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The conquest of China

Switzerland has become the first European country to sign a free trade agreement with China. Even sceptics were reluctant to oppose the agreement, in view of the country's economic power. China is already Switzerland's third biggest trade partner, after the EU and the USA. In 2012, exports to China amounted to CHF 7.8 billion.

By Hubert Mooser

The timing could not have been better. As the Historical Museum in Berne was unveiling for the first time terracotta figures from the mausoleum of Qin Shi Huang, the first Emperor of China, bringing the history of China to Switzerland, far away in Beijing Swiss and Chinese negotiators were hammering out the final details of a free trade agreement. Here the birth of a superpower, there its economic expansion. China has electrified the rest of the world. Never has a country risen with such rapidity from agrarian economy to industrial superpower. Since the economic reforms of 1978, this huge nation with 1.3 billion people and a fast-growing middle class has grown at an astonishing rate. And Swiss industry is hoping that China could become an even bigger sales market for its products.

Fears have suddenly evaporated

There was euphoria on 6 July 2013 when the Swiss Minister of Economic Affairs, Federal Councillor Johann Schneider-Ammann, and his Chinese counterpart, Gao Hucheng, put their signatures to the 1,000-page free trade agreement in Beijing. As of mid-2014, the agreement will introduce the easier exchange of goods and services, better market access for both countries, more security for investors and enhanced protection for intellectual property. The savings on customs duties alone will save Swiss companies over CHF 200 million per year. "The agreement will remove customs duties on an estimated 95% of trade with China," says Ambassador Christian Etter, head of the Special Foreign Economic Service Division in the State Secretariat for Economic Affairs (SECO), who led the tricky negotiations with China. Machinery manufacturers, watchmakers, the chemical industry and pharmaceutical companies all stand to benefit, but so too do consumers because cheaper imports bring prices down. But above all, the agreement with China gives Swiss industry and service providers an edge over European competitors be-

cause there is as yet no free trade agreement between the EU and China.

Fears that more and more Swiss companies would relocate to China and that Switzerland would be flooded with cheap food-stuffs, clothes and toys from the "world's factory" have suddenly evaporated.

Federal Councillor Schneider-Ammann described the agreement as a milestone in the history of Swiss-Chinese relations. President Ueli Maurer even went so far as to say that a line should be drawn under the Tiananmen Square massacre of 1989, the violent suppression of the pro-democracy movement by the Chinese military in which some 2,600 people were killed.

Critics in a hard place

Organisations and politicians who point to events like the Tiananmen massacre, forced labour, the lack of freedom of assembly and freedom of religion, human rights abuses, dangerous working conditions, environmental pollution and the question of Tibet are in a hard place. Politicians should take seriously the fears of Tibetans of even more persecution, and not just in the signing of petitions, said SP Vice-President Jacqueline Fehr in December during a debate on the agreement in the National Council. However, her motion to reject the free trade agreement and her attempt to make it subject to a referendum both failed. Not even all those on the left or all the Greens supported the efforts of the National Councillor from Zurich.

The agreement presented the unions, in particular, with a dilemma. "It's very disappointing that the protection of human rights and a reference to the Universal Declaration of Human Rights do not explicitly figure in the agreement," says Vasco Pedrina, the former president of inter-professional trade union Unia and now an advisor to trade unions on international affairs. He believes, however, that the general conclusion was that despite the serious weaknesses of the agreement, "a rejection and a referendum would not get us anywhere".

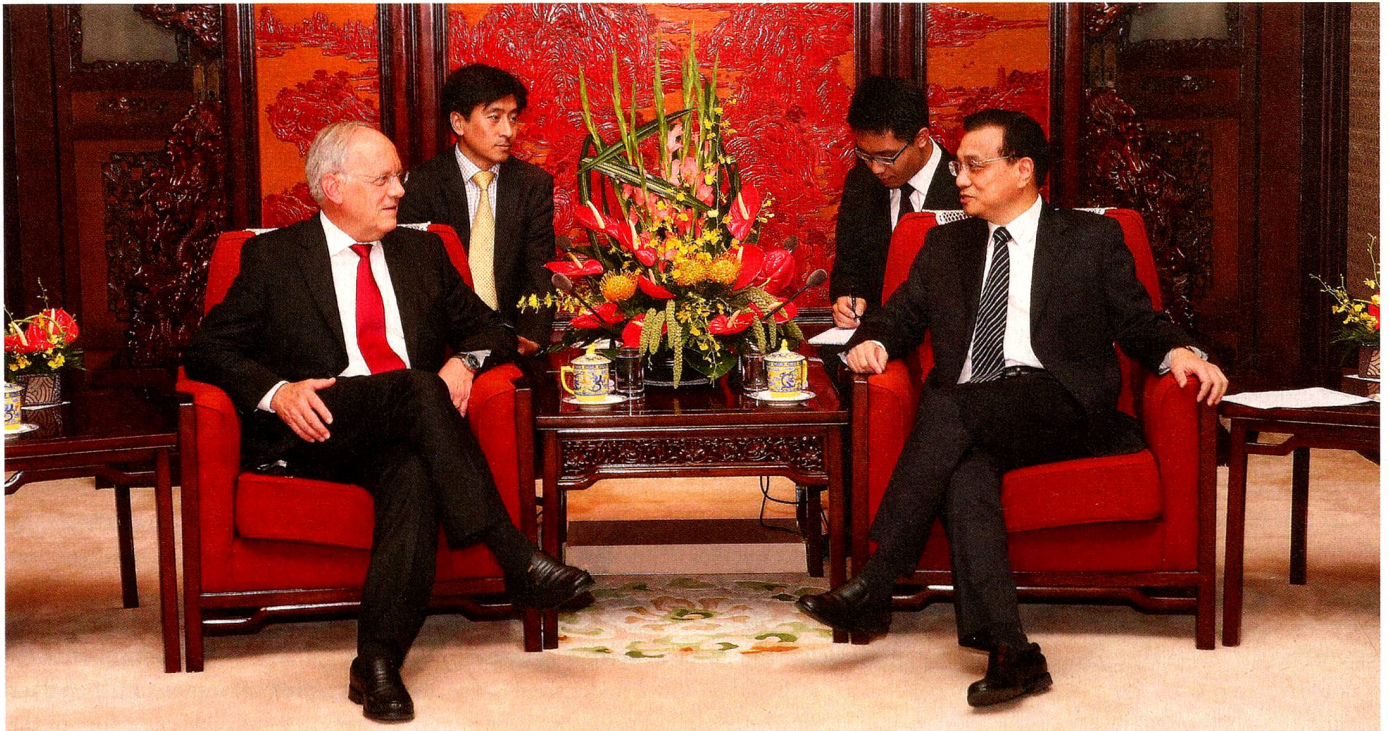
Even the powerful farming lobby, which successfully blocked free trade agreements with the USA, has given its support to the agreement. "The free trade agreement with China satisfies all the requirements of the farming industry," says Markus Ritter, president of the Swiss Farmers' Union and CVP National Councillor.

China accepted reference to UN charter

The agreement was rubber-stamped by the National Council, and in the Council of States, where the agreement will be debated in the spring 2014 session, resistance is likely to be even less. This widespread acceptance comes as no surprise to Ambassador Etter. "So far, parliament has approved all 28 free trade agreements," he says. The agreement with China has caused somewhat more debate, he concedes, because it has a higher profile. This, he adds, is doubtless why more attention has been given to the human rights situation. "But this is not entirely new because human rights were also an issue in parliament in connection with the agreement with Colombia in 2009," says the trade diplomat. Etter emphasises that concessions were achieved in the negotiations with China: "Concessions that are by no means a matter of course for this country." One example is the reference to Article 1 of the Charter of the United Nations, which stipulates that human rights must be respected in international relations. Etter believes that closer relations with China will promote not only the economic but also the political opening up of the country.

Historical background

China has been endeavouring for several years to secure better access to foreign sales markets. When it joined the World Trade Organization in 2001, its export trade grew exponentially. In 2009, China overtook Germany in terms of exports to



Federal Councillor Johann Schneider-Ammann with the Chinese Premier Li Keqiang at a meeting in Beijing on 6 July 2013

become the world's biggest export nation. The fact that Switzerland has become one of the first western countries to sign a free trade agreement with China also has an historical background. "China has not forgotten that Switzerland was one of the first countries to recognise the People's Republic of China," says Etter. He points out that Swiss lift manufacturer Schindler was one of the first companies to set up a joint venture in China after the economic reforms of 1978. Since then, he says, relations between the two countries have steadily deepened.

In 2007, the then Swiss Minister of Economic Affairs, Doris Leuthard (CVP), sent

Ambassador Etter to Beijing for initial talks. Between 2008 and 2010, there were exploratory talks and workshops with Swiss companies. Negotiations were formally opened by Leuthard's successor Schneider-Ammann in 2011. After two years and nine rounds of negotiations, the agreement was finalised. The media described it as a fast result. Etter responds: "I have known negotiations to last between six months and ten years. Two years is certainly a good outcome."

In negotiations such as these, cultural differences are not as important as is often thought, says Etter: there is give and take, and both sides are looking for win-win sit-

uations. The agreement will be reviewed and, if necessary, amended every two years to make sure that trade relations with China are a success – just like the Qin exhibition, which attracted over 300,000 visitors to the Historical Museum in Berne, setting a new record.

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FREE TRADE AGREEMENTS ARE IMPORTANT TO LITTLE SWITZERLAND

A small country like Switzerland depends on its export markets. The statistics reveal just how much free trade agreements are worth to the country: almost 20% of all Switzerland's exports are currently governed by free trade agreements. Negotiations for further agreements are currently underway with India, Indonesia, Thailand and the Russia-Belarus-Kazakhstan customs union. In 2013 free trade negotiations were completed with the Central American states of Costa Rica and Panama as well as with Bosnia-Herzegovina. Negotiations are due to begin with Malaysia next year. Switzerland is also interested in stronger trade links with the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay). The question of how economic relations

could be stepped up is currently being considered. "The diversification of export markets is a declared aim of the Federal Council," says Ambassador Christian Etter with regard to the ongoing efforts to expand foreign trade.

CHINA AS AN EXPORT MARKET

China is Switzerland's third most important export market, after the EU and the USA. In 2012, exports to China amounted to CHF 7.8 billion per year, while Switzerland imported CHF 10 billion worth of goods from China. China, together with Hong Kong, is now Switzerland's largest sales market in Asia. Economists predict that the free trade agreement will double the volume of trade with the People's Republic over the next 10 years.