

**SWISS
CHINESE
CHAMBER
OF
COMMERCE**

瑞中經濟協會

Who is the Swiss Chinese Chamber of Commerce (SCCC)?

The Mission

Expand relations between public and private China / Switzerland by promoting:

- Dialogue
- Cultural understanding and networking
- Seek thought-leadership in the areas of working relationships and regulatory framework

Key Facts

- 800+ Members (large companies as well as SME; high profile individuals; etc.)
- 2500+ Key Contacts in Industry, Government and Politics
- Founded in 1980 and pioneering the relationships
- Information available at www.sccc.ch
- Nonprofit organization, independent

What we do ? – Detailed

- **Business Advice** – We offer opportunities to meet with experts to discuss general or specific issues on the China market and give general advices. Members benefit from free general advices.
- **Business Contacts** – We provide preliminary assistance in the search of business contacts, suitable agents, representatives, importers or exporters, manufacturers and suppliers as well as potential investors in Greater China and/or Switzerland.
- **Public Affairs** – We organize seminars, workshops, briefings, conferences and social events throughout the year, featuring experts and prominent personalities from business and public life. Members have also the possibility to host or sponsor events in cooperation with the chamber of commerce.
- **Delegations** – We assist Chinese delegations in their visits. Members are given opportunities to meet Chinese delegations and entrepreneurs.
- **Government Relations** – The Chamber maintains regular contact with Swiss and Chinese Government agencies. Members benefit from this network by facilitated contacts to these organisations through the Chamber.

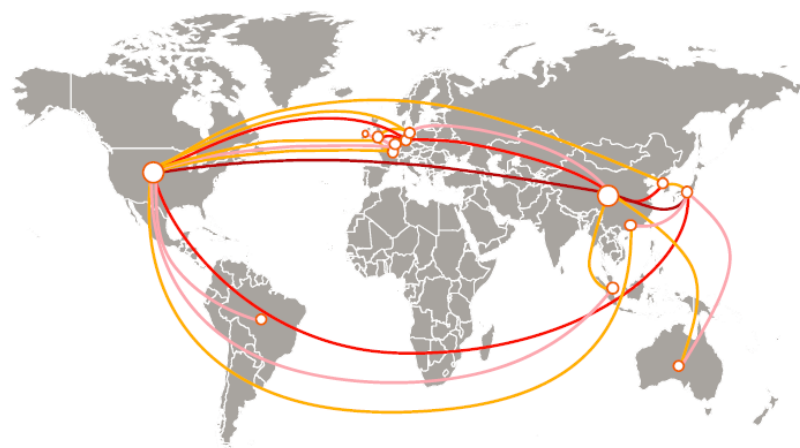
GuangZhou
Night 广州之夜

Presented at WEF
in January 2020

On average, 880 new enterprises will be set up in Guangzhou each day. One-sixth of the population own their respective market entities. 12,000 high-tech enterprises have been developing in our city, and we have 33.4 invention patents to our name for every 10,000 persons in Guangzhou. WeChat, one of the world's largest social media and payment platforms, was initially set up here. and the starting place of the world's first autonomous passenger drone. Ehang, the world's first autonomous aerial passenger vehicle, took off from right here.

The emergence of new patterns of international trade – Why does Europe matter?

Top 25 sea and air freight bilateral trade pairs in 2009



Top 25 sea and air freight bilateral trade pairs in 2030



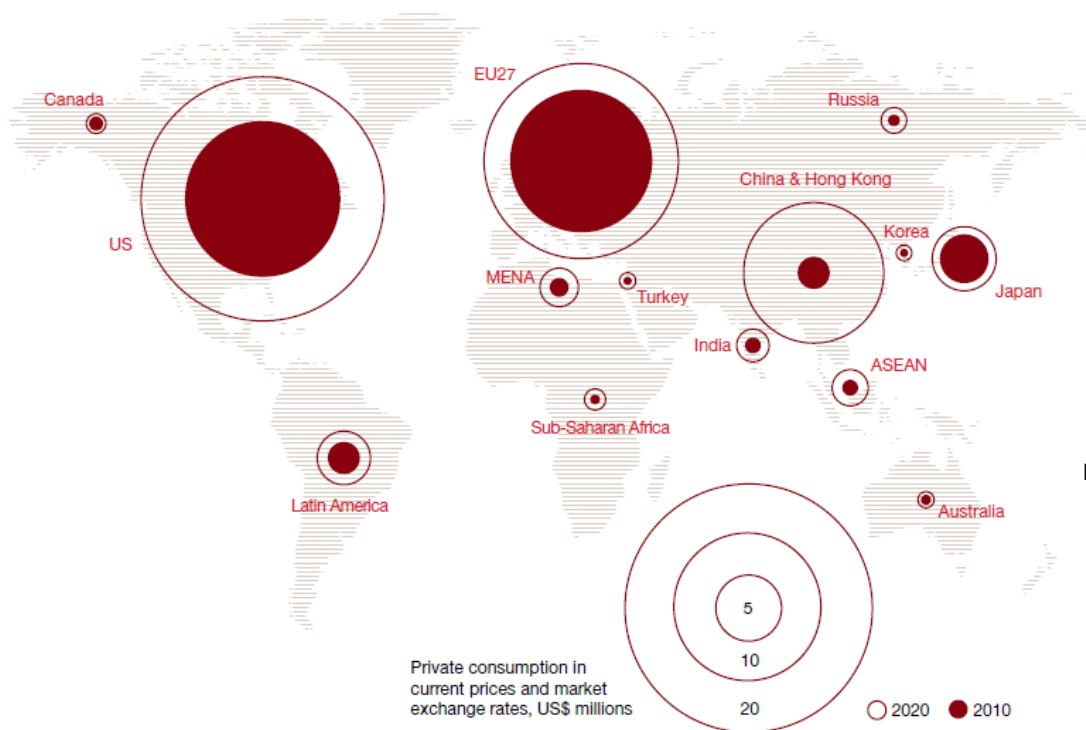
“China’s exports to Europe will be almost twice as large as US exports to Europe by 2020”

“Total flow of services trade from Europe to Asia Pacific (excluding Japan) will be larger than to North America”

Oxford Economics forecast in 2014

Europe is the **largest** and **most accessible** Market

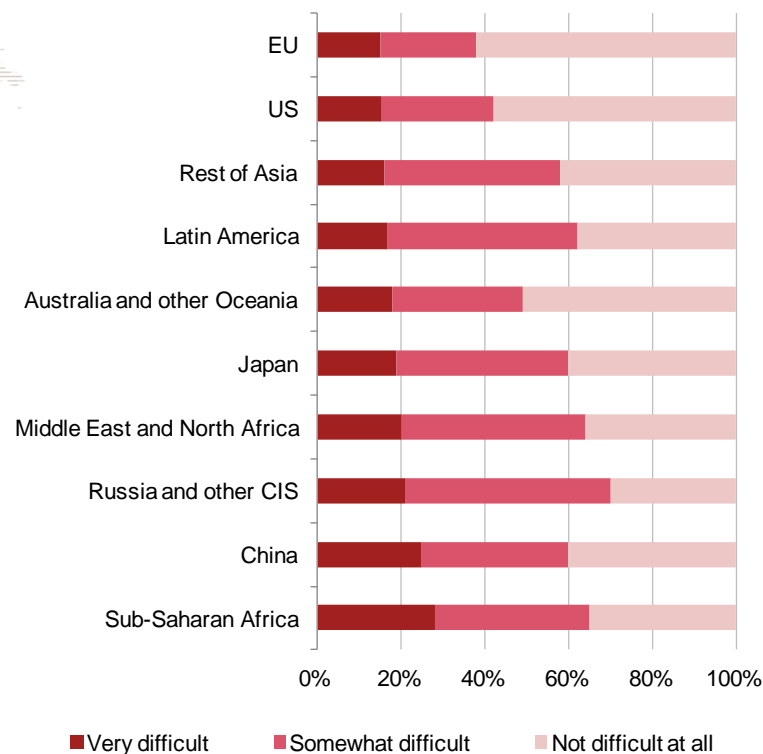
Private consumption at current market exchange rates



Source: Oxford Economics, PwC the 15th annual global CEO survey 2012

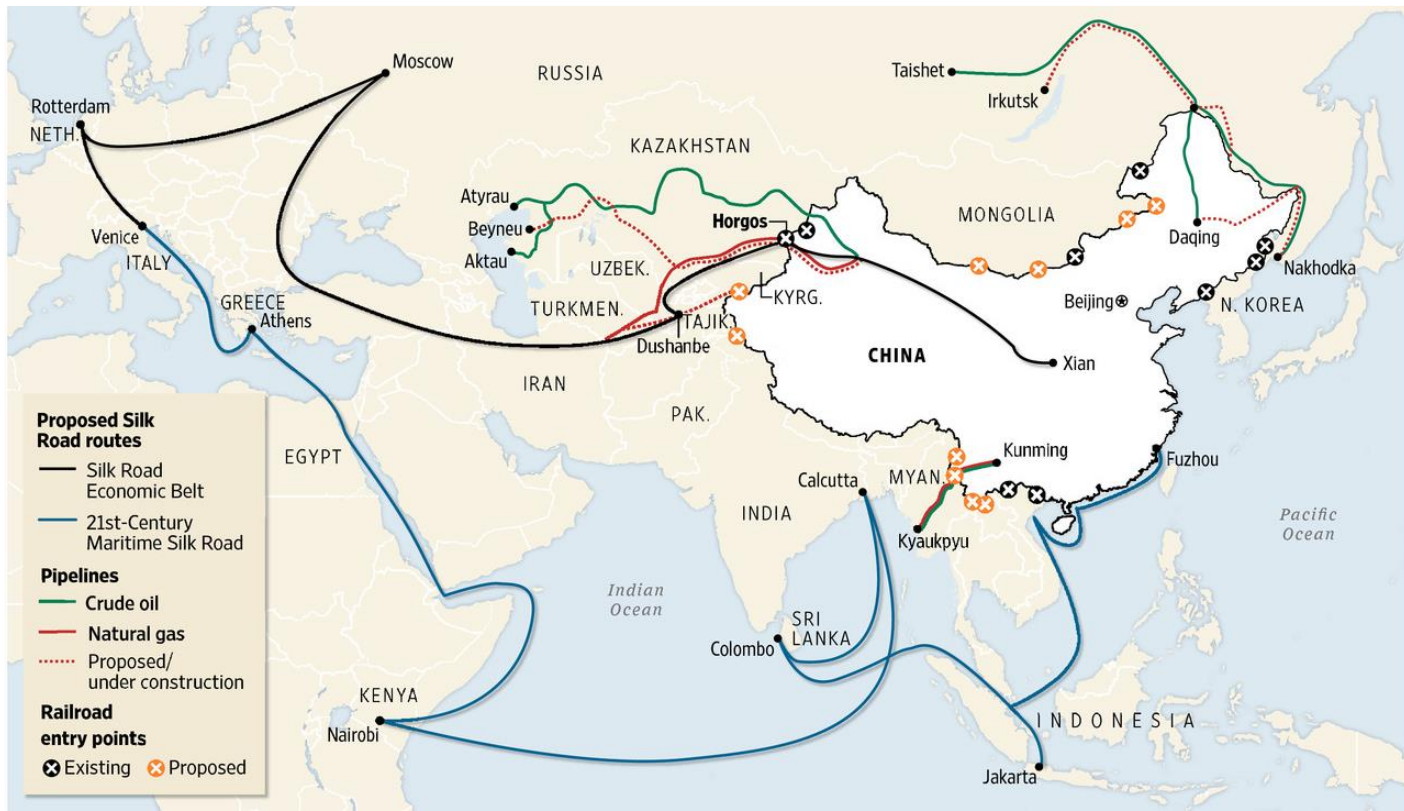
China & Switzerland

European is perceived to be the easiest market for export



Source: Oxford Economics

International and regional markets are newly defined - One Belt, One Road was created in 2013!



Source: The Wall Street Journal, edited for illustrative purposes

Challenges in China's markets create opportunities ...

....is that still true?

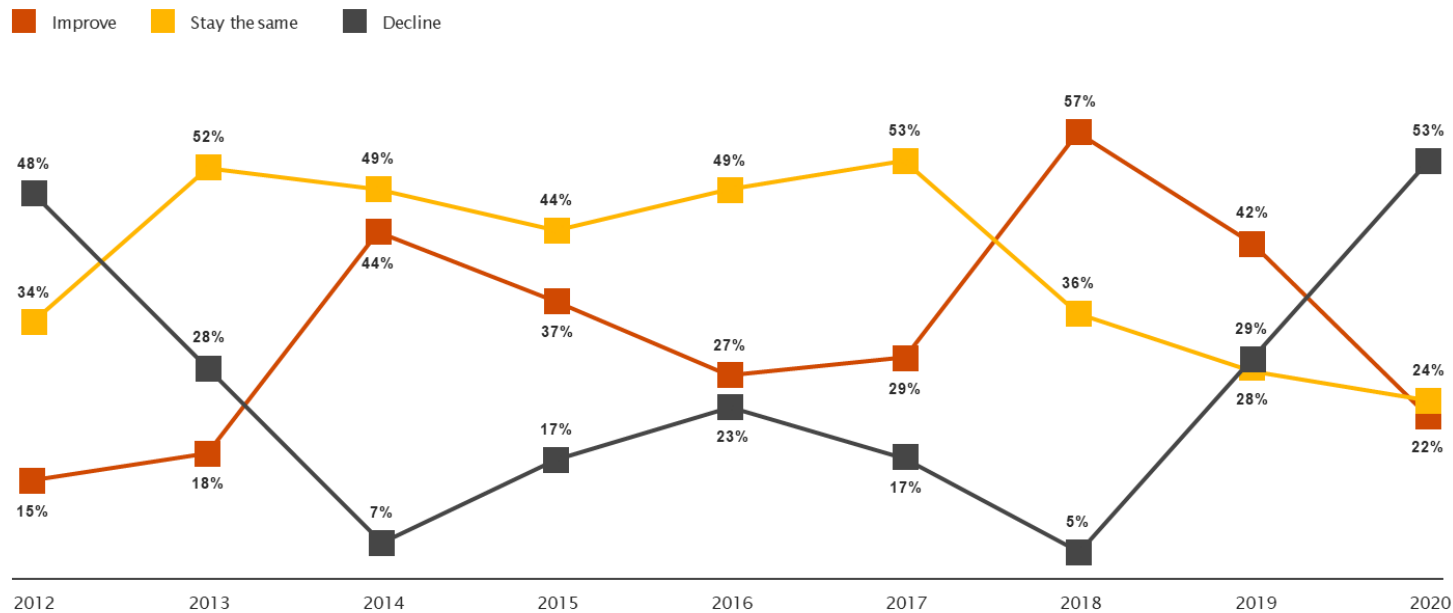
All not well already ahead of the pandemic..

Exhibit 1

CEOs have shifted from record optimism to record pessimism over the past two years

Question

Do you believe global economic growth will improve, stay the same or decline over the next 12 months?



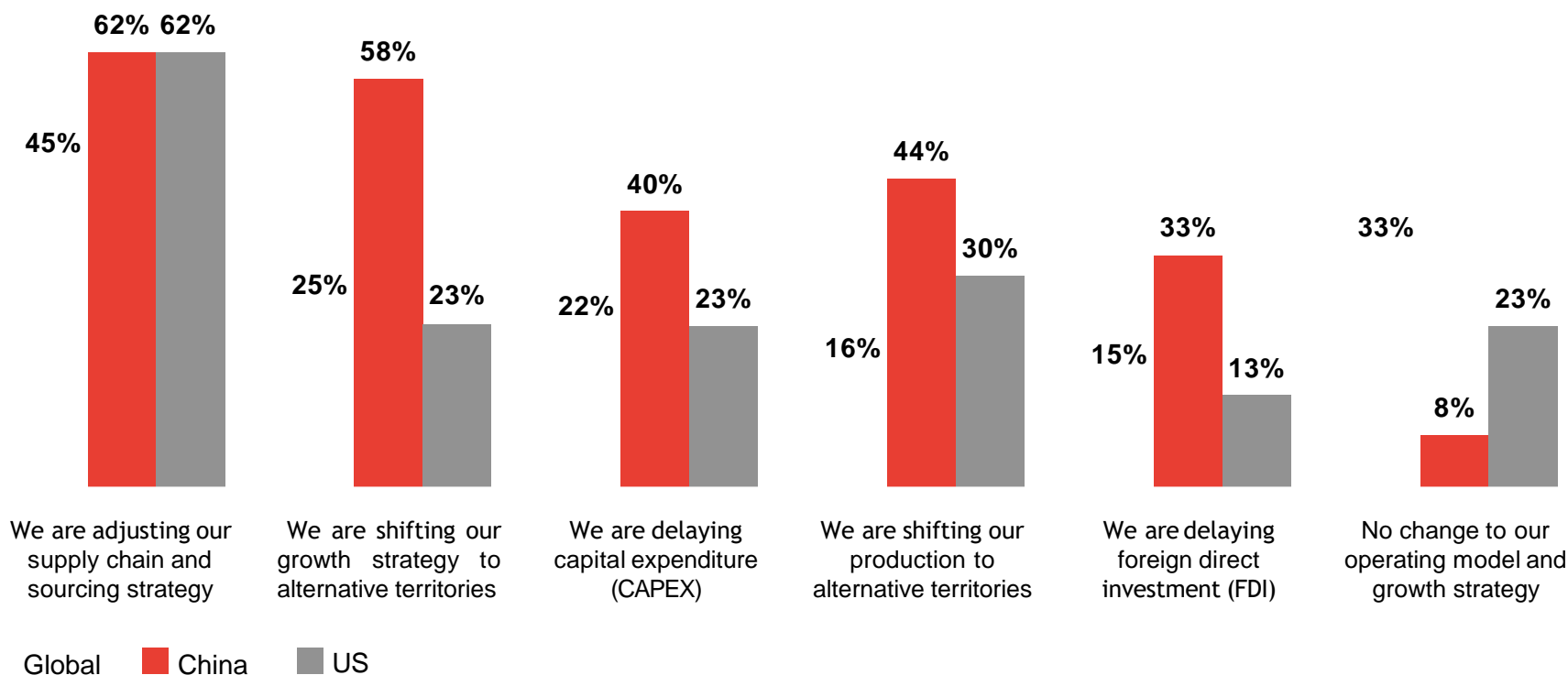
Source: PwC, 23rd Annual Global CEO Survey

Note: From 2012 to 2014, respondents were asked, 'Do you believe the global economy will improve, stay the same or decline over the next 12 months?'

Note: Not all figures add up to 100% as a result of rounding percentages and excluding 'neither/nor' and 'don't know' responses

Base: Global respondents (2020=1,581; 2019=1,378; 2018=1,293; 2017=1,379; 2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330; 2012=1,258)

CEOs who are 'extremely concerned' about trade conflicts, two-thirds are changing their strategy.... already in 2018!



Source: PwC, 22nd Annual Global CEO Survey

The trade conflict disrupted the 'current normal' ahead of the pandemic, in 2019!

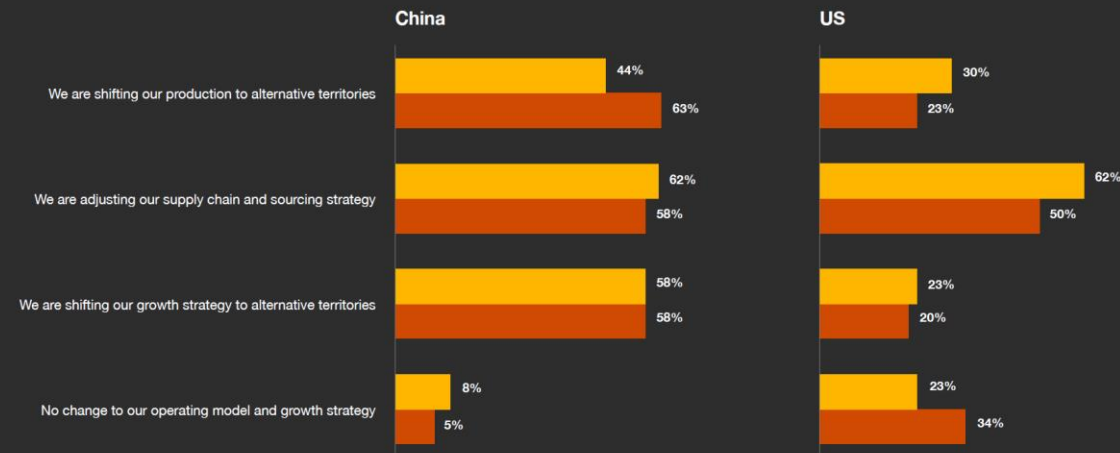
Exhibit 7

Due to ongoing trade conflicts, China CEOs are continuing their efforts to shift production to alternative territories

Question

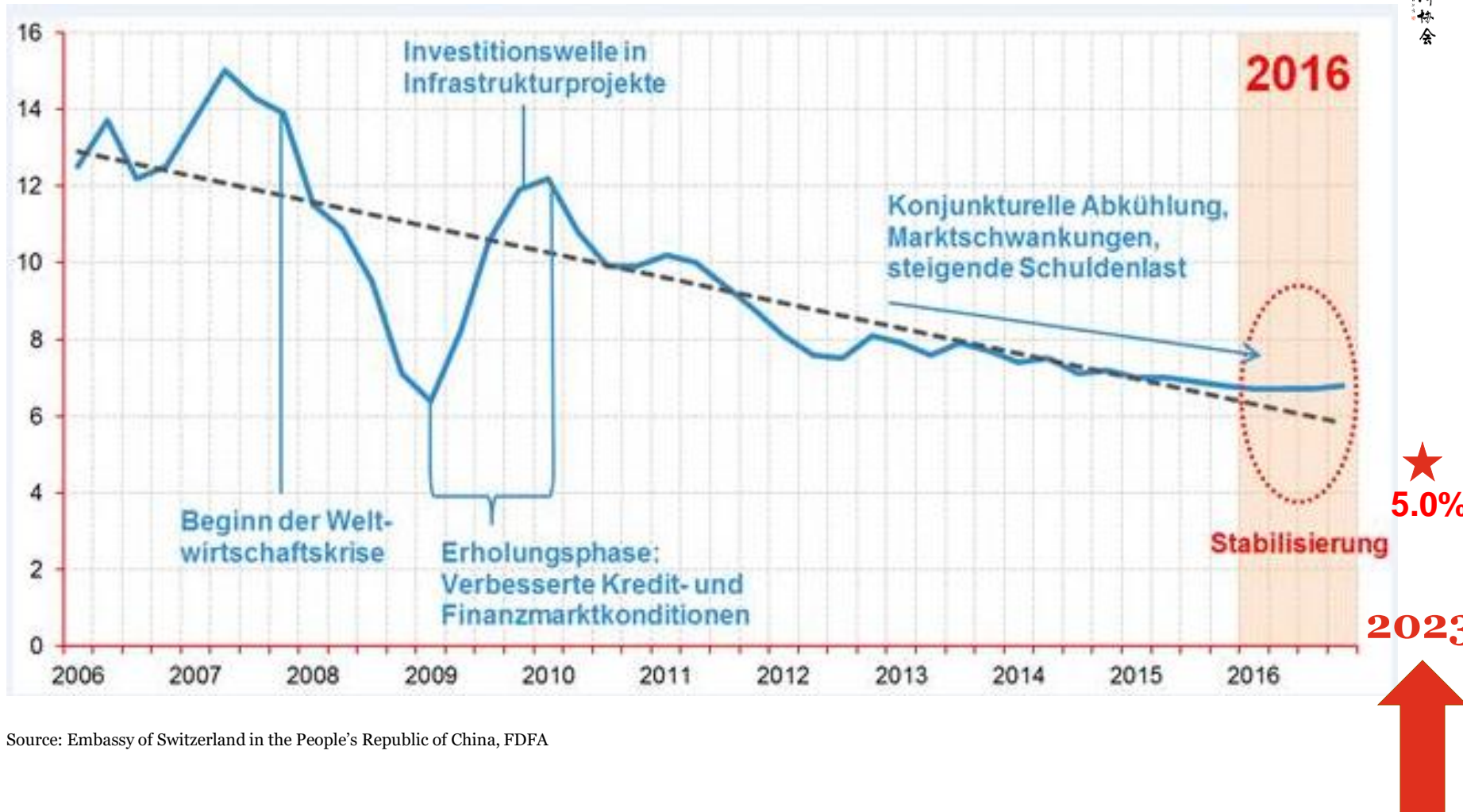
How are trade conflicts affecting your operating model and growth strategy? (showing only responses from CEOs 'extremely concerned' about trade conflicts)

2019 2020



Source: PwC, 23rd Annual Global CEO Survey
Base: Respondents who answered 'extremely concerned' about trade conflicts (China 2020=43; 2019=52; US 2020=70; 2019=53)

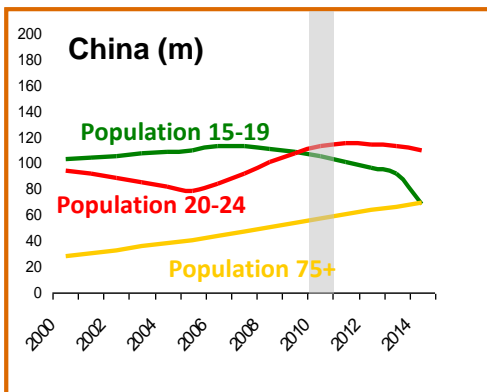
'China's New Normal' growth in 2023 is forecasted as low as 5%at most



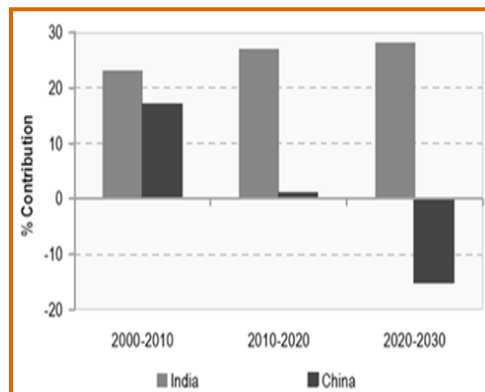
Source: Embassy of Switzerland in the People's Republic of China, FDFA

Statistics drive various behaviours

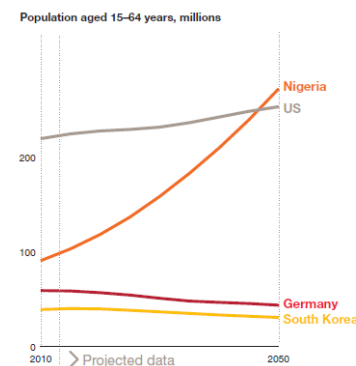
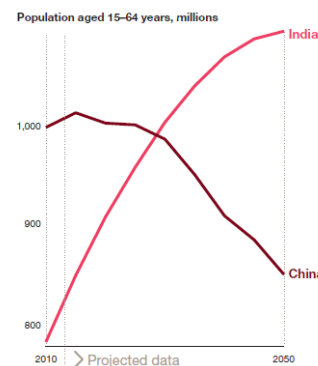
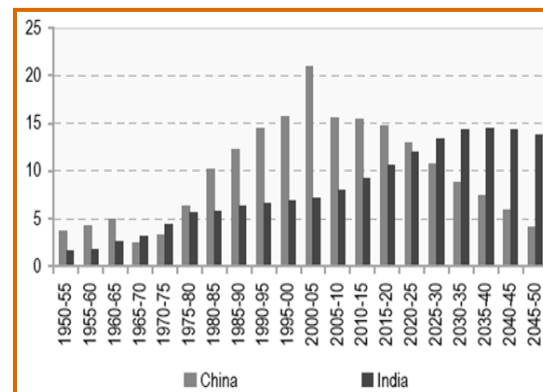
The median age is rising in Asia, but the old-age dependency ratio is rising faster



Contribution to increase in global working-age population (%)



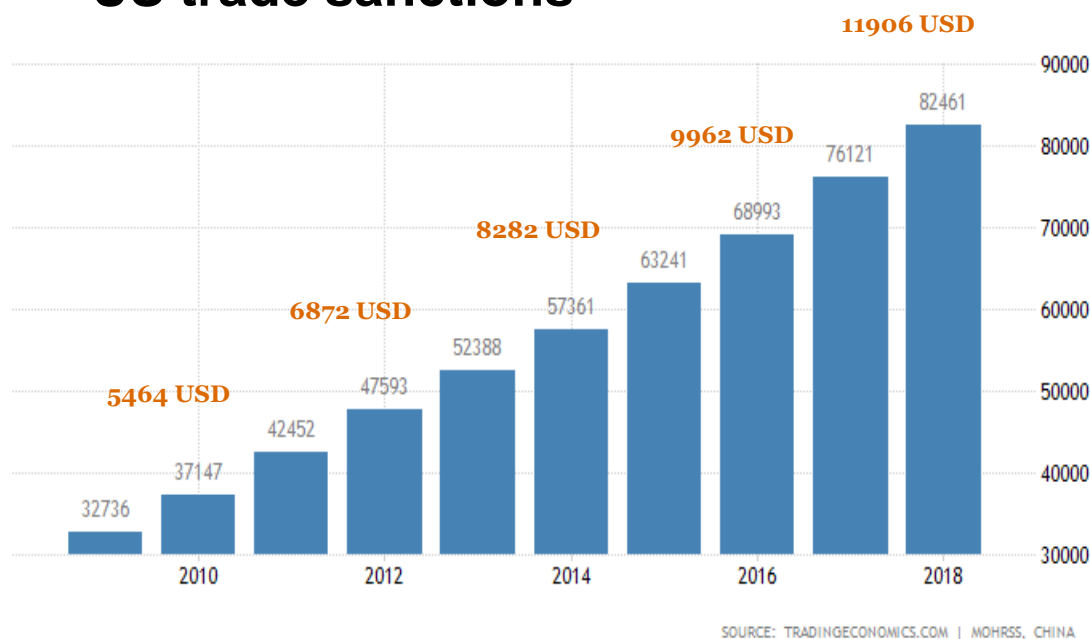
Annual urban population additions, 2010 – 2030 (millions)



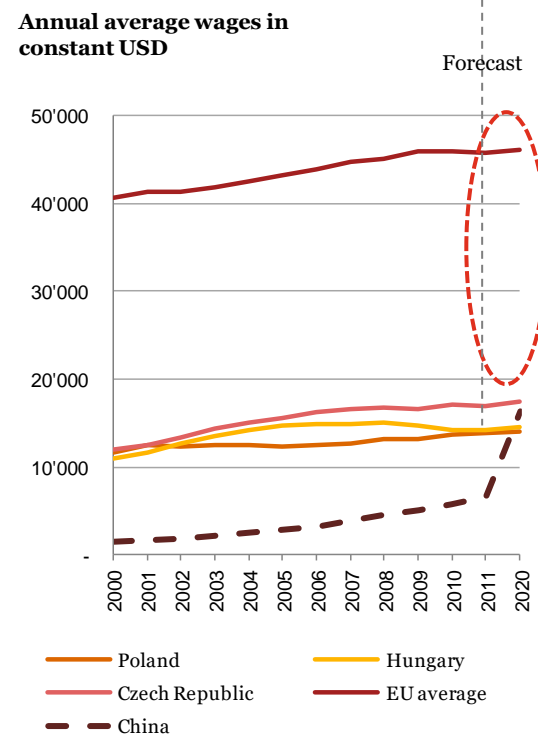
Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, 'World Population Prospect: The 2010 Revision'.

Numerous Chinese companies started recently to set up factories outside of China....Why?

- Wage gap between China and East Europe has disappeared
- US trade sanctions



Source: PwC 2012 APEC CEO Survey



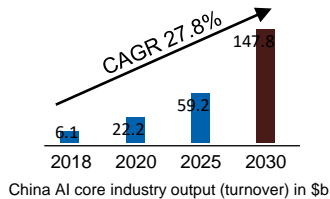
Why is China catching up so fast?

1/2

An Example: China AI Environment Overview

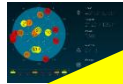
POLICY & REGULATION

Government Target Restricted Data Flow



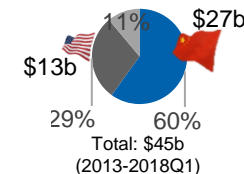
Source: China State Council, AI

of cross-border data transmission



But Hold On....
Why is China taken by surprise at the appearance
and success of ChatGPT?

Majority of Global AI Investment



Source: Tsinghua University, China AI Development Report (2018)

research capability, technical know-how in their research area, and have published a patent or English-language paper within the past 10 years.

Creativity can't be coded and can't be requested from the Top. It requires room for failures!

2/2

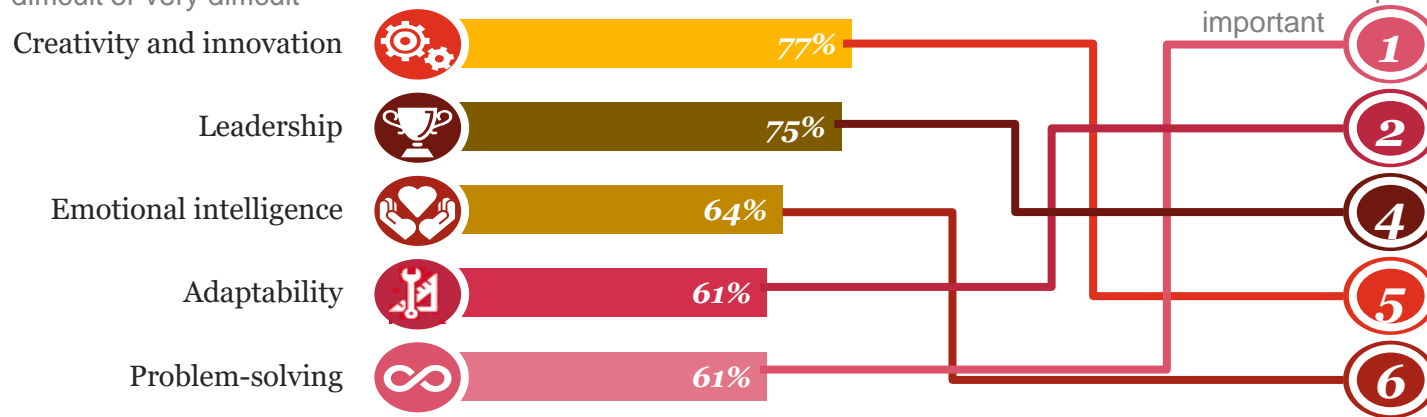
We think this might be why more than three quarters of CEOs find it difficult to recruit people with creative skills, leadership skills and strong emotional intelligence.

Difficulty to recruit people with skill

Respondents who answered somewhat difficult or very difficult

Importance of skill

Respondents who answered somewhat important or very important



Q: In addition to technical business expertise, how important are the following skills to your organisation?
Q: How difficult, if at all, is it for your organisation to recruit people with these skills or characteristics?

Source: PwC | Global CEO Survey

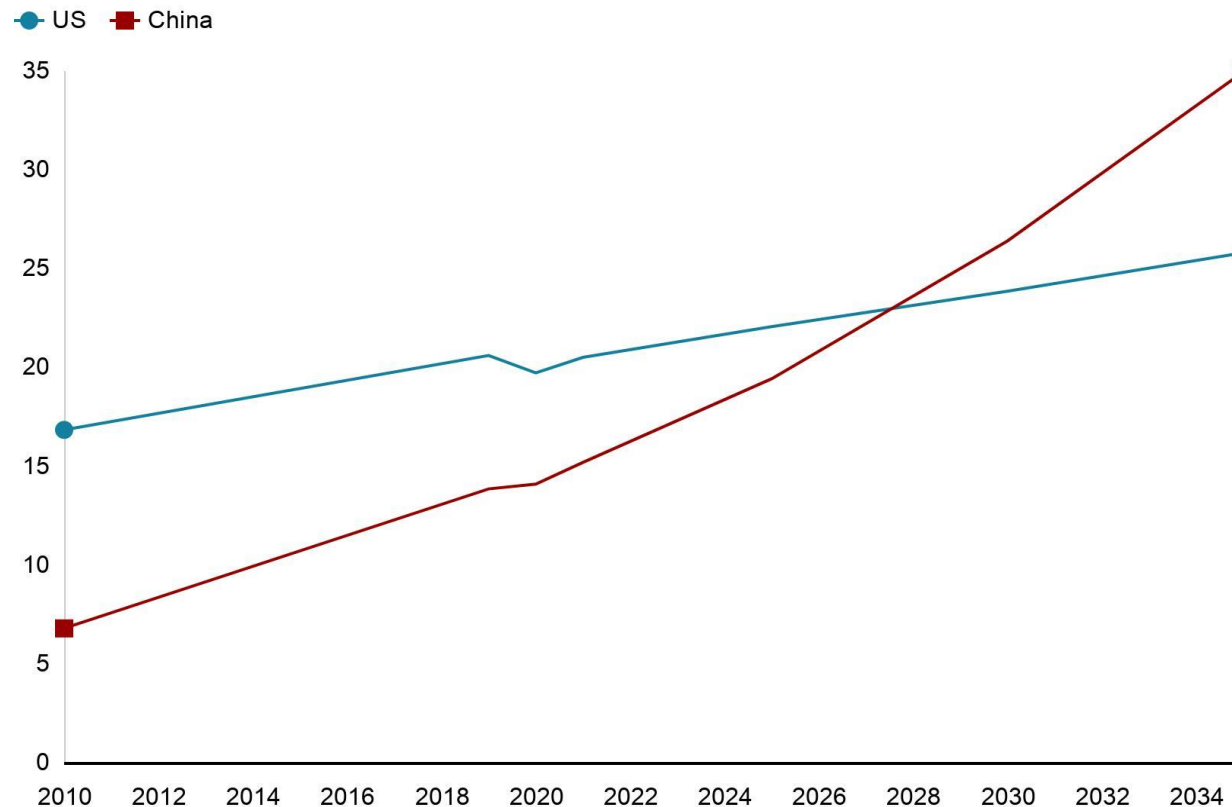
Was wir wissen..... 2022 Impact on Chinese Economy

US vs China – 2021 View.....

“Chinese economy to overtake US 'by 2028' due to Covid”

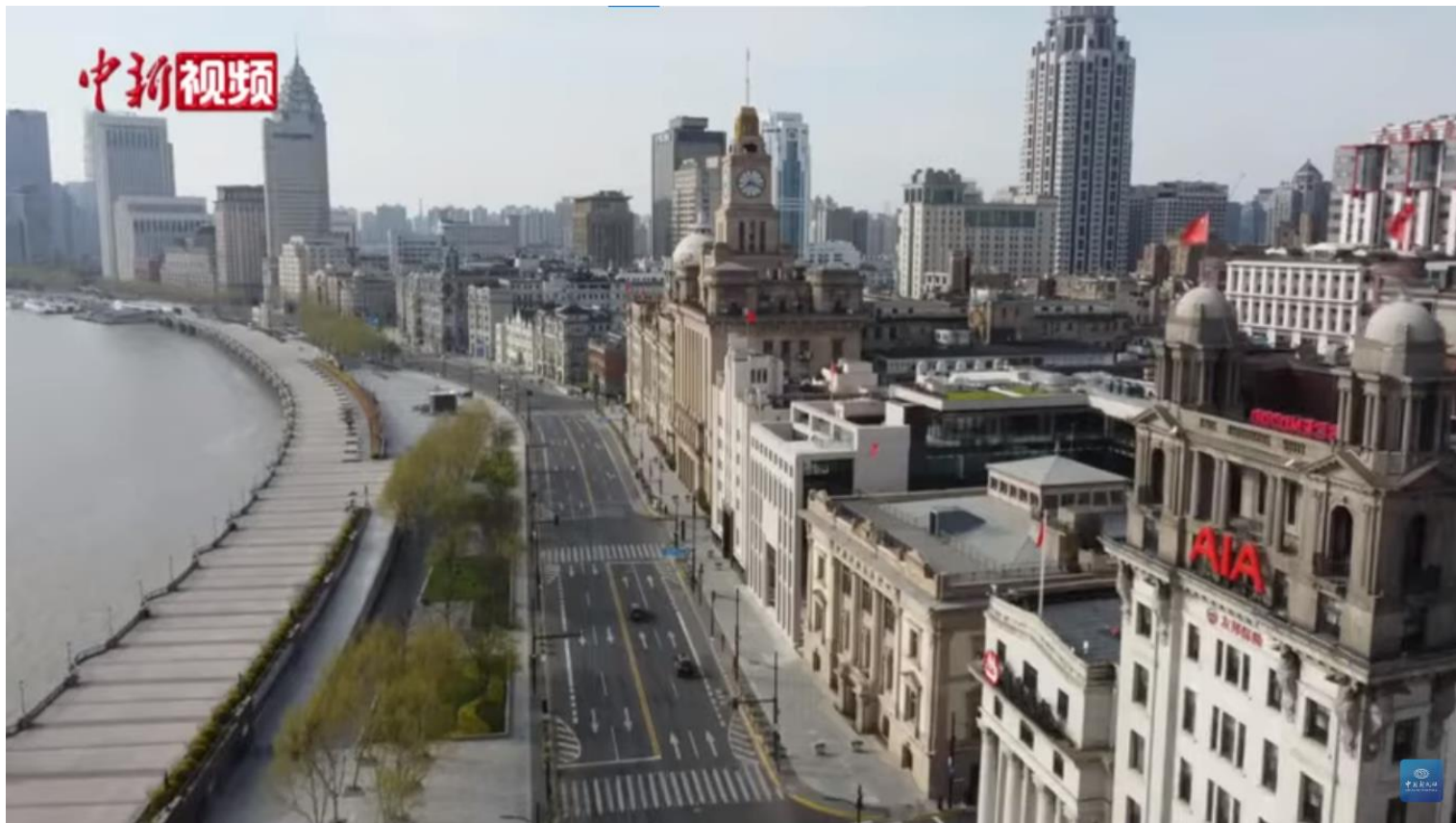
US and Chinese economies 2010-2035

Gross domestic product in \$US trillions (constant prices)



US vs China – 2021 View.....

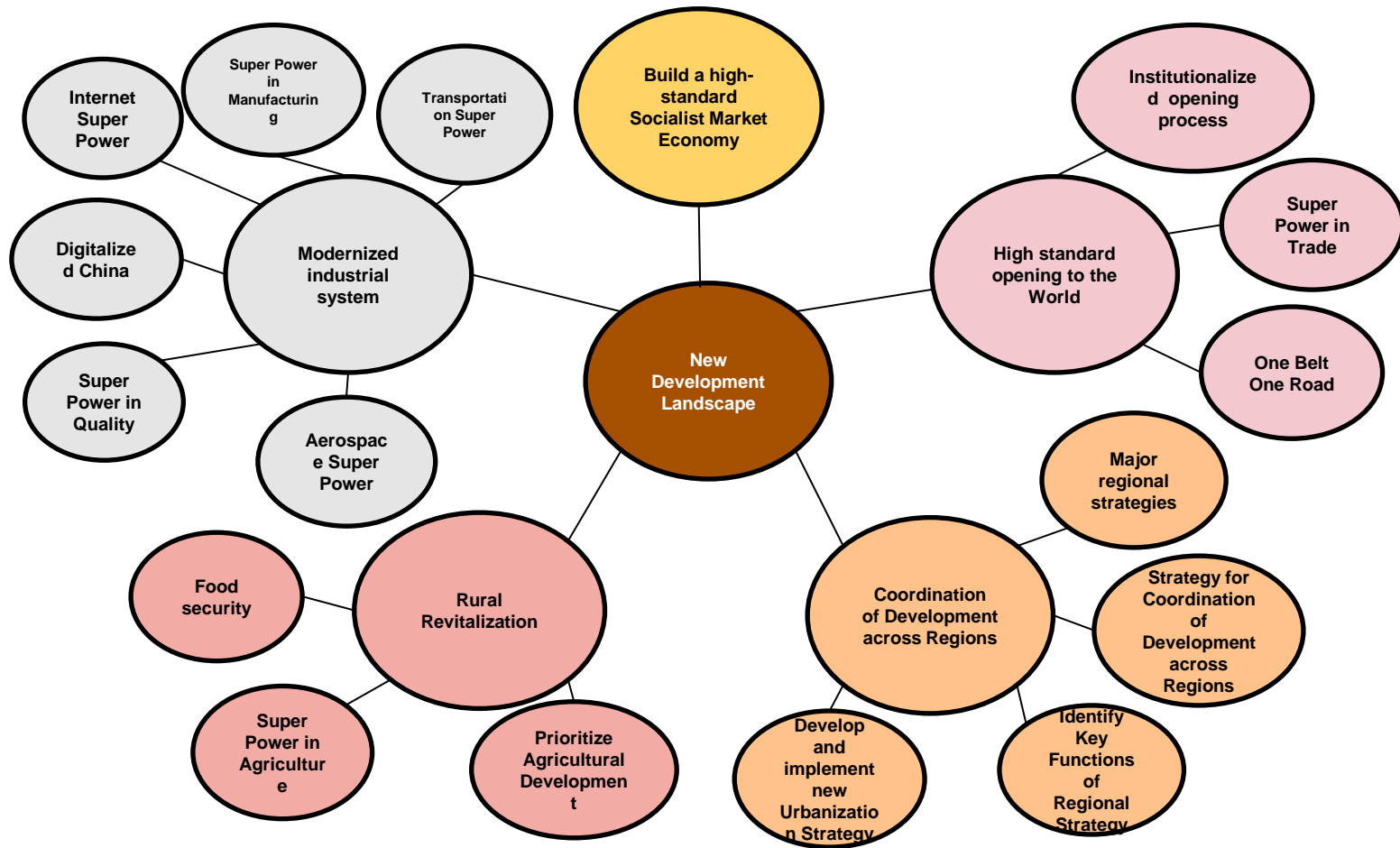
~~“Chinese economy to overtake US 'by 2028' due to Covid”~~



***Was wir wissen.....
20. CCP Congress Oktober 2022***

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20th CCP Party Congress sets new Development Landscape = Geopolitical Ambitions



Was wir wissen.....

14. 5-Jahresplan

What is the China's 14th Five-Year Plan?

Your roadmap to Chinese Markets

China's five-year plans are a series of social and economic development initiatives. The economy was shaped by the Chinese Communist Party through the plenary sessions of the Central Committee and national congresses.

The five-year plan sets out policies for social development and economic growth, identifies promising areas for investment, and indicates where governmental resources will be concentrated.

The 14th Five-Year Plan was built on the 13th Five-Year Plan and will serve as a framework to advance key national reforms introduced under Xi Jinping's administration and adjust China's economic growth model to maintain stable growth in light of a slowing economy.

Highlights of the 14th Five-Year Plan

1 Dual Circulation Strategy (DCS)

- Greater emphasis on Domestic Circulation
- Maintain Domestic and International Circulation

2 Innovation-Driven Development

- Strategic Vision for Building Strength in Science and Technology
- Technological Innovation Capability of Enterprises

3 Industrial Modernization

- Strengthening Manufacturing
- Capital for Manufacturing (see also capital raising policies)

4 Global Leadership

- Double the Size of the Economy
- Take over leading role from the USA

5 Urbanization, Poverty alleviation

- Integrated Urban-Rural development
- Rural Revitalization

6 Environment

- Improving the Ecosystem
- Green development

China und CH

Etwa 1000 CH Firmen in China

Lieferketten:

‘Just in Case’ vs. ‘Just in Time’

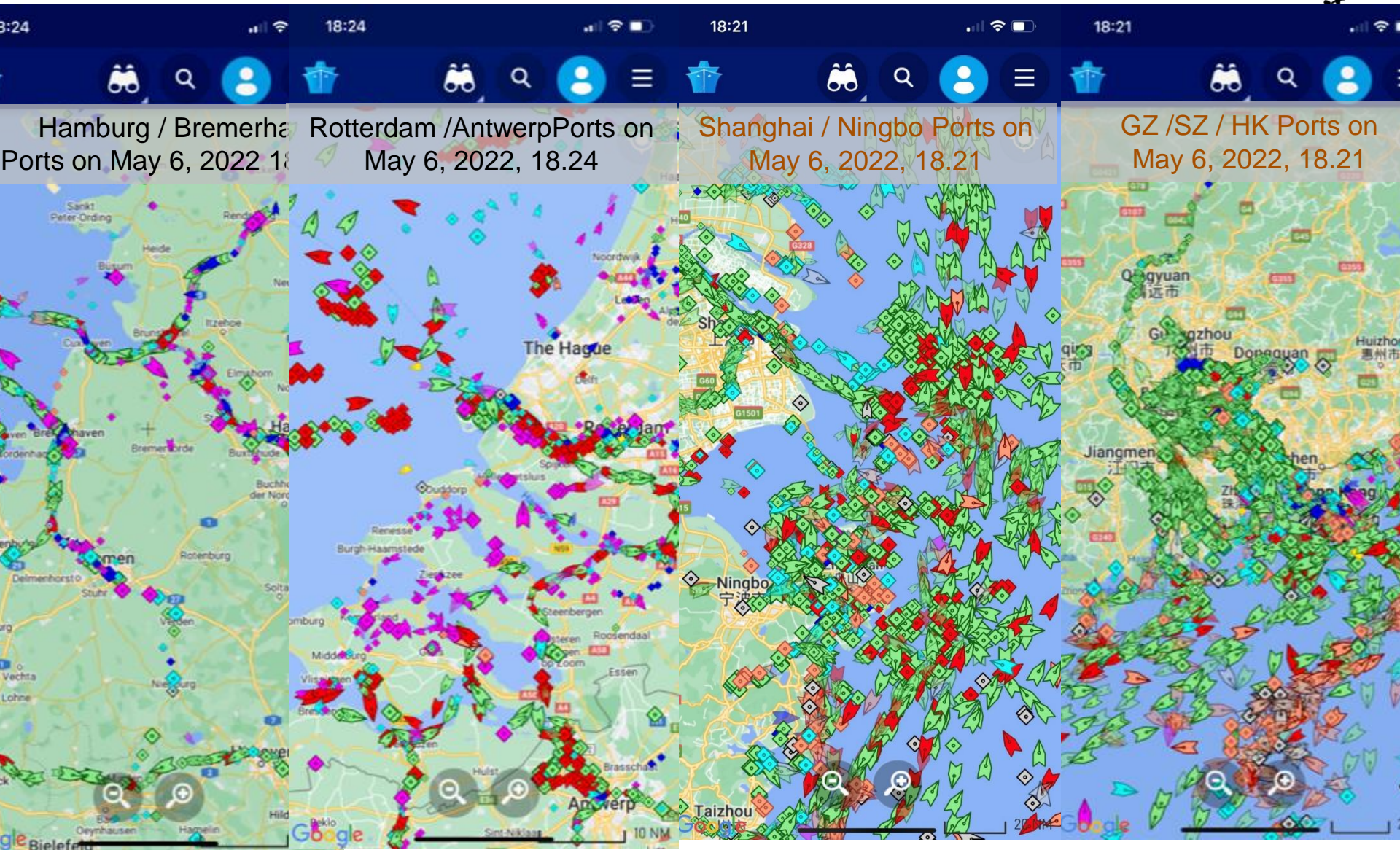
Strategieoptionen:

In China für China

China +1

China +2

What does Supply Chain Backlog look like?challenge has now moved to North Sea ports...



Decoupling? Be prepared for more inflation....

Abbildung 4

Relative handelspolitische Bedeutung der USA bzw. Chinas (inkl. Hongkong)

Seit dem Jahr 2000 ergab sich eine enorme geopolitische Verschiebung der Handelsvolumen: Um die Jahrtausendwende wiesen noch die allermeisten Länder ein grösseres Handelsvolumen mit den USA als mit China auf (schwarz/grau eingefärbt), 2020 dagegen ist fast die ganze Welt rot (Handelsvolumen mit China übersteigt jenes mit den USA deutlich).

Relative handelspolitische Bedeutung der USA bzw. Chinas (inkl. Hongkong) (2000)



Relative handelspolitische Bedeutung der USA bzw. Chinas (inkl. Hongkong) (2020)



Quelle: Wits (2019); Berechnungen von Legge et al. (2019)

Swiss – China FTA

The Headline...

Beijing, July 6 2013: A landmark agreement was signed between the People's Republic of China and Confederation of Switzerland - the China-Switzerland Free Trade Agreement ("Sino-Swiss FTA"). It is expected that this new FTA will boost the mutual and international trade.

Switzerland agrees to remove tariffs on up to 99.7 % of Chinese exports

Goods from
China to Switzerland

99.7%

Goods from
Switzerland to China

96.5%

China promises an overall tariff concession on 96.5 % of Swiss exports.

Preparation meets Opportunity

Switzerland's chance to play a significant role!

充分准备遇上机会

瑞士将发挥重要作用！

A B
上海

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SIX
易所

9th Chinese Company Lists GDRs on SIX Swiss Exchange

After the successful launch of the China-Switzerland Stock Connect program in July 2022, on December 28, 2022, the Chinese chemical enterprise Jiangsu Eastern Shenghong Co. listed its Global Depository Receipts (GDRs) on SIX Swiss Exchange.



= =>

CHF Bonds
瑞法郎债券

⇓

Capital to finance
融资资本
BRI projects Europe
欧洲BRI 项目

< ==

Chinese Companies have access
to financing in Switzerland
中国公司可以进入瑞士融资

Summary of Operational Challenges in Mainland China for Foreign Companies – in 2022

Control	<ul style="list-style-type: none"> Mainland China is not an available means of distribution No physical visits till Summer 2022 Unable to independently deliver products 		<p>Quarantine requirements and restrictions in 2020, situation unlikely to change</p> <p>Loss of production assets and/or intellectual property</p>	<p>Lost control over your China investments</p>
HR	<ul style="list-style-type: none"> Management team may be deteriorated or performance assessed Up to 50% reduction in repatriation Localisation for key personnel 		<p>Supervision, corporate culture may be deteriorated, generation not verifiable as before</p> <p>High demand for key personnel</p> <p>Remaining staff may be insufficient</p>	<p>Strangers run your China operation</p>
Supply Chain	<ul style="list-style-type: none"> Throughout mainland China production and logistics disruptions have increased and will continue at least all of 2022 and into Q2 2023 In 2021 4.5mio Chinese SMEs declared bankruptcy, significant reduction of available working capital throughout Asia Second and third level supply chain partners in all of Asia may not be able to maintain contracted means of operations (lot size, quality of material, finance terms) 		<p>Supply chain disruptions have increased and will continue at least all of 2022 and into Q2 2023</p> <p>In 2021 4.5mio Chinese SMEs declared bankruptcy, significant reduction of available working capital throughout Asia</p> <p>Second and third level supply chain partners in all of Asia may not be able to maintain contracted means of operations (lot size, quality of material, finance terms)</p>	<p>New supply chain models will appear</p>

Summary of impacts for Swiss/European companies in Mainland China - 2023

Con- sumption

- Consumer confidence is shaken
- Saving quota of Chinese citizen will increase up to 50%
- Average spending will decrease

Consumer Demand for imported Brands falls of a cliff

External Relations

- Pandemic eliminated most official, cultural and corporate visits
- Interaction between Western Democracies and China is increasingly adversarial, aggressive and hostile
- China's Regulatory framework becomes disconnected from existing international frameworks

Collapse in China - Western Democracies relations

Pandemic Exit

- Political fall-out of pandemic exit
- Impact on air travel in Asia
- Slow recovery of international travels by Chinese tourists

High travel costs will result in lower tourism income for Asian and European destinations

A Last Slide...Three models of Governance



Questions?

Thank you for your time.

...one last wisdom, did you know that every hour
in China equals to 3 – 4 in Europe?

Felix Sutter



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