



# CHINESE BUSINESS REALITIES - AN ASSESSMENT OF RISKS & REWARDS



**AUSTRIA CONNECT  
CHINA 2024**  
NAVIGATING NEW HORIZONS:  
UNLEASHING OPPORTUNITIES IN HONG KONG, THE GREATER BAY AREA & BEYOND  
24-26 October 2024 | HONG KONG

 **ADVANTAGE  
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# I. CHINESE BUSINESS REALITIES 2024

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1. Stagnating economic growth & GDP
  2. Low consumption & consumer confidence
  3. Real estate market crisis
  4. High national and local debt to GDP ratio
  5. Inflation
  6. Decreasing export volumes
  7. Low FDI
  8. High youth unemployment rate
  9. Low birth rate
  10. Fast aging society
  11. Recent government stimulus
  12. Increasing geopolitical tensions
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## II. RISKS & REWARDS

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### Rewards:

1. Market size: biggest market with highest growth potential
  2. Supply chain: high quality supplies for low prices
  3. Infrastructure: reliable logistics & low-cost energy
  4. Legal System: improving for companies with exceptions
  5. Government: subsidies for strategic sectors
  6. Market access: opening up
  7. Labor: skilled workers for internationally competitive wages
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## II. RISKS & REWARDS

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### Risks:

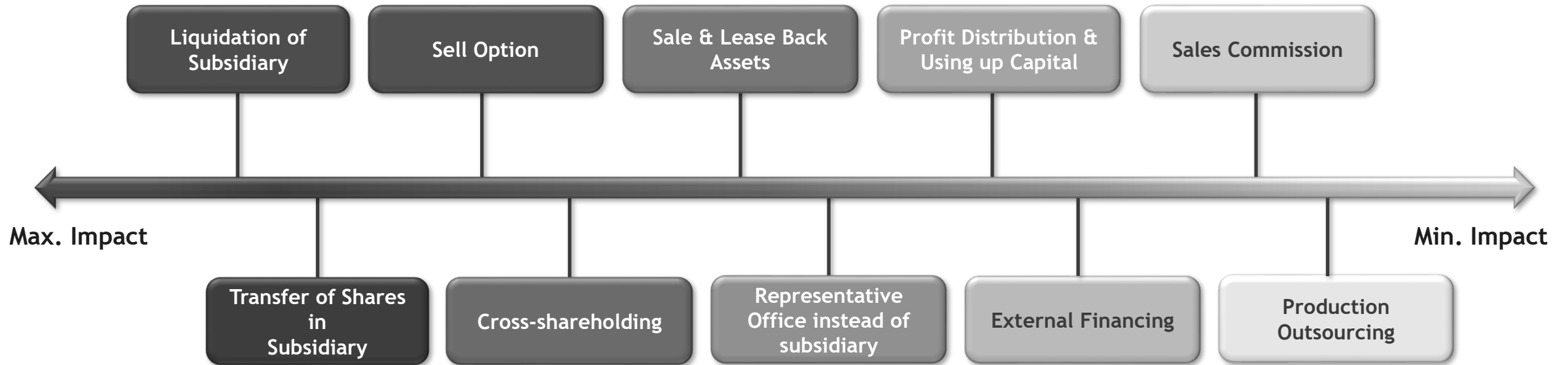
1. Increasing competition from Chinese companies
  2. Price pressure
  3. Overcapacities
  4. Unfair competition: Made in China 2025 & access to public tenders for FIE
  5. Default risk for Chinese governmental subsidies
  6. Demanding & price sensitive customers
  7. Pressure to localise design & R&D
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### Conclusion:

1. Chinese market is still - and will remain - (highly) relevant for Austrian companies...
  2. ...but Austrian companies need to (further) „localize“, i.e. not only manufacture and import but also design, research & develop their products in China for customers in China/APAC (“in-China-for-China“) to be able to benefit from the rewards,  
including to:
    - Comply with “Made-in-China”-policy (local content requirement)
    - Meet local standards & technology (which continuously deviate from USA/EU markets)
    - Compete with local Chinese companies
    - Have access to price sensitive Chinese customers
    - Take advantage of lower production costs (energy, wages, social costs) for export
    - Mitigate supply chain risks and costs for export & import
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# III. LEGAL OPTIONS TO HEDGE RISKS

Tension between reduction of assets vs. preservation of market presence in China



**Note:**

- Certain options require substantial lead time and precise legal structuring!
- Not all options are compatible with localization strategy!

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