

China: Annual economic report – November 2010

1. Appreciation of the economic problems and issues

China's economic growth remained robust during the first three quarters of 2010, increasing by 10.6% compared to the same period last year. In the third quarter, growth moderately decelerated to 9.6% year-on-year, after having expanded by 11.9% in the first quarter and 10.3% in the second quarter.¹ **This moderation in growth was broadly expected as the impact of the government stimulus starts to fade and the government took measures to curb inflation and cool the property market.**

While economic recovery in other major economies is still slow, China's policy makers have become more confident that the right measures were taken earlier to avoid a serious downturn as well as an overheating.

During the second quarter, China has surpassed Japan to become the world's second-largest economy after the United States. Due to Japan's continued weak growth, China's economy is expected to overtake Japan's for the full year. This is another sign for China's increasing dominant role in the world economy. China has already become the biggest market for automobiles and mobile phones and has surpassed Germany to become the largest exporter. The country is expected to account for around one-third of global economic growth this year.²

After slowing down for several months, China's economic momentum bottomed out in July and has started to stabilize since. Although the impact of the government stimulus (RMB 4 trillion, US\$ 586 billion, CHF 693 billion) introduced in late 2008 starts to cease, **fixed investment is still one of the key drivers of economic growth.** Property construction has kept up remarkably well, despite several steps taken by the government to cool the housing market. Industrial production and retail sales have also performed well during the first three quarters. Trade continued to expand, although at a lower rate. During the first three quarters, imports increased by 42.2%, faster than exports which grew by 34.0%. Trade surplus reached US\$ 120 billion.³ Export growth is expected to moderate, in line with the modest economic growth of China's trading partners.

Currently, the government's main concern is how to contain rising inflation and constantly high property prices. The consumer price index (CPI) rose by 4.4% in October,⁴ the highest figure since October 2008. A continued rise in food prices is the main driver of inflation. It is expected that the annual inflation will exceed the government's 3% target. **In a surprise move, the People's Bank of China (the central bank) raised the one-year benchmark deposit and lending rates** by 0.25 percentage points in mid October.⁵ This was the first rate rise since December 2007, when inflation was over 6%. Although the economic impact from the higher interest rates is expected to be minimal, the move is broadly interpreted as signal by the authorities that they are determined to cool the property market and manage inflation expectations. **More interest rate increases are likely to follow.**

In April, the government had already introduced different measures to cool the housing market and curb speculative purchases in order to make housing more affordable for average citizens. At the end of September the government further required banks to stop providing mortgages to buyers of third homes, while minimum deposits for first-time buyers were increased from 20% to 30%. **So far, the measures taken did show only few results.** Property sales declined and housing prices stayed flat

¹ National Bureau of Statistics.

² Bloomberg: "China overtakes Japan as World's Second-Biggest Economy", 16 August 2010.

³ National Bureau of Statistics.

⁴ National Bureau of Statistics.

⁵ Wall Street Journal: "China shifts course, raises interest rates", 20 October 2010.

for a few months. However, sales picked up again in September and October while prices also rose again.⁶

The government's infrastructure spending was accompanied by an aggressive loosening of credit policy. In the past year, new loans reached RMB 9'600 billion (CHF 1'573 billion⁷), 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 governments⁸ and into the stock and housing market. **Banks now face problems with regard to bad loans resulting from last year's lending surge.** According to a recent government survey, about one-fourth of the RMB 7'700 billion in outstanding loans are facing serious default risks.⁹

Criticism regarding China's exchange rate regime has intensified during the past months. In June, China had de-pegged its currency from the US dollar and introduced a certain degree of exchange rate flexibility but its currency has only appreciated marginally since. The US and the EU and many of China's other trade partners are frustrated because one of the world's largest trading countries keeps an artificially low exchange rate. In October, the US Treasury delayed its semi-annual currency report, which assesses the exchange rate policy of trading partners, and therewith retarding its decision on whether to label China a currency manipulator. In September the House of Representatives passed a bill which would allow the US government to impose punitive tariffs on products from countries that manipulate their exchange rates. The bill still needs approval from the Senate and the likelihood of such a law being passed is considered rather low.¹⁰

Although China has pledged to adjust its exchange rate, **fears persist that drastic currency swings could lead to economic instability.** Therefore, authorities have made it clear that they will only allow "gradual" changes in the exchange rate.

However, **the country's foreign-exchange reserve have reached US\$ 2.648 trillion¹¹ by the end of September which makes it hard for China to explain that its currency policy is not a driver of global imbalances.** China by contrast is concerned about the US governments decision to inject another US\$ 600 bn into its economy. Chinese officials have warned that it might lead to excessive capital flows into emerging markets, creating asset bubbles and pushing up international commodity prices. China's foreign exchange regulator already announced measures to tighten the monitoring of hot-money inflows which could put further pressure on the yuan's appreciation.¹²

In its efforts to diversify its foreign exchange holdings, China started to buy more South Korean and Japanese government bonds earlier this year. After record purchases China cut its Japanese holdings by a net 2.02 trillion yen (US\$ 24.5 bn) in August and by another 770 billion yen (US\$ 9.5 bn) in September.¹³ According to Chinese analysts, **China will nevertheless continue to diversify its reserve holdings by acquiring bonds from major economies.**

In another move to encourage the international use of the yuan, the central bank announced in August a pilot scheme which will allow foreign financial institutions¹⁴ to invest in the domestic interbank bond market.

In mid October, the central committee of the **Chinese Communist Party discussed and approved the 12th Five Year Plan which sets the country's development strategy for the period between 2011 and 2015.** The full plan will be adopted and unveiled at the annual meeting of the National People's Congress (China's legislature) next March. The proposal focuses on the importance of economic rebalancing. Particularly on the **strengthening of domestic demand** through expanding consumption and the need to improve people's livelihood by adjusting income distribution and develop

⁶ Wall Street Journal: "China's battle on property prices not over", 21 October 2010.

⁷ Average exchange rate in 2009.

⁸ 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.

⁹ Wall Street Journal: "China Faces Risks From Government Debt, Bad Loans", 15 October 2010.

¹⁰ Financial Times: "US Treasury delays ruling on renminbi", 15 October 2010.

¹¹ Wall Street Journal: "China forex reserves see record gain", 14 October 2010.

¹² Wall Street Journal: "China SAFE Pledges to Curb Hot Money Inflows", 9 November 2010.

¹³ People's Daily: "China sells Japanese bonds for a second month in a row", 10 November 2010.

¹⁴ Banks in Hong Kong and Macau which already conduct renminbi clearing, foreign central banks involved in currency swap deals and international banks participating in renminbi settlements are allowed to apply for investment quotas.

a more comprehensive social safety net. Further emphasis is put on the need to adjust the economic structure by upgrading traditional industries and develop new strategic industries especially in the areas of energy efficiency and environmental protection. Another major theme is the **balancing of the regional development** by fostering urbanization and pushing the development of inland regions.¹⁵ Although the 11th five year plan (2006-2010) already aimed at promoting quality instead of quantity and proposed structural changes, progress has been low. Investment and exports as a share of GDP are still by far more important than household consumption. It will require further substantial policy changes in order to shift the growth model.

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 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.¹⁶

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.¹⁷

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 members¹⁸ and will be expanded in 2015 by including the newer and less developed ASEAN members.¹⁹ 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,

¹⁵ [Communique of the Fifth Plenum of the 17th CPC Central Committee -- Beijing Review](#)

¹⁶ Economist Intelligence Unit, China Hand, February 2008.

¹⁷ China Daily: "Experts warn of impacts from trade protectionism", 9 April 2010.

¹⁸ Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand

¹⁹ Cambodia, Laos, Myanmar, Vietnam

including agriculture, information and telecommunications, transport, tourism, Mekong River exploitation, energy, culture, human resource, and the environment.²⁰

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.²¹

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.²²

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 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.²³

Other free trade agreements

While multilateral trade has been developing rapidly, China 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.²⁴
- 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.²⁵
- China and **Peru** concluded negotiations for a free trade agreement in November 2008. The pact 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.²⁶
- 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.

²⁰ Global Times: "China-ASEAN ink investment agreement", 17 August 2009.

²¹ L.A. Times: "Blaming China: Indonesian garment makers say free trade pact leaves them on brink of collapse", 26 April 2010.

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

²³ Bank of Japan, Joint Press Release: "Chiang Mai Initiative Multilateralization (CMIM) comes into effect", 24 March 2010.

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

²⁵ Ministry of Commerce: <http://fta.mofcom.gov.cn>

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

- 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.²⁷
- China and **Chile** signed a supplementary agreement on free trade in services in April 2008 which entered into force on August 1, 2010. 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.²⁸
- In April 2008, China signed a 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 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.²⁹ The Supplement VII between Hong Kong and mainland China was signed on 27 May, 2010 and will enter into force on 1 January, 2011. 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.³⁰

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 15th round of negotiations was held in June 2010. A further round of negotiations is scheduled to take place later in the year.³¹
- **Norway** and China completed a feasibility study and launched the official Sino-Norway FTA Negotiation in October 2008. The 8th round of negotiations took place in September 2010 and included discussions on commodity and service trade, investment, rules of origin, SPS/TBT, settlement of disputes and IPR.³²
- 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 2009, 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.³³
- In June 2004, China and the **Southern Africa Customs Union (SACU)**³⁴ announced the launch of free trade negotiations. So far, no negotiations have taken place.³⁵

²⁷ Xinhua: "China signs zero-tariff trade deal with Senegal", 18 October 2009.

²⁸ Ministry of Commerce: <http://fta.mofcom.gov.cn>

²⁹ Xinhua: "Chinese mainland market opened wider to HK businesses", 9 May 2009.

³⁰ South China Morning Post: "Cepa boosts six pillar industries", 28 May 2010.

³¹ Australian Government, Department of Foreign Affairs and Trade: www.dfat.gov.au.

³² Ministry of Commerce: <http://fta.mofcom.gov.cn>

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

³⁴ South Africa, Botswana, Namibia, Lesotho, Swaziland

³⁵ Ministry of Commerce: <http://fta.mofcom.gov.cn>

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.³⁶
- **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 second meeting of a joint committee consisting of representatives from government, business and academia took place at the beginning of September. A third round is scheduled to take place in December.³⁷
- Also in May 2010, China 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.³⁸

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. 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 2009³⁹. 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. Although the ECFA was highly controversial and widely discussed in Taiwan, the deal was signed on 29 June, after five rounds of negotiations. The ECFA is widely regarded as a **milestone in institutionalising cross-strait relations** as it provides for the first time a legal framework for the economic ties that have developed over the past three decades. Under the agreement, which took effect on September 12, both sides agreed to gradually reduce and remove trade and investment barriers and to seek ways to further strengthen economic cooperation in areas such as financial cooperation, IPR, customs cooperation, etc.⁴⁰ Critics fear the agreement will lead to a flood of cheap Chinese goods, an exodus of well-trained professionals and especially a growing dependence on China. The Ma administration underlines that the ECFA will facilitate similar economic pacts with other countries. Talks with Singapore are said to be underway.⁴¹

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 **recognised China as a market economy** on this occasion.

³⁶ China Daily: "China, South Korea to kick off FTA talks", 28 May 2010.

³⁷ Ministry of Commerce: <http://fta.mofcom.gov.cn>

³⁸ People's Daily: "Free trade deal with Mongolia on the cards", 12 May 2010.

³⁹ South China Morning Post: "Deput Appearance", 19 May 2009.

⁴⁰ Xinhua: "Landmark cross-strait economic pact takes effect", 13 September 2010.

⁴¹ Economic Daily News: "Priority option in pushing for FTA", 7 November 2010.

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.**

Both sides started to draft the joint feasibility study at the beginning of this year. The joint study group met three times between February and August and managed to conclude the study.⁴² On the occasion of the visit of President Leuthard to China in August this year, **a MoU was signed stating that the joint feasibility study was concluded and that both parties agreed to launch negotiations in the near future.** Negotiations will probably start at the beginning of next year. Therewith, a substantial and important progress in the FTA was made within this year.

In January 2009 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.⁴³

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 took place such as the visit of Vice Premier Li Keqiang to Switzerland in January this year, the visit of Federal Councillor Micheline Calmy-Rey to Beijing and Shanghai in June, the visit of the President of the Swiss Confederation, Mrs. Doris Leuthard, to China in August and the visit of Federal Councillor Moritz Leuenberger to Shanghai in September.

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.

China's exports rebounded strongly towards the end of 2009 and during the first three quarters of 2010. From January to September, exports reached US\$ 1134.6 billion, a growth of 34.0% compared to the same period last year, while imports grew by 42.2% year-on-year and reached US\$ 1014.0 billion. The trade surplus remained positive with US\$ 120.6 billion, however the surplus decreased by US\$ 14.9 billion or 11% compared to the same period last year.

From January to September, China's most important export markets were the E.U. (19.9% of total exports), the United States (18.1%), Hong Kong (13.4%) and the ASEAN countries (8.8%). During the same period, China's most important import sources were Japan (12.6% of total imports), closely followed by the EU (12.2%), the ASEAN countries (11.0%) and South Korea (10.0%). China's most important trading partners were the EU (16.3% of total trade), the United States (13.0%) and Japan (10.0%).⁴⁴

Due to China's stimulus-related investment boom, demand for commodities such as iron, copper and oil has been rising in recent months. At the same time manufacturers have been restocking on imported components necessary for the export processing sector. Although the monthly trade balance turned negative in March this year – for the first time in six years – exports have quickly recovered and

⁴² For the joint feasibility study, please visit: <http://www.seco.admin.ch/themen/00513/02655/02731/04118/index.html?lang=de>

⁴³ For the agreement, please visit: http://www.eda.admin.ch/eda/de/home/topics/intla/intrea/dbstv/data59/e_20092659.html

⁴⁴ General Administration of Customs of the P.R.C., China Customs Statistics, September 2010.

surpassed imports in the following months. **The trade surplus is expected to remain substantial in the coming years.**

Most countries and regions have been benefiting from the strong Chinese demand during the recent months. Chinese imports from the U.S. grew by 33.8% during the first nine months, those from the EU by 33.4%. China's neighbouring countries saw their exports rising as well; Japan's exports to China rose by 38.4%, Malaysian exports by 66.3% and those of the ASEAN-countries in all by 51.1%. Due to its investment boom China's demand for resources and commodities has increased substantially. Therewith, Australian exports to China rose by 51.3% and imports from Africa grew by 73.7%. During the same period Chinese imports from India (year-on-year rise of 62.1%), Brazil (30.6%) and Saudi-Arabia (57%) also experienced an impressive growth.⁴⁵

However, **trade tensions with some countries remain** and are not only limited to the U.S. and the EU. Japanese traders and government officials criticized China for blocking the export of rare earths – a set of mineral elements crucial for the production of high-tech products – amid a recent territorial dispute between the two countries. China denied that there was any embargo on shipments.⁴⁶ In November the Ministry of Commerce announced new rules and procedures for companies applying for the export of rare earths. Rare earth producers especially have to ensure an environmental friendly and resource-efficient production.⁴⁷

3.2 Bilateral trade

3.2.1 Trade in goods⁴⁸

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.

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.

Bilateral trade recovered well during the first three quarters of 2010. Swiss exports to China increased by 30.3% to CHF 5.19 billion compared to the same period last year while imports from China grew by 19.7% to CHF 4.56 billion, leaving a slight trade surplus of CHF 633 million for Switzerland. The total trade volume reached CHF 9.75 billion, up 25.2% year-on-year.

Combining the trade data of mainland China and Hong Kong, exports increased by 22.6% to CHF 9.93 billion and imports grew by 24.3% to CHF 5.73 billion, leaving a trade surplus of CHF 4.2 billion. The total trade volume (including Hong Kong) reached CHF 15.66 billion, up 23.1% compared to the same period last year.

The most important import goods from China are machinery, apparatus and electronics (Jan. to Sept. 2010 share of imports 36.0%), textiles, apparel and shoes (15.3%), chemicals and pharmaceuticals (12.1%) and precision instruments, watches and jewellery (11.7%).

Exports from Switzerland to China are dominated by machinery, apparatus and electronics (Jan. to Sept. 2010 share of exports 40.6%), precision instruments, watches and jewellery (23.8%) and chemicals and pharmaceuticals (17.2%).⁴⁹

⁴⁵ EIU Country Report China, October 2010.

⁴⁶ New York Times: "Japan calls on China to resume rare earth exports", 24 October 2010.

⁴⁷ People's Daily: "China issues new rare-earth rules", 12 November 2010.

⁴⁸ The figures discussed in this section can be found in annexe 4.

⁴⁹ Swiss Federal Customs Administration

4 Direct investments

4.1 Development and general outlook

The financial crisis negatively affected foreign direct investment (FDI) to China, not because of suppressed market prospects for China but because foreign investors were facing financing problems in their domestic countries. In 2009, FDI therewith fell by 2.6% to US\$ 90 billion.⁵⁰

However, FDI has recovered well during the first three quarters of 2010, reaching US\$ 74.34 billion, a growth of 16.6% compared to the same period last year. Therewith **China's FDI growth is almost back to the pre-crisis level.**⁵¹

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 in 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.⁵²

In April this year, the State Council issued an opinion on FDI which confirms 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 to 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.

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.⁵³

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

⁵⁰ National Bureau of Statistics. "Statistical Communiqué of the P.R.C. on the 2009 National Economic and Social Development", 26 February 2010.

⁵¹ Ministry of Commerce.

⁵² "Five Major Changes of the New Corporate Income Tax law and the Impact on Foreign Investment in China": 5 June 2008.

⁵³ http://fdi.gov.cn:8080/pub/FDI_EN/News/Focus/Subject/News-The%20focus/taxlaw03/t20080605_93658.htm

⁵³ http://www.fdi.gov.cn/pub/FDI_EN/Laws/law_en_info.jsp?docid=120748

capitalization of FIPs and the status of foreign investment funds which are in general often structured as partnerships.⁵⁴

The adoption of China's first Anti-Monopoly Law in August 2008 was received with mixed feelings by many foreign businesses. Multinational companies feared the law could serve as a tool to allow for protectionist measures against foreign companies in China. A main concern are the broad and vague provisions which leave much scope for decision making to the responsible Chinese authorities. Up to now, more than 140 mergers were reviewed under the law and the **regulators seem to use a fairly conservative approach, not using the law exclusively against foreign companies**. So far, only Coca Cola's attempt to acquire Huiyuan – China's largest juice producer – was blocked.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 general, regulations with regard to mergers and acquisitions (M&A) 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.⁵⁷ The withdrawal of capital and profits from China is possible, but barriers remain and make the process complex and tedious for businesses.

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.⁵⁸ In April the government decided to soften those rules and pledged that foreign companies shall not be discriminated in the Chinese market.⁵⁹ **On different occasion, high-level officials underlined China's commitment to foreign investment**. In September, Premier Wen Jiabao assured foreign investors that China is striving to create an open and fair environment for foreign investors. Wen promised that "all enterprises registered in China according to Chinese law are Chinese enterprises" and that equal treatment would be given to products from foreign and Chinese invested companies in government procurement.⁶⁰

Despite this criticism, China remains a top FDI destination. By 2009, China's accumulated FDI stock amounted to US\$ 473 billion, well ahead of other large developing and transition economies such as Brazil (US\$ 401 billion), India (US\$ 164 billion) or Russia (US\$ 256 billion).⁶¹ According to the Ministry of Commerce, FDI to China will continue to grow in the long-run due to increasing domestic demand and improving labor quality. However, concerns remain regarding how to maintain a high FDI growth rate in the short-term as China is adjusting its FDI policy in order to channel more investment

⁵⁴ http://fdi.gov.cn/pub/FDI_EN/Laws/GeneralLawsandRegulations/RegulationsonForeignInvestment/P020091204372347037162.pdf

⁵⁵ Financial Times: "Life after China's Antimonopoly Law", 20 October 2010.

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

⁵⁷ http://www.fdi.gov.cn/pub/FDI_EN/Laws/law_en_info.jsp?docid=87372

⁵⁸ Wall Street Journal. "Beijing revises procurement policy", 13 April 2010.

⁵⁹ China Daily: "Wen assures Europe on trade, investment options in China", 30 April 2010.

⁶⁰ People's Daily: "Premier Wen assures foreign firms in China", 14 September 2010.

⁶¹ Vale Columbia Center on Sustainable International Investment, Inward FDI in China and its policy context, 18 October 2010.

into the service sector and to its central and western regions.⁶² A recent UNCTAD survey shows that China will remain a top destination for inward FDI in the period of 2010-2012.⁶³

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.⁶⁴

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.⁶⁵

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. According to Chinese statistics, Swiss direct investments in China in 2009 amounted to US\$ 300 million, an increase of 33%. In the first three quarters of 2010, Swiss companies invested US\$ 177.4 million, decreasing by 20.5%.⁶⁶

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.⁶⁷

So far, Chinese direct investment in Switzerland is still modest but started to increase significantly in the past years. 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. The official representations of Switzerland – the Embassy in**

⁶² China Daily: “Foreign investment slows down”, 16 October 2010.

⁶³ UNCTAD, World Investment Prospects Survey, September 2010.

⁶⁴ Economist Intelligence Unit, Country Report China, May 2010.

⁶⁵ People's Daily: “Financing remains difficulty for Chinese companies' outbound investment”, 28 April 2010.

⁶⁶ Ministry of Commerce.

⁶⁷ http://www.eda.admin.ch/eda/de/home/topics/intla/intrea/dbstv/data_c/c_249.html

Beijing, and the Consulates General in Shanghai, Guangzhou and Hong Kong– therefore have to take on a particular role in the arrangement of such contacts.

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 foreign investment promotion. The SBH China now also manages the promotion of Switzerland as a business location for potential Chinese investors. The aim is to inform and build on the firm Sino-Swiss relationships which have been established and raise awareness of Switzerland as a first-class business location for setting up regional and European headquarters 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 was the 2010 World Expo in Shanghai. The official Swiss Pavilion dealt playfully with the EXPO sub theme “rural-urban interaction”. The Swiss Pavilion attracted about 2.8 million visitors and was one of the most popular pavilions at the Expo. It offered an invaluable platform for Swiss communication abroad and strengthened Switzerland’s image in China.⁶⁸

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 2009, up 4%

⁶⁸ www.swisspavilion.ch

compared to the previous year⁶⁹. Therefore China is a key strategic growth market for the Swiss tourism industry. Switzerland was granted **Approved Destination Status (ADS)** by the Chinese 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

The **Swiss education sector has shown an increasing interest in attracting Chinese students to its institutions**. The group of Chinese students in Switzerland is now one of the biggest groups of foreign students in our country. The good positions of our institutions in various rankings and the fact that more and more programmes on the Master level are taught in English contribute to this growing interest in China. The Swiss representations are 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. More and more, selection of top students becomes the main challenge. On the other hand, interest of Swiss students to study in China is mainly limited to language and culture students, with a few exceptions in art, medicine and engineering.

A **"Memorandum of Understanding" for educational exchanges**, signed by Swiss Foreign Minister Micheline Calmy-Rey during her visit to China in 2006, ended in 2008. Currently, there is no framework agreement in the area of education. However, the exchange of scholarships continues and 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.

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. Expansion of this collaboration and feasibility of a general Memorandum without time limits will be examined.

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 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 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**, which it has successfully done during the Expo 2010 and Einstein exhibition, the two major events in 2010.

⁶⁹ 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.

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. 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	18'494	21'631	26'581	31'405	34'050
GDP (USD billion)*	1'932	2'257	2'713	3'494	4'520	4'985
GDP per capita (RMB)*	12'299	14'144	16'456	20'117	23'648	25'511
GDP per capita (USD)*	1486	1'726	2'064	2'645	3'404	3'735
GDP growth (%)**	10.1	10.4	11.6	13	9	9.1
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	7.1	9.4	10.6	9.6	6.0
Total External Debt (% of GDP)****	13.6	13.1	12.5	11.1	8.6	8.6
Debt-service ratio (% of exports)*****	3.4	3.1	2.4	2.2	2	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, October 2010

** EIU, Country Report, November 2010

*** National Bureau of Statistics of China

**** IMF Country Report, July 2010

***** World Bank

Trading partners of the People's Republic of China

Exports to Country/ Region Jan - Dec 2009	Billion USD	Share %	Growth in % to a comparable previous period	Exports to Country/ Region Jan - Sept 2010	Billion USD	Share %	Growth in % to a comparable previous period
USA	220.8	18.4%	-12.5%	USA	205.5	18.1%	30.7%
Hong Kong	166.2	13.8%	-12.8%	Hong Kong	152.4	13.4%	33.1%
Japan	97.9	8.1%	-15.7%	Japan	86.5	7.6%	24.1%
South Korea	53.7	4.5%	-27.4%	Germany	49.6	4.4%	40.2%
Germany	49.9	4.2%	-15.7%	South Korea	49.5	4.4%	31.0%
Netherlands	36.7	3.1%	-18.4%	Netherlands	35.9	3.2%	25.8%
United Kingdom	31.3	2.6%	-13.3%	India	29.5	2.6%	33.1%
Singapore	30.1	2.5%	-6.9%	United Kingdom	27.8	2.5%	25.8%
France	21.5	1.8%	-7.9%	Singapore	24.0	2.1%	16.4%
Australia	20.6	1.7%	-7.2%	Italy	22.2	2.0%	49.8%
EU	236.3	19.7%	-19.4%	EU	226.1	19.9%	35.0%
ASEAN	106.3	8.8%	-7.0%	ASEAN	99.5	8.8%	36.2%
EFTA	5.4	0.4%		EFTA	4.4	0.4%	15.8%
Iceland	0.05	0.0%	-41.8%	Iceland	0.051	0.0%	43.7%
Liechtenstein	0.01	0.0%	-28.3%	Liechtenstein	0.006	0.0%	27.9%
Norway	2.68	0.2%	4.5%	Norway	2.119	0.2%	21.9%
Switzerland	2.67	0.2%	-32.0%	Switzerland	2.208	0.2%	9.8%
Total	1'201.7		-16.0%	Total	1'134.6		34.0%

Trading partners of the People's Republic of China

Imports from Country/ Region Jan - Dec 2009	Billion USD	Share %	Growth in % to a comparable previous period	Imports from Country/ Region Jan - Sept 2010	Billion USD	Share %	Growth in % to a comparable previous period
Japan	130.9	13.0%	-13.1%	Japan	127.9	12.6%	38.4%
Taiwan	85.7	8.5%	-17.0%	South Korea	101.7	10.0%	39.7%
USA	77.4	7.7%	-4.8%	Taiwan	86.2	8.5%	44.3%
Germany	55.8	5.5%	0.0%	USA	73.0	7.2%	33.8%
Australia	39.4	3.9%	5.4%	Germany	54.1	5.3%	34.8%
Malaysia	32.3	3.2%	0.7%	Australia	43.2	4.3%	51.3%
Brazil	28.3	2.8%	-5.3%	Malaysia	36.4	3.6%	66.3%
Thailand	24.9	2.5%	-3.0%	Brazil	27.7	2.7%	30.6%
Saudi Arabia	23.6	2.3%	-23.9%	Thailand	24.3	2.4%	39.4%
Russia	21.3	2.1%	-10.7%	Saudi Arabia	23.8	2.3%	57.0%
EU	127.8	12.7%	-37.0%	EU	123.4	12.2%	33.4%
ASEAN	106.7	10.6%	-8.8%	ASEAN	111.8	11.0%	51.1%
EFTA		0.0%		EFTA	14.5	1.4%	98.6%
Iceland	0.03	0.0%	-5.3%	Iceland	0.030	0.0%	10.9%
Liechtenstein	0.05	0.0%	61.0%	Liechtenstein	0.051	0.0%	47.6%
Norway	3.10	0.3%	42.4%	Norway	2.390	0.2%	-0.5%
Switzerland	6.90	0.7%	-6.1%	Switzerland	12.042	1.2%	147.5%
Total	1'005.6		-11.2%	Total	1'014.0		42.2%

Source: China's Custom Statistics

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

	Class of goods	Import in CHF		Δ	Import share (%)	Export in CHF		Δ	Export share (%)	Trade balance in CHF
		Jan. - Sept. 2009	Jan. - Sept. 2010	in %		Jan. - Sept. 2009	Jan. - Sept. 2010	in %		
1	Agricultural products	90'026'687	90'184'029	0.17%	1.98%	26'936'775	38'188'433	41.77%	0.74%	-51'995'596
2	Energy carriers	12924	12747	-1.37%	0.00%	1104646	3137642	184.04%	0.06%	3'124'895
3	Textiles, apparel, shoes	693'637'141	697'138'755	0.50%	15.29%	146'699'934	113'785'357	-22.44%	2.19%	-583'353'398
4	Paper, paper products, printed matter	25'985'594	27'626'643	6.32%	0.61%	19'390'733	16'275'124	-16.07%	0.31%	-11'351'519
5	Leather, rubber, plastics	182'657'576	213'464'693	16.87%	4.68%	65'735'197	103'385'130	57.28%	1.99%	-110'079'563
6	Chemicals, pharmaceuticals	455'540'311	550'264'859	20.79%	12.07%	917'719'079	893'002'521	-2.69%	17.20%	342'737'662
7	Construction materials, ceramics, glass	48'718'515	60'956'358	25.12%	1.34%	15'398'082	20'459'751	32.87%	0.39%	-40'496'607
8	Metals and metal products	239'191'068	278'357'925	16.37%	6.11%	167'084'113	275'259'666	64.74%	5.30%	-3'098'259
9	Machinery, apparatus, electronics	1'242'257'639	1'640'275'773	32.04%	35.98%	1'580'765'810	2'109'251'784	33.43%	40.63%	468'976'011
10	Vehicles	71'560'200	82'038'665	14.64%	1.80%	25'456'499	34'851'594	36.91%	0.67%	-47'187'071
11	Precision instruments, watches, jewellery	418'660'310	531'313'103	26.91%	11.66%	900'412'591	1'236'164'952	37.29%	23.81%	704'851'849
12	Furniture, toys	333'008'632	376'120'221	12.95%	8.25%	21'377'531	25'556'528	19.55%	0.49%	-350'563'693
13	Precious metal, precious stones, gemstones	3'036'672	5'634'872	85.56%	0.12%	78'184'411	302'011'284	286.28%	5.82%	296'376'412
14	Objects of art and antiques	2'562'808	5'022'646	95.98%	0.11%	17'066'524	20'278'174	18.82%	0.39%	15'255'528
	Total	3'806'856'077	4'558'411'289	19.74%	100%	3'983'331'925	5'191'607'940	30.33%	100%	633'196'651

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

	Class of goods	Import in CHF		Δ	Import share (%)	Export in CHF		Δ	Export share (%)	Trade balance in CHF
		Jan. - Sept. 2009	Jan. - Sept. 2010	in %		Jan. - Sept. 2009	Jan. - Sept. 2010	in %		
1	Agricultural products	516363	854650	65.51%	0.07%	39'177'669	73'476'566	87.55%	1.55%	72'621'916
2	Energy carriers	.	.			96554	64401	-33.30%	0.00%	#VALUE!
3	Textiles, apparel, shoes	30'617'811	29'586'881	-3.37%	2.52%	99'448'763	68'785'280	-30.83%	1.45%	39'198'399
4	Paper, paper products, printed matter	1'363'706	1'989'850	45.91%	0.17%	13'697'359	11'020'135	-19.55%	0.23%	9'030'285
5	Leather, rubber, plastics	5'033'599	5'301'272	5.32%	0.45%	43'762'772	47'876'270	9.40%	1.01%	42'574'998
6	Chemicals, pharmaceuticals	5'367'732	4'990'366	-7.03%	0.42%	275'240'417	409'001'573	48.60%	8.63%	404'011'207
7	Construction materials, ceramics, glass	1'645'047	1'718'964	4.49%	0.15%	13'228'307	13'834'440	4.58%	0.29%	12'115'476
8	Metals and metal products	7'424'546	9'359'935	26.07%	0.80%	31'676'628	38'927'617	22.89%	0.82%	29'567'682
9	Machinery, apparatus, electronics	86'843'917	90'003'596	3.64%	7.65%	209'146'832	289'476'820	38.41%	6.11%	199'473'224
10	Vehicles	3634985	2286880	-37.09%	0.19%	1'710'431	837'414	-51.04%	0.02%	-1'449'466
11	Precision instruments, watches, jewellery	426'318'156	621'004'098	45.67%	52.80%	1'883'142'702	2'710'112'731	43.91%	57.16%	2'089'108'633
12	Furniture, toys	4'934'435	8'100'498	64.16%	0.69%	21'031'059	14'731'074	-29.96%	0.31%	6'630'576
13	Precious metal, precious stones, gemstones	219'288'212	377'207'290	72.01%	32.07%	1'478'967'785	1'040'208'452	-29.67%	21.94%	663'001'162
14	Objects of art and antiques	13'964'421	23'802'214	70.45%	2.02%	11'847'442	23'220'620	96.00%	0.49%	-581'594
	Total	806'952'930	1'176'206'494	45.76%	100%	4'122'174'720	4'741'573'393	15.03%	100%	3'565'366'899

Bilateral trade Switzerland - P.R. China incl. Hongkong, Jan. - Sept. 2009/2010										
	Class of goods	Import in CHF			Δ	Export in CHF			Δ	Trade balance
		Jan. - Sept. 2009	Jan. - Sept. 2010	in %		Jan. - Sept. 2009	Jan. - Sept. 2010	in %		
	Total	4'613'809'007	5'734'617'783	24.29%		8'105'506'645	9'933'181'333	22.55%		4'198'563'550

Source: Federal Customs Administration

China: Foreign Direct Investment

Rank	Country/ Region	FDI (mio. USD) 2009	Share (%) 2009	Variation (%) year on year	Rank	Country/ Region	FDI (mio. USD) Jan. to September 2010	Share (%) Jan. to June 2009	Variation (%) year on year
1	Hong Kong	46'075	51.18%	12.27%	1	Hong Kong	41'427	55.73%	34.80%
2	Virgin Islands	11'299	12.55%	-29.18%	2	Virgin Islands	7'668	10.31%	-8.12%
3	Japan	4'105	4.56%	12.40%	3	Singapore	3'754	5.05%	48.73%
4	Singapore	3'605	4.00%	-18.71%	4	Japan	2'913	3.92%	-9.67%
5	South Korea	2'700	3.00%	-13.88%	5	USA	2'083	2.80%	10.86%
6	Cayman Islands	2'582	2.87%	-17.90%	6	South Korea	1'954	2.63%	-1.21%
7	USA	2'555	2.84%	-13.21%	7	Cayman Islands	1'833	2.47%	-7.94%
8	West Samoa	2'020	2.24%	-20.75%	8	Taiwan	1'784	2.40%	37.97%
9	Taiwan	1'881	2.09%	-0.95%	9	West Samoa	1'377	1.85%	-22.81%
10	Germany	1'217	1.35%	35.22%	10	Netherlands	817	1.10%	39.42%
	Switzerland	300.0	0.33%	23.66%		Switzerland	177.4	0.23%	-20.49%
	Total	90'033		-2.60%		Total	74'340		16.58%

Source: Ministry of Commerce

Organs of 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/n8669073/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 (BCCC)	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.camerailacina.com
European Union Chamber of Commerce in China (EUCCC)	www.euccc.com.cn
French Chamber of Commerce and Industry in China (CCIFC)	www.ccifc.org
German Chamber of Commerce in China (GCCC)	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/reprs/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/countrv/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