

# *Opportunities and Challenges*

## *China's 13<sup>th</sup> Five-Year Plan and One Belt One Road Initiatives*

*11 January 2016*

# Annual Calendar 2016

## Swiss-Chinese Chamber of Commerce (as of 11.1.2016)

Month	Date	Event	Time	Location	Details
January	11.01.2016	Luncheon - Intro 13 <sup>th</sup> 5-year plan PRC	11:45 - 13:30	Eden au Lac	SCCC President
February	29.02.2016	Chinese New Year Reception	17:00 – 20:00	ZunftHaus zur Meisen	with HKTDC and SHKBA
April	11.04.2016	Luncheon - Economic Outlook 2016	11:45 - 13:30	Eden au Lac	Speaker: Kurt Karl, Swiss Re Chief Economist, tbc
May	25.05.2016	Annual General Assembly and seminar “RMB Internationalization in Europe“	tbd	tbd	alternativ 1.6.2016 or 13.6.2016 CS, CCB, BoC u.a.
June	20.06.2016	Luncheon - Tax Challenges in China	11:45 – 13:30	Eden au Lac	Speaker: Stefan Schmid, PwC
August	15.08.2016	Luncheon - HR Management Challenges in China	11:45 – 13:30	Eden au Lac	Speaker: Martin Schneider, Brainforce AG
	TBC	Seminar “Status FTA - Implementation, Lessons”	tbd	Zurich	SECO a.o.
September	TBC	Speakers Platform China	tbd	Zurich	4 speakers (tbc)
October	17.10.2016	Luncheon - First Experiences in the Swiss Market	11:45 – 13:30	Eden au Lac	tbc
November	7./8.11.2016	Horasis China Conference	1.5 days	Interlaken	tbc
December	05.12.2016	Luncheon - with SCCC Board, Review and Outlook	11:45 - 13:30	Eden au Lac	tbc

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# *Agenda*

<i>1</i>	<i>The roadmap to 2020 – China's 13th Five-Year Plan</i>
<i>2</i>	<i>One Belt One Road – Opportunities and risks</i>
<i>3</i>	<i>Q&amp;A</i>

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# *The roadmap to 2020 – China's 13<sup>th</sup> Five-Year Plan*

# *1*

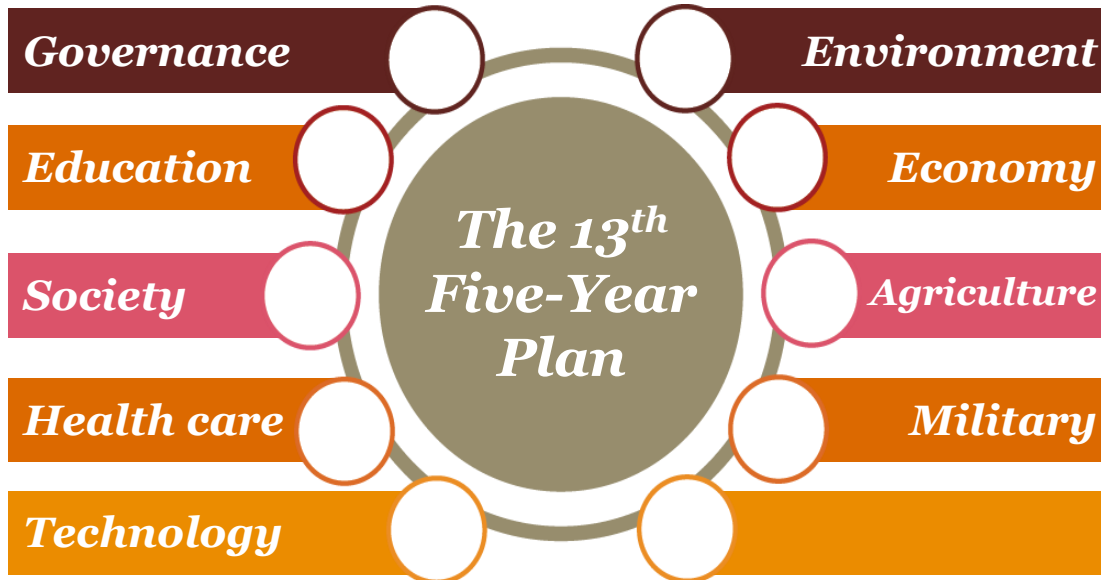
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## ***What is the China's 13<sup>th</sup> Five-Year Plan?***

- 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 13<sup>th</sup> Five-Year Plan was built on the 12<sup>th</sup> 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.

# Key features in the 13<sup>th</sup> Five-Year Plan

- The plan covers 9 key features
- Xinhua.com summarized 32 highlights in the proposed 13<sup>th</sup> Five-Year Plan



## Highlights of proposals in the 13th Five-Year Plan (2016-20)

China has seen great progress in the past five years, becoming the world's second-largest economy and with per capita GDP increasing to \$7,800. Agricultural production has risen continually and the proportion of permanent residents in urban areas reached 55 percent.	Online cultural buildings to be enhanced, positive culture in cyberspace encouraged and the online environment cleaned up. More development of traditional media and new media to be promoted and digitalization accelerated.	Innovative teaching abilities to be raised to ensure some universities meet world standards. Modern vocational school system to be set up and universities encouraged to transform into vocational schools.
Various systems to be improved in the next five years. National governance ability to be further enhanced through modernization, and basic systems to be set up in each industry. Nation to be more democratic and rule of law and judicial credibility to be implemented and boosted. Human rights and property rights to be protected effectively.	Reform of the military to be speeded up, with the goal of establishing a modern military system with Chinese characteristics by 2020.	Cooperation encouraged between schools and enterprises to train skilled workers. Skilled workers' salaries to be increased.
Competition to be further improved in national monopoly sectors, including electricity, telecommunications, transportation, petroleum, natural gas and public services.	Clean production to be promoted and green and low-carbon industry systems set up. Green finance to be promoted and a green development fund established.	Social insurance system to be improved to cover all residents living in China legally. Insurance rates to be lowered to a reasonable level.
Cybereconomy to be further expanded and network speed to be increased and fees lowered, along with support for innovation in cyberspace of related industries, business methods, supply chains and logistics chains.	Audit system proposed for officials who leave their current posts, taking environmental protection into consideration. Officials' efforts to protect natural resources to form part of their performance appraisal.	Reasonable adjustments to the pension fund. Investment channels for this fund to be increased and investment returns raised.
Internet Plus plan implemented. Network speed to be increased and fees lowered, along with support for innovation in cyberspace of related industries, business methods, supply chains and logistics chains.	Use of new energy vehicles to be promoted and the industrialization level of electric cars improved.	Policies to be issued on raising the retirement age progressively. Progress to be made on commercial old-age care insurance and occupational or corporate pension plans.
Increased autonomy for universities and research institutes. Project leaders to have more freedom to make strategic decisions, including on financial and personnel administration.	The strictest management system for water resources to be implemented and a national monitoring system established for groundwater.	Full implementation of the supplementary health insurance program proposed for jobless rural and urban residents suffering from major diseases. Retirees who live at places other than their workplaces to have hospitalization fees reimbursed under basic health insurance.
New-style professional farmers to be nurtured. Reform of the rural land system to deepen and the orderly transition of land operational rights promoted.	A nationwide real-time online environmental monitoring system to be set up and an emission permit system will cover all companies with stationary pollution sources.	Advancing comprehensive reform of public hospitals proposed, ending the system used to seek profits. A personnel and remuneration system to be set up that is appropriate for the health industry. This calls for optimized distribution of health resources, an improved basic health service, and for health resources to be promoted at rural and grassroots level.
Most stringent policies to be adhered to for protection of cultivated land to boost capacity and ensure grain security.	Forest protection plan to be improved, with commercial deforestation banned and forested areas increased. The amount of land returned to farmland and forest areas to be expanded and pasture protection improved.	Full implementation of fertility policy advocated, allowing all couples to have two children. Improvements to reproductive health services, women's and children's health care and nursing services also proposed.
Fiscal reform to be strengthened. Responsibilities of the central government and other authorities to be moderately strengthened to approve allocation of their income.	Financial markets to be opened further. Renminbi's inclusion in the IMF's special drawing rights basket to be promoted to activate convertible capital account.	Leadership's knowledge structure to become more professional. Reform of human resources to be further deepened.
Financial reform to be accelerated. The issuance and trading system for stocks and bonds to be improved.	International coordination of macroeconomic policy to be strengthened. An active role to be played in rule-making in new fields such as the internet, deep-sea and polar areas, and outer space.	National population basic information database proposed, along with improvements to the social credit system. Social mental health service system to be enhanced and an emergency response mechanism set up.
A new urbanization method will be pushed, focusing on improving livelihoods and deepening reform of the household registration system.	Increased investment from central and provincial governments to integrate various channels for poverty alleviation.	
Legal land use rights of farmers to be ensured, including those who work in cities. Ren-		

Source: Xinhua Net ([http://news.xinhuanet.com/english/photo/2015-11/04/c\\_134783513.htm](http://news.xinhuanet.com/english/photo/2015-11/04/c_134783513.htm))

# Highlights of the 13<sup>th</sup> Five-Year Plan – Governance

## *Achievements*

- China has become the second largest economy per capita GDP
- Proportion of permanent residents in urban areas reached to 55%

## *Modernization*

- Governance ability to be further enhanced through modernization
- To be more democratic and rule of law and judicial credibility to be implemented and boosted
- Human rights and property rights to be protected

## *Administration*

- Audit system proposed for officials who leave their current posts
- Protection of natural resources forms part of the KPIs for officials

## *Big data*

- National population basic information database proposed, along with improvements to the social credit system
- Social mental health service system to be enhanced and an emergency response mechanism to be set up

Source: Xinhua net ([http://news.xinhuanet.com/politics/2015-11/03/c\\_1117025413.htm](http://news.xinhuanet.com/politics/2015-11/03/c_1117025413.htm)), summarized by PwC.

# Highlights of the 13<sup>th</sup> Five-Year Plan – Economy

1



**Financial reform**

Financial reform to be accelerated. The insurance and trading system for stocks and bonds to be improved.

2



**Fiscal reform**

Responsibilities of the central government and other authorities to be moderately strengthened to approve allocation

3



**Renminbi markets**

Financial markets to be opened further. Renminbi's inclusion in the IMF special drawing rights basket to be promoted.

4



**Competition in monopoly sectors**

Competition to be further improved in national monopoly sectors as electricity, telecommunication, petroleum, natural

5



**Cyber economy**

Cyber economy to be further expanded and Internet Plus Plan to be implemented.

6



**International economy**

International coordination of macro-economic policy to be strengthened.



# Highlights of the 13<sup>th</sup> Five-Year Plan – Society

## 1 Launch the two-child policy



## 3 Increase investment on poverty alleviation



## 2 Reform on the household registration policy



## 4 Enhance online cultural building



# *Highlights of the 13<sup>th</sup> Five-Year Plan – Education*

## *University Innovation*

Innovation teaching abilities to be raised to ensure some universities meet world standards. Modern vocational school system to be set up and universities encourage to transform into vocational schools.

Cooperation encouraged between schools and enterprises to train skilled workers. Skilled workers' salaries to be increased.

## *Academic Cooperation*

## *Autonomy for Universities*

Increased autonomy for universities and research institutes. Project leaders to have more freedom to make strategic decisions, including on financial and personnel administration.

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## *Highlights of the 13<sup>th</sup> Five-Year Plan – Technology*

- Use of new energy vehicles to be promoted and the industrialization level of electric cars to be improved.



# Highlights of the 13<sup>th</sup> Five-Year Plan – Health care

## Improve social insurance system

Social insurance system to be improved to cover all residents living in China legally.  
Insurance rates to be lower to a reasonable level.



## Adjust to the pension fund

Reasonable adjustments to the pension fund. Investment channels for this fund to be increased and investment returns raised.



## Progressively raise the retirement age

Policies to be issued on raising the retirement age progressively. Progress to be made on commercial old-age care insurance and occupational or corporate pension plans.



## Implement supplementary health insurance program

Full implementation of the supplementary health insurance program proposed for jobless rural and urban residents suffering from major diseases.

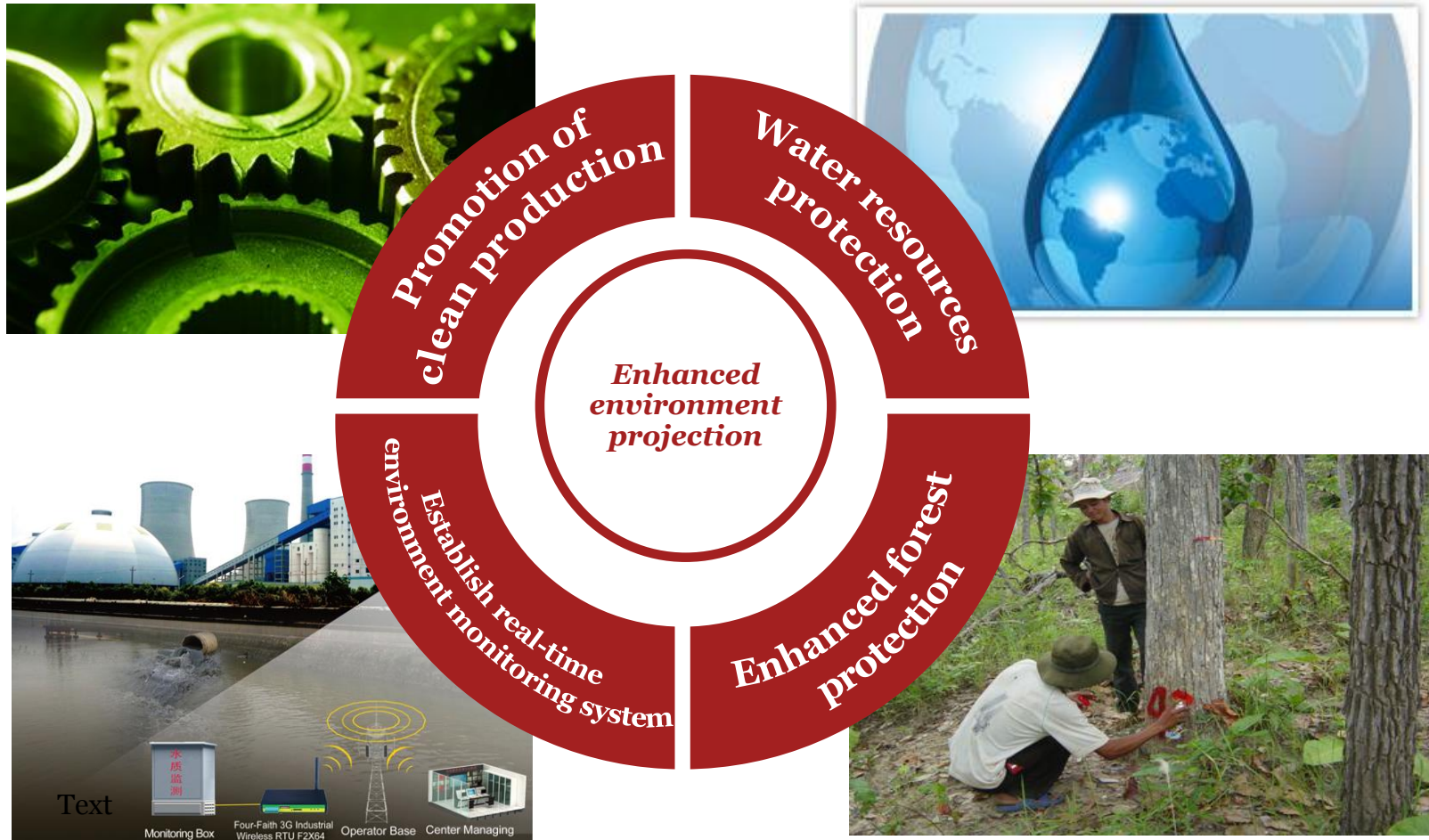


## Advance public hospital reform

Advancing comprehensive reform of public hospital proposed, ending the system used to seek profits. A personnel and remuneration system to be set up that is appropriate for the health industry.



# Highlights of the 13<sup>th</sup> Five-Year Plan – Environment



Source: Xinhua net ([http://news.xinhuanet.com/politics/2015-11/03/c\\_1117025413.htm](http://news.xinhuanet.com/politics/2015-11/03/c_1117025413.htm)), summarized by PwC.

# Highlights of the 13<sup>th</sup> Five-Year Plan – Agriculture



Source: Xinhua net ([http://news.xinhuanet.com/politics/2015-11/03/c\\_1117025413.htm](http://news.xinhuanet.com/politics/2015-11/03/c_1117025413.htm)), summarized by PwC.

# *Highlights of the 13<sup>th</sup> Five-Year Plan – Military*

Reform of the military to be speeded up, with the goal of establishing a modern military system with Chinese characteristics by 2020.



Source: Xinhua net ([http://news.xinhuanet.com/politics/2015-11/03/c\\_1117025413.htm](http://news.xinhuanet.com/politics/2015-11/03/c_1117025413.htm)), summarized by PwC.

# What does the 13<sup>th</sup> Five-Year Plan mean for Switzerland?

More opportunities for Swiss companies!!!

- Swiss **banks** dealing with Renminbi business
- **Insurance** companies cooperate with Chinese partners
- Swiss **industrial** companies contribute technologies to Chinese national owned companies in the monopoly sectors.

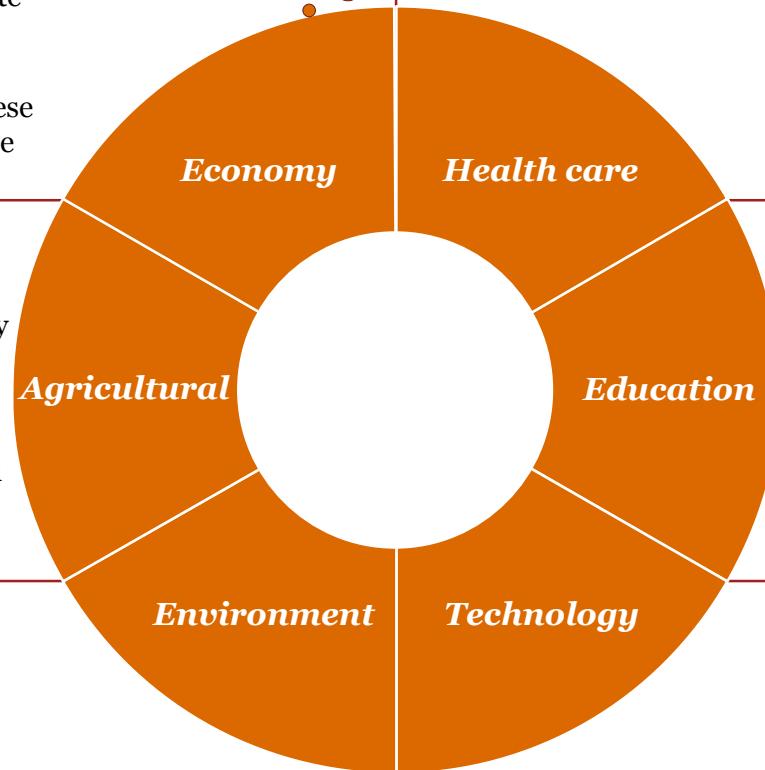
- More opportunities for Swiss **pharmaceutical** and **medical equipment** companies
- **Insurance** companies might start business in China for supplement health insurance
- Swiss **pension fund** management experience can pass to China

- Swiss **agricultural** experience and know-how could well satisfy the need of converting to new-style professional farmers in China
- Opportunities for **agricultural equipment** companies

- Technical **universities** in Switzerland such as ETH and EPF are perfect partners with Chinese universities to train skillful workers and engineers.

- Better outlook for Swiss **clean tech** companies

- The advanced technology of **electronic vehicles** could be helpful for China





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# *One Belt One Road – Opportunities and risks*

# 2

# What is OBOR?

## One Belt Silk Road Economic Belt

"One Belt" refers to the Silk Road Economic Belt, which begins in Xi'an in northwest China before stretching west through Urumqi to Central Asia. The road then goes to northern Iran before swinging west through Iraq, Syria, and Turkey. From Istanbul, it crosses the Bosphorus Strait and heads northwest through Europe. It then heads south to Venice, Italy.

The aims of the OBOR initiative include developing prosperity for underdeveloped parts of China

## 21<sup>st</sup> Century Maritime Silk Road

The other part of the plan is the so-called 21<sup>st</sup> Century Maritime Silk Road, which begins in southern China and heads to the Malacca Strait in Southeast Asia. It then goes to include countries such as India and Kenya. The Maritime Silk Road moves on north to enter into the Red Sea and the Mediterranean.

The Silk Road Economic Belt and the 21<sup>st</sup> Century Maritime Silk Road initiatives, "One Belt One Road", offer opportunities for China and EU to join hands in operating the great Eurasian market.

# One Belt One Road Roadmap

**2013**

In the end of 2013, President Xi Jinping proposed the strategy and with China's neighboring countries. demanded improvements in infrastructure access and Interconnection.

**2014**

In Oct 2014, China announced an initiative to establish the AIIB and contributed USD 40 billion to set up the Silk Road Infrastructure Fund in order to boost the implementation of the “One Belt, One Road” (“OBOR”).

**2015**

In the beginning of 2015, the “One Belt, One Road” initiative was approved at the national level and is expected to be put into practice soon.

In the Chinese official documents, it is now called “The Belt and Road” (abbreviated **B&R**)



Source: The State Council of the People's Republic of China ([http://english.gov.cn/archive/publications/2015/03/30/content\\_281475080249035.htm](http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm))

# *Lists of 65 Countries along One Belt One Road*

## **Central and Eastern Europe (16)**

- Romania
- Poland
- Bulgaria
- Slovenia
- Lithuania, etc.

## **Commonwealth of the Independent States (11)**

- Kazakhstan
- Ukraine
- Kyrgyzstan, etc.

## **North Africa & West Asia (16)**

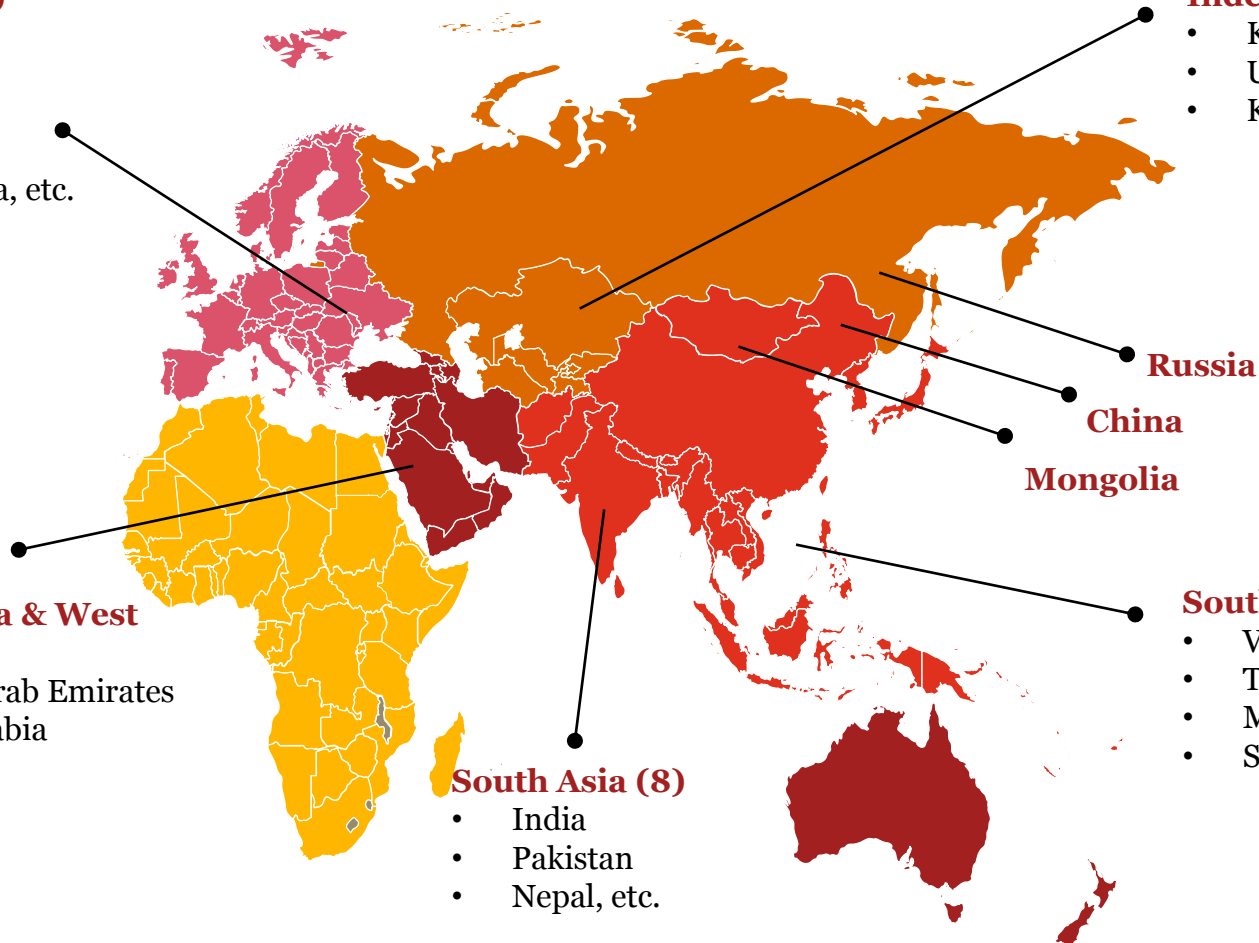
- United Arab Emirates
- Saudi Arabia
- Israel
- Egypt
- Turkey
- Iran, etc.

## **South Asia (8)**

- India
- Pakistan
- Nepal, etc.

## **Southeast Asia (11)**

- Vietnam
- Thailand
- Malaysia
- Singapore, etc.



Source: Hong Kong Trade Development Council, summarized by PwC. (<http://china-trade-research.hktdc.com/business-news/article/One-Belt-One-Road/The-Belt-and-Road-Initiative-Country-Profiles/obor/en/1/1X000000/1X0A3610.htm>)

# Opportunities and challenges under the OBOR

## Opportunities

### Potential cooperation with Chinese companies in the sectors of:

- Infrastructure
- Financial and professional services
- Advanced manufacturing
- Transport and logistics

### Possible business model for partnership with Chinese companies:

- Joint partnerships
- Technology transfer
- Investment funding
- EPC

## Challenges

- OBOR is not only an economic initiative, but also a major geopolitical one.
- The diversity and different economic and political situations of countries along the routes inevitably mean there are inherent risks, such as political stability risk (e.g., Kazakhstan), legal & regulatory risk (e.g., Vietnam), and labor market risk (e.g., Malaysia).
- Careful planning from a global perspective, and thorough due diligence beforehand are strongly recommended.

# Q&A

# 3

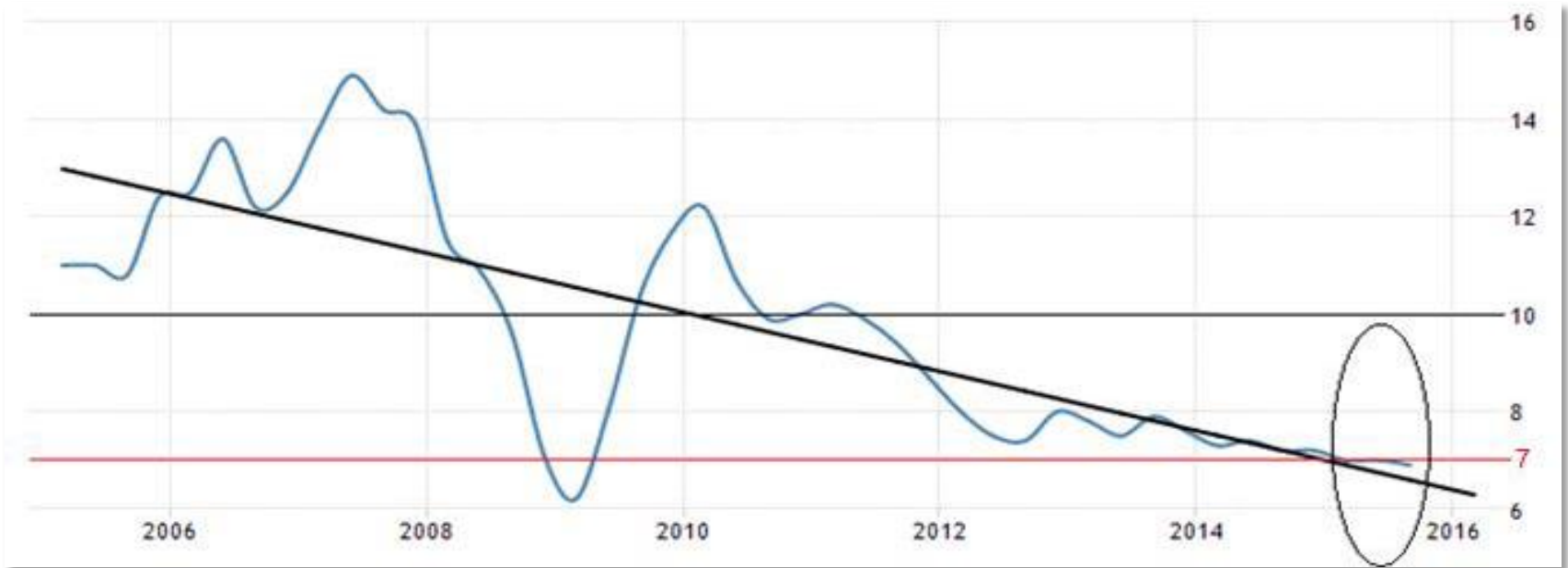
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# *Questions?*

# *Macroeconomic Situation*

Slowing growth and economic transformation under the “New Normal”

Real GDP growth YoY% (—)



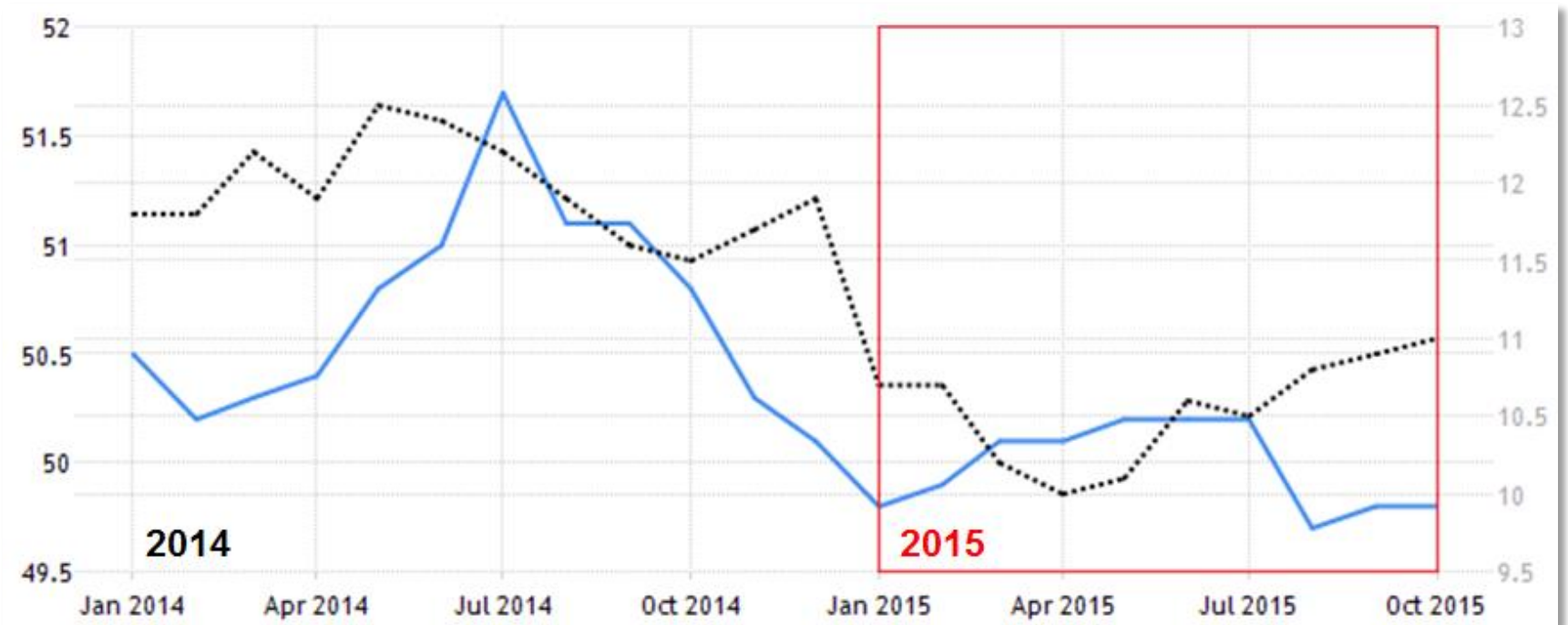
Source: NBS, Trading Economics, edited for illustrative purposes



# Macroeconomic Situation

Slowing growth and economic transformation under the “New Normal”

NBS Manufacturing PMI (—) vs. retail sales growth YoY% (.....)

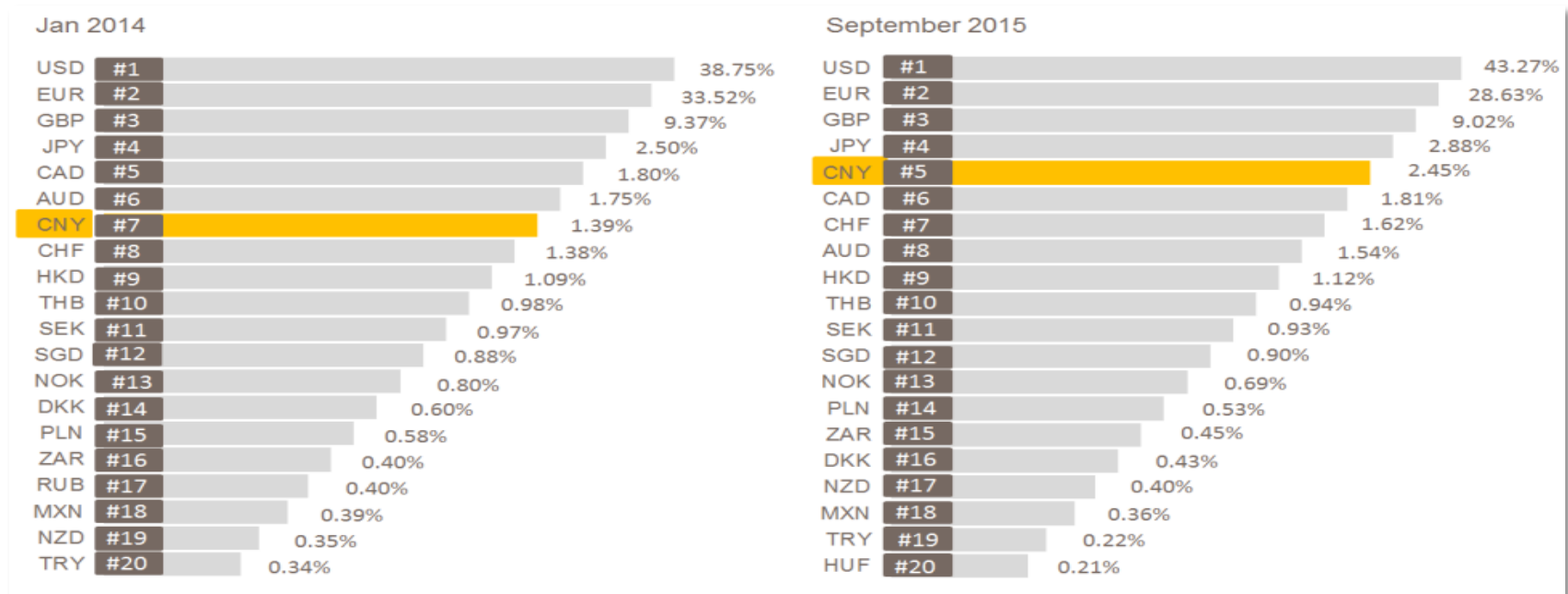


Source: NBS, Trading Economics, edited for illustrative purposes

# *Trade, Economic, Investment and Tourism Promotion*

## Interest and further development of Switzerland's financial center

### RMB's share in global payments



Source: SWIFT

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# *Thank you!*

