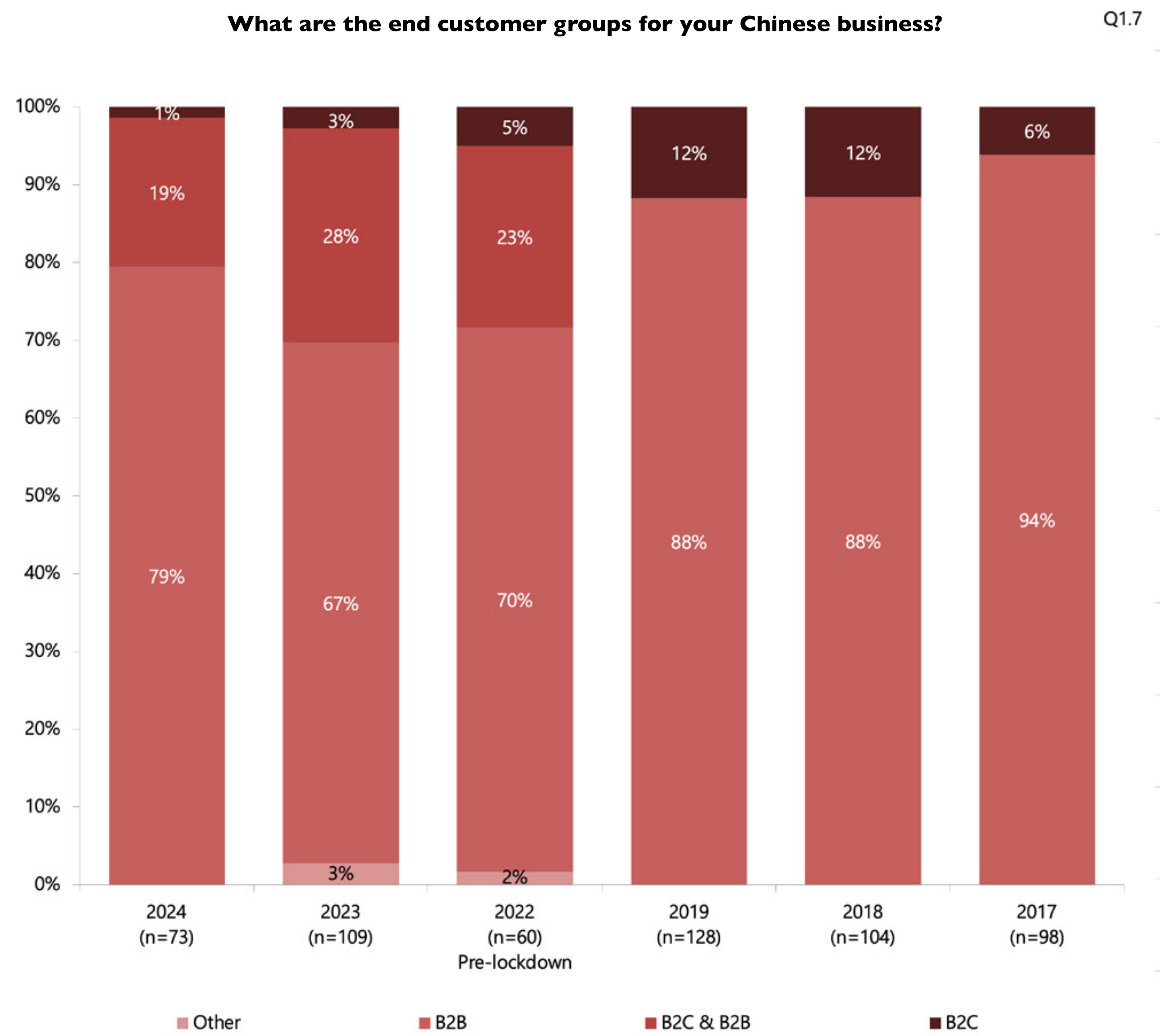

Figure 4.6: *End customer groups of Swiss companies' Chinese businesses.*

Which market segments are your company's main product and/or services aimed at? (Multiple selection) Q1.6

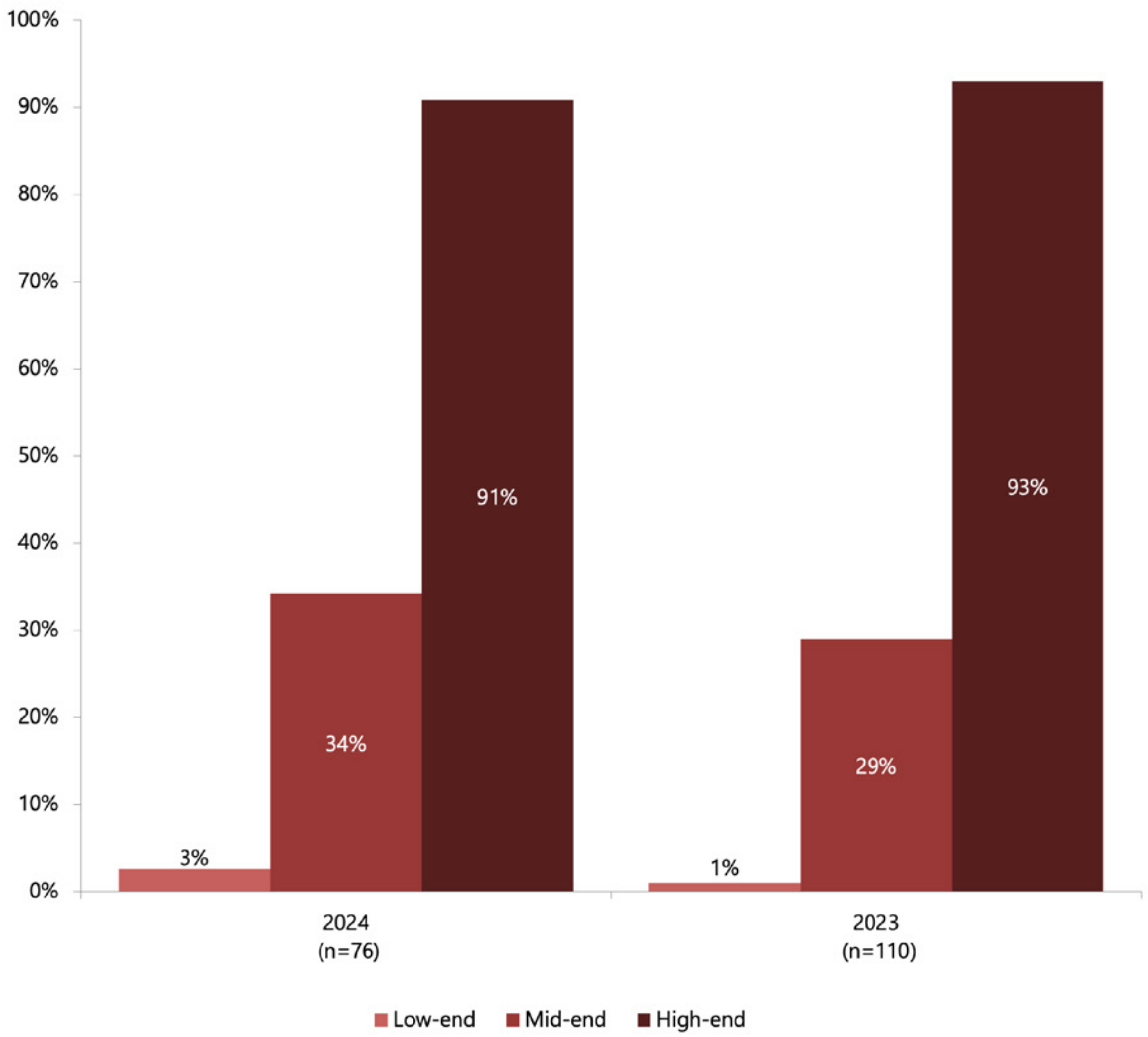

***Figure 4.7:** Positioning of Swiss companies' products and services in the Chinese market.*

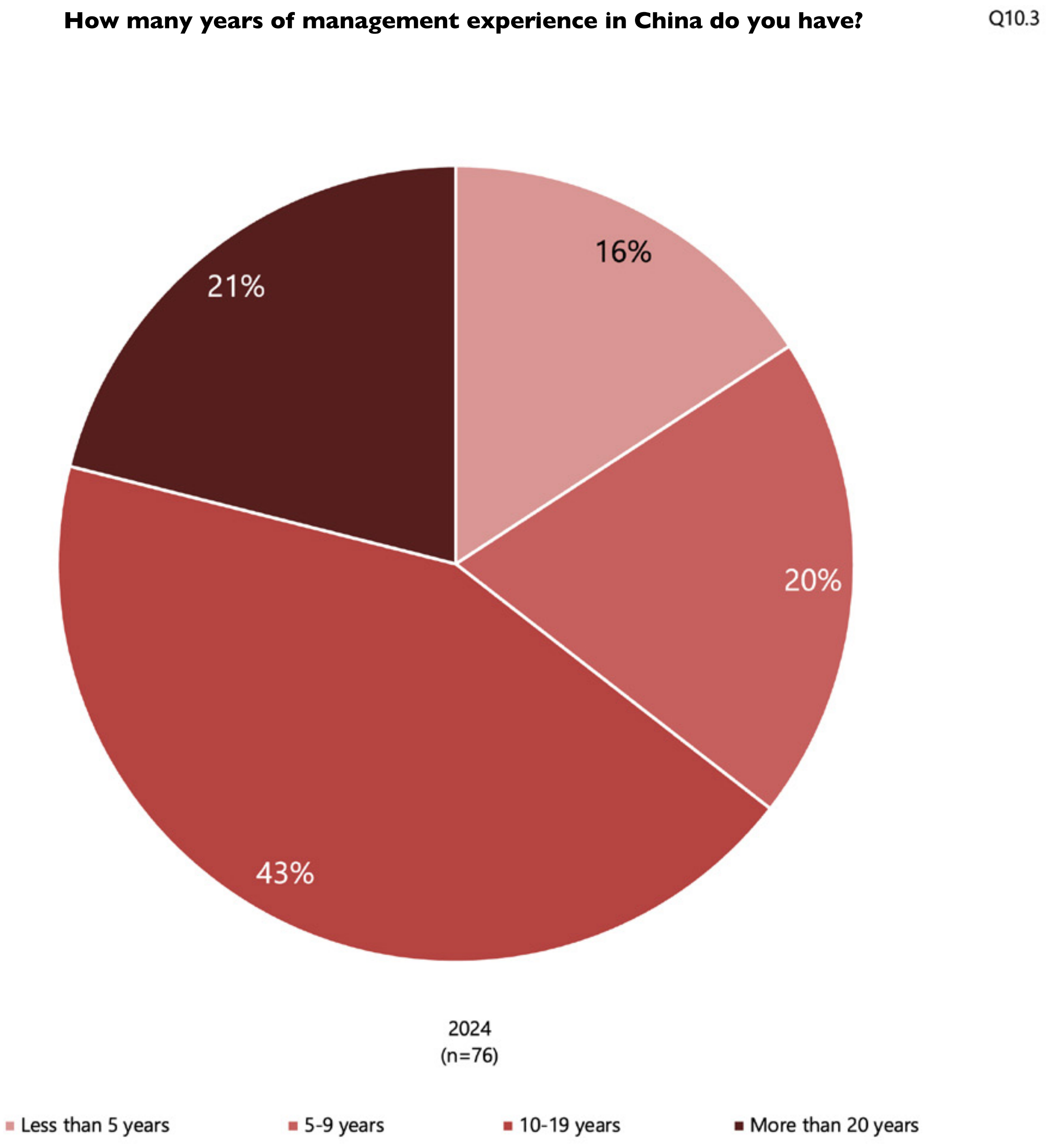

Figure 4.8: *China management experience of survey respondents.*

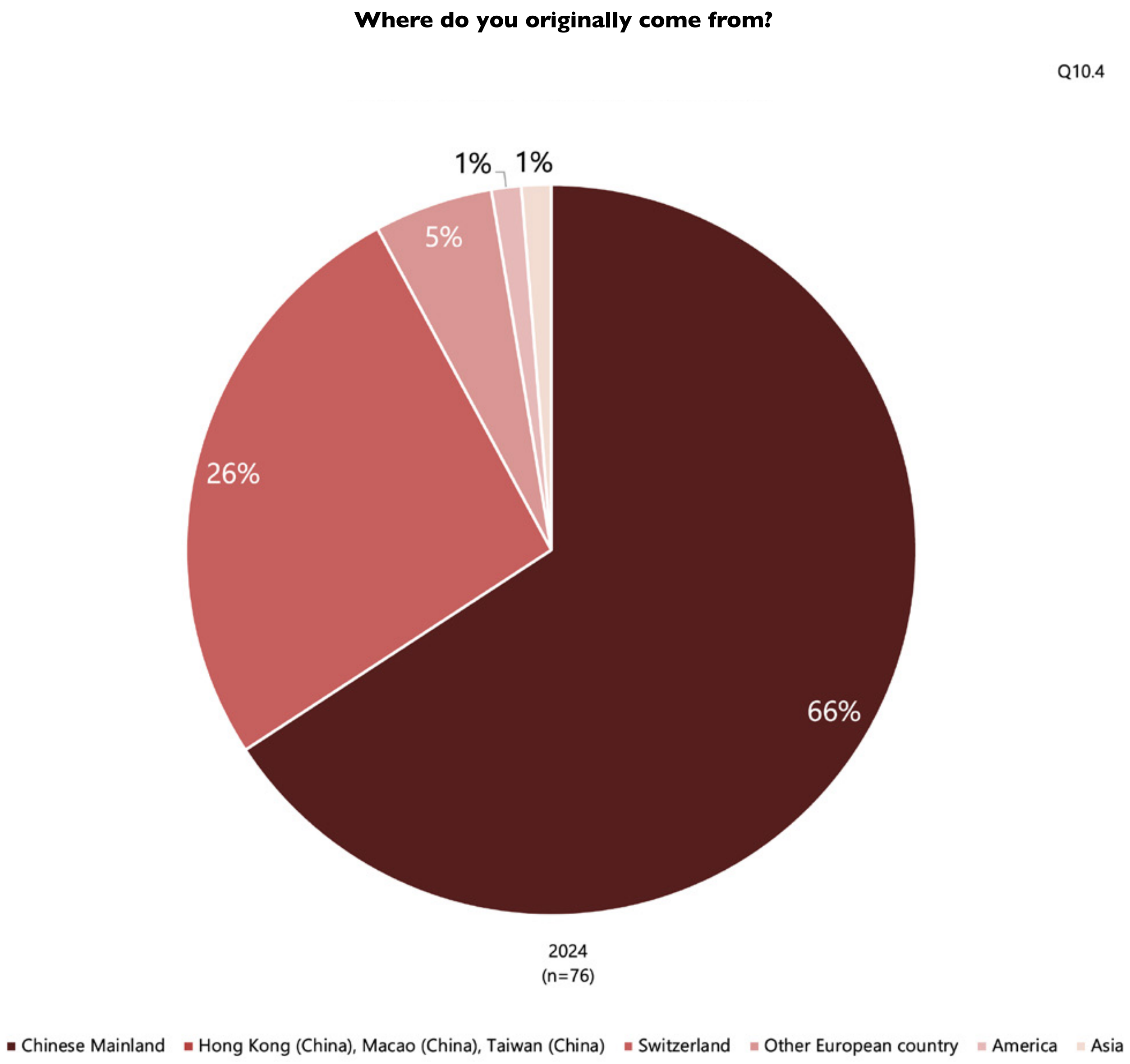

Figure 4.9: *Nationality of survey respondents.*

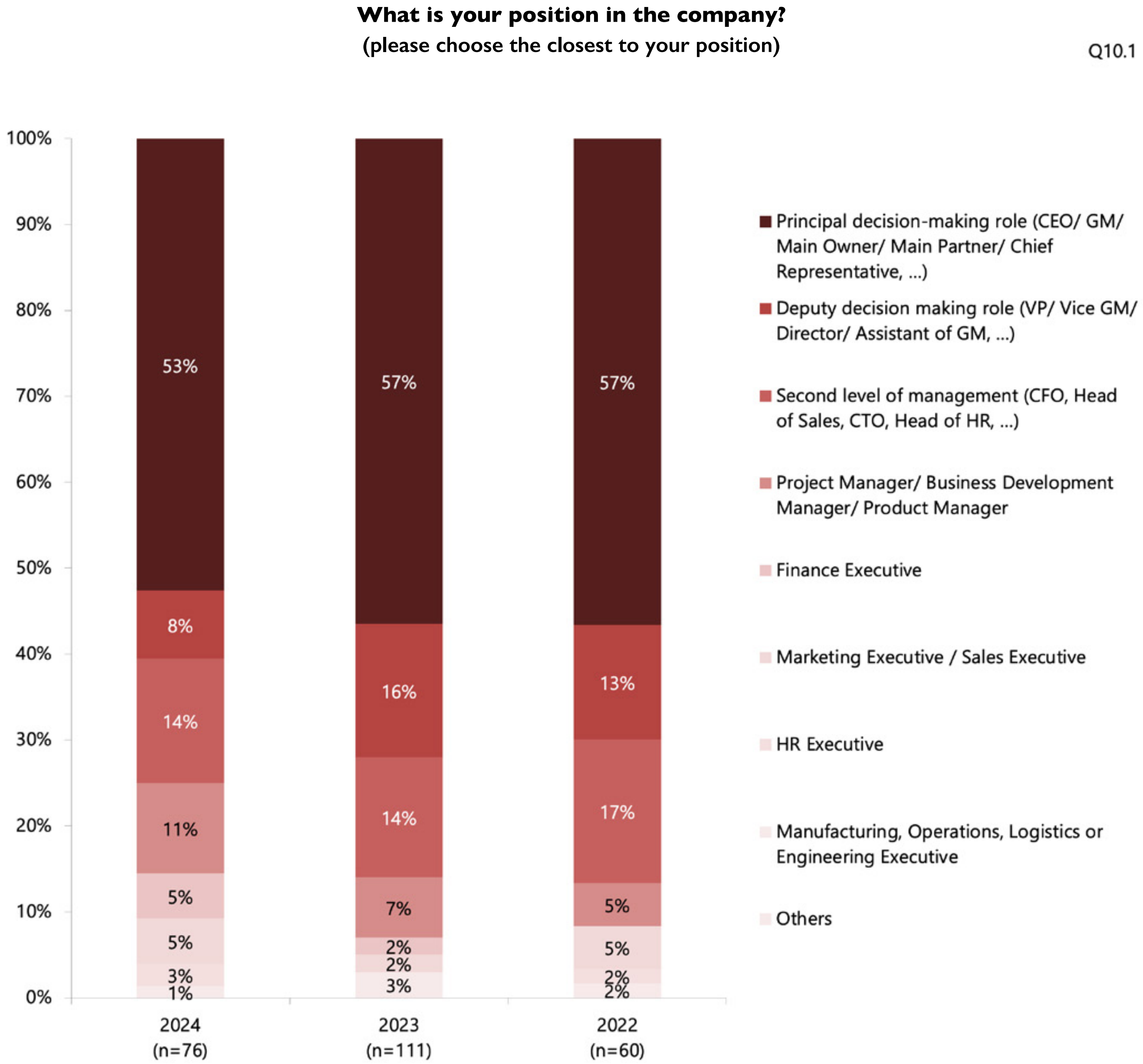

***Figure 4.10:** Respondent's job position within the company.*

The Swiss Business in China Survey 2024 offer a comprehensive picture and provides rich new findings and insights on the state of Swiss business in China.

Despite being less confident than they were in 2023 following the hopeful re-opening of the country, Swiss firms maintain a high level of confidence in successfully doing business in China.

Indeed, we have to go back to the 2015 survey to match the levels of confidence seen today. Nonetheless, there are downsides. This year's report continues to provide unique analysis and perspectives from leading business, policy, and academic experts. This includes assessments of the differences between the expectations of managers based in Switzerland responsible for Chinese operations and the managers running the businesses locally.

The editors, authors and survey team hope that the results will be useful in benchmarking the activities of Swiss and other foreign firms in China. Moreover, the analyses may assist business decision-making and increase the overall level of understanding of the Chinese market with its unique challenges and opportunities.

Seismo

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