



Canada-China Business Impact Survey 2019/2020

May 8, 2020

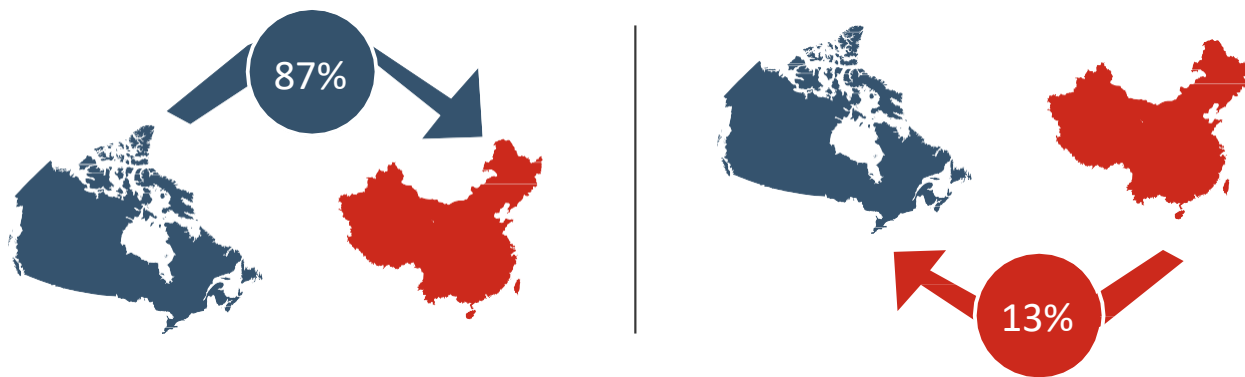
In partnership with
Rotman



Canada China Business Council
Conseil d'affaires Canada-Chine
加中贸易理事会

Online survey fielded February 20 – March 14, 2020

- **282 respondents**
- **87%** represent Canadian companies, organizations, entrepreneurs, educational institutions, and government agencies doing business in China, or planning to start
- **13%** represent Chinese companies, organizations, entrepreneurs, educational institutions doing business in Canada and/or globally



Research conducted in partnership with Dr. Walid Hejazi and Daniela Stratulativ of the Rotman Institute for International Business

ACKNOWLEDGMENTS

- Asia Pacific Foundation of Canada
- Canadian Chamber of Commerce in Shanghai
- Canadian Meat Council
- Canadian Poultry and Egg Processors Council
- Export Development Canada
- Global Affairs Canada
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Canada-China Timeline

November 2018

CCBC AGM
Bilateral EFSD
Dialogue

December 2018

Detention of
Huawei CFO
MENG Wanzhou

December 2018

Detention of
Canadians
Michael Kovrig
and Michael
Spavor in China

January 2019

Canadian Ambassador
to China John McCallum
removed from office

March 2019

China blocks
imports of
Canadian canola

May 2019

US-China Trade
War flares as US
bans Huawei from
buying parts and
components from
US companies

June 2019

China blocks
Canadian
Beef and Pork
Imports

August 2019

Trump
announces
tariffs on
Chinese imports

November 2019

Dominic Barton
appointed
Ambassador to
China

November 2019

Chinese ban
on Canadian
pork and
beef imports
removed

January 2020

US-China Phase I
agreement

COVID-19 first
reported in
China

February 2020

COVID-19
escalates in
China

March 2020

COVID-19
declared global
pandemic



We hypothesized:

Four major factors have influenced Canada-China business since the 2018/2019 survey:

- Canada-China relations;
- the US-China trade war;
- COVID-19; and
- economic developments in China, including government policy, industrial goals and consumption patterns.

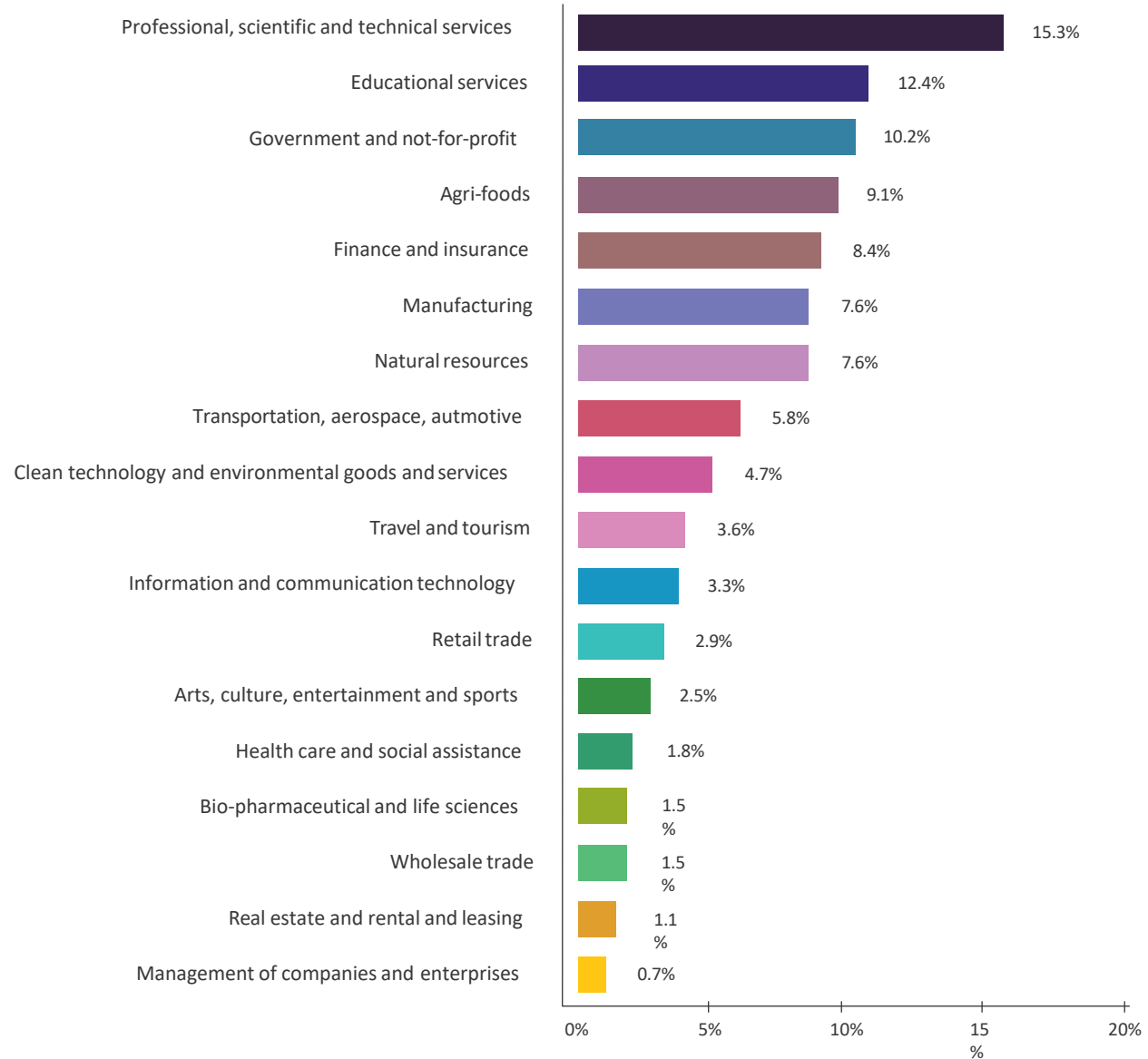
Key Findings:

- 1.** Although both Canadian and Chinese respondents say that bilateral tensions impacted their business in 2019, **the impact has been disproportionate across industries, revealing problem areas and brightspots.**
- 2.** **Two factors have created winners and losers in bilateral business: economic developments in China and the impact of the US-China trade war.**
- 3.** Although companies remain optimistic about the prospects for business between Canada and China, **some Canadian companies are re-examining China's role in their global strategy.**
- 4.** **Organizations feel strongly that a clear Canadian government strategy is needed** to eliminate uncertainty and advance Canada-China business.
- 5.** **COVID-19 has disrupted all business between the two countries since January 2020.** Now that China is leading the transition to post-pandemic recovery, there may be increasingly attractive opportunities for Canadian companies.

Who are the Respondents

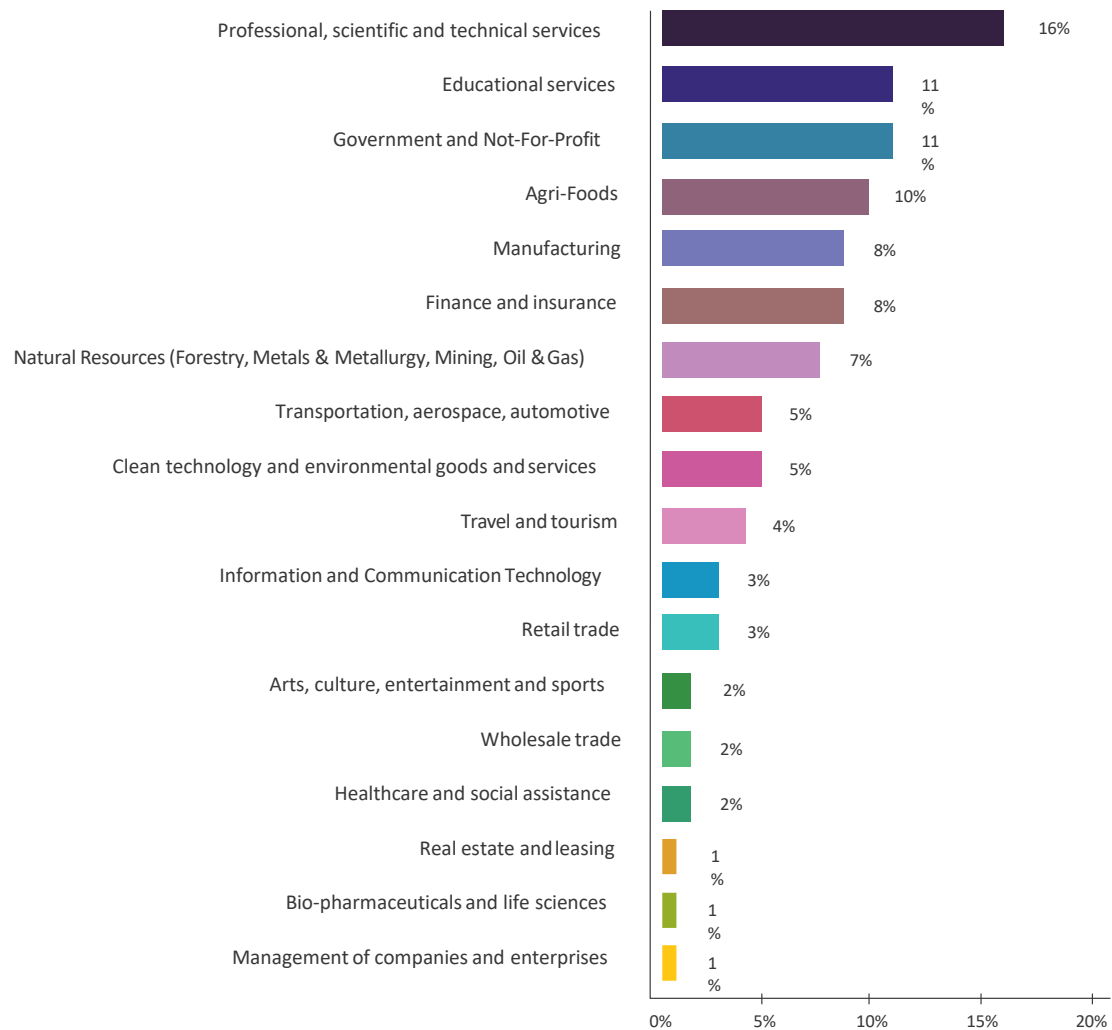
All respondents by sector

(N = 275)



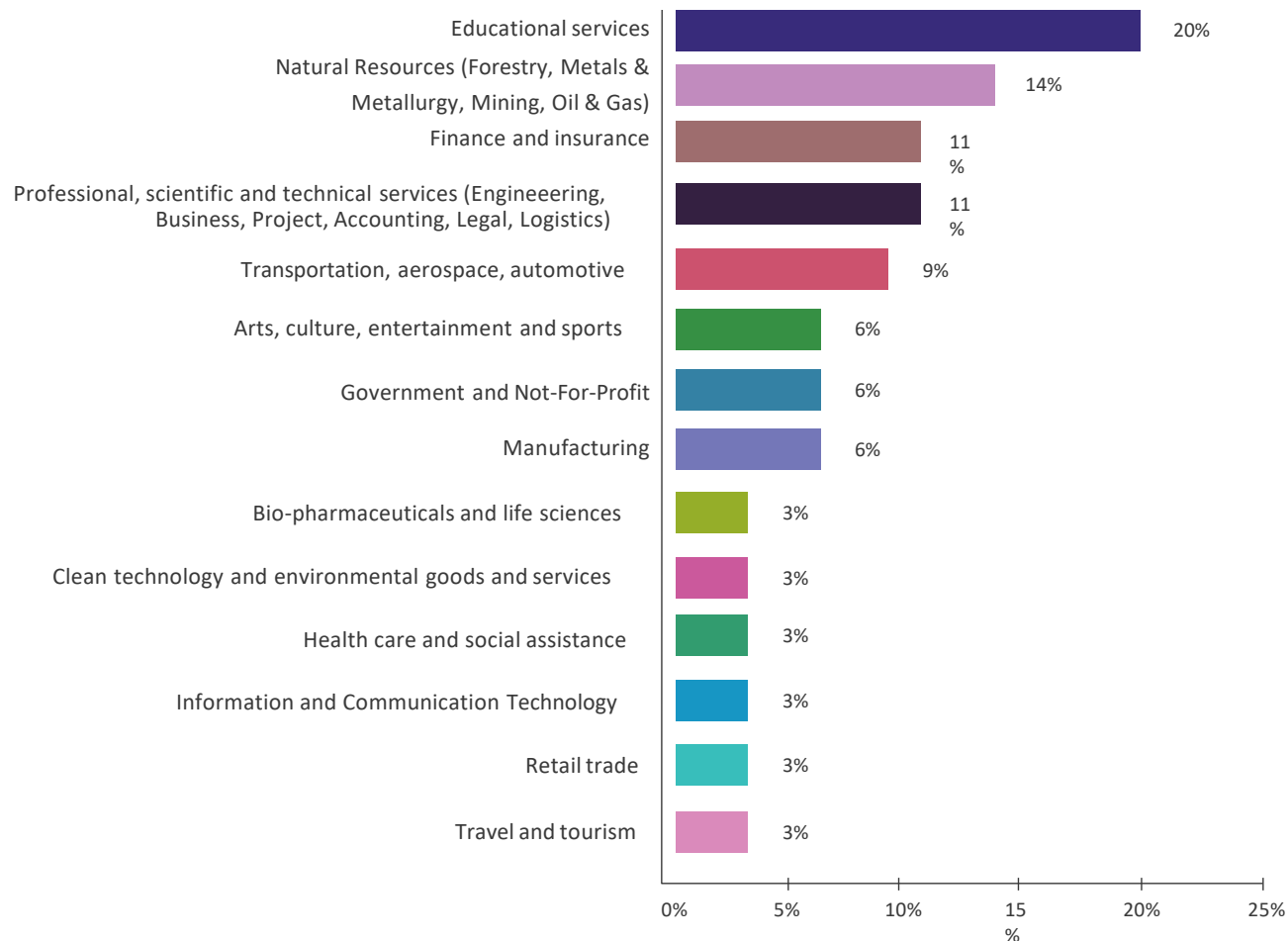
Canadian Respondents

Canadian companies' main sector (N = 240)



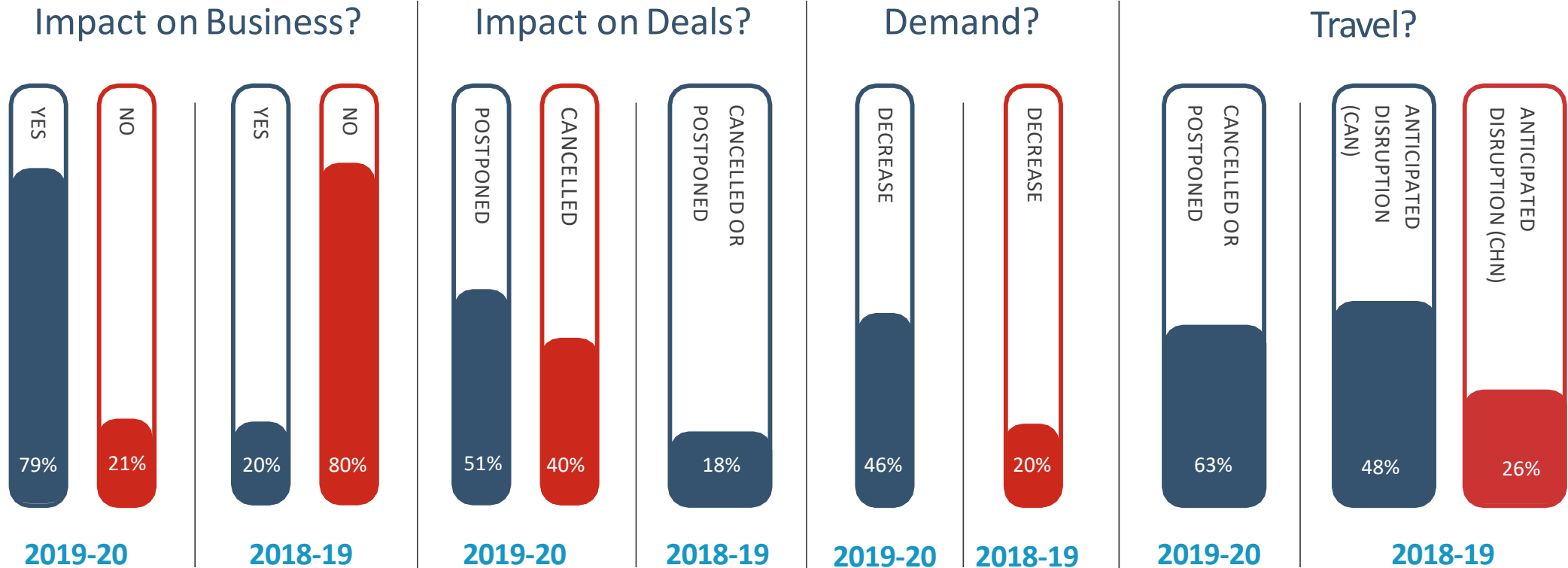
Chinese Respondents by Sector

Chinese companies by sector (N = 35)



How was business impacted in 2019?

Comparing this year and last year's survey



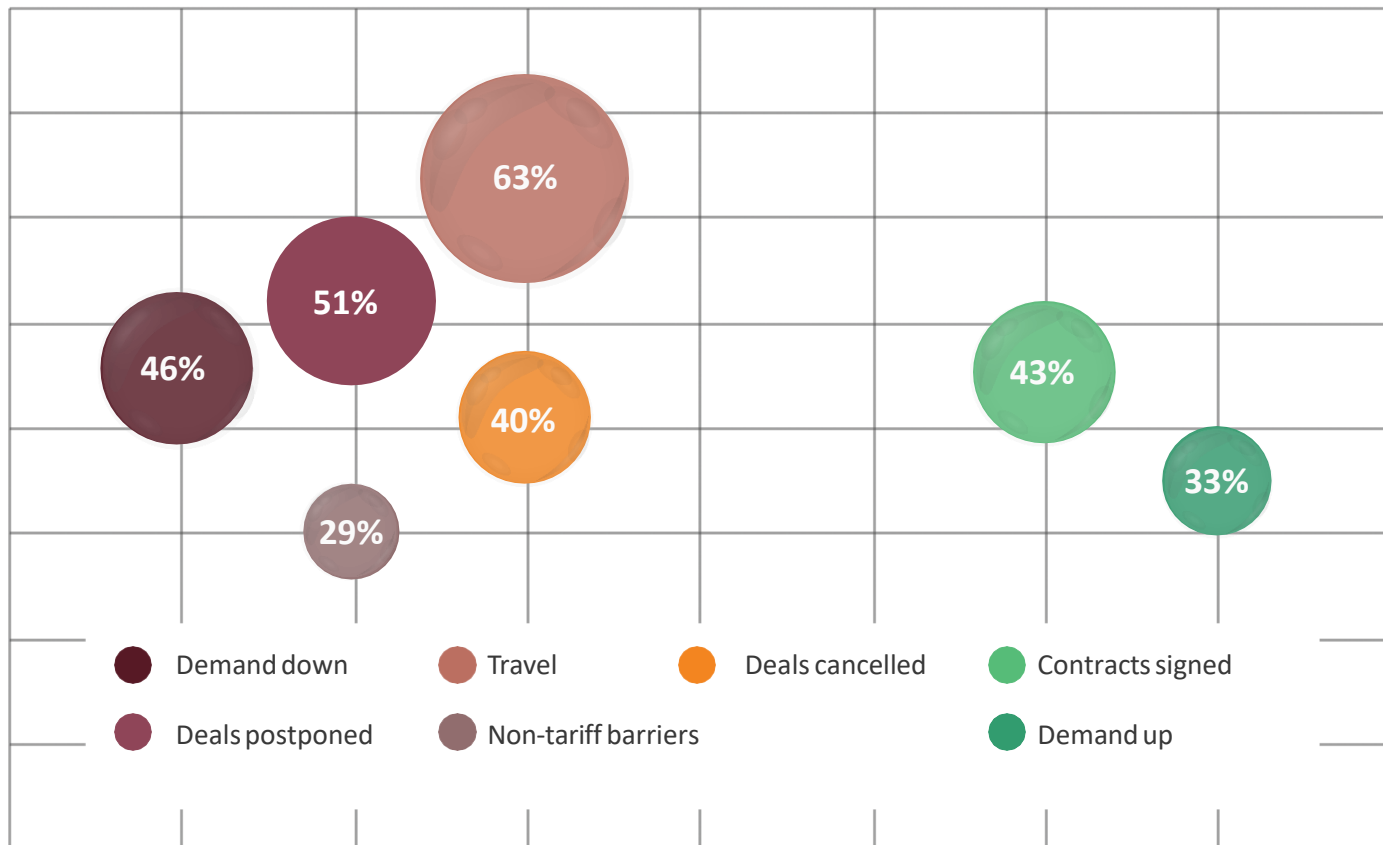
Impact was both positive and negative

All respondents

Ranked by sum of major+minor impact

Negative Impact

Positive Impact

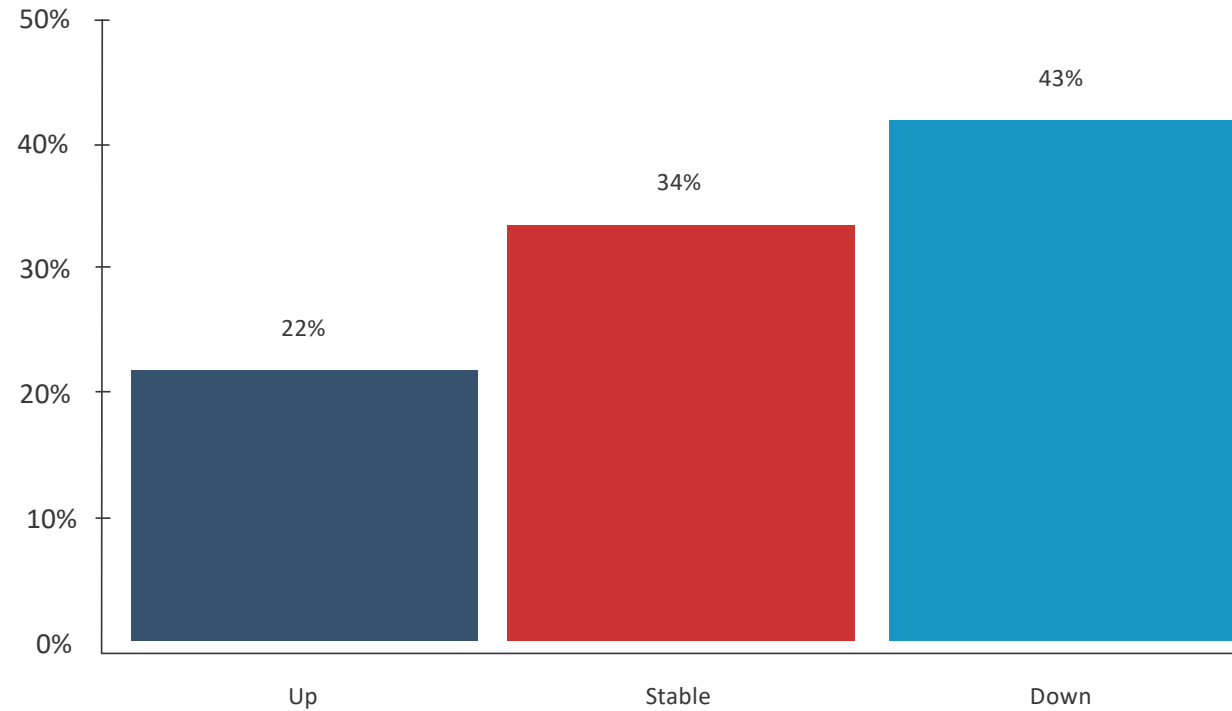


How was your Canada/China business affected in 2019 (N = 235)	Major impact	Minor Impact
Exploratory business development trips or negotiations for new projects cancelled or postponed	29%	34%
Contracts or deals postponed	23%	28%
Demand for my product/service decreased	21%	25%
Signed new contracts	21%	22%
Contracts or deals cancelled	16%	24%
Non-tariff barriers imposed on my product/sector	12%	17%
Demand for my product/service increased	9%	24%

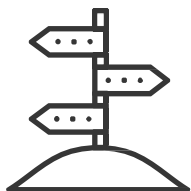
Business is down in 2019

All respondents—Canada/China business and potential business compared to the previous year

How was your Canada/China business/potential business in 2019 compared to the previous year? (N=255)



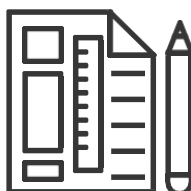
Expected to Expand, but Contracted in 2019:



In the **travel and tourism sector**, **89%** reported business was down and **11%** said it was stable.



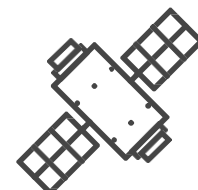
In the **professional services sector**, **64%** of respondents reported business was down, **18%** said it was stable and **18%** said it was up.



In the **educational services sector**, **47%** reported business was down, **33%** said it was stable and **20%** said it was up.



In the **government and non-profit sector**, **71%** reported business was down, **25%** said it was stable and **4%** said it was up.

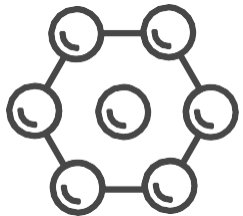


In the **transportation, aerospace and automotive sector**, **53%** said business was down, **40%** said it was stable and **7%** said it was up.

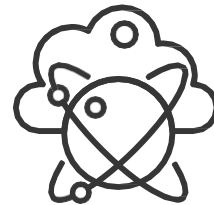


In **finance and insurance**, **27%** said business was down, **45%** said it was stable and **27%** said it was up.

Companies in the following sectors expected business to be stable in 2019 and reported that it remained stable overall:



In **natural resources**, **52%** said business was stable, **29%** said it was down and **19%** said it was up.

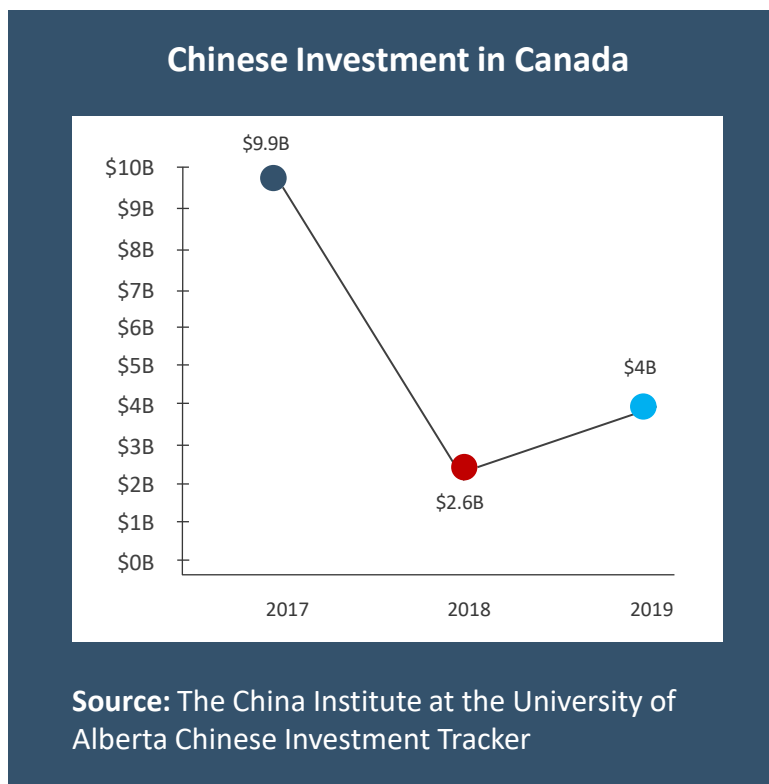


In **cleantech**, **42%** said it was stable, **25%** said business was up and **33%** said it was down.

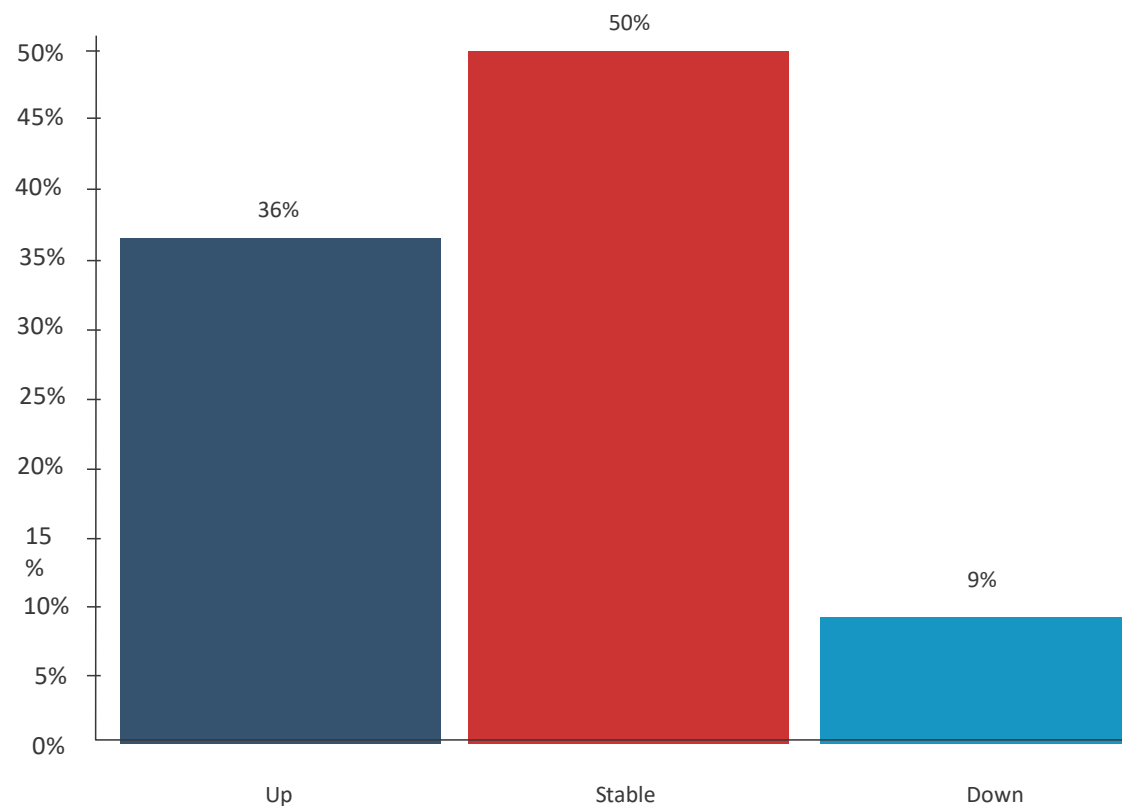


In the **manufacturing sector**, **40%** said it was stable, **45%** said business was up and **15%** said it was down.

SNAPSHOT: Canada provides a stable business environment for Chinese investors



CHINESE COMPANIES: How was your Canada/China business compared to the previous year? (N = 22)



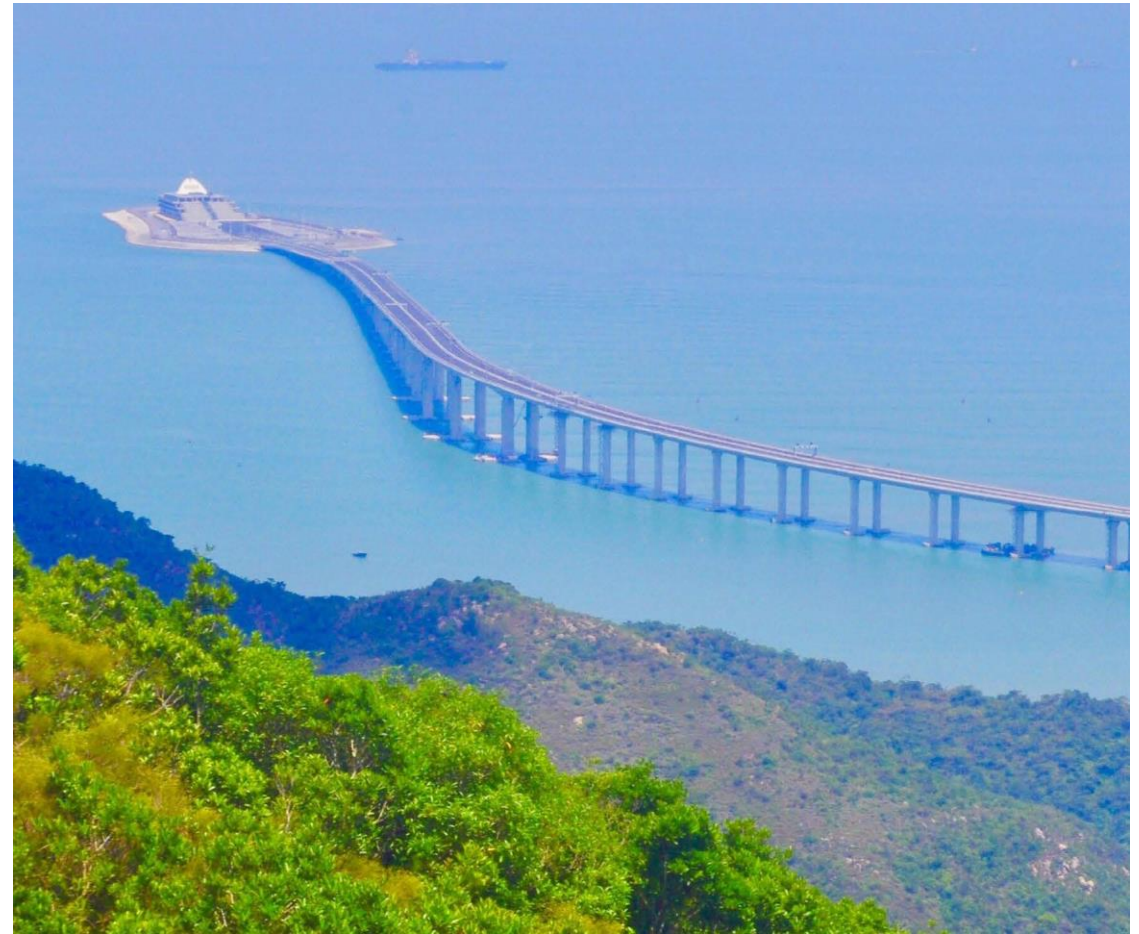
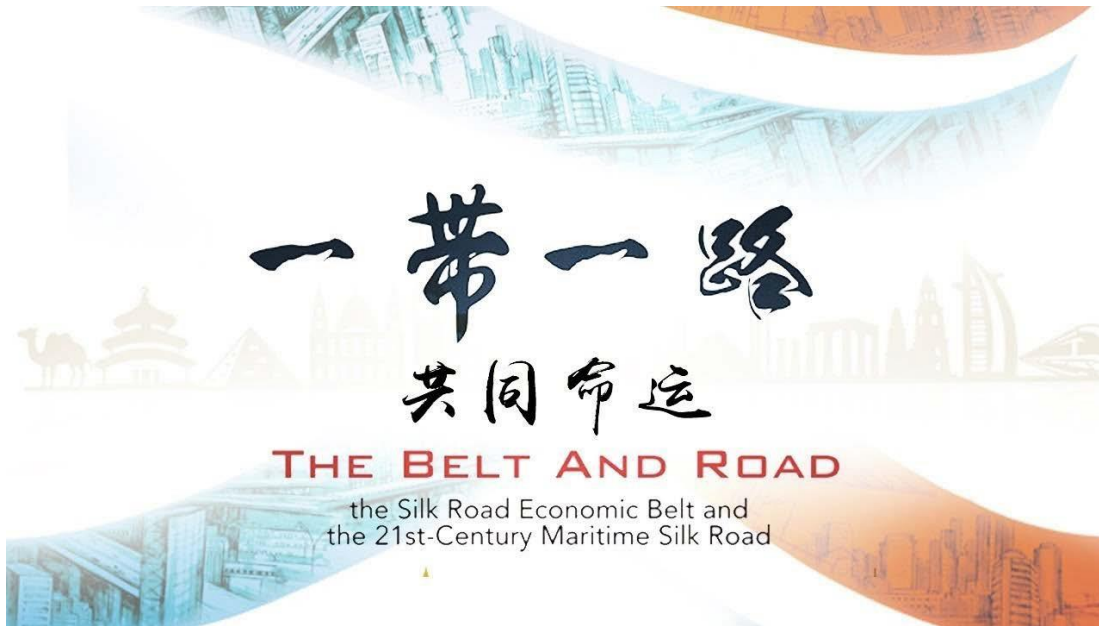
Economic developments in China and the impact of the US-China trade war

All respondents—Factors that impacted the Canada/China business in 2019

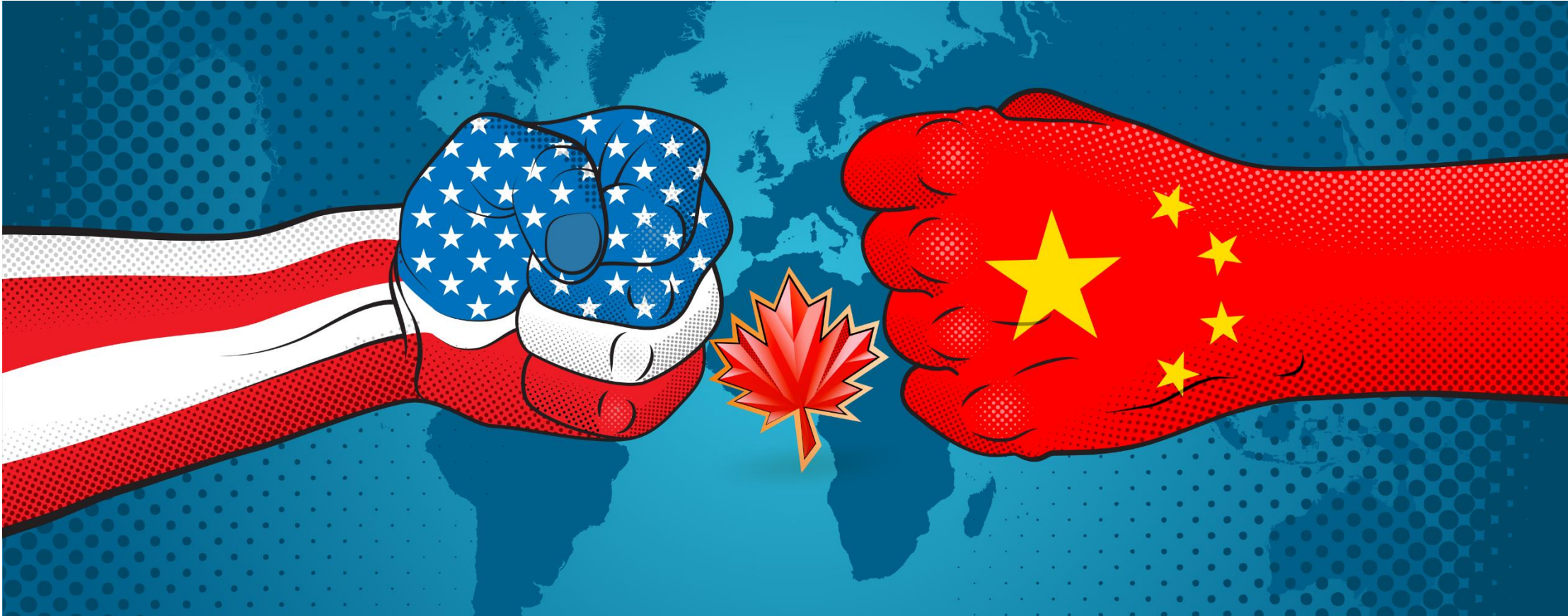
All respondents—Factors that impacted Canada/China business in 2019

Factors that impacted Canada/China business in 2019 (N =247)	Major impact	Minor impact	No impact
The Canada-China political situation	43%	36%	21%
Economic developments in China	32%	38%	30%
The US-China trade war	17%	48%	25%

Chinese Economic Developments



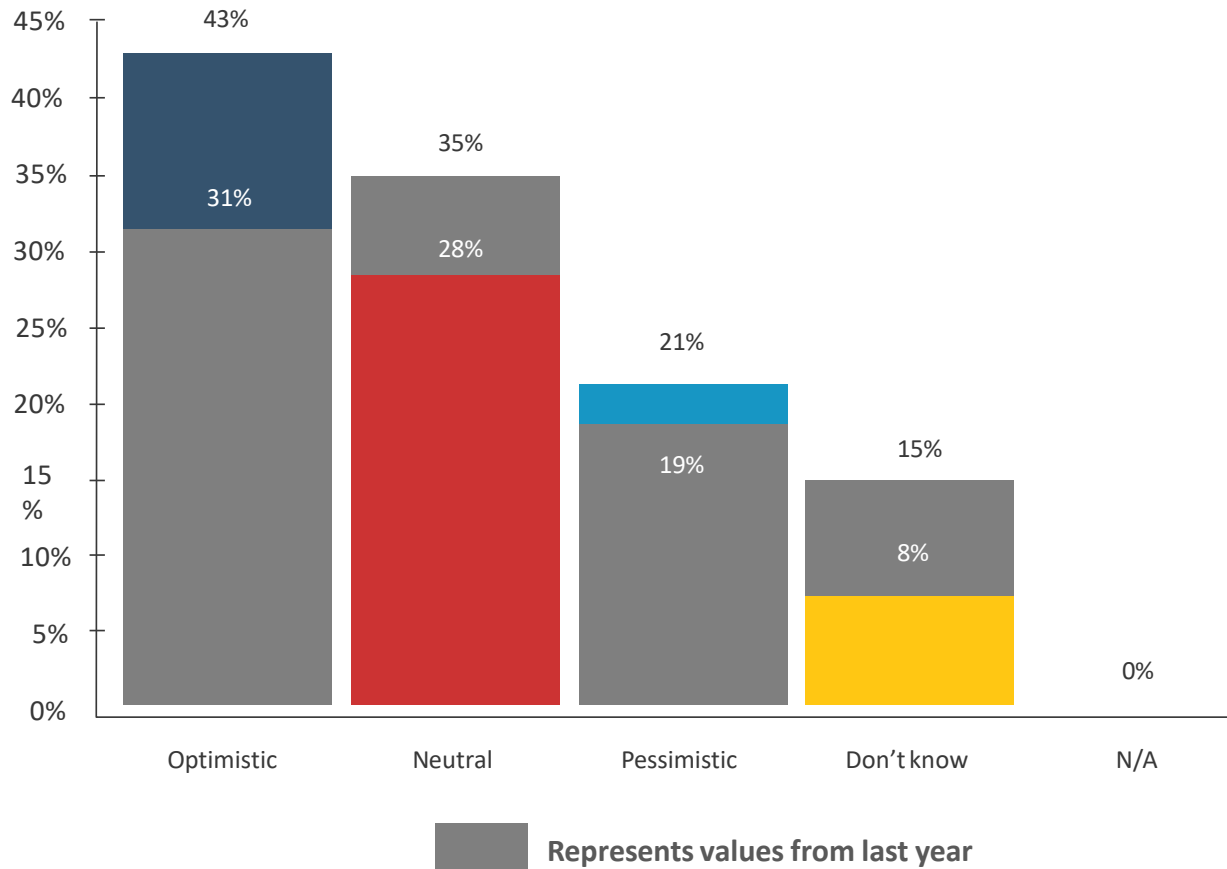
US-China Trade War



Continued Optimism/ Positive Outlook

All respondents—view on the future of the organization’s Canada/China business

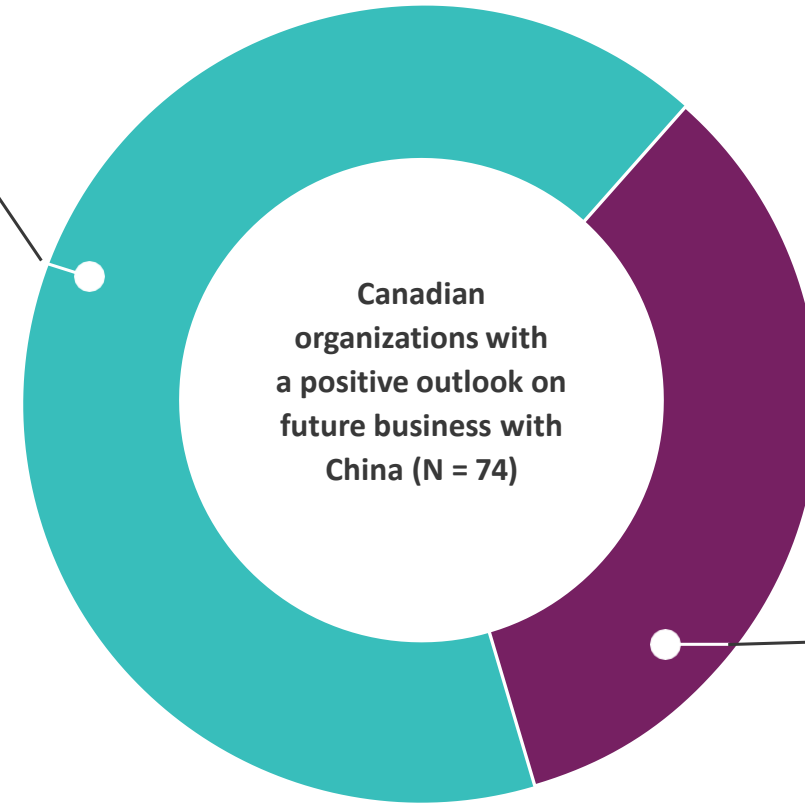
How do you feel about the future of your organization’s Canada/China business? (N = 238)



Of those who say they are optimistic, majority are CCBC members

Canadian respondents with a positive outlook on their company's future business with China

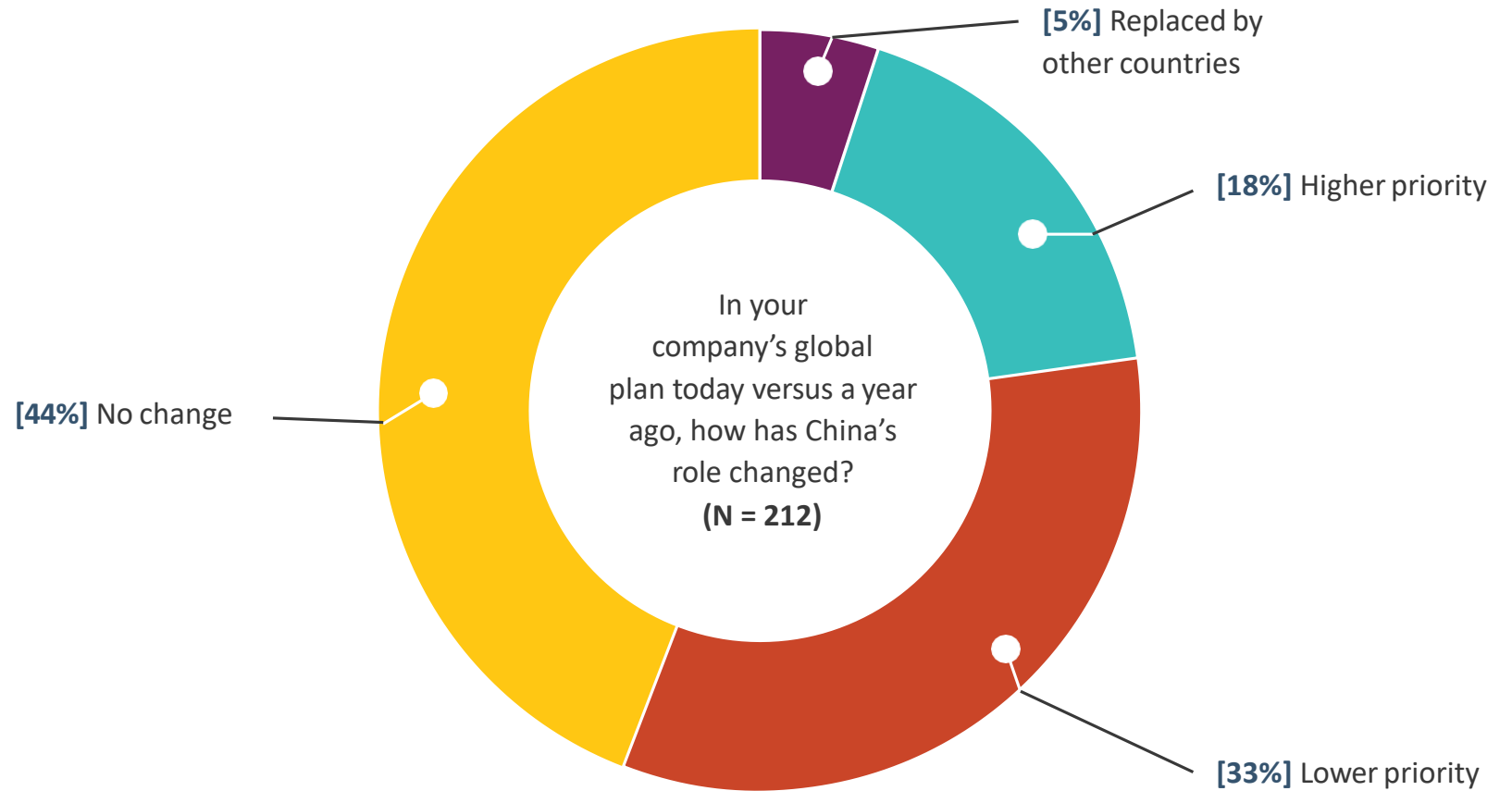
[66%] CCBC members



[34%] Non members

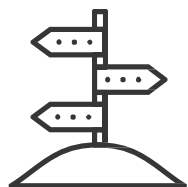
Some Canadian companies are re-examining China's role in their global strategy

Canadian respondents—China's role in their global plan



China becomes a lower business priority for some industries

HIGHER PRIORITY



Travel and tourism: **38%** said China is a lower priority, **38%** said it is a higher priority, **13%** said there is no change and **13%** said China has been replaced by other countries.



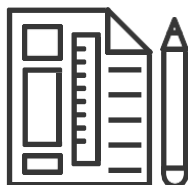
Government and non-profit: **48%** said China is a lower priority, **39%** said there was no change, **9%** said it is a higher priority and **4%** said China has been replaced by other countries.



Professional services: **58%** said China is a lower priority, **26%** said there was no change and **6%** said the country was a higher priority.



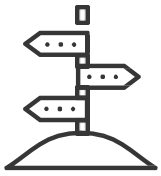
Finance and insurance: **47%** said it is a lower priority, **47%** said there was no change and **6%** said it has been replaced by other countries.



Educational services **31%** said China is a lower priority, **35%** said there was no change and **31%** said it is a higher priority, and **4%** said it has been replaced by other countries.

Maintaining (41%) or increasing (19%) China's role in global strategy

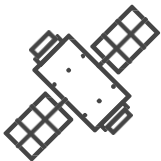
HIGHER PRIORITY



Travel and tourism: 38% said China is a higher priority, 38% said it is a lower priority, 13% said there has been no change and 13% said it has been replaced by other countries.



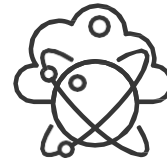
Natural resources: 20% said China is a higher priority, 73% said there has been no change and 7% said it is a lower priority.



Transportation, aerospace and automotive: 8% said it is a higher priority, 54% said there has been no change and 38% said it is a lower priority.



Agri-foods: 38% said China is a higher priority, 33% said there has been no change, 14% said it is a lower priority and 14% said it has been replaced by other countries.



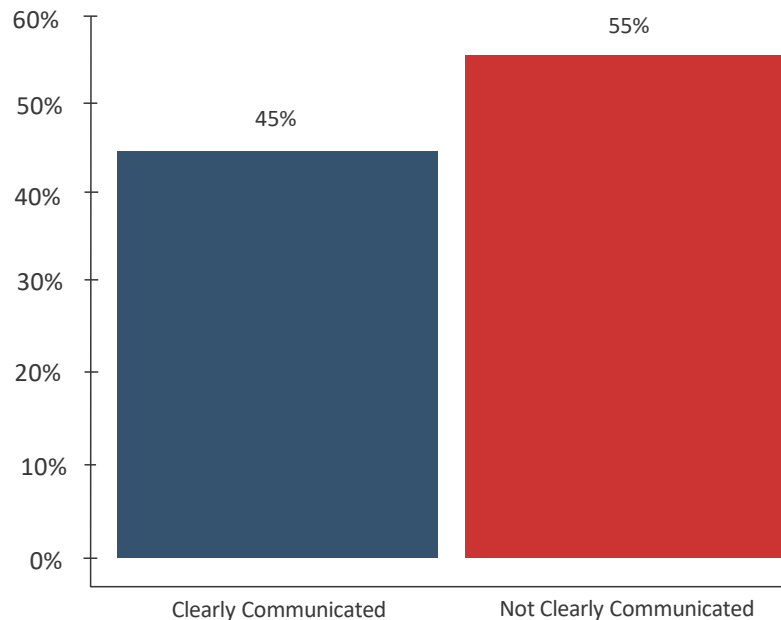
Cleantech: 18% said China is a higher priority, 27% said there has been no change, 45% said it is a lower priority and 9% said it has been replaced by other countries.



Manufacturing: 5% said China is a higher priority, 69% said there has been no change and 26% said it is a lower priority.

Calls for a clear Canadian government strategy

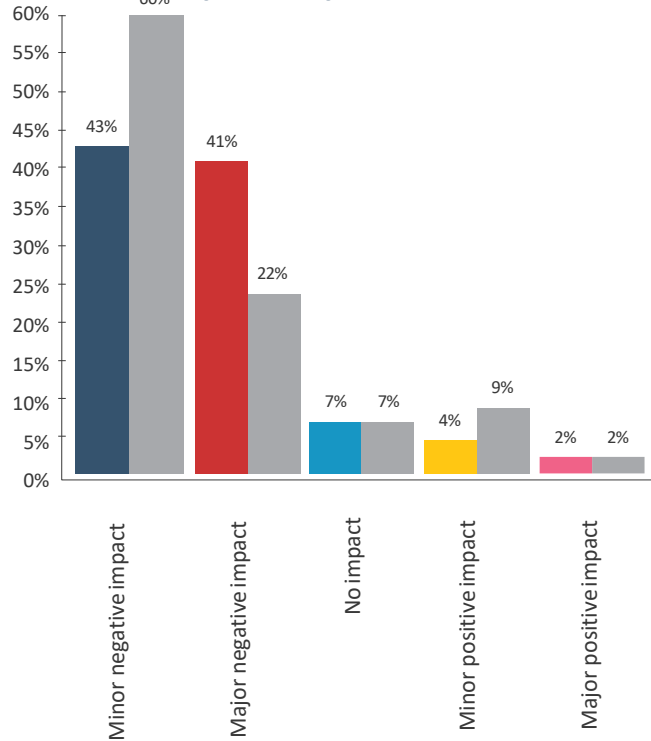
45% of Canadian and Chinese respondents believe that the Government of Canada's strategy with respect to China has been clearly communicated and 55% do not.



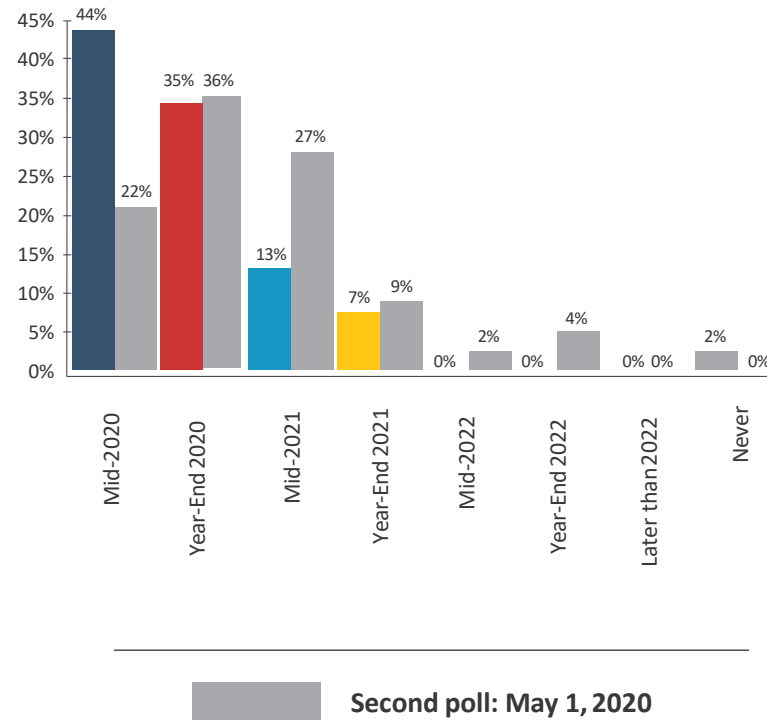
- **Canada Brand impact**
- **More information**
- **More clarity**
- **Necessary for business planning**
- **Will mitigate tensions and smooth business relations**
- **Government strategy is important for furthering Canadian business in China as well as Chinese investment policy in Canada**

COVID-19 Impact and Expectation

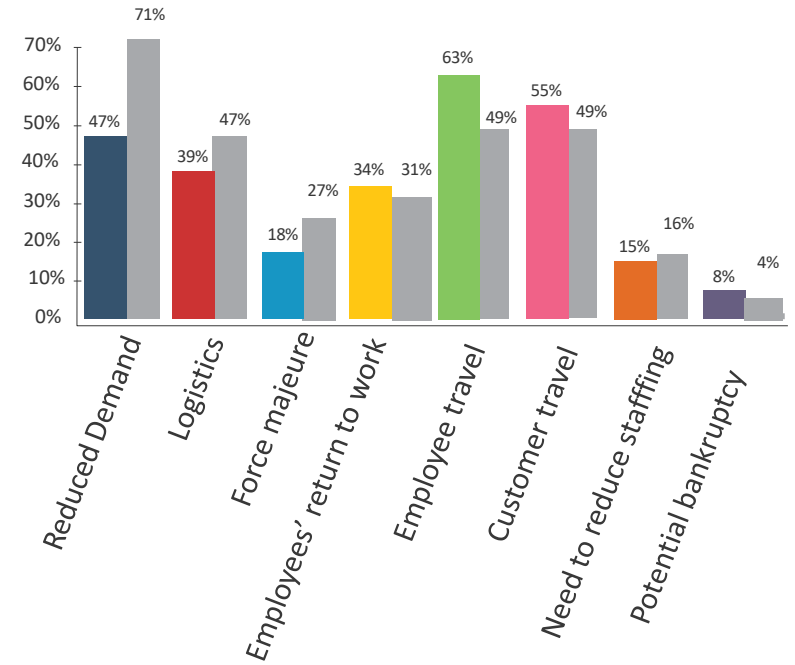
COVID-19 effect on business in 2020 (N=229)



Anticipated return to normal after COVID-19 (N=222)



Concerns about COVID-19 (N=230)



Conclusions:

- Canada-China business significantly impacted by tense bilateral relations, US-China trade war, COVID-19 and China's economic development
- Despite challenges, some companies fared well in 2019.
- China's economic policy and priorities reveal opportunities for Canadian products and services.
- China's earlier transition to a post-COVID-19 economy may provide much-needed export growth.
- Clear Canadian government strategy would reduce uncertainty and better position Canada benefit from China's economic growth.

Canada-China Business Impact Survey 2019/2020



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