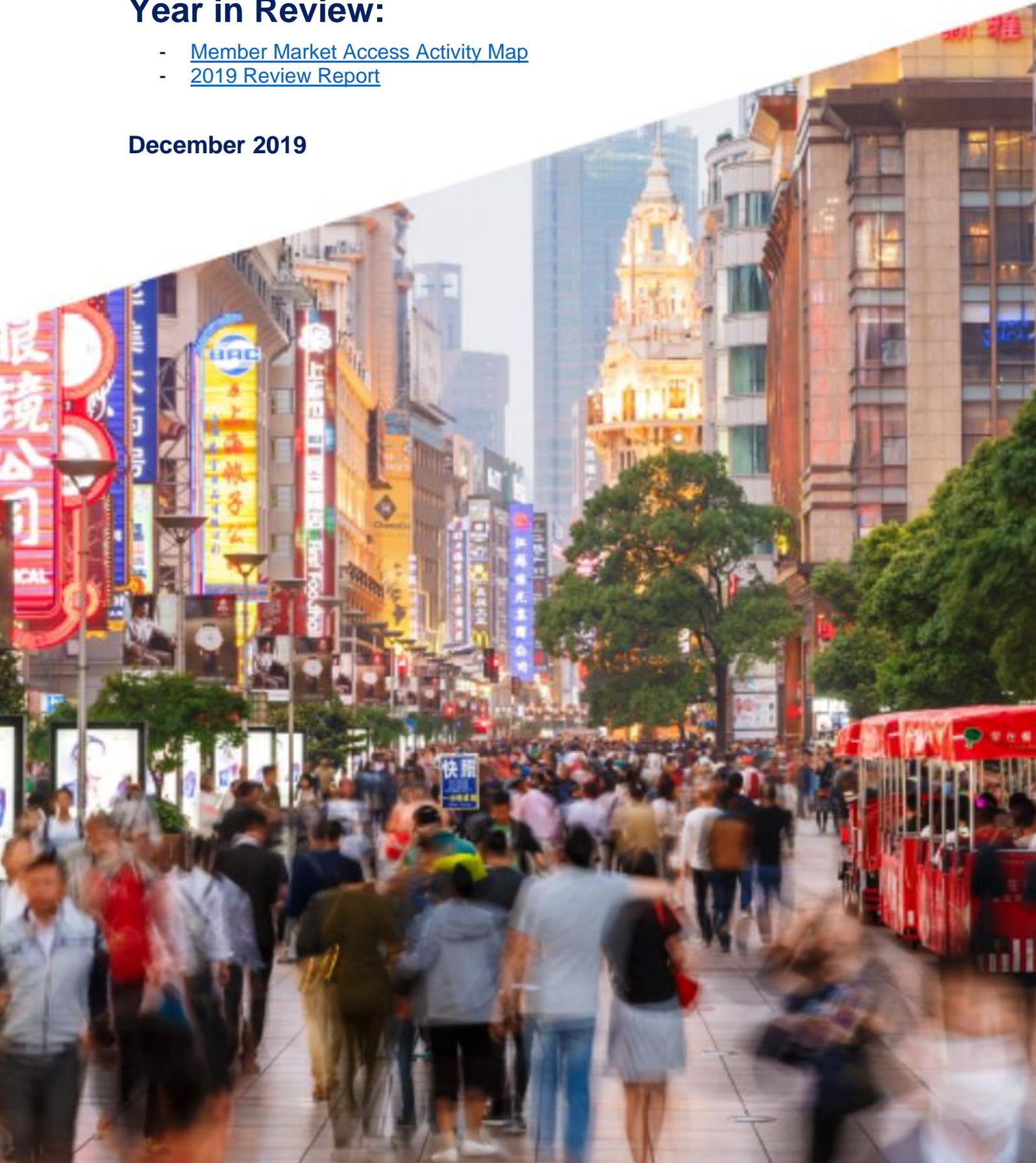


UK-CHINA TRADE

Year in Review:

- [Member Market Access Activity Map](#)
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December 2019



CBI MEMBER: MARKET ACCESS ACTIVITY MAP

 = British Business Member

 = Global Member

Month	Auto	Aviation	B.E	F&B	FS	Health	Legal	Media	O&G	Retail	Travel &Tour	Tech/Telecoms
January		British Airways expands code agree. with China Southern		Burger King announce additional expansion into China, opening 1,000 restaurants and extending e-comm. capabilities	Prudential receives approval from regulators to expand business into Shaanxi Province, 20 th branch in China		Clifford Chance supported Bank of China in a multi-currency, multi-billion-dollar bond deal in support of GBA financing		Rio Tinto announce partnership with 2 Chinese SOEs to take over mine on Mongolia border.	L'Oréal announce launch of new brand in T3, T4 cities, expand the brand's market penetration in China. Picking up on feeling that foreign brands are premium	IHG signed 14 new franchise agreements in Shenzhen. Expanding the range and number of IHG subsidiary brands present in China	IBM opens new AI R&D centre in Shanghai in local government technology promotion zone.
				Whitbread Group completes the sale of Costa Coffee to Coca-Cola, reg. approval granted	J.P. Morgan receive approval from regulators to sell two Hong Kong-based funds into mainland China.				BASF confirmed \$10 billion investment in Zhejiang with local government			BT became the first foreign company to receive a license to establish an independent VPN and function as an ISP provider
					KPMG recorded HK stock exchange overtook NY, and would continue to perform strongly, attracting 'New Economy' companies				Pinsent Masons cooperate Chinese partners on a \$350 m power plant on BRI			
					Marsh announces new BRI op. in Dubai to connect clients with Chinese partners							

Month	Auto	Aviation	B.E	F&B	FS	Health	Legal	Media	O&G	Retail	Travel & Tour	Tech/Telecoms
February			Arup complete Bamboo Shoot building in SZ. Had to partner though as no license	Diageo announced record breaking sales in part due to strong China sales	HSBC became first foreign bank to offer futures margin depository services to overseas investors trading in iron ore futures in China.		Clifford Chance reported that the world's largest tech IPO, which it had underwritten, ended its lock-in period 30% up	BBC partner with BJ studio produce Life on Mars in China	Shell obtains license to trade oil products in China's domestic market and announced plans to expand number of petrol stations			Airbus launches its aviation data platform for recording flight data in China.
					Clifford Chance & Goldman Sachs 'China Tower' recording breaking IPO share 'lock-in' period ends, 30% up				BP open first petrol station in Shandong and launch plan to open 1,000 petrol stations across China over next 5 years			
March	JLR wins major IP case against China rival	Airbus opens new innovation centre in SZ			Standard Life Aberdeen allowed to start pensions business in China	Bayer announces opportunity to expand into China pet market	DLA piper advises PingAn on virtual banking license in HK		BASF opens new R&D centre in Shanghai for catalysis research			
		Airbus secures 30EU billion deal with China buy more			Deutsche Bank becomes first foreign bank to be able to offer e-wallet services		DLA Piper advises PingAn on its divestment from Pingo. Billion\$ deal					

	Auto	Aviation	B.E	F&B	FS	Health	Legal	Media	O&G	Retail	Travel & Tour	Tech/Telecoms
April	Rolls-Royce reports record China sales		DIT and MOHURD sign MoU to confront MA issues for UK biz.		JP Morgan receives approval to take full ownership of securities JV	ReNeuron announces that it signed £80 million deal with Fosun for stem-cell R&D			ExxonMobil signs LNG deal with Zhejiang over 20 years	Ted Baker enters new JV with Shanghai Longshang to manage brick & mortar stores	IHG reaches 400 hotels across Greater China milestone	Accenture opens new R&D centre in SZ for work on AI, robotics and reinvention of industry
	Aston Martin choose SH as place for first ever full EV launch				HSBC completes first China-based blockchain letter-of-credit transaction with Australia firm							
	Rolls-Royce launch 4 new models in China				CoL reports London world's largest offshore RMB trade centre							
May			Foster & Partners complete SZ China Merchant Bank Tower	Diageo launches China-tailored whisky		Uni. Edin. Opens new medical R&D facility in Zhejiang	Clifford Chance announces 2 major legal wins in Hong Kong					EE and Huawei announce collaboration on 5G and launch date for UK network
				Cranswick announce exports of pork to Asia have grown by 16% y/y, swine flu	HSBC launches first dementia-friendly banking service in HK	GSK receives approval to launch shingles vaccines as 'urgent drug'						Siemens opens AI R&D centre in Beijing
June	Aston Martin opens new factory, S.Wales	Airbus marks 10 years of JV with AVIC in Harbin			BSI MoU with China counterparts ; successful reg. xchange in UK	AstraZeneca partners with Chinese trad. Medicine brand						

	Auto	Aviation	B.E	F&B	FS	Health	Legal	Media	O&G	Retail	Travel & Tour	Tech/Telecoms
		Thyssenkrupp wins major elevator order for Daxing Airport			London-Shanghai Stock Connect goes live							
					HSBC and BNP Paribas joint lead arrangers for inaugural green loan offered by ICBC in London							
July		British Airways is first airline to move to Daxing news			HSBC approved to become a conversion institute for London-Shanghai Stock Connect	Uni. Notts launches anti-bacterial resistance study			National Grid completes gas distribution deal with China Sovereign Wealth fund	L'Oréal launches e-commerce virtual makeup platform on WeChat to sell into market		ABB opens innovation centre in SZ to research electrification, industrial automation, motion and robotics
									BP opens first petrol station in Hebei Province	L'Oréal reports record China business across all its brands. 33% increase in China sales, responsible for 85% growth		Vodafone and Huawei confirm continued partnership
August	BP and Didi sign NEV JV	Arup provides fire evac plan for DX			JP Morgan acquires 51% of JV	ReNeuron secures significant IP wins across Asia						Huawei launches first indigenous operating system
					Goldman applies to take control of China JV					Estee Lauder e-commerce strategy resulted in sales up		Huawei and 3 announce launch of UK 5G network

	Auto	Aviation	B.E	F&B	FS	Health	Legal	Media	O&G	Retail	Travel & Tour	Tech/Telecoms
					Standard Life Aberdeen sets up new WFOE in Shanghai	AstraZeneca receives major drug approval						Microsoft ready to share China-developed AI voice with other Chinese firms
Sept.					BNP Paribas and Deutsche Bank 1 st underwrite all onshore debt in China	GSK partners with Xiamen Uni. to develop cervical cancer treatment			ExxonMobil signs framework agreement for multi-billion chemical complex GD	Lego reports double digit growth in China. Revenue for Q1,2 grew 4% to \$2.18 bn, consumer and brand up too		Huawei launches world's fastest AI computing platform
					C.Ldn Green Finance China event London. With Liu Xiaoming	AstraZeneca announces new China tech/R&D strategy						
					Prudential strong Asia results and growth							
					JP Morgan moves to include China economic perform. In key indices for investors							
					CPP Group partners with Bank of Comms to provide digital banking service							
October	JLR see strong China sales	First BA flight leaves Daxing Airport		UK-China beef deal finalised, worth £230m / 5 years	UBS first to sponsor a entrant to the SH, 'Star Tech Bourse'	Roche lifts China sales target in response growth	Clifford Chance advises HSBC on recycling project financing		Mitsubishi secures \$7bn divestment deal with SinoSteel in Australia			IBM and Bank of China collaborate on AI, Blockchain and IoT to 'future-proof' banking in 14 new int. R&D centres

	Auto	Aviation	B.E	F&B	FS	Health	Legal	Media	O&G	Retail	Travel & Tour	Tech/Telecoms
					C.o Ldn launches new website to promote professional services							Accenture acquires leading Chinese driverless car company
Nov.		Airbus signs MoU to build more aircraft in Tianjin	Thales delivers SH metro signal upgrade		Jersey Finance marks 10 years in HK and Greater China operations	AstraZeneca launches \$1bn fund for investment in China healthcare R&D						
						Pfizer announces entry to Hainan FTZ						
Dec.	BMW and Great Wall sign deal to operate Mini car factory				JP Morgan announces has taken on additional staff across all business arms in anticipation of control 100% of biz.	Pfizer launches rural cancer drug initiative					Nike announces e-commerce expansion into China	

Report:

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Sectoral Breakdown:

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UK-CHINA TRADE

2019 Review

December 2019

Covering every nation and region of the United Kingdom, and with offices in Beijing, Delhi and Washington DC, the Confederation of British Industry (CBI) is the UK's leading business organisation. The CBI speaks on behalf of more than 190,000 businesses of all sizes and sectors, who together employ around one-third of the UK's private sector workers. Our mission is to help business create a more prosperous society.

Member Engagement & Media Monitoring Indicators:

Assessing the CBI's membership in China through recording direct engagement with our office combined with a year's worth of stringent media monitoring provides an insight into how different sectors performed in 2019.

The specifics allowing for the following insights have all been drawn from publicly available news stories or company press releases. Wider contextual observations, drawn from analysis of trade data or events in the UK-China relationship, etc., cannot and should not be attributed to any particular company.

Winners and Losers:

Members active within China's **Financial Services** sector enjoyed the biggest increase, and most consistent development, with regard to improving market access. Whereas other sectors displayed peaks and troughs in the intensity with which they recorded market access wins, members within the Financial Services sector reported consistent, consequential and considered market opening. As a result, members within the Financial Services sector were responsible for 23% of positive business news stories concerning a CBI member and trade with China.

Following Financial Services, CBI members within the **Healthcare** and **Technology & Telecommunications** sectors also experienced a busy and predominantly positive year with regard to market opening. Providers of healthcare products both big and small reported strong sales, a more receptive operating environment and an improved intellectual property regime. This became most true from the beginning of Q3, when a notable number of CBI members within the healthcare sector announced that they had lifted their sales targets for 2019 in response.

In January, **BT** recorded one of the most consequential market access wins for 2019, following China's Ministry of Industry & Information Technology granting licenses allowing BT to establish a nationwide domestic IP-VPN system and establish itself as an Internet Service Provider. Consequently, BT became the first international telecommunications company to receive the licenses required to manage its own operations in China. Wider CBI member success in UK-China trade in **Technology and Telecommunications** took off across a wide range of sub-sectors between July and October, with an increase in the number of members reporting collaborations with Chinese partners, investment into China-based research & development and an intention to expand their e-commerce and digital sales capabilities.

2019 remained a challenging year for members active within China's **Built Environment** sector. While British architecture and design firms reported commissions on some of the most high-profile construction projects taking place across all of China, members in the sector did not enjoy the same regulatory reform or relaxation of licensing requirements that other sectors did. As a result, the frustration that foreign design firms remain unable to obtain the licenses required to sign off on the design of projects remains, resulting in foreign firms having no choice but to deliver projects in partnership with an accredited Local Design Institute.

Sectoral Breakdown:

Automotive

- 2019 was a mixed year for British business participating in China's automobile industry. Auto sales fell consecutively every month over the course of 2019.
- Manufacturers had to look wider for good news stories, and thankfully a second consequential market access win was recorded, when **Jaguar Land Rover** successfully appealed to Beijing's Chaoyang District Court on the grounds that JiangLing Motor's *Land Wind X7* sport utility vehicle had copied five major design features from Jaguar Land Rover's *Range Rover Evoque*. The ruling marked the end of a three-year court battle and was considered in IP circles to have been a landmark case.
- While the market as a whole experienced a downturn in sales, British car manufacturers targeting Chinese high-end, luxury consumers enjoyed sustaining and significant growth over the course of the year. Over the first half of 2019, China accounted for around 10% of global deliveries for British-based luxury car marques.
- There were signs that success in the China market was delivering benefit back at home, after **Aston Martin** announced in June that following strong sales in China, the marque would open a new factory in St. Athan, south Wales, to manufacture the new Aston Martin DBX. An SUV-type vehicle, the DBX is targeted at the "Tens of thousands of multimillionaire women in countries such as the US and China who are able to spend more than £140,000 on a car." The factory will reportedly eventually employ about 1,000 people.
- British business with interests in China's automotive industry had more success over the second half of the year. In October, Jaguar Land Rover recorded that sales in China were up by almost a quarter from the same time last year, and **Accenture** announced intentions to enter China's autonomous vehicle market, following its acquisition of Futuremove Automotive, a leading Chinese vehicle connectivity solution provider. While not a British business, but a major employer in the sector in the UK, **BMW** announced in early December that it had broken ground on a new factory in Jiangsu Province for the manufacture of electric Mini cars.
- **US-China trade tensions continued to negatively impact the supply chains of British car manufacturers in China.** The application of tariffs on transmissions manufactured in the US and exported to China has been particularly damaging to bottom lines.
- **Key takeaway from 2019:** while selling into a struggling market, UK automobile manufacturers enjoy a degree of immunity through sustaining popularity with high-end Chinese consumers who appreciate the strength of British brands and their pedigree.

Aviation

- 'Collaboration is key', was the theme that emerged when inspecting the fortunes of CBI members with interests in China's aviation market. Chiefly, collaboration with China Southern Airlines, who, as the largest carrier at Beijing's new Daxing Airport, played an instrumental role in securing big-value deals in collaboration with members such as **Airbus**, **British Airways** and **Thyssenkrupp**.
- British Airways received the honour of being the first international airline to announce a move to, as well as to fly into, the new flagship airport.
- 2019 saw an increase in the number of UK-China routes in services. The number of airlines operating a UK-China operation is now nine, and over the course of 2019 alone, UK-China seat capacity rose by 18%. Unfortunately, this growth has not been led by British carriers. Despite British Airways signing an MoU with China Southern to expand their codeshare

agreement, Air China retains a significant capacity lead over British Airways; Air China operates 14 routes between the UK and China, whereas British Airways operates 2.

- Aligning with the Chinese Government's airport mega-project and its largest operator also reaped rewards for Thyssenkrupp, who won an order to be the sole supplier of 155 elevators and 22 escalators to China Southern.
- The fact that **Arup** was appointed as the fire engineering consultant to Daxing Airport by the Beijing Institute for Architectural Design is particularly worthy of note. Given the airport's status, as a project designed to project and instil national pride, the task of developing the airport's evacuation strategy takes on additional significance. Arup's commission shows that the Chinese Government trusts and looks to the quality of service that British design firms to guarantee its high-profile projects.
- **Bilateral engagement remained as important as ever.** Airbus benefitted from a state-visit from Chinese President, Xi Jinping in March, which saw the aircraft manufacturer win an order for 300 jets that was estimated to be worth around \$34 billion. Of note is the fact that the order was secured at a bilateral during which French President, Emmanuel Macron made clear that the French Government expected China to take more conspicuous and concrete action on ensuring that Chinese companies buy more from Europe. Airbus also celebrated 10 years of its joint venture with AVIC in June.
- **Key takeaway from 2019:** the big deals and opportunities were afforded to companies who have been in the market for a long time, were willing to commit support to large-scale government projects, and incorporated some aspect of bilateral engagement into their dealings with Chinese partners.

Built Environment

- The signing of an MoU between China's Ministry of Housing and Urban-Rural Development (MOHURD) and the Department for International Trade in April was welcomed by CBI members with interests in China's business environment sector. Members reported that previously it was almost impossible to communicate with the ministry.
- **There is appetite amongst members in the BE sector to host a delegation from MOHURD in the UK to facilitate bilateral exchange between the relevant authorities.**
- British design firms were commissioned on some of the most high-profile projects taking place across all of Mainland China, but remain shut out from functioning as traditional architectural firms as a result of licensing issues.
- Sentiment amongst firms with regard to the China market opening up through the relaxation of licensing requirements was negative. However, companies remain optimistic with regard to the profitability of being active in the market, as a result of opportunities to be found in city planning consulting and advising on infrastructure projects, such as water systems or road and bridge construction.
- **Key takeaway from 2019:** British architecture and design firms are held in high regard in China. However, the extent to which they can offer their services is limited by the application of protectionist policies which seek to protect and nurture domestic firms. In reality, the projects and services that UK design firms are interested in taking on seldom overlap with the areas in which domestic firms are looking to develop capability.

Food & Beverages:

- The completion of the sale of Costa Coffee from the **Whitbread Group** to Coca-Cola in January was a standout moment in F&B this year. Despite the \$5bn transaction taking place at the height of US-China trade tensions, China's regulators did not delay the processing of the licenses required for Costa to be 're-launched' in China under American ownership, instead appearing to respect it as a British brand or neutrally.
- British distillers enjoyed strong sales in China in 2019, with increasing prosperity, successful collaboration with local partners, and product customisation attributed as the main drivers. Distillers reported that they were benefitting from a consumer transition, where the presence of a greater number of middle class consumers in the market – who were buying spirits for their own private consumption rather than as a gift – was boosting organic net sales by as much as 20% year-on-year. Consequently, **Diageo** announced that it would collaborate with its joint venture partner, *Jiangsu Yanghe*, to launch a new China-tailored whisky product. The **Scotch Whisky Association** also attributed increasing prosperity to an increase in sales in China, stating that the value of direct exports of Scotch Whisky has grown from under £10 million in the early 2000s to around £80 million in 2018.
- British butchers benefitted from an outbreak of African swine flu, which decimated Asian cattle herds by as much as 45%, forcing Chinese protein importers to look further afield to meet the shortfall. Price inflation in China was attributed as the main driver of sales growth for British butchers, with organic sales across beef, chicken and pork averaging increases of 5% y/y over Q2 and Q3. The price of pork, which constitutes 60% of the average person's diet in China, has increased by 62% over the year.
- There was positive sentiment towards increasing investment in China amongst food retailers over the course of 2019, particularly towards the beginning of the year. Two stand out examples amongst CBI members include **Burger King**, who announced plans to open an additional 1,000 restaurants in China and increase investment in its e-commerce capabilities, and the re-launch of Costa Coffee as a subsidiary of Coca-Cola. Despite the prevalence of American brands in China's catering sector, it appeared immune to the effects of the US-China trade tensions. While China's GDP growth came in at 6.3% this year, the catering industry recorded growth of as much as 18%.
- **Key takeaway from 2019:** growth in the number of middle-class consumers in China appeared to negate the impact rising consumer costs and the US-China trade war had on F&B sales for British brands.

Financial Services:

- While connecting the Shanghai stock exchange with a partner exchange outside of Greater China for the first time, through the launch of the Shanghai-London Stock Connect, was the standout moment in UK-China collaboration within financial services, CBI members with China interests also enjoyed consistent, albeit smaller, market access gains across the year as a whole.
- Close to 25% of CBI member activity mapped over 2019 concerned market opening within the financial services sector. **BNP Paribas**, **CPP Group**, **Deutsche Bank**, **HSBC**, **JP Morgan**, **Prudential** and **Standard Life Aberdeen** all secured additional licenses or agreements with joint venture partners to expand the scope of their business in China.
- 2019 was a particularly significant year for market access in the financial services sector, given that many of the additional licenses and extended permissions offered to foreign firms were opened to foreign applicants for the first time. By way of example, in February, HSBC became the first foreign bank to receive regulatory approval to offer futures margin depository services in iron ore futures in

China. In March, Deutsche Bank became the first foreign bank to be approved to offer e-wallet services. In April, it was announced that JP Morgan had received approval to take full ownership of its securities joint venture; while HSBC emerged as a pioneer in China's digital banking development, completing China's first domestic blockchain letter of credit transaction to involve a foreign trader. These examples were all drawn from the first half of 2019 alone, demonstrating the appetite and willingness of China's regulators to extend collaboration with foreign firms. Piecemeal perhaps, given the sheer number of restrictions foreign banks face in China, and the limitations they face with regard to the scope for organic expansion in the market, but the granting of licenses should be viewed as better than radio silence from China's regulators, nonetheless. However, it must be noted, that even with these advances, the market share of foreign banks operating in China remains around 1.3% of total banking assets held in China.

- Market opening was underpinned by the US-China trade talks, a slowing domestic economy in China and rising inflation. Members suggested that the fact that regulators were extending licenses, and that the Chinese Government took the decision to announce that legislation scheduled to see foreign securities firms take control of their JVs in 2021 would be expedited, demonstrates that there is recognition among China's senior leadership that in order for China's economy to mature, foreign firms must be allowed to compete and share best practise.
- Over the course of 2019, London retained its position as China's best partner for international finance. London continues to process the largest share of RMB payments outside of China, with the number cross-border receipts and payments between China and the UK experiencing growth of as much as 86%. Moreover, the average daily trading volume of Chinese RMB within London was up by 30% compared with 2018.
- **Key takeaway from 2019:** in times of economic difficulty, the Chinese Government's preferred option is to engage with foreign firms and increase competition in its markets, rather than resort to further protectionist measures.

Healthcare:

- The second half of 2019 saw a hive of activity for CBI members with interests in China's healthcare sector. Particularly in response to China's State Drug Administration relaxing restrictions on product testing in application to bring new drugs products to market. **AstraZeneca** and **GSK** both saw new products come to market in China after the regulators began accepting foreign test data to expedite the approval of "clinically urgently needed new drugs."
- There were major research & development wins for CBI members in China too. **ReNeuron**, a UK-based stem cell research SME, became one of the first members able to attest to China's improving intellectual property rights regime, receiving a number of patents to cover the company's proprietary knowledge surrounding the production of stem cell-derived exosomes. Moreover, the company reported that through partnering with Fosun Pharmaceuticals, and licensing the clinical development and commercialisation of two of its cell therapy programmes in China, that the company had not only made significant progress across clinical and research programmes, but had also been able to narrow its losses by close to £2 million. AstraZeneca, GSK, and the **University of Nottingham** all also announced the launch of new R&D programmes with Chinese partners.
- **Foreign pharmaceuticals companies selling off-patent drugs saw such strong sales that they were able to raise sales targets for China by as many as three times.** Strong off-patent drugs sales provided business with the confidence to announce a transition towards reorienting R&D activities towards China, and launching more on-patent drugs; in response to a relaxing regulatory environment and stronger IP regime.
- Pharmaceutical companies were some of the most active with regard to corporate social responsibility in China, launching initiatives to tackle the side effects of high levels of industrial pollution and ensure the distribution of drugs to rural areas. GSK launched Phase 2 of its Happy

Breath Campaign, an initiative which aims to raise awareness of progressive lung diseases and how to treat them, expanding the programme to a further 8 provinces and 1,500 medical institutions over the course of 2019. To provide another example, Pfizer announced in early December, the launch of a new initiative to improve the penetration of oncology drugs into developing rural areas in China, through developing online educational resources for local care givers, that can reach these areas in lieu of formally qualified doctors.

- **Key takeaway from 2019:** healthcare was perhaps the first sector to exhibit the benefits foreign investors can expect from an improved IP regime in China.

Legal Services:

- UK law firms were responsible for underwriting some of the biggest deals to take place in any given sector in China. By way of example, **Clifford Chance** partnered with fellow CBI member, **Goldman Sachs**, to underwrite the \$6.9 billion initial public offering of telecommunications giant, China Tower Corporation, on the Hong Kong stock exchange. The listing was the world's biggest in two years, and following a lock-up period, offered a 30% increase on investors initial investment.
- The Greater Bay Area afforded particular opportunity for UK law firms, and this was achieved through partnering with Chinese private enterprise to finance infrastructure initiatives and expand their offering through the China-Hong Kong Closer Economic Partnership Agreement. **DLA Piper** was law firm of choice for Ping-An, assisting the firm obtain a virtual banking license to provide e-wallet services to clients in Hong Kong, while Clifford Chance advised Bank of China on their first ever multi-currency, multi-tranche bond deal to support infrastructure financing across the GBA.
- UK law firms are also reporting particular opportunity in partnering with Chinese SOEs who are engaged in projects in 3rd markets along the route of the Belt & Road Initiative. Niche opportunities exist for law firms who are able to ensure that their expertise in underwriting projects reduces the risk for Chinese participants. By way of example, **Pinsent Masons** reported in January that it had advised on a major \$530 million power station within the China-Pakistan Economic Corridor in partnership with China Machinery Engineering Corporation.
- Law firms reported continuing difficulty as a result of being regulated by China's Ministry of Justice rather than the Ministry of Commerce. The Ministry of Justice is reportedly understaffed and difficult to engage with. **Establishing a Legal Services Bilateral Dialogue that functions similarly to the Economic & Financial Dialogue would improve this situation.**
- Looking into 2020, data protection and the responsibilities of law firms under the recently introduced *Cybersecurity Measures* were widely considered to be one of the most pressing issues.
- **Key takeaway from 2019:** UK legal firms continue to provide the Chinese government, SOEs and partners in 3rd markets with a 'one-stop-shop' of legal expertise and are often their first and preferred choice.

Technology & Telecommunications:

- Opportunities in harnessing 5G and e-commerce technologies came to the fore in CBI member engagement in China across the technology and telecommunications sectors. 2019 saw many members investing in AI, Big Data and Internet of Things R&D, predominantly for application imbedded into e-commerce channels, but also to make financial services processing and manufacturing more efficient. French cosmetics manufacturer, **L'Oréal**, and the American sports apparel manufacturer, **Nike**, both launched mini programmes on China's popular social media app, WeChat, that allow consumers to virtually try on their products following previous R&D spends.
- R&D investment was made predominantly with Chinese partners and also centred heavily on local government technology promotion zones or in other special economic zones. Unsurprisingly,

Beijing, Shanghai and Shenzhen attracted the majority of R&D investment reported by CBI members.

- Foreign firms investing in China technology R&D were doing so to meet a specific need or enabling the upgrading of certain key industries. **Airbus** received approval to launch its aviation data platform, *Skywise*, so that Chinese airlines can upload their flight data to Airbus' cloud for data-analysing and more efficient troubleshooting in support of wider efforts to make China's aviation industry more efficient. Similarly, **ABB** and **Accenture** invested heavily in robotics technologies for manufacturing, following a call by Chinese President, Xi Jinping for foreign investment so that China can automate 80% of factory manufacturing jobs by 2025, to free up labour in response to the country's decreasing labour force.
- **Key takeaway from 2019:** foreign firms with solutions to China's problems will find highly preferential investment incentives in China compared with analogous markets.

CBI Beijing

December 2019

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