



Economic Report 2024

China

10 June 2024

Executive Summary

- *Thanks to a rebound of service consumption and heavy investment in infrastructure and manufacturing – mainly by State-owned enterprises – China's GDP grew over 5% in 2023.*
- *The property crisis continued to weigh on consumer and investor sentiment, sustaining a high savings rate and dashing expectations of a stronger post-Covid recovery.*
- *The government kept focusing on expanding industrial capacity. The supply-side bias resulted in tough price competition in many sectors of the Chinese economy. While the rest of the world struggled with inflation, the Chinese economy was on the brink of deflation.*
- *Lower profit margins discouraged private and foreign investment. The decreasing FDI flow prompted the Chinese government to launch a charm offensive and action plan. However, Western companies increasingly consider geopolitical risks.*
- *Foreign trade declined in both directions. China continues to rely on Western markets but trade frictions increased as the EU challenges Chinese subsidies and the U.S. raised tariffs and resorted to export controls in order to prevent China from acquiring certain technologies. Meanwhile, China exploited market opportunities in Russia and strengthened its network of free-trade agreements.*
- *Ten years after entry into force of the Sino-Swiss Free Trade Agreement, its tariff reduction schedule is now nearly realized and the two sides are moving towards its enhancement.*

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1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

1.1 Economic outlook

Following three years of the pandemic, the year 2023 is the first full year without any stringent Covid-19 control measures in China. The economic performance was therefore flattered by the positive base effect. The low base pushed up China's GDP growth to 5.2% in 2023, slightly beating the Government's target of around 5%. Growth was driven by consumption (4.3 percentage points) and investment (1.5 pp) while foreign trade had a negative impact (-0.6 pp).

The services sector rebounded in 2023 as it was no longer repressed: Hospitality and catering services grew by no less than 14.5%. Residents enjoyed an income increase of 6.1% in real terms, but there were also reports on salary cuts and a drop in average hiring salaries. The youth unemployment rate reached 21% in June 2023 and its publication was discontinued. The urban unemployment rate stood at 5.1% in December. Prices of real estate (and of stocks) kept falling, making homeowners feel poorer and prompting many to privilege savings over consumption. China generated 28% of total global savings in 2023, only a little less than the 33% share of the US and EU combined.¹

The headline consumer price index (CPI) showed no inflation in 2023, and the producer price index (PPI) remained negative since October 2022. The falling prices at the factory gates reflect oversupply in many sectors. Industrial output grew by 4.6%, but State-owned enterprises reported much stronger output expansion (+5%) than foreign invested entities (+1.4%).

Fixed assets investment² increased by 3% in 2023. Specifically, investment in infrastructure went up by 5.9% and manufacturing by 6.5%. The investment in real estate development decreased by 9.6% and private investment in general contracted by 0.4%, reflecting a troubled property sector and diminished confidence in the private sector. China still has one of the highest investment-to-GDP ratios in the world, with public investment accounting for around 45% of the total investment.

However, China is facing headwinds represented by the "3D" – deflation, demographics, and debt. The population began shrinking in 2022 and decreased to 1409 million (-2 million) in 2023. 9 million babies were born in 2023, but China needs to provide jobs for nearly 11.8 million university graduates in 2024. The macro leverage ratio, which measures total outstanding nonfinancial debt as a share of nominal GDP, rose to 287.8% in 2023, 13.5 percentage points higher than a year ago. The upward trend continues in 2024, as the debt-to-GDP ratio at the end of the first quarter rose to 294.8%.³

Despite the challenges ahead, the Government set an ambitious economic growth target of 'around 5%' for 2024, in accordance with current market estimates. In Q1 2024, GDP grew by 5.3% YoY. The pickup was mainly propelled by expansion in industrial production and investment in factories. The foreign trade also stabilized as imports rose by 5% and exports by 4.9% YoY in RMB terms.

1.2 Economic policy developments

Premier Li Qiang unveiled economic goals in March 2024 as he delivered his first Government Work Report at the National People's Congress (NPC).⁴ The 5% GDP growth target sent a message of continuity; the fiscal deficit target of 3% of GDP (lower than 3.8% in 2023) indicated that the government wants to refrain from "wasteful and excessive spending" while providing moderate stimulus. General public expenditures in the government budget are projected to reach 28.5 trillion RMB (+4%), while an additional 1 trillion RMB will be raised through off-budget borrowing for "major projects". Local governments may also issue some more special-purpose bonds than last year, but Beijing has restricted the ability of 12 heavily indebted regions to take on new debt.

After the economic growth miracle over the past three decades, some of the main growth drivers – urbanization, globalization, demographic dividend – are fading. At the Central Economic Work Conference in December 2023, China's leaders identified "difficulties and challenges including a lack of effective demand, overcapacity in several sectors, and lacklustre expectations" but displayed optimism that

¹ Financial Times (2024), "China's excess savings are a danger", retrieved from <https://www.ft.com/content/cc40794b-abbb-4677-8a2a-4b10b12b6ff5>, last accessed on May 9, 2024.

² A gauge of expenditure on items including infrastructure, property, machinery and equipment.

³ NIFD, NIFD quarterly report (Chinese only), retrieved from <http://www.nifd.cn/Uploads/SeriesReport/7f9287b2-1405-4f24-a2d6-d7690c47fcf3.pdf>, last accessed on May 9, 2024.

⁴ The State Council of the People's Republic of China (2024), "2024 Report on the Work of the Government", retrieved from https://npcobserver.com/wp-content/uploads/2024/03/2024-Government-Work-Report_EN.pdf, last accessed on May 15, 2024.

“overall, favorable conditions outweigh unfavorable factors”. President Xi delivered an important speech which emphasized nine priorities for high-quality development in 2024: promoting industrial innovation; stimulating domestic demand; deepening reforms in key areas; increasing opening-up levels by reducing barriers for foreign trade and investment; resolving risks in the property sector and local debt; continuing agriculture related work and ensuring food safety; promoting urban-rural integration and coordinated regional development; further promoting green and low-carbon development; and improving people’s livelihood. One priority not mentioned, but which pervades economic decision-making, is to enhance self-reliance and technological independence. Having emerged ten years ago, the concept of economic security became more prominent in the wake of pandemic disruptions and Western sanctions on Russia.⁵

The property downturn is heading into its fourth year and clearly stands out as the biggest risk to China’s economic growth and financial stability. The government eased restrictions that it had previously imposed on the sector, and ensured the completion of pre-sold apartments in order to prevent social unrest. In November 2023, banking and financial regulators urged financial institutions to meet the reasonable funding needs of property developers. Meanwhile, the government helped banks dispose of bad assets and issued a “whitelist” of creditworthy developers in an effort to reassure lenders, but without offering guarantees.⁶ Later, the PBOC offered cheap loans (through commercial lenders) to local authorities that will buy unsold houses and rent them out as social or affordable housing. A real estate company received court clearance to start bankruptcy restructuring for the first time in April 2024.

The Government outlined several measures to attract foreign direct investment (FDI) as the flow of inward FDI slumped to the lowest level since 1993 (cf. chapter 5). In July 2023, the State Council issued a set of policies aimed at improving the business environment for foreign companies. In March 2024, it followed up with a 24-point action plan⁷, with measures including expanding market access in the high-tech and financial sectors, facilitating cross-border data flows, and administrative improvements for expats living in China.

Throughout 2023 and into 2024, China’s monetary policy remained supportive and there is room for further monetary easing, but the interest rate differential led to capital outflows, putting pressure on the RMB foreign exchange rate. The People’s Bank of China (PBOC) repeatedly cut the reserve requirement ratio (RRR) as well as its five-year loan prime rate (LPR) which now stands at 3.95%. Commercial banks in China use the five-year LPR as a benchmark to adjust their mortgage rates. Apart from monetary policy, capital allocation in China is subject to political directives, to which the big four state-owned banks are particularly exposed. The Communist Party strengthened its grip on the financial system by setting up a Central Financial Commission which first met in November 2023.

Economic theory revolves around the concept of “new quality productive forces” since when the term was first used by President Xi Jinping in September 2023. The term later gained traction as it was quoted and enshrined in party documents and government policy documents. According to Xi, “new productive forces” mean advanced productivity freed from traditional economic growth models, featuring high technology, high efficiency, and high quality, aligned with the country’s new development philosophy.⁸ The concept seems to combine Marxist ideology with China’s ambition of moving up the value chain.

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

2.1 Priority sectors

China remains the world’s manufacturing hub; the country concentrates a third of world industrial output.⁹ The manufacturing sector in China enjoys political priority – the “Made in China 2025” plan is still

⁵ Cf. China Macro Group (2024), “Riskful thinking – navigating the politics of economic security”, retrieved from <https://www.chinamacro.ch/post/new-euccc-cmg-report-riskful-thinking-navigating-the-politics-of-economic-security>, last accessed on June 4, 2024.

⁶ WSJ (2024), “China Real-Estate Projects Set to Receive Loans Under ‘Whitelist’ Program”, retrieved from <https://www.wsj.com/economy/housing/china-real-estate-projects-set-to-receive-loans-under-whitelist-program-d938b49e>, last accessed on May 15, 2024.

⁷ State Council (2024), “Action plan to promote high-level opening-up, attract foreign investment”, retrieved from https://english.www.gov.cn/policies/latestreleases/202403/19/content_WS65f954f4c6d0868f4e8e539a.html, last accessed on May 17, 2024.

⁸ Xinhuanet (2024), “Explainer: What do “new productive forces” mean?” retrieved from <https://english.news.cn/20240221/3e0d1b79a39f4e6c89724049558e1082/c.html>, last accessed on May 17, 2024.

⁹ CEPR (2024), “China is the world’s sole manufacturing superpower: A line sketch of the rise”, retrieved from <https://cepr.org/voxeu/columns/china-worlds-sole-manufacturing-superpower-line-sketch-rise>, last accessed on May 24, 2024.

running – and it retains a very high share of GDP by international standards (see Annex 1).

The Government has launched new initiatives to move up the value chain, seek new growth engines, and support high-tech manufacturing. The Ministry of Industry and Information Technology (MIIT) has prepared an action plan for China's advanced manufacturing development including new materials, biomedicines and high-end equipment.¹⁰ In April 2024, the government published specific goals and measures for industrial equipment upgrades. According to the plan, China will boost industrial equipment investment by more than 25% in the period 2023-2027.

The 14th Five Year Plan (FYP) incorporated digital economy as one of the priorities in the 2021-2025 period. In February 2023, the State Council also issued a “Digital China Plan”¹¹ which sets out a roadmap for advancing Chinese-style modernization in the digital age.

The services sector accounted for more than half of the country's GDP in 2023. President Xi Jinping has stated China's ambition to become a “financial superpower”, albeit “distinct from Western models”. The financial sector already represents 8% of GDP, higher than OECD average and near UK and US levels. At the same time, anti-corruption campaigns are targeting the finance and the healthcare sectors, sometimes paralyzing decision-makers. Due to the property crisis, the construction sector is facing structural adjustment.

China's structural dependence on key foreign technologies is perceived as a fundamental weakness.¹² In October 2022, the U.S. implemented new export controls on advanced chips as well as semiconductor design and manufacturing technologies, targeting China's artificial intelligence (AI) and semiconductor industries. The Chinese government reacted by replenishing its “Big Fund” for indigenous integrated circuit industry development, offering equity investments and low-interest loans, tax breaks and grants, and introducing export controls of its own. Export controls may be used to protect China's competitive edge in products and technologies where it has achieved global dominance, e.g. rare earth processing, gallium and germanium, or graphite for battery manufacturing.

2.2 Opportunities for Swiss companies

While overcapacity has led to strong competition and price pressure in many sectors, China's increasingly sophisticated economy offers a broad range of opportunities for Swiss providers of quality products and services.

Mechanical, electrical and metal industry

Swiss tailor-made machines and technologies for niche application are demanded in many industries, such as aerospace, new energy, medical technology etc., as Chinese customers lift their quality standards and strive towards the target “specific measures for innovation, quality, intelligent manufacturing, and green production” set by the 14th five-year plan. China's automotive sector is experiencing particularly strong growth and is at the forefront of the development of electric vehicles.

Healthcare

An ageing population and increasing demand for modern treatment are contributing to the pharma and medtech market growth. Swiss innovative medtech products in categories which China has not mastered well have good business potential.¹³ However, the pre-market approval, especially for medtech class II and III products, is highly time-consuming and cost-intensive, and volume-based procurement (VBP), where applicable, greatly reduces profitability. The preferential policies applied in Hainan Boao Lecheng International Medical Tourism Pilot Zone simplify the approval process of clinically urgently needed drugs and medical devices.¹⁴

¹⁰ SCMP (2024), “China targets ‘future industries’ in 2024, humanoid robots and biomedicines to drive high-quality economic growth”, retrieved from <https://www.scmp.com/economy/china-economy/article/3246040/china-targets-industries-future-2024-humanoid-robots-and-biomedicines-drive-high-quality-economic>, last accessed on May 24, 2024.

¹¹ Stanford University (2024), “Translation: ‘Plan for the Overall Layout of Building a Digital China’”, retrieved from <https://digichina.stanford.edu/work/translation-plan-for-the-overall-layout-of-building-a-digital-china/>, last accessed on May 24, 2024.

¹² MERICS (2024), “China's digital platform economy”, retrieved from <https://merics.org/en/report/chinas-digital-platform-economy-assessing-developments-towards-industry-40>, last accessed on May 24, 2024.

¹³ S-GE Report (2024), “How to enter the Chinese market as a Swiss MedTech company”, retrieved from <https://www.s-ge.com/en/publication/industry-report/20213-c3-china-medtech-report-medt2>, last accessed on April 25, 2022.

¹⁴ S-GE Factsheet (2024), “Hainan Boao Lecheng City: Unique Opportunities for Swiss Healthcare Companies to enter the Chinese Market”, retrieved from <https://www.s-ge.com/en/publication/fact-sheet/20214-c3-china-medtech-opportunities-hainan>, last accessed on May 9, 2024.

Cleantech

China has ambitious plans to decarbonize and become a world leader in green technology, even though its de-carbonization goals are markedly less ambitious than Europe's.¹⁵ China's hydrogen power has been identified as one of the future-oriented industries in the 2024 Government Work Report. Besides the hydrogen energy production, storage, and transport, certain opportunities for Swiss companies stand to come in the form of application by partnering with local companies to gain market access. Additionally, according to a climate action plan¹⁶ released in October 2021, all new buildings are to be built according to green standards by 2025. While the construction sector is undergoing a consolidation, Swiss green building system and products suppliers may still find interesting opportunities¹⁷

Low-altitude business

The term "low-altitude economy" was officially endorsed by Chinese policymakers as a strategic emerging market. It refers to the vertical airspace that extends from 1'000 to 4'000 meters above the ground where civil-manned and unmanned aircraft vehicles operates. In some pilot zones in China, food deliveries by drone and helicopter taxi services are already available.¹⁸ Switzerland is one of the world's leading locations for drone technology and its applications. Swiss drone companies and related suppliers may find opportunities in this new market.

Consumer Goods sector

The Chinese government has vowed (but so far failed) to make consumption the "main driving force" of the economy. Swiss products and services are normally associated with very high quality in the Chinese market, but rich and middle-class consumers have become more price-sensitive and indigenous brands are increasingly popular. Pre-market approval and registration is required for food, cosmetics and nutritional supplements. Cross-border e-commerce provides alternative market access opportunities for Swiss companies that are not registered in China.

3 FOREIGN ECONOMIC POLICY

3.1 China's policy and priorities

China has benefited enormously from the last wave of globalization and remains a staunch supporter of the multilateral trading system, while defending its status as a developing country and presenting itself as an advocate of the Global South. Over the last few years, however, geopolitical tensions and Western sanctions on Russia following its invasion of Ukraine have accentuated the perception that China needs to reduce its external vulnerability. The "Dual Circulation Strategy" – prioritizing domestic consumption ("internal circulation") while remaining open to international trade and investment ("external circulation") – is an attempt to enhance both innovation and self-reliance.

After 23 years of WTO membership, China is the world's largest trader of goods and the second largest trader of services. However, there is still debate about whether China's state-led approach violates the WTO's open and market-oriented principles. As of May 2024, 49 disputes of WTO's rules violations had been filed against China, mainly for lack of IPR enforcement, illegally restricting access to its domestic market or for granting illegal subsidies to its domestic industries.¹⁹ More recently, China's big trade surpluses prompted Western governments to complain more generally about China's over-reliance on exports, with the U.S. arguing that China was "too large to export its way to rapid growth". The U.S. went on to announce steep tariff increases on steel, aluminium, electric cars, batteries, and medical products, and started a probe into China's subsidies in shipbuilding. The EU launched anti-subsidy investigations regarding electric vehicles, wind turbines, and certain steel products, and initiated a probe into

¹⁵ China intends to supply 20% of its total energy consumption from non-fossil fuels in 2025, to achieve peak CO2 emissions before 2030 and to reach carbon neutrality in 2060.

¹⁶ NDRC (2024), "Action plan for carbon dioxide peaking before 2030", retrieved from https://en.ndrc.gov.cn/policies/202110/t20211027_1301020.html, last accessed on May 10, 2024.

¹⁷ S-GE Fact sheet (2024), "China's ambitious national policies and action plans aiming to improve the energy efficiency of buildings", retrieved from <https://www.s-ge.com/en/publication/fact-sheet/2022-e-clean-china-c5-energy-efficiency-buildings-china>, last accessed on May 24, 2024.

¹⁸ CGTN (2024), "Air taxi gains traction in Shenzhen in tapping low-altitude economy", retrieved from <https://news.cgtn.com/news/2023-12-25/Air-taxi-gains-traction-in-Shenzhen-in-tapping-low-altitude-economy-1pPq4ONfLW/p.html>, last accessed on May 24, 2024.

¹⁹ WTO (2024), retrieved from https://www.wto.org/english/thewto_e/countries_e/china_e.htm, last accessed on May 24, 2024.

China's procurement of medical devices. China decried the U.S. tariffs as protectionism, arguing that Chinese products are simply more competitive, but has refrained from retaliating massively.

At the regional level, China relies on the Regional Comprehensive Economic Partnership (RCEP) which entered into force in 2022. Under RCEP, Chinese companies are expanding their value chains into Southeast Asia, while the agreement brought only limited benefits for trade with South Korea and Japan. China therefore showed renewed interest in resuming FTA negotiations with the two neighbours.

China submitted its application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in September 2021, but is unlikely to be admitted soon. Negotiations on a Comprehensive Agreement on Investment (CAI) between China and the EU were concluded "in principle" in December 2020 but the ratification process has stalled for political reasons.

To date, China has signed free trade agreements (FTA) with 29 countries and regions.²⁰ In 2023, China signed new FTAs with Ecuador, Nicaragua and Serbia. It also signed a protocol to further upgrade the China-Singapore Free Trade Agreement and made substantial progress in early FTA negotiations with Honduras.

Embedded in the constitution since 2018, the Belt and Road Initiative (BRI) provides a framework for shaping and securing China's investment in infrastructure abroad. Such investment has been downsized during the pandemic but remains an instrument of foreign economic policy.²¹ At the BRI Summit in October 2023, President Xi Jinping pledged the equivalent of USD 107 billion to finance his signature project over the next five years. It is estimated that Chinese financial institutions extended USD 687 billion in loans to support BRI projects over the past decade. China is now expected to play its part in sovereign debt restructuring, where applicable.

3.2 Outlook for Switzerland (potential for discrimination or comparative advantage)

Swiss companies benefit from privileged market access for goods and services in accordance with the Sino-Swiss Free Trade Agreement which entered into force in mid-2014; most tariff reductions scheduled in the agreement have been phased in by mid-2024 and Swiss companies are now making better use of the FTA. In preparation of negotiations on enhancing the FTA, Switzerland and China have identified areas of common interest and completed a joint feasibility study in January 2024.

4 FOREIGN TRADE

4.1 Developments and general outlook

4.1.1 Trade in goods

In 2023, exports dropped 4.6% to USD 3'380 bn and imports fell 5.5% to USD 2'557 bn. Overall, China posted a trade surplus of USD 823 bn. ASEAN remained China's largest trading partner, followed by the EU and the U.S. (cf. [Annex 3](#)). China's exports to the U.S. declined by 13.1% from a year ago while exports to EU were also down by 10.2%. Transshipment via ASEAN and Mexico can explain most of the shift away from the U.S., and China's dependence on Western consumers persists.

As Western competitors withdrew from Russia, Chinese companies quickly expanded into this market. In 2023, Russia surpassed Australia and Germany to become China's sixth-largest trading partner by individual countries and regions. The total bilateral trade value hit a record high of USD 240.1 billion, a 26.3% increase over 2022. China's exports to Russia grew by 46.9% while imports from Russia expanded by 12.7%. China was providing Russia with automobiles and machinery equipment while getting commodities and natural resources in return. In April 2024, Russia claimed that its bilateral trade with China has almost completely moved away from using the U.S. dollar.²²

China continued to dominate electronics manufacturing globally. Machinery / electronic products (such as computers, TV sets and smartphones) made up of 58.6% of total China's exports value in 2023, and the renewable energy industry was at the bright spot. The combined export value of electric cars,

²⁰ MOFCOM (2024), retrieved from <http://fta.mofcom.gov.cn/english/index.shtml>, last accessed on May 24, 2024.

²¹ Green Finance&Development Center (2023), "China Belt and Road Initiative (BRI) Investment Report 2022", retrieved from <https://greenfdc.org/china-belt-and-road-initiative-bri-investment-report-2022/>, last accessed on March 24, 2024.

²² Bloomberg (2024), "Lavrov Says Russia, China Almost Dedollarized Their Trade: Tass", retrieved from <https://www.bloomberg.com/news/articles/2024-04-22/lavrov-says-russia-china-almost-dedollarized-their-trade-tass>, last accessed on May 17, 2024.

lithium-ion batteries, and solar cells for the first time topped the one-trillion-yuan mark (USD 148.7 billion), a 29.9% increase from 2022.

Entering 2024, both imports and exports rose 1.5% YoY in the first quarter. Going forward, China's export industry is faced with uncertainties as unilateral and protectionist measures are on the rise and China is the country affected by the highest number of harmful interventions.²³

4.1.2 Trade in services

According to the Chinese Ministry of Commerce, in 2023, China's exports of services contracted 10.1% YoY to USD 381.1 bn while imports of services went up 18.7% YoY and reached USD 552.0 bn. Overall, the services trade resulted in a deficit of USD 170.9 bn.

The end of the pandemic control measures boosted the travel sector significantly. Inbound tourism rose 59.2% and outbound tourism surged 74.7%.²⁴ Exports of knowledge-intensive services increased by 9%, led by insurance service export (+67%). Imports of knowledge-intensive services up by 7.8%, led by personal, cultural, and recreational services imports (+61.7%).

The growing trend of travel services is likely to continue in 2024, as the number of international flights still remains below the pre-pandemic level. China has granted visa exemptions for tourists and business travellers from various countries and signed new visa exemption agreements with others.

4.2 Bilateral trade

4.2.1 Trade in goods

Switzerland's total trade in goods with China amounted to CHF 33.3 bn (-8.3% YoY) in 2023 and the Swiss trade deficit reached CHF 2.6 bn (cf. Annex 4). These figures do not take into account Swiss gold²⁵ exports to mainland China which amounted to 451 tonnes in 2023 (CHF 25.2 bn) nor gold imports from mainland China (CHF 0.5 bn). Including gold, total bilateral trade thus amounted to CHF 59.0 bn (-5.9% YoY) with a goods trade surplus of CHF 22.2 bn for Switzerland.²⁶

Apart from gold, Swiss exports to China totalled CHF 15.4 bn in 2023, down 3.5% YoY. China accounted for approximately 5.6% of Swiss exports in 2023. In terms of value, exports consisted mainly of products of the chemical and pharmaceutical industry (37.4%), precision instruments, clocks, watches and jewellery (35.4%), and machines, appliances and electronics (16.9%). In 2023, exports of products of the chemical and pharmaceutical industry decreased by 12%, while machines, appliances, electronics dropped by 7.3%. Exports of precision instruments, clocks, watches and jewellery increased by 5.8%.

Swiss imports from China amounted to CHF 17.9 billion (-12.0%) in 2023, mainly relating to machines, appliances and electronics (40.0%), textiles, clothing, shoes (16.3%), and products of the chemical and pharmaceutical industry (11.5%). In 2023, imports of machines, appliances and electronics declined by 15.2%, while textiles, clothing and shoes imports dropped 5.5%.

4.2.2 Trade in services

China is Switzerland's seventh biggest trade in services partner worldwide. In 2023, the total bilateral trade in services amounted to CHF 9.1 bn (+2.8 YoY), as Swiss services exported to China totalled CHF 5.0 bn (-8.5% YoY) and Chinese services imported by Switzerland totalled CHF 4.1 bn (+13.7% YoY).²⁷

Transport services account for the largest share of Swiss service exports to China, followed by royalties, telecommunication / IT services, and tourism.

Starting from March 14, 2024, China allows visa-free entry for travellers from Switzerland along with several other European countries. Swiss citizens can travel to China for a period of up to 15 days

²³ Cf. Global Trade Alert: <https://www.globaltradealert.org/>

²⁴ Global Times (2024), "China's service trade up 10% in 2023, setting a new record high", retrieved from <https://www.globaltimes.cn/page/202402/1306501.shtml>, last accessed on May 17, 2024.

²⁵ "gold" in this section refers to "gold bars and other precious metals, coin, precious stones and gems as well as works of art and antiques".

²⁶ All data in this section: FCA (2024) "Swiss-Impex", retrieved from <https://www.gate.ezv.admin.ch/swissimpex>, last accessed on May 24, 2024.

²⁷ SECO (2024), Services Trade Cockpit, retrieved from https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/handel_mit_dienstleistungen.html, last accessed May 21, 2024.

without applying for a visa for tourism, business, visiting relatives and friends, or transiting to a third country.

5 DIRECT INVESTMENTS

5.1 Developments and general outlook

Based on the Ministry of Commerce (MOFCOM) statistics, China's inward FDI flow dropped by 8% to USD 160 billion in 2023 after 8% growth in 2022. Looking at the historical data, Hong Kong, Singapore, and the British Virgin Islands were the biggest sources of China's FDI stock (cf. [Annex 5](#)). There are strong indications that mainland investors, perhaps due to China's capital controls and tax laws, resort to "round-trip" investment. There also seems to be a tendency among multinationals to finance FDI from reinvested profits.²⁸

According to MOFCOM, China's outward direct investment (ODI) reached USD 147.85 bn in 2023, up 0.9% YoY.²⁹ The total overseas mergers and acquisitions (M&A) value increased by 20% but it was mainly due to the value of large transactions. The M&A deal volume was down by 16% YoY. The trend away from mergers and acquisitions towards more greenfield projects persisted.

The State Administration of Foreign Exchange (SAFE) reported net inbound investment from foreign sources at USD 33 billion for 2023, the lowest level since 1993.³⁰ Unlike MOFCOM, the statistical method used by SAFE considers more factors including IPOs in offshore markets; reinvested profits of foreign firms; bank borrowing of related foreign firms to invest in China's branches; etc.³¹

Foreign direct investment in China is subject to a "negative list" which excludes foreign investors from certain industries. The current list contains 31 sectors.³² An additional "negative list" for market access comprises 6 industries that are prohibited for private investment and 111 industries subject to approval, qualification, licensing measures, or requisite legal procedures.³³ In March 2024, Premier Li Qiang vowed to shorten the "negative list" for foreign investment, and abolish all market access restrictions on foreign investment in manufacturing.³⁴

5.2 Bilateral investment

According to the Swiss National Bank, the stock of Swiss FDI in Mainland China was CHF 27.9 bn (+2.7 bn) in 2022. FDI flows were CHF 2'404 million (-33 million) in 2022.³⁵ According to Chinese statistics, FDI originating from Switzerland increased by 21.4% in 2023.³⁶ According to the Swiss Business in China Survey 2023, the Swiss firms' level of confidence in doing business in China has recovered from the pandemic years. However, Swiss businesses have lower expectations in terms of their sales and growth

²⁸ Jungbluth, Cora et al. (2024): Gewinne deutscher Investoren in China – eine erste empirische Bestandsaufnahme.

²⁹ MOFCOM (2024), retrieved from <http://english.mofcom.gov.cn/article/statistic/foreigntrade/cooperation/202403/20240303481087.shtml>, last accessed on May 20, 2024.

³⁰ Global Finance Magazine (2024), "China: Foreign Direct Investment Hits 30-Year Low", retrieved from <https://gfmag.com/economics-policy-regulation/china-foreign-direct-investment-hits-30-year-low/>, last accessed on May 20, 2024.

³¹ PIIE (2024), "Foreign direct investment is exiting China, new data show", retrieved from <https://www.piie.com/blogs/realtime-economics/foreign-direct-investment-exiting-china-new-data-show>, last accessed on May 20, 2024.

³² Investment Policy Hub (2024), "Issued new Negative List for Foreign Direct Investment", retrieved from <https://investmentpolicy.unctad.org/investment-policy-monitor/measures/3792/china-issued-new-negative-list-for-foreign-direct-investment>, last accessed on May 24, 2024.

³³ Dezan Shira and Associates: China Briefing – China's 2022 Negative List for Market Access, retrieved from <https://www.china-briefing.com/news/chinas-2022-negative-list-for-market-access-restrictions-cut-financial-sector-opening/>, last accessed on May 24, 2024.

³⁴ Global Times (2024), "China to pursue high-quality opening-up, shorten 'negative list' for foreign investment: Premier Li Qiang", retrieved from <https://www.globaltimes.cn/page/202403/1308206.shtml>, last accessed on May 20, 2024.

³⁵ Swiss National Bank (2024), retrieved from [https://data.snb.ch/en/topics/aube/cube/fdiaustlanda?fromDate=2012&toDate=2021&dimSel=d0\(T0.T1.B3.T2.T3.T4.CN.T5.T6\)](https://data.snb.ch/en/topics/aube/cube/fdiaustlanda?fromDate=2012&toDate=2021&dimSel=d0(T0.T1.B3.T2.T3.T4.CN.T5.T6)), last accessed May 21, 2024.

³⁶ State Council (2024), retrieved from https://english.www.gov.cn/archive/statistics/202401/19/content_WS65aa724ec6d0868f4e8e34e0.html, last accessed on May 20, 2024.

and are more cautious with their investment plans. Still, close 40% of them are increasing their investments, while 59% of firms emphasize that their investments will remain the same.³⁷

In 2023, new Chinese investments in Switzerland increased to a volume of USD 196 million. This put Switzerland in 3rd place among the most popular European locations for investors from China, behind Netherlands and Germany.³⁸

6 ECONOMIC AND TOURISM PROMOTION

6.1 Swiss foreign economic promotion instruments

Main actors of Swiss economic promotion in China

- **Swiss Business Hub (SBH) China:** represents the official Swiss trade and investment promotion agency Switzerland Global Enterprise (S-GE).
- **Cantonal / regional promotion representatives for investment promotion:** GZA (Greater Zurich Area), GGBA (Greater Geneva Bern Area), Basel Area and Schaffhausen (through Generis) have local representatives in China.
- **Swiss Chamber of Commerce (SwissCham):** The main networking, interaction and information platform for Swiss companies established in China has chapters in Beijing, Shanghai, South and South-West China and cooperates with the Swiss Chamber of Commerce in Hong Kong and the Swiss-Chinese Chamber of Commerce in Switzerland.
- **Switzerland Tourism:** The marketing and sales organization for Switzerland as a travel, vacation and conference destination has offices in Beijing and Shanghai.

Activities/Events

Swiss Pavilions were organized at the following trade fairs:

- **China International Import Exhibition (CIIE),** November 5-10, 2023, organized by Swiss Centers;
- **Marintec China** (December 5-8, 2023), organized by Swiss Business Hub and Switzerland Global Enterprise;
- **China CNC Machine Tool Fair (CCMT),** April 8-12, 2024, organized by Swissmem and supported by Swiss Business Hub and Switzerland Global Enterprise, with about 40 Swiss exhibitors;
- **China International Consumer Products Expo** (Hainan Expo), April 13-18, 2024, organized by the Swiss Business Hub and Switzerland Global Enterprise;
- **Chinaplas,** April 23-26, 2024, in Shanghai, organized by Switzerland Global Enterprise;
- **China Beauty Expo,** May 22-24 2024 organized by Swiss Business Hub and Switzerland Global Enterprise.

Furthermore, the Swiss Business Hub facilitated the fact-finding trip of Swissmem's high-level delegation to China from April 8 to 12, 2024, with stops in Shanghai, Suzhou and Tianjin.

6.2 The host country's interest in Switzerland

Switzerland as a tourist destination

Switzerland remains highly appreciated as an attractive tourism destination as well as a place of education and study, particularly among Chinese people with higher education and income. However, the travel restrictions between 2020 and 2022 severely disrupted tourism and other services. The lifting of restrictions and the gradual resumption of flight connections are helping on the return of Chinese tourists but it is still far behind the pre-pandemic level. In 2023, the Greater China market recorded 0.817 million overnights in Switzerland compared to 1.846 million overnights in 2019. Greater China

³⁷ Tomas Casas-Klett / Nicolas Musy / Zhen Xiao: The Swiss Business in China Survey 2023, retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4452247, last accessed May 21, 2024.

³⁸ EY (2024), "Chinese company takeovers in Europe fall to 12-year low – more investments in Switzerland", retrieved from https://www.ey.com/en_ch/news/2024/02/chinese-company-takeovers-in-europe-fall-to-12-year-low-more-investments-in-switzerland, last accessed on May 21, 2024.

was the 8th highest ranked source market (out of a total of 28 Switzerland Tourism markets) in 2023. In terms of economic value, Greater China ranks 2nd with a daily expenditure value of CHF 380 per capita.³⁹

Switzerland as a study destination

The education and research environment in Switzerland is attractive to young Chinese. For the academic year 2022/2023, 3519 Chinese students were enrolled at Swiss Universities (+38.5% increase since 2020/2021), among which 228 at the Bachelor level, 1'870 at the Master level, 173 in continuous education programs and 1248 PhD students. Both at Master and Doctorate level, Chinese nationals represent the 4th most important cohort of international students and researchers in Switzerland (respectively 10.5% and 7,9 % of the total) – behind Germans (15,9% and 22.3%), French (17% and 8.8%) and Italians (12.1% and 12.5%).⁴⁰

Switzerland as a financial center

Swiss banks and other financial institutions are operating in mainland China under licenses for wealth and asset management, securities trading, insurance and re-insurance. While Switzerland's adoption of EU sanctions on certain Russian assets and the UBS takeover of Credit Suisse have dealt a temporary blow to the image of the Swiss financial center in China, the country's financial stability and its leading position in international wealth management ensure sustained interest from Chinese customers. Swiss banks in mainland China still enjoy a good reputation of professionalism, privacy and security for Chinese investors increasingly seeking international diversification.

The China-Switzerland Stock Connect was launched on 28th of July 2022, allowing Chinese companies to seek secondary listings on the SIX Swiss Exchange by issuing Global Depository Receipts (GDRs).⁴¹ So far, a total of 17 Chinese companies have successfully issued and listed GDRs in Switzerland, raising USD 5.58 billion, according to data from Dealogic. More companies are preparing for a listing in an effort to raise capital and fund their international growth.⁴² Additional avenues for financial market cooperation are under exploration.

³⁹ Switzerland Tourism (2024), Research Report Greater China.

⁴⁰ FSO (2024), "*Etudiants des hautes écoles universitaires: tableaux de base*", retrieved from <https://www.bfs.admin.ch/bfs/fr/home/statistiques/education-science/personnes-formation/degre-tertiaire-hautes-ecoles/universitaires.assetdetail.24345364.html>, last accessed on May 24, 2024.

⁴¹ SIX (2024), "*China-Switzerland Stock Connect: Enhancing Access to Capital and Opportunity*", retrieved from <https://www.six-group.com/en/newsroom/news/the-swiss-stock-exchange/2022/stock-connect-qdrs.html>, last accessed on May 24, 2024.

⁴² The following webpage provides daily updates on the listed companies and their shares : <https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/shares/share-explorer.html?listingSegment=DE>, last accessed on May 24, 2024.

ANNEX 1 – Economic structure

Economic structure of the host country

	2018	2023
Distribution of GDP		
Primary sector	7.0%	7.1%
Manufacturing sector	39.7%	38.3%
Services	53.3%	54.6%
- of which public services	n/a	n/a

Distribution of employment	2017	2022
Primary sector	26.7%	24.1%
Manufacturing sector	28.6%	28.8%
Services	44.7%	47.1%
- of which public services	n/a	n/a

Source(s):

STATISTICAL COMMUNIQUÉ OF THE PEOPLE'S REPUBLIC OF CHINA ON THE 2023 NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT, retrieved from https://www.stats.gov.cn/english/PressRelease/202402/t20240228_1947918.html, last accessed on May 24, 2024.

National Bureau of Statistics of China, China Statistical Yearbook, retrieved from <http://www.stats.gov.cn/sj/ndsj/2023/indexeh.htm>, last accessed on April 18, 2024.

ANNEX 2 – Main economic data

Host country's main economic data

	2022	2023	2024 est.
GDP (USD bn)*	17'849	17'662	18'533
GDP per capita (USD)*	12'643	12'514	13'136
Growth rate (% of GDP)*	3.0	5.2	4.6
Inflation rate (%)*	2.0	0.2	1.0
Unemployment rate (%)*	5.5	5.2	5.1
Fiscal balance (% of GDP)*	-7.5	-7.0	-7.4
Current account balance (% of GDP)*	2.3	1.5	1.3
Total external debt (% of GDP)**	13.9	14.4	n/a
Debt-service ratio (% of exports)**	36.1	n/a	n/a
Reserves (months of imports)**	12.8	12.6	n/a

*Source: IMF (2024), "World Economic Outlook database: April 2024", retrieved from <https://www.imf.org/en/Publications/WEO/weo-database/2024/April> , last accessed on April 18, 2024

**Source: IMF (2024), "2023 Article IV Consultation (February 2024)", retrieved from <https://www.imf.org/en/Publications/CR/Issues/2024/02/01/People-s-Republic-of-China-2023-Article-IV-Consultation-Press-Release-Staff-Report-and-544379>, last accessed on April 18, 2024

ANNEX 3 – Trade partners

Trade partners of the host country Year: 2023

Rank	Country	Exports from the host country (USD billion)	Share	Change	Rank	Country	Imports to the host country (USD billion)	Share	Change
1	United States	500.3	14.8%	-13.1%	1	Taiwan, China	199.3	7.8%	-15.4%
2	Hong Kong, China	274.6	8.1%	-6.3%	2	United States	164.2	6.4%	-6.8%
3	Japan	157.5	4.7%	-8.4%	3	Korea, Rep.	161.8	6.3%	-18.7%
4	Korea, Rep.	149.0	4.4%	-7.2%	4	Japan	160.5	6.3%	-12.9%
5	Viet Nam	137.6	4.1%	-3.7%	5	Australia	155.4	6.1%	9.3%
6	India	117.7	3.5%	0.8%	6	Russian Federation	129.1	5.1%	12.7%
7	Russia Federation	111.0	3.3%	46.9%	7	Brazil	122.4	4.8%	11.9%
8	Germany	100.6	3.0%	-13.0%	8	Germany	106.2	4.2%	-4.2%
9	Netherlands	100.2	3.0%	-14.6%	9	Malaysia	102.9	4.0%	-6.3%
10	Malaysia	87.4	2.6%	-3.9%	10	Viet Nam	92.2	3.6%	4.8%
55	Switzerland	5.7	0.2%	-24.8%	14	Switzerland	53.8	2.1%	8.9%
	EU	501.2	14.8%	-10.2%		EU	281.8	11.0%	-0.9%
	ASEAN	523.7	15.5%	-5.0%		ASEAN	388.0	15.2%	-4.8%
	Total	3380.0	100%	-4.6%		Total	2556.8	100%	-5.5%

Source(s): GACC (2023), Gross Value of Import and Export by countries for 2022 (USD), retrieved from <http://www.customs.gov.cn/customs/302249/zfxxgk/2799825/302274/302277/4185050/index.html>, last accessed on April 13, 2023

ANNEX 4 – Bilateral trade

Bilateral trade between Switzerland and the host country

	Export (CHF million)	Change (%)	Import (CHF million)	Change (%)	Balance (in million)	Volume (in million)
2019	13'392	10	14'894	4.6	-1'502	28'286
2020	14'734	10	16'096	8.1	-1'361	30'830
2021	15'573	5.7	17'948	11.5	-2'375	33'521
2022	15'905	2.1	20'376	13.5	-4'470	36'281
2023	15'356	-3.5	17'923	-12.0	-2'568	33'279
(Total 1)*						
2024 (1 st quarter)**	3'790	-3.2	4'066	-15.2	-276	7'856

*) 'Economic' total (total 1): not including gold bars and other precious metals, currencies, previous stones and gems, works of art and antiques

***) Change (%) from the previous year

Exports	2022 (% of total)	2023 (% of total)	Change (%)
1. Chemicals, pharmaceuticals	41.0	37.4	-12.0
2. Precision instruments, watches, jewellery	32.3	35.4	5.8
3. Machines, appliances, electronics	17.6	16.9	-7.3
4. Metals	4.8	5.7	15.2
5. Forestry and agricultural products, fisheries	1.0	1.1	-1.5
6. Leather, rubber, plastics	1.0	1.0	-5.6
7. Textiles, clothing, shoes	0.9	0.9	-10.2
8. Vehicles	0.4	0.6	-16.3
9. Stones and earth materials	0.4	0.5	42.2
10. Paper, printing industry	0.2	0.2	0.5
11. Various goods, musical instruments, etc.	0.2	0.2	-5.3
12. Energy source	0.0	0.1	109.9

Imports	2022 (% of total)	2023 (% of total)	Change (%)
1. Machines, appliances, electronics	41.5	40.0	-15.2
2. Textiles, clothing, shoes	15.4	16.3	-6.6
3. Chemicals, pharmaceuticals	10.8	11.5	-6.0
4. Precision instruments, watches, jewellery	8.2	8.9	-4.9
5. Various goods, musical instruments, etc.	7.0	7.0	-12.5
6. Metals	5.9	5.2	-23.1
7. Leather, rubber, plastics	4.1	4.2	-9.2
8. Vehicles	4.0	3.9	31.6
9. Forestry and agricultural products, fisheries	1.2	1.1	-16.8
10. Stones and earth materials	1.0	0.9	-16.8
11. Paper, printing industry	0.8	0.8	-10.2
12. Energy source	0.0	0.1	321.2

Source(s): Federal Office for Customs and Border Security

ANNEX 5 – Main investing countries

Main investing countries in the host country Year: 2022

Rank (by inflow)	Country	Direct investment (USD, stock)	Share	Variation (stock)	Inflow (USD bn)
1	Hong Kong, China	1'570.3	55.9%	+9.6%	137.2
2	Singapore	131.4	4.7%	+8.8%	10.6
3	British Virgin Islands	186.7	6.6%	+3.7%	6.6
4	Korea, Rep.	96.8	3.4%	+7.4%	6.6
5	Japan	127.6	4.5%	+3.7%	4.6
6	Netherlands	29.4	1.0%	+18.0%	4.5
7	Germany	40.7	1.1%	+6.7%	2.6
8	Cayman Isl.	51.8	1.8%	+4.9%	2.4
9	United States	94.9	3.4%	+2.4%	2.2
10	United Kingdom	29.2	1.0%	+5.8%	1.6
	EU	131.5	4.7%	+8.3%	10.0
14	<i>Switzerland</i>	<i>10.0</i>	<i>0.4%</i>	<i>+4.1%</i>	<i>0.4</i>
	Total	2'809.9	100%	+7.2%	189.1

Source(s): Ministry of Commerce of the People's Republic of China (2024), "Statistical Bulletin of FDI in China (2023)", retrieved from <http://images.mofcom.gov.cn/wzs/202310/20231010105622259.pdf>, last accessed on April 23, 2024