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**EMBASSY OF SWITZERLAND IN
THE PEOPLE'S REPUBLIC OF CHINA**

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China 2019 Economic Report

Executive Summary

- Chinese economy is facing downward pressure, though Q1 started with 6.4% growth rate, key indicators in the following months showed declining trend. Deceleration of growth rate in H2 is expected.

- Policy easing has made its way back, but regulatory tightening to mitigate environmental and financial risk will remain definite drags on growth.

- The shift in the demographic structure has brought challenge to China's healthcare landscape. To meet the growing demands, the government has called for social participation through public private partnership.

- China's foreign trade growth slowed in the first half of 2019, YTD exports registering +0.4% growth, while YTD imports slowed down to -3.7%.

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

- Technology race has become the derivative of the trade war, the new defensive moves by the U.S. has prompted China to seek self-reliance in strategic sectors.

- Growing investment in China's services and information and communications technology (ICT) sectors, predominantly based in the coastal regions, is a clear indicator that China is no longer perceived as a low-cost labor country active in the global manufacturing value chain.

- Bilateral trade also decelerated amid the trade uncertainties. At the end of May, total Sino-Swiss bilateral trade amounted to CHF 14.73 Billion (-24% YoY), as Swiss exports decreased by 36.2% YoY and Swiss imports rose by 4.2% YoY.

- The newly passed Foreign Investment Law signals a huge step forward in China's capital market liberalization. The foreign investors' confidence in 2019 stays strong, FDI totaled US$ 35.8bn, up 3.7% YoY in Q1, while ODI in Europe and the U.S. remains weak due to trade tensions and strict capital outflow control.

- China is facing a serious unemployment situation in H1 of 2019, with unemployment rate jumped to 5.3% in January and February, shifting the government's priority to tackle the issue.

1 Economic Overview

1.1 Macroeconomic situation: decent start in Q1, gloomy ahead – but no stimulus

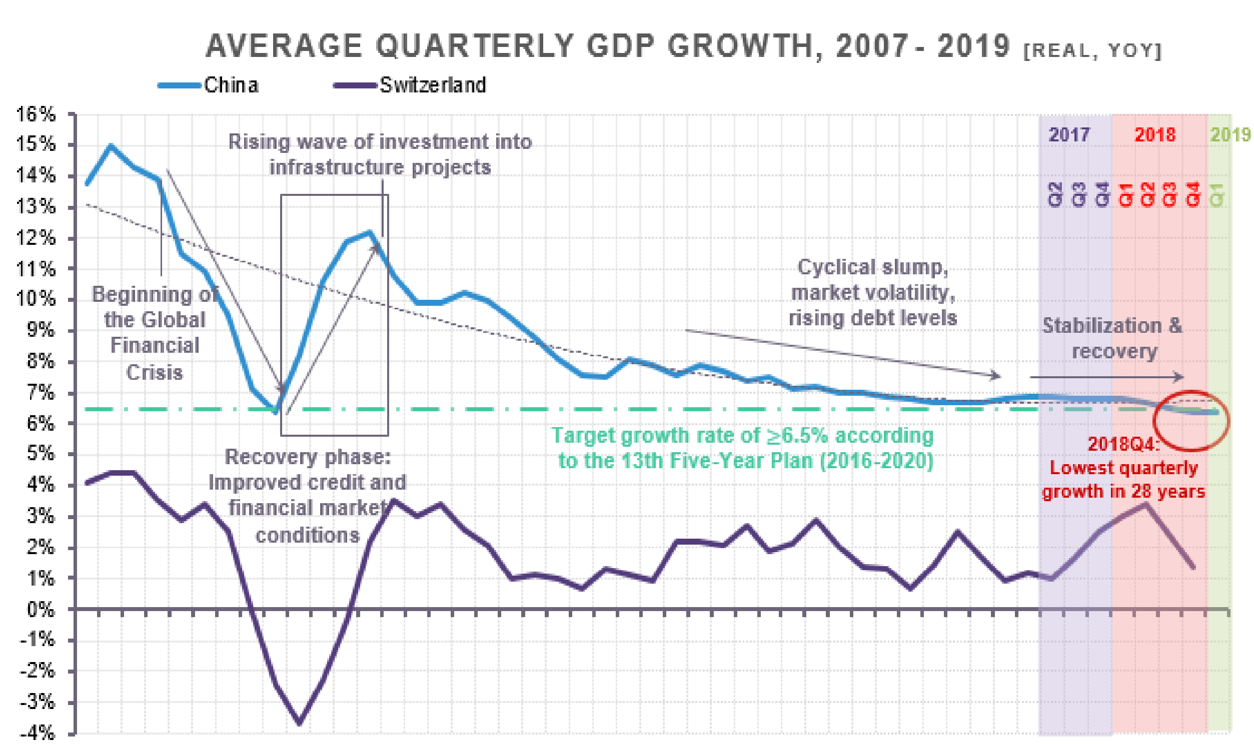
China reported 6.4% growth in the first quarter, up from 6.3% growth in the October-December period. However, exports fell 2.7% y/y in April and the growth rate of industrial production came in at 5.4% (down 1.6 percentage points y/y. Key indicators as retail sales and investment plummeted, while the 7.2% consumption growth rate marked the lowest point since 2003. In May, Fix Asset Investment (FAI) came in around 4% y/y, down from 5.7% in April and manufacturing investment was also declining, with PMI came in as 49.4, signaling contraction.

China's economy is facing significant downward pressure and the weak data indicates that growth will decelerate in Q2. The Chinese economic slowdown may be attributed to at least three developments. First, a slower global growth due to a weaker global demand. Second, both consumers and companies may reduce their spending due to rising uncertainties. Third, some low added value companies, incentivized by the ongoing trade tensions and rising productions costs in China have started relocating their productions or rerouting their products to other countries.

With slowing economy and escalating trade tensions, loosen policy is expected in the short term to boost the growth – as shown by the increased output from polluting sectors. However, the government tries to avoid strong stimulus, in fear of reliving the nightmare of 2008 crisis. In the long run, the government would prefer to take the reform path rather than stimulus.

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

– China – Switzerland



Source: IMF, SECO

1.2 Structural economic reforms: supply side reform, financial opening

Due to the slowing economy, reform is high on the agenda. New policies adopted in 2019 allow NPC to have oversight of state assets, which may be a right direction to improve transparency of SOEs.

According to the National Bureau of Statistics, the capacity-cut goals in saturated steel smelting and coal mining sectors were beaten and deleveraging pushed forward steadily in 2018. More than 1.3 trillion yuan of taxes and fees were reduced and housing inventories shrank[1]. However, in 2019 the overcapacity for steel has risen again, with profits dropping, which indicates that cutting overcapacity is still a matter of urgency. Accordingly, China will stick to the supply-side structural reform, focusing on deleveraging and eliminating excess capacity in order to look for a high-quality growth.

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

Preserving the financial stability is a major economic priority and has been designated as one of the "three tough battles" of the Chinese government since 2017. While China has made progress to strengthen risk management and its macro prudential frameworks, there are various interdependent and rapidly evolving threats to the country's financial stability. The most urgent threat is debt, the total of the non-financial debt has jumped from 130% to 253% from 2008 to 2017 and is expected to reach 290% by 2023 according to IMF. To reduce debt and prevent financial risks, government has taken measures to crack down shadow banking, which however has an adverse effect on SMEs who rely heavily on this source of financing. In addition, the explosion of the real-estate market is concerning. Within the last 5 years, real estate prices has grown up by 48% in Beijing and by 22% in Shanghai, despite regulatory controls. The current ongoing trade tension could even make existing problems worse.

To better deal with the threats, China has vowed to open its financial sector further. For instance, UBS was the first foreign bank to gain majority control (51%) in its securities joint venture under the new rules. Following UBS, Nomura Oriental International Securities Co. Ltd. and JP Morgan Chase Securities (China) Co. Ltd received their respective approvals in March 2019. A month later, Credit Suisse announced its intention to take a controlling 51% share in its Chinese securities joint venture, as foreign financial institutions embrace Beijing's moves to open the market. The bank, which currently owns 33% of Beijing-based Credit Suisse Founder Securities, reached an agreement with Chinese partner Founder Securities to increase its stake by way of capital injection but still waits for the approval of the authorities. In addition, the German insurer Allianz was allowed to set up a wholly-owned insurance holding company in Shanghai in 2019.

With regards to cooperation between stock exchanges, the London-Shanghai Stock Connect, originally scheduled to begin last year, was launched on the 24th of June 2019. In other words, it means that UK listed companies are able to sell shares in China, which is the first time that any foreign company is able to list in Mainland China and Chinese investors can buy LSE-listed stocks. However, the London scheme is limited to trading in depository receipts rather than direct trade in company shares. During the State Visit of President Ueli Maurer in April 2019, SIX and the Shanghai Stock Exchange signed an updated Memorandum of Understanding (MoU). This amended MoU focuses on further intensifying the cooperation and assessing the feasibility of listing securities (such as e.g. Depository Receipts) on respective markets and thus allow companies listed at either exchange to tap into each other's liquidity pools.

While these announcements show promise, it is important to recognize that they happen against the backdrop of declining market shares of foreign financial institutions and precede the awaited publication of detailed implementing rules.

[1] China Daily (2019), 'China to deepen supply-side reform for more quality growth', at www.chinadaily.com.cn/a/201901/25/WS5c4a824ca3106c65c34e6851.html accessed on 19 June 2019

Innovation, technology and ICT: increased push for self-reliance

Innovation and technology has been set as key priority area in this year's Two Sessions. Premier Li Keqiang lauds innovation at the National mass entrepreneurship and innovation week in Hangzhou this June, show-casing China's determination to close the innovation gap. Last year, over 1.95 trillion yuan was invested in the R&D sector (2.15% of the GDP), higher than 15 countries from the EU.[2] Among which, the enterprises' R&D investment accounts for above 70% of the total. Technical giants like Alibaba, Tencent and Huawei have all established their own research centers. Last year alone, Huawei's R&D investment exceeded CNY 100bn, making it No. 5 Global R&D investor according to European Commission.[3] In addition, the country had remained a world leader in invention patent applications for seven consecutive years by the end of 2017, with the application number reaching 1.83 million.[4] All these metrics show that China is catching up with the U.S. and other European countries in technology and innovation, leading U.S. to take a defense posture, such as banning Huawei and its 5G technology.

Under the backdrop of China-US trade friction and China's strategic planning such as 'Made in China 2025', coupled with the latest moves on Huawei and tech firms, Chinese government has realized the importance of technology self-reliance. It has further optimized its R&D structure and resource allocation. 168 high-tech development zones were established and has generated a total revenue of 4.9 trillion yuan in the first two months of 2019 (up 9.3% y/y).[5] Chinese companies are encouraged by the state to invest innovation projects through tax cuts, fund and loan issuances. Moreover, the newly launched science and technology innovation board in February, opens new gate for funding startups that possess core technologies. It will amplify the role of capital market in promoting the innovation-driven economy and provide impetus for related enterprises. The 2019 technology trends in China, according to a leading research firm EqualOcean[6] are: 5G communication, Quantum computing, edge computing, flexible display, natural language processing, immunotherapy, blockchain and immersive technology.

Environment & cleantech: difficult balancing act, but China is determined

As confirmed in the Two Sessions, the Central Government is still committed to its "Blue Sky" plan – to further reduce PM 2.5 pollution by 2020 in all cities – despite the slowing economy and the trade war. There is constant struggle for the government to balance out the two aspects, as we have witnessed relaxed pollution control in H1, but the Central Government is determined. New regulation passed in June stating that the State Council leading small group on environment is now directly overseen by the Party Central Committee, therefore, stricter environmental enforcement is foreseen in the future. Internal plans calling for increased renewable energies aim to obtain 20% energies from non-fossil sources by 2030 to substantially reduce carbon emissions.

In this front China is already leading, as the country now owns half the world's electric vehicles and 99% of world's electric buses.[7] Besides blue sky, the Standing Committee of NPC has listed the Yangtze River protection law into the legislation plan for the year and an "Ocean Ten" plan is being prepared.

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[2] People's Daily (2019), 'China's efforts to increase R&D investment pay off', at http://en.people.cn/n3/2019/0514/c90000-9577794.html accessed on 19 June 2019.
[3] Caixin (2019), 'Chart of the Day: Huawei Is No. 5 Global R&D Investor, European Commission Says', at https://www.caixinglobal.com/2019-01-11/chart-of-the-day-huawei-is-no-5-global-rd-investor-european-commission-says-101369150.html accessed on 19 June 2019.
[4] China Daily (2019), 'Solid progress made in enhancing enterprises' strength in innovation', at http://www.chinadaily.com.cn/cndy/2019-06/06/content_37477888.htm accessed on 19 June 2019.
[5] The State Council (2019), 'China's efforts to increase R&D investment pay off', at http://english.gov.cn/news/top_news/2019/05/14/content_281476660327164.htm accessed on 19 June 2019.
[6] Business Insider (2019), 'These are the top 8 China technology & electronics trends to watch', at https://www.businessinsider.com/2019-top-technology-trends-in-china?r=US&IR=T accessed on 19 June 2019.
[7] The Argus (2019), 'World Environment Day encourages global action on the environment', at https://www.independent.ie/regionals/argus/lifestyle/world-environment-day-encourages-global-action-on-the-environment-38178536.html accessed on 19 June 2019.

Healthcare: development of the health insurance, demographic challenge

April 2019 marks the tenth anniversary of China's health care reforms, great achievement has been made in the past decade. In 2018, as part of reform of public hospitals, 15% drug price mark-up in all public hospitals was eliminated. In addition, the government has continuously increased its per capita subsidies to health insurance. Today, almost all Chinese are covered by one of the three health insurance schemes available. In 2019, the government plans to merge the separate rural- and urban-resident basic health insurance schemes to achieve greater equity.[8]

During the Two Sessions, the policy-makers have set the plan to establish a tiered health-care delivery system that can coordinate primary health care and hospital care, where patients can be treated at the primary health center in the local community for common diseases and referred to hospitals for serious and complex ones. This is in line with its *Healthy China 2030 strategy* where primary health care is made a priority to tackle the problems caused by the shifting demographic structure. The increasing ageing population has led to growing demands for healthcare and most hospitals in cities are overloaded. In order to improve this situation, the Chinese government has called for the participation of private sector. The goal is to carry out the reforms with government funding, along with private-public delivery system.

In fact, China's healthcare system reform provides huge potentials for the foreign enterprises to tap into. With the newly passed Foreign Investment Law, many current existing restrictions are expected to be lifted. In the meantime, the stipulated national treatment will help more foreign business flourish in the healthcare industry. The current regulation changes on drug and medical devices by National Medical Products Administration (NMPA) released good signs of China to open the market further. Indeed, the input of foreign capitals and investment would help China to shift away from the hospital-centric model and accelerate the reform process.

1.3 Fiscal policy: balancing the effects of the trade war

To boost household consumption and offset the negative effects of the tariffs implemented with the U.S., Beijing introduced an income tax reform last October, which is fully implemented since January (details see section 6.4). Barclays' economists estimate that these tax cuts could increase GDP growth by 0.2-0.3 percentage points.[9] While these are unlikely to completely offset the impact of new tariffs, they could boost household savings to as much as RMB 472 billion.[10] Moreover, Ministry of Finance (MoF) published in May details of how affected parties can apply for relief from the tariffs, this exemption system can help limit the impact of the new rounds of tariffs on companies in China.

In the meantime, China is increasingly engaged in tax cooperation with other stakeholders, joining multilateral efforts to tackle tax avoidance and evasion including the implementation of the global standard for the automatic exchange of financial account information (AEOI). China has committed with 61 states to exchange information under the AEOI, including EU members, Panama, Singapore and the UK. The implementation of the introduction of AEOI between China and Switzerland started last year, and the first data sets should be exchanged in 2019.[11]

[8] Asia Dialogue (2019), 'Between a rock and a hard place: China's health care reforms over the next ten years', at https://theasiadialogue.com/2019/03/27/between-a-rock-and-a-hard-place-chinas-health-care-reforms-over-the-next-ten-years/ accessed on 19 June 2019.
[9] Asia Times (2018), 'China Tax Cuts will help offset Tariff Pain: Barclays', *Asia Times*, September 13, at www.atimes.com/article/china-tax-cuts-will-help-offset-tariff-pain-barclays/, accessed on 12 November 2018
[10] *ibid*.
[11] FDF (2017), 'Federal Council adopts Dispatch on Automatic Exchange of Information with 41 States and Territories', *State Secretariat for International Financial Matters*, June, at https://www.sif.admin.ch/sif/en/home/dokumentation/medienmitteilungen/medienmitteilungen.msg-id-67079.html, accessed on 20 June 2017

2 International and Regional Economic Agreements

2.1. China's policy and priorities

World Trade Organization: a vehicle to stress China's commitment to free trade

Since its accession to the WTO in 2001, China has supported the organization's monitoring and surveillance mechanism for trade measures, playing a crucial role in curbing protectionism. As of June, 43 cases of violations of WTO rules had been filed against China before the Dispute Settlement Body, mainly for illegally restricting access to its domestic market through anti-dumping duties or for granting illegal subsidies to its domestic industry.[12]

Against the backdrop of the ongoing trade frictions with the USA, China has regularly stressed its fulfillment of its WTO accession commitments. In so doing, China underlines its commitment to free and open-markets as well as to the rules-based multilateral trading system. A "China and the WTO" white paper"[13] was published in July 2018, stressing China's crucial role in championing free trade and open-markets. However, this statement was strongly questioned during China's latest trade policy review in July,[14] as many countries used the opportunity to criticize its trade regime (IPR, public procurement, state involvement in the economy, among others).

China's Free Trade Agreements network: two upgrades in the margins of the Belt and Road Forum

China[15] is currently upgrading several bilateral FTAs.[16] In March, FTA upgrade negotiations with Chile were concluded. In April 2019, in the margin of the second Belt and Road forum, China and Pakistan signed a Protocol for revising their FTA. Earlier in April, Peru and China held their first round of negotiations on upgrading their FTA. In addition, China keeps negotiating FTA agreements, having held rounds of negotiations with Israel, Panama, Palestine, as well as Japan and Korea together.

China has also expressed considerable interest in negotiating an FTA with the EU. However, this option will likely only be seriously pursued once an EU-China bilateral investment treaty has been concluded. To that end, the two parties agreed to accelerate pertinent discussions on the joint texts and market access offers.[17]

Asian Infrastructure Investment Bank

So far in 2019, the AIIB has approved the financing of five infrastructure development projects in Sri Lanka (two projects), Nepal, Lao PDR and Bangladesh.[18] In April 2019, the AIIB approved membership applications of Ivory Coast, Guinea, Tunisia and Uruguay, bringing its total members to 97.[19]

Belt and Road Initiative

The Belt and Road Initiative (BRI), also known as the "One Belt One Road Initiative (OBOR)", was launched by China to promote trade ties with Europe and countries along the original Silk Roads. BRI has two main elements: the "Silk Road Economic Belt", a land route designed to connect China with Central Asia, Eastern

[12] WTO (2019), 'Member Information: China and the WTO', *World Trade Organization*, at https://www.wto.org/english/thewto_e/countries_e/china_e.htm, accessed on 12 June 2019
[13] State Council (2018), 'China and the World Trade Organization', June 28, at http://english.gov.cn/archive/white_paper/2018/06/28/content_281476201898696.htm, accessed on 31 October 31 2018
[14] WTO (2018), 'Trade Policy Review': China', World Trade Organization, 11 and 13 July, at https://www.wto.org/english/tratop_e/tpr_e/s375_sum_e.pdf, accessed on 12 June 2019
[15] "China" herein refers to the customs territory of the Chinese Mainland.
[16] An overview of China's FTA network can be found on this dedicated subpage of MOFCOM, http://fta.mofcom.gov.cn/english/index.shtml, accessed on 12 June 2019
[17] EU (2018), 'Joint Statement of the 20th EU-China Summit', at https://www.consilium.europa.eu/media/36165/final-eu-cn-joint-statement-consolidated-text-with-climate-change-clean-energy-annex.pdf, accessed on 12 June 2019.
[18] AIIB (2019), 'Approved Projects', *Asian Infrastructure Investment Bank*, at https://www.aiib.org/en/projects/approved, accessed on 12 June 2019
[19] AIIB (2019) "*AIIB Approves Membership of Côte d'Ivoire, Guinea, Tunisia and Uruguay*", at https://www.aiib.org/en/news-events/news/2019/20190422_001.html, accessed on 12 June 2019.

and Western Europe, as well as the "21st Century Maritime Silk Road", a sea route that runs westwards from the Pacific. BRI is expected to support China's economic development in the fields of infrastructure, trade and the internationalization of the RMB.

The BRI has also prompted China to set up several financial vehicles to provide loans for infrastructure projects in Asia, such as the Silk Road Fund with a capital stock of USD 54 billion, the New Development Bank with a capital stock of USD 100 billion, the China Development Bank with a capital stock of USD 16.3 billion, the ASEAN Infrastructure Connectivity Fund with a capital stock of USD 20 billion as well as the Maritime Silk Road Bank with a capital stock of USD 810 million.

The BRI has been criticized as being a tool used by China to promote to alternative model of governance as well as norms and standards clashing with those already in existence, notably those of the rules-based multilateral trading system.[20]

Regional Comprehensive Economic Partnership (RCEP)

The RCEP is a comprehensive trade agreement to broaden economic integration in the Asia-Pacific region. It aims at reducing tariffs on supply chains, liberalizing investment, promoting SMEs and introducing dispute-resolution mechanisms. The deal would cover almost half the world's population and between 30-40% of global trade.[21] The 16 prospective member states of the RCEP have been negotiating the treaty since 2012 and are aiming at concluding it by the end of 2019. Difficulties mainly arise from different expectations between India and China.[22]

Outlook for Switzerland

During his State Visit in April 2019, which included meeting with President Xi Jinping and Vice-Premiers Li Keqiang and Liu He, President Ueli Maurer reaffirmed Switzerland's interest to engage in discussions on enhancing its bilateral FTA.

During this visit, a Memorandum of Understanding (MoU) focusing on financial and economic matters related to the Belt and Road Initiative (BRI) was signed. It aims to facilitate cooperation between businesses from Switzerland and China in third markets along the Belt and Road. It will enhance cooperation, which will 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.[23]

3 Foreign Trade

3.1 Development and general outlook

Trade in goods: slowdown in light of ongoing trade frictions

China's foreign trade growth slowed in the first half of 2019. At the end of May, YTD exports slumbered, registering +0.4% growth, while YTD imports slowed down to -3.7%.[24] Total foreign trade slowed to -1.6%.[25] The Mainland experienced a decrease in exchangers with a number of its key trading partners, including

[20] European Commission (2019), *"Commission review relations with China", at* http://europa.eu/rapid/press-release_IP-19-1605_en.htm, last accessed on 25 June 2019.
[21] Karlis Salna & David Tweed (2016), 'China-championed Asia Trade Pact gains Traction in Jakarta Talks', *Bloomberg*, 9 December, at https://www.bloomberg.com/news/articles/2016-12-09/china-championed-asia-trade-pact-gains-traction-in-jakarta-talks, accessed on 15 December 2016;
Krisztina Binder (2017), 'From TPP to new Trade Arrangements in the Asia-Pacific Region', *EPRS Briefing*, May, at http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2017)603953, accessed on 25 June 2019
[22] The Economic Times (2019), "What is the RCEP trade dal and could it be signed this year?" at https://economictimes.indiatimes.com/news/economy/foreign-trade/what-is-the-rcep-trade-deal-and-could-it-be-signed-this-year/articleshow/69901194.cms, accessed on 25 June 2019.
[23] DFF (2019), "*President Ueli Maurer meets President Xi Jinping"* at https://www.efd.admin.ch/efd/en/home/dokumentation/nsb-news_list.msg-id-74817.html, accessed on 12 June 2019.
[24] GACC (2019), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 357
[25] *Ibid.*

the U.S. (-14.5%), Japan (-4.5%), the ROK (-7.7%) and Pakistan (-14.3%). Some Europeans trading partners such as Greece (+19.5%), Portugal (+13.7%) and Ireland (+34%) however saw an increase in their exchanges.[26]

In May, the USA and China resumed applying higher customs tariffs on their imports after both parties failed to reach an agreement that would have seen China amend its economic policy to address major USA concerns, such as IPR, public procurement or the State's involvement in the economy. As of May, China was imposing additional tariffs on USD 110 Bn worth of American goods, while the USA were imposing tariffs on USD 250 Bn worth of Chinese imports.

The trade tensions gradually started to impact other sectors than imports. Notably, the USA, banned American corporations from doing business with Huawei, the giant Chinese telecom equipment maker company.[27] In reaction, China is compiling a list of unreliable foreign companied whose dealings undermined the legitimate rights and interests of Chinese companies and clients, opening the door to regulatory pressures on foreign companies.[28]

3.2 Bilateral trade

Trade in goods: decrease with Switzerland amid uncertainties[29]

The trade balance continued to be positive for Switzerland between January and April, amounting to a CHF 2.55 Bn trade surplus with the Mainland. At the end of May, total bilateral trade amounted to CHF 14.73 Bn (-24% YoY), as Swiss exports decreased by 36.2% YoY and Swiss imports rose by 4.2% YoY. Those results are mostly due to a decrease of exports in gold, silver and coins, having registered -62.2% growth rate YoY, worth CHF 5 Bn.

At the product type level, Swiss' exports to China registered various growth rates. Paper, articles of paper products of the printing industry had a 33.7 growth rate while precision instruments, clocks and watches and jewelry as well as forestry and agricultural products, fisheries increased by 29.1% and 22.7% respectively. Alternatively, some categories, such as textiles, clothing and shoes and as well as various goods such as music instruments, home furnishings, toys, sports equipment, etc. registered the highest negative growth rate of 10.2% and 13.7% respectively.[30]

On the import side (from China to Switzerland), vehicles and machines, appliances and electronics increased by 18.2% and 11.1% respectively, while energy source registered a staggering 76.4%. Forestry and agricultural products, fisheries registered the highest negative growth rate of 4.2%.

Even though trade between China and Switzerland decelerated, chemicals and pharmaceuticals (CHF 2.1 Bn), precision instruments, clocks and watches and jewelry (CHF 1.6 Bn) as well as machinery, appliances and electronics (CHF 1 Bn) remain Switzerland most traded goods in terms of value[31]. Our main imports in terms of value are machinery, appliances and electronics (CHF 2.5 Bn), Textile, clothing, shoes (CHF 1 Bn) and chemicals and pharmaceuticals (CHF 643 Mil). This exemplifies the economic complementarities between China and Switzerland, selling the same type of goods though at different price points and level of sophistication.

[26] GACC (2018), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 349
[27] CNN (2019), "*What did Huawei do to land in such hot water with the US ?*", at https://edition.cnn.com/2019/05/20/tech/huawei-us/index.html, accessed on 12 June 2019
[28] Financial Times (2019), *"China to probe FedEx over diverted deliveries as trade tensions rises",* at https://www.ft.com/content/c23fdff0-8472-11e9-97ea-05ac2431f453. Accessed on 12 June, 2019.
[29] Figures include trade in gold and other precious metals: FCA (2018), *Swiss Impex*, at https://www.gate.ezv.admin.ch/swissimpex, accessed on 12 June 2019
[30] *Ibid*.
[31] *Ibid*.

4 Direct Investment

4.1 Development and general outlook

General outlook

The Chinese Government has tightened its regulation on Outward Direct Investment (ODI) in recent years, which mirrors concerns over debt-fueled acquisitions into non-core investment projects.[32] Similarly, for Foreign Direct Investment (FDI), the National Development and Reform Commission (NDRC) has tightened the regulation on national security reviews of foreign investment this April, as part of the new foreign investment law. This would provide legal basis for China to launch investigations and sanctions against foreign companies for national security reasons, leading to concerns of trade war retaliation.

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

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

To maintain China's attractiveness as an FDI destination, in 2018 the Chinese government issued a revised version of the *Foreign Investment Negative List*, which was greatly shortened (48 against 63 previously), as well as opening up measures for 22 industries, including the financial and automotive sectors, aiming to reduce the market access restriction for foreign investment. Although these measures will not provide a complete level playing field, investment regulations have the potential to become more transparent and, consequently, improve the Chinese investment climate.

Outward Direct Investment

The Chinese ODI has followed a downwards trend after a peak in 2016 at US$ 196.15bn[33], and dropped to US$ 129.8bn in 2018, which is, according to the Ministry of Commerce, the biggest drop since 2003. Around 60% of the ODI flows to Hong Kong and more than 10% heads towards tax heavens in the Caribbean, such as the British Virgin Islands.

Moreover, between 2017 and 2018, the shares of the ODI in the US and in Europe have been reduced by 60% and 56%, respectively.[34] Those figures can be explained by the fact that not only the economy is slowing, which hindered Chinese firms to invest overseas but also that, since 2016, the government has implemented strict measures to restrict capital flight.

Furthermore, the ongoing political tensions between China and the western countries emphasize the mistrust over Chinese investments, leading to tighter screening on Chinese investors. It is worth to mention that

[32] Kevin Ma (2017), Presentation by FTI Consulting, August 21
[33] NBS Statistical Yearbook
[34] FXStreet. (2019). *China: Five facts about outward direct investment and their implication for future trend*. [online] Available at: https://www.fxstreet.com/analysis/china-five-facts-about-outward-direct-investment-and-their-implication-for-future-trend-201903210827 [Accessed 28 May 2019].

the outbound investment in the 56 countries taking part in the Belt and Road Initiative has increased by 8.9% in 2018 YoY.[35]

Inward foreign Direct Investment

In 2018, Chinese FDI remained stable at US$134.1bn, -0.7% YoY[36], with 71.6% coming from Hong Kong, followed by Singapore (4.0%) and Taiwan (3.8%). According to a report published by the United Nations Conference on Trade and Development (UNCTAD), China remains the second largest recipient of foreign direct investment, after the United States.[37]

In the first quarter of 2019, China's FDI totaled US$ 35.8bn, up 3.7% YoY. Meanwhile, investment from South Korea, the United States and Germany in China increased by 79.6%, 71.3% and 86.1% YoY, respectively. [38]

Specific measure: China new Foreign Investment Law passed in 2019

Despite the market restrictions, the complicated administrative procedures and the lack of enforcement of IPR, almost half of the yearly Swiss surveyed companies are optimistic that markets will open further for foreign companies in China.

The law, once implemented, will enhance IP protection, prohibit forced technology transfer and guarantee equal treatment in government procurement processes, thus improve the business environment. However, critics point out that the law was passed in such a speed with irregular review and consultation period, some comments from foreign companies were not taken into consideration.

Moreover, skeptical analysts pointed out that this move is more of a conciliatory gesture to US amid the trade war. Some vague wordings still create legal uncertainties for future business operations and the legal distinction between foreign and local companies raises particular concern. Hence, the implementation text will play a key role once the law comes into effect on January 2020.

4.2 Bilateral investment

Chinese direct investment in Switzerland

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

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

Acquisitions aside, among the Chinese companies currently present in Switzerland, around 90% are engaged in greenfield investments.

[35] English.mofcom.gov.cn. (2019). *MOFCOM Department of Outward Investment and Economic Cooperation Comments on China's Outward Investment and Cooperation in 2018 -*. [online] Available at: http://english.mofcom.gov.cn/article/newsrelease/policyreleasing/201901/20190102829745.shtml [Accessed 28 May 2019].
[36] MOFCOM
[37] Xu, J. (2019). *China remains second largest FDI recipient in the world*. [online] Gbtimes.com. Available at: https://gbtimes.com/china-remains-second-largest-fdi-recipient-in-the-world [Accessed 28 May 2019].
[38] Zhong, N. (2019). *China's foreign direct investment up 6.5% in Q1 - Chinadaily.com.cn*. [online] Chinadaily.com.cn. Available at: http://www.chinadaily.com.cn/a/201904/18/WS5cb82527a3104842260b6f56.html [Accessed 28 May 2019].

Swiss direct investment in China

The stock of Swiss FDI in Mainland China was CHF 22.274 billion (+CHF 2.456 billion) in 2017.[39] While the majority of Swiss companies in China are located in the three main economic rims along China's eastern seaboard,[40] a number of firms also operate in the hinterland and inland provinces.

The majority of the 850–1,000 Swiss companies including their representations in China continue to consider the country as a relevant investment destination. A survey conducted by the China Europe International Business School (CEIBS), the Swiss Center Shanghai, swissnex China, SwissCham and China Integrated revealed that, the investment appetite of Swiss companies remains considerable: in 2018, over 50% of the Swiss, EU and US companies surveyed planned to increase their investment in China and 62% of CH companies considered China to be a top 3 investment destination (compared to 57% in 2017).[41]

5 Trade, Economic, Investment and Tourism Promotion

5.1 Foreign economic promotion instruments

Following the success of the 1st edition of Swiss Education Fair 2018, the Swiss Business Hub China together with Switzerland Global Enterprise organized the 2nd edition of Swiss Education Fair, which was held on 13th and 14th of April 2019 in Shanghai and in Chengdu respectively. A total of 13 Swiss educational establishments including swissnex, a public university, a business school, boarding schools and hospitality schools were presentThe Swiss Education Fair attracted approx. 350 visitors in total. The 3rd edition of Swiss Education Fair is planned next year based on the positive feedback received from both exhibitors and visitors this year.

To showcase Swiss excellence in the Swiss MEM Industry, the Swiss Business Hub China in collaboration with Switzerland Global Enterprise supported Swissmem to operate the Swiss Pavilion at China International Machine Tool Show (CIMT 2019), which took place from 15th to 20th of April 2019 in Beijing. This year, about 60 Swiss machine tool companies were presenting on a surface of 3000 sqm – making it the biggest presence of the Swiss Economy in China. In the afternoon of 16th of April, an official delegation headed by the Ambassador of Switzerland to P.R., Mr. Bernardino Regazzoni, visited the Swiss Pavilion. In the evening, the grand reception "Swiss Evening", hosted by Swissmem, provided an attractive networking platform for approx. 350 guests. At this edition of CIMT, Swissmem was also celebrating the 20-years-jubilee of the Swissmem Young Professionals Program (YPP). Since 1999, on the occasion of each CIMT, Swissmem has invited 22 students from the most prestigious Chinese machine building faculties in China to the CIMT.

Based on the Innovative Strategic Partnership established during the 2016 state visit of the Swiss President to the PRC, the Swiss Embassy organized in the 2nd week of June 2019 the 2nd edition of the 'Swiss Innovation Week', this year focusing on the topic 'Switzerland – Home of Drones', hosting numerous events, workshops and exhibitions within the premises of the Swiss Embassy and generating a high visibility for Swiss innovation in Chinese media by various media activities.

[39] Swiss National Bank (2018), 'Direct Investment, 2016', *Swiss National Bank*, at https://www.snb.ch/en/iabout/stat/statrep/id/statpub_fdi_all, accessed on 4 June 2019
[40] (1) the Pearl River Delta surrounding Guangzhou, Shenzhen and Hong Kong; (2) the Yangtze River Delta surrounding Shanghai, Hangzhou and Nanjing; (3) the Bohai Economic Rim surrounding Beijing and Tianjin
[41] CEIBS, Swiss Center Shanghai & China Integrated (2018), *2018 China Business Survey / 2018 Swiss Business in China* (Shanghai: CEIBS, Swiss Center Shanghai & China Integrated)

5.2 The host country's interest in Switzerland

Switzerland as a financial center

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

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

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. Meanwhile, the Agricultural Bank of China (ABC) has publicly announced its intention to follow suit in Geneva once it has obtained approval from the Chinese authorities.[42] The Chinese Ambassador to Switzerland also announced in 2017 that Bank of China (BoC) had applied to the Chinese authorities to open a branch in Geneva as well.

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

Tourism, education, other services

Switzerland Tourism reports that in 2018, the number of overnights attributable to Chinese guests (Mainland, Hong Kong and Taiwan) in Switzerland exceeded 1.6 million[43].

To foster collaboration on all matters related to tourism between Switzerland and China, President Leuthard and President Xi declared 2017 the Switzerland-China Year of Tourism in Davos last January. The focus of the year's activities were mountain tourism, hospitality and winter sports. Finally, in the margin of Swiss President Ueli Maurer State Visit, an event celebrating Sino-Swiss collaboration on winter sports was successfully held, bringing China and Switzerland closer in this realm.

Strategic Sino-Swiss cooperation on the organization of successive Winter Olympic Games (Lausanne 2020, Beijing 2022) and the promotion of sustainable winter sports for both countries' populations presents a particularly strong opportunity on various fronts. Switzerland is not only known for being the "Home of

[42] Pierre-Alexandre Sallier & Élisabeth Eckert (2018), 'Agricultural Bank of China, le troisième pilier bancaire chinois, arrive à Genève', *Tribune de Genève*, 25 January, at https://www.tdg.ch/economie/Agricultural-Bank-of-China-le-troisieme-pilier-bancaire-chinois-arrive-a-Geneve/story/31510139, accessed on 26 April 2018
[43] Switzerland Tourism (2019), '*Nuitées de l'hôtellerie 2018"* at https://report.stnet.ch/fr/2018/nuitees-de-lhotellerie-2018/ accessed on 12 June 2019.

Snow Sports” and the first winter sports tourism destination, it also leads commercial innovation and sustainability rankings in winter sports infrastructure. As the base of international sports organizations (e.g., IOC, etc.) and venue of regular mega sports events, Switzerland has accumulated unique expertise and built global networks for the effective organization of sports events.

* * *

6 Annexes

Annex 1: Economic Structure

China: Structure of the Economy					
	2013	2014	2015	2016	2017
Distribution of GDP (%)					
Primary Sector	9.3%	9.1%	8.9%	8.6%	4.9%
Secondary Sector	44.0%	43.1%	40.9%	39.8%	36.3%
Tertiary Sector	46.7%	47.8%	50.2%	51.6%	58.8%
Distribution of Labor (%)					
Primary Sector	31.4%	29.5%	28.3%	27.7%	27.0%
Secondary Sector	30.1%	29.9%	29.3%	28.8%	28.1%
Tertiary Sector	38.5%	40.6%	42.4%	43.5%	44.9%
State Sector*	8.3%	8.2%	8.0%	8.0%	7.8%

Source: China Statistical Yearbook 2018 (3-7 and 4-2)
* State Sector is number of persons employed by the State divided by number of employed persons. (4-1)

Annex 2.1: Essential Economic Data

China: Essential Economic Data			
	2017	2018	2019E
GDP (USD billion) [1]	12'062	13’407	14’216
GDP per capita (USD) [1]	8'677	9’608	10’153
GDP growth (%) [1]	6.8	6.6	6.3
CPI inflation (%) [1]	1.6	2.1	2.3
Unemployment rate (% of total labor force, in urban area) [1]	3.9	3.8	3.8
Unemployment rate EIU estimation (% of total labor force) [2]	3.9	3.9	3.9
Current account balance (% of GDP) [1]	1.4	0.4	0.4
Total external debt (% of GDP)[3]	14.2	n/a	n/a
Total debt service (% of exports of goods & services)[3]	47.0	50.5	52.5
Gross reserves (in months of imports)[3]	20.0	n/a	n/a

Sources:

[1] IMF (2019). World Economic Outlook Database October 2018, Washington D.C., United States: International Monetary Fund

[2] EIU (2016-2018). Country Report China. London, UK: Economist Intelligence Unit

[3] IMF (2019). People’s Republic of China – 2019 Article IV Consultation. Washington D.C., United States: International Monetary Fund

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 2017				**Jan - Dec 2018**			
Exports to Country/ Region	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**	**Exports to Country/ Region**	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**
United States	429.3	19.0%	11.5%	United States	478.4	19.2%	11.3%
Hong Kong	279.3	12.3%	-2.8%	Hong Kong	302.1	12.1%	8.2%
Japan	137.3	6.1%	6.1%	Japan	147.1	5.9%	7.2%
South Korea	102.8	4.5%	9.6%	South Korea	108.8	4.4%	5.9%
Germany	71.1	3.1%	9.0%	Vietnam	83.9	3.4%	17.2%
Vietnam	71.0	3.1%	16.2%	Germany	77.5	3.1%	9.0%
Netherlands	67.1	3.0%	16.8%	India	76.7	3.1%	12.7%
United Kingdom	56.7	2.5%	1.8%	Netherlands	72.9	2.9%	8.5%
Singapore	45.0	2.0%	1.1%	United Kingdom	56.6	2.3%	-0.3%
Taïwan	44.0	1.9%	9.3%	Singapore	49.2	2.0%	9.2%
ASEAN	279.1	12.3%	9.0%	ASEAN	319.2	12.8%	14.2%
EU	372.0	16.4%	9.7%	EU	408.6	16.4%	9.8%
EFTA	5.8	0.3%	-2.1%	EFTA	7.0	0.3%	20.1%
Iceland	0.112	0.0%	-17.0%	Iceland	0.256	0.0%	128.6%
Liechtenstein	0.046	0.0%	24.1%	Liechtenstein	0.052	0.0%	12.6%
Norway	2.490	0.1%	-4.5%	Norway	2.651	0.1%	6.5%
Switzerland	*3.161*	*0.1%*	*-0.3%*	*Switzerland*	*4.016*	*0.2%*	*27.1%*
Total	**2'263.52**	**100%**	**7.9%**	**Total**	**2’487.40**	**100.0%**	**9.9%**

Source: China's Custom Statistics December 2018

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

Trading Partners of the People's Republic of China: Imports							
Jan - Dec 2018				Jan - Dec 2018			
Imports from Country/ Region	Billion USD	Share %	Growth in % to a comparable previous period	Imports from Country/ Region	Billion USD	Share %	Growth in % to a comparable previous period
South Korea	177.5	9.6%	11.7%	South Korea	204.6	9.6%	15.3%
Japan	165.7	9.0%	13.7%	Japan	180.6	8.5%	8.9%
Taiwan	155.4	8.4%	11.9%	Taiwan	177.6	8.3%	13.9%
United States	153.9	8.4%	14.5%	United States	155.1	7.3%	0.7%
China*	132.9	7.2%	3.8%	China*	146.2	6.8%	10.5%
Germany	97.0	5.3%	12.6%	Germany	106.3	5.0%	9.7%
Australia	94.8	5.2%	33.7%	Australia	105.5	4.9%	11.0%
Brazil	58.6	3.2%	27.8%	Brazil	77.5	3.6%	31.7%
Malaysia	54.3	2.9%	10.2%	Vietnam	64.0	3.0%	27.0%
Vietnam	50.3	2.7%	35.4%	Malaysia	63.2	3.0%	16.2%
ASEAN	235.7	12.8%	20.1%	ASEAN	268.6	12.6%	13.8%
EU	244.9	13.3%	17.7%	EU	273.5	12.8%	11.7%
EFTA	36.3	2.0%	-16.3%	EFTA	42.2	2.0%	16.5%
Iceland	0.1101	0.0%	16.6%	Iceland	0.166	0.0%	50.6%
Liechtenstein	0.127	0.0%	13.3%	Liechtenstein	0.124	0.0%	-2.0%
Norway	3.129	0.2%	-3.1%	Norway	3.421	0.2%	9.3%
Switzerland	*32.892*	*1.8%*	*-17.4%*	*Switzerland*	*38.524*	*1.8%*	*17.1%*
Total	**1'840.98**	**100.0%**	**15.9%**	**Total**	**2'135.64**	**100.0%**	**16.0%**

Source: China's Custom Statistics December 2018

Annex 4: Bilateral Trade Switzerland–China

Bilateral Trade Switzerland - P.R. China, Jan - Dec 2017/2018										
	Class of goods	Import in Mio. CHF		Δ	Import	Export in Mio. CHF		Δ	Export	Trade balance
		Jan - Dec 2017	Jan - Dec 2018	in %	share %	Jan - Dec 2017	Jan - Dec 2018	in %	share %	Jan - Dec 2018
1	Agricultural products	155.35	178.59	15.0%	1.2%	175.77	213.38	21.4%	0.7%	34.79
2	Energy carriers	1.76	6.11	247.9%	0.0%	9.88	38.67	291.5%	0.1%	32.56
3	Textiles, apparel, shoes	2’427.05	2’526.80	4.1%	17.5%	150.23	192.25	28.0%	0.6%	-2’334.55
4	Paper, paper products, printed matter	106.16	114.86	8.2%	0.8%	29.83	23.15	-22.4%	0.1%	-91.71
5	Leather, rubber, plastics	597.50	631.06	5.6%	4.4%	129.91	155.47	19.7%	0.5%	-475.59
6	Chemicals, pharmaceuticals	1’012.53	1’308.87	29.3%	9.1%	4’894.09	4’969.51	1.5%	16.8%	3’660.65
7	Stone and Earth materials	143.38	157.70	10.0%	1.1%	58.60	64.33	9.8%	0.2%	-93.37
8	Metals and metal products	660.91	728.25	10.2%	5.0%	470.25	548.82	16.7%	1.9%	-179.43
9	Machinery, apparatus, electronics	5’496.26	5’823.61	6.0%	40.4%	2’422.30	2’606.31	7.6%	8.8%	-3’217.30
10	Vehicles	157.54	182.55	15.9%	1.3%	130.26	88.19	-32.3%	0.3%	-94.36
11	Precision instruments, watches, jewellery	1’213.75	1’548.09	27.5%	10.7%	2’901.04	3’229.37	11.3%	10.9%	1’681.27
12	Div. Goods, musical instrument, furniture, toys, etc	1’022.97	1’030.20	0.7%	7.1%	31.31	48.31	54.3%	0.2%	-981.89
	Total	**13’109**.82	**14’430.86**	**10.1%**	**100.0%**	**23’964.07**	**29’584.78**	**23.5%**	**100.0%**	**15’153.92**

Bilateral Trade Switzerland - Hongkong, Jan - Dec 2017/2018										
	Class of goods	Import in Mio. CHF		Δ	Import	Export in Mio. CHF		Δ	Export	Trade balance
		Jan - Dec 2017	Jan - Dec 2018	in %	share %	Jan - Dec 2017	Jan - Dec 2018	in %	share %	Jan - Dec 2018
1	Agricultural products	1.52	2.20	45.0%	0.1%	88.09	93.08	5.7%	0.6%	90.88
2	Energy carriers	0.00	0.00	-88.0%	0.0%	17.39	1.91	-89.0%	0.0%	1.91
3	Textiles, apparel, shoes	32.23	33.04	2.5%	0.9%	68.64	91.37	33.1%	0.6%	58.33
4	Paper, paper products, printed matter	2.33	2.28	-1.9%	0.1%	8.64	7.56	-12.5%	0.0%	5.28
5	Leather, rubber, plastics	10.93	8.41	-23.1%	0.2%	41.32	56.66	37.1%	0.4%	48.25
6	Chemicals, pharmaceuticals	3.20	4.62	44.2%	0.1%	415.39	476.17	14.6%	3.0%	471.55
7	Stone and Earth materials	2.08	2.46	18.2%	0.1%	5.88	5.82	-1.1%	0.0%	3.36
8	Metals and metal products	13.06	13.20	1.0%	0.3%	72.16	64.20	-11.0%	0.4%	51.00
9	Machinery, apparatus, electronics	101.85	93.61	-8.1%	2.4%	314.02	316.09	0.7%	2.0%	222.47
10	Vehicles	2.90	1.82	-37.0%	0.0%	4.95	1.13	-77.1%	0.0%	-0.69
11	Precision instruments, watches, jewellery	1’005.98	1’022.72	1.7%	26.7%	4’298.71	4’817.73	12.1%	30.7%	3’795.01
12	Div. Goods, musical instrument, furniture, toys, etc	16.23	13.27	-18.2%	0.3%	10.09	12.04	19.3%	0.1%	-1.23
	Total	**9’229.19**	**3’831.29**	**-58.5%**	**100.0%**	**15’742.84**	**15’669.68**	**-0.5%**	**100.0%**	**11’838.38**

Bilateral Trade Switzerland - P.R. China incl. Hongkong, Jan - Dec 2017/2018							
Class of goods	Import in Mio. CHF		Δ	Export in Mio. CHF		Δ	Trade balance
	Jan - Dec 2017	Jan - Dec 2018	in %	Jan - Dec 2017	Jan - Dec 2018	in %	Jan - Dec 2018
Total	22’339.00	18’262.15	-18.2%	39’706.91	45’254.46	**14.0%**	**26’992.31**

Source: Swiss Federal Customs Administration FCA General total (total 2): with gold bars and other precious metals, coin, precious stones and gems as well as works of art and antiques, 06.11.2018

Annex 5.1: Chinese Inward and Outward FDI

China: Foreign Direct Investment Inward									
2017					2018				
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	98'920	73.3%	13.5%	1	Hong Kong	96'010	71.6%	-2.9%
2	Singapore	4'830	3.6%	-21.8%	2	Singapore	5'340	4.0%	10.6%
3	Taiwan	4'730	3.5%	30.7%	3	Taiwan	5'030	3.8%	6.3%
4	South Korea	3'690	2.7%	-22.3%	4	South Korea	4'670	3.5%	26.6%
5	Japan	3'270	2.4%	5.1%	5	United Kingdom	3'890	2.9%	159.3%
6	United States	3'130	2.3%	-18.3%	6	Japan	3'810	2.8%	16.5%
7	Netherlands	2'170	1.6%	-	7	Germany	3'680	2.7%	139.0%
8	Germany	1'540	1.1%	-43.2%	8	United States	3'540	2.6%	13.1%
9	United Kingdom	1'500	1.1%	-32.1%	9	Netherlands	1'290	1.0%	-40.6%
10	Denmark	820	0.6%	-	10	Macao	1'290	1.0%	-
Total		**135'000**	**100.0%**	**14.4%**	**Total**		**134'097**	**100.0%**	**-0.7%**

China: Foreign Direct Investment Outward									
2016					2017				
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	114'233	58.24%	27.2%	1	Hong Kong	91'153	57.59%	-20.2%
2	United States	16'981	8.66%	111.5%	2	British Virgin Isl.	19'301	12.19%	57.1%
3	Cayman Islands	13'523	6.89%	32.4%	3	United States	6'425	4.06%	-62.2%
4	British Virgin Isl.	12'288	6.26%	564.6%	4	Singapore	6'320	3.99%	99.2%
5	Australia	4'187	2.13%	23.1%	5	Australia	4'242	2.68%	1.3%
6	Singapore	3'172	1.62%	-69.7%	6	Germany	2'716	1.72%	14.1%
7	Canada	2'872	1.46%	83.7%	7	United Kingdom	2'066	1.31%	39.6%
8	Germany	2'381	1.21%	-	8	Indonesia	1'682	1.06%	-
9	France	1'500	0.76%	-	9	Russia	1'548	0.98%	-
10	United Kingdom	1'480	0.75%	-19.9%	10	Thailand	1'058	0.67%	-
Total		**196'149**	**100.00%**	**34.7%**	**Total**		**158'288**	**100.0%**	**158'288**

Source: China Statistical Yearbook 2018 (Total requested to MOFCOM)
In the Yearbook only a selection of countries is listed, therefore ranking might not be correct