

Press Release

2012 Business Climate Survey

“Optimism about the future growth in 2012 is shared by most interviewed companies”

Beijing, November 24th - Conducted by the French Chamber of Commerce and Industry in China (CCIFC) in cooperation with IFOP, the French Business Climate Survey 2012 is the first most representative independent business survey of its kind in China.

The Business Climate Survey has been developed to provide insight into French business confidence in the Chinese market:

- It provides insight into the current business environment encountered by French companies in China;
- Moreover, the survey identifies the reasons why the French business community is adopting certain business strategies and also assesses the challenges faced by their operations in China.

It is not a census, but a survey conducted on a sample of companies ; and looking into stated behaviors and opinions from representatives of such companies. The results of this survey reflect responses and opinions of individuals.

The survey will be conducted and published annually.

Methodology

Introduced as an initiative for the French Chamber, this Business Climate Survey was conducted in two phases:

1. Quantitative research :

This first phase administrated online.

- The fieldwork started on July 5th and ended on July 26th, 2012
- Most respondents hold a direction position in their respective company (Ex. managing director, general manager, operations director, area manager, HR manager, secretary general, etc.).
- The survey covered mostly tier 1 cities, but also the rest of the country, depending on the location of the respondents
- In total, 138 people responded to the questionnaire
- The questionnaire covered the following topics:

Previous & Current strategy in China

Evaluation of the business environment (opportunities and threats)

Anticipation of future developments

2. Qualitative follow up:

In order to get more in-depth understanding of the findings from the quantitative research, several individual interviews were conducted ; with a focus on the various challenges the respondents had stated their company is faced with.

Executive Summary

The results of French Chamber's first Business Climate Survey 2012 reveal that interviewed French companies are generally doing well.

These French companies also seem to encounter various issues on the Chinese market. However, the majority of the expatriates from these companies express a global optimism about business in China.

The three key messages from this survey and the comments made are the following:

1. China is viewed as a more strategically important market than ever before

Despite various challenges foreign companies may encounter, presence in China is a must...

"We do not have the choice. Our first market is about our XX machines, and nowadays, half of the XX machines around the world are made in China. We must be in China, and there is no choice. Then the question is how to do business in China and how to avoid the risks that goes with."

... Almost half of the interviewed companies report that their revenue results have significantly improved in 2011.

Beyond being a "must", China is also synonymous with huge opportunities in the future:

"Activity and business prospect are excellent"/"Perspectives are optimistic"

2. Challenges and difficulties have intensified

Labor shortage is becoming a big issue for French companies in China, especially for those with a significant revenue growth; 74% of the interviewed companies also recognize the challenge of labor cost rising more and more in China:

The protection of Intellectual Property rights is another serious issue during the development of these French companies in China

The majority of the French companies interviewed acknowledge that they miss out business opportunities in China due to regulatory barriers, market access, or even unequal license attributions French companies are also facing the pressure of domestic companies, especially in terms of price

Finally, nearly half of the respondents admit that the RMB appreciation and inflation represent a significant risk to their activity and even more so for the macro economic environment

"Any appreciation of the RMB has a direct impact on our margin"

3. Optimism about the future growth in 2012 is however shared by



most interviewed companies



Most companies are rather optimistic in terms of revenue growth for the coming years.

Investments will improve, and companies plan to expand deeper into China
Above all, business in China for French companies has been profitable for almost half of them – still meaning there is room for improvement for the others...

Greenfield activity companies claimed higher growth rates vs others in 2011

Greenfield activity companies feel more optimistic regarding the future in terms of both productivity improvements and growth. They also feel more protected from IP rights infringement than JV companies do, more likely to meet copyright issues and interest conflicts.

“Look at what happened to some of our French companies [...] A JV is simply more risky”

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About CCIFC

Established in 1992, the French Chamber of Commerce and Industry in China (CCIFC) is a non-profit organization, which represents French companies doing business in China. The French Chamber has branches in Beijing, Shanghai and Guangzhou, offices in Shenzhen and Chengdu and representatives in Chengdu, Chongqing, Dalian, Kunming, Qingdao, Tianjin, Wuhan, Shenyang and Xiamen. Our main mission is to advocate all our members' interests, from the largest companies to SMEs, within the business community, by informing and lobbying Chinese authorities and local decision-makers.

The French Chamber is part of the French Union of Chambers of Commerce and Industry Overseas (UCCIFE). The French Chamber's membership comprises a network of more than 1,387 member organisations. Its Board of Sponsors consists of 51 groups and companies and the chamber has a team of 40 permanent French and



Chinese staff. As a non-profit organization, the French Chamber has a steering committee of 30



members.

www.ccifc.org

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