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China 2021 Economic Report – *EXTERNAL VERSION*

Executive Summary

- **China achieved +2.3% of GDP growth in 2020**, driven by the real estate sector (average two-year growth of +7.6%) and industrial output (average two-year growth of +6.8%). Nevertheless, preliminary data of Q2 2021 hints that the latter is losing steam.

- According to National Bureau of Statistics of China, 2020's per capita **real consumption decreased -6.0% in urban areas and -0.1% in rural areas**. This figure hints to caution from urban residents due to long-term employment perspectives.

- After returning to pre-Covid levels in December 2020 (+5.2%), **unemployment saw an increase over the first quarter of 2021** as it reached +5.4% in January, +5.5% in February and went down to +5.3% in March. As a comparison, in February 2020 the unemployment rate had risen to +6.2%. This issue remains of upmost concern for the Government, as it may jeopardize economic recovery and reverse successes on the poverty front. In particular, it appears that China struggles significantly improve job prospects for the country's young and educated.

- Fiscal and monetary policy has focused on combatting the damage inflicted by COVID-19 containment measures. The People's Bank of China has launched several rounds of reserve requirement ratio cuts and more than RMB 1.8 Trillion have been injected into the market through this measure. Moreover, the Chinese government also approved several batches of special purpose coronavirus-relief bonds, overall freeing more than RMB 3,8 Trillion in 2020 to support the economy. The total size of the **stimulus is estimated by the Economist to be about 5% of GDP**. A special attention has been set in avoiding to elevate already high debt levels which could potentially destabilize the economy.

- **In 2020, FDI to China continued to rose for the fourth consecutive year**, reaching USD 144.3 Bn (+4.5), the highest level since records began in 1983 according to the MOFCOM. **Chinese foreign direct investment (outbound) in 2020 increased of +3.3% YOY**, amounting to USD 132.9 Bn and non-financial direct investment amounted to USD 110.2 bn, down -0.4 % YOY.

- China registered growth in foreign trade in goods in 2020. The total volume in imports and exports of goods reached USD 4.97 Trillion, up by +1.9% YoY. **Exports grew by +3.6% YoY** to USD 2.77 Trillion and **imports declined by -1.1% YoY** to USD 2.1 Trillion. The trade surplus increased by +27.4% YoY to USD 0.57 Trillion.

- **In 2021, China's foreign trade volume surged** by +37% YoY to USD 485 bn in April. Exports rose by +32.3% YoY in April to USD 263.9 Bn. Imports also rose by +43.1% YoY in April to USD 221.1 bn, hitting a decade high.

- In 2020, when including precious metals, total bilateral trade amounted for CHF 32.9 bn (-9.7% YoY) and Switzerland had a goods trade deficit of CHF 217.4 million with China. When excluding gold, the total trade amounted for CHF 30.8 bn (+8.1% YoY) and the trade deficit reached CHF 1.4 bn. **Exports without gold reached CHF 14.7 bn, up 10% YoY, while imports without gold totalled CHF 16.1 bn in 2020, up by +8.1% YoY**.

- As of May 2021, **Swiss exports to China (without gold) grew by +22% YoY**, driven by chemicals & pharmaceuticals, precision instruments and watches. Imports from China to Switzerland increased by +14% when isolating precious metals, driven mainly by machines, textiles, vehicles, chemicals and pharmaceuticals and precision instruments.

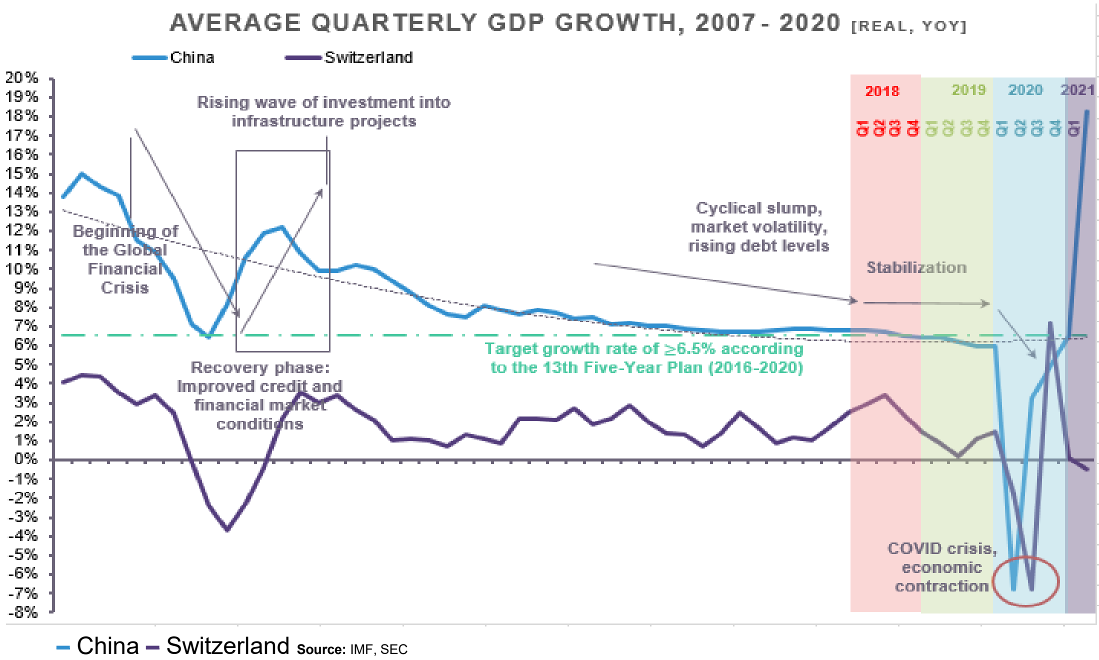
- China is going through a demographic transition and the national census showed that the **fertility rate dropped to 1.3**. Though the consequence is not immediate, this point out to the future challenge of dealing with more social burden and reduced growth potential.

1. Economic Overview

1.1 Macroeconomic situation: positive growth in 2020 driven by real estate and industry

- China's economy expanded in 2020, achieving **GDP growth of +2.3%**. While the Chinese Government has set a modest annual economic growth target for China in 2021, at "above +6%", the International Monetary Fund anticipates that China's economy will grow by +8.5% in 2021.
- Overall, based on the YoY data, growth picked up significantly in Q1, but mostly due to the low base effect. When comparing to Q4 growth last year, the growth speed is actually levelling off. Consumption has seen increase yearly in Q1 but the increase speed is slowing down. Viewing from the two-year growth data, consumption remains largely the same. The growth is still mainly driven by industrial output, but even industrial growth is losing steam, as manifested in the May data. The strong exports momentum helped with the speedy recovery (details see section 3). However, the export sustainability is uncertain, depending on the extent of supply chain relocations.
- From the policy side, there will be no sharp turnaround. The 2021 "Two Sessions" of the Parliament confirmed that a neutral but still accommodative monetary policy and normalized fiscal policy are the main stances in 2021. With more subsidies for Covid-19 phasing out, SMEs will face more difficulties in their production and operations. The conservative growth target of 6% indicates that the Government is considering pursued turbulences with the USA, global economic uncertainties and the potential disruption led by quantitative easing in third countries. Domestically, the Government also weights its financial vulnerabilities: SOE default risk, debt overhang, housing market bubble and shadow banking. In the meantime, the tightening regulations of monopolistic e-commerce giants and internet firms, as well as deleveraging strategy might also weight on growth.
- According to the National Bureau of Statistics, China's GDP in Q1 reached RMB 24,9 bn, up by +18.3% YoY and +10.3% over that in the Q1 of 2019, with an **average two-year growth of +5%**[1]. While the Q1 growth corresponds to the highest rate since China began recording the statistic in 1992, it is only up by +0.6% over that in the Q4 of 2020.
- Overall retail sales of consumer goods increased +33.9% YoY in Q1, with an average two-year growth of +4.2%, up by +1.9% quarter on quarter. Nevertheless, retail sales of consumer goods show a volatility and a decreasing trend over the five first months of 2021.
- In Q1, on average, the consumer price maintained the same level of growth as the previous year. It went down by -0.2% YoY in February, up by +0.4% YoY in March and Q1 ended by -0.1% in urban areas, while the same level was kept in rural areas.
- **Industrial output is still driving the growth – together with a boom in the real estate sector**:
  - The total added value of the industrial enterprises grew by +24.5% YoY in Q1, or up by +2.01% quarter on quarter, with an **average two-year growth of +6.8%**. In March alone, the total added value of the industrial enterprises increased by +14.1%, up by +0.6% month on month. In May, value-added output at industrial firms rose +8.8% YoY, versus +9.8% YoY growth in April.
  - Fixed asset investment increased +25.6% YoY in Q1, or up by +2.1% quarter on quarter with an **average two-year growth of +2.9%.** In March, the investment in fixed assets (excluding rural households) grew by +1.51% month on month. Specifically in Q1, the investment in infrastructure was up by +29.7% YoY, an average two-year growth of +2.3%; manufacturing up by +29.8% YoY. In May, fixed investment increase by +4.2% YoY, down from +9.9% YoY growth in April.
  - Real Estate Investment increased +25.6% (aggregate) for Q1, an **average two-year growth of +7.6%**. By May, the increase rate was +18.3% (aggregate), with a two-year growth of +8.6%.

[1] National Bureau of Statistics (2021), "Q1 Data", retrieved from http://www.stats.gov.cn/english/PressRelease/202104/t20210416_1816315.html; last accessed on June 7, 2021



1.2 Impact of the Covid-19: consumption

- According to National Bureau of Statistics of China, 2020's per capita consumption expenditure was RMB 21'210, a nominal decrease of -1.6% YoY and a **real decrease of -4.0%** after deducting price factors. Consumption expenditure of urban residents was RMB 27'007, a nominal decrease of -3.8% and a real decrease of -6%. The per capita consumption expenditure of rural residents was RMB 13'713, an increase of +2.9% and real decrease of -0.1%.

- In the first quarter of 2021, the total retail sales of consumer goods increased by +33.9% YoY. However, this is compared to Q1 2020, which experienced a decrease of -19% YoY compared to the same period in 2019. On a quarterly basis the total retail sales of consumer goods increased by +1.9%, with an **average two-year growth of +4.2%.**

- The figure indicates that China's consumption level is resuming to pre-pandemic levels. However, **rebound in household consumption is not well sustained**. According to the Ministry of Culture and Tourism, the total tourism revenue over the three-day holiday of Dragon Boat Festival in May was RMB 29.4 Bn – which reaches 74.8% of pre-pandemic level.

  In particular, spending in urban areas are still lagging, as residents remain cautious and hesitant to consume more, being preoccupied about long-term employment perspectives.

1.3 Impact of the Covid-19: employment

- On November 23rd 2020, China's Government announced that it had eliminated absolute poverty nationwide by uplifting all of its citizens' yearly income beyond the goal of RMB 2'300 per year. Unemployment remains of upmost concern for the Government, as it may jeopardize this self-proclaimed success and represents a threat for social stability.

- On 3rd June, in a speech on employment and entrepreneurship, Premier Li Keqiang stressed the importance to help college graduates to get jobs emphasized the role of employment as the "source of wealth creation and an important support for overall social stability". To tackle unemployment, Premier Li called for more support for small businesses and **more vocational training**. He also called youngsters to go to the grass-roots, which echoed Vice Premier Sun Chunlan's message a few weeks before, pushing graduates to "go west" in search of jobs, western provinces being economically less developed as the coastal areas, and therefore less attractive.

- Consequently China has been, over the past year, prioritizing employment measures, such as providing subsidies and organizing online job fairs, hiring migrant workers for major infrastructure projects and logistic systems, sponsoring rural employment programs and opening online unemployment registration and applications for employment services and subsidies[2].

- China provides an official surveyed unemployment rate but it does not include 149 million self-employed business owners and 174 million rural migrant workers: this rate is therefore only for urban areas. After returning to pre-Covid levels in December 2020 (5.2%), the rate saw an increase over the first quarter of 2021, reaching 5.4% in January, 5.5% in February and then went down to 5.3% in March. As a comparison, in February 2020 the unemployment rate had risen to 6.2%, before decreasing to 5.5% at the end of 2020, based on the data from National Bureau of Statistics[3].

- The surveyed unemployment rate of the population aged from 16 to 24 and from 25 to 29 was 13.6% and 4.8% respectively. **The increased unemployment rate in Q1 showed that the economic rebound in Q1 failed to significantly improve job prospects for the country's young and educated**[4]. This would confirm the fact that growth figures have been largely pushed by state spending and industrial production.

1.4 The demographic shift in China

- China is undergoing the demographic transition: as income and education improve and urbanization becomes predominant, birth rates go down. As a matter of fact, China's birth rate declined earlier and faster than it has in other societies, including in Eastern Asia[5].

- Given the age structure of the population, the number of women of childbearing age is low and the number of women aged between 22 and 35 is expected to fall by 30% in the next decade. This implies that even if the total fertility rate was to improve, the yearly birth rate relative to the population would still not rise. The consequences are clear: China's population will enter an absolute decline earlier than 2025 (which was the official prediction), and perhaps as early as 2021.

- The debate of the growth momentum also follows the results of the 2020 population census which revealed a sharp drop of the total fertility rate to 1.3. Though this trend may not be followed by immediate or even short-term consequences, it nonetheless changes perceptions of the future Chinese economy, pointing to more social burden and reduced growth potential.

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[2] State Council, "Employment stabilization measures" (强化稳就业举措的实施意见) retrieved from http://www.gov.cn/zhengce/content/2020-03/20/content_5493574.htm, last accessed on July 27, 2021

[3] National Bureau of Statistics (2020), "September Data", retrieved http://www.stats.gov.cn/tjsj/sjjd/202011/t20201116_1803201.html; last accessed on July 27, 2021

[4] SCMP, China Unemployement rate, retrieved https://www.scmp.com/economy/china-economy/article/3110193/china-unemployment-rate-how-it-measured-and-why-it-important, last accessed on July 27, 2021

[5] Institute Montaigne. 'China's Economic Rebound: Views from Beijing', retrieved from https://www.institutmontaigne.org/en/publications/chinas-economic-rebound-views-beijing, last accessed on July 27, 2021

1.5 China's new carbon trading scheme

- After the Two Parliamentary Sessions, People's Bank of China (PBoC) has been tasked to lead the deployment of financial support policies to support green development and carbon emission reduction. On April 1st 2021, the central bank laid out a plan to support national carbon neutrality goals and encourage the emergence of the world's largest national carbon emission trading scheme (ETS).

- Pledged by President Xi Jinping ahead of the Paris climate agreement in 2015, the national carbon trading system was announced in 2017, without relevant regulations been issued until now. To achieve the peak by 2030 and carbon neutrality by 2060, the priority has been set on carbon trading. On January 5th, 2021, the Ministry of Ecology and Environment (MEE) released carbon emission trading scheme and it took effect on February 1st.

- The scheme will initially only cover the power sector, which accounts for 43% of the nation's carbon emissions and 14% of the world's total. As part of the power sector reform, National Energy Administration (NEA) proposed on February 11th to boost the share of zero-carbon electricity in the country's mix from 28% today (mostly hydropower) to 40% by 2030.

- While analysts point out that the system in its current form lacks the capacity to create strong incentives, it could become an important tool in the future, if the Government decides to empower it. Empirical evidence from pilot schemes has shown successful cases of emission reduction in China[6].

- As a matter of fact, the system is still in a very early stage: the head of the climate change office at the Ministry of Ecology and Environment, Li Gao, foresees its development through all the 14th Five Year Plan[7]. The National Development and Reform Commission (NDRC) is currently drafting a new climate change law that might address some of the shortcomings in the current carbon trading system.

1.6 Fiscal and monetary policy: loosening money to support SMEs

- Since the start of the pandemic, China's fiscal and monetary policy has largely focused on combatting the damage inflicted by COVID-19 containment measures. PBoC has launched several rounds of reserve requirement ratio (RRR) cuts and more than RMB 1.8 Trillion have been injected into the market through this measure[8]. Moreover, the Chinese Government also approved several batches of special purpose coronavirus-relief bonds, overall freeing more than RMB 3,8 Trillion in 2020 to support the economy[9]. The total size of the stimulus is estimated by the Economist to be about 5% of GDP[10].

- All of these measures are intended to provide ample cash flow to enable commercial banks to lend to SMEs affected by the pandemic and thus maintain financial stability in the economy. So far, China has still refrained from enacting a large-scale stimulus package as it did after the Global Financial Crisis to boost economic recovery. Experts like Ma Jun, a central bank policy adviser, have argued that the Government has been taking such a tentative stance in order to avoid elevating already high debt levels and consequently destabilizing the economy[11].

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[6] X-Mol. 'Can a carbon emission trading scheme generate the Porter effect? Evidence from pilot areas in China', retrieved from https://www.x-mol.com/paper/873781, last accessed on April 13, 2021

[7] Global Times. 'China poised to build unified national trading system', retrieved from https://www.globaltimes.cn/content/1208656.shtml, last accessed on April 13, 2021

[8] According to information given by the PBOC during the 7th Financial Dialogue (27.11.2020)

[9] According to information given by the PBOC during the 7th Financial Dialogue (27.11.2020)

[10] The Economist: "Xi Jinping is reinventing State capitalism", retrieved from https://bit.ly/3xcYrD7, accessed on 30.07.2021

[11] SCMP (2020): "Coronavirus: China doesn't need big economic stimulus advisers and former officials say", retrieved from https://bit.ly/3y3UfWT , last accessed on June 30, 2021

- Instead of a massive stimulus package, the Chinese Government cut taxes in areas such as VAT exemptions[12], social security contribution waivers[13] and rental reductions[14] to help SMEs weather the storm. The margin of manoeuvre with respect to fiscal policy measures has however been limited, since massive tax cuts had already been implemented in 2019 in response to the economic downturn caused by the trade dispute with the United States[15]. The Government also attempted to stimulate domestic consumption through the launching of various kinds of voucher-programs and month-long promotional campaigns, in order to "accelerate the recovery and unleash the spending potential"[16]. Fiscal policy will continue to focus on optimising the structure of the economy, with the PBoC maintaining reasonably ample liquidity in the financial system, strengthening support for the real economy, and maintaining the basic stability of the yuan exchange rate[17].

1.7 Social Corporate Credit System: trust as a public value

- The corporate social credit system (CSCS) is a comprehensive plan, which aims to monitor and guide the behaviour of businesses on the Chinese market with the aid of different technological instruments. The goal is to increase market participants' trustworthiness, through a mechanism of shared blacklists.

- Expanding experimentations make the system is already available[18], but the nationwide implementation has been delayed two years.

- There are three basic steps, which the CSCS follows: First, the Government defines requirements which companies need to meet. These are, for the most part, rules and regulations, which have already been in place, such as requirements concerning taxation, environmental protection, legal procedures, licensing and so on. In a second step, the government monitors companies' behaviour and adherence to the rules. This is done by analysing data transferred by the companies themselves, through Government inspections of firms as well as with the use of digital tools, such as video surveillance or data collected by third parties. Thirdly, the data is analysed with the help of algorithms, giving every company individual ratings. The system does not provide a single note, but rather a dashboard of ratings – some of which are publicly available, while others are not.

- A good performance then leads to rewards while a bad one leads to sanctions. The latter may include higher taxes, financial penalties, blacklisting, market expulsion or even discrimination in areas such as license approvals or land usage rights. In contrast to these sanctions, reward mechanism are less developed for the time being. So far, they mostly concern reduced auditing frequencies and favourable treatments in administrative procedures[19]. In July 2021, the State Administration for Market Regulation

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[12] State Council (2020): "China's financial toolkit to combat coronavirus", retrieved from https://bit.ly/3wYMEHT, last accessed on June 30, 2021

[13] State Council (2020): "China ups support to firms to ensure employment amid COVID-19 epidemic", retrieved from https://bit.ly/3kOzr1Q, last accessed on 30.06.2021

[14] State Council (2020): "Chinese cities moving to bail out epidemic-hit businesses", retrieved from https://bit.ly/3hUmdi9, last accessed on June 30, 2021

[15] State Council (2019): "Keep track of China's tax cuts for SMEs in H1 2019", retrieved from https://bit.ly/3wZEH52, last accessed on June 30, 2021

[16] South China Morning Post (2021): "China's month-long consumption campaign aims to 'unleash spending potential' of Chinese people", retrieved from https://bit.ly/3BAlxGo, last accessed on June 30, 2021

[17] South China Morning Post (2021): "China's Politburo targets economic risks to ensure post-pandemic recover", retrieved from https://bit.ly/3zxmKg9 , last accessed on June 30, 2021

[18] Credit China official website: https://www.creditchina.gov.cn/, last accessed on June 28, 2021

[19] EUCC (2019): "The Digital Hand – How China's Corporate Social Credit System Conditions Market Actors", retrieved from https://www.europeanchamber.com.cn/en/publications-

(SAMR) released listed specific violations in the food, pharmaceutic, and equipment sectors that will result in blacklisting. It also clarified conditions for restoring bad credit and specified that county- and municipal-level SAMR branches need approval from higher-level SAMR offices to blacklist companies.

- One important aspect of the system, which makes it different from past regulations, is that ratings in different areas affect one another and the scores of individuals or other businesses linked to a firm can even affect the latter's rating. For companies, the CSCS can therefore lead to spiral effects: a positive rating in one area leads to positive ratings in other areas, which in turn encourages other economic actors to do business with the firm and strengthens the company's economic standing. A negative rating can have the opposite effect. It is therefore especially important for enterprises to carefully monitor their score as well as rules and regulations concerning their operations so as to be able to react quickly in case of negative ratings or mistreatment[20].

- Some new Covid-related measures have even been incorporated into the system. On the one hand, the government has put in place exceptions to ensure that difficulties arising from the pandemic do not negatively affect companies' scores. On the other hand, China also used a carrot and stick approach targeted especially at Covid-related behavior of firms: companies which contributed to virus containment measures, invested in R&D to combat the pandemic or made donations got their scores improved. However, those engage in illegal activities such as driving up prices, selling fake or inferior protective gear or engaging in massive layoffs saw their score being lowered[21].

1.8 Reputation risk and juridical instability

- Rising tensions linked to geopolitics, technology and trade increase complexity and volatility of the environment in which companies operate. On one side, they need to prepare for potential negative publicity or public perception to have an adverse impact on a company's reputation. This applies as well as for their branches in China (where cultural and national sensitivity is exacerbated) as for branches outside China (due to reinforced scrutiny on business with China). Moreover, companies may need to deal with unexpected circumstances, that may expose them to public scrutiny and put them at risk of sanctions or other means of political pressure. In this regard, the emphasis on "national interest" (in addition to "national security") from recent laws creates juridical instability.

- Specifically, five major recent legal or regulatory evolutions are to be noted:

  1. **Export Control Law of 2020**. Passed on 17.10.2020, it led to a harmonization of the goods control lists in China and intends to strengthen arms control and non-proliferation of weapons of mass destruction. Its Article 44 establishes extraterritorial effect of the law on legal entities or individuals outside China: in the event of a violation of the Export Control Law (or the national security and interests of the People's Republic), State export control authorities are allowed to search business offices, question relevant persons, inspect documents, materials and means of transportation used for export, seize questionable items and inquire about bank accounts.

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archive/709/The_Digital_Hand_How_China_s_Corporate_Social_Credit_System_Conditions_Market_Actors, last accessed on June 28, 2021

[20] EUCC (2019): "The Digital Hand – How China's Corporate Social Credit System Conditions Market Actors", retrieved from https://www.europeanchamber.com.cn/en/publications-archive/709/The_Digital_Hand_How_China_s_Corporate_Social_Credit_System_Conditions_Market_Actors, last accessed on June 28, 2021

[21] China Briefing (2020): "China's Social Credit System: COVID-19 Triggers Some Exemptions, Obligations for Businesses", retrieved from https://www.china-briefing.com/news/chinas-social-credit-system-covid-19-triggers-some-exemptions-obligations-businesses/, last accessed on June 28, 2021

2. **Unreliable Entities List**. Published by the Ministry of Commerce on 19.09.2020, the list corresponds to a local version of the US "Entity List". It aims at listing foreign entities that threaten the sovereignty, security or development of the People's Republic, that interrupt their exchanges with legal or natural persons in China or that take discriminatory measures against those persons. Trade, investment or travel restrictions and fines on the foreign entity will be decided through a State investigation mechanism. Foreign entities will be heard in the process and given the opportunity to correct their behavior to prevent or reverse a listing.

3. **Regulations to Defend Against Unjustified Extraterritorial Application of Foreign Legislation and Other Measures**. Published by the Ministry of Commerce on 09.01.2021, those regulations aim at warding off the extraterritorial application of foreign laws to China's legal entities and individuals in their normal activities with third countries. The regulation contain the possibility for legal and natural companies in China to request an exemption from the injunction (Art 8.).

4. **Foreign Sanctions Defense Law**. Adopted on 10.06.2021, the law is designed to protect Chinese sovereignty, security and "*development interests*" by preventing any interference in internal affairs by any foreign State, through whatever means or on whatever pretext. A coordination mechanism will be charged to list individuals and organizations directly or indirectly involved in sanctions against China. Relatives, associates of the organizations or organizations related to the designated persons may also be listed.

5. **Data Security law**. Passed on 10.06.2021, the law is part of China's new cybersecurity framework. The law addresses data categorization and classification, data risk controls, contingency responses for data security, data security reviews, export controls and anti-discrimination. Specific rules (supporting laws, regulation and guidelines) for implementing these policies are expected in the future. The law provides for criminal prosecution in the case of overseas data processing that violates "*national security, public interest, or the rights and interests of Chinese citizens and organizations*" (Art. 2). Reciprocity is threatened against states that take discriminatory measures against China in the area of investment and processing of data and technology (Art. 26).

- In addition, the "***Personal Information Protection Law***", which is still under consultation, will regulate how personal information is collected, stored, used, and shared in China.

2. International and Regional Economic Agreements

2.1 China's policy and priorities

China's Free Trade Agreements network

- China continues to look for new outlets for its economy by negotiating or upgrading several bilateral Free Trade Agreements (FTA)[22/23]. Since 2005, China has been developing its FTA network (17 FTA to date, including Chile, ASEAN, Singapore, New-Zealand, Iceland, Switzerland, South Korea and Australia).

- China-Mauritius FTA entered into effect in January 2021. **This marks the first FTA China is signing with an African country** amid increasing Chinese promotion of China-Africa cooperation. Later in January, China and New Zealand signed the upgraded 2008 China-New-Zealand FTA. In February 2021, China and South Korea held a meeting for the second phase of the FTA negotiations, which is China's first negotiations on services trade and investment liberalization in the mode of negative list. In March 2021, China held FTA negotiations with Norway, although with limited progress[24].

China's regional agreements

- In April 2021, China completed the ratification for the Regional Comprehensive Economic Partnership (RCEP) and submitted the document to the Association of Southeast Asian Nations (ASEAN). Signed in November 2020 after 8 years of negotiations, RCEP is the first plurilateral free trade agreement China has ever participated in. The ASEAN countries together with China, South Korea, Japan, Australia and New Zealand represents the world's largest free trade area covering 2.2 billion people for a combined GDP of USD 26'200 Bn. **RCEP notably focuses rules of origin, on barriers to trade, and e-commerce**. The most important issues not covered in RCEP are state-owned enterprises (SOE), labour and environmental standards, transparency and anti-corruption.

- China is also showing pronounced interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)[25]. This free trade pact includes 11 Pacific countries and is the successor to the TPP, which was an American-led initiative to set the rules for trade in the region and counter China's growing economic clout. The US withdrew from the TPP in January 2017. Xi Jinping announced in November 2020 that China would look into joining and former trade negotiator and Vice Commerce Minister Long Yongtu, at the Boao Forum in April, said he hopes that "*China can be admitted to TPP and the U.S. should return to TPP*". China has been talking with Canada, Australia, Malaysia, and New Zealand on the requirements. Nevertheless, **joining the CPTPP requires the consent of current members, who made it clear that there will be no concessions** – especially provisions on labour, procurement, SOEs, subsidies, e-commerce and cross-border data transfer – and that any negotiations would hardly succeed amid the current political tensions.

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[22] "China" herein refers to the customs territory of the Chinese Mainland
[23] 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 May 10, 2021
[24] *Ibid*.
[25] Bloomberg, "China steps up efforts to join trade pact created to exclude it", 18.05.2021, retrieved from https://bloom.bg/3xbkB96, last accessed on July 02.2021

China-EU Comprehensive Agreement on Investment

- China and the EU signed the Comprehensive Agreement on Investment (CAI) on 30 December 2020. The agreement aims to grant European investors with a greater level of access to the Chinese market and to improve the level playing field for those already there. In the agreement, China has committed to ensure fairer treatment for European companies, allowing them to compete on better conditions in China. These commitments cover state-owned enterprises, transparency of subsidies, and rules against forced technology transfers [26].

- CAI represents one-step forward for the EU and China to increase their investment relations. However, the deal is rather limited in scope, even within the investment space. The sectors opened by China are few and, even within those, with constraints. A level playing field for EU companies in China remains elusive although some more degree of transparency on subsidies and SOEs has been achieved. Investor protection is clearly the weakest point as no understanding has been reached so far on this, meaning that existing bilateral agreements will remain in place for investor to state disputes, adding to the complication. Many see CAI as a trade-off between economics and values[27].

- The European Parliament voted on 20 May 2021 a resolution freezing *"any examination of the Comprehensive Agreement on Investment between the Union and China".* The resolution was adopted by 599 votes, with 30 against and 58 abstentions. According to the text of the resolution, the Parliament demands the lifting of sanctions imposed on EU politicians by China prior to the review of the agreement. The text of the resolution also refers to the situation in Xinjiang, which *"human rights organizations have considered [could] constitute crimes against humanity under international law,"* to *the "repression of pro-democracy activists in Hong Kong"* and to the *"increasingly confrontational position in the Taiwan Strait"*[28].

- In addition, the resolution stresses the need to "rebalance" relations between the EU and China, including the introduction of legislation against distortions created by foreign subsidies, an instrument on international public procurement, due diligence obligations for supply chains, a strengthening of mechanisms for monitoring foreign direct investment and instruments to respond to cyber threats.

- Although it has no legal force, the vote of the European Parliament resolution by a very large majority highlights the difficulties ahead. Many Members of the Parlament have already warned that the lifting of sanctions would not in itself guarantee ratification of the CAI. Moreover, the growing reluctance of countries such as Poland, Italy and the Netherlands, as well as the scheduled departure of German Chancellor Angela Merkel - one of the main promoters of the agreement - do not bode well for a future ratification of the document.

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[26] EU, European Commission official website, *"Commission publishes market access offers of the EU-China investment agreement"* , retrieved from https://trade.ec.europa.eu/doclib/press/index.cfm?id=2253, last accessed on May 10, 2021
[27] Natixis (March 2021), *"The EU-China Investment Deal May Be Anachronic in a Bifurcating World",* retrieved from *https://www.chinausfocus.com/foreign-policy/the-eu-china-investment-deal-may-be-anachronic-in-a-bifurcating-world*, last accessed on May 10, 2021
[28] Résolution du Parlement européen du 20 mai 2021 sur les contre-sanctions chinoises à l'encontre d'entités de l'UE, de députés au Parlement européen et de députés nationaux (2021/2644(RSP), retrieved from *https://www.europarl.europa.eu/doceo/document/TA-9-2021-0255_FR.pdf*, last accessed on May 25, 2021

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.

- Since the beginning of the ongoing trade frictions with the U.S., China has been keen in expressing its support to WTO. This has notably been demonstrated in May 2019 when China's proposal on WTO reform underlined the necessity to improve its relevance, efficiency and inclusiveness[29]. More recently, in March 2020, China agreed with other members on the "multi-party interim appeal arbitration arrangement" (or MPIA) enabling filed cases to be heard despite the paralysis of the WTO's Appellate Body[30]. While announcing the signing of this agreement, the Chinese Ministry of Commerce further communicated that the WTO had "great bearing on the stability and predictability of the multilateral trading regime"[31].

- Despite its multilateral and openness narrative, China's trade regime is still heavily criticized in the WTO, notably due to IPR, public procurement and State involvement in the economy[32]. **As of June 2021, 47 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[33].** In May 2020, China announced anti-dumping and anti-subsidy duties totalling 80.5% on Australian barley imports for the next 5 years[34]. Media observers commented that this decision could be a direct response towards Australia's willingness to push for a global investigation into the origin of the COVID-19 pandemic[35]. After further imposing a tariff of more than 200% on Australian wine imports at the end of November 2020 (and restricted imports of a dozen other products – incl. beef, sugar and timber), a panel against China at the WTO over the anti-dumping and countervailing duty measures on barley was established on 28 May 2021 upon Australia's request[36]. In an apparent tit-for-tat measure, on 24 June, China has made a complaint to the WTO over Australia's anti-dumping and anti-subsidy measures on imports of railway wheels, wind towers and stainless steel sinks. On 28 June, Australia filed a second WTO complaint against China over anti-dumping and countervailing duty measures on wine from Australia. On 11 June, Japan requested consultations with China with respect to measures imposing anti-dumping duties on stainless steel billets, hot-rolled coils and hot-rolled plates from Japan.

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[29] 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 July 27, 2021

[30] CGTN (2020*), "New trade appeals body gets around U.S. block on WTO",* retrieved from https://newseu.cgtn.com/news/2020-05-02/New-trade-appeals-body-gets-around-U-S-block-on-WTO-Q96My9VYQM/index.html, last accessed on July 27, 2021

[31] China State Council (2020*), "China announces decision on interim arbitration arrangement with WTO members",* retrieved from http://english.www.gov.cn/statecouncil/ministries/202003/28/content_WS5e7e90b3c6d0c201c2cbfa5e.html, last accessed on July 27, 2021

[32] WTO (2018), *"Trade Policy Review China"*, retrieved from https://www.wto.org/english/tratop_e/tpr_e/s375_sum_e.pdf, last accessed on July 27, 2021

[33] WTO (2020), *"Member Information: China and the WTO"*, retrieved from https://www.wto.org/english/thewto_e/countries_e/china_e.htm, last accessed on June 29, 2021

[34] Reuter (2020), *"Australia plays down China trade war fears as barley ban reasons revealed"*, retrieved from https://reut.rs/2WjCdi6 , last accessed on July 27, 2021

[35] CNN (2020*), "Australia angered China by calling for a coronavirus investigation. Now Beijing is targeting its exports "*, retrieved from https://cnn.it/34kD2M8, last accessed on July 27, 2021 and Reuters (2020), "*Timeline: Tension between China and Australia over commodities trade*" , https://www.reuters.com/article/us-australia-trade-china-commodities-tim-idUSKBN28L0D8, last accessed on July 27, 2021

[36] China — Anti-dumping and countervailing duty measures on barley from Australia, retrieved from : https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds598_e.htm, last accessed June 09, 2021

Belt and Road Initiative

- Launched by President Xi Jinping in 2013 and embedded in the constitution since 2018, the Belt and Road Initiative (BRI) constitutes a vision of outward-looking development. The BRI is seen by China as an economic initiative centred on the construction of infrastructure. 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 BRI.[37/38] It 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[39]. In January 2020, Federal Councilors Guy Parmelin and Ueli Maurer hosted Vice Premier Han Zheng in order to launch talks on a privately funded BRI capacity-building platform. This platform should help building collaboration in the third markets by facilitating exchanges of information and promoting capacities (e.g. in risk management, project governance and international standards) between Swiss and Chinese companies[40].

- Due to the pandemic, China's focus on increasing the domestic market, increasing debt default from recipient countries as well as a negative press on different BRI projects[41], investment on BRI has been significantly downsized. According to the China BRI Investment report 2020[42], Chinese overseas investments into countries of the BRI were about USD 47 Bn. in 2020, about 54% less than in 2019 and about USD 78 Bn. less than in the peak year of BRI investments 2015. However, the slow-down in the Chinese investments had less impact in BRI countries compared to non-BRI countries with USD 17 Bn. in 2020, 70% less than 2019. The dominant investors are SOEs, Alibaba being the only non-SOE major investor in 2020.

- In the scope of *"Green BRI"*, renewable energy investments (solar, wind, hydro) for the first time represent the majority of Chinese overseas energy investments – increasing their share from 38% in 2019 to 57% in 2020. However, coal-related investments have seen a relative resurgence in 2020, moving from 15% in 2018 to 27% in 2020[43].

- While the official communication on the BRI has been appealingly discreet during the pandemic and the two sessions of the Parliament in March 2021, the BRI took a large share in Xi Jinping's keynote speech at the opening ceremony of the Boao Forum for Asia in April 2021[44]. The forum – also marketed as China's version of the World Economic Forum – took place in Hainan Island Province under the slogan *"A World in Change: Join Hands to Strengthen Global Governance and Advance Belt and Road Cooperation*". With its strong positioning in the vaccine cooperation both multilaterally (through the

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[37] China Nation Intellectual Property Administration (2020), "*China, EU Sign Agreement on GI Protection*", retrieved from http://english.cnipa.gov.cn/art/2020/9/23/art_1719_152237.html, last accessed on December 12, 2020

[38] FDF (2019), "*President Maurer meets President Xi*", retrieved from https://bit.ly/3Ak5vjt, last accessed on May 25, 2020

[39] *Ibid*.

[40] EAER (2020), *"Federal Councillors Guy Parmelin and Ueli Maurer meet with Chinese Vice Premier Han Zheng",* retrieved from https://www.wbf.admin.ch/wbf/en/home/dokumentation/nsb-news_list.msg-id-77857.html, last accessed on July 27, 2021

[41] Including, but not limited to: Montenegro, Sri-Lanka, Sierra Leone, Djibouti

[42] China Belt and Road Initiative (BRI) Investment Report 2020, January 21 2021, https://green-bri.org/china-belt-and-road-initiative-bri-investment-report-2020, last accessed on June 11, 2021

[43] Ibid.

[44] Full Text: Keynote speech by Chinese President Xi Jinping at the opening ceremony of the Boao Forum for Asia Annual Conference 2021, http://www.xinhuanet.com/english/2021-04/20/c_139893137.htm, last accessed on June 09, 2021

Covax program) and bilaterally (joint vaccine production in BRI participating countries such as Indonesia, Brazil, the United Arab Emirates, Malaysia, Pakistan and Turkey), China is expanding its influence and continues calling on developing countries to join the BRI.

- However, the issue of BRI projects financing remains open. While the payback difficulties of recipient has been exacerbated amid the pandemic, it is worthy to note that in 2018, Li Ruogu, the former president of Export-Import Bank of China – one of the main lenders of the BRI – stated that many countries along the BRI did not have the money to pay for the projects they were involved[45.] A recent study, published in 31 March 2021, on 100 Chinese Debt Contracts with Foreign Governments[46] pointed out that Chinese loan contracts are muscular commercial contracts that use very lender-friendly terms. It highlights the difficulties for debtor countries to renegotiate their debt, the existence of "non Paris-Club" clauses, as well as possible political interference due to the inclusion, in some contracts, of a clause that an event of default can occur if the debtor does anything that goes against any "PRC entity" interest.

2.2 Outlook for Switzerland

- The hiatus created by the start-up of the new US administration and the jeopardized ratification process of the CAI provides a window of opportunity for bilateral agreements. In this regard, a new impetus in the preparatory work for the update of the FTA between Switzerland and China can be expected.

- The opening of the Chinese service sectors and particularly the financial industry (e.g. via the updated agreement with Hong Kong and Macau that will remove and reduce entry barriers to providers) generates opportunities for the Swiss financial sector.

- New regional agreement such as RCEP (Regional Comprehensive Economic Partnership) and an eventual "RCEP +" (RCEP + the Sino-Japanese-Korean Free Trade Zone) will increase the competition for Swiss companies within the Asia-Pacific room.[47] It is in the interest of Swiss companies to enhance the access to those markets – including through and update Sino-Swiss free trade agreement.

- Through the cooperation on BRI third-party markets, Switzerland aims to support the participation of Swiss companies in BRI projects and to promote the use of existing international norms and instruments in ventures linked to the initiative. This participation is however deemed hardly accessible[48/49] according to a survey conducted by the European Chamber of Commerce. The participation of European companies in BRI remains marginal.[50] Lack of transparency, limited competition, vertical integration and strict market access are the key challenges for European companies. Consequently, Swiss companies need a clear goal-setting for their participation, and ensure the establishment of high-level partnerships with Chinese stakeholders.

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[45] CNBC (2018), "Is China's belt and road infrastructure development plan about to run out of money?", retrieved from www.shorturl.at/ajlmD, last accessed on December 17, 2020

[46] "How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments" (31 March 2021) https://www.aiddata.org/publications/how-china-lends, last accessed on June 09, 2021

[47] Mofcom (2020), *"The 16th Round of Negotiation on China-Japan-ROK Free Trade Zone Held in Seoul, ROK",* retrieved from http://fta.mofcom.gov.cn/enarticle/enrelease/201912/41962_1.html, last accessed on July 27, 2021

[48] NZZ (2020), *"Ausländische Firmen haben kaum Chancen auf Beteiligung an Chinas neuer Seidenstrasse",* retrieved from https://bit.ly/369o1Nu , last accessed on July 27, 2021

[49] EU Chamber of Commerce (2020), *"The route less travelled"*, https://www.europeanchamber.com.cn/en/publications-belt-and-road-initiative, last accessed on July 27, 2021

[50] European Chamber of Commerce (2020), *"European Chamber report identifies profound lack of European involvement in China's Belt and Road Initiative, and the scheme's dampening effects on global competition"*, retrieved from https://bit.ly/2Ujvkzs, last accessed on July 27, 2021

3. Foreign Trade

3.1 Development and general outlook: commitment to Phase 1 deal amidst recovery

a. *Positive growth on foreign trade in 2020 and strong rebound in 2021*

- Despite a worldwide slump in shipments, China was the only G20 economy to have registered growth in foreign trade in goods in 2020. The total volume in imports and exports of goods reached USD 5 Trillion, up by +1.9% YoY. Exports grew by +3.6% YoY to USD 2.6 Trillion and imports declined by -1.1% YoY to USD 2.1 Trillion. The trade surplus increased by +27.4% YoY to USD 0.6 Trillion[51]. In Q1 2020, exports decreased by -11.1% YoY[52] due to COVID-19 pandemic's strong negative impact on China's internationally integrated value chains. Imports suffered from a demand shock[53] resulting in a decrease by - 4.2% YoY. In Q2, China's exports mainly boosted by record shipments of medical supplies and robust demand for electronic products due to lifestyle changes caused by the pandemic. Imports continued to fell during Q2, contracting - 9.4% YoY[54]. In Q3, China recovered above pre-pandemic level. Exports were up +8.9% YoY still strongly pushed by PPE and electronic equipment shipments. As consumers returned to malls and major trading partners reopen for business, imports were up +3.5% YoY[55].

- According to data from the General Administration of Customs, China's foreign trade volume surged by +37% YoY to USD 485 Bn. in April 2021[56].

- Exports rose above predictions by +32.3% YoY in April to USD 263.9 bn, compared with the growth of +30.6% YoY seen in March. Adjusting for base effects, the export growth quickened to +36.3% in April 2021, up from +21.6% in March, compared with the same period in 2019. The increase in exports is strongly pushed by the U.S. economy booming, boosting global demand. Another factor is the shift of some orders to China amid the COVID-19 crisis in India causing a delay in production.

- Boosted by higher commodity prices and largely due to the negative growth a year ago, imports rose by 43.1% YoY in April to USD 221.1 bn., hitting a decade high, and up of 38.1% YoY in March. Adjusting for base effects, the growth of imports slowed to +22.5% in April, down from +36.2% in March from the same period in 2019.

- In 2021, ASEAN remained to be China's first trading partner, followed by the EU, U.S., and Japan. China's exports to the ASEAN countries and the EU rose by +42.2% and +23.8% respectively, while its imports from the two largest trading partners climbed by +40.6% and +43.3% respectively.

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[51] GACC - Review of China's Foreign Trade in 2020, http://english.customs.gov.cn/Statics, last accessed 11 June 2021
[52] OECD (2020), *"Monthly International Merchandise Trade (IMTS) – Headline Series"*, retrieved from https://stats.oecd.org/Index.aspx?DataSetCode=MEI_TRD, last accessed on July 27, 2021
[53] National Bureau of Statistics (2020b), *"Total Retail Sales of Consumer Goods Went down by 7.5 percent in April 2020"*, retrieved from http://www.stats.gov.cn/english/PressRelease/202005/t20200518_1745969.html, last accessed on June 14, 2021
[54] *Ibid*.
[55] *Ibid*.
[56] CGTN: China's foreign trade continued strong rebound, up 37% in April (08 May 2021), https://news.cgtn.com/news/2021-05-07/China-s-foreign-trade-up-28-5-in-first-four-months-of-2021-1043gPdN6Mw/index.html, last accessed June 14, 2021

b. Phase 1 deal

- On February 14, 2020, the "Phase One Trade Deal" between China and the United States entered into force. In several areas covered by the agreement, China has taken steps towards implementation. On May 12, 2020, it has announced tariff reductions on several categories of goods including semiconductor parts, medical disinfectant and chemical products[57]. As for the opening of the PRC's financial markets towards U.S. companies, several measures have been implemented, including the granting of licenses to foreign banks for conducting bankcard clearing[58] and fund custody businesses[59] in China, the scrapping of foreign ownership caps for securities companies[60]. and the removing of quotas on the Qualified Foreign Institutional Investor (QFII) and RMB Qualified Foreign Institutional Investor (RQFII) programs[61]. China also made regulatory changes on intellectual property protections with the amendment of the Patent Law, Copyright Law, and Criminal Law[62].

- The issue of China's purchase agreement of US goods – which has received the most attention out of all the topics covered in the deal – has been most affected by the economic downturn caused by the COVID-19 pandemic. China has agreed to increase its imports of American goods by USD 200 bn. on top of the amount imported in 2017 within two years[63].

- Data from the General Administration of Customs China (GACC) show import levels, while having risen at the end of 2019 in preparation of the trade deal, sank significantly in the first quarter of 2020[64]. According to the Peterson Institute for International Economics, in 2020, China's total imports of covered products from the US were USD 99.9 bn, reaching only 58% of the commitment, while US exports to China of covered products were USD 94 bn, reaching only 59% of the commitment[65].

- For 2021, China has committed to purchase an additional USD 98.2 bn of covered goods from the US relative to these 2017 baselines, implying a purchase target of USD 207.4 Bn. (using Chinese import statistics) or USD 193.3 bn (using US export statistics)[66]. Through April 2021, China's total imports of covered products from the US were USD 47.1 bn, compared with a year-to-date target of USD 64.5 bn. Over the same period, US exports to China of covered products were USD 34.5 bn, compared with a

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[57] MOF (2020), *"State Department's Tariff Policy Committee Announces Second Exclusion List for U.S.-Canada Tariffed Goods"*, retrieved from http://gss.mof.gov.cn/gzdt/zhengcejiedu/202005/t20200512_3512039.htm, last accessed on July 27, 2021

[58] PBOC (2020), *"PBC Approves Mastercard NUCC's Application for Bankcard Clearing Institution Preparations"*, retrieved from http://www.pbc.gov.cn/en/3688110/3688172/3970813/index.html, last accessed on May 21, 2020

[59] CSRC (2020), *"Notice of Public Comment on "Draft on the Measures for the Administration of Custody Operations of Securities Investment Funds"*, retrieved from http://www.csrc.gov.cn/pub/zjhpublic/zjh/202005/t20200509_376034.htm, last accessed on July 27, 2021

[60] CSRC (2020), *"CSRC announcement on elimination of foreign equity cap in securities companies"*, retrieved from http://www.csrc.gov.cn/pub/csrc_en/newsfacts/release/202003/t20200318_372197.html, last accessed on July 27, 2021

[61] SAFE (2020), *"PBOC & SAFE Remove QFII / RQFII Investment Quotas and Promote Further Opening-up of China's Financial Market"*, retrieved from https://www.safe.gov.cn/en/2020/0507/1677.html, last accessed on July 27, 2021

[62] Office of the United States Trade Representative, "*2021 Special 301 Report"*, https://ustr.gov/sites/default/files/files/reports/2021, last accessed on June 15, 2021

[63] USTR (2020), *"Economic and Trade Agreement between the Government of the United States of America and the Government of the People's Republic of China"*, retrieved from https://ustr.gov/sites/default/files/files/agreements/phase%20one%20agreement/Economic_And_Trade_Agreement_Between_The_United_States_And_China_Text.pdf, last accessed on July 27, 2021

[64] GACC (2020), *"Customs Statistics – Monthly Statistical Report"*, retrieved from http://www.customs.gov.cn/customs/302249/302274/302277/index.html, last accessed on July 27, 2021

[65] PIIE (2020), *"US-China phase one tracker: China's purchases of US goods"*, retrieved from https://www.piie.com/research/piie-charts/us-china-phase-one-tracker-chinas-purchases-us-goods, last accessed on July 27, 2021

[66] PIIE (May 25, 2021) *"US-China phase one tracker: China's purchases of US goods",* https://www.piie.com/research/piie-charts/us-china-phase-one-tracker-chinas-purchases-us-goods, last accessed on June 15, 2021

year-to-date target of USD 57.4 bn. Thus, in April 2021, China's purchases of all covered products reached 73% (Chinese imports) or 60% (US exports) of the year-to-date target. Among covered goods, agricultural products imports reached 87% (Chinese imports) or 79% (US exports), manufactured goods reached 71% (Chinese imports) or 64% (US exports) and energy products imports reached 56% (Chinese imports) or 32% (US exports)[67].

- Bloomberg reported "China's imports of American goods slowed in April, pulling back on the already incremental progress toward the purchase targets". The progress in April was the slowest pace this year and reached 38.9% of the two-year target of USD 378 bn, compared to 36.1% in March[68]. On May 2021, Trade Representative Katherine Tai said she expects to engage "in the near term" with Chinese officials to assess their implementation of the Phase 1 trade deal between the two countries, with the outcome to influence the fate of Washington's punitive tariffs on Beijing[69].

c. *Trade in services*

- In Q1 2021, China recorded a service trade deficit of about USD 10.3 bn, down by 74.7% from the same period a year ago. The country's total service trade volume reached around USD 180 bn in the January-March period, up by 0.5% YoY according to data from the Ministry of Commerce[70].
- The lower deficit was the result of significant service export growth, which increased by 22.8% YoY in the reporting period. Meanwhile, service imports dropped by 13.5% YoY[71].
- China's trade of knowledge-intensive services saw strong growth in Q1. It increased by 15.5% YoY in the period, accounting for 46.6% of the total trade in services[72].
- The tourism services industry slumped significantly as the COVID-19 pandemic continued to impact the sector worldwide. In Q1, tourism service trade volumes slumped by 45.9% YoY[73].
- Excluding the tourism sector, the country's service trade in Q1 expanded by 21.1% YoY.
- In April 2021, China's service trade hit about USD 63.4 Bn., up 12.3% YoY, with service exports climbing 24.3% and imports growing 2.7%. The fastest growth was registered in three sectors -- financial, transport and insurance services[74]. In May however, the trade in services saw a deficit of RMB 65.6 bn., with the sector's income and expenditure standing at RMB 142.3 bn and RMB 207.9 bn, respectively.

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67 Ibid.
68 Bloomberg (May 24, 2021), *"China's Progress on U.S. Trade Deal Promises Slows in April"*, https://www.bloomberg.com/news/articles/2021-05-24/china-s-progress-on-u-s-trade-deal-promises-slows-in-april, last accessed on June 15, 2021
69 CNA (May 05, 2021), *"US, China to assess Phase 1 deal soon, says Biden's trade chief Tai"*, https://www.channelnewsasia.com/news/business/us-china-to-assess-phase-1-deal-soon-says-biden-s-trade-chief, last accessed on June 15, 2021
70 CGTN (May 07, 2021) *"China's service trade deficit continues to shrink in Q1"*, https://news.cgtn.com/news/2021-05-07/China-s-service-trade-deficit-continues-to-shrink-in-Q1, last accessed on June 15, 2021
71 *Ibid*.
72 *Ibid*.
73 *Ibid.*
74 Xinhuanet (June 03, 2021), *"China's service trade rises 3.3 pct in first four months"*, http://www.xinhuanet.com/english/2021-06/03/c_139987490, last accessed on June 15, 2021

3.2 Bilateral trade

a. *Trade in goods: massive increase of gold and watches exports, decrease of textiles and apparel imports*

- In 2020, when including precious metals, total bilateral trade amounted for CHF 32.9 bn (-9.7% YoY) and Switzerland had a goods trade deficit of CHF 217.4 million with China. When excluding gold, the total bilateral trade amounted for CHF 30.8 bn (+8.1% YoY) and the trade deficit reached CHF 1.4 bn[75].

- When including precious metals, exports (Swiss goods to China) totalled in 2020 CHF 16.4 bn, down by -23.7% YoY and imports reached CHF 16.6 bn, up by +10% YoY. Those results are mainly due to a staggering decrease of Switzerland's precious metals exports to China, registering a decrease of -79.8% YoY. In 2019, Swiss exports of gold, silver and coin were worth CHF 8 bn, whereas they amounted to CHF 1.6 bn in 2020.

- The impact of COVID-19 on bilateral trade had been strongly negative effect in the first half of the year, resulting in a decrease in capital and consumers goods. However, the impact was mitigated starting from Q3 resulting in a total of exports of CHF 14.7 bn for 2020, up by +10% YoY. After a slight increase in the first quarter (+5% YoY) and a second quarter in the red (-1.9% YoY), exports rebounded in the second half of the year (+17.3% and +17.7% YoY in Q3 and Q4 respectively) mainly driven by exports of precision instruments, clocks, watches and jewellery (+46.9% and +37% YoY in Q3 and Q4 resp.). In 2020, when excluding gold, exports totaled CHF 14.7 bn. up by 10% YOY. On the import side, they totalled CHF 16.1 bn in 2020, up by +8.1% YoY.

- As of May 2021, the cumulative total bilateral trade, including precious metals, amounted to CHF 18 Bn (+44% YoY). Switzerland had a goods trade surplus of CHF 60.5 million with China when including precious metals such as gold, but a trade deficit of CHF 582.9 million when excluding them. For reminder, in 2020, the overall trade reached CHF 32.9 Bn with gold and CHF 30.8 Bn without. The overall balance was in favour of China (CHF 217.4 million with gold and CHF 1.36 Bn without)[76].

- When including precious metals, exports (Swiss goods to China) increased by +76% YoY and imports (Chinese goods to Switzerland) increased by +13% YoY .[77] Those results are mainly due to the surge of Swiss exports of gold to mainland China: in April 2021, the gold exports reached the highest level since December 2019, as demand for gold in the world's biggest bullion consuming nation rebounded from a slump during the coronavirus pandemic. Swiss Customs data show exports of 76.3 tonnes of gold worth around CHF 3.9 bn at current prices to China in April and May -- more metal than was sent in the 16 previous months combined[78]. Reuters reported that China's central bank had granted commercial banks permission to import large amounts of bullion in April and May and around 150 tonnes of gold was likely heading to China. China's return to the market has helped fuel a rise in gold prices from below USD 1,700 an ounce in early April to above USD 1,900 an ounce[79].

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[75] All data in paragraph: FCA (2021*) "Swiss-Impex",* retrieved from https://www.gate.ezv.admin.ch/swissimpex, last accessed on July 2, 2021

[76] All data in paragraph: FCA (2021*) "Swiss-Impex",* retrieved from https://www.gate.ezv.admin.ch/swissimpex, last accessed on June 21, 2021

[77] *Ibid*.

[78] *Ibid*.

[79] Reuters (May 27, 2021), "Swiss gold exports to China rebound after coronavirus slump", https://www.reuters.com/article/swiss-trade-gold, last accessed on June 15, 2021

- When isolating precious metals, data shows that exports grew by +22% YoY and imports grew by 14% YoY. Switzerland's main exports to China in terms of value remain chemicals and pharmaceuticals (CHF 2.5 Bn; -9% YoY), precision instruments, clocks, watches and jewellery (CHF 2.3 Bn; +102% YoY) and machines, appliances and electronics (CHF 1.0 Bn; +15% YoY). Apart from chemicals and pharmaceuticals (-9%) and energy (-76%), all other commodities categories, registered positive rates YoY, among which leather, rubber and plastic (+42%) stone and earth materials (+41%), textiles (25%), metals (+18%), agricultural (+3%)[80].

- In 2020, after two first quarters in the red figures (respectively -15% YoY, -4% YoY), exports of precision instruments, clocks, watches and jewellery increased +49% YoY in Q3. This increase was amplified from January to May 2021 where exports of precision instruments, clocks, watches and jewellery more than doubled reaching a total value of CHF 2.3 bn (+102% YoY, +39% compared to the same period in 2019). The Chinese consumers have been the biggest buyers of luxury watches for several years, but the exports of Swiss watches to China picked since 2020 due to the halting of international travel and the shift of purchase from overseas countries with lower taxes (like Dubai, London or Singapore) to the internet. In 2020 the market took in USD 2.6 bn worth of Swiss watches, up +20% from 2019. In comparison, every other market in the industry's top 20 – including Hong Kong and the United States – recorded a double-digit decline during the same period[81].

- Switzerland's main imports from China in term of value are machines, appliances and electronics (CHF 2.9 Bn; +19% YoY), textiles, apparel and shoes (CHF 1.4 bn; -16% YoY), vehicles (CHF 1.4 bn; +42%), chemicals and pharmaceuticals (CHF 638 million; +15% YoY), precision instruments, clocks and watches (CHF 630 million; +51% YoY) and diverse goods (CHF 549 million; +44% YoY). All Chinese imports to Switzerland registered positive rates YoY, except textiles, apparel and shoes (-16% YoY) and energy carriers (-10% YoY)[82].

- On the import side, the cumulated imported value of textiles, apparel and shoes from China decreased this year whereas it increased by +57% YoY in 2020 compared to 2019. This can be explained by the fact that this category includes facial masks, which have been mainly sourced from China to fight against the pandemic last year. When compared to pre-pandemic import values, this category's cumulated imports from January to May 2021 has increased by +34% compared to the same period in 2019[83].

- Focusing on Hong Kong, after a decrease of the overall exports, when excluding gold, by -66% YoY from 2019 to 2020, the exports rebounded in 2021 with cumulative exports up by +46% YoY as of May 2021 (+79% compared to the same period in 2019). Precision instruments, watches and jewellery are accounting for 79% of the total exports increased +67% YoY; machinery, apparatus, and electronics representing 8% of total exports were up +6% YoY and agriculture raised +23% YoY representing 2% of total exports. The only categories registering negative evolution are chemicals and pharmaceuticals (-15% YoY, representing 8.6% of total exports) and vehicles (-69%, representing 0.02% of total exports)[84].

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[80] All data in paragraph: FCA (2021*) "Swiss-Impex",* retrieved from https://www.gate.ezv.admin.ch/swissimpex, last accessed on June 21, 2021

[81] CGTN, (May 10, 2021), "China takes the lead in demand for Swiss watches", https://news.cgtn.com/news/2021-05-10/China-takes-the-lead-in-demand-for-Swiss-watches, last accessed on June 21, 2021

[82] All data in paragraph: FCA (2021*) "Swiss-Impex",* retrieved from https://www.gate.ezv.admin.ch/swissimpex, last accessed on June 21, 2021

[83] *Ibid.*

[84] *Ibid.*

- From January to May 2021, Switzerland sent 49.7 tonnes of gold to Hong Kong, more than the 11 previous months cumulated[85].

- When including gold for Hong Kong, cumulative exports also saw an overall rebound in 2021, up by +11% after a sharp decrease of -40% YoY in 2020 compared to 2019. In the same time, imports decreased by -41% in 2021 after an increase of +197% YoY between 2019 and 2020. Import of gold (incl. gold plated with platinum, in unwrought forms, for non-monetary purposes) decreased by -40% YoY to CHF 1.9 Bn (after it jumped +302% YoY between 2019 and 2020), while import when excluding gold decreased -45% YoY (to CHF 389 million)[86].

b. Trade in services: strong impact due to travel restrictions

- Travel restrictions have reduced to zero tourism, strongly limited business travels and impacted the work of consultancies. Those three sectors accounted for 35% of Swiss exports in 2019, which reached CHF 4.7 bn[87].

- Estimates bring the new level of exports to CHF 3.3 bn, based mainly on financial services and insurance (25%), transportation and logistics (15%), licensing (20%) and ICT (10%).

85 *Ibid.*
86 *Ibid.*
87 SECO, Services Trade Cockpit 2020, https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/handel_mit_dienstleistungen.html, last acceded on June 30, 2021

4. Direct Investment

4.1 General outlook: strong attraction of inward investment

a. *Recent actions by the Chinese Government*

- To maintain China's attractiveness as an FDI destination, the Ministry of Commerce and the National Development and Reform Commission released a revised Catalogue of Industries for Encouraged Foreign Investment (2020 Edition) on 28th December 2020, with implementation starting from 27th January 2021[88].

- The catalogue, including two lists – one for the whole country and the other one for the central, western, and north-eastern regions – identifies industries where foreign direct investment (FDI) will be welcome and treated with favourable policies. Compared with the 2019 edition, the proposed 2020 FDI encouraged catalogue has been further lengthened, with 125 new industries added and 76 previously listed industries amended. The national list, which now contains 480 encouraged industries, has added 65 encouraged items and adjusted 40 items. The list for central, western, and north-eastern regions has added 62 items and modified 36, containing 755 encouraged industries.

- The removal of equity cap restrictions in financial services, like asset management, futures and insurance, could have a meaningful impact for Swiss financial institutions. Nevertheless, the opening of the financial sectors remains incomplete. Licenses on cross-border services remain an important limitation.

- The relaxation of restrictions in seed development, nuclear fuel and nuclear radiation processing, oil and gas exploration, and pipe network facilities are welcome – but of limited significance to Switzerland.

- The creation of a mechanism for the State Council to override the Negative List for Foreign Investment can be interesting if it is used to create pilots in view of further opening. It should, however, be kept technically-driven and allow predictability and transparency to allow major investments from private companies.

- On January 1, 2020, China's new Foreign Investment Law (FIL) entered into force, which aims at further opening up foreign investment and liberalizing foreign investment measures. The FIL also takes concrete steps to ensure IPR protection and unifies corporate forms, structures and operating rules. These different measures strive to simplify and solidify investment processes and thus to attract more FDI to China[89].

a. *Outward Direct Investment (ODI)*

- The Chinese Government has tightened its regulation on ODI in 2017, responding to concerns over debt-fuelled acquisitions into non-core investment projects. Limits were set on some sectors, including entertainment, and preventing blind investment projects overseas. As a consequence, the Chinese ODI has followed an downwards trajectory after a peak in 2016 at USD 196.2 bn[90], and dropped 30% (in

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[88] China Briefing by Dezan Shira & Associates, "*China Expands Encouraged Catalogue, Improves Foreign Investor Access*", retrieved from https://bit.ly/3xcYrD7, last accessed on June 30, 2021
[89] PWC (2020): "China welcomes investors with new Foreign Investment Law", retrieved from https://www.pwccn.com/en/tax/publications/china-foreign-investment-law-feb2020-en.pdf, last accessed on June 28, 2021
[90] 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 July 1, 2021

yuan terms) in 2017, followed by a 9.5% drop to USD 143 bn in 2018[91] and another of 17.5% in 2019 to USD 118 bn. In 2020, Chinese ODI slightly increased of 3.3% (YOY), amounting to USD 132.9 bn and non-financial ODI amounted to USD 110.2 bn down 0.4 % (YOY)[92].

- Geographically, Asia and North America were the most popular destinations for Chinese ODI in 2020, each representing around 30% of the total investment value[93]. The focus on Asian countries, more specifically in so-called "BRI countries" (ASEAN, UAE, Kazakhstan) continued to increase. For example, non-financial B&R ODI reached USD 17.8 Bn, up 18.3% YOY, accounting for 6.2% of the total and 2.6 percentage points higher than in 2019.

- In 2019, Chinese investment in Europe and North America felt to the lowest point since 2010, with a total of USD 19 bn, 83% down from the 2017 peak of USD 107 bn. Europe received USD 13.4 bn, down 40%, and North America USD 5.5 bn, down 27%[94].

- These trends continued in the first quarter of 2021, the overall ODI reaching USD 31.8 Bn, up 12.6% compared to Q1 2020, and non-financial ODI reaching USD 24.8 Bn, up 2.4% year-on-year (YOY). B&R non-financial ODI reached USD 4.4 bn, up 5.2% YOY, accounting for 17.8% of the total[95].

b. *Inward Foreign Direct Investment (FDI)*

- In 2020, FDI to China continued to rose for the fourth consecutive year, reaching USD 144.3 bn (+4.5), the highest level since records began in 1983 according to the MOFCOM. The ASEAN countries represent the biggest investment group, growing by 0.7%. Among the top 15 investing nations, accounting for 98% of the total investment and having increased by 6.4%, the Netherlands and Britain increased their investments by 47.6% and 30.7% respectively[96].

- From January to May 2021, inward foreign direct investment totalled USD 75.3 bn, up 35.4% YoY, amid a low base effect from last year, when FDI into the country dropped by 3.8% due to the impact of the coronavirus pandemic[97]. Regarding sectors, inward foreign direct investment for services grew by 41.6% YoY and that in the high-tech industry increased by 34.6%, of which high-tech services (37.6%) and high-tech manufacturing (25 %). Among the main sources of investment, FDI into China rose from ASEAN (56%) and the EU (16.8%), while FDI from the countries along the Belt and Road surged by 54.1%.

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[91] National Bureau of Statistics in China (2021): "NBS Statistical Yearbook 2019, 11-19 Overseas Direct Investment by Countries or Regions", retrieved from http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm, last accessed on July 1, 2021

[92] Ernst & Young (2021): "China outbound investment sees opportunities with new breakthrough in multilateral cooperation: Overview of China outbound investment of 2020", retrieved from https://go.ey.com/3dDONC1, last accessed on 30.06.2021

[93] Ernst & Young (2021): "China outbound investment sees opportunities with new breakthrough in multilateral cooperation: EY releases the Overview of China outbound investment of 2020", retrieved from https://www.ey.com/en_cn/news/2021/02/ey-releases-the-overview-of-china-outbound-investment-of-2020, last accessed on June 30, 2021

94 Baker & McKenzie (2021), "Chinese Investment in Europe and North America Hits 9-Year Low; Signs of Recovery for 2020", retrieved from https://bit.ly/2TriG1i, last accessed June 30, 2021

[95] Ernst & Young (2021): "China's strong recovery boosted cross-border investment and Chinese overseas M&As increased markedly in Q1 2021. China's overall outward direct investment (ODI) made a year-on-year (YOY) increase of 12.6% in Q1 2021." retrieved from https://go.ey.com/2SFPXWc, last accessed on June 30, 2021

96 South China Morning Post (2021): "China FDI rose to record level in 2020 despite coronavirus, fastest growth rate in five years", retrieved from https://www.scmp.com/economy/china-economy/article/3118469/china-fdi-rose-record-level-2020-despite-coronavirus-fastest, last accessed on June 30, 2021

[97] Trading Economics (2021), "China Foreign Direct Investment", retrieved from https://tradingeconomics.com/china/foreign-direct-investment, last accessed on June 30, 2021

4.2 Bilateral investment

a. Chinese Direct Investment in Switzerland

- In 2019, large acquisitions of Swiss firms by Chinese investors became rarer than in 2018. In the first half of the year, transactions almost halved in comparison to the previous year, with only three transactions proceeded, whereas the transaction volume dropped from USD 387 million to USD 96 million[98]. In the second half, the market started to pick up again, with a total of 12 transactions completed, the investment volume rising to USD 571 million. This made Switzerland the 5th most popular destination for Chinese investment in Europe, where a total of USD 17.3 bn were invested by Chinese companies[99]. In Switzerland, the largest amount transaction went to Swiss Education Group AG. Sichuan Shuangma Cement Co has invested a total of USD 275 million in the company, making this the 9th largest Chinese investment in Europe. In 2020 and first half of 2021, Switzerland didn't come up in the top ten list of recipients[100].

- On March 3, 2020, the Swiss Parliament accepted a motion calling for tighter regulation of foreign investment in Switzerland[101]. The act comes after debates over successive debt-fuelled acquisitions of major Swiss companies such as Swissmetal (2013), Swissport (2015), SR Technics (2016), Gategroup (2016), Syngenta (2016) and Bally (2018)[102]. The implementation of this motion means a regulatory body for foreign investment will have to be set up within 2 years[103].

- In 2015, HNA Group fully acquired Swissport in a wave of investments in the mid-2010s. The debt accumulated by those investments led the Chinese Government to be placed under supervision of the Provincial Government of Hainan in February 2020. Swissport, which is strategic for the operation of Swiss airports, announced in April 2020 that it would have to look for new financing options due to debt problems. In September 2020, it announced that seven new investors will acquire 75% of its shares by the end of the year. The US and UK lenders are six private equity firms (SVP Global, Apollo Global Management, TowerBrook Capital Partners, Ares Management, Cross Ocean Partners and King Street Capital Management) and the Barclays Bank. Investors also announced to inject EUR 300 million in interim capital and pledged for debt reduction and long-term refinancing of EUR 500 million under a four-year credit facility[104].

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98 Ernst & Young (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

99 Ernst & Young (2020): "Chinese investors: Switzerland in 5th place among top investment destinations in Europe", retrieved from https://www.ey.com/ch/en/newsroom/news-releases/news-release-ey-chinese-investors-switzerland-in-5th-place-among-the-top-investment-destinations-in-europe, last accessed on June 30, 2021

100 Ernst & Young (2021): "China's strong recovery boosted cross-border investment and Chinese overseas M&As increased markedly in Q1 2021. China's overall outward direct investment (ODI) made a year-on-year (YOY) increase of 12.6% in Q1 2021.", retrieved from https://www.ey.com/en_cn/china-overseas-investment-network/overview-of-china-outbound-investment-of-q1-2021, last accessed on June 30, 2021

101 Schweizer Parlament (2020): "18.3021 Motion: Schutz der Schweizer Wirtschaft durch Investitionskontrollen", retrieved from https://www.parlament.ch/de/ratsbetrieb/suche-curia-vista/geschaeft?AffairId=20183021, last accessed on June 30, 2021

102 Swissinfo (2020): " https://www.swissinfo.ch/chi/瑞士开始控制外国投资_中国收购瑞士企业将不再容易/45595204, last accessed on June 30, 2021

103 Swissinfo (2020): "Schweizer Kontrolle von ausländischen Investitionen "China versucht Technologie-Lücken zu schliessen"", retrieved from https://www.swissinfo.ch/ger/schweizer-kontrolle-von-auslaendischen-investitionen_-china-versucht-technologie-luecken-zu-schliessen-/45594032, last accessed on June 30, 2021

104 NZZ (2020), "Swissport holt neue Investoren an Bord – die chinesische HNA zieht sich zurück», retrieved from https://www.nzz.ch/wirtschaft/swissport-holt-neue-investoren-an-bord-ld.1574117, last accessed on June 30, 2021

b. *Swiss Direct Investment in China*

- The stock of Swiss FDI in Mainland China was CHF 22.282 bn (CHF +152 mn CHF) in 2018 and CHF 22.505 bn (CHF +223 million) in 2019. FDI flows were CHF 3.112 bn (CHF -55 million CHF) in 2018 and CHF 1.55 bn (CHF -1'562 million) in 2019[105].

- While the majority of Swiss companies in China are located in the three main economic rims along China's eastern seaboard, around 10% of firms also operate in the Sichuan, Chongqing, Guizhou, Hubei and Shaanxi provinces. According to estimations made by the General Consulate in Chengdu, 30 Swiss companies are investing in this region – five of them already having production lines. Those firms mainly belong to the sectors of precision instruments, sensors, site safety systems and construction engineering.

- A survey of 121 companies led by the Embassy and the SwissCham in April 2020 showed that while 30% of the companies would consider decreasing their investments due to the impact of the Covid-19 crisis, another 22.5% would stick to planned investments and 4% would consider increasing them. The remaining companies would assess the evolution of the situation and take timely decisions.

[105] SNB (2020): "Direct Investment, 2020-12-11", retrieved from https://data.snb.ch/en/topics/aube#!/cube/fdiaustlanda, last accessed on June 30, 2021

5 Trade, Economic, Investment and Tourism Promotion

5.1 Foreign economic promotion instruments

- In the context of the COVID-19 pandemic, the Swiss Business Hub China (SBH China) has devoted its team to support public and private institutions in the procurement of medical equipment from China to Switzerland, providing market information, offering consultancy services and facilitating transport solutions.

- Furthermore, the Swiss Embassy and SBH China have been proactively involved in activities analysing the impact of the COVID-19 pandemic on the Swiss economy in China and the needs of Swiss companies in China (surveys conducted in collaboration with SwissCham China) and informing about COVID-19 related issues and business solutions (e.g. organization and active participation as key note speakers at several webinars organized by SwissCham China, Switzerland Global Enterprise and various cantonal Chambers of Commerce).

- Many "Service Public" hours were invested in the wellbeing of the diverse stakeholders, for offering necessary information and support. SBH China has continuously contributed to the bi-weekly update on a country specific COVID-19 "Fact Sheet" with focus on the general situation, movement of goods and movement of people in China, the “Fact Sheet” being published on the S-GE website.

- After the resumption of economic activities in China due to effective control on the pandemic, the SBH has organized multiple events to promote investment. In March 2021, SBH cooperated with Microsoft under the initiative of ‘Microsoft Healthcare Startups Go Global’ to discuss potential collaboration in the field of Artificial Intelligence. In April, the inauguration ceremony of the Sino-Swiss Low Carbon City project was held in Chengdu, showing Switzerland ‘s commitment to help China achieve its goals of carbon neutrality by 2060. In the same month, Swiss Machining Seminar was held in Beijng. The purpose of the seminar was to share Swiss expertise and provide added value for other participating companies.

- On May 7 2021, SBH planned and participated the China International Consumer Products Expo in Hainan. The Ambassador of Switzerland to China Mr. Bernadino Regazzoni opened the Swiss National Pavilion at the inaugural of the Expo, alongside the Secretary-General and Vice Governor of Hainan Province, Mr. Ni Qiang, Deputy Secretary General of Hainan Province, Mr. Sun Shiwen, Director General of the Department of European Affairs, Ministry of Commerce of China, Mr. Zhai Qian, and representatives of Swiss exhibitors. The purpose of the event was to promote Swiss quality and showcase its innovativeness, traditions and sustainability.

5.2 The host country’s interest in Switzerland

a. *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 November 2015, 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[106]. 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[107]. After having left Geneva in 2012, the Bank of China (BoC) showed interest to come back and had expressed plans to re-open a branch in Switzerland in a near future[108], possibly as early as October 2021.

- 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 bn. Zurich-based Swiss Re was the first company to apply for a share of the Swiss quota. The Swiss bank J. Safra Sarasin joined the program in February 2019[109]. On May 7, 2020, investment quotas for the RQFII program were scrapped, allowing for unlimited investment amounts in the future[110].

b. *Information and communication technologies*

Against the backdrop of technology tensions between the USA and China, Huawei Technologies Switzerland AG (which counts 300 employees in Switzerland) is actively encouraging companies to tailor applications for their own "App Gallery"[111]. In June 2020, the company reported to have budgeted CHF 20 million to promote the Huawei Mobile Services ecosystem in Switzerland. The main task will be to make applications from Swiss companies compatible to the Huawei "App Gallery".

On the hardware side, it is unclear yet if and how American sanctions restricting Huawei to obtaining key components from usual suppliers will affect cooperation with Swiss companies. Telecom operators Swisscom and Salt are pursuing a multi-vendor strategy to avoid overdependence on a single player[112]. Meanwhile, Sunrise, which has been reliant on Huawei for the rollout of 5G, was acquired early November 2020 by the American company Liberty Global through its wholly-owned subsidiary UPC Schweiz GmbH[113].

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[106] CCB (2020): "*Branch Profile*", retrieved from http://ch.ccb.com/zurich/en/gywm.html, last accessed on June 30, 2021

[107] NZZ (2018): *"Die grösste Bank der Welt eröffnet eine Zürcher Niederlassung"*, retrieved from https://www.nzz.ch/zuerich/ein-zweiter-chinesischer-riese-zieht-nach-zuerich-ld.1397151, last accessed on June 30, 2021

[108] Tribune de Genève (2018), "*Bank of China signe son retour à Genève*", retrieved from https://www.tdg.ch/geneve/actu-genevoise/bank-of-china-retour-geneve/story/18476841, last accessed on June 30, 2021

[109] SAFE (2020): *"RMB Qualified Foreign Institutional Investors (RQFIIs) with Investment Quotas Granted by the SAFE"*, retrieved from https://www.safe.gov.cn/en/file/file/20200506/172d028d7e564c79bfbde107a1d92bb4.pdf?n=RQFIIs(April30%2C2020, last accessed on June 30, 2021

[110] SAFE (2020): *"PBOC & SAFE Remove QFII / RQFII Investment Quotas and Promote Further Opening-up of China's Financial Market"*, retrieved from https://www.safe.gov.cn/en/2020/0507/1677.html, last accessed on June 30, 2021

[111] NZZ (2020), *"Wer jetzt ein Huawei-Handy kauft, gerät zwischen die Fronten"*, retrieved from https://nzzas.nzz.ch/wirtschaft/kein-play-store-fuer-huawei-kalter-krieg-trifft-konsumenten-ld.1561132, last accessed on July 27, 2021

[112] RTS INFO (2020), *"L'avenir incertain de Huawei menacé par les sanctions américaines"*, retrieved from https://www.rts.ch/info/economie/11570420-lavenir-incertain-de-huawei-menace-par-les-sanctions-americaines.html, last accessed on July 27, 2021

[113] Sunrise (2020), *"Publication of definitive end result for Sunrise tender offer"*, retrieved from https://www.sunrise.ch/en/corporate-communications/medien/press-releases.html, last accessed on July 27, 2021

c. *Tourism, education, other services*

- Since 2020, the travel restrictions linked to the pandemic severely affected tourism and other services such as hospital care. Consequently, the number of stays was reduced by 92.5%, with only exceptional individual travelling.

- Before the pandemic, Chinese visitors constituted the third largest tourist group in Switzerland with a total of 1.9 million annual overnight stays in 2019 (China Mainland, Hong Kong SAR and Taiwan combined), behind Germans (3.9 million) and Americans (2.5 million)[114].

- The education and research environment in Switzerland is attractive to young Chinese. For the academic year 2020/2021, 2’537 Chinese students were enrolled at Swiss Universities (+18.9% YoY), among which 180 at the Bachelor level, 1’261 at the Master level and 151 in continuous education programs. With 945 PhD students (+11.6% YoY), Chinese represent the 4th most important cohort of international doctorate researchers in Switzerland (6.3% of the total) – behind Germans (3’534; 23.6% of the total), Italians (1’784; 11.9%) and French (1’317; 8.8%)[115].

[114] FSO (2020), *“Hôtellerie”*, retrieved from https://www.bfs.admin.ch/bfs/fr/home/statistiques/tourisme/hebergement-touristique/hotellerie.assetdetail.16724963.html, last accessed on 05 May 2021
[115] FSO (2021), *“Etudiants des hautes écoles universitaires: tableaux de base”,* retrieved from https://www.bfs.admin.ch/bfs/fr/home/statistiques/education-science/personnes-formation/degre-tertiaire-hautes-ecoles/universitaires.assetdetail.16344905.html, last accessed on 05 May, 2021

6 Annexes

Annex 1: Economic Structure

China: Structure of the Economy					
	2016	2017	2018	2019	2020
Distribution of GDP (%)					
Primary Sector [1]	8.6%	7.5%	7.2%	7.1%	7.6%
Secondary Sector [1]	39.8%	40.5%	40.7%	39.0%	37.8%
Tertiary Sector [1]	51.6%	51.9%	52.2%	53.9%	54.5%
Distribution of Labor (%)					
Primary Sector [1]	27.7%	27.0%	26.1%	25.1	n/a
Secondary Sector [1]	28.8%	28.1%	27.6%	27.5	n/a
Tertiary Sector [1]	43.5%	44.9%	46.3%	47.4	n/a
State Sector* [1]	8.0%	7.8%	7.3%	6.7	n/a

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

Sources:
[1] National Bureau of Statistics (2020), "China Statistical Yearbook 2020", retrieved from http://www.stats.gov.cn/tjsj/ndsj/2020/indexeh.htm, last accessed on December 14, 2020
[2] National Bureau of Statistics (2020), "Preliminary calculation result of GDP Q3, 2020", retrieved from http://www.stats.gov.cn/tjsj/zxfb/202010/t20201020_1794939.html, last accessed on December 14, 2020
Note: the increase of the tertiary sector distribution rate during the COVID pandemic could be owing to the overall shrinking amount of GDP.

Annex 2.1: Essential Economic Data

China: Essential Economic Data			
	2018	2019	2020
GDP, current prices, PPP (USD billion) [1]	21,659	23,393	24,162
GDP per capita, current prices (USD) [1]	9'919	10'286 est.	10'480
GDP growth (%) [1]	6.6	6.1	2.3
CPI inflation (% change) [2]	2.1	2.9 est.	2.5
Unemployment rate (% of total labor force, in urban area) [1]	3.8	3.6 est.	3.8
Unemployment rate EIU estimation (% of total labor force) [3]	3.9	5.1	5.5
Current account balance (% of GDP) [1]	0.18	0.98	2
Total external debt (% of GDP) [4]	14.2	14.9	16.3
Total debt service (% of exports of goods & services) [4]	48.2	n/a	n/a
Gross reserves (in months of imports) [5]	13.2	14.1	n/a

Sources:

[1] IMF (2020), *"Country Data-China"*, retrieved from https://www.imf.org/en/Countries/CHN, last accessed on May 27, 2021

[2] National Statistics Administration (2021), *"National Economy and Social Development Statistics Bulletin of China in 2020"*, retrieved from http://www.stats.gov.cn/tjsj/zxfb/202102/t20210227_1814154.html, last accessed on May 27, 2021

[3] EIU (2020), *"Country Report China, November 2020"*, retrieved from http://www.eiu.com/index.asp?layout=displayIssue&publication_id=50001005, last accessed on May 27, 2021

[4] CEIC (2020), *"China External debt: % of GDP"*, retrieved from https://www.ceicdata.com/en/indicator/china/external-debt--of-nominal-gdp, last accessed on May 27, 2021

[5] 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 May 27, 2021

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 2019 Exports to Country/ Region	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**	**Jan - Dec 2020 Exports to Country/ Region**	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**
United States	418.7	16.8%	-12.5%	United States	451.8	17.4%	7.9%
Hong Kong	279	11.2%	-7.6%	Hong Kong	272.6	10.5%	-2.3%
Japan	143.3	5.7%	-2.6%	Japan	142.7	5.5%	-0.4%
South Korea	111	4.4%	2.1%	Vietnam	113.8	4.4%	16.3%
Vietnam	97.9	3.9%	16.7%	South Korea	112.5	4.3%	1.4%
Germany	79.8	3.2%	2.9%	Germany	86.8	3.4%	8.8%
India	74.8	3.0%	-2.4%	Taiwan, China	60.1	2.3%	9.1%
Netherlands	74	3.0%	1.5%	Malaysia	56.4	2.2%	8.2%
United Kingdom	62.4	2.5%	10.4%	Australia	53.5	2.1%	10.9%
Taiwan, China	55.1	2.2%	13.2%	Brazil	35.0	1.3%	-1.6%
ASEAN	359.4	14.4%	12.7%	ASEAN	383.7	14.8%	6.7%
EU	428.7	17.2%	4.9%	EU	391.0	15.1%	6.7%
EFTA	8.2	0.3%	17.0%	EFTA	8.7	0.4%	6.1%
Iceland	0.11	0.004%	-55.0%	Iceland	0.1	0.0%	-12.2%
Liechtenstein	0.053	0.002%	2.4%	Liechtenstein	0.05	0.0%	-7.1%
Norway	3.45	0.1%	30.1%	Norway	3.5	0.1%	2.5%
Switzerland	4.546	0.2%	13.2%	Switzerland	5.0	0.2%	11.0%
Total	**2'499.03**	**100%**	**0.5%**	**Total**	**2'590.6**	100.0%	3.6%

Source: General Administration of Customs of China, Department of Statistics and Analysis (2021), Gross Value of Import and Export by countries for 2020 (USD), retrieved from http://tjs.customs.gov.cn/tjs/sjgb/tjyb/3515719/index.html, last accessed on May 27, 2021

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 2019 Imports to Country Region	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**		**Jan - Dec 2020 Imports to Country Region**	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**
South Korea	173.6	8.4%	-15.2%		Taiwan, China	200.7	9.76%	16.0%
Taiwan	173	8.3%	-0.6%		Japan	174.9	8.5%	1.8%
Japan	171.8	8.3%	-4.9%		South Korea	172.8	8.4%	-0.5%
China*	129.8	6.2%	-11.2%		United States	134.9	6.56%	9.8%
United States	122.7	5.9%	-20.9%		Australia	114.8	5.59%	-5.3%
Australia	121.4	5.8%	14.8%		Germany	105.3	4.98%	0.2%
Germany	105.1	5.1%	-1.1%		Brazil	84.1	4.09%	5.2%
Brazil	79.8	3.8%	2.9%		Vietnam	78.5	3.82%	22.4%
Malaysia	71.8	3.5%	13.6%		Malaysia	74.7	3.64%	3.9%
Vietnam	64.1	3.1%	0.3%		Russia	57.2	2.8%	-6.6%
ASEAN	282	13.6%	5%		ASEAN	300.9	14.64%	6.6%
EU	276.6	13.3%	1.1%		EU	258.6	12.58%	2.3%
EFTA	31.4	1.5%	-25.6%		EFTA	24.9	1.21%	-21.8%
Iceland	0.143	0.007%	-13.9%		Iceland	0.1	0.00%	-26.7%
Liechtenstein	0.131	0.006%	5.2%		Lichtenstein	0.1	0.00%	-12.3%
Norway	3.9	0.19%	14%		Norway	7.3	0.35%	86.0%
Switzerland	27.262	1.31%	-29.2%		Switzerland	17.4	0.85%	-36.3%
Total	**2'077.10**	**100%**	**-2.7%**		**Total**	**2'055.6**	**100.00%**	**-1.1%**

*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: General Administration of Customs of China, Department of Statistics and Analysis (2021), Gross Value of Import and Export by countries for 2020 (USD), retrieved from http://tjs.customs.gov.cn/tjs/sjgb/tjyb/3515719/index.html

Annex 4: Bilateral Trade Switzerland–China

Bilateral Trade Switzerland - P.R. China (Mainland), Jan - Dec 2019 / Jan – Dec 2020											
	Class of goods	**Import in Mio. CHF**		**Import**		**Export in Mio. CHF**		**Export**		**Trade balance**	
		Jan - Dec 2019	**Jan - Dec 2020**	**∆ in %**	**share %**	**Jan - Dec 2019**	**Jan - Dec 2020**	**∆ in %**	**share %**	**Jan - Dec 2019**	**Jan - Dec 2020**
1	Agricultural products	162.6	163.0	0.2%	1.0%	182.1	187.2	2.8%	1.3%	19.5	24.2
2	Energy carriers	18.3	15.9	-13.0%	0.1%	35.0	9.6	-72.5%	0.1%	16.8	-6.3
3	Textiles, apparel, shoes	2548.7	3999.3	56.9%	24.8%	177.4	180.7	1.8%	1.2%	-2371.2	-3818.6
4	Paper, paper products, printed matter	109.4	98.7	-9.8%	0.6%	35.9	27.8	-22.4%	0.2%	-73.6	-70.8
5	Leather, rubber, plastics	623.5	610.8	-2.0%	3.8%	153.1	153.9	0.6%	1.0%	-470.4	-456.9
6	Chemicals, pharmaceuticals	1398.9	1358.9	-2.9%	8.4%	5603.5	6667.1	19.0%	45.2%	4204.6	5308.2
7	Stone and Earth materials	161.0	153.5	-4.7%	1.0%	66.4	66.8	0.6%	0.5%	-94.6	-86.7
8	Metals and metal products	732.6	676.7	-7.6%	4.2%	544.4	617.3	13.4%	4.2%	-188.3	-59.4
9	Machinery, apparatus, electronics	6195.7	6369.7	2.8%	39.6%	2476.7	2314.2	-6.6%	15.7%	-3719.0	-4055.5
10	Vehicles	218.4	263.9	20.8%	1.6%	129.8	83.4	-35.7%	0.6%	-88.6	-180.5
11	Precision instruments, watches, jewellery	1695.0	1294.3	-23.6%	8.0%	3954.0	4399.6	11.3%	29.9%	2259.0	3105.3
12	Div. Goods, musical instrument, furniture, toys, etc	1029.6	1090.9	6.0%	6.8%	33.9	26.7	-21.3%	0.2%	-995.7	-1064.3
	Total (excl. gold)	**14’894**	**16’096**	**8.1%**	**100%**	**13392**	**14734**	**10.0%**	**100%**	**-1502**	**-1’361**
	Total (incl. gold)	**36’487**	**32’944**	**-9.7%**	**100%**	**21’437**	**16’363**	**-23.7%**	**100%**	**-15051**	**-16’581**

Bilateral Trade Switzerland - HK, Jan - Dec 2019 / Jan - Dec 2020											
	Class of goods	Import in Mio. CHF		Import		Export in Mio. CHF		Export		Trade balance	
		Jan - Dec 2019	Jan - Dec 2020	∆ in %	share %	Jan - Dec 2019	Jan - Dec 2020	∆ in %	share %	Jan - Dec 2019	Jan - Dec 2020
1	Agricultural products	1.6	2.0	26.7%	0.2%	91.7	59.9	-34.7%	1.7%	90.1	57.9
2	Energy carriers	0.0	0.0	-93.6%	0.0%	0.2	0.1	-45.2%	0.0%	0.2	0.1
3	Textiles, apparel, shoes	28.7	37.5	30.6%	3.0%	77.4	49.9	-35.5%	1.4%	48.6	12.4
4	Paper, paper products, printed matter	1.8	2.0	11.1%	0.2%	7.8	7.1	-8.8%	0.2%	6.0	5.1
5	Leather, rubber, plastics	10.0	10.9	8.5%	0.9%	51.0	31.3	-38.7%	0.9%	41.0	20.4
6	Chemicals, pharmaceuticals	4.4	5.3	20.0%	0.4%	466.6	451.3	-3.3%	12.4%	462.2	446.0
7	Stone and Earth materials	10.0	1.0	-89.9%	0.1%	62.0	3.2	-94.9%	0.1%	52.1	2.1
8	Metals and metal products	98.1	6.3	-93.5%	0.5%	303.5	46.2	-84.8%	1.3%	205.4	39.8
9	Machinery, apparatus, electronics	2.4	79.7	3161.2%	6.4%	16.3	335.6	1963.5%	9.3%	13.8	255.8
10	Vehicles	2.4	1.9	-20.3%	0.2%	16.3	2.6	-84.2%	0.1%	13.8	0.6
11	Precision instruments, watches, jewellery	1126.8	1087.9	-3.4%	87.6%	4430.0	2633.2	-40.6%	72.6%	3303.2	1545.2
12	Div. Goods, musical instrument, furniture, toys, etc	9.9	7.6	-23.6%	0.6%	12.5	6.8	-45.2%	0.2%	2.6	-0.7
	Total (excl. gold)	**1’296**	**1’242**	**-4.2%**	**100%**	**5535**	**3627**	**-34.5%**	**100%**	**4239**	**2’385**
	Total (incl. gold)	**3’802**	**11’310**	**197.5%**	**100%**	**9’909**	**5’958**	**-39.9%**	**100%**	**6107**	**-5’352**

Bilateral Trade Switzerland - P.R. China incl. Hongkong, Jan - Dec 2019 / Jan - Dec 2020								
	Import in Mio. CHF		Import	Export in Mio. CHF		Export	Trade balance	
	Jan - Dec 2019	Jan - Dec 2020	∆ in %	Jan - Dec 2019	Jan - Dec 2020	∆ in %	Jan - Dec 2019	Jan - Dec 2020
Total (incl. gold)	**40’289**	**44’253**	**9.84%**	**31’346**	**22’321**	**-28.79%**	**-8’943**	**-21’932.49**

Bilateral Trade Switzerland - P.R. China (Mainland), Jan - May 2020 / Jan - May 2021											
	Class of goods	**Import in Mio. CHF**		**Import**		**Export in Mio. CHF**		**Export**		**Trade balance**	
		Jan - May 2020	**Jan - May 2021**	**Δ in %**	**share %**	**Jan - May 2020**	**Jan - May 2021**	**Δ in %**	**share %**	**Jan - May 2020**	**Jan – May 2021**
1	Agricultural products	62.0	80.4	29.7%	1.1%	77.9	80.1	2.9%	1.2%	15.9	-0.3
2	Energy carriers	9.2	8.3	-9.6%	0.1%	7.9	1.9	-76.4%	0.0%	-1.4	-6.5
3	Textiles, apparel, shoes	1615.3	1350.1	-16.4%	19.2%	56.0	70.2	25.4%	1.1%	-1559.3	-1279.9
4	Paper, paper products, printed matter	38.2	44.1	15.5%	0.6%	13.1	14.0	7.0%	0.2%	-25.1	-30.1
5	Leather, rubber, plastics	234.1	275.4	17.7%	3.9%	54.6	77.7	42.3%	1.2%	-179.5	-197.7
6	Chemicals, pharmaceuticals	553.8	638.0	15.2%	9.1%	2732.7	2481.7	-9.2%	38.5%	2178.8	1843.8
7	Stone and Earth materials	56.6	72.9	28.7%	1.0%	25.8	36.4	41.0%	0.6%	-30.8	-36.4
8	Metals and metal products	267.7	337.2	25.9%	4.8%	245.3	289.5	18.0%	4.5%	-22.4	-47.7
9	Machinery, apparatus, electronics	2435.3	2900.0	19.1%	41.3%	898.6	1037.0	15.4%	16.1%	-1536.6	-1863.0
10	Vehicles	99.9	141.9	42.0%	2.0%	27.1	35.0	29.1%	0.5%	-72.8	-106.9
11	Precision instruments, watches, jewellery	417.0	630.0	51.1%	9.0%	1142.2	2303.6	101.7%	35.7%	725.2	1673.7
12	Div. Goods, musical instrument, furniture, toys, etc	380.6	549.0	44.2%	7.8%	7.7	17.1	121.8%	0.3%	-372.9	-531.9
	Total (excl. gold)	**6’170**	**7’027**	**13.9%**	**100%**	**5289**	**6444**	**21.8%**	**100%**	**-881**	**-583**
	Total (incl. gold)	**6’275**	**7’101**	**13.2%**	**100%**	**6’215**	**10’913**	**75.6%**	**100%**	**-61**	**3’812**

Bilateral Trade Switzerland - HK, Jan - May 2020 / Jan - May 2021											
	Class of goods	**Import in Mio. CHF**		**Import**		**Export in Mio. CHF**		**Export**		**Trade balance**	
		Jan - May 2020	**Jan - May 2021**	**∆ in %**	**share %**	**Jan - May 2020**	**Jan - May 2021**	**∆ in %**	**share %**	**Jan - May 2020**	**Jan – May 2021**
1	Agricultural products	1.3	1.1	-13.2%	0.3%	24.3	29.9	22.9%	1.5%	23.0	28.8
2	Energy carriers	0.0	0.0	0.0%	0.0%	0.0	0.1	48.4%	0.0%	0.0	0.1
3	Textiles, apparel, shoes	19.8	12.7	-36.0%	3.3%	17.6	20.1	14.4%	1.0%	-2.2	7.4
4	Paper, paper products, printed matter	0.9	0.4	-57.0%	0.1%	2.4	2.3	-0.8%	0.1%	1.5	2.0
5	Leather, rubber, plastics	5.3	3.3	-37.1%	0.8%	10.4	14.9	43.6%	0.8%	5.1	11.6
6	Chemicals, pharmaceuticals	3.2	2.0	-36.4%	0.5%	196.9	167.6	-14.9%	8.6%	193.8	165.6
7	Stone and Earth materials	0.5	0.5	5.5%	0.1%	0.9	1.5	53.6%	0.1%	0.4	0.9
8	Metals and metal products	2.9	3.9	33.6%	1.0%	18.3	20.9	14.5%	1.1%	15.3	17.0
9	Machinery, apparatus, electronics	32.1	41.5	29.1%	10.7%	141.2	149.8	6.1%	7.7%	109.0	108.4
10	Vehicles	0.7	0.4	-32.2%	0.1%	1.5	0.5	-69.0%	0.0%	0.9	0.0
11	Precision instruments, watches, jewellery	635.5	320.7	-49.5%	82.3%	918.9	1535.4	67.1%	78.9%	283.4	1214.7
12	Div. Goods, musical instrument, furniture, toys, etc	2.7	2.9	6.1%	0.7%	2.6	3.2	23.3%	0.2%	-0.1	0.4
	Total (excl. gold)	**705**	**389**	**-44.7%**	**100%**	**1335**	**1946**	**45.8%**	**100%**	**630**	**1’557**
	Total (incl. gold)	**3’254**	**1’928**	**-40.8%**	**100%**	**2’779**	**3’091**	**11.3%**	**100%**	**-476**	**1’163**

Bilateral Trade Switzerland - P.R. China incl. Hongkong, Jan - May 2020 / Jan - May 2021								
	Import in Mio. CHF		**Import**	**Export in Mio. CHF**		**Export**	**Trade balance**	
	Jan - May 2020	**Jan - May 2021**	**∆ in %**	**Jan - May 2020**	**Jan - May 2021**	**∆ in %**	**Jan - May 2020**	**Jan - May 2021**
Total (incl. gold)	**9’529**	**9’029**	**-5.2%**	**8’993**	**14’004**	**55.7%**	**-536**	**4’975.00**

Source: Swiss Federal Customs Administration – FCA (2021), *“Swiss-Impex Database”*, retrieved from https://www.gate.ezv.admin.ch/swissimpex/index.xhtml, last accessed on June 2021

Annex 5.1: Chinese Inward and Outward FDI

China: Foreign Direct Investment Inward

2018					2019				
Rank	Country/Region	FDI (mio. USD)	Share %	Variation (%) year on year	Rank	Country/Region	FDI (mio. USD)	Share %	Variation (%) year on year
1	Hong Kong, CN	96'010	71.6%	-2.94%	1	Hong Kong, CN	96'300	68.2%	7.1%
2	Singapore	5'340	3.98%	10.56%	2	Singapore	7'590	5.4%	45.7%
3	Taiwan, China	5'030	3.75%	6.34%	3	South Korea	5'540	3.9%	18.7%
4	South Korea	4'670	3.48%	26.56%	4	British Virg. Isl.	4'960	3.5%	-
5	United Kingdom	3'890	2.9%	159.33%	5	Japan	3'720	2.6%	-2%
6	Japan	3'810	2.84%	16.51%	6	United States	2'690	1.9%	-0.1%
7	Germany	3'680	2.74%	138.96%	7	Cayman Isl.	2'560	1.8%	-
8	United States	3'450	2.57%	10.22%	8	Netherlands	1'800	1.3%	39.53%
9	Netherlands	1'290	0.96%	-40.55%	9	Macao, China	1'740	1.2%	34.88%
10	Macao, China	1'290	0.96%	-	10	Germany	1'660	1.2%	-54.9%
Total		134'097	100.0%	-0.67%	Total		136'710	100.0%	5.80%

China: Foreign Direct Investment Outward

2018					2019				
Rank	Country/Region	FDI (mio. USD)	Share %	Variation (%) year on year	Rank	Country/Region	FDI (mio. USD)	Share %	Variation (%) year on year
1	Hong Kong, CN	86'869	60.73%	-4.70%	1	Hong Kong, CN	90'550	66.1%	4.2%
2	United States	7'477	5.23%	16.38%	2	British Virg. Isl	8'680	6.3%	21.39%
3	Russia	7'252	5.07%	368.49%	3	Singapore	4'826	3.5%	-24.7%
4	British Virg. Isl.	7'150	5.00%	-62.96%	4	Netherlands	3'893	2.8%	375%
5	Singapore	6'411	4.48%	1.44%	5	United States	3'807	2.8%	-49.1%
6	Canada	5'473	3.83%	1605.93%	6	Indonesia	2'223	1.6%	19.2%
7	Australia	1'986	1.39%	-53.18%	7	Australia	2'087	1.5%	5.1%
8	Indonesia	1'865	1.30%	10.87%	8	Sweden	1'916	1.4%	80.1%
9	Cayman Isl.	1'564	1.09%	-123.67%	9	Vietnam	1'649	1.2%	-43.3%
10	Germany	1'468	1.03%	-45.95%	10	Germany	1'459	1.1%	-0.6%
Total		158'288	100.0%	-19.30%			117'100	100.0%	-9.80%

Source: Department of Foreign Investment Administration (2019), “Statistical Bulletin of FDI in China”, retrieved from http://images.mofcom.gov.cn/wzs/202011/20201111182920243.pdf, last accessed on December 14, 2020