

China: Biannual economic report – December 2011

1. Appreciation of the economic problems and issues

Late fall 2011 has seen **growing concerns about the risk of a hard landing in China**, probably stirred by the news of **declining housing prices** in a growing number of cities, the **default of many small- and medium-sized enterprises** and financial difficulties experienced by local government funding platforms. Although similar problems have led to the collapse of economic activity in other countries and the **recent developments uncover serious vulnerabilities of the Chinese economy**, it seems premature to draw an imminent hard landing scenario for the Chinese economy¹. Even though the **Chinese economy shows symptoms of a cooling down**, growth figures still remain on a high level.

With **inflation** climbing to record levels in spite of GDP growth gradually declining, economic indicators were giving mixed signals until they began to speak a clearer language in fall 2011: **Real GDP growth continued to follow a trend of moderation throughout 2011**, gradually declining from 9.8% in the fourth quarter 2010 down to 9.1% in the third quarter of 2011. **China's export sector felt the effects of a deteriorating economic outlook in the US and in particular the EU where expansion fell from 22.3% in August to 7.5% in October**. Although the decline of export growth to the US and the EU was buoyed to some extent by a continued strong rise in sales to emerging markets, in particular to South-East-Asian Countries, the overall the year-on-year growth of Chinese merchandise exports gradually declined from 24.5% in August to 13.8% in November.²

Retail sales growth also cooled slightly from 17.8% in September to 17.2% in October. Moreover, there are fears that sales of household appliances and consumer electronics goods could be hit in the coming months as a subsidy scheme, which subsidizes rural purchases of many appliances, will reach its conclusion within the coming months in several provinces.

In the wake of these developments, the **official Purchasing-Managers-Index³ fell to 49% in November - the lowest since the financial crisis in February 2009⁴** and below the 50% mark that separates expansion from contraction - causing several economists to correct their GDP growth estimates for the next quarters downwards⁵.

Fixed-asset investment in urban areas continued to grow at a fast pace in the first nine months of 2011, that is up by 24.9% year on year. However, iron ore prices tumbled by nearly 36% from Mid-September to the end of October, indicating **deteriorating prospects from the construction sector**, whose demand for steel drives iron ore prices.⁶

At the beginning of **December 2011 the PBoC⁷, China's central bank, for the first time acknowledged that the country's housing prices have reached a turning point, citing a decline in property investment, land transaction volumes and prices**. It remains doubtful whether the government's investment in public-housing projects can realistically compensate for the investment slack. Considering that a government funded stimulus to the real-estate sector could again reinflate the real-estate bubble the government has been trying to deflate over nearly two years⁸, the latter does not yet seem minded to relax restrictions on housing sales. However, **calls from local**

¹ The Wall Street Journal Asia: "Reading the China Risk"; October 11th, 2011

² <http://www.tradingeconomics.com/china/exports> (retrieved on December 13th, 2011)

³ **The Purchasing-Managers-Index (PMI)** is a composite index of five "sub-indicators", which are extracted through surveys to purchasing managers from around the country, chosen for their geographic and industry diversification benefits. The five weighted sub-indexes are: Production level; New orders (from customers); Supplier deliveries (are they coming faster or slower?); Inventories; Employment level. A PMI reading of 50 would indicate an equal number of respondents reporting "better conditions" and "worse conditions". PMI is a sentiment reading, not only for manufacturing, but also the economy as a whole and is closely watched, setting the tone for the upcoming month and other indicator releases. A PMI of 50 or higher generally indicates that the industry is expanding. If manufacturing is expanding, the general economy should be doing likewise. As such, it is considered a good indicator of future GDP levels. Many economists will adjust their GDP estimates after reading the PMI report.

⁴ Financial Times Asia: "China PMI falls unexpectedly in October"; November 1st, 2011

⁵ The Wall Street Journal Asia: "China Works to Avoid a Crash Landing"; December 6th, 2011

⁶ Economist Intelligence Unit Country Report China; December 2011

⁷ China's central bank, the People's Bank of China (PBoC), should not be confused with the Bank of China (BOC), which is a commercial bank.

⁸ The Wall Street Journal Asia: "China Works to Avoid a Crash Landing"; December 6th, 2011

governments for measures restraining the property market to be rolled back are likely to follow, as this sector is vital to local authorities' revenues. The fiscal woes of the regional governments have mounted in recent months as land auctions have delivered disappointingly low bids amid growing trouble in China's real estate market. **In October, normally a peak month for home buying, real estate transactions plunged 25% month on month.**⁹ The level of distress felt by local governments – and more particularly their roughly 10'000 investment companies nationwide - is clear from the fact they have begun to sell off prized corporate assets at an unprecedented rate.¹⁰

In this respect, the **cooling of inflation may provide some welcome relief for businesses and households and reopen the question of whether government policy can now again be relaxed to prioritize economic growth over inflation fighting: On December 5th, 2011, the PBoC lowered the reserve requirement ratio (RRR) for commercial banks by 50 basis points¹¹ for the first time in three years in order to replenish liquidity in the country's banking system¹²,** although inflation still remains on a level clearly over the government's goal of 4 percent.¹³ Furthermore, inflation is spreading across the supply chain as costs rise for raw materials, rent, utility bills and labor, while the RMB keeps hitting new highs against the US dollar. The relentlessly surging input costs will continue to present inflationary threat and force manufacturers to relocate their production to cheaper countries in South-East-Asia such as Vietnam or Cambodia.¹⁴

Furthermore, China's domestic **energy supplies remain tight and will continue to create a long-term upward pressure on production costs.** The State Electricity Regulatory Commission issued a warning in October that power shortages were expected in winter 2011/2012 due to falling hydropower output and rising coal prices, putting pressure on power-generating firms and causing many electricity plants to operate at a loss. Facing the challenge of simultaneously taming inflation and preventing widespread power shortages, which could complicate China's efforts to foster economic growth, the central authorities have long refrained from passing the energy price increases on to the population until the **easing concerns about inflation may eventually have paved the way for the government to bite the bullet in raising electricity tariffs:** At the end of November, China's National Development and Reform Commission (NDRC) raised the national retail electricity prices for nonresidential users and increased the on-grid tariff paid to power producers, in effect the wholesale price for power in China, for the first time in more than two years.¹⁵

China's efforts to secure its energy supply is also being noticed on an international level: In 2010 China signed an agreement with Venezuela's president Hugo Chávez for 20 billion USD loan in exchange for another 200'000 barrels a day through 2021 on top of already existing agreements. Half that loan is in dollars and the other half is in RMB to pay for Chinese goods and services. Although China appears to be paying roughly market prices for the oil, the Chinese loans are a continuing source of controversy in Venezuela, where little has been known about the terms and the loan money is allegedly administered separately from the national treasury and only requires the approval of the national Executive¹⁶.

Amid growing inflationary concerns, the government altered its **monetary policy** stance from "appropriately loose" to "prudent" in December 2010. The People's Bank of China has since then raised interest rates several times, the last time in July 2011, when it lifted the benchmark one-year lending rate from 6.31% to 6.56%. However, the government's ability to control credit growth through the state-owned banking sector means that quantitative controls on monetary and credit expansion are currently more important in policy terms than interest rates. **The use of such means of controlling bank lending is not ideal, as it tends to penalize small and medium sized firms in the private sector that lack political connections. It is also looking increasingly ineffective as banks sidestep restrictions¹⁷,** which is a major source for concern because of the explosion in credit extended by non-bank financial institutions outside the official channels - the so called shadow banking market. China has a long history of shadow market financing flowing from small, informal and unregulated groups, to all sectors not well covered by banks. A number of formally incorporated entities, including trust companies as well as leasing and guarantee companies, have also emerged, with the scope to provide alternate financing. The increase in this shadow banking has increased

⁹ Financial Times Asia: "China's inflation victory comes with high price"; November 9th, 2011

¹⁰ Financial Times Asia: "Cracks in Beijing's financial edifice"; October 9th, 2011

¹¹ *The cut of Dec. 5th, 2011, drops the RRR to 21 percent for large commercial banks and 17.5 percent for mid- and small-sized banks. An estimated 396 billion RMB (62.38 billion USD) in capital will be released into the market.*

¹² Xinhua News: "China to lower RRR for first time in three years", November 30th, 2011

¹³ China Economic Work Conference 2010: http://www.china.org.cn/business/2010-12/10/content_21516462.htm

¹⁴ South China Morning Post: "China's manufacturing exodus"; October 17th, 2011

¹⁵ The Wall Street Journal: "China to Increase Power Prices"; December 1st, 2011

¹⁶ The Wall Street Journal Asia: "China-Oil Deal Gives Chávez a Leg Up ."; November 9th, 2011

¹⁷ Economist Intelligence Unit Country Report China; December 2011

dramatically over the last few years. The PBOC estimates the size of shadow lending at over 20% of total outstanding loans in China, while other estimates reach far beyond that. Whichever figure is right, the sums involved are undisputedly too big to ignore. **Shadow banking challenges the government's tight control of credit and interest rates – two of the main policy levers it uses to manage the economy and concerns about systemic risk associated with this massive build up of debts.** The IMF concluded that while China's financial system is robust overall, it faces a steady build-up in vulnerabilities: deterioration in loan quality due to rapid credit expansion; the rapid growth of shadow banks and off-balance sheet exposures; a downturn in real estate prices; and the uncertainties of the global economies.

Financing in China has historically been controlled by the state-owned banks, with the government using its control to regulate the country's pace of economic growth, directing it to pump out credit when required and restrict volume of new loans to prevent overheating. In a rapid and effective response to the global financial crisis in 2009, China's main banks were directed to lend vast sums of money to fund major state-owned enterprises (SOEs) - generally without any real concern for potential credit risk.

Although the government is seeking to control inflation through the use of tough lending quotas and limiting loans to **SOEs, the SMEs have had more difficulties in obtaining bank loans**, even in 2009 when the government unleashed its stimulus package, leaving them little choice but to source private loans and finance in the shadow banking market. **With SMEs accounting for about 60% of China's GDP and 80% of the country's jobs, the extent of the practice is far reaching. Shadow loans' interest rates often range from 14% to 70% or more. With the market slowing, there has been a raft of bankruptcies, leading recently to significant social disturbances in several cities, namely in Wenzhou.** For the city, also known as China's entrepreneurial capital or cradle of the country's capitalist resurgence, the year 2011 may enter into history as *annus horribilis* as it attracted public attention that reached beyond the country's borders for several reasons: Firstly, Wenzhou's name is associated with fatal high-speed-train accident of July 23rd, which occurred near the city, killing 40 people and leaving more than 200 injured. The crash revealed that China may have cut corners in its haste to build the world's biggest bullet train system and evoked in widespread anger in the population over the authorities' manner to deal with the failure of the country's flagship of national pride. The government responded with a suspension of all new high-speed railway construction projects for safety review, leaving workers without pay, battalions of heavy machinery sitting idle and setting back plans for bullet trains that were meant to carry the nation's future.¹⁸

The second reason that lead Wenzhou gain negative publicity were some **80 businessmen and factory owners who between April and November had disappeared, committed suicide or declared bankruptcy in order to avoid repaying debts to informal lenders:**¹⁹ Wenzhou's 400'000 businesses are facing financial hardship because of rising costs, soaring black market interest rates and a sudden credit squeeze. Wenzhou, whose private enterprises range from shoemakers in dusty road-side homes to manufacturing plants in new industrial parks, produces 90% of China's eyeglasses and exported lighters. **It was the first city to widely embrace private enterprise in the early 1980s under the economic reforms of then leader Deng Xiaoping, developing the most advanced private lending networks in the country.** Businesses in Wenzhou used family and hometown networks because bank loans were hard to come by. The local government helped foster that by taking a lenient approach to private lending. A previous credit squeeze in Wenzhou 25 years ago affected 200'000 lenders, resulting in 523 kidnappings and more than 30 deaths. The residents turned money lending into a cottage industry and built a lattice of interlocked credit, often borrowing from banks and other private lenders to arbitrage interest rates.²⁰ Wenzhou's events sounded an urgent alarm for China's central government to take swift action since it had to acknowledge that some SMEs have encountered difficulties due to heavy tax burdens and inability to access financing. A visit by the Premier Wen Jiabao triggered a raft of initiatives to help private businesses. Although it is reported that the situation has now improved and some businessmen have returned, **some see Wenzhou as symptomatic of country's broader problems, such as an over-reliance on investment to grow the economy that steers money toward state-owned companies.**

Recent tax cuts for small businesses have aimed to relieve pressure on entrepreneurs squeezed between tight credit at home and fading demand abroad. Banking regulators have also promised greater forbearance on nonperforming loans to smaller companies.²¹ However, **shadow banking by itself is not being identified as the main problem and state officials have upheld the legitimacy of private lending as an integral source of capital for SMEs as it performs a vital role in promoting an efficient allocation of capital in the market.** The current day problems rather arise

¹⁸ Financial Times Asia: "China's high-speed rail plans falter"; October 27th, 2011

¹⁹ Bloomberg News: "China's Wenzhou Sets Up 1 Billion Yuan Emergency Fund for Firms"; November 3rd, 2011

²⁰ Bloomberg News: "China Credit Squeeze Prompts Suicides", November 6th, 2011

²¹ The Wall Street Journal Asia: "Beijing Appears Set to Ease Lending Limits"; November 10th, 2011

primarily from the **rapid expansion of the shadow banking system and the fact that it is only lightly regulated**. Beijing has announced plans to establish a monitoring system for private lending and has cracked down on banks by requiring them to include in their reserve requirement ratio letters of credit and deposits for bank acceptance bills. Despite the lack of monitoring, there are rules in place, as there is an existing regulation that the interest rate of private lenders cannot exceed 4 times that of the banks, although the enforcement of these rules remain less clear. According to the IMF's Financial Stability Assessment, regulatory policies applying to shadow banking and their interconnections need to be clarified and made transparent. Moreover, a more structured oversight, regulatory, and supervisory approach is needed to prevent and to manage systemic risks via cross-market products and institutional structures.²²

As a sign that China is pushing its financial regulatory reform agenda is that **the heads of the three key financial regulatory bodies**, China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission (CSRC) and China Insurance Regulatory Commission (CIRC) **were quietly reshuffled**²³ within a series of appointments announced in October ahead of the major changes in the CCP leadership expected in 2012. Although the personnel changes are not expected to lead to any sharp reversals in policy, all of the appointees are known in the market for their reform approaches. However, the regulator's ability to push change forward is often limited by other national priorities.

Notwithstanding the fact that the Chinese leadership appears to adequately identify its challenges and usually responds with efficient solutions, **Beijing is now more limited in its maneuverability than in 2009, when the government's spending pulled out the Chinese economy out of a economic downturn**, since inflation is lurking around the corner and the excessive infrastructure investments of the previous stimulus package left local governments loaded with debts and banks exposed to the risk of bad loans and potential future losses caused by excess liquidity. **This means that if Beijing wishes to launch another stimulus package, it may find itself unable to engineer a repeat of the swift and resolute response it mustered in 2009**. Of course, it still has some weapons in its armory. It could issue government bonds or launch a bail-out of banks and local government investment companies, possibly using some of its large foreign exchange reserves. But such methods would be unlikely to generate the type of immediate growth seen in 2009.

Furthermore, **China's disputably undervalued currency remains to be an issue**: Although the gradual expected reduction of China's trade surplus as share of GDP as well as the high inflation (compared to OECD countries) and the decline of the euro brought some relief, intense pressure from China's trading partners, most notably the US, persist. Based on estimates that on a trade weighted basis, the RMB is undervalued by 25% vis à vis the US dollar²⁴, **the US Senate already passed a legislation in October, threatening to penalize China over its currency policies. China's currency policies have become a central issue in the US presidential election and Beijing factors US presidential politics** into its currency calculation. However, it has its own domestic worries to consider as well. Currency trading within China is limited to a band controlled by the PBoC. The bank sets the daily rate for the RMB against the US dollar and the currency is permitted to trade no more than 0.5% above or below that rate. Until recently most investors viewed the RMB as a safe bet to rise in value. As a matter of fact, the currency often traded close to the daily rate set by the central bank, which appreciated gradually by about 0.5% per month since 2010, when China announced it would let the RMB float somewhat against the dollar. However, since November 1st, 2011, only steady RMB purchases by the PBoC have kept the value of the currency stable against the dollar, rather than falling. **The reversal in market sentiment seems to reflect worries about China's ability to continue its rapid growth in the face of the not so shiny economic prospects of its two main trading partners - the US and the EU**. It also follows the offshore market in Hong Kong, a derivatives market closely followed by currency traders and which has been implying a depreciation of the RMB in a year's time since late September 2011. There are also scenarios stating that China could freeze the value of the RMB against the dollar, as it did in July 2008, before the global economy plunged into recession.

The recent uncertainty about the RMB suggests that the market is no longer a straight-line bet and companies are starting to use options in order to manage their RMB exposure. These fluctuations of the RMB's value created new necessities for market participants: As another step towards the liberalizing of its foreign-exchange market, China loosened the rules on RMB options on December 1st, 2011 - offering banks and businesses more ways to hedge currency risks, which have grown in recent months with the increasing volatility in the RMB's value. The new rules could be a

²² China Briefing: "Shadow Banking Poses Hidden Risks to China's Financial Sector"; December 1st, 2011

²³ Guo Shuqing, the former China Construction Bank Chairman, is the new Chairman of CSRC, replacing Shang Fulin who in turn has become the Chairman of CBRC and Xiang Junbo, the Agricultural Bank of China's former Chairman, is the new head of CIRC.

²⁴ Congressional Research Service: "China's Currency: An Analysis of the Economic Issues"; August 3rd, 2011

stimulus for the nascent yuan-options market in Shanghai, virtually dormant since its launch in April. They allow investors to buy and sell options simultaneously, while previously investors could buy options only from banks and selling them only to exit the position established by their earlier option purchase.²⁵

Also China has sold Rmb20billion (3.1 billion USD) of sovereign bonds in Hong Kong, the biggest ever offshore RMB bond issuance, meeting with huge demand from investors hungry for assets in the Chinese currency. The Chinese finance ministry issued 15 billion RMB in bonds to institutional investors, with the remaining 5 billion RMB directed at retail investors. RMB deposits have soared in Hong Kong since the middle of 2010 when Beijing greatly widened the scope for the settlement of cross-border trade in the Chinese currency and also allowed banks in Hong Kong to develop RMB products. While deposits have more than quintupled to 550 billion RMB over the past year, RMB assets have not kept pace. Despite that investors are largely prevented from bringing the currency back into China, where investment opportunities would be plentiful, companies, fund managers and banks are still eager to get their hands on the Chinese currency, betting on a sustained appreciation, although demand has slowed down a little bit in the wake of the previously mentioned developments related to the rising volatility of the RMB. Nevertheless, issuers of renminbi-denominated bonds in Hong Kong, known as “dim sum” bonds, have been able to secure rates that some investors say do not fairly price in risks. Part of the attraction of the Chinese finance ministry’s bonds was that they are seen as high-quality sovereign debt. Several Asian central banks and the Government of Singapore Investment Corporation, one of the world’s biggest sovereign wealth funds, were among the bidders.

Although the mentioned **events underpin China’s vow to proceed with the internationalization of the RMB** - which is also considered an essential prerequisite for the goal to develop Shanghai into a global financial center as well as obtaining special drawing rights in the IMF²⁶ - this is likely to happen with caution and gradualism - characteristic of the Chinese economic reforms of the past three decades. With Hong Kong already a leading global financial centre, closely monitored by Beijing but administered separately, it has provided an ideal laboratory for the RMB’s introduction to global markets²⁷. However, already now, China has become increasingly exposed to global markets, largely through stock listings of its state-owned enterprises and other companies, but more recently also through its currency and bonds traded in Hong Kong as mentioned before. On one side this allows China to grow teeth and take a more assertive stance when it comes to protect its interests on a global stage. On the other side, seeking international exposure in exchange for economic and political seclusion creates vulnerabilities and adds complexity to the challenge for the Chinese to steer the country through its economic transition.

With some of its large foreign exchange reserves, **China may well be a natural contributor to the euro zone's bailout fund, being able to provide the magnitudes of relief that Europe desperately needs**. An incentive to do this may be a desire to prevent the crisis from leading to a recession in Europe - China's biggest export market. Moreover, if the euro zone crisis were to spread globally - just as the US mortgage crisis did in 2008 - not only could it damage China's other trade partners, but also China itself. Beijing recently had to intervene to shore up its own banks, which many investors fear are riddled with bad debts. Another global financial crisis could leave those banks in even worse shape. China has long shown interest to invest in Europe, however, China has made it clear that it would only want to make sound investments, so it would require guarantees.²⁸ **From China’s perspective, the possible advantage would be to exert power to obtain direct and concrete benefits. For example, it could ask for market economy status in Europe, which would reduce the scope for protectionist action against Chinese goods entering the European market. It could also seek to buy companies in distressed countries on advantageous terms which however, may expose China to the charge of becoming enmeshed in European politics. Moreover, this may domestically expose the government to criticism of privileging foreign investment at the expense of investing in what is still a poor country with great development needs and challenges**. China could also opt for helping Europe by strengthening the IMF, which may offer the advantage of circumventing the afore mentioned political risks and offer the possibility to ask for a greater say in the IMF alongside the US and Europe in exchange for the resources it would be providing²⁹. Whichever option China may chose, the fact that the EU may need Chinese investment more than vice versa, the EU finds itself in a disadvantageous position when criticizing China for the unequal openness of the two economies. In September the European Union’s trade chief, Karel de Gucht, warned that China’s refusal to open its economy to foreign investment could backfire by

²⁵ The Wall Street Journal Asia: „China Eases Yuan-Option Rules“; November 11th, 2011

²⁶ BBC Business News: “G20 considers wider role for China's yuan”; March 31th, 2011

²⁷ Financial Times Asia: „China issues \$3.1bn of bonds in Hong Kong“; August 17th, 2011

²⁸ BBC Business News: “What would Chinese cash for eurozone bailout fund mean?”; October 28th, 2011

²⁹ International Herald Tribune: “Why China Should Bail Out Europe“; October 27th, 2011

encouraging European politicians to curb Chinese investments on the continent. De Gucht's criticized in particular that European companies continued to be excluded from Chinese government contracts as well as low-interest rate loans and cheap land provided to Chinese SOEs³⁰.

Even if increasing efforts are being taken around the globe to attract **Chinese investment**, the latter **often remains controversial** for its strings attached as well as to the diffuse dividing line between the Chinese government and private investors. Therefore, Chinese outbound foreign investment has repeatedly met with criticism and fell on resistance by other governments or the local population. However, since China seeks ways to pave the way for its maturing companies on the global markets and in particular relies on imports of raw materials to maintain its economic growth, China may have reached a turning point, at which it may start to gradually look at the world through the glasses of a foreign investor, although at present still being a destination of FDI in the first place. Aiming at maintaining its credibility among both, developing and developed countries, this could pose challenges to China in terms of its own dealing with FDI at home, but also in view of potential new conflicts and tensions that may arise when asserting its interests abroad. To name an example, distress has recently emerged with neighboring Myanmar, when China urged the latter to protect the rights of Chinese companies after Myanmar's president, Thein Sein, ordered the **suspension of construction of a contested hydroelectric dam backed by Beijing. The 3.6 billion USD Myitsone dam project**, as it has faced deep opposition from Myanmar's population. Tensions have flared up among Myanmar's citizens who believe their government is selling off the country's natural resources to Chinese buyers without protecting the environment or local workers. China has expressed its own concerns over the relationship between the two countries in recent years, chastising Myanmar for failing to rein in armed insurgent groups along the country's borders, where China has sizable resource investments. The move underscored political tension between the strategic neighbors and growing opposition faced by China's dam builders who have embarked on ambitious international expansion plans in Southeast Asia, Africa and elsewhere but are facing local and international opposition over environmental worries. Companies such as *China Power Investment Corp.* and *Sinohydro Group Ltd.* are among the world's large dam builders, and the projects have become a key part of Chinese efforts to build diplomatic favor in the developing world. Environmental activists, however, say many Chinese state-backed projects lack transparent environmental and financial information³¹.

2. International and regional economic agreements

2.1 Country's policy and priorities

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

China celebrated its ten years accession to the WTO this year, the only international system in which China has ceded its sovereignty. China's membership increased the universality of the organization and since its accession, 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 related to market access remain, but they are now focused on China's laws, policies, and practices that deviate from 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.**³² Indeed, SOEs enjoy more preferential treatment with low interest rates. A revised and improved offer on China's GPA³³ accession is to be reviewed on December 15-17th this year at the WTO's ministerial meeting. According to ICTSD³⁴, the offer mainly outlines China's proposal for which Chinese government agencies would be covered under the agreement and what thresholds would apply. It is estimated that the **overall public procurement market in China**, including central, sub-central and other government entities, amount to approximately **RMB 7 trillion, representing 20% of China's GDP.**³⁵ China's accession will yield market access gains in the range of 113 to 289 billion USD.³⁶

³⁰ The Financial Times Asia: "Beijing warned on foreign investment"; September 20th, 2011

³¹ The Wall Street Journal Asia: "Myanmar, China Face Off Over Halted Dam Project"; October 3rd, 2011

³² Economist Intelligence Unit, China Hand, February 2008.

³³ Government Procurement Agreement is a legally binding and plurilateral agreement in the WTO established to eliminate discriminative laws and practices against foreign supplies and suppliers including a variety of goods ranging from commodities to high-tech equipments and services in government procurement among WTO member countries.

³⁴ International Centre for Trade and Sustainable Development, available at <http://ictsd.org/>

³⁵ European Union Chamber of Commerce in China (2011) - "Public Procurement Study: European Business Experiences Competing for Public Contracts in China," available at <http://www.europeanchamber.com.cn/view/media/publications/#ppstudy> .

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 and many countries expect China to take more leadership, even though been criticized for not engaging hard enough to find a compromise on Doha.³⁷ China supports most emerging and developing countries in pressing the US and the EU to open their agricultural sectors. The WTO has not been able to prevent new trade measures against China. Penalties and enforcement are still relatively weak despite the changes to dispute settlement achieved in Uruguay.

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 agreements as a useful tool to pursue the country's strategic interest.

Since the signing of the Framework Agreement on Comprehensive Economic Cooperation with the original 10 member countries of ASEAN in 2002, China has signed 9 FTA Agreements with 17 countries and regions and established a FTA network covering three continents, 31 economies and a population of 2.18 billion. This network for free trade, with a GDP of 7.44 trillion USD accounted for 19.3% of China's foreign trade, 56.3% of overseas investment and 56.4% of foreign investment.³⁸ The global FTA trend involves almost all WTO members and half of the trade in goods takes place in FTAs.

2.1.2. China-ASEAN Free Trade Agreement (CAFTA)

With a population of 1.9 billion people and a combined GDP of 6 trillion USD, CAFTA ranks as the world's largest free-trade area by population. In terms of economic value, this is the third-largest regional agreement, following the EU and the NAFTA (North-American Free Trade Agreement).

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 members³⁹ and will be expanded in 2015 by including the newer and less developed ASEAN members.⁴⁰ 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.⁴¹

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.⁴²

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 2010, the Chiang Mai Initiative Multilateralization Agreement between the ASEAN+3 members and Hong Kong came into effect. The multilateral currency swap totalling 120 billion USD shall address balance of payment and short-term liquidity difficulties in the region by supplementing the existing international financial arrangements.⁴³

China does not really appreciate the expansion of other powerful countries into the region, such as the participation of the US and Russia at the **East Asia Summit (EAS)**. Japan and ASEAN try to neutralise China's influence in including other powerful countries. Therefore, as a consequence of

³⁶ WTO Economic Research and Statistics Division, "Assessing the Value of Future Accessions to the WTO Agreements on GPA: Some New Data Sources, Provisional Estimates, and an Evaluative Framework for Individual WTO Members Considering Accession", R. D. Anderson, P. Pelletier, Kodjo Osei-Lah, A. Caroline-Müller, 6 October 2011.

³⁷ Centre for International Governance Innovation, "Can the WTO Help China With Its Future Trade Policy Challenges?", John Walley, 11 April 2011, available at <http://www.cigionline.org/publications/2011/4/can-wto-help-china-its-future-trade-policy-challenges>.

³⁸ China FTA Network: "Vice Minister Yi Xiaozhun's Speech in China-New Zealand FTA Workshop", 29 July 2010

³⁹ Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand

⁴⁰ Cambodia, Laos, Myanmar, Vietnam

⁴¹ Global Times: "China-ASEAN ink investment agreement", 17 August 2009.

⁴² L.A. Times: "Blaming China: Indonesian garment makers say free trade pact leaves them on brink of collapse", 26 April 2010.

⁴³ Bank of Japan, Joint Press Release: "Chiang Mai Initiative Multilateralization (CMIM) comes into effect", 24 March 2010.

China's dominance in the **ASEAN+3** and on Japan's initiative, **ASEAN+6** (or EAS: Japan, South-Korea, China, India, Australia and New-Zealand) has been created, which has been expanded to **ASEAN+8** in 2010 thanks to ASEAN's ambitious endeavours, including the US and Russia. Japan thus favours the reinforcement of the **Comprehensive Economic Partnership for East Asia (CEPEA: ASEAN+6)**, whereas China privileges the **East Asia Free Trade Area (ASEAN+3)**.⁴⁴ ASEAN's challenge consists now in maintaining together with the big powers a common ASEAN-agenda.

The newly established **China-ASEAN Interbank Association** in October 2010 promises to further boost exchanges of financial institutions and enterprises to improve cooperation.⁴⁵ Provinces such as Hainan, for instance, benefit from the FTA, generating 1.43 billion USD in trade with ASEAN members in 2010, representing an increase of 31% on the previous year with Malaysia investing 378 million USD, Indonesia 12.94 million USD and Singapore 45.04 million USD in contracted foreign capital.⁴⁶

On January 1st 2010, the six richest ASEAN members eliminated remaining tariffs and barriers to investment on 90% of the products. Nevertheless, the poorest ASEAN members, namely Vietnam, Cambodia, Laos and Myanmar, will not have to cut tariffs and barriers to the same level until 2015. Furthermore, many firms in South-East Asia fear Chinese competition, in particular Indonesia. It is however quite common to exaggerate China's impact on ASEAN where trade is in fact highly diversified. In 2009, ASEAN traded more with both Japan and the EU than it did with China. South Korea, Australia and India are also important. In addition, ASEAN's deficit (by its own figures) with China is matched by a surplus with America.⁴⁷

On November 18th, 2011, the 14th ASEAN-China Summit was held in Bali, Indonesia. At this occasion, Chinese Minister of Commerce CHEN Deming signed the Protocol on Enforcement of the Second Package of Specific Commitments under the Agreement of Trade in Services of the China-ASEAN Free Trade Area (CAFTA), intended to enter into force on January 1st, 2012. Compared with the first package, China made adjustments in commercial services, telecommunication, construction, distribution, finance, tourism and transportation. The Agreement on Trade in Services of CAFTA was signed in January 2007. The total value of bilateral trade in services has increased from 17.9 billion USD in 2007 to 26.8 billion USD in 2010. In the first half year of 2011, the total bilateral trade value reached 17.4 billion USD, up by 34.9% year on year.⁴⁸

2.1.3. Other Free Trade Agreements

While multilateral trade has been developing rapidly, China is in negotiation for several bilateral free trade agreements to be signed in the coming years.

2.1.3.1. Already signed Free Trade Agreements:

The **China-Costa Rica FTA** entered into force on August 1st, 2011 and is the 10th FTA China concluded. The negotiations were launched in January 2009, the agreement was signed on April 8th, 2010 in Beijing and the implementation followed in the second half of 2010 after both governments have concluded their respective approval procedures.

Tariffs are being gradually eliminated on over 90% of the products⁴⁹ traded between the two countries. The trade in services, based on the respective WTO commitments, covers 45 service sectors and sub-sectors of Costa Rica⁵⁰ while China covers seven sectors, including IT, real estate, market research, translation and interpretation and sports. The two countries also reached agreements on issues such as IPR, rules of origin, customs procedures, TBT (Technical Barriers to Trade) and SPS (Sanitary and Phytosanitary Measures), dispute settlement, trade remedies, as well as health and plant inspection

⁴⁴ Report "Arbeitstreffen von Botschafter Beat Nobs mit Dr. Suri Pitsuwan, Generalsekretär der ASEAN", Zürich, 21. Mai 2011, Political Affairs Division II, Asia-Pacific.

⁴⁵ China Daily: "China, ASEAN to seek financial cooperation", 25 May 2011

⁴⁶ China Daily: "ASEAN becomes Hainan's 2nd largest trade partner", 9 May 2011

⁴⁷ The Economist: "The China-ASEAN free-trade agreement; Ajar for business, More breadth than depth", Tokyo, 7 January 2010

⁴⁸ http://fta.mofcom.gov.cn/enarticle/enrelease/201111/8414_1.html

⁴⁹ For China, trade in goods covers products from textile and light industry, machinery, electronics, automobiles, chemicals, leather, vegetables and fruits. For Costa Rica, it covers coffee, beef, pork, pineapple juice, frozen orange juice, jam, fish powder, minerals and hides.

⁵⁰ Including telecommunication and commercial services, construction, real estate, distribution, education, environment, IT and tourism.

and quarantine. According to the Costa Rican Foreign Minister Rene Castro, Costa Rica just ratified a FTA with Singapore and is negotiating a free trade pact with South Korea.⁵¹

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.⁵²

China and **Peru** concluded negotiations for a free trade agreement in November 2008. The pact was signed on April 28th 2009 in the presence of Chinese Vice-President Xi Jinping and Peruvian Vice-President Luis Giampietri Rojas, 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.⁵³ China is Peru's second biggest commercial partner and its investment in Peru has exceeded the amount of 1.2 billion USD, the largest among Asian countries.⁵⁴

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. Flagship projects in bilateral cooperation, including Suzhou Industrial Park and Tianjin Eco-City, have seen remarkable achievements. Three changes arose from the CSFTA Amendment Protocol⁵⁵ signed on July 27th 2011, namely: 1) China will recognise Singapore companies' inventory management method for interchangeable finished products exported under preference; 2) China will recognise Singapore Custom's administrative practice of stamping "issued retrospectively" on the preferential certificate of origin three days after loading date and 3) ASEAN-China FTA Package 2 Services Commitments⁵⁶ is to be extended to Singapore ahead of ASEAN.

According to the Singapore's Ministry of Trade and Industry (MTI), China is currently Singapore's third largest trading partner and the largest investment destination.⁵⁷ Singapore enjoys numerous FTAs with Australia, New Zealand, India, Japan, Korea, ASEAN, Hashemite Kingdom of Jordan, Panama, Peru, EFTA, US, and the Trans-Pacific SEP (Brunei, New Zealand, Chile).

China and **Chile** signed a supplementary agreement on free trade in services in April 2008 which entered into force on August 1st, 2010. Both states 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.⁵⁸

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 and which has been jointly reviewed in November 2010, New Zealand will phase out all tariffs on imports from China (textiles, clothing and footwear) until 2016 and will make an annual duty saving of 115.5 million USD, based on current trade. 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. At present, China has become the 3rd largest trading partner, 4th largest export market and 2nd largest import source of New Zealand.

⁵¹ MOFCOM: China FTA Network: "Costa Rican FM hails FTA with China", 6 June 2010

⁵² Ministry of Commerce: <http://fta.MOFCOM.gov.cn>

⁵³ Ministry of Commerce: <http://fta.MOFCOM.gov.cn>

⁵⁴ Ministry of Commerce: http://fta.MOFCOM.gov.cn/enarticle/enperu/enperunews/201003/2235_1.html

⁵⁵ Available at http://www.fta.gov.sg/csfta/csfta_amendment_protocol_factsheet.pdf

⁵⁶ The ACFTA Services Agreement mandated that a second package of specific services commitments be concluded in order to progressively liberalise the service industries. ASEAN and China have agreed on this package and the relevant documents are slated to be signed in August 2011 and will enter into force in January 2012.

⁵⁷ China FTA Network: "Singapore, China hold 1st review of bilateral FTA", 17 April 2010.

⁵⁸ Ministry of Commerce: <http://fta.MOFCOM.gov.cn>

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**, came 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 firms from Hong Kong and Macau greater and easier access to the mainland market for certain service sectors.⁵⁹ 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.⁶⁰ The CEPA is a successful application of the "One Country, Two Systems" principle and is the first FTA to be fully implemented in the Chinese mainland.

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.⁶¹

On June 21st 2011, the Ministers of Economy of the four **EFTA** countries (Switzerland, Iceland, Liechtenstein and Norway) signed a comprehensive FTA with **Hong Kong** including trade in goods (industrial and agricultural), trade in services, investments, IPR and environment.

2.1.3.2. 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, as Australia insists on getting the same concessions China had offered to New Zealand. A 16th round of negotiations was held at the beginning of July 2011 followed by a 17th round in November this year. Unlike other countries, Australia is seeking a FTA including all sectors from agricultural tariffs and quotas, manufactured goods, services, temporary entry of people and foreign investment. The Australian manufacturing industry is raising concerns related to an influx of cheaper Chinese imports as a consequence of tariff elimination and unions are worried a FTA could cause more Australian unemployment.⁶² A Trade in Goods Chapter of the Agreement Establishing the **ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)** concluded on August 28th 2008 is being negotiated with its 2nd meeting held in November 2010 in Melbourne and the 3rd to be held shortly. The aim is to undertake a review of non-tariff measures (NTMs) affecting trade in goods among the Parties, with a view to considering the scope for additional means to enhance the facilitation of trade in goods.⁶³

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, trade in services, trade in goods, investment, rules of origin, plant hygienic standards, SPS/TBT, settlement of disputes, trade remedy, facilitation and IPR.⁶⁴ However, the negotiations have been suspended due to the Peace Nobel Prize incident.

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 six-nation (Saudi Arabia, UAE, Kuwait, Oman, Qatar and Bahrain) of the **Gulf Cooperation Council (GCC)** announced the launch of FTA negotiations. Until 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 rules of origin, technical barriers to trade, sanitary and phytosanitary measures, economic and technological cooperation are also launched.⁶⁵ Nevertheless, the Chinese insist on making the first phase of the proposed deal restricted to goods, thus excluding services.

China is also a signatory to the **Asia-Pacific Trade Agreement (APTA)**, along with Bangladesh, India, Lao, ROK and Sri Lanka. The Asia-Pacific Trade Agreement (APTA) is a preferential trade arrangement among developing countries formerly known as the Bangkok Agreement, signed in 1975

⁵⁹ Xinhua: "Chinese mainland market opened wider to HK businesses", 9 May 2009.

⁶⁰ South China Morning Post: "Cepa boosts six pillar industries", 28 May 2010.

⁶¹ "China signs zero-tariff trade deal with Senegal", Africa Economic Development Institute, Africa Trade Agreements, Xinhua, 18 October 2009. available at http://africaecon.org/index.php/trade_agr/view_trade_agreement/34/0/_/0 ;

⁶² The Age, Cathy Alexander: "China-Australia free trade talks resume", 24 February 2010.

⁶³ Australian Government: Department of Foreign Affairs and Trade: "Invitation for submissions on non-tariff measures", available at <http://www.dfat.gov.au/fta/aanzfta/Non-Tariff-Measures-submissions.html>

⁶⁴ Ministry of Commerce: <http://fta.MOFCOM.gov.cn>

⁶⁵ Ministry of Commerce: <http://fta.MOFCOM.gov.cn>

as an initiative of the UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific). Since September 1st, 2006, the outcome of the third round of tariff cut talks was successfully implemented by all APTA members. At present, the fourth round of negotiations is underway and it involves tariff concessions of trade in goods, trade in services, investment, trade facilitation, and non-tariff measures.

In June 2004, China and the **Southern Africa Customs Union (SACU)**⁶⁶ announced the launch of free trade negotiations. So far, no negotiations have taken place.

2.1.3.4. Free Trade Agreements under consideration

The trade ministers of **China, Japan and South Korea**, which together account for about 20 percent of global gross domestic product, agreed in May 2010 to complete a Joint Feasibility Study, of which the seventh and final joint study meeting will be held from December 14th to 16th, 2011, one year earlier than initially planned. During the meeting, the three nations will discuss a draft covering commodities trade and other issues such as services and investment.⁶⁷ According to the 6th trilateral business summit held in Changchun, Jilin Province, in August 2011, the negotiations will start next year.⁶⁸ At the summit, the three parties not only discussed free trade in energy, fishery and IPR but also called for the opening of logistics and service markets. This FTA will be the 3rd largest after the EU and the NAFTA. China, Japan and ROK are complementary trade partners, as China has advantages in agricultural products while ROK intends to export steel and automobile products among other. Trade among the three accounts for 11% of their total foreign trade volume, suggesting there is much potential for further development of trilateral trade.⁶⁹

The disruption caused to Japan's supply chain by the earthquake/tsunami earlier this year has seen many Japanese firms curb production. While the trade ministers from China and South Korea urged their Japanese counterpart to restore the supply chain as soon as possible, they stressed that increased trade between the three countries will play a vital role in Japan's recovery process.⁷⁰ However, China tries to protect its domestic industries by placing high tariffs on imports and was relatively reluctant at an initial stage. In South Korea, industrial voices object a FTA that includes Japan, as South Korea is on the losing side of a more than 2 trillion yen trade imbalance between the two countries. Japan, on the domestic front, will have to conduct agricultural reforms before it is able to join a FTA.⁷¹

China and **South Korea** concluded a nearly four-year Joint Feasibility Study on a possible FTA in May 2010. The bilateral trade reached 188.4 billion USD in 2010 and the trade volume is expected to top 300 billion USD by 2015. A FTA with China would help South Korea to expand its GDP by nearly 2.72%. Negotiations have not been launched yet and are planned to start next year. The KORUS (Republic of Korea-US) FTA signed in June 2007 has been approved by both respective governments only this year.

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.⁷²

India and China established in 2003 a Joint Study Group to examine the potential bilateral economic engagement. The related feasibility study on their proposed China-India Regional Trading Arrangement (RTA) on trade in goods, trade in services, bilateral investment, trade facilitation and economic cooperation has been completed in fall 2007. It now awaits the approval of the leadership of the two countries to commence FTA negotiations. However, India is running a trade deficit close to 22 billion USD with China due to a sharp increase in flow of goods from the neighbouring countries and Indian Ministry of Commerce officials say China has to first address this issue before starting the negotiations.⁷³ China is willing to start the talks but Indian industries as well as government are

⁶⁶ South Africa, Botswana, Namibia, Lesotho, Swaziland

⁶⁷ Yonhap News Agency, "Korea, China, Japan to hold final joint FTA study meeting", 8 December 2011, available at <http://english.yonhapnews.co.kr/business/2011/12/08/0503000000AEN20111208003600320.HTML> .

⁶⁸ China Daily, "Regional free trade tops the agenda, 29 November 2011, available at <http://www.chinaembassy.org.sg/eng/gdxw/t883001.htm>

⁶⁹ *Ibid.*

⁷⁰ BBC News: "China, Japan, South Korea seek trade pact", 25 April 2011.

⁷¹ Daily Yomuri Online: "East Asian giants move closer on FTA / Positive signs from China heighten prospects of trilateral pact with Japan, S. Korea", Koichi Uetake / Yomuri Shimbun, 24 May 2011.

⁷² People's Daily: "Free trade deal with Mongolia on the cards", 12 May 2010.

⁷³ The Wall Street Journal: "India-China FTA talks may stumble over trade deficit", Asit Ranjan Mishra, 15 December 2010.

opposed to a FTA with China because of the concern of cheap Chinese goods influx after the tariff barriers have been lowered.⁷⁴

It is difficult for China to join the **TPP (Trans-Pacific Partnership)**, a multilateral FTA between Brunei, Chile, New Zealand and Singapore, as well as five additional countries currently under negotiations to join, including Australia, Malaysia, Peru, US and Vietnam, due to specific terms such as IPR, government procurement and SOEs. Japan recently joined the negotiations, which could negatively impact China's exporters as they are in direct competition in the Asia-Pacific Region, including the US, with counterparts Japan and South Korea.⁷⁵ The latter, as well as Canada, the Philippines and Taiwan, have also expressed interest in the TPP.⁷⁶

During the first China-Eurasia Expo held in Urumqi, Xinjiang, in September 2011, Vice-Minister ZHONG Shan called for a FTA among **SCO (Shanghai Cooperation Organization)** founded in 2001 member nations (China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan with Mongolia, Pakistan, Iran and India as observer states).⁷⁷

2.1.4. 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. 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 an **Economic Cooperation Framework Agreement (ECFA)** started in 2010. Although the ECFA was highly controversial and widely discussed in Taiwan, the deal was signed on June 29th, 2010, 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 12th, 2010, 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.⁷⁸

In the short term, the most notable consequence of the ECFA is that over 500 goods from Taiwan to the mainland will have their tariffs eliminated while Taiwan drops the duties on 267 mainland goods. This will have several positive effects, including increasing business revenues, spurring growth in the nation's gross domestic product, and lowering the unemployment rate. Chinese mainland allows Taiwanese companies to enter 11 service sectors such as accounting, hospital, banking and securities, while Taiwan opens nine of its services sectors to mainland firms.⁷⁹ In the long term, ECFA redefines Taiwan's position in the Asia-Pacific region and dispels the fear that the economy of Taiwan is becoming marginalized.⁸⁰

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.⁸¹ An aggressive FTA strategy by South Korea, Taiwan's main trade competitor, has been causing concern in Taiwan which is looking at the effects that the South Korea- EU FTA has on Taiwan's economy after coming into effect on July 1st 2011. A trade treaty with the EU would thus also be one of Taiwan's priorities.⁸² Negotiations for the so-called **ASTEP (Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership)** have been launched between Singapore

⁷⁴ The Economic Times: "China-ASEAN FTA may hit trade balance: Scindia", 23 April 2010.

⁷⁵ Yonhap News Agency, "TPP may affect China's possible FTA with South Korea and Japan", 17 November 2011, available at <http://english.yonhapnews.co.kr/business/2011/11/17/76/0503000000AEN20111117005200320F.HTML>

⁷⁶ Office of the United States Trade Representative, "Trans-Pacific Partnership Announcement", December 2009.

⁷⁷ China Daily, "Regional free trade tops the agenda, 29 November 2011, available at <http://www.chinaembassy.org.sg/eng/gdxw/t883001.htm>

⁷⁸ Xinhua: "Landmark cross-Strait economic pact takes effect", 13 September 2010.

⁷⁹ Xinhua: "Mainland, Taiwan reduce import tariffs to implement", January 2nd, 2011.

⁸⁰ Taiwan Today: "The Challenges of ECFA", 2 July 2010.

⁸¹ ECFA's Regional Impact and the Taiwan-Singapore FTA Negotiations, Netina Tan, Postdoctoral Fellow, Asian Institute, Munk School of Global Affairs, University of Toronto, publishing date unknown.

⁸² Global Tax News, "Taiwan, Singapore Begin FTA Talks", Mary Swire, 27 May 2011, available at http://www.tax-news.com/news/Taiwan_Singapore_Begin_FTA_Talks____49584.html

and Taiwan in May 2011 with the ambition to conclude it within one year.⁸³ Taiwan is mainly focusing on the opening of Singapore's financial sector which has many restrictions on foreign financial service providers. Despite the fact that both economies are rather complementary than competitive, one of the obstacles might be agriculture since Singapore has virtually no agriculture sector. However, through the FTA with Singapore, Taiwan may be able to enter the ASEAN agricultural markets. Meanwhile, Taiwan will not benefit from tariff reductions as Singapore enjoys already zero tariffs on the importation of most industrial goods. Apart from Singapore, the Philippines and India have also taken steps towards initiating free trade negotiations with Taiwan.

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.

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 2010. The joint study group met three times between February and August and managed to conclude the study.⁸⁴ On the occasion of the visit of President Leuthard to China in August 2010, **a MoU was signed stating that the joint feasibility study was concluded and that both parties agreed to launch negotiations in the near future. The negotiations were officially launched on January 28th, 2011**, by Chinese Minister of Commerce Chen Deming and Swiss Economy Minister Johann Schneider-Amman at the margin of the WEF in Davos. The first round of negotiations was held on April 2011 in Bern, the second one followed in July 2011 in Xi'an, the third in Montreux in November 2011 and **the next round is scheduled for the first quarter of 2012 in China.** During the third round, expert level discussions continued and further exchanges of information on respective regulatory systems and FTA-practices took place with regard to the following areas: trade in goods, trade in services, rules of origin, customs procedures and trade facilitation, technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS), trade remedies, intellectual property rights, competition and dispute settlement. Heads of delegations and experts discussed investment promotion, cooperation on trade and sustainable development, and cooperation on government procurement. Follow-up work was agreed in all areas.

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 2010.⁸⁵

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**, and so far three Working Group meetings have been held aiming at strengthening the two countries' exchange of environmental technologies.

Foreign Trade

3.1 Development and General Outlook

3.1.1 Trade in goods⁸⁶

From January to October 2011, China's imports and exports registered 2975.4 billion USD with a year on year increase of 24.3% which shows to be 12% lower than that of the same period of last year. During this period, the exports amounted to 1549.7 billion USD, showing an increase of 22%. However, the growth rate slowed down by 10.7% compared to the same period of last year. Imports

⁸³ The China Post, "Taiwan, Singapore begin free trade agreement discussions, 23 May 2011, available at <http://www.chinapost.com.tw/taiwan/national/national-news/2011/05/23/303403/Taiwan-Singapore.htm>

⁸⁴ For the Joint Feasibility study, please refer to: <http://www.seco.admin.ch/themen/00513/02655/02731/04118/index.html?lang=de>

⁸⁵ For the agreement, please refer to: http://www.eda.admin.ch/eda/de/home/topics/intla/intrea/dbstv/data59/e_20092659.html

⁸⁶ Data mainly based on China's Custom Statistics, October 2011, see Appendix 3 and Mofcom: Regular Press Conference of the Ministry of Commerce on November 16, 2011

accounted for 1425.7 billion USD and grew by 26.9%, 13.7 % lower than the same period of last year. This results in a **trade surplus of 124.03 billion USD, showing a decrease of 15.4% compared to the same period in 2010.**

China's share in world total exports and imports in goods are 10.36% and 9.06% respectively.⁸⁷ Up to now, **the ranking of the most important trading partners remained in 2011 the same as in 2010 with the European Union as the main partner for exports and imports** with a share of total exports of 19.0% and of total imports of 11.2%. Besides the EU, China is mainly exporting to the USA (17.1%), to Hong Kong (13.9%), Japan (7.8%) and South Korea (4.4%). Imports came after the first position of the EU from Japan (10.4%), South Korea (8.6%), Taiwan (8.6%) and the USA (6.4%). Trade between China and the European Union developed positively and achieved a level of 49.4 billion USD in July, which allowed China to surpass the US as EU's top trade partner.⁸⁸

In the first ten month of 2011, the average import price rose by 14.7% and average import volume increased by 10.6%. Among that, the average import price of crude oil, iron ore, refined oil, soybeans and edible vegetable oil went up 38%, 33.5%, 34.5%, 29.8% and 38.4%, respectively.

Foreign trade surplus continued to fall sharply, in October it declined by 36.5%. **China's annual trade surplus is expected to be about 150 billion USD, that is 30 billion USD less than in 2010.** The declining trade surplus results mainly from lower global demand due to the global debt crisis and economic slowdown and faster increasing imports due to growing domestic demand.

Foreign-invested enterprises continued to dominate foreign trade. From January to October, imports and exports value of foreign-invested enterprises was 1523.7 billion USD, showing an increase of 17.8%. The imports and exports value of foreign-invested enterprises account for 51.2% of the value of China's imports and export.

On December 7th, 2011 the Chinese government published a **white paper on its foreign trade** right with the 10th anniversary of China's accession to the WTO highlighting some aspects of the trade development. Since the economic opening in 1978 China's foreign trade shows an impressive growth from a trade volume of 20.6 billion USD (32nd world ranking) to 2.974 trillion USD in 2010 making it the world's largest exporter and second-largest importer. During this development its structure of trade in goods has fundamentally changed.⁸⁹

Furthermore, the paper shows the **importance of China's foreign trade growth for the world economy.** In particular during the international financial crisis, when global goods imports decreased by 12.8 % (2009), China's goods imports increased by 2.9 %, making it the only country to maintain growth among the world's largest economies.

China has been promoting foreign trade on all fronts, and established trade relations with the vast majority of the world's countries and regions. Meanwhile, **China is one of the developing countries granting the largest market access to the least-developed countries (LDCs).** By July 2010, China had granted zero-tariff treatment to over 4,700 commodities from 36 LDCs which had established diplomatic ties with China. China has announced to further expand its preferential treatment to the LDCs having diplomatic ties with China.

3.1.2 Trade in services

According to the White Paper on China's foreign trade **China's international competitiveness in services trade has been enhanced**, especially since its WTO entry. From 2001 to 2010 **China's total services trade value (excluding government services) witnessed a more-than-five-fold growth from 71.9 billion USD to 362.4 billion USD.**⁹⁰ China's share in world total exports is 4.61% with 170.2 billion USD and its share in world total imports is 5.47%, worth 192.2 billion USD.⁹¹

3.2 Bilateral trade

3.2.1 Trade in goods⁹²

The volume of bilateral trade between Switzerland and the P.R. China (excluding Hong Kong) increased to 12.3 billion USD from January to October 2011, that is by 11.75% compared to the same

⁸⁷ WTO: Country Profile China October 2011

⁸⁸ Xinhua: China surpasses US as EU's top trade partner: MOC, October 16th, 2011, available online: <http://www.globaltimes.cn/NEWS/tabid/99/ID/679422/China-surpasses-US-as-EUs-top-trade-partner-MOC.aspx>

⁸⁹ Information Office of the State Council: White paper "China's Foreign Trade", December 7th, 2011

⁹⁰ Information Office of the State Council: White paper "China's Foreign Trade", December 7th, 2011

⁹¹ WTO: Country Profile China October 2011

⁹² Data mainly based on: Swiss Federal Customs Administration, October 2011, see Appendix 4

period in 2010. While Swiss exports increased by 24.6% to 7.4 billion USD, imports showed a slight decline by 3.2% to 4.9 billion USD. The trade surplus for the first 10 months of 2011 of 2.4 billion USD is already higher than the trade surplus of 1.4 billion USD for the whole year of 2010.

Bilateral trade between Switzerland and Hong Kong showed a similar picture: From January to October 2011, the trade volume increased by 16.9% up to 7.7 billion USD, while Swiss imports rose by 4.0% to 1.4 billion USD and Exports by 20.1% to 6.4 billion USD.

Overall trade with China incl. Hong Kong makes up 6.14% of Switzerland's total trade. The combined trade volume from January to October stood at 20.0 billion USD, which is an increase of 13.7%.

While Switzerland's exports of machinery, watches, pharmaceuticals and chemicals to China cumulatively account for 83% of total exports in 2010, it imported mainly textiles, machinery, watches, furniture, toys, chemicals and pharmaceuticals, also amounting for roughly 83% of total imports in 2010. To Hong Kong, in 2010 Switzerland mainly exported watches, jewellery, precious metals and stones (80%) and imported products of the same class. This reveals an interesting feature of Sino-Swiss bilateral trade, which is that the two countries trade essentially the same products, but in different price classes⁹³.

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 90 billion USD.⁹⁴ However, FDI has recovered well in 2010:** the number of newly approved foreign-funded enterprises in China totaled 27'406, up by 16.94% compared to 2009, and actual used foreign investment reached 105.735 billion USD, that is an increase by 17.44% year-on-year.

According to Chinese statistics the top ten countries investing in China, accounting for 90.1% of foreign capital input in 2010 were: Hong Kong (67.474 billion USD), Taiwan (6.701 billion USD), Singapore (5.657 billion USD), Japan (4.242 billion USD), USA (4.052 billion USD), South Korea (2.693 billion USD), UK (1.642 billion USD), France (1.239 billion USD), Netherlands (952 million USD) and Germany (933 million USD)⁹⁵. As for Switzerland, in 2010 the FDI in China stood at 260 billion USD (see section 4.2).

From January to October 2011 the actual use of foreign investment reached 95.012 billion USD, that is an increase of 15.9.4% year on year⁹⁶ and there were no major shifts within the ranking of the aforementioned top ten countries. The actualized FDI in the service sector was higher than in other sectors and grew faster in Western regions than Eastern regions⁹⁷.

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 January 1st, 2008, removed many of the preferential treatments foreign companies previously enjoyed to create a more equal environment.⁹⁸

In April 2011 a new draft of the "Foreign Investment Catalogue" has been released, whereas the final version has not yet been published. Initially introduced by the NDRC and the Ministry of Commerce in 1995, the catalogue has been revised four times so far, with the most recent version updated in October 2007. Stipulating "encouraged," "restricted" and "prohibited" categories that distinct

⁹³ Swiss Federal Customs Administration

⁹⁴ National Bureau of Statistics; "Statistical Communiqué of the P.R.C. on the 2009 National Economic and Social Development"; 26. 2. 2010.

⁹⁵ MOFCOM: "Statistics of China's Absorption of FDI from January to December 2010"; January 27th 2011

⁹⁶ "News Release of National Assimilation of FDI From January to October 2011"; November 21th 2011: <http://www.fdi.gov.cn>

⁹⁷ Regular Press Conference of the Ministry of Commerce on May 17th, 2011:

<http://english.MOFCOM.gov.cn/aarticle/newsrelease/press/201105/20110507573980.html>

⁹⁸ "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

foreign invested projects fall into, the Catalog has long been a major guideline of China's market openness strategies. 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.

The **new revisions have added more environmentally-friendly and high-end projects to the "encouraged" category**. New energy utilization is rising as one of China's top interest while attracting foreign investment. New energy-related industries, including high-tech green battery manufacturing and the construction and operation of renewable water plants, have all become new additions to the "encouraged" Catalog. Energy efficient industries and green technologies are further highlighted in the "encouraged" list. The **newly added "prohibited" items are highly related to China's current social issues and national interest**, such as foreign investment related to the real estate industry. Furthermore China is showing 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 final version of the catalogue will be issued and implemented over the course of this year⁹⁹.

The government also **allows local authorities to approve foreign investment projects up to an amount of 300 million USD**. Previously the cap was set at 100 million USD. 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.

However, although there are proposals to improve the foreign exchange management for foreign invested enterprises, they do unfortunately 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.¹⁰⁰

At the beginning of March 2010, **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.¹⁰¹ Partnerships, including FIPs, are not subject to statutory minimum capitalization requirements. The Partnership Enterprise Law provides for a more liberal scope of recognized capital contributions compared to the more restrictive rules for *Equity Joint Ventures (EJV)*, *Cooperative Joint Ventures (CJVs)* and *Wholly Foreign Owned Enterprises (WFOE)*. However, PRC regulations are unclear about the new structure's approval processes and downstream investment options¹⁰².

The adoption of China's first Anti-Monopoly Law (AML) 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 is the broad and vague provisions which leave much scope for decision making to the responsible Chinese authorities. From 2008 to 2010, MOFCOM concluded 214 reviews of concentrations under the AML. The first eight months of 2011 saw 142 filings submitted, and the year-end number is expected to exceed 200¹⁰³. **Regulators seem to use a fairly conservative approach, not using the law exclusively**

⁹⁹ MOFCOM: "Several Opinions of the State Council on Further Utilizing Foreign Capital"; April 06th 2011
<http://english.MOFCOM.gov.cn/aarticle/policyrelease/announcement/201006/20100606982859.html>

¹⁰⁰ Several Opinions of the State Council on Further Utilizing Foreign Capital; April 6th 2011
http://www.fdi.gov.cn/pub/FDI_EN/Laws/law_en_info.jsp?docid=120748

¹⁰¹ Degree of the State Council of the People's Republic of China No. 567; November 25th 2009
http://fdi.gov.cn/pub/FDI_EN/Laws/GeneralLawsandRegulations/RegulationsonForeignInvestment/P020091204372347037162.pdf

¹⁰² The China Business Review; September – October 2010; Page 2

¹⁰³ Jones Day: "Antitrust Alert: China Publishes Two New Merger Decisions Under Anti-Monopoly Law"; November 2011

against foreign companies. So far, only Coca Cola's attempt to acquire Huiyuan – China's largest juice producer – was blocked.¹⁰⁴

At the end of 2010 the National Development and Reform Commission (NDRC) and the Administration of Industry and Commerce (SAIC) released additional rules that came into force in February 2011 and supply specific standards in determining the activities with respect to price monopoly, reaching monopoly agreement abuse of dominant market position, and abuse of administrative authorities. Additionally the rules also provide relevant authorities with the procedures for the investigation of monopoly-related cases¹⁰⁵.

As of **March 2011 the Notice Regarding the Establishment of National Security Review Mechanism for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors ("NSR") came into effect.** It basically covers **all foreign invested M&A touching** either the military and related enterprises or other companies dealing with **national security in a broad sense**, encompassing also M&A that could cause risks to the domestic productivity, the sound economic development or the social order in China. Furthermore, it also includes investment in major products or projects in the fields of farming, resources, energy, infrastructure, transportation, technology and equipment manufacturing. Foreign investment subject to the review includes all transactions that in some way involve foreign investors obtaining "actual control" over domestic enterprises and goes beyond the simple case, where the investor secures the majority of the shares, and also includes cases such as the foreign investor exercising control through Intellectual Property Rights, etc.¹⁰⁶

It remains unclear whether this new regulation is only the written record of the practice unofficially followed in the past or just a new tool for blocking unwanted foreign investment, since both the scope of concerned enterprises as well as the criteria which qualify a foreign investor obtaining "actual control" over a domestic business, are kept fairly broad. In either way, **Foreigners are still excluded or confined to a minority participation in particularly sensitive or strategic sectors** of the economy.¹⁰⁷ Furthermore, the withdrawal of capital and profits from China is possible, but barriers remain and make the process complex and tedious for businesses.

Foreign companies are increasingly voicing concerns **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.¹⁰⁸ In April the government decided to soften those rules and pledged that foreign companies shall not be discriminated in the Chinese market.¹⁰⁹ **On different occasion, high-level officials underlined China's commitment to foreign investment.** In September 2010, 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.¹¹⁰

Nevertheless, China remains a top FDI destination. According to estimates from the CIA World Factbook, **by December 2010, China's accumulated FDI stock amounted to 579 billion USD**, well ahead of other large developing and transition economies such as Brazil (368 billion USD), India (189 billion USD) or Russia (297 billion USD).¹¹¹ According to the Ministry of Commerce, FDI to China will continue to grow in the long-run due to increasing domestic demand and improving labour 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 into the service sector and to its central and western regions.¹¹² An UNCTAD survey shows that China will remain a top destination for inward FDI in the period of 2010-2012.¹¹³

¹⁰⁴ Financial Times: "Life after China's Antimonopoly Law", 20 October 2010.

¹⁰⁵ Wenfei Attorneys at Law Ltd.; China Legal Report April 2011, Page 2

¹⁰⁶ Hogan Lovells: China Alert on 14 March 2011 "MOFCOM releases implementing rules on national security review"

¹⁰⁷ http://www.fdi.gov.cn/pub/FDI_EN/Laws/law_en_info.jsp?docid=87372

¹⁰⁸ Wall Street Journal: "Beijing revises procurement policy", 13 April 2010.

¹⁰⁹ China Daily: "Wen assures Europe on trade, investment options in China", 30 April 2010.

¹¹⁰ People's Daily: "Premier Wen assures foreign firms in China", 14 September 2010.

¹¹¹ The CIA World Factbook: "Stock of direct foreign investment - at home" (data retrieved on December 14th, 2011)

¹¹² China Daily: "Foreign investment slows down", 16 October 2010.

¹¹³ UNCTAD, World Investment Prospects Survey, September 2010.

Besides the foreign investment coming into the country, **China has also become a source of outward direct investments.** By the end of 2009, the total stock of Chinese offshore investment stood at about 230 billion USD, on a par with Denmark and slightly higher than Taiwan. According to MOFCOM statistics, the accumulated non-financial overseas direct investment amounted to 59 billion USD in 2010, which is an increase of 36.3% in comparison to 2009¹¹⁴. Chinese offshore investment began to take off in the past decade, primarily spurred by a drive to secure resources for its industry and need to productively deploy cash reserves, accumulated through exports and profits at home.¹¹⁵ 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.¹¹⁶

In the first half of this year, China's investment in Brazil topped 20 billion USD, more than 10 times all of China's previous investment in the country. That puts China on track to be Brazil's No. 1 investor for 2010, compared with 29th in 2009. The China Development Bank has given Petrobras, Brazil's main oil producer, 10 billion USD as a down payment on future business. In 2010 China became Brazil's biggest trading partner, replacing the United States¹¹⁷. However, tensions have surfaced after China last year also emerged as one of the biggest sources of cheap imports into Brazil, helped by a surge in the value of the Real, which is undermining the competitiveness of the Brazilian industry. This prompted finance minister Guido Mantega to call for a revaluation of the RMB. Seemingly the Brazilian government was even considering restrictions on FDI in mining, including imposing minimum domestic supply quotas and screening transactions based on "the investor's profile".

And with its growing foreign reserves, **the China's foreign outbound investment is likely to grow further in the coming years.** China's investments are also booming elsewhere - from Peru, where one third of the minerals sector is in Chinese hands, to Japan, where Chinese mergers and acquisitions quadrupled from 2008 to 2009. Even though the data on China's outbound foreign direct investment show that Europe accounts only for a relatively small portion of the country's stock of such assets,¹¹⁸ this share is growing at a fast pace. As of today, China's interest in the region has been largely economic and disconnected from geopolitical goals. The EU is China's largest global trading partner and like the United States, European trade with China remains persistently imbalanced. However, Europe is likely to feel the force of China's outward expansion earlier than the US as European firms arguably have a greater need for cash than American ones and China's huge holdings of US Treasuries give it an incentive to its dollar assets, whereas the euro zone is the natural alternative.

However, since not only the large state-owned enterprises but also private Chinese companies are often closely intertwined with the Chinese government, **it is sometimes hard to see where the company stops and the country begins,** which often causes skepticism towards Chinese direct investments abroad, which to some extent may reflect the difficulties foreign firms are facing in China in terms of mergers and acquisitions: In particular the US and China seem to linger in a Cold War episode with regard to mergers and acquisitions as a series of planned acquisitions have died in the hands of bureaucrats or politicians in Beijing and Washington. Other ideas haven't seen the light of day because of fear they will also be blocked. In the context of the US Presidential and Congressional elections, due in November 2012, as well as the queued transition of power in China, which is expected to materialize also within the coming year, the time lying ahead could be a particularly rocky for Sino-US deal making, due to both countries entering a politically sensitive phase.¹¹⁹

4.2 Bilateral investment flows

At present, about 400 Swiss firms with over 900 branches are represented in China, employing several tens of thousands people. According to Chinese statistics, Swiss direct investments in China in 2010 amounted to 260 million USD, a decrease of 13% from 300 million USD in 2009. By

¹¹⁴ MOFCOM: "Statistics of China's Non-financial Foreign Direct Investment in 2010"; 28. Januar 2011
<http://english.MOFCOM.gov.cn/aarticle/statistic/foreigninvestment/201101/20110107386833.html>

¹¹⁵ Financial Times Asia: "Chinese offshore investment set for take-off"; 05.05.2011

¹¹⁶ Economist Intelligence Unit, Country Report China, May 2010.

¹¹⁷ Washington Post: "China invests heavily in Brazil, elsewhere in pursuit of political heft"; 26. July 2010

¹¹⁸ The Economist; "Capital and companies from China are sidling into Europe"; June 30th 2011

¹¹⁹ <http://www.reuters.com/article/2011/04/12/us-specialreport-china-merger-idUSTRE73B47V20110412>

October 2011 the cumulative Swiss direct investments accounted to 4.08 billion USD, leaving Switzerland on the 6th rank among European countries.¹²⁰

As regards the **figures on Swiss direct Investments in China published by the Swiss National Bank, they differ significantly from the data released by MOFCOM** as shown by the fact that in 2010 Swiss direct investments to China amounted to 1.676 billion CHF while the stock of Swiss direct investments stood at 8.005 billion CHF in the same year according to Swiss statistics.¹²¹

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 April 13th, 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.¹²²

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 2009, Suntech, a manufacturer of solar photovoltaic cells and modules, announced to relocate its European headquarter from London to Schaffhausen. As of today there are about 60 Chinese companies established in Switzerland.

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 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

The Swiss-Chinese Chamber of Commerce and the 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**

¹²⁰ Ministry of Commerce / Chinese data on FDI differ from Swiss statistics (see the next footnote)

¹²¹ *Data on FDI are always collected on two sides, in the country that places the direct investment and the country where the direct investment takes place. Since the institutions collecting the data in both countries cannot exchange information on investments due to reasons of confidentiality, the figures issued by different countries cannot be aligned and may therefore vary substantially as it is the case for Swiss and Chinese data on FDI.*

¹²² http://www.eda.admin.ch/eda/de/home/topics/intla/intrea/dbstv/data_c/c_249.html

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. Besides the two Chambers, experienced private consultants offer similar services to interested clients.

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

Presence Switzerland

Presence Switzerland is an office of the Swiss federal administration and as a unit it is part of the General Secretariat of the Federal Department for Foreign Affairs (FDFA). As such it is responsible for implementing the Federal Council's strategy on Switzerland's communication abroad.

Swiss awareness in China is raised through a number of projects. The image that is being depicted by Presence Switzerland is one of an innovating country in the heart of Europe, emphasising values such as quality and well-being. **Switzerland enjoys a positive, although largely stereotypical image in China.** The goals of Presence Switzerland 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. Besides this, Presence Switzerland, 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. Besides the House of Switzerland (2008 Beijing Olympics) and the Swiss Pavilion (2010 Shanghai World EXPO), the exhibition "Albert Einstein 1879-1955" of the Berne Historical Museum was the third major PRS project during the special campaign 2008-2011. In 2011, this exhibition has attracted over 600'000 Chinese visitors in Guangzhou and Hong Kong, where it was hosted by the respective science & technology museums. Preparations are ongoing for a final station in central China. Such platforms for Swiss communication abroad definitely helped strengthening Switzerland's image in China.

Education

The **Swiss public education sector and its institutions have become increasingly attractive among Chinese students.** Despite the fact that Switzerland is mostly known for its private schools and hotel management education and that it is considered as one of the most expensive countries, 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, identification and selection of the top students become the main challenge. On the other hand, interest of Swiss students in studying in China is still limited. Apart from language and culture, a few Swiss follow classes in art, medicine and engineering. As more and more Chinese are looking into studying in Europe, this imbalance is likely to continue in the future.

A "**Memorandum of Understanding**" for educational exchanges, signed by Swiss Federal Councilor 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 offer 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 cover living costs. Both, the Chinese and the Swiss ministries of education expressed their wish to intensify relations on the basis of a new MoU.

Research

An increasing number of Swiss and Chinese scientists are engaged in joint research projects. Swiss and Chinese research institutes are collaborating more and more on an institutional basis, for instance by means of regular exchange of faculty and staff. Several funding instruments are promoted in this context, including the instruments of the Swiss National Foundation, the EU Framework program and others. The **Sino-Swiss Science and Technology Cooperation SSSTC Program**, a joint venture of the Chinese and Swiss government, is an additional bilateral instrument which aims at encouraging and strengthening academic cooperation between the two countries. The Swiss Federal Institute of Technology in Zurich (ETH) functions as the leading house of the program. The program is designed to promote lasting cooperation between Chinese and Swiss universities and research institutions in the priority areas of life sciences, environment, sustainable urban development, material sciences and medicine (2008 – 2011) as well as renewable energy/cleantech and nanotechnology (2012). On his visit to China in April 2011, Federal Councilor Burkhalter signed a **Joint Statement on Sino-Swiss**

Science & Technology Cooperation, enhancing the scope of bilateral research-collaboration. The new badge for the program is planned for 2013 – 2016. With this development, the Swiss research community can be part of the rapid raise of China to become one of the leading S&T powerhouses.

swissnex

In order to **strengthen bilateral cooperation in the field of higher education, research and innovation**, a swissnex office was opened in Shanghai in August 2008. Swissnex is an initiative of the Swiss State Secretariat for Education and Research and the Ministry of Foreign Affairs and similar offices already exist in Boston, San Francisco, Singapore and Bangalore. The swissnex network is a key component of the Swiss strategic scientific policy for the promotion of bilateral cooperations set by the Swiss Federal Council. It is closely linked to the network of Science & Technology Counsellors and S&T Offices within Swiss Embassies. swissnex China's mission is to create and promote awareness of Swiss excellence in science, technology, innovation and culture, to connect academia and business and to facilitate cooperation between the two countries. Swissnex China has been mandated by various universities and institutions like ETH Zurich, University of Zurich, Universitätsspital Basel and others to fulfill a common mission in China. It is also responsible for the organization of a framework program called "E+" in the context of the Einstein exhibition tour in China.

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 (see 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 is still generally positive, especially within the Chinese Government, the National Bank and the regulatory bodies of the financial sector. The Swiss Banking Association has been conducting a yearly dialogue with Chinese financial authorities since 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 (see 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

Appendix 1 China: Structure of the Economy

China: Structure of the Economy											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (Q I-III)
Distribution of GDP (%)											
Primary Sector	14.4%	13.7%	12.8%	13.4%	12.1%	11.1%	10.8%	10.7%	10.3%	10.1%	9.5%
Secondary Sector	45.1%	44.8%	46.0%	46.2%	47.4%	48.0%	47.3%	47.5%	46.3%	46.8%	48.3%
Tertiary Sector	40.5%	41.5%	41.2%	40.4%	40.5%	40.9%	41.9%	41.8%	43.4%	43.1%	42.3%
Distribution of Labor (%)											
Primary Sector	50.0%	50.0%	49.1%	47.0%	44.8%	42.6%	40.8%	39.6%	38.1%	36.7%	n/a
Secondary Sector	22.3%	21.4%	21.6%	22.5%	23.8%	25.2%	26.8%	27.2%	27.8%	28.7%	n/a
Tertiary Sector	27.7%	28.6%	29.3%	30.5%	31.4%	32.2%	32.4%	33.2%	34.1%	34.6%	n/a
State Sector*	10.5%	9.7%	9.2%	8.9%	8.3%	8.4%	8.4%	8.4%	8.3%	8.3%	n/a

Source: National Bureau of Statistics

* State-owned Units (Urban Employed Persons) not taking into account Township and Village Enterprises

Appendix 2 China: Essential Economic Data

China: Essential Economic Data								
	2004	2005	2006	2007	2008	2009	2010	2011 E
GDP (RMB billion) ¹	15'988	18'494	21'631	26'581	31'405	34'090	39'798	45'822
GDP (USD billion) ¹	1'932	2'257	2'713	3'494	4'520	4'991	5'878	6'988
GDP per capita (RMB) ¹	12'299	14'144	16'456	20'117	23'648	25'541	29'669	33'989
GDP per capita (USD) ¹	1'486	1'726	2'064	2'645	3'404	3'739	4'382	5'184
GDP growth (%) ¹	10.1%	11.3%	12.7%	14.2%	9.6%	9.2%	10.3%	9.5%
Total investment (% of GDP) ¹	43.3%	42.1%	43.0%	41.7%	44.0%	48.2%	48.2%	48.7%
Gross national savings (% of GDP) ¹	46.8%	48.0%	51.6%	51.9%	53.2%	53.5%	53.4%	53.8%
CPI inflation (%) ¹	3.9%	1.8%	1.5%	4.8%	5.9%	-0.7%	3.3%	5.5%
Population (billion) ¹	1'300	1'308	1'314	1'321	1'328	1'335	1'341	1'348
Unemployment rate (% of total labor force, in urban area) ⁴	4.2%	4.2%	4.1%	4.0%	4.2%	4.3%	4.1%	4.0%
Unemployed labour force (registered in urban areas, million) ⁴	8.3	8.4	8.5	8.3	8.9	9.2	9.0	n/a
Unemployment rate EIU estimation (% of total labor force) ³	9.9%	9.7%	9.5%	9.2%	9.2%	9.2%	6.1%	6.5%
General government revenue (RMB billion) ¹	2'661	3'184	3'944	5'262	6'173	6'821	8'105	9'561
General government total expenditure (RMB billion) ¹	2'899	3'441	4'090	5'023	6'294	7'875	9'022	10'281
General government structural balance (% of GDP) ¹	-0.9%	-1.0%	-0.6%	0.3%	-0.9%	-3.4%	-2.6%	-1.8%
Current account balance (% of GDP) ¹	3.6%	5.9%	8.6%	10.1%	9.1%	5.2%	5.2%	5.2%
External debt stocks, total (USD billion) ²	248	284	325	374	378	428	n/a	n/a
External debt stocks (% of GNI) ²	12.8%	12.5%	11.9%	10.6%	8.3%	8.7%	n/a	n/a
Debt service on external debt, total (USD billion) ²	23.3	27.4	27.5	32.2	34.4	41.8	n/a	n/a
Total debt service (% of exports of goods, services & income) ²	3.4%	3.1%	2.5%	2.3%	2.1%	2.9%	n/a	n/a
Total reserves incl. gold (USD billion) ²	623	831	1081	1546	1966	2453	2914	3201.71 ⁵
Reserves incl. gold in months of imports ²	11.9	13.0	14.2	16.7	17.9	24.2	21.4	n/a

Sources:

1 IMF, World Economic Outlook Database September 2011

2 World Bank, World dataBank, WDI & GDF, 2011

3 EIU, Country Reports, 2009, 2011

4 National Bureau of Statistics, Statistical Yearbook 2010

5 Sept 2011, Chinaability based on State Administration of Foreign Exchange

Appendix 2 China: Essential Economic Data - Definitions

GDP (RMB billion)*	Gross domestic product, current prices (National currency)	Expressed in billions of national currency units . Expenditure-based GDP is total final expenditures at purchasers' prices (including the f.o.b. value of exports of goods and services), less the f.o.b. value of imports of goods and services. [SNA 1993]	IMF	General government revenue (RMB billion)*	General government revenue (National currency)	Revenue consists of taxes, social contributions, grants receivable, and other revenue. Revenue increases government's net worth, which is the difference between its assets and liabilities (GFSM 2001, paragraph 4.20). Note: Transactions that merely change the composition of the balance sheet do not change the net worth position, for example, proceeds from sales of nonfinancial and financial assets or incurrence of liabilities.	IMF
GDP (USD billion)*	Gross domestic product, current prices (U.S. dollars)	Values are based upon GDP in national currency converted to U.S. dollars using market exchange rates (yearly average). Exchange rate projections are provided by country economists for the group of other emerging market and developing countries. Exchange rates for advanced economies are established in the WEO assumptions for each WEO exercise. Expenditure-based GDP is total final expenditures at purchasers' prices (including the f.o.b. value of exports of goods and services), less the f.o.b. value of imports of goods and services. [SNA 1993]	IMF	General government total expenditure (RMB billion)*	General government total expenditure (National currency)	Total expenditure consists of total expense and the net acquisition of nonfinancial assets. Note: Apart from being on an accrual basis, total expenditure differs from the GFSM 1986 definition of total expenditure in the sense that it also takes the disposals of nonfinancial assets into account.	IMF
GDP per capita (RMB)*	Gross domestic product per capita, current prices (National currency)	GDP is expressed in current national currency per person. Data are derived by dividing current price GDP by total population.	IMF	General government structural balance (% of GDP)*	General government structural balance (National currency)	The structural budget balance refers to the general government cyclically adjusted balance adjusted for nonstructural elements beyond the economic cycle. These include temporary financial sector and asset price movements as well as one-off, or temporary, revenue or expenditure items.	IMF
GDP per capita (USD)*	Gross domestic product per capita, current prices (U.S. dollars)	GDP is expressed in current U.S. dollars per person. Data are derived by first converting GDP in national currency to U.S. dollars and then dividing it by total population.	IMF	Current account balance (% of GDP)*	Current account balance (Percent of GDP)	Current account is all transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers. The focus of the BOP is on transactions (between an economy and the rest of the world) in goods, services, and income.	IMF
GDP growth (%)*	Gross domestic product, constant prices (Percent change)	Annual percentages of constant price GDP are year-on-year changes; the base year is country-specific . Expenditure-based GDP is total final expenditures at purchasers' prices (including the f.o.b. value of exports of goods and services), less the f.o.b. value of imports of goods and services. [SNA 1993]	IMF	External debt stocks, total (USD billion)**	External debt stocks, total (DOD, current US\$)	Total external debt is debt owed to nonresidents repayable in foreign currency, goods, or services. Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt. Data are in current U.S. dollars.	Worldbank
Total investment (% of GDP)*	Total investment (Percent of GDP)	Expressed as a ratio of total investment in current local currency and GDP in current local currency. Investment or gross capital formation is measured by the total value of the gross fixed capital formation and changes in inventories and acquisitions less disposals of valuables for a unit or sector. [SNA 1993]	IMF	External debt stocks (% of GNI) **	External debt stocks (% of GNI)	Total external debt stocks to gross national income. Total external debt is debt owed to nonresidents repayable in foreign currency, goods, or services. Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt. GNI (formerly GNP) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad.	Worldbank
Gross national savings (% of GDP)*	Gross national savings (Percent of GDP)	Expressed as a ratio of gross national savings in current local currency and GDP in current local currency. Gross national saving is gross disposable income less final consumption expenditure after taking account of an adjustment for pension funds. [SNA 1993] For many countries, the estimates of national saving are built up from national accounts data on gross domestic investment and from balance of payments-based data on net foreign investment.	IMF	Debt service on external debt, total (USD billion)**	Debt service on external debt, total (TDS, current US\$)	Total debt service is the sum of principal repayments and interest actually paid in foreign currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF. Data are in current U.S. dollars.	Worldbank
CPI inflation (%)*	Inflation, average consumer prices (Percent change)	Annual percentages of average consumer prices are year-on-year changes. Expressed in averages for the year, not end-of-period data. A consumer price index (CPI) measures changes in the prices of goods and services that households consume. Such changes affect the real purchasing power of consumers' incomes and their welfare. As the prices of different goods and services do not all change at the same rate, a price index can only reflect their average movement	IMF	Total debt service (% of exports of goods, services & income)**	Total debt service (% of exports of goods, services and income)	Total debt service is the sum of principal repayments and interest actually paid in foreign currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF.	Worldbank
Population (billion) *	Population (Persons)	For census purposes, the total population of the country consists of all persons falling within the scope of the census. In the broadest sense, the total may comprise either all usual residents of the country or all persons present in the country at the time of the census. [Principles and Recommendations for Population and Housing Censuses, Revision 1, paragraph 2.42]	IMF	Total reserves incl. gold (USD billion)**	Total debt service (% of exports of goods, services and income)	Total reserves comprise holdings of monetary gold, special drawing rights, reserves of IMF members held by the IMF, and holdings of foreign exchange under the control of monetary authorities. The gold component of these reserves is valued at year-end (December 31) London prices. Data are in current U.S. dollars.	Worldbank
Unemployment rate (% of total labor force)*	Unemployment rate (Percent of total labor force)	Unemployment rate can be defined by either the national definition, the ILO harmonized definition, or the OECD harmonized definition. The OECD harmonized unemployment rate gives the number of unemployed persons as a percentage of the labor force (the total number of people employed plus unemployed). [OECD Main Economic Indicators, OECD, monthly] As defined by the International Labour Organization, unemployed workers are those who are currently not working but are willing and able to work for pay, currently available to work, and have actively searched for work. [ILO, http://www.ilo.org/public/english/bureau/stat/res/index.htm]	IMF	Reserves incl. gold in months of imports **	Total reserves in months of imports	Total reserves comprise holdings of monetary gold, special drawing rights, reserves of IMF members held by the IMF, and holdings of foreign exchange under the control of monetary authorities. The gold component of these reserves is valued at year-end (December 31) London prices. This item shows reserves expressed in terms of the number of months of imports of goods and services they could pay for [Reserves/(Imports/12)].	Worldbank

Appendix 3 Trading partners of the People's Republic of China: Exports

Trading partners of the People's Republic of China: Exports							
Exports to Country/ Region Jan - Dez 2010	Billion USD	Share %	Growth in % to a comparable previous period	Exports to Country/ Region Jan - Oct 2011	Billion USD	Share %	Growth in % to a comparable previous period
USA	283.3	18.0%	28.3%	USA	264.2	17.1%	14.6%
Hong Kong	218.3	13.8%	31.3%	Hong Kong	215.4	13.9%	26.3%
Japan	121.1	7.7%	23.7%	Japan	120.4	7.8%	24.0%
South Korea	68.8	4.4%	28.1%	South Korea	69.0	4.4%	23.8%
Germany	68.1	4.3%	36.3%	Germany	63.5	4.1%	14.5%
Netherlands	49.7	3.1%	35.5%	Netherlands	48.9	3.2%	21.1%
India	40.9	2.6%	38.0%	India	41.7	2.7%	26.8%
United Kingdom	38.8	2.5%	24.0%	United Kingdom	36.0	2.3%	14.6%
Singapore	32.3	2.0%	7.6%	Russia	31.9	2.1%	34.3%
Taiwan	29.7	1.9%	28.9%	Taiwan	29.5	1.9%	24.3%
EU	311.2	19.7%	31.8%	EU	294.0	19.0%	16.3%
ASEAN	138.2	8.8%	30.1%	ASEAN	137.4	8.9%	23.7%
EFTA	5.9	0.4%	N/A	EFTA	5.9	0.4%	N/A
Iceland	0.071	0.0%	31.0%	Iceland	0.064	0.0%	15.4%
Liechtenstein	0.008	0.0%	25.0%	Liechtenstein	0.010	0.0%	56.3%
Norway	2.837	0.2%	6.0%	Norway	2.747	0.2%	17.7%
Switzerland	3.031	0.2%	14.0%	Switzerland	3.046	0.2%	25.0%
Total	1577.9		31.3%	Total	1549.7		22.0%

Source: China's Custom Statistics

Appendix 3 Trading partners of the People's Republic of China: Imports

Trading partners of the People's Republic of China: Imports							
Imports from Country/ Region Jan - Dez 2010	Billion USD	Share %	Growth in % to a comparable previous period	Imports from Country/ Region Jan - Oct 2011	Billion USD	Share %	Growth in % to a comparable previous period
Japan	176.7	12.7%	35.0%	Japan	161.2	10.4%	13.4%
South Korea	138.4	9.9%	35.0%	South Korea	133.7	8.6%	18.2%
Taiwan	115.7	8.3%	31.7%	Taiwan	103.6	6.7%	9.1%
USA	102.0	7.3%	35.0%	USA	98.8	6.4%	23.3%
Germany	74.3	5.3%	33.4%	Germany	76.6	4.9%	28.9%
Australia	60.9	4.4%	54.1%	Australia	67.2	4.3%	38.0%
Malaysia	50.4	3.6%	55.9%	Malaysia	51.5	3.3%	26.1%
Brazil	38.1	2.7%	33.3%	Brazil	43.1	2.8%	39.3%
Thailand	33.2	2.4%	39.2%	Saudi Arabia	39.9	2.6%	50.6%
Saudi Arabia	32.8	2.4%	34.7%	Thailand	33.2	2.1%	22.9%
EU	168.5	12.1%	31.9%	EU	172.9	11.2%	27.5%
ASEAN	154.6	11.1%	44.8%	ASEAN	158.5	10.2%	27.5%
EFTA	20.4	1.5%	N/A	EFTA	24.7	1.7%	0.0%
Iceland	0.041	0.0%	24.3%	Iceland	0.1	0.0%	71.4%
Liechtenstein	0.069	0.0%	35.2%	Liechtenstein	0.1	0.0%	12.2%
Norway	3.230	0.2%	5.6%	Norway	3.1	0.0%	16.8%
Switzerland	17.039	1.2%	147.4%	Switzerland	21.5	0.0%	66.4%
Total	1394.8		38.7%	TOTAL	1425.7		26.9%

Source: China's Custom Statistics

Appendix 4 Bilateral trade Switzerland – China, Jan - Dec 2010

Bilateral trade Switzerland - P.R. China, Jan - Dec 2009/2010										
	Class of goods	Import in CHF		Δ	Import	Export in CHF		Δ	Export	Trade balance
		Jan - Dec 2009	Jan - Dec 2010	in %	share %	Jan - Dec 2009	Jan - Dec 2010	in %	share %	Jan - Dec 2010
1	Agricultural products	119'424'406	126'625'508	6.03%	2.08%	38'965'473	53'269'077	36.71%	0.71%	-73'356'431
2	Energy carriers	14'581	181'291	1143.34%	0.00%	1'552'189	4'253'368	174.02%	0.06%	4'072'077
3	Textiles, apparel, shoes	865'858'531	901'511'949	4.12%	14.81%	202'824'475	153'636'569	-24.25%	2.06%	-747'875'380
4	Paper, paper products, printed matter	34'228'639	39'408'521	15.13%	0.65%	27'089'541	21'094'594	-22.13%	0.28%	-18'313'927
5	Leather, rubber, plastics	233'691'018	285'943'005	22.36%	4.70%	94'534'406	141'630'052	49.82%	1.90%	-144'312'953
6	Chemicals, pharmaceuticals	581'447'046	714'583'169	22.90%	11.74%	1'292'420'844	1'257'598'300	-2.69%	16.84%	543'015'131
7	Construction materials, ceramics, glass	64'127'465	81'874'285	27.67%	1.35%	23'480'673	28'469'161	21.25%	0.38%	-53'405'124
8	Metals and metal products	313'398'671	358'512'368	14.39%	5.89%	243'873'194	379'136'463	55.46%	5.08%	20'624'095
9	Machinery, apparatus, electronics	1'781'053'716	2'228'784'630	25.14%	36.62%	2'128'668'793	3'175'549'277	49.18%	42.53%	946'764'647
10	Vehicles	88'705'599	101'796'221	14.76%	1.67%	38'797'266	49'476'237	27.53%	0.66%	-52'319'984
11	Precision instruments, watches, jewellery	637'393'574	748'841'507	17.48%	12.31%	1'277'413'971	1'781'258'699	39.44%	23.86%	1'032'417'192
12	Furniture, toys	419'806'805	483'508'019	15.17%	7.95%	29'890'672	33'817'772	13.14%	0.45%	-449'690'247
13	Precious metal, precious stones, gemstones	4'308'070	7'940'793	84.32%	0.13%	83'820'016	366'333'753	337.05%	4.91%	358'392'960
14	Objects of art and antiques	17'497'532	6'058'045	-65.38%	0.10%	17'748'143	21'497'121	21.12%	0.29%	15'439'076
	Total	5'160'955'653	6'085'569'311	17.92%	100%	5'501'079'656	7'467'020'443	35.74%	100%	1'381'451'132
Bilateral trade Switzerland - Hongkong, Jan - Dec 2009/2010										
	Class of goods	Import in CHF		Δ	Import	Export in CHF		Δ	Export	Trade balance
		Jan - Dec 2009	Jan - Dec 2010	in %	share %	Jan - Dec 2009	Jan - Dec 2010	in %	share %	Jan - Dec 2010
1	Agricultural products	851'966	1'873'852	119.94%	0.11%	56'942'085	105'961'422	86.09%	1.62%	104'087'570
2	Energy carriers		482			118'054	81'194	-31.22%	0.00%	80'712
3	Textiles, apparel, shoes	38'246'898	37'879'047	-0.96%	2.31%	127'476'174	91'751'589	-28.02%	1.40%	53'872'542
4	Paper, paper products, printed matter	2'446'859	2'586'176	5.69%	0.16%	16'399'590	12'587'154	-23.25%	0.19%	10'000'978
5	Leather, rubber, plastics	7'688'934	8'164'998	6.19%	0.50%	56'232'017	63'819'640	13.49%	0.98%	55'654'642
6	Chemicals, pharmaceuticals	8'191'402	9'711'160	18.55%	0.59%	374'401'472	519'452'246	38.74%	7.95%	509'741'086
7	Construction materials, ceramics, glass	2'050'682	2'611'252	27.34%	0.16%	18'665'687	20'208'691	8.27%	0.31%	17'597'439
8	Metals and metal products	9'689'934	12'519'419	29.20%	0.77%	45'093'585	54'782'618	21.49%	0.84%	42'263'199
9	Machinery, apparatus, electronics	119'955'533	119'917'847	-0.03%	7.33%	316'473'314	392'354'984	23.98%	6.00%	272'437'137
10	Vehicles	4'223'796	2'945'850	-30.26%	0.18%	2'281'369	1'378'576	-39.57%	0.02%	-1'567'274
11	Precision instruments, watches, jewellery	625'942'400	908'479'675	45.14%	55.52%	2'719'409'972	4'014'068'274	47.61%	61.42%	3'105'588'599
12	Furniture, toys	6'897'579	11'165'158	61.87%	0.68%	26'198'071	21'042'937	-19.68%	0.32%	9'877'779
13	Precious metal, precious stones, gemstones	299'094'139	491'005'943	64.16%	30.01%	1'647'278'651	1'201'246'470	-27.08%	18.38%	710'240'527
14	Objects of art and antiques	16'378'707	27'493'649	67.86%	1.68%	19'839'655	36'182'345	82.37%	0.55%	8'688'696
	Total	1'141'658'829	1'636'354'508	43.33%	100%	5'426'809'696	6'534'918'140	20.42%	100%	4'898'563'632
Bilateral trade Switzerland - P.R. China incl. Hongkong, Jan - Dec 2009/2010										
	Class of goods	Import in CHF		Δ	Import	Export in CHF		Δ	Export	Trade balance
		Jan - Dec 2009	Jan - Dec 2010	in %	share %	Jan - Dec 2009	Jan - Dec 2010	in %	share %	Jan - Dec 2010
	Total	6'302'614'482	7'721'923'819	22.52%		10'927'889'352	14'001'938'583	28.13%		6'280'014'764

Source: Swiss Federal Customs Administration

Appendix 4 Bilateral trade Switzerland – China Jan – Oct 2011

Bilateral trade Switzerland - P.R. China, Jan - Oct 2010/2011										
	Class of goods	Import in CHF		Δ	Import	Export in CHF		Δ	Export	Trade balance
		Jan - Oct 2010	Jan - Oct 2011	in %	share %	Jan - Oct 2010	Jan - Oct 2011	in %	share %	Jan - Oct 2011
1	Agricultural products	100'960'047	94'666'317	-6.23%	1.92%	43'478'160	53'740'654	23.60%	0.73%	-40'925'663
2	Energy carriers	116'196	1'403'756	1108%	0.03%	3'441'206	5'256'786	52.76%	0.07%	3'853'030
3	Textiles, apparel, shoes	783'605'739	748'016'831	-4.54%	15.18%	125'335'140	123'284'237	-1.64%	1.67%	-624'732'594
4	Paper, paper products, printed matter	31'608'423	31'840'615	0.73%	0.65%	18'019'824	26'999'447	49.83%	0.37%	-4'841'168
5	Leather, rubber, plastics	238'583'328	233'798'402	-2.01%	4.74%	116'770'955	108'066'806	-7.45%	1.47%	-125'731'596
6	Chemicals, pharmaceuticals	605'674'802	607'984'857	0.38%	12.34%	998'762'432	1'184'768'308	18.62%	16.07%	576'783'451
7	Construction materials, ceramics, glass	67'988'023	66'899'770	-1.60%	1.36%	23'252'865	31'919'150	37.27%	0.43%	-34'980'620
8	Metals and metal products	304'346'956	320'251'877	5.23%	6.50%	308'769'877	313'395'582	1.50%	4.25%	-6'856'295
9	Machinery, apparatus, electronics	1'838'425'093	1'703'371'760	-7.35%	34.56%	2'467'686'044	3'215'878'729	30.32%	43.63%	1'512'506'969
10	Vehicles	88'941'172	77'988'419	-12.31%	1.58%	40'985'597	37'881'028	-7.57%	0.51%	-40'107'391
11	Precision instruments, watches, jewellery	602'309'852	652'406'748	8.32%	13.24%	1'405'442'078	1'919'954'979	36.61%	26.05%	1'267'548'231
12	Furniture, toys	416'263'693	373'394'685	-10.30%	7.58%	28'436'428	18'617'242	-34.53%	0.25%	-354'777'443
13	Precious metal, precious stones, gemstones	6'314'015	9'874'251	56.39%	0.20%	314'604'270	326'916'900	3.91%	4.44%	317'042'649
14	Objects of art and antiques	5'146'649	6'602'623	28.29%	0.13%	20'447'971	3'918'440	-80.84%	0.05%	-2'684'183
	Total	5'090'283'988	4'928'500'911	-3.18%	100%	5'915'432'847	7'370'598'288	24.60%	100.00%	2'442'097'377
Bilateral trade Switzerland - Hongkong, Jan - Oct 2010/2011										
	Class of goods	Import in CHF		Δ	Import	Export in CHF		Δ	Export	Trade balance
		Jan - Oct 2010	Jan - Oct 2011	in %	share %	Jan - Oct 2010	Jan - Oct 2011	in %	share %	Jan - Oct 2011
1	Agricultural products	880'113	3'164'213	259.52%	0.23%	83'451'719	94'218'022	12.90%	1.48%	91'053'809
2	Energy carriers	67'235	91'020	35.38%	0.00%	91'020
3	Textiles, apparel, shoes	32'387'446	25'875'097	-20.11%	1.88%	76'276'745	70'048'732	-8.17%	1.10%	44'173'635
4	Paper, paper products, printed matter	2'232'483	2'647'426	18.59%	0.19%	11'636'803	6'012'568	-48.33%	0.09%	3'365'142
5	Leather, rubber, plastics	5'762'694	9'681'600	68.00%	0.70%	53'056'802	56'265'407	6.05%	0.88%	46'583'807
6	Chemicals, pharmaceuticals	6'275'210	9'177'672	46.25%	0.67%	447'003'409	379'503'919	-15.10%	5.97%	370'326'247
7	Construction materials, ceramics, glass	2'043'887	4'330'783	111.89%	0.32%	15'902'384	17'746'054	11.59%	0.28%	13'415'271
8	Metals and metal products	10'307'359	10'884'350	5.60%	0.79%	44'245'971	53'473'523	20.86%	0.84%	42'589'173
9	Machinery, apparatus, electronics	100'990'716	81'265'793	-19.53%	5.92%	322'599'299	309'504'468	-4.06%	4.87%	228'238'675
10	Vehicles	2'516'271	2'060'707	-18.10%	0.15%	898'739	2'393'173	166.28%	0.04%	332'466
11	Precision instruments, watches, jewellery	716'024'301	782'354'903	9.26%	56.95%	3'119'488'472	3'992'406'101	27.98%	62.77%	3'210'051'198
12	Furniture, toys	8'616'449	9'544'340	10.77%	0.69%	16'526'870	18'775'015	13.60%	0.30%	9'230'675
13	Precious metal, precious stones, gemstones	408'288'465	399'121'723	-2.25%	29.05%	1'079'021'214	1'325'885'176	22.88%	20.85%	926'763'453
14	Objects of art and antiques	24'570'244	33'679'516	37.07%	2.45%	23'867'796	34'052'532	42.67%	0.54%	373'016
	Total	1'320'895'638	1'373'788'123	4.00%	100.00%	5'294'043'458	6'360'375'710	20.14%	100.00%	4'986'587'587
Bilateral trade Switzerland - P.R. China incl. Hongkong, Jan - Oct 2010/2011										
	Class of goods	Import in CHF		Δ	Import	Export in CHF		Δ	Export	Trade balance
		Jan - Oct 2010	Jan - Oct 2011	in %	share %	Jan - Oct 2010	Jan - Oct 2011	in %	share %	Jan - Oct 2011
	Total	6'411'179'626	6'302'289'034	-1.70%		11'209'476'305	13'730'973'998	22.49%		7'428'684'964

Source: Swiss Federal Customs Administration

Appendix 5 China: Foreign Direct Investment

China: Foreign Direct Investment inward									
Rank	Country / Region	FDI (mio. USD) 2010	Share (%) 2010	Variation (%) year on year	Rank	Country / Region	FDI (mio. USD) Jan - Oct 2011	Share (%) year to date 2011	Variation (%) year on year
1	Hong Kong	67474	63.81%	24.97%	1	Hong Kong	62363	65.64%	22.26%
2	Taiwan	6701	6.34%	2.10%	2	Taiwan	5852	6.16%	2.94%
3	Singapore	5657	5.35%	45.57%	3	Japan	5482	5.77%	58.49%
4	Japan	4242	4.01%	3.04%	4	Singapore	4763	5.01%	7.37%
5	USA	4052	3.83%	13.31%	5	USA	2567	2.70%	-18.14%
6	South Korea	2693	2.55%	-0.37%	6	South Korea	2186	2.30%	5.65%
7	United Kingdom	1642	1.55%	11.78%	7	United Kingdom	14776	15.55%	992.09%
8	France	1239	1.17%		8	Germany	998	1.05%	28.28%
9	Netherlands	952	0.90%		9	France	724	0.76%	-22.40%
10	Germany	933	0.88%	-23.96%	10	Netherlands	668	0.70%	-23.22%
	Switzerland	260	0.25%	-13.40%		Switzerland	460	0.48%	118.62%
	Total	105735	100%	17.44%		Total	95010	100.00%	33.90%

China: Foreign Direct Investment outward									
Rank	Country / Region	FDI (mio. USD) 2010	Share (%) 2010	Variation (%) year on year	Rank	Country / Region	FDI (mio. USD) Jan - Oct 2011	Share (%) year to date 2011	Variation (%) year on year
1	Hong Kong	38505	55.96%	8.2%	n/a	Germany	244.35	n/a	66.00%
2	British Virgin Island	6120	8.89%	279.6%	n/a	France	150.76	n/a	1600.00%
3	Cayman Islands	3496	5.08%	-34.9%	n/a	Netherlands	126.06	n/a	53.00%
4	Luxembourg	3207	4.66%	41.3%	n/a	United Kingdom	89.85	n/a	-20.30%
5	Australia	1702	2.47%	-30.9%					
6	Sweden	1367	1.99%	16779.4%					
7	United States	1308	1.90%	44.0%					
8	Canada	1142	1.66%	86.3%					
9	Singapore	1119	1.63%	-20.9%					
10	Myanmar	876	1.27%	132.4%					
	Switzerland	27.25	0.04%	29.82%		Switzerland	15.82		-42.00%
	Total	68811	100%	17.44%		Total	46247		49.00%

Source: Ministry of Commerce

2011 Figures only available for European countries and Switzerland

Appendix 5 China: Foreign Direct Investment

China / Switzerland: Foreign Direct Investment								
Chinese FDI in Switzerland (million USD) ¹	2004	2005	2006	2007	2008	2009	2010	2011 E
CN FDI in CH, flow	0.58	0.59	1.01	1.21	0.01	20.99	27.25	n/a
CN FDI in CH, stock	1.86	2.45	7.58	8.88	8.91	30.30	58.54	n/a
Swiss FDI in China (million CHF) ²	2004	2005	2006	2007	2008	2009	2010	2011 E
CH FDI in CN, flow	n/a	n/a	920	776	1'401	1'198	1'676	n/a
CH FDI in CN, stock	n/a	n/a	3'916	4'801	6'555	7'422	8'005	n/a

Source:

1 MOFCOM, Statistical Bulletin of China's outward FDI, 2010

2 SNB, Statistisches Monatsheft, 2011

Differences between Chinese and Swiss Statistics on FDI may exist due to different calculation methods

Appendix 6: Useful Internet Links

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 (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.cameraitacina.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/rebs/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/country/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_1.00.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