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RESEARCH

Overseas obstacles for Chinese companies in a post-COVID-19 world

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Fosun Fashion Group, which controls Lanvin and Wolford, has been known as going on overseas acquisition spree. Image credit: Fosun Art Foundation in Shanghai; Shutterstock

By Ruonan Zheng

While COVID-19 poses new challenges to Chinese companies operating in international markets, it certainly will not diminish their desire to go global.

In 2019 and the first quarter of 2020, the Chinese economy grew at a rate of 6.1 percent its lowest growth rate in 29 years.

Growth is expected to be even weaker over 2020, so Chinese companies are expanding their footprints to overseas markets to offset slowing domestic economic prosperity. That could mean more cross-national M&A or market expansion in the fashion sector.

The latest research from the global advisory firm Brunswick, titled *Understanding Global Opinion of Chinese Businesses*, sheds light on what obstacles could lay ahead for these Chinese companies.

Even though this research was conducted in the fall of 2019, before the COVID-19 outbreak, it still rings true in this new operating context.

Among those surveyed were 9,700 global "general public" participants from 23 countries and 300 Chinese business leaders.

The trends that emerged are useful for both non-Chinese brands seeking investments from inside China and Chinese brands wanting to avoid obstacles that come from overseas expansion.

The U.S. is a top target for Chinese overseas expansion
According to the report, Chinese companies are becoming more likely to pursue exports, M&A, and investment opportunities outside of China because of slower growth within China.

And, interestingly enough, more Chinese business leaders are looking to the U.S. as their top target for international growth despite trade tensions. Other Asian markets and Australia also rank highly.

However, the perception of Chinese businesses has grown more negative in the U.S., which can partly be attributed to the U.S. media's sharp increase in negative news stories about China over the past year.

Emerging and developed markets have differing opinions on Chinese businesses
Emerging markets have been welcoming Chinese businesses, while trust in them is declining in developed markets, especially in regards to possible ulterior motives that are linked to the Chinese government.

Criticism of Chinese policies have sharpened in countries like the U.S. and the U.K. lately, but emerging countries, particularly in Africa and Southeast Asia, China offers much-needed aid.

Chinese companies should be prepared for this approval gap between developed and emerging markets to widen further.

Trust in Chinese companies can be built with more information and exposure

Across both emerging and developed markets, Chinese businesses are believed to underperform in critical areas like transparency, employee treatment and community engagement.

However, the research does show a positive connection between exposure to more information about Chinese companies and a greater level of public trust.

COVID-19 has accelerated the need for transparency for publicly listed Chinese companies, and in the future, building trust through transparent communications and engagement will be mandatory for international success.

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