CHINA IN SHORT

MARKET INFORMATION ABOUT SWEDEN'S MOST IMPORTANT TRADING PARTNER IN ASIA

13 September 2017

BUSINESS SWEDEN

CHINA IS SWEDEN'S LARGEST TRADING PARTNER IN ASIA

46
Billion SEK
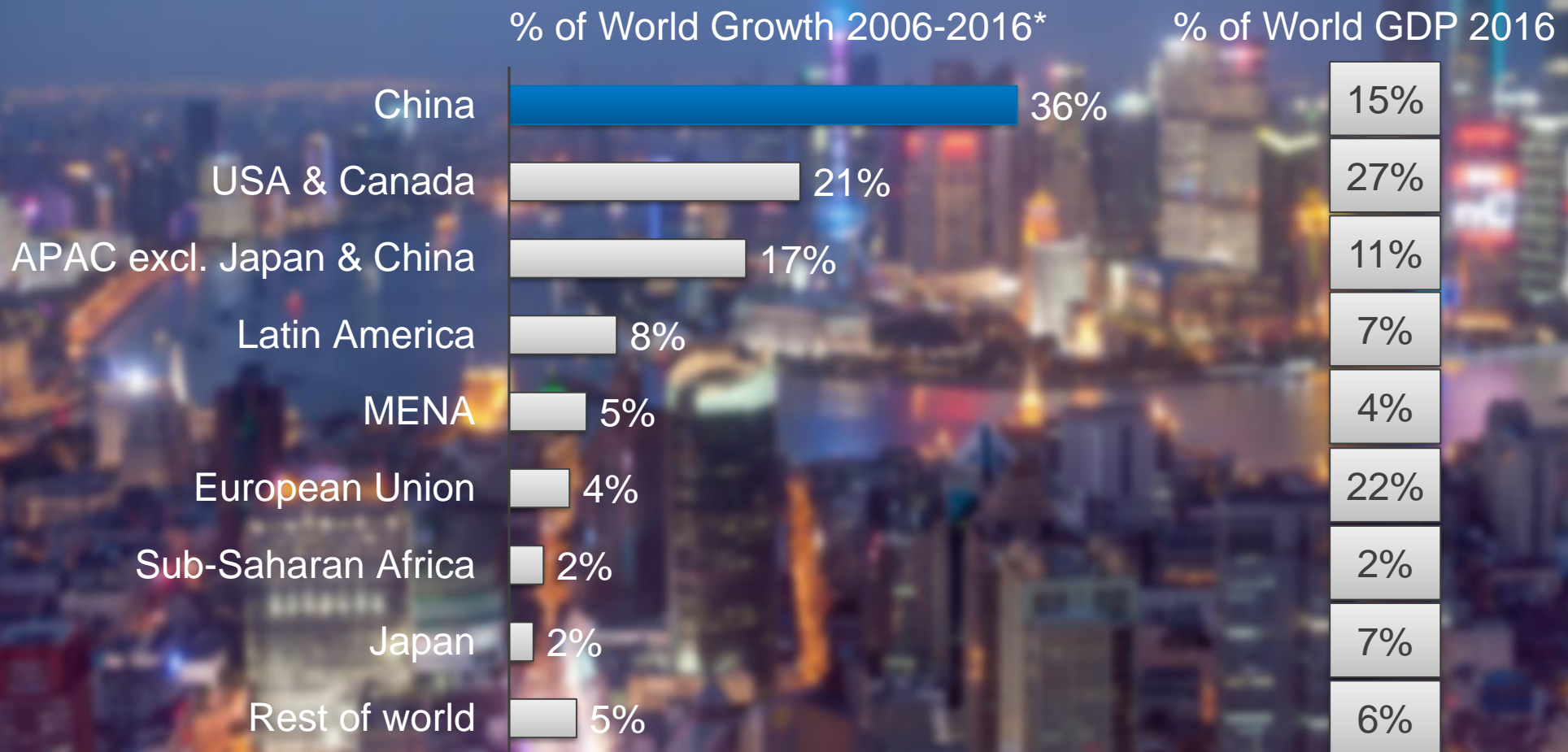
**Export from
Sweden to China**

59
Billion SEK

**Import from
China to Sweden**

CHINA IS STILL THE ENGINGE THAT DRIVE THE GLOBAL GROWTH

CONTRIBUTION TO GLOBAL GROWTH

	% of World Growth 2006-2016*	% of World GDP 2016
China	36%	15%
USA & Canada	21%	27%
APAC excl. Japan & China	17%	11%
Latin America	8%	7%
MENA	5%	4%
European Union	4%	22%
Sub-Saharan Africa	2%	2%
Japan	2%	7%
Rest of world	5%	6%

CHINA'S GDP GROWTH BETWEEN 2010-2016 WAS 12 TIMES LARGER THAN THE GDP OF SWEDEN

ABSOLUTE GDP
Billion USD

Chart values:
- 2000: 1205
- 4x
- 2005: 2269
- 10x
- 2010: 6040
- 12x
- 2016: 12100

Legend: China's GDP | 1x GDP of Sweden
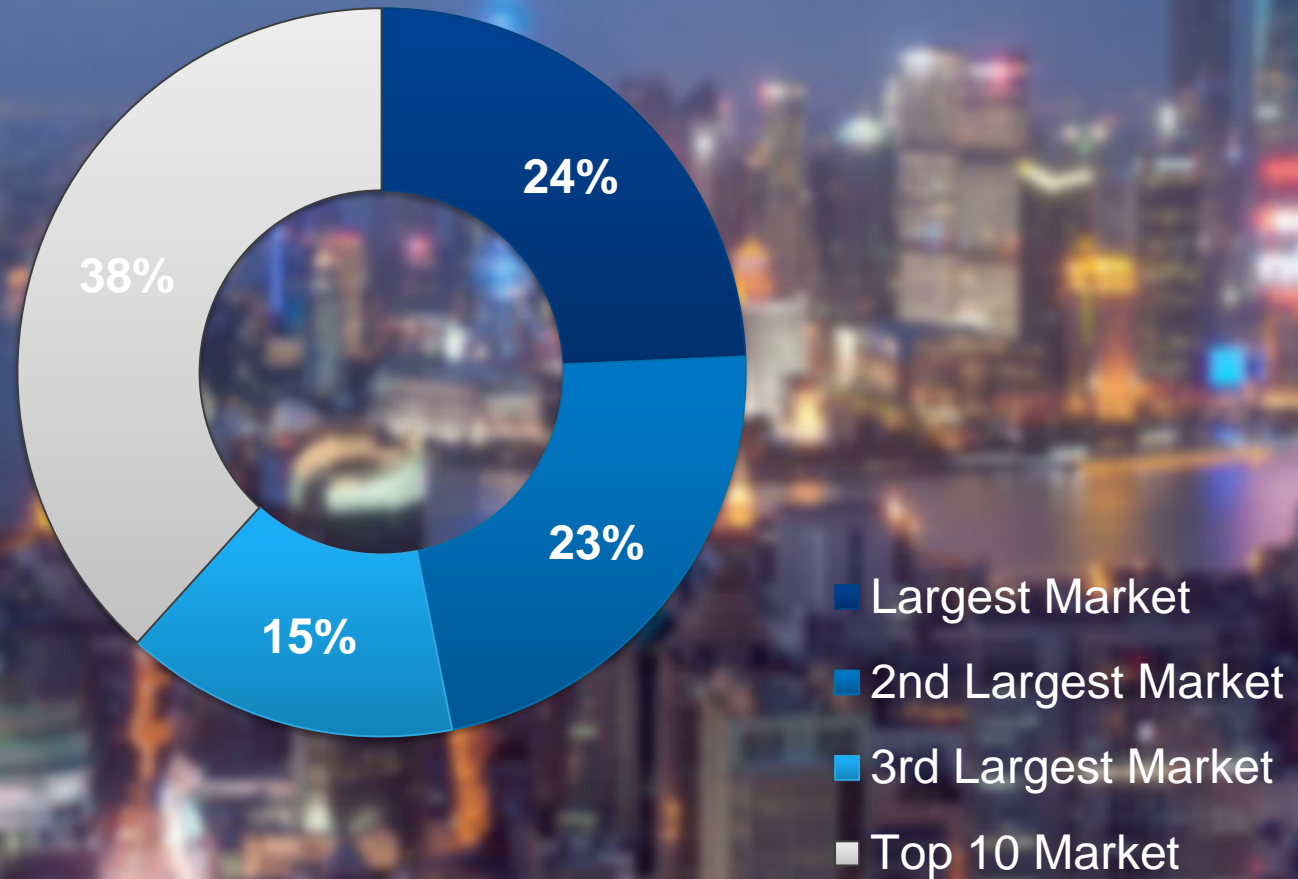
X-axis: 2000, Δ, 2005, Δ, 2010, Δ, 2016
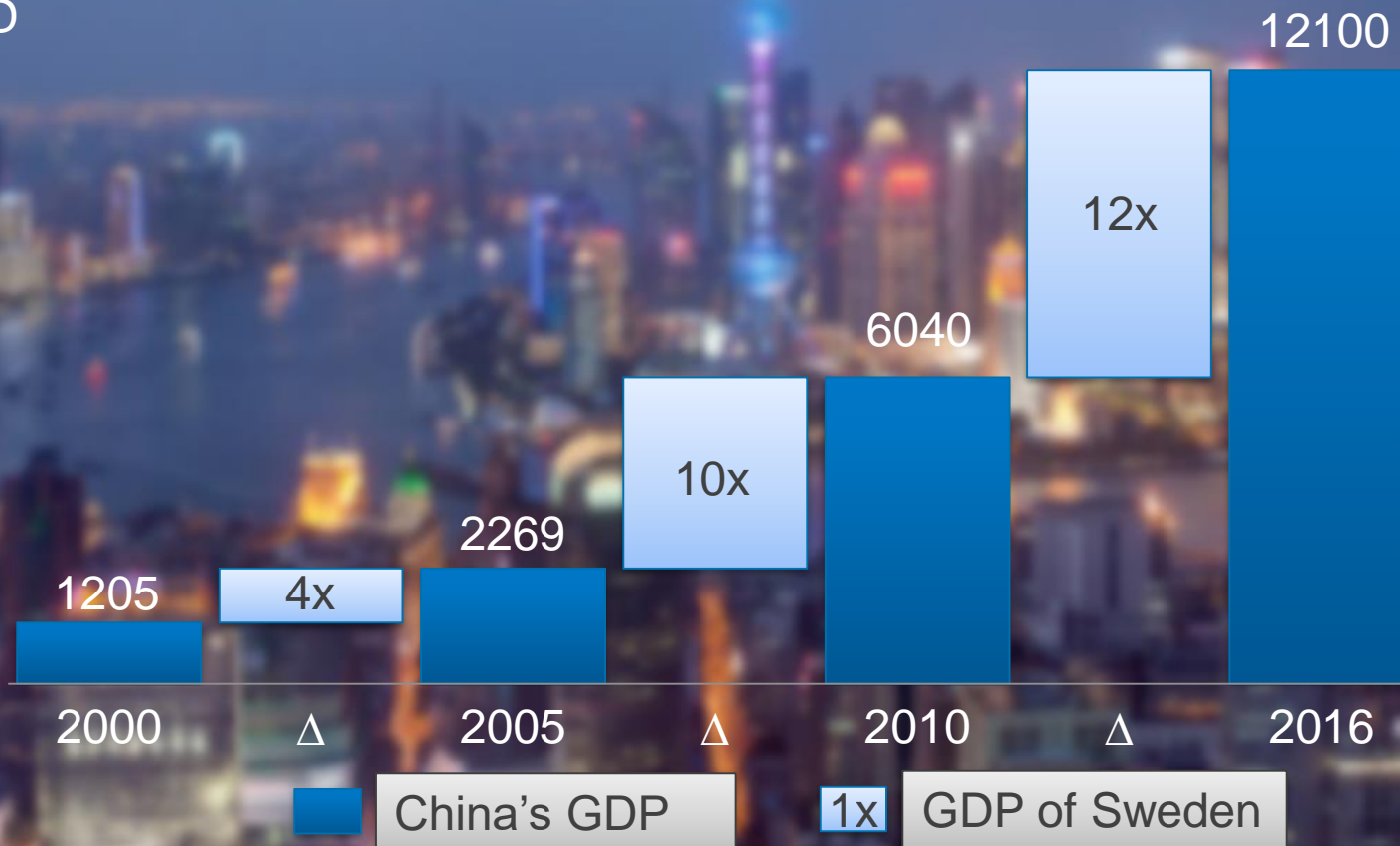
*MEASURED IN USD AT CURRENT PRICES, 2016 FORECASTED BY IMF; NUMBERS MAY NOT SUM TO 100% DUE TO ROUNDING

CHINESE HOUSEHOLD CONSUMPTION IS SET TO GROW 55% BETWEEN 2015 AND 2020

Trillion USD

Legend: ■ 2020 ■ 2015

Country	2015	2020 increment	Growth
United States	12,4	2,6	▲21%
China	4,2	2,3	▲55%
Japan	2,4	0,4	▲17%
Germany	1,8	0,5	▲28%
United Kingdom	1,8	0,3	▲17%
France	1,3	0,4	▲31%

FOR MANY SWEDISH COMPANIES, IT IS ONE OF THEIR MOST IMPORTANT MARKETS

24%

23%

15%

38%

- Largest Market
- 2nd Largest Market
- 3rd Largest Market
- Top 10 Market

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REASONS THAT SWEDISH COMPANIES ARE ACTIVE IN CHINA

MAXIMUM 3 SELECTIONS

Access to the Chinese Market	92%
Cost of Labour	19%
Cost of Production	19%
Skills/Competence of Labour	17%
Other	14%
Availability of Skilled Suppliers	9%
Quality of Material	1%

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EXTERNAL FACTORS THAT PROVIDE OPPORTUNITIES IN THE SHORT-TERM

MAXIMUM 3 SELECTIONS

Factor	Percentage
Market Size, Development and Growth	68%
GDP Growth	38%
Category/Section Penetration Growth	24%
Improvements in Infrastructure	22%
Revised Governmental Policies on National Level	19%
Cost Advantages (Labour/Production)	15%
Revised Governmental Policies on State Level	15%
Geographical Location	10%
Highly Skilled Workforce for Research & Development	9%
Change of Tax/Customs Structure	5%
Prior Investments	4%

KEY THEMES AND MEGATRENDS THAT ARE AFFECTING THE DIRECTION OF THE "NEW CHINA"

MORE LIBERAL FINANCIAL- AND CURRENCY MARKETS
"

MOVE FROM "MADE IN CHINA" TO "SOLD IN CHINA"

IMPROVED HEALTHCARE AND SOCIAL WELFARE

CHINA IS BECOMING MORE INNOVATIVE

RISE OF DIGITAL TECHNOLOGY AND SHARING SERVICES

EDUCATION LEVEL IS IMPROVING AND MORE PEOPLE HOLD A UNIVERSITY DEGREE

INCREASED FOCUS ON THE ENVIRONMENT AND SUSTAINABILITY

RAPID RICE OF E-COMMERCE

E-COMMERCE, DIGITAL SERVICES AND SHARING ECONOMY IS WORLD LEADING

SWEDISH COMPANIES OFTEN STILL HAVE TECHNICAL ADVANTAGES BUT THE GAPS ARE NARROWING

SWEDISH COMPANIES BIGGEST COMPETITIVE ADVANTAGES IN CHINA?
(MAXIMUM 3 SELECTIONS)

Category	Percentage
Product Quality/Technology	51%
Long Standing Business Relationships	46%
Brand Recognition	41%
Established Presence in the Country	32%
Management	30%
Recognition as a Swedish Brand/Company	23%
Product Design	21%
Network	12%
Relations to Government/Authorities	8%
Cost Structure/Pricing	8%
Economies of Scale	5%
Other	3%
Access to Labour	3%
Active CSR Agenda	2%
Access to Financing	2%

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HOWEVER, CHINESE COMPETITORS ARE BECOMING MORE SOPHISTICATED

SWEDISH COMPANIES BIGGEST COMPETITORS IN CHINA?
(MAXIMUM 3 SELECTIONS)

Competitor	Value
Foreign Companies (Non-Swedish)	54
Private Chinese Companies	48
Chinese State Owned Companies	20
Swedish Companies	15

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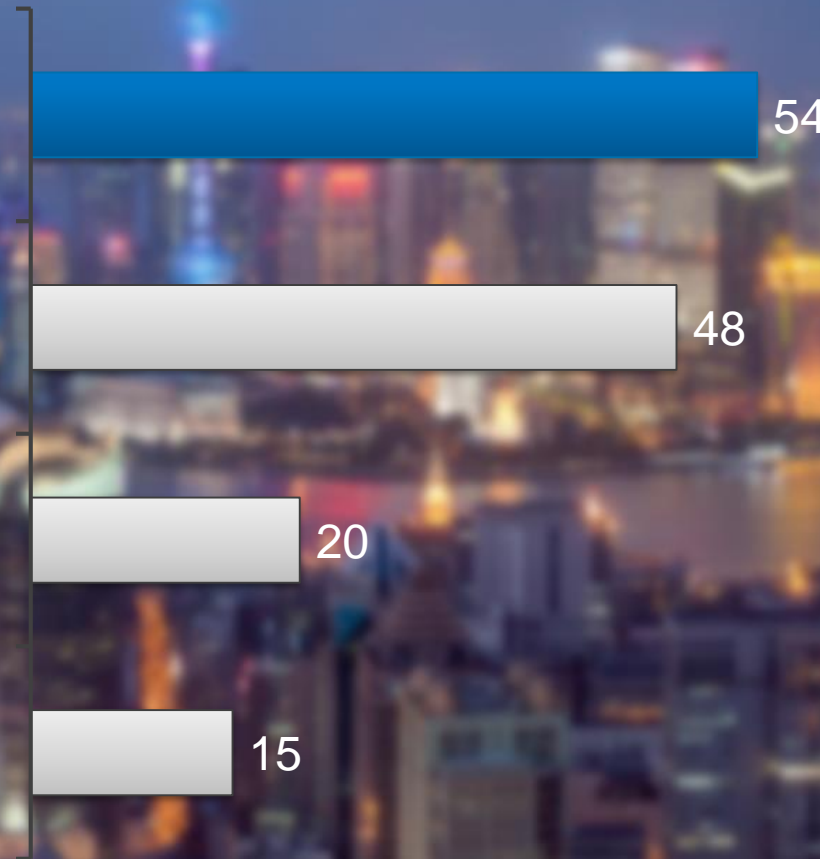
GOVERNMENTAL DISCRIMINATION AND ACCESS TO SKILLED LABOUR ARE THE BIGGEST CHALLENGES

NUMBER OF RESPONSES
(MAXIMUM 3 SELECTIONS)

Challenge	Responses
Government Policies that are Disadvantageous for Foreign Companies	85
Access to Skilled Labour	84
Corruption	52
Tax Regulations	51
Labour Regulations	51
Protection of Intellectual Property Rights	50
Obtaining Licenses/Permits/Government Approvals	42
Legal and Regulatory System	38
Bureaucracy	36
Import Regulations and Customs Duties, Levies and Additional Charges	31
Importing Procedures for Goods through Customs	29
Taxation Rates	27
Access to Financing	26
Export Regulations	23

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CHINA OFFERS GREAT POSSIBILITIES BUT AWARENESS OF THE PITFALLS IS ESSENTIAL FOR LONG-TERM SUCCESS

The Opportunities
- China is the world's growth engine that offers opportunities in a multitude of industries
- For Swedish companies active in China, the market is often among the most important
- Chinese society is changing quickly, offering new opportunities for Swedish companies.

The Pitfalls
- A complex regulatory environment, IPR misappropriation, malfunctioning partnerships and cultural difference

Navigating Pitfalls
- An extensive understanding of the market and how to navigate the many pitfalls is key to success

OUR 'VALUE ADD' IS ORIGINATING FROM OUR CUSTOMERS' CHALLENGES

▸ We shorten time to market and thereby revenue

▸ We increase revenue and find new revenue streams

▸ We ensure efficient operations and lower risk

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