



Media release

From the Government

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First Sino-Swiss evaluation of the free trade agreement

Companies benefit from free trade agreement between Switzerland and China

Since 1 July 2014, Switzerland has been the only continental European country to have signed a comprehensive free trade agreement (FTA) with China. In the FTA's fifth year, the University of St.Gallen, the Chinese University of International Business and Economics, and the Nanjing University have joined forces to analyse its economic impact for the first time. The evaluation report will be presented at the second Sino-Swiss FTA Academic Evaluation Event of the Sino-Swiss Competence Center on Wednesday, 26 September.

The results of the Sino-Swiss FTA - 2018 Academic Evaluation Report show that, thanks to reduced tariffs on imports and exports, industries in both countries benefit from potential savings amounting to several hundred million Swiss Francs. However, not all companies and firms utilise the trade agreement to the fullest extent possible. Since the enactment of the FTA, Chinese companies have exploited roughly 42 percent of their savings potential, although high utilisation rates are already reported for certain products such as kettles and electric motors.

Chinese companies have been able to export most of their products to Switzerland duty-free since 2014. Simultaneously, Chinese tariffs on Swiss products are being gradually lowered over the course of the FTA's first 15 years. By 2018, most products have become duty-free and consequently, there is a steadily increasing incentive for Swiss companies to utilise the FTA - current rates read at around 44 percent. The savings in duties amounted to over 100 million Swiss Francs for both parties in 2017 alone. Particularly the machine industry, which is of great importance for the Canton of St.Gallen, as well as the med tech and watch industries, count among the main beneficiaries of the FTA.

Reasons for not utilising the agreement

A survey conducted among Swiss and Chinese companies for the report also shows that many firms make a conscious decision not to utilise the FTA - 40 percent of the Swiss companies participating in the survey report that they do utilise it. The companies' reasons for not utilising the FTA are manifold, difficulties in complying with the rules of origin being the most commonly named explanation. After all, only if a substantial proportion of a product's value has been verifiably created in Switzerland can the FTA apply.



China's increasing significance for St.Gallen

The trading network of St.Gallen-based companies spans around the globe, with China playing an increasingly important role. In 2017, around 5 percent of exported goods left St.Gallen in the direction of China. At the same time, 7 percent of the local imports are from China, adding up to a trade volume of 1.2 billion Francs. With a rough 450 billion Francs, the largest share of exports occurs in the machine and precision industries. Since the enactment of the FTA, exports from St.Gallen to China increased by 40 percent, and imports by 7 percent. Compared to Swiss national data (exports: +30 percent, imports: +6 percent), the Canton of St.Gallen benefits above average from the FTA with China.

China's "Belt and Road Initiative" to be discussed

The participants of the first Sino-Swiss Evaluation will also address China's so-called "Belt and Road Initiative". The aim of this initiative is to act as a new silk road to simplify and strengthen trade ties between Asia and Europe. One of the challenges for Swiss companies will be to harness this new connection. Trade, investments, financing, technological exchange and innovation, as well as cross-border e-commerce are also expected to be major topics of discussion.

Annual evaluation planned

High-ranking representatives from politics, administration, academia and the business sector will take part in the event at the Cantonal Council chambers. Mr. Geng Wenbing, the Chinese Ambassador to Switzerland and State Secretary Marie-Gabrielle Ineichen-Fleisch, Director of the the State Secretariat for Economic Affairs SECO, will also be present. Alternating between St.Gallen and Peking, the Sino-Swiss evaluation of the FTA between Switzerland and China is set to take place annually in the future. The aim of the meeting is to share political, entrepreneurial and academic experiences related to the FTA.

Note to news desks:

You will receive a link with images from the Sino-Swiss event on Wednesday evening, 26 September.