



Sino-Swiss FTA Pushes Bilateral Relations to New Heights

By staff reporter WANG SONG

CHINA and Switzerland signed in July 2013 the Free Trade Agreement (FTA) in Beijing, so marking the culmination of more than two years of negotiations and legal processes. The first free trade pact between China and a country in continental Europe, the agreement came officially into effect on July 1, 2014. *China Today* held an exclusive interview with David Braun, head of the Economic, Financial and Commercial Section of the Embassy of Switzerland in China, to discuss the FTA in greater depth.

China Today: What is the significance of the FTA for China and Switzerland?

David Braun: The FTA, which came into effect on July 1, epitomizes the excellent relationship between China and Switzerland that commenced in the 1950s, when Switzerland became one of the first Western countries to recognize the People's Republic of China, so predating by decades the agreement negotiations. The two countries' friendly relations have intensified and deepened over the years. It is notable that Switzerland was also one of the first European countries to recognize China's market economy status in 2007, and that it initiated FTA talks with Beijing.

The FTA negotiations were finalized last year, when newly appointed Chinese Premier Li Keqiang honored Switzerland by making it the first destination of his trip to Europe. This FTA could be said to represent the apex of our bilateral relations. It is important economically and even more so politically, because the FTA not only reduces tariffs, but also greatly enhances the framework of our bilateral relations.

China Today: What progress have the two countries made since the signing last year of the Sino-Swiss FTA?

David Braun: From the institutional angle, since signing the FTA last July, both countries have completed the necessary internal ratification procedures. On April 29, 2014, both countries exchanged notes specifying the coming into effect on July 1 of the China-Switzerland FTA, so successfully concluding the two countries' internal ratification procedures.

From the economic perspective, our trade last year expanded. Swiss statistics show a total trade volume with China of CHF 20.2 billion, a year-on-year growth of more than 11 percent. Chinese figures on trade volume with Swit-

zerland are even more impressive. China is an important market for Switzerland – third largest worldwide and the biggest in Asia.

China Today: What specific benefits will the two nations' citizens enjoy?

David Braun: There will be substantial tariff reductions. This means that Chinese people will be able to buy Swiss products for less. The same applies to the Swiss, who are already in the habit of buying Chinese commodities. About 99.7 percent of China's exports to Switzerland and 84.2 percent of Swiss exports to China will be tax exempt. There will also be a 99.99 percent tax-reduction on Swiss products and a 96.5 percent tax reduction on those from China. Both nations' citizens hence stand to reap considerable benefits.



China Today: What influence do the FTA have as regards promoting China-Europe economic ties?

David Braun: Although not a member of the European Union (EU), Switzerland, at the center of Europe, is an excellent location for business operations. The FTA between China and Switzerland constitutes China's first step towards market on the European continent. Switzerland FTA with the EU will give Chinese businesses greater access to them. Switzerland is consequently the perfect choice for Chinese enterprises looking to expand the business to Europe.

China Today: What is the FTA's role in bilateral investment?

David Braun: That of enhancing security in both sides' economic activities. We already have an investment agreement, referred to in the FTA, which affords greater security for both Chinese and Swiss companies. Also of importance is the FTA's substantial chapter on intellectual property – a matter of growing significance for the investment decisions of companies in both Switzerland and China.

China Today: What is the FTA's role in promoting technical and service trades?

David Braun: Among the FTA's chapters are those dealing with technical barriers to trade (TBT), and also sanitary and phytosanitary measures (SPS). Although technical, these barriers are nonetheless extremely important as many consist not of tariffs but rather regulations. Our FTA will enable us to streamline cooperation and facilitate

trade unhampered by regulations that Switzerland and China respectively impose on imports. Besides the FTA, the two countries have concluded four additional agreements, namely on telecommunications equipment, certification/accreditation, SPS, and measuring equipment and apparatus. Resolving technical details will enable smoother conduct of the relevant trades. These auxiliary agreements are consequently of great importance to Chinese and Swiss companies.

As to service trades, the agreement provisions are based on the General Agreement on Trade in Services (GATS) of the World Trade Organization (WTO). The rules of the agreement apply to all measures affecting trade in services taken at central, regional or local government levels, and by non-governmental bodies enacting these roles. China and Switzerland use this multilateral WTO agreement as a basis, but have gone beyond even those stipulated in their bilateral FTA in making commitments on specific issues. China, for example, now has improved access to environmental services, financial services, air transport services, logistic services and short-term contractual services. Switzerland, meanwhile, has greater access to Chinese providers of financial services, private sector training services (Chinese language in particular), air transport services, and to highly qualified providers of short-term contractual services.

China Today: Besides cargo and service trades, the FTA promotes new rules regarding, for example, the environment, labor and employment cooperation and intellectual property. These are hot topics in current international economic and trade negotiations. Under an open and inclusive approach, China and Switzerland have reached certain consensus. How do these new rules promote the Sino-Swiss relationship and development of bilateral economic and trade?

David Braun: Both countries are agreed on the principle that economic development, social development and environmental protection are mutually supportive elements vital to sustainable development. Of all the FTAs that China has signed with other countries, this is the first that includes a chapter on environmental issues. It is hence an important milestone for both countries. Through it we reaffirm our commitment to promoting economic development and bilateral trade in a way that contributes to sustainable development, and also to bringing into effect the multilateral environmental agreements that both countries have signed. Moreover, Switzerland and China have a number of successful bilateral environmental protection projects, ranging from tackling climate change, clean air legislation, low carbon cities, sustainability standards, and a working group on environmental technology cooperation. Since we have a long-standing relationship in this regard, there is much we can learn from each other.

As to labor issues, in addition to the FTA, both countries have signed an agreement on labor and employment. It reaffirms both countries' intent to improve working conditions, as well as to protect and enhance fundamental rights at work. Both countries have also reaffirmed their commitments as signatories to the International Labor Organiza-

tion (ILO) Conventions, and have already cooperated in this regard in the SCORE – Sustaining Competitive and Responsible Enterprises – project. China and Switzerland indeed run this joint scheme, supported by the ILO and co-funded by Norway, to help China's small and medium-sized enterprises improve their employees' working conditions as well as the efficiency and profitability of their operations.

With regards to intellectual property, I have read that China received in 2013 a total of 825,000 invention patent applications – highest in the world for the third consecutive year. Intellectual property has become more important in China since the country switched its economic focus from quantity to quality. More innovations, especially in information technology, now emanate from China. The same is true for Switzerland. Having few natural resources, our main one is that of human brainpower. This is a main reason why Switzerland has long focused on the protection of intellectual property, Albert Einstein having been one of the more illustrious members of the Swiss Patent Office. As both countries obviously have a substantial interest in intellectual property, this agreement improves cooperation in that field. It is further fostered through the yearly China-Switzerland Dialogue on Intellectual Property, established seven years ago.

China Today: What are the Swiss government's expectations of the FTA and future trade with China?

David Braun: The FTA creates an excellent framework for bilateral economic relations. It not only reduces tariffs but also generally improves legal security for all economic exchanges between the two countries. Because China is Switzerland's biggest market in Asia, the Swiss government expects a substantial increase in bilateral trade. Past experience shows that trade growth with countries that Switzerland has an FTA with is substantially higher than with those it does not.

China Today: On July 2, the day after the FTA came into effect, the Sino-Swiss Zhenjiang Eco Industry Park officially opened. State Secretary for Economic Affairs Marie-Gabrielle Ineichen-Fleisch attended the opening ceremony. What are your expectations of the park? What opportunities will it bring to the two countries?

David Braun: The Sino-Swiss Zhenjiang Eco Industry Park is an important project and a true token of our excellent bilateral relations. It is located in an important economic area, close to major cities like Shanghai and Nanjing, with accessible transport links. As the name suggests, the park provides many opportunities for companies involved in clean technologies, renewable energy and energy saving, and we hope many will set up their offices there. A number of important projects in which Swiss companies specializing in clean technologies are involved are already underway in the park, and six Swiss companies have established branches in Zhenjiang. Now that the two countries have created this framework through political commitment, it is time for companies to take decisive action and seize this win-win opportunity to make the eco-park a great success. ■