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China 2020 Economic Report – *EXTERNAL VERSION*

Executive Summary

- China is going through a **V-shaped recovery** driven by industrial output and the real estate sector. Growth went from from -6.8% growth in Q1 to +4.9% in the Q3, and reaches overall +0.7% during the three first quarters.

- While **consumer confidence has been picking up** (+4.3% YoY in October), retail sales of consumer goods are still -5.9% on the time frame from January to October.

- This can be linked to **lasting concerns on urban employment**: whereas the official urban unemployment rate reached in 4.9% in September, recruiting is still low in the priority list of many companies. According to a CFO-survey carried out by UBS, companies had only recruited 2/3 of their labour demand on average as of Q3.

- After a -10.8% drop in Q1, **inward foreign direct investment started to improve in April** (+8.6% year-on-year) and investment reached USD 137.20 Bn end of November, with a +6.3% year-on-year increase. Most of the FDI heading to China went into high-tech industries. Outward investment decreased overall -4.4% in the first semester, but increased strongly (+53.1%) in ASEAN countries.

- China's foreign trade was hit hard by the pandemic in Q1, with exports slowing by -9.3%, while imports contracting by -7%. Yet, at the end of Q2, exports increased +0.3% due to strong demand in medical equipment, textiles (including masks) and electronics. **In Q3 China recovered above pre-pandemic level**. Exports were up +8.9% YoY and imports were up +3.51 % YoY. In the first three quarters, trade with the ASEAN registered an increase of +7.7%, compared to +2.9 with the EU and +2% with the US.

- **Swiss exports to China decelerated by -22.7% year-on-year by the end of October when including precious metals, which peaked -74% over the first ten months**. However, when isolating precious metals, exports grew by 4.4%, driven by chemicals and pharmaceuticals (CHF 5.2 bn; +12.5% YoY). Exports of precision instruments, clocks, watches and jewellery are catching up: while the growth from January to October is only +2.4%, this category of products registered a jump of +46.8% YoY in the third quarter.

- **Imports from China to Switzerland grew by +8.8%** in the same period, driven by textiles (+58.3% year-on-year).

- To face the crisis, the Government allowed the deficit-to-GDP ratio to be raised to more than 3.6% (up from 2.8% 2019) and allowed the emission of RMB 1 trillion in special bonds for COVID-19. However, it **refrained from enacting a large-scale stimulus package** as it did after the 2008 global financial crisis to boost economic recovery. All in all, the stimulus has been worth about 5% of GDP.

- The **fiscal and monetary policies have been targeted and cautious**, in order to avoid elevating already high debt levels and consequently destabilizing the economy.

- The 14th Five Year Plan has emphasized a switch from high-speed to high-quality in its economic goals through the "**dual circulation**" model. This strategy means an economic development pattern that **takes domestic development as the mainstay**. It indicates an accelerated shift from China's export-oriented development strategy.

1. Economic Overview

Macroeconomic situation: industry and real-estate led recovery, consumption catching up

- According to the National Bureau of Statistics, China's economy is going through a 'V'-shaped recovery (going from -6.8% growth in Q1, to +4.9% in the Q3). Overall, GDP growth was +0.7% during the three first quarters[1]. This evolution would make China the only country in the G20 to achieve positive growth in 2020:

- **Consumer spending has shown positive developments over the past months**, opening room for the prospect of a full recovery:
  - While overall retail sales of consumer goods contracted -5.9% year-on-year (YoY) from January to October, continuous improvement has been registered since April. The situation evolved from -19% in Q1, to -3.9% in Q2 and +0.9% in Q3. In October, retail sales rose by 4.3% YoY, up from 3.3% growth in September.
  - From January to October, on average, the overall consumer prices were up 3% YoY. (Q1: 4.9%, Q2: 2.7%; Q3: 2.3%). The change was mainly driven by the increase in the food prices, especially pork.

- Nevertheless, **industrial output is still driving the growth – together with a boom in the real estate sector**:
  - The total added value of the industrial enterprises increased +1.8% from January to October, with -8.4% YoY in Q1, +4.4% YoY in Q2 and +5.8% YoY in Q3. Monthly detail show that while added value output of industrial firms decreased -25.9% in February, it bounced back in April (+3.9%) and continued rising (+6.9% in October).
  - Fixed asset investment (FAI) increased +1.8% from January to October. While Q1 shrunk -16.1% YoY (bringing investment at the slowest pace in at least 30 years), -3.1% YoY in Q2 and moderated to +0.8 YoY in Q3, reflecting policy support. In October, fixed asset investment increased by 12.2% YoY, up from 8.7% growth in September.
  - Real Estate Investment increased +6.3% (aggregate) for the past ten months, rising from -16.3% for January and February.

- Nationwide, the Southern provinces accounted for 64.6% of the national economy in the first nine months of the year. This is 5.8% more than five years ago, reflecting a growing divide between North and South. North-East region such as Hubei (-10.4% in the first nine month) and Liaoning (-1.1%) are still struggling to go back to pre-pandemic level.

- However, the American firm China Beige Book[2], which has its own indicators by surveying 3,300 companies, private and public, across the entire country, has reached opposite conclusions. According to CBB, no part of the economy would have caught up with last year's level: all sectors, all regions, all growth indicators would remain in contraction compared to 2019. Nevertheless, the firm notes a significant catching up within the large groups established in Shanghai, Beijing, Guangzhou (and their large regions). For most businesses elsewhere in the country, the recovery would be much more difficult.

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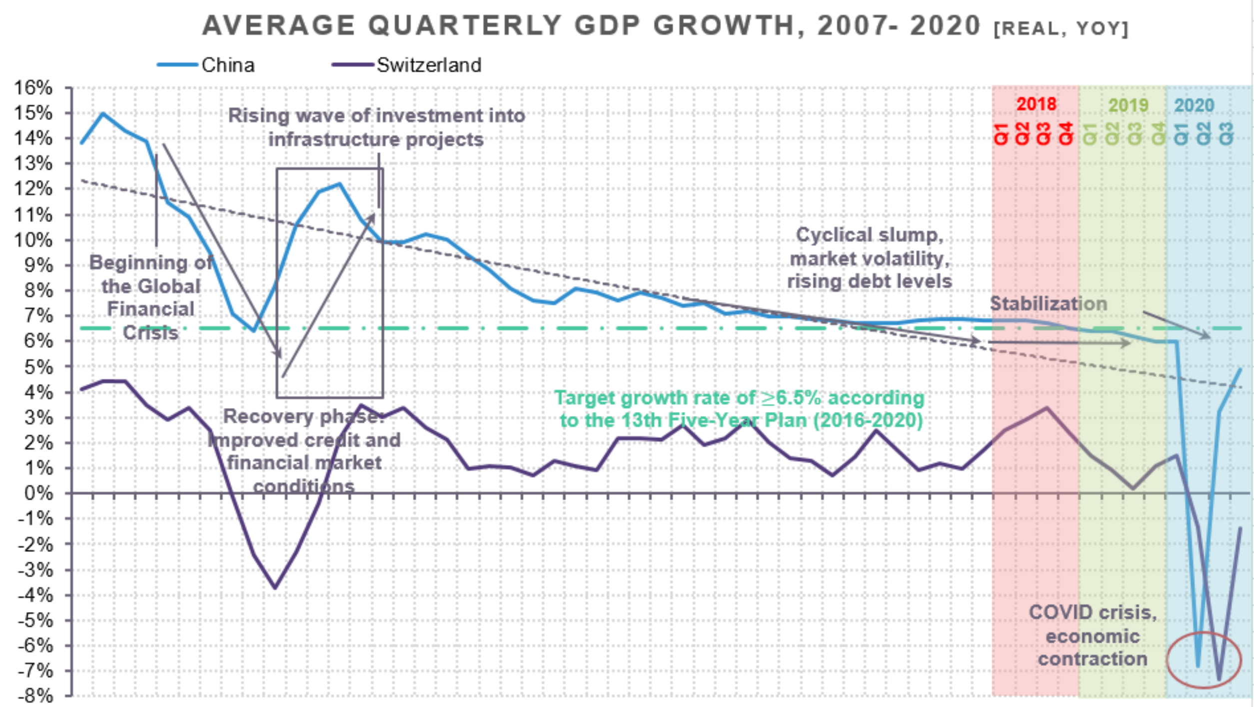
[1] National Bureau of Statistics (2020), "October Data", retrieved http://www.stats.gov.cn/tjsj/sjjd/202011/t20201116_1803201.html; last accessed on November 20, 2020

[2] China Beige Book in an American consulting company founded in 2010 by a former Hong Kong based capital market attorney. Its Chief economist is Dereck Scissors, who is resident scholar at American Enterprise Institute. Retrieved from https://bit.ly/38XWPlZ, last accessed on December 16, 2020

- **A gap in recovery pace between the South Region and North Region** is hence shown by both official and independent data. The problem of potentially artificially inflated growth figures by Local Governments was indirectly acknowledged by the Central Government, as Premier Li Keqiang called on the provinces on November 20th to be ‘honest’ about their economic situations, so as to ‘take the necessary measures to stimulate the economy.’



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

The 19th Central Committee of the Community Party of China held its Fifth Plenary Sessions in Beijing between October 26 to 29 to set the outline for the upcoming **14th Five Year Plan (2021-2025)**. In terms of economic goals, the party emphasized a switch from high-speed to high-quality development – stressing the medium-term goal of economic structure optimization for better quality and efficiency development. Policymakers made no reference to the previous goal of doubling the GDP over 2010-2020 (which would have required a 5.6% growth in 2020 to be fulfilled), though it did highlight the success of its GDP growth rate, which is estimated to exceed RMB 100 trillion (US$14.92 trillion) this year.

A key priority of the 14th five year plan is the ‘**dual circulation**’ strategy. Chinese President Xi Jinping first raised the concept of ‘dual circulation’ in May and elaborated that China will rely mainly on ‘internal circulation’ – the domestic cycle of production, distribution, and consumption – for its development, support by innovation and upgrades in the economy. He also said ‘internal circulation’ will be supported by ‘external circulation’. This new strategy aims to boost tech innovation, push Chinese firms up the global value chain and increase household incomes, which will in turn, stimulate domestic demand. Under such a pattern, China's economy posits to be dominated by domestic economic circulation and facilitated by circulation between China and the rest of the world.

In addition to the ‘dual circulation’, the leadership role of the Communist Party was reaffirmed by President Xi while addressing the central conference on work on 17th November, stressing the importance of rule of law in governance. Stricter law enforcement and call for loyalty to the Party, indicates that more state power will be exercised, including in economic activities. The new trend is evidenced in the suspension of Ant Group’s IPO in November and the new draft rules for online microfinance businesses issued by the China Banking and Insurance Regulatory Commission right before the planned IPO.

Impact of the Covid-19: employment

- The unemployment remains of upmost concern for the Government since it jeopardizes social stability, the development of a domestic-market driven economy and fight against poverty3 China provides an official surveyed unemployment rate but it does not include 149 million self-employed business owners and nearly 300 million migrant workers. Consequently, China has prioritized 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[4].

- Based on the data from National Bureau of Statistics[5], the unemployment situation has slightly improved. In September, the urban surveyed unemployment rate and the 31 major cities unemployment rates were 5.4% and 5.5% respectively, both 0.2 percentage points lower than the numbers of August. Nevertheless, according to press reports, the economic rebound in Q3 would have failed to significantly improve job prospects for the country's young and educated[6]. This would confirm the fact that growth figures have been largely pushed by state spending and industrial production.

- In fact, staffing was low on company's priority list of spending in H2 2020, according to UBS. The bank has conducted CFO surveys on 542 Chinese firms nationwide and it shows that surveyed firms had only recruited, on average, 2/3 of their labour demand as of Q3.[7] The recovery is still not yet complete.

Impact of the Covid-19: consumption

- There are signs of recovery in consumption: sales came back to the positive realm in Q3 (+0.9%), hinting increasing consumer confidence. In October especially, the sales rose 4.3% YoY, up from 3.3% growth in September.

- It is reported that the sales record double from last year with over USD 74 bn during the Double 11 (a shopping festival on November 11th held by leading e-commerce platforms in China). Many retailers view this festival as a key trial to seek the long-awaited recovery from lost sales from the first half of 2020.

- However, it is worth noting that the retail sales data for Double 11 were distorted by the fact that Alibaba deliberately prolonged the shopping period form one day to 11 days in order to boost sales. From January to October, China's overall retail sales were still -5.9% YoY, indicating that the recovery is still fragile.

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[3] On November 23rd 2020, China announced that it had eliminated absolute poverty nationwide by uplifting all of its citizens beyond the goal of CNY 2,300 per year.
[4] 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 13.08.2020
[5] National Bureau of Statistics (2020), "September Data", retrieved http://www.stats.gov.cn/tjsj/sjjd/202011/t20201116_1803201.html; last accessed on November 20, 2020
[6] 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 December 16, 2020
[7] UBS, "China CFO Survey" retrieved from https://neo.ubs.net/static/login.html?origin, last accessed on 03.12..2020

Fiscal and monetary policy: loosening money to support SMEs

- Since the start of the year, China's fiscal and monetary policy has largely focused on combatting the damage inflicted by COVID-19 containment measures. As SMEs were most severely affected by the pandemic, special attention was paid to ensuring their access to financial support.

- The People's Bank of China (PBoC) launched several rounds of reserve requirement ratio (RRR) cuts, the last of which was implemented on May 15 and lowered the RRR by 0.5%.[8] Since the first RRR cut this year on January 6[9], 1.75 trillion RMB have been injected into the market through this measure[10]. Moreover, the central bank also lowered its loan prime rate (LPR) twice, once on February 20 and once on April 20.[11] The one-year LPR currently stands at 3.85%, the above-five-year LPR at 4.65%[12], which is a decrease of 0.3% and 1.5% respectively since the beginning of 2020[13]. This is in accordance with the lowering of the medium term lending facility (MLF) rate, which was also carried out in several steps, amounting to a liquidity boost of almost 1.1 trillion RMB.[14]

- Moreover, the Chinese government also approved several batches of special purpose coronavirus-relief bonds since the beginning of the year, overall freeing3,75 trillion RMB to support the economy.[15] The total size of the stimulus is estimated by the Economist to be about 5% of GDP[16].

- All of these measures aimed at providing 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.[17]

- Instead of a massive stimulus package, the Chinese government has attempted to stimulate domestic consumption through the launching of various kinds of voucher-programs in different cities in order to

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[8] PBOC (2020): "Open Market Operations No. 93 [2020]", retrieved from http://www.pbc.gov.cn/en/3688110/3688181/4024042/index.html, last accessed on May 20, 2020.
[9] PBOC (2020): "Open Market Operations No. 3 [2020]", retrieved from http://www.pbc.gov.cn/en/3688110/3688181/3955136/index.html, last accessed on May 20, 2020.
[10] According to information given by the PBOC during the 7th Financial Dialogue (27.11.2020).
[11] PBOC (2020): "Interest Rate Policies", retrieved from http://www.pbc.gov.cn/en/3688229/3688335/3730276/index.html, last accessed on May 20, 2020.
[12] PBOC (2020): "Announcement on Loan Prime Rate (April 20, 2020)", retrieved from http://www.pbc.gov.cn/en/3688229/3688335/3730276/4010876/index.html, last accessed on May 20, 2020.
[13] PBOC (2020): "Interest Rate Policies", retrieved from http://www.pbc.gov.cn/en/3688229/3688335/3730276/index.html, last accessed on May 20, 2020.
[14] PBOC (2020): "MLF", retrieved from http://www.pbc.gov.cn/en/3688229/3688335/3730282/index.html , last accessed on May 20, 2020.
[15] According to information given by the PBOC during the 7th Financial Dialogue (27.11.2020).
[16] The Economist (2020): "Xi Jinping is reinventing State capitalism", retrieved from www.economist.com/?url=https%3A%2F%2Fwww.economist.com%2Fleaders%2F2020%2F08%2F13%2Fxi-jinping-is-reinventing-state-capitalism-dont-underestimate-it, last accessed on August 14, 2020.
[17] SCMP (2020): "Coronavirus: China doesn't need big economic stimulus advisers and former officials say", retrieved from https://www.scmp.com/economy/china-economy/article/3084783/coronavirus-china-doesnt-need-big-economic-stimulus-advisers, last accessed on May 21, 2020.

boost economic recovery in the aftermath of the Covid-19 pandemic.[18] Furthermore, tax cuts were enacted in several areas, such as VAT exemptions[19], social security contribution waivers[20] and rental reductions[21] to help SMEs weather the storm. The margin of maneuver 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.[22]

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 create an economic environment based on fair competition and to increase market participants' trustworthiness.

- The system is already available[23], but the nationwide implementation has been delayed by the Covid-19 pandemic.

- 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' behavior and adherence to the rules. This is done by analyzing 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 analyzed 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.[24]

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[18] Reuters (2020): "As China splashes out vouchers to revive retail, many just buy necessities", retrieved from https://www.reuters.com/article/us-health-coronavirus-china-retail/as-china-splashes-out-vouchers-to-revive-retail-many-just-buy-necessities-idUSKBN2230SI, last accessed on May 21, 2020.

[19] State Council (2020): "China's financial toolkit to combat coronavirus", retrieved from http://english.www.gov.cn/news/topnews/202002/07/content_WS5e3d5c4ac6d0a585c76cab0b.html, last accessed on May 21, 2020.

[20] State Council (2020): "China ups support to firms to ensure employment amid COVID-19 epidemic", retrieved from http://english.www.gov.cn/news/pressbriefings/202003/25/content_WS5e7b202dc6d0c201c2cbf6d6.html, last accessed on May 21, 2020.

[21] State Council (2020): "Chinese cities moving to bail out epidemic-hit businesses", retrieved from http://english.www.gov.cn/news/topnews/202002/05/content_WS5e3a8a26c6d0a585c76ca7bb.html, last accessed on May 21, 2020.

[22] State Council (2019): "Keep track of China's tax cuts for SMEs in H1 2019", retrieved from http://english.www.gov.cn/policies/policywatch/201907/15/content_WS5d2bf149c6d05cbd94d67884.html, last accessed on May 21, 2020.

[23] Credit China official website: https://www.creditchina.gov.cn/, last accessed on December 16, 2020

[24] 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 May 25, 2020.

- 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.[25]

- 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. Scores will not be adjusted downwards if firms fail to pay their social security contributions, taxes, loan payments and so on. On the other hand, China has also started to use a carrot and stick approach targeted especially at Covid-related behavior of firms: companies which contribute to virus containment measures, invest in R&D to combat the pandemic or make donations can improve their scores. If firms, however, engage in illegal activities such as driving up prices, selling fake or inferior protective gear or engaging in massive layoffs, their score is lowered.[26]

Reputation risk and juridical instability

- Rising political tensions have been increasing 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 little controllable events that may set the focus on them 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.

[25] 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 May 25, 2020.

[26] 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 May 25, 2020.

2. International and Regional Economic Agreements

2.1 China's policy and priorities

a. *China's Free Trade Agreements network: RCEP and reorientation towards Asia*

- China continues to look for new outlets for its economy by negotiating or upgrading several bilateral Free Trade Agreements (FTA)[27/28]. 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).

- In November 2020, after 8 years of negotiations, the "Regional Comprehensive Economic Partnership" (RCEP) was signed. **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 billion. The RCEP potentially replaces 28 existing bilateral/plurilateral FTAs among its members.

- RCEP notably focuses rules of origin, on barriers to trade, and e-commerce:
  - As its most important feature, the agreement **aligns rules of origin for all 15 countries**, facilitating integration of their value chains. This may help RCEP members attract a larger share of global value chains (GVCs) and deepen their specialization.
  - RCEP encourages importing countries to accept **product standards** of other member countries from where the good originates if those countries provide the same level of consumer protection.
  - While it contemplates **tariffs reductions**, the existing FTAs between members make those less relevant with the important exception of the 3 giants China-Japan-South Korea.
  - RCEP **hinders taxation of e-commerce**, improves customs clearance and logistics efficiency.

- The most important issues not covered in RCEP are SOEs, labour and environmental standards, transparency and anti-corruption.

- Recent modeling work carried out by the think tank Brookings suggests that by 2030 the agreement would increase the GDP of the trading bloc by 0.4 percent (equivalent to $170 billion), with a 0.3 percent increase for China and 0.2 percent for ASEAN members. ASEAN economies are set to gain the smallest benefits among RCEP signatories as they have the least scope to reduce the barriers with other members given the existing web of trade agreements.

- For China, RCEP provides a set of additional advantages:
  - It supports the narrative of China being committed to free trade
  - It aims to take a stand against a potential future return of the USA to CPTPP
  - It counters the "Resilient Supply Chain Initiative" launched by India during the summer
  - It accelerates the discussion for a joint Free Trade Zone between China, Japan and Korea (a first consensus was reached end of 2019).

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[27] "China" herein refers to the customs territory of the Chinese Mainland
[28] 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 December 12, 2020

- China concluded in July 2020 the FTA negotiations with Cambodia. Earlier in December 2019, China and Pakistan signed the upgraded 2007 CPFTA. In November 2019, China held its 7th FTA round of negotiations with Israel and signed respectively with Hong-Kong and Macau the Amendment of the Service Trade Agreement under the two Closer Economic Partnership Arrangement (CEPA).[29]

- Outside from the Asia region, China is currently negotiating a comprehensive agreement on investment with the European Union.[30] While China was aiming a signature before the end of the year, the EU is giving priority to substance over speed. China signed the first Sino-European agreement on geographical indications in September 2020. Both parties aim at Q1 2021 for the implementation.

b. *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 notably demonstrated May 2019 when China's proposal on WTO reform underlined the necessity to improve its relevance, efficiency and inclusiveness.[31] 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.[32] 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".[33]

- 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.[34] **As of December 2020, 44 cases of WTO's rules violations had been filed against China, mainly for illegally restricting access to its domestic market through anti-dumping duties or for granting illegal subsidies to its domestic industries**.[35] In May 2020, China announced anti-dumping and anti-subsidy duties totalling 80.5% on Australian barley imports for the next 5 years.[36] 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.[37] After further imposing a tariff of more than

[29] *Ibid*.
[30] SCMP (2020), *"EU and China set for further investment talks as end-of-year deadline for deal looms"* , retrieved from https://bit.ly/3h6xDxv , last accessed on December 16, 2020
[31] 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 May 25, 2020
[32] 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 May 25, 2020
[33] 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 May 25, 2020
[34] WTO (2018), *"Trade Policy Review China"*, retrieved from https://www.wto.org/english/tratop_e/tpr_e/s375_sum_e.pdf, last accessed on May 25, 2019
[35] 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 December 12, 2020
[36] Reuter (2020), *"Australia plays down China trade war fears as barley ban reasons revealed"*, retrieved from https://reut.rs/2WjCdi6 , last accessed on May 25, 2020
[37] 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 25 May, 2020 and Reuters (2020), "*Timeline: Tension between China and Australia*

200 % on Australian wine imports at the end of November 2020 (and restricted imports of a dozen other products – incl. beef, sugar and timber), **in December 2020, Prime Minister Morrison announced that Australia will bring beginning of 2021 a formal case against China at the WTO over the barley anti-dumping duties**.[38]

c. *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.[39/40] The MoU aims at facilitating cooperation between businesses from Switzerland and China in third markets along the Belt and Road and enhancing cooperation, which should be based on five key principles: private capital for private projects, sustainable handling of debts and consideration of social impacts, environmental protection criteria and transparency.[41]

- 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.[42]

- 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[43], investment on BRI has been significantly downsized. According to Moody's Investor services, Chinese investments in BRI countries totalled USD 23.5 Bn in the first half of 2020 – which suggests that full-year volumes will fall short of 2019's USD 104.7 Bn investment.

- While the payback difficulties of recipient has been exacerbated by 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 – bluntly stated already in 2018 that many countries along the BRI did not have the money to pay for the projects they were involved[44].

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over commodities trade" , https://www.reuters.com/article/us-australia-trade-china-commodities-tim-idUSKBN28L0D8, last accessed 17.12.2020

[38] South China Morning Post (2020), *"China-Australia relations: WTO action 'the next step' for Canberra over Beijing's barley duties"*, retrieved from : https://www.scmp.com/economy/global-economy/article/3111822/china-australia-relations-wto-action-next-step-canberra-over, last accessed 12 December, 2020

[39] 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

[40] FDF (2019), "*President Ueli Maurer meets President Xi Jinping*", retrieved from https://www.efd.admin.ch/efd/en/home/dokumentation/nsb-news_list.msg-id-74817.html, last accessed on May 25, 2020.

[41] *Ibid*.

[42] 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 May 25, 2020

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

[44] 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 17.12.2020

2.2 Outlook for Switzerland

- 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.[45] 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 to be hardly accessible[46 / 47] according to a survey conducted by the European Chamber of Commerce. The participation of European companies in BRI remains marginal.[48] 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.

- As the "dual circulation" becomes the new paradigm, the BRI rhetoric is losing visibility. Impacted by the pandemic, China is narrowing down the scope of the BRI and is now focusing on its neighbouring countries. To foster national employment and consumption, Chinese SOEs and private sectors will increasingly be the first choice contractors for any project labelled under the initiative. In this context, the implementation of the MoU signed in April 2019 will be difficult.

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[45] 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 May 25, 2020

[46] NZZ (2020), *"Ausländische Firmen haben kaum Chancen auf Beteiligung an Chinas neuer Seidenstrasse",* retrieved from https://www.nzz.ch/nzz-asien/neue-seidenstrasse-zwischenbilanz-fuer-die-schweiz-nzz-asien-ld.1554970, last accessed on May 25, 2020

[47] EU Chamber of Commerce (2020), *"The route less travelled"*, https://www.europeanchamber.com.cn/en/publications-belt-and-road-initiative, last accessed on August 13, 2020.

[48] 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://www.europeanchamber.com.cn/en/press-releases/3110/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, last accessed on May 22, 2020.

3. Foreign Trade

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

a. *Impact of COVID-19 on foreign trade*

- The COVID-19 pandemic had a strong negative impact on China's internationally integrated value chains as measures to contain the virus were implemented across the whole country. After the Lunar New Year extended holiday (beginning of February 2020), Chinese manufacturers had to close their production plan and the free movement of people had been halted. The following slump in cross-border investment[49] and the widespread cancellations of international orders – as the virus spread – accentuated the Chinese supply shock. This led to a decrease in exports of -11.1 in Q1 YoY.[50] As firm activities contracted, Chinese imports of intermediate goods slowed down.[51] Imports further suffered from a demand shock.[52] Consequently, imports decreased by - 4.15% YoY in Q1.

- Nevertheless, in Q2, China's exports have been boosted by record shipments of medical supplies and robust demand for electronic products due to lifestyle changes caused by the pandemic. China was the only G20 economy to record export growth in the second quarter of 2020 (+ 0.18 % YoY).[53] Imports continued to fell during Q2, contracting - 9.35 % 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 (e.g. laptops and home appliances). As consumers returned to mall and major trading partners reopen for business, imports were up +3.51 % YoY.[55] In the first three quarters, trade with the ASEAN – China's largest trading partner – registered an increase of +7.7% (accounting for 14.6% of China's total foreign trade volume), compared to +2.9 with the EU and +2% with the US).[56]

b. *Phase 1 deal*

- The "Phase One Trade Deal" between China and the United States, which was signed in January, entered into force on February 15, 2020. China has taken steps in several areas covered by the agreement towards implementation. On May 12, it has announced tariff reductions on several categories of goods including semiconductor parts, medical disinfectant and chemical products.[57]

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[49] Reuters (2020*), "China first-quarter FDI plunges 10.8% year-on-year in yuan terms as virus bites",* retrieved from https://www.reuters.com/article/us-china-economy-fdi/china-first-quarter-fdi-plunges-10-8-year-on-year-in-yuan-terms-as-virus-bites-idUSKCN21X0Y1, last accessed on May 25, 2020

[50] OECD (2020), *"Monthly International Merchandise Trade (IMTS) – Headline Series"*, retrieved from https://stats.oecd.org/Index.aspx?DataSetCode=MEI_TRD, last accessed on December 12, 2020

[51] WEF (2020), *"Lessons from China: This is how COVID-19 could affect globalization"*, retrieved from https://www.weforum.org/agenda/2020/05/coronavirus-globalisation-shakeup-is-inevitable/, last accessed on May 25, 2020

[52] 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 May 25, 2020

[53] OECD (2020), *op. cit*.

[54] *Ibid*.

[55] *Ibid*.

[56] General Administration of Customs (2020), *"Review of China's Foreign Trade in the First three Quarters of 2020"*, retrieved from http://english.customs.gov.cn/Statics/31e5ddc6-140c-4cb0-a69a-47b08b288a37.html, last accessed on December 12, 2020

[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 May 21, 2020.

- As for the opening of the PRC's financial markets towards U.S. companies, new measures have been implemented. This includes 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]

The issue of China's purchase agreement of U.S. goods – which has received the most attention out of all the topics covered in the deal – seems to be 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 billion on top of the amount imported in 2017 within two years.[62] 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.[63] According to the Peterson Institute for International Economics, as of October 2020, Beijing's purchases of U.S. goods specified in the Phase 1 deal – at $75.5 billion – are still about half of the level they should be on a pro-rated annual basis.[64]

- In November 2020, Chinese overall exports were up +21.1% YoY, mostly driven by +46% increase in exports to the U.S. Imports from the U.S. were also up +33%. Chinese trade surplus with the U.S. rose to USD 37.3 billion, nearly half of the country trade surplus worldwide in November 2020.[65]

- On December 6, in a video conference, Chinese Foreign Minister Wang Yi assured U.S. executives that China remains committed to the Phase 1 trade deal.[66]

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[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 May 22, 2020.

[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 May 22, 2020.

[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 May 22, 2020.

[62] 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 May 22, 2020.

[63] GACC (2020), *"Customs Statistics – Monthly Statistical Report"*, retrieved from http://www.customs.gov.cn/customs/302249/302274/302277/index.html, last accessed on May 22.2020.

[64] 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 December 8, 2020.

[65] Caixin (2020*),"China's Exports Surge in Year-End Rush; Surplus Hits Record"*, retrieved from https://www.caixinglobal.com/2020-12-07/chinas-exports-surge-in-year-end-rush-surplus-hits-record-101636534.html, last accessed December 8, 2020.

[66] Reuters (2020), *"China foreign minister pledges to uphold trade deal during Biden administration - US-China business council",* retrieved from https://www.reuters.com/article/us-usa-trade-china/china-foreign-minister-pledges-to-uphold-trade-deal-during-biden-administration-us-china-business-council-idUSKBN28H30Y, last accessed on December 8, 2020

c. *Trade in services*

- In August 2020, China's State Council approved a three years pilot program on the comprehensive and innovative development of trade in services in 28 provinces and cities.[67] This plan, taking the supply-side structural reform as the base line, will allow the opening-up of trade in services and aim at stabilizing foreign trade. The MOFCOM further announced that this program would include 26 measures aiming to "create broader market space for services providers from overseas by removing entrance barriers and making more convenient services available for foreign professionals to start businesses".[68]

- From January to October 2020, China's service imports and exports totaled USD 568 bn, down -16.1% YoY. Service exports topped USD 237 bn, down -1.8 % YoY, while imports added up to USD 333 bn, down -23.9% YoY.[69]

- Due to the COVID-19 outbreak, China's travel service exports fell -48.5 % and imports down -46.9 %. Excluding travel services, China's trade in services rose +2.3 % in the first 10 months of the year, with exports up +4.8% and imports approximately unchanged from the same period last year.[70]

- Trade of knowledge-intensive services rose +8.3 % YoY to USD 250 bn, accounting for 44 % of the total, or +9.9 percentage points from a year earlier.[71]

- MOFCOM reported that exports of knowledge-intensive services rose +8.2 percent to total USD 131 bn, contributing to 55.6 % of overall exports in services (+5.1 percentage points higher than during same period last year). According to MOFCOM spokesperson, areas with faster export growth included intellectual property royalties (+27.2%), insurance services (+18.4%), as well as telecommunication, computer and information services (+14.4%).[72]

- The imports of knowledge-intensive services reached USD 119 bn (+8.4% YoY) accounting for 35.7 % of the total import of services (an increase of +10.7 percentage points).[73]

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[67] CGTN (2020), *"China-approves-innovative-pilot-program-on-trade-in-services"*, retrieved from https://news.cgtn.com/news/2020-08-11/China-approves-innovative-pilot-program-on-trade-in-services-SS4qFAfBza/index.html, last accessed August 27, 2020

[68] *Ibid*.

[69] MOFCOM (2020), *"MOFCOM Regular Press Conference, December 4, 2020",* retrieved from http://english.mofcom.gov.cn/article/newsrelease/press/202012/20201203020871.shtml, last accessed on December 8, 2020

[70] *Ibid*.

[71] *Ibid*.

[72] *Ibid*.

[73] *Ibid*.

3.2 Bilateral trade

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

- As of October 2020, total bilateral trade, including precious metals, amounted to CHF 26.7 bn (-9.4% YoY). Switzerland had a goods trade deficit of CHF 338.8 million with China when including precious metals such as gold. Switzerland had a trade deficit of CHF 1.5 bn when excluding precious metals.[74] For reminder, in 2019, the overall trade reached CHF 36.5 bn with gold and CHF 28.3 bn without gold. The overall balance was in favour of Switzerland (CHF 6.4 bn with gold) but in favour of China without gold (CHF 1.5 bn).

- When including precious metals, exports (Swiss goods to China) decreased by -22.7% YoY and imports (Chinese goods to Switzerland) increased by +8.8 % YoY. Those results are mainly due to a staggering decrease of Switzerland's precious metals exports to China, registering a -74% YoY rate in the first ten months. From January to October 2019, Swiss precious metals exports of gold, silver and coin were worth CHF 5.9 bn, in 2020 they are worth CHF 1.5 bn.[75]

- When isolating precious metals, data shows that exports grew by +4.4 YoY and imports grew by 6.3% YoY. Switzerland's main exports to China in terms of value remain chemicals and pharmaceuticals (CHF 5.2 bn; +12.5% YoY), precision instruments, clocks, watches and jewellery (CHF 3.3 bn; +2.4% YoY) and machines, appliances and electronics (CHF 1.9 bn; -7.1% YoY). Together with the above-mentioned categories, metals (+12.4%), agricultural (+4.7%), stone and earth materials (+3.2%) also registered positive rates YoY. All other types of goods recorded negative rates YoY. Energy carriers registered the highest negative rate YoY (-70.3%).[76]

- After two first quarters in the red figures (respectively -13.6% YoY, -25.6% YoY), exports of precision instruments, clocks, watches and jewellery jump +46.8% YoY in the third quarter to reach CHF 2.9 bn worth of exports in the first nine months (CHF 2.8 bn in 2019 for the same period). In the third quarter of 2020, exports of watches grew +61.5% YoY (CHF 743 million in exported value) and jewellery +76.9% YoY (CHF 366 million in exported value).

- Switzerland's main imports from China in term of value are machines, appliances and electronics (CHF 5.1 bn; +2.6% YoY), textiles, apparel and shoes (CHF 3.3 bn; +58.3% YoY), chemicals and pharmaceuticals (CHF 1.1 bn; -1.8% YoY), precision instruments, clocks and watches (CHF 956.6 million; -35.5% YoY). Vehicles (+20.4%), diverse goods (+1.7%) and energy carriers (+0.4%) registered positive rates YoY while all other Chinese imports to Switzerland decreased.[77]

- As with other foreign trading partners, the negative impact of COVID-19 on bilateral trade had been strong in the first half of the year. Trade in capital and consumers goods (especially high-end products) significantly decreased. However, since Q3, data show that consumption of Swiss luxury goods is importantly increasing. Exports of final chemicals and pharmaceutical products (such as active substances and diagnostic products) – key goods to fight against the pandemic – increased during H1 and continues to do so in H2.[78] On the import side, the cumulated imported value of textiles from China reached in October 2020 132% of the 2019 yearly-cumulated imported value (category that includes facial masks).

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[74] All data in paragraph: FCA (2020) *"Swiss-Impex",* retrieved from https://www.gate.ezv.admin.ch/swissimpex, last accessed on December 8, 2020
[75] *Ibid*.
[76] *Ibid*.
[77] *Ibid*.
[78] *Ibid*.

- Focusing on Hong Kong - when excluding gold - from January to October 2020, overall exports fell by -37.5% with precision instruments, watches and jewellery (accounting for 72% of total exports) declining by -44.1% YoY. Beside exports of machinery, apparatus, and electronics which continued grow +12.9% YoY (representing 9.6% of total exports), all other categories registered negative figures.

- When including gold for Hong Kong, overall exports also saw an overall sharp decrease, -43.3 YoY, while imports grew +187 % YoY. Import of gold (incl. gold plated with platinum, in unwrought forms, for non-monetary purposes) jumped +456% YoY (to CHF 8.6 bn) while import decreased -55.8% YoY (to CHF 1.2 bn).

b. *Trade in services*

- In 2019, total trade in services between Switzerland and China reached CHF 5.9 bn. China ranked 8th (far behind the United-States with CHF 44.7 bn worth of traded services). Annual average growth rate from 2012 to 2018 was 5.08%, above the world average (2.66%) but below the U.S. (6.05%).[79]

- In 2019, Switzerland exported CHF 3.9 bn worth of services to China. The tourism sector accounted for CHF 1.07 bn (27% of the total), licenses CHF 700 million (18% of the total), and ICT services CHF 625 million (16% of the total).[80]

- On the import side, Switzerland imported CHF 608 million worth of services in the transport sector (30% of the total), CHF 555 million in Research and Development activities (28% of the total) and CHF 202 million (10% of the total) in business services.[81]

- Statistics show that from 2014 to 2018, Chinese services providers (multinational) having a subsidiary in Switzerland (“Ultimate Controlling institutional Unit”) went from 23 offices to 75, enrolling in 2019 10’154 employee.[82]

4. Direct Investment

4.1 General outlook: further opening to keep attracting foreign investment

a. *General outlook*

- To maintain China’s attractiveness as an FDI destination, the Ministry of Commerce and the National Development and Reform Commission released public consultation on the revision of Catalogue of Industries for Encouraged Foreign Investment (2020 Edition) with an official deadline on 30th August.

- 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 471 encouraged industries, has added 56 encouraged items and adjusted 40 items. The list for central, western, and north-eastern regions has added 69 items and modified 36.

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[79] SECO (2020), *“Service Trade Cockpit 2020”,* internal source, last accessed on December 12, 2020.
[80] *Ibid.*
[81] *Ibid.*
[82] *Ibid.*

- 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.[83]

b. *Outward Direct Investment (ODI)*

- The Chinese Government has tightened its regulation on ODI in 2017, responding to concerns over debt-fueled acquisitions into non-core investment projects. 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 196.15 bn USD[84], and dropped 30% (in yuan terms) in 2017, followed by meagre growth of +0.3% to 129.8 bn USD in 2018[85] and another 6% drop in 2019 to 118 bn USD. In the first three quarters of 2020, Chinese ODI slightly increased of 4.1% (YOY), amounting to USD 100.7 bn and non-financial ODI amounted to USD 78.9 bn down 2.6 % (YOY)[86].

- Whereas Chinese ODI to Europe and North America decreased significantly in 2019, by -57.1% YoY and nearly -30% YoY respectively[87], a focus has been set on Asian countries, which accounted for almost 30% of total outward investment. This trend continued in 2020, as investment in "BRI countries" increased nearly +20% to USD $8.12 billion[88]. In particular, ASEAN nations were among the top investment destinations with an increase of +53.1% to USD $6.23 bn.

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[83] 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 May 22, 2020.

[84] National Bureau of Statistics in China (2019): "NBS Statistical Yearbook 2018, 11-19 Overseas Direct Investment by Countries or Regions", retrieved from http://www.stats.gov.cn/tjsj/ndsj/2018/indexeh.htm last accessed on December 1, 2019.

[85] Ernst & Young (2020): "ODI remained steady and China overseas M&As in a wait-and-see mood – EY releases the Overview of China outbound investment in the first three quarters of 2020", retrieved from https://www.ey.com/en_cn/news/2020/11/odi-remained-steady-and-china-overseas-m-as-in-a-wait-and-see-mood-ey-releases-the-overview-of-china-investment-in-the-first-three-quarters-of-2020, last accessed on December 17, 2020.

[86] Ernst & Young (2020): "ODI remained steady and China overseas M&As in a wait-and-see mood – EY releases the Overview of China outbound investment in the first three quarters of 2020", retrieved from https://www.ey.com/en_cn/news/2020/11/odi-remained-steady-and-china-overseas-m-as-in-a-wait-and-see-mood-ey-releases-the-overview-of-china-investment-in-the-first-three-quarters-of-2020, last accessed on December 17, 2020.

[87] Ernst & Young (2020): "Overview of China outbound investment in 2019", retrieved from https://www.ey.com/cn/en/newsroom/news-releases/news-2020-ey-overview-of-china-outbound-investment-in-2019, last accessed on May 22, 2020.

[88] Ernst & Young (2020): "Overview of China outbound investment in H1 2020 ", retrieved from https://www.ey.com/en_cn/news/2020/07/overview-of-china-outbound-investment-in-h1-2020, last accessed on August 27, 2020

c. *Inward foreign Direct Investment*

- In 2019, FDI to China rose to a new high of 136.7 bn USD (+5.8%)[89], with Hong Kong accounting for over two thirds of China's overall inflows. Also among the top ten investing countries were other Asian nations like Singapore, South Korea and Japan, while Western nations such as the US, the UK, Germany and the Netherlands brought up the rear of the list.[90]

- From January to November 2020, inward foreign direct investment totalled USD 137.20 bn, up 6.6% YoY. November saw FDI in actual use reach USD 15 bn (+5.5% YoY), an eighth monthly increase in a row[91]. Regarding sectors, inward foreign direct investment for services reached USD 60.2 bn (+11.6% YoY) and accounting for 77.4% of China's total FDI. Hi-tech services (+27.4 YoY), information services (+22.2% YoY), R&D and design services (+57.6% YoY), professional and technical services (+166.8% YoY) and services for transformation of scientific and technological achievements (+15.6 % YoY) marked significant increase compared to 2019. According to MOFCOM, three top investors increased their investment in China: Hong Kong (+8.2% YoY), Singapore (+4.6% YoY) and the United Kingdom (+48.6% YoY).

- The impact of the Covid-19 crisis has especially apparent in terms of sectoral distribution: high-tech industries such as information and communication technologies, health and life sciences and new infrastructure, which remain largely unaffected by the economic lockdowns and can even be beneficial to economic recovery after the pandemic, have seen investment growth. Areas that focus more on consumption and services have gone in the opposite direction, as pandemic containment measures diminished business activities in these sectors.[92]

[89] MOFCOM (2020): "Multi-pronged measures to stabilize foreign investment, China's foreign investment absorption in 2019 hit a new record high", retrieved from http://www.mofcom.gov.cn/article/ae/ai/202001/20200102932301.shtml, last accessed on May 22, 2020.

[90] Department of Foreign Investment Administration (2019), "Invest in China", retrieved from http://www.fdi.gov.cn/1800000121_10000177_8.html, last accessed on May 19, 2020.

[91] Trading Economics (2020), "China Foreign Direct Investment", retrieved from https://tradingeconomics.com/china/foreign-direct-investment, last accessed on December 18, 2020.

[92] Ernst & Young (2020) "Overview of China outbound investment in Q1 2020", retrieved from https://www.ey.com/cn/en/newsroom/news-releases/news-2020-ey-overview-of-china-outbound-investment-in-q1, last accessed on May 22, 2020.

4.2 Bilateral investment

a. *Chinese direct investment in Switzerland*

- In the first half of 2019, large acquisitions of Swiss firms by Chinese investors became rarer than in 2018. 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.[93]

- In the second half of the year, the market started to pick up again. The participation of an increased number of larger companies is especially noticeable. In total, 12 transactions were completed, with 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.[94] In Switzerland, the largest amount transaction went to Swiss Education Group AG. Sichuan Shuangma Cement Co has invested a total of $ 275 million in the company, making this the 9th largest Chinese investment in Europe in 2019.

- On March 3, 2020, the Swiss Parliament accepted a motion calling for tighter regulation of foreign investment in Switzerland.[95] 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), Bally (2018).[96] The implementation of this motion means a regulatory body for foreign investment will have to be set up within 2 years.[97]

- 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 September 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.[98]

[93] 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.
[94] 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 December 18, 2020.
[95] 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 May 25, 2020.
[96] 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 May 2, 2020.
[97] 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 May 25, 2020.
[98] 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 September 2, 2020.

b. *Swiss direct investment in China*

- The stock of Swiss FDI in Mainland China was 22.282 bn CHF (+152 mn CHF) in 2018 and 22.505 bn CHF (+223 mn CHF) in 2019. FDI flows were 3.112 bn CHF (-55 mn CHF) in 2018 and 1.55 bn CHF(-1'562 mn CHF) in 2019.[99]

- 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.

[99] SNB (2020): "Direct Investment, 2020-12-11", retrieved from https://data.snb.ch/en/topics/aube#!/cube/fdiaustlanda, last accessed on December 18, 2020.

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).

- Due to the COVID-19 pandemic, both all important international events and trade fairs in China and also Embassy and SBH events planned for the first half of the year, had either to be cancelled, postponed to a later stage or transformed into virtual events (e.g. Swiss Education Fair 2020). Starting from Q3, China has restarted its physical exhibitions after months of suspension, however with limited presence of international exhibitors due to strict travel restrictions to China. The “Swiss EduTalk”, new developed virtual version of Swiss Education Fair, has been forced to put aside in the end since the Swiss schools didn’t show enough interest for online communication.

- 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 constantly updated “Fact Sheet” is published on the S-GE website.

- To replace the planned physical investment promotion events, SBH China organised three webinars — “Swiss Biotech Dialogue Webinar”, “Grand Asia Tour AI Webinar” and “Switzerland Health Valley Webinar”. The three webinars mainly pitched the industry strengths and investment environment, bringing private sectors and academia together to discuss the potential collaborative opportunities. Totally, around 800 audience were attracted to participate in these three webinars. The audience and speakers spoke highly of the new format and quality.

- In October 2020, the SBH China organized the first physical “investment talk” in Hangzhou, in collaboration with the company Nihub and cantonal representatives and with the presence of Chinese government officers from Hangzhou Trade Promotion Bureau. The purpose of the event was to connect Switzerland to outstanding enterprises and entrepreneurs in the field of AI in Hangzhou.

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.[100] 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.[101] 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 2020[102].

- 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. The Swiss bank J. Safra Sarasin joined the program in February 2019.[103] On May 7, 2020, investment quotas for the RQFII program were scrapped, allowing for unlimited investment amounts in the future.[104]

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". [105] In June 2020, the company reported to have budgeted CHF 20 mio 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.

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[100] CCB (2020): "*Branch Profile*", retrieved from http://ch.ccb.com/zurich/en/gywm.html, last accessed on May 25, 2020.
[101] 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 May 25, 2020.
[102] 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 November 24, 2019.
[103] 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 May 22, 2020.
[104] 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 May 22, 2020.
[105] 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 September 3, 2020

[106] 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.[107]

c. *Tourism, education, other services*

In 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 nearly 100%, with all groups travelling cancelled after Chinese New Year and only exceptional individual travelling.

- In 2019, the number of overnight stays from Greater China travelers (China Mainland, Hong Kong SAR and Taiwan combined) had been growing, reaching 1.85 million annually (+6.9% YoY). Chinese visitors constitute therefore the third largest tourist group in Switzerland behind Germans (3.93 million) and Americans (2.47 million).[108]

- The education and research environment in Switzerland is attractive to young Chinese. For the academic year 2019/2020, 2'134 Chinese students were enrolled at Swiss Universities (167 Bachelor, 938 Master and 182 continuous education program). With 847 PhD students, Chinese represent the 4th most important cohort of international doctorate researchers in Switzerland (6% of the total) – behind Germans (3'526; 24% of the total), Italians (1'681; 11.4%) and French (1'261; 8.7%).[109]

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[106] 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 September 3, 2020

[107] 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 December 9, 2020.

[108] FSO (2020), *"Hôtellerie"*, retrieved from https://www.bfs.admin.ch/bfs/fr/home/statistiques/tourisme/hebergement-touristique/hotellerie.html, last accessed on 27 May 2020

[109] FSO (2020), *"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.12327705.html, last accessed on 27 May, 2020

6 Annexes

Annex 1: Economic Structure

China: Structure of the Economy					
	2016	2017	2018	2019	2020 Q1-Q3[2]
Distribution of GDP (%)					
Primary Sector [1]	8.6%	7.5%	7.2%	7.1%	6.6%
Secondary Sector [1]	39.8%	40.5%	40.7%	39.0%	37.9%
Tertiary Sector [1]	51.6%	51.9%	52.2%	53.9%	55.3%
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 est.
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.	10'582
GDP growth (%) [2]	6.6	6.1	1.9
CPI inflation (% change) [1]	2.1	2.9 est.	2.9
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	1.3
Total external debt (% of GDP) [3]	14.2	14.9	15.4
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), *"World Economic Outlook Database October 2020"*, retrieved from https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/index.aspx, last accessed on December 15, 2020

[2] IMF (2020), *"Real GDP Growth"*, retrieved from https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/CHN?year=2019, last accessed on December 14, 2020

[3] EIU (2020), *"Country Report China, November 2020"*, retrieved from http://www.eiu.com/index.asp?layout=displayIssue&publication_id=50001005, last accessed on December 16, 2020

[4] IMF (2019), *"2019, Article IV Consultation Staff Report"*, retrieved from https://www.imf.org/en/countries/chn?selectedfilters=Article%20IV%20Staff%20Reports#data, last accessed on August 30, 2019

[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 December 16, 2020

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 - October 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	353.8	17.3%	1.6%
Hong Kong	279	11.2%	-7.6%	Japan	115.7	5.6%	-1.9%
Japan	143.3	5.7%	-2.6%	South Korea	90.7	4.4%	-0.5%
South Korea	111	4.4%	2.1%	Hong Kong	211.3	10.3%	-6.1%
Vietnam	97.9	3.9%	16.7%	Taiwan, China	48.2	2.4%	7.3%
Germany	79.8	3.2%	2.9%	Germany	69.1	3.4%	4.8%
India	74.8	3.0%	-2.4%	Vietnam	89.0	4.3%	13.6%
Netherlands	74	3.0%	1.5%	Australia	42.2	2.1%	7.9%
United Kingdom	62.4	2.5%	10.4%	Malaysia	43.8	2.1%	5.2%
Taiwan, China	55.1	2.2%	13.2%	Brazil	26.9	1.3%	-3.4%
ASEAN	359.4	14.4%	12.7%	ASEAN	301.5	14.7%	5.3%
EU	428.7	17.2%	4.9%	EU	313.1	15.3%	3.7%
EFTA	8.2	0.3%	17.0%	EFTA	7.2	0.4%	8.1%
Iceland	0.11	0.004%	-55.0%	Iceland	0.1	0.0%	-16.3%
Liechtenstein	0.053	0.002%	2.4%	Liechtenstein	0.04	0.0%	-10.4%
Norway	3.45	0.1%	30.1%	Norway	3.0	0.1%	1.3%
Switzerland	4.546	0.2%	13.2%	Switzerland	4.1	0.2%	11.5%
Total	**2'499.03**	**100%**	**0.5%**	**Total**	**2'048.6**	100.0%	0.5%

Source: China's Custom Statistics December 2019 / December 2020

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 - October 2020 Imports to Country Region**	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**
South Korea	173.6	8.4%	-15.2%	United States	103.9	6.24%	3.3%
Taiwan	173	8.3%	-0.6%	Japan	141.3	8.49%	0.9%
Japan	171.8	8.3%	-4.9%	South Korea	141.4	8.49%	-1.4%
China*	129.8	6.2%	-11.2%	Hong Kong	5.5	0.33%	-26.2%
United States	122.7	5.9%	-20.9%	Taiwan, China	161.3	9.70%	14.8%
Australia	121.4	5.8%	14.8%	Germany	82.8	4.98%	-4.3%
Germany	105.1	5.1%	-1.1%	Vietnam	60.9	3.66%	20.2%
Brazil	79.8	3.8%	2.9%	Australia	95.8	5.76%	-6.1%
Malaysia	71.8	3.5%	13.6%	Malaysia	60.2	3.62%	2.3%
Vietnam	64.1	3.1%	0.3%	Brazil	70.7	4.25%	8.1%
ASEAN	282	13.6%	5%	ASEAN	240.6	14.46%	4.8%
EU	276.6	13.3%	1.1%	EU	204.4	12.28%	-1.4%
EFTA	31.4	1.5%	-25.6%	EFTA	20.7	1.25%	-13.6%
Iceland	0.143	0.007%	-13.9%	Iceland	0.1	0.00%	-20.6%
Liechtenstein	0.131	0.006%	5.2%	Lichtenstein	0.1	0.01%	-12.6%
Norway	3.9	0.19%	14%	Norway	6.4	0.38%	125.6%
Switzerland	27.262	1.31%	-29.2%	Switzerland	14.2	0.85%	-32.4%
Total	**2'077.10**	**100%**	**-2.7%**	**Total**	**1'664.1**	**100.00%**	**-2.3%**

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

Source: China's Custom Statistics December 2019 / December 2020

Annex 4: Bilateral Trade Switzerland–China

Bilateral Trade Switzerland - P.R. China (Mainland), Jan - Dec 2019 / Jan - October 2020											
	Class of goods	**Import in Mio. CHF**		**Import**		**Export in Mio. CHF**		**Export**		**Trade balance**	
		Jan - Dec 2019	**Jan - October 2020**	**∆ in %**	**share %**	**Jan - Dec 2019**	**Jan - October 2020**	**∆ in %**	**share %**	**Jan - Dec 2019**	**Jan - October 2020**
1	Agricultural products	163	135.0	-1.7%	1.0%	182	160.5	4.7%	1.5%	19	25.5
2	Energy carriers	18	14.6	0.4%	0.1%	35	8.8	-70.3%	0.1%	17	-5.8
3	Textiles, apparel, shoes	2'548	3’373.8	58.3%	25.7%	177	137.2	-6.8%	1.1%	-2’371	-3’236.6
4	Paper, paper products, printed matter	109	80.7	-12.5%	0.6%	36	25.3	-8.6%	0.2%	-73	-55.4
5	Leather, rubber, plastics	623	507.4	-4.7%	3.9%	153	123.2	-0.4%	1.1%	-470	-384.2
6	Chemicals, pharmaceuticals	1'399	1’134.7	-1.8%	8.6%	5'579	5’260.5	12.5%	48.2%	4’180	4’125.9
7	Stone and Earth materials	161	126.7	-5.4%	1.0%	66	52.1	3.2%	0.5%	-95	-74.5
8	Metals and metal products	733	568.3	-9.6%	4.3%	543	505.8	12.4%	4.5%	-190	-62.5
9	Machinery, apparatus, electronics	6'195	5’139.9	2.6%	39.1%	2'473	1’906.8	-7.1%	16.8%	-3’722	-3’233.0
10	Vehicles	218	226.2	20.4%	1.7%	130	61.1	-45.6%	0.6%	-88	-165.1
11	Precision instruments, watches, jewellery	1'695	956.6	-35.5%	7.3%	3'954	3’331.7	2.4%	25.3%	2’259	2’375.1
12	Div. Goods, musical instrument, furniture, toys, etc	1'029	874.1	1.7%	6.7%	34	20.2	-23.2%	0.2%	-995	-853.8
	Total (excl. gold)	**14'894**	**13’138**	**6.3%**	**100%**	**13'392**	**11’593**	**4.4%**	**100%**	**-1502**	**-1’544.7**
	Total (incl. gold)	**15'048**	**13’552**	**8.8%**	**100%**	**21'407**	**13’213**	**-22.7%**	**100%**	**6’359**	**-0.338**

Bilateral Trade Switzerland - Hongkong, Jan - Dec 2019 / Jan - October 2020											
	Class of goods	**Import in Mio. CHF**		**Import**		**Export in Mio. CHF**		**Export**		**Trade balance**	
		Jan - Dec 2019	**Jan - October 2020**	**∆ in %**	**share %**	**Jan - Dec 2019**	**Jan - October 2020**	**∆ in %**	**share %**	**Jan - Dec 2019**	**Jan - October 2020**
1	Agricultural products	2	1.8	32.5%	0.2%	92	50.0	-37.2%	1.7%	90	48.1
2	Energy carriers	0	0.0	-93.6%	0.0%	0	0.1	-48.8%	0.0%	0	0.1
3	Textiles, apparel, shoes	29	32.9	32.7%	3.0%	77	41.1	-36.2%	1.4%	48	8.2
4	Paper, paper products, printed matter	2	1.8	16.0%	0.2%	8	6.5	-9.3%	0.2%	6	4.7
5	Leather, rubber, plastics	10	8.9	10.3%	0.8%	51	25.0	-43.6%	0.9%	41	16.1
6	Chemicals, pharmaceuticals	4	4.1	7.8%	0.4%	467	363.7	-5.5%	12.5%	463	359.6
7	Stone and Earth materials	2	0.8	-61.7%	0.1%	5	2.4	-39.4%	0.1%	3	1.6
8	Metals and metal products	10	5.2	-36.8%	0.5%	60	38.6	-26.4%	1.3%	50	33.4
9	Machinery, apparatus, electronics	99	63.1	-21.0%	5.7%	302	278.9	12.9%	9.6%	20	215.8
10	Vehicles	2	1.8	-5.1%	0.2%	16	2.4	-84.9%	0.1%	14	0.6
11	Precision instruments, watches, jewellery	1'126	973.5	-3.7%	88.5%	4429	2'093.0	-44.1%	72.0%	3303	1'119.4
12	Div. Goods, musical instrument, furniture, toys, etc	10	6.4	-19.6%	0.6%	12	5.5	-44.8%	0.2%	2.0	-0.8
	Total (excl. gold)	**1'296**	**1'100.3**	**-4.4%**	**100.0%**	**5'524**	**2'907.2**	**-38%**	**100%**	**4'228**	**1'806.9**
	Total (incl. gold)	**4'303**	**9'952**	**187%**	**100%**	**9'904**	**4'824**	**-43.3%**	**100%**	**5'601**	**-5'128**

Bilateral Trade Switzerland - P.R. China incl. Hongkong, Jan - Dec 2019 / Jan - October 2020								
	Import in Mio. CHF		**Import**	**Export in Mio. CHF**		**Export**	**Trade balance**	
	Jan - Dec 2019	**Jan - October 2020**	**∆ in %**	**Jan - Dec 2019**	**Jan - October 2020**	**∆ in %**	**Jan - Dec 2019**	**Jan - October 2020**
Total (incl. gold)	**18'849**	**23'505**	**48%**	**31'311**	**18'038**	**-30%**	**12'462**	**-5'467**

Source: Swiss Federal Customs Administration – FCA (2020), *"Swiss-Impex Database"*, retrieved from https://www.gate.ezv.admin.ch/swissimpex/index.xhtml, last accessed on December 2020

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