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

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China 2016 Final Economic Report

Executive Summary

- China is undergoing a major economic transformation from export-led growth to a model increasingly driven by consumption and services under the "New Normal". Structural reforms launched in 2015 as well as the 13th Five-Year Plan point to an increased emphasis on innovation, improved resource allocation, manufacturing, IT, services as well as low-carbon growth.

- Annual GDP growth has consistently slowed since 2010 (+6.7% YoY in 2016). As consumption will almost certainly lack the strength to compensate for overcapacity, the GDP growth rate will likely decelerate further. Nonetheless, lower deflationary pressure, capital controls and ample fiscal policy ammunition suggest that China's target growth rate of +6.5-7% YoY remains achievable in 2017.

- Chinese foreign trade contracted again in 2016 (-6.8% YoY), as global economic activity remained sluggish. Macroeconomic headwinds could gather pace if the U.S. follows through with protectionist measures. The Trans-Pacific Partnership's dim prospects have created new opportunities for China to position itself as an advocate and stimulator of free trade and globalization.

- Sino-Swiss trade has grown since the bilateral free trade agreement entered into force in July 2014, and continued to do so in 2016. That year, the total volume of goods traded with the Mainland stood at CHF 39.1 billion (+23.4% YoY). Exports from Switzerland increased by +38.9% YoY, the pharmaceutical (+28.8% YoY) and agricultural (+47.5% YoY) sectors having particularly strong showings.

- Although the trade in merchandise continues to weigh heavily on growth rates, Chinese trade in commercial services is becoming increasingly important. The State Council has targeted an increase of the services trade to USD 1 trillion by 2020, suggesting huge upside potential for future exports of Chinese services in spite of the country's widened commercial services trade deficit.

- Chinese authorities have launched a series of reforms to facilitate customs procedures for imports and exports and to modernize the agricultural sector. Moreover, more stringent measures have been introduced to cope with overcapacity in certain industries. The country also completed a major reform of its taxation system in 2016, now taxing all businesses based on a value-added tax.

- In spite of persistently weak global growth, Chinese ODI has surged as Chinese businesses continue to expand their footprint abroad, increasingly turning to technology and consumer brands in Europe and the U.S. During the first three quarters of 2016 alone, China's ODI exceeded the figure for the entire calendar year 2015, by over USD 10 billion.

- FDI data points to a significant divergence between China's regions. In spite of the "Go West" strategy, the OBOR initiative and efforts to promote development in the hinterland of agglomerations and growth triangles, the most advanced coastal regions have outperformed less developed and landlocked regions in terms of FDI inflow growth into China.

- The majority of Swiss companies in China continue to consider the country as a relevant investment destination. A recent survey revealed that the investment appetite of Swiss companies is still considerable: 57% of the Swiss companies surveyed plan to increase their investment in China and 48% consider China to be a top 3 investment destination.

Abbreviations

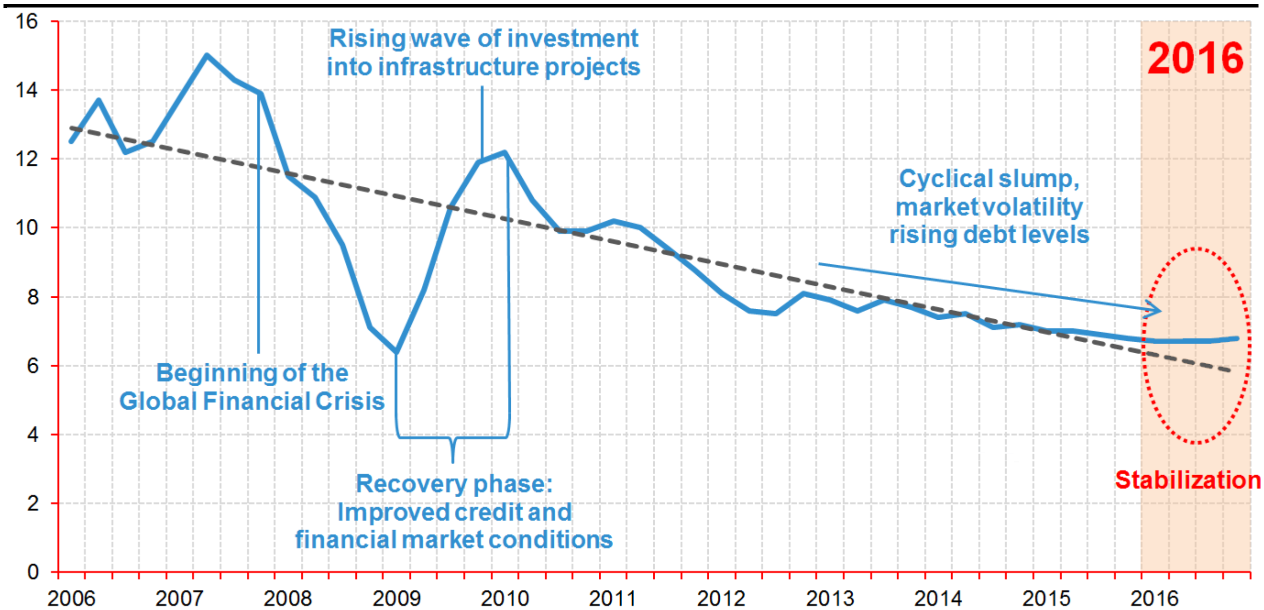
ADB	Asian Development Bank
AEI	American Enterprise Institute
AIIB	Asian Infrastructure Investment Bank
AML	Anti-Monopoly Law (of the People's Republic of China)
APAC	Asia-Pacific region
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CCB	China Construction Bank
CCC	China Compulsory Certification
CCP	Chinese Communist Party
CEIBS	China Europe International Business School
CFDA	China Food and Drug Administration
CHF	Swiss franc
CNAS	China National Accreditation Service for Conformity Assessment
CNCA	Certification and Accreditation Administration (of the People's Republic of China)
CSSTA	Cross-Strait Services Trade Agreement
DSB	Dispute Settlement Body (of the WTO)
EUR	Euro
FCA	Federal Customs Administration (of the Swiss Confederation)
FDI	Foreign direct investment
FTA	Free trade agreement
FTAAP	Free Trade Area of the Asia-Pacific
GACC	General Administration of Customs (of the People's Republic of China)
GDP	Gross domestic product
GFC	Global financial crisis
GNP	Gross national product
GPA	Agreement on Government Procurement (under the auspices of the WTO)
HNA	Hainan Airlines
ICT	Information and communications technology
IMF	International Monetary Fund
IP	Intellectual property
IPR	Intellectual property rights
IPI	Federal Institute of Intellectual Property (of the Swiss Confederation)
JV	Joint venture
LGFV	Local government financial vehicles
M&A	Mergers and acquisitions
MFA	Ministry of Foreign Affairs (of the People's Republic of China)
MoF	Ministry of Finance (of the People's Republic of China)
MOFCOM	Ministry of Commerce (of the People's Republic of China)
MoU	Memorandum of Understanding
NBS	National Bureau of Statistics (of the People's Republic of China)
NDRC	National Development and Reform Commission (of the People's Republic of China)
OBOR	One Belt, One Road
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
RMB	Renminbi
R&D	Research and development
ROK	Republic of Korea (South Korea)
RQFII	RMB Qualified Foreign Institutional Investor
SAIC	State Administration for Industry and Commerce (of the People's Republic of China)
SAR	Special Administrative Region (of the People's Republic of China)
SBH	Swiss Business Hub
SECO	State Secretariat for Economic Affairs (of the Swiss Confederation)
S-GE	Switzerland Global Enterprise
Sinopec	China Petroleum & Chemical Corporation
SIPO	State Intellectual Property Office (of the People's Republic of China)
SME	Small and medium-sized enterprises
SNB	Swiss National Bank
SOE	State-owned enterprise
TBT/SPS	Technical Barriers to Trade/Sanitary and Phytosanitary Measures
TPP	Trans-Pacific Partnership
TRIPS	Trade Related Aspects of Intellectual Property Rights (administered by the WTO)
USD	U.S. dollar
VAT	Value-added tax
WIPO	World Intellectual Property Organization
WTO	World Trade Organization
YoY	Year-on-year
YTD	Year-to-date

1 Economic Overview

1.1 Macroeconomic situation

China's annual GDP growth has consistently slowed since 2010.[1] It has been underpinned by a major economic transformation, which was conveyed by its leaders under Chinese Communist Party (CCP) General Secretary Xi Jinping during the 18th Central Committee's Third Plenum in 2013. The term "New Normal" was adopted during the Fourth Plenum in 2014 to describe the desired shift from government stimulus and export goods towards a domestic consumer demand-driven and services-oriented economy.

Average quarterly GDP growth, 2006–2016 [real, YoY%]



Source: NBS, Embassy of Switzerland in the PRC

Recent indicators are somewhat blighting hopes that the Chinese economy will re-intercept a higher growth trajectory. In 2016, China recorded its lowest annual growth rate (+6.7% YoY) since 1990. However, at +6.8% YoY in Q4 and +6.7% YoY in the preceding quarters of 2016, last year's quarterly output data points to clear stabilization of the economy. Output growth was fairly stable in all sectors of the economy, the secondary (+6.1% YoY in all quarters) and tertiary (+8.3% YoY in Q4, +7.6% YoY in Q3 and +7.5% YoY in H1) sectors weighing most heavily on the GDP growth rate.

Throughout 2016, growth continued to be particularly driven by government stimulus in the form of infrastructure investments, which went hand in hand with relaxed monetary and credit conditions. Property market developments, while often providing a volatile if not inconclusive picture, were another positive growth driver. Higher property investment during much of H1 and towards the end of the year as well as surging housing sales, especially during the first six months, served as buffers against deceleration. As in previous years, consumption growth further contributed to the stabilization.[2]

The central government has announced that its fiscal policy will remain expansionary, which will likely result in additional infrastructure investments through state-owned enterprises (SOEs), among others. Industrial overcapacity and rising debt levels are key risks associated with accelerated bank lending. Different estimates suggest that China's overall debt ranges somewhere between 220-270% of GDP. Moreover, private consumption will almost certainly lack the strength to compensate for overcapacity in heavy industries and real estate. Linked to construction, which accounts for over a sixth of China's GDP[3] and employed 60 million migrant workers in 2014,[4] the property market's systemic importance suggests

[1] Unless explicitly stated otherwise, Chinese economic measures and policies mentioned in this report pertain to those of the Mainland of China.
[2] Consumption's share of GDP continued to rise, accounting for 64.6% of GDP in 2016: Leslie Shaffer (2017), 'China's Q4 GDP up 6.8% on-year, beating expectation for 6.7%', *CNBC*, 19 January, at http://www.cnbc.com/2017/01/19/china-economy-q4-gdp-slightly-above-expectations.html, accessed on 15 February 2017
[3] Shuli Ren (2016), 'Hang Seng slips 1.3% as Beijing plans to tighten Property Markets further', *Barron's Asia*, 11 October, at http://blogs.barrons.com/asiastocks/2016/10/11/hang-seng-slips-1-3-as-beijing-plans-to-tighten-property-markets-further, accessed on 13 October 2016
[4] Hudson Lockett (2016), 'China's Workforce faces tough Year shifting Gears from Manufacturing to Services', *China Economic Review*, 8 January, at http://www.chinaeconomicreview.com/chinas-workforce-faces-tough-year-shifting-gears-manufacturing-services, accessed on 13 October 2016

that much of the stimulus will continue to end up here, stimulating demand even in areas still confronted with large inventory overhang.[5]

External risks persist as well. As discussed in Chapter 3, Chinese foreign trade contracted again in 2016, as global economic activity remained sluggish. Macroeconomic headwinds could gather pace if the U.S., which is by far China's most important trade partner, follows through with protectionist measures (see Chapter 2). Gradually changing supply chain dynamics across the Asia-Pacific (APAC), emanating from the stronger integration of lower-cost manufacturers such as Vietnam, which has enjoyed greater inward foreign direct investment (FDI) than all of China since 2014, carry additional risks for Chinese exporters.

In the medium term, lower deflationary pressure, robust consumption growth driven by its expanding middle class, capital controls locking in bank deposits of considerable magnitude and ample ammunition to maintain its fiscal policy stance suggest that the target growth rate of +6.5-7% YoY remains achievable.

1.2 Structural economic reforms

China adopted its 13th Five-Year Plan on March 15, 2016, which outlines structural economic and social reform targets through to 2020. As a blueprint for the country's transition towards more balanced growth, it includes important financial sector reforms to promote private sector participation in the economy and to expand the provision of financial services. It also outlines (limited) reforms of the ownership structure of SOEs, the reduction of overcapacity, the promotion of competition, fiscal reforms and the internationalization of the renminbi (RMB), *inter alia*.[6]

By the end of 2016, China had made progress on structural reforms in many areas. It had started to implement stringent measures to cope with overcapacity in certain industries, including iron and steel, aluminum, cement, plate glasses or vessels. Local governments and central departments are prohibited from approving any new capacity-expanding projects in these sectors. Notable progress could also be achieved in the areas of urbanization, interest rate liberalization, and the internationalization of the RMB, *inter alia*.[7]

Over 2016, China also continued to steadily pursue a series of reforms that were already launched before the adoption of the 13th Five-Year Plan. On January 1, 2016, the one-child policy was formally abolished, ending more than three decades of strict birth control, to counteract the adverse effect on the labor market and public expenditure of China's reversed demographic pyramid.

Since H1 2016, China has started to facilitate customs procedures for imports and exports, for example, with the extension of a pilot paperless customs clearance scheme for certain products. Imports are classified into three categories: not restricted, restricted and prohibited.

With the revision of the Foreign Investment Catalogue in 2015, more FDI has been encouraged in technology, advanced manufacturing, energy conservation and environmental protection, new power sources and service industries. 2015-2016 also witnessed the expansion of the pilot reform of the foreign investment system, including the Shanghai Pilot Free Trade Zone, and the pilot free trade zones in Guangdong, Fujian and Tianjin. Limited liberalization of foreign market access has been noted in telecommunications, e-commerce, and health services.

Progress has also been noted in the area of innovation, which is considered key to the successful management of the economic transition. In May 2015, the State Council unveiled the "Made in China 2025" plan, the national strategy to comprehensively upgrade the Chinese industry structure away from low-end, volume, labor intensive production towards manufacturing driven by innovation, quality, smart technology and added value. Drafted by the Ministry of Industry and Information Technology, the plan is often likened to Germany's "Industry 4.0" strategy. Since its adoption, the strategy has promoted high-end machine tools and robotics, modern railway equipment, energy-efficient technologies, biopharma and high performance medical devices.

In the area of competition policy, there have been several reforms since 2015, amongst others aiming at avoiding regulatory conflicts between intellectual property (IP) protection and competition policy enforcement. New regulations also prohibit abusive IP standard-setting agreements.

[5] Société Générale Group (2016), *Global Economic Outlook: Cracks in the Policy Framework* (Paris: Société Générale Cross Asset Research)
[6] WTO (2016), 'Trade Policy Review: China', *World Trade Organization*, 20 and 22 July, at https://www.wto.org/english/tratop_e/tpr_e/s342_sum_e.pdf, accessed on 18 August 2016
[7] *ibid.*

Since 2015, Chinese authorities have also launched a series of reforms to modernize the agricultural sector through mechanization, increasing productivity, or the promotion of food safety. In 2015, they launched a pilot program to reform agricultural subsidies in five provinces (Anhui, Hunan, Shandong, Sichuan and Zhejiang) in order to harmonize the currently existing, parallel subsidies programs.

1.3 Implications of recent changes in fiscal policy

China completed a major reform of its taxation system in 2016. Since last May, the country has been taxing all businesses based on a value-added tax (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. The reform of its taxation system will reduce the overall tax burden for companies. The government expects that the switch to the VAT will "lighten tax burdens on businesses by about RMB 500 billion (USD 77 billion) this year".[8] VAT reform will effectively result in a major tax cut. This fiscal stimulus can be viewed in the context of slowing economic growth as well as the government's efforts to advance economic development and reach the aforementioned target GDP growth rate of +6.5-7% YoY. According to Finance Minister Lou Jiwei, the new taxation framework will boost service industries such as research and development (R&D) and advance the specialization of the manufacturing sector.

Nonetheless, the completion of the tax reform could imply a short-term increase in China's debt. The new approach could lead to a rise in China's fiscal deficit to about 3% (from 2.3% in 2015) and pose a challenge to local governments. Previously, local governments had benefitted from the full amount of revenues attributable to the business tax (accounting for about 40% of local government revenue). Due to the tax reform, they will now have to share the VAT with the central government, which will reduce their revenues. In 2015, according to the Ministry of Finance of the People's Republic of China (MoF), central government debt amounted to 38% of GDP. If, based on IMF estimates, local government financial vehicles (LGFV) are added, total government debt stands at 55% of GDP. Excluding LGFV, household and corporate debt stand at 38% and 120%, respectively. Overall, China's debt (corporate debt included) is estimated to have exceeded 220% of GDP.[9] 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.

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.

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 2016, 33 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.[10] Yet, China has experienced far less complaints than the U.S. (124)[11] or EU (82).[12] In December

[8] The Economist (2016), 'A taxing Effort: VAT in China', *The Economist*, 2 May, at https://espresso.economist.com/47edafe0901af79137b44288c8bbd099, accessed on 20 December 2016
[9] IMF (2016), 'People's Republic of China: Staff Report for the 2016 Article IV Consultation', *International Monetary Fund*, 7 July, at http://www.imf.org/external/pubs/ft/scr/2016/cr16270.pdf, accessed on 20 December 2016
[10] Cases have been filed by the U.S. (16), the EU (7), Mexico (4), Canada (3), Japan (2) and Guatemala (1); WTO (2015), 'Member Information: China and the WTO', *World Trade Organization*, at https://www.wto.org/english/thewto_e/countries_e/china_e.htm, accessed on 6 December 2015

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 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.[13]

FTAAP and RCEP versus TPP

The APAC trade policy architecture not only resembles a bowl of noodles,[14] 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.[15] A race between the PRC-led Regional Comprehensive Partnership Agreement (RCEP) and Free Trade Area of the Asia-Pacific (FTAAP) on one side and the U.S.-led Trans-Pacific Partnership (TPP) on the other dominated the transpacific trade policy architecture of the past years.

With the election of Donald Trump in the U.S., the TPP's prospects have deteriorated rapidly. 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. As market access to the U.S. had been a key reason for many states to join the TPP, the U.S. withdrawal has made the execution of the agreement by all remaining TPP signatories less likely. Nevertheless, Australia is pushing ahead with ratification, while Japan and Vietnam have signaled that they are proceeding as well.

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 (China currently does not meet important requirements of the TPP, e.g., on intangible goods and the services sector). During the 21st Asia-Pacific Economic Cooperation (APEC) summit as well as the 2017 annual meeting of the World Economic Forum in Davos, Switzerland, 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.

Against this backdrop, during the December 2016 talks in Jakarta, the 16 prospective member states of the RCEP accelerated their efforts to work towards implementation. They made progress on protections and assistance related to small and medium-sized enterprises (SMEs) as well as competition policy. However, IP issues as well as trade in goods and services remained unresolved. So far, progress on the RCEP has been predictably slow as well.

The RCEP aims to levy tariffs and rules on the region's supply chains, liberalize investment and introduce dispute-resolution mechanisms. Unlike the TPP, it will not require members to take steps to protect labor rights or improve environmental standards. The deal would cover almost half the world's population and 30 percent of the global economy.[16]

China's FTA network[17]

China[18] has concluded numerous bilateral FTAs, including with Australia (2015),[19] the Republic of Korea (ROK) (2015), Switzerland (2014), Iceland (2014), Costa Rica (2011), Peru (2010), Singapore (2009), New Zealand (2008), Pakistan (2007), Chile (2006), Association of Southeast Asian Nations (ASEAN) (2005), Macau SAR (2004) and Hong Kong SAR (2004).

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[11] WTO (2015), '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 6 December 2015

[12] WTO (2015), '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 6 December 2015

[13] 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

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

[15] 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

[16] 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

[17] 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 6 December 2015

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

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

FTAs defined by the Ministry of Commerce of the People's Republic of China (MOFCOM) as "under negotiation" encompass potential or upgraded ones with the Gulf Cooperation Council, Norway, ASEAN, Sri Lanka, Maldives and Georgia. In March 2016, China and Israel agreed to start negotiations leading towards an FTA. More recently, in February 2017, China and Canada began talks in the same direction. The 10^{th} round of negotiations for a trilateral FTA between China, Japan and the ROK, which would encompass China's largest and second largest non-Chinese Asian trading partners, respectively, was held last June. Feasibility studies have either been launched or completed with several countries including India, Columbia, Moldova, Fiji and Nepal.

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 ways have been found to clear hurdles including subsidies, export credits and cheap loans. China's busy FTA activity could lead to an increasingly complicated situation, where agreements overlap each other.

Agreements between the Mainland and Taiwan

While relations between the Mainland and Taiwan intensified under the Administration of Ma Ying-jeou, including the signing of the Cross-Strait Services Trade Agreement (CSSTA) in 2013, alleged attempts by the Kuomintang to unilaterally pass the CSSTA led to a political crisis on the island. The CSSTA therefore remains unratified. In January 2016, the Democratic Progressive Party won elections in Taiwan and Tsai Ing-wen succeeded Ma Ying-jeou, which has further complicated prospects for immediate progress.

In large part due to its trade dependence on the Mainland, Taiwan has explored the possibility of signing more trade deals across the region, including with India, the Philippines and Malaysia. However, the One-China policy puts an effective damper on the signing of FTAs with such economies.

One Belt, One Road

The "One Belt, One Road" (OBOR) initiative, also known as the "New Silk Road", was launched by China to strengthen trade ties with Europe and countries along the original Silk Roads. 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.[20] Purportedly, OBOR will support China's economic development in the fields of infrastructure, trade and the internationalization of the RMB. OBOR encompasses 60 countries across Asia, Europe, the Middle East and Africa, which account for 70% of the world's population and 55% of global GNP.[21] OBOR 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 "21^{st} 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.

According to the Asian Development Bank (ADB), there is an unmet demand for infrastructure investments across the Asian region, estimated at USD 8 trillion for the 2010–2020 period.[22] However, ADB and the World Bank combined can only provide USD 30 billion per year. A number of funds and banks have recently 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 40 billion, the New Development Bank[23] 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.

Asian Infrastructure Investment Bank

Switzerland officially joined AIIB on April 25, 2016.[24] As one of the first Western European countries to apply for membership in AIIB, Switzerland has been well-placed from the bank's beginning. 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).

[20] 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
[21] Figures vary depending on source; European Council on Foreign Relations (2015), *"OBOR": China's Great Leap Outward* (London: European Council on Foreign Relations)
[22] The Economist (2014), 'Why China is Creating A New "World Bank" for Asia', *The Economist*, 11 November, at http://www.economist.com/blogs/economist-explains/2014/11/economist-explains-6, accessed on 6 December 2015
[23] Formerly known as the BRICS Development Bank
[24] 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

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 nine infrastructure development projects.[25] AIIB will accept new members from 2017. 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.[26] 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. The Joint Committee is assisted by a number of sub-committees (on origin issues, customs procedures, TBT, SPS, and services) and may appoint additional sub-committees and working groups if needed.[27]

While China's trade with its most important trade partners decreased in 2016, its trade with Switzerland continued to grow,[28] showing that the Switzerland-China FTA still positively affects bilateral trade overall (Switzerland's trade with China has grown since the implementation of the FTA).

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 agreed to explore opportunities for extending the FTA.

Partial impact of the Switzerland-China FTA on selected sectors

Description	Category	MFN Rate %	FTA Preferential Rate % (Year)									
			1	2	3	4	5	6	7	8	9	10
Components for Wind Energy - Gears / gearing, ball screws	**Cleantech**	8	7.2	6.4	5.6	4.8	4.0	3.2	2.4	1.6	0.8	0
Electro-cardiographs	**Medtec**	5	4.0	3.0	2.0	1.0	0	-	-	-	-	-
Electric wristwatches mechanical display	**Mid-end Watches**	11	9.0	8.5	7.9	7.4	6.8	6.3	5.7	5.2	4.6	4.4
Enzymes & prepared enzymes	**Biotech**	6	4.8	3.6	2.4	1.2	0	-	-	-	-	-
Medicaments containing ampicillin	**Pharmaceuticals**	6	4.8	3.6	2.4	1.2	0	-	-	-	-	-
Sodium chlorates	**Chemicals**	12	10.8	9.6	8.4	7.2	6.0	4.8	3.6	2.4	1.2	0
Prefab buildings	**Construction / City Planning**	10	8.0	6.0	4.0	2.0	0	-	-	-	-	-
Engines, diesel for locomotive	**Railway**	6	4.8	3.6	2.4	1.2	0	-	-	-	-	-

Source: Sovereign China, based on FTA Annex I Tariff Schedules

[25] AIIB (2017), 'Approved Projects', *Asian Infrastructure Investment Bank*, at https://www.aiib.org/en/projects/approved, accessed on 28 February 2017
[26] 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
[27] 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
[28] FCA (2017), *Swiss Impex*, at http://www.ezv.admin.ch/index.html?lang=de, accessed on 15 February 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)[29] since 2009, although China remained the world's leader in merchandise trade (both by the sum of exports and imports as well as exports alone).[30] Chinese foreign trade contracted again in 2016 (-6.8% YoY).[31] As in 2015, the dip reflects both weaker global demand as well as the diminishing importance of exports as a growth driver. Imports decreased by -5.5% YoY while exports decreased by -7.7% YoY.[32]

In 2016, the Mainland's trade with most of its key trading partners, including the U.S. (-6.7% YoY), Hong Kong (-11.3% YoY), Japan (-1.3% YoY), the ROK (-8.4% YoY), Taiwan (-4.5% YoY) and Germany (-3.5% YoY), shrank substantially.[33] During the same period, China's total trade showed very varied growth rates for key ASEAN economies, including Thailand (+0.5% YoY), Singapore (-11.4% YoY), the Philippines (+3.4% YoY), Vietnam (+2.5% YoY), Malaysia (-10.7% YoY), Indonesia (-1.3% YoY), Myanmar (-18.6% YoY) and Cambodia (+7.4%), and nations along the Maritime Silk Road, including Sri Lanka (-0.1%) and Maldives (+85.7%).[34] Trade with ASEAN and the EU decreased by -4.1% YoY -3.1% YoY, respectively.[35]

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 2015, services represented 12.3% of China's total exports and 22.9% of its imports.[36] As part of its reform program under the "New Normal", the State Council has targeted an increase of the services trade to USD 1 trillion by 2020, which suggests upside potential for future exports of Chinese services in spite of the country's widened commercial services trade deficit (up +21% YoY in 2014 and +38% YoY in 2013).[37]

Data from MOFCOM shows that China's foreign services trade deficit reached USD 209.4 billion in 2015, up +39% YoY. During the first five months of 2016, the deficit increased to around USD 110 billion. China's services exports increased by +8.6% YoY in the first half of 2016. Its imports surged by +31.9% YoY during the same period, with travel services (including tourism) imports alone increasing by +53.4% YoY.[38]

3.2. Bilateral trade

Trade in goods[39]

The trade balance continued to be positive for Switzerland in 2016, amounting to a CHF 14.4 billion trade surplus with the Mainland. The total volume of goods traded with the Mainland stood at CHF 39.1 billion, up +23.4% YoY. Exports increased by +38.9% YoY, while imports decreased slightly by -0.7% YoY.

At the product type level, exports of pharmaceutical and agricultural products rose by +28.8% YoY and +47.5% YoY, respectively, while Swiss machinery and precision instrument & watch exports decreased by -2.2% YoY and -14.6% YoY, respectively. Interestingly, China sold more than twice as many machinery, apparatus and electronic products to Switzerland than Switzerland did to China. This reveals an interesting feature of Sino-Swiss bilateral trade: the two countries trade similar products (albeit at different price levels).

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[29] GACC (2016), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 316
[30] By imports alone, China ranked second (behind the U.S.) while Switzerland ranked 16th by exports and 17th by imports; WTO (2016), *World Trade Statistical Review 2016* (Geneva: World Trade Organization)
[31] GACC (2017), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 328
[32] *ibid*.
[33] *ibid*.
[34] *ibid*.
[35] GACC (2016), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 326
[36] WTO (2016), 'Trade Policy Review: China', *World Trade Organization*, 20 and 22 July, at https://www.wto.org/english/tratop_e/tpr_e/s342_sum_e.pdf, accessed on 18 August 2016
[37] Embassy estimates based on data gathered from WTO (2015), *International Trade Statistics 2015* (Geneva: World Trade Organization), WTO (2014), *International Trade Statistics 2014* (Geneva: World Trade Organization) & WTO (2013), *International Trade Statistics 2013* (Geneva: World Trade Organization)
[38] MOFCOM (2016), 'MOFCOM Department of Trade in Services and Commercial Services Comments on China's Service Trade in January-May and the Service Outsourcing Development Situation in the First Half of the Year', *Ministry of Commerce of the People's Republic of China*, 22 July, at http://english.mofcom.gov.cn/article/newsrelease/policyreleasing/201607/20160701366838.shtml, accessed on 17 August 2016
[39] Figures include trade in gold and other precious metals: FCA (2017), *Swiss Impex*, at http://www.ezv.admin.ch/index.html?lang=de, accessed on 15 February 2017

According to Chinese statistics, in 2016, Switzerland was China's 7th largest European trade partner, while Italy and Spain ranked 6th and 8th, respectively. Year-on-year, Switzerland was China's 8th most important foreign source of imports worldwide and most important source of imports from Europe after Germany. China imported more goods from Switzerland than from Russia and over twice and over five times as much from Switzerland than from Canada and New Zealand, respectively.[40]

Trade in services

Services exports from Switzerland to China decreased by -0.3% YoY in 2015 while imports increased by +5% YoY, still leading to a positive trade balance of CHF 0.8 billion. This compares with an increase in services exports by +1% YoY in 2014 and a decrease in imports by -17.9% YoY, leading to an overall trade balance of CHF 0.9 billion in 2014 (excluding tourism).[41]

4 Direct Investment

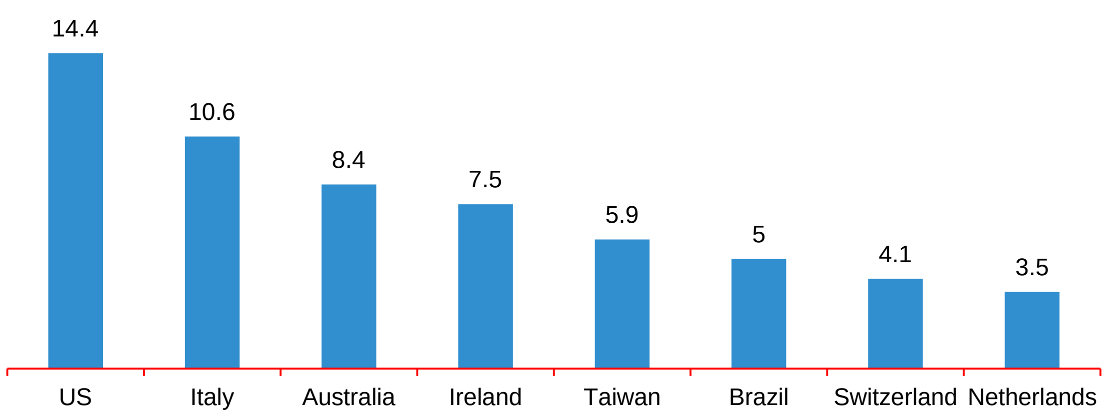
4.1. Development and general outlook

Outward direct investment

In spite of persistently weak global growth, Chinese outward direct investment (ODI) has been increasing as Chinese businesses continue to expand their footprint abroad. During the first three quarters of 2016, China's non-financial ODI increased by 53.7% to USD 134.2 billion, which is USD 12.8 billion above total Chinese ODI recorded for the entire calendar year 2015.[42] Companies from the private sector accounted for 65% of total ODI, surpassing SOEs as the key outbound investors.[43] Whereas, in the past, driven by SOE activity, outbound investment tended to focus on resources and infrastructure, Chinese companies have increasingly turned to technology and consumer brands in Europe and the U.S. However, as, purportedly, the OBOR initiative was the main driver of ODI flows in 2015, infrastructure ODI remains an important topic as well as manufacturing outsourcing, which has accelerated during the past couple of years.[44]

In 2015, the Mainland's top overseas investment destinations by the number of merger and acquisition (M&A) deals were the U.S., Australia, the ROK, Germany and Taiwan. The acquisition spree in Australia and the ROK are likely linked to the aforementioned enforcement of the Sino-South Korean and Sino-Australian FTAs in December 2015. By deal value, the top destinations were the U.S., Italy, Australia, Ireland and Taiwan, while Switzerland ranked 7th. With a deal value of USD 43 billion, the acquisition of Swiss agrochemical giant Syngenta by ChemChina was the largest-ever foreign acquisition announced by a Chinese company. The takeover still requires regulatory approval from the U.S., the EU, India, Mexico, Brazil, Canada and China. During its financial year 2016 earnings release, Syngenta announced that it expected the ChemChina transaction to close in Q2 2017. Meanwhile, the EU antitrust regulator extended the deadline for its decision to April.

Top outbound M&A destinations by deal value in 2015 [USD bn]



Source: Dealogic.com

[40] GACC (2017), *China's Customs Statistics (Monthly Exports & Imports)*, Series No. 328
[41] SNB (2016), 'Zahlungsbilanz und Auslandvermögen der Schweiz 2014/2015', *Swiss National Bank*, at http://www.snb.ch/de/mmr/reference/bopiip_2015/source/bopiip_2015.de.pdf, accessed on 17 August 2016
[42] Jing Li (2016), *On the New Silk Road V: What Chinese Companies are buying Overseas* (Hong Kong: HSBC Global Research)
[43] *ibid*.
[44] *ibid*.

According to the American Enterprise Institute (AEI), by deal value, only 19.2% of major Chinese outbound deals were greenfield investments.[45]

The industry focus for outbound M&A deals has gradually shifted. Whereas, before 2014, Chinese companies mainly targeted energy, mining and utilities, since 2014, the focus has moved to the chemical, financial, information and communications technology (ICT) as well as media sectors.[46] The trend of Chinese ODI is increasingly shifting towards the services sector. These changes support the view that the underlying drivers of outbound investments have changed as well, from business diversification and natural resources security to long-term interests in foreign pension funds and insurance companies, the slowdown of domestic growth, and the devaluation of the RMB.

Chinese companies struck 502 overseas M&A deals in 2015, up from 325 in 2014.[47] Although global M&A activity decreased (following gains during the previous three years), Chinese cross-border deals increased even further in 2016, outpacing U.S. M&A activity for the first time and reaching a record-breaking 745 announced takeovers,[48] including:

- *Chemical* acquiring *Agrochemical*: USD 46.7 billion between ChemChina and Syngenta AG (Switzerland) – February
- *Media, Internet and Entertainment* acquiring *Mobile Games*: USD 8.6 billion between Tencent Holdings Limited and Supercell Oy (Finland) – June
- *Diversified Conglomerate* acquiring *Electronics*: USD 6.3 billion between Hainan Airlines (HNA) Group and Ingram Micro (U.S.) – February
- *Home Appliances* acquiring *Home Appliances*: USD 5.4 billion between Haier and General Electric's appliances business (U.S.) – January
- *Home Appliances* acquiring *Factory Automation*: USD 5 billion between Midea Group and KUKA AG (Germany) – May
- *Diversified Conglomerate* acquiring *Motion Picture and Media*: USD 3.5 billion between Wanda Group and Legendary Entertainment (U.S.) – January
- *Diversified Conglomerate* acquiring *Aviation Services*: USD 1.5 billion between HNA Group and gategroup (Switzerland) – April

Inward foreign direct investment

In spite of the slowing economic growth rate as well as stock market volatility, inward FDI has seen steady growth. According to MOFCOM, non-financial FDI increased by +6.4% YoY to reach an all-time high of USD 126.3 billion in 2015.[49] As with ODI, FDI inflows are also increasingly directed at 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.[50] In 2015, FDI inflows into the services sector accounted for 61.1% of total FDI.[51]

General outlook

Broken down into provinces and other geographic areas, FDI data points to a significant divergence between China's regions. The data shows that in spite of the "Go West" strategy, the OBOR initiative 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 Rust Belt, 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. The former averaged +8.9% YoY while the latter ranged from -3.3% YoY to -6.8% YoY.[52]

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[45] AEI (2016), *China Global Investment Tracker*, at https://www.aei.org/data/China-Global-Investment-Tracker, accessed on 20 December 2016

[46] Michael Buckley (2016), 'China: The World's Largest Acquirer', 26 May, presentation at the EU Delegation in Beijing

[47] 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

[48] Xie Yu (2016), 'Record Year for China's Outbound M&A as it overtakes the US for the first Time', *South China Morning Post*, 21 December, at http://www.scmp.com/business/companies/article/2056099/record-year-chinas-outbound-ma-it-overtakes-us-first-time, accessed on 22 February 2017

[49] Michael Buckley (2016), 'China: The World's Largest Acquirer', 26 May, presentation at the EU Delegation in Beijing

[50] 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

[51] NBS (2016), *National Database*, at http://data.stats.gov.cn/english/easyquery.htm?cn=A01; MOFCOM (2016), 'The Regular Press Conference of MOFCOM (January 20, 2016)', *Ministry of Commerce of the People's Republic of China*, 22 January, at http://english.mofcom.gov.cn/article/newsrelease/press/201601/20160101244116.shtml, accessed on 20 December 2016

[52] Michael Buckley (2016), 'China: The World's Largest Acquirer', 26 May, presentation at the EU Delegation in Beijing

Growing investment in China's services and 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. On average, within the OECD, the services sector contributes 70% to GDP.[53] China's service sector contributes 50.5% to its GDP,[54] showing clear potential for growth. In addition to the services sector, FDI increasingly targets advanced manufacturing sectors as well, which are also mostly concentrated across eastern 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 joint venture (JV) controlled by Chinese investors.[55] Moreover, a Foreign Investment Law (a draft version was released in January 2015) will likely relax foreign investment regulations and streamline the fragmented regulatory framework.[56] While, under current laws, most new foreign investments are subject to a complex and lengthy approval process, the draft law follows a "negative list" approach. Approval for projects that are not on the negative list will be shortened to a simple filing procedure.[57] 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.[58]

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 diversified conglomerate HNA Group (2015), Swiss sports marketing company Infront by diversified conglomerate Wanda Group (2015), Swiss agrochemical giant Syngenta by ChemChina (2016), and airline catering company gategroup by HNA Group (2016) are among the largest acquisitions made by Chinese companies in the world.

Acquisitions aside, among the Chinese companies currently present in Switzerland, around 90% are engaged in greenfield investments. A noteworthy greenfield investment is Tianjin-based traditional Chinese medicine company Tasly's opening of its European headquarters in Geneva in August 2015.[59]

Swiss direct investment in China

The stock of Swiss FDI in Mainland China was CHF 20.3 billion (+3.26 billion) in 2014.[60] While the majority of Swiss companies in China are located in the three main economic rims along China's eastern seaboard,[61] a number of firms also operate in the hinterland and inland provinces.

The majority of the 850–1,000 Swiss companies including their representations in China continue to consider the country as a relevant investment destination. A survey conducted by the China Europe International Business School (CEIBS), the Swiss Center Shanghai, swissnex China, SwissCham and China Integrated revealed that the investment appetite of Swiss companies is still considerable: 57% of the Swiss companies surveyed plan to increase their investment in China (compared to 72% in 2015) and 48% consider China to be a top 3 investment destination (compared to 64% in 2015).[62]

[53] OECD (2015), *OECD Economic Surveys: China*, March, at http://www.oecd.org/eco/surveys/China-2015-overview.pdf, accessed on 20 December 2016
[54] NBS (2016), 'Preliminary Accounting Results of GDP for the fourth Quarter and the whole Year of 2015', 21 January, at http://www.stats.gov.cn/english/PressRelease/201601/t20160121_1307717.html, accessed on 20 December 2016
[55] KPMG Global China Practice (2015), *China Outlook 2015* (Beijing: KPMG Global China Practice)
[56] Terence Foo (2015), 'China Proposes New Foreign Investment Law', *Clifford Chance*, 6 February, at http://www.cliffordchance.com/briefings/2015/02/china_proposes_newforeigninvestmentlaw.html, accessed on 8 December 2015
[57] KPMG Global China Practice (2015), *China Outlook 2015* (Beijing: KPMG Global China Practice)
[58] 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
[59] The Swiss database differs from that of the AEI (in which out of 868 major deals by Chinese companies only 24.6% have been recorded as greenfield investments since January 2005), as AEI's database excludes small investments, including the establishment of sales representative offices.
[60] 2015 data is not yet available; SNB (2016), 'Monthly Statistical Bulletin', *Swiss National Bank*, May, at http://www.snb.ch/de/iabout/stat/statpub/id/statpub_overview, accessed on 20 December 2016
[61] (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
[62] CEIBS, Swiss Center Shanghai & China Integrated (2016), *2016 China Business Survey / 2016 Swiss Business in China* (Shanghai: CEIBS, Swiss Center Shanghai & China Integrated)

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 and Hong Kong, play a pivotal role in ensuring a favorable environment for Swiss businesses interested in or already actively doing business in China. In November 2016, Switzerland opened its fourth Consulate General in the PRC in the city of Chengdu.

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. In 2016 it reached important milestones in the areas of tourism and sports (Sino-Swiss cooperation on the Beijing Winter Olympics 2022) and innovation (Swiss night at the summer World Economic Forum in Tianjin). The Swiss Business Hub (SBH) China is integrated into the operations of the Embassy and Consulates General on the Mainland, while SBH Hong Kong is part of the Consulate General in Hong Kong. The SBH is the 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, imports and investments, help Swiss companies develop new potential for their international businesses and strengthen Switzerland as an economic hub.

As part of its investment promotion activities, 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 and 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. In November 2016, the SBH launched its social media platform on WeChat.

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 intends to organize a Swiss Week in Chengdu this 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. To further strengthen trade, investment and clean technology collaboration with Zhenjiang, an MoU was signed between the SBH and the industrial park in October 2016. SECO partner and other organizations such as the United Nations Industrial Development Organization and the International Institute for Sustainable Development have executed projects in cleaner production and voluntary sustainability standards in the park.

The introduction of the Green Building Platform, which includes 18 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
According to the Nation Brands Index 2015 and 2016, Switzerland enjoys a strong and favorable image in China. In categories including science and technology, environmental protection and tourism attractiveness, it is very well placed. While the Swiss tourism industry has been feeling the effects of the strong Swiss franc, expecting a -1.5% YoY drop in tourism demand in the winter season 2015,[63] there has been a steady increase in the share of tourists visiting from the Mainland (4.19% in 2013, 4.80% in 2014 and 6.54% in September 2015 YTD), Hong Kong (0.39% in 2013, 0.39% in 2014 and 0.50% in September 2015 YTD) and Taiwan (0.36% in 2013, 0.42% in 2014 and 0.58% in September 2015 YTD).[64] In absolute terms, the combined numbers for the first nine months of 2015 already exceeded those recorded during the entire year of 2014 by 87,550.

China's fledging ski industry suggests much potential for Sino-Swiss cooperation in this area. Purportedly, the Beijing Winter Olympics 2022 should stimulate the development of a USD 800 million worth winter sports market for over 300 million people in China.[65] China's ski industry is expected to grow rapidly in the next five to ten years, which will likely have a positive knock-on effect on international winter sports destinations (Switzerland included). Of the expected 170 million Chinese outbound tourists by 2020, and 300 million by 2030, an increasing number might opt for winter sport destinations. On the trade promotion side, a fact-finding mission was organized by the SBH in February 2016. The mission served the purpose of creating opportunities for Swiss companies active in the winter sport industry and opening doors to decision makers in the public and private sectors involved in the organization of the Beijing Winter Olympics 2022.

China, aiming for innovation-driven growth, is interested in a strategic cooperation with Switzerland, which has been recognized as the global leader in competitiveness and innovation. During the presidential visit of Federal Councilor Johann N. Schneider-Ammann to the PRC in April 2016, both countries formed the Sino-Swiss Innovative Strategic Partnership, opening up new opportunities for trade and cooperation in the area of innovation.

Investments
Over the years, Chinese direct investment in Switzerland has gained momentum. The reasons for investing in Europe are manifold and tend 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 country's strategic and central location in Europe, the strength of its quality-conscious industries, world-class R&D facilities and infrastructure, skills and talents of its well-trained and multilingual workforce, legal certainty, political stability as well as competitive corporate tax rates tend to be considered as well and viewed favorably for the establishment of their European headquarters or general structuring of their European activities.

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. Following an intense phase of discussions on Sino-Swiss cooperation, a

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[63] swissinfo.ch (2015), 'A Stagnant Winter Season for Swiss Tourism', *swissinfo.ch*, 23 October, at http://www.swissinfo.ch/eng/strong-franc_a-stagnant-winter-season-for-swiss-tourism/41737406, accessed on 18 November 2015
[64] According to Swiss Federal Statistical Office data at http://www.bfs.admin.ch/bfs/portal/en/index.html, accessed on 9 December 2015
[65] Tom Phillips (2015), 'Winter Olympics 2022: Beijing chosen ahead of Almaty to host Games', *The Guardian*, 31 July, available at http://www.theguardian.com/sport/2015/jul/31/beijing-wins-right-host-winter-olympics-2022, accessed on 7 March 2016

number of key arrangements were agreed on to strengthen Switzerland as a competitive and full-fledged European RMB hub:

- In July 2014, the Swiss National Bank (SNB) and the People's Bank of China (PBoC) signed a currency swap agreement with a limit of RMB 150 billion (or CHF 21 billion).
- In January 2015, the 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 January 2015, the SNB and the PBoC signed an MoU on the establishment of RMB clearing arrangements in Switzerland.
- The annual Financial Dialogue between the Swiss and the Chinese authorities explores ways of cooperation against the backdrop of RMB internationalization. The third round of this dialog took place in Beijing in early September 2015.
- The Swiss Financial Round Table, a private sector platform was created to discuss RMB-related topics and to find new forms of collaboration. The Round Table took place in Beijing in early September 2015.
- On November 9, 2015, the PBoC authorized direct trading between the RMB and the CHF.
- In November 2015, the China Construction Bank (CCB) officially entered the Swiss market. CCB has been authorized to use its Zurich branch as the RMB clearing bank in Switzerland.
- In January 2016, CCB opened its branch in Zurich.
- In February 2016, the G20 Finance Ministers and Central Bank Governors Meeting took place in Shanghai.
- In June 2016, the G20 Finance and Central Bank Deputies Meeting took place in Xiamen.
- In July 2016, the G20 Finance Ministers and Central Bank Governors Meeting took place in Chengdu.
- In November 2016, the fourth round of the Financial Dialog took place in Geneva.
- In November 2016, the Swiss Financial Round Table took place in Geneva.

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6 Annexes

Annex 1: Economic Structure

China: Structure of the Economy												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Distribution of GDP (%)												
Primary Sector	12.9%	11.6%	10.6%	10.3%	10.3%	9.8%	9.5%	9.4%	9.4%	9.3%	9.1%	8.9%
Secondary Sector	45.9%	47.0%	47.6%	46.9%	46.9%	45.9%	46.4%	46.4%	45.3%	44.0%	43.1%	40.9%
Tertiary Sector	41.2%	41.3%	41.8%	42.9%	42.8%	44.3%	44.1%	44.2%	45.3%	46.7%	47.8%	50.2%
Distribution of Labor (%)												
Primary Sector	46.7%	44.8%	42.6%	40.8%	39.6%	38.1%	36.7%	34.8%	33.6%	31.4%	29.5%	28.3%
Secondary Sector	22.5%	23.8%	25.2%	26.8%	27.2%	27.8%	28.7%	29.5%	30.3%	30.1%	29.9%	29.3%
Tertiary Sector	30.6%	31.4%	32.2%	32.4%	33.2%	34.1%	34.6%	35.7%	36.1%	38.5%	40.6%	42.4%
State Sector*	9.0%	8.7%	8.6%	8.5%	8.5%	8.5%	8.6%	8.8%	8.9%	8.3%	8.2%	8.0%

Source: China Statistical Yearbook 2016
*State-owned units (urban employed persons) exclude townships and village enterprises

Annex 2.1: Essential Economic Data

China: Essential Economic Data	2008	2009	2010	2011	2012	2013	2014	2015	2016E
GDP (RMB billion) [1]	31'993	34'988	41'071	48'604	54'099	59'696	69'849	69'630	74'957
GDP (USD* billion) [1]	4'605	5'122	6'006	7'522	8'570	9'635	10'558	11'182	11'392
GDP per capita (RMB) [1]	24'091	26'218	30'629	36'074	39'954	43'871	47'411	50'696	54'357
GDP per capita (USD*) [1]	3'467	3'838	4'524	5583	6'329	7'081	7'719	8'141	8'261
GDP growth (%) [1]	9.6	9.2	10.6	9.5	7.9	7.8	7.3	6.9	6.6
Total investment (% of GDP) [1]	43.2	46.3	47.9	48.0	47.2	47.3	46.7	45.0	43.7
Gross national savings (% of GDP) [1]	52.3	51.1	51.8	49.8	49.7	48.8	49.3	47.9	46.0
CPI inflation (%) [1]	5.9	-0.7	3.3	5.4	2.6	2.6	2.0	1.4	2.1
Population (million) [1]	1'328	1'335	1'341	1'347	1'354	1'361	1'368	1'373	1'379
Unemployment rate (% of total labor force, in urban area) [1]	4.2	4.3	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Unemployed labour force (registered in urban areas, million) [4]	8.86	9.21	9.08	9.22	9.17	9.26	9.52	9.66	n/a
Unemployment rate EIU estimation (% of total labor force) [3]	9.2	9.2	6.1	6.5	6.5	6.6	6.4	6.2	4.2
General government revenue (RMB billion) [1]	7'157	8'310	10'103	13'081	15'016	16'538	18'158	19'949	20'735
General government total expenditure (RMB billion) [1]	7'165	8'929	9'851	13'129	15'379	17'034	18'746	21'820	22'982
General government structural balance (% of GDP) [1]	-0.3	1.8	0.6	-0.1	-0.5	-0.5	-0.5	-2.4	-2.9
Current account balance (% of GDP) [1]	9.1	4.7	3.9	1.8	2.5	1.5	2.6	3.0	2.4
External debt stocks, total (USD billion) [2]	378	446	560	710	751	871	960	n/a	n/a
External debt stocks (% of GNI) [2]	8.3	8.8	9.3	9.6	8.9	9.2	9.3	n/a	n/a
Debt service on external debt, total (USD billion) [2]	33.2	39.7	60.4	74.0	74.4	38.2	51.7	n/a	n/a
Total debt service (% of exports of goods, services & income) [2]	2.1	2.9	3.4	3.5	3.2	1.5	1.9	n/a	n/a
Total reserves incl.gold (USD billion) [2]	1'966	2'453	2'914	3'255	3'388	3'880	3'900	n/a	n/a
Reserves incl. gold in months of imports [2]	19.2	25.7	22.6	19.1	19.1	19.5	19.2	n/a	n/a

Source:
[1] IMF, World Economic Outlook Database, October 2016 (estimates start after 2016; absolute GDP in current prices; GDP growth in constant prices)
[2] World Bank, World dataBank, WDI & GDF, 2015
[3] EIU Country Reports China 2009-2015 and 2017-2021
[4] NBS, Statistical Yearbook 2016

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 on-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, total (USD billion)**	External debt stocks, total (DOD, current US$)	Total external debt is debt owed to nonresidents repayable in foreign currency, goods, or services. Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt. Data are in current U.S. dollars.[2]
External debt stocks (% of GNI) **	External debt stocks (% of GNI)	Total external debt stocks to gross national income. Total external debt is debt owed to nonresidents repayable in foreign currency, goods, or services. Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt. GNI (formerly GNP) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad.[2]
Debt service on external debt, total (USD billion)**	Debt service on external debt, total (TDS, current US$)	Total debt service is the sum of principal repayments and interest actually paid in foreign currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF. Data are in current U.S. dollars.[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 foreign currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF. [2]
Total reserves incl.gold (USD billion)**	Total debt service (% of exports of goods, services and income)	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. Data are in current U.S. dollars. [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 IMF, and holdings of foreign exchange under control of monetary authorities. The gold component of these reserves is valued at year-end (Dec 31) London prices. This item shows reserves expressed in terms of Nr. of months of imports of goods and services they could pay for [Reserves/(Imports/12)].

Source: China's Customs Statistics

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 2014	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**	**Exports to Country/ Region Jan - Dec 2015**	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**
United States	396.1	17.4%	7.5%	United States	410.0	18.0%	3.4%
Hong Kong	363.2	16.0%	-5.5%	Hong Kong	330.9	14.5%	-8.9%
Japan	149.4	6.6%	-0.5%	Japan	136.0	6.0%	-9.2%
South Korea	100.3	4.4%	10.1%	South Korea	101.4	4.5%	1.0%
Germany	72.7	3.2%	8.0%	Germany	69.3	3.0%	-4.9%
Netherlands	64.9	2.9%	7.7%	Vietnam	66.2	2.9%	3.6%
Vietnam	63.7	2.8%	31.2%	United Kingdom	59.7	2.6%	4.3%
United Kingdom	57.1	2.5%	12.2%	Netherlands	59.6	2.6%	-8.4%
India	54.2	2.4%	12.0%	India	58.3	2.6%	7.4%
Russia	53.7	2.4%	8.2%	Singapore	52.0	2.3%	6.3%
ASEAN	272.1	12.0%	11.5%	ASEAN	277.5	12.2%	2.0%
EU	370.9	16.3%	9.4%	EU	355.9	15.6%	-4.0%
EFTA	6.0	0.3%	-6.3%	EFTA	6.2	0.3%	3.2%
Iceland	0.144	0.0%	-2.0%	Iceland	0.125	0.0%	-13.0%
Liechtenstein	0.021	0.0%	20.6%	Liechtenstein	0.028	0.0%	31.8%
Norway	2.732	0.1%	-0.2%	Norway	2.857	0.1%	4.6%
Switzerland	*3.088*	*0.1%*	*-12.1%*	*Switzerland*	*3.167*	*0.1%*	*2.5%*
Total	**2'342.75**	**100%**	**6.1%**	**Total**	**2'274.95**	**100%**	**-2.9%**

Source: China's Customs Statistics, December 2015

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 2014	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**	**Imports from Country/ Region Jan - Dec 2015**	**Billion USD**	**Share %**	**Growth in % to a comparable previous period**
South Korea	190.1	11.3%	3.9%	South Korea	174.5	10.4%	-0.9%
Japan	162.9	9.7%	0.4%	United States	147.8	8.8%	-0.7%
United States	159.0	9.5%	4.2%	China*	143.4	8.5%	-0.1%
Taiwan	152.0	9.0%	-2.8%	Taiwan	143.2	8.5%	-0.5%
China*	144.8	8.6%	-8.2%	Japan	142.9	8.5%	-1.2%
Germany	105.0	6.2%	11.5%	Germany	87.6	5.2%	-1.0%
Australia	97.6	5.8%	-1.2%	Australia	73.5	4.4%	-1.4%
Malaysia	55.7	3.3%	-7.5%	Malaysia	53.3	3.2%	-0.1%
Brazil	51.7	3.1%	-4.8%	Brazil	44.1	2.6%	-0.4%
Saudi Arabia	48.5	2.9%	-9.2%	Switzerland	41.1	2.4%	1.6%
ASEAN	208.3	10.6%	4.4%	ASEAN	194.7	11.6%	1.0%
EU	244.3	12.5%	10.7%	EU	208.9	12.4%	-0.1%
EFTA	45.1	2.3%	-24.5%	EFTA	45.4	2.7%	0.4%
Iceland	0.06	0.0%	-21.2%	Iceland	0.066	0.0%	10.6%
Liechtenstein	0.101	0.0%	-12.7%	Liechtenstein	0.104	0.0%	3.3%
Norway	4.467	0.3%	28.8%	Norway	4.146	0.2%	-7.2%
Switzerland	*40.44*	*2.4%*	*-28.0%*	*Switzerland*	*41.096*	*2.4%*	*1.6%*
Total	**1'960.29**	**100%**	**0.4%**	**Total**	**1'681.95**	**100%**	**-14.2%**

Source: China's Customs Statistics, December 2015

Annex 4: Bilateral Trade Switzerland–China

Bilateral Trade Switzerland - P.R. China, Jan - Dec 2014/2015									
Class of goods	Import in Mio. CHF		Δ	Import	Export in Mio. CHF		Δ	Export	Trade balance
	Jan - Dec 2014	Jan - Dec 2015	in %	share %	Jan - Dec 2014	Jan - Dec 2015	in %	share %	Jan - Dec 2015
1 Agricultural products	177.80	151.50	4.0%	1.2%	93.42	99.86	15.0%	1.1%	-51.64
2 Energy carriers	0.79	0.27	-65.8%	0.0%	10.85	19.62	80.8%	0.2%	19.35
3 Textiles, apparel, shoes	2'160.59	2'083.48	-3.6%	16.9%	150.17	140.75	-6.3%	1.6%	-1'942.73
4 Paper, paper products, printed matter	81.51	94.39	15.8%	0.8%	26.83	28.56	6.4%	0.3%	-65.83
5 Leather, rubber, plastics	542.50	544.92	0.4%	4.4%	139.73	118.40	-15.3%	1.3%	-426.52
6 Chemicals, pharmaceuticals	921.42	958.67	4.0%	7.8%	2'971.51	3'358.05	13.0%	37.5%	2'399.38
7 Stone and Earth materials	132.67	128.70	-3.0%	1.0%	52.47	51.18	-2.5%	0.6%	-77.52
8 Metals and metal products	599.95	587.61	-2.1%	4.8%	466.25	397.11	-14.8%	4.4%	-190.50
9 Machinery, apparatus, electronics	5'271.07	5'187.16	-1.6%	42.0%	2'444.41	2'167.98	-11.3%	24.2%	-3'019.18
10 Vehicles	115.67	207.70	79.6%	1.7%	86.60	79.70	-8.0%	0.9%	-128.00
11 Precision instruments, w atches, jew ellery	1'236.12	1'451.37	17.4%	11.8%	2'346.18	2'460.76	4.9%	27.5%	1'009.39
12 Div. Goods, musical instrument, furniture, toys, etc	907.69	950.10	4.7%	7.7%	25.56	32.88	28.6%	0.4%	-917.22
Total	**12'147.78**	**12'345.87**	6.5%	**100%**	**8'813.98**	**8'954.85**	1.5%	**100%**	**-3'391.02**

Bilateral Trade Switzerland - Hongkong, Jan - Dec 2014/2015									
Class of goods	Import in Mio. CHF		Δ	Import	Export in Mio. CHF		Δ	Export	Trade balance
	Jan - Dec 2014	Jan - Dec 2015	in %	share %	Jan - Dec 2014	Jan - Dec 2015	in %	share %	Jan - Dec 2015
1 Agricultural products	2.81	1.05	-62.6%	0.1%	80.06	71.41	-10.8%	1.2%	70.36
2 Energy carriers	0.00	0.00	-16.9%	0.0%	0.16	0.20	25.0%	0.0%	0.20
3 Textiles, apparel, shoes	53.41	37.90	-29.0%	2.8%	82.05	77.30	-5.8%	1.3%	39.40
4 Paper, paper products, printed matter	3.11	2.50	-19.6%	0.2%	12.44	11.28	-9.3%	0.2%	8.78
5 Leather, rubber, plastics	13.29	14.54	9.4%	1.1%	66.60	49.75	-25.3%	0.9%	35.21
6 Chemicals, pharmaceuticals	13.48	5.77	-57.2%	0.4%	339.54	327.23	-3.6%	5.7%	321.46
7 Stone and Earth materials	5.79	7.20	24.4%	0.5%	12.94	10.31	-20.3%	0.2%	3.11
8 Metals and metal products	13.78	14.61	6.0%	1.1%	83.15	72.15	-13.2%	1.3%	57.54
9 Machinery, apparatus, electronics	107.65	94.47	-12.2%	6.9%	337.75	321.89	-4.7%	5.6%	227.42
10 Vehicles	2.21	1.92	-13.1%	0.1%	6.76	2.99	-55.8%	0.1%	1.07
11 Precision instruments, w atches, jew ellery	1'541.72	1'170.97	-24.0%	85.7%	5'945.01	4'784.76	-19.5%	83.4%	3'613.79
12 Div. Goods, musical instrument, furniture, toys, etc	17.61	15.22	-13.6%	1.1%	12.16	10.67	-12.3%	0.2%	-4.55
Total	**1'774.86**	**1'366.15**	-23.0%	**100%**	**6'978.62**	**5'739.94**	-17.7%	**100%**	**4'374**

Bilateral Trade Switzerland - P.R. China incl. Hongkong, Jan - Dec 2014/2015							
Class of goods	Import in Mio. CHF		Δ	Export in Mio. CHF		Δ	Trade balance
	Jan - Dec 2014	Jan - Dec 2015	in %	Jan - Dec 2014	Jan - Dec 2015	in %	Jan - Dec 2015
Total	**13'923**	**13'712**	-1.51%	**15'793**	**14'695**	-6.95%	**983**

Source: FCA

Annex 5: Chinese Inward and Outward FDI

China: Foreign Direct Investment Inward									
Rank	Country / Region	FDI (mio. USD) 2014	Share (%) 2014	Variation (%) year on year	Rank	Country / Region	FDI (mio. USD) 2015	Share (%) 2015	Variation (%) year on year
1	Hong Kong	81'268	64.4%	3.8%	1	Hong Kong	92'670	73.4%	14.0%
2	Singapore	5'930	4.7%	-19.1%	2	Singapore	6'970	5.5%	17.5%
3	Taiwan	5'180	4.1%	-1.3%	3	Taiwan	4'410	3.5%	-14.9%
4	Japan	4'330	3.4%	-38.8%	4	South Korea	4'040	3.2%	1.8%
5	South Korea	3'970	3.1%	29.8%	5	Japan	3'210	2.5%	-25.9%
6	USA	2'670	2.1%	-20.4%	6	USA	2'590	2.1%	-3.0%
7	Germany	2'070	1.6%	-1.2%	7	Germany	1'560	1.2%	-24.6%
8	United Kingdom	1'350	1.1%	29.9%	8	France	1'220	1.0%	71.8%
9	France	710	0.6%	-6.8%	9	United Kingdom	1080	0.9%	-20.0%
10	Netherlands	640	0.5%	-522.0%	10	Macao	890	0.7%	n/a
	Switzerland	**n/a**		**n/a**		**Switzerland**	**n/a**		**n/a**
		119'560		**1.7%**			**126'270**		**6.4%**

Source: MOFCOM

China: Foreign Direct Investment Outward									
Rank	Country / Region	ODI flow (mio. USD) 2014	Share (%) year 2014	Variation (%) year on year	Rank	Country / Region	ODI (mio. USD) 2015	Share (%) 2015	Variation (%) year on year
1	Hong Kong	70'867	57.56%	12.80%	i	Hong Kong	89'790	61.64%	27%
2	United States	7'596	5.21%	96.13%	2	Singapore	10'452	7.18%	271.4%
3	British Virgin Isl.	4'570	3.14%	41.84%	3	Caymen Islands	10'213	7.01%	143.6%
4	Caymen Islands	4'192	2.88%	-54.70%	4	United States	8'029	5.51%	5.7%
5	Australia	4'049	2.78%	16.42%	5	Australia	3'041	2.09%	-24.9%
6	Singapore	2'814	1.93%	38.42%	6	Russian	2'961	2.03%	367.0%
7	United Kingdom	1'498	1.03%	5.49%	7	British Virgin Isl.	1'849	1.27%	-59.5%
8	Germany	1'439	0.99%	157.98%	8	United Kingdom	1'848	1.27%	23.4%
9	Indonesia	1'272	0.87%	-18.62%	9	Canada	1'563	1.07%	72.9%
10	Canada	904	0.62%	-10.41%	10	Indonisia	1'450	1.00%	14.0%
	Switzerland	**206.1**		**n/a**		**Switzerland**	**n/a**		**n/a**
	Total	**123'120**		**40.2%**		**Total**	**145'667**		**18.3%**

Source: China Statistical Yearbook 2016**,** CH Data 2014/2015