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China 2020 Economic Report – *EXTERNAL VERSION*

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Executive Summary

- Due to the COVID-19, China's GDP growth in the first quarter was -6.8% in Q1, suffering its first contraction in 28 years. **GDP growth however bounced to +3.2% in Q2, hinting to a V-shaped recovery, led by industrial outputs**.

- **Consumer confidence has hit an historic low**, with retail sales of consumer goods contracting by -19% year-on-year in Q1 and -3.9% in Q2. Household consumption fell -12.5% in Q1 and -5.7% in Q2.

- 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 77 Bn end of July, with a +0.5% year-on-year growth over the 7 months. 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 and textiles (including masks) and electronics**.

- **Swiss exports to China decelerated by -12.2% year-on-year by the end of March and worsen to -24.4% year-on-year at the end of July**. Exports of precious metals strongly decreased in the first seven months of 2020 (-76.7%) and precision instruments (-11.5%) as well as machinery were strongly affected (-10.1%). At the contrary, exports of medicaments and chemicals grew +20.9% year-on-year.

- **Imports from China to Switzerland grew by +9.9%** in the same period, driven by textiles (+67.8% year-on-year).

- **Unemployment peaked during the lock-down**: the official urban unemployment rate reached 6.2% in February and remained at 5.7% in June. However, the migrant-worker population was disproportionately affected, with estimates of 80 million unemployed persons in February and 5 million in June.

- 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. After lowering the reserve requirement ratio (RRR) for commercial banks, two policy rate cuts and a decline in interbank rates, PBoC stopped monetary loosening in May and started absorbing liquidity from the interbank market, thus moving interbank benchmark rates up again. Targeted support will be the focus of H2.

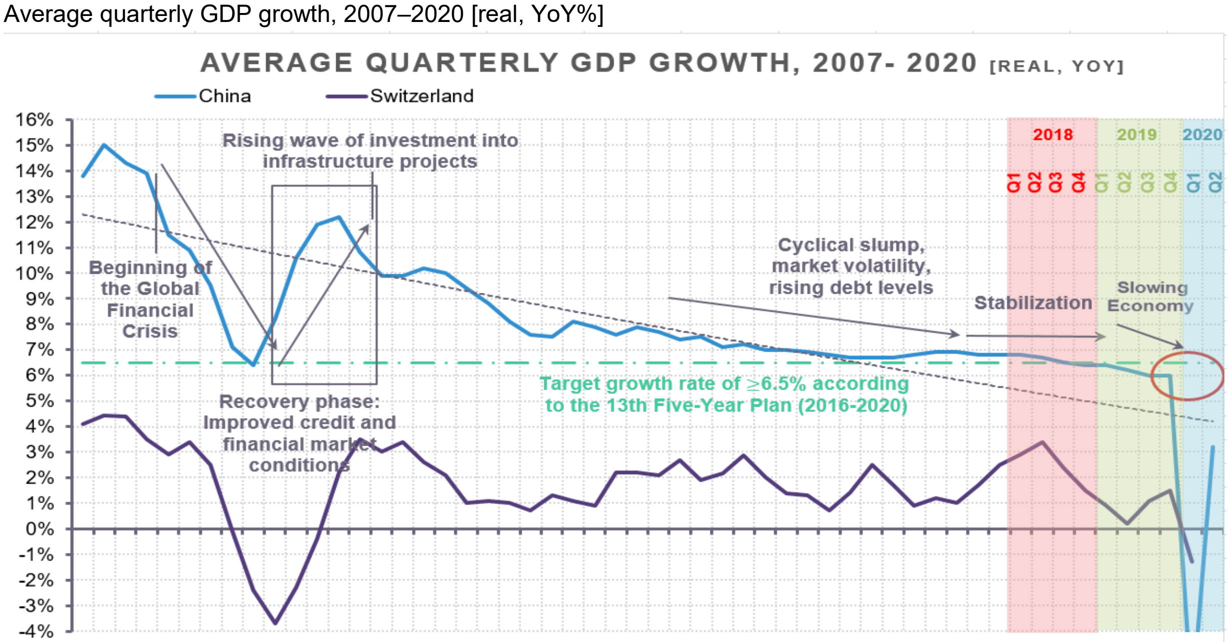
- China positioned the construction of **"new infrastructure" as a policy pillar of its economic recovery**. This new infrastructure will focus on 5G, IoT, big data centres, IA centers, smart transportation and smart energy. According to estimates, total future investment could surpass RMB 23 trillion by 2025.

1. Economic Overview

1.1 Macroeconomic situation: V-shaped recovery from contraction

- During the first half (H1), China's GDP growth was -1.6% year-on-year. The situation has been improving from -6.8% in Q1 (first contraction in 28 years) to +3.2% in Q2[1]:
  - Overall retail sales of consumer goods contracted -11.4% year-on-year (YoY) in H1, improved from -19% in Q1, and -3.9% in Q2.
  - The total added value of the industrial enterprises dropped by -8.4% YoY in Q1, with worst decrease of -25.9% in February, down from a 6.9% growth in December. However, in April it bounced back into expansionary territory for the first time with an increase of 3.9% and a further rise in the coming months. The overall added value for the first half year was balanced to -1.3%.
  - Fixed asset investment (FAI) for Q1 shrank -16.1% YoY, down from 5.4% growth in December, bringing investment at the slowest pace in at least 30 years. The pullback was uniform across the major forms of investment: infrastructure spending contracted by -19.7% YoY, down from 3.33% growth; manufacturing investment contracted by -25.2% YoY, down from 3.1% growth; property investment contracted by -7.7% YoY, down from 9.1% growth. By the end of H1, the aggregate FAI moderated to -3.1%, reflecting policy support. [2]
  - From January to July, on average, the overall consumer prices were up 3.7% YoY. (Q1: 4.9%, Q2: 2.7%). The change was mainly driven by the increase in the food prices, especially pork.
- Overall, due to the coronavirus outbreak, the macroeconomic situation was bleak in Q1, followed by strong recovery in Q2, especially from the supply side. A further normalization in the second half of the year maybe expected, yet it would take longer time (probably until 2021) for the country to completely back on its feet.

Average quarterly GDP growth, 2007–2020 [real, YoY%]



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

[1] National Bureau of Statistics (2020), "July Data", retrieved http://data.stats.gov.cn/english/; last accessed on August 27, 2020

[2] Ibid. Note: the NBS only releases cumulative figures for investment.

- This year's Two Sessions (the annual plenary sessions of the national or local People's Congress and the national or local committee of the Chinese People's Political Consultative Conference that normally take place in March), which was delayed till May, decided to not set GDP targets for 2020. It is a positive sign because the Government is emphasizing more on employment, consumption and business survival over growth numbers.

- More proactive monetary and targeted fiscal policy are issued to help the economy, with the allowance of deficit-to-GDP ratio raised to more than 3.6% (up from 2.8% 2019), accelerated credit growth and more local government bonds (RMB 1 trillion in special bonds for COVID-19)[3].

1.2 Impact of the Covid-19: employment

- According to the National Bureau of Statistics (NBS), urban unemployment rate reached a historic 6.2% in February and remained at 5.7% in June[4]. However, to be classified as unemployed, individuals must meet a set of criteria including holding a local urban hukou (household registration). Therefore, this data does not include people in rural communities or a large number of the estimated 290 million migrant workers who work in construction, manufacturing or other low paying activities as catering, hospitality and entertainment. According to unofficial sources, between 80 million[5] and 100 million[6] people could have been out of work at the end of March.

- While the release of lockdowns allowed shrinking the migrant worker unemployment to 17 million in April and less than 5 million in June[7], conjectural and structural factors have been putting pressure on employment since 2019. Purchasing manager index surveys conducted in 2019 show that most manufacturing and service companies started cutting jobs prior to the Covid-19 crisis due to economic slowdown.

- The unemployment problem is of upmost concern for the Government since it jeopardizes both social stability and the development of a domestic-market driven economy. Consequently, China has increased unemployment insurance for SMEs that have not laid off workers, granted subsidies and assistance, organized online job fairs and training, prioritized migrant workers for major infrastructure projects and logistic systems, sponsored rural employment programs and opened online unemployment registration and applications for employment services and subsidies[8].

[3] State Council (2020): "Full text of the Govt Work Report", retrieved from http://english.www.gov.cn/2020special/govtworkreport2020, last accessed on May 29, 2020.
[4] National Bureau of Statistics (2020), "April Data", retrieved http://data.stats.gov.cn/english/; last accessed on May 27, 2020
[5] CNN, "80 million Chinese may already be out of work. 9 million more will soon be competing for jobs, too" retrieved from https://edition.cnn.com/2020/05/08/economy/china-unemployment-intl-hnk/index.html - Last accessed on 9 May 2020 (quote of Zhang Bin, an economist at the Chinese Academy of Social Sciences, a think tank run by the government)
[6] Gavecal Dragonomics, Macro Update : the supply-side recovery, July 2020
[7] *Ibid*
[8] 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

1.3 Impact of the Covid-19: consumption

- In Q1, the total retail sales of social consumer goods contracted by -19% YoY9, while household consumption fell -12.5%, with sales in automobile dropped -42.4% YoY. Though a rebound has been witnessed in April (total sale -7.5% YoY and automobile sales almost the same as last year), the consumers' buying sentiments are still low. According to a first quarter survey by the Central Bank of 20,000 depositors in 50 cities, 53% of respondents said they are inclined to save more, up 7.3% from the previous quarter, only 22% said they intended to consume more, down 6%.[10] Labor Day Holiday proves this trend, still representing a 41% decrease in trips and 60% drop in revenues compared to 2019[11], as reported by the Ministry of Culture and Tourism.

- In order to boost domestic consumption, especially in automobile, the Government has extended the purchase subsidy for electric vehicles (originally planned to be phased out by end of 2020), for another two years. The Government also extended the transition period for complying with the new stricter emission standard, and lifted restrictions on the car purchase quota.

- Additionally, more than 170 cities and prefectures issued vouchers and coupons worth a total face value of more than 19 billion yuan ($2.7 billion). In some megacities like Hangzhou, the effect is obvious, with every 10 yuan's worth of vouchers generating total spending of around 50—100 yuan[12]. However, for other smaller cities, the benefits are marginal. There are also more fraudulent use of Government subsidies and vouchers.

- While the Q2 figures show an improvement (consumer goods contracting by -3.9% year-on-year in Q2 and household consumption by -5.7%), they are still in negative territory. In the first quarter, the national per capita disposable income actually dropped by -3.9% YoY[13] and is still at –1.3% in Q2. Though the consumption has entered positive territory for the first time in July with an increase of 0.2%, the uncertainties about future incomes will continue to significantly drag on consumption.

1.4 Impact of the Covid-19: new infrastructure

- During the presentation of the 2020 Government Work Report at the opening of the National People's Congress on May 22nd, Premier Li Keqiang positioned the construction of "new infrastructure" as a policy pillar of China's economic recovery. New infrastructure should include three aspects: (1) information-based infrastructure such as 5G and the Internet of Things; (2) converged infrastructure supported by the application of the internet, big data and artificial intelligence, such as smart transportation and smart energy infrastructure; (3) and innovative infrastructure that supports scientific research, technology development and product development.

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[9] National Bureau of Statistics (2020), "April Data", retrieved from http://data.stats.gov.cn/english/; last accessed on May 27, 2020

[10] CGTN (2020): "PBOC survey: More people in China say they want to save more", retrieved from https://news.cgtn.com/news/2020-04-29/PBOC-survey-53-of-people-said-they-were-focused-on-more-savings--Q5ulcQOQFi/index.html, last accessed on May 21, 2020.

[11] Ministry of Culture and Tourism (2020): "五一假期全国 1.15 亿人次出游，国内旅游收入 475.6 亿元", retrieved from https://www.mct.gov.cn/, last accessed on May 29, 2020.

[12] Caixin (2020) :"In Depth: Who Really Benefits From Consumption Vouchers?", retrieved from https://www.caixinglobal.com/2020-05-20/in-depth-who-really-benefits-from-consumption-vouchers-101556620.html, last accessed on May 29, 2020.

[13] National Bureau of Statistics (2020), "Households' Income and Consumption Expenditure in the First Quarter of 2020", retrieved http://www.stats.gov.cn/english/PressRelease/202004/t20200420_1739771.html; last accessed on May 28, 2020

- According to analysts of a think tank associated to the Ministry of Industry and Information Technology, investments associated with “new infrastructure” projects to total RMB 10 trillion to RMB 17.5 trillion for the six-year period until 2025[14]. Local investment plans in 13 provinces suggest even higher investments (up to 22.23 trillion RMB)[15]. Shanghai, for example, plans to spend 60 billion RMB over the next three years, plus an additional 210 billion in private capital.[16] In fact, Premier Li Keqiang has insisted that private investment will be key and that the market will have the biggest say in creating new digital applications.

- The private investment is expected to come mainly from private Chinese technology companies. Although foreign component suppliers for infrastructure can also benefit from increased demand, it is to be seen to what extent infrastructure projects will be open to foreign enterprises.

1.5 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%.[17] Since the first RRR cut this year on January 6[18], 1.55 trillion RMB have been injected into the market through this measure[19]. Moreover, the central bank also lowered its loan prime rate (LPR) twice, once on February 20 and once on April 20.[20] The one-year LPR currently stands at 3.85%, the above-five-year LPR at 4.65%[21], which is a decrease of 0.3% and 1.5% respectively since the beginning of 2020[22]. 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.[23]

[14] MIIT Think tank, http://www.miitthinktank.org.cn/aatta/20200324225821366/1-2003231F017.pdf, last accessed on August 13, 2020
[15] Sinolytics (2020): “From crisis to consolidation – how the Chinese government makes strategic use of the health crisis”, retrieved from https://www.sinolytics.ch/, last accessed on May 29, 2020.
[16] *Ibid*.
[17] 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.
[18] 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.
[19] PBOC (2020): “Required Reserves”, retrieved from http://www.pbc.gov.cn/en/3688229/3688335/3730270/index.html, last accessed on May 20, 2020.
[20] PBOC (2020): “Interest Rate Policies”, retrieved from http://www.pbc.gov.cn/en/3688229/3688335/3730276/index.html, last accessed on May 20, 2020.
[21] 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.
[22] PBOC (2020): “Interest Rate Policies”, retrieved from http://www.pbc.gov.cn/en/3688229/3688335/3730276/index.html, last accessed on May 20, 2020.
[23] PBOC (2020): “MLF”, retrieved from http://www.pbc.gov.cn/en/3688229/3688335/3730282/index.html , last accessed on May 20, 2020.

- Moreover, the Chinese government also approved several batches of special purpose coronavirus-relief bonds since the beginning of the year, overall freeing almost 3 trillion RMB to support the economy.[24] The total size of the stimulus is estimated by the Economist to be about 5% of GDP[25].

- 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.[26]

- 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 boost economic recovery in the aftermath of the Covid-19 pandemic.[27] Furthermore, tax cuts were enacted in several areas, such as VAT exemptions[28], social security contribution waivers[29] and rental reductions[30] 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.[31]

1.6 Social Corporate Credit System: trust as a public value

- The corporate social credit system (CSCS) is a comprehensive plan, which monitors and guides 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 has been under development for several years and is planned to be fully implemented on a nationwide scale by the end of 2020. Different parts have already been in use for some time, but

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24 SCMP (2020): "Explainer – China coronavirus stimulus: measures to combat the economic impact of Covid-19", retrieved from https://www.scmp.com/economy/china-economy/article/3083268/china-coronavirus-stimulus-what-measures-have-been-used, last accessed on May 21, 2020.

25 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.

26 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.

27 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.

28 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.

29 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.

30 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.

31 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.

combination of the elements is not yet complete. 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 an individual rating. 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.[32]

- 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.[33]

- Despite the Covid-19 pandemic, which has interrupted economic activities in China in the past months, the implementation of the CSCS has moved forward without delay. 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.[34]

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32 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.
33 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.
34 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. *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.[35] 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.[36] 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".[37]

- 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.[38] As of May 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.[39] May 2020, China announced anti-dumping and anti-subsidy duties totaling 80.5% on Australian barley imports for the next 5 years.[40] 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.[41]

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[35] 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

[36] 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 May 25, 2020

[37] 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

[38] 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

[39] 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 May 25, 2020

[40] Reuter (2020), *"Australia plays down China trade war fears as barley ban reasons revealed"*, retrieved from https://www.reuters.com/article/china-australia-barley/corrected-update-2-australia-plays-down-china-trade-war-fears-as-barley-ban-reasons-revealed-idUSL4N2D106E, last accessed on May 25, 2020

[41] CNN (2020*), "Australia angered China by calling for a coronavirus investigation. Now Beijing is targeting its exports "*, retrieved from https://edition.cnn.com/2020/05/26/business/china-australia-coronavirus-trade-war-intl-hnk/index.html, last accessed 25 May, 2020

b. China's Free Trade Agreements network: focus on East Asian countries

- China continues to look for new outlets for its economy by negotiating or upgrading several bilateral Free Trade Agreements (FTA).[42/43] Since 2005, China has been developing its FTA network (16 FTA to date, including: Chile, ASEAN, Singapore, New-Zealand, Iceland, Switzerland, South Korea and Australia). After a first round in January 2020, in April 2020, China held online the 2nd FTA round of negotiations with Cambodia.[44] December 2019, China, Japan and Korea reached a principle consensus on a joint Free Trade Zone.[45] Earlier in December 2019, China and Pakistan signed the upgraded 2007 CPFTA.[46] 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).[47]

- Furthermore, China continues to support the establishment of a Regional Comprehensive Economic Partnership (RCEP) with 15 partners in Asia-Pacific.[48] India's position is still pending as the country first pulled out of the deal early November 2019 notably fearing that its market would be flooded by cheap Chinese goods.[49] Negotiating parties are however aiming at concluding a 16 countries Partnership by the end of 2020. [50] In parallel, China is currently negotiating a comprehensive agreement on investment with the EU.[51]

c. Belt and Road Initiative

- Launched by President Xi Jinping in 2013, and embedded in the constitution in 2018, the Belt and Road Initiative (BRI), constitutes a vision of outward-looking development. The BRI is seen by China as an economic initiative 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. [52] 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.[53]

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[42] "China" herein refers to the customs territory of the Chinese Mainland
[43] An overview of China's FTA network can be found on a dedicated subpage of MOFCOM, available at http://fta.mofcom.gov.cn/english/index.shtml, last accessed on May 25, 2020
[44] Mofcom (2020), *"China FTA Network",* retrieved from http://fta.mofcom.gov.cn/english/index.shtml, last accessed on May 25, 2020
[45] Ibid.
[46] Ibid.
[47] Ibid.
[48] China Business Review, *"China Eyes Further Northeast Asian Economic Integration in RCEP"*, retrieved from https://www.chinabusinessreview.com/china-eyes-further-northeast-asian-economic-integration-in-rcep/, last accessed May 25 2020
[49] The Economic Times (2020), *"RCEP urges India to return to negotiating table as Covid-19 wrecks economies*", retrieved from https://economictimes.indiatimes.com/news/economy/policy/rcep-urges-india-to-return-to-negotiating-table-as-covid-19-wrecks-economies/articleshow/75477407.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst, last accessed on May 25, 2020
[50] Ibid.
[51] European Commission (2020), *"EU-China Agreement on Investment"* , retrieved from https://trade.ec.europa.eu/doclib/press/index.cfm?id=2115, last accessed on May 25, 2020
[52] 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.
[53] Ibid.

- 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.[54]

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 competition for Swiss companies within the Asia-Pacific room[55]. 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[56 / 57] according to a survey conducted by the European Chamber of Commerce, the participation of European companies in BRI remains marginal.[58] 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.

[54] 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
[55] 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
[56] 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
[57] EU Chamber of Commerce, « The route less travelled”, https://www.europeanchamber.com.cn/en/publications-belt-and-road-initiative, last accessed on August 13 ,2020.
[58] 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 in 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 [59] and the widespread cancellations of international orders – as the virus spread – accentuated the Chinese supply shock. This led to a decrease in exports of -9.3% in Q1[60].

- As firms activities contracted, Chinese imports of intermediate goods slowed down.[61] Imports further suffered from a demand shock.[62] Consequently, imports decreased by -7% in Q1.

- Nevertheless, in Q2, China's exports have been boosted by record shipments of medical supplies and robust demand for electronic products. This led to an increase of exports of +0.3%[63]. At the same time, exports were down for major commodities such as refined products, unwrought aluminium and products, steel products, rare earths and grains. Among major trade partners, exports were up to the USA (12.5 %), ASEAN (14.1 %), Australia (15.8 %), Taiwan (3.9 %) and South Korea (1.2 %). Sales to Japan fell 2.0 %.

- Imports continued to fell during Q2, contracting -9.7%. Volumes of industrial raw materials remained robust, with record imports of iron ore and copper, along with a sharp jump in crude oil. Among major trade partners, imports were down from Australia (-7.2 %), but increased from Taiwan (16.6 %), ASEAN (3.1 %), Japan (5.1 %), South Korea (4.8 %) and the US (3.6 %).

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. So far, China has taken steps in several areas covered by the agreement towards implementation. It has announced tariff reductions on several categories of goods, lastly on May 12, concerning semiconductor parts, medical disinfectant, chemical products and more.[64]

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[59] 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
[60] OECD (2020), "International trade statistics", https://www.oecd.org/sdd/its/International-trade-statistics-Q1-2020.pdf, last accessed on August 13th, 2020.
[61] 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
[62] 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
[63] Trading economics (2020), https://tradingeconomics.com/china/exports, last accessed on May 25, 2020
64 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 US companies, several new measures have been implemented. This includes the granting of licenses to foreign banks for conducting bank card clearing[65] and fund custody businesses[66] in China, the scrapping of foreign ownership caps for securities companies[67], and the removing of quotas on the Qualified Foreign Institutional Investor (QFII) and RMB Qualified Foreign Institutional Investor (RQFII) programs[68].

- The issue of China's purchase agreement of US goods, which has received the most attention out of all the topics covered in the deal, seems to be most severely affected by the economic downturn caused by the COVID-19 pandemic. China has agreed to increase its imports of American goods by 200 billion USD on top of the amount imported in 2017 within two years.[69] Data from the General Administration of Customs China (GACC), however, shows import levels, while having risen at the end of 2019 in preparation of the trade deal, sank significantly in the first quarter of the new year and are so far still below 2017 levels.[70]

- A study by the Peterson Institute for International Economics (PIIE) has shown that China's current imports of US goods only stand at about 55% of what they would need to be in order to reach the sums defined in the agreement.[71] In the midst of the downward spiral in the Sino-American bilateral relations, the Phase One trade agreement has now arguably become the most positive aspect of the relations between both countries. On August 25, the U.S. Trade Representative Robert Lighthizer, U.S. Treasury Secretary Steven Mnuchin and Chinese Vice Premier Liu He had a phone call to review the phase one deal. The two sides agreed to continue pushing forward the implementation of the deal.

c. *Trade in services*

- During H1, MOFCOM reported a -14.7% YoY (USD 316.3 bn) drop in trade services to total about USD 265 bn.[72] The impact of the pandemic on tourism and the weak overseas demand for Chinese intangible are depicted as major causes. Striping out the tourism sector, China's services imports and exports rose by +2.1%. Trade of knowledge-intensive services showed resilience, jumping by +9.2% YoY in H1, and accounted for 43.7% of the country's total services trade. Xian Guoyi – director-general of the ministry's department of trade in services and commercial services – announced that, despite the overall decline, China's services trade saw a largely stable trend in the first half, services exports even outperforming imports, with a services trade deficit narrowing by 46.1% YoY.

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65 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.

66 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.

67 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.

68 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.

69 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.

70 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.

71 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 August 12, 2020.

72 China Daily (2020): "Service trade deficit narrows in first half", retrieved from http://global.chin daily.com.cn/a/202008/06/WS5f2b4885a31083481725e7a9.html, last accessed on August 27, 2020.

- 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.[73] 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".[74]

3.2 Bilateral trade

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

- As of July 2020, total bilateral trade, including precious metals, amounted to CHF 17.9 bn (-10.1% YoY). Switzerland had a goods trade deficit of CHF 397.6 million with China when including precious metals such as gold. Switzerland had a trade deficit of CHF 1'182 million when excluding precious metals.[75]

- When including precious metals, exports (Swiss goods to China) decreased by -24.4% YoY and imports (Chinese goods to Switzerland) increased by +9.9 % YoY. Those results are mainly due to a staggering decrease of Switzerland's precious metals exports to China, registering a -77.2% YoY rate in the first seven month. From January to July 2019, Swiss precious metals exports were worth CHF 3.9 bn, in 2020 they are worth CHF 899 million.[76]

- When isolating precious metals, data shows that exports grew by 3.5 % YoY and imports grew by 8.6% YoY. Switzerland's main exports to China in terms of value remain chemicals and pharmaceuticals (CHF 3.7 bn; +20.9% YoY), precision instruments, clocks, watches and jewellery (CHF 1.9 bn; -11.5% YoY) and machines, appliances and electronics (CHF 1.3 bn; -10% YoY). Together with the pharmaceuticals category, paper (+31%) and metals (+15.6%), agricultural (+1.6%), stone and earth materials (+0.7%) registered positive rates YoY. All other types of goods recorded negative rates YoY. Energy carriers registered the highest negative rate YoY (-58.5%).[77]

- Switzerland's main imports from China in term of value are machines, appliances and electronics (CHF 3.5 bn; +3.5% YoY), textiles, apparel and shoes (CHF 2.3 bn; +67.8% YoY), chemicals and pharmaceuticals (CHF 791 million; -5.4% YoY), precision instruments, clocks and watches (CHF 596 million; -30% YoY). Vehicles (+22.9%) and energy carriers (+4.3%), also registered positive rates YoY. All other Chinese imports to Switzerland decreased.[78]

- 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. On the other hand, exports of final chemicals and pharmaceutical products (such as active substances and diagnostic products) – key goods to fight against the pandemic – increased.[79]

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[73] 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

[74] Ibid.

[75] All data in paragraph: FCA (2020) *"Swiss-Impex",* retrieved from https://www.gate.ezv.admin.ch/swissimpex, last accessed on August 26, 2020

[76] All data in paragraph: Ibid..

[77] All data in paragraph: Ibid.

[78] All data in paragraph: Ibid.

[79] Ibid.

- In 2019, the overall trade reached CHF 36'455 million with gold and CHF 28'286 million without gold. The overall balance was in favour of Switzerland (CHF 6'359 million with gold) but in favour of China without gold (CHF 1502 million).

- It is interesting to note that when excluding gold, the 2020 balance already reached CHF 1'182 million in favour of China while total trade reaches CHF 16'841 million. According to the current trend, total trade without gold should surpass 2019's value by 2% to 5%, but deficit should be growing by 20% to 25% if the increase in pharmaceuticals exports do not offset the sharp decline in exports of products from the two categories: precision instruments, watches, jewellery and machinery, apparatus, electronics. These three categories accounting for more than 90% of Swiss total exports to China. On the import side, the cumulated imported value of textiles from China reached in July 2020 92.8% of the 2019 yearly cumulated imported value.

- Due to the sharp decline in gold imports from mainland, total trade with gold should decrease by 20% compared to 2019 to around CHF 30'000 million, with a balance in favour of China situated under CHF 1'000 million.

- Focusing on Hong Kong, when excluding gold, from January to July 2020, overall exports fell by -44.4% with precision instruments, watches and jewellery (accounting for 68.7% of total exports) declining by - 52.8% YoY. As for Mainland China, chemicals and pharmaceuticals products exports also grew but to a lesser extent, +3.2% YoY (representing 15.2% of total exports). On the contrary, exports of machinery, apparatus, and electronics continued to grow +13.1% YoY (representing 10.3% of total exports).

- When including gold for Hong Kong, overall exports also saw an overall sharp decrease, -46.7 YoY, while imports grew +148 % YoY. Export of gold products (incl. gold plated with platinum in unwrought forms) declined by -58.2% YoY while imports grew +402.1% YoY. For the whole year 2019, Switzerland imported from Hong Kong 42'358 kg (CHF 1.6 bn) of gold. From January to July 2020, Switzerland imported 84'111 kg (CHF 4.3 bn,). On the other hand, in 2019, Switzerland exported yearly 76'301 kilos of gold to Hong Kong while, from January to July 2020, 24'429 kg were exported.

b. Trade in services

- The balance of payments (current account services) for Q1 reports that total receipts from Swiss exported services to China reached CHF 778.4 million (-6.4% YoY).[80] Telecommunications, computer and information services (CHF 151.7 million; +4.2% YoY), tourism services (CHF 140.1 million; -29.1% YoY) and licence fees (CHF 134 million; +5.6% YoY) accounted for more than the half of the total.

- Spending related to Chinese imported services topped CHF 414.3 million in Q1 (-9.3% YoY). Transport services (CHF 125.5 million; -10.9% YoY) and research and development services (CHF 117.8 million; -7.2% YoY) counted for more than a half of the total.[81]

[80] SNB (2020), "Swiss Balance of payments", retrieved from https://data.snb.ch/en , last accessed August 27 2020
[81] Ibid.

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.

- 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.[82]

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 overall downwards trajectory after a peak in 2016 at 196.15 bn USD[83], and dropped

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[82] 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.
83 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.

30% in 2017, followed by meagre growth of +0.3% to 129.8 bn USD in 2018[84] and another 6% drop in 2019 to 118 bn USD. This reduction continued in Q1 2020 with a decrease of -3.9% compared to the same time a year earlier[85].

- Whereas Chinese ODI to Europe and North America decreased significantly in 2019, by -57.1% YoY and nearly -30% YoY respectively[86], 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[87]. In particular, ASEAN nations were among the top investment destinations with an increase of +53.1% to USD $6.23 bn. According to MOFOCM, H1 2020, Chinese ODI topped USD 54.9 billion, down -4.4% YoY, and non-financial ODI amounted to USD 51.5 billion, -4.3% YoY.

c. *Inward foreign Direct Investment*

- In 2019, FDI to China rose to a new high of 138.1 bn USD (+2.4%)[88], 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.[89]

- From January to July 2020, inward foreign direct investment totalled USD 76.98 bn, up 0.5% YoY. July saw FDI in actual use reach USD 9.05 bn (+12.2% YoY), a fourth monthly increase in a row. 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.[90]

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84 Ernst & Young (2019): "Overview of China outbound investment in H1 2019", retrieved from https://www.ey.com/cn/en/newsroom/news-releases/news-2019-ey-overview-of-china-outbound-investment-in-h1, last accessed on December 5, 2019.

85 Asia & Pacific Policy society, retrieved from https://www.policyforum.net/chinas-foreign-direct-investment-flows/, last accessed on August 14, 2020

86 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.

87 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

88 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.

89 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.

90 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. <u>Chinese direct investment in Switzerland</u>

- 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.[91]

- 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.[92] 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.[93] 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).[94] The implementation of this motion means a regulatory body for foreign investment will have to be set up within 2 years.[95]

- 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.[96]

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91 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.
92 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 May 25, 2020.
93 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.
94 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.
95 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.
96 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 22.931 bn CHF (+657 mn CHF) in 2018. FDI flows were 2.946 bn CHF (-188 mn CHF).[97]

- 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.

97 SNB (2019): "Direct Investment, 2019-12-16", retrieved from https://data.snb.ch/en/topics/aube#!/cube/fdiaustlanda, last accessed on April 14, 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. SBH China has compiled a list that contains producers of the most frequently procured medical equipment in the Chinese market in the context of COVID-19. The short-list bases on extensive research on the background, products and certificates of leading companies and it has continuously been cross-referenced for accordance with General Administration of Customs (GACC) and MOFCOM export regulations. It also contains best practice guidance on procurement of medical equipment.

- In order to facilitate transportation solutions from China to Switzerland, in particular for Swiss institutions with smaller cargo capacity needs, SBH China launched a cargo pooling option in a tripartite collaboration between FRACHT AG (freight forwarding agent, contracting party) and SWISS cargo (transport). The option has allowed Swiss institutions with cargo consignments of various sizes to access chartered flight solutions by pooling cargo needs, using the full capacity of charter flights from China to Switzerland. The Swiss Embassy also decided to offer the medical equipment procurement shortlist of the SBH China to the public to maximize its impact and efficacy. Therefore, the medical equipment procurement shortlist was published on various information channels (e.g. website of Switzerland Global Enterprise/S-GE). Its usage is restricted to its stipulated purpose.

- Furthermore, the Swiss Embassy and SBH China have been proactively involved in activities analyzing 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 speaker at several webinars organized by Swisscham China and Switzerland Global Enterprise).

- 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).

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.[98] At the end of 2017, the Industrial and Commercial Bank of China (ICBC), the world's largest bank by total assets, obtained its

98 CCB (2020): "Branch Profile", retrieved from http://ch.ccb.com/zurich/en/gywm.html, last accessed on May 25, 2020.

Swiss banking license from the Swiss Financial Market Supervisory Authority (FINMA) to operate its branch in Zurich.[99] After having left Geneva in 2012, the Bank of China (BoC) showed interest to come back and plans to re-open a branch in Switzerland in 2020.[100]

- 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.[101] On May 7, 2020, investment quotas for the RQFII program were scrapped, allowing for unlimited investment amounts in the future.[102]

b. *Information and communication technologies*

- Against the backdrop of technology tensions between the USA and China, Huawei is actively encouraging companies to tailor applications for their own "App Gallery" [103]. In June 2020, the company is 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 Huawei "App Gallery".

- On the hardware side, it is unclear how American sanctions restricting Huawei from September 2020 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. [104] Meanwhile, Sunrise, which has been reliant on Huawei for the rollout of 5G, is to be bought by American company Liberty Global.

c. *Tourism, education, other services*

- In 2020, the travel restrictions linked to the pandemic severely affected tourism and other services 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

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99 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.
100 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.
101 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.
102 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.
103 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
104 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

constitute therefore the third largest tourist group in Switzerland behind Germans (3.93 million) and Americans (2.47 million).[105]

- The education and research environment in Switzerland is attractive to young Chinese citizens. 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%).[106]

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[105] 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

[106] 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 H1[2]
Distribution of GDP (%)					
Primary Sector [1]	8.6%	7.5%	7.2%	7.1%	5.7%
Secondary Sector [1]	39.8%	40.5%	40.7%	39.0%	37.8%
Tertiary Sector [1]	51.6%	51.9%	52.2%	53.9%	56.5%
Distribution of Labor (%)					
Primary Sector [1]	27.7%	27.0%	26.1%	n/a	n/a
Secondary Sector [1]	28.8%	28.1%	27.6%	n/a	n/a
Tertiary Sector [1]	43.5%	44.9%	46.3%	n/a	n/a
State Sector* [1]	8.0%	7.8%	7.3%	n/a	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 (2019), "China Statistical Yearbook 2019", retrieved from http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm, last accessed on November 25, 2019
[2]National Bureau of Statistics (2020), "Press Release", retrieved from http://www.stats.gov.cn/tjsj/sjjd/202007/t20200717_1776624.html, last accessed on August 24, 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 (USD billion) [1]	25’294	27’307	27’805
GDP per capita (USD) [1]	9’580	10'153 est.	10'338 est.
GDP growth (%) [2/3]	6.6	6.1	1.2
CPI inflation (%) [1]	2.1	2.9	3.0
Unemployment rate (% of total labor force, in urban area) [1]	3.8	3.6	4.3
Unemployment rate EIU estimation (% of total labor force) [3]	3.9	5.1	7.2
Current account balance (% of GDP) [1]	0.4	1.0	0.5
Total external debt (% of GDP) [3]	14.8	14.3	14.8
Total debt service (% of exports of goods & services) [2]	48.2	n/a	n/a
Gross reserves (in months of imports) [4]	13.4	n/a	n/a

Sources:

[1] IMF (2019), “World Economic Outlook Database April 2020”, retrieved from https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/index.aspx, last accessed on May 15, 2020.

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

[3] EIU (2019-2020), “Country Report China”, retrieved from http://www.eiu.com/index.asp?layout=displayIssue&publication_id=50001005, last accessed on May 19, 2020

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

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

Trading Partners of the People's Republic of China: Exports								
Jan - Dec 2019 Exports to Country/ Region	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**		**Jan - July 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	221.3	20.0%	-7.3%
Hong Kong	279	11.2%	-7.6%		Japan	79.3	7.2%	-3.0%
Japan	143.3	5.7%	-2.6%		South Korea	61.8	5.6%	-4.3%
South Korea	111	4.4%	2.1%		Hong Kong	137.9	12.5%	-9.3%
Vietnam	97.9	3.9%	16.7%		Taiwan, China	32.4	2.9%	7.2%
Germany	79.8	3.2%	2.9%		Germany	47.2	4.3%	2.6%
India	74.8	3.0%	-2.4%		Vietnam	57.2	5.2%	8.5%
Netherlands	74	3.0%	1.5%		Australia	27.6	2.5%	5.3%
United Kingdom	62.4	2.5%	10.4%		Malaysia	28.1	2.5%	-1.8%
Taiwan, China	55.1	2.2%	13.2%		Brazil	17.1	1.5%	-10.2%
ASEAN	359.4	14.4%	12.7%		ASEAN	198.8	18.0%	2.2%
EU	428.7	17.2%	4.9%		EU	209.2	18.9%	0.7%
EFTA	8.2	0.3%	17.0%		EFTA	87.0	7.9%	-20.0%
Iceland	0.11	0.004%	-55.0%		Iceland	55.4	5.0%	-20.8%
Liechtenstein	0.053	0.002%	2.4%		Liechtenstein	26.5	2.4%	-14.4%
Norway	3.45	0.1%	30.1%		Norway	2.1	0.2%	-5.5%
Switzerland	4.546	0.2%	13.2%		Switzerland	3.0	0.3%	19.3%
Total	**2'499.03**	**100%**	**0.5%**		**Total**	**1106.2**	**100%**	**-5.7%**

Source: China's Custom Statistics December, 2019 / August, 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 - July 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	67.7	6.1%	-3.5%
Taiwan	173	8.3%	-0.6%	Japan	95.0	8.6%	-1.5%
Japan	171.8	8.3%	-4.9%	South Korea	94.6	8.5%	-4.6%
China*	129.8	6.2%	-11.2%	Hong Kong	3.5	0.3%	-33.6%
United States	122.7	5.9%	-20.9%	Taiwan, China	102.5	9.3%	9.1%
Australia	121.4	5.8%	14.8%	Germany	54.0	4.9%	-11.5%
Germany	105.1	5.1%	-1.1%	Vietnam	38.0	3.4%	25.1%
Brazil	79.8	3.8%	2.9%	Australia	66.9	6.0%	-4.4%
Malaysia	71.8	3.5%	13.6%	Malaysia	40.3	3.6%	2.5%
Vietnam	64.1	3.1%	0.3%	Brazil	45.8	4.1%	2.8%
ASEAN	282	13.6%	5%	ASEAN	158.0	14.3%	4.3%
EU	276.6	13.3%	1.1%	EU	133.5	12.1%	-8.5%
EFTA	31.4	1.5%	-25.6%	EFTA	130.3	11.8%	-19.0%
Iceland	0.143	0.007%	-13.9%	Iceland	56.7	5.1%	-17.0%
Liechtenstein	0.131	0.006%	5.2%	Lichtenstein	59.6	5.4%	-21.7%
Norway	3.9	0.19%	14%	Norway	4.6	0.4%	137.8%
Switzerland	27.262	1.31%	-29.2%	Switzerland	9.4	0.8%	-35.7%
Total	2'077.10	100%	-2.7%	Total	1106.2	100%	-5.7%

*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 / August 26, 2020

Annex 4: Bilateral Trade Switzerland–China

Bilateral Trade Switzerland - P.R. China (Mainland), Jan - Dec 2019 / Jan - July 2020											
	Class of goods	**Import in Mio. CHF**		**Import**		**Export in Mio. CHF**		**Export**		**Trade balance**	
		Jan - Dec 2019	**Jan - July 2020**	**∆ in %**	**share %**	**Jan - Dec 2019**	**Jan - July 2020**	**∆ in %**	**share %**	**Jan - Dec 2019**	**Jan - July 2020**
1	Agricultural products	163	94.4	-3.3%	1.0%	182	116.9	1.6%	1.5%	19	22.6
2	Energy carriers	18	9.8	4.3%	0.1%	35	8.2	-58.5%	0.1%	17	-1.6
3	Textiles, apparel, shoes	2'548	2'364.9	67.8%	26.2%	177	86.9	-14.6%	1.1%	-2’371	-2’278.0
4	Paper, paper products, printed matter	109	53.8	-9.7%	0.6%	36	19.4	31.1%	0.2%	-73	-34.4
5	Leather, rubber, plastics	623	345.8	-7.5%	3.8%	153	84.6	-1.8%	1.1%	-470	-261.2
6	Chemicals, pharmaceuticals	1'399	791.6	-5.4%	8.8%	5'579	3'771.6	20.9%	48.2%	4’180	2’980.0
7	Stone and Earth materials	161	83.2	-6.2%	0.9%	66	35.6	0.7%	0.5%	-95	-47.6
8	Metals and metal products	733	400.0	-10.9%	4.4%	543	353.6	15.6%	4.5%	-190	-46.4
9	Machinery, apparatus, electronics	6'195	3'545.7	3.5%	39.3%	2'473	1'316.7	-10.1%	16.8%	-3’722	-2’229.0
10	Vehicles	218	162.1	22.9%	1.8%	130	43.8	-13.2%	0.6%	-88	-118.3
11	Precision instruments, watches, jewellery	1'695	596.6	-30.0%	6.6%	3'954	1'978.4	-11.5%	25.3%	2’259	1’381.9
12	Div. Goods, musical instrument, furniture, toys, etc	1'029	564.1	-0.6%	6.3%	34	13.7	-14.2%	0.2%	-995	-550.4
	Total (excl. gold)	**14'894**	**9'011.9**	**8.6%**	**100%**	**13'392**	**7'829.4**	**3.5%**	**100%**	**-1502**	**-1'182.5**
	Total (incl. gold)	**15'048**	**9'153.7**	**9.9%**	**100%**	**21'407**	**8'756.2**	**-24.4%**	**100%**	**6’359**	**-397.6**

Bilateral Trade Switzerland - Hongkong, Jan - Dec 2019 / Jan - July 2020											
	Class of goods	**Import in Mio. CHF**		**Import**		**Export in Mio. CHF**		**Export**		**Trade balance**	
		Jan - Dec 2019	**Jan - July 2020**	**∆ in %**	**share %**	**Jan - Dec 2019**	**Jan - July 2020**	**∆ in %**	**share %**	**Jan - Dec 2019**	**Jan - July 2020**
1	Agricultural products	2	1.55	128.0%	0.2%	92	33.87	-42.5%	1.8%	90	32.32
2	Energy carriers	0	0.00	-87.5%	0.0%	0	0.07	-52.2%	0.0%	0	0.07
3	Textiles, apparel, shoes	29	26.05	43.9%	3.0%	77	26.24	-44.9%	1.4%	48	0.18
4	Paper, paper products, printed matter	2	1.25	24.1%	0.1%	8	2.83	-40.2%	0.1%	6	1.58
5	Leather, rubber, plastics	10	6.35	35.7%	0.7%	51	14.89	-55.9%	0.8%	41	8.54
6	Chemicals, pharmaceuticals	4	3.70	25.9%	0.4%	467	289.72	3.2%	15.2%	463	286.02
7	Stone and Earth materials	2	0.63	-27.8%	0.1%	5	1.45	-54.0%	0.1%	3	0.81
8	Metals and metal products	10	3.98	-27.0%	0.5%	60	26.63	-28.4%	1.4%	50	22.65
9	Machinery, apparatus, electronics	99	45.46	-15.6%	5.2%	302	197.49	13.1%	10.3%	20	152.03
10	Vehicles	2	1.20	14.3%	0.1%	16	2.03	-69.8%	0.1%	14	0.83
11	Precision instruments, watches, jewellery	1'126	785.17	13.2%	89.3%	4429	1'312.51	-52.8%	68.7%	3303	527.34
12	Div. Goods, musical instrument, furniture, toys, etc	10	3.85	-30.8%	0.4%	12	3.78	-49.6%	0.2%	2.0	-0.07
	Total (excl. gold)	**1'296**	**879.21**	**11.6%**	**100%**	**5'524**	**1'911.50**	**-44.4%**	**100%**	**4'228**	**1'032.30**
	Total (incl. gold)	**4'303**	**5'311.87**	**148.0%**	**100%**	**9'904**	**3'519.51**	**-46.7%**	**100%**	**5'601**	**-1'792.36**

Bilateral Trade Switzerland - P.R. China incl. Hongkong, Jan - Dec 2019 / Jan - July 2020								
	Import in Mio. CHF		**Import**	**Export in Mio. CHF**		**Export**		**Trade balance**	
	Jan - Dec 2019	**Jan - July 2020**	**∆ in %**	**Jan - Dec 2019**	**Jan - July 2020**	**∆ in %**	**share %**	**Jan - Dec 2019**	**Jan - July 2020**
Total (incl. gold)	**18'849**	**14'466**	**38.2%**	**31'311**	**12'276**	**-32.5%**	**100%**	**12'462**	**-2'190**

Source: Swiss Federal Customs Administration – FCA (2020), "Swiss-Impex Database" retrieved from https://www.gate.ezv.admin.ch/swissimpex/index.xhtml, last accessed on August 26, 2020

Annex 5: Chinese Inward and Outward FDI

China: Foreign Direct Investment Inward 2018					Jan - Oct 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	79'700	71.94%	6.76%
2	Singapore	5'340	3.98%	10.56%	2	Singapore	5'520	4.98%	26.03%
3	Taiwan, China	5'030	3.75%	6.34%	3	South Korea	5'040	4.55%	20.57%
4	South Korea	4'670	3.48%	26.56%	4	Taiwan, China	3'520	3.18%	-18.71%
5	United Kingdom	3'890	2.9%	159.33%	5	Japan	3'330	3.01%	-2.92%
6	Japan	3'810	2.84%	16.51%	6	United States	2'700	2.44%	-10.60%
7	Germany	3'680	2.74%	138.96%	7	United Kingdom	2'030	1.83%	-41.33%
8	United States	3'450	2.57%	10.22%	8	Macao, China	1'500	1.35%	54.64%
9	Netherlands	1'290	0.96%	-40.55%	9	Germany	1'440	1.30%	-47.64%
10	Macao, China	1'290	0.96%	-	10	Netherlands	1'030	0.93%	-1.90%
Total		134'097	100.0%	-0.67%	Total		110'780	100.0%	2.90%

China: Foreign Direct Investment Outward 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, CN	91'153	57.59%	-19.30%	1	Hong Kong, CN	86'869	60.73%	-4.70%
2	British Virgin Isl.	19'301	12.19%	-20.20%	2	United States	7'477	5.23%	16.38%
3	United States	6'425	4.06%	57.07%	3	Russia	7'252	5.07%	368.49%
4	Singapore	6'320	3.99%	-62.16%	4	British Virg. Isl.	7'150	5.00%	-62.96%
5	Australia	4'242	2.68%	99.25%	5	Singapore	6'411	4.48%	1.44%
6	Germany	2'716	1.72%	1.32%	6	Canada	5'473	3.83%	1605.93%
7	United Kingdom	2'066	1.31%	14.09%	7	Australia	1'986	1.39%	-53.18%
8	Indonesia	1'682	1.06%	39.56%	8	Indonesia	1'865	1.30%	10.87%
9	Russia	1'548	0.98%	15.14%	9	Cayman Isl.	1'564	1.09%	-123.67%
10	Thailand	1'058	0.67%	19.72%	10	Germany	1'468	1.03%	-45.95%
Total		158'288	100.0%	-19.30%			143'037	100.0%	-9.63%

Source: Department of Foreign Investment Administration (2019), "Invest in China", retrieved from http://www.fdi.gov.cn/1800000121_10000177_8.html, last accessed on August 26, 2020