

Survey for SwissCham China Members on
THE SINO-SWISS FREE TRADE AGREEMENT (FTA)
Followed by a basic guide on the Sino-Swiss FTA

SWISS COMPANIES INVOLVEMENT IN THE SINO-SWISS FTA

As the FTA negotiations process has now started, SwissCham believes it is extremely important that negotiators receive the feedback, comments or questions of as many companies active in China as possible, whether they support or oppose the FTA, as this is an opportunity to bring specific interests into the process and make sure that they are considered.

FTAs can target specific issues, like tariff levels on particular products, restrictions in a service sector, or other rules issues that are hampering trade. In this regard, it is vital that negotiators learn what problems companies active in the concerned countries are facing and what opportunities they see in the future.

On this basis, SwissCham hereby would like to submit Swiss Companies doing business in China a few questions to better understand the issues, the needs and the concerns the FTA is raising among the Swiss Business Community in China.

The survey below will be handed on a **confidential basis**, all the answers will be gathered and consolidated in one single **Position Paper** expressing a **political statement** that will be remitted by **SwissCham** to the Swiss authorities in charge of the FTA negotiations, through the Embassy. Before this and on the basis of the answers received, some specific meetings may be organized with SwissCham members to discuss the material collected through this survey in order to fine tune the Position Paper.

SINO-SWISS FTA SURVEY

CONFIDENTIALITY CLAUSE: This is a strictly confidential survey. None of the participants will be identified by their responses.

1. What industry is your company active in? Are you a SME?

2. What are the most common barriers to trade you encounter in your daily business?

2.a. What are the **technical barriers to trade** you encounter? (standards, conformity assessment, IPR policies, procurement policies)

2.b. What are the **investment barriers to trade** you encounter? (catalogue of allowed businesses, JV requirements, etc)

2.c. What are the **financial barriers to trade** you encounter? (e.g. customs duties, subsidies)

3. What specific issues do you think an FTA with China should address?

4. What benefits do you think an FTA with China should pursue?

5. What do you see as potential risks of an FTA with China?

6. What possibilities do you see for maximizing those benefits and/or minimizing those risks?

7. What impact do you think an FTA with China will have on your business?

8. Are there specific outcomes that you would like to see from an FTA with China?

9. What should be, according to you, the central **political statement** that should be forwarded to the Swiss authorities in the frame of the FTA negotiations?

10. Other

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Deadline

Please send this questionnaire back by **8th June 2011**

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BASIC GUIDE ON THE SINO-SWISS FTA

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GENERAL

What is a Free Trade Agreement?

A "Free Trade Agreement" (FTA) is an agreement concluded between two or several countries with the aim to eliminate tariffs, quotas and preferences on most (if not all) goods and sometimes services traded between them. FTAs also establish a set of rules to create a more secure trading partnership.

Since 2000 there has been a proliferation of FTAs world-wide, mainly for two reasons: First, because FTA negotiations between two countries are faster than negotiations on the WTO level, i.e. between 150 countries. Second, because FTA can focus on specific issues dear to the countries involved.

As such, FTAs complement the multilateral and regional approaches a country may pursue.

What is the FTA process?

Negotiating a successful FTA can be a long process, spanning a number of years but can also happen very quickly if both countries don't face major obstacles in terms of mutual benefits.

FTA negotiations include several steps but consist mainly of reciprocal interests, exploratory meetings leading to a joint feasibility study followed by negotiation rounds and hopefully eventually ratification by both countries according to their respective national rules of ratification. The FTA is implemented a few days after the ratification is done on both sides.

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SWITZERLAND AND FTAs

What is Switzerland's foreign economic policy?

Switzerland's foreign economic policy aims at developing a sustainable prosperity for the people living in Switzerland. The Swiss economy is characterized by a high degree of internationalization in trade and investment, as well as on the import/export side. With a total population of below eight million the domestic market is of limited size. Therefore, access to foreign markets for large, medium and small companies established in Switzerland is vital. Such companies are often highly specialized in niche products, services or combined solutions that are more or less tailor made to the customers' needs. As there is, in each national market, only a limited number of customers for any such niche product Switzerland's economy depends to a large extent on international opportunities and needs to engage in cross-border investment. As a consequence, the main objective of Swiss foreign economic policy is to reduce obstacles to international trade and investment, to eliminate discriminatory treatment on foreign markets as much as possible, and to promote stable and foreseeable international framework conditions for economic exchange.¹

Why FTAs ? What is Switzerland's opening policy?

According to Ambassador Christian Etter: There are three priority instruments of Swiss market opening policy:

1. Membership in the World Trade Organization (WTO);
2. The conclusion of bilateral agreements with the European Union (EU); and
3. The Negotiation of free trade agreements (FTA) with partners outside the EU.

The interests of Switzerland as a medium sized economy with a wide geographical diversification of export destinations are best served by multilateral trade liberalization in the WTO. Unfortunately the Doha round of multilateral trade negotiations, which are intended to bring trade liberalization among WTO members at a higher level, is lacking progress since several years, hence delaying any improvements of market access on a worldwide scale. This does not mean that the WTO has lost its value. The WTO with its existing multilateral agreements² still constitutes the basis of the quasi-universal trading system. Without these existing WTO-agreements countries such as Switzerland would have no assurance of participation in worldwide international economic exchange and could not make use of their comparative advantages to the extent it is possible now.

On a regional level, Switzerland has chosen to seek deeper integration with the EU, by far the major trading partner of Switzerland, accounting for roughly 60% of Swiss exports and above 70% of Swiss imports. The most recent bilateral agreements between Switzerland and the EU are about harmonization of national legislation and regulations, with a view to provide single market conditions for Swiss and EU economic operators on each other's territory.

¹ More general information on the Swiss policy on foreign economic affairs on the [State Secretariat for Economic Affairs SECO website](#)

² See "[Towards a Switzerland-China Free Trade Agreement: State of Play](#)" a presentation by Ambassador Christian Etter

³ In particular the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS) and the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)

Despite the predominant trade relations with the EU, FTAs with partner countries outside Europe have become another significant instrument of Swiss foreign economic policy since the 1990s as their account for 40% of Swiss exports, and the share is still increasing. This trend is due, inter alia, to the shift in economic power from North to South and, in particular, from West to East, which makes it necessary to ease market access for important partners around the world and to secure stable framework conditions with them.

Concluding bilateral and multilateral FTAs has become a global trend. As it has become more difficult to find agreement among the 150- plus members of the WTO, countries with similar ambitions and similar interests regarding liberalization have increasingly entered into preferential agreements, i.e. FTAs providing for levels of liberalization between two or a limited number of parties going beyond the WTO. The fast increasing number of FTAs around the world comes with an increased potential of discrimination. If 5/8 trading partner of Switzerland concludes FTAs with main competitors of Switzerland, e. g. with the EU, the USA or Japan, Swiss exports are at a disadvantage, unless Switzerland also negotiates a FTA with this trading partner.⁴

What FTAs has Switzerland signed?

In addition to the EFTA Convention and the Free Trade Agreement with the European Union (EU) of 1972, Switzerland currently has a network of 24 free trade agreements (FTAs) with 33 partners outside the EU.

Recent Swiss FTAs, e.g. the ones concluded with Japan, South Korea, Singapore, Chile, the Gulf Cooperation Council, etc. not only cover trade in goods but a broad range of additional subjects, such as trade in services, the protection of intellectual property rights, investment and government procurement.

Most of the FTAs to which Switzerland is a party were negotiated in the framework of the European Free Trade Association (EFTA), the trade association of the Western European non-EU-member countries Switzerland, Norway, Iceland and Liechtenstein. However, there is no obligation to do free trade agreements in the context of EFTA. E. g., Switzerland has negotiated the FTA with Japan on a bilateral basis, as will be the upcoming negotiations between China and Switzerland.⁵

What are the economic consequences of free trade agreements for Switzerland?

According to the SECO⁶ in 2008 agreements with free trade partners covered 6% of Switzerland's exports. This corresponds to 15% of Switzerland's exports to markets outside the EU. When the FTAs with Canada (1.7.2009), Japan (1.9.2009) and Columbia (in the course of 2011) come into force, these will in future cover 15% of the total exports, representing more than one quarter of Switzerland's exports to markets outside the EU. FTAs promote in particular the growth, added value and competitiveness of Switzerland as a business location. Similar consequences can also be seen in the partner states. Thanks to the FTAs, Swiss exporters are given improved access to a sales market

⁴ More information on the Swiss Economy and Foreign Economic Policy:

["Towards a Switzerland-China Free Trade Agreement: State of Play"](#) a presentation by Ambassador Christian Etter P.12-16. ["Joint Feasibility Study on a China-Switzerland Free Trade Agreement"](#)

⁵ Ibid, p.17

⁶ <http://www.seco.admin.ch/themen/00513/00515/01330/index.html?lang=en>

covering more than 650 million consumers and a Gross Domestic Product (GDP) of more than 9,600 billion Swiss francs.

If we look at the statistics on the development of Switzerland's export trade we see that trading (exports and imports) with EFTA free trade partners is showing significantly higher growth rates compared to the trade flows with all other trading partners. Whilst Switzerland's worldwide international trading (total exports and imports) grew by an average of 5.7% per annum from 1988 to 2008, Switzerland's trade with free trade partners grew by an average of more than 10% per annum in the first four years after the respective FTA came into force.

In addition to the marked increase in trade flows, FTAs enable the Swiss export industry to make significant savings in customs duties. For example in trade transactions in 2008 the Swiss export industry saved approx. 420 million Swiss francs in customs duties which could have been levied on Swiss exports to these countries if no FTAs had been in place. It's not just the Swiss export industry that benefits from FTAs but all consumers and manufacturers in Switzerland as well. Thanks to the agreements, consumers benefit from lower priced products as well as a wider choice of products, whilst manufacturers benefit from more advantageous prices for semi-finished products and improved access to raw materials which are not available in Switzerland. In addition, domestic companies can import capital goods (e.g. machines or electronic equipment) at a more attractive price.

There are also beneficial consequences for direct investment by Switzerland thanks to FTAs. The accumulated capital flows from Switzerland to the partner countries totaled more than 23 billion Swiss francs from 1988 to 2007. This represents 5% of Switzerland's accumulated total capital exports. Whilst total direct investment by Switzerland abroad increased on average by 12.6% in the years 1988-2007, the growth in capital in the partner countries was on average 18% in the first four years after the respective FTA came into force.⁷

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⁷ More information on economic consequences of free trade agreements for Switzerland:
“[Towards a Switzerland-China Free Trade Agreement: State of Play](#)” a presentation by Ambassador Christian Etter
P.18. “[Joint Feasibility Study on a China-Switzerland Free Trade Agreement](#)”

CHINA FTAs PRACTICE

China's foreign economic policy has remained unchanged, which is to serve the “reform and opening up” policy.

Although the multilateral trading system remains the main channel to promote trade liberalization, China has been intensifying its pursuit of bilateral/regional FTAs with different trading partners over the last decade. For China, regional and bilateral trade arrangements serve as another driving force to promote free trade.

Currently, China is working on 14 FTAs with 35 economies, among which 9 have been signed.⁸

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SINO-SWISS FTA

What are the objectives of Switzerland in the Sino-Swiss FTA?

The objectives of Switzerland pursued in the free trade negotiations with China is to ensure, to the extent possible, non-discriminatory access for Swiss companies to the Chinese market and vice versa, by the elimination or lowering, as the case may be, of tariff and non-tariff barriers to trade. The FTA should provide enhanced opportunities for the further development of the Swiss-Chinese trade and investment relations and of cooperation in many fields, contributing to sustainable growth and employment in both countries.

More specifically, the objective is to eliminate tariffs on industrial products and to eliminate or lower tariffs on a number of agricultural products. The objective includes targeted improvements of market access for services, enhanced protection of intellectual property rights, promotion of investments, and cooperation on matters such as competition, government procurement and sustainable development.⁹

What are the steps taken so far and the current situation?

First steps to work towards a possible FTA were initiated in July 2007. At that time both sides agreed to explore the feasibility of a FTA, first through internal examination, followed by a joint feasibility study and as a last step the start of negotiations.

In 2009, two workshops took place (one in Beijing and one in Bern) in order to enhance the mutual understanding of both parties' economies and of the opportunities and challenges a FTA would bring along. These exploratory talks showed that both sides were interested in a deeper cooperation in the future and therefore decided to conduct a joint feasibility study.

In November 2009, a joint declaration to draft a joint feasibility study was signed. The first meeting of the joint study group took place in February 2010 and was concluded after a total of three meetings in August 2010. The study analysed the economies of China and Switzerland, relevant economic policies and bilateral trade and investment relations, including broader aspects of the economic relations

⁸ Ibid, p.10-12

⁹ For more information on the Objectives of Switzerland in the Sino-Swiss FTA and a detailed list of targeted items included in the FTA, please go to: [“Joint Feasibility Study on a China-Switzerland Free Trade Agreement”](#), p.26-82.

between the two countries, as well as the related existing framework of bilateral institutional arrangements and legal instruments. It further examined topics covered by FTAs with a broad coverage such as trade in goods, trade in services, investment, and other possible areas of existing and future cooperation between Switzerland and China.

The study finds that both countries' economies are complementary and competitive. Potentials for the bilateral relations between China and Switzerland and for economic growth and welfare were identified. The report concludes that a FTA would permit both economies to benefit from enhanced cooperation and further gains of specialization.

During the official visit of President Doris Leuthard to China in August 2010, a Memorandum of Understanding (MoU) was signed recognizing the results and recommendations of the joint feasibility study and announcing the opening of FTA negotiations in the near future.

The official launch of the FTA negotiations was announced on 28 January 2011, on the occasion of an official meeting between Federal Councillor, Mr. Johann Schneider-Ammann and Minister of Commerce, Mr. Chen Deming. Both sides agreed to proceed expeditiously and to conclude negotiations at an early date. A first round of negotiations took place in April 2011 in Bern¹⁰. The second round should take place in China, probably around July.

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¹⁰ See report on "First round of free trade negotiations between Switzerland and China" at: <http://www.seco.admin.ch/themen/00513/02655/02731/04118/index.html?lang=en>

TEXT SOURCE

More general information on the Swiss policy on foreign economic affairs on the State Secretariat for Economic Affairs SECO website: <http://www.seco.admin.ch/themen/00513/00514/index.html?lang=en>

More information on the Swiss Economy and Foreign Economic Policy: "Towards a Switzerland-China Free Trade Agreement: State of Play" a presentation by Ambassador Christian Etter:
<http://www.seco.admin.ch/aktuell/00719/01982/index.html?lang=en&msg-id=35434>

For more information on the Objectives of Switzerland in the Sino-Swiss FTA and a detailed list of targeted items included in the FTA read the "Joint Feasibility Study on a China-Switzerland Free Trade Agreement":
<http://www.seco.admin.ch/themen/00513/02655/02731/04118/index.html?lang=en>

<http://www.seco.admin.ch/themen/00513/00515/01330/index.html?lang=en>

Report on "First round of free trade negotiations between Switzerland and China" at:
<http://www.seco.admin.ch/themen/00513/02655/02731/04118/index.html?lang=en>

MEDIA SOURCE

Embassy of Switzerland in China - 14.02.11

Sino-Swiss Free Trade Agreement (FTA)

http://www.swisscham.org/bei/pdf/Fact_sheet_Sino-Swiss_FTA.pdf

Embassy of PRC in Switzerland - 30.01.11

Minister of Commerce, Chen Deming and Swiss Federal Councillor, Schneider-Ammann, Launch the Sino-Swiss FTA Negotiations Opening Ceremony

<http://www.china-embassy.ch/chn/xwss2/t791222.htm>

Phoenix News - 30.01.11

Official Launch of Free Trade Negotiations Between Switzerland and China

<http://finance.ifeng.com/news/special/2011davos/20110130/3351241.shtml>

China Daily - 29.01.11

China, Switzerland Launch Free Trade Agreement Talks

http://www.chinadaily.com.cn/china/2011-01/29/content_11937671.htm

Swiss Confederation - 28.01.11

Free Trade Negotiations Between Switzerland and China Officially Launched

http://www.sinoptic.ch/textes/eco/2011/20110128_DFE_FTA_communique-en.pdf

Embassy of Switzerland in China - 28.01.11

FTA MoU China-Switzerland

http://www.swisscham.org/bei/pdf/China-Switzerland_MoU_launching_FTA_negotiations.pdf

Swiss Confederation - 28.01.11

Free Trade Negotiations Between Switzerland and China Officially Launched

<http://www.news.admin.ch/message/index.html?lang=en&msg-id=37445>

Swissinfo.ch - 26.01.11

Swiss Seek Davos Boost for China Trade Talks

http://www.swissinfo.ch/eng/specials/world_economic_forum/Swiss_seek_Davos_boost_for_China_trade_talks.html?cid=29333256