



# THE BIG DEALS



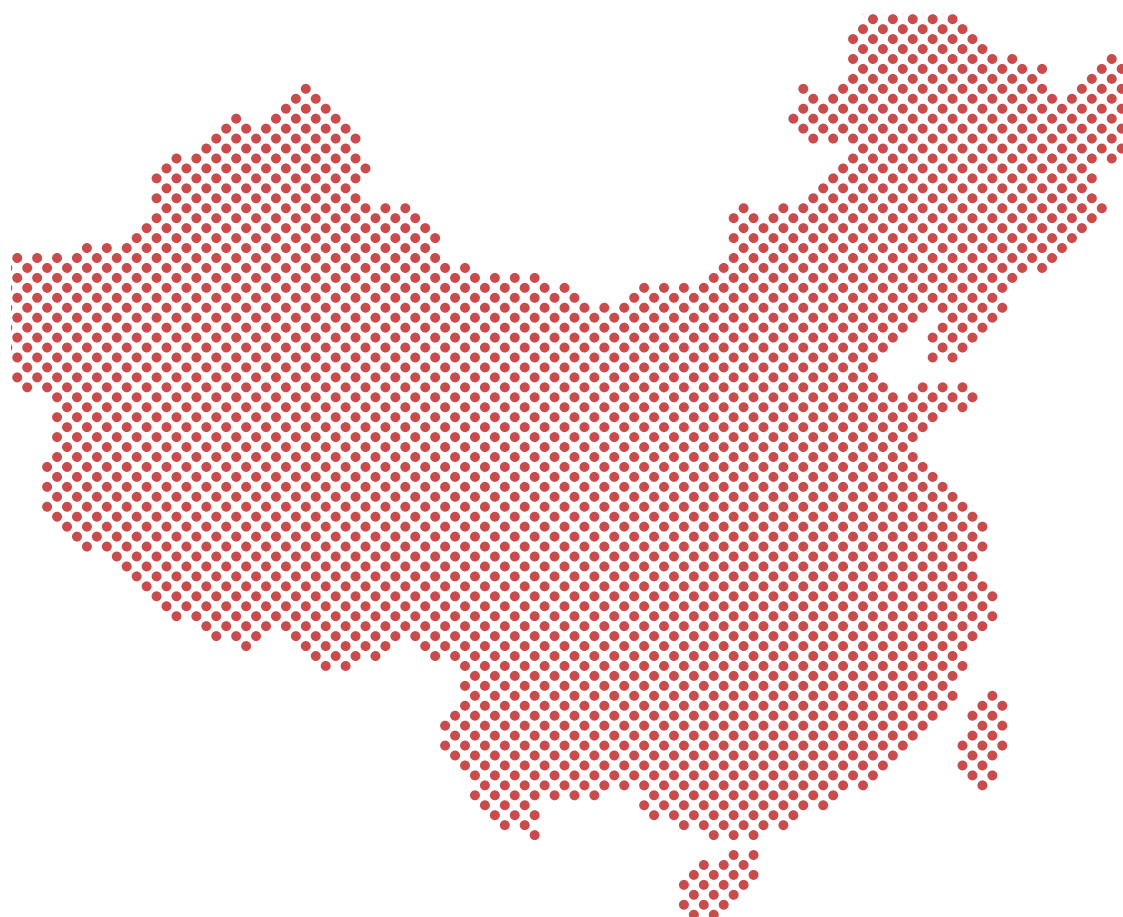
PACIFIC TYCOON

# INTRODUCTION

China is the number one trading nation in the world and is responsible for 11% of global exports and 10% of imports. The country currently has 14 free trade agreements in place, the joint most in the world – with another six in negotiation. Furthermore, In June 2014 alone, China agreed trade deals worth over £25 billion.

International trade and investment is vital to the ongoing growth and prosperity in China. With 90% of trade facilitated by containers, these agreements and deals are vital for guaranteeing and enhancing the returns our clients receive. Each quarter, The Big Deals report will highlight recent treaties, pacts and accords made by China and show how these are benefitting the Chinese economy and international trade.

In the last quarter, China has successfully negotiated with a number of European countries. Chinese firms are set to heavily invest into the UK and benefit from increased access to the Scandinavian economies; Switzerland and Iceland. Furthermore, negotiations are ongoing with Germany to benefit a wide range of industries and markets and a new free trade agreement with Australia will be in place by the end of the year.



## TRADE DEAL WITH THE UNITED KINGDOM

Status: Signed June 2014  
Value: £14 billion  
Key industries: Gas, oil, transport

As the United Kingdom looks to become China's key trading partner in Europe, the two countries announced £14 billion of trade deals. Bilateral trade between the two is at an all time high whilst UK exports to China rose by 15% in 2013.

The trade deal includes:

- BP has signed a 20 year deal with the China National Offshore Oil Company (CNOOC) which will see the British energy firm supply 1.5 million tons of liquefied natural gas (LNG) annually from 2019.
- China Minsheng Investment Corporation (CMI), China's largest private sector investment group is to open a European headquarters in London and plans to invest in industries including financial services, offshore engineering and advanced technology.
- The China Development Bank will look to invest in the UK's HS2 rail network, focused on building stations and ancillary connecting services and into the next generation of nuclear power stations.



## FREE TRADE AGREEMENT WITH SWITZERLAND

Status: Signed July 2014

What: 15 year staggered agreement to reduce trade tariffs

Key industries: Agricultural produce, luxury goods, manufacturing, chemicals

Following three years of negotiations, Switzerland became the first European country to begin a free trade agreement with China. This will boost trade between the two nations in addition to encouraging Chinese firms to set up their headquarters in Switzerland.

The free trade agreement includes:

- 99.7% of Swiss imports from China will be exempt from customs duties or tariffs. This includes industrial inputs such as chemicals and machinery.
- 84.2% of Swiss exports to China will also be exempt from tariffs. This includes a range of luxury goods such as Swiss watches in addition to agricultural produce such as dairy products, chocolate and alcohol.
- It is expected that there will be a large increase in the level of foreign direct investment between the two economies, especially in the production sector which currently makes up the bulk of economic relations between the two.



## FREE TRADE AGREEMENT WITH ICELAND

Status: Signed July 2014

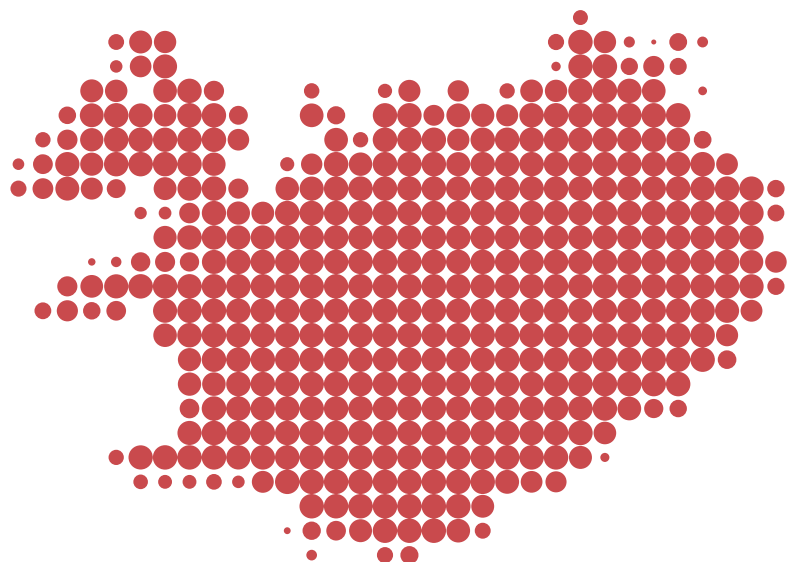
What: 96% of trade between China and Iceland to have zero tariffs

Key industries: Industrial products, fishery and aquatic products

Trade between these two economies stood at \$220 million in 2013. 96% of trade will be tariff-free across key markets and industries will boost trade and investment in both economies.

The free trade agreement includes:

- Zero tariffs on key Icelandic industries, such as fishing which will offer a price advantage over competitors from Norway, Russia and Canada.
- A price reduction in clothing and shoes from China (15% and 13% respectively) in addition to shipping vessels and related industrial equipment.
- Increased investment between the two, whilst an American silicon factory is to be built in Iceland to take advantage of the free trade agreement.



## TRADE DEAL WITH RUSSIA

Status: Signed May 2014

Value: \$400 billion

Key Industries: Gas

China and Russia signed a \$400 billion gas deal in May 2014, linking two major economies and forming an import and export market big enough to tackle the US and mainland Europe. The deal marks a significant progression in political relations between the two nations, and lays foundations for potential deals in the future. The gas supply is scheduled to begin in 2018.

The trade deal includes:

- A 30-year deal between the two nations which requires the construction of pipelines and other infrastructure worth tens of billions
- Russia will supply 38 billion cubic metres of gas annually for the full 30 years
- China will loan Russia \$50 billion to finance the development of gas fields and the construction of the pipeline from Russia to the Chinese border
- The deal is a lift for a Russian economy near recession and China's validation would improve Russia's world image



## TRADE DEAL WITH GERMANY

Status: Ongoing

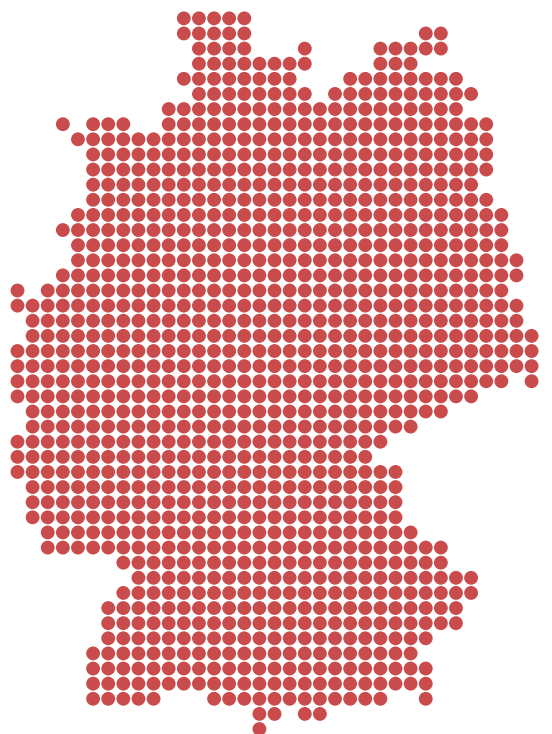
Value: To be announced

Key industries: Automobiles, Helicopters, Aeroplanes

Trade between these two economic powerhouses is currently worth \$200 billion and Merkel, the German President is currently in China to enhance economic relations and secure further deals.

Secured deals so far include:

- Volkswagen, the German car manufacturer is to invest €2 billion into China, building two vehicle plants in partnership with Chinese auto manufacturer FAW.
- Airbus has agreed to sell 123 helicopters to three Chinese companies over the next six years which will be used for non-military purposes.
- German airline, Lufthansa has agreed a memorandum of understanding to form a joint venture with Air China. This will strengthen both firms and provide access to China's burgeoning tourism industry for the German firm.



## FREE TRADE AGREEMENT WITH AUSTRALIA

Status: In negotiations

What: A deal to reduce tariffs across industries and support investment between the two economies

Key Industries: Agricultural products, commodities, infrastructure

With trade worth \$150 billion, China and Australia already have strong economic ties however the free trade agreement would boost exports and imports between these two countries. The objective is a signed agreement by the end of 2014

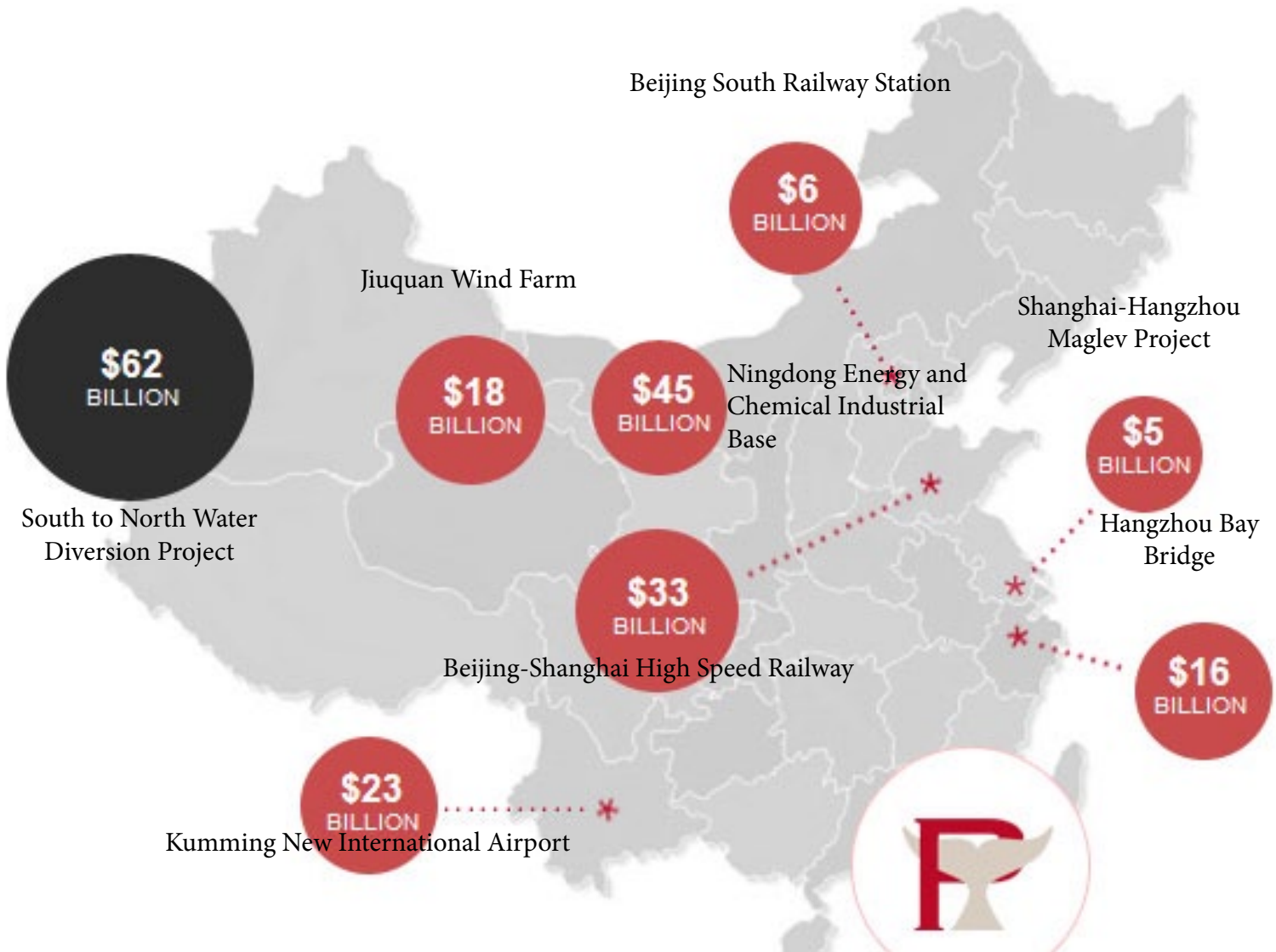
Areas of negotiation include:

- Allowing Chinese firms to access mined commodities from Australia which is resource-rich.
- Providing access to China's growing middle class to Australian farmers and exports of luxury produce.
- Allowing investment into industries in both countries including agriculture, mining and infrastructure.





Pacific Tycoon's head office is based in Hong Kong, at the heart of the booming East Asian economy. Benefiting from our proximity to the industrial and business-led projects transforming China, we endeavour to monitor and understand each one closely. For further details on the trillion dollar projects shown on this map, visit our website: [www.pacifictycoon.com](http://www.pacifictycoon.com)



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