

“China and Europe - The Role of Switzerland”

A series of investment promotional events held in Shanghai, Beijing and Shenzhen in November 2019.



We were very pleased to have vice-director general Li Yong of the Investment Promotion Agency of the Ministry of Commerce of the People’s Republic of China, Zhu Sheng, executive director of the global business development department of the Shanghai Stock Exchange, Dr. Felix Moesner CEO of Swissnex, Sonja Astfalck of Swiss Business Hub, Qi Hong, Vice-president of the China Construction Bank Shanghai branch, Gong Weiyun, General Manager of the China Construction Bank Zurich branch and Aneta Angelova, manager corporate clients of China Construction Bank as honoured guest speakers at one or more of our promotional events.

At the Beijing promotional event, vice-director general Li Yong of the Investment Promotion Agency of the Ministry of Commerce of the People’s Republic of China extended a warm welcome to all attending and wished this event series every success.

Innovation is at the core of Swiss tradition, and vice versa - Sonja Astfalck, Swiss Business Hub

Chief investment officer and deputy head of Swiss Business Hub, Sonja Astfalck, offered us valuable insights into the Swiss investment environment. Ms Astfalck stated that there were three major advantages to investing in Switzerland. Firstly, the combination of innovation and tradition; companies can enhance the value of their products and brands; secondly, fusion of global but independent values. Switzerland’s political neutrality, excellent investment environment, and multicultural labour force ensure that companies can expose their products to global markets rapidly via the unique Swiss market platform; thirdly, the coexistence of both stability and development; not only does Switzerland lead the way in 6 different industry sectors, the stability of its markets cannot be equalled by other nations, in fact “everything is stable”.

Europe is “boring”, but this is good! Because stability is the base for investment security - Felix Sutter, Swiss Chinese Chamber of Commerce

Felix Sutter, president of the Swiss Chinese Chamber of Commerce explained the role of Switzerland for Chinese companies doing business in Europe.

Firstly, Felix Sutter made the point that a long-standing misconception needs to be eliminated; it is a widely held misconception that Switzerland is an expensive country; in fact, Mr. Sutter admitted that as a tourist destination, Switzerland can be pretty expensive if visiting the top tourist places, such as the Jungfrauoch and at the same time explained that hardly any Swiss person would go there, but would opt for equally beautiful, but much more affordable places, to admire the natural beauty of lakes and mountains.

Many multinationals have established a base of operations in Switzerland, and the reason for this is very simple; the business environment in Switzerland is very stable, the workforce is of a high quality and costs can be effectively controlled; in fact operational costs, when considered from the global point of view, are very low.

Felix Sutter used the word “boring” to describe Europe; this certainly struck a chord with many of the guests present, expressing their agreement with much merriment. However, he then twisted his own words round, and proposed that in terms of economics, “boring” was a good thing, and that this allowed companies to formulate and develop long-term business plans in an unhurried fashion, allowing stable development; apart from that, company investments and the markets in which they are invested are extremely safe, and as such “boring” is being both safe and secure. To go on, it has stable financial markets and brings together many high-quality professional investment institutions; this boringness is exactly what attracts these institutional investors. With the implementation and development of strategic planning associated with the Belt and Road Initiative, completely new economic routes are being gradually opened up between China and Europe, and this will undoubtedly bring greater opportunities for cooperation in the future.

While on the topic of the structure of the Swiss economy, Mr. Sutter pointed out that, what Switzerland is really known for apart from banking and tourism, is manufacturing, and this contributes 70 % of GDP. The reason for this being that the innovations in Swiss manufacturing are globally recognised.

With the roll-out of a revised corporate tax law, there is now even greater support for performing research and development in Switzerland. In light of this, Felix Sutter’s recommendation was that, not only could Chinese companies establish their base of European operations in Switzerland, they could also transfer some of their research and development activities to Switzerland, which allows Chinese companies to tap into Switzerland’s outstanding talent pool and to benefit from the high level of protection for intellectual property rights. This in a neutral country, known to stay out of trade wars.

In order to facilitate the establishment of European business operations led out of Switzerland, PricewaterhouseCoopers, the leading consulting firm in Switzerland can provide services tailored to the requirements of every specific Chinese investor.

Switzerland - rated as the most innovative country for a number of consecutive years - is the ideal bridge head for doing business in Europe. The Swiss tax and legal framework is designed to support such activities – Stefan Schmid, PricewaterhouseCoopers

Stefan Schmid, leader of PwC Switzerland’s China business group explained together with Daniela Honegger of PwC Switzerland and Vivian Sze of PwC China the advantages of investing in Switzerland.

Switzerland is divided into 26 cantons, whereas each canton offers different corporate income tax rates, with the lowest starting at slightly below 12 % and two thirds of the cantons offering a rate between 12 and 14%. The corporate tax reform becoming effective 1.1.2020 does further allow to implement a patent box and to provide for a research and development super deduction resulting in even lower effective rates.

On the other hand, the Chinese government is also encouraging Chinese companies to establish a presence overseas, and the Chinese government provides overseas tax offsetting and exemption policies for Chinese companies that have set up overseas companies.

SIX is a leading global financial infrastructure supplier, capable of providing you with a comprehensive financial service offering - Marco Estermann, SIX Securities & Exchanges

Marco Estermann, head of Strategic Projects & Relations at SIX Securities & Exchanges had the following to say about the capital raising options for Chinese companies looking to grow internationally:

Of course, Switzerland is – e.g. compared to China – a small country, but it has a very strong, innovative and very competitive economy due to its stable political and legal environment, its international and experienced work force and its competitive tax system. And despite of its relatively small size, it is a leading financial centre that is known for innovation and high competitiveness.

SIX is a global, vertically integrated financial infrastructure supplier, capable of providing customers with multifaceted products and a comprehensive service, including securities services, banking services and financial information etc. Via its Securities & Exchanges unit, SIX provides a “one-stop shop”, offering the full value chain of a securities transaction, from listing, trading, clearing, settlement to custody services.

Assets worth 6.5 trillion US dollars are currently managed in Switzerland, and more than half of that originates with foreign institutional investors. These institutional investors are – amongst others – looking to make investments in a stable currency, such as the Swiss Franc, while at the same time they want to have an exposure to international companies. As a result of this, there is a great deal of interest among investors in international companies whose stocks and bonds are listed and traded in Switzerland.

While there are several options for Chinese companies to raise capital in Switzerland, Mr. Estermann emphasised two types of capital raising options: bonds and global depository receipts. In fact, he said, low interest rates in Switzerland as well as the possibility of accessing the large pool of assets managed in Switzerland via a simple, efficient and cost-effective listing process on SIX has led to a significant number of international (non-Swiss) companies – approx. 50% of all bond issuers and 15% of all equity issuers are of foreign origin – to raise capital at SIX. The global depository receipts listing program currently being established with Shanghai and Shenzhen Stock Exchanges aims at allowing also Chinese companies to profit from this extremely effective, direct and simple capital raising process.

To become established in Switzerland there are strict requirements about compliance and planning, and selection of an effective partner for cooperation – Kong Peng, China Construction Bank, Zurich branch

Kong Peng, Deputy General Manager of the China Construction Bank, Zurich branch explained that China Construction Bank was the first Chinese bank to establish a branch in Switzerland and is the only RMB settlement bank in Switzerland. China Construction Bank has relatively comprehensive global network coverage, and there are local branch offices in ten European countries, while London and Switzerland both provide RMB settlement.

China Construction Bank provides commercial and investment products and services to corporate clients. Currently, China Construction Bank and SIX have been working together to jointly develop mobile phone QR code payments, hosted at Green, which will allow mobile phone QR code payments relying on CCB Dragon Pay. China Construction Bank is working with local private banks in Switzerland to promote financial products, such as Belt and Road Initiative sector related portfolio investment products, which have been well received.

Finally, Mr. Kong provided three gems of experience when it comes to Chinese companies setting up in Switzerland:

First, enterprise compliance. The rules concerning compliance in Switzerland and anti-money laundering regulations are particularly rigorous; when companies are established in Switzerland they are required to submit to an unprecedented level of oversight where compliance is concerned; they must cooperate fully with local banks and the government to provide the necessary evidence.

Second, plans need to be put in place, everything needs to be planned. Switzerland is a very efficient place, and it is absolutely capable of satisfying every business need, but before anything is attempted, it needs to be planned, and work needs to be conducted in an organised manner.

Third, “social circles” are also important in Switzerland. Swiss businesses pay a lot of attention to cooperation and are willing to work with partners who are trustworthy.

In Switzerland, it has to be done best or not at all – Li Fuping, China Unicom, Swiss operations

Finally, Li Fuping, managing director of the China Unicom's Swiss operations and Roger Süess, CEO of Green Datacenter, gave an insight on what to watch out for when launching services in Switzerland and presented the success story of a China and Switzerland cooperation enabling many to follow.

Roger Süess pointed out China's rich history and its acceleration in innovation, particularly when it comes to technology. It was China Unicom and Green's focus on quality, efficiency and drive for excellence which formed the basis of a strong cooperation between the two.

Green Datacenter is one of Switzerland's biggest, independent providers of IT infrastructure, owning several top facilities across Switzerland, including the first hyperscale datacentre in the country.

You want a partner who can go all the way – Roger Süess, CEO of Green Datacenter

Roger Süess explains several important factors to be considered when launching a service or IT product in Europe. Aside of location, compliance and ability to scale, it comes down to the most important – the right partner, someone that accompanies you all the way.

For Li Fuping it is clear that Switzerland is uniquely positioned when it comes to hosting data and building the hub in the heart of Europe, secure, reliable and efficient, with stable partners like Green you can count on.

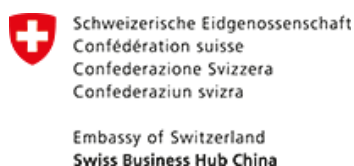
It is Green's strong portfolio combined with China Unicom's excellent connectivity which makes it so appealing for Chinese companies across a variety of sectors. It doesn't matter whether you just need to setup an office or if you are planning to run sophisticated, large scale IT services.

The relationship between China Unicom and Green flourished due to their willingness to invest the time and dedication, creating a successful cooperation. The result of this has been that China Unicom has based its infrastructure at Green Datacenter, allowing both parties to promote and sell each other's products.

Li Fuping stated that he believes that, Switzerland's economic development and stability and effective administrative structures, allow for innovation; especially if Chinese companies are looking for a high quality, high value partner and operating environment.

In closing, they both expressed the willingness of each of their companies to continue their successful cooperation in the future.

At the end of the promotion, the Swiss group of experts responded to the questioning of those attending with great patience and made many useful suggestions. Although the time allowed was only limited, by the end of the promotion nobody wanted to leave and many of the guests expressed the hope that this kind of interaction could occur more regularly and at a greater number of venues; they also expressed the hope to have more opportunities to get together with friends from Switzerland.



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