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Global reach
Local knowledge

2020 GLOBAL TRENDS

Business attitudes to
geopolitical shifts



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Business attitudes to geopolitical shifts

To get a better understanding of business executives' views on current geopolitical challenges, and how multinational companies plan to mitigate their risks, TMF Group surveyed more than 1,700 business decision makers in seven of the world's largest economies: Brazil, China, France, India, Singapore, the UK and the USA.

In short, we wanted to get an insight into what is keeping company executives around the world up at night as they implement their strategic plans for 2020.

Overall, the findings reflect the increasing complexity of doing business globally.

The accelerating cycles of change in areas such as tariffs, taxation, transparency and reporting regulations demand increasing agility from multinational businesses when it comes to establishing new legal entities in new countries, for example. Arrangements that might previously have lasted a decade or more now often need to be adjusted after a matter of months.



TRADE WARS

top list of concerns

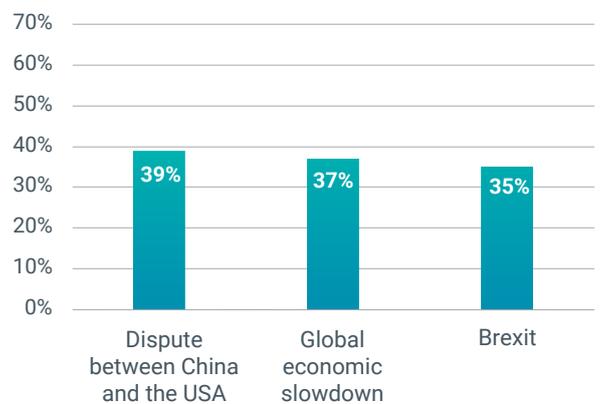
The top challenge in 2020 for decision makers across all countries is the threat of trade wars, such as that between China and the USA, with 39% listing it as a concern overall, followed by global economic slowdown (37%) and Brexit (35%).

The country with the highest proportion of decision makers concerned about trade and the economy is China, with 53% saying trade wars are a challenge, and 51% saying global economic slowdown is a challenge for 2020.

Around one-third of respondents (29%) say they are establishing new entities in new countries to mitigate the impact of trade disputes. This backs up the experience at TMF Group, where we have seen a significant upturn in companies asking for help in setting up new legal entities in the EU and the USA over the past couple of years.

Perhaps surprisingly, given the media attention it is receiving, political and socioeconomic pressure over climate change is only third in the list of concerns (at 33%), followed by cybercrime (31%) and keeping on top of increasingly demanding data protection laws (28%).

The top challenge in 2020 for decision makers



Decision makers in the USA are the only ones to put cybercrime at the top of their list of 2020 concerns, with 38% saying it is a key challenge. This likely reflects the continuing attention the subject receives in the US media following recent political hacking scandals.

Looking further ahead, to 2025, Brexit slips down from third on the list of key challenges to sixth place (27%). Rising up the global rankings to third place in 2025 is political and socioeconomic pressure over climate change (33%), followed by cybercrime (31%) and keeping on top of increasingly demanding data protection laws (28%).



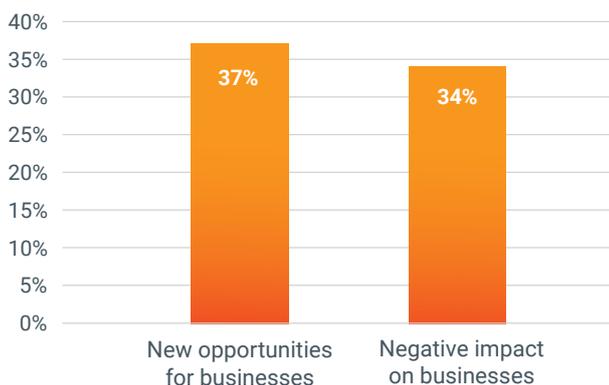
BREXIT CHALLENGE

splits global opinion

The vote on leaving the European Union split the UK electorate virtually down the middle in 2016, and it seems business decision makers are equally divided on whether Brexit will be good or bad for business.

Overall, 37% of respondents feel that the UK leaving the European Union will have the potential to create new opportunities for businesses in their country. A similar proportion (34%) said that Brexit will have a potentially negative impact on their country's businesses.

The potential impact of Brexit



Decision makers in China are the most positive about the effect of Brexit, with 47% saying it will potentially create new opportunities for the country, followed by those in India, at 37%.

Not surprisingly, decision makers in the two European countries included in the survey, France and the UK, put Brexit firmly at the top of this year's challenges for home-grown businesses that operate across multiple countries. Almost half (44%) of respondents in both countries listed Brexit as the main challenge, compared with the global average of 35%, in third place overall. The decision makers least concerned about the challenge of Brexit are those in Singapore (24%) and the USA (30%)

UK respondents put the potentially negative impact of leaving the EU at the top of their list of likely scenarios for 2020 (46%). Decision makers in France are fairly evenly split on this subject, with 42% saying Brexit will have a positive impact on business in their country, and 39% saying it will have a negative impact.

PRAGMATISM

drives Brexit action

Overall, businesses seem to be taking a pragmatic approach to Brexit and subsequent trade agreements.

While reasonable numbers are increasing operations in other countries or changing supply chains, very few businesses have gone as far as to change their strategic focus in response.

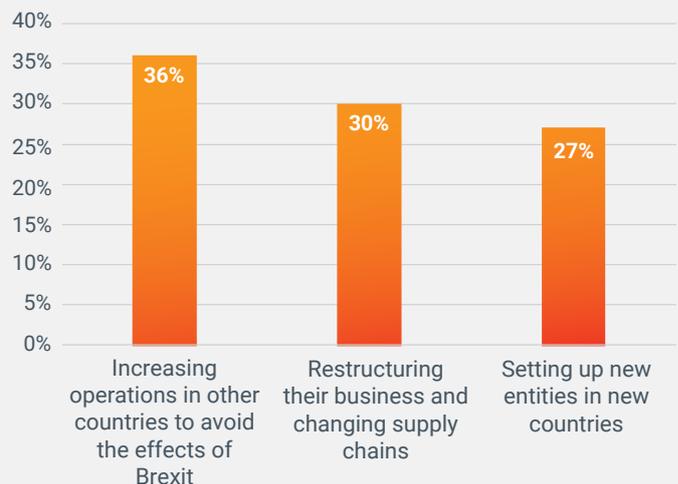
Around one-third (36%) of decision makers globally say they are increasing operations in other countries to avoid the effects of Brexit, while similar proportions are restructuring their business and changing supply chains (30%) or setting up new entities in new countries (27%) to avoid its risks. UK companies are among the least likely out of those surveyed to be restructuring (25%) or setting up new entities overseas (24%) in response to Brexit in 2020.

Hardly any respondents (1%) say they are changing their strategic focus and identifying new target markets less affected by Brexit (0.8%). Even in the UK, just 2% of decision makers say they are doing this. This is perhaps down to 'Brexit fatigue' – after almost four years of Brexit dominating the UK news agenda – or that UK companies' strategic response has already been 'baked in' following the 2016 vote.

Large companies, with more than 500 employees are the most likely to have increased operations (40%) to mitigate the risks of Brexit. The sector with the highest proportion of decision makers saying they have taken this step is the legal profession (48%); while the sector with the lowest proportion is arts and culture (9%).



Global decision makers response to Brexit



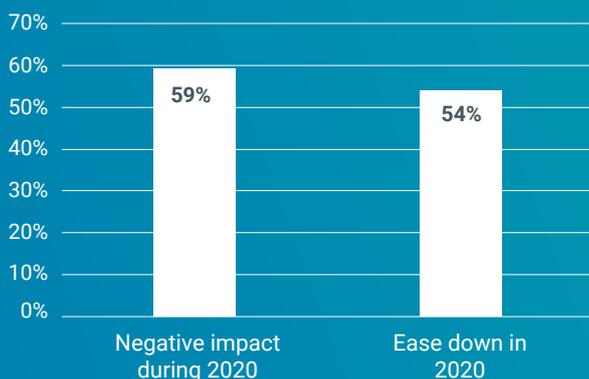
The countries most likely to have businesses that have increased operations in other countries to mitigate the risks of Brexit are India (46%) and Brazil (39%). The country least likely to have taken this step is the UK (26%). Businesses in India (35%) and China (35%) are the most likely to have established new entities in new countries to mitigate the impact of Brexit, compared with a global average of 27%.

IMBALANCED VIEW

on China-US trade dispute

Decision makers at US-based multinational companies are not as concerned about global trade conflicts as their Chinese counterparts, despite the long-running trade dispute between the two nations.

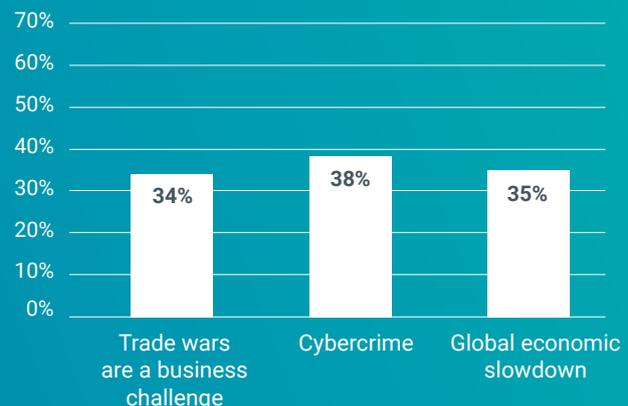
Decision makers on the trade dispute between China and the USA



This almost certainly reflects the unequal effect of tit-for-tat sanctions: overall, Chinese manufacturers have a lot more to lose as trade with the US gets harder.

As well as being the most concerned about trade wars generally, decision makers in China are the most likely (at 59%) to say the trade dispute between China and the USA will have a negative impact during 2020. However, they are also the most likely to say that such disputes will ease or die down in 2020 (at 54%).

Decision makers on the impact of trade wars between China and the USA



By contrast, US decision makers are more sanguine about the impact of trade wars. Around one-third (34%) of respondents from the country say trade wars are a business challenge in 2020, in third place behind cybercrime (38%) and a global economic slowdown (35%).

Executives in India are the most optimistic about the effects of the China-US dispute, with 43% believing it will be a good thing for business in their country, closely followed by those in Brazil (at 42%). Clearly, countries like India and Brazil have potentially the most to gain from US buyers switching their supply chains away from China.

COMPANY SIZE, SECTOR

and gender differences

Company size appears to influence decision makers' views on the impact of geopolitical trends. Those at large companies, with more than 500 employees, are most likely to see their positive side. Topping their list of most likely scenarios for 2020 are the potentially positive impact of the UK leaving the EU and the easing or dying down of high-profile trade disputes (both at 41%).

Sole traders see more potential opportunity from the UK leaving the EU in their countries (35%) than the potentially negative impact (30%).

Decision makers in different industry sectors also have differing opinions on the impact of global geopolitical trends. For example, those in the legal profession are significantly more likely to see the negative impact of the trade dispute between the EU and the USA, putting it top of their list of most likely scenarios (48%, compared with the global average of 32%, ranked seventh globally).

Decision makers in the IT and telecoms sector are much more likely to see the potential upside of this trade dispute, with 42% agreeing it will have a positive impact on their business, and putting it top of their list of likely trends in 2020 (compared with 34% and sixth place overall).

Overall, male respondents seem to be slightly more optimistic about the impact of global geopolitical trends than their female counterparts. Male decision makers are more likely to see existing high-profile trade disputes easing or dying down in 2020 (39%, compared with 34% of females), and more likely to see business opportunities in their countries from the UK leaving the EU (39% versus 35%).





About the research

The research was conducted on behalf of TMF Group by Censuswide during December 2019. It surveyed 1,770 business decision makers, responsible for making decisions on regulation and compliance within multinational companies. It included a minimum of 250 respondents in each of the following markets: Brazil, China, France, India, Singapore, the UK and the USA. Censuswide abides by, and employs members of, the Market Research Society which is based on the ESOMAR principles.





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