BRITISH CHAMBER OF COMMERCE IN CHINA
中国英国商会

BRITISH BUSINESS IN CHINA: SENTIMENT SURVEY

2020–2021

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CHAIRS' FOREWORD

The British chambers of commerce in China are proud to present their *British Business in China: Sentiment Survey 2020-2021*.

At a time when the Chinese economy has emerged from the turmoil of the COVID-19 pandemic, it is more vital than ever to understand the opportunities and also the potential challenges facing British companies. Realising the significant opportunities and tackling remaining challenges will sustain the national recovery.

As in previous years, the Sentiment Survey provides a single national perspective from British business leaders operating on the ground in the world's second largest economy. It represents businesses of all sizes, sectors and localities across the country and delivers unique insight into the sentiment of British companies during a year of unprecedented global uncertainty.

Despite the challenges through this year, British businesses remain resilient and committed to China's markets. In the face of pandemic lockdowns, a highly uncertain external environment and continuing regulatory challenges, it is encouraging to see companies maintaining or even increasing their investment. China's firm resolve and success in containing the coronavirus has allowed normal business operations to resume again, and as such, British companies are responding with renewed investment and job creation.

But while the recovery should be commended, there has been less progress than we had hoped over the past year in tackling regulatory obstacles that foreign businesses continue to navigate. Long-standing challenges such as cybersecurity and IT restrictions, difficulties accessing or moving company finances and competition with state-owned enterprises continue to stop British businesses achieving their full potential. Other challenges, such as hiring foreign talent, have been significantly exacerbated by the global pandemic and the subsequent closure of China's borders.

Last year we noted that businesses supported the principles behind the *Foreign Investment Law*, but at the same time nearly 40% believed it would have no impact on improving the regulatory environment for their companies. A year later that skepticism has played out and few have seen the law moving the needle as much as the principles had implied. We hope that the delay has been due only to the critical focus on responding to the pandemic, and we call on the authorities to continue to push the principles and intent laid out in the *Foreign Investment Law*.

Nevertheless, British businesses are in China for the long-run. China ranks as a priority market for the global investment plans of the majority of companies, many of whom have decade's worth of experience operating in-market. Furthermore, as geopolitical tensions, particularly around technology and calls to decouple, have ramped up over the past year, very few companies have taken any steps to relocate their supply chains out of the country.

It is our hope that this report sheds light on both the opportunities and the lingering issues businesses continue to face in China. As the independent voice of British business in China, the survey findings collected by the British chambers should help to direct both Chinese and British policymakers on the areas where businesses, particularly small and medium-sized enterprises, need more support. With the pandemic under control in China, a renewed effort to improve the business environment for foreign companies will only serve to benefit China's ongoing recovery and strengthen the commercial ties between the British and Chinese economies.

ST. JOHN MOORE
British Chamber of Commerce in China

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EXECUTIVE SUMMARY

British businesses remain resilient, optimistic and committed to the China market, despite the depth of economic disruption the market endured in 2020. China's economic recovery has ensured that it remains a top priority market for British companies, and they are continuing to increase or maintain investment, despite levels of optimism having slipped over last year. China's economic rebound has been remarkable, but the core regulatory challenges facing British businesses on the ground remain largely unchanged. In order to sustain this long-term growth, holistic market reform must continue.

COVID-19 has had a significant impact on economies and businesses, both in China and globally. The *British Business in China: Sentiment Survey 2020-2021* measures the outlook of and challenges facing the China operations of more than 250 British companies, from newcomers to operators with decades' worth of experience. The findings show that British businesses in-market are not exempt from the impact of the pandemic: 44% expect to see a decrease in 2020 revenue relative to last year, a sharp reversal from 2019.

Moving forward, global economic uncertainty is projected to have the most significant negative influence on business prospects. Nevertheless, ten months on from the peak of the outbreak in the Chinese mainland, day-to-day operations have largely returned to normal. As we close the year, companies across the board are seeing less direct impact from COVID-19, although global travel restrictions are continuing to impose significant constraints.

Companies remain committed to the market, and there are high expectations for China's economic prospects next year. This is underscored by the fact that 82% of companies cite market potential as a reason to increase investment here in 2021 and companies expect to expand their China offices by an average of 13 people next year. Meanwhile, only 3% of companies are actively relocating operations out of the China market.

The recovery, however, has not been an even one. As with their Chinese counterparts, British small and medium-sized enterprises (SMEs) appear to have been more significantly affected by the pandemic, and are recovering more slowly. Underlining the uneven impact, 71% of SMEs have found that doing business in the Chinese mainland became more difficult over the course of 2020, compared to 58% of large multinationals.

The knock-on effects for both short-term and long-term investment are perhaps particularly illustrative of the struggles SMEs are facing. SMEs are less likely than larger multinationals to increase investment next year and the rate at which they are increasing headcount relative to larger firms has dropped substantially.

In addition to these economic pressures, two fifths of all British businesses in China are constrained by market access barriers and other regulatory challenges. Some companies have seen slight improvement in intellectual property rights protection and obtaining business licences and certificates, but the overall impact of most of these challenges has either remained unchanged or worsened over the past year.

The most concerning issues remain:

1. Navigating cybersecurity and IT restrictions
2. Accessing or moving company finances
3. Competition with state-owned enterprises (SOEs) or state-sponsored competition

A significant minority of companies report a marked deterioration in the ability to navigate cybersecurity and IT restrictions this year – a consistent downward trend over the past three years that cements its position as the most burdensome challenge. In terms of the changing impact of various regulatory challenges, the ease with which companies can employ foreign staff has deteriorated the most over the past year. This is likely due to the closing of China's borders and arduous entry requirements for foreign nationals following the global spread of COVID-19.

Despite the potential of the *Foreign Investment Law* to improve the business environment for foreign firms, 46% report it has had no impact so far and only 16% of companies have seen a positive impact. Instead, one in four British companies continue to believe that they are treated unfavourably compared to private Chinese companies, which rises to one in three compared to SOEs.

While equal treatment remains a point of contention, market opening in China continues, albeit at an uneven rate with limited commercial opportunities for foreign firms in a number of key sectors. For all intents and purposes, foreign enterprises remain shut out from these markets. An illustrative example is the financial services sector, which has seen a highly encouraging level of regulatory opening over the course of the past year, but remains a restricted sector for foreign players.

British businesses believe technological innovation presents numerous opportunities for them in China, despite global concern over potential technological decoupling. While technological decoupling has had some negative impact on a third of respondents, half have seen no impact. Enthusiasm for technological innovation remains at a similar level to last year, and is slightly more of interest to larger multinationals than SMEs, which project that China's economic prospects will have a greater positive impact on them next year.

Three in five businesses express concern around the current state of the UK-China relationship. They report that this sentiment is being driven by difficulties predicting British government policy towards China and increased Chinese government scrutiny over their operations. Many are cognisant of the benefits that a UK-China free trade agreement (FTA) could bring, and encourage the British and Chinese governments to work towards this eventual goal. In particular, companies report that full ability to transfer capital between the UK and China, the removal of tariffs on imports into each other's market, and the facilitation of obtaining business licences and certificates would be the most valuable outcomes of a future FTA.

The significance of the Chinese market to global British businesses has grown in the wake of the COVID-19 pandemic and China's subsequent economic recovery. However, any enthusiasm about this is tempered by the presence of long-standing regulatory constraints on foreign-invested enterprises. British businesses remain resilient and committed to China, but active market liberalisation must be accelerated. This will be met with increased investment and job creation, supporting both the Chinese and British economies in their respective recoveries.

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METHODOLOGY

ACRONYMS

FIE	Foreign-invested enterprise
FIL	Foreign Investment Law
FTA	Free trade agreement
IP	Intellectual property
SME	Small and medium-size company
SOE	State-owned enterprise

The *British Business in China: Sentiment Survey 2020-2021*, published in December 2020, is the third national survey conducted by the British chambers of commerce in China operating in Beijing, Guangdong, Shanghai, and Southwest China (Chengdu and Chongqing). The survey provides a truly national perspective of British businesses operating on the ground across the Chinese mainland.

The survey gauges the overall outlook of British businesses in China and identifies both the challenges they experience and the opportunities available. Invitations to complete the survey were sent to over 500 member companies of the British chambers of commerce in China between 12th October and 9th November 2020, of which 256 responded in full. The largest share of respondents are managing directors (24%) and C-Suite (24%), followed by managers (22%), directors (18%), and other (12%).

The survey comprises 50 questions, grouped under seven key sections: 'Organisation Profile', 'Business Environment', 'Digital Transformation', 'Talent', 'Supply Chains', 'Regulatory Challenges', and 'Economic Trends'. Questions have been added this year across all sections to reflect changes to the operating landscape and recent global economic trends. A new section focused on digital transformation has also been added, while the questions on supply chains have been integrated into the 'Political and Economic Trends' chapter. The sectors we initially asked respondents to identify themselves with have been grouped into larger 'macro-sectors' for ease of analysis. Readers can find the grouping of these macro-sectors on pages 28-29.

Complete anonymity of all respondents, both in terms of organisation and individual, has been maintained throughout the publication of information.

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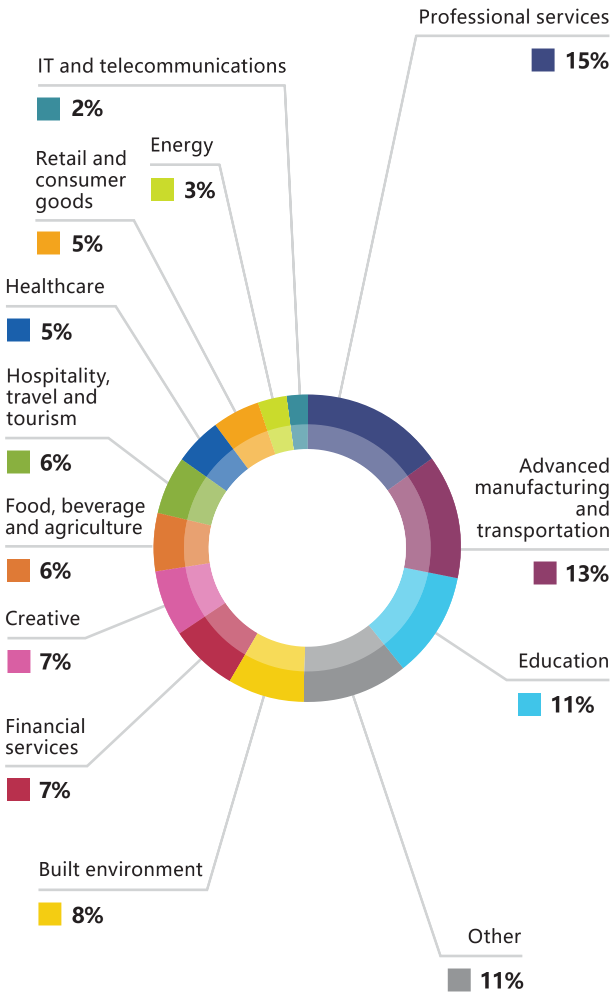
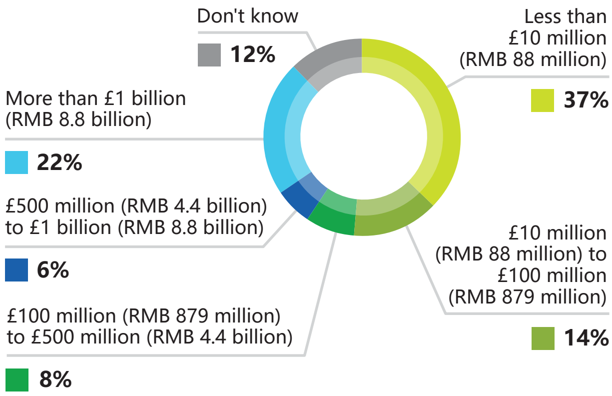
ORGANISATION PROFILE

WHICH SECTOR(S) IS YOUR ORGANISATION INVOLVED IN?



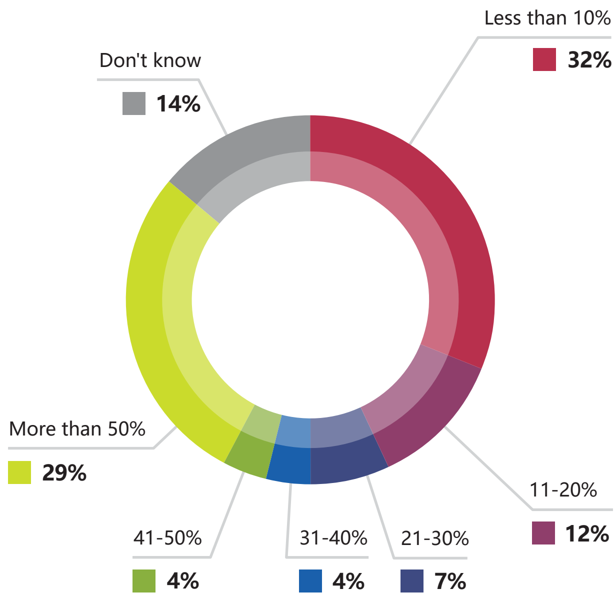
British businesses from a wide range of industries are represented in the survey. The highest proportions of businesses operate in professional services (15%), advanced manufacturing and transportation (13%), education (11%) and built environment (8%). This distribution broadly aligns with the UK economy and its strength in services industries.

WHAT ARE YOUR ORGANISATION'S GLOBAL ANNUAL EARNINGS BEFORE INTEREST AND TAX?



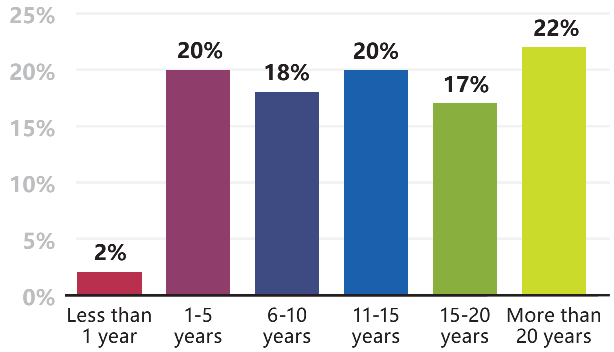
This year, a strong collection of both large multinational companies and small and medium-sized enterprises (SMEs) responded to the survey. Businesses earning over GBP 500 million (RMB 4.4 billion) annually in global revenue constitute 28%, while 59% earn less than GBP 500 million. There is a slight decrease in the proportion of large multinationals in the survey sample compared to last year.

WHAT PERCENTAGE DO YOUR OPERATIONS IN THE CHINESE MAINLAND CONTRIBUTE TO YOUR ORGANISATION'S GLOBAL EARNINGS BEFORE INTEREST AND TAX?



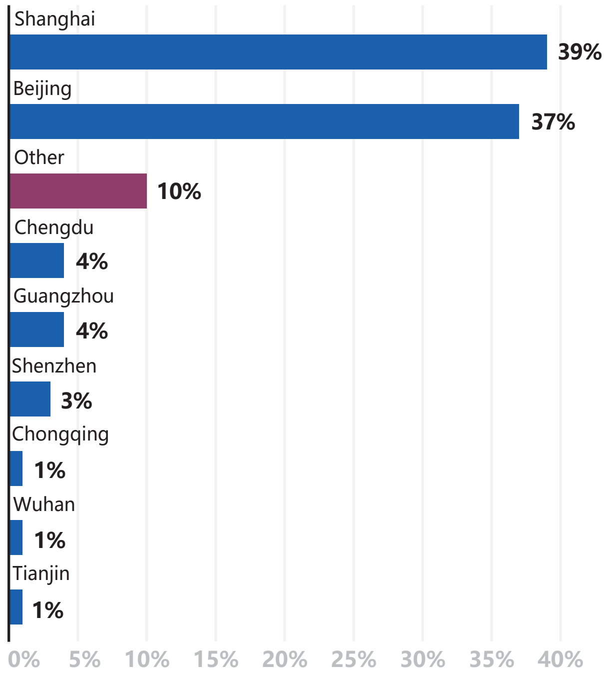
For 32% of all companies and for 51% of large multinationals, revenue from China accounts for less than 10% of their total global business earnings before interest and tax. At the same time, more than one quarter of companies derive more than 50% of their total revenue from the Chinese market, of which 93% are SMEs.

HOW LONG HAS YOUR ORGANISATION HAD A PHYSICAL PRESENCE IN THE CHINESE MAINLAND?



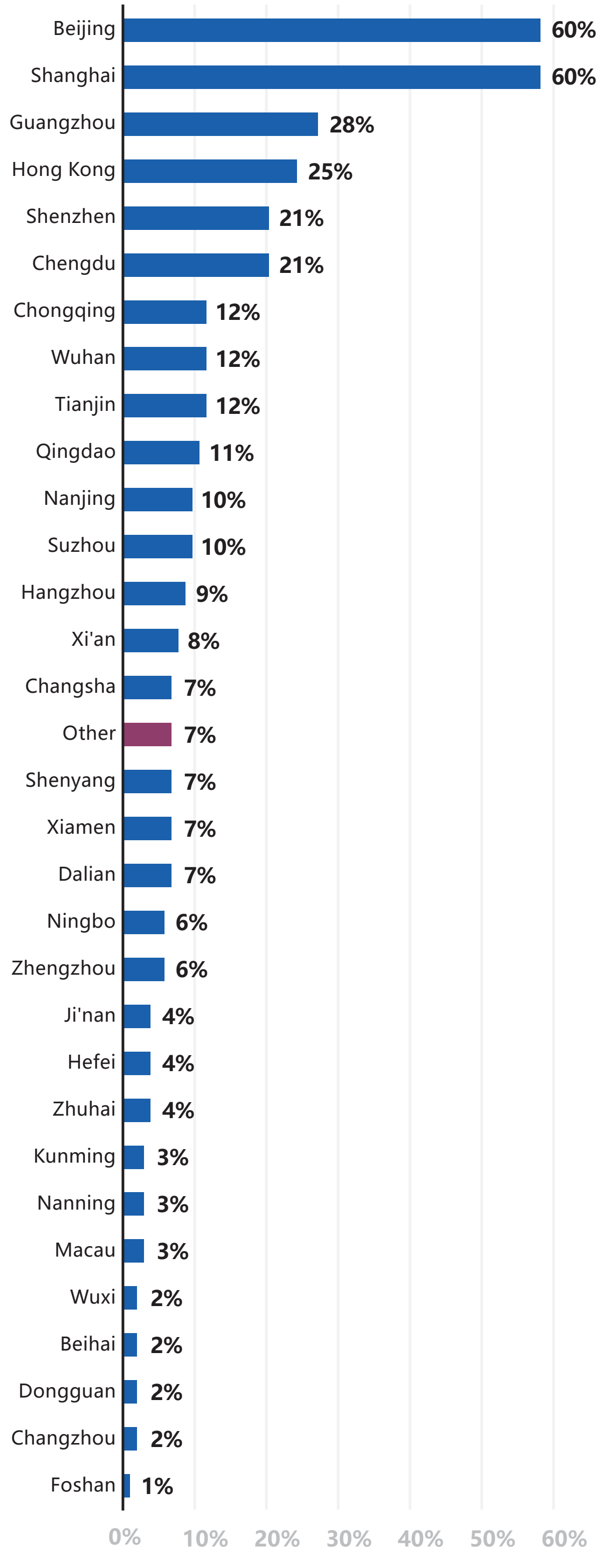
The largest proportion of firms is those that have been operating in China for more than 20 years (22%). Entry into China has been a consistent trend over the past 20 years, with the number of UK businesses entering China similar across all five-year intervals. This demonstrates a history of steady business performance and continued opportunities for British companies in-market.

IN WHICH CHINESE MAINLAND CITY ARE YOUR HEADQUARTERS LOCATED?



The majority of respondents have their Chinese mainland headquarters located in either Shanghai (39%) or Beijing (37%), consistent with these cities' positions as the political and economic centres of China. A small number of British companies are headquartered in Chengdu (4%), Guangzhou (4%) and Shenzhen (3%).

IN WHICH OF THE FOLLOWING CITIES DOES YOUR ORGANISATION HAVE A PHYSICAL PRESENCE?



Beijing and Shanghai are the two most popular cities for companies to establish a physical presence (both 60%), while the share in Hong Kong dropped (from 32% last year to 25% this year). Guangzhou (28%), Shenzhen (21%) and Chengdu (21%) are also favoured by UK companies.

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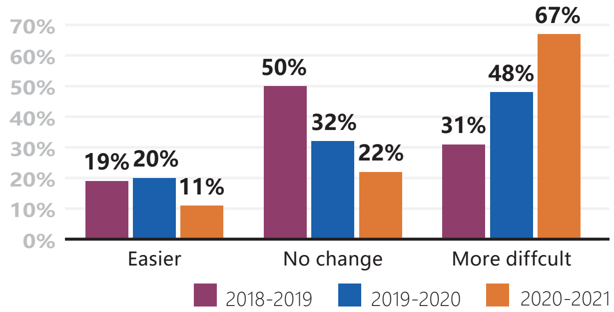
BUSINESS AND INVESTMENT OUTLOOK

HAS DOING BUSINESS IN THE CHINESE MAINLAND BECOME EASIER OR MORE DIFFICULT OVER THE PAST YEAR?

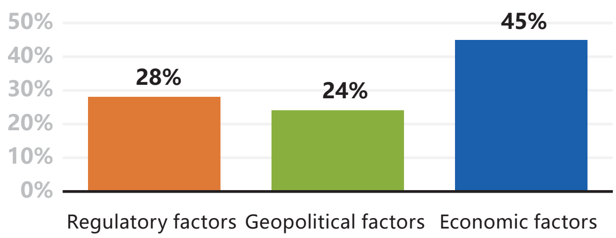


For British companies in China, business has become notably more difficult over the past year. 67% of companies believe doing business in China has become more difficult over the past year, significantly up from 48% last year. A small minority of companies report that business has become easier, possibly buoyed by China's economic recovery between March and December. One quarter of retail and consumer goods companies believe that doing business has become easier, although, on the whole, 63% have still seen a deterioration in the ease of doing business.

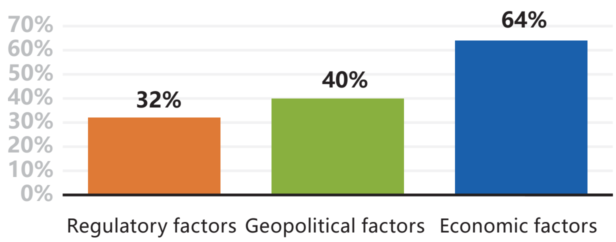
While all businesses have had a tough year, SMEs have been much harder hit this year than large multinational companies. 71% believe that it has been more difficult to do business in China in 2020 (up 25 percentage points from 2019), as opposed to 58% of large multinationals (up 6 percentage points from 2019). The past year has been most challenging for the hospitality, travel and tourism sector of which 78% of companies report that business has become more difficult. IT and telecommunications and healthcare have both seen the largest deterioration to the ease of doing business.

WHAT IS THE KEY REASON(S) FOR A CHANGE IN YOUR ORGANISATION'S ABILITY TO DO BUSINESS IN THE CHINESE MAINLAND OVER THE PAST YEAR?

Business has become easier



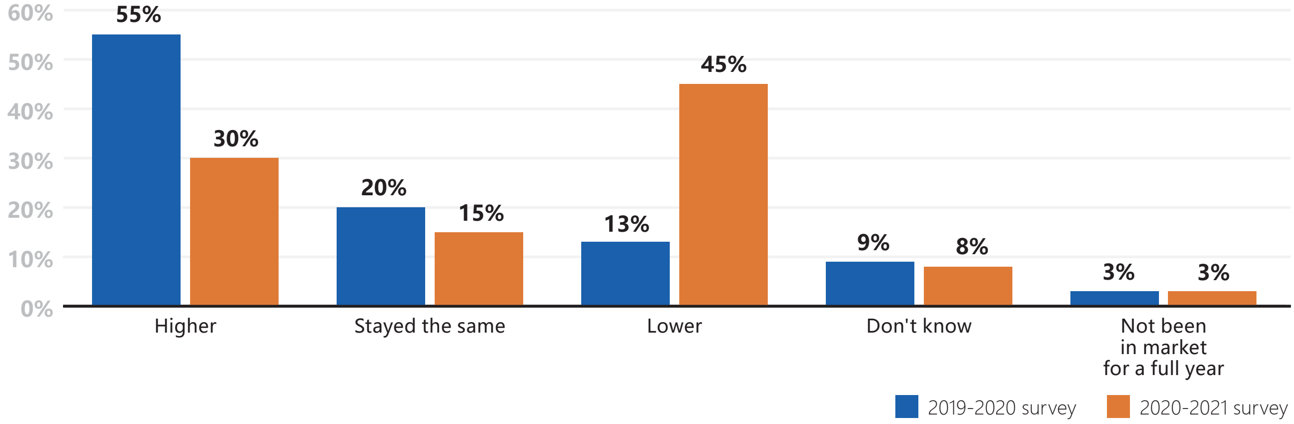
Business has become more difficult



Economic factors have been the most significant driver of change in ability for British companies to do business in the past year. Business uncertainty and slowing economic growth caused by the pandemic have adversely affected companies, and businesses across all industries and regions report economic factors to be the most impactful. 64% of those companies which believe business has become more difficult cite economic reasons, compared with 40% as geopolitical factors and 32% as regulatory factors.

Equally, companies have cited China's economic recovery as the primary cause for business to become easier (45%), with a significant minority stating that regulatory factors (28%) and geopolitical factors (24%) have also had a positive impact.

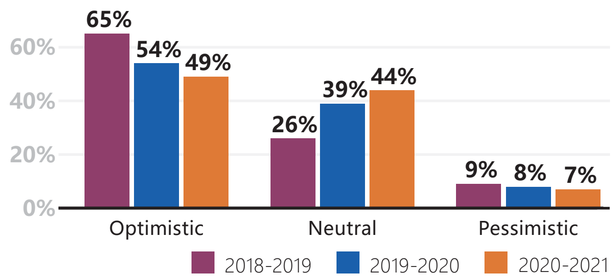
ARE YOUR ORGANISATION'S PROJECTED EARNINGS BEFORE INTEREST AND TAX IN THE CHINESE MAINLAND IN 2020 HIGHER OR LOWER THAN THE PREVIOUS YEAR?



* Last year's suvey question asked 'Is your organisation's projected revenue in the Chinese mainland in 2019 higher or lower than the previous year?

45% of companies report that their projected earnings before income and tax for 2020 in mainland China will be lower than the previous year, a sharp increase from only 13% last year. Similarly, those reporting that their earnings will be higher has dropped from 55% to 30% this year. There is a significant divergence between larger multinationals and SMEs, whereby 38% of multinationals project lower earnings for 2020, this figure increases notably for SMEs at 50%.

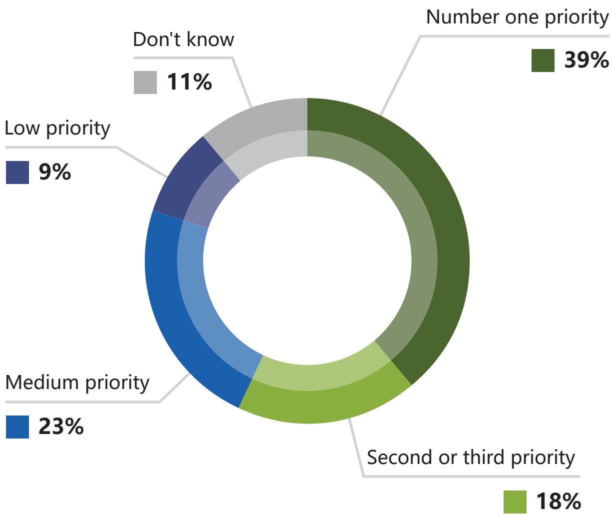
HOW WOULD YOU DESCRIBE YOUR ORGANISATION'S BUSINESS OUTLOOK FOR YOUR SECTOR IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



Despite the uncertainties and challenges of the past year, British businesses in China remain broadly optimistic. Nevertheless, business sentiment has declined over the past three years, with 49% reporting an optimistic outlook for 2021, down from 54% last year for 2020. Instead, companies are becoming increasingly neutral in their outlook, while pessimism remains low.

Although most sectors have seen a slight swing from optimism to neutrality over the past year, this shift is significantly more pronounced in the energy and healthcare sectors. The hospitality, travel and tourism sector reports the highest proportion of pessimism (30%), while the financial services (62%) and professional services (59%) sectors are most optimistic.

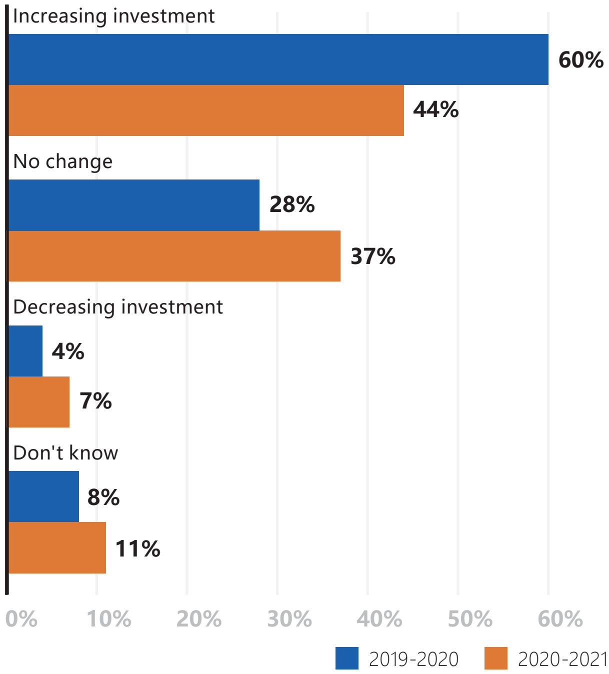
WHERE DOES THE CHINESE MAINLAND RANK AMONG YOUR ORGANISATION'S GLOBAL INVESTMENT PLANS FOR THE NEXT YEAR?



Given its size and importance to the global economy, China remains a top investment destination for British businesses already in-market. It is the number one priority for 39% of businesses, and is second or third priority for a further 18%. As a key market in many companies' global strategies, China is also one of the top three priority markets for 67% of SMEs and 41% of large multinationals.

75% of the IT and telecommunications sector list China as their first priority. In the education sector, 80% of enterprises rank China among their top three priority markets. This is also true for healthcare companies (69%), retail and consumer goods companies (68%), and hospitality, travel and tourism companies (68%). At the same time, hospitality, travel and tourism industry attaches the lowest importance to the China market, with 18% of the industry giving low priority.

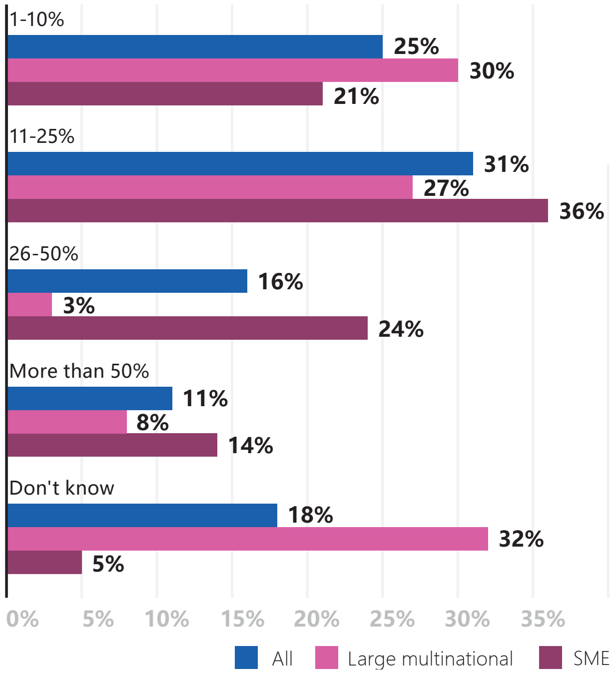
IS YOUR ORGANISATION CONSIDERING INCREASING OR DECREASING INVESTMENT IN ITS OPERATIONS IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



British businesses will by and large either increase or maintain their current level of investment in China for the next year. Although there is a drop in the number of companies actively growing their investment in China (44%), for the most part these companies are deciding to maintain current investment levels rather than scaling back. SMEs are slightly less likely to be increasing investment than large multinational companies, by a difference of 7 percentage points. Companies in the food, beverage and agriculture industries are the most likely to be increasing investment (71%). On the other hand, likely as a result of COVID-19's impact, 23% of companies in the hospitality, travel and tourism industry will be decreasing investment next year. Nevertheless, the majority of players in the industry will be increasing investment.

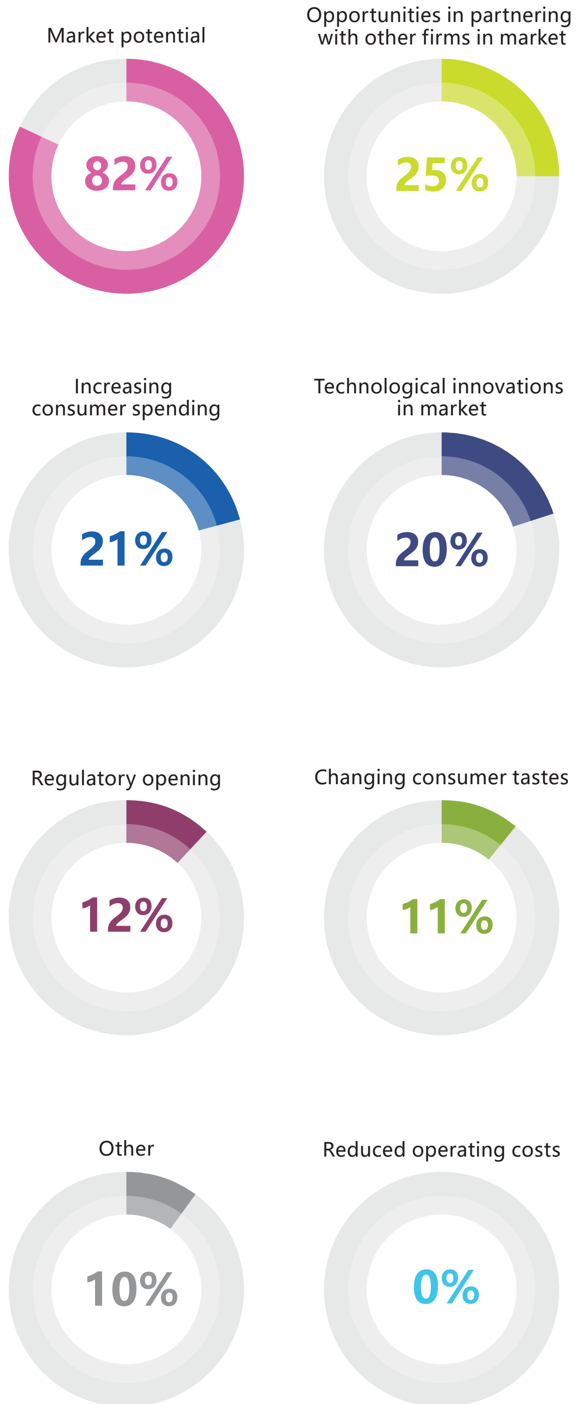
The majority of companies will be increasing investment in Shanghai (61%), which broadly aligns with the number of companies with a physical presence in the city. This is followed by 50% of companies reporting that they will increase investment in Beijing, despite 60% having a physical presence there. 25% of companies have a presence in Hong Kong, while only 13% want to increase their investment in the territory. This is consistent with the fact that fewer companies report a presence in Hong Kong this year as opposed to last year.

BY HOW MUCH DO YOU ESTIMATE YOUR ORGANISATION WILL INCREASE ITS INVESTMENT IN ITS OPERATIONS IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



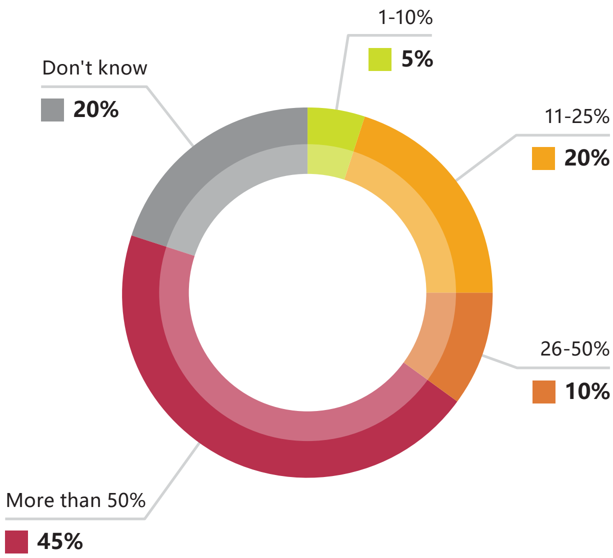
Among the 44% of companies that are increasing investment in China, they are largely doing so by up to 25%, with the highest proportion of businesses increasing investment by 11-25%. Large multinational companies are most likely to increase investment by up to 10%, and only a few enterprises are doing so by more than 25%. SMEs, however, are more likely to increase their investment by a higher proportion, with 38% expecting to increase their investment by more than 25% in next year.

WHY IS YOUR ORGANISATION INCREASING INVESTMENT IN ITS OPERATIONS IN THE CHINESE MAINLAND?



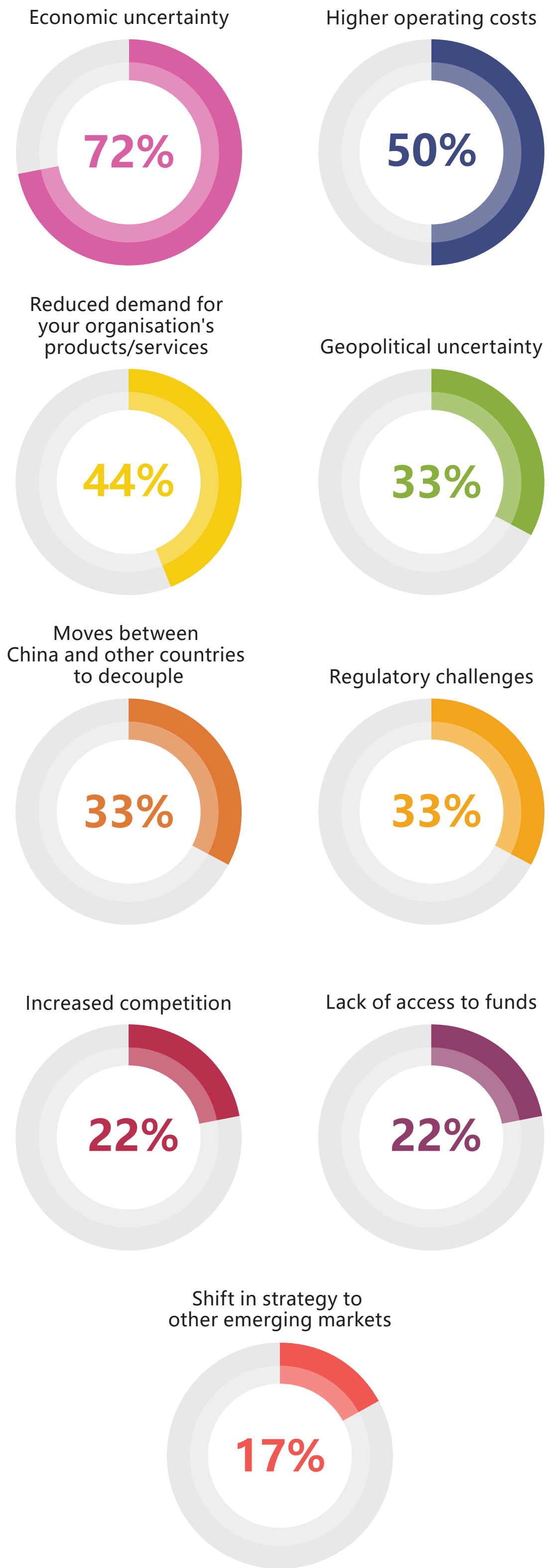
China's market potential is overwhelmingly the most important factor behind companies' decision to increase investment (82%), and is the only factor that is up on last year. Regulatory opening as a cause for increasing investment has seen the biggest decline, from 22% last year to 12% this year. Companies also cite increasing opportunities in partnering with other firms in-market, increasing consumer spending and technological innovation.

BY HOW MUCH DO YOU ESTIMATE YOUR ORGANISATION WILL DECREASE ITS INVESTMENT IN ITS OPERATIONS IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



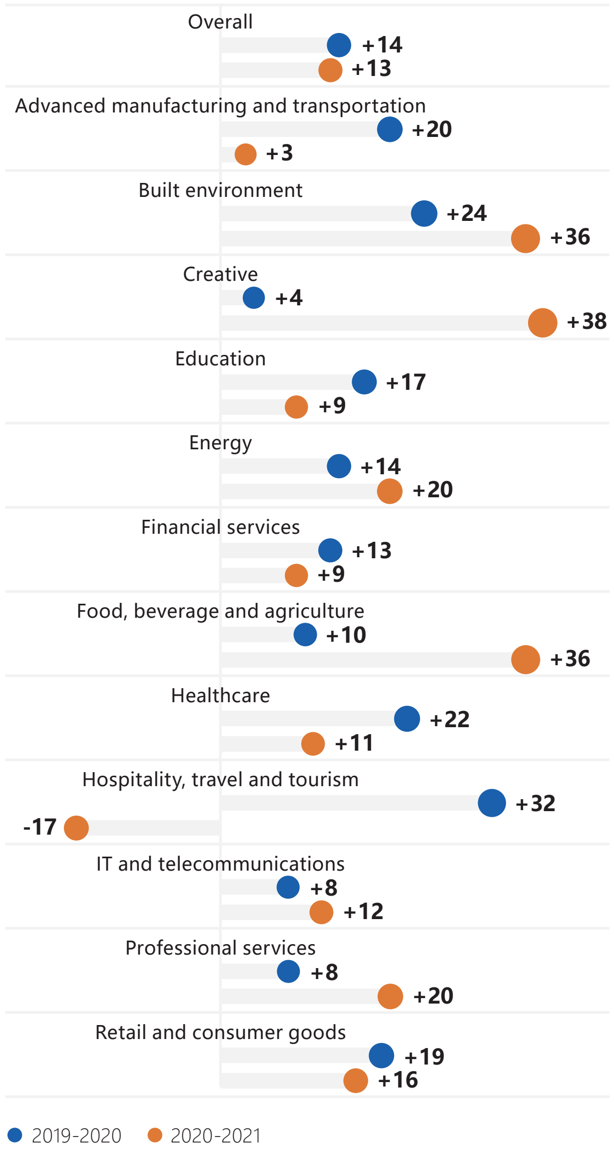
While only 7% of businesses will decrease investment next year, 55% of these plan to decrease investment by more than 25%. Three quarters of enterprises cutting investment by more than 25% are SMEs.

WHY IS YOUR ORGANISATION DECREASING INVESTMENT IN ITS OPERATIONS IN THE CHINESE MAINLAND?



For the small minority of companies decreasing investment, the biggest motives for reducing investment are economic in nature, driven by economic uncertainty (72%), followed by higher operating costs (50%) and reduced demand (44%).

IN ABSOLUTE FIGURES, BY HOW MUCH DO YOU ESTIMATE YOUR ORGANISATION WILL ADJUST ITS HEADCOUNT IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



The average British company in China will add 13 new jobs in 2021. Although this is marginally lower than last year, it shows British businesses are still generating opportunities for both local and global talent pools, and underscores the long-term commitment of British businesses to the China market, to the benefit both of businesses and the Chinese economy as a whole. These jobs are largely being generated by large multinational companies, which will contribute 28 jobs on average. SMEs project less capacity to grow their teams, bringing on one new employee in the next year on average.

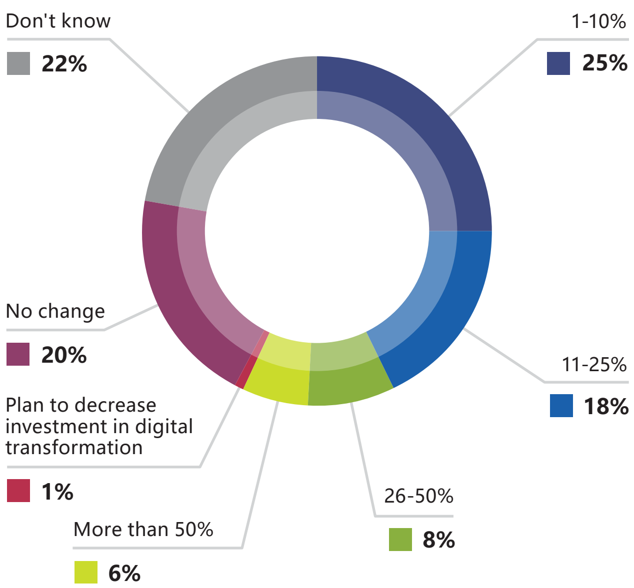
The scale of job creation varies between different sectors. The creative (38 new employees), built environment (36 new employees), and food, beverage and agriculture (36 new employees) sectors will be adding the most number of new jobs. Although hospitality, travel and tourism was projected to be the biggest creator of jobs in 2020 (32 new employees), it is now the only sector cutting jobs, at -17 employees on average.

Companies are predominantly increasing their headcount in Shanghai (56%), followed by Beijing (51%). The exceptions to this are companies in education and professional services, which both prefer Beijing. For those decreasing headcount, more than 10% are planning to reduce the number of their employees in Guangzhou, Shenzhen, and Hong Kong.

5

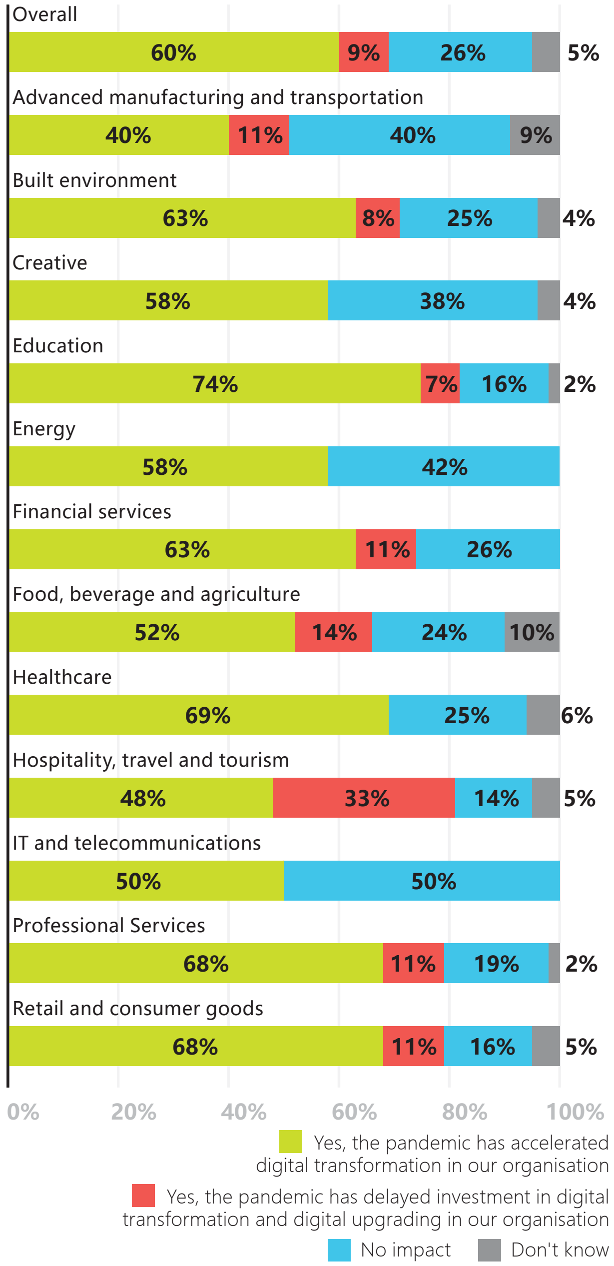
DIGITAL TRANSFORMATION

BY WHAT PERCENTAGE DO YOU ESTIMATE YOUR ORGANISATION WILL INCREASE INVESTMENT IN DIGITAL TRANSFORMATION IN THE CHINESE MAINLAND OVER THE NEXT YEAR?



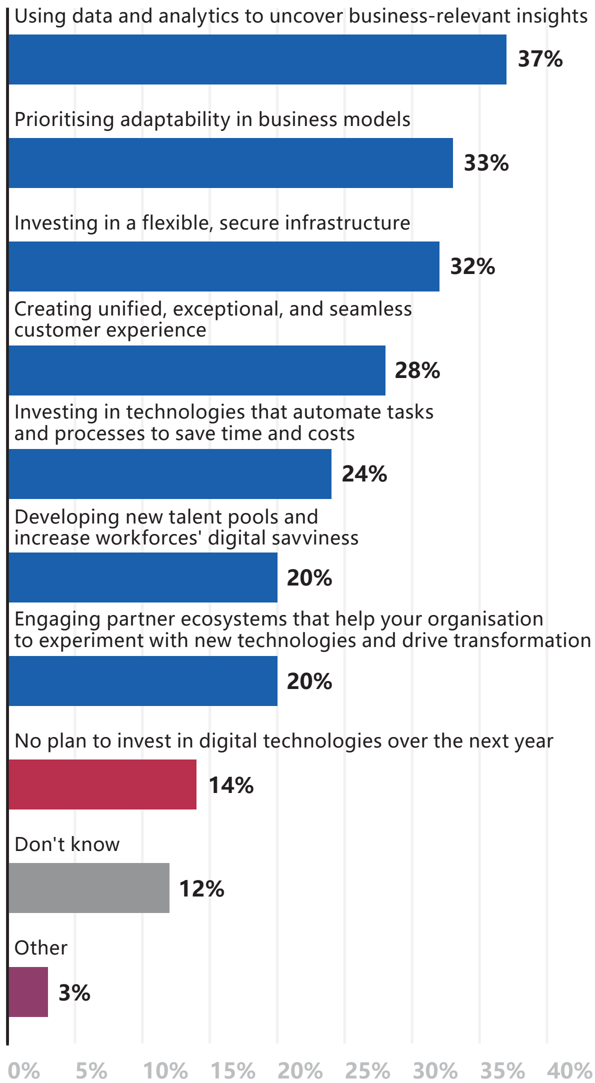
The COVID-19 pandemic has accelerated the process of digital transformation among British businesses in China. More than half of companies reported that they would increase investment in digital transformation in mainland China next year, of which 25% would increase by up to 10% of current levels of digital investment and 18% by 11-25%. The combination of the growing ubiquity of the digital economy and the impact of the pandemic have positively impacted British businesses in China, despite a difficult year on the whole, while planned investment ratios vary according to industry and organisation size. This is especially the case in Guangdong, where the percentage of companies increasing their digital transformation processes reaches 76%.

HAS THE COVID-19 PANDEMIC CHANGED YOUR ORGANISATION'S DIGITAL TRANSFORMATION PLAN?



The outbreak has made a difference to the digital transformation of the majority of companies, with 60% indicating that the outbreak will accelerate their digital transformation, while only 9% indicate that it will delay it. Education, retail and consumer goods, and professional services, which used to be highly dependent on the physical economy and offline processes, have the highest demand for digital transformation after COVID-19. The digital transformation strategies of companies in the hospitality, travel and tourism industry have been the most disrupted by the pandemic, at 33%. Even so, 48% report that the pandemic has accelerated the digital transformation process.

WHICH OF THE FOLLOWING AREAS ARE PART OF YOUR ORGANISATION'S DIGITAL TRANSFORMATION OVER THE NEXT YEAR?



The three aspects of digital transformation that will be the most widely incorporated into UK companies' strategies in China are using data and analytics to uncover business-relevant insights (37%), prioritising adaptability in business models (33%) and investing in a flexible, secure infrastructure (32%). This is likely due to the critical nature of data analytics to companies' decision-making and the need for up-to-date IT infrastructure and functionality to enhance all aspects of business operations.

In addition, surveyed companies were also concerned with creating unified, exceptional, and seamless customer experience (28%), and with investing in technologies that automate tasks and processes to save time and costs (24%). Businesses show less interest in digital talent. Only 20% of companies would develop new talent pools and increase workforces' digital savviness.

REGIONAL BREAKDOWN

SOUTHWEST

69% optimistic

TOP REGULATORY CHALLENGES
Employing foreign staff
Taxation landscape for foreign firms
Customs requirements

TOP ECONOMIC AND POLITICAL TRENDS
MOST PROMISING:
China' s economic prospects

MOST CONCERNING:
Rising levels of protectionism

GUANGDONG

61% optimistic

TOP REGULATORY CHALLENGES
Accessing or moving company finances
Employing foreign staff
Navigating cybersecurity and IT restrictions

TOP ECONOMIC AND POLITICAL TRENDS
MOST PROMISING:
China's economic prospects

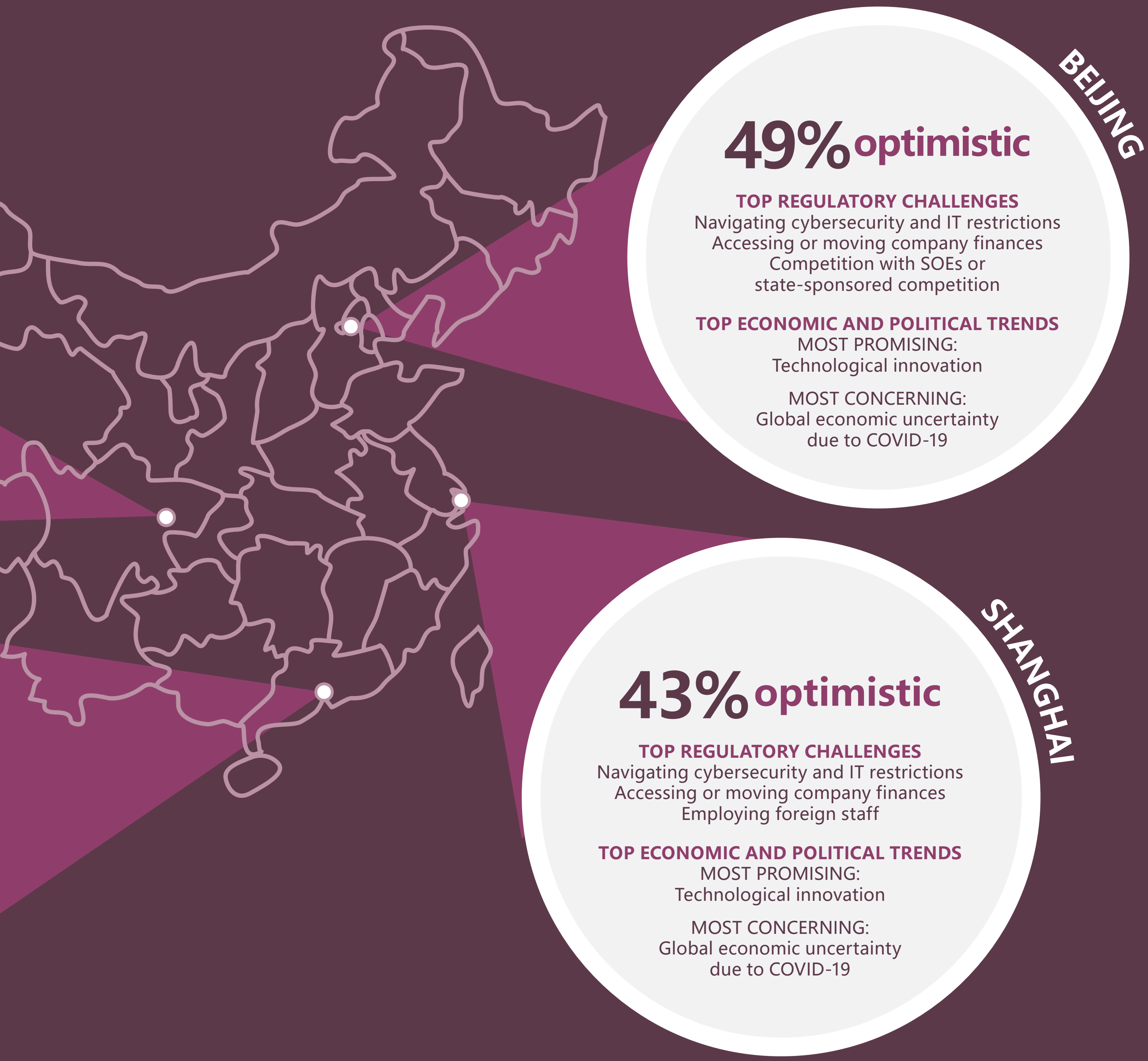
MOST CONCERNING:
Rising labour costs

British businesses in China are largely headquartered in Shanghai (39%) and Beijing (37%), the economic and political seats of China. Guangdong (7%) and southwest China[1] (5%) are small hubs for UK companies, with a handful of companies headquartered in Tianjin, Wuhan and Zhuhai. Whereas large multinationals have a strong presence in Shanghai and Beijing, accounting for 39% and 31% of companies headquartered there respectively, 80% of businesses headquartered in other major cities are SMEs.

Companies based in the southwest and Guangdong are notably more optimistic than average about their businesses' prospects in the coming year, at 69% and 61% respectively, while the forecast in Shanghai and Beijing is more muted. Despite the dampened optimism in Shanghai, the average company based headquartered there expects to increase headcount by 21 employees in the coming year, a substantially higher number than the four employees reported by the average Beijing-based company.

The ease of doing business has deteriorated for British companies up and down the country, but particularly for those in the southwest and Shanghai. Nevertheless, businesses will be increasing their investments regardless of location, driven by the high potential of China's markets. Companies in the southwest are more inclined to increase investment by a larger amount, with 56% of companies who are increasing investment reporting that

1 Southwest China here refers to Chongqing and Chengdu.



they will do so by more than 25%, compared with 18% in Beijing, 24% in Shanghai and 38% in Guangdong.

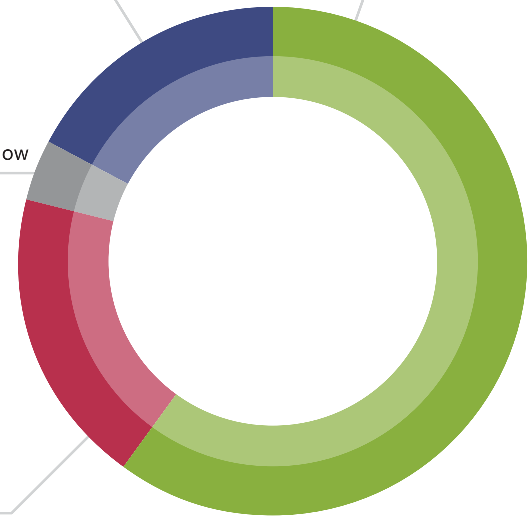
Companies in each region face market access barriers that limit their ability to operate in China, but the regulatory challenges that impact companies the most varies considerably across regions. For those in Beijing and Shanghai, navigating cybersecurity and IT restrictions remains the most pressing challenge, in line with the national average. However, the top issue is accessing and moving company finances in Guangdong, and employing foreign staff in the southwest.

Regarding political and economic trends, there is a divergence between Beijing and Shanghai on the one hand, and companies in Guangdong and the southwest. Global economic uncertainty from COVID-19 is of greatest concern for companies in Beijing and Shanghai, which also both foresee technological innovation as the most promising trend in the coming year. For companies in Guangdong and the southwest, by contrast, China's economic prospects are viewed with the most optimism, while rising labour costs of most concern for Guangdong and rising levels of protectionism for the southwest.

6

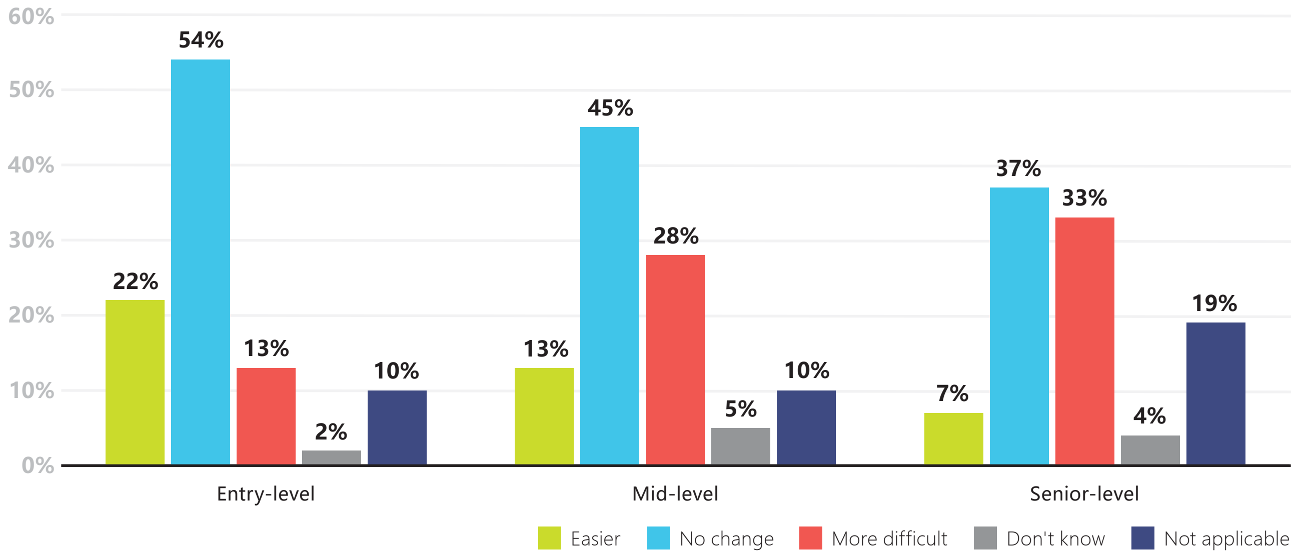
TALENT

HAVE YOU BEEN ABLE TO FIND THE TALENT YOU NEED TO OPERATE AND GROW YOUR BUSINESS IN THE CHINESE MAINLAND OVER THE PAST YEAR?



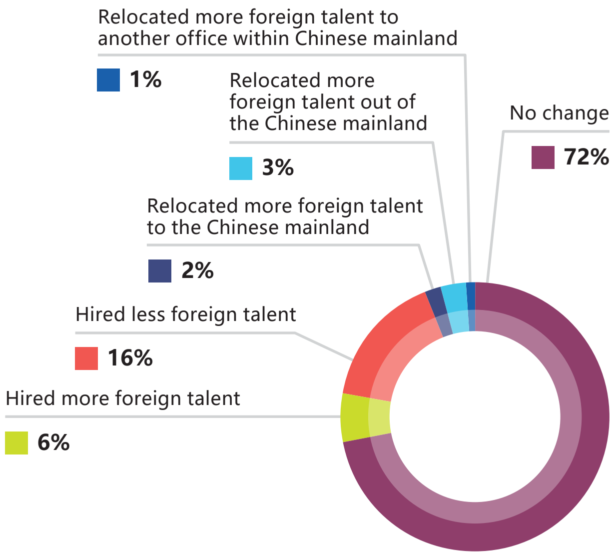
Three fifths of British businesses have been able to find the talent they need to operate and grow their business in mainland China, compared with almost three quarters in 2019. SMEs in particular have struggled more than large multinationals, with only 53% able to find the talent they need to operate at and grow, compared to 74% of large multinationals. Some sectors have also found it easier to find the talent they need – particularly energy (83%), healthcare (75%), and retail and consumer goods (74%) – while others have found it more difficult, namely hospitality, travel and tourism (43%) and food, beverage and agriculture (52%).

HAS IT BECOME EASIER OR MORE DIFFICULT TO ATTRACT CHINESE TALENT TO WORK FOR YOUR ORGANISATION OVER THE PAST YEAR?



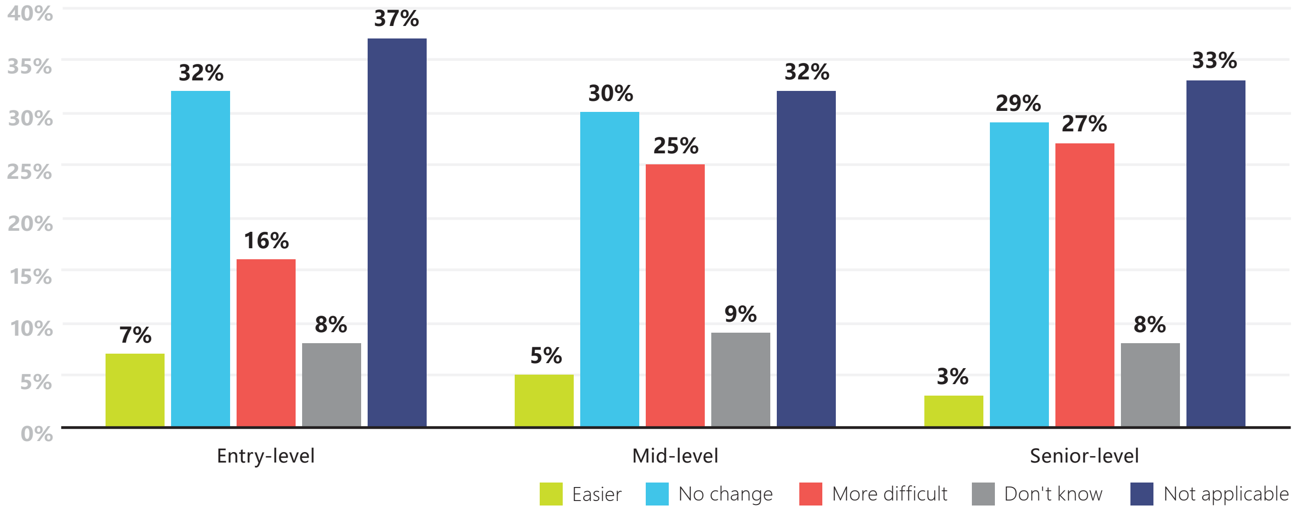
More than half of British businesses report no change in being able to recruit entry-level Chinese staff. However, attracting talent becomes markedly more difficult the more senior the role. While there are no significant differences in the ability to hire Chinese talent at the regional level, some sectors, such as healthcare (36%), the built environment (36%) and energy (32%), are finding it more difficult to hire Chinese talent, senior Chinese talent in particular.

HOW HAS YOUR ORGANISATION'S STRATEGY TOWARDS FOREIGN TALENT IN YOUR CHINA OPERATIONS CHANGED OVER THE PAST YEAR?



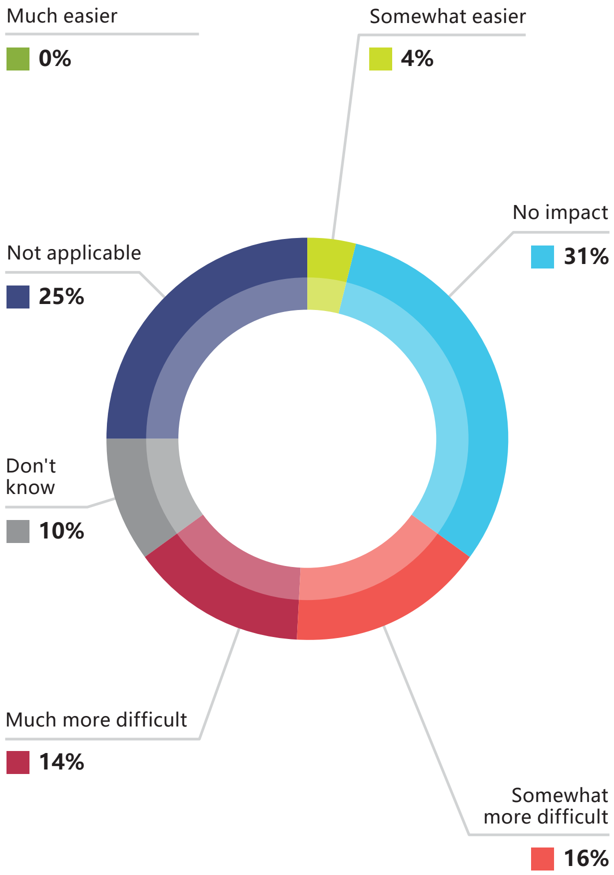
Nearly three quarters of British businesses are maintaining the same organisational strategy towards foreign talent in their China operations in 2020. Yet while 74% of SMEs are making no changes in this area, 13% are hiring fewer foreign employees, which is perhaps a reflection of increased restrictions on entry to the Chinese mainland for foreign passport holders in response to COVID-19.

HAS IT BECOME EASIER OR MORE DIFFICULT TO ATTRACT FOREIGN TALENT TO WORK FOR YOUR ORGANISATION OVER THE PAST YEAR?



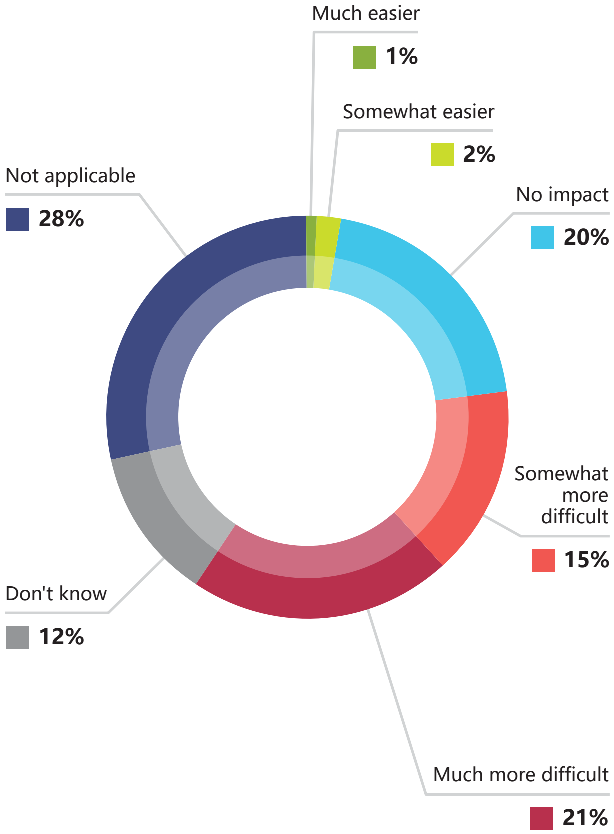
British businesses have generally found no change in their ability to attract foreign talent in the past year, if the question is applicable to them at all. Nevertheless, as in 2019, British businesses are finding that with the long-term uncertainty of 2020, as the seniority of the positions in question increases so too does the difficulty of attracting foreign talent to fill these roles. 27% of British businesses are finding it more difficult to attract senior foreign talent in 2020, while 25% are struggling to attract mid-level foreign talent.

HAS IT BECOME EASIER OR MORE DIFFICULT FOR YOUR ORGANISATION TO OBTAIN WORK VISAS FOR FOREIGN PASSPORT HOLDERS CURRENTLY IN THE CHINESE MAINLAND OVER THE PAST YEAR?



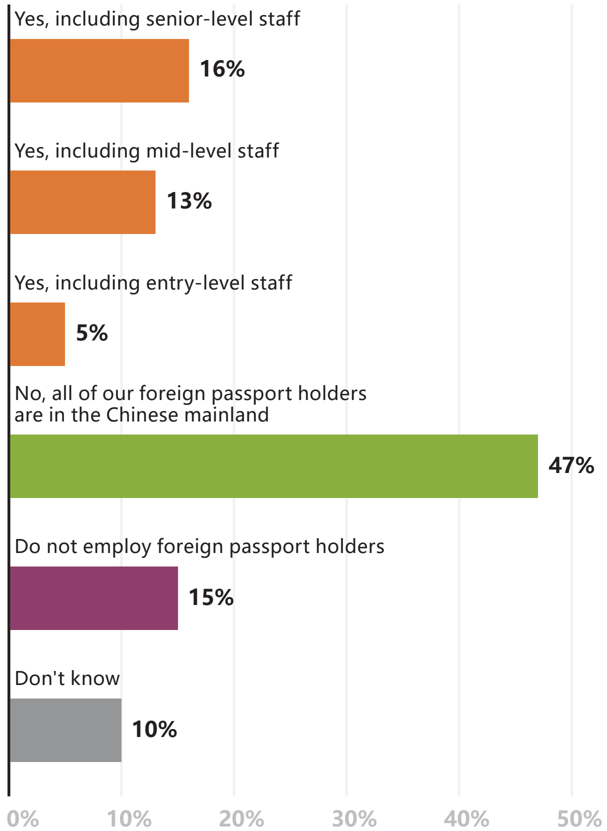
Ongoing travel restrictions throughout 2020 mean that 30% of British businesses are finding it more difficult over the past year to obtain work visas for foreign passport holders currently in the Chinese mainland. However, it should be noted that another third find that it is neither easier nor more difficult in 2020 than it was the previous year. The sectors in which the highest proportion of companies have found it more difficult over the past year to obtain work visas for foreign nationals are hospitality, travel and tourism (48%) and retail and consumer goods (42%).

HAS IT BECOME EASIER OR MORE DIFFICULT FOR YOUR ORGANISATION TO OBTAIN WORK VISAS FOR FOREIGN PASSPORT HOLDERS CURRENTLY OUTSIDE OF THE CHINESE MAINLAND OVER THE PAST YEAR?



More than a third of British businesses have found it more difficult to obtain visas for foreign passport holders currently outside China over the past year – 15% believe it is somewhat more difficult and 21% much more difficult. This is particularly pronounced in Shanghai, where 40% of British companies believe it has become more difficult to obtain visas for foreign passport holders currently outside China in the past year. It is also a particular challenge for the healthcare (53%), education (45%) and financial services (41%) industries.

DOES YOUR ORGANISATION STILL HAVE FOREIGN PASSPORT HOLDERS UNABLE TO RETURN TO THE CHINESE MAINLAND?



28% of British businesses have been unable to bring all their foreign passport holders back to China in 2020, [2] with companies based in the southwest (64%) finding it especially challenging. By comparison, only 27% of Shanghai-based British firms have been unable to bring back foreign staff, while for Beijing the rate is just 19%.

Likewise, some industries report that some of their foreign employees remain abroad by a significant margin, notably 45% of education companies, 44% of financial services companies, 38% of healthcare companies, 30% of creative industry companies and 35% of professional services companies.

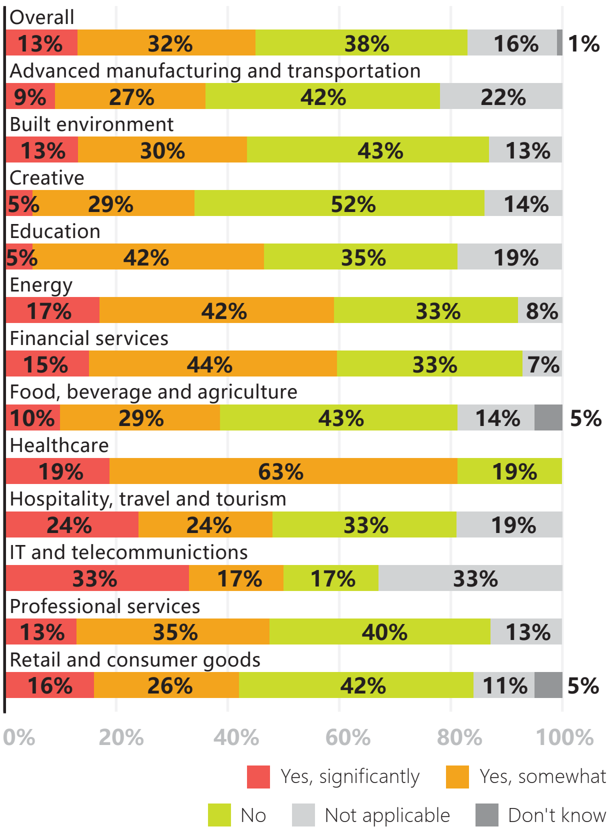
More companies have senior-level staff unable to re-enter the Chinese mainland than entry-level staff which is especially critical given the importance of senior-level staff to the decision-making process.

2 This question was multiple choice, so the percentage has been calculated by subtracting the percentages for 'No, all of our foreign passport holders are in the Chinese mainland', 'Do not employ foreign passport holders' and 'Don't know' from 100%.

7

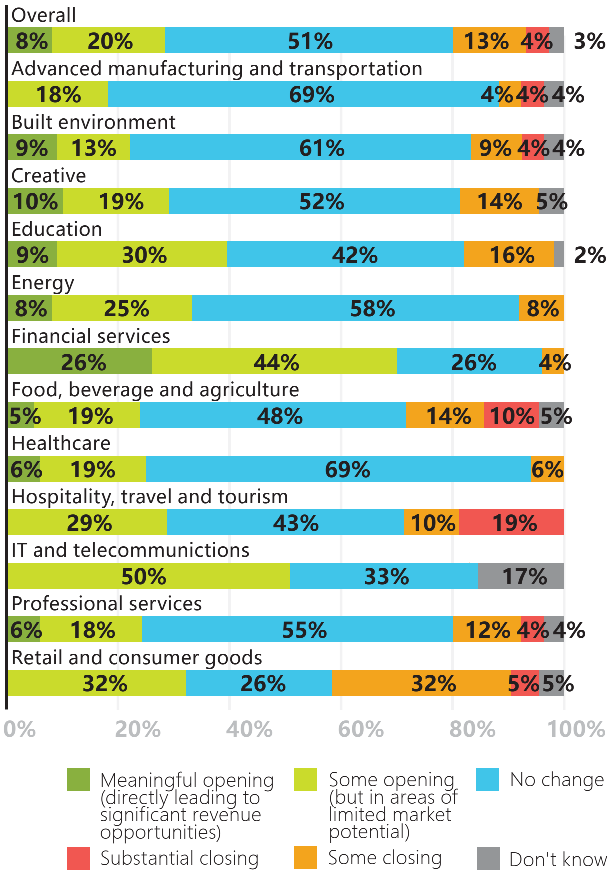
REGULATORY CHALLENGES

DO MARKET ACCESS BARRIERS LIMIT YOUR OPERATIONS IN THE CHINESE MAINLAND?



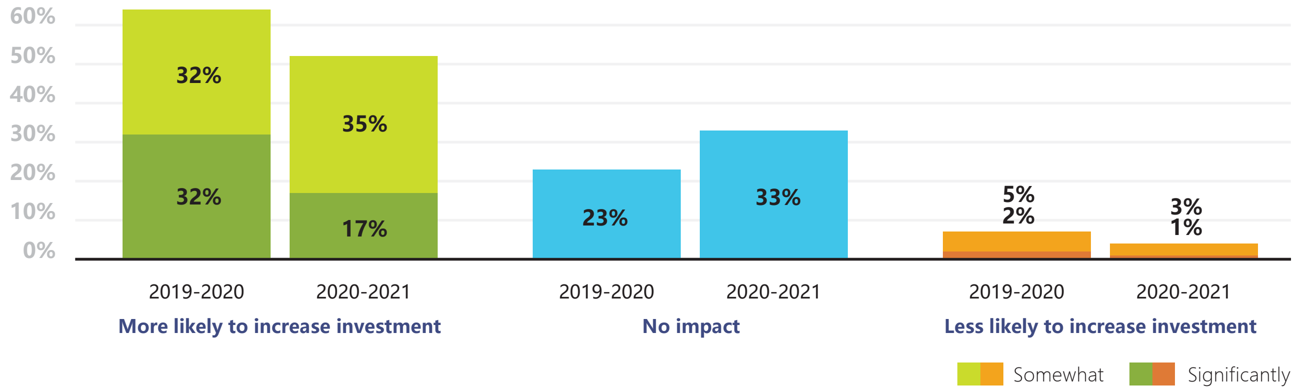
45% British businesses in China find that their operations are impeded by market access barriers. This is down somewhat from last year, when 54% of companies faced such barriers. Healthcare, IT and telecommunications, and energy are the most restrictive sectors, with more than four fifths of healthcare organisations reporting market access restrictions, over half for energy companies. The creative, advanced manufacturing and transportation, and built environment industries also see significant drops year-on-year in the proportion of companies reporting that market access barriers limit their operations, whereas healthcare is the only sector where this proportion increased over the past year. For IT and telecommunications, one third of companies face significant barriers to entry, including a restrictive procurement environment for telecommunications infrastructure and difficulties obtaining value-added telecommunications licences.

HAVE THERE BEEN ANY MEANINGFUL MARKET OPENINGS OR CLOSINGS IN YOUR SECTOR IN THE PAST YEAR?



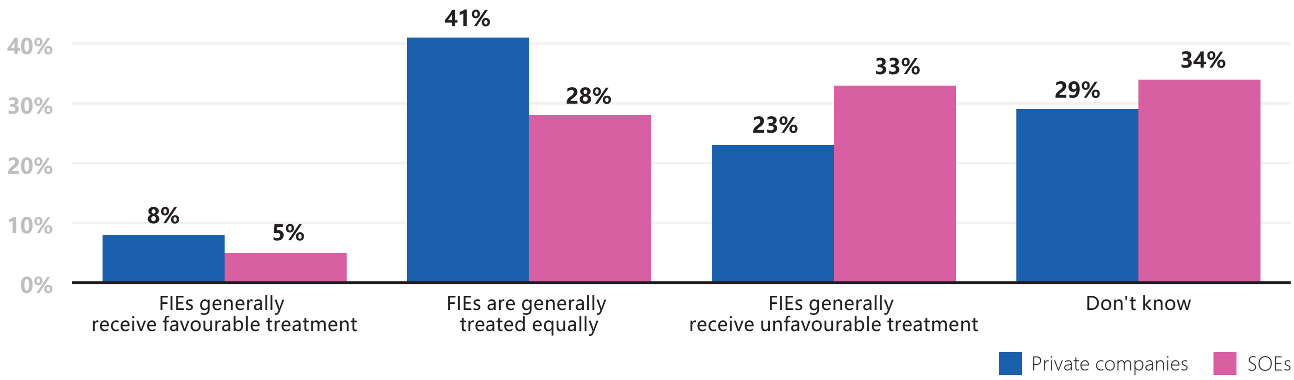
On average, 28% of companies have seen market openings of some form over the past year, although the majority of these are of limited benefit for British businesses. Financial services companies have seen significant openings, including the availability of new types of business licences and the removal of restrictions on overseas investment. Unsurprisingly, a substantial proportion of businesses in the retail and consumer goods, hospitality, travel and tourism, and food, beverage and agriculture sectors have experienced market closings in 2020, as government regulations mandated shops, hotels, and restaurants to close in certain cities during China's COVID-19 lockdown in February and March.

IF GREATER MARKET ACCESS WERE GRANTED TO FOREIGN COMPANIES IN YOUR INDUSTRY, HOW WOULD THIS IMPACT YOUR ORGANISATION'S INVESTMENT DECISIONS IN THE CHINESE MAINLAND?



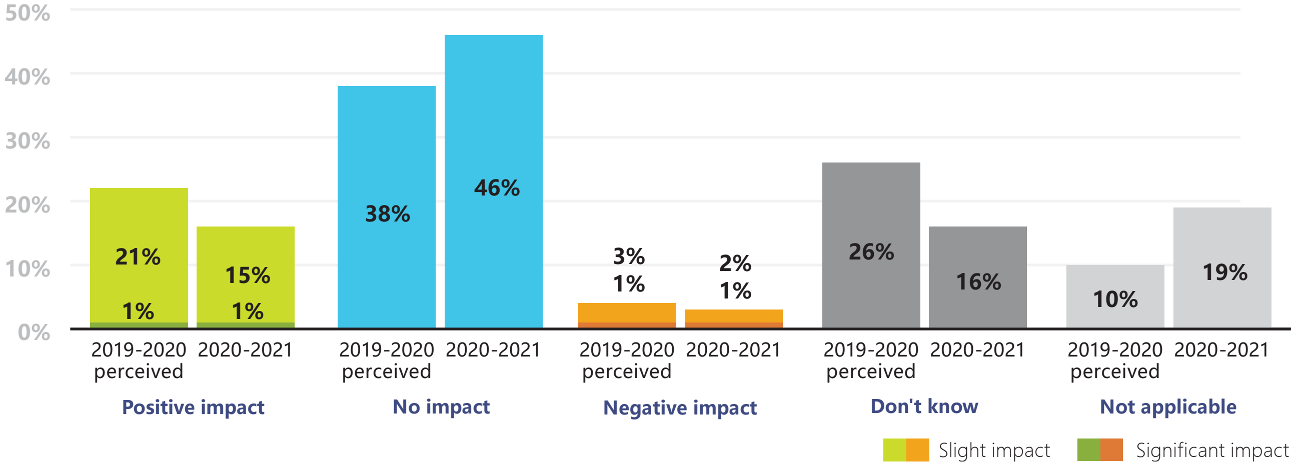
More than half of British businesses would increase their investment in China if greater market access were granted to foreign companies, with 17% reporting that they would significantly increase investment. This is somewhat down from last year where roughly two thirds of companies would have been ready to grow their investments, likely reflecting the impact of economic challenges brought about by COVID-19 on businesses' bottom lines. British large multinationals are much more likely than SMEs to increase investment if market access were improved (66% over 48% respectively). This proportional difference is similar to last year, although in both cases these figures have dropped overall. As a sector that is simultaneously one of the most restricted while also one that has seen the most opening, 70% of British financial services companies would respond to continued liberalisation with more investment. This is certainly a positive indication that market openings are welcome by British businesses and will be met with further investment and job creation if more restrictions on market access are lifted.

HOW DOES YOUR ORGANISATION PERCEIVE FOREIGN-INVESTED ENTERPRISES (FIEs) TREATMENT BY THE CHINESE GOVERNMENT IN YOUR INDUSTRY COMPARED TO THAT OF CHINESE PRIVATE AND STATE-OWNED COMPANIES?



It is clear that British businesses do not yet fully operate on a level playing field with their Chinese counterparts. One quarter of companies believe that FIEs in their industry receive unfavourable treatment compared to Chinese private companies. This perception significantly worsens when concerning competition with SOEs, as businesses in a number of sectors struggle to compete in the face of structural barriers that limit their access to the market and the range of preferential policies enjoyed by SOEs. In both cases, the high proportion of companies reporting 'Don't know' further indicates significant uncertainty around the extent to which they are treated equally relative to Chinese firms. Healthcare (50%), professional services (38%), and financial services (26%) are sectors where a significant proportion of businesses report unequal treatment with Chinese private firms, and in each case this rises when compared with SOEs (63%, 48% and 48% respectively).

WHAT IMPACT HAS THE FOREIGN INVESTMENT LAW HAD ON YOUR ORGANISATION'S ABILITY TO DO BUSINESS IN THE CHINESE MAINLAND SINCE ITS IMPLEMENTATION?



The *Foreign Investment Law* (FIL), implemented at the beginning of 2020, has so far had a limited effect in terms of improving the business environment for British companies in China, particularly when compared to business expectations last year. In the previous year's survey, 22% of companies anticipated that the law would have a positive impact[3] but, since its implementation, only 16% have actually seen a material benefit to their operations. Similarly, 46% of companies have seen no impact from the FIL on their operations in its first year, which is up on 38% of companies predicting it would have no impact on them prior to the law coming into effect. The proportion of companies reporting no impact is highest in the energy (75%), professional services (57%) and healthcare (50%) sectors, as well as among businesses in southwest China (82%).

Among companies that have seen market opening over the past year, 24% also report that the FIL has had a positive impact, up from the average of 16% for all companies. This is equally the case for 25% of the businesses which report that enforcement of laws and regulations has improved over the past year. On the other hand, however, for businesses that report there have been no change in market openings or closings over the past year, 54% report no impact from the FIL compared to 46% on average, and among companies for which market access barriers limit their operations, 53% have not seen any tangible impact from the FIL in removing these barriers.

3 Last year's survey measured the perceived impact of the FIL prior to its implementation.

PLEASE ASSESS THE FOLLOWING REGULATORY CHALLENGES ON YOUR OPERATIONS IN THE CHINESE MAINLAND IN TERMS OF IMPACT ON YOUR ORGANISATION'S CURRENT ABILITY TO DO BUSINESS.

RANKING	Regulatory Challenge	COMPARISON TO 2019-2020 RANKING
1	Navigating cybersecurity and IT restrictions	—
2	Accessing or moving company finances	—
3	Competition with SOEs or state-owned competition	—
4	Employing foreign staff	↑ 1
5	Alignment with international standards	No Comparison
6	Enforcement of laws and regulations	↑ 2
7	Taxation landscape for foreign firms	↑ 3
8	Customs requirements	↑ 1
9	Obtaining business licences and certificates	↓ 4
10	Transparency and consultation ahead of regulatory changes	↓ 3
11	Intellectual property rights protection	↑ 1
12	Public procurement policy and practices	↓ 1
13	Recognition of professional qualifications	—
14	Employing local staff	—

The most burdensome regulatory challenges faced by British businesses in China remain the same as last year. The ability to navigate cybersecurity and IT restrictions continues to be the predominant concern for British businesses in China for the third year running. This is the case for both large multinationals and SMEs, which is in line with expectations given its centrality to the global operations of companies in increasingly connected and data-driven markets. Accessing and moving company finances and competition with SOEs also remain the second and third priority issues respectively, with little material progress in the liberalisation of capital controls or the removal of structural barriers that inhibit foreign companies from competing with SOEs on a level playing field.

SO	Competition with SOEs or state-sponsored competition
IT	Navigating cybersecurity and IT restrictions
BL	Obtaining business licences and certificates
CR	Customs requirements
LR	Enforcement of laws and regulations
TL	Taxation landscape for foreign firms
PQ	Recognition of professional qualifications
CF	Accessing or moving company finances

Advanced manufacturing and transportation

	AEROSPACE AND AVIATION	AUTOMOTIVE AND AUTO COMPONENTS	MANUFACTURING	TRANSPORTATION, LOGISTICS AND DISTRIBUTION
Increasing or decreasing investment	↑	–	↑	–
Top regulatory challenge	IT	ST	CR	TL
Challenge 2	PP	IT	IT	CR
Challenge 3	SO	LR	CF	IT

Built environment

	CIVIL ENGINEERING	REAL ESTATE DEVELOPMENT	BUILT ENVIRONMENT SERVICES
Increasing or decreasing investment	–	↑	–
Top regulatory challenge	SO	SO	SO
Challenge 2	CF	PP	IT
Challenge 3	ST	IT	CF

Creative

	MARKETING AND COMMUNICATIONS	MEDIA AND PUBLISHING
Increasing or decreasing investment	–	↑
Top regulatory challenge	IT	CF
Challenge 2	TL	IT
Challenge 3	CF	ST

Education

	EDUCATION
Increasing or decreasing investment	↑
Top regulatory challenge	IT
Challenge 2	FS
Challenge 3	CF

Energy

	ENERGY
Increasing or decreasing investment	↑
Top regulatory challenge	SO
Challenge 2	PP
Challenge 3	IT

Food, beverage and agriculture

	AGRICULTURE	FOOD AND BEVERAGE
Increasing or decreasing investment	↑	↑
Top regulatory challenge	CF	CF
Challenge 2	IT	CR
Challenge 3	CR	LR

Financial services

	FINANCIAL SERVICES
Increasing or decreasing investment	↑
Top regulatory challenge	IT
Challenge 2	LR
Challenge 3	SO

TC	Transparency and consultation ahead of regulatory changes	ST	Alignment with international standards
FS	Employing foreign staff	↑	Increasing investment
LS	Employing local staff	—	No change
PP	Public procurement policy and practices	↓	Decreasing investment

Hospitality, travel and tourism

	HOSPITALITY	TRAVEL, TOURISM AND LEISURE
Increasing or decreasing investment	No change	Increasing investment
Top regulatory challenge	FS	CF
Challenge 2	ST	BL
Challenge 3	LS	IT

Healthcare

	HEALTHCARE SERVICES	MEDICAL DEVICES	PHARMACEUTICALS
Increasing or decreasing investment	No change	Increasing investment	Increasing investment
Top regulatory challenge	IT	ST	IT
Challenge 2	ST	IT	CF
Challenge 3	SO	PP	PP

IT and telecommunications

	IT AND TELECOMMUNICATIONS
Increasing or decreasing investment	Increasing investment
Top regulatory challenge	TL
Challenge 2	IT
Challenge 3	TC

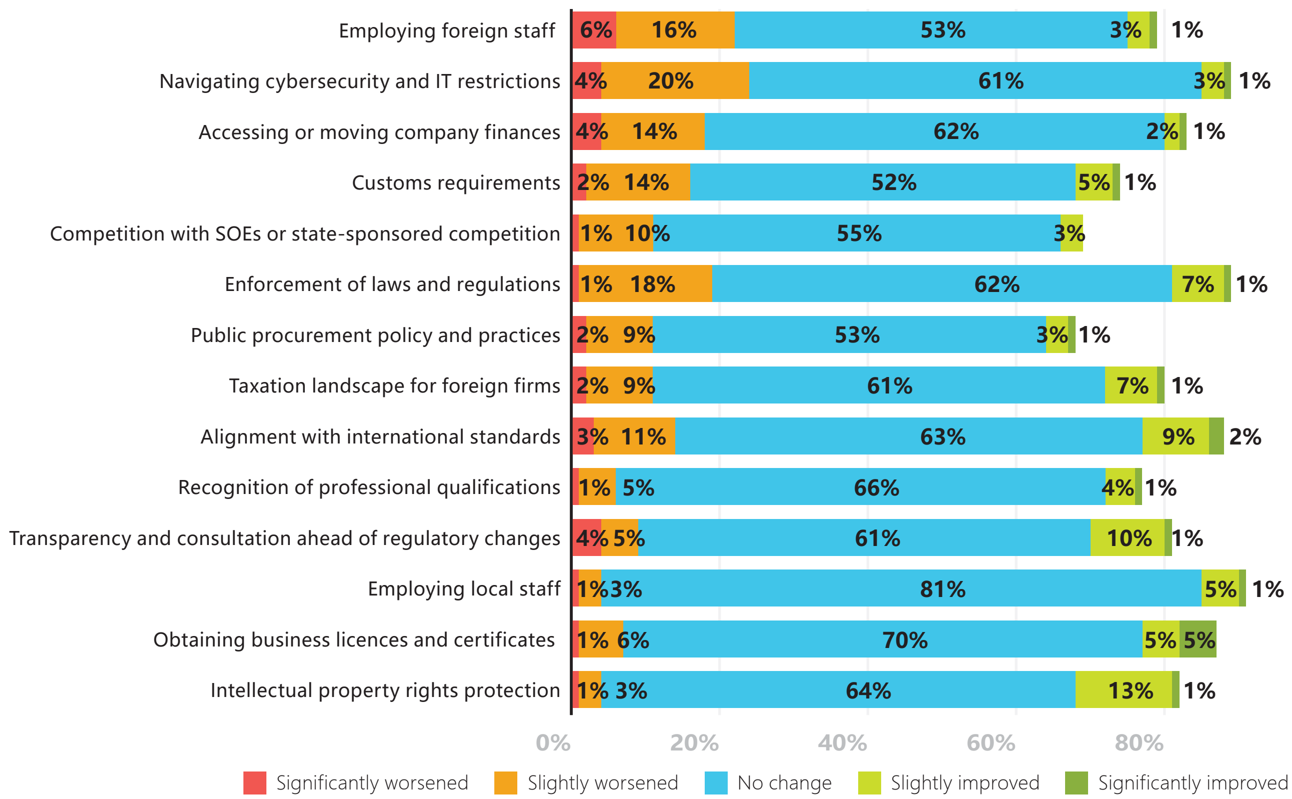
Retail and consumer goods

	RETAIL AND CONSUMER GOODS
Increasing or decreasing investment	Increasing investment
Top regulatory challenge	CF
Challenge 2	CR
Challenge 3	ST

Professional services

	ACCOUNTANCY	BUSINESS ADVISORY	LEGAL
Increasing or decreasing investment	No change	No change	Increasing investment
Top regulatory challenge	SO	SO	FS
Challenge 2	FS	ST	TL
Challenge 3	CF	IT	LR

PLEASE ASSESS THE FOLLOWING REGULATORY CHALLENGES ON YOUR OPERATIONS IN THE CHINESE MAINLAND IN TERMS OF CHANGE IN IMPACT ON YOUR OPERATIONS OVER THE PAST YEAR.

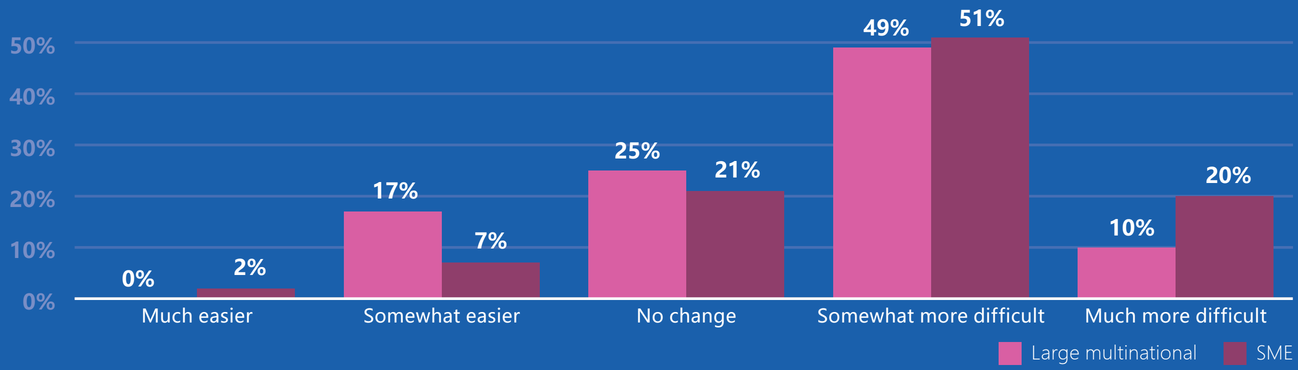


The majority of British companies have seen little material change in the intensity of impact that regulatory challenges have had on their operations in China over the past year. However, government policies and regulations have had an influence in either improving or exacerbating existing challenges facing businesses in some areas. For example, following the global spread of COVID-19 around the world and the subsequent decision by the Chinese authorities to close the country's borders in response, the ability of companies to hire foreign staff has unsurprisingly deteriorated the most. The impact of cybersecurity and IT restrictions continues to worsen, following an intensification of regulation and vague language and definitions in key emerging legislation. In addition, daily operational challenges, such as the need to access work systems remotely, will likely have become more apparent when employees worked out of the office.

On the other hand, China's intellectual property (IP) landscape continues to improve for British businesses following amendments to numerous IP legislation over the past year and a concerted effort by the government to tackle infringement. The ability to obtain business licences and certificates has similarly improved for companies in most sectors, particularly creative, AMT and energy, owing to numerous reforms streamlining application processes and increases to the number of licences foreign businesses are eligible to apply for.

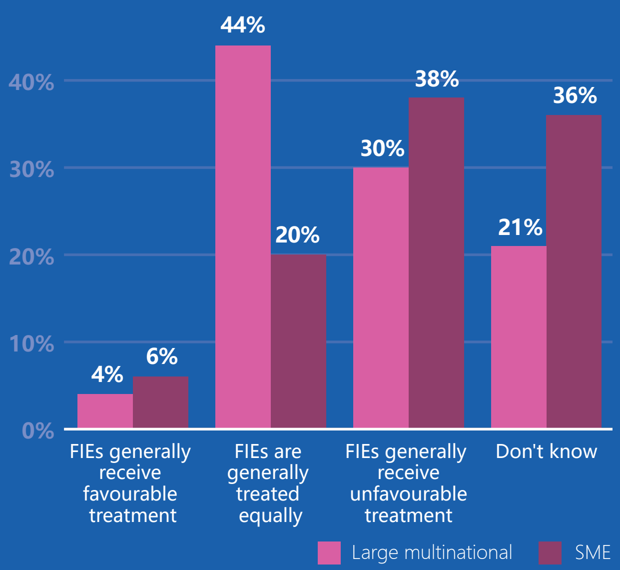
LARGE MULTINATIONAL COMPANIES VS. SMALL AND MEDIUM-SIZED ENTERPRISES

HAS DOING BUSINESS IN THE CHINESE MAINLAND BECOME EASIER OR MORE DIFFICULT OVER THE PAST YEAR?



While businesses of all sizes have seen a deterioration in the ability to do business over the past year, this is especially acute for SMEs. While 25% of large British multinationals report no change from last year in ease of doing business, 59% believe that doing business has become more difficult, while just 17% claim it has become easier. SMEs in the Chinese mainland are finding it even more challenging, with 71% saying it is more difficult, 21% reporting no change and just 9% claiming it is easier.

HOW DOES YOUR ORGANISATION PERCEIVE FOREIGN-INVESTED ENTERPRISES (FIES) TREATMENT BY THE CHINESE GOVERNMENT IN YOUR INDUSTRY COMPARED TO THAT OF CHINESE STATE-OWNED ENTERPRISES?



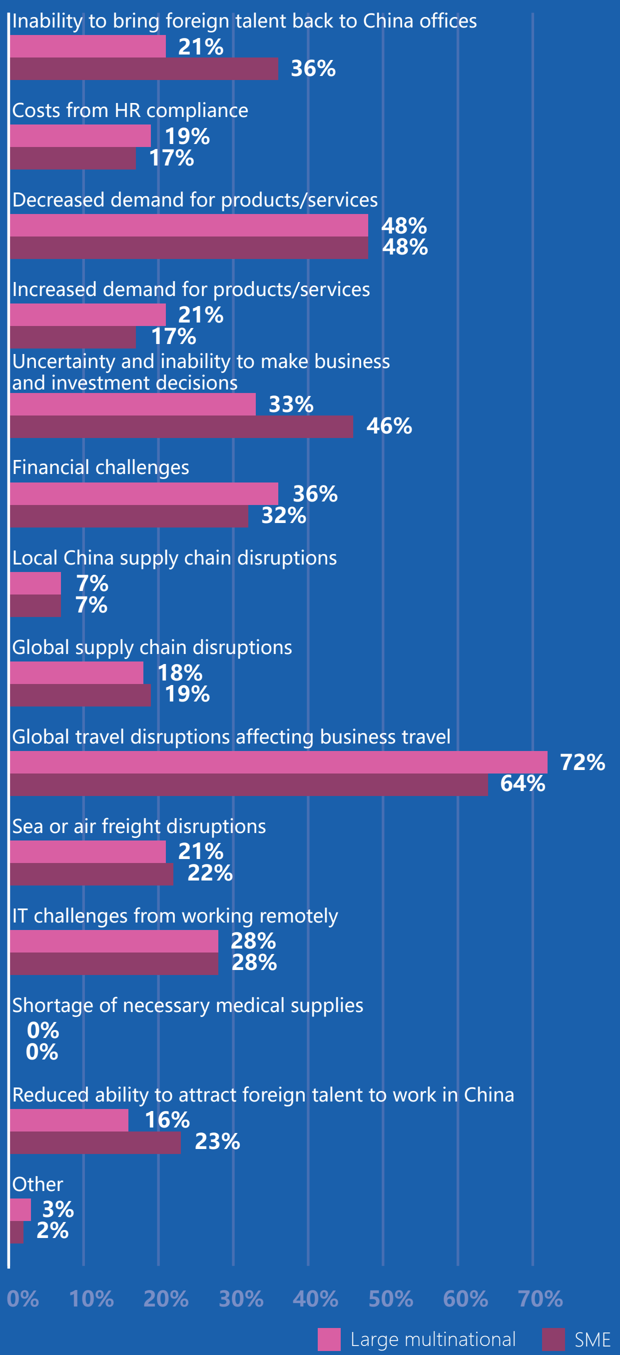
Just over half of multinationals believe they receive equal treatment from the Chinese government compared to that of Chinese private companies, though this figure falls to one third for SMEs.

The disparity between large multinationals and SMEs regarding perception of fair treatment rises when applied to competition when SOEs. In this situation, only 44% of large multinationals believe they are treated fairly by the Chinese government, dropping to 20% for SMEs. A large proportion of SMEs instead are unsure whether or not they are treated favourably.

Large multinational	SME
1. Navigating cybersecurity and IT restrictions	1. Navigating cybersecurity and IT restrictions
2. Competition with SOEs or state-sponsored competition	2. Accessing or moving company finances
3. Alignment with international standards	3. Employing foreign staff

While navigating cybersecurity and IT restrictions remains the top concern for both MNCs and SMEs, beyond this there are significant differences between their other areas of concern. The second-greatest concern for SMEs is accessing finances, which remains the same as last year. Regulatory pressures on employing foreign staff, likely due to COVID-19 travel restrictions, have meant that it has replaced obtaining business licences and certificates in this year's ranking. Whereas SMEs are less likely to operate in the industries in which SOEs dominate and are not exposed to direct competition, large multinationals cite competition with SOEs as their second most pressing concern.

HOW IS COVID-19 CURRENTLY IMPACTING YOUR ORGANISATION'S OPERATIONS IN THE CHINESE MAINLAND?

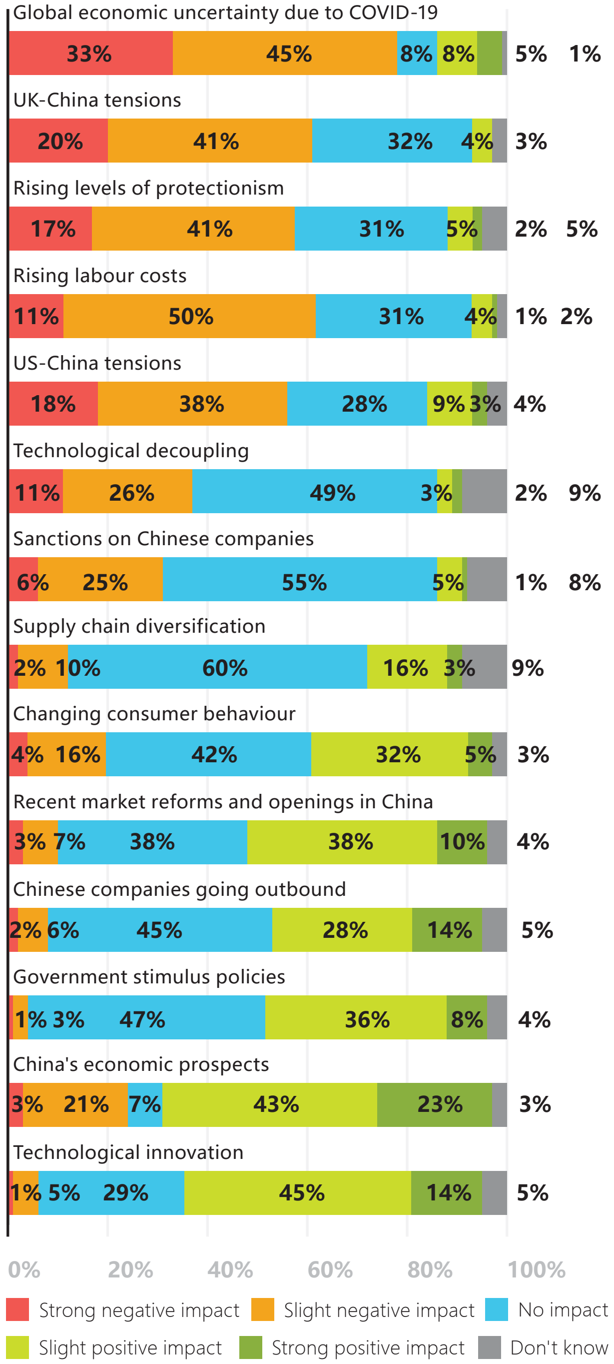


While overall the impact of COVID-19 on business in China is lower now than it was at the height of the outbreak in February 2020, challenges remain for both large multinationals and SMEs, albeit in different areas. Large multinationals are far more likely to still face restrictions on their ability to conduct business travel due to global travel disruptions, whereas SMEs feel less certain about their business and investment decisions and face greater challenges in both bringing back foreign employees and in attracting new foreign talent to their organisation, relative to large multinationals.

8

POLITICAL AND ECONOMIC TRENDS

PLEASE ASSESS THE FOLLOWING TRENDS IN TERMS OF THEIR IMPACT ON YOUR ORGANISATION'S PROSPECTS IN THE CHINESE MAINLAND OVER THE NEXT YEAR

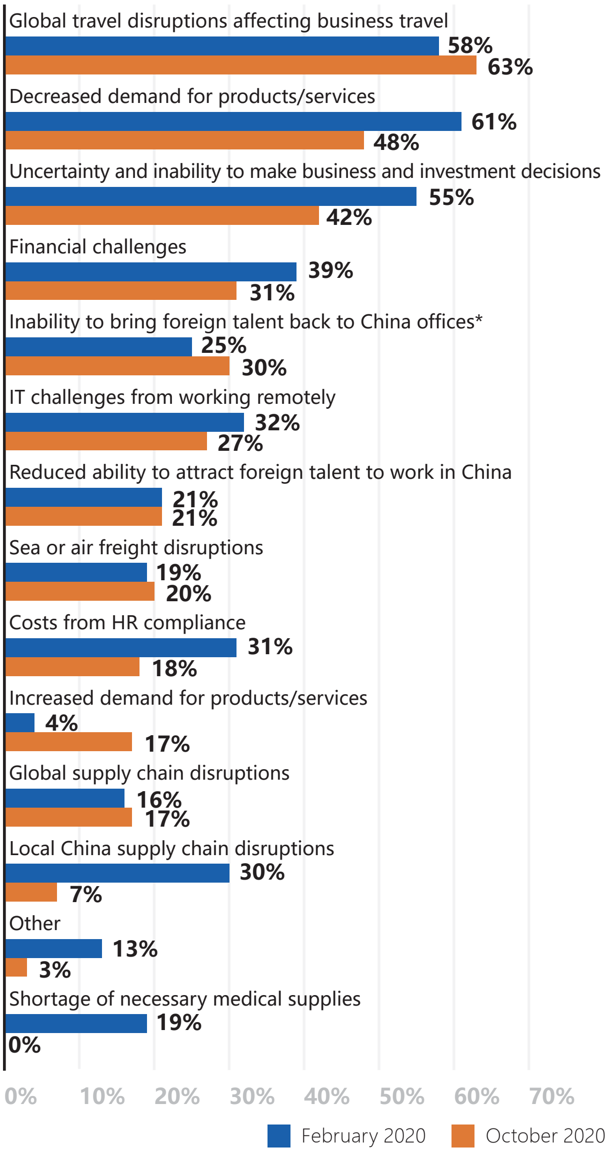


Given the substantial impact it has had on businesses and economies around the world, it comes as no surprise that more than three quarters of companies report that they estimate COVID-19 will continue to have a negative impact on their prospects for 2021, making it the trend of most concern for British businesses in China by a significant margin. This is followed by UK-China tensions, which is measured for the first time this year. 61% of companies believe that the state of UK-China relations will have a negative impact on their prospects, with 20% projecting it to have a strong negative impact.

Firms are similarly concerned by rising protectionism and labour costs, with roughly three in five companies foreseeing a negative impact from these trends in the coming year. Interestingly, although US-China relations have significantly deteriorated over the past year, companies have downgraded the strength of the negative impact they believe it will have on their prospects for 2021. This could possibly be due to expectations of a new incoming US administration and a subsequent change in strategy towards China. The exceptions to this are the healthcare and the IT and telecommunications industries, both of which list US-China tensions as their most pressing concern.

There is a sustained positivity towards the benefits of technological innovation for British companies going into 2021, as 60% of companies express that it will be a positive trend for their operations. This is followed by China's economic prospects which, despite registering a higher proportion of companies reporting it as a positive trend, is also believed to have a slight negative impact by 21% of companies.

HOW IS COVID-19 CURRENTLY IMPACTING YOUR ORGANISATION'S OPERATIONS IN THE CHINESE MAINLAND?

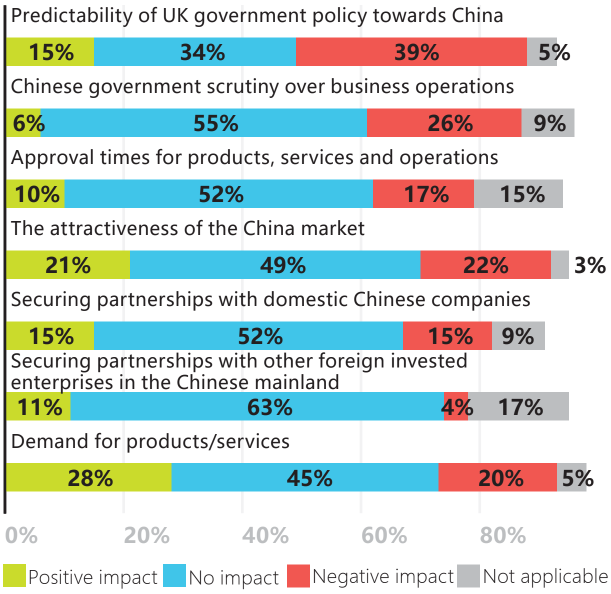


* In February 2020 this asked more broadly about 'Staffing shortages' to reflect local and global travel restrictions, but this was changed to 'Inability to bring foreign talent back to China offices' to reflect the lifting of local travel restrictions.

Across most areas, the material impact of COVID-19 on British businesses' day-to-day operations has lessened since February 2020, now that the outbreak has largely been contained in China at time of writing. The key exception to this is the constrictions that global travel disruptions have placed on business travel, which has grown in influence to replace decreased demand for products or services as the leading challenge.[4] In line with expectations, this is vastly more disruptive to large multinationals, 71% of whom report it as an issue. Nevertheless, decreased demand continues to impact 48% of businesses overall, followed by uncertainty and inability to make business decisions caused by the pandemic. Few, if any, companies currently face shortages of necessary medical supplies or disruptions to local supply chains as a result of COVID-19.

4 'British Business in China: The Impact of COVID-19', British Chambers of Commerce in China, Februa ry 2020.

WHAT IMPACT HAS CURRENT UK-CHINA RELATIONS HAD ON YOUR BUSINESS OPERATIONS WITHIN THE CHINESE MAINLAND IN THE FOLLOWING AREAS?



The negative impact UK-China relations have had on businesses is largely rooted in both difficulties predicting British government policy towards China and in concerns around increased Chinese government scrutiny over business operations as a result of growing tensions. The latter is the predominant concern for larger multinationals, while the former is particularly challenging for SMEs. They are also much more likely than larger multinationals to anticipate a negative impact from increases in approval times for licences around their products, services or operations.

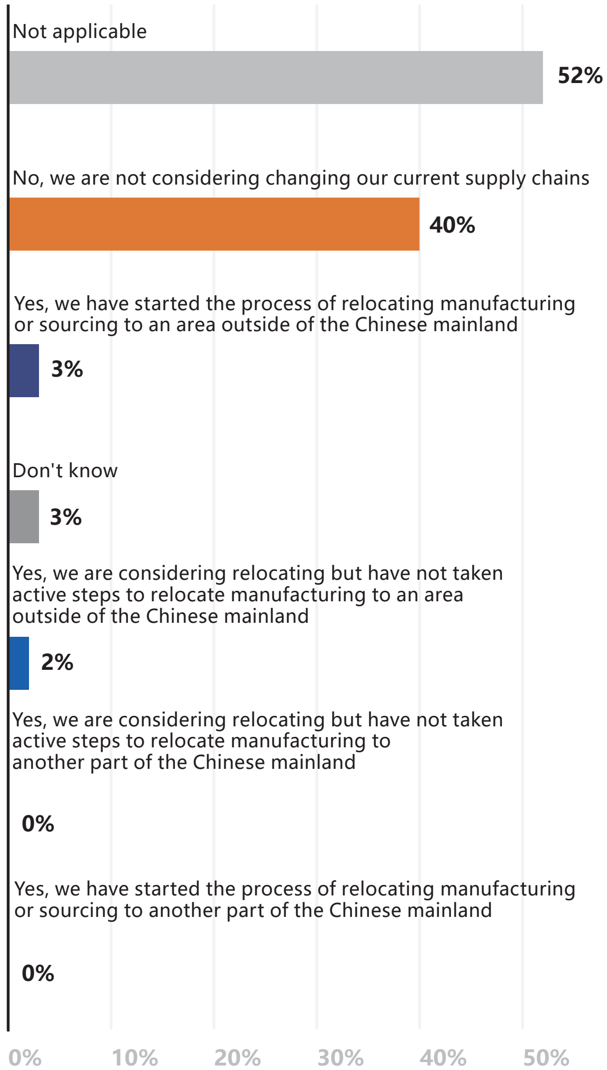
Encouragingly, businesses have largely seen no impact so far on their ability to partner with Chinese companies in-market. Its impact on demand for products and services is also inconclusive – while the largest proportion of firms believe relations will have no impact on demand (45%), slightly more firms believe that it will have a positive impact (28%) than a negative one (20%).

WHAT ACTIONS HAS YOUR ORGANISATION TAKEN OR IS CONSIDERING TAKING IN RESPONSE TO GEOPOLITICAL TENSIONS INVOLVING CHINA?

Roughly half of British businesses are taking some form of action as a result of geopolitical tensions involving China. However, these actions seem to vary significantly, with an equal number of companies (14%) accelerating investment decisions and delaying or cancelling investment decisions. Only 3% are considering leaving the China market completely as a result of geopolitical tensions. 44% of companies are not taking any action at all.

At an industry level, healthcare companies and companies in hospitality, travel and tourism are slightly more likely to be taking action, with one in five companies in both sectors considering relocating certain business functions out of the China market. Furthermore, 21% of healthcare companies plan on delaying or cancelling investment decisions.

IS YOUR ORGANISATION CONSIDERING OR IS IT ALREADY IN THE PROCESS OF RELOCATING MANUFACTURING OR SOURCING OUTSIDE OF THE CHINESE MAINLAND?



The question of supply chain relocation is largely irrelevant to just over half of British businesses in China, which report that they do not source from or manufacture in the Chinese mainland. Of those companies that do source or manufacture in China, 88% report that they are not considering changing their current supply chains.[5] Only 3% of companies have actively started relocating manufacturing or sourcing to an area outside of the Chinese mainland, despite growing political pressures to decouple from China and initial expectations that the pandemic would lead to a significant reordering of global supply chains away from China.

5 40% of total respondents.

Top potential outcomes from a free trade agreement with China in terms of their impact on British organisations in the Chinese mainland*

1	Full ability to transfer capital between the UK and China
2	Removal of tariffs on imports into each other's market
3	Facilitation of obtaining business licences and certificates
4	Facilitation of the movement of people between the UK and China
5	More efficient, predictable and transparent customs procedures
6	Agreements on regulatory transparency
7	Strengthened IP protection
8	Mutual recognition of professional qualifications
9	Elimination of government subsidies on exports into each other's market
10	Alignment on standards
11	Creation of a bilateral tax agreement
12	Alignment with international standards on data protection
13	National treatment regarding investment capabilities
14	Agreements on dispute settlement mechanisms
15	Mutual recognition of track records or capabilities

*This question initially asked respondents to rank their top five desired outcomes.

While there is some variation between different sectors on their preferred outcomes for an FTA between the UK and China, companies would most benefit from the full ability to transfer capital between the two countries, removal of tariffs on imports and the facilitation of obtaining business licences and certificates. Goods industries are generally more likely to prioritise the alleviation of tariffs, while services believe they would benefit most from the removal of capital controls. While free movement of labour ultimately ranked fourth, it was the second highest choice for SMEs and the top choice for companies in the education sector.

	Advanced manufacturing and transportation	Built environment	Creative	Education
1	TA	BL	TC	MP
2	CP	TC	TA	TC
3	TC	PQ	MP	BL
4	RT	IP	DP	PQ
5	AS	MP	CP	TA

	Energy	Food, beverage and agriculture	Financial services	Healthcare
1	TA	TA	TC	TA
2	BL	CP	BL	RT
3	TC	TC	NT	IP
4	BT	AS	RT	DP
5	AS	NT	MP	AS

	Hospitality, travel and tourism	IT and telecommunications	Professional services	Retail and consumer goods
1	TC	TC	TC	TA
2	CP	BL	TA	TC
3	TA	NT	BL	CP
4	MP	BT	CP	MP
5	AS	RT	PQ	BL

TC	Full ability to transfer capital between the UK and China
TA	Removal of tariffs on imports into each other's market
BL	Facilitation of obtaining business licences and certificates
MP	Facilitation of the movement of people between the UK and China
CP	More efficient, predictable and transparent customs procedures
RT	Agreements on regulatory transparency
IP	Strengthened IP protection
PQ	Mutual recognition of professional qualifications
GS	Elimination of government subsidies on exports into each other's market
AS	Alignment on standards
BT	Creation of a bilateral tax agreement
DP	Alignment with international standards on data protection
NT	National treatment regarding investment capabilities
DS	Agreements on dispute settlement mechanisms
TR	Mutual recognition of track records or capabilities

ABOUT THE BRITISH CHAMBERS OF COMMERCE IN CHINA

The British chambers of commerce in China are a collective of membership organisations in the Chinese mainland focused on providing advocacy, business support and networking opportunities for British business in China. We operate as independent, not-for-profit organisations with a strong and diverse membership. The British Chamber of Commerce in China was established in Beijing in 1981 shortly after reform and opening up was launched, and the British Chamber of Commerce Shanghai extends back to 1915. For more than 100 years, the British chambers of commerce in China have brought the British business community together to help them thrive in one of the world's fastest growing markets.

Our chapters across Beijing, Guangdong, Shanghai and Southwest China build a sense of community for member companies through social and informative events held across the country. Through our British Business Awards and China Social Impact Awards, we recognise individuals and companies who represent excellence in innovation, enterprise and endeavour in the British and Chinese business communities. A variety of events service the needs of British business, providing insights on government policy and business trends and fostering a vibrant community with shared interests.

Our advocacy work seeks to promote a strong, inclusive, and prosperous operating environment for businesses of all backgrounds to succeed in China. Two important annual advocacy initiatives include the publication of the Business Sentiment Survey and the Position Paper. The former takes the pulse of British businesses in China on a series of issues, including their reflections on the past year's business environment, their most pressing market access issues and their views on current events that affect their business. Our Position Paper lays out the key recommendations of British business operating on the ground in China and aims to improve the business environment for British companies in China.

Created in partnership with Deloitte China

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The British chambers of commerce in China would like to thank all respondents for their time filling out the survey. We also thank our Executive Committee for their guidance and insights, and to Anika Patel, Will Miller, Yiai Zhang and Maya Torrens for their work on the survey design, data analysis and drafting process. We are also grateful to Practical Translations for their translation services, and Boglárka Miriszlai for designing the report.

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