

China: Annual economic report – June 2010

1. Appreciation of the economic problems and issues

Thanks to its large fiscal and monetary stimulus, **China's real GDP growth has returned to double-digit rates**. After a growth of 8.7% in 2009, the Chinese economy accelerated at the fastest pace in almost three years during the first quarter of 2010, growing by 11.9% compared to the same period last year.

The Chinese government had announced a RMB 4 trillion (US\$ 586 billion, CHF 693 billion) stimulus package in November 2008 with a main focus on infrastructure investment. **Stimulus spurred investment was the key driver of growth in 2009** while real estate investment recovered fast in the second half of 2009 and throughout 2010. Consumption has held up well, supported by government initiatives to spur sales such as subsidies for purchases of electronic appliances and lower consumption taxes.

External trade negatively affected growth in 2009, with exports declining significantly while import growth remained strong. However, exports recovered quickly in the second half of 2009, with growth continuing in 2010. After foreign direct investment had experienced a drop in 2009, investment flows have recovered during the first quarter of 2010.¹

Although the government has successfully managed to avoid a hard landing for the Chinese economy, the economic recovery did not come without risks. **Fears that the investment boom could build up overcapacities in certain sectors and lead to an overheating have put pressures on the government to tighten its policy**. But, the Chinese government has remained concerned about the sustainability of growth and therefore been rather reluctant to introduce tightening measures.

The government's infrastructure spending has been accompanied by an aggressive loosening of credit policy. In the past year, new loans reached RMB 9'600 billion (CHF 1'573 billion²), almost the double of 2008. A large proportion of this new bank lending is expected to have poured into stimulus projects set up by local governments³ and into the stock and housing market. Therewith **giving rise to concerns about misallocation of funds and a surge of bad loans by local governments**. In April, the State Council has ordered China's banks to submit comprehensive reassessment reports, re-examining their loans made to local government companies and giving an estimate of their exposure to un-collateralised loans by the end of June.⁴

Beijing has set a credit target of RMB 7'500 billion (CHF 1'271 billion) this year. Although credit growth has slowed, Chinese banks still extended new loans amounting to RMB 2600 billion in the first quarter of 2010. In a further move to reduce lending, **the People's Bank of China (PBoC – China's central bank) has raised reserve requirement ratios – for a third time this year** - by 0.5 percentage points at the beginning of May.⁵

Partly fuelled by the vast liquidity, real estate investment has recovered quickly from a low in 2008. Residential and commercial **real-estate prices in 70 cities climbed** by 12.8% in April from a year earlier, the highest level since data tracking started in 2005.⁶ The government has reacted by introducing different measures such as an increase in minimum down-payments, raising mortgage rates and banning mortgages for third properties, changing the rules for the purchase of a second property and banning banks from lending to builders found to be hoarding land and holding back home

¹ World Bank, China Quarterly Update, March 2010.

² Average exchange rate in 2009.

³ Local governments in China are not allowed to have debts i.e. to borrow directly from banks. In order to finance projects they set up special investment vehicles to borrow from banks and in capital markets.

⁴ Wall Street Journal. "Beijing gets tough on local debt", 12 April 2010.

⁵ With effect from 10 May, 2010, the reserve requirement ration is now 17% for large Chinese banks and 15% for smaller lenders.

⁶ Bloomberg: "China April home prices defy curbs with record jump", 10 May 2010.

sales in anticipation of higher prices. While sales transactions fell, housing prices kept on growing in April.

In March the government announced to consider the introduction of new or higher taxes on real estate. China so far levies different types of taxes on property sales but not on the property values.⁷ **At the end of May, the State Council approved guidelines to reform real estate taxes.**⁸

The government is keen to ease prices not only for economic reasons but also for social reasons. High prices in major cities such as Beijing and Shanghai have made **property increasingly unaffordable for a large part of the population** and prices have become a focus of public discontent.

Stocks have fallen as a consequence of the government's efforts to cool the economy. The Shanghai Composite Index fell by 22% this year – the worst performer in Asia - and reached a 13-month low at the beginning of June.⁹ Additionally to the fears that more measures to tame the housing prices could be introduced, investors are concerned about banks' fundraising plans. All of China's largest banks have plans to raise new capital as last year's unprecedented lending has strained their capital bases.¹⁰

China's consumer price index rose by 2.8% in April from the same month last year, the fastest pace in 18 months but still low given the low base of comparison in the past year and below the government's full-year target of 3%. Although manufacturing prices were rising at a higher level and could pass through to consumers, **inflation seems to be only a modest threat at present.**

While during the first months of this year, it was broadly anticipated that China would allow a revaluation of its currency, the sharply falling euro has changed the market's expectation. Beijing has maintained the Yuan at a fixed level against the U.S. dollar since mid-2008, not responding to international pressure to appreciate its currency further. The **Yuan has strengthened about 13% against the euro this year, increasing cost pressure for Chinese exporters producing for the European market.** This may further delay the date of any change in the exchange rate policy.¹¹ Despite the eurozone's troubles, Chinese officials announced to continue to buy euro-denominated government bonds in order to diversify their foreign exchange reserves.¹²

During the National People's Congress held at the beginning of March, **the Chinese government indicated its intention to continue its economic stimulus measures next year.** The government reiterated to maintain a "proactive fiscal policy" and "moderately easy monetary policy". At the same time the quality of economic growth shall be improved through "structural adjustment" by reducing the export-dependency and allowing domestic consumption to play a greater role.

A successful rebalancing of the economy is necessary in the long-term in order to allow a sustainable economic growth. The **domestic economy has to be strengthened further through consumption and services** and less dependence on investment and industry. In recent months different initiatives to rebalance and boost domestic demand, including the reforms in the health care and social security system, were introduced, but still more policy measures are necessary to rebalance growth.¹³

2. International and regional economic agreements

2.1 Country's policy and priorities

China as a member of the World Trade Organisation (WTO)

Since China's accession to the WTO in 2001, the country has implemented almost all of its WTO commitments and has made significant progress in many areas. Foreign companies have continued to profit from reduced tariffs, the elimination of import licences and quotas, the opening of more sectors

⁷ Wall Street Journal: "China weighs property tax", 26 April 2010.

⁸ People's Daily: "China may levy property tax", 1 June 2010.

⁹ Bloomberg: "China's stocks fall to 13-month low", 3 June 2010.

¹⁰ Financial Times: "Chinese stocks hit pre-recovery low", 5 May 2010.

¹¹ Financial Times: "Consensus over renminbi revaluation has crumbled", 28 May 2010.

¹² Global Times: "US stocks soar as China shows confidence in Europe", 28 May 2010.

¹³ World Bank, China Quarterly Update, March 2010.

for foreign participation, and the easing of restrictions on business operations. Nevertheless, concerns relating to market access remain, but they are now focused on China's laws, policies, and practices that deviate from the WTO's national treatment principle, the insufficient protection of intellectual property rights, the deficient transparency of legal and regulatory processes, and the opaque development of technical and product standards that may favour local companies.¹⁴

So far, **China has leant towards being an advocate of free-trade within the WTO**, demonstrating a strong engagement in issues typically affecting emerging markets such as the liberalisation of agricultural markets. China wants to give the image of an active WTO-member but has so far been criticized for not engaging hard enough to find a compromise on Doha.

While China keeps engaging in multilateral trade discussions and protecting its interests within the WTO, it has also started bilateral trade deals and free trade agreements (FTAs) with strategic partners. As China has become a dominant trading nation, the government sees bilateral accords as a useful tool to pursue the country's strategic interest.

Tensions with major trading partners, in particular with the US and the EU, have accelerated in the wake of the economic crisis. Trade disputes exist over a range of issues and have aggravated protectionist fears among all three parties. According to the Ministry of Commerce, China has been a major target of trade protectionist measures worldwide in the past year and expects charges in the future due to the subdued growth prospects in most developed nations.¹⁵

China-ASEAN Free Trade Agreement (CAFTA)

In 2002, China and the Association of Southeast Asian Nations (ASEAN) signed the Framework Agreement on Comprehensive Economic Cooperation – an umbrella agreement providing general provisions on the establishment of an ASEAN-China Free Trade Area (CAFTA). Under the CAFTA, a zero-tariff market came into force in 2010 for China and the six original ASEAN members¹⁶ and will be expanded in 2015 by including the newer and less developed ASEAN members.¹⁷ Within the Framework Agreement different protocols and agreements were signed in order to eliminate tariffs and non-tariff barriers and strengthen the liberalisation of trade in services and investments.

The latest one, an agreement on investment, was signed in August 2009. Together with an agreement on trade in services that was signed in January 2007, the negotiation process with regard to CAFTA is completed. China and ASEAN have defined 11 major fields as directions for future cooperation, including agriculture, information and telecommunications, transport, tourism, Mekong River exploitation, energy, culture, human resource, and the environment.¹⁸

Trade links between China and the original ASEAN members are still modest compared to the ones with their other trade partners, but they are expected to grow further in the future. While government officials from all parties emphasize the win-win situation expected from the CAFTA, some sectors which directly compete with Chinese products (such as textiles and garments, tires, steel and footwear) fear they cannot keep up with Chinese competitors.¹⁹

In support of the CAFTA a first stage of a China-ASEAN Fund on Investment Cooperation amounting to US\$ 1 billion was established at the end of 2009. The fund which is under government direction will eventually reach US\$ 10 billion and invest in cooperation projects in areas such as transportation facilities, public utilities, communication, energy and resources.²⁰

It follows from China's tightening ties with ASEAN that the country would **press for further regionalism**. In the framework of ASEAN+3 (China, South Korea and Japan) efforts to strengthen regional financial stability in East Asia were intensified. In March this year, the Chiang Mai Initiative Multilateralization Agreement between the ASEAN+3 members and Hong Kong came into effect. The

¹⁴ Economist Intelligence Unit, China Hand, February 2008.

¹⁵ China Daily: "Experts warn of impacts from trade protectionism", 9 April 2010.

¹⁶ Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand

¹⁷ Cambodia, Laos, Myanmar, Vietnam

¹⁸ Global Times: "China-ASEAN ink investment agreement", 17 August 2009.

¹⁹ L.A. Times: "Blaming China: Indonesian garment makers say free trade pact leaves them on brink of collapse", 26 April 2010.

²⁰ Global Times: "China, ASEAN strengthen financial ties", 22 October 2009.

multilateral currency swap totalling US\$ 120 billion shall address balance of payment and short-term liquidity difficulties in the region by supplementing the existing international financial arrangements.²¹

Other free trade agreements

While multilateral trade has been developing rapidly, China has also signed several bilateral free trade agreements in 2009, and is expected to sign more this year.

- In January 2009, China and **Costa Rica** began their first round of FTA negotiations. The 6th round of talks was held in February 2010. An agreement was reached on trade in goods and services, rules of origin, customs procedures, technical barriers to trade, sanitary and phytosanitary measures, dispute settlement, trade remedy and intellectual property rights. The agreement was signed on 8 April, 2010 in Beijing, the implementation should follow in the second half of this year, after both governments have concluded their respective approval procedures. Under the agreement, tariffs shall be gradually eliminated on over 90% of the products traded between the two countries.²²
- China and **Pakistan** signed an agreement on trade in services in February 2009 which took effect in October the same year. The pact leads to a China-Pakistan comprehensive free trade zone including trade in goods, trade in services and investment (a free trade agreement on goods between the two countries was already signed in 2006). Specifically, Pakistan will relax its shareholding restrictions on China's investment in sectors of construction, telecom, finance, distribution, health care, environmental protection, tourism, transportation, research and development and IT education. The sectors that China will open mainly include mining, environmental protection, health care, tourism, sports, transportation, translation, real estate, computer, marketing consultancy.²³
- China and **Peru** concluded negotiations for a free trade agreement in November 2008. The pact that was signed in April 2009 and entered into force at the beginning of March 2010. It will gradually reduce tariffs on about 90% of goods traded between the two countries.²⁴
- China and **Singapore** signed the China-Singapore Free Trade Agreement (CSFTA) in October 2008, making the first comprehensive bilateral FTA between China and another Asian country. The agreement covers areas including trade in goods, rules of origin, trade remedies, trade in services, movement of natural persons, investment, customs procedures, technical barriers to trade and sanitary and economic cooperation.
- China signed in October 2008 a trade deal with **Senegal** to offer zero-tariff treatment to more than 400 categories of goods imported from Senegal.²⁵
- China and **Chile** signed an agreement of free trade in services in April 2008. The two nations committed themselves to opening up their service sectors in accordance with WTO rules, under a supplementary agreement to their formal free-trade pact signed in 2005. The service free-trade agreement covers 23 sectors in China, including computers, management consulting, mining, sports, environment and air transport. Moreover the two countries have already completed six rounds of negotiation talks in regard of a FTA in investment.²⁶
- In April 2008, China signed an FTA with **New Zealand**, marking the first such deal between the biggest developing country and a developed economy. Under the FTA which came into effect in October 2009, New Zealand will phase out all tariffs on imports from China (textiles, clothing and footwear) until 2016. China will remove tariffs on 96% of its imports from New Zealand until 2019 with tariffs on some products (especially dairy products, meat, wool, etc.) being cut to zero. The agreement covers not just goods but also services, from insurance and banking to education and labour supply as well as investment. China sends more students to New Zealand than any other country and is its fourth-largest source of tourists.
- In January 2004, the Closer Economic Partnership Arrangement (CEPA), the first regional trade agreement between China and **Hong Kong** as well as between China and **Macao**, went into effect. The CEPA initially covered the three areas of trade in goods, trade in services, and

²¹ Bank of Japan, Joint Press Release: "Chiang Mai Initiative Multilateralization (CMIM) comes into effect", 24 March 2010.

²² Ministry of Commerce: <http://fta.mofcom.gov.cn>

²³ Ministry of Commerce: <http://fta.mofcom.gov.cn>

²⁴ Ministry of Commerce: <http://fta.mofcom.gov.cn>

²⁵ Xinhua: "China signs zero-tariff trade deal with Senegal", 18 October 2009.

²⁶ Ministry of Commerce: <http://fta.mofcom.gov.cn>

trade and investment. It has since been expanded several times. Supplement VI went into effect on 1 October 2009, and shall give Hong Kong and Macau firms greater and easier access to the mainland market for certain service sectors.²⁷ The Supplement VII between Hong Kong and mainland China was signed on 27 May, 2010. It further relaxes Hong Kong's market access to the mainland in 14 service sectors such as medical services, technical testing, analysis and product testing and social services.²⁸

Free trade agreements under negotiation

- China and **Australia** are currently negotiating a free trade deal. A framework agreement was signed in October 2003 and talks began in May 2005, after the conclusion of a feasibility study. Negotiations have been challenging, due to substantial stumbling blocks, namely in agriculture and industrial goods. A 14th round of formal negotiations was held in February 2010, after a 14 months break. A next round of negotiations is scheduled for June 2010.²⁹ **Norway** and China completed a feasibility study and launched the official Sino-Norway FTA Negotiation in October 2008. The 7th round of negotiations took place in March 2010 and included discussions on commodity and service trade, investment, rules of origin, SPS/TBT, settlement of disputes and IPR.³⁰
- FTA negotiations between **Iceland** and China began in April of 2007, and by May 2008 four rounds of negotiations were completed. Due to Iceland's application for EU membership in July, no further talks are currently taking place.
- In July 2004, China and the **Gulf Cooperation Council (GCC)** announced the launch of FTA negotiations. Till now, five rounds of negotiations have taken place with the last round held in June 2009. An agreement was reached on the majority of issues concerning trade in goods. Negotiations on trade in services are also launched.³¹
- In June 2004, China and the **Southern Africa Customs Union (SACU)**³² announced the launch of free trade negotiations. So far, no negotiations have taken place.³³

Free trade agreements under consideration

- China and **South Korea** conducted two rounds of joint research in 2005 and 2006 which will form the basis for exploring the possibility of initiating FTA negotiations. Negotiations are expected to start this year or in the first half of next year.³⁴
- **India** and China have completed a feasibility study on their proposed free trade agreement in fall 2007. It now awaits the approval of the leadership of the two countries to commence FTA negotiations.
- The commerce ministers of **China, Japan and South Korea** agreed in May this year to complete a joint feasibility study with regard to a possible free trade agreement within two years. A first meeting of a joint committee consisting of representatives from government, business and academia took place at the beginning of May.³⁵
- Also in May 2010, China has initiated feasibility studies for a FTA with **Mongolia**. China is the main importer of mineral products from Mongolia and wants to strengthen its cooperation with Mongolia in natural resources.³⁶

²⁷ Xinhua: "Chinese mainland market opened wider to HK businesses", 9 May 2009.

²⁸ South China Morning Post: "Cepa boosts six pillar industries", 28 May 2010.

²⁹ The Australian: "Trade deal sails on slow boat to China", 25 May 2010.

³⁰ Ministry of Commerce: <http://fta.mofcom.gov.cn>

³¹ Ministry of Commerce: <http://fta.mofcom.gov.cn>

³² South Africa, Botswana, Namibia, Lesotho, Swaziland

³³ Ministry of Commerce: <http://fta.mofcom.gov.cn>

³⁴ China Daily: "China, South Korea to kick off FTA talks", 28 May 2010.

³⁵ South China Morning Post: "Trade ministers praise efforts to explore FTA", 24 May 2010..

³⁶ People's Daily: "Free trade deal with Mongolia on the cards", 12 May 2010.

Relations between China and Taiwan

After over ten years without any negotiations, cooperative meetings between Chinese and Taiwanese representatives have taken place since Ma Ying-jeou took office as Taiwan's president in 2008. Mr. Ma shows a more positive attitude towards relations with the mainland than his predecessor Chen Shui-bian. Improved relations can be seen in developments such as **China's acceptance of Taiwanese participation as an observer at the World Health Assembly** for the first time in May 2009³⁷. In 2009 different agreements to strengthen cooperation were signed in order to facilitate mainland investment in Taiwan's financial markets, increase flight connections, strengthen cooperation for crime fighting and cooperation in agricultural quarantine inspection, industrial product standards and inspection and certification.

Negotiations on a **Economic Cooperation Framework Agreement (ECFA)** started in 2010 and the **Ma administration hopes to sign the trade pact in June**. However, a third round of negotiations is still necessary in order to agree on the text of the agreement and the content of each side's "early harvest" list. The ECFA is highly controversial in Taiwan as the opposition fears that it will not only hurt certain sectors of Taiwan's economy but also harm the island's sovereignty. The opposition has therefore demanded that a decision on such an important issue has to be taken by a referendum. A three-day demonstration **calling for a referendum** was held during the second anniversary of President Ma's inauguration at the end of May. Ma and other supporters of the ECFA argue that the trade agreement is necessary to prevent Taiwan from being economically marginalized. In addition, the Ma administration is **confident that a trade pact with China would encourage other countries to sign free trade agreements with Taiwan**.³⁸ However, the Chinese Foreign Ministry recently announced that it objects any official exchanges between Taiwan and China's diplomatic allies.³⁹

2.2 Outlook for Switzerland (potential for discrimination)

As both the position of China as an economic partner for Switzerland and the number of FTA between China and other industrial countries will increase, the potential for discrimination will follow the same path unless progress is made in the Doha Round or Switzerland-China FTA plans materialize. On the occasion of the official visit of **Federal Councillor Leuthard to China in July 2007 a joint declaration on economic cooperation** was signed. The declaration shall strengthen the bilateral relations on trade, investment and intellectual property rights. Further Switzerland has **recognised China as a market economy** on this occasion.

In January 2009, Chinese Prime Minister Wen Jiabao made an official working visit to Bern during which the further strengthening of economic cooperation was also discussed. **Both sides agreed on the preparation of a joint feasibility study on a possible FTA between Switzerland and China**. With regard to the joint feasibility study, two workshops between Swiss and Chinese government officials and industry representatives were held in 2009, one in Beijing and one in Bern. During a meeting on the sidelines of the WTO ministerial meeting in November 2009, Federal Councillor Doris Leuthard and Minister of Commerce Chen Deming decided to launch **the joint feasibility study on a possible FTA**. A first meeting of the joint study group was held in February 2010 and a second one is scheduled for July.

During Prime Minister Wen's visit to Switzerland a **revised bilateral investment protection agreement was signed** which provides notable improvements especially with regard to the transfer of returns on capital and investment, compensation for expropriation and dispute settlement procedures. The revised agreement entered into force on 13 April this year.⁴⁰

In February 2009, Federal Councillor Doris Leuthard and Chinese Minister of Commerce Chen Deming signed a **MoU on the intensification of technical cooperation in the field of environmental technology**. Therewith, the two countries want to strengthen the exchange of environmental technologies at company level.

In 2010, Switzerland and China are celebrating the 60th anniversary of the establishment of diplomatic relations. On this occasion, several high-level visits on both sides will take place which will certainly help to make significant progress in different dossiers.

³⁷ South China Morning Post: "Deput Appearance", 19 May 2009.

³⁸ BBC News: "Taiwan at crossroads in relationship with China", 21 May 2010.

³⁹ South China Morning Post: "Official deals with Taipei blocked", 3 June 2010.

⁴⁰ For the agreement, please visit: http://www.eda.admin.ch/eda/de/home/topics/intla/intrea/dbstv/data59/e_20092659.html

3. Foreign trade

3.1 Development and general outlook

3.1.1 Trade in goods

Exports have significantly contributed to China's GDP growth in recent years. **Due to the financial crisis and the slumping global demand, China's exports declined in 2009.** While import growth was strong, external trade negatively affected GDP growth in the past year. **In 2009, the total trade value reached US\$ 2.21 trillion, a drop of 13.9% compared to the previous year.** The growth rate dropped below 20% for the first time since seven years. Exports decreased by 16.0% to US\$ 1.20 trillion and imports reached US\$ 1.01 trillion, down 11.2%. Therewith, China's trade surplus reached US\$ 196.1 billion, a decrease of 34.2% over the previous year.

In 2009, China's most important export markets were the EU (US\$ 236.3 billion, 19.7% of total exports), the U.S. (US\$ 220.8 billion, 18.4%) and Hong Kong (US\$ 166.2 billion, 13.8%). In the same period, China mainly imported from Japan (US\$ 130.9 billion, 13% of total imports), the EU (US\$ 127.8 billion, 12.7%) and Taiwan (US\$ 85.7 billion, 8.5%).

China's most important export products were machinery, mechanical appliances and electrical equipment (US\$ 537 billion, 44.7% of total exports), textiles (US\$ 161.3 billion, 13.4%) and base metal and articles thereof (US\$ 77.1 billion, 6.4%).⁴¹

As global imports were falling in 2009, China's exporters have continued to gain global market share and China has become the world's largest exporter, surpassing Germany.⁴² At the same time, Chinese imports have declined less than global imports and China therewith has become a larger export market.

China's exports rebounded strongly towards the end of 2009 and in the first quarter of 2010 China's exports reached US\$ 316.2 billion, an increase of 28.7% compared to the same period last year, while imports grew by 64.6% year-on-year and amounted to US\$ 301.7 billion. The trade balance remained positive with US\$ 14.5 billion, a reduction of 76.6% compared to the same period last year.⁴³

In March this year, China registered a monthly trade deficit of US\$ 7.2 billion, its first in six years. The March deficit was mainly caused by surging import volumes and rising commodity prices. During several months, China's imports have grown faster than its exports. Due to China's stimulus-related investment boom, demand for commodities such as iron, copper and oil was rising. At the same time manufacturers have restocked on imported components necessary for the export processing sector.⁴⁴ **The trade balance turned positive again in April and is expected to stay positive but declining in 2010,** due to growing imports and the recent crisis in the eurozone.⁴⁵

However, **trade tensions with some countries remain** and are not only limited to the U.S. and the EU. A spat arose for instance between China and Argentina when China stopped importing Argentine soybean oil on the grounds that they failed to meet quality standards. Argentina had previously imposed higher import taxes on certain Chinese products.⁴⁶

3.2 Bilateral trade

3.2.1 Trade in goods⁴⁷

China is one of the most important foreign markets for the Swiss economy. Bilateral trade with China has developed extremely dynamically in recent years. In general, bilateral trade with China is developing at a higher rate than Switzerland's overall foreign trade.

⁴¹ National Bureau of Statistics: "Statistical Communiqué of the People's Republic of China on the 2009 National Economic and Social Development", 26 February 2010.

⁴² World Bank, Quarterly Update, March 2010.

⁴³ General Administration of Customs of the P.R.C.: "China's Customs Statistics No. 3, 2010", April 2010.

⁴⁴ Economist Intelligence Unit, China Country Report, May 2010.

⁴⁵ People's Daily: "Ministry: China's trade surplus to fall sharply", 17 May, 2010.

⁴⁶ Global Times: "No deal yet in China-Argentina roundup soybean oil talks", 1 June 2010.

⁴⁷ The figures discussed in this section can be found in annexe 4.

The economic crisis also negatively affected Sino-Swiss bilateral trade, In 2009, Swiss exports to China fell by 10% to CHF 5.5 billion while imports from China still went up by 3.3% and reached CHF 5.2 billion, resulting in a slight trade surplus of CHF 300 million. The total trade volume reached CHF 10.7 billion, a decrease of 4.3% compared to the previous year.

The most important import goods from China are machinery, apparatus and electronics (2009 share of imports: 34.5%), textiles, apparel and shoes (16.8%), precision instruments, watches and jewellery (12.4%) and chemicals and pharmaceuticals (11.3%).

Exports from Switzerland to China are dominated by machinery apparatus and electronics (38.7%), chemicals and pharmaceuticals (23.5%) and precision instruments, watches and jewellery (23.2%).

Combining the trade data of mainland China and Hong Kong, exports declined by 11.3% to CHF 10.9 billion and imports diminished by 2.3% to CHF 6.3 billion, leaving a trade surplus of CHF 4.6 billion. The total trade volume (including Hong Kong) reached CHF 17.2 billion, down 8.5% compared to the same period last year.

Bilateral trade has recovered in the first quarter of this year. While imports from China increased by 8.5% to CHF 1.5 billion, Swiss exports grew by 22.4% to CHF 1.5 billion.⁴⁸

4 Direct investments

4.1 Development and general outlook

The international financial decline has also influenced direct investments to China. Although the central government had introduced some measures to ease restrictions on local authorities' approval limits on foreign-invested projects, foreign direct investment (FDI) fell by 2.6% to US\$ 90 billion in 2009.⁴⁹ However, FDI has recovered well during the first quarter of 2010, reaching US\$ 23.44 billion, a growth of 7.7% compared to the same period last year.⁵⁰

Since 2006, China's FDI policy has shifted from export led growth to quality investment supporting domestic led growth. The shift is a result of the general economic policy adopted by the 11th Five Year Plan and set out in detail in the 11th Five Year Plan on the Utilization of Foreign Investment. Therewith, **China has decided to shift its policy of attracting foreign business from "quantity" to "quality" and to push its industry up the value chain.**

In a move to create a tax neutral FDI policy, the new Corporate Income Taxation Law (CIT) which went into effect on 1 January 2008 removed many of the preferential treatments foreign companies previously enjoyed to create a more equal environment.⁵¹

In April this year, the State Council issued an opinion on FDI which affirms its approach followed since 2006. In order to **continue the promotion of "quality over quantity"**, the following five investment areas shall be further encouraged: high-end manufacturing industry, high-tech industry, modern service industry, new energy industry and energy-efficient and environmentally clean industries. **Preferential policies for land use and tax breaks shall help to attract foreign investment into these encouraged categories.** China further has a special interest to **channel foreign investment to its central and western regions.** In order enable these regions to experience a similar development as the coastal areas, tax breaks and labour intensive industries are now formally encouraged in the central and western regions.

The government also **allows local authorities to approve foreign investment projects up to an amount of US\$ 300 million**, previously the cap was set at US\$ 100 million. Since the cumbersome approval through the central authorities has always been regarded as a major impediment, this change is expected to have an immediate positive effect.

Although the opinion proposes to improve the foreign exchange management for foreign invested enterprises, it unfortunately does not provide concrete instruction on how this should be implemented.

⁴⁸ Swiss Federal Customs Administration

⁴⁹ National Bureau of Statistics. "Statistical Communiqué of the P.R.C. on the 2009 National Economic and Social Development", 26 February 2010.

⁵⁰ People's Daily. "No change to China's foreign investment policy", 8 May 2010.

⁵¹ "Five Major Changes of the New Corporate Income Tax law and the Impact on Foreign Investment in China": 5 June 2008.
http://fdi.gov.cn:8080/pub/FDI_EN/News/Focus/Subject/News-The%20focus/taxlaw03/t20080605_93658.htm

The government also proposes to **expand the scope of utilization of foreign capital** by for instance encouraging the participation of foreign capital in the reform and restructuring of domestic enterprises by means of equity participation and mergers and acquisitions (M&A) and allowing A-share listed companies to get investment from both domestic and foreign strategic investors.⁵²

At the beginning of March, **the administrative measures for the establishment of foreign-invested partnerships** (FIP), promulgated by the State Council in December 2009, became effective. China's Partnership Enterprise Law has been in force since June 2007, but only Chinese domestic enterprises or individuals could become partners. The new measures now provide a framework for foreign-invested partnerships – partnerships between two or more foreign entities or individuals, or jointly with Chinese individuals, legal persons or other Chinese organisations – and therewith a new vehicle for foreign investment. The government will **encourage foreign companies and individuals possessing “advanced technologies” and “management experience” to establish FIPs in China**. The definition of these two features remains unclear. The current restrictions regarding foreign investments in certain industries also applies to FIPs, however for the allowed industries the FIP measures facilitate investment to China by eliminating the requirement for prior approval by the Ministry of Commerce or its local offices. No specific details are given regarding the required capitalization of FIPs and the status of foreign investment funds which are in general often structured as partnerships.⁵³

With regard to mergers and acquisitions (M&A), regulations are stringent and occasionally formulated in a vague and open-ended language. Due to the declining inflow of foreign investment into China, the government has **relaxed M&A regulations, delegated more approval powers to local governments and allowed banks to extend loans to finance M&A**.

Foreigners are still excluded or confined to a minority participation in particularly sensitive or strategic sectors of the economy.⁵⁴ The withdrawal of capital and profits from China is possible, but barriers remain and make the process complex and tedious for businesses.

The new Anti-Monopoly Law came into effect in August 2008 and is part of the government's attempt to streamline legislation. To some, the implementation of the new law also appears to specifically target foreign investments in China. While no domestic firms consolidations or acquisitions have been convicted under the law, it has been used to prevent several foreign attempts. Perhaps most prominent of these was Coca-Cola's offer for Huiyuan, China's largest juice producer. Since Huiyuan is a private company previously free of government restrictions, the rejection of the bid could be interpreted as an increased protectionism.⁵⁵

Currently, **the government is in the process of developing new rules for national security review of mergers & acquisitions** between Chinese and foreign companies. While the Anti-Monopoly Law provides for such a review, respective implementation regulations have not yet been published. The plan under discussion provides for the establishment of a multi-ministry committee, headed by an official at vice-premier level. Although details of the implementations such as the definition of “national security” or the industries considered to be important to national security are not yet clear, the new review mechanism will further complicate the regulatory approval for M&A.⁵⁶

In recent months, **foreign companies have increasingly complained that the business environment in China is deteriorating and foreign investment is no longer welcome**. Especially the State Council's attempt to promote “indigenous innovation” – a plan to support the creation and commercialization of domestic technology by requiring products to have Chinese intellectual property in order to qualify for the government procurement catalogue – was strongly criticized.⁵⁷ In April the

⁵² http://www.fdi.gov.cn/pub/FDI_EN/Laws/law_en_info.jsp?docid=120748

⁵³ http://fdi.gov.cn/pub/FDI_EN/Laws/GeneralLawsandRegulations/RegulationsonForeignInvestment/P020091204372347037162.pdf

⁵⁴ http://www.fdi.gov.cn/pub/FDI_EN/Laws/law_en_info.jsp?docid=87372

⁵⁵ The Economist: “Coca Cola and China: Hard to Swallow”, 19 March 2009.

⁵⁶ Jones Day Antitrust Alert: “China plans national security review of foreign investments”, March 2010.

⁵⁷ Wall Street Journal. “Beijing revises procurement policy”, 13 April 2010.

government decided to soften those rules and pledged that foreign companies shall not be discriminated in the Chinese market.⁵⁸

Besides the foreign investment coming into the country, **China has also become a source of outward direct investments.** In order to secure inputs for its industry, China is especially investing in natural resources overseas. Chinese companies have taken over stakes in Australian mining enterprises and other outbound resource investment has gone to state-controlled companies, including large deals with Russian and Venezuelan oil companies. China's investment in Africa attracted attention again in May, when the country announced multi-million investments in the development of cement plants in South Africa and Mozambique, an oil refinery in Nigeria and the mining sector in Zambia.⁵⁹

With China's growing foreign reserves, **the country's foreign outbound investment is likely to grow further in the coming years.** The large state-owned enterprises which enjoy financial and political support from the central government will continue to play a leading role in investing abroad. A report on the foreign investment of Chinese companies released by the China Council for the Promotion of International Trade, noted that the biggest challenges were difficulties in accessing financial support, limited knowledge of Chinese brands by consumers abroad and concerns about the quality of Chinese products.⁶⁰

4.2 Bilateral investment flows

At present, about 300 Swiss firms with over 700 branches are represented in China, employing several tens of thousands people. Swiss direct investments in China in 2009 amounted to CHF 300 million,⁶¹ an increase of 33%.

Switzerland has economic agreements with China regarding investment protection and avoidance of double taxation. **A revised investment protection agreement was signed in 2009 and came into force on 13 April 2010.** This updated investment protection agreement will allow a higher protection of Swiss and Chinese investments in the respective host country. The main provisions of the agreement cover the handling of foreign investments by the host country, the transfer of capital and investment income, compensation for expropriation and the introduction of new dispute settlement procedures such as the possibility for a company to unilaterally submit disputes to international arbitration.⁶²

So far, Chinese direct investment in Switzerland is still modest. The state-owned Bank of China opened a private banking arm and an institutional management fund subsidiary in Geneva in November 2008. This is the first time a Chinese bank starts operating in Switzerland. Huawei, a Chinese telecom equipment manufacturer opened a branch in Switzerland in October 2008. In May this year, Suntech, a manufacturer of solar photovoltaic cells and modules, announced to relocate its European headquarter from London to Schaffhausen.

5 Trade, economic and tourism promotion "Country advertising"

5.1 Foreign economic promotion instruments

The Chinese leadership regulates all the country's economic activities to the detail and since the state remains the owner of whole areas of the industry, it is also one of the most important actors of the economy. **Regular contact with the authorities at every level is thus crucial for Swiss companies established in China.** Further, the official representations of Switzerland – the Embassy in Beijing, and the Consulates General in Shanghai, Guangzhou and Hong Kong– have to take on a particular role in the arrangement of such contacts.

⁵⁸ China Daily: "Wen assures Europe on trade, investment options in China", 30 April 2010.

⁵⁹ Economist Intelligence Unit, Country Report China, May 2010.

⁶⁰ People's Daily: „Financing remains difficulty for Chinese companies' outbound investment“, 28 April 2010.

⁶¹ Ministry of Commerce

⁶² http://www.eda.admin.ch/eda/de/home/topics/intla/intrea/dbstv/data_c/c_249.html

Swiss Business Hub China (SBH China)

The SBH China is part of the worldwide “OSEC Business Network Switzerland” and has been operational since March 2002 at the Swiss Embassy in Beijing with a branch at the Consulate General in Shanghai and one at the Consulate General in Guangzhou. The specially trained consular and local SBH-staff offer **services to Swiss SME 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; reports on presentation and trade fairs).

Since the beginning of 2010, the Swiss Business Hub also assumes the mandate for inward investments. Previously, the investment promotion was taken charge of by the Switzerland Trade and Investment Promotion (a merger between Location Switzerland and Osec) . Therewith, the SBH China now also manages the promotion of Switzerland as a business location to potential Chinese investors. The aim is to build on the firm Sino-Swiss relationships which have been established and raise awareness of Switzerland as a first-class business location among the Chinese business owners, entrepreneurs and investors.

Swiss-Chinese Chamber of Commerce and SwissCham China

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. The Swiss-Chinese Chamber of Commerce was first set up in Zurich in 1980 and established a branch in Beijing in 1995. The latter obtained the status of an independent chamber of commerce according to Chinese law in 2001. As a result, two national organizations are operated today with three regional branches in Switzerland (Zurich, Geneva, Lugano) and three in China (Beijing, Shanghai and Guangzhou). **Their purpose is to promote and support the global success of the Swiss business community in China.** Simultaneously, SwissCham China assists a growing number of China-based enterprises in their dealings with Swiss partner companies.

Of course there are also a number of experienced private consultants who are offering similar services to interested clients.

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

Presence Suisse

Swiss awareness in China is raised through a number of projects including cultural, artistic and architectural ones. The image that is being depicted by Presence Suisse is one of an innovating country emphasising values such as quality and well-being. **Switzerland enjoys a positive, although largely stereotypical image in China.** The goals of Presence Suisse are thus to bring further awareness and understanding of Switzerland to the population in China in order to create stronger relations while the country continues to gain importance in the global economy.

This year’s most important event is the 2010 World Expo in Shanghai. The official Swiss Pavilion deals playfully with the EXPO sub theme “rural-urban interaction”.⁶³ The Swiss Pavilion offers an invaluable platform for Swiss communication abroad and strengthens Switzerland’s image in China.

Besides this, Presence Suisse, in close cooperation with private and public institutions, is involved in several smaller projects positioning Switzerland as an innovative, technologically advanced, internationally minded country with a high quality of life and environmental awareness.

Tourism

A consequence of the growing Chinese economy and the rise of (urban) incomes is the **booming tourism industry** for travel outside of China: 47.66 million Chinese travelled abroad in 2008, up 4% compared to the previous year⁶⁴. Therefore China is a key strategic growth market for the Swiss tourism industry. Switzerland was granted **Approved Destination Status (ADS)** by the Chinese

⁶³ www.swisspavilion.ch

⁶⁴ National Bureau of Statistics of China: “Statistical Communiqué of the People’s Republic of China on the 2008 National Economic and Social Development”, 26 February 2010.

Government in 2004. Following the implementation of the policy, there was a noticeable increase in accepting visa applications. New checks and guidelines were at the same time put into place to reduce the risk of travellers remaining in Switzerland illegally.

Switzerland Tourism operates two offices in mainland China, one in Beijing and one in Shanghai. Switzerland Tourism reports 271'717 overnights from Chinese visitors (not including Hong Kong) to Switzerland in 2009, an increase of 26.8% compared to the same period last year. Switzerland Tourism predicts a long-term annual growth rate of 10-15% in normal years. **Switzerland's entry to the Schengen-Agreements, which became operational at the beginning of December 2008 brings some advantages** but also creates a competition for the easiest visa and complicates exact tracking of visitor numbers.

Education

In 2002, the Swiss and the Chinese Governments renewed their "**Memorandum of Understanding for educational exchanges**", and during her visit to China in 2006, Swiss Foreign Minister Micheline Calmy-Rey signed another MoU, focusing on **increased scientific cooperation**. In April 2007 State Secretary Kleiber signed a joint statement which proposes a **four years (2008-2011) Swiss-Chinese science cooperation strategy for education, science and research**. The strategy aims at strengthening the cooperation between Swiss and Chinese universities and fostering cooperation in the field of vocational education. Further, the feasibility of a general Memorandum without time limits will be examined. Each year the Swiss- respectively Chinese – government offers more than 20 full-time scholarships to the partner country. In addition, 30 Swiss students are awarded a partial scholarship from the Chinese government to adjust the financial balance.

The Swiss education sector has shown an increasing interest in attracting Chinese students to its institutions. As a result of a larger offer of study programmes taught in English in most Swiss universities, there is also a growing interest among the Chinese audience. The Science and Education Section of the Swiss Embassy is actively involved in promoting Swiss education opportunities throughout China. This includes participation at the China International Education Exposition and other similar educational events such as conferences, workshops and presentations at the 38 top-universities in China.

Swissnex

In order to strengthen bilateral cooperation in the field of higher education, Swissnex, an initiative of the Swiss State Secretariat for Education and Research, the Ministry of Foreign Affairs and the Ministry of Home Affairs, officially **opened an office in Shanghai in August 2008**. Swissnex Shanghai exploits the potential of cooperation in the areas of research, technology, innovation and culture. A **structured scientific cooperation program with China** was signed in 2003. The program, which is receiving around CHF 9 million of federal funding between 2008 and 2011, is designed to promote lasting cooperation between Chinese and Swiss universities and research institutions in the areas of life sciences and biotechnology, environment, sustainable urban development, material sciences and medicine. Swissnex Shanghai has the task of coordinating programme activities in China, serving as a link between Switzerland and the various Chinese authorities, and of establishing an efficient system for selecting students and researchers wishing to take part in the program. Swissnex Shanghai also has the task of **positioning Switzerland as a leading location in terms of higher education, research and innovation**.

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

Switzerland's strengths as an investment location are currently promoted in China by the Swiss Business Hub (cf. section 5.1). Besides this, the cantons have their own investment promotion agencies. The Swiss Business Hub, who carries out systematic market analysis and development has organised some high-level seminars, elaborated brochures, manuals and presentations and assists cantons in their own endeavours in the very demanding Chinese market. Switzerland is most actively advertised with emerging globalizing Chinese companies as a location for international headquarters and business control centres. Cooperation opportunities with the very innovative export-oriented Swiss economy are also highlighted. With a number of recent Chinese investments in different parts of Switzerland **the joint efforts of Switzerland Trade and Investment Promotion, the cantons and the service sector have already generated results**. Main competitors in Europe include Belgium, France, Germany, the United Kingdom, the Netherlands and Sweden. Like in other Asian countries,

Switzerland is perceived as a premium location in the heart of Europe, but high living-costs and barriers for entry of Chinese workforce are on the flip-side.

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

Switzerland's reputation as a financial location – as far as there is such a perception among the general public - is still generally positive, especially with the Chinese Government, the National Bank and the regulatory bodies of the financial sector. The Swiss Banking Association initiated a constructive dialogue with Chinese financial authorities in 2006 on issues of mutual interest to Chinese and Swiss financial services industries. So far both the President of the Governing Board of the Swiss National Bank and the Chairman of the Swiss Banking Association, have met high-level financial authorities in Beijing. The leading Swiss banks, which have acquired minority participations in Chinese banks and insurance companies, regularly receive Chinese officials and financial sector professionals for trainings and know-how exchange.

6 Useful internet Links (cf. Annexe 6)

Annexes

Annexe 1: Structure of the Economy

Annexe 2: Essential Economic Data

Annexe 3: Trading Partners

Annexe 4: Bilateral Trade Switzerland –China

Annexe 5: Foreign Direct Investment

Annexe 6: Useful internet links

China: Structure of the Economy

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Distribution of GDP (%)									
Primary Sector	15.8%	15.3%	14.4%	15.2%	12.4%	11.7%	11.7%	11.3%	10.60%
Secondary Sector	50.1%	50.4%	52.2%	52.9%	47.3%	48.9%	49.2%	48.6%	46.80%
Tertiary Sector	34.1%	34.3%	33.4%	31.9%	40.3%	39.4%	39.1%	40.1%	42.60%
Distribution of Labor (%)									
Primary Sector	50.0%	50.0%	49.1%	47.0%	44.8%	42.6%	40.8%	39.6%	n/a
Secondary Sector	22.3%	21.4%	21.6%	22.5%	23.8%	25.2%	26.8%	27.2%	n/a
Tertiary Sector	27.7%	28.6%	29.3%	30.5%	31.4%	32.2%	32.4%	33.2%	n/a
(of which state sector)	10.5%	9.7%	9.2%	8.9%	11.2%	n/a	n/a	n/a	n/a

Source: National Bureau of Statistics

ESSENTIAL ECONOMIC DATA

	2004	2005	2006	2007	2008	2009
GDP (RMB billion)*	15'988	18'321	21'192	25'730	30'067	33'535
GDP (USD billion)*	1'931	2'235	2'657	3'382	4'401	4'909
GDP per capita (RMB)*	12'299	14'012	16'122	19'477	22'646	25'125
GDP per capita (USD)*	1486	1'710	2'022	2'560	3'315	3'676
GDP growth (%)**	10.1	10.4	11.6	13	9	8.7
CPI inflation (%)***	3.9	1.8	1.5	4.8	5.9	-0.7
Population (billion)	1.300	1.308	1.314	1.321	1.328	1.335
Unemployment rate						
Level - registered (Millions)***	8.3	8.4	N/A	N/A	N/A	N/A
Rate - registered in urban (%)***	4.2	4.2	4.1	4.0	4.2	N/A
EIU estimates (average in %) **	9.9	9.0	9.5	9.2	9.2	9.2
Fiscal balance (% of GDP)**	-1.3	-1.2	-0.8	0.6	-0.3	-2.2
Current account balance (% of GDP)*	3.6	7.2	9.5	11.0	10.0	5.8
Total External Debt (% of GDP)****	12.8	12.2	11.4	11	8.5	n/a
Debt-service ratio (% of exports)****	3.4	3.1	2.4	2.2	1.8	n/a
Reserves, incl. Gold (USD billion)**** in months of imports	12	13	16.7	17.6	n/a	n/a

Sources:

* IMF World Economic Outlook, April 2010

** EIU, Country Report, June 2009

*** National Bureau of Statistics of China

**** World Bank

***** State Administration of Foreign Exchange, PRC

Trading partners of the People's Republic of China

Trading partners of the People's Republic of China							
Exports to Country/ Region	Billion USD	Share %	Growth in % to a comparable previous period	Exports to Country/ Region	Billion USD	Share %	Growth in % to a comparable previous period
Jan - Dec 2009				Jan - March 2010			
USA	220.8	18.4%	-12.5%	USA	54.5	17.2%	13.9%
Hong Kong	166.2	13.8%	-12.8%	Hong Kong	41.0	13.0%	27.3%
Japan	97.9	8.1%	-15.7%	Japan	25.7	8.1%	43.3%
South Korea	53.7	4.5%	-27.4%	South Korea	14.6	4.6%	28.0%
Germany	49.9	4.2%	-15.7%	Germany	14.2	4.5%	32.6%
Netherlands	36.7	3.1%	-18.4%	Netherlands	10.5	3.3%	44.8%
United Kingdom	31.3	2.6%	-13.3%	India	8.3	2.6%	38.7%
Singapore	30.1	2.5%	-6.9%	United Kingdom	7.8	2.5%	26.5%
France	21.5	1.8%	-7.9%	Singapore	7.8	2.5%	35.8%
Australia	20.6	1.7%	-7.2%	France	6.3	2.0%	46.7%
EU	236.3	19.7%	-19.4%	EU	65.4	20.7%	31.0%
ASEAN	106.3	8.8%	-7.0%	ASEAN	29.2	9.2%	46.7%
EFTA	5.4	0.4%		EFTA	1.4	0.4%	N/A
Iceland	0.05	0.0%	-41.8%	Iceland	0.015	0.0%	46.1%
Liechtenstein	0.01	0.0%	-28.3%	Liechtenstein	0.001	0.0%	-4.6%
Norway	2.68	0.2%	4.5%	Norway	0.765	0.2%	43.8%
Switzerland	2.67	0.2%	-32.0%	Switzerland	0.625	0.2%	-4.0%
Total	1'201.7		-16.0%	Total	316.2		28.7%
Imports from Country/ Region	Billion USD	Share %	Growth in % to a comparable previous period	Imports from Country/ Region	Billion USD	Share %	Growth in % to a comparable previous period
Jan - Dec 2009				Jan - March 2010			
Japan	130.9	13.0%	-13.1%	Japan	37.9	12.6%	56.6%
Taiwan	85.7	8.5%	-17.0%	South Korea	30.7	10.2%	59.1%
USA	77.4	7.7%	-4.8%	USA	23.7	7.9%	42.7%
Germany	55.8	5.5%	0.0%	Taiwan	25.4	8.4%	76.0%
Australia	39.4	3.9%	5.4%	Germany	16.0	5.3%	47.3%
Malaysia	32.3	3.2%	0.7%	Australia	11.8	3.9%	64.3%
Brazil	28.3	2.8%	-5.3%	Malaysia	10.9	3.6%	95.0%
Thailand	24.9	2.5%	-3.0%	Thailand	7.5	2.5%	69.0%
Saudi Arabia	23.6	2.3%	-23.9%	Saudi Arabia	7.2	2.4%	90.1%

Russia	21.3	2.1%	-10.7%	Brazil	5.8	1.9%	71.5%
EU	127.8	12.7%	-37.0%	EU	36.1	12.0%	43.0%
ASEAN	106.7	10.6%	-8.8%	ASEAN	33.7	11.2%	76.6%
EFTA		0.0%		EFTA	6.5	2.1%	N/A
Iceland	0.03	0.0%	-5.3%	Iceland	0.005	0.0%	39.6%
Liechtenstein	0.05	0.0%	61.0%	Liechtenstein	0.156	0.1%	126.6%
Norway	3.10	0.3%	42.4%	Norway	0.900	0.3%	61.1%
Switzerland	6.90	0.7%	-6.1%	Switzerland	5.409	1.8%	279.1%
Total	1'005.6		-11.2%	Total	301.7		64.6%

Source: China's Custom Statistics

Bilateral trade Switzerland - P.R. China, Jan. - Dec. 2008/2009

	Class of goods	Import in CHF		Δ in %	Import share (%)	Export in CHF		Δ in %	Export share (%)	Trade balance in CHF
		Jan - Dec 2008	Jan - Dec 2009			Jan - Dec 2008	Jan - Dec 2009			
1	Agricultural products	125'170'015	119'424'406	-4.59%	2.31%	26'074'109	38'965'473	49.44%	0.71%	-80'458'933
2	Energy carriers	63902	14581	-77.18%	0.00%	1604409	1552189	-3.25%	0.03%	1'537'608
3	Textiles, apparel, shoes	883'622'228	865'976'961	-2.00%	16.78%	206'823'726	202'824'475	-1.93%	3.68%	-663'152'486
4	Paper, paper products, printed matter	34'185'529	34'228'639	0.13%	0.66%	31'551'113	27'089'541	-14.14%	0.49%	-7'139'098
5	Leather, rubber, plastics	256'083'389	233'684'401	-8.75%	4.53%	98'632'704	94'534'406	-4.16%	1.72%	-139'149'995
6	Chemicals, pharmaceuticals	681'555'598	581'447'046	-14.69%	11.27%	1'147'331'739	1'292'091'384	12.62%	23.47%	710'644'338
7	Construction materials, ceramics, glass	74'540'839	64'105'880	-14.00%	1.24%	20'329'941	23'480'673	15.50%	0.43%	-40'625'207
8	Metals and metal products	381'043'838	313'280'100	-17.78%	6.07%	276'611'917	243'860'464	-11.84%	4.43%	-69'419'636
9	Machinery, apparatus, electronics	1'323'877'628	1'781'053'716	34.53%	34.51%	2'383'644'745	2'130'675'445	-10.61%	38.71%	349'621'729
10	Vehicles	76'043'683	88'705'599	16.65%	1.72%	30'955'423	40'200'452	29.87%	0.73%	-48'505'147
11	Precision instruments, watches, jewellery	700'408'621	637'393'574	-9.00%	12.35%	1'266'693'651	1'278'163'025	0.91%	23.22%	640'769'451
12	Furniture, toys	443'843'663	419'813'872	-5.41%	8.13%	38'263'423	29'890'672	-21.88%	0.54%	-389'923'200
13	Precious metal, precious stones, gemstones	4'451'258	4'308'070	-3.22%	0.08%	576'048'786	83'820'016	-85.45%	1.52%	79'511'946
14	Objects of art and antiques	10'898'442	17'497'532	60.55%	0.34%	6'919'970	17'748'143	156.48%	0.32%	250'611
	Total	4'995'788'633	5'160'934'377	3.31%	100%	6'111'485'656	5'504'896'358	-9.93%	100%	343'961'981

Bilateral trade Switzerland - Hongkong, Jan. - Dec. 2008/2009

	Class of goods	Import in CHF		Δ in %	Import share (%)	Export in CHF		Δ in %	Export share (%)	Trade balance in CHF
		Jan - Dec 2008	Jan - Dec 2009			Jan - Dec 2008	Jan - Dec 2009			
1	Agricultural products	1736144	851966	-50.93%	0.08%	69'203'127	56'942'085	-17.72%	1.05%	56'090'119
2	Energy carriers					131367	118054	-10.13%	0.00%	118'054
3	Textiles, apparel, shoes	66'683'797	38'244'822	-42.65%	3.40%	148'447'098	127'476'174	-14.13%	2.35%	89'231'352
4	Paper, paper products, printed matter	2'944'621	2'446'859	-16.90%	0.22%	15'249'777	16'399'590	7.54%	0.30%	13'952'731
5	Leather, rubber, plastics	9'162'564	7'688'934	-16.08%	0.68%	65'323'692	56'232'017	-13.92%	1.04%	48'543'083
6	Chemicals, pharmaceuticals	7'335'177	8'191'402	11.67%	0.73%	442'399'396	374'401'472	-15.37%	6.90%	366'210'070
7	Construction materials, ceramics, glass	2'074'151	2'050'682	-1.13%	0.18%	12'144'722	18'665'687	53.69%	0.34%	16'615'005
8	Metals and metal products	11'420'316	9'689'934	-15.15%	0.86%	55'856'736	45'093'585	-19.27%	0.83%	35'403'651
9	Machinery, apparatus, electronics	138'917'617	119'954'250	-13.65%	10.67%	372'336'084	316'473'314	-15.00%	5.83%	196'519'064
10	Vehicles	2600876	4223796	62.40%	0.38%	3'039'395	2'281'369	-24.94%	0.04%	-1'942'427
11	Precision instruments, watches, jewellery	769'099'702	609'006'615	-20.82%	54.18%	3'343'515'246	2'719'409'972	-18.67%	50.11%	2'110'403'357
12	Furniture, toys	9'677'913	6'897'579	-28.73%	0.61%	31'865'974	26'198'071	-17.79%	0.48%	19'300'492
13	Precious metal, precious stones, gemstones	397'091'411	298'344'994	-24.87%	26.54%	1'599'310'717	1'647'278'651	3.00%	30.35%	1'348'933'657
14	Objects of art and antiques	21'188'412	16'378'707	-22.70%	1.46%	60'244'623	19'839'655	-67.07%	0.37%	3'460'948
	Total	1'439'932'701	1'123'970'540	-21.94%	100%	6'219'067'954	5'426'809'696	-12.74%	100%	4'302'839'156

Bilateral trade Switzerland - P.R. China incl. Hongkong, Jan. - Dec. 2008/2009

	Class of goods	Import in CHF	Δ	Import share (%)	Export in CHF	Δ	Export share (%)	Trade balance in CHF
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	Jan-Dec 2008	Jan - Dec 2009	in %		Jan - Dec 2008	Jan - Dec 2009	in %		in CHF
Total	6'435'721'334	6'284'904'917	-2.34%		12'330'553'610	10'931'706'054	-11.34%		4'646'801'137

Bilateral trade Switzerland - P.R. China, Jan. - Mar. 2009/2010

	Class of goods	Import in CHF		Δ	Import share (%)	Export in CHF		Δ	Export share (%)	Trade balance in CHF
		Jan - Mar 2009	Jan - Mar 2010			in %	Jan - Mar 2009			
1	Agricultural products	33'146'346	35'798'016	8.00%	2.46%	7'618'056	8'910'834	16.97%	0.59%	-26'887'182
2	Energy carriers	4	1903			404027	583932	44.53%	0.04%	582'029
3	Textiles, apparel, shoes	234'407'974	230'087'159	-1.84%	15.78%	46'615'939	52'443'899	12.50%	3.48%	-177'643'260
4	Paper, paper products, printed matter	8'323'292	9'331'106	12.11%	0.64%	6'983'709	3'831'082	-45.14%	0.25%	-5'500'024
5	Leather, rubber, plastics	66'049'537	65'160'699	-1.35%	4.47%	19'087'387	31'937'857	67.32%	2.12%	-33'222'842
6	Chemicals, pharmaceuticals	168'891'385	164'732'983	-2.46%	11.30%	280'067'475	282'761'806	0.96%	18.77%	118'028'823
7	Construction materials, ceramics, glass	16'780'974	18'273'116	8.89%	1.25%	4'078'247	7'523'267	84.47%	0.50%	-10'749'849
8	Metals and metal products	94'311'768	95'755'769	1.53%	6.57%	51'883'713	79'961'054	54.12%	5.31%	-15'794'715
9	Machinery, apparatus, electronics	423'659'736	542'663'652	28.09%	37.23%	555'070'823	533'318'842	-3.92%	35.40%	-9'344'810
10	Vehicles	27'855'323	34'674'314	24.48%	2.38%	6'335'144	10'538'059	66.34%	0.70%	-24'136'255
11	Precision instruments, watches, jewellery	146'888'460	138'401'610	-5.78%	9.49%	235'391'221	372'142'079	58.10%	24.70%	233'740'469
12	Furniture, toys	121'477'281	120'882'990	-0.49%	8.29%	4'982'171	7'402'397	48.58%	0.49%	-113'480'593
13	Precious metal, precious stones, gemstones	888'927	1'262'528	42.03%	0.09%	8'613'466	110'655'970	1184.69%	7.35%	109'393'442
14	Objects of art and antiques	1'046'303	744'701	-28.83%	0.05%	3'981'444	4'377'071	9.94%	0.29%	3'632'370
	Total	1'343'727'310	1'457'770'546	8.49%	100%	1'231'112'822	1'506'388'149	22.36%	100.00%	48'617'603

Bilateral trade Switzerland - Hongkong, Jan. - Mar. 2009/2010

	Class of goods	Import in CHF		Δ	Import share (%)	Export in CHF		Δ	Export share (%)	Trade balance in CHF
		Jan - Mar 2009	Jan - Mar 2010			in %	Jan - Mar 2009			
1	Agricultural products	202016	268631	32.98%	0.07%	12'467'982	21'602'050	73.26%	1.42%	21'333'419
2	Energy carriers					39467	21980	-44.31%	0.00%	21'980
3	Textiles, apparel, shoes	10'955'039	8'031'936	-26.68%	2.13%	33'971'595	26'221'233	-22.81%	1.72%	18'189'297
4	Paper, paper products, printed matter	537'433	498'404	-7.26%	0.13%	1'743'100	4'237'980	143.13%	0.28%	3'739'576
5	Leather, rubber, plastics	2'249'739	1'298'712	-42.27%	0.34%	17'486'123	14'919'011	-14.68%	0.98%	13'620'299
6	Chemicals, pharmaceuticals	2'068'405	1'782'154	-13.84%	0.47%	71'651'877	135'361'617	88.92%	8.90%	133'579'463
7	Construction materials, ceramics, glass	654'801	398'899	-39.08%	0.11%	5'190'316	4'163'380	-19.79%	0.27%	3'764'481
8	Metals and metal products	2'536'084	3'500'186	38.02%	0.93%	7'159'825	11'707'798	63.52%	0.77%	8'207'612
9	Machinery, apparatus, electronics	25'901'572	26'435'287	2.06%	6.99%	70'173'657	83'027'302	18.32%	5.46%	56'592'015
10	Vehicles	409557	645731	57.67%	0.17%	556'650	72'581	-86.96%	0.00%	-573'150
11	Precision instruments, watches, jewellery	158'317'633	186'015'324	17.50%	49.21%	618'611'136	842'703'017	36.22%	55.41%	656'687'693
12	Furniture, toys	1'951'821	2'532'067	29.73%	0.67%	6'470'186	4'334'785	-33.00%	0.29%	1'802'718
13	Precious metal, precious stones, gemstones	83'620'368	139'634'282	66.99%	36.94%	576'966'654	365'893'801	-36.58%	24.06%	226'259'519
14	Objects of art and antiques	4'576'368	6'931'743	51.47%	1.83%	6'013'236	6'642'838	10.47%	0.44%	-288'905

Total	293'980'836	377'973'356	28.57%	100.00%	1'428'501'804	1'520'909'373	6.47%	100.00%	1'142'936'017
Bilateral trade Switzerland - P.R. China incl. Hongkong, Jan. - Mar. 2009/2010									
Class of goods	Import in CHF			Δ	Export in CHF			Δ	Trade balance
	Jan - Mar 2009	Jan - Mar 2010	in %		Jan - Mar 2009	Jan - Mar 2010	in %		in CHF
Total	1'637'708'146	1'835'743'902	12.09%		2'659'614'626	3'027'297'522	13.82%		1'191'553'620

Source: Federal Customs Administration

China: Foreign Direct Investment

Rank	Country/ Region	FDI (mio. USD) 2009	Share (%) 2009	Variation (%) year on year
1	Hong Kong	46'075	51.18%	12.27%
2	Virgin Islands	11'299	12.55%	-29.18%
3	Japan	4'105	4.56%	12.40%
4	Singapore	3'605	4.00%	-18.71%
5	South Korea	2'700	3.00%	-13.88%
6	Cayman Islands	2'582	2.87%	-17.90%
7	United States	2'555	2.84%	-13.21%
8	West Samoa	2'020	2.24%	-20.75%
9	Taiwan	1'881	2.09%	-0.95%
10	Germany	1'217	1.35%	35.22%
	Switzerland	300.0	0.33%	23.66%
	Total	90'033		-2.60%

Source: Ministry of Commerce

Organs composing the State Council	
Ministries	
Ministry of Commerce	http://english.mofcom.gov.cn
Ministry of Commerce - FDI	http://www.fdi.gov.cn/
Ministry of Finance	http://www.mof.gov.cn/
Ministry of Foreign Affairs	http://www.fmprc.gov.cn/eng/
Commissions	
National Development and Reform Commission	http://en.ndrc.gov.cn/
Other	
National Audit Office	http://www.cnao.gov.cn/
People's Bank of China	http://www.pbc.gov.cn/english/
Organs directly under the State Council	
General Administration of Customs	http://english.customs.gov.cn/
National Bureau of Statistics of China	http://www.stats.gov.cn/english/
State Administration for Industry and Commerce	http://www.saic.gov.cn/english/index.html
State Administration of Taxation	http://202.108.90.130/n6669073/index.html
State Food & Drug Administration	http://eng.sfda.gov.cn/eng/
State Intellectual Property Office	http://www.sipo.gov.cn/sipo_English/
Institutions directly under the State Council	
China Banking Regulatory Commission	http://www.cbrc.gov.cn/english/index.htm
China Insurance Regulatory Commission (only in Chinese language)	http://www.circ.gov.cn/
China Securities Regulatory Commission	http://www.csrc.gov.cn/n575458/n4001948/
Development Research Centre of the State Council	http://www.drc.gov.cn/english/
Xinhua News Agency	http://www.chinaview.cn/ ; http://www.french.xinhuanet.com
Further useful www-sites	
China Chamber of International Commerce	http://www.ccoic.cn/New_Folder/home.htm
China Council for the Promotion of International Trade	http://www.ccpit.org/
Chamber of Commerce	
American Chamber of Commerce in China (AmCham)	www.amcham-china.org.cn
Austrian Chamber of Commerce in China (WKO)	www.wko.at
British Chamber of Commerce in China (BCCCI)	www.britcham.org
Canada China Business Council (CCBC)	www.ccbc.com
China - Australia Chamber of Commerce (AustCham)	www.austcham.org
China - Italy Chamber of Commerce (CCIC)	www.cameraitacina.com
European Union Chamber of Commerce in China (EUCCC)	www.euccc.com.cn
French Chamber of Commerce and Industry in China (CCIFC)	www.ccife.org
German Chamber of Commerce in China (GCCCI)	http://china.ahk.de/
Hong Kong Chamber of Commerce in China (HKCCC)	http://www.hkcccgd.org/
Swiss Chinese Chamber of Commerce Beijing	www.bei.swisscham.org
Swiss Chinese Chamber of Commerce in Hong Kong	http://www.swisschamhk.org/
Swiss Chinese Chamber of Commerce in Switzerland	http://www.sha.swisscham.org/sha/
Swiss Chinese Chamber of Commerce Shanghai	www.sha.swisscham.org
Swiss governmental organisations	
Osec Business Network Switzerland	www.osec.ch
State Secretariat for Economic Affairs (Seco)	www.seco.admin.ch
Swiss Business Hub China (SBH China)	http://www.eda.admin.ch/eda/en/home/rep/asia/vchn/embbei/sbh.html
Swiss Export Risk Insurance (serv)	http://www.serv-ch.com
International and other governmental organisations	
Asian Development Bank (ADB)	http://www.adb.org/PRC/default.asp
Das Auswärtige Amt der Bundesrepublik Deutschland	http://www.auswaertiges-amt.de/diplo/de/Laenderinformationen/01-Laender/China.html
International Monetary Fund (IMF)	http://www.imf.org/external/countrv/CHN/index.htm
Office of the United States Trade Representative	http://www.ustr.gov/
Organisation for Economic Co-operation and Development (OECD)	http://www.oecd.org/country/0,3377,en_33873108_36016481_1_1_1_1_1_1_1,00.html
Japanese government related organization (Jetro)	http://www.jetro.go.jp
The World Bank	http://www.worldbank.org
The World Trade Organisation	http://www.wto.org