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

Swiss representation: Beijing
Country: P.R. China

Our Ref: 500.0-1 BZD / FUI / HOI / MFD / MOY / SIZ
Last Update: **June 2018**

China 2018 Economic Report

Executive Summary

- China's **economic rebalancing** from stimulus and exports towards a more services, consumer demand and innovation-driven economy is increasingly underpinning GDP growth.

- Following a period of stabilization, in 2017, China's economy expanded by +6.9% YoY, seeing its first **acceleration in annual GDP** growth since 2010.

- Improved external demand, reviving domestic consumption and rebounding manufacturing investment point to a more **broad-based recovery** in 2017, while growth steadiness was maintained in 1Q2018.

- The target growth rate of around +6.5% YoY remains achievable and allows for deeper structural reforms as **regulatory tightening** to mitigate environmental and financial risks remain drags on growth.

- The **2018 National People's Congress** unveiled wide restructuration including the merger of the banking and insurance regulators & formation of a new State Market Supervision Administration.

- A step towards the **opening of the financial sector** shows that reforms conducive to foreign companies remain on the agenda. New rules for securities companies were published on May 1, 2018.

- **Chinese foreign trade** recovered sharply in 2017 (+11.4% YoY), the recovery extending into 1Q2018 (+16.3%, YTD, YoY) amidst a more benign external environment and stronger internal demand.

- Total **bilateral trade** in goods decreased by 5.1% YoY in 2017 but increased again by 45.9% YoY in 1Q2018, while the trade balance continued to be positive for Switzerland during both periods.

- Chinese non-financial **outward direct investment** decreased by 29.4% YoY in 2017 amid the implementation of pertinent capital control measures and curbs on overseas investment.

- Meanwhile, non-financial **inward foreign direct investment** in China increased by 7.9% YoY in 2017, reaching an all-time high of USD 135 billion.

- A survey in 2017 revealed that the **investment appetite of Swiss companies** is still considerable and growing: 61% of Swiss companies (up 4 ppt from 2016) planned to increase their investment in China.

Abbreviations

ABC	Agricultural Bank of China
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
APAC	Asia-Pacific region
APEC	Asia-Pacific Economic Cooperation
AQSIQ	General Administration of Quality Supervision, Inspection and Quarantine
ASEAN	Association of Southeast Asian Nations
BoC	Bank of China
BRI	Belt and Road Initiative
CBRC	China Banking Regulatory Commission
CCB	China Construction Bank
CEIBS	China Europe International Business School
CFDA	China Food and Drug Administration
CHF	Swiss franc
CIIE	China International Import Expo
CIRC	China Insurance Regulatory Commission
COFCO	China National Cereals, Oils and Foodstuffs Corporation
CPC	Communist Party of China
CSRC	China Securities Regulatory Commission
CSSTA	Cross-Strait Services Trade Agreement
DSB	Dispute Settlement Body (of the WTO)
FCA	Federal Customs Administration
FDF	Federal Department of Finance
FDI	Foreign direct investment
FINMA	Swiss Financial Market Supervisory Authority
FSDC	Financial Stability and Development Commission
FTA	Free trade agreement
FTAAP	Free Trade Area of the Asia-Pacific
GACC	General Administration of Customs
GDP	Gross domestic product
GFC	Global Financial Crisis
HNA	Hainan Airlines
ICBC	Industrial and Commercial Bank of China
ICT	Information and communications technology
IMF	International Monetary Fund
IOC	International Olympic Committee
IPR	Intellectual property rights
JV	Joint venture
LGFV	Local government financial vehicles
M&A	Mergers and acquisitions
MEP	Ministry of Environmental Protection
MFA	Ministry of Foreign Affairs
MoF	Ministry of Finance
MOFCOM	Ministry of Commerce
MoU	Memorandum of Understanding
NBS	National Bureau of Statistics
NDRC	National Development and Reform Commission
NPC	National People's Congress
ODI	Outward direct investment
OECD	Organisation for Economic Co-operation and Development
PBoC	People's Bank of China
PRC	People's Republic of China
RCEP	Regional Comprehensive Partnership Agreement
R&D	Research and development
RMB	Renminbi
ROK	Republic of Korea
RQFII	RMB Qualified Foreign Institutional Investor
SAIC	State Administration for Industry and Commerce
SAMR	State Administration for Market Regulation
SAR	Special Administrative Region
SBH	Swiss Business Hub
SECO	State Secretariat for Economic Affairs
S-GE	Switzerland Global Enterprise
Sinopec	China Petroleum & Chemical Corporation
SIPO	State Intellectual Property Office
SME	Small and medium-sized enterprises
SNB	Swiss National Bank
TBT/SPS	Technical Barriers to Trade/Sanitary and Phytosanitary Measures
TPP	Trans-Pacific Partnership
USD	U.S. dollar
VAT	Value-added tax
WTO	World Trade Organization
YoY	Year-on-year
YTD	Year-to-date

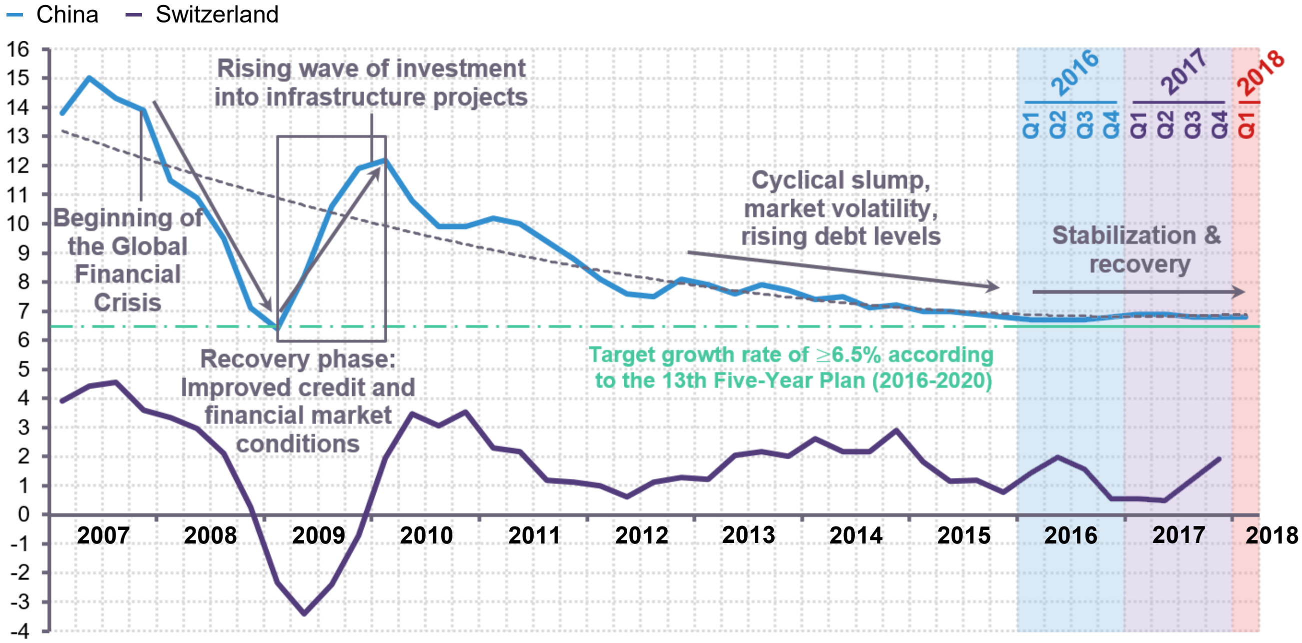
1 Economic Overview

1.1 Macroeconomic situation

Following a period of stabilization, in 2017, the Chinese[1] economy saw its first acceleration in annual GDP growth (**+6.9%** YoY, up 0.2 ppt from 2016) since 2010. As in the previous year, the tertiary sector (**+8.0%**, +0.2 ppt) led growth, followed by the secondary (**+6.1%**, unch) and primary industries (**+3.9%**, +0.6 ppt).

As shown in the line chart below, quarterly GDP growth quickened to +6.9% YoY at the beginning of 2017 before dropping a notch again in Q3 as fixed asset investment slipped on the back of housing and liquidity tightening as well as tougher environmental regulations, steadily remaining at +6.8% ever since.

Average quarterly GDP growth, 2007–2018 [real, YoY%]



Source: NBS, SECO

While infrastructure and property investment were the key drivers of the stabilization in 2016, rebounding manufacturing investment, considerably improved external demand and reviving domestic consumption point to a more broad-based recovery in 2017. That said, according to ADB, internal demand now has a stronger positive impact on growth than exports,[2] which looks like a more sustained development as China's growing middle class continues to provide a strong tailwind to domestic consumption.

Entering 2018, in Q1, growth steadiness was significantly supported by consumption (online retail sales and delivery services, for instance, each growing by over 30%) and manufacturing, specifically in the high-tech "strategic" emerging industries (+9.6%). The target growth rate (~6.5%) still looks easily within reach.

All in all, the economy remains vibrant with solid growth momentum. The desired rebalancing from stimulus and exports towards a more services, consumer demand and innovation-driven economy under the so-called "New Normal" of slower but "higher quality" growth is increasingly underpinning GDP expansion.

Nevertheless, supply-side structural reforms as well as regulatory tightening to mitigate environmental and financial risks elucidated in Chapters 1.3 and 1.4 remain definite drags on growth. And while deleveraging measures may lead to a stabilization of China's debt pile this year,[3] it remains considerable. External uncertainty risks including trade frictions with the U.S. persist and real estate activity continues to show significant variations nationwide, although property market prudential measures have so far tamed volatility.

[1] Unless explicitly stated otherwise, Chinese economic measures and policies mentioned in this report pertain to those of the Mainland of China.
[2] ADB (2017), *Asian Development Outlook 2017: Transcending the Middle-Income Challenge* (Manila: Asian Development Bank)
[3] Bloomberg News (2018), 'China's alarming Debt Pile could finally stabilize this Year', *Bloomberg*, 3 April, at https://www.bloomberg.com/news/articles/2018-04-03/china-s-alarming-debt-pile-seen-finally-stabilizing-this-year, accessed on 25 May 2018

1.2 National People's Congress (March 5-20, 2018)

The National People's Congress (NPC) begins every year with the presentation of the Government Work Report by the Premier. This year, Premier Li Keqiang emphasized the three tough battles of 2018 (risks, poverty and pollution) and presented the objectives for the year to come. The growth target was set to around +6.5% YoY (compared to previous years when it was "6.5% or better if possible") and the budgetary deficit is set to be reduced to 2.6% of GDP (compared to 3% previously). Moreover, Premier Li announced VAT cuts of RMB 800 billion in order to boost the competitiveness of the Chinese private sector.

In addition to various numerical targets, the NPC unveiled appointments of senior officials such as Yi Gang as People's Bank of China (PBoC) Governor and Liu He as Vice-Premier as well as an impressive restructuration plan. This plan includes the merger of the China Banking Regulatory Commission (CBRC) with the China Insurance Regulatory Commission (CIRC) and a reorganization of authorities supervising the financial sector. The Financial Stability and Development Commission (FSDC), created in the summer of 2017, will play the coordinating role and oversee PBoC, which will take care of macro-prudential supervision and the draft of regulations while the regulatory commissions will be tasked with execution.

The wide restructuration saw the dissolution and creation of various ministries such as the Ministry of Agriculture, which became the Ministry of Agriculture and Rural Affairs. The National Development and Reform Commission (NDRC) lost many of its functions to other ministries. Restructuration aside, a number of new administrations and agencies are being set up including the State Administration for Market Regulation (SAMR). The SAMR will take over the duties of the State Administration for Industry and Commerce (SAIC), the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) and the China Food and Drug Administration (CFDA). The State Intellectual Property Office (SIPO) received an extended portfolio with responsibilities for trademarks and geographical indicators and will be under the umbrella of the SAMR. However, restructuration will take time to unfold and many details remain to be clarified.

Restructuring will also see the assimilation of the antitrust and price supervision functions of certain regulators, including:

- Anti-monopoly and Anti-unfair Competition Enforcement Bureau of the SAIC (as part of the aforementioned broader absorption of the SAIC into the SAMR),
- Price Supervision and Anti-monopoly Bureau of the NDRC,
- Anti-monopoly Bureau of the Ministry of Commerce (MOFCOM), and
- Anti-monopoly Commission of the State Council.

1.3 Structural economic reforms

In a centrally structured governance system, understanding the key ideological concepts that define regulatory changes is crucial. While Deng Xiaoping enabled China to leap forward economically, President Xi Jinping's "New Era" aims at making growth sustainable and innovation-driven in order to build a "Beautiful China" and to realize the "China Dream" of "National Rejuvenation".

The 13th Five-Year Plan adopted in 2016 mandated that China becomes a "moderately prosperous society" (*xiaokang*) and doubles its real GDP between 2010 and 2020. President Xi's revised reform agenda of his second term presses ahead with these targets, without significantly shifting policy direction. It redefines China's "principal contradiction" however, a key ideological concept that shapes China's approach to economic growth and the way policies are implemented – by aligning green development, environmental protection, industrialization, technological innovation, modern finance, social welfare, health care and urbanization with the real economy.

Financial sector

Deleveraging and reducing financial risks has become a key priority for national policy makers, as unregulated or uncontrolled market activities have become a systemic risk to China's real economy. These include "zombie enterprises", shadow banking, uncontrolled money lending practices and corruption. Financial sector reforms have accelerated with a focus on establishing a sound financial regulatory system, a multi-tiered capital market, twin-pillar regulatory policy framework (monetary policy and macro-prudential regulation), deepening interest rate and exchange rate marketization reforms as well as promoting good corporate governance among domestic firms.

As domestic regulations tighten, the market has started to gradually open up to foreign players.[4] In November 2017, PBoC announced “both preemptive and reactive” measures to deal with “the causes and symptoms” of financial risks. Only a few days later the Ministry of Finance (MoF) announced long-awaited ownership rules for foreign financial institutions:

- Foreign securities and fund management companies will be allowed to raise their stakes to 51% in three years, before the cap is removed altogether.
- The existing 20% and 25% caps respectively for single and total foreign bank ownership were scrapped with immediate effect.
- Life insurance companies will see their current foreign ownership cap raised to 51% in three years and completely removed after five years.

More recently, on April 10, at the Boao Forum for Asia in Hainan, PBoC Governor Yi Gang announced that pertinent measures would be taken from June 2018. At the end of April 2018, the China Securities Regulatory Commission (CSRC) published the new rules for securities companies and, on May 1, UBS was the first international financial institution to apply for a majority stake in its securities joint venture. In addition, a negative list announced last year for foreign investors would be adopted.

Chinese authorities regard the increased participation of foreign financial companies in the market as an important impetus, providing a much-needed boost to FDI flows, driving competitiveness, and promoting good corporate governance as well as risk management principles, without posing a significant threat to the dominant state-owned financial institutions.

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

Innovation, technology and ICT

During the 19th Congress of the CPC, the Party constitution was amended to include the aim of becoming a “world-class science and technology country”, building on previous strategic initiatives such as “Made in China 2025” (2015) and the “Next Generation Artificial Intelligence Development Plan” (2017). Innovation in strategic sectors is seen as the strategic foundation for the modernization of China’s economy and closely integrates cyber, artificial intelligence and big data across multiple sectors in the real economy.

This will have important and sometimes conflicting implications for foreign companies. The government has stepped up policies that favor “strategic” domestic technology players operating in advanced information technology, energy saving, power equipment, new materials, medicine, medical devices, agricultural machinery, robotics, railway equipment, aviation or new energy vehicles, *inter alia*. This is accompanied by increased regulatory control of foreign firms and indirectly enhancing technology transfers, such as requiring foreign firms to localize data storage under the umbrella of the Cybersecurity Law. Despite an overall increase in R&D and JV opportunities, this regulatory environment has discouraged new foreign companies from entering the Chinese market and compelled those already present to self-limit innovation capabilities to mitigate risks.[5]

Environment & Clean Tech

President Xi’s vision of a “Beautiful China” and an “Ecological Civilization” by 2035 aims at aligning economic development with environmental protection and societal health. Important regulatory shifts, stricter enforcement and institutional changes will have important implications for both domestic and foreign businesses.

These include a significant strengthening of the authority of the Ministry of Environmental Protection (MEP), and the inclusion of stringent environmental targets in five-year plans that no longer place GDP growth

[4] Bloomberg (2017), ‘China makes historic Move to open Market for Financial Firms ‘, *Bloomberg*, 10 November, at https://www.bloomberg.com/news/articles/2017-11-10/china-to-allow-foreign-firms-to-own-51-of-securities-ventures, accessed on 14 December 2017
[5] APCO (2017), *Doing Business in China’s New Era: Industry Implications of China’s 19th National Congress of the Communist Party of China* (Beijing: APCO Worldwide)

targets above all else. Predominantly focusing on curbing air pollution, the authorities are also attempting to reduce water and soil pollution, scrutinizing waste management and shutting down heavy industry to prevent “pollution relocation”, leading to business disruption and disinvestment.[6]

Business opportunities have emerged for foreign companies that offer commercial solutions to meet environmental targets, such as in the area of clean tech and low carbon, green building technologies, energy efficiency, green finance, environmental protection, waste and water management, transport infrastructure and urban planning.

Health Care

Health care has become a key priority of the government in light of a fast aging population without the necessary young workforce to buoy increasing health costs. There is also increasing societal pressure on the government to improve the quality, reliability and equal accessibility of healthcare services. The prevalent focus on economic growth over previous decades has led to a significantly underdeveloped healthcare sector that lacks a consistent regulatory framework for pharmaceuticals, hospitals, nursing care and other health-related industries.[7]

The government published its first national-level strategic health and wellbeing strategy, “Healthy China 2030” in October 2016. These plans aims to offer basic healthcare services to all 1.3 billion Chinese citizens by 2020. It also promotes the development of the healthcare sector in the medium and long-terms, and paves the way for fundamental regulatory changes that will promote market access and innovation within the sector.[8]

The State Council’s “Opinions on Deepening Reform of Review and Evaluation Mechanisms to Further Encourage Drug and Medical Device Innovation” of October 2017 speeds up the approval process for foreign medical devices and pharmaceuticals, in particular those that address urgent clinical needs and support innovation in the health care sector. In addition, CFDA has proposed a de-regulation of clinical trial requirements to accelerate market entry for drugs approved abroad, in order to enable Chinese patients to access modern therapies.[9]

The long anticipated regulatory changes have significantly opened the operating space for foreign companies in the healthcare sector. These positive developments stand in contrast to the government’s increasingly explicit support of domestic players, such as in the area of protectionist “buy in China” local procurement policies, preferential R&D programs, or cross-border data transfer regulations.

1.4 Implications of recent changes in fiscal policy

Overall, China’s debt (corporate debt included) is estimated to have exceeded 242% of GDP.[10] It has risen substantially since China’s deployment of fiscal stimulus in the aftermath of the Global Financial Crisis (GFC). Local government debt, in particular, has risen quite rapidly during the same period.

According to MoF, central government debt amounted to 37% of GDP in 2016. If, based on IMF estimates, local government financial vehicles (LGFV) are added, total government debt stands at 62% of GDP. Excluding LGFV, household and corporate debt stand at 44% and 157%, respectively.

China completed a major reform of its taxation system on May 1, 2016. Ever since, the country has been taxing all businesses based on a VAT. Previously, VAT had only been imposed on tangible goods while services had been subject to a business tax. China had already gradually replaced the business tax with a VAT since 2012.

[6] Srinivas Raman (2017), ‘China’s Pollution Crackdown and its Impact on Business’, *China Briefing*, 11 December, at http://www.china-briefing.com/news/2017/12/11/chinas-pollution-crackdown-business-impacts.html, accessed on 14 December 2017

[7] Frederick Robinson & Lynn Yang (2015), ‘China new Healthcare Reform 2020’, *Norton Rose Fulbright*, May, at http://www.nortonrosefulbright.com/knowledge/publications/128859/china-new-healthcare-reform-2020, accessed on 14 December 2017

[8] WHO (2016), ‘Healthy China 2030 (from Vision to Action)’, *World Health Organization*, at http://www.who.int/healthpromotion/conferences/9gchp/healthy-china/en, accessed on 14 December 2017

[9] CMS Law Now (2017), ‘Significant Reform to encourage the Innovation of Drugs and Medical Devices’, *CMS Law Now,* 19 October, at http://www.cms-lawnow.com/ealerts/2017/10/significant-reform-to-encourage-the-innovation-of-drugs-and-medical-devices, accessed on 14 December 2017

[10] IMF (2017), ‘People’s Republic of China: Staff Report for the 2017 Article IV Consultation’, *International Monetary Fund*, 8 August, at http://www.imf.org/en/countries/chn?selectedfilters=Article%20IV%20Staff%20Reports#whatsnewhttp://www.imf.org/external/pubs/ft/scr/2016/cr16270.pdf, accessed on 21 November 2017

As mentioned earlier, during the NPC in March 2018, Premier Li announced VAT cuts in the order of RMB 800 billion for businesses and individuals. The move is expected to make Chinese firms more competitive and boost the economy against the background of American tax reform plans signed into law by U.S. President Donald Trump on December 22, 2017.[11] The first phase started on May 1, 2018, as the manufacturing sector saw its tax rate reduced from 17% to 16% while the transport, construction, telecommunication and agricultural sectors faced a reduction from 11% to 10%. Those small cuts will enable savings worth RMB 400 billion. The second phase of the plan has yet to be announced.[12]

A consumption tax (in the form of an excise tax) has followed VAT reform, adding luxury cars to the taxable items from December 2016 onwards and refined fuel since March 2018 for fuel dealers and producers.[13] Reforms seem to gather momentum. In his first public speech at the China Development Forum 2018, newly appointed Finance Minister Liu Kun vowed to push ahead financial reforms.[14]

Internationally, China is increasingly engaged in tax cooperation, for example, by joining multilateral efforts to tackle tax avoidance and evasion. In June 2016, the commissioner of the State Administration of Taxation, Wang Jun, signed an agreement on the exchange of country-by-country reports by multinationals on the occasion of the 10th meeting of the Organisation for Economic Co-operation and Development (OECD) Forum on Tax Administration in Beijing. China committed to its first exchange of information for tax purposes by 2018.

In December 2016, the Swiss Federal Department of Finance (FDF) initiated a consultation with China and a series of other countries on the introduction of the automatic exchange of information in tax matters. On June 16, 2017, the Swiss Federal Council adopted the dispatch on the introduction of the automatic exchange of financial account information. Implementation started in 2018, and the first sets of data should be exchanged in 2019.[15]

2 International and Regional Economic Agreements

2.1. China's policy and priorities

China and the World Trade Organization
Since its accession to the World Trade Organization (WTO), China remains in the category of developing countries. In spite of its tremendous economic development, the country continues to benefit from associated, differential treatment provisions contained in WTO Agreements. Since becoming a member, China has actively participated in the daily operation of the WTO, respected the rulings of the Dispute Settlement Body (DSB) and proactively performed transparency obligations.

Since the outbreak of the GFC, China has supported the WTO in launching the monitoring and surveillance mechanism of trade measures, playing a crucial role in curbing protectionism. As of May 2018, 40 cases of violations of WTO rules had been filed against China before the DSB, mainly for illegally restricting access to its domestic market through anti-dumping duties or for granting illegal subsidies to its domestic industry.[16] Yet, China has experienced far less complaints than the U.S. (141)[17] or EU (84).[18] In December 2016, China launched dispute-resolution procedures against the EU and U.S. over their reluctance to treat it as a market economy under WTO rules. Under the terms of China's accession to the WTO in 2001, during the first 15

[11] David Floyd (2018), 'Trump's Tax Reform Plan', *Investopedia*, 12 January, at https://www.investopedia.com/news/trumps-tax-reform-what-can-be-done, accessed on 26 April 2018
[12] Xinhua (2018), 'China to roll out new Tax Cuts to boost high-quality Development', *Xinhuanet*, 28 March, at http://www.xinhuanet.com/english/2018-03/28/c_137072650.htm, accessed on 25 April 2018
[13] Chen Aizhu & Florence Tan (2018), 'China's Fuel Blenders, independent Refiners to feel the Squeeze from new Tax Rules', *Reuters*, January 17, at https://www.reuters.com/article/china-tax-oil/chinas-fuel-blenders-independent-refiners-to-feel-the-squeeze-from-new-tax-rules-idUSL3N1PA3HN, accessed on 28 May 2018
[14] Reuters Staff (2018), 'China's new Finance Minister says some Tax Changes coming', *Reuters*, 25 March, at https://www.reuters.com/article/us-china-forum-finance/chinas-new-finance-minister-says-some-tax-changes-coming-idUSKBN1H103G, accessed on 28 May 2018
[15] FDF (2017), 'Federal Council adopts Dispatch on Automatic Exchange of Information with 41 States and Territories', *State Secretariat for International Financial Matters*, 16 June, at https://www.sif.admin.ch/sif/en/home/dokumentation/medienmitteilungen/medienmitteilungen.msg-id-67079.html, accessed on 20 June 2017
[16] WTO (2018), 'Member Information: China and the WTO', *World Trade Organization*, at https://www.wto.org/english/thewto_e/countries_e/china_e.htm, accessed on 26 May 2018
[17] WTO (2018), 'Member Information: United States of America and the WTO', *World Trade Organization*, at https://www.wto.org/english/thewto_e/countries_e/usa_e.htm, accessed on 26 May 2018
[18] WTO (2018), 'Member Information: The European Union and the WTO', *World Trade Organization*, at https://www.wto.org/english/thewto_e/countries_e/european_communities_e.htm, accessed on 26 May 2018

years, WTO members were allowed to consider antidumping cases against China, as it was not yet recognized as a market economy. This period ended on December 11, 2016. Nonetheless, the U.S. and EU have opted not to embrace the change.[19]

FTAAP and RCEP versus TPP

The APAC trade policy architecture not only resembles a bowl of noodles,[20] encompassing over 100 free trade agreement (FTA) projects, of which almost three-quarters have been signed or entered into force, but also constitutes the world's most dynamic FTA activity zone.[21] A race between the PRC-led Regional Comprehensive Partnership Agreement (RCEP) and Free Trade Area of the Asia-Pacific (FTAAP) on one side and previously U.S.-led Trans-Pacific Partnership (TPP) on the other has dominated the transpacific trade policy architecture of the past years.

With the election of Mr. Trump in the U.S., the TPP's prospects have deteriorated but not vanished entirely. On January 23, 2017, President Trump fulfilled one of his campaign pledges by signing an executive order to withdraw the U.S. from the TPP, preventing the deal to take effect on the basis of the text drafted under the previous U.S. administration. Even if market access to the U.S. had been a key reason for many states to join the TPP, the trade ministers of the 11 remaining TPP countries have been renegotiating the deal and reached a partial agreement on core elements of the deal on November 11, 2017 in Da Nang on the margins of the Asia-Pacific Economic Cooperation (APEC) summit.[22]

The U.S. pullout has created new opportunities for China to take a leading role in negotiations of future trade deals and position itself as an advocate of new multilateral trade arrangements in the transpacific space. During the 21st APEC summit, the 2017 annual meeting of the World Economic Forum in Davos, Switzerland and the 2018 Boao Forum for Asia in Hainan, President Xi proactively promoted free trade and globalization. President Xi has also seized the opportunity to focus more strongly on the RCEP and the FTAAP. In the event that the Trump Administration pursues a more protectionist approach towards Asia, more countries in the region will likely turn to Chinese trade initiatives, in order to sustain their own economic growth.

The RCEP, like the TPP, is a comprehensive trade agreement to broaden economic integration in the Asia-Pacific region, but its level of ambition is much lower and scope significantly narrower. RCEP aims at reducing tariffs on supply chains, liberalizing investment, promoting SMEs and introducing dispute-resolution mechanisms. Unlike the TPP, however, it does not require members to protect labor rights or improve environmental standards. The deal would cover almost half the world's population and between 30-40% of global trade.[23] During the last RCEP summit on November 14, 2017 in Manila, the 16 prospective member states of the RCEP accelerated efforts to enhance implementation and to finalize the agreement by the APEC summit in Singapore in November 2018.

APEC first proposed the establishment of FTAAP in Hanoi in 2006. Talks have only progressed slowly, but APEC's recently published collective strategic study on the realization of the FTAAP suggests that groundwork for the realization of the FTAAP has been advanced and that the agreement could be a major instrument for the promotion of regional economic integration. Meanwhile, the report also highlighted that significant barriers to trade and investment persist and require further talks.[24]

China's FTA network[25]

China[26] has concluded numerous bilateral FTAs, including with Georgia (2018)[27], the Maldives (2017), Australia (2015), the Republic of Korea (ROK) (2015), Switzerland (2014), Iceland (2014), Costa Rica (2011),

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[19] Shawn Donnan, Lucy Hornby & Arthur Beesley (2016): 'China challenges EU and US over Market Economy Status', *Financial Times*, 12 December, at https://www.ft.com/content/6af8da62-bf5d-11e6-9bca-2b93a6856354, accessed on 14 December 2016

[20] That is, a plethora of overlapping agreements that add complexity and confusion.

[21] Christopher M. Dent (2013), 'FTA in the Asia-Pacific: Going Around Circles?', *The Evian Group@IMD Expert Perspectives*, at http://www.imd.org/uupload/IMD.WebSite/EvianGroup/Web/982/Free%20Trade%20Agreements%20in%20the%20Asia.pdf, accessed on 6 December 2015

[22] Oliver Holmes (2017), 'Trans-Pacific Trade Pact revived despite Trump Withdrawal, *The Guardian*, 11 November, at https://www.theguardian.com/australia-news/2017/nov/11/trans-pacific-trade-deal-salvaged-despite-canada-u-turn-reports-say, accessed on 12 December 2017

[23] Karlis Salna & David Tweed (2016), 'China-championed Asia Trade Pact gains Traction in Jakarta Talks', *Bloomberg*, 9 December, at https://www.bloomberg.com/news/articles/2016-12-09/china-championed-asia-trade-pact-gains-traction-in-jakarta-talks, accessed on 15 December 2016;
Krisztina Binder (2017), 'From TPP to new Trade Arrangements in the Asia-Pacific Region', *EPRS Briefing*, May, at http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2017)603953, accessed on 22 June 2017

[24] Krisztina Binder (2017), 'From TPP to new trade arrangements in the Asia-Pacific region', *EPRS Briefing*, May, at http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2017)603953, accessed on 22 June 2017

[25] An overview of China's FTA network can be found on this dedicated subpage of MOFCOM: http://fta.mofcom.gov.cn/english/index.shtml, accessed on 26 May 2018

[26] "China" herein refers to the customs territory of the Chinese Mainland.

[27] The date in brackets indicates the FTA's entry into force.

Peru (2010), Singapore (2009), New Zealand (2008), Pakistan (2007), Chile (2006), the Association of Southeast Asian Nations (ASEAN) (2005), Macau SAR (2004) and Hong Kong SAR (2004).

MOFCOM's definition of FTAs "under negotiation" encompasses potential or upgraded ones. China is currently negotiating new FTAs with the Gulf Cooperation Council, Japan-ROK, Sri Lanka, Israel, Norway, Mauritius, Moldova, Pakistan (second phase), Singapore (upgrade), New Zealand (upgrade) and RCEP. In November 2017, China concluded its upgrade negotiations after a dozen rounds with Chile on the margins of the APEC Economic Leaders' Forum in Da Nang, Vietnam. Feasibility studies have been announced, launched or completed with several countries including India, Colombia, Fiji, Nepal, Papua New Guinea, Canada, Mongolia, Panama and Peru.

China has also expressed considerable interest in negotiating an FTA with the EU. However, this option will likely only be taken into deeper consideration once an EU-China bilateral investment treaty has been concluded and political hurdles including subsidies, export credits and cheap loans have been addressed.

Agreements between the Mainland and Taiwan
Relations between the Mainland and Taiwan intensified under the previous Administration of Ma Ying-jeou, including the signing of the Cross-Strait Services Trade Agreement (CSSTA) in 2013 that included a wide array of industries such as banking, healthcare, film, telecommunications, visa provisions and tourism. Alleged attempts by the Kuomintang to unilaterally pass the CSSTA led to a political crisis on the island in 2014 (so-called Sunflower Student Movement). The CSSTA has remained unratified since.

Belt and Road Initiative
The Belt and Road Initiative (BRI) was launched by China to promote trade ties with Europe and countries along the original Silk Roads. BRI has two main elements: (1) the "Silk Road Economic Belt", a land route designed to connect China with Central Asia, Eastern and Western Europe, as well as (2) the "21st Century Maritime Silk Road", a sea route that runs westwards from China's east coast to Europe via the South China Sea and Indian Ocean, and eastwards into the South Pacific. BRI will support China's economic development in the fields of infrastructure, trade and the internationalization of the RMB.

The declared objectives are to increase prosperity in the underdeveloped western parts of China, foster connectivity and economic development along the routes, enhance the integration between China and its neighbors and enhance energy security through the diversification of import sources.[28] The total volume of trade and investment in the ambitious strategy is estimated to reach USD 900 billion.

According to ADB, there is an unmet demand for infrastructure investments across the Asian region, estimated at USD 26 trillion until 2030.[29] Combined, ADB and the World Bank can only provide USD 30 billion per year. A number of funds and banks have been created to reduce this significant funding gap: the Asian Infrastructure Investment Bank (AIIB) with a capital stock of USD 100 billion, the Silk Road Fund with a capital stock of USD 54 billion, the New Development Bank[30] with a capital stock of USD 100 billion, the China Development Bank with a capital stock of USD 16.3 billion, the ASEAN Infrastructure Connectivity Fund with a capital stock of USD 20 billion as well as the Maritime Silk Road Bank with a capital stock of USD 810 million.

In May 2017, Swiss President Doris Leuthard visited Beijing and participated in the first Belt and Road Forum. Twenty-nine heads of state and representatives from more than 100 countries took part in the forum. On the occasion of the summit, President Xi announced an increase of the Silk Road Fund by RMB 100 billion or USD 14 billion to a total of USD 54 billion, and China's banks will provide another RMB 380 billion for projects related to BRI. In addition, China plans to provide RMB 60 billion to developing countries and international organizations over three years to promote social projects along the New Silk Road.

[28] For the political foundations of this project, see the official action plan: NDRC, MFA & MOFCOM (2015), 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road', *Xinhuanet*, 28 March, at http://news.xinhuanet.com/english/china/2015-03/28/c_134105858.htm, accessed on 6 December 2015
[29] ADB (2017), 'Asia Infrastructure Needs Exceed $1.7 Trillion Per Year, Double Previous Estimates', *Asian Development Bank*, 28 February, at https://www.adb.org/news/asia-infrastructure-needs-exceed-17-trillion-year-double-previous-estimates, accessed on 26 May 2018
[30] Formerly known as the BRICS Development Bank.

Asian Infrastructure Investment Bank

Switzerland officially joined Beijing-based AIIB on April 25, 2016 as one of the first extra-regional countries.[31] It has participated in the editing of the bank's articles, which were signed on June 29, 2015 by representatives from 57 prospective founding members (of which 20 were extra-regional). By December 2017, the AIIB counted 77 members.

Activities of AIIB include the financing of infrastructure (primarily in the energy, transport and telecommunications sectors), urban and rural development as well as the environment. AIIB will grant loans, acquire shareholdings and provide guarantees.

Switzerland plans to contribute a total of USD 706.4 million to the capital stock of AIIB, representing 0.87% of total votes. The country is part of a voting group composed of Denmark, Iceland, Norway, Poland, Sweden and the UK.

AIIB has operated since the beginning of 2016 and has approved the financing of 24 infrastructure development projects in Tajikistan, Bangladesh, India, Pakistan, Indonesia, Myanmar, Oman, Azerbaijan, Georgia, Egypt and the Philippines. During its December 2017 Board Meeting, the AIIB's Board of Directors approved the first project in China, with a focus on improving air quality and replacing coal heaters in Beijing.[32] The bank accepts bids for tenders from companies from all countries, contrary to other multi-lateral development banks that restrict bids to companies from member states.

2.2. Outlook for Switzerland

After two and a half years of negotiations, the Switzerland-China FTA entered into force on July 1, 2014. The FTA contains chapters on Trade in Goods, Services, Rules of Origin, Customs Procedures and Trade Facilitation, Technical Barriers to Trade/Sanitary and Phytosanitary Measures (TBT/SPS), Trade Remedies, Intellectual Property Rights (IPR), Competition, Trade and Sustainable Development, Legal and Institutional Provisions as well as Economic and Technical Cooperation. Side Agreements on *Labor and Employment*, *Cooperation in the Area of TBT and SPS* and *Cooperation in the Area* of *Certification and Accreditation*, among others, were also signed on that occasion.[33] These provide a legal framework for consultations and dispute settlement mechanisms.

A Joint Committee with equal representation monitors the implementation and discusses further developments of the agreement. The committee meets at least once every two years. A number of sub-committees (on origin issues, customs procedures, TBT, SPS, and services) assist the Joint Committee and may appoint additional sub-committees and working groups if needed.[34]

While China's trade with its most important trade partners decreased in 2016, its trade with Switzerland continued to grow.[35] However, the effect of an FTA cannot be gauged only based on trade statistics as those are influenced by factors other than the existence of an FTA, including exchange rates, economic and growth trends.

During the state visit of President Xi to Switzerland in January 2017, Beijing and Bern signed the *MoU on the Enhancement of the China-Switzerland Free Trade Agreement*. Both states have since engaged in discussions on enhancing the bilateral FTA, the enhancement process commencing with a joint study of potential areas of enhancement.

[31] Swiss Federal Council (2016), 'Switzerland completes Membership of Asian Infrastructure Investment Bank', *Federal Department of Foreign Affairs*, 25 April, at https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-61495.html, accessed on 18 August 2016

[32] AIIB (2017), 'Approved Projects', *Asian Infrastructure Investment Bank*, at https://www.aiib.org/en/projects/approved, accessed on 12 December 2017

[33] Pertinent agreements can be accessed here: http://www.seco.admin.ch/themen/00513/00515/01330/05115/index.html?lang=en, accessed on 7 December 2015

[34] SECO (2014), 'Free Trade Agreement between Switzerland and China', *China-Switzerland Free Trade Agreement*, 8 October, at http://www.seco.admin.ch/themen/00513/02655/02731/04118/index.html?lang=en&download=NHzLpZeg7t,lnp6I0NTU042l2Z6ln1ad1IZn4Z2qZpnO2Yuq2Z6gpJCGdYB3f2ym162epYbg2c_JjKbNoKSn6A--, accessed on 24 August 2016

[35] FCA (2017), *Swiss Impex*, at http://www.ezv.admin.ch/index.html?lang=de, accessed on 12 December 2017

3 Foreign Trade

3.1. Development and general outlook

Trade in goods

Lackluster external demand in 2015 resulted in the first annual Chinese foreign trade contraction (-8.0% YoY) since 2009.[36] Yet another contraction in 2016 (-6.8%) reflected both weaker global demand as well as the diminishing importance of exports as a growth driver.[37] However, in 2017, Chinese foreign trade recovered sharply with total trade reaching USD 4,105 billion (+11.4%) while exports and imports amounted to USD 2,264 billion (+7.9%) and USD 1,841 billion (+15.9%), respectively.[38]

The sharp recovery continued in the first quarter of 2018 as YTD exports registered +14.1% growth, while YTD imports continued to perform even better at +18.9%. Total foreign trade increased by 16.3%, YTD at the end of Q1.[39] Although these numbers show great potential, one has to remember that imports and exports grew by 24.2% and 8.2%, respectively, in 1Q2017 before slowing down in the second half of the year.[40]

After two straight years of trade contraction, the Chinese mainland experienced double-digit gains with a number of its key trading partners in 2017, including the U.S. (+13.0% YoY), Japan (+10.1%), the ROK (+13.0%) Taiwan (+21.8%) and Germany (+15.3%).[41]

During the same period, China's total trade also showed considerable growth rates for key ASEAN economies, including Vietnam (+39.0%), Malaysia (+15.6%), Singapore (+9.3%) and Indonesia (+27.6%). Trade with nations along the Silk Economic Belt including the Russian Federation (+28.2%), Iran (+11.0%), Kazakhstan (+23.4%) and Mongolia (+10.3%) saw considerable gains as well.[42] Trade with ASEAN and the EU as a whole increased by 13.8% and 12.7%, respectively.[43]

Stronger external and domestic demand as well as re-stocking aside, the upside surprise for export growth has also been attributed to commodity price hikes.[44] After two consecutive years, contributions of net exports to GDP growth returned to positive territory in 2017 (+0.63%).[45]

Whether this can be sustained will hinge on external developments. Even though global trade growth accelerated sharply in 2017,[46] industrial competition, geopolitical uncertainty, protectionist sentiments as well as the continued potential for direct trade confrontations worldwide will remain challenging.

Trade in services

Although the trade in merchandise weighs heavily on growth rates, the increasing significance of Chinese trade in commercial services should not be underestimated. In 2017, services represented 9.6% of China's total exports and 17.5% of its imports.[47] As part of its reform program under the "New Normal", the State Council has targeted an increase in the services trade to USD 1 trillion by 2020, which suggests upside potential for future exports of Chinese services.

According MOFCOM, China's 2017 total services trade reached RMB 4.7 trillion (around USD 730 billion), growing by 6.8% YoY.[48] Exports of services reached RMB 1.54 trillion (+10.6%) and imports of services

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[36] GACC (2016), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 316
[37] GACC (2017), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 328
[38] GACC (2018), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 340
[39] GACC (2018), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 343
[40] GACC (2017), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 331
[41] GACC (2018), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 340
[42] *ibid.*
[43] *ibid.*
[44] Allan Zhang & G. Bin Zhao (2017), *China Economic Quarterly Q3 2017: Overall 2017 Economy likely to outperform Market Expectations, despite moderately slower Growth in third quarter* (Beijing: PricewaterhouseCoopers)
[45] CEIC (2018), 'China Contribution to GDP Growth: Net Export of Goods and Services', *CEIC*, at https://www.ceicdata.com/en/china/gross-domestic-product-contribution-and-share-to-growth/contribution-to-gdp-growth-net-export-of-goods-and-service, accessed on 3 May 2018
[46] WTO (2017), 'WTO upgrades Forecast for 2017 as Trade rebounds strongly', *World Trade Organization*, 21 September, at https://www.wto.org/english/news_e/pres17_e/pr800_e.htm, accessed on 12 December 2017
[47] *Swiss Embassy estimates based on MOFCOM and GACC data*
[48] MOFCOM (2017), 'MOFCOM Department of Trade in Services and Commercial Services Comments on the Import and Export of Services in January-September', *Ministry of Commerce of the People's Republic of China*, 9 November, at http://english.mofcom.gov.cn/article/newsrelease/policyreleasing/201703/20170302524810.shtml, accessed on 13 June 2017

amounted to RMB 3.16 trillion (+5.1%). For the first time in seven years, China's service exports grew faster than its imports.[49]

3.2. Bilateral trade

Trade in goods[50]
The trade balance continued to be positive for Switzerland between January and March 2018, amounting to a CHF 5.26 billion trade surplus with the Mainland. The total volume of goods traded with the Mainland stood at CHF 12.4 billion, up 45.9% YoY. Exports and imports increased by 63.3% and 14.4%, respectively.

In 2017, total bilateral trade amounted to CHF 37.1 billion (-5.1% YoY), with exports decreasing by 10.5% YoY and imports increasing by 6.5%. At the product type level, exports of diverse products such as music instruments or toys and vehicles rose by 45.2% and 43.3%, respectively, while metals and precision instrument & watch exports increased by 24.2% and 19.8%, respectively. On the import side, energetic products increased by 193%. Although unusual classes of goods registered high growth rates, the most traded goods remain chemicals and pharmaceuticals as well as machinery, apparatus and electronics.

According to Chinese statistics, at the end of 2017, Switzerland was the Mainland's 7th largest European trade partner, while Italy and Spain ranked 6th and 8th, respectively. During the same period, Switzerland was the Mainland's 12th most important foreign source of imports worldwide and its most important source of imports from Europe after Germany and Russia. The Mainland imported twice and over three times as much from Switzerland than from India and New Zealand, respectively.[51] However, in 1Q2018, Switzerland was the Mainland's 10th biggest source of imports.[52]

Trade in services
Services exports from Switzerland to the Mainland increased by 2.7% YoY in 2017 while imports increased by 8.0%, leading to a positive trade balance of CHF 0.9 billion. In comparison to 2016, services imports are yet growing faster than services exports.[53]

4 Direct Investment

4.1. Development and general outlook

Outward direct investment
Following considerable growth in 2016, Chinese outward direct investment (ODI) has decreased significantly amid the implementation of pertinent capital control measures and curbs on overseas investment. In 2017, China's non-financial ODI decreased by 29.4% YoY to USD 120 billion.[54] During the same period, Chinese companies invested in 6,236 companies abroad.[55]

In 2017, Chinese companies struck 806 overseas M&A deals, a 12.4% YoY reduction.[56] According to data from Reuters, year-on-year, the total value is 41.8% lower, due to measures taken by the Chinese Government to control capital outflows.[57]

The Mainland's top overseas investment destinations in 2017 by the number M&A transactions were Europe (31.5%), North America (30.5%) and Asia (25.8%).[58] By deal value (same period), they were Europe (33.5%), Asia (29.8%) and the U.S. (15%). In 2017, the total value of M&A transactions in the U.S. decreased by 72% YoY although the number of deals rose from 217 to 221.[59] Compared to the first half of

[49] Xinhua (2018), '*China's service exports expand fast in 2017*', China Daily, 6 February, at http://www.chinadaily.com.cn/a/201802/06/WS5a794fbba3106e7dcc13b14d.html, accessed on 3 May 2018
[50] Figures include trade in gold and other precious metals: FCA (2017), *Swiss Impex*, at https://www.gate.ezv.admin.ch/swissimpex, accessed on 25 April 2018
[51] GACC (2017), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 340
[52] GACC (2018), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 343
[53] SNB (), 'Zahlungsbilanz und Auslandvermögen der Schweiz 2017', *Swiss National Bank*, at https://www.snb.ch/de/mmr/reference/bopiip_2017/source/bopiip_2017.de.pdf, accessed on 31 May 2018
[54] Xinhua (2018), 'China Outbound Investment drops 29.4% in 2017', *China Daily*, 16 January, at http://www.chinadaily.com.cn/a/201801/16/WS5a5dab1ea3102c394518f95c.html, accessed on 24 April 2018
[55] *ibid*.
[56] David Brown & Christopher Chan (2018), 'PwC M&A 2017 Review and 2018 Outlook', *PricewaterhouseCoopers*, 28 January, at https://www.pwccn.com/en/deals/publications/ma-2017-review-and-2018-outlook.pdf, accessed on 26 April 2018
[57] *ibid*.
[58] *ibid*.
[59] *ibid*.

2017, the market share of M&A transactions in terms of deal value has decreased in Europe and in North America for the benefit of Asia.

The acquisition of Swiss agrochemical giant Syngenta by ChemChina was the largest-ever foreign acquisition announced by a Chinese company. At the end of May 2017, ChemChina held 95% of Syngenta and said that it would further increase its ownership to above 98%.[60] The merger is expected to be completed in 2018.[61]

Inward foreign direct investment

A relaxation of tight capital controls may have contributed to improved investor sentiment towards Chinese inbound investors. Year-on-year, non-financial FDI increased by 7.9% in 2017,[62] reaching an all-time high of USD 135 billion, according to MOFCOM.[63]

As with ODI, FDI inflows are increasingly directed towards the services sector. According to the National Bureau of Statistics (NBS), the services sector surpassed the manufacturing industry as the largest recipient of FDI in 2011.[64] In the first 10 months of 2017, FDI inflows into the services sector accounted for 69.3% of total FDI.[65] Investments in 2017 flowed mainly from Hong Kong SAR (USD 98.9 billion), Singapore (USD 4.8 billion), Taiwan (USD 4.7 billion) and the ROK (USD 3.7 billion).[66]

General outlook

The Chinese Government has tightened its regulation on ODI following the decrease of its foreign exchange reserves in December 2016. In August 2017, the State Council announced that ODI would be categorized into three categories: encouraged (e.g., investments linked to BRI), restricted (e.g., real estate, entertainment) and prohibited (e.g., gambling).[67] Authorities have asked pertinent companies to hold off on making transactions pending regulatory approval. The regulation mirrors concerns over debt-fueled acquisitions into non-core investment projects.[68]

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

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

To maintain China's attractiveness as an FDI destination, authorities have made efforts to simplify the investment approval system. Smaller foreign investment projects could benefit from a more simple registration process if they are executed as part of a JV controlled by Chinese investors.[69] Moreover, the State Council adopted a circular on December 28, 2016 to relax foreign investment restrictions in the services, manufacturing and mining sectors. A negative list for foreign investment is currently under consideration.

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[60] Don Weinland (2017), 'ChemChina edges closer to sealing Syngenta Deal', *Financial Times*, 31 May, at https://www.ft.com/content/2dc58756-45dd-11e7-8519-9f94ee97d996?mhq5j=e3, accessed on 2 June 2017

[61] *ibid*.

[62] Jing Shuiyu & Zhong Nan (2018), 'Foreign Direct investment logs 7.9% Growth in 2017', *China Daily*, 17 January, at http://www.chinadaily.com.cn/a/201801/17/WS5a5e8caca310e4ebf433e2a9.html, accessed on 26 April 2018

[63] Zhou Xin (2018), 'China Focus: China 2017 FDI rises to record high, ODI falls', *Xinhuanet*, 16 January, at http://www.xinhuanet.com/english/2018-01/16/c_136900334.htm, accessed on 30 May 2018

[64] KPMG (2016), *KPMG China Outlook 2016,* at https://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/china-outlook-2016.pdf, accessed on 20 December 2016

[65] Xinhua (2017), 'China reports Increase in Foreign Direct Investment in October', *China Daily*, 15 November, at http://www.chinadaily.com.cn/bizchina/2017-11/15/content_34555343.htm, accessed on 12 December 2017

[66] MOFCOM (2018), 'News Release of National Assimilation of FDI from January to December 2017', *Ministry of Commerce of the People's Republic China* , 19 January, at http://www.fdi.gov.cn/1800000121_49_4690_0_7.html, accessed on 26 April 2018

[67] State Council (2017), 'Guideline tightens Control of Outbound Direct Investment', August 20, at http://english.gov.cn/news/top_news/2017/08/20/content_281475801674614.htm, accessed on December 14, 2017

[68] Kevin Ma (2017), Presentation by FTI Consulting, August 21

[69] KPMG Global China Practice (2015), *China Outlook 2015* (Beijing: KPMG Global China Practice)

Another notable change is the abandonment of the existing foreign enterprise structures through the introduction of the same incorporation scheme and governing body for both domestic and foreign companies. This measure could bring a more level playing field and reduce bureaucracy. Meanwhile, some uncertainties still remain regarding detailed rules as well as the law's implementation. National treatment bears the risk of providing more scope for the government to increase its scrutiny of foreign investors, which is particularly relevant to foreign investors engaged in politically sensitive areas.[70]

Although these measures will not provide a complete level playing field, investment regulations have the potential to become more transparent and, consequently, improve the Chinese investment climate.

4.2. Bilateral investment

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

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

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

Swiss direct investment in China
The stock of Swiss FDI in Mainland China was CHF 21.399 billion (+CHF 0.310 billion) in 2016.[71] While the majority of Swiss companies in China are located in the three main economic rims along China's eastern seaboard,[72] a number of firms also operate in the hinterland and inland provinces.

The majority of the 850–1,000 Swiss companies including their representations in China continue to consider the country as a relevant investment destination. A survey conducted by the China Europe International Business School (CEIBS), the Swiss Center Shanghai, swissnex China, SwissCham and China Integrated revealed that, in spite of a slight decrease since 2015, the investment appetite of Swiss companies remains considerable and, in fact, continues to grow: in 2017, 61% of the Swiss companies surveyed planned to increase their investment in China (compared to 57% in 2016) and 57% considered China to be a top 3 investment destination (compared to 48% in 2016).[73]

5 Trade, Economic, Investment and Tourism Promotion

5.1. Foreign economic promotion instruments

Switzerland's official representations in the PRC, i.e., its Embassy in Beijing and its Consulates General in Shanghai, Guangzhou, Chengdu and Hong Kong, play a pivotal role in ensuring a favorable environment for Swiss businesses interested in or already actively doing business in China.

The Embassy, together with the respective Swiss Federal authorities, engages in a number of government-to-government dialogs in a variety of fields, including IP, financial services, TBT/SPS and health issues (e.g., in the fields of food safety, medicines and medical devices, cosmetics as well as chemicals). Moreover, the Embassy proactively initiates and pursues special projects to promote Swiss interests in China. The Swiss Business Hub (SBH) China is integrated into the operations of the Embassy and Consulates General on the Mainland, while the SBH Hong Kong is part of the Consulate General in Hong Kong. The SBH is the

[70] Steven Elsinga (2015), 'China Releases Draft Foreign Investment Law, Signaling Major Overhaul for Foreign Investment', *China Briefing*, 21 January, at http://www.china-briefing.com/news/2015/01/21/breaking-news-china-releases-draft-foreign-investment-law-signaling-major-overhaul-foreign-investment.html, accessed on 8 December 2015
[71] Swiss National Bank (2018), 'Direct Investment, 2016', *Swiss National Bank*, at https://www.snb.ch/en/iabout/stat/statrep/id/statpub_fdi_all, accessed on 4 April 2018
[72] (1) the Pearl River Delta surrounding Guangzhou, Shenzhen and Hong Kong; (2) the Yangtze River Delta surrounding Shanghai, Hangzhou and Nanjing; (3) the Bohai Economic Rim surrounding Beijing and Tianjin
[73] CEIBS, Swiss Center Shanghai & China Integrated (2017), *2017 China Business Survey / 2017 Swiss Business in China* (Shanghai: CEIBS, Swiss Center Shanghai & China Integrated)

representative office of Switzerland Global Enterprise (S-GE), operating out of Beijing, Shanghai, Guangzhou and Hong Kong. S-GE's role as a center of excellence for internationalization is to foster exports and investments, help Swiss companies develop new potential for their international businesses and strengthen Switzerland as an economic hub.

In 2017, Sino-Swiss cooperation on the Beijing Winter Olympics 2022 was further enhanced by a fact finding mission (a delegation of Swiss companies visited the locations of the Winter Olympics 2022) organized by the SBH and the participation of the Swiss Embassy at the World Winter Sport Expo 2017 in Beijing.

Based on the Innovative Strategic Partnership established during the visit of the Swiss President to the PRC in 2016, SBH China organized a drug discovery event at the Novartis Campus in Shanghai to further promote bilateral ties in innovation. To promote the Swiss education system and institutions in China, the SBH organized the first Swiss Education Fair in Shanghai in March 2018, in which swissnex (see below) also participated.

During aforementioned Belt and Road Forum, President Xi announced the first China International Import Expo (CIIE). The CIIE is due to take place at the National Exhibition and Convention Center in Shanghai from November 5-10, 2018 and will consist of three elements: a commercial exhibition, the Hongqiao International Trade Forum and the Country Exhibition for Trade & Investment, which will host national pavilions. Switzerland has confirmed its participation and will be present with an official country pavilion.

As part of its investment promotion activities, the SBH organizes week-long road shows (Chinese company visits) in various cities across China and private dinners at the residence of the Ambassador for select high-level business people. It participates in various public events to promote Switzerland as an investment location. The cantons and Swiss regional clusters also have their investment promotion representatives in China who regularly participate in SBH activities. Following its presence on WeChat, the SBH launched its second social media platform on LinkedIn in October 2017.

The Swiss Week Shanghai, an annual, week-long event organized by consulting company SIM, is a good example for the promotion of Swiss products to the Chinese public. Around 15 Swiss companies are represented with their own booths around a "Swiss village market place" in Shanghai. SIM also organized a Swiss Week in Chengdu last year.

Cleantech Switzerland, formerly the official export platform for the Swiss Cleantech sector, was integrated into S-GE on January 1, 2016. Going forward, the SBH will selectively promote Swiss environmental technologies in the Chinese market and is now in charge of the ongoing cooperation with the Sino-Swiss Zhenjiang Ecological Industrial Park in Jiangsu Province.

The introduction of the Swiss Green Buildings Platform, which includes 20 Swiss companies that are active in the green building field and have projects in China, by Keller Technologies is another recent development in the clean technology space.

To strengthen bilateral cooperation in the fields of higher education, research and innovation, a swissnex office was opened in Shanghai in August 2008. swissnex China takes an active role in strengthening Switzerland's leading position as a world-class location for science, education and innovation. Furthermore, by performing multiple networking activities and tasks, it promotes Switzerland as a nation known for its cutting-edge research, high quality, innovation and openness. swissnex is represented in Shanghai (swissnex office), Beijing (Embassy) and Guangzhou (Consulate General).

The Swiss Chinese Chambers of Commerce (SwissCham), separately registered in China and Switzerland, are non-profit organizations serving the Sino-Swiss business community. SwissCham China's network encompasses around 600 members representing organizations and individual members. It is a networking and information platform for Swiss companies in China as well as Chinese companies interested in Switzerland. Its main goals are to gather all members of the Sino-Swiss business community on a single platform, stimulate interaction between them and help develop business opportunities. Various private, Shanghai-based consultants (including China Integrated, SIM and CBC) who operate across China and actively support Swiss companies to develop their Chinese businesses further support these activities.

The Embassy, the Consulates General, the SBH, swissnex and SwissCham work very closely together to promote Swiss business interests across China.

5.2. The host country's interest in Switzerland

Tourism, education, other services
To foster collaboration on all matters related to tourism between Switzerland and China, President Leuthard and President Xi declared 2017 the Switzerland-China Year of Tourism in Davos last January. The focus of the year's activities were mountain tourism, hospitality and winter sports. In this context, various events were organized including President Leuthard's visit to the Great Wall and a Sino-Swiss hotel management seminar, among others. Switzerland was also the first guest country of honor at the World Winter Sports Expo in Beijing.

Strategic Sino-Swiss cooperation on the organization of successive Winter Olympic Games (Lausanne 2020, Beijing 2022) and the promotion of sustainable winter sports for both countries' populations presents a particularly strong opportunity on various fronts. Switzerland is not only known for being the "Home of Snow Sports" and the first winter sports tourism destination, it also leads commercial innovation and sustainability rankings in winter sports infrastructure. As the base of international sports organizations (e.g., IOC, etc.) and venue of regular mega sports events, Switzerland has accumulated unique expertise and built global networks for the effective organization of sports events.

Switzerland Tourism is the national marketing and sales organization for Switzerland, positioning Switzerland as a tourism brand standing for quality, naturalness, authenticity, sustainability and modernity under the overall concept of "Swissness". It reports that in 2017, the number of overnights attributable to Chinese guests (Mainland and Hong Kong) in Switzerland exceeded 1.8 million. By 2022, Chinese visitors are expected to account for two million hotel overnights in Switzerland.[74] The interest in overseas winter holidays is growing: 35% of Chinese skiers intend to spend a ski holiday overseas within the next two years.[75]

Investments
Over the years, Chinese direct investment in Switzerland gained momentum. The reasons for investing in Europe are manifold and have tended to revolve around attractive valuations, use of surplus cash flow, the acquisition of technology, knowledge, know-how, management practices as well as the utilization of existing brands and distribution networks. Insights are usually gained with a view to applying them to the Chinese market, where growth prospects are still substantially higher than in Europe and organic growth alone might not suffice to move in tandem with the Chinese domestic market.

Concerning direct investment into Switzerland, Swiss strong points such as the skills and talents of the country's well-trained and multilingual workforce, its strategic and central location in Europe, the strength of its quality-conscious industries, world-class R&D facilities and infrastructure, legal certainty, political stability as well as competitive corporate tax rates tend to be considered as well and viewed favorably for the establishment of regional sales offices. An important number of companies maintain R&D capabilities in Switzerland. Additionally, regional and global headquarters are being established in Switzerland.

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

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

At the end of 2017 the Industrial and Commercial Bank of China (ICBC), the world's largest bank by total assets, obtained its Swiss banking license from the Swiss Financial Market Supervisory Authority (FINMA) to operate its branch in Zurich. Meanwhile, the Agricultural Bank of China (ABC) has publicly announced its intention to follow suit in Geneva once it has obtained approval from the Chinese authorities.[76] And more

[74] Switzerland Tourism (2017), 'Switzerland – China Year of tourism 2017: A fruitful Year of Collaboration comes to an End', *Switzerland Tourism*, 7 December, at http://www.si-noptic.ch/textes/eco/2017/20171207_Suisse.tourisme_Fin.de.l.annee.du.tourisme.sino-suisse-en.pdf, accessed on 30 May 2018
[75] *ibid*.
[76] Pierre-Alexandre Sallier & Élisabeth Eckert (2018), 'Agricultural Bank of China, le troisième pilier bancaire chinois, arrive à Genève', *Tribune de Genève*, 25 January, at https://www.tdg.ch/economie/Agricultural-Bank-of-China-le-troisieme-pilier-bancaire-chinois-arrive-a-Geneve/story/31510139, accessed on 26 April 2018

recently, the Chinese Ambassador to Switzerland announced that Bank of China (BoC) had applied to the Chinese authorities to open a branch in Geneva as well.

Following an intense phase of discussions on Sino-Swiss cooperation, a number of key arrangements have been agreed on to strengthen Switzerland as a competitive and full-fledged European RMB hub. The Swiss National Bank (SNB) has signed agreements or MoUs with PBoC on currency swaps and RMB clearing arrangements in Switzerland. Moreover, the annual Financial Dialogue between the Swiss and Chinese authorities explores ways of cooperation against the backdrop of RMB internationalization. The fifth round of this dialog took place in Beijing in December 2017, which followed high-level visits to China by Swiss Federal Councilor Ueli Maurer in April and State Secretary Jörg Gasser in November that year.

* * *

6 Annexes

Annex 1: Economic Structure

China: Structure of the Economy										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Distribution of GDP (%)										
Primary Sector	10.3%	9.8%	9.5%	9.4%	9.4%	9.3%	9.1%	8.9%	8.6%	4.9%
Secondary Sector	46.9%	45.9%	46.4%	46.4%	45.3%	44.0%	43.1%	40.9%	39.8%	36.3%
Tertiary Sector	42.8%	44.3%	44.1%	44.2%	45.3%	46.7%	47.8%	50.2%	51.6%	58.8%
Distribution of Labor (%)										
Primary Sector	39.6%	38.1%	36.7%	34.8%	33.6%	31.4%	29.5%	28.3%	27.7%	n/a
Secondary Sector	27.2%	27.8%	28.7%	29.5%	30.3%	30.1%	29.9%	29.3%	28.8%	n/a
Tertiary Sector	33.2%	34.1%	34.6%	35.7%	36.1%	38.5%	40.6%	42.4%	43.5%	n/a
State Sector*	8.5%	8.5%	8.6%	8.8%	8.9%	8.3%	8.2%	8.0%	8.0%	n/a

Source: China Statistical Yearbook 2017

** State-owned Units (Urban Employed Persons) do not take into account Townships and Village Enterprises*

Annex 2.1: Essential Economic Data

China: Essential Economic Data										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018E
GDP (RMB billion) [1]	34'988	41'071	48'604	54'099	59'696	64'718	69'911	74'563	81'204	88'572
GDP (USD billion) [1]	5'122	6'066	7'522	8'570	9'635	10'535	11'226	11'222	12'015	14'093
GDP per capita (RMB) [1]	26'218	30'629	36'074	39'954	43'871	47'315	50'858	53'925	58'427	63'403
GDP per capita (USD*) [1]	3'838	4'524	5'583	6'329	7'081	7'702	8'167	8'116	8'643	10'088
GDP growth (%) [1]	9.2	10.6	9.5	7.9	7.8	7.3	6.9	6.7	6.9	6.6
Total investment (% of GDP) [1]	46.3	47.9	48.0	47.2	47.3	46.8	44.7	44.1	44.4	44.2
Gross national savings (% of GDP) [1]	51.1	51.8	49.8	49.7	48.8	49.0	47.5	45.9	45.8	45.4
CPI inflation (%) [1]	-0.7	3.3	5.4	2.6	2.6	2.0	1.4	2.0	1.6	2.5
Population (million) [1]	1'335	1'341	1'347	1'354	1'361	1'368	1'375	1'383	1'390	1'397
Unemployment rate (% of total labor force, in urban area) [1]	4.3	4.1	4.1	4.1	4.1	4.1	4.1	4.0	3.9	4.0
Unemployment rate EIU estimation (% of total labor force) [3]	9.2	6.1	6.5	6.5	6.6	6.4	6.2	4.0	3.9	3.9
General government revenue (RMB billion) [1]	8'310	10'103	13'081	15'016	16'538	18'158	19'949	21'048	22'387	24'337
General government total expenditure (RMB billion) [1]	8'929	10'251	13'129	15'179	17'034	18'745	21'897	23'810	25'597	28'009
General government structural balance (% of GDP) [1]	-1.8	-0.4	-0.1	-0.1	-0.5	-0.5	-2.5	-3.6	-4.0	-4.2
Current account balance (% of GDP) [1]	4.8	3.9	1.8	2.5	1.5	2.2	2.7	1.8	1.4	1.2
Total external debt (% of GDP)[2]	8.6	9.3	10.4	13.6	15.9	17.0	12.3	12.6	12.8 €	12.8
Total debt service (% of exports of goods & services)[2]	19.8	21.8	24.3	25.1	28.9	52.9	37.8	39.9	n/a	n/a
Gross reserves (in months of imports)[2]	19.1	18.2	18.9	22.3	24.0	22.1	18.2	18.6	n/a	n/a

Sources:

[1] IMF, World Economic Outlook Database, April 2018 (estimates start after 2017; absolute GDP in current prices; GDP growth in constant prices)

[2] IMF (2017), 'People's Republic of China: 2017 Article IV Consultation', International Monetary Fund, August 8 2017

[3] EIU Country Reports China, 2009-2018

Annex 2.2: Essential Economic Data (Definitions)

China: Essential Economic Data - Definitions		
Figure	**Explanation**	**Details**
GDP (RMB billion)*	Gross domestic product, current prices (National currency)	Expressed in billions of national currency units . Expenditure-based GDP is total final expenditures at purchasers' prices (including the f.o.b. value of exports of goods and services), less the f.o.b. value of imports of goods and services. [SNA 1993][1]
GDP (USD billion)*	Gross domestic product, current prices (U.S. dollars)	Values are based upon GDP in national currency converted to U.S. dollars using market exchange rates (yearly average). Exchange rate projections are provided by country economists for the group of other emerging market and developing countries. Exchanges rates for advanced economies are established in the WEO assumptions for each WEO exercise. Expenditure-based GDP is total final expenditures at purchasers' prices (including the f.o.b. value of exports of goods and services), less the f.o.b. value of imports of goods and services. [SNA 1993][1]
GDP per capita (RMB)*	Gross domestic product per capita, current prices (National currency)	GDP is expressed in current national currency per person. Data are derived by dividing current price GDP by total population.[1]
GDP per capita (USD)*	Gross domestic product per capita, current prices (U.S. dollars)	GDP is expressed in current U.S. dollars per person. Data are derived by first converting GDP in national currency to U.S. dollars and then dividing it by total population.[1]
GDP growth (%)*	Gross domestic product, constant prices (Percent change)	Annual percentages of constant price GDP are year-on-year changes; the base year is country-specific. Expenditure-based GDP is total final expenditures at purchasers' prices (including the f.o.b. value of exports of goods and services), less the f.o.b. value of imports of goods and services. [SNA 1993][1]
Total investment (% of GDP)*	Total investment (Percent of GDP)	Expressed as a ratio of total investment in current local currency and GDP in current local currency. Investment or gross capital formation is measured by the total value of the gross fixed capital formation and changes in inventories and acquisitions less disposals of valuables for a unit or sector. [SNA 1993][1]
Gross national savings (% of GDP)*	Gross national savings (Percent of GDP)	Expressed as a ratio of gross national savings in current local currency and GDP in current local currency. Gross national saving is gross disposable income less final consumption expenditure after taking account of an adjustment for pension funds. [SNA 1993] For many countries, the estimates of national saving are built up from national accounts data on gross domestic investment and from balance of payments-based data on net foreign investment.[1]
CPI inflation (%)*	Inflation, average consumer prices (Percent change)	Annual percentages of average consumer prices are year-on-year changes. Expressed in averages for the year, not end-of-period data. A consumer price index (CPI) measures changes in the prices of goods and services that households consume. Such changes affect the real purchasing power of consumers' incomes and their welfare. As the prices of different goods and services do not all change at the same rate, a price index can only reflect their average movement.[1]
Population (billion) *	Population (Persons)	For census purposes, the total population of the country consists of all persons falling within the scope of the census. In the broadest sense, the total may comprise either all usual residents of the country or all persons present in the country at the time of the census. [Principles and Recommendations for Population and Housing Censuses, Revision 1, paragraph 2.42][1]
Unemployment rate (% of total labor force)*	Unemployment rate (Percent of total labor force)	Unemployment rate can be defined by either the national definition, the ILO harmonized definition, or the OECD harmonized definition. The OECD harmonized unemployment rate gives the number of unemployed persons as a percentage of the labor force (the total number of people employed plus unemployed). [OECD Main Economic Indicators, OECD, monthly] As defined by the International Labour Organization, unemployed workers are those who are currently not working but are willing and able to work for pay, currently available to work, and have actively searched for work. [ILO, http://www.ilo.org/public/english/bureau/stat/res/index.htm][1]
General government revenue (RMB billion)*	General government revenue (National currency)	Revenue consists of taxes, social contributions, grants receivable, and other revenue. Revenue increases government's net worth, which is the difference between its assets and liabilities (GFSM 2001, paragraph 4.20). Note: Transactions that merely change the composition of the balance sheet do not change the net worth position, for example, proceeds from sales of nonfinancial and financial assets or incurrence of liabilities.[1]
General government total expenditure (RMB billion)*	General government total expenditure (National currency)	Total expenditure consists of total expense and the net acquisition of nonfinancial assets. Note: Apart from being on an accrual basis, total expenditure differs from the GFSM 1986 definition of total expenditure in the sense that it also takes the disposals of nonfinancial assets into account.[1]
General government structural balance (% of GDP)*	General government structural balance (National currency)	The structural budget balance refers to the general government cyclically adjusted balance adjusted for nonstructural elements beyond the economic cycle. These include temporary financial sector and asset price movements as well as one-off, or temporary, revenue or expenditure items.[1]
Current account balance (% of GDP)*	Current account balance (Percent of GDP)	Current account is all transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers. The focus of the BOP is on transactions (between an economy and the rest of the world) in goods, services, and income.[1]
External debt stocks (% of GNI) **	External debt stocks (% of GNI)	Total external debt stocks to gross national income. Total external debt is debt owed to nonresidents repayable in foreign currency, goods, or services. Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt. GNI (formerly GNP) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad.[2]
Total debt service (% of exports of goods, services & income)**	Total debt service (% of exports of goods, services and income)	Total debt service is the sum of principal repayments and interest actually paid in currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF. [2]
Reserves incl. gold in months of imports **	Total reserves in months of imports	Total reserves comprise holdings of monetary gold, special drawing rights, reserves of IMF members held by the IMF, and holdings of foreign exchange under the control of monetary authorities. The gold component of these reserves is valued at year-end (December 31) London prices. This item shows reserves expressed in terms of the number of months of imports of goods and services they could pay for [Reserves/(Imports/12)]. [2]

Source:

[1] IMF, World Economic Outlook Database, April 2017 (estimates start after 2017; absolute GDP in current prices; GDP growth in constant prices)

[2] World Bank, World dataBank, WDI & GDF, 2017

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

Trading Partners of the People's Republic of China: Exports							
Exports to Country/ Region Jan - Dec 2016	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**	**Exports to Country/ Region Jan - Dec 2017**	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**
United States	389.1	18.5%	-5.0%	United States	429.3	19.0%	11.5%
Hong Kong	294.0	14.0%	-12.9%	Hong Kong	279.3	12.3%	-2.8%
Japan	129.6	6.2%	-4.7%	Japan	137.3	6.1%	6.1%
South Korea	95.8	4.6%	-6.0%	South Korea	102.8	4.5%	9.6%
Germany	66.0	3.1%	-5.0%	Germany	71.1	3.1%	9.0%
Vietnam	62.0	3.0%	-7.0%	Vietnam	71.0	3.1%	16.2%
India	59.4	2.8%	2.0%	Netherlands	67.1	3.0%	16.8%
Netherlands	58.1	2.8%	-3.0%	United Kingdom	56.7	2.5%	1.8%
United Kingdom	56.6	2.7%	-5.0%	Singapore	45.0	2.0%	1.1%
Singapore	47.5	2.3%	-11.0%	Taiwan	44.0	1.9%	9.3%
ASEAN	256.0	12.2%	-7.7%	ASEAN	279.1	12.3%	9.0%
EU	339.1	16.2%	-4.7%	EU	372.0	16.4%	9.7%
EFTA	5.9	0.3%	-4.0%	EFTA	5.8	0.3%	-2.1%
Iceland	0.134	0.0%	7.3%	Iceland	0.112	0.0%	-17.0%
Liechtenstein	0.037	0.0%	32.2%	Liechtenstein	0.046	0.0%	24.1%
Norway	2.599	0.1%	-9.0%	Norway	2.490	0.1%	-4.5%
Switzerland	*3.161*	*0.2%*	*-0.2%*	*Switzerland*	*3.161*	*0.1%*	*-0.3%*
Total	**2'098.15**	**100.0%**	**-7.7%**	**Total**	**2'263.52**	**100%**	**7.9%**

Source: China's Customs Statistics December 2017

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

Trading Partners of the People's Republic of China: Imports							
Imports from Country/ Region Jan - Dec 2016	Billion USD	Share %	Growth in % to a comparable previous period	Imports from Country/ Region Jan - Dec 2017	Billion USD	Share %	Growth in % to a comparable previous period
South Korea	159.2	10.0%	-9.0%	South Korea	177.5	9.6%	11.7%
Japan	145.5	9.2%	2.0%	Japan	165.7	9.0%	13.7%
Taiwan	140.1	8.8%	-3.0%	Taiwan	155.4	8.4%	11.9%
United States	135.1	8.5%	-10.0%	United States	153.9	8.4%	14.5%
China*	129.3	8.1%	-11.0%	China*	132.9	7.2%	3.8%
Germany	86.4	5.4%	-2.0%	Germany	97.0	5.3%	12.6%
Australia	70.1	4.4%	-5.0%	Australia	94.8	5.2%	33.7%
Malaysia	49.1	3.1%	-8.0%	Brazil	58.6	3.2%	27.8%
Brazil	45.4	2.9%	2.0%	Malaysia	54.3	2.9%	10.2%
Switzerland	40.0	2.5%	-3.0%	Vietnam	50.3	2.7%	35.4%
ASEAN	196.2	12.4%	0.9%	ASEAN	235.7	12.8%	20.1%
EU	208.0	13.1%	-0.4%	EU	244.9	13.3%	17.7%
EFTA	43.3	2.7%	-4.8%	EFTA	36.3	2.0%	-16.3%
Iceland	0.094	0.0%	42.9%	Iceland	0.1101	0.0%	16.6%
Liechtenstein	0.111	0.0%	7.5%	Liechtenstein	0.127	0.0%	13.3%
Norway	3.229	0.2%	-22.1%	Norway	3.129379	0.2%	-3.1%
Switzerland	*39.889*	*2.5%*	*-2.9%*	*Switzerland*	*32.892033*	*1.8%*	*-17.4%*
Total	**1'587.93**	**100.0%**	**-5.5%**	**Total**	**1'840.98**	**100.0%**	**15.9%**

Source: China's Customs Statistics December 2017

Annex 4: Bilateral Trade Switzerland–China

Bilateral Trade Switzerland - P.R. China, Jan - Dec 2016/2017

Class of goods		Import in Mio. CHF		Δ	Import	Export in Mio. CHF		Δ	Export	Trade balance
		Jan - Dec 2016	Jan - Dec 2017	in %	share %	Jan - Dec 2016	Jan - Dec 2017	in %	share %	Jan - Dec 2017
1	Agricultural products	159.85	155.35	-2.8%	1.2%	147.27	175.77	19.4%	0.7%	20.42
2	Energy carriers	0.60	1.76	193.0%	0.0%	16.40	9.88	-39.8%	0.0%	8.12
3	Textiles, apparel, shoes	2'201.88	2'427.05	10.2%	18.5%	126.46	150.23	18.8%	0.6%	-2'276.82
4	Paper, paper products, printed matter	89.78	106.16	18.2%	0.8%	32.29	29.83	-7.6%	0.1%	-76.33
5	Leather, rubber, plastics	577.88	597.50	3.4%	4.6%	109.29	129.91	18.9%	0.5%	-467.59
6	Chemicals, pharmaceuticals	1'064.03	1'012.53	-4.8%	7.7%	4'343.09	4'894.09	12.7%	20.4%	3'881.56
7	Stone and Earth materials	142.37	143.38	0.7%	1.1%	55.77	58.60	5.1%	0.2%	-84.79
8	Metals and metal products	600.18	660.91	10.1%	5.0%	378.73	470.25	24.2%	2.0%	-190.66
9	Machinery, apparatus, electronics	4'840.45	5'496.26	13.5%	41.9%	2'120.23	2'422.30	14.2%	10.1%	-3'073.97
10	Vehicles	168.76	157.54	-6.6%	1.2%	90.90	130.26	43.3%	0.5%	-27.27
11	Precision instruments, watches, jewellery	1'463.46	1'213.75	-17.1%	9.3%	2'421.01	2'901.04	19.8%	12.1%	1'687.28
12	Div. Goods, musical instrument, furniture, toys, etc	974.27	1'022.97	5.0%	7.8%	21.56	31.31	45.2%	0.1%	-991.66
	Total	**12'315.12**	**13'109.82**	**6.5%**	**100%**	**26'769.48**	**23'964.07**	**-10.5%**	**100%**	**10'854.25**

Bilateral Trade Switzerland - Hongkong, Jan - Dec 2016/2017

Class of goods		Import in Mio. CHF		Δ	Import	Export in Mio. CHF		Δ	Export	Trade balance
		Jan - Dec 2016	Jan - Dec 2017	in %	share %	Jan - Dec 2016	Jan - Dec 2017	in %	share %	Jan - Dec 2017
1	Agricultural products	0.78	1.52	93.8%	0.0%	80.21	88.09	9.8%	0.6%	86.57
2	Energy carriers	0.00	0.00	0.0%	0.0%	2.62	17.39	562.9%	0.1%	17.39
3	Textiles, apparel, shoes	30.64	32.23	5.2%	0.3%	66.15	68.64	3.8%	0.4%	36.41
4	Paper, paper products, printed matter	1.97	2.33	18.3%	0.0%	11.00	8.64	-21.4%	0.1%	6.32
5	Leather, rubber, plastics	12.46	10.93	-12.2%	0.1%	43.77	41.32	-5.6%	0.3%	30.39
6	Chemicals, pharmaceuticals	3.62	3.20	-11.5%	0.0%	353.27	415.39	17.6%	2.6%	412.19
7	Stone and Earth materials	4.36	3.22	-26.0%	0.0%	7.04	5.88	-16.4%	0.0%	2.66
8	Metals and metal products	10.91	13.06	19.7%	0.1%	69.58	72.16	3.7%	0.5%	59.10
9	Machinery, apparatus, electronics	83.36	101.85	22.2%	1.1%	304.93	314.02	3.0%	2.0%	212.17
10	Vehicles	2.56	2.90	13.2%	0.0%	5.01	4.95	-1.2%	0.0%	2.05
11	Precision instruments, watches, jewellery	969.24	1'005.98	3.8%	10.9%	3'900.20	4'298.71	10.2%	27.3%	3'292.73
12	Div. Goods, musical instrument, furniture, toys, etc	12.24	16.23	32.6%	0.2%	8.68	10.09	16.3%	0.1%	-6.13
	Total	**8'180.29**	**9'229.16**	**12.8%**	**100%**	**18'290.72**	**15'742.84**	**-13.9%**	**100%**	**6'513.68**

Bilateral Trade Switzerland - P.R. China incl. Hongkong, Jan - Dec 2016/2017

Class of goods	Import in Mio. CHF		Δ	Export in Mio. CHF		Δ	Trade balance
	Jan - Dec 2016	Jan - Dec 2017	in %	Jan - Dec 2016	Jan - Dec 2017	in %	Jan - Dec 2017
Total	**20'495.41**	**22'338.98**	9.0%	**45'060.20**	**39'706.91**	-11.9%	**17'367.93**

Source: Swiss Federal Customs Administration FCA General total (total 2): with gold bars and other precious metals, coin, precious stones and gems as well as works of art and antiques, 25.04.2018

Annex 5: Chinese Inward and Outward FDI

China: Foreign Direct Investment Inward

Rank	Country / Region	FDI (mio. USD) 2016	Share (%) 2016	Variation (%) year on year	Rank	Country / Region	FDI (mio. USD) 2017	Share (%) 2017	Variation (%) year on year
1	Hong Kong	87'180	73.4%	8.1%	1	Hong Kong	98'920	73.3%	13.5%
2	Singapore	6'180	5.5%	17.5%	2	Singapore	4'830	3.6%	-21.8%
3	South Korea	4'750	3.5%	-14.9%	3	Taiwan	4'730	3.5%	30.7%
4	USA	3'830	3.2%	1.8%	4	South Korea	3'690	2.7%	-22.3%
5	Taiwan	3'620	2.5%	-25.9%	5	Japan	3'270	2.4%	5.1%
6	Macao	3480	2.1%	-3.0%	6	United States	3130	2.3%	-18.3%
7	Japan	3'110	1.2%	-24.6%	7	Netherlands	2'170	1.6%	n/a
8	Germany	2'710	1.0%	71.8%	8	Germany	1'540	1.1%	-43.2%
9	United Kingdom	2210	0.9%	-20.0%	9	United Kingdom	1500	1.1%	-32.1%
10	Luxembourg	1'390	0.7%	n/a	10	Denmark	820	0.6%	n/a
	Total	**118'000**		**6.4%**		**Total**	**135'000**		**7.9%**

Source: Ministry of Commerce (MOFCOM)

China: Foreign Direct Investment Outward

Rank	Country / Region	FDI (mio. USD) 2015	Share (%) 2015	Variation (%) year on year	Rank	Country / Region	FDI (mio. USD) 2016	Share (%) 2016	Variation (%) year on year
1	Hong Kong	89'790	57.6%	12.8%	1	Hong Kong	114'233	58.24%	27.2%
2	Singapore	10'452	6.2%	96.1%	2	United States	16'981	8.66%	111.5%
3	Cayman Islands	10'213	3.7%	41.8%	3	Cayman Islands	13'523	6.89%	32.4%
4	United States	8'029	3.4%	-54.7%	4	British Virgin Isl.	12'288	6.26%	564.6%
5	Australia	3'401	3.3%	16.4%	5	Australia	4'187	2.13%	23.1%
6	Russia	2'961	2.3%	38.4%	6	Singapore	3'172	1.62%	-69.7%
7	British Virgin Isl.	1'849	1.2%	5.5%	7	Canada	2'872	1.46%	83.7%
8	United Kingdom	1'848	1.2%	58.0%	8	Germany	2'381	1.21%	n/a
9	Canada	1'563	1.0%	-18.6%	9	France	1'500	0.76%	n/a
10	Indonesia	1'450	0.7%	-10.4%	10	United Kingdom	1'480	0.75%	-19.9%
	Total	**145'667**		**5.5%**		**Total**	**196'149**		**34.7%**

Source: China Statistical Yearbook 2017 (Total requested to MOFCOM)

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