

SECOND SURVEY

Sino-Swiss Free Trade Agreement

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SwissCham Shanghai - 中国瑞士商会上海

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1. Introduction

The bilateral Free Trade Agreement (FTA) between Switzerland and the People's Republic of China was signed by Federal Councilor Johann N. Schneider-Ammann and the Chinese Minister of Commerce Chen Deming on July 6, 2013. The agreement entered into force in July 2014.

In early 2016, SwissCham China published the first survey ([available here](#)). The second survey was launched in the second part of 2017. A summary of the outcome of this second survey can be found below.

2. Analysis

Three years after its implementation, the Free Trade Agreement between Switzerland and China does not yet work smoothly. In a new survey, prepared by SwissCham China, more than half of the 90 participating companies indicate that they are facing issues.

But the good news first: more companies seem to use the FTA today, compared to two years ago when the [first FTA survey](#) was conducted. Back then, only 38% indicated that they used the Agreement. In the 2017 survey, 54% said they make use of the FTA. However, there is still a majority that finds that the Agreement provides little value, albeit fewer than before. In the first survey, 89% responded that there was no real benefit to their businesses. In the second survey, this number has fallen to 63%.

These rather poor numbers for the success of the FTA should be put into the context of the robustly growing trade between the two countries. Bilateral trade has grown substantially after the FTA was enacted in 2014. According to the Swiss Embassy in Beijing, the growth in trade can be attributed to several factors, one of which is the FTA. "While China's trade with its most important trade partners decreased in 2016, its trade with Switzerland continued to grow, showing that the Switzerland China FTA still positively affects bilateral trade overall." However, the Embassy states that the effect of an FTA cannot be purely gauged on the basis of trade statistics. "Trade flows

are influenced not only by an FTA, but also by exchange rates, economic and growth trends.” The positive trade development between Switzerland and China continued in the first nine months of 2017. In this period, Swiss exports to the China mainland and Hong Kong reached CHF 12.3 billion, which is a plus of 16.2% year-on-year and an all-time high.

Despite the rosy performance of Sino-Swiss trade, many companies still face problems. In our survey, slightly more than 61% said they have encountered obstacles when trying to apply the FTA. Only 15% say their imports under the FTA regime work hassle-free. The problems that companies find are quite diverse: Most often, Swiss companies argue that importing goods under the FTA needs more time than if done without the Agreement. Other problems relate to the direct transportation rule, excessive red tape and, at times, some Chinese custom officers do not seem to be knowledgeable about the Agreement or its terms.

In response to being questioned as to why companies do not apply the FTA, answers are of similar nature. The most common reasons given are ‘procedures are too complicated’ and a ‘lack of know-how by the customs officers’. These two answers make up more than 50% of the responses. These are very specific statements, and it is surprising that after three years since the Sino-Swiss FTA has been in operation, such problems are still so substantial. For companies that say that they still perceive the procedures to be too complicated, one explanation might be that they do not ask for enough support from organizations such as government agencies, S-GE, industrial associations or SwissCham China. For the second, a lack of know-how by Chinese customs officers, it is difficult to find an acceptable explanation.

3. Key Takeaways

- 47% of all surveyed companies are completely (3%), very (10%) or somewhat satisfied (34%) when importing to China. 53% are not at all satisfied (35%) or slightly satisfied (18%)
- 54% of companies indicate they are using the FTA (n=90). This is a substantial increase compared to the first survey in 2015, when only 38% of companies said they are applying the FTA (n=91)
- When asked why the FTA was not being used, the most common answers were:
 - Procedures are too complicated (27%)
 - Lack of know-how by the customs officers (26%)
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- When asked if there were any problems when applying the FTA, 61% of all surveyed companies answered with yes
- The most common issues mentioned when trying to import under the FTA were:
 - there is more time needed to import goods than without the FTA (15%)
 - Red tape (13%)
 - The direct transportation rule (12%)
 - Customs officers are not informed about the FTA (11%)

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