

Seco-Survey on major framework conditions for commerce and foreign direct investment in China: Executive Summary of the analysis report

The State Secretariat for Economic Affairs of Switzerland (Seco) is currently preparing a strategy on future action to improve the bilateral economic and trade framework conditions for the benefit of Swiss companies doing business with and in China. The first stage of this work was to identify and document the major problems faced by Swiss companies to access the Chinese market. To complete information available from different foreign sources and earlier Swiss-China Surveys, the Embassy of Switzerland in Beijing, in cooperation with the Swiss Business Hub China (SBH) and SwissCham China carried out the present survey in November 2005.

A questionnaire was sent out to 230 Swiss companies listed in the China Directory 2005. Fifty answered within a fortnight and all but one of those responses were included in the analysis. The names of the respondents have been kept strictly confidential for the purpose of the analysis; however the companies were classified into four sector categories: production (24), pharmaceutical and chemical (7), services (16), and insurances (2).

The questionnaire contained two sections. The first one, entitled "Access to the Chinese Market", included six questions investigating the companies' experiences of barriers to import of goods and services as well as the conditions for foreign direct investment and employment of local staff in China. The second part, "Doing Business in China: Local Issues and Standards", collected general impressions about the business environment, such as the intellectual property right situation, government procurement, and micro-economic and other issues.

The survey found that barriers to imports of goods – level of custom duties, non-tariff barriers and technical barriers – remain problematic for a number of firms, in particular in the production sector. Many respondents' weren't affected or don't have problems with import of services, however some problems – for example, limits to using technical and engineering services from abroad – were revealed.

There was relatively little dissatisfaction reported by the Swiss companies regarding the investment conditions in China, though a few specific problems have been outlined in the report. Employment of foreign staff is of very little concern to Swiss companies in China.

Intellectual property protection is still considered as a major challenge for many firms, in particular for those in the production sector. Much discontent was voiced regarding the enforcement of intellectual property laws.

A number of Swiss companies participate in government procurement, relatively more in production than in services, reflecting the China's stage of liberalisation.

Among the microeconomic issues outlined by the survey – bureaucracy, transparency, internal taxes, level of social security payments, inflexibility of labour laws, smuggling and counterfeiting, competition from the informal sector, access to credit, quality of infrastructure, corruption and criminality, and efficiency of the judicial system – the first two revealed considerably more concern among Swiss companies.

In the final question, the survey aimed to determine other issues of concern for Swiss companies and their general appreciation of the business environment in China. The responses to the survey contributed in outlining a number of further problems as well as recommendations for small and medium sized enterprises considering entering the Chinese market and the most important issues to overcome in order to stimulate investment and trade between Switzerland and China. Overall, most companies perceive the business climate as challenging but positive.