

Free Trade Agreement between China and Switzerland – High Level Summary

China and Switzerland have successfully completed negotiations regarding a free trade agreement (FTA). The FTA was signed in Beijing on July 6 2013 by Chinese Commerce Minister Gao Hucheng and Swiss Federal Councillor Johann Schneider-Ammann. This marks a milestone in the two countries' economic relations and will, inter alia, lead to far-reaching duty reductions in the trade of goods.

Switzerland is the first continental European country to conclude an FTA with China and only the second overall in Europe. The FTA is expected to enter into force in 2014, subject to consent of the parliament in Switzerland.

Trade of Goods

Approximately 99.7% of Chinese exports to Switzerland (measured by value of 2012 exports) will be duty free with immediate effect once the FTA comes into force. This includes all industrial products such as e.g. textiles, shoes, car parts and metal products as well as many agricultural products.

Conversely, approximately 93% of Swiss exports to China will profit from duty reductions, which will eventually lead to 85% of Swiss exports to China being duty free (measured by value of 2012 exports) and can be categorized as follows:

- Swiss exports to China that will be duty free with immediate effect once the FTA comes into force;
- Swiss exports to China that will see a gradual decrease in duties and eventually be duty free within the next 5 to 10 years (or 12 to 15 years for some products); and
- Swiss exports to China that will see a gradual decrease in duties amounting to a total of 60%

of present duties within the next 10 years. This category includes products from the watch industry as well as the pharmaceutical and the machinery construction industries.

The duty reductions will be re-examined every two years with the aim of further improving market access for goods between China and Switzerland. In order to fall in scope of the duty reductions, goods must fulfill certain rules of origin (e.g. percentage of value added in the country of origin), which differ depending on the respective product category.

The trade of goods shall further benefit from trade facilitations such as, inter alia, efficient customs procedures pursuant to international standards. With regard to protection measures (e.g. anti-dumping measures or subsidies), the FTA refers to the relevant WTO provisions; additionally, each of the two countries may temporarily suspend duty reductions granted to the other country in case a domestic economic sector is materially threatened by the effects of the FTA. The FTA also addresses

technical barriers to trade as well as sanitary and phytosanitary measures, with many respective provisions going beyond WTO requirements.

Trade of Services

The FTA provisions regarding trade of services draw on the GATS by using the same definitions and relevant principles or adjusting them to the bilateral context. Both China and Switzerland grant to the respective other country better market access and inland treatment in several additional economic sectors not covered by GATS, such as, inter alia, financial services and aviation services.

The provisions regarding the trade of services will be re-examined every two years in order to achieve further market access improvements.

Further Topics

Further topics addressed in the FTA include the following:

- *Protection of intellectual property* will be improved and the enforcement of intellectual property rights will be facilitated; China and Switzerland also undertake to cooperate more closely with regard to intellectual property matters by way of an institutionalized bilateral dialogue;
- *Investment promotion* provisions will complement the existing investment protection agreement between China and Switzerland and shall lead to both closer cooperation between China and Switzerland in this field as well as additional support to investors;
- *Environmental matters* are to be considered an integral part of sustainable development and measures to protect the environment shall therefore be improved, along with an intensified cooperation between China and Switzerland;
- *Economic and technical cooperation* will be improved in order to increase the two countries' mutual benefit from the FTA and foster sustainable development; such cooperation shall also cover the field of public procurement.

The surveillance of the implementation and further development of the FTA will be in the hands of a mixed panel with equal representation. In the event of disputes in connection with the FTA between China and Switzerland, the countries may, with regard to certain issues, initialize arbitration proceedings whose effect will be binding and final.

In addition to the FTA, China and Switzerland also concluded an agreement regarding cooperation in labor and employment matters in which the two countries, inter alia, procure to improve labor conditions and human rights protection in connection with labor and employment matters.

Dr. Christoph Neeracher
Partner, Key Contact Private M&A / Private Equity
T: +41 58 261 52 64
christoph.neeracher@baerkarrer.ch

Beda Kaufmann
T: +41 58 261 52 63
beda.kaufmann@baerkarrer.ch

Zurich

Bär & Karrer AG, Brandschenkestrasse 90, CH-8027 Zurich,
T: +41 58 261 50 00, F: +41 58 261 50 01, zurich@baerkarrer.ch

Geneva

Bär & Karrer SA, 12, quai de la Poste, CH-1211 Geneva 11,
T: +41 58 261 57 00, F: +41 58 261 57 01, geneva@baerkarrer.ch

Lugano

Bär & Karrer SA, Via Vegezzi 6, CH-6901 Lugano,
T: +41 58 261 58 00, F: +41 58 261 58 01, lugano@baerkarrer.ch

Zug

Bär & Karrer AG, Baarerstrasse 8, CH-6301 Zug,
T: +41 58 261 59 00, F: +41 58 261 59 01, zug@baerkarrer.ch

www.baerkarrer.ch