P R E S S   R E L E A S E

Year of the Horse: Chinese economy aims to take on the hurdles and gallop

- *The recently started Shanghai Pilot Free Trade Zone is the first of many liberalization steps to come: Favorable policies for SMEs and foreign companies to strengthen private sector.*
- *Swiss Center Shanghai opens the Swiss Machinery and Trading Center in the Shanghai Pilot Free Trade Zone.*
- *Swiss companies in China are increasingly confident about business in 2014, according to a recent survey by the China Europe International Business School and the Swiss Center Shanghai.*

Shanghai (30 January 2014) – As hundreds of millions of Chinese greet the Year of the Horse with fireworks and celebrations, business leaders expect 2014 to be a turning point for the world's second largest economy. "The establishment of the Pilot Free Trade Zone in Shanghai is the starting signal for significant change and a new round of liberalization", states Nicolas Musy, Managing Director of the non-profit organization Swiss Center Shanghai (SCS). "The key is the word 'pilot': If policies in the 29 square kilometer zone in Shanghai are tested successfully, they will be expanded to 12 more zones and finally to the whole country. This is mostly not only about free trade in goods. It is the major economic reform initiative since the opening of the Shenzhen Special Economic Zone in the 80s."

Change of Principle

In the Shanghai zone, foreign direct investment regulations have been suspended, facilitating license approvals and full foreign ownership. Restricted industries such as education and health care are opened. The Renminbi (RMB) capital account is to become freely convertible, a step to liberalize the financial system. Companies registering in the zone are able to operate in a much simpler regulatory environment, for example by clearing customs only once a month instead of piece by piece. Maybe the most important change, however, is a change of principle and philosophy: "In China, companies usually can only do what is explicitly allowed. In the zone, for the first time, a negative list has been established. As a result, companies can do everything that is not forbidden. This might seem normal for western societies, but for China it is a major step, reducing government interference and boosting productivity of companies", explains Musy. More than 3'600 companies as well as 21 banks have registered in the zone by the end of 2013, in merely four months since its launch.

Reforms 2.0 to favor SMEs

The economic reforms in the 80s and 90s opened the Chinese economy and successfully linked it to the world economy. "In the second big reform step, the government ultimately aims to change the export and investment led growth model to one led by domestic consumption and productivity. The FTZ policies favor the private economy against the state-owned economy. The reforms will benefit SMEs", says Musy. "Foreign companies will benefit in the long run, as Chinese consumption will grow considerably and will need more imports of all kinds." Musy expects the reforms to be realized much faster than the first wave of reforms. "There is not much time: China faces many challenges, such as growing state debt and corruption linked to state-owned companies. The current growth model is not sustainable in the long term. That is the background for the new set of far-reaching reforms ahead."

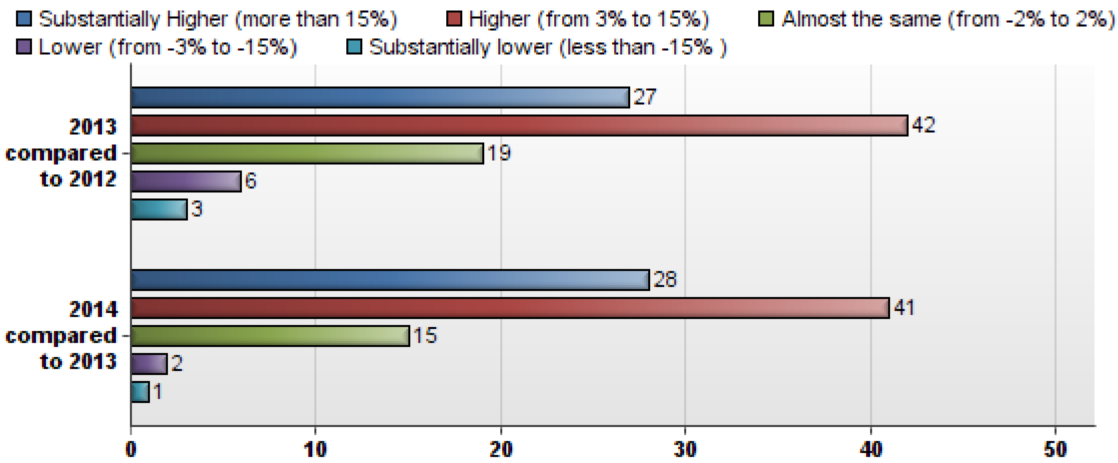
SCS Machinery and Trading Center

Swiss Center Shanghai, the largest cluster of Swiss enterprises in Asia, opens a new Machinery and Trading Center in the Shanghai Pilot Free Trade Zone at Waigaoqiao International Machine Tool center. The 4.400 square meter pre-installed space offers showrooms, warehouses and offices especially designed for the needs of Swiss industrial companies, with heavy loading floors, high ceilings and dynamic power supply. “Companies can have their machines and tools permanently exhibited duty-free in the facility, bringing a cash-flow advantage for the firms”, says Zhen Xiao, General Manager of SCS. “With its special policy and services, the zone can also serve as an ideal logistics center for the whole Asia-pacific market for trading as well as the spare parts services. The Shanghai Waigaoqiao administration has already simplified customs declaration procedures to allow certain spare parts to be sent out within 4 hours.” Swiss companies Georg Fischer, Starrag, and Willemin Macodel have already set up in the zone, testifying the attractiveness of its policy and infrastructure.

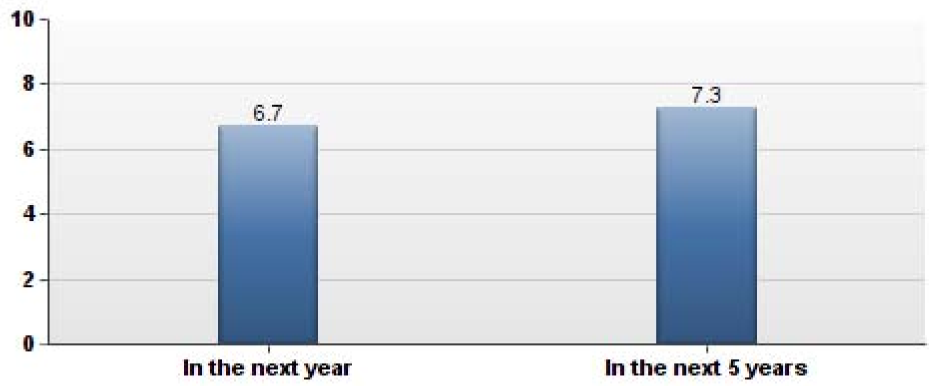
Swiss companies ever more confident about the future, according to survey

A recent survey by the Swiss Center Shanghai and the China Europe International Business School (CEIBS) among more than 100 Swiss companies in China shows that Swiss companies are very confident about 2014 and the coming years: 69% expect their China sales to be substantially higher or higher compared to 2013. Only 3% expect a lower sales volume. The confidence level of Swiss business leaders reached 6.7 for the Year of the Horse (0 = absolutely not confident, 10 = extremely confident). For the next five years, the confidence level is even higher: 7.3.

How do you expect your company’s China sales?



How confident are you that your operations in China will be successful in…



About Swiss Center Shanghai (SCS): Founded in 2000, SCS is a platform supporting operations of Swiss companies in China and Asia. It is by far the largest cluster of Swiss businesses in Asia with a unique experience in business set-up, expansion and operations management. SCS not only offers instant workshop, office and desk space, but also supports its members with government relations and a comprehensive network of experts. SCS served more than 200 companies in China – both SMEs and large enterprises. Among other, the SCS experts have established 20 production companies and more than 30 commercial offices for Swiss companies. For more information, kindly visit: www.swisscenters.org.

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