

# **The Impacts of Chinese Zero-COVID Policies in European and Brazilian Business in China, with Emphasis in Consumer Goods**

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## **CHINA**

### **BEFORE PANDEMIC**

- ✓ Peculiar political and economic system
- ✓ Bureaucracies
- ✓ Rising middle class and rich and super rich consumers
- ✓ Travels and shopping overseas
- ✓ Preference for international brands
- ✓ Chinese consumer goods companies – mostly OEM, marketed by other brands

### **DURING THE PANDEMIC**

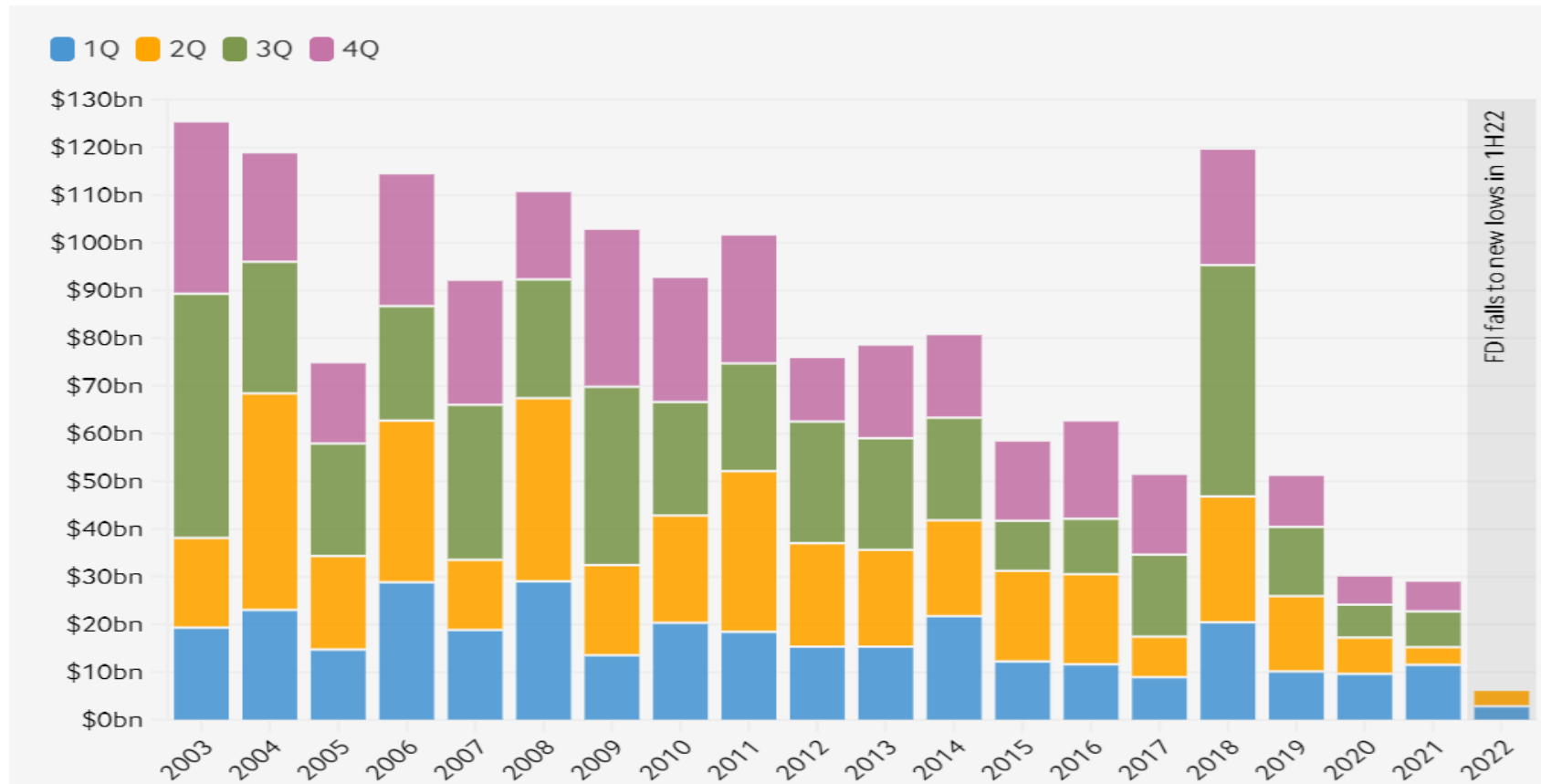
- ✓ Intense governmental propaganda and incentives
- ✓ Additional bureaucracies and closed borders to foreigners
- ✓ Foreign firms exodus

### **AFTER THE PANDEMIC**

- ✓ More conscious consumer class – attentive to prices – and appreciate Chinese brands – less confident about the world economy
- ✓ Guochao trend, increased profits and sales of Chinese CG companies



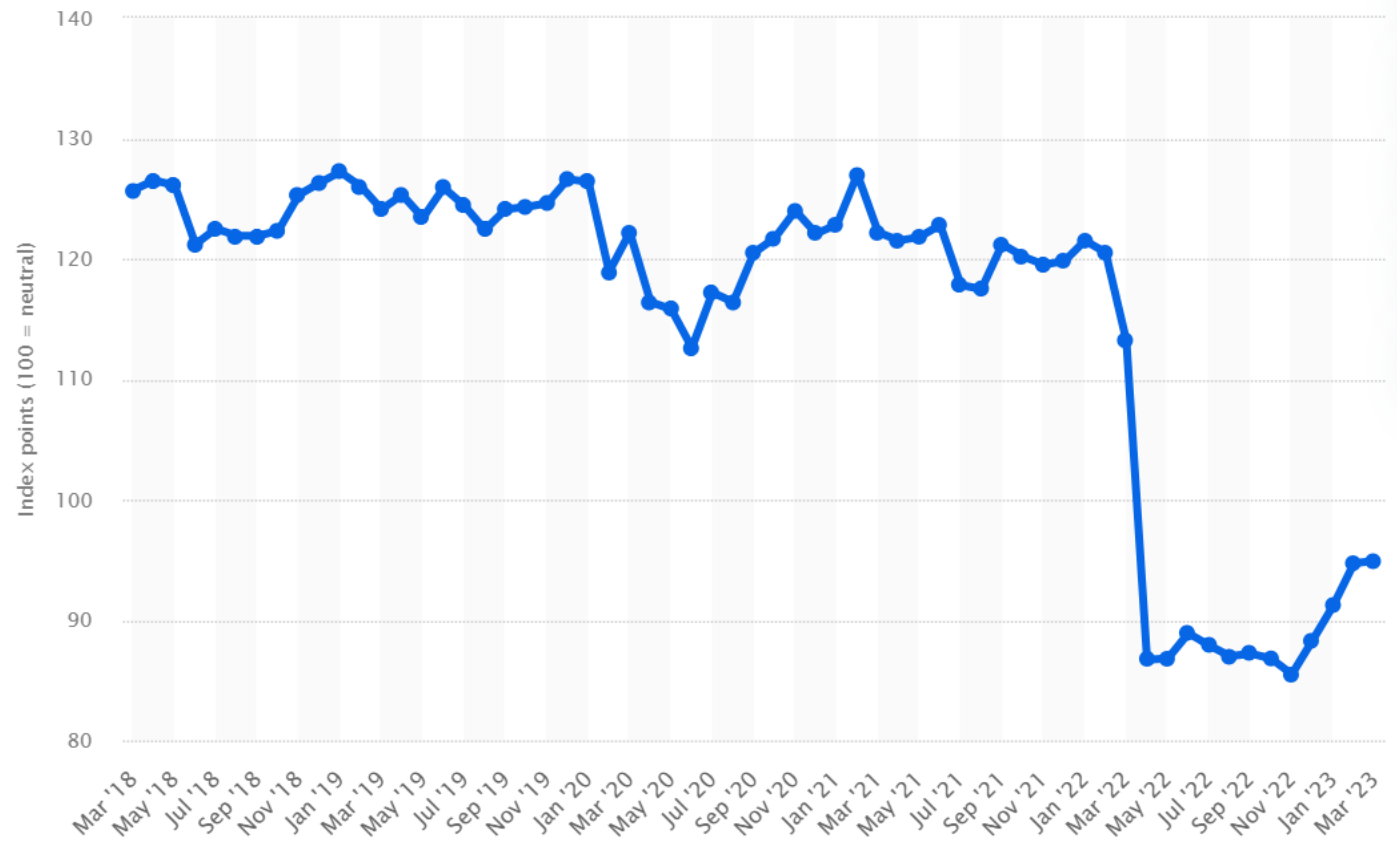
## Announced greenfield foreign investment into China



fDI Markets (2022)



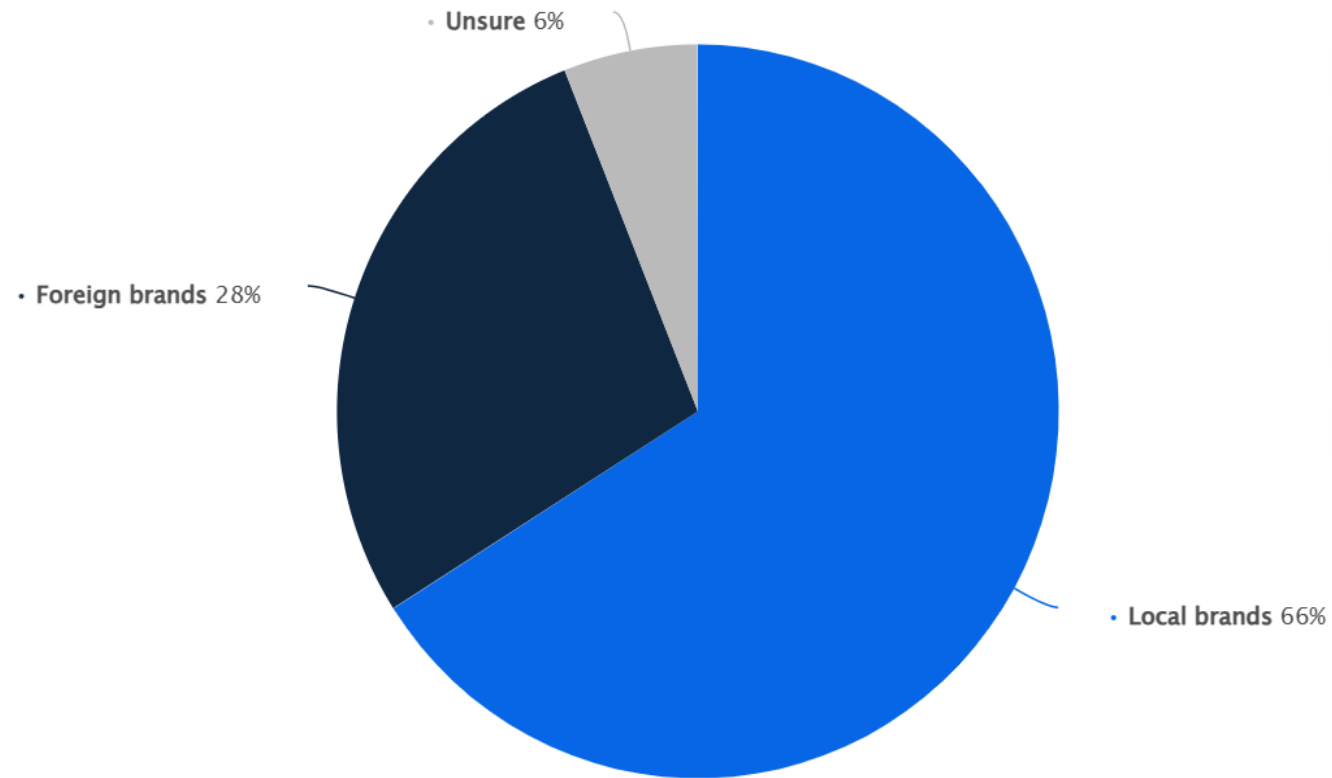
## Consumer confidence in China



Statista, National Bureau of Statistics (2023)



## Share of consumers having preference of brands in China in 2020, by origin of brand



Statista, Alixpartners (2023)



## **EUROPEAN COMPANIES IN CHINA**

### **BEFORE PANDEMIC**

- ✓ China as one of the top investment destinations
- ✓ Most important markets for revenues and profits
- ✓ Aware of bureaucracies, but not a big deal

### **DURING THE PANDEMIC**

- ✓ Bureaucracies amplified and business in China viewed as “navigating in the dark” (European Chamber of Commerce, 2020, Business Confidence Survey)
- ✓ The European Chamber as a strong support basis (intense number of events, webinars, positions papers etc)

### **AFTER THE PANDEMIC**

- ✓ Regaining confidence
- ✓ Remaining doubts
- ✓ In alignment with the EU Political view: “simultaneously a partner, a competitor and a systemic rival (2019)”



## EUROPE – MEDIA COVERAGE

Title	Topic	Source	Idea
1. How is China's 'zero-COVID' policy impacting European businesses?	Business	EURONEWS	Negative impacts
2. Business in China is getting harder for European companies despite the end of Covid controls	Business	CNBC	Negative impacts
3. China's "zero Covid" policy could have a greater economic impact than the Ukraine war	Economy	SANTANDER	Global impact
4. China's zero-Covid policy is affecting foreign businesses in the country: report	Business	FORBES	Negative impacts
5. European Business and Investment under China's Zero-COVID Policy	Business	EIAS	Negative impacts
6. Zero-COVID policy forces European companies to consider China exit	Business	NIKKEI	Negative impacts; Shifting out
7. European businesses warn China over zero-Covid policy	Business	Financial Times	Negative impacts; shifting out
8. China's Covid Policies Have European Companies Wary of Investing	Business	New York Times	Negative impacts; freezing investments
9. China's 'Zero-Covid' policy crippling European businesses in the country: Report	Business	WION	Negative impacts
10. Zero-Covid-19 harming 75% of European firms in China: Business group	Business	The Strait Times	Negative impacts



## **BRAZILIAN COMPANIES IN CHINA**

### **BEFORE PANDEMIC**

- ✓ Most important market for exports, especially raw materials
- ✓ Investment attraction from China, but not much investments in China, especially when CG are concerned
- ✓ Bureaucracies as a big deal
- ✓ Very few Brazilian CG in the Chinese shelves

### **DURING THE PANDEMIC**

- ✓ Bureaucracies have not caused significant new impacts (newspapers, media, trade flow)
- ✓ Diffuse and weak support basis for investors in China (Apex, InvestSP, BRACHAM, other Chambers)

### **AFTER THE PANDEMIC**

- ✓ Political change: “China as an enemy to China as a friend”
- ✓ Same duality in entrepreneur’s mind (fear x enthusiasm)



## BRAZILIAN – MEDIA COVERAGE

Title	Topic	Source	Idea
1. Entenda como a política de zero-Covid da China impacta as empresas brasileiras (Understand how China's zero-COVID policy impacts Brazilian companies).	Economy	CNN	Global instability; Negative impacts on global trade
2. A política de 'covid zero' na China e o impacto nas economias globais (The 'zero-COVID' policy in China and its impact on the global economy).	Economy	Estadão	Global risks; exports of soy and beef
3. Os prejuízos da política de 'covid zero' para a economia da China (The losses of the 'zero-COVID' policy for China's economy).	Economy	BBC	Chinese economy; risks
4. Quarentena derruba em 30% negócios de firmas brasileiras na China (Quarantine reduces business for Brazilian firms in China by 30%).	Business	O Globo	Lockdown; supply chain; exports
5. Fábricas chinesas ainda enfrentam impacto da 'covid zero' (Chinese factories still face the impact of 'zero-COVID').	Economy	Valor Econômico	Chinese economy; risks; exports
6. Empresas brasileiras na China temem efeitos do coronavírus em negócios (Brazilian companies in China fear the effects of the coronavirus on their business).	Business	A Gazeta	Chinese economy; risks; exports
7. Nova onda de Covid-19 na China pode afetar Bolsa no Brasil? (Can a new wave of COVID-19 in China affect the stock market in Brazil?)	Economy	BP Money	Bolsa de valores; moedas; risks
8. Covid zero' pode prejudicar planos econômicos do novo mandato de Xi Jinping ('Zero-COVID' could harm the economic plans of Xi Jinping's new term).	Chinese Politics	InvestNews	Chinese politics; instability; risks
9. Rumo dos negócios da Vale com recuperação lenta da China divide especialistas (The direction of Vale's business divided experts due to China's slow recovery).	Business	InvestNews	Vale business; iron ore; exports, prices
10. Política de Covid zero na China: mais um choque de oferta na economia mundial (China's 'zero-COVID' policy: another supply shock in the global economy).	Economy	InfoMoney	Global economy; supply chain



## **CONCLUSIONS**

### **CHINA**

- ✓ Has become more competitive and complicated

### **EUROPEAN BUSINESS**

- ✓ Although they faced difficulties, they are already recovering their position in the market

### **BRAZILIAN BUSINESS**

- ✓ Stagnation
  - ❖ Recommendation
    - ❖ Pay more attention to BR investors in China, give more support (rather than focusing only in the promotion of exports)
    - ❖ The importance of MARKET PENETRATION (not only because of revenues and market share, but is crucial in establishing long-term partnerships and strategies)
    - ❖ MARKET PENETRATION as the way to keep with the dynamic environment, embrace innovation and be prepared to navigate an increasingly complex business landscape







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