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Article about Sino-Swiss cooperation, by Partner Xiankun Lu

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Switzerland and China Should Look Beyond Bilateral for Future Cooperation

A Year-end Reflection upon Swiss-China Relations

February 8th is going to be the first day of Chinese New Year of monkey. According to Chinese tradition, the year end is always the best moment to reflect upon what has been done in the past and what more could be done in the future. Much has been said in 2015, which marks the 65th anniversary of bilateral diplomatic relations between Switzerland and China, about Switzerland-China relations in these years and the way forward to strengthen them. Here is my candid year-end reflection of Swiss-China cooperation but in a little bit



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different manner.

Surely both China and Switzerland should be proud of their relations since 1950. In that year, Switzerland was the first western country to shake hands with the new China; in 1980 Schindler went to China and set up the first ever joint venture in China; In 1983 Zurich was the first western city to establish “sister city ties” with Kunming; In 1991 Switzerland was the first western country with whom China started a dialogue on human rights; In 2005 Credit Suisse was the first western bank to establish in China a joint asset management company-ICBC Credit Suisse; In 2007 Switzerland was the first European country to recognize China’s market economy; In 2014 Switzerland was the first European continental country to sign a free trade agreement (FTA) with China; In 2015 Switzerland was one of the first European countries to join China-led Asia Infrastructure Investment Bank (AIIB).

These Helvetic decisions of vision put Switzerland, as compared with other western countries, in a more sound position on its relation with China. As proudly said by Swiss Ambassador to China Mr. Jean-Jacques de Dardel recently, in bilateral relation between the two countries, lasting for more than two generations, there has been nothing unpleasant or problematic. The confidence between Bern and Beijing has also brought tangible benefits for Switzerland and its companies. Just a few examples: Switzerland is now China’s No. 7 import source, from No. 11 one year ago when the FTA was signed; Zurich has doubled its number of Chinese students within the past 10 years; Schindler, consecutively nominated “China’s Top Employer”, has over 100 branches in China, covering all major cities of China, including two manufacturing facilities and one R&D centre; ICBC Credit Suisse, by June 30th 2015, has a team of over 500 people managing assets of CHF 1150 billion.

Nevertheless, 65 years have passed and many things have changed, particularly in China. Its phenomenal development in the past three decades has significantly changed the global geopolitical and economic landscape. China is the No.2 economy of the world, accounting for 14% of the world trade (2014 figure), No. 1 trader in goods, No. 2 trader in services and No.3 foreign direct investor. China has become a central player in G20 and will host the G20 Summit in 2016. Chinese Yuan is now put in IMF basket as a reserve currency. It made a surprising achievement in establishing AIIB with the participation of many countries, both developed and developing. World Bank reform on voting power structure in favor of China was also passed recently. The recent Paris accord on climate change was concluded with China’s leading role, in contrast with what has happened in Copenhagen some years ago. Since President XI Jinping took office in 2013, China seems to be more willing to play a leadership role, with an unprecedented assertiveness in participating in global governance. In his annual 2016 new-year speech, XI stated that “(t)he world is too big with too many problems, for which the international community expects to hear China’s voices and see China’s solutions, from which China must not be absent.”

Against that background, one needs to look at future relations between the two countries in a different context, and probably in a broader picture. Surely it will be in the interests of both to continue to discuss how to further strengthen bilateral relations in all aspects. Meanwhile, the emerging leadership role of China and the traditional active role of Switzerland and its cities in global governance, such as “Genève International”, may provide a bigger platform for the two countries and bilateral cooperation on that aspect may not only bring concrete benefits to the two countries and their people, but also to the world at large. Given the challenges faced by the international community on how to improve the global governance and the difficulties in making progress on and concluding numerous international negotiations of high importance, such cooperation will be of particular significance.

Here as follows are my humble advices on where and how the two countries could work together in the future to expand their international cooperation:

1. Strengthening their dialogue on the improvement of global governance

China is now a central player in G20, which has replaced the traditional G8 as a central, albeit informal, mechanism on global economic governance. However, given the pertinence of the issues discussed within G20 to Switzerland and its strength on quite some of these issues such as finance, it would be a pity if Switzerland is kept distant from G20.

Therefore, it is pleasant to learn that Switzerland has been invited by China, host of G20 Summit 2016, to participate in the G20 Finance Track. This is one of the fruits of the continuous Switzerland-China Financial dialogue, which discusses not only bilateral issues, but also global ones such as those related to IMF, G20 and the Financial Stability Board. And the two countries should continue that kind of dialogue and focus more than bilateral issues.

Meanwhile, Switzerland should be active on other G20-related platforms including B20 Business Summit and the Think 20 (T20). Swiss companies such as Nestle have always been active within B20. And, in September 2015, two out of four organizers of the Initiative “**On a Trade-Related Work Programme for More Growth and Better Jobs**”, which mobilized some fourteen independent academics from all continents to propose on what China should do to promote trade and investment liberalization, were Swiss institutions, i.e. IDEAS Centre Geneva and St-Gallen University. Chinese T20 organizers also plan to use Geneva as the venue for their seminar on trade and investment in June 2016. It will be important for Switzerland and China to work together within B20 and T20.

2. Jointly push the multilateral trading system to move forward

The long stalled Doha Round negotiations have seriously undermined the central role of the WTO in global economic governance. Despite the success in successfully agreeing to a number of decisions, such as those related to LDCs, at the Nairobi Ministerial Conference in December 2015, “persistent and fundamental divisions” on the WTO negotiating agenda remain and were categorically recognized in the Ministerial Declarations. Therefore, members of the WTO must not wait to sit together to discuss how to address their divisions and move the multilateral trading system to move forward.

Switzerland, host of the WTO and a “middle grounder”, always plays a central role in facilitating the WTO discussions. At the end of January 2016, once again, Swiss President and Commerce Minister Schneider-Ammann organized in Davos an informal ministerial with ministers of key players of the WTO to kick the ball roll to reflect upon the way forward for the WTO. Some interesting ideas have emerged from that conference on the future of the WTO. China, in the past two decades, have been benefitting much from the multilateral trading system, the accession to which serves as a forceful catalyst for its domestic reform and rapid development. To ensure a continuously solid multilateral framework, China begins to play an emerging leadership role in the WTO negotiations, both multilateral and plurilateral. It will be in the interests of both, and the organization at large, for the two countries to work together to facilitate a serious and candid post-Nairobi reflection of the future of the organization. They should also push for a speedy conclusion of the Environmental Goods Agreement (EGA) negotiation, to which both are participants, and contribute to the global efforts to deal with environmental challenges.

3. Exploring cooperation in third countries for investment and technical assistance

As said, China is enhancing its role as a global player on many aspects. Examples include: in 2014-2018, China is expected to invest globally \$ 500 billion, on top of a 37.5% annual growth of overseas investment in 2002-2014. It is increasing its aid to poorer countries

as a “South-south partner”, through various new platforms by its initiatives such as South-South Cooperation Fund and South-South Climate Cooperation Fund. In December 2015 China also committed to provide \$ 60 billion on 10 cooperation initiatives with Africa, a priority continent for its foreign trade, overseas investment as well as foreign aid. China is also the only major developing country who has a specific technical assistance program within the WTO, the so-called “China Program” to help LDCs and accessions.

Interestingly, China began to extend its hands to developed countries for its cooperation with poorer countries under its new concept of “Trilateral Cooperation”. Examples include the Sino-France Joint Fund agreed in June 2015 to jointly invest in third countries and the new development partnership agreed in October 2015 between China and UK to help tackle poverty and promote economic development in Africa.

Switzerland should proactively explore its cooperation with China for such “Trilateral Cooperation” and fully utilize a series of other new concepts that China has announced in recent years, such as “One Belt One Road” (OBOR), “International Capacity Cooperation” and the China-Africa “461 Framework” and “Three Networks”. The complementarity between the experiences and know-how of Swiss enterprises and the production and implementation capacities of their Chinese counterparts provides many opportunities for them to work together, such as on corporate social responsibility, environmental cooperation, labor standards and foreign aid.

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The views expressed in this article reflects the personal views of the author and do not necessarily represents the ones of the institutions the author is affiliated to.

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