

SURVEY ANALYSIS

Sino-Swiss Free Trade Agreement

Shanghai, January 2016

Swiss Chinese Chamber of Commerce (SwissCham) Shanghai

Room 915, No.1388 Shaan Xi North Road
Regus Silver Center, Shanghai P.R.C 200060
上海市陕西北路1388号银座企业中心1116室

Tel: + 86 21 6149 8210 / Fax: + 86 21 6149 8132 / E-mail: info@sha.swisscham.org
www.swisscham.org/sha

Credits

Survey initiative and management:

SwissCham Shanghai

Survey development:

Fabio Mueller, Trade Promotion Director, Swiss Business Hub China

Urs Mattes, MD Mathys China

Peter Bachmann, Executive Director, SwissCham Shanghai

Analysis:

Judith Maechler, Marketing Assistant, SwissCham Shanghai

The survey has been distributed through the following channels:

SwissCham Shanghai

SwissCham Beijing

SwissCham Guangzhou

SwissCham Hong Kong

SCCC Zurich

SCCC Geneva

Swiss Center Shanghai

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1. Introduction

The Sino-Swiss Free Trade Agreement entered into force in July 2014. In accordance with different business sectors, critical voices have been raised and it seems like the business community is not fully pleased with the current situation of the FTA, even though at the beginning, the FTA Agreement was well received.

With the support of the Embassy of Switzerland in China, the Consulate General of Switzerland in Shanghai, the Swiss Business Hub, the Swiss Center Shanghai and the three different chapters of SwissCham China; a survey was set up to gain insights into how well the FTA works and gauge Swiss companies' satisfaction with it in China. Through the survey the business community had the chance to share its thoughts and experiences, as well as their 'practical' knowledge after one year and a half making use of the FTA.

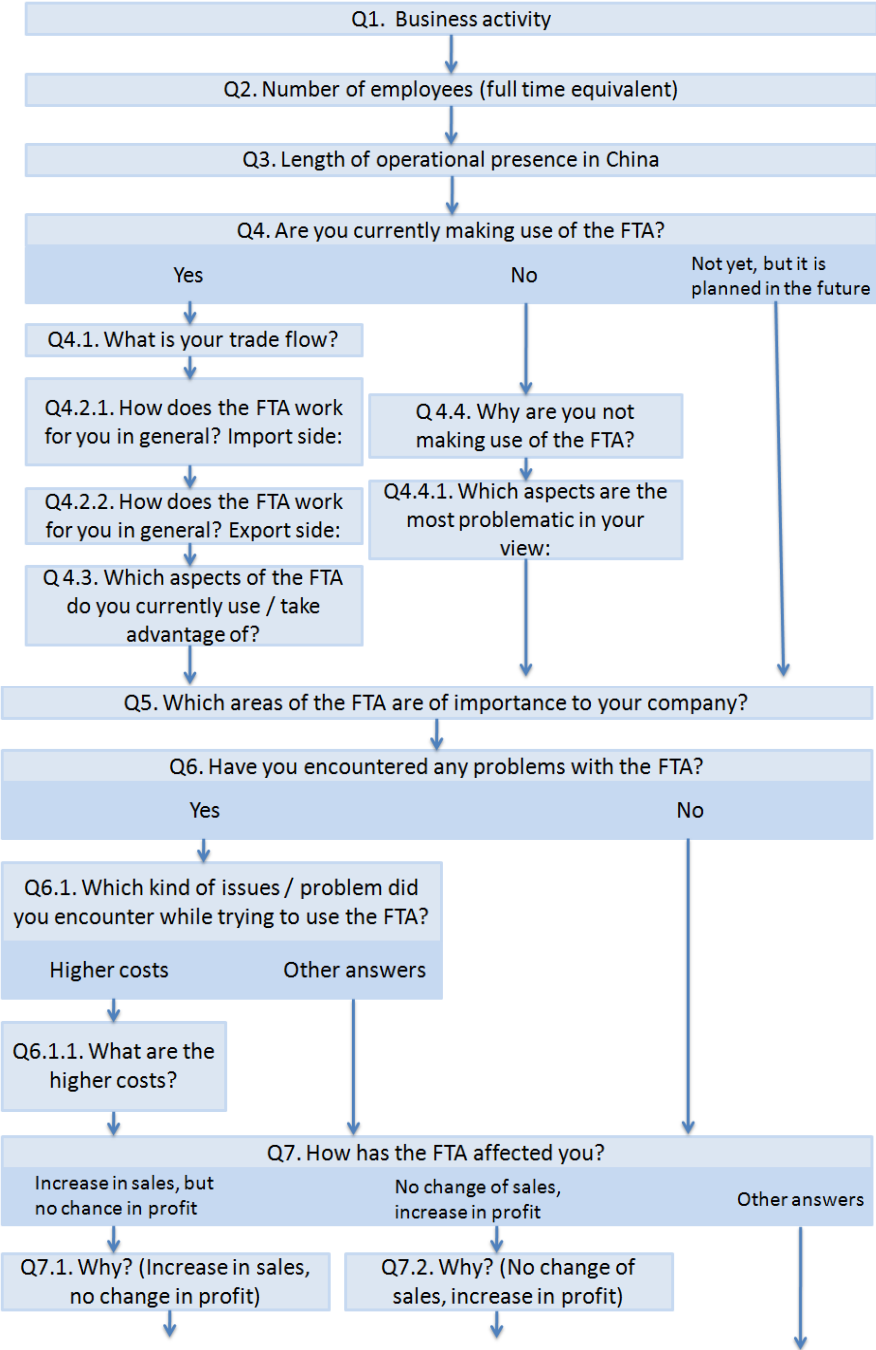
In short, the survey's outcome can be summarized as follows: 91 participants from various sectors completed the FTA survey. The vast majority states that the FTA has no clear effect so far (89%). The FTA is mainly used to benefit from 'tariff reduction/elimination' (68%). The biggest problems of the FTA are 'red tape' (18%); 'time-consuming imports' (14%); 'lack of knowledge of the customs officers' (14%). Participants do not make use of the FTA because their 'products are not covered by the FTA' (37%); 'lack of know-how' (20%) or 'are not ready yet' (17%).

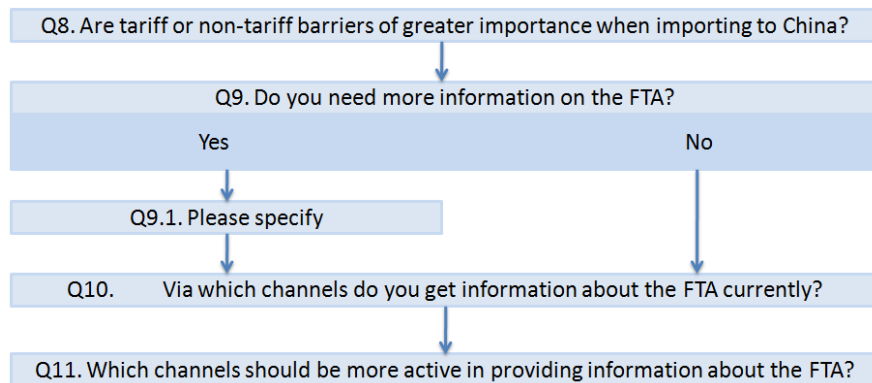
2. Methodology

As a research design the form of a survey was chosen to analyze the FTA 'well-being' and Swiss companies' satisfaction with it. This quantitative research design of a questionnaire addresses the goal to get a first overview about the general attitude of the companies towards the FTA. The participants got asked 11 questions, subdivided in 22 questions (10 single option multiple-choice, 7 multiple-option and 5 open questions). Not every participant filled in every question. The structure of the survey below demonstrates how the questionnaire was built and who was answering which questions. The target group includes Swiss companies, which are doing business in

China and making use of the FTA. The survey was running from October until December 2015 and was promoted by SwissCham China, the Swiss Business Hub, Swiss Center Shanghai and the Swiss Embassy and the Swiss Consulate General in Shanghai. The data was collected by inviting the companies per email to fill in the survey.

2.1. Structure of the Survey





3. Analysis

3.1. General Information

91 participants from over 18 different sectors were taking part in the survey; coming mainly from manufacturing (n=22), machinery (n=20) and services (architecture, consulting) (n=15) (Q.1). 68% of the surveyed companies have between 1-500 employees; 31% of the companies are operating in China between 1 to 5 years, 25% between 6 to 10 years and 44% for 10 years and more (Q.2/Q.3).

3.2. FTA - Assessment

More than one third is making use of FTA, around one third does not make use of the FTA, almost one third considers to use the FTA in the future (Q.4). The vast majority states that the FTA has no clear effect so far (89%) (Q.7).

On the import and export side, 38% are 'somewhat satisfied' with the FTA with a tendency to a negative drift towards 'slightly satisfied' (18% on import side / 26% on export side) and 'not at all satisfied' (32% on import side / 21% on export side). On both sides, only 12% are 'very satisfied' with the current situation of the FTA.

The survey reflects that 'tariff reduction/elimination' is the most important point for a company making use of the FTA (55%), followed by 'less bureaucracy/administration' (18%) (Q.5). However, besides taking the advantage of 'tariff reduction/elimination' by the FTA (68%) other issues like 'faster import' (11%),

'services' (9%), 'decreased discrimination' (6%) or 'less bureaucracy' (4%) are secondary reasons why companies are currently benefiting from the FTA (Q.4.3).

Participants who do not make use of the FTA state that 'products are not covered by the FTA' (37%), 'lacking of know-how' (20%) or are not ready yet (17%) (Q.4.4).

3.3. Problems with the FTA

43% of the participants have encountered problems with the FTA; 26% do not have any problems with making use of the FTA; 31% cannot say (Q.6). The biggest problems are 'red tape/increased administrative expenditure' (18%); 'more time needed to import goods than without the FTA' (14%); 'customs officers not informed about the FTA' (14%) (Q.6.1). Moreover, companies may be confronted with higher costs for using the FTA due to 'longer storage' time (24%), elaborative and complex 'administrative process' (19%), increased 'Chinese customs' (19%) or 'extra costs for documents' (19%) (Q.6.1.1).

3.4. Information Channels

36% of the surveyed companies need more information about the FTA, especially in form of FTA events/trainings/workshops/seminars; detailed brochures (with a description of the affected goods, which documents, implementation of the FTA and its application process); or supporting staff for the companies (Q.9/Q.9.1).

Workshops for trade related companies for in- and export would be of great help. It is easier to go to a seminar / workshop than to read the whole FTA. (Answer to Q.9.1)

Currently, the participants collect information in regard to the FTA through different channels: 'SwissCham China' (27%), 'Government Ministries and Agencies' (25%) and 'Switzerland Global Enterprise (S-GE) / Swiss Business Hub (SBH)' (23%) and 'Industrial Associations' (19%). Thus, the participants underline that the 'Government Ministries and Agencies' should be more active in providing information about the FTA (39%); followed by 'SwissCham China' (22%) and 'Switzerland Global Enterprise (S-GE) / Swiss Business Hub (SBH)' (22%) (Q.10/Q.11).

4. Conclusion

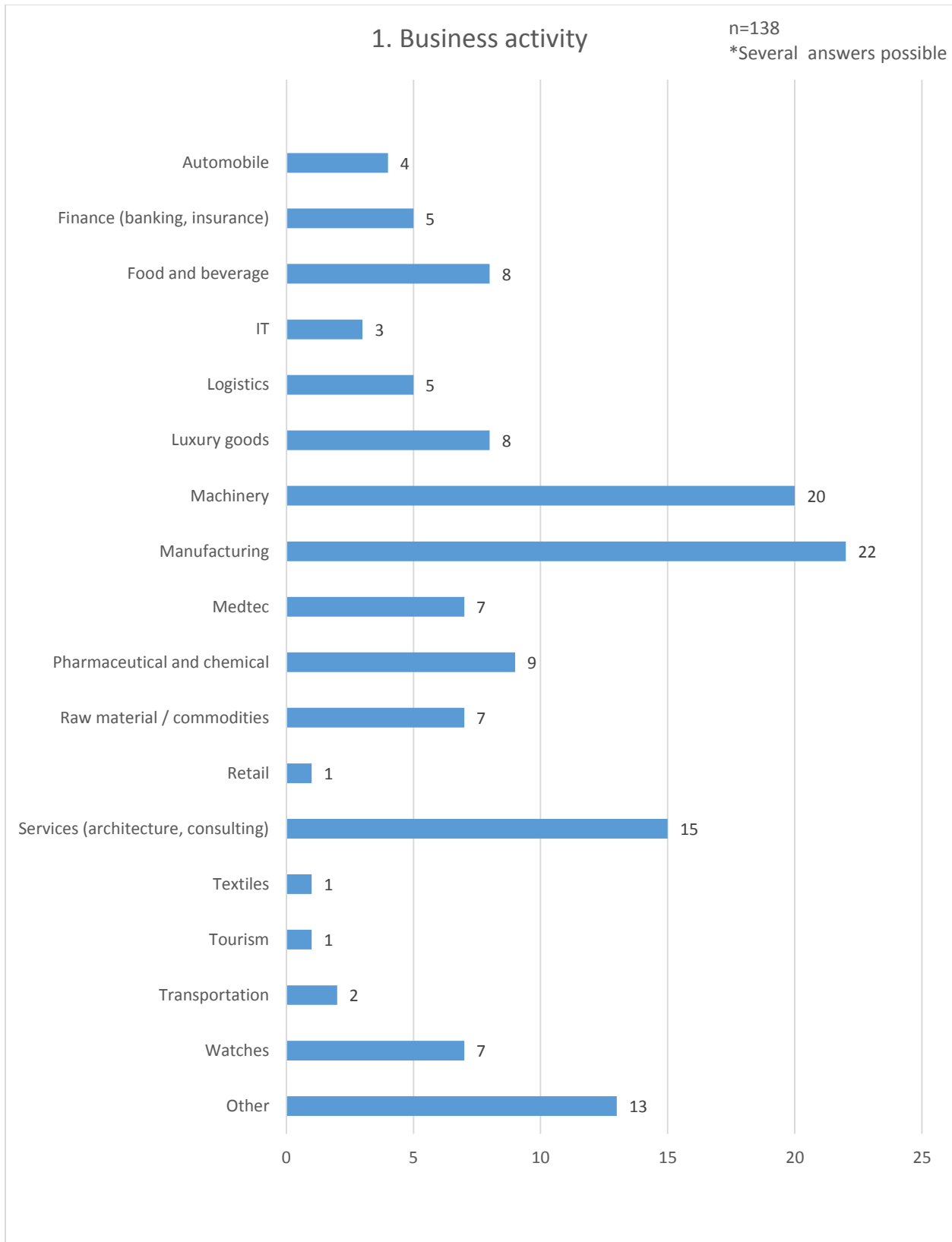
The survey indicates moderate enthusiasm and satisfaction of the participants towards the FTA. After one and a half year, the FTA implementation, usage and the benefits of the concluded agreement do not seem to be realized that easily and passing through that smoothly. The answers reflect this tendency by stating that almost two thirds is not or not yet making use of the FTA. Over 40% of the companies which are using the FTA have encountered problems with it. Implementing the FTA into a company's strategy creates new problems due to the fact that the FTA is more time-consuming, other administrative hurdles have to be faced, as well as there is a lack of knowledge and information.

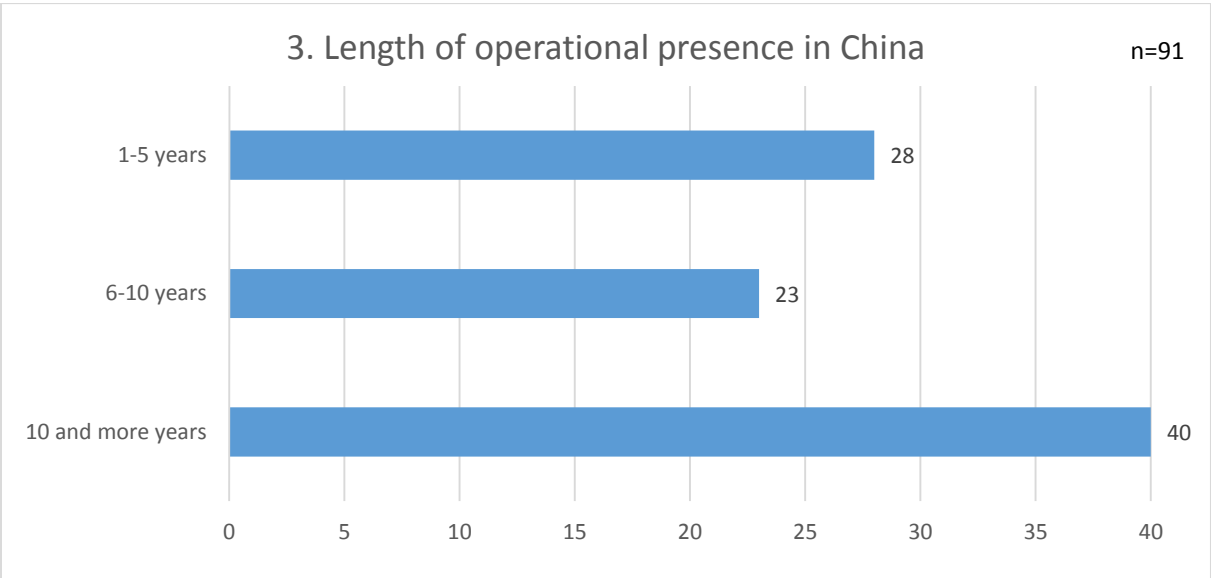
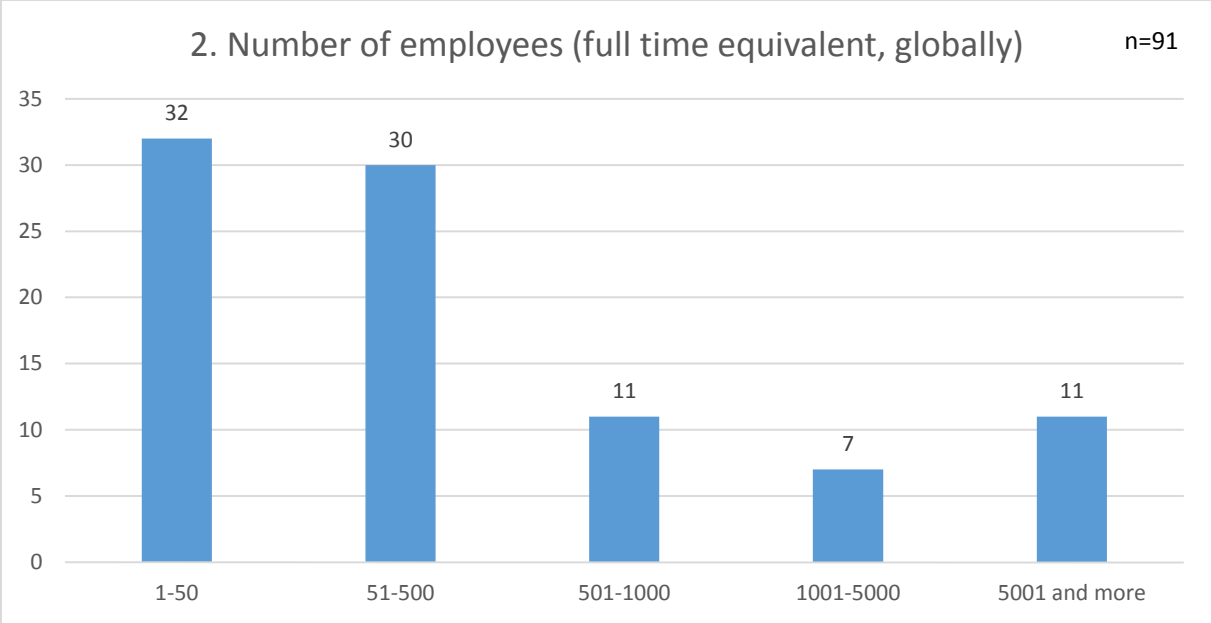
Tariffs reduction/elimination is the main driver to implement the FTA into a company's business strategy, however, a vast majority states that the FTA does not have a clear impact on their business. So far, it appears like the FTA is not very attractive and does not give the companies reasons to gain benefit from it. The companies which are using the FTA are dealing with increased red tape/administrative expenditure, are facing a more time-consuming import process, as well as are confronted with Chinese custom officers who lack the knowledge about the FTA.

How to proceed with the FTA successfully, economically and timely? (Answer to Q.9.1)

Overall, a stronger and closer dialogue between the different sectors and the Government and its Ministries is recommended to facilitate the implementation, improve the usage of the FTA, and increase the benefits for Swiss companies. The different information channels should support the Swiss business community and provide the relevant information to successfully deal with the FTA as a business strategy when doing business in/with China.

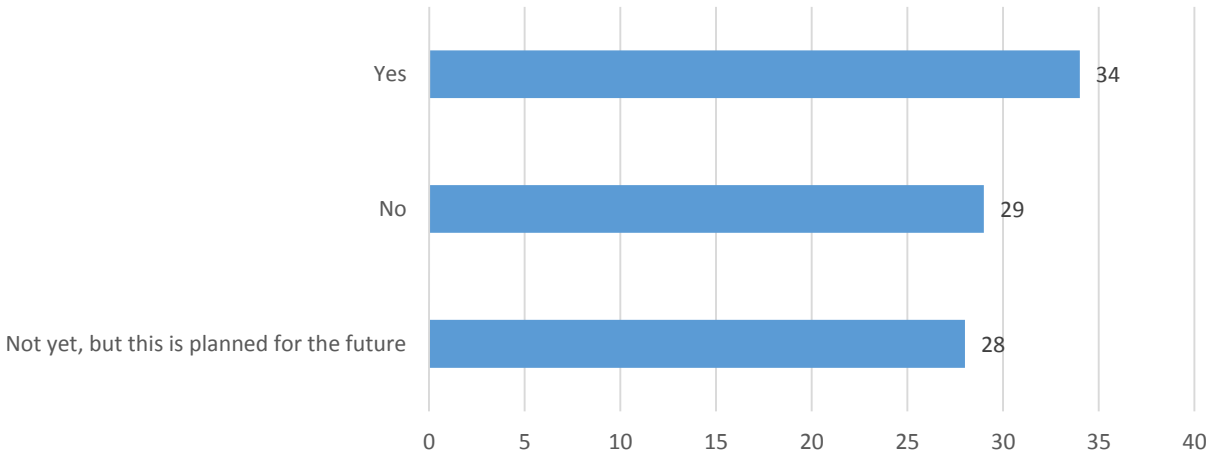
5. Annex





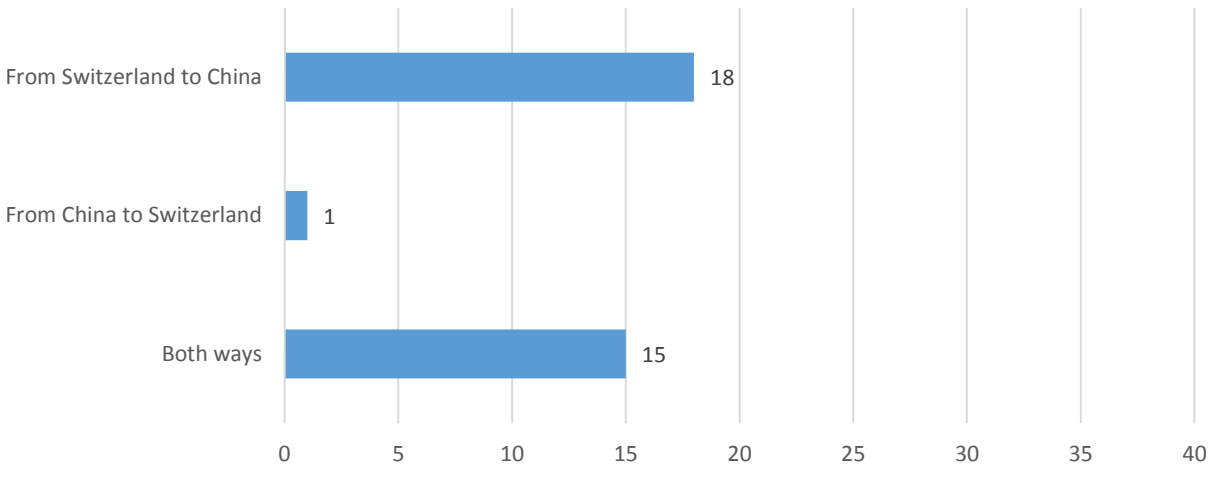
4. Are you currently making use of the FTA?

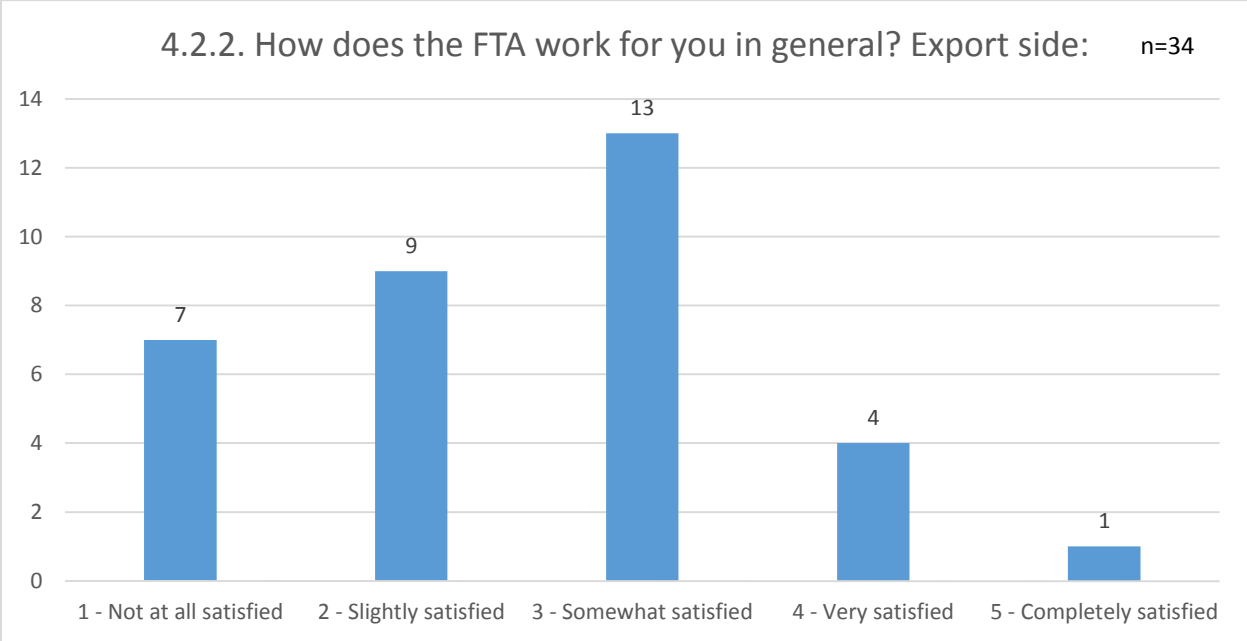
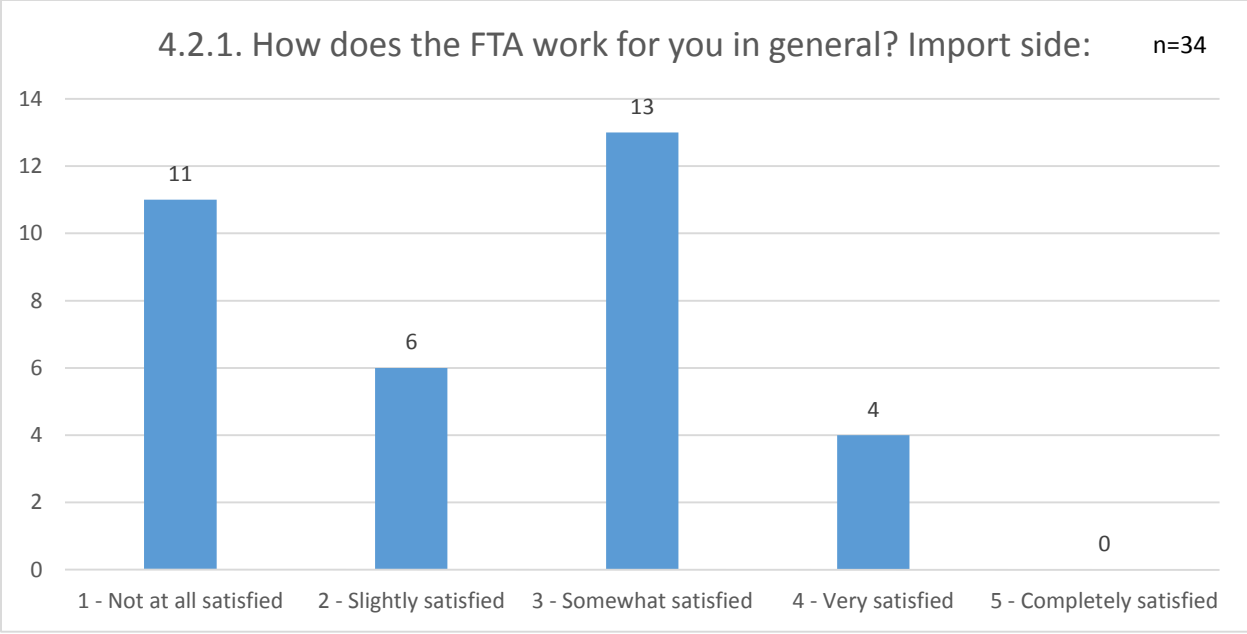
n=91



4.1. What is your trade flow?

n=34

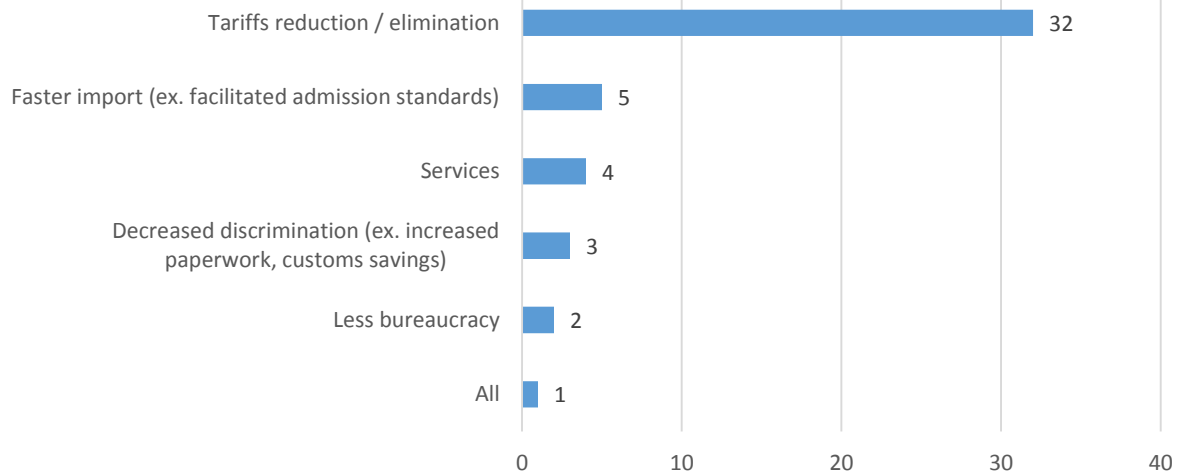




4.3. Which aspects of the FTA do you currently use / take advantage of?

n=47

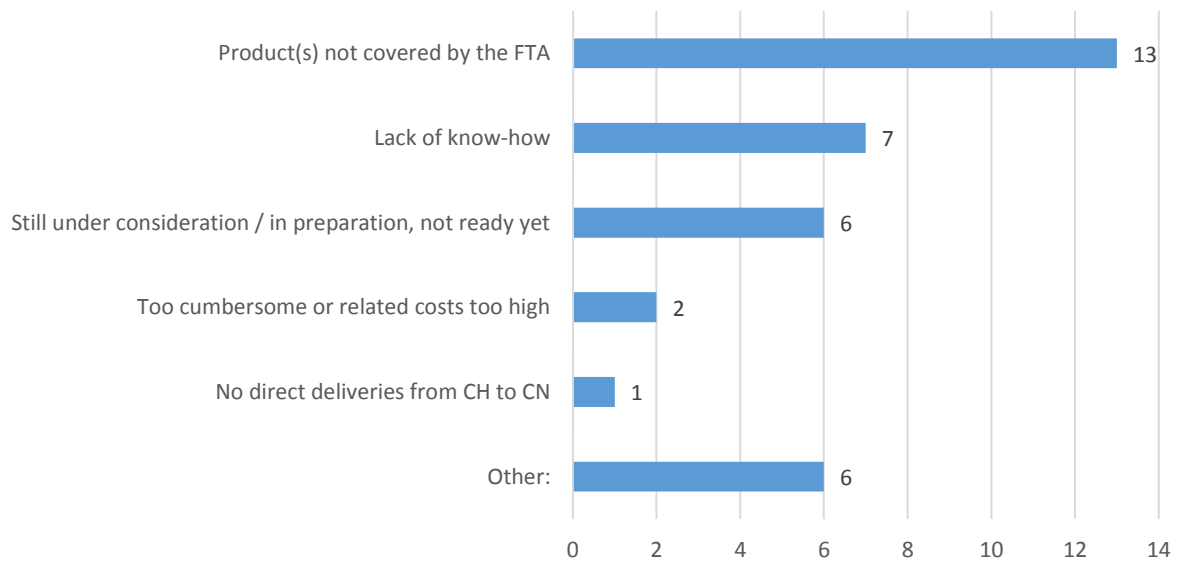
*Several answers possible



4.4. Why are you not making use of the FTA?

n=35

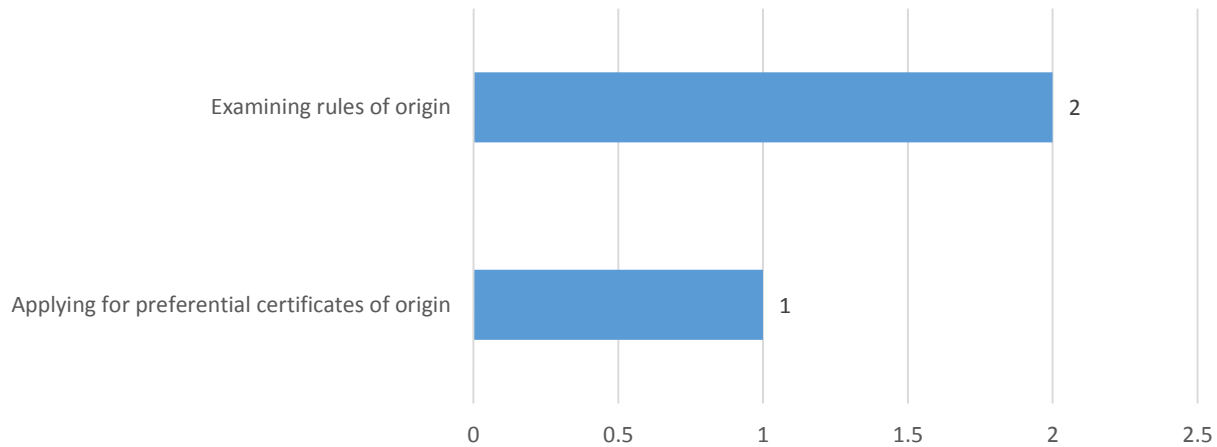
*Several answers possible



4.4.1. Which aspects are the most problematic in your view:

n=3

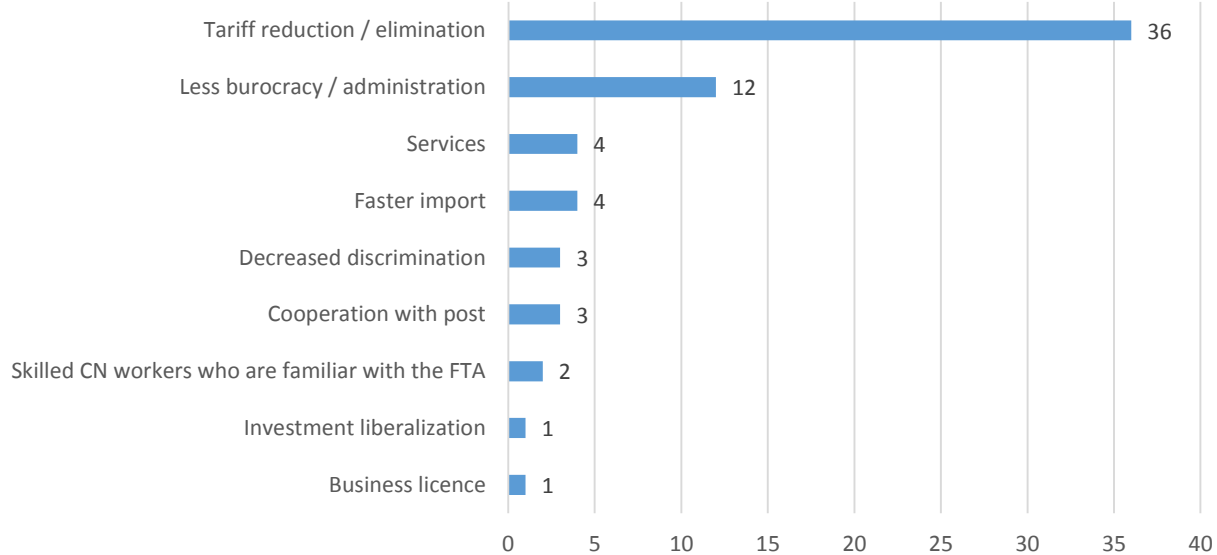
*Several answers possible

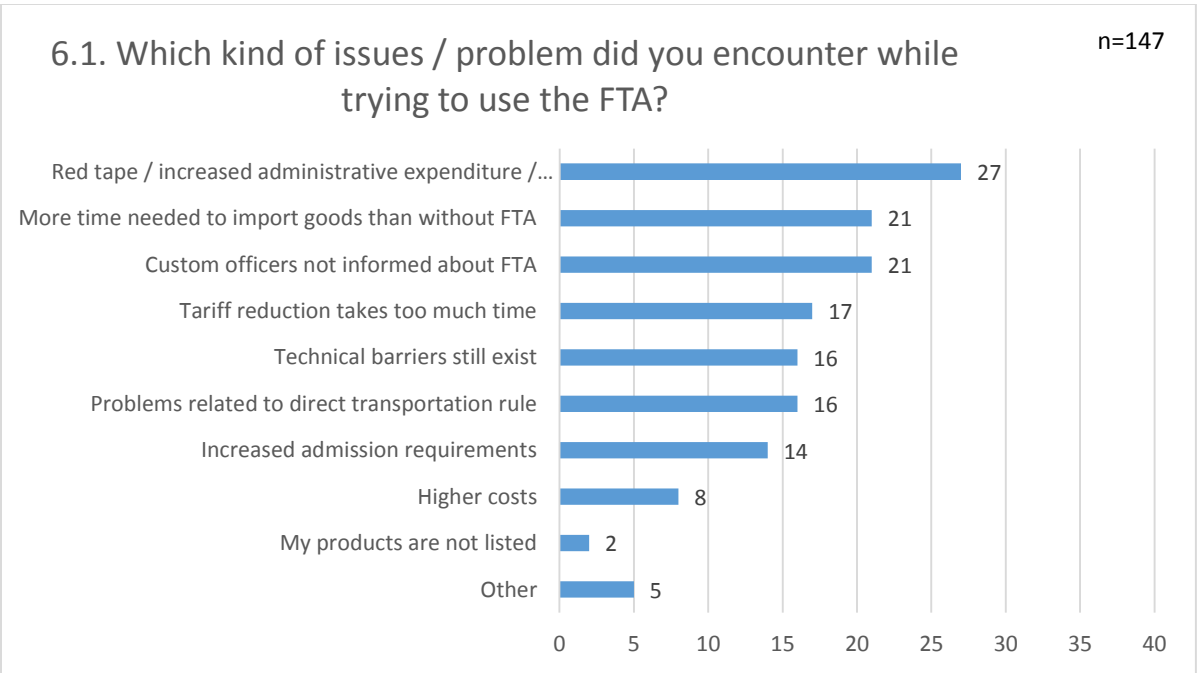
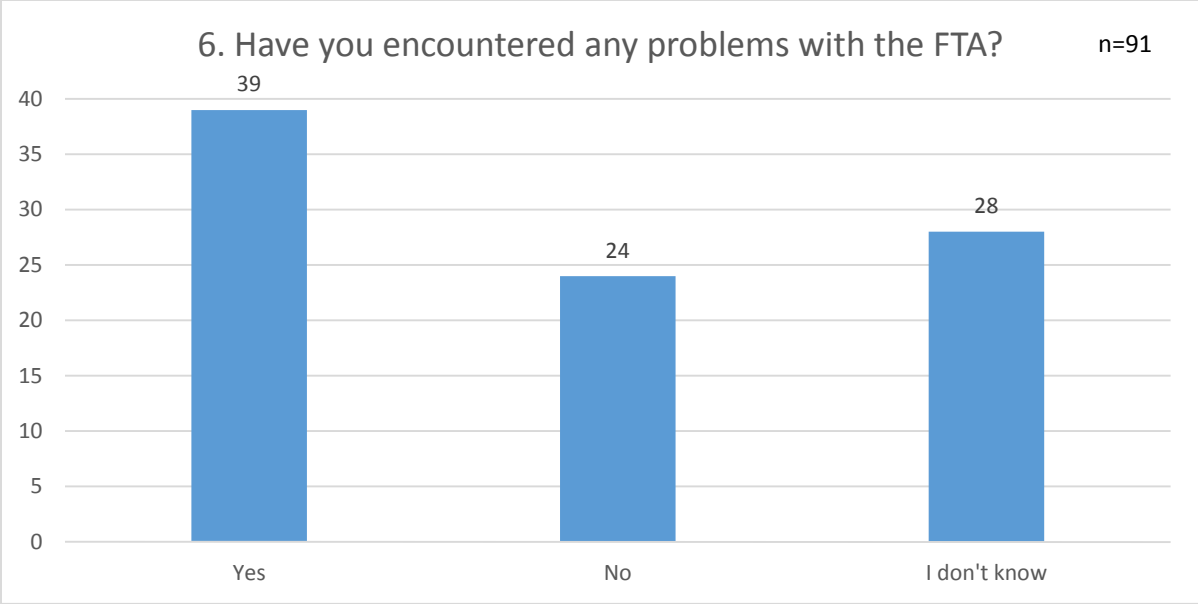


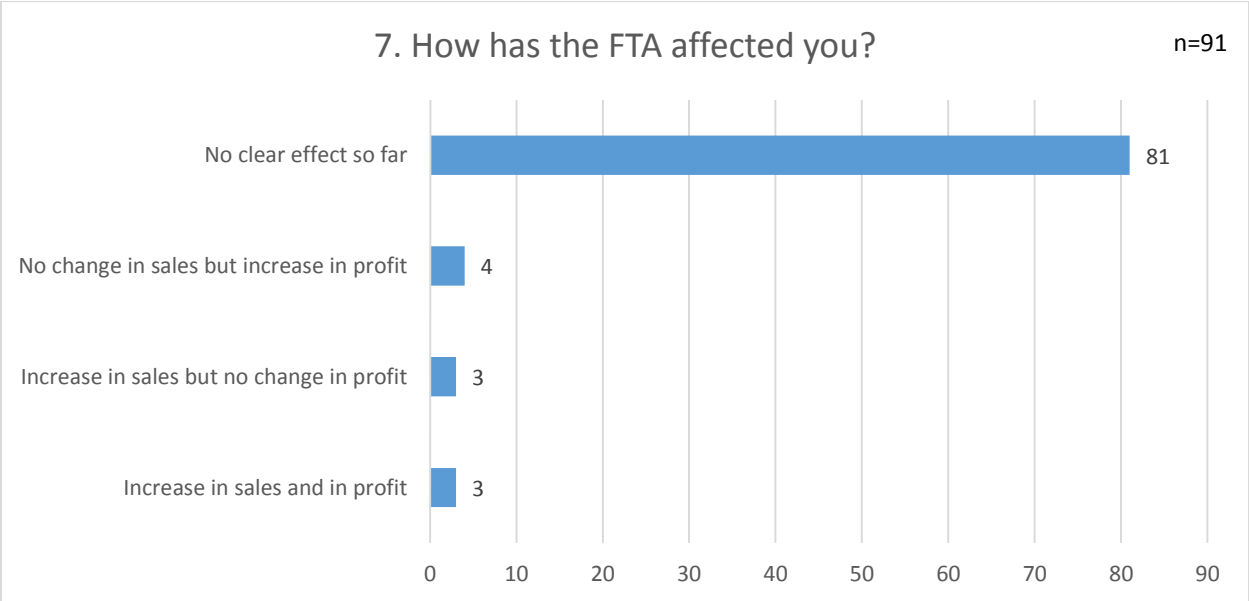
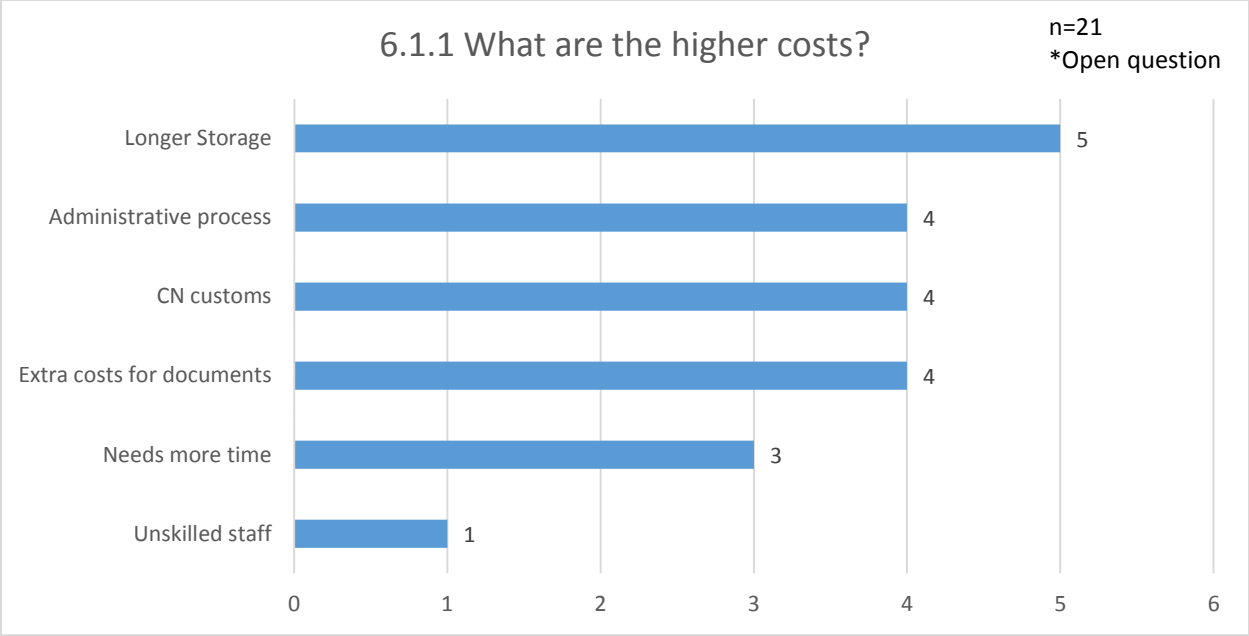
5. Which areas of the FTA are of importance to your company?

n=66

*Open question







7.1. Why? (Increase in sales, no change in profit)

n=3

*Open question

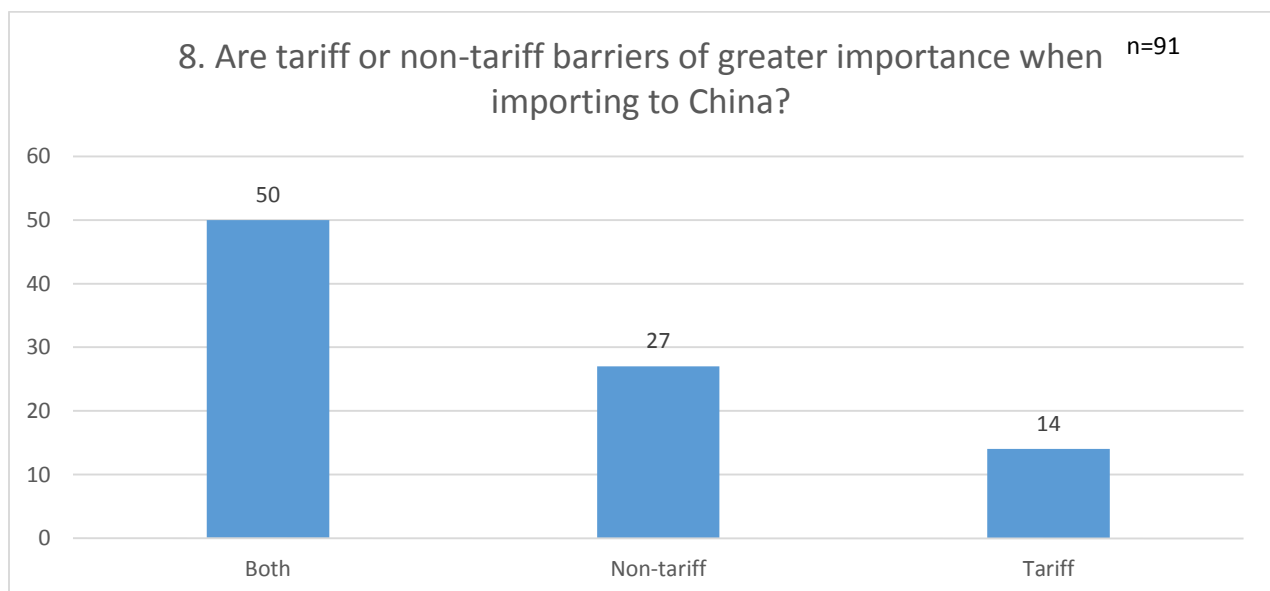
- Higher costs
- In one shipment, parts of them can use FTA, but others not, we have to ship them separately, transportation costs and customs clearance costs increase.
- Local competitors are in advantage in term of cost and sales network.

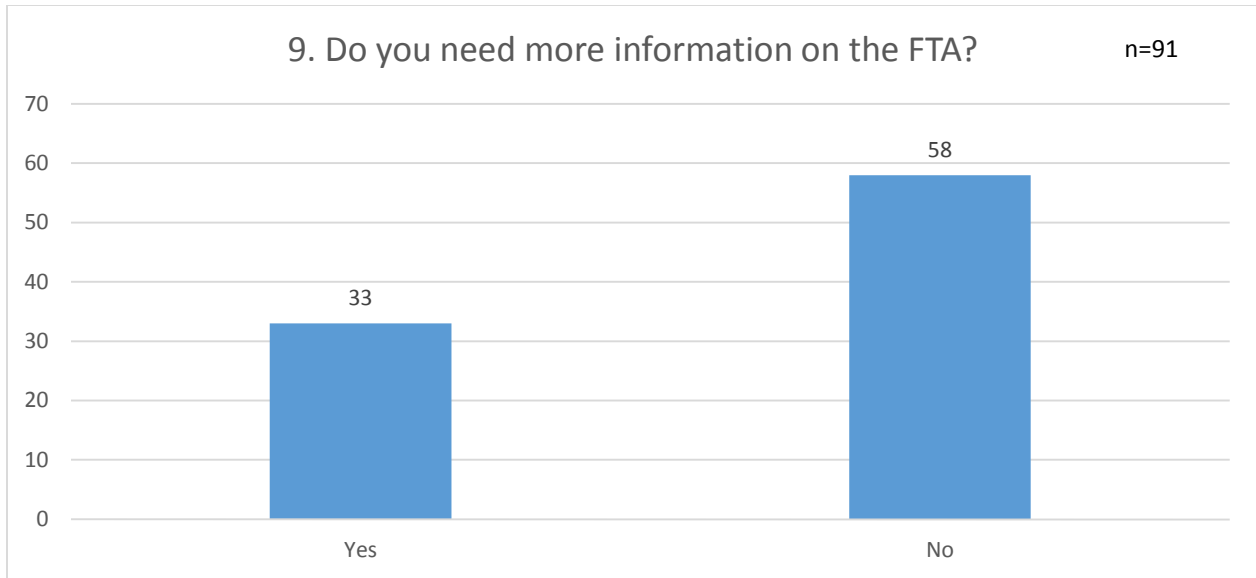
7.2. Why? (No change of sales, increase in profit)

n=4

*Open question

- Because our company imports many materials from Swiss, tariffs reduction due to FTA cost declined, and our company's main market is located in APAC, we haven't get sales benefits from Sino Swiss FTA
- Duty Savings
- Partially internal supply chain and partially the effects on volumes are expected to be seen more in the midterm rather than short term
- We do import mostly Titanium and Tantalum Semi Finished Products from China. Some into Switzerland. Most goes directly to European Union. Client base in CH remains same - so basically increase in profit only.





9.1. Please specify

n=33

*Open question

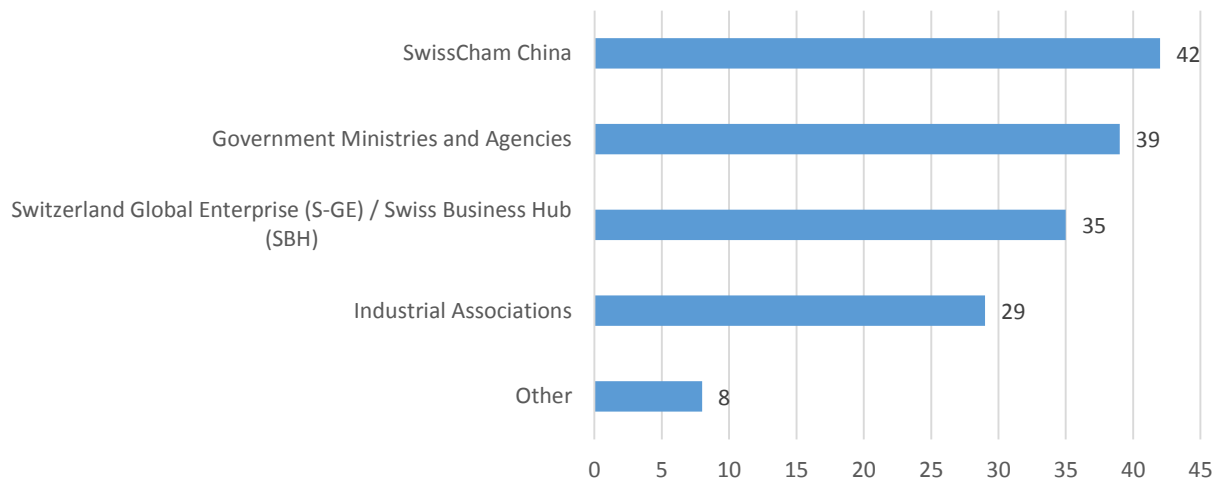
- FTA knowhow
- FTA events
- Briefs about main change after FTA
- Impact to specific industry
- English / Chinese version FTA
- Tax reduction schedule
- 2X Benefits
- The real interest for the consumer
- Any information related to technology transfer (preferred in a Chinese edition).
- Detailed description of benefits and purpose of FTA, description of goods affected and up to what extent, implementation of the FTA, information on the effects on other industries (in particular in the industries our company deals with: food, industrial production, textiles)
- Direct contact, consulting.
- Duty rates for Chocolate Products from Switzerland for the importation into China.
- Education
- How efficiently can we do custom clearance?
- How to proceed the FTA successfully, economically and timely?
- How to solve problems with Chinese customs?
- How to use it more effectively in my work with China?

- Introduction about the policy, training on how to handle with China custom/authority
- It is not clear which product are concerned and difficult to receive good answers from the chambers of Commerce China or Swiss.
- We have the impression that this FTA is a cloud somewhere around the world, especially for importing or exporting little pieces that don't have a judge value
- It would be great to have a circulation available (in English from Central Customs Beijing) which explains to all customs office the FTA procedures and that FTA is in place for importation from Switzerland. That would help to cut through red tape faster when importing in China.
- Key aspects of FTA between Switzerland and China
- More info is always welcome
- Need a clear information packing and all the document and process in order to apply for FTA
- Need to know if the FTA covers any products import and export between Sino-Swiss
- Need to know the specific items and the real case happened in China
- Possibilities in the following fields: Import-Export Facilitation, Post Network / Cooperation with Swiss Post & China Post (Mail and Parcel), Money Transfer (outbound China-Switzerland)
- Practical application on different product groups
- Processing
- The whole agreement documents
- Trade laws
- Understand when will the import tax will be reduced for our category of products.
- What is the implementation status in China? What are concrete measures affecting trade?
- Which Branches can take profit from FTA from Swiss side? And from Chinese side?
- Which products are affected, when which law and so on
- Workshop for trade related companies for in and export would be of great help. It is easier to go to a seminar / workshop than to read the whole FTA.

10. Via which channels do you get information about the FTA currently?

n=153

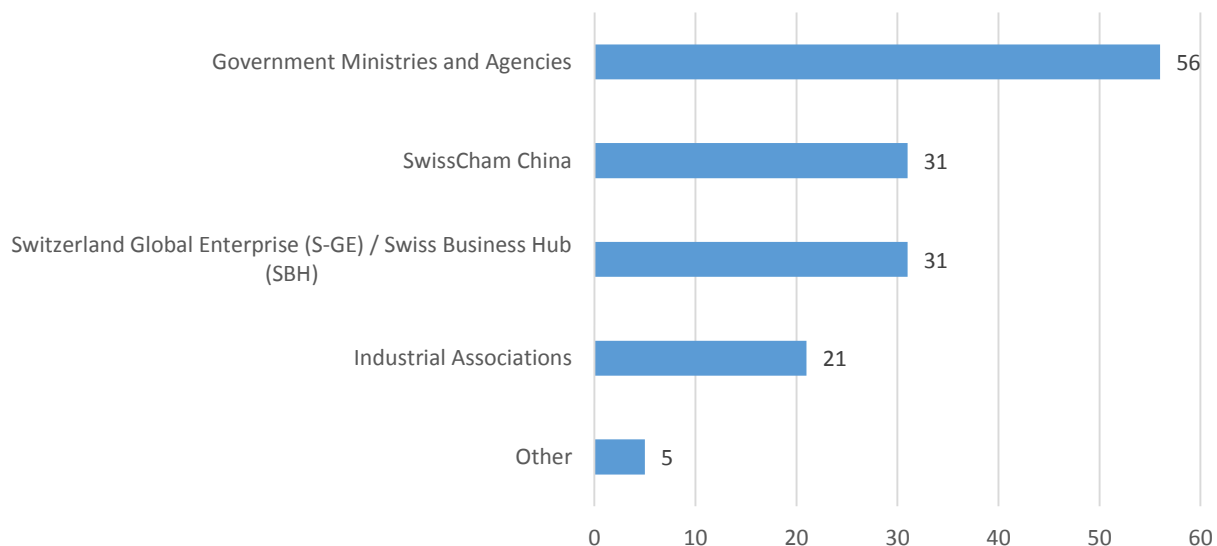
*Several answers possible



11. Which channels should be more active in providing information about the FTA?

n=144

*Several answers possible



Sino-Swiss FTA Survey

Carried out by:

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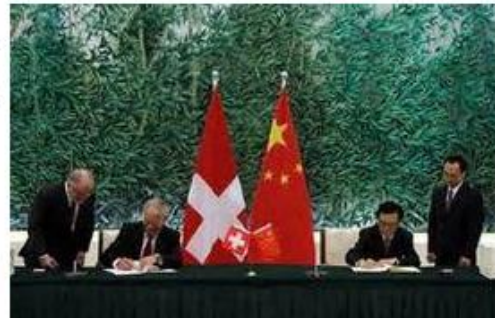


Participate in our Sino-Swiss Free Trade Agreement Survey

The Sino-Swiss Free Trade Agreement entered into force in July 2014. With this survey, *SwissCham* would like to gain an insight into how well the FTA works and gauge Swiss company satisfaction with it in China.

We would highly appreciate your participation.

Please complete the following survey and share your thoughts and experiences with us.



1. Business activity (Starred questions (*) are mandatory)*

- Automobile
- Finance (banking, insurance)
- Food and beverage
- IT
- Luxury goods
- Machinery
- Manufacturing
- Medtec
- Pharmaceutical and chemical
- Textiles
- Tourism
- Raw materials / commodities
- Services (architecture, consulting)
- Watches
- Other:

Several answers possible

2. Number of employees (full time equivalent, globally)*

- 1-50
- 51-500
- 501-1000
- 1001-5000
- 5001 and more

3. Length of operational presence in China*

- 1-5 years
- 6-10 years
- 10 and more years

4. Are you currently making use of the FTA?*

- Yes
- No
- Not yet, but this is planned for the future

4.1. What is your trade flow?*

- From Switzerland to China
- From China to Switzerland
- Both ways

4.2.1. How does the FTA work for you in general? Import side:*

- 1 - Not at all satisfied
- 2 - Slightly satisfied
- 3 - Somewhat satisfied
- 4 - Very satisfied
- 5 - Completely satisfied

Please rate your satisfaction on a scale from 1 (negative) to 5 (positive)

4.2.1. How does the FTA work for you in general? Import side:*

- 1 - Not at all satisfied
- 2 - Slightly satisfied
- 3 - Somewhat satisfied
- 4 - Very satisfied
- 5 - Completely satisfied

Please rate your satisfaction on a scale from 1 (negative) to 5 (positive)

4.3. Which aspects of the FTA do you currently use / take advantage of?*

- Tariffs reduction / elimination
- Services
- IPR protection
- Faster import (ex. facilitated admission standards)
- Facilitated market access
- Less bureaucracy
- Decreased discrimination (ex. increased paperwork, customs savings)
- Other:

Several answers possible

4.4. Why are you not making use of the FTA?*

- Lack of know-how
- Too cumbersome or related costs too high
- Product(s) not covered by the FTA
- Taken care of by forwarder
- Still under consideration / in preparation, not ready yet
- Other:

Several answers possible

4.4.1. Which aspects are the most problematic in your view?*

- High information costs
- Examining rules of origin
- Record keeping requirements
- Applying for preferential certificates of origin
- More time needed to import goods than without FTA
- Other:

Several answers possible

5. Which areas of the FTA are of importance to your company?*

6. Have you encountered any problems with the FTA?*

- Yes
- No
- I don't know

6.1. Which kind of issues / problem did you encounter while trying to use the FTA?*

- Red tape / increased administrative expenditure / excessive documentation requirements
- Higher costs
- More time needed to import goods than without FTA
- Tariff reduction takes too much time
- Increased admission requirements
- Technical barriers still exist
- My products are not listed
- Problems related to direct transportation rule
- Custom officers not informed about FTA
- Other:

Several answers possible

6.1.1 What are the higher costs?*



7. How has the FTA affected you?*

- Increase in sales but no change in profit
- No change in sales but increase in profit
- Increase in sales and in profit
- No clear effect so far

7.1. Why? (Increase in sales, no change in profit)*



7.2. Why? (No change of sales, increase in profit)*



8. Are tariff or non-tariff barriers of greater importance when importing to China?*

- Tariff
- Non-tariff
- Both

9. Do you need more information on the FTA?*

- Yes
- No

9.1. Please specify*

10. Via which channels do you get information about the FTA currently?*

- Government Ministries and Agencies
- Switzerland Global Enterprise (S-GE) / Swiss Business Hub (SBH)
- Industrial Associations
- SwissCham China
- Other:

Several answers possible

11. Which channels should be more active in providing information about the FTA?*

- Government Ministries and Agencies
- Switzerland Global Enterprise (S-GE) / Swiss Business Hub (SBH)
- Industrial Associations
- SwissCham China
- Other:

Several answers possible