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Executive Summary

China's economy expanded by 7.4% in 2014 and thus just missed the government's growth target of 7.5%. While the growth rate remains high as such, it was the lowest China has seen in 24 years. Although the lower growth is partly due to a cyclical cool-down, it is also the result of a more structural change of China's economy. President Xi Jinping described this economic pattern as the 'New Normal'.

China takes a two-fold approach to tackle its economic challenges. Alongside with short-term stimulus like liquidity injections and interest rate cuts, the speed of economic restructuring and upgrading has increased. In 2014, more than 300 reforms have been announced for the years to come.

Yet, there is still a long way to go and China's challenges are manifold. They include a downturn in the property market, rising local government debt levels, the risks of a huge shadow banking system, the danger of a stock market bubble, an aging population, labor shortage and the problems of large overcapacities in the heavy industries.

While the current economic slowdown did also leave its mark on Swiss trade with China, the bilateral trade activity still developed relatively well in an international comparison. Although a significant boost from the new Free Trade Agreement (FTA) has not been visible in the data thus far, the implementation of the bilateral agreement has been rather smooth since it entered into force in July 2014. Some initial problems could already be addressed and continue to be discussed between the authorities.

In order to strengthen trade ties between China, the Asian regions and Europe, the New Silk Road Initiatives have been launched by China. Being one of the first countries in Western Europe to become a founding member of the Asia Infrastructure Investment Bank, Switzerland is well positioned to play a role in the development of these new trade routes.

Also, the positioning of Switzerland as a competitive RMB-Hub has gained further traction in the recent past. Various arrangements have been agreed on in early 2015, in order to equip the Swiss financial centre with the necessary infrastructure to function as a fully-fledged RMB-Hub.

1 Appreciation of the economic situation

It is in the air, China is changing. Economic growth is losing steam and the term «New Normal» has been adopted by economists and the government to describe the new phase that China has moved into. As China's economy matures, it is unlikely to attain double-digit GDP growth again. As a further fundamental change, the days of a notoriously undervalued currency seem to be over. In May 2015, the International Monetary Fund stated that the renminbi's appreciation over the past few years brought the currency to its fair value. In this changing environment, China is sweeping policies from the past. Led by President Xi Jinping and Premier Li Keqiang, Chinese policy-makers are fully aware of the need to upgrade China's economic structure. While short-term macroeconomic risks put a constant pressure on the leadership, the current challenge consists in finding the right balance between short-term economic stimulus and long-term economic reforms. The government expressed a greater tolerance to accept the slowdown of growth implied by the «New Normal» but it has also demonstrated that it is ready to take far reaching stimulus measures as soon as the economic cool-down threatens labor market stability or leads to a rise in financial risks. The year 2015 marks the last year of the «12th Five Year Plan» of the Communist Party's Politburo. The key tasks for the year ahead have been defined as «economic reform, economic restructuring, and cultivating new economic growth points».

Economic growth is losing steam

China's GDP expanded by 7.4% in 2014, the slowest growth in 24 years and slightly lower than the government's goal of 7.5%. Total trade growth was 3.4% YoY (below the target of 7.5% YoY), while fixed-asset investment rose by 15.7% YoY, down from 19.6% YoY a year earlier. Meanwhile, real retail sales rose by 12% YoY and online sales grew 49.7% YoY in 2014. Consumption contributed 51.2% to GDP growth last year, three percentage points more than in the previous year[1]. This is an indication that the efforts to rebalance China's economy from an export driven to a more consumption orientated model are taking effect. Official job market figures showed that 772.5 million people were employed in China by the end of 2014, up 0.36%. A total of 13.22 million new jobs were created in cities, beating the government target of creating 10 million jobs. The official jobless rate was at 4.1%[2], while the survey-based urban jobless rate was stable at 5.1% last year. Although the real unemployment rate is suspected to be higher than the official number,[3] the overall job market stability remains a clear positive among the otherwise lackluster economic picture.

Economic dynamics did not pick up in 2015. China's first quarter economic growth came in at 7% YoY, just reaching the government's target but remained below the 7.4% YoY from a year earlier. Worryingly, consumer price inflation moderated to 1.2%, missing its target of 3%. If this trend continues, deflationary pressures could be an additional risk for the economy. Due to weaker domestic demand and lower export growth, total trade declined by 6% YoY. China industrial output grew only 6.4% YoY and thus below the goal of 8% for this year. Fixed asset investment grew at a 14-year low of 13.5%, dragged down by the downturn in the property market and the oversupply in the heavy industry. Also retail sales slowed to a nine-year low of 10.2% YoY in March.

China's housing market remains fragile

For the time being, the persistent downturn in the property market remains a major drag on the economy. According to the Wall Street Journal, "a breakdown by tier shows weakness intensifying inversely to size, ranging from a mild slowdown in Tier 1 cities to a near collapse in Tier 5." Land sales account for 35% of total local government revenues in China, according to a Deutsche Bank report. In year-on-year terms, the average new home price across 100 cities monitored by the China Index Academy fell 4.4% in March. Land sales revenue in 40 mainland cities dropped 57% YoY in mid-April. In an effort to support the housing market, the People's Bank of China cut the minimum down payment to 40% from previously 60% for second-home purchase in March. In addition, the Ministry of Land and Resources announced measures to regulate land supply for residential housing projects. It declared that cities with housing turmoil are forced to stop selling more land this year and should reallocate land already sold for housing development to culture, sports and retirement home projects.

Downturn in China's property market

Source: CEIC, UBS estimates

[1] National Bureau of Statistics

[2] The country's official jobless rate has remained unchanged, at 4.1%, for the past five years. It has fluctuated in a tiny band between 4.0% and 4.3% for the past 13 years. The government itself acknowledges this number is not credible and has for many years gathered its own internal data. These internal "non-published" data, the survey-based urban jobless rate, put the real jobless rate in China stable at 5.1% last year.

[3] The official published unemployment rate is based on the number of people who register as unemployed but most people who lose their jobs in China have no incentive to register and 274m rural migrant workers are almost entirely ignored by unemployment statistics quoting an article from FT (2015). The Economist Intelligence Unit released a report (2015) based on research conducted with the IMF and the International Labour Organization, in which it estimated China's real unemployment rate in 2014 was actually 6.3 per cent.

Monetary stimulus as a short-term remedy
The stabilization of the economy forced the leadership to take expansionary monetary policy measures since Q4 last year. Keeping the ambitious target of creating 10 million new urban jobs under a more pessimistic economic outlook forced the leadership to take extra measures to stimulate the economy. The People Bank of China (PBoC) injected several hundred billion RMB through various lending facilities to aid the economy through short-term lending facilities. In addition to that, the PBoC not only cut the deposit and lending benchmark rates to 2.25% and 5.1% respectively, but also lowered the banks' required reserve ratio (RRR) to 18.5% by May 2015. Looking ahead, the leadership also announced plans to introduce further measures to stimulate public infrastructure and services investment projects.

Structural reforms for sustainable growth in the long-term
In parallel to the current short-term economic measures, the Chinese leadership started implementing an ambitious package of structural and longer-term orientated reforms since the Third Plenum in 2013. The corresponding efforts sped up in 2014 with the announcement of more than 300 reforms for the years to come. Since last year, some important milestones have been either announced or implemented.

For example, new measures have been introduced to tackle the sharp increase of **local government debt** over the past few years. Most importantly, a new **Budget Law** took effect in January 2015, which aims to improve budget discipline. Local governments are now not only required to disclose their financial situation to the public, but they also need to get approval from the central government in order to issue new debt. Furthermore, the scope of debt issuance is limited by a quota set by the State Council[4].
A problem that comes along with rising debt levels of local governments is the high cost of debt financing. In order to ease this pressure, a newly launched **debt-for-bond program** was introduced this year. The program allows local governments to swap a total of RMB 1 trillion of existing debt into bonds with a longer maturity and lower interest rates compared to the existing loans. This will lower refinancing costs for indebted local governments and stimulate investment in infrastructure and public services. In addition, this opportunity for debt restructuring should help to reduce the local governments' dependence on the shadow banking sector.

As for a far reaching upgrade of China's manufacturing capacity, the government launched a long term growth plan labeled «**Made in China 2025**». Via a number of measures in a set of selected core industries, the leadership intends to transform China from an industrial mass producer of cheap export goods into a competitive manufacturer of innovative and high quality products. China aims to catch up with the international innovation leaders in fields such as e-commerce, robotics, cloud computing, big data, as well as smart technology.

Also, a **state-owned enterprise (SOE) reform** has been announced by the State-owned Asset Supervision and Administration Commission (SASAC) for the second half of the year. The reform not only aims at improving the SOE's management structures and foster innovation, but also prepares the ground to radically consolidate China's state-owned sector. At the moment, SASAC is still drafting a key reform plan detailing the restructuring of Chinese SOEs through 10 policies.

As for further reforms, new announcements to **remove Red-Tape** (excessive and unnecessary regulations and bureaucracy) have been made in order to increase efficiency of the administration and improve accountability of the government. By streamlining the administration and delegating power, the leadership intends to give more liberty to the market and foster both entrepreneurship and innovation.

[4] Local governments are allowed to issue RMB 600 billion of bonds in 2015, according to the government work report that Premier Li Keqiang delivered on March 5

Equally, efforts are made to strengthen the **Rule of Law** in China, as propagated in the Fourth Plenum in 2014. An example of this is the announcement of a pilot circuit court program of traveling judges[5]. The Supreme People's Court has started to set up new so called circuit courts which can help solve conflicts at the local level. This new system lowers the pressure on local judges by local leaders who could be tempted to interfere in law court's judgements.

Furthermore, a number of **reforms in the financial sector** have either been already implemented or are to be expected in 2015. Among them, interest rate liberalization is on track and expected to experience a further boost this year. Also, further increasing the flexibility of the renminbi exchange rate, further promoting capital account convertibility and making the renminbi more freely usable, as well as relaxing foreign exchange regulations stands high on the agenda of the People's Bank of China[6]. The People's Bank of China also implemented a deposit insurance scheme which took effect on 1 May 2015. The PBoC declared that deposits up to RMB 500'000 would be insured, protecting savers from bank failures.

Besides, following the Third Plenum in 2013, the government announced that more Infrastructure projects and public services[7] will be financed from **Private Public Partnership** (PPP)[8]. The Ministry of Finance and the National Development and Reform Commission (NDRC) released a set of regulations and policies to create a framework for PPP operations. In March this year, for instance, they announced different ways of easing credit for PPP[9]. In April, they started a partnership with the Ministry of Water Resources to issue guidelines for a mechanism to foster PPP in key water projects. The NDRC also partnered with the China Development Bank (CDB) which will commit to support PPP projects financially. PPP through franchising will take effect from 1 June.

Three key **welfare reforms** aim to improve living and working conditions for the lower and middle classes and thus stimulate nationwide future consumption.
First, a reform of the **household registration system** ("hukou" system), was announced in 2014. The new system will eradicate the distinction between rural and urban residency and replace it with a single national residency registration in a particular locality. This should help migrant workers to access public services and social welfare.
Second, the expected launch of a **rural land reform** will be an important step towards market liberalization and agriculture modernization. It will eventually provide farmers with the right to sell land and thus enable them to realize value from their assets.
Third, the leadership announced the unification of the **pension system** for both government and corporate staff[10]. Up to now, retired employees from private firms have suffered a considerable disadvantage in their pension schemes compared to public workers. The long-awaited reform aims to equalize the two systems.

2 International and Regional economic agreements

2.1. China's Policies and Priorities

China's leadership is strongly focused on energizing economic reforms, balancing between protectionism through strong state intervention, mainly in favor of its SOEs, versus liberalization. Obviously, the diminishing reliance on Western markets for Chinese exports implies a strategy

[5] The Supreme People's Court (SPC) will set up circuit courts for major administrative, civil and commercial cases involving different administrative regions, which can facilitate the public welfare lawsuits from local communities and help solve conflicts at the local level, according to a statement by the Leading Group for Overall Reform

[6] IMFC Statement by ZHOU Xiaochuan, April 18, 2015

[7] Such as railways, hospitals, vocational schools or universities, public transportation, water treatment facilities and utilities.

[8] The Ministry of Finance is planning to launch a group of pilot projects whose operations can be duplicated nationwide.

[9] They will develop credit policies for PPP projects that included preferential loan terms and faster processing. The projects will also be allowed to use their operating license, emissions quotas or other licenses as collateral for loans.

[10] Workers will pay 8% of their monthly salary into the scheme, while the organization will pay 20% of the salary

geared towards increasing domestic demand and market diversification. Meanwhile, China is the most important power in terms of trade volume and import growth, hence gaining in influence in international trade policy. Regional and bilateral trade agreements are currently proliferating. China keeps protecting its interests within the WTO, while concluding further **bilateral and regional trade agreements** with strategic partners.

2.1.1. China and the WTO

In the WTO accession process, China has been categorized as a developing country, benefiting from special treatments and exclusions within the WTO. It is a classic example of an **emerging economy still benefiting from these advantages**, despite the tremendous economic development. Most industrialized countries claim that emerging economies should make more concessions than other developing countries. China made far-reaching commitments on market opening and liberalization unparalleled in GATT and WTO history. Although China is perceived in many fields as a constructive partner, it has **not adopted the leading role expected by most countries yet**. China's recent experience with the **WTO's Dispute Settlement Body** suggests that the country is gradually internalizing the non-discrimination principle embodied by the multilateral trading regime, committing to comply with all DSB rulings and redress its WTO-inconsistent policies in a number of cases. China has been accused in 33 cases of violations of WTO rules, mainly for illegally restricting access to its domestic market through anti-dumping duties or promoting its domestic industry through illegal subsidies.[11] However, China still faces far less complaints than the US or EU.

2.1.2. FTAAP and RCEP vs. TPP

East Asia and Asia-Pacific are the most dynamic zones for FTA activity in the world with 107 free trade agreement projects and 75 already into force or signed.[12] A race between the US-led **Trans-Pacific Partnership** (TTP) and China-led **Regional Comprehensive Economic Partnership** (RCEP) shapes the architecture of regional trade liberalization. TPP/RCEP are not only trade, but also geopolitical rivals, however TPP aims rather at creating the next generation of trade rules while RCEP is trying to build a unified market by eliminating the FTA 'noodle-bowl'-effect (too many overlapping agreements lead to complexity and confusion). RCEP's future prospects depend heavily on the maintenance of diplomatic relations amongst negotiating Parties as these are often put at stake due to counter-sovereignty disputes in the South- and East China Sea.[13] These in turn justify the ties with the US on security issues. TPP's progress obliges RCEP's upgrade and opening up to more sectors, thus challenging China to reform its services and foreign investment policies.[14] The **Free Trade Area of the Asia-Pacific** (FTAAP) being a substantial extension of RCEP, China seized the opportunity to influence trade policy in the Pacific and position FTAAP as the next generation trade policy standards. The strategic study entitled *Beijing Roadmap*[15] was agreed upon last November, committing APEC economies to advance the process by 2016 despite the US and Japan's reluctance. As Chinese Vice-Minister of Finance ZHU Guangyao states, any trade bloc that would not include China would be considered as incomplete.[16] China is the major trading partner for most TPP/RCEP Members. However, China does not meet TPP requirements yet, such as IP rules, generic pharmaceuticals, rules of origin or liberalization of services. The question is not *whether* China will join the TPP *per se*, but rather *when* it will be allowed to actively participate in the shaping process. For most TPP Parties, Chinese accession would be preferable after the framework has been set. TPP could represent a triple threat for China, namely trade diversion, exclusion from negotiations on the future shape of trade in the Asia Pacific and a diminishing geostrategic role.[17]

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[11] 16 cases brought by the US, 7 EU, 4 Mexico, 3 Canada, 2 Japan and 1 Guatemala.
[12] http://www.imd.org/uupload/IMD.WebSite/EvianGroup/Web/982/Free%20Trade%20Agreements%20in%20the%20Asia.pdf
[13] China with the Philippines (Scarborough Shoal), Vietnam (Paracel Islands), Japan (Senkaku/Diaoyu); Japan with South Korea (Dokdo/Takeshima); Russia (Southern Kurile).
[14] http://www.economist.com/blogs/banyan/2014/02/trans-pacific-partnership-0
[15] http://www.apec.org/Meeting-Papers/Leaders-Declarations/2014/2014_aelm/2014_aelm_annexa.aspx
[16] http://thediplomat.com/2014/10/will-china-join-the-trans-pacific-partnership/
[17] http://blogs.piie.com/china/?p=3631

2.1.3. FTAs: Concluded, under Negotiation and Consideration[18]

China has concluded numerous bilateral FTAs with **Costa Rica, Pakistan, Senegal, Peru, Singapore, Chile and New Zealand**, the latter being the 1st industrialized country to sign an FTA with China. FTAs with **Iceland** and **Switzerland** both entered into force on 1st July 2014. The Agreement with **Australia** was concluded in November 2014 after 19 challenging rounds of negotiations and the FTA with the **Republic of Korea** was signed in February 2015.

The 7th round of the **trilateral** FTA between China, **Japan and Korea** was held in April.[19] China and **Sri Lanka** held their 2nd round last November. The negotiations with **Norway** are still halted due to the 2010 Nobel incident. Norway supported China's Arctic Council observer status to normalize their bilateral relations. The Gulf Cooperation Council (GCC) rotating President and the Chinese Minister of Foreign Affairs signed the 2014-2017 Action Plan, putting FTA negotiations resumption high on the agenda after having stalled for half a decade as China excluded services. The **China-ASEAN** FTA is being upgraded since September 2014. Negotiations with the Southern Africa Customs Union (SACU) started 10 years ago but so far, no negotiations have taken place.

A Feasibility Study (FS) for a China-**India** Regional Trade Agreement was completed in 2007 and President Xi expressed the desire to start negotiations, however India remains reluctant. During President Modi's visit to China mid-May 2015, deals amounting USD 22 billion were signed. During Xi's visit to India last year, a dozen economic agreements were already signed and Xi announced USD20 billion investments to India in the next 5 years. Presidents Putin and Xi signed on 8th May 2015 a Joint Declaration on cooperation for the integration of the **Eurasian Economic Union** (EAEU) and the Silk Road Economic Belt. China, as Mongolia's main importer of mineral resources, initiated FS with **Mongolia** in 2010. Further FS were launched with **Columbia, Georgia, Israel, Maldives, Moldova, Nepal, Nigeria and the South Pacific Islands.** Launching a FTA with **Brazil** or the **Shanghai Cooperation Organization** is also in China's expansion strategy. Now that the *Foreign Investment Protection Agreement* (FIPA) between **Canada** and China entered into force last October, both countries are holding exploratory talks on a potential FTA. China has expressed strong interest in negotiating an **EU**-China FTA, however, this option will only be taken into consideration once the EU-China Bilateral Investment Treaty (BIT) is concluded and remedies to obstacles such as subsidies, export credits and cheap loans are found. China has already separate BITs with every EU Member State except for Ireland; however the new China-EU BIT launched in 2013 would supersede the previous individual agreements.[20] A **US**-China bilateral FTA lies further ahead on the horizon although the China-US Bilateral Investment Treaty comes nearer to a conclusion since the Chinese negative list has been offered this March. The regime created by a China-US BIT could significantly give impetus to China's FDI reforms. This chronic FTA proliferation trend may lead to an increasingly complicated effect where one agreement overlaps another; synergies among them will have to inevitably occur.[21]

2.1.4. Relations between Mainland China and Taiwan

Although relations between China and Taiwan have been intensified thanks to the historical dialogue initiated last year, Taiwan faced the most serious political crisis since the Sunflower Movement emerged after the ruling Party Kuomintang unilaterally passed the Cross-Strait Services Trade Agreement (CSSTA) with Mainland China. Following the protests, CSSTA remains stalled in Taiwan's Parliament. Meanwhile, President Xi did not hesitate to champion a "one country, two systems" unification call during his recent speeches. The 10th round of the **Cross-Strait Agreement on Trade in Goods** negotiations took place at the beginning of April, based on the landmark Economic Cooperation Framework Agreement (ECFA). Taiwan seeks to tackle the dependency on China by concluding other trade deals with **New Zealand**[22]**,**

[18] For a comprehensive overview of China's FTA Network, please refer to any former edition of this Embassy's biannual Economic Report.
[19] The combined GDP represents 70% of Asian and 20% of global GDP and the combined trade volume accounts for 17.5% of global trade.
[20] http://www.economonitor.com/blog/2014/01/china-eu-investment-pact-on-the-right-track/
[21] http://aric.adb.org/fta/peoples-republic-of-china-colombia-free-trade-agreement
[22] ANZTEC (*Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation*) in force since 2013.

Singapore[23], Philippines or Malaysia. However as part of the One-China policy, **economic agreements with Taiwan can only be concluded with countries having already concluded a FTA with Mainland China**.[24] To not be singled out from international trade liberalization, momentum to join TPP/RCEP should be seized. Countries like Japan are supportive of Taiwan's accession; however the China factor and domestic protectionist measures remain undeniable obstacles.[25] The European Parliament sought to facilitate a Taiwan-EU Economic Cooperation Agreement, however no formal negotiations have been held so far.[26]

2.2. Outlook for Switzerland

On 1st July 2014, the **China-Switzerland FTA entered into force**. The FTA contains chapters on Trade in Goods, Services, Rules of Origin, Customs Procedures and Trade Facilitation, TBT/SPS[27], Trade Remedies, IPR, Competition, Trade and Sustainable Development, Legal and Institutional Provisions and Economic and Technical Cooperation. Side Agreements on Labour and Employment and on Cooperation in the Area of TBT/SPS, Certification and Accreditation have also been signed on this occasion.[28] It provides a legal framework including consultations and dispute settlement mechanisms. A **Joint Committee** will meet in August and various **Sub-Committees** are set-up to monitor the implementation of the Agreement. The provisions of the FTA improve mutual market access for goods and services, enhance legal security for the protection of intellectual property and bilateral economic exchange in general, contribute to sustainable development and deepen bilateral cooperation. This represents a true window of opportunity for Switzerland, before China's focus could shift to other economies once new FTAs are signed and implemented. While it is too early to assess the exact impact of the FTA eleven months after implementation, positive developments can be drawn not only in the area of trade, but also in other areas of bilateral cooperation.

2.3. the New Silk Road Initiative

The New Silk Road Initiatives (also called „one Belt one Road") have been launched by China with the intention to strengthen the trade ties between China and Europe (and with the countries within the region) and to diversify Chinas trade routes. To enhance the connectivity among the countries on the New Silk Road, the improvement of infrastructure is a key priority.

According to the Asian Development Bank (ADB), there is a huge demand for infrastructure in the Asian region. In total 8 trillion USD are needed between 2010 and 2020 to upgrade infrastructure, 68 % will be used for newly created capacities. More than half of that will be required to upgrade the electricity production and one third for telecommunication infrastructure. A number of Funds and Banks that have been created recently aim at reducing this massive funding deficit, but even those new institutions will not be able to eliminate the funding gap. Among those institutions are

- The Asian Infrastructure Investment Bank (AIIB) with a capital of 100 Billion USD
- The Silk Road Fund with a capital of 40 Billion USD
- The New Development Bank (BRICS Bank) with 100 Billion USD
- China Development Bank (CDB) with 16.3 Billion USD
- ASEAN Infrastructure Connectivity Funds with 20 Billion USD
- Maritime Silk Road Bank with 810 Million USD

[23] ASTEP (*Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership)* in force since 2014.
[24] Except the countries having established diplomatic relations with Taiwan and not the P.R.C.
[25] http://www.brookings.edu/~/media/research/files/papers/2013/10/taiwan-transpacific-partnership-bush-meltzer/taiwan-transpacific-partnership-bush-meltzer-final.pdf; http://opencanada.org/branch-news/victoria-news/taiwan-china-and-the-tpp/; http://www.chinapost.com.tw/taiwan/business/2015/01/30/427753/Window-for.htm
[26] http://www.clingendael.nl/sites/default/files/2015%20-%20Towards%20Greater%20EU-Taiwan%20Economic%20C%20ooperation%20-%20Clingendael%20Report%20(FINAL).pdf
[27] Technical Barriers to Trade/Sanitary and Phytosanitary Measures.
[28] For all texts of the agreement, please refer to: http://www.seco.admin.ch/themen/00513/00515/01330/05115/index.html?lang=en

These initiatives have a total capital of approximately 280 Billion USD

Besides the obvious advantages for the Region, the New Silk Road Initiatives bear potential for the Economic Development of China itself. These can be summarized as follows:

- Infrastructure: China is currently facing big challenges in rebalancing the economic growth from being investment fueled and export driven to a more sustainable growth model, however this can only happen gradually. There remain large overcapacities in industries that have benefitted from the infrastructure boom of the past years, such as the – mostly state-owned – companies in the coal, steel and heavy industries. The planned infrastructure investments in China’s „backyard“ will therefore play the role of a welcome overflow-valve to mitigate the impact of the domestic rebalancing.
- Trade: The countries along the silk road constitute 25% of the overall trade with China. In connecting these regions more strongly with each other and with China, the Silk-Road-Initiative will create new markets for Chinese exports.
- Internationalisation of the Renminbi: China is intending to eliminate capital controls in the medium term to allow the Renminbi to become freely tradable and thus strengthen its role as an international currency. The increased Chinese investments in the region, paired with the creation of funds and multilateral development banks might further accelerate the international use of China’s currency.

Switzerland is well positioned to play a role in the development of these new trade routes. Switzerland has been one of the first countries in Western Europe to apply for membership in the AIIB. Switzerland was thus involved in the preparation of this important new financial institution's articles of agreement. Thus Switzerland is now well positioned in the new institution from the outset. Finally, this move will help to strengthen relations with China and with Asia in general.

3 Foreign Trade

3.1 Development and General Outlook

China is now the world's largest exporter and overtook the US last year in terms of share of world exports. The leadership has set a growth target for foreign trade at 6% YoY for 2015, down from 7.5% YoY in 2014. The downward revision of the target came after China’s total trade value increased by only 3.4% last year. Due to the slow recovery of the global economy, worse competitiveness in low-cost products, shrinkage in foreign investment in China's manufacturing sector and decreasing commodity prices, China has missed its trade growth target for 3 years in a row. Last year, import rose 0.4% YoY while exports increased 6.1% YoY. The latest figures confirmed the difficulties from last year. Total foreign trade dropped 6% YoY in Q1, partly impacted by a sharp decline in imports (-17.3% YoY). This does not only reflect cheaper import prices but also weak domestic construction and investment demand. Geographically speaking, in the first three months of 2015, the EU traded 2.1% YoY fewer goods, while the US exchanged 3.2% more.

On the bright side, foreign trade with emerging countries along the New Silk Road is increasing. Data showed that trade with ASEAN countries increased further and now account for 20.2% of total trade in 2014, up 0.8% from a year before. Between January and April 2015, total trade grew 1.2% YoY for ASEAN countries, while it decreased 5.3% YoY with the EU countries. Lifting trade barriers on high-end products with developed economies will deliver more potential in the future.

Trade in services concerns the sale and purchase of intangible products, for instance accounting, computing, finance, telecommunications, tourism, or transportation. Reforms are prioritizing services. The State Council set a target of USD 1'000 billion of trade in services by 2020. Finance, communication, transportation as well as environmental protection and R&D will be especially concerned, offering good prospects for both domestic and foreign companies. Data from the State Administration of Foreign Exchange (SAFE)[29] shows that China's deficit in foreign service trade reached USD 199 billion in 2014, bigger than a year before. Indeed, China's service exports increased 7.6% YoY, while its imports surged 15% YoY, thus expanding the deficit. Worth noticing, China's e-commerce transactions surged 28.6% YoY in 2014. In the first quarter of 2015, China's foreign service trade accounted for USD 150 billion, up 10.6% YoY. The largest share of total trade volume in services was tourism, accounting for 33% of the total trade volume in services and reaching USD 49 billion.

3.2 Trade with Switzerland

Official Swiss figures are comforting. Switzerland's total trade with mainland China[30] (CHF 20.962 billions, +7% YoY) grew more than its world total trade (CHF 386.962 billions, +2.1%) in 2014. Including Hong Kong (CHF 8.753 billions, +7.8%), it rose even more. However, bilateral trade growth remained softer compared to previous years. Worth noticing is that exports in some of the most relevant sectors for Switzerland gained traction. For example, exports of pharmaceutical products rose by 33% while Swiss machinery exports surged 9% in 2014. Interesting to note, mainland China sold more machinery, apparatus and electronic products to Switzerland than Switzerland did to China. This reveals an interesting feature of Sino-Swiss bilateral trade, which is that the two countries trade essentially the same products, but in different price classes.

According to Chinese statistics, in the three first months of 2015, Switzerland has been China's 6th biggest European trade partner, while France and Italy were respectively 5th and 7th in the ranking. Year to date (until April) Switzerland was the 7th most important source of import for China[31], second only from Europe after Germany. So far this year, China imported more from Switzerland than from Russia (Import from CH: USD 13.351 compared to Russia: USD 10.141). China imported about 1.5 times more goods value from Switzerland than from Canada (a notable bigger and closer economy than Switzerland) and 5.5 times more than New Zealand (also a small open economy).

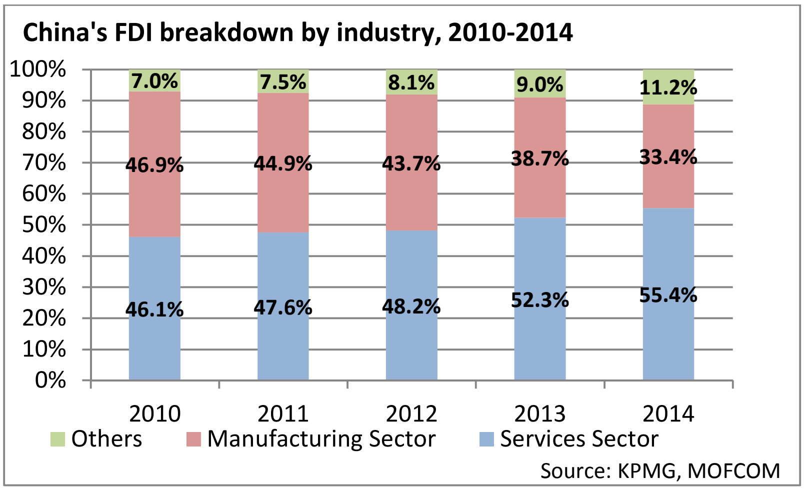
[29] China started issuing monthly data on services trade in January 2014 to improve the transparency of balance of payments statistics.
[30] Total "business cycle" without gold bars and other precious metals, coin, precious stones and gems, works of art and antiques
[31] Statistics excluding source of import for China from Taiwan and China.

4 Direct investments

4.1 Development and general outlook

In 2014, China's outward direct investment (ODI) caught up with inward foreign direct investment (FDI). The Ministry of Commerce estimates that ODI increased by 14.1% to USD 102.89 billion in 2014. Meanwhile, if the Chinese firms' investment through third parties were included, the total ODI volume would reach about USD 140 billion. Compared to a total FDI volume of USD 119.6 billion (up by 1.7% on a year-on-year comparison) it thus appears that China has now become a net capital exporter.

In terms of ODI, Chinese companies distinctively expanded investments to overseas markets (particularly North America, Europe and Australia) and new sectors (such as high technology, agribusiness and food, real estate, manufacturing and services). FDI grew at a clearly more modest rate than ODI, however the overall stability confirms that China continues to be an attractive destination for foreign investment. The statistics of the Ministry of Commerce show that growth in the service sector (+7.8%) was particularly strong, while on the other hand, manufacturing FDI saw a double-digit decline. With a view to keep China an attractive destination for inbound investment, the authorities have already made some efforts to simplify and streamline the investment approval system. Particularly, smaller foreign investment projects can benefit from a more simple registration; however, only if they are done in a joint venture controlled by Chinese investors.[32]



As for accumulated fixed asset investment, the overall growth rate amounted to 15.7% in 2014, following an increase by 19.6% in 2013. Although growth is still high as such, it followed a downward trajectory almost throughout the year. This slowing trend appears to be mainly the result of a cooling real estate sector which accounts for almost 20% of total fixed asset investment. Interestingly, private sector investment proved to be resilient and its rising share in total fixed asset investment (up from 63% to 64.1% in 2014) confirms the increasingly active role of private investors in China.

Looking ahead, a number of factors suggest that the general conditions for investment will remain favorable going forward. In the field of outward direct investment, some major elements of China's national strategic initiatives are likely to spur these dynamics. These include projects connected to the New Silk Road and the Asia Infrastructure Investment Bank (AIIB). Aside from this, Chinese companies' investment activities increasingly seem to be targeted to more value-added industry sectors such as agribusiness and food, technology, high-end manufacturing, and real estate in more countries and regions, including developed markets. This shifting focus from

[32] China Outlook 2015, kpmg.com/cn

‘quantity and speed’ to ‘quality and efficiency’ should bode well for future dynamics in outward investment, according to an analysis by KMPG[33]. Equally, the KPMG study showed that Chinese companies are increasingly looking to strengthen their relations with foreign partners in order to make most efficient use of local know-how and market opportunities. This trend of Sino-foreign partnership is likely to continue as it brings clear benefits for both parties.

Looking at the prospective development of inward foreign direct investment, a number of initiatives that may benefit foreign investors are underway. For example, 2014 showed a continuation of efforts to improve the business environment for the healthcare industry in China, allowing full foreign ownership of private hospitals in seven major cities and provinces. Equally, further steps are taken towards financial market liberalization and to reduce competitive disadvantages for foreign players (particularly foreign banks) in China. Also a new Foreign Investment Law (a draft version has been released in January 2015) will likely relax regulation on foreign investment and streamline the current fragmented regulatory framework.[34] While under the current laws most new foreign investments are subject to a complex and lengthy approval process, the Draft Law adopts a “negative list” approach. Approvals for projects that are not on the “negative list” will be reduced to a simple filing procedure.[35] As another notable change, the current various foreign enterprise structures are planned to be abandoned in favor of the so called “National Treatment”, meaning that the same incorporation scheme and governing body would apply for both domestic and foreign companies. This measure can help to create a level playing field and reduce bureaucracy. At the same time, however, it bears a potential risk as it provides more scope for the government to sharpen up its scrutiny of foreign investors. This could be of particular relevance for foreign investment in politically sensitive areas.[36] Meanwhile, the Draft Law is currently still under review and unlikely to enter into force before 2016.

4.2 Investment flows from and to Switzerland

According to Chinese statistics, Swiss direct investments in China amounted to USD 315 million in 2013.[37] The figures on Swiss direct Investments in China published by the Swiss National Bank differ significantly from the data released by the Chinese Ministry of Commerce. According to the SNB, the stock of Swiss direct investments stood at CHF 17.04 billion CHF in 2013.[38]

While the majority of the Swiss companies active in China are still located in the three Eastern economic centers Beijing/Tianjin, Yangtze-River Delta (Shanghai) and Pearl-River Delta (Guangzhou, Hong Kong), a number of companies are also already located in the hinterland and inland provinces. Overall, the 600-800 Swiss companies present in China see China as an increasingly relevant investment destination. The CEIBS China Business Survey 2014[39] revealed that 64% of the Swiss companies present in China have plans to increase their investment in the country. More than half of the Swiss companies surveyed consider China as a top 3 investment destination.

Chinese direct investment in Switzerland is still modest, albeit on a rising trajectory. The reason for an investment in Europe including Switzerland is generally to acquire technology or a brand and making use of its existing distribution network. At the same time, the high education level, the flexible labor market, the reasonable corporate tax rates, the central location and the newly signed FTA seem to be of striking importance when choosing to set up a R&D centre, a sales office or a European Headquarter in Switzerland. Some of the roughly 80 Chinese companies

[33] China Outlook 2015, kpmg.com/cn
[34] Clifford Chance „China proposes new Foreign Investment Law“, February 2015
[35] China Outlook 2015, kpmg.com/cn
[36] Denzan Shira & Associates, „China Releases Draft Foreign Investment Law, Signaling Major Overhaul for Foreign Investment”, January 2015
[37] MOFCOM
[38] Data on FDI are always collected on two sides, in the country that places the direct investment and the country where the direct investment takes place. Since the institutions collecting the data in both countries cannot exchange information on investments due to reasons of confidentiality, the figures issued by different countries cannot be aligned and may therefore vary substantially as it is the case for Swiss and Chinese data on FDI.
[39] A survey supported by Swiss Center, SwissCham China, Swissnex and China Integrated.

present in Switzerland are of considerable size, whether private or state-owned. The acquisition of the trading firm Addax (based in Geneva) by Sinopec remains to date one of the most important Chinese investments in Europe. Another important deal was the recent takeover of the Swiss sports marketing company Infront by the Chinese real estate giant Wanda Group.

5 Trade, Economic and Touristic Promotion

5.1 Foreign economic promotion instruments

The Embassy together with the three Consulate Generals in Shanghai, Guangzhou and Hong Kong, as the official representations of Switzerland to China and the Hong Kong SAR, plays a pivotal role in ensuring a favorable environment for Swiss businesses interested or active in doing business in China and Hong Kong. Owing to a privileged access to the Chinese government institutions, the Embassy together with the respective Swiss Federal authorities engages in a number of government to government dialogues. At the moment, Switzerland is having such regular dialogues in a variety of fields, among them Intellectual Property, Financial Services, Technical Barriers to Trade as well as Sanitary and Phytosanitary Measures, Social Security and Health.

Within its diplomatic representations, the Swiss Business Hub is fully integrated into the operations of the Swiss Embassy and Consulate Generals. The Swiss Business Hub China (SBH) as part of the worldwide "Switzerland Global Enterprise" network (formerly named OSEC) is operational in Beijing, Shanghai, Guangzhou and Hong Kong. The specially trained Swiss and local SBH-staff offer services to Swiss SMEs in their endeavours of strengthening and developing their business relations with China. Services include: market and product analyses; search of distributors, representatives and import partners; individual consulting and coaching; industry reports, presentations and trade fairs. Since the beginning of 2009, the SBH assumes the mandate for investment promotion.

The cantons as well as certain regional clusters have their own investment promotion representatives. The Swiss Business Hub, which carries out systematic market analysis and development has organised some high-level seminars, elaborated brochures, manuals and presentations and assists cantons and regions in their own endeavours in the very demanding Chinese market. The Swiss-Chinese Chamber of Commerce and SwissCham China are private organisations registered in Switzerland and China respectively. Among their members are the leading Swiss companies in the trade, industry and financial sectors. The network consists of about 800 companies and individual members. Their purpose is to promote and support the global success of the Swiss business community in China.

Cleantech Switzerland is the official export platform for the Swiss Cleantech sector. In China, the Swiss consulting firm Generis acts as the service partner of Cleantech Switzerland and as such provides services on site for Swiss companies in the field of environmental technologies. The Sino-Swiss Zhenjiang Ecological Industry Park (SSZEIP) has in 2013 received particular attention with a number of Swiss companies providing their know-how. SECO-supported organizations such as the *United Nations Industrial Development Organization* (UNIDO) or the *International Institute on Sustainable Development* (IISD) are carrying out projects in cleaner productions and voluntary sustainability standards in the Park. According to the Chinese Ministry of Commerce, SSZEIP ranks number 1 amongst all similar bilateral projects with other countries.

In order to strengthen bilateral cooperation in the field of higher education, research and innovation, a swissnex office was opened in Shanghai in August 2008. swissnex China's mission is to create and promote awareness of Swiss excellence in science, technology, innovation and culture, to connect academia and business and to facilitate cooperation between the two countries.

5.2 Interest for Switzerland as a location for tourism, education and other services, potential for development

Crude materialistic luxury seems to slowly give space to immaterial values, even more in China's metropolises, where clean air, intact nature, healthy and organic food, space and relaxation have become precious goods. All values that no other country destination can more credibly sell than Switzerland. Winter sports will become a hot topic in China in 2015, while Beijing is preparing is candidature as host city for the Winter Olympics 2022. And it could grow into a national mega trend, should China make the run. Needless to say, this would be a unique chance for Switzerland to position itself as the world's origin for winter holidays. The Chinese travel industry undergoes fundamental changes. For Switzerland, this is a unique chance to take the step into a new area of tourism promotion, turning away from the pure mass business towards serving the demand for various niche interests of the more sophisticated individual travellers from China. 1’142’438 overnight stays by Chinese visitors (including Hong Kong visitors) in Swiss hotels were recorded for the first time in 2014, a remarkable 14.9% YoY growth.

The Swiss public education sector and its institutions have become also increasingly attractive among Chinese students. Despite the fact that Switzerland is mostly known for its hotel management education and that it is considered as one of the most expensive countries, the number of Chinese students in Switzerland has been growing steadily. In 2013/4 there were 1,335 Chinese nationals enrolled in Swiss universities. The number of Chinese students in Switzerland has thus more than doubled during the last decade. The good positions of our institutions in various rankings and the fact that more and more programs on the Master level are taught in English contribute to this growing interest in China. The Swiss representations in China are actively involved in promoting Swiss education opportunities throughout China. Identification and selection of the top students is increasingly becoming the main challenge.

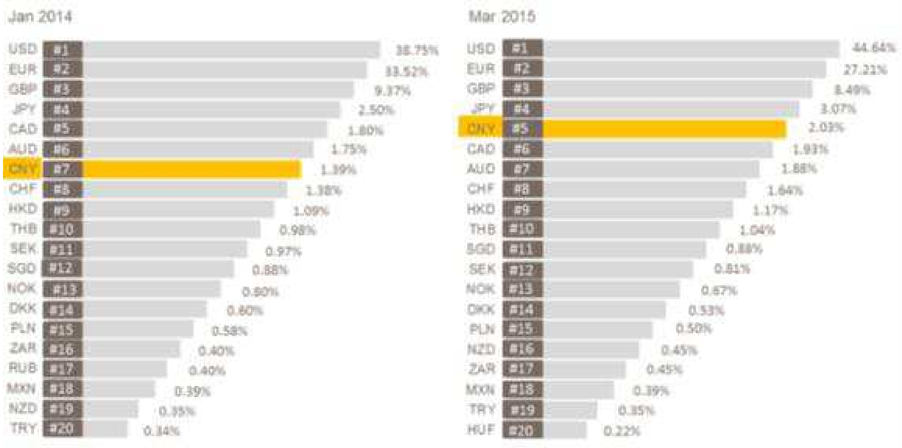
5.3 Interest for Switzerland as a location for investment, potential for development

Switzerland becomes of interest as a business hub (HQ, operational center) when companies seek to structure their European activities. Chinese entrepreneurs focus on investments which are still largely based on M&A and/or JV. The main reason for this trend is the fact that M&A and JV remain the quickest and easiest ways to set foot overseas. That is a good way to acquire brands, technologies and knowledge in order to apply them to the Chinese market where growth is still substantially higher than in Europe. Besides, Chinese investors will rather choose a country or region where they have existing business relationships (e.g. traders, distributors, etc) and where a certain number of Chinese citizens are already present.

5.4 Interest for Switzerland as a financial location, potential for development

China is quickly advancing in positioning the RMB as an internationally used currency. Over the past few years, the RMB steadily increased its place on the SWIFT list of most-used payment currencies worldwide and ranks currently among the top five on the list.

RMB as world payments currency in value



Source: SWIFT

This year, the International Monetary Fund will conduct its quinquennial SDR review. Given the steady progress that China has been making toward achieving capital account convertibility, chances for an inclusion of the RMB into the SDR currency basket seem intact. Such an inclusion would mean an additional major milestone on China's way to position the RMB as an international reserve currency.

As the internationalization of the renminbi opens up interesting new business opportunities in the financial sector, various international financial centres have intensified their efforts to position themselves as offshore-RMB-Hubs. After a phase of intensified discussion on Chinese-Swiss cooperation in this area, a number of important new arrangements were agreed on in order to strengthen Switzerland's role as a competitive and fully-fledged RMB-Hub in Europe:

- In July 2014, the Swiss National Bank and the People's Bank of China signed a currency swap agreement with a limit of RMB 150 billion, or CHF 21 billion.
- In January 2015, the People's Bank of China decided to extend the pilot scheme of the RMB Qualified Foreign Institutional Investor (RQFII) to Switzerland with a quota of RMB 50 billion.
- In January 2015, the Swiss National Bank and the People's Bank of China signed a Memorandum of Understanding on the establishment of RMB Clearing Arrangements in Switzerland.
- In order (among others) to take the role of a RMB clearing bank in Switzerland, the China Construction Bank (CCB) announced it would open an office in Zurich. The CCB is expected to operate in Switzerland this year.

Furthermore, the regular Financial Dialogue between the Swiss and the Chinese authorities will continue to explore ways of cooperation in the process of RMB internationalization. Also, with the Chinese – Swiss Financial Round Table, a private sector platform was created to discuss RMB related topics and to find new forms of collaboration.

6 Environment

6.1. Political Awareness and New Measures

"We must fight it with all our might" stated Chinese Premier LI Keqiang at the annual National People's Congress (NPC) in March, one year after having declared the "War on Pollution". It is

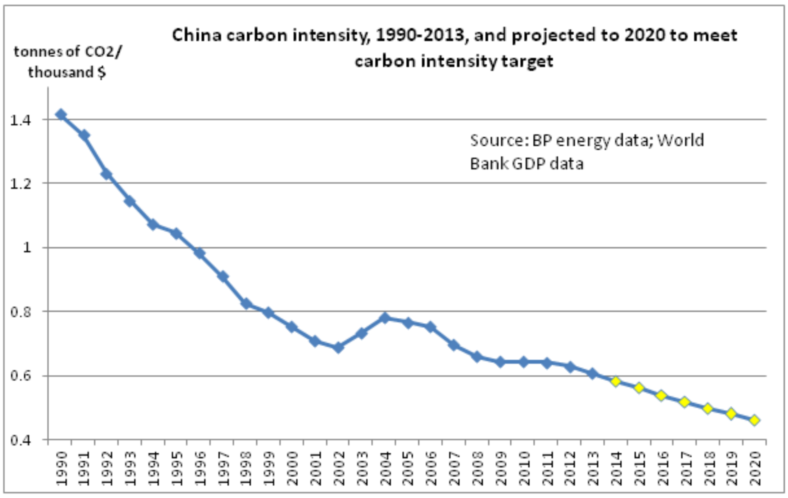
the first time that the Chinese government officially acknowledges that the environment is an integrated part of the economy.
During the APEC-Meeting last November, China and the US signed a bilateral Agreement on Climate Change and Clean Energy Cooperation. Both Presidents reaffirmed the importance of strengthening bilateral cooperation on climate change and to adopt another legal instrument at the United Nations Climate Conference in Paris this year.[40] China made its 1st-ever voluntary commitment to peak its CO_2 emissions by 2030. Its target to expand total energy consumption from 0-emission sources to 20% will require an additional 1000 gigawatts deployment of nuclear, wind and solar capacity - more than all the coal-fired power plants in China today.[41]
The government aims at fully implementing the revised Environmental Protection Law in force since 1st January and considered to be the toughest measure against pollution to date. Already 350 polluters received severe punishments in Q1. Daily fines are imposed on enterprises that fail to rectify violations while greater praises are awarded to environmental advocates. China's new Minister of Environmental Protection CHEN Jining vowed to enhance the supervision over local governments. Systems for managing cross-jurisdictional pollution and public reporting of environmental problems have been set-up. Local officials can be demoted for misconduct, including the concealment of offenses, falsifying data, failing to publicize environmental data and not giving closure orders to enterprises illegally discharging pollutants. Unified national compulsory standards in areas of public interest such as environmental protection should also be established.[42] The Ministry of Science and Technology announced a 5-year plan to prevent air pollution. The Supreme People's Procuratorate plans a 2-year crackdown on environmental crimes. The new Catalogue for the Guidance of Industries for Foreign Investment established by the influential National Development and Reform Commission (NDRC) entered into force on 10th April, favouring the energy efficiency and environmental protection sector. Regulators have simplified the requirements for bonds issued to finance clean energy and natural gas projects. The General Administration of Customs lowered import tariffs for green technologies and energy-efficient products on 1st January. According to the State Council, China has set a target of reaching USD 1 trillion worth of trade in services by 2020 of which environmental services are highly-prioritized. Green Public Procurement (GPP) is increasingly supported by the government on various levels. However, no overarching policies have been enacted so far. Green procurement and markets to foster green consumption through establishment of low-carbon supply chains are high on the national-level initiatives.[43]
It is henceforth recommended that fiscal measures are taken to green the tax regimes, in particular for natural resources such as coal, as well as congestion taxes, pilot emission taxes such as wastewater, sulfur dioxide or nitrogen oxide. On the other hand, tax deduction should be carried out to offset investment in pollution control equipment.[44]

6.2. Economic Costs[45], Carbon Intensity[46] and Environmental Targets

China spends USD 91 billion equivalent to 1.3% of its GDP per year on environmental protection. Experts estimate a further investment is needed of 4% of GDP equivalent to USD 500 billion per year to repair the environmental damages.[47] Last year, the economic costs were pegged to USD 1.4 trillion nationwide (13.2% of China's GDP[48]) and USD 330 mio. in Beijing.[49] Authors of a wide-ranging international report overseen by Mexican President Calderón and

[40] https://www.whitehouse.gov/the-press-office/2014/11/11/us-china-joint-announcement-climate-change
[41] https://www.whitehouse.gov/the-press-office/2014/11/11/fact-sheet-us-china-joint-announcement-climate-change-and-clean-energy-c
[42] https://www.uschina.org/leaders-promise-stable-economy-continued-reforms-2015-national-people%E2%80%99s-congress
[43] https://www.iisd.org/sites/default/files/publications/green-public-procurement-china-quantifying-benefits-en.pdf
[44] http://www.dw.de/how-much-is-pollution-costing-chinas-economy/a-18323476
[45] The environmental economic costs calculations are based on premature deaths caused by PM2.5.
[46] Carbon dioxide emissions per GDP unit.
[47] http://knowledge.wharton.upenn.edu/article/the-economics-of-chinas-pollution-problem/
[48] By far the highest worldwide, followed by Russia at 8% and India at 6%.
[49] http://www.oecd.org/environment/the-cost-of-air-pollution-9789264210448-en.htm

British economist Nicholas Stern claim that phasing out fossil-fuel subsidies[50] and switching to low-carbon renewables lead to major improvements in public health at lower costs.[51]
In 2014, China cut its carbon intensity for the 9th successive year by 3.5%, the biggest margin since 2008. However, the country did not manage to meet its target to cut carbon intensity by 17% in the most recent 5-year plan. Although indicative, it is even more off its 2020 Copenhagen route aiming at cutting emissions by 45% per unit of GDP compared to 2005 levels.[52] For 2015, the objective is to cut energy intensity by 3.1% while keeping energy consumption growth at 3.4% annually. Coal consumption shall be cut by 160 mio. tons over the next 5 years. Beijing recommitted to its pledge to dismantle its reliance on coal and increase the percentage of renewable energy in its energy matrix to 15%.[53] To this purpose, the capital will shut down 300 factories and take 200'000 heavily polluting vehicles off the roads. Those targets are only achievable through a combination of accelerated economic restructuring, energy conservation, fuel switching and sound environmental policy-making.



6.3. Energy Outlook

According to the Energy Outlook 2035 released by BP, China's energy production may rise by 47% while consumption may grow by 60%. In its energy mix, the coal's dominance is expected to decline from 68% today to 51% while natural gas is expected to more than double to 12%. Fossil fuel demand may continue to expand with oil (+67%), gas (+270%) and coal (+21%) while renewables may hit even higher in nuclear (+910%) and hydropower (+50%). Despite current energy conservation policies, China might become the world's largest importer as import dependence could rise to 23%, with oil up to 75% and natural gas 40%.[54]
China's economy is exposed to price volatility in the global energy market due to the fossil fuel dominated energy structure and high proportion of the secondary industry. Sectors of the economy with high exposure to price risk account for about 20% of GDP.[55] China is increasingly seizing the opportunity to play a leading role in global low-carbon solutions while upstreaming its own industry chain. However, the enforcement of major reforms to build safe, efficient and clean energy consumption systems are still necessary. The success of China's reforms might be determined by how fast and to what extent the country rolls back subsidies and regulatory advantages for SOEs and opens industries in the energy field to the private sector.[56] China's real commitment to environmental protection including key environmental goals for 2016-2020

[50] Switzerland is a Friend of Fossil Fuel Subsidies Reform together with Costa Rica , Denmark, Ethiopia, Finland, New Zealand, Norway and Sweden.
[51] https://www.chinadialogue.net/blog/7316-Human-toll-of-air-pollution-could-be-costing-China-13-of-GDP/en
[52] http://www.rtcc.org/2014/06/17/china-off-course-for-2020-carbon-emissions-target/
[53] http://thediplomat.com/2015/03/what-does-the-npc-have-to-say-about-chinas-pollution-woes/
[54] http://www.bp.com/content/dam/bp/pdf/Energy-economics/energy-outlook-2015/Country_insights_China_2035.pdf
[55] http://newclimateeconomy.report/china/
[56] http://www.pressreader.com/china/the-wall-street-journal-asia/20150415/281655368601211/TextView

will emanate from the next 5-year plan which is currently being drafted. A first release shall be public at the Plenum in October and the final Plan will be officially adopted at next year's National People's Congress. However, China has not yet submitted its detailed commitments ahead of the UN Climate Conference COP21 taking place in Paris in December this year.
The new Environmental Laws represent huge opportunities for Swiss companies active in the cleantech sector and those who are in the area of certification. As an example SGS plans to expand their activities in the implementation surveillance of environmental standards over whole supply chains.