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China 2019 Economic Report *EXTERNAL VERSION*

Executive Summary

- Chinese economy is facing downward pressure, with key indicators showing declining trend. Growth rate may still be 6% in 2019, but will drop below this mark in 2020.

- Consumer confidence has hit historic low, the 7.2% consumption growth rate in October (matching the record low in April), marked the lowest point since 2003.

- China's foreign trade growth continued to slow down, reaching an overall rate of -2.5% year-to-date (YTD), with exports slowing by -0.2%, while imports contracting by -5.1%.

- Bilateral trade, including precious metals, decelerated by -22.5% YoY as Swiss gold exports decreased by -63.2% YoY. However, other Swiss exports to China increased by 11% (driven by chemicals, pharmaceuticals and watches) and Swiss imports from China rose by 4.2% YoY (driven by electronics, chemicals and watches).

- The foreign investors' confidence in 2019 stays strong. In U.S. dollar terms, China's FDI totaled US$ 100.78 bn for the first nine months of the year, up 2.9% YoY.

- ODI dropped 8% YoY in H1 and remains weak in Europe and the U.S. due to trade tensions and strict capital outflow control. Chinese enterprises' investment preferences has shifted to Asia, Oceania, Central Asia and Africa instead.

- The shift in the demographic structure has brought challenge to China's healthcare landscape. To meet growing demands, Beijing has removed items relating to elderly care and senior services from the Negative List, aiming to attract more foreign investors in the healthcare sector.

- China's unemployment situation has been under control in H2 of 2019, with unemployment rate diminishing from 5.3% in February to 5.1% in October, It remains however a major concern for the Central Government.

- There is increasing emphasis on fiscal stimulus and monetary easing, but no drastic measures are expected. Regulatory tightening to mitigate environmental and financial risk will remain.

1 Economic Overview

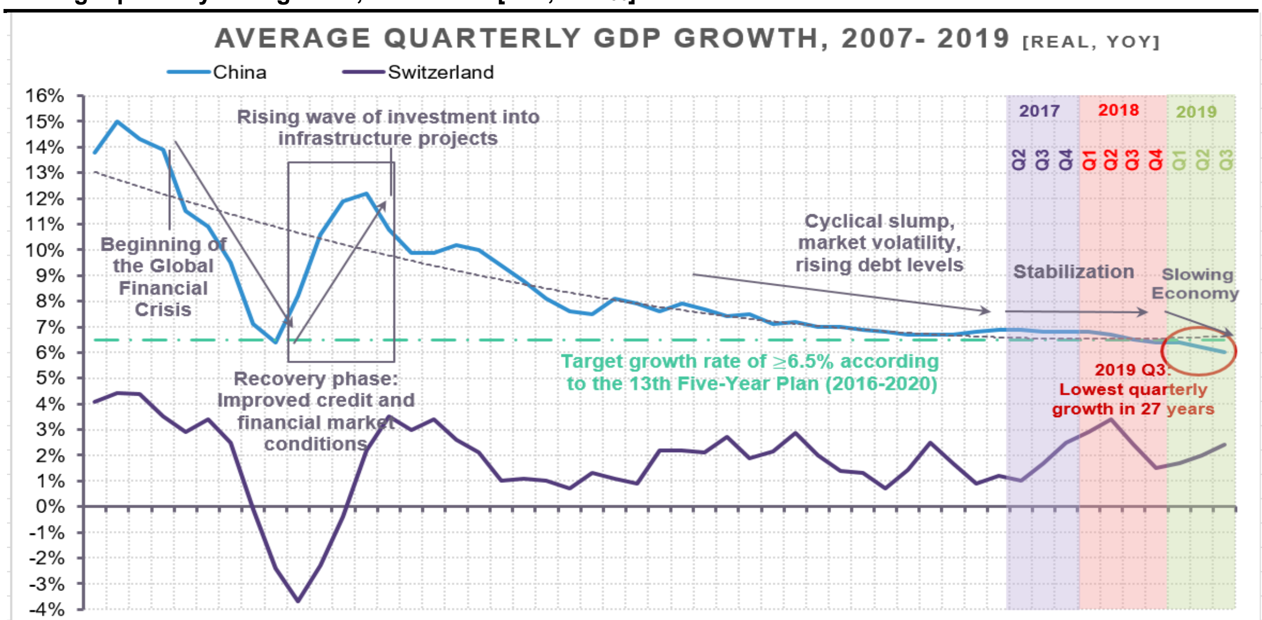
1.1 Macroeconomic situation: weak data, downward ahead –no big stimulus

China reported 6% GDP growth in Q3 (down from 6.2% in Q2), marking the lowest growth in 27 years. China's economy is facing significant downward pressure and is projected to decline onwards. In a meeting with the Heads of Major International Economic and Financial Organizations, Premier Li Keqiang confessed that it would not be easy for the country to sustain growth rates of above 6%[1]. OECD estimates that China's economic growth would fall to 5.5% in 2021.[2]

Important indicators in October[3] show bleak signs: industrial production rose 4.7% year-on-year (YoY), below the median forecast of 5.4% growth in a Reuters poll. Retail sales rose 7.2% YoY, missing expected growth of 7.9%, matching the more than 16-year-low hit in April. Overall fixed asset investment (FAI) slowed to 3.4% YoY growth, down from 10.5% in September, and the slowest pace this year. The property and infrastructure FAI growth also came with record low (8.8% and 2% YoY). Manufacturing remains weak as Purchasing Managers Index (PMI) came with 49.3%, showing contraction for 6 months in a row. Consumer Price Index (CPI) increased 3.8%, while consumption rate continues to plunge as auto sales falling for the 16th consecutive month.

The slowing economy comes with both domestic issues and external threats. Domestically, the political crisis in HK and risks in the financial system are main challenges. The Swine Fever has led to volatile food prices, which in turn cause rising consumer inflation domestically. External uncertainties such as the Sino-US trade frictions also weigh on consumer confidence and hit factory production, as evidenced by weak manufacturing indicators.

Average quarterly GDP growth, 2007–2019 [real, YoY%]



– China – Switzerland **Source:** IMF, SEC

To weather the current slowdown, Beijing has relied on a combination of fiscal stimulus and monetary easing, including tax cuts and local government bonds to fund infrastructure and spur bank lending. The central bank pumped 200 billion yuan (CHF 28 bn) into the financial system through its medium-term lending facility

[1] BBC (2019), "China's economic slowdown: How bad is it?", retrieved from https://www.bbc.com/news/business-49791721, last accessed on November 26, 2019
[2] OECD (2019), "Economic Forecast Summary", retrieved from http://www.oecd.org/economy/china-economic-snapshot/, last accessed on December 19, 2019
[3] National Bureau of Statistics (2019), "October Data", retrieved http://data.stats.gov.cn/english/; last accessed on November 27, 2019

(MLF) to banks on 15th November (second injection in the same month)[4], in order to maintain liquidity in the market. In addition, central bank has lowered one-year loan prime rate (LPR) three times since it was established in August and first time lowered the five-year LPR to improve bank's ability to support credit. The People's Bank of China (PBoC) is also leveraging tools like the seven-day reverse repurchase rate and open market operation rates to shore up market confidence.

However, the government tries to avoid strong stimulus. Li Keqiang definitively ruled out drastic easing measures as a means of goosing economic growth in the short-term during the 1+6 Roundtable. "China will maintain the stability and consistency of its macroeconomic policy next year, and continue with a proactive fiscal policy and prudent monetary policy to stabilize market expectations."[5]

1.2 Trade Tension: Impact on China's economy

According to UN[6], U.S.tariffs caused a 25% export loss, inflicting a US$35 billion blow to Chinese exports in the U.S. market for tariffed goods in the first half of 2019. As of October, imports have contracted for six consecutive months on a YoY basis. OECD estimates that the additional announcements for tariff increases this year will shave off between 0.3-0.4 percentage points of GDP growth in 2020[7]. The drop has hit the manufacturing sector, industrial output growth in China fell to its lowest level of 4.7% in both April and October, causing more laid-off workers. In addition, incentivized by the ongoing trade tensions and rising productions costs in China, more than 50 global companies, such as Apple and Nintendo, have been relocating their productions or rerouting their products to other countries.[8]

1.3 Fiscal & monetary policy: balancing the effects of the trade war

To boost household consumption and offset the negative effects of the tariffs implemented with the U.S., Beijing introduced fiscal stimulus such as income tax reform (which took effect since January) and tax cuts for enterprises, with the total cuts amounting to 2 trillion yuan[9]. Major beneficiaries of the tax cuts are small- and medium-sized companies, those in the middle- and low- income bracket, and R&D in the corporate sector. Barclays' economists estimate that these tax cuts could increase GDP growth by 0.2-0.3 percentage points[10] and boost household savings to as much as RMB 472 billion.[11] Moreover, Ministry of Finance (MoF) published in May details of how affected parties can apply for relief from the tariffs, this exemption system can help limit the impact of the new rounds of tariffs on companies in China.

According to IMF, the fiscal stimulus would increase the overall budget deficit by 1.5% of GDP in 2019 alone. IMF believes that no large-scale fiscal stimulus is needed as the effects of trade tensions have already been factored into the budget.[12] Monetary policy wise, the depreciation of the exchange rate—6% decline since Q2 of 2018 could account for a further boost to GDP of 0.7% over a three-year period.[13] These measures have been timely in offsetting the shocks of the trade tensions.

[4] Reuters (2019), "China's central bank injects 200 billion yuan to boost liquidity, keeps rate unchanged", https://www.cnbc.com/2019/11/15/pboc-injects-200-billion-yuan-to-boost-liquidity-keeps-rate-unchanged.html, last accessed on November 27, 2019

[5] Ministry of Foreign Affairs (2019), "Li Keqiang Holds the Fourth "1+6" Roundtable with Heads of Major International Economic ansd Financial Organizations", retrieved https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1718508.shtml, last accessed on November 27, 2019

[6] UNCTAD (2019), "Trade war leaves both US and China worse off", retrieved from https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2226, last accessed on December 19, 2019

[7] OECD (2019), "Economic Forecast Summary", retrieved from http://www.oecd.org/economy/china-economic-snapshot/, last accessed on December 19, 2019

[8] Asian Review (2019), "China scrambles to stem manufacturing exodus as 50 companies leave", https://asia.nikkei.com/Economy/Trade-war/China-scrambles-to-stem-manufacturing-exodus-as-50-companies-leave, last accessed on December 10, 2019

[9] IMF (2019), 'People's Republic of China : 2019 Article IV Consultation-Press Release; Staff Report; Staff Statement and Statement by the Executive Director for China, at https://www.imf.org/en/Publications/CR/Issues/2019/08/08/Peoples-Republic-of-China-2019-Article-IV-Consultation-Press-Release-Staff-Report-Staff-48576 accessed on 04 December 2019

[10] Ibid.

[11] Ibid.

[12] Ibid.

[13] IMF (2019), "Taming the currency hype", https://blogs.imf.org/2019/08/21/taming-the-currency-hype/, last accessed on November 26, 2019

In the meantime, China is increasingly engaged in tax cooperation with other stakeholders, joining multilateral efforts to tackle tax avoidance and evasion including the implementation of the global standard for the automatic exchange of financial account information (AEOI). China has committed with 61 states to exchange information under the AEOI, including several EU members, Panama, Singapore and the UK. The implementation of the introduction of AEOI between China and Switzerland started last year, and the first data sets exchange took place in September 2019.[14]

1.4 Structural economic reforms: supply side reform, financial opening

Due to the slowing economy, reform is high on the agenda, especially when the large-scale stimulus is out of the question. Reform measures are ongoing in financial sector, ICT, healthcare and environment. According to the National Economic Census released on 20th November, the number of people employed in secondary industries (i.e. industry and manufacturing) decreased by 10.4% over the past five years, while the number of people employed in the service sector increased by 28.9% in the same time frame. The data reflects the changing nature of China's economy, slowly moving up the value chain, from a manufacturing-driven to a service-driven economy.

Financial sector: reforms needed to ensure both stability and funding of the economy

Preserving the financial stability is a major economic priority and has been designated as one of the "three tough battles" of the Chinese government since 2017. While China has made progress to strengthen risk management and its macro prudential frameworks, there are various interdependent and rapidly evolving threats to the country's financial stability. 2019 saw one small bank (Baoshang) going default and two (Jinzhou Bank and Hengfeng Bank) bailed out by the government, forcing the regulators to impose measures such as increased capital, cut in bad loans and limited dividends on troubled banks. There are raising concerns about China's overall financial stability, as, without the intervention of the authorities, linkages of these banks with regional SOEs could lead to a downward spiral[15]. Governmental intervention stays sensitive as support measures could on the long-term increase the debt problem, which represents the most urgent threat to financial stability, the total of the non-financial debt (debt issued by manufacturing companies, service companies, government entities and households) being at 257% of GDP and expected to reach 295% by 2024 according to IMF[16]. In the hope of lowering borrowing costs for companies, PBoC introduced a new interest rate mechanism for its loan prime rate, to be leaned on the average interest rate of a larger group of banks, with the result of being closer to the market rate and more autonomous regarding monetary policy[17]. Whereas prices on the real estate market had faced huge increases over the previous five years (up by 48% in Beijing and by 22% in Shanghai), they slowed in 1st tier cities in 2019, while continuing to raise in regional centers[18].

To better deal with the threats, China has vowed to open its financial sector further and among various measures announced in July 2019 the removal of foreign ownership limits for securities, insurance and fund management companies by 2020[19]. UBS, the first foreign bank having gained majority control in its securities joint venture, plans to increase its share to 100%. Credit Suisse, which currently owns 33% of Beijing-

[14] FDF (2017), 'Federal Council adopts Dispatch on Automatic Exchange of Information with 41 States and Territories', *State Secretariat for International Financial Matters*, June, at https://www.sif.admin.ch/sif/en/home/dokumentation/medienmitteilungen/medienmitteilungen.msg-id-67079.html, accessed on 20 June 2017
[15] Lucille Liu, Tongjian Dong, Jun Luo (2019, Bloomberg), "China Financial Warning Signs Are flashing almost Everywhere", retrieved from https://www.bloomberg.com/news/articles/2019-11-28/china-s-financial-warning-signs-are-flashing-almost-everywhere, last accessed on December 7, 2019.
[16] IMF (2019), "IMF Country Report No. 19/266" August 2019, retrieved from https://www.imf.org/en/Publications/CR/Issues/2019/08/08/Peoples-Republic-of-China-2019-Article-IV-Consultation-Press-Release-Staff-Report-Staff-48576, last accessed December 9, 2019.
[17] CNBC (2019), "The Chinese central bank just effectively made a rate cut, analysts say", retrieved from https://www.cnbc.com/2019/08/17/pboc-unveils-rate-reform-to-lower-borrowing-cost-for--chinese-firms.html, last accessed on December 9, 2019.
[18] Maria de Guzman (2019), "China's house price boom over in the 1st tier cities", retrieved from https://www.globalpropertyguide.com/Asia/China/Price-History, last accessed on December 9, 2019.
[19] Finews Asia (2019), "China to Lift Financial Sector Foreign Ownership Cap Early", retrieved from https://www.finews.asia/finance/29091-china-to-lift-financial-sector-foreign-ownership-cap-early, last accessed on December 9, 2019.

based Credit Suisse Founder Securities, had announced its intention to take a controlling 51% share in April. The transaction, however, is still pending[20].

In September 2019, the Chinese authorities also announced the removal of investment quotas on the Qualified Foreign Institutional Investors (QFII) and Renminbi Qualified Foreign Institutional Investors (RQFII) programs, which gives foreign investors access to onshore securities and mutual funds in RMB and allow them to trade on mainland China's stock exchanges (date of entry into force not specified yet)[21]. With regard to cooperation between stock exchanges, SIX and the Shanghai Stock Exchange signed an updated Memorandum of Understanding (MoU) during the state visit of President Ueli Maurer in April 2019. This amended MoU focuses on further intensifying the cooperation and assessing the feasibility of listing securities (such as Depository Receipts) on respective markets and thus allow companies listed at either exchange to tap into each other's liquidity pools.

Innovation, technology and ICT: tech race—stress on technological breakthroughs & self-reliance

In this year's Two Sessions (the annual plenary sessions of the national or local People's Congress and the national or local committee of the Chinese People's Political Consultative Conference), innovation and technology are set as key priority. Vice Premier Liu He commented in November on an award ceremony that technological breakthroughs are the number one productive force for the economy and urged MIIT to create better environment for scientists to innovate.[22] Amid the tech race to dominate AI and other key technologies like 5G, China is keen in taking a leading position. For example, China's telecoms operators officially rolled out commercial 5G services on 1st November, two months ahead of plan, earlier than other main competitors. The vulnerability of Chinese high-tech sectors, best illustrated by Huawei, has led the government to develop home-made supply chains.

To achieve self-reliance, China officially established a new super-sized national investment fund (with registered capital of CHF 20.9 bn) on 19th November, aimed at transforming and upgrading the country's manufacturing sector. The fund is owned by 20 stakeholders such as the Ministry of Finance (MoF) and China Development Bank (CDB), which focuses investment on new materials, new information technology and electrical equipment.

Besides this super fund, startups that possess core technologies can also access funding from the science and technology innovation board launched in February, which aims to amplify the role of capital market in promoting the innovation-driven economy and provide impetus for related enterprises.

Environment: difficult balancing act, industrial growth or blue sky

It is clear that Beijing is still committed to its 'Blue Sky' plan—to further reduce PM 2.5 pollutions by 2020 in all cities and further reduce excess capacity, as confirmed in the Two Sessions. According to official statistics[23], more than 150 million tons of steel capacity has been removed since the government instituted its Supply-Side Structural Reform program in 2016 – with the biggest crackdown on outdated and illegal production. However, in 2019 the overcapacity for steel has risen again, with profits dropping, which indicates that cutting overcapacity is still a matter of urgency. While Beijing is anxious to accelerate the process, it has struggled to balance out the relationship between environment protection and industrial growth.

[20] Finews Asia (2019), "Trouble Ahead for Credit Suisse in China", retrieved from https://www.finews.com/news/english-news/36916-trouble-for-credit-suisse-in-china, last accessed on December 9, 2019.
[21] Reuters (2019), "China to scrap quotas on QFII, RQFII foreign investment schemes", retrieved from https://www.reuters.com/article/us-china-economy-investment/china-to-scrap-quotas-on-qfii-rqfii-investment-schemes-idUSKCN1VV0WJ, last accessed on December 9, 2019.
[22] State Council (2019), "Vice-premier stresses science and technology" , retrieved http://english.www.gov.cn/statecouncil/liuhe/201911/19/content_WS5dd3ab05c6d0bcf8c4c176a6.html, last accessed on November 26, 2019
[23] S&P Platts Insight (2019), "Supply-side reform: less is more" , https://www.plattsinsight.com/insight/commodity/metals/supply-side-reform/, last accessed on November 26, 2019

Hebei's steel industry, which produced 1/4 of China's steel and 1/8 of global production in 2018, is complaining to the provincial branch of the industry regulator (MIIT) this year detailing the disruption that environmental protection measures have caused for the industry, especially the drastic raising environmental standards and little guidance from regulators on environmental solutions.

Healthcare: new amendment to Law, demographic challenge & smart healthcare

China's population is ageing fast, which has become one of the largest hurdles to China's sustainable economic growth. China's elderly population is expected to reach 487 million by 2050, amounting to 35% of the total population[24]. Research shows that the cost used for the aged, medical treatment, care and service as a share of GDP will increase to 21.77% in 2050, close to or even greater than that of many developed countries.[25] There will be a pension shortfall, with the pension fund peak at CHF 1 trillion in 2027 and steadily drop to zero by 2035 according to China Academy of Social Sciences (CASS)[26] . It is also foreseen the fund would run an annual deficit of CHF1.6 trillion in 2050, causing more burden on China's debt problem. Currently, each retired citizen relying on the fund is supported by two workers contributing to it, but that will decline to one worker for each retiree by 2050.

The increasing demographic challenge has forced the government to take measures to improve its healthcare market, such as amending the Drug Administration Law (DAL), removing elderly care services from the Negative List and empowering smart healthcare.

The new amendments to the DAL took effect on December 1st, 2019. It encompasses significant changes aiming to address public health concerns, including drug safety, accessibility and innovation. By simplifying the review & approval procedures and allowing online sales of non-regulated prescription drugs, the amendments have improved the market for foreign investors. In addition, the newly released 2019 edition of the Negative List for Market Access further opens market for foreign health sector by removing 20 items including elderly care services and social welfare services.

Moreover, with the development in digitalization, there are increasing innovative practices where technologies like 5G, AI, big data and internet of things (IoT) are used to empower smart and personalized healthcare. China has viewed smart healthcare as an important part of its national strategy 'Healthy China 2030', because it meets the demands of China's increasing healthcare burden. Most of the hospitals in China are overstretched: in a public hospital, each patient gets 5-10 minutes with a doctor maximum because of a chronic lack of qualified doctors.

2 International and Regional Economic Agreements

2.1. China's policy and priorities

World Trade Organization: opposing narratives on China's trade policy

Having a self-declared status of "developing country" at WTO – and thus the advantage of a special and differentiated treatment, China has greatly benefitted from the international rules in trade. As a consequence, China strives to keep the status quo at WTO.

[24] Xinhua (2019), "China's elderly population to reach 487 mln around 2050" , http://www.xinhuanet.com/english/2019-10/08/c_138456566.htm, last accessed on November 26, 2019
[25] EU (2016). "Population Aging and Its Influences on the Economy and Society in China", retrieved from https://www.euchinasprp.eu/images/ProjectMemorabilia/2016Reports/Chinas_ageing_population_and_its_economic_and_social_impact.pdf, last accessed on December 19, 2019
[26] Caixin (2019). "Charts of the Day: China's Pension System Is Out of Pocket", retrieved from https://www.caixinglobal.com/2019-04-19/charts-of-the-day-chinas-pension-system-is-out-of-pocket-101406390.html, last accessed on December 19, 2019

Since the beginning of the ongoing trade frictions with the U.S., China has been keen in expressing its support to WTO. This is notably demonstrated in the "China and the WTO" white paper"[27], published in June 2018 or in China's proposal on WTO reform, published in May 2019.[28] In this proposal, China underlined its support to reforms which are deemed necessary, such as resolving issues threatening the organization's existence, increasing the WTO's relevance, improving its efficiency and strengthening the inclusiveness of the multilateral trading system.[29] However, this stance was strongly questioned during China's latest trade policy review in July, as many countries used the opportunity to criticize its trade regime (IPR, public procurement, state involvement in the economy, among others) and its continued claim to be a developing country.[30]

As of December 2019, 44 cases of WTO's rules violations had been filed against China, mainly for illegally restricting access to its domestic market through anti-dumping duties or for granting illegal subsidies to its domestic industries.[31] Against the backdrop of the trade tensions, China announced in October 2019 that it would seek USD 2.4 bn in retaliatory sanctions against the U.S. [32] The U.S. lost a case in July when WTO appeal judges ruled in favor of China in an Obama-era case about tariffs they applied on Chinese goods.[33] On the contrary, China pulled it suit over its claim to be a market economy against the United States of America and the European Union, which means those two entities may continue to levy anti-dumping tariffs on cheap Chinese goods.[34]

China's Free Trade Agreements network: continued development though at a slower pace

China continues to look for new outlets for its economy by negotiating or upgrading several bilateral Free Trade Agreements (FTA).[35/36] Since 2005, China has been developing its FTA network (16 FTA to date, including: Chile, ASEAN, Singapore, New-Zealand, Iceland, Switzerland, Korea, Australia). In November, China concluded its FTA upgrade negotiations with New Zealand, ten years after the deal entered into force.[37] In October, China signed a FTA with Mauritius and the upgraded China-Singapore FTA entered into force, a year after its negotiations concluded.[38] Earlier in 2019, China held its 16th FTA round of negotiations with Norway (September)[39] and the second round of its FTA upgrade negotiations with Peru (June).[40] In parallel, China is also currently negotiating a comprehensive agreement on investment with the EU.[41]

Furthermore, China supports the establishment of a Regional Comprehensive Economic Partnership with 15 partners in Asia-Pacific. China hosted the Ministerial Meeting of the Regional Comprehensive Economic Partnership (RCEP) for the first time in August 2019.[42] Since then, the RCEP's has been reduced to 15 prospective member states since India pulled out of the deal early November notably fearing that its market would be flooded by cheap Chinese goods.[43] Negotiating parties are aiming at concluding it in early 2020,

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[27] China State Council (2018), "China and the World Trade Organization", retrieved from http://english.gov.cn/archive/white_paper/2018/06/28/content_281476201898696.htm, last accessed on October 24, 2019
[28] WTO (2019), "China's proposal on WTO Reform", retrieved from https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?CatalogueIdList=254127&CurrentCatalogueIdIndex=0, last accessed on October 24, 2019
[29] *Ibid.*
[30] WTO (2018), "Trade Policy Review China", retrieved from https://www.wto.org/english/tratop_e/tpr_e/s375_sum_e.pdf, last accessed on December 18, 2019
[31] WTO (2019), "Member Information: China and the WTO", retrieved from https://www.wto.org/english/thewto_e/countries_e/china_e.htm, last accessed on December 5, 2019
[32] Reuters (2019), "China asks WTO for $2.4 billion sanctions against U.S. in latest clash", retrieved from https://www.reuters.com/article/us-china-trade-usa-wto/china-asks-wto-for-24-billion-sanctions-against-us-in-latest-clash-idUSKBN1X00W7, last accessed on October 24, 2019
[33] Reuters (2019), "China asks WTO for $2.4 billion sanctions against U.S. in latest clash", retrieved from https://www.reuters.com/article/us-china-trade-usa-wto/china-asks-wto-for-24-billion-sanctions-against-us-in-latest-clash-idUSKBN1X00W7, last accessed on October 24, 2019
34 Reuters (2019), "China pulls WTO suit over claim to be a market economy, retrieved from https://www.reuters.com/article/us-usa-china-wto-eu/china-pulls-wto-suit-over-claim-to-be-a-market-economy-idUSKCN1TI10A, last accessed on December 18, 2019.
[35] "China" herein refers to the customs territory of the Chinese Mainland.
[36] An overview of China's FTA network can be found on a dedicated subpage of MOFCOM, available at http://fta.mofcom.gov.cn/english/index.shtml, last accessed on October 24, 2019
[37] Mofcom (2019), "China FTA Network", retrieved from http://fta.mofcom.gov.cn/topic/ensingapore.shtml, last accessed on November 06, 2019
[38] *Ibid.*
[39] *Ibid.*
[40] *Ibid.*
[41] EEAS (2019), "EU-China Relations", retrieved from https://eeas.europa.eu/sites/eeas/files/eu-china_factsheet_10_2019.pdf, last accessed on October 24, 2019
[42] Mofcom (2019), "China FTA Network", retrieved from http://fta.mofcom.gov.cn/topic/ensingapore.shtml, last accessed on October 24, 2019
[43] Bloomberg (2019), « What's the RCEP and What happened to the TPP », retrieved from https://www.bloomberg.com/news/articles/2019-11-04/what-s-the-rcep-and-what-happened-to-the-tpp-quicktake, last accessed on November 5, 2019

which would open a market covering almost half the world's population, a third of global trade and a third of global investments.[44]

Belt and Road Initiative

Launched by President Xi Jinping in 2013, and embedded in the constitution in 2018, the Belt and Road Initiative (BRI), constitutes a vision of outward-looking development. The BRI is seen by China as an economic initiative. However, it also entails political elements as it increases China's regional influence.

During his State visit in April 2019, Federal Councillor Ueli Maurer signed a MoU focusing on financial and economic matters related to the Belt and Road Initiative (BRI).[45] The MoU aims at facilitating cooperation between businesses from Switzerland and China in third markets along the Belt and Road and enhancing cooperation, which should be based on five key principles: private capital for private projects, sustainable handling of debts and consideration of social impacts, environmental protection criteria and transparency.[46]

As of December 2019, work is underway to set up private sector-led platforms, an intergovernmental working group and a capacity-building platform based in Switzerland.

Outlook for Switzerland

China is Switzerland's third largest trading partner.[47] As China is gradually expanding its FTA network, it is in Switzerland's interest to provide its companies with the framework and the level playing field they need to compete against other international businesses as well as private and state-owned Chinese companies. That is why Federal Councillor Ueli Maurer reaffirmed Switzerland's interest to begin negotiating its bilateral FTA enhancement during his meetings with President Xi Jinping and Vice-Premiers Li Keqiang and Liu He in April 2019.

Finally, building on its MoU, Switzerland will support its companies wishing to participate in the BRI and promote the use of existing international norms, standards and instruments in projects linked to the initiative and political fora.

3 Foreign Trade

3.1 Development and general outlook

Trade in goods: continued slowdown

As of October 2019, China's total foreign trade (exports and imports together) reached an overall negative rate of -2.5% year-to-date (YTD).[48] Total exports and imports both registered negative rates (-0.2% YTD and -5.1% YTD respectively).[49]

As of October 2019, total bilateral trade with China's six out of ten main trading partners grew: Malaysia (11.5% YTD), Australia (10.1% YTD), Vietnam (7.1% YTD), the European Union (3% YTD), Russia (2.8%

[44] *Ibid.*
[45] DFF (2019), "*President Ueli Maurer meets President Xi Jinping*" at https://www.efd.admin.ch/efd/en/home/dokumentation/nsb-news_list.msg-id-74817.html, accessed on 12 June 2019.
[46] *Ibid.*
[47] FCA (2019), "Swiss-Impex", retrieved from https://www.gate.ezv.admin.ch/swissimpex, last accessed on October 24, 2019
[48] GACC (2019), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 362
[49] *Ibid.*

YTD) and Brazil (0.7% YTD).[50] Total bilateral trade slowed down with the remaining four trading partners, registering negative rates with the U.S. (11.3% YTD), the Republic of Korea (10.8% YTD), Japan (5.2% YTD) and India (3.6% YTD).[51]

3.2 Bilateral trade

Trade in goods: decrease of gold, growth in most of other sectors

As of October 2019, total bilateral trade, including precious metals, amounted to CHF 29.52 bn (-22.5% YoY).[52] Switzerland had a goods trade surplus of CHF 4.63 bn with China when including precious metals such as gold. However, Switzerland had a trade deficit of CHF 1.26 bn when excluding precious metals.[53]

When including precious metals, exports (Swiss goods to China) decreased by -34.7% YoY and imports (Chinese goods to Switzerland) grew by 4.2% YoY.[54] Those results are mainly due to a staggering decrease of Switzerland's precious metals exports to China, registering a -63.2% negative rate YoY.[55] For the same period in 2018, Swiss precious metals exports were worth CHF 16.1 bn, almost three times as much as this year CHF 5.95 bn[56]. However, data shows that bilateral trade grew when isolating precious metals, with exports (Swiss goods to China) increasing by 11% YoY and imports (Chinese goods to Switzerland) by 4.6% YoY.[57]

Switzerland's main exports to China in terms of value remain chemicals and pharmaceuticals (CHF 4.6 bn; 15.6% growth rate YoY) precision instruments, clocks and watches and jewelry (CHF 3.25 bn; 21.9% growth rate YoY) and machines, appliances and electronics (CHF 2 bn; -5.4% growth rate YoY).[58] However, with the exception of paper (47.8% growth rate YoY), vehicles (55.1% growth rate YoY) and the two previously mentioned categories, all other types of goods registered negative rate YoY.[59] Forestry and agricultural products, fisheries as well as various goods such as music instruments, home furnishings, toys and sports equipment continued to register the highest negative rate of -12.2% and -16.9% respectively.[60]

Switzerland's main imports from China in term of value are machines, appliances and electronics (CHF 5bn; 5.5% growth rate YoY), textiles, clothing and shoes (CHF 2.13 bn; 0.4% growth rate YoY), precision instruments, clocks and watches (CHF 1.5 bn; 19.9% growth rate YoY) and chemicals and pharmaceuticals (CHF 1.15 bn; 4.1% growth rate YoY).[61] With the exception of forestry and agricultural products (-6.8% YoY), paper (-4.2% YoY) and leather (-0.5% YoY) all other Chinese exports to Switzerland grew.[62]

The fact that our most exported and imported goods are in the same goods' categories exemplifies the integration of value chains. For example, spare parts produced in China are used to make Swiss watches.

[50] *Ibid.*
[51] *Ibid.*
[52] *Ibid.*
[53] *Ibid.*
[54] FCA (2019), "Swiss-Impex", retrieved from https://www.gate.ezv.admin.ch/swissimpex, last accessed on December 5, 2019
[55] *Ibid.*
[56] *Ibid.*
[57] *Ibid.*
[58] FCA (2019), "Swiss-Impex", retrieved from https://www.gate.ezv.admin.ch/swissimpex, last accessed on December 5, 2019
[59] *Ibid.*
[60] GACC (2019), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 362
[61] *GACC (2019), China's Customs Statistics (Monthly Exports & Imports), Series No. 362*
[62] *Ibid.*

4 Direct Investment

4.1 Development and general outlook

General outlook

The National Development and Reform Commission (NDRC) has tightened the regulation for FDI on national security reviews of foreign investment in April 2019. It now has legal basis for China to launch investigations and sanctions against foreign companies for national security reasons, leading to concerns of trade war retaliation[63].

To maintain China's attractiveness as an FDI destination, the Chinese government issued in June 2019 revised versions of the two *Foreign Investment Negative List*, which were shortened (40 against 48 for the National list and 37 against 45 for the Free Trade Zone list), aiming to reduce the market access restriction for foreign investment in sectors including services, agriculture, mining, and manufacturing.[64] A new version of the *Catalogue of Encouraged Industries for FI,* has been published as replacement of the 2017 version. The Catalogue, which lists industries where foreign knowhow and investment are welcomed, has been extended by 67 new items (415 to previously 348)[65]. Although these measures will not provide a complete level playing field, investment regulations have the potential to become more transparent and, consequently, improve the Chinese investment climate.

Broken down into provinces and other geographic areas, inward FDI data points to a significant divergence between China's regions. Data shows that in spite of the "Go West" strategy, the BRI and efforts to promote development in the hinterland of agglomerations and growth triangles (e.g. that surrounding Chengdu-Chongqing), the most advanced coastal regions (i.e., the entire seaboard stretching from the Bohai Economic Rim to the Pearl River Delta and Hainan Island) have outperformed less developed and landlocked regions in terms of FDI growth.

Growing investment in China's services and information and communications technology (ICT) sectors, predominantly based in the coastal regions, is a clear indicator that China is no longer perceived as a low-cost labor country active in the global manufacturing value chain. Instead, China is being increasingly viewed as an end destination market, in which demand for high-quality goods and customized services is growing. In addition to the services sector, FDI increasingly targets advanced manufacturing sectors as well, which are also mostly concentrated across coastal China.

Outward Direct Investment (ODI)

The Chinese Government has tightened its regulation on ODI in 2017, responding to concerns over debt-fueled acquisitions into non-core investment projects. As a consequence, the Chinese ODI has followed an overall downwards trend after a peak in 2016 at US$ 196.15 bn[66], and dropped 30% in 2017, followed by meager growth of 0.3% to US$ 129.8 bn in 2018 [67] and further drop of 8% YoY in H1, 2019.[68] Around 60% of the ODI flows to Hong Kong and more than 10% heads towards tax heavens in the Caribbean, such as the British Virgin Islands.

[63] China Economic Review (2019), "Beijing tightens national security review on foreign investment", retrieved from https://chinaeconomicreview.com/beijing-tightens-national-security-review-on-foreign-investment/, last accessed on December 1, 2019.
[64] The State Council (2019), "New negative list to further encourage foreign investment", retrieved from http://english.www.gov.cn/policies/latestreleases/201907/09/content_WS5d247a78c6d03ce67879a283.html, last accessed on December 1, 2019.
[65] Zoey Ye Zhang (2019), "China's 2019 Negative Lists and Encouraged Catalogue for Foreign Investment", retrieved from https://www.china-briefing.com/news/chinas-2019-negative-lists-encouraged-catalogue-foreign-investment/, last accessed on December 1, 2019.
[66] National Bureau of Statistics in China (2019), "NBS Statistical Yearbook 2018, 11-19 Overseas Direct Investment by Countries or Regions", retrieved from http://www.stats.gov.cn/tjsj/ndsj/2018/indexeh.htm last accessed on December 1, 2019.
[67] Ernst & Young (2019). "Overview of China outbound investment in H1 2019", retrieved from https://www.ey.com/cn/en/newsroom/news-releases/news-2019-ey-overview-of-china-outbound-investment-in-h1, last accessed on December 5th, 2019
[68] Ibid.

Chinese companies are facing more resistance in ‘going out’. The announced value of China’s overseas M&As in H1 2019 reached its lowest level over the seven-year-period, standing at USD $20 bn, down 60% YoY. The announced deal volume was 257, down nearly 40% YoY.[69] Those figures can be explained by the fact that not only the economy is slowing, which hindered Chinese firms to invest overseas but also that, since 2016, the government has implemented strict measures to fight against debt-fueled M&As and restrict capital flight.

Since the European and the U.S. governments tightened the screening of foreign investment during the past two years, the shares of China’s ODI in the U.S. and in Europe have been reduced by 60% and 56% respectively between 2017—2018.[70] However, with the opening up of some emerging developing countries, Chinese enterprises’ investment preference has shifted from Europe and North America to Asia and Oceania. Asia has become the most popular overseas M&A destination for Chinese enterprises. The fact that China’s investment in Asia and other developing countries are more in the form of greenfield investment, also partially explained the sharp decline of China’s overseas M&As. Meanwhile, the Belt and Road Initiative will further promote China’s outbound investment as the ODI in the 56 countries taking part in the Belt and Road Initiative has increased by 8.9% in 2018 YoY.[71].

Inward foreign Direct Investment

In 2018, Chinese FDI remained stable at USD $134.9 bn (+3%)[72], with Hong Kong accounting for two thirds of China’s overall inflows. According to a report published by the United Nations Conference on Trade and Development (UNCTAD), China remains the second largest recipient of foreign direct investment, after the United States.[73]

Between January and September 2019, in U.S. dollar terms, China’s FDI totaled US$ 100.78 bn, up 2.9% YoY. Meanwhile, investment from Hong Kong increased by 8.1% YoY[74].

Specific measure: China new Foreign Investment Law (FIL)

The law, if well implemented in 2020, should enhance IP protection, prohibit forced technology transfer and guarantee equal treatment in government procurement processes, thus improve the business environment. Criticism has however been expressed over the speedily way the law has been passed, with irregular review and consultation period.

On November 1, 2019 the Ministry of Justice, Ministry of Commerce, and the National Development and Reform Commission released the Draft Regulations on the Implementation of FIL for public consultation, which the European Chamber of Commerce has commented as ‘surprisingly accommodating’.

[69] Ibid.
[70] Ibid.
[71] English.mofcom.gov.cn. (2019), “MOFCOM Department of Outward Investment and Economic Cooperation Comments on China’s Outward Investment and Cooperation in 2018”, retrieved from http://english.mofcom.gov.cn/article/newsrelease/policyreleasing/201901/20190102829745.shtml, last accessed on December 1, 2019.
[72] The State Council (2019), “China’s 2018 FDI hits record high”, retrieved from http://english.www.gov.cn/news/video/2019/01/15/content_281476479961412.htm, last accessed on December 1, 2019.
[73] Xu, J. (2019), “China remains second largest FDI recipient in the world”, retrieved from https://gbtimes.com/china-remains-second-largest-fdi-recipient-in-the-world, last accessed on December 1, 2019.
[74] Orange Wang (2019). “Hong Kong remains key gateway as China’s FDI rises 2.9 per cent in first nine months of 2019 despite protests”, retrieved from https://www.scmp.com/economy/china-economy/article/3033377/hong-kong-remains-key-gateway-chinas-fdi-rises-29-cent-first, last accessed on December 1, 2019.

4.2 Bilateral investment

Chinese direct investment in Switzerland

According to the Chinese Ministry of Commerce, the stock of Chinese FDI in Switzerland was USD 5 bn in 2018[75]. In 2019, large acquisitions have become rarer, as well as investments more selective. In the first semester, transactions have almost halved in comparison to the previous year, with only three transactions proceeded, whereas the transaction volume dropped from 387 million USD to 96 million USD[76].

Around 100 private and state-owned Chinese companies are currently present in Switzerland. To date, the acquisitions of Geneva-based trading firm Addax by Sinopec (2009), the world's leading aircraft ground handling services provider Swissport by HNA Group (2015), Swiss sports marketing company Infront by diversified conglomerate Wanda Group (2015), Swiss agrochemical giant Syngenta by ChemChina (2016/2018), airline catering company gategroup by HNA Group (2016), Glencore Storage & Logistics by HNA Group (2017) and Swiss tech firm Wayray by Alibaba Group (2017) are among the largest acquisitions made by Chinese companies in the world (Though this year HNA Group, struggling with its finance, is exploring options including potential sales of the Swiss aircraft-maintenance firm SR Technics and the aviation service company Swissport).

Furthermore, China National Cereals, Oils and Foodstuffs Corporation (COFCO), which had previously acquired the international agribusinesses Noble Agri Ltd. and Nidera, established its global corporate and trading headquarters in Geneva in 2017.

Swiss direct investment in China

The stock of Swiss FDI in Mainland China was CHF 22.274 bn (+CHF 2.456 bn) in 2017.[77] While the majority of Swiss companies in China are located in the three main economic rims along China's eastern seaboard,[78] around 10% of firms also operate in the hinterland and inland provinces.

The majority of the almost 1,000 Swiss companies in China continue to consider the country as a relevant investment destination. A survey conducted by the China Europe International Business School (CEIBS), the Swiss Center Shanghai, Swissnex China, SwissCham and China Integrated revealed that, the investment appetite of Swiss companies remains considerable: in 2018, over 50% of the Swiss, EU and U.S. companies surveyed planned to increase their investment in China and 62% of CH companies considered China to be a top 3 investment destination (compared to 57% in 2017).[79]

5 Trade, Economic, Investment and Tourism Promotion

5.1 Foreign economic promotion instruments

Smart China Expo (SCE) takes place annually in August in Chongqing since 2018. It serves as a platform to showcase the latest technology breakthroughs, to exchange innovative ideas and to promote new ways of collaboration in smart industry, smart manufacturing, and smart applications. The SCE 2019 edition was held in the presence of Vice Premier Liu He and attracted over 800 exhibitors and 600,000 visitors. The

[75] Ministry of Commerce of the People's Republic of China in million USD, retrieved from http://hzs.mofcom.gov.cn/article/date/201512/20151201223578.shtml, last accessed on December 9th, 2019
[76] EY (2019), "EY Study: Chinese acquisitions and equity investments in Europe", retrieved from https://www.ey.com/ch/en/newsroom/news-releases/news-release-ey-swiss-companies-are-becoming-less-attractive-for-chinese-investors, last accessed on November 25, 2019.
[77] Swiss National Bank (2018), 'Direct Investment, 2017', retrieved from https://www.snb.ch/en/iabout/stat/statrep/id/statpub_fdi_all, last accessed on November 29, 2019.
[78] (1) the Pearl River Delta surrounding Guangzhou, Shenzhen and Hong Kong; (2) the Yangtze River Delta surrounding Shanghai, Hangzhou and Nanjing; (3) the Bohai Economic Rim surrounding Beijing and Tianjin
[79] CEIBS, Swiss Center Shanghai & China Integrated (2018), "2018 China Business Survey / 2018 Swiss Business in China", retrieved from http://www.ch-ina.com/wp-content/uploads/2018/11/2018-Swiss-Business-in-China-Survey.pdf, last accessed on December 1, 2019.

Consulate General of Switzerland in Chengdu, with support from Swiss Business Hub (SBH) China and Swiss Chamber of Commerce, organised a Swiss Pavilion at SCE. 16 Swiss companies joined forces to showcase the leading technologies and products in big data, smart manufacturing and AR.

From 6-12 September 2019, SBH China hosted the 2019 Sino-Swiss Executive Investors Summit ("SSEIS") in collaboration with the University of Fribourg. The SSEIS engaged more than 300 executives and investors and spanned four Chinese cities: Shanghai (6 September 2019), Shenzhen (9 September 2019), Wuhan (10 September 2019) and Beijing (12 September 2019). Each event featured speeches and panel sessions focusing on Switzerland's investment environment, success stories of Chinese in the Swiss market and Switzerland.

5.2 The host country's interest in Switzerland

Switzerland as a financial center

As the internationalization of the RMB opens up interesting new business opportunities in the financial sector, various international financial centers have intensified their efforts to position themselves as offshore RMB hubs. China has also expressed a strong interest in learning from Swiss expertise in wealth management and education.

In January 2015, PBoC decided to extend the pilot scheme of the RMB Qualified Foreign Institutional Investor (RQFII) to Switzerland with a quota of RMB 50 billion. Zurich-based Swiss Re was the first company to apply for a share of the Swiss quota. In November that year, the China Construction Bank (CCB) officially entered the Swiss market and has since been authorized to use its Zurich branch as a RMB clearing bank.

At the end of 2017 the Industrial and Commercial Bank of China (ICBC), the world's largest bank by total assets, obtained its Swiss banking license from the Swiss Financial Market Supervisory Authority (FINMA) to operate its branch in Zurich. After having left Geneva in 2012, the Bank of China (BoC) showed interest to come back[80] and plans to re-open a branch in Switzerland in 2020.

Following an intense phase of discussions on Sino-Swiss cooperation, a number of key arrangements have been agreed on to strengthen Switzerland as a competitive and full-fledged European RMB hub. The Swiss National Bank (SNB) has signed agreements or MoUs with PBoC on currency swaps and RMB clearing arrangements in Switzerland. Moreover, the annual Financial Dialogue between the Swiss and Chinese authorities explores ways of cooperation against the backdrop of RMB internationalization. The sixth round of this dialog took place in Lugano in November 2018. It allowed a discussion on regulatory challenges, bilateral and international topics. In April 2019, the State Visit by President Ueli Maurer concluded with fruitful results, including MoU focusing on financial and economic matters related to the BRI and on Stock Exchange.

Tourism, education, other services

The number of overnights from Greater China (China Mainland, Hong Kong SAR and Taiwan combined) continued to grow in 2018, reaching 1.73 million (+6.1% YoY), making visitors from the region the third largest tourist group behind the Germans (3.89 million) and the Americans (2.25 million).[81]

In addition to that, Switzerland continues building on its expertise in the realm of winter sports, tourism and mega sports events organization to promote its companies and create new business opportunities for them, as exemplified by the event celebrating Sino-Swiss collaboration on winter sports and Olympism held in the margin of Federal Councillor Ueli Maurer's state visit.

[80] Richard Etienne (2018), « Bank of China signe son retour à Genève », *Tribune de Genève*, 7 May, retrieved from https://www.tdg.ch/geneve/actu-genevoise/bank-of-china-retour-geneve/story/18476841, last accessed on November 24, 2019.
[81] Switzerland Tourism (2019), « Nuitées de l'hôtellerie 2018 », retrieved from https://report.stnet.ch/fr/2018/nuitees-de-lhotellerie-2018/, last accessed on October 29, 2019

6 Annexes

Annex 1: Economic Structure

China: Structure of the Economy					
	2014	2015	2016	2017	2018
Distribution of GDP (%)					
Primary Sector	9.1%	8.9%	8.6%	7.5%	7.2%
Secondary Sector	43.1%	40.9%	39.8%	40.5%	40.7%
Tertiary Sector	47.8%	50.2%	51.6%	51.9%	52.2%
Distribution of Labor (%)					
Primary Sector	29.5%	28.3%	27.7%	27.0%	26.1%
Secondary Sector	29.9%	29.3%	28.8%	28.1%	27.6%
Tertiary Sector	40.6%	42.4%	43.5%	44.9%	46.3%
State Sector*	8.2%	8.0%	8.0%	7.8%	7.3%

* State Sector is number of persons employed by the State divided by number of employed persons. (4-1)

Source: National Bureau of Statistics (2019), “China Statistical Yearbook 2019”, retrieved from http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm, last accessed on November 25, 2019

Annex 2.1: Essential Economic Data

China: Essential Economic Data			
	2017	2018	2019E
GDP (USD billion) [1]	12'062	13’368	14’140
GDP per capita (USD) [1]	8'677	9’580	10’098
GDP growth (%) [2]	6.8	6.6	6.2
CPI inflation (%) [1]	1.6	2.1	2.3
Unemployment rate (% of total labor force, in urban area) [1]	3.9	3.8	3.8
Unemployment rate EIU estimation (% of total labor force) [3]	3.9	3.9	5.1
Current account balance (% of GDP) [1]	1.6	0.4	1.0
Total external debt (% of GDP) [2]	14.6	14.8	14.9
Total debt service (% of exports of goods & services) [2]	45.5	48.2	n/a
Gross reserves (in months of imports) [4]	15.5	13.4	n/a

Sources:

[1] IMF (2019), “World Economic Outlook Database October 2019”, retrieved from https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx, last accessed on November 21, 2019

[2] IMF (2019), “People’s Republic of China : 2019 Article IV Consultation-Press Release; Staff Report; Staff Statement and Statement by the Executive Director for China”, retrieved from https://www.imf.org/en/Publications/CR/Issues/2019/08/08/Peoples-Republic-of-China-2019-Article-IV-Consultation-Press-Release-Staff-Report-Staff-48576, last accessed on November 21, 2019

[3] EIU (2017-2018), “Country Report China”, retrieved from http://www.eiu.com/index.asp?layout=displayIssue&publication_id=50001005, last accessed on November 21, 2019

[4] World Bank (2019), “Total reserves in months of imports - China”, retrieved from https://data.worldbank.org/indicator/FI.RES.TOTL.MO?locations=CN, last accessed on November 21, 2019

Annex 3.1: Trade Partners of the People's Republic of China (Exports)

Trading Partners of the People's Republic of China: Exports							
Jan - Dec 2018				**Jan - Oct 2019**			
Exports to Country/ Region	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**	**Exports to Country/ Region**	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**
United States	478.4	19.2%	11.3%	United States	347.8	17.1%	-11.3%
Hong Kong, China	302.1	12.1%	8.2%	Hong Kong, China	225.0	11.0%	-8.9%
Japan	147.1	5.9%	7.2%	Japan	117.8	5.8%	-2.1%
South Korea	108.8	4.4%	5.9%	South Korea	91'2	4.5%	2.9%
Vietnam	83.9	3.4%	17.2%	Vietnam	78.4	3.8%	15.5%
Germany	77.5	3.1%	9.0%	Germany	65.9	3.2%	3.4%
India	76.7	3.1%	12.7%	India	62.0	3.0%	-3.3%
Netherlands	72.9	2.9%	8.5%	Netherlands	60.1	2.9%	0.7%
United Kingdom	56.6	2.3%	-0.3%	United Kingdom	51.7	2.5%	11.5%
Singapore	49.2	2.0%	9.2%	Taiwan, China	44.9	2.2%	13.6%
ASEAN	319.2	12.8%	14.2%	ASEAN	287.1	14.1%	10.4%
EU	408.6	16.4%	9.8%	EU	352.8	13.4%	5.1%
EFTA	7.0	0.3%	20.1%	EFTA	6.6	0.3%	19.1%
Iceland	0.256	0.0%	128.6%	Iceland	0.097	0.0%	-55.8
Liechtenstein	0.052	0.0%	12.6%	Liechtenstein	0.044	0.0%	3.4%
Norway	2.651	0.1%	6.5%	Norway	2.874	0.1%	35.8
Switzerland	*4.016*	*0.2%*	*27.1%*	*Switzerland*	*3.617*	*0.2%*	*14.5%*
Total	**2'487.40**	**100.0%**	**9.9%**	**Total**	**2'037.92**	**100.0%**	**-0.2%**

Source: China's Custom Statistics December 2018 / October 2019

Note: Unexplained differences between Swiss and Chinese custom statistics remain at this point. The embassy is working on clarifying the reasons behind those differences

Annex 3.2: Trade Partners of the People's Republic of China (Imports)

Trading Partners of the People's Republic of China: Imports							
Jan - Dec 2018				**Jan - Oct 2019**			
Imports from Country/ Region	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**	**Imports from Country/ Region**	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**
South Korea	204.6	9.6%	15.3%	South Korea	143.3	8.4%	-17.7%
Japan	180.6	8.5%	8.9%	Taiwan, China	140.5	8.3%	-6.2%
Taiwan, China	177.6	8.3%	13.9%	Japan	139.8	8.2%	-7.6%
United States	155.1	7.3%	0.7%	China*	105.7	6.2%	-14.8%
China*	146.2	6.8%	10.5%	Australia	101.5	6.0%	14.2%
Germany	106.3	5.0%	9.7%	United States	100.0	5.9%	-25.4%
Australia	105.5	4.9%	11.0%	Germany	86.5	5.1%	-2.9%
Brazil	77.5	3.6%	31.7%	Brazil	65.4	3.9%	1.8%
Vietnam	64.0	3.0%	27.0%	Malaysia	58.6	3.5%	9.9%
Malaysia	63.2	3.0%	16.2%	Vietnam	50.7	3.0%	-3.6%
ASEAN	268.6	12.6%	13.8%	ASEAN	229.3	13.5%	1.8%
EU	273.5	12.8%	11.7%	EU	226.7	13.4%	0.0%
EFTA	42.2	2.0%	16.5%	EFTA	24.0	1.4%	-35.8%
Iceland	0.166	0.0%	50.6%	Iceland	0.105	0.0%	-19.2%
Liechtenstein	0.124	0.0%	-2.0%	Liechtenstein	0.105	0.0%	-1%
Norway	3.421	0.2%	9.3%	Norway	2.826	0.2%	1.1%
Switzerland	*38.516*	*1.8%*	*17.1%*	*Switzerland*	*20.954*	*1.2%*	*-38.9*
Total	**2'135.64**	**100.0%**	**16.0%**	**Total**	**1'697.41**	**100.0%**	**-5.1%**

*This number corresponds to three types of products. First, products traded in the Comprehensive Bonded Zones as well as in the Free Trade Zones towards the Mainland. Second, products made in China, but which have been exported elsewhere, and thereafter reimported in the country. Third, products partially produced in China and finished elsewhere, but counted as China imports when returning into the Mainland.

Source: China's Custom Statistics December 2018 / October 2019

Note: Unexplained differences between Swiss and Chinese custom statistics remain at this point. The embassy is working on clarifying the reasons behind those differences

Annex 4: Bilateral Trade Switzerland–China

	Bilateral Trade Switzerland - P.R. China (Mainland), Jan - Dec 2018 / Jan – Oct 2019									
	Class of goods	Import in Mio. CHF		Δ	Import	Export in Mio. CHF		Δ	Export	Trade balance
		Jan - Dec 2018	Jan - Oct 2019	in %	share %	Jan - Dec 2018	Jan - Oct 2019	in %	share %	Jan - Oct 2019
1	Agricultural products	179	137	-6.8%	1.1%	213	153	-12.2%	1.4%	16
2	Energy carriers	6	15	139.5%	0.1%	39	30	-5.7%	0.3%	15
3	Textiles, apparel, shoes	2’528	2’128	0.4%	17.2%	192	147	-4.9%	1.3%	-1’981
4	Paper, paper products, printed matter	115	92	-4.2%	0.7%	23	28	47.8%	0.3%	-64
5	Leather, rubber, plastics	631	532	-0.5%	4.3%	155	124	-5.7%	1.1%	-408
6	Chemicals, pharmaceuticals	1’310	1154	4.1%	9.3%	4’970	4’659	15.6%	42%	3’505
7	Stone and Earth materials	158	133	0.8%	1.1%	64	51	-0.7%	0.5%	-82
8	Metals and metal products	729	628	1.4%	5.1%	549	453	-1.4%	4.1%	-175
9	Machinery, apparatus, electronics	5’826	5’005	5.5%	40.5%	2’606	2’050	-5.4%	18.5%	-2’955
10	Vehicles	183	188	19.9%	1.5%	88	112	55.1%	1%	-75
11	Precision instruments, watches, jewellery	1’549	1’481	13.9%	12%	3’231	3’252	21.9%	29.3%	1’771
12	Div. Goods, musical instrument, furniture, toys, etc	1’031	858	1.3%	6.9%	48	26	-14.2%	0.2%	-832
	Total (excl. gold)	**14’242**	**12’350**	**4.6%**	**100.0%**	**12’180**	**11’085**	**11%**	**100.0%**	**-1’265**
	Total (incl. gold)	**14’437**	**12’446**	**4.2%**	**100.0%**	**29’587**	**17’076**	**-34.7%**	**100.0%**	**4’629**

Bilateral Trade Switzerland - Hongkong, Jan - Dec 2018 / Jan – Oct 2019										
	Class of goods	**Import in Mio. CHF**		**Δ**	**Import**	**Export in Mio. CHF**		**Δ**	**Export**	**Trade balance**
		Jan - Dec 2018	**Jan - Oct 2019**	**in %**	**share %**	**Jan - Dec 2018**	**Jan - Oct 2019**	**in %**	**share %**	**Jan - Oct 2019**
1	Agricultural products	2	1	-30.7%	0.1%	93	80	3.9%	1.7%	78
2	Energy carriers	0	0	97.5%	0%	2	0	-90.6%	0%	0
3	Textiles, apparel, shoes	33	25	-13.3%	2.2%	91	64	-12.7%	1.4%	40
4	Paper, paper products, printed matter	2	2	-19.6%	0.1%	8	7	24%	0.2%	6
5	Leather, rubber, plastics	8	8	14.7%	0.7%	57	44	-2.9%	1%	36
6	Chemicals, pharmaceuticals	5	4	-6.6%	0.3%	476	385	-2.4%	8.3%	381
7	Stone and Earth materials	2	2	0.3%	0.2%	6	4	-4.3%	0.1%	2
8	Metals and metal products	13	8	-28.3%	0.7%	64	51	-5.7%	1.1%	42
9	Machinery, apparatus, electronics	94	80	3.7%	6.9%	316	247	-6.9%	5.3%	167
10	Vehicles	2	2	13.3%	0.2%	1	16	**	0.3%	14
11	Precision instruments, watches, jewellery	1’024	1’012	11.1%	87.8%	4’818	3’744	-7.3%	80.5%	2’733
12	Div. Goods, musical instrument, furniture, toys, etc	13	8	-24.6%	0.7%	12	10	5.3%	0.2%	2
	Total (excl. gold)	**1’198**	**1’152**	**8.9%**	**100.0%**	**5’944**	**4’652**	**-6.4%**	**100.0%**	**3’501**
	Total (incl. gold)	**3’833**	**3’458**	**16.7%**	**100.0%**	**15’670**	**8’498**	**-35.3%**	**100.0%**	**5’041**

*** Percentage change > 999.9 %*

Bilateral Trade Switzerland - P.R. China incl. Hongkong, Jan - Dec 2018 / Jan – Oct 2019							
Class of goods	**Import in Mio. CHF**		Δ	**Export in Mio. CHF**		Δ	**Trade balance**
	Jan - Dec 2018	**Jan - Oct 2019**	in %	**Jan - Dec 2018**	**Jan - Oct 2019**	**in %**	**Jan - Oct 2019**
Total (incl. gold)	18’270	15’904	6.7%	45’257	25’574	**-34.9%**	**9’670**

Source: Swiss Federal Customs Administration – FCA (2019), “Swiss-Impex Database” retrieved from https://www.gate.ezv.admin.ch/swissimpex/index.xhtml, last accessed on December 9, 2019

Annex 5: Chinese Inward and Outward FDI

China: Foreign Direct Investment Inward

2017 Rank	Country/Region	FDI (mio. USD)	Share %	Variation (%) year on year	2018 Rank	Country/Region	FDI (mio. USD)	Share %	Variation (%) year on year
1	Hong Kong, China	94'509	72.12%	16.01%	1	Hong Kong	89'917	66.62%	-4.86%
2	Singapore	4'763	3.64%	-21.23%	2	Singapore	5'210	3.86%	9.39%
3	Virgin Islands	3'991	3.05%	-40.79%	3	Virgin Islands	4'712	3.49%	18.06%
4	South Korea	3'673	2.80%	-22.70%	4	South Korea	4'667	3.46%	27.08%
5	Japan	3'261	2.49%	5.33%	5	Cayman Islands	4'068	3.01%	86.88%
6	United States	2'649	2.02%	11.02%	6	Japan	3'798	2.81%	16.46%
7	Cayman Islands	2'177	1.66%	-57.74%	7	Germany	3'674	2.72%	138.34%
8	Netherlands	2'174	1.66%	291.10%	8	United States	2'689	1.99%	1.52%
9	Taiwan, China	1'772	1.35%	-9.70%	9	United Kingdom	2'482	1.84%	147.34%
10	Germany	1'542	1.18%	-43.12%	10	Bermuda	2'167	1.61%	61.48%
Total		**131'035**	**100.0%**	**3.99%**	**Total**		**134'097**	**100.0%**	**3.00%**

China: Foreign Direct Investment Outward

2017 Rank	Country/Region	FDI (mio. USD)	Share %	Variation (%) year on year	2018 Rank	Country/Region	FDI (mio. USD)	Share %	Variation (%) year on year
1	Hong Kong	91'153	57.59%	-19.30%	1	Hong Kong	86'869	60.73%	-4.70%
2	British Virgin Isl.	19'301	12.19%	-20.20%	2	United States	7'477	5.23%	16.38%
3	United States	6'425	4.06%	57.07%	3	Russia	7'252	5.07%	368.49%
4	Singapore	6'320	3.99%	-62.16%	4	British Virgin Isl.	7'150	5.00%	-62.96%
5	Australia	4'242	2.68%	99.25%	5	Singapore	6'411	4.48%	1.44%
6	Germany	2'716	1.72%	1.32%	6	Canada	5'473	3.83%	1605.93%
7	United Kingdom	2'066	1.31%	14.09%	7	Australia	1'986	1.39%	-53.18%
8	Indonesia	1'682	1.06%	39.56%	8	Indonesia	1'865	1.30%	10.87%
9	Russia	1'548	0.98%	15.14%	9	Cayman Islands	1'564	1.09%	-123.67%
10	Thailand	1'058	0.67%	19.72%	10	Germany	1'468	1.03%	-45.95%
Total		**158'288**	**100.0%**	**-19.30%**			**143'037**	**100.0%**	**-9.63%**

Source: China Statistical Yearbook 2018-2019

In the Yearbook only a selection of countries are listed, therefore ranking might not be correct