



How Companies Use Free Trade Agreements

A survey of Swedish exporters and importers in trade with South Korea



2021

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Preface

In recent decades, the EU has been active in negotiating and signing a large number of free trade agreements with partner countries all around the world. The objective has been to enable companies in the EU and in the partner countries to benefit from reduced import tariffs, as well as reductions in other barriers to trade. In recent years, however, the focus has shifted towards implementing and enforcing existing free trade agreements.

In this context, the lack of knowledge about the behaviour of companies and their use of free trade agreements has become apparent. This generates many assumptions and allegations that keep proliferating in the literature and in political discourses. One is that small companies do not use free trade agreements and that this is mainly due to complicated rules of origin. This report aims to increase the knowledge about the awareness and use of free trade agreements among companies.

This report is based on a survey of Swedish companies on how they use the EU's free trade agreement with South Korea and the main difficulties they face. The reason for focusing on this free trade agreement is that it was the first, and is still one of the most economically significant, of the EU's new generation of free trade agreements. In 2021, it also celebrates 10 years of existence and merits an evaluation from a user perspective.

The findings from the survey are unique in the sense that they focus on:

- the awareness and use of the free trade agreements by both exporters and importers that are participating in trade with the partner country;
- the behaviour of companies of different sizes, and in particular micro companies, in their use of the free trade agreement;
- the role of customs brokers in facilitating awareness and use of the free trade agreement; and
- aspects other than rules of origin and related procedures that might also influence the utilization of tariff preferences.



Finally, the report provides a list of concrete policy recommendations based on the survey and interviews with the respondents. The findings and policy recommendations will hopefully also be relevant to other free trade agreements that the EU has concluded with partner countries in recent years. Since the report provides very detailed data, it might also be used as a reference document for future research and policy recommendations when it comes to the utilization of tariff preferences from a company perspective.

The authors of this report are Jonas Kasteng and Nesli Almufti. The report has also benefitted from comments and suggestions by Per Altenberg, Anamaria Deliu, Anna Sabelström, Annika Widell and Christopher Wingård at the National Board of Trade Sweden and Wouter Decoster at the Belgian Foreign Trade Agency.

The questionnaire that served as the basis for the survey was prepared in cooperation with Ingrid Berglund, Henrik Isakson and Ingrid Lindeberg, then at the National Board of Trade Sweden. Valuable comments and suggestions on earlier versions of the questionnaire were also provided by representatives from the Swedish Customs Agency, Business Sweden and the West Sweden Chamber of Commerce, as well as by companies of different sizes based in Sweden.

Stockholm, July 2021

A handwritten signature in black ink, appearing to read 'Anders Ahnlid', written in a cursive style.

Anders Ahnlid
Director General
National Board of Trade Sweden

Executive summary

In recent decades, the EU has been active in negotiating and signing a large number of free trade agreements with partner countries all around the world. The objective has been to enable companies in the EU and in the partner countries to benefit from reduced import tariffs, as well as reductions in other barriers to trade. In recent years, however, the focus has shifted towards implementing and enforcing existing free trade agreements.

In this context, the lack of knowledge about the behaviour of companies and their use of free trade agreements has become apparent. This generates many assumptions and allegations that keep proliferating in the literature and in political discourses. One is that small companies do not use free trade agreements and that this is mainly due to complicated rules of origin. This report aims to increase the knowledge about the awareness and use of free trade agreements among companies.

The purpose of this report is to identify the extent to which Swedish companies trading with South Korea are aware of, and use, the tariff preferences in the EU free trade agreement when importing and exporting products, as well as the obstacles they may face, by means of a survey. Company size and the use of customs brokers are important factors in this analysis. The findings and policy recommendations will hopefully also be relevant to other free trade agreements that the EU has concluded with partner countries in recent years.

Importance of the modes of trade

For micro companies, imports seem to be the most important mode of trade (57 per cent), while for medium-sized, large and small companies, exports seem to be the most important mode of trade (74 per cent, 65 per cent and 55 per cent, respectively). Large companies also seem to be more represented among companies that both export and import, which might be expected.

Importance of the trading partner

Importers regard trade with South Korea as significantly more important than exporters do (60 per cent and 40 per cent, respectively). Moreover, trade with South Korea generally seems to be more important for large companies than for small companies (74 per cent and 48 per cent, respectively).

Importance of customs brokers

The great majority of companies make use of customs brokers (74 per cent). However, it seems that importers use customs brokers to a higher degree than exporters do (86 per cent and 64 per cent, respectively). A larger share of exporters, accordingly, manages their customs procedures internally.

Micro, small and medium-sized companies seem to most frequently involve customs brokers (about 80 per cent), while large companies that tend to have customs expertise in-house only involve customs brokers to 60 per cent.

Awareness of the free trade agreement

A relatively high share of companies that are active in trade, about 30 per cent, are not aware of the free trade agreement with South Korea at all. On the other hand, a majority of companies that trade with South Korea, about 70 per cent, seem to be aware of the tariff preferences.

Policy recommendation:

Access to relevant, updated and pedagogical information on different aspects of the utilization of tariff preferences is very important for the companies. The information must be easy to find and to understand, and guidelines should be used. Possibly, initiatives related to customs authorities and customs brokers in this regard could be explored further.

Surprisingly, importers seem to be much more unaware of the available tariff preferences than exporters. This is particularly the case since importers are the ones that benefit directly from the duty savings. As many as 45 per cent of the importers claimed that they were unaware of the tariff preferences, which is about 20 percentage points higher than for exporters.

Policy recommendation:

The relatively high lack of awareness of the available tariff preferences among importers should be targeted. Thus far, most initiatives intended to increase companies' use of free trade agreements have tended to focus on exporters and the awareness among importers has appeared to lag behind. Consequently, there should be more awareness-raising activities for importers since importers that are aware of the free trade agreement tend to utilize the tariff preferences.

The awareness of the free trade agreement is lowest among micro companies irrespective of mode of trade. Only 64 per cent of micro exporters and 50 per cent of micro importers are aware of the free trade agreement.

Policy recommendation:

In particular, micro companies (both exporters and importers) should be targeted in initiatives to increase their awareness of the availability of tariff preferences since they seem to lag behind with regard to other company sizes.

In any case, the use of customs brokers does not seem to correlate with the awareness of the free trade agreement for either exporters or importers. Seventy-eight per cent of the exporters that use customs brokers are aware of the free trade agreement. The corresponding share of exporters that do not use customs brokers is also 78 per cent. For importers, the numbers are 63 per cent and 68 per cent, respectively.

Policy recommendation:

It would be important to identify the role of customs brokers, i.e. what they do and what information they provide to their clients when it comes to the existence and utilization of tariff preferences since the majority of micro and small companies use customs brokers but seem to lack awareness of the available tariff preferences. As customs brokers tend to reach the great majority of companies, and in particular the micro and small companies that are difficult to reach by other means, as well as the importers, they might be considered for different initiatives to create awareness of the use of tariff preferences.

Use of the free trade agreement

It is positive that more than 80 per cent of the companies that are aware of the tariff preferences also make use of them. The use of the available tariff preferences is slightly higher for exporters than for importers.

Policy recommendation:

The great majority of companies that are aware of the tariff preferences also seem to make use of them. Initiatives aimed at increasing the awareness of the availability of tariff preferences in free trade agreements might accordingly produce positive results with respect to usage. This is particularly the case for importers and micro companies.



It is surprising that **micro companies** – together with **large companies** – are the highest users of the free trade agreement in relative terms. Micro companies tend to use the tariff preferences to a slightly higher degree when it comes to exports compared to imports (96 per cent and 81 per cent, respectively), whereas the opposite is true for large companies (84 per cent and 91 per cent, respectively). Small companies use the tariff preferences to the same extent in imports and exports, but to a slightly lower degree (65–70 per cent).

Policy recommendation:

Small companies, and in particular importers, that are aware of the tariff preferences seem, however, to experience other difficulties since their utilization of tariff preferences is relatively low. The reasons for this must be analysed and they should be targeted in a particular way in order to identify the reasons for their underutilization of tariff preferences.

The use of customs brokers seems not to influence the use of the free trade agreement by either exporters or importers. Eighty-three per cent of the exporters that use customs brokers use the free trade agreements. The corresponding number for exporters that are not using customs brokers is 81 per cent. The situation is almost identical for importers with 80 per cent and 83 per cent, respectively.

Policy recommendation:

Customs brokers might be better trained in free trade agreements and encouraged to be more proactive and share relevant information about tariff preferences and potential duty savings with their clients. It is unclear whether customs brokers have an economic incentive to inform and provide specific assistance to their clients in order to make them aware of, and facilitate, their utilization of tariff preferences. This could be further explored.

Importance of, and reasons for using, the free trade agreement

The great majority of the companies that actually use the free trade agreement – about 80 per cent – consider the duty savings to be important. The share is slightly higher for importers than for exporters: 86 per cent and 75 per cent, respectively.

Importers, regardless of company size, find the available duty savings important to 80–90 per cent. When it comes to exporters, the company size is decisive. The importance of the free trade agreement for exporters increases in line with company size, while only 60 per cent of small exporters consider them important.

It seems that exporters that consider the free trade agreement important tend not to use customs brokers to an equally high degree as those considering it unimportant: 68 per cent and 83 per cent, respectively. For importers it is the other way around and the importance of the free trade agreement is higher for importers using customs brokers (90 per cent) than for importers not using customs brokers (79 per cent).



Reasons for lack of awareness of the free trade agreement

The lack of awareness of the tariff preferences among companies is due to a lack of information about the free trade agreement and the fact that they have not explored these possibilities further. In some cases, companies expressed no interest in the free trade agreement. About a quarter of the companies argued that the lack of awareness might be due to the use of customs brokers.

An interesting observation is that the majority of the exporters that are unaware of the tariff preferences consider trade with South Korea unimportant (71 per cent), while for different reasons this is not the case for importers (43 per cent). This supports the recommendation that importers in particular would need more information about the free trade agreement.

Finally, the companies that are not aware of the free trade agreement are mainly micro and small companies (about 90 per cent). This is the case for both exporters and importers. These companies still use customs brokers to 70–80 per cent.

Reasons for difficulties in using the free trade agreement

It seems that neither exporters nor importers find it difficult to use the free trade agreement. The share of companies that consider it easy to use the tariff preferences ranges between 73 and 76 per cent.

The large majority of the exporters (80–90 per cent) do not believe that the rules of origin constitute a problem for utilizing the tariff preferences. They claim that they understand the rules of origin, that it is not difficult to comply with the criteria to obtain origin, that it is not difficult to obtain the supporting documentation and that it is not difficult to fill in the related documentation.

It is surprising that both micro exporters and large exporters find the rules of origin-related matters easy to understand and comply with (78–96 per cent). Apart from the rules of origin, about 78 per cent of micro companies do not believe that there are additional difficulties in using the free trade agreement.

The smallest importers tend to find it easier to utilize the tariff preferences than the larger importers. About 75 per cent or more of importers in the smallest company categories do not find it difficult to use the free trade agreement while the corresponding share for large importers is only 60 per cent.

Surprisingly, the use of customs brokers does not seem to affect the perception of difficulty in using the free trade agreement for exporters (about 65–70 per cent). Importers that use customs brokers, however, seem to find it easier to use the free trade agreement than companies that manage the customs proceedings internally (81 per cent and 54 per cent, respectively).



Reasons for non-use of the free trade agreement

The most common reasons for not using free trade agreements seem to be rational decisions, e.g. that the products are tariff free, that the products do not comply with the rules of origin and that the company does not obtain the required documentation from exporters or sub-contractors.

The use of IT systems to facilitate the use of the free trade agreement

The great majority of companies that utilize tariff preferences seem to lack IT systems that would facilitate the origin calculations and the calculation of duty savings (82 per cent). The share is slightly higher for exporters than for importers, even though a system of this kind would be more important for the origin calculations.

Exporters and importers not using IT systems of this kind tend to use customs brokers to a high degree (69 per cent and 89 per cent, respectively). The use of in-house IT systems seems to be most frequent among large companies (about 30–40 per cent).

Technical recommendations:

It is important with targeted capacity building and training activities for companies that find it difficult to understand and calculate rules of origin. This might particularly be the case for newcomers. Once companies have experience in utilizing the tariff preferences, they seem to continue their utilization.

Importers request an introductory document for exporters on rule-of-origin proceedings that they could submit to their suppliers, in order to provide them with the correct basic information. This could also work the other way around for exporters informing importers about the related customs clearance procedures for originating products.

The process of requesting and submitting verification documentation is cumbersome and might be facilitated in different ways to increase flexibility. Initiatives related to reducing delays in obtaining verification documentation from exporters/suppliers or other forms of flexibility or electronic systems might be envisaged.

It is important to increase the availability of an easy and accessible software for origin calculations. Micro companies (exporters and importers) and small exporters seem to be most in need. The European Commission's recent web portal Access2Markets, including the Rules of Origin Self-Assessment tool (ROSA), is an important initiative in this regard.

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1

Introduction

In 2021, the EU's free trade agreement with South Korea celebrates 10 years of existence since its provisional entry into force in July 2011. The free trade agreement with South Korea is the first, and one of the most economically significant, of the EU's new generation of free trade agreements. It is accordingly highly relevant to obtain a better understanding of how the free trade agreement has been perceived and used by companies that trade with South Korea. These findings will hopefully also be relevant to other free trade agreements that the EU has concluded with partner countries in recent years.

The purpose of this report is to identify the extent to which Swedish companies are aware of, and use, the EU's free trade agreement with South Korea when importing and exporting products and what obstacles they may face. The focus is on tariff preferences available in the free trade agreement. The analysis is based on a survey of Swedish companies that trade with South Korea. The analysis distinguishes between exporters and importers, as well as between companies of different sizes and their use of customs brokers. The results from the survey will contribute to policy recommendations on how best to increase the utilization of tariff preferences in free trade agreements.

The EU's free trade agreement with South Korea has also previously been the focus of research by the National Board of Trade Sweden based on quantitative data. The report "*The Use of the EU's Free Trade Agreements*" answered the question of how the EU's free trade agreements are used by exporters and importers at an aggre-

gate level. The report "*Who Uses the EU's Free Trade Agreements?*" described which companies by size and by different product categories use the EU's free trade agreement with South Korea and their main drivers. The National Board of Trade Sweden has also analysed the use of the EU's free trade agreement with South Korea over time in order to understand company behaviour and learning in "*Understanding the Use of the EU's Free Trade Agreements*" (forthcoming), which is based on transaction-level and company data over a 10-year period.

The analysis in this report is based on qualitative data with information obtained directly from the companies trading with South Korea and it will serve as a complement and input to the more quantitative reports. A new approach with this survey-based report is the focus on preference utilization by both exporters and importers. The survey is also unique in the sense that it aimed to target all Swedish companies exporting to, and importing from, South Korea over one year (2018). The fact that a relatively large number of micro and small companies responded to the questionnaire makes this report unique in comparison to other reports in this regard, since the smallest companies are not always identified and reached in analyses of this kind. A third innovative aspect is that it also focuses on the role of trade intermediaries, such as customs brokers.

The report will initially place the analysis in a context by providing a literature review (Chapter 2) and analysing the method and representativity of the sample (Chapter 3). In order to facilitate the reading, the report is divided into an analytical

part (Part I, consisting of Chapters 4 and 5) and a statistical part (Part II, consisting of Chapter 6).

Part I analyses the main findings from the survey and provides the results in the most accessible way for policymakers. Part II analyses the data from the survey in a more detailed way for a more comprehensive understanding with figures and tables. The different parts of the analysis – and in particular Chapter 4 (Part I) and Chapter 6 (Part II) – follow the same structure but at different length and level of detail.

These chapters provide an overview of the respondents by mode of trade (exports and imports), company size and mode of trade by company size (Subsection 4.1.1 and/or Section 6.1). It thereafter provides an overview of the trade structure and experience of the respondents, such as the importance of the trade with South Korea, the traded products and the role of customs brokers (Subsection 4.1.2 and 4.1.3 and/or Section 6.2). The main focus of the report is on the companies' awareness and use of the free trade agreement (Section 4.2 and/or Section 6.3) and their reasons for unawareness, difficulties and for not using the free trade agreement (Section 4.3 and/or Section 6.4). Finally, it discusses access to IT systems (Subsection 4.4.1 and/or Section 6.5) and company suggestions on what

could be done to facilitate the use of free trade agreements (Subsection 4.4.2 and/or Section 6.6). The main conclusions and policy recommendations are found in Chapter 5 (Part I). The questionnaire is presented in the annex.

The analysis in the report follows a certain structure (see Tables A–C for reference). First, the data are presented at total level, followed by data on companies that are exclusively exporters and exclusively importers presented separately in order to identify the characteristics of each mode of trade. Second, the company-size dimension presents the findings for companies of different sizes and by mode of import at total level. Finally, the customs broker dimension presents the findings by companies that use customs brokers and those that do not, and by mode of import at total level.

In order to facilitate the understanding of which subsample is analysed in each chapter, section and subsection, a schematic table – by mode of trade, company size and use of customs brokers – is provided at the beginning of each chapter, section and subsection with the corresponding subsample highlighted.

Table A: Scheme – mode of trade

Exporters			Importers			Exporters and importers		
Aware		Unaware	Aware		Unaware	Aware		Unaware
User	Non-user		User	Non-user		User	Non-user	

Table B: Scheme – company size

Micro			Small			Medium			Large		
Aware		Unaware	Aware		Unaware	Aware		Unaware	Aware		Unaware
User	Non-user		User	Non-user		User	Non-user		User	Non-user	

Table C: Scheme – use of customs brokers

Customs broker			Not customs broker		
Aware		Unaware	Aware		Unaware
User	Non-user		User	Non-user	

2

Literature review

The literature on the utilization of tariff preferences is fairly recent, and most papers in this field date from 2010 and later. However, this is a fast-growing literature in which a series of stylized facts have already been established. The purpose of this chapter is not to review the complete literature in this field; instead, the idea is to present a representative overview of the literature.

To utilize tariff preferences, companies have to prove the origin of the imported products. Proving origin can sometimes be a daunting task, and the more costly the administrative burden, the lower is the expected utilization of tariff preferences. Examples of studies on the impact of rules of origin on the utilization of tariff preferences include Hayakawa et al. (2014), Kim and Cho (2010) and Takahashi and Urata (2010), all of which found evidence that restrictive rules of origin reduce the utilization of tariff preferences. Anson et al. (2005) estimated that the administrative cost of rules of origin corresponds to 6 per cent of the import value.

The term used for the size of the tariff reduction that can be achieved by using the free trade agreement is the ‘preference margin’. The relationship between the preference margin and the use of the free trade agreement has been studied in a series of articles. There are at least two reasons for this: (i) without a gap between the ‘most-favoured-nation’ (MFN) tariff and the preference tariff, there is no incentive to apply for the tariff preference; (ii) the size of the preference margin is widely available for many countries.

The studies by Candau et al. (2004), Hayakawa et al. (2013, 2014), Keck and Lendle (2012) and Nilsson (2015) are examples of studies that identified a positive correlation between the size of the preference margin and the utilization of tariff preferences. Bureau et al. (2007) studied trade in agriculture and found a positive relationship between the utilization of tariff preferences and the preference margin. The higher the preference margin, the higher the level of utilization. Lukaszuk and Legge (2019) are somewhat of an exception in this literature, as they detected a negative correlation between the size of the preference margin and the utilization of tariff preferences. They also noted a declining preference utilization rate over time.

A series of studies has tried to find a threshold value for the preference margin to trigger the utilization of tariff preferences. In other words, the tariff reduction has to be of a certain size for the free trade agreement to be used. A common estimate of this threshold value often falls in the range of 2–6 per cent (Bureau et al. 2007; Cadot and Ing 2014; Francois et al. 2006; Manchin 2006). There has also been a discussion regarding whether the utilization of tariff preferences involves mainly a fixed or a variable cost. The work by Keck and Lendl (2012) and Nilsson and Dotter (2012) suggested that the utilization of tariff preferences is associated with fixed costs rather than with variable costs. Manchin (2006) found that the size of the preference margin does not affect the amount of preferential trade once the decision to request preferences has been taken. A similar finding was obtained by Agostino et al. (2010).



Apart from the preference margin, it is natural to assume that the value of trade has an impact on the incentive to utilize the tariff preferences. For high-value orders, it can be profitable to claim the tariff preference even if the preference margin is low and the rules of origin are restrictive. For example, Hayakawa (2013b) showed that the utilization of tariff preferences can be high despite low preference margins if the trade volume is sufficiently large. In addition, Hakobyan (2015), Keck and Lendle (2012) and Nilsson (2012, 2015) found a positive impact of export volumes on the utilization of tariff preferences.

A factor related to scale is the productivity and company size. Demidova and Krishna (2008) showed that productive companies utilize tariff preferences to a larger extent than low-productivity companies and that this is due to the fact that the latter cannot afford to pay the administrative costs. In this vein of research, Takahashi and Urata (2008, 2010) employed a questionnaire survey and found that large companies are more likely to use free trade agreements than small companies. The large-company advantage has, since then, been rather accepted as a stylized fact. However, it is worth noting that Wignaraja (2014), using enterprise survey data, did not detect any correlation between company size and the utilization of tariff preferences.

Other drivers of the utilization of tariff preferences that have been analysed include previous experience. The idea is that, once a company has mastered the rules of origin and other administrative procedures, the utilization of tariff prefer-

ences in future imports will be relatively high. Hayakawa (2013a, 2013b) and Wignaraja (2014) are examples of studies suggesting the existence of a learning mechanism. Another regularity noted is that the preference utilization rate is often relatively high in the EU and low in East Asia (Hiratsuka et al. (2009).

One gap in this literature – pointed out by, among others, Wignaraja (2014) – is that the decision to utilize tariff preferences can vary at the transaction level and that there is a lack of data in this regard. Two strategies aimed at overcoming the lack of transaction-level data seem to exist. One strategy has been to use disaggregated or detailed trade data, and the other has been to conduct surveys. Both approaches, though, lack the capacity to detect individual import transactions undertaken by companies. Hence, studies based on transaction-level data are much requested to make progress in this field.

To date, only a few studies have been based on transaction-level data. Albert and Nilsson (2016) used transaction-level data from Iceland to estimate the fixed cost of utilizing the tariff preferences (about EUR20–260). Kasteng and Tingvall (2019) used transaction-level and firm-level data concerning Swedish importers in the EU's free trade with South Korea to analyse the behaviour of companies of different sizes and the correlation with preference margins, transaction values and duty savings. The main findings were that companies tend to use tariff preferences to a high degree regardless of size and that the transaction values and the potential duty savings are more important drivers for

preference utilization than the preference margin. The company-size finding was later supported by Legge and Lukaszuk (2021) with regard to Swiss importers.

However, in order to complement and identify the reasons behind the numbers, qualitative research based on questionnaires and interviews is in high demand. One example is Decoster (2021), which focused on Belgian exporters and their use of a number of free trade agreements. One of the main findings was that rules of origin do not seem to constitute a major problem for exporters. However, due to the rele-

vance of importers as drivers in the utilization of tariff preferences, an additional focus on not only exporters but also importers is much requested to make progress in this field as well. It is also important to identify the behaviour of companies of different sizes and the role of intermediaries, such as customs brokers. This report aims to contribute to the lack of empirical information about *both* modes of trade in the utilization of free trade agreements in a comparative analysis, with a particular focus on company size and the use of customs brokers.

3

Method and limitations

This chapter provides a background to the survey, as well as describing the method used for identifying the companies and sending the questionnaire. It also presents some of the main limitations and a disclaimer.

3.1 Method

The companies targeted by the survey were identified based on registered export and/or import transactions by the Swedish Customs Agency during the year 2018. In total, 3,346 companies were identified based on these premises (1,437 exporters, 1,310 importers and 599 combined exporters and importers).

The e-mail addresses of the targeted companies were also mainly obtained from the Swedish Customs Agency. This should increase the likelihood that they reached the intended recipients. Unfortunately, it was not possible to obtain the e-mail addresses of all companies since the registration of e-mail addresses with the Swedish Customs Agency is not compulsory in this regard. In total, 2,256 companies were identified based on these premises (992 exporters, 884 importers and 380 combined exporters and importers). These companies constituted 67 per cent of the total population.

The questionnaire was sent to all Swedish companies that exported and/or imported products to/from South Korea in 2018 where e-mail addresses were available, regardless of company size and value of trade. The survey tool used was

esMaker. Customs brokers were invited to respond to the survey on behalf of companies they represent in cases where they received the questionnaire¹. The survey is unique in the sense that it identified all relevant companies with experience in trade and provided companies of different sizes and trade values with the opportunity to provide answers. The companies had the opportunity to respond to the questionnaire between June 8 and June 30, 2020.

The information obtained from the companies was treated with absolute confidentiality and the companies' answers were de-identified and made anonymous. However, the questionnaire also provided an opportunity for companies to participate in in-depth interviews, in order to be able to provide more detailed and complementary information. The 86 companies that accepted this opportunity constituted 46 per cent of the respondents and were evenly distributed across modes of trade and company sizes. The information obtained during the interviews is presented in the corresponding parts of the analysis in order to provide relevant and company-specific examples.



3.2 Limitations

The main limitation of the survey was the fact that not all companies responded to the questionnaire. This, however, is often the case in questionnaires of this kind. It is also important to bear in mind that the questionnaire was sent out in the first phase of the Covid-19 pandemic. This situation might have affected companies, employees and their priorities when it comes to responding to questionnaires.

The first limitation was that e-mail addresses were not obtained for the total population, the second limitation was that not all e-mail addresses were valid, and the third limitation was that not all companies with active e-mail addresses responded to the questionnaire.

However, of the companies with active e-mail addresses, 25 per cent (183 companies) completed the questionnaire. Accordingly, 6 per cent of the total population, 8 per cent of the actual

sample with e-mail addresses and 25 per cent of the sample with active e-mail addresses responded to the questionnaire (see Table 1).

Another way to measure the possible representativity of the survey is to analyse whether the share of respondents with regard to mode of trade (exporters and/or importers) or company size (micro, small, medium-sized and large) or traded products corresponds to the total population.

The respondents in this survey comprise 53 per cent exporters and 47 per cent importers. The corresponding numbers for the total population are almost identical, i.e. 52 per cent exporters and 48 per cent importers, respectively (see Table 2).

The share of companies that are exclusively exporters is 48 per cent in the survey and 43 per cent in the total population, and the share of companies that are exclusively importers is 43 per cent in the survey and 39 per cent in the total population. The share of companies that are both exporters and importers is higher in the

Table 1: Number and share of companies reached by the survey

Total population	Sample with e-mail addresses	Sample with active e-mail addresses	Respondents
3,346	2,256	724	183
	Share of total population	Share of sample with e-mail addresses	Share of sample with active e-mail addresses
	67 %	32 %	25 %
Respondents' share of total population	Respondents' share of sample with e-mail addresses	Respondents' share of sample with active e-mail addresses	
6 %	8 %	25 %	

total population than in the sample: 18 per cent and 9 per cent, respectively.

A similar approach with the sample of e-mail addresses shows an identical distribution among exporters and importers (52 per cent exporters and 48 per cent importers). This provides an indication that the sample with e-mail addresses is equally representative as the total population.

The share of respondents by size in this survey is in line with the share of companies by size, as identified in the data set of all companies engaged in exports and imports in 2018. The respondents in this survey comprise 49 per cent micro companies, 25 per cent small companies, 13 per cent medium-sized companies and 13 per cent large companies (see Table 3). The corresponding numbers for the total population are 36 per cent, 29 per cent, 17 per cent and 7 per cent, respectively. This indicates that the relationship between exporters and importers is representative and that there is a correlation between the companies of different sizes between the respondents and the total population.

The share of products imported by the respondents corresponds closely with the share of products imported by companies in the total population (see Table 4). The analysis is based on the preselected categories of products presented to the respondents in the questionnaire. The product category “instruments” was not preselected but a number of companies have stated that they import instruments in the free text replies.

Finally, it is relevant to emphasize that the survey managed, due to the method used, to reach a relatively large number of micro and small companies. The share of micro companies is even higher than in the total population (both for exporters and importers). This provides, regardless of other aspects, valuable information on the experience and behaviour of micro and small companies in using free trade agreements.

In addition, it is relevant to note that the survey managed to target about 46 per cent of the companies that do not consider the trade with South Korea important as such. This should provide a balanced and neutral view of the awareness and use of the free trade agreement.

Table 2: Representativity of the respondents by mode of trade

	Total population	Respondents
Exporters	52 %	53 %
Importers	48 %	47 %
Total	100 %	100 %

Note: The table indicates the representativity of respondents with regard to the total population by indicating whether they are within (or exceed) +5 percentage points (dark green colour), within -5 percentage points (light green colour) or exceed -5 percentage points (red colour).

Table 3: Representativity of the respondents by company size

	Total		Exporters		Importers	
	Population	Respondents	Population	Respondents	Population	Respondents
Micro	36 %	49 %	33 %	42 %	41 %	47 %
Small	29 %	25 %	34 %	26 %	30 %	12 %
Medium	17 %	13 %	23 %	18 %	18 %	29 %
Large	7 %	13 %	10 %	13 %	11 %	12 %
Total	100 %	100 %	100 %	100 %	100 %	100 %

Note: The table indicates the representativity of respondents with regard to the total population by indicating whether they are within (or exceed) +5 percentage points (dark green colour), within -5 percentage points (light green colour) or exceed -5 percentage points (red colour).

3.3 Disclaimer

Even though the overall number of respondents correlates to the total population with regard to modes of trade, company size and product groups, there might be a significant lack of correlation in different subsamples due to a limited number of respondents. In general, the presentation in the report will make reference to shares and percentages even though the number of companies sometimes might be limited. In these cases, the numbers focus on the respondents since it cannot be assumed that they are representative of the total population.

For example, it is not known whether the difference between company size categories is statistically significant for, and representative of,

the total population or not. Consequently, these observations should primarily be used as indications that merit further research.

One last remark is that this report analyses Swedish companies' trade with South Korea. It is not known whether the companies or products traded have particular characteristics compared to other countries and the extent to which the findings are representative in this regard. The rules of origin are specific for different free trade agreements, but many other issues in this analysis are of a more horizontal nature. However, there are also other issues, such as geographical distance, language and business culture, that might affect companies' decision to trade. These aspects are not covered further in this analysis.

Table 4: Representativity of the respondents by product groups, imports

Product category	Total population	Respondents
1. Animals, animal products	0 %	
2. Vegetable products	1 %	
3. Animal or vegetable fats	0 %	
4. Prepared foodstuffs	1 %	1 %
5. Mineral products	0 %	
6. Chemical products	7 %	1 %
7. Plastics, rubber	8 %	12 %
8. Hides, skins, leather	1 %	
9. Wood, wood products	0 %	
10. Wood pulp products	7 %	3 %
11. Textiles, textile articles	7 %	9 %
12. Footwear, headgear	2 %	
13. Articles of stone, plaster, etc.	2 %	
14. Pearls, stones and metals	0 %	
15. Base metals, etc.	9 %	23 %
16. Machinery, electrical equipment	33 %	28 %
17. Transportation equipment	3 %	4 %
18. Instruments	12 %	
19. Arms, ammunition	0 %	
20. Miscellaneous	5 %	
21. Works of art	0 %	
Category "other" products	24 %	31 %

Note: The table indicates the representativity of respondents with regard to the total population by indicating whether they are within (or exceed) +5 percentage points (dark green colour), within -5 percentage points (light green colour) or exceed -5 percentage points (red colour).

Part I: Findings, analysis and conclusions

4

Analysis of the main findings from the survey

The purpose of this report is to identify the extent to which Swedish companies trading with South Korea are aware of, and use, the existing EU free trade agreement when importing and exporting products, as well as the obstacles they may face. Company size and the use of customs brokers are important factors in this analysis. This chapter provides an overview and analysis of the main findings from the survey. Conclusions and policy recommendations based on the analysis are found in Chapter 5. A detailed statistical analysis is available in Chapter 6 (see Part II).

4.1 Overview

4.1.1 The respondents

The companies in the analysis are, to a similar degree, exclusively exporters (48 per cent) and exclusively importers (43 per cent). The remaining companies (9 per cent) are engaged in both exports and imports. The replies should provide, since they are evenly distributed between exporters and importers, and in line with the total population, a balanced view of the experiences and perspectives of both exporters and importers in trading with South Korea and in using the EU's free trade agreement with South Korea.

In the context of this analysis, it is positive that both companies that consider trade with South Korea to be important and companies that are not dependent on trade with South Korea have responded to the questionnaire. About 52 per cent of the companies have a high interest in trade with South Korea, but for as many as 46 per cent of the companies the trade with South Korea

is regarded as 'not important'. These companies might be considered regular users and their replies might be more representative of a larger number of companies and not only those with high economic interest (and possibly high experience) in trading with South Korea.

The fact that a large number of micro and small companies responded to the questionnaire provides valuable information since the smallest firms are not always identified and reached in analyses of this kind. The companies are defined by size according to the EU's definition based on the number of employees (see Box I: 'The EU's definition of company size' in Part II, Subsection 6.1.2).

For a detailed statistical analysis, see Part II, Section 6.1.

4.1.2 The trade structure of the respondents

Imports seem to be the most important mode of trade for micro companies (57 per cent) while exports seem to be the most important mode of trade for medium-sized, large and small companies (74, 65 and 55 per cent, respectively). Large companies also seem to be more represented among companies that both export and import, which might be expected. The relationship between company size and mode of trade merits further research, but it is likely that importers are not as dependent on the number of employees as is the case for exporters, which to a higher extent might also be producers.

Imports are the most common mode of trade for companies using customs brokers (54 per cent).



Companies that manage their customs procedures internally are mainly exporters (66 per cent). This is likely related to the significant role of customs brokers in customs clearance in imports.

Trade with South Korea is regarded as being more important for importers than for exporters. It is seen as important by about 60 per cent of the importers but only by about 40 per cent of the exporters. This might be related to the products that are traded. There is, however, no information about the value of the traded products in the survey.

The trade with South Korea seems generally to be more important for larger companies than for smaller companies. As many as 74 per cent of the large companies and only 48 per cent of the micro companies find the trade with South Korea important. There may be different reasons for this, but it is possible that large companies depend more on specific high-value products and that micro company trade deals with lower values and is possibly less frequent.

The main product categories identified by both exporters and importers are machinery and electronics (29 per cent) and metals (17 per cent). These product categories are followed by textiles and plastics (9 per cent each). Other product categories such as motor vehicles, chemicals and foodstuffs are in the range of 3–4 per cent each.

For a detailed statistical analysis, see Part II, Subsections 6.2.1 and 6.2.2.

4.1.3 The role of customs brokers

Customs brokers are used by over 74 per cent of the companies. It seems that importers use customs brokers to a higher degree than exporters: 86 per cent and 64 per cent, respectively. A larger share of exporters, accordingly, manages their customs procedures internally. This seems logical since importers are generally more directly involved in the customs procedures at imports and might also be responsible for the transportation and documentation depending on the Incoterms.

Micro, small and medium-sized companies seem to be the highest users of customs brokers (78–80 per cent), while large companies only use customs brokers to 60 per cent. This is also an expected result since large companies tend to have customs expertise in-house to a larger extent. It is, however, unknown on what occasions and under what circumstances companies choose to use customs brokers and when they choose to develop the customs procedures by themselves. This merits further research.

For a detailed statistical analysis, see Part II, Subsection 6.2.3.

4.2 Awareness and utilization

4.2.1 The awareness of the free trade agreement

The majority of respondents that trade with South Korea, about 70 per cent, seem to be aware of the tariff preferences in the free trade agreement. However, a relatively high share of companies that are active in trade seem to lack awareness of this opportunity, i.e. about 30 per cent. This is a slightly surprising finding but may be due to information or communication issues, i.e. the fact that the customs clearance is managed by other parties (within the company or by customs brokers) or by the other trade partner. It might also be due to ad hoc import transactions that have taken place or the fact that the company is a newcomer.

Surprisingly, exporters seem to be much more aware of the available tariff preferences than importers, even though importers are the ones that benefit directly from the duty savings. As many as 45 per cent of the importers claimed that they were unaware of the tariff preferences, which is about 20 percentage points higher than for exporters. Not only is a smaller share of the total population of importers less aware of the tariff preferences but this is also apparent across all size categories, particularly for micro companies.

The awareness of the free trade agreement is lowest among micro companies irrespective of mode of trade. Only 64 per cent of micro exporters and 50 per cent of micro importers are aware of the free trade agreement.

Importers seem to use customs brokers to a higher degree than exporters do. Importers seem to use customs brokers to a level of 91 per cent. The corresponding use of customs brokers among exporters is about 30 percentage points lower (63 per cent).

In any case, the use of customs brokers does not seem to correlate with the awareness of the free trade agreement for either exporters or importers. Seventy-eight per cent of the exporters that use customs brokers are aware of the free trade agreement. The corresponding number of exporters that do not use customs brokers is also 78 per cent. For importers, the numbers are 63 per cent and 68 per cent, respectively. This might merit further research and initiatives regarding the role of customs brokers in creating awareness of the existence of tariff preferences.

For a detailed statistical analysis, see Part II, Subsection 6.3.1.

4.2.2 The use of the free trade agreement

It is positive that more than 80 per cent of the respondents that are aware of the tariff preferences also make use of them. The use of the available tariff preferences is slightly higher for exporters than for importers.

Importers that utilize the tariff preferences tend to use customs brokers to a higher degree than the corresponding exporters do (91 per cent and 74 per cent, respectively). This observation corresponds with the observation that the awareness of tariff preferences is lower among importers. It might possibly be the case that the use of customs brokers creates a knowledge deficit if there is a lack of communication between the parties.

About 11 per cent of the companies do not make use of the tariff preferences despite being aware of this option. The level of non-utilization is slightly higher for importers than for exporters. However, it is important to bear in mind that the respondents might also have rational reasons for not using the free trade agreement, i.e. the tariffs might be zero for particular products.

The lack of awareness of the tariff preferences is about the same for both modes of trade (7 per cent). This merits further research, but it is possible that one of the parties uses the free trade agreement without the other party's knowledge or that the knowledge is elsewhere in the company. For example, an exporter might submit origin documentation but is unaware of whether the importer claims the tariff preferences.

It is surprising that micro companies and large companies among the respondents are also the highest users in relative terms. Micro companies tend to use the tariff preferences to a slightly higher degree in exports than in imports (96 per cent and 81 per cent, respectively), whereas the opposite is true for large companies (84 per cent and 91 per cent, respectively). The situation appears to be similar for medium-sized companies (80 per cent and 100 per cent, respectively). Small companies use the tariff preferences to the same extent in imports and exports but to a slightly lower degree (65–70 per cent).

The use of customs brokers seems not to influence the use of the free trade agreement by either

exporters or importers. The situation is, accordingly, similar as compared to awareness of the tariff preferences. Eighty-three per cent of the exporters that use customs brokers use the free trade agreement. The corresponding number for exporters that do not use customs brokers is 81 per cent. The situation is almost identical for importers with 80 and 83 per cent, respectively. This emphasizes the importance of analysing the role of customs brokers in facilitating the use of existing tariff preferences.

For a detailed statistical analysis, see Part II, Sub-section 6.3.2.

4.2.3 Importance of, and reasons for, using the free trade agreement

The great majority of respondents that use the free trade agreement – about 80 per cent – believe that the duty savings are important for the company and/or their customers. The share is slightly higher for importers than for exporters: 86 per cent and 75 per cent, respectively.

Among the respondents, the free trade agreement seems to be considered more important by importers than by exporters. Importers, regardless of company size, find the available duty savings important to 80–90 per cent. The importance of the free trade agreement for exporters increases by company size, with only 60 per cent of the small exporters considering it important. For the remaining company sizes, the share is about 80–90 per cent, as for importers. In this context, it seems contradictory that the awareness of the free trade agreement is lower among importers than exporters.

It seems that exporters considering the free trade agreement important tend to manage the customs procedures internally to a higher degree than those considering it unimportant: 68 per cent and 83 per cent, respectively. It is not known whether companies that depend on the free trade agreement prefer to manage the customs procedures related to the origin requirements by themselves. For importers it is the other way around and the importance of the free trade agreement is greater for importers using customs brokers (90 per cent) than for importers not using customs brokers (79 per cent). There might possibly be a link between the importance of duty savings and the need for customs brokers.

For a detailed statistical analysis, see Part II, Sub-section 6.3.3.

4.3 Unawareness, difficulties and non-utilization

4.3.1 Reasons for lack of awareness of the free trade agreement

The lack of awareness of the tariff preferences among the respondents might be for different reasons. The main reasons are vague, such as the fact that companies have not obtained information about the free trade agreement and its possibilities and that they have not explored these possibilities further. In some cases, companies expressed no interest in the free trade agreement. About a quarter of the companies argued that their lack of awareness might be due to their use of customs brokers.

An interesting observation is that trade with South Korea is considered ‘not important’ by 71 per cent of the exporters and 43 per cent of the importers that lack awareness of the free trade agreement. The correlation between a lack of interest and a lack of awareness might therefore be rational if the import transaction values are low and ad hoc if they focus on other markets.

Finally, the companies that lack knowledge of the free trade agreement are mainly micro and small companies (about 90 per cent). This is the case for both exporters and importers. These companies still use customs brokers to 70–80 per cent.

For a detailed statistical analysis, see Part II, Sub-section 6.4.1.

4.3.2 Reasons for difficulties in using the free trade agreement

It seems that neither exporters nor importers among the respondents find it difficult to use the free trade agreement. The share of companies that do not consider it difficult to use the tariff preferences ranges between 73 and 76 per cent. Among the importers that do not experience difficulties, 96 per cent use customs brokers. This is a considerably higher share than among exporters where only 68 per cent use customs brokers.

A great majority of the exporters do not believe that rules of origin constitute a major problem in utilizing the tariff preferences. This is an interesting finding. About 80–90 per cent of the exporters claim that they understand the rules of origin, that it is not difficult to comply with the criteria to obtain origin, that it is not difficult to obtain the supporting documentation and that it is not



difficult to fill in the related documentation.

An analysis of the company-size dimension shows that the understanding of the rules of origin by exporters varies by company size. Large and – surprisingly – micro exporters are the size categories that find rules of origin-related matters easiest to understand and comply with. Apart from the rules of origin, about 78 per cent of the micro companies do not believe that there are additional difficulties in using the free trade agreement. The corresponding shares are lower for other company size categories.

When it comes to importers, the smallest companies tend to find it easier to utilize the tariff preferences than the largest companies. About 75 per cent and more of importers in the smallest company categories do not find it difficult to use the free trade agreement while the corresponding share for large importers is only 60 per cent.

Surprisingly, the use of customs brokers does not seem to affect the perception of difficulty in using the free trade agreement for exporters. Importers that use customs brokers, however, seem to find it easier to use the free trade agreement than companies that manage the customs proceedings internally.

For a detailed statistical analysis, see Part II, Subsection 6.4.2.

4.3.3 Reasons for not using the free trade agreement

The most common reasons for not using the free trade agreement among the respondents are – in descending order – that the products are already tariff free, that the products do not comply with

the rules of origin and that the company does not obtain the required documentation from subcontractors or exporters.

It is, unfortunately, not possible to draw any conclusions due to a very limited number of respondents in the sample. Even though it is positive that possibly only a small share of companies do not utilize the tariff preferences, it is particularly important to provide targeted measures for this category of companies. This is an issue that merits further research.

For a detailed statistical analysis, see Part II, Subsection 6.4.3.

4.4 Measures to increase utilization

4.4.1 Access to IT systems to improve the use of the free trade agreement

The great majority of the respondents that utilize tariff preferences seem to lack IT systems that would facilitate the origin calculations and the calculation of duty savings (82 per cent). The share is slightly higher for exporters than for importers even though a system of this kind would be more important for the origin calculations.

Exporters not using IT systems of this kind tend, however, to use customs brokers to a high degree (69 per cent). Exporters using IT systems tend to develop their customs procedures by themselves. Importers not using IT systems for duty savings calculations tend to use customs brokers to a higher degree (89 per cent).

It might be possible for customs brokers to manage some of these calculations but it seems not to be well known among companies, particularly since they do not seem to receive the corresponding feedback from the customs brokers.

The use of in-house IT systems seems to be most frequent among large exporters and importers (about 30–40 per cent) and less frequent among micro and small companies.

This is an issue that could easily be improved. There are several new initiatives by the European Commission that are relatively new and will likely facilitate the origin procedures, such as the Access2Market database and its rules of origin self-assessment tool. In any case, it is surprising that such a large share of companies manages the corresponding calculations without IT systems. This might, however, also affect the level of the calculations.

For a detailed statistical analysis, see Part II, Section 6.5.

4.4.2 Company suggestions to facilitate the use of the free trade agreement

The suggestions provided by the exporters and the importers in the questionnaire and in follow-up interviews are ad hoc and not comprehensive, but they provide an overview of some of the difficulties and possible solutions suggested by the respondents that participated. They cluster mainly around increased access to information, facilitated rules of origin, facilitated origin documentation, facilitated customs procedures and increased predictability.

- It should be easier to find the information on the web page of the national customs agency. It was fairly easy to utilize the tariff preferences after the correct information was found.

- The people responsible for customs clearance among customs brokers should be educated about the free trade agreements. This should also be the case for small consignments by air.
- Companies are unaware of whether customs brokers are involved in the process and what they can do. The customs brokers should be educated and more proactive. The customs brokers should be better trained and provide better information. The customs brokers should inform about the free trade agreement in relation to customs clearance.
- The customs officials should, upon payment of duties, inform about the possibilities of using the free trade agreement.
- The rules of origin in the EU's free trade agreements should be standardized since it is difficult to make separate calculations for different partner countries. The administrative burden to adjust for each free trade agreement individually is too great.
- Basic information should be prepared and submitted to exporters/suppliers as a capacity-building initiative to facilitate their training to present correct supplier documentation in order to prove origin.
- The process of requesting suppliers' declarations is cumbersome and might contribute to the non-utilization of the free trade agreement.
- It should be possible to use the company's invoice to prove origin rather than the subcontractor's invoice.
- The customs broker or the party that makes the customs clearance should be responsible for errors and not the importer (in the case of mistakes).

For a comprehensive list of suggestions, see Part II, Section 6.6.

5

Conclusions and policy recommendations

As previously mentioned, the purpose of this report is to identify the extent to which Swedish companies are aware of, and use, the EU's free trade agreement with South Korea when importing and exporting products, as well as the obstacles they may face. Company size and the use of customs brokers are important factors in this analysis. Based on the findings in the survey, this chapter presents the main conclusions and policy recommendations with the aim of facilitating the use of free trade agreements by exporters and importers.

Increase access to data for policymakers:

- It is important to increase the awareness and use of free trade agreements among both exporters and importers in different EU member states and in partner countries. One option might be to make **surveys** in line with this in order to make the findings comparable across free trade agreements.
- It is important to be aware of the different points of focus and strategies of companies depending on the **mode of trade** and **company size**. The product dimension should also be considered.

Increase awareness among companies:

- Access to relevant, updated and **pedagogical information** on different aspects of the utilization of tariff preferences is very important for the companies. The information must be easy to find and to understand, and guidelines should be used.

- The **customs authorities** should proactively inform the companies about the available tariff preferences upon customs clearance. Once companies are informed, they are aware of the free trade agreement and might benefit from the duty savings in coming imports if they learn by training and experience.
- The relatively high lack of awareness of the available tariff preferences among **importers** should be targeted. To date, most initiatives aimed at increasing the use of free trade agreements have focused on exporters, and awareness among importers seems to lag behind. Importers that are aware of the free trade agreement tend to consider it important and also utilize the tariff preferences.
- While the trade values are very small among **micro companies** (both exporters and importers), they could be targeted in initiatives aimed at increasing the awareness of the availability of tariff preferences since they seem to lag behind with regard to other company sizes. They might in particular be reached by customs brokers since they tend to use customs brokers to a high degree.

Increase utilization among companies:

- The great majority of companies that are aware of the tariff preferences also seem to make use of them. Initiatives aimed at **increasing the awareness** of the availability of tariff preferences in free trade agreements might accordingly produce positive results with respect to usage. This is particularly the case for importers and micro companies.

- **Small companies**, and in particular importers, that are aware of the tariff preferences seem, however, to experience other difficulties since their utilization of tariff preferences is relatively low. The reasons for this must be analysed and they should be targeted in a particular way in order to identify the reasons for their underutilization of tariff preferences.
- Importers request an **introductory document for exporters on rule of origin proceedings** that they could submit to their suppliers, in order to provide them with the correct basic information. Instead of the importers having to find and explain the proceedings to their suppliers, they could send them this document in physical or electronic format. (This could also work the other way around for exporters informing importers about the related customs clearance procedures for originating products.)
- The process of requesting and submitting **verification documentation** is cumbersome and might be facilitated in different ways to increase flexibility. Initiatives related to reducing delays in obtaining verification documentation from exporters/suppliers or other forms of flexibility or electronic systems might be envisaged.
- There are sometimes **rational reasons** behind claims of non-utilization of tariff preferences, as well as a lack of information about the utilization. This might, for example, be due to non-originating products, zero tariffs or the fact that the customs clearance is managed by other parties (both within the company and by customs brokers) and by the exporter/importer based on Incoterms (such as Delivered Duty Paid, where the exporter is responsible for customs clearance), including a small number of *ad hoc* import transactions.

Training and capacity building on rules of origin for companies:

- It is important with targeted capacity building and training activities for companies that find it difficult to understand and calculate rules of origin. This might particularly be the case for **newcomers**. Once companies have experience in utilizing the tariff preferences they seem to continue their utilization.
- It is important to increase the availability of an easy and accessible **software for origin calcu-**

lations. Micro companies (exporters and importers) and small exporters seem to be most in need.

- The fact that many **micro exporters** find rules of origin and related proceedings fairly easy to comply with is a new and interesting finding. This might be related to fewer and simpler products, but it might also be related to the experience with the origin requirements.
- The difficulties experienced by **large importers** in utilizing tariff preferences merit a higher focus since they account for the highest import values. These difficulties might be related to a broader product scope, more complex products or dependency on a large number of exporters/suppliers. Their relatively lower use of customs brokers might also be an issue to consider.
- It should be considered to what degree **customs brokers** might facilitate rules of origin calculations and related issues for exporters since a smaller share of exporters than importers make use of customs brokers. This might increase the utilization of tariff preferences even more.

Initiatives related to customs brokers:

- It is important to **identify the role of customs brokers**, i.e. what they do and what information they provide to their clients when it comes to the existence and utilization of tariff preferences since the majority of micro and small companies use customs brokers but seem to lack awareness of the available tariff preferences. In this context, the role of customs brokers for exporters and importers should be analysed separately since they tend to use customs brokers to a different degree and in different ways.
- Customs brokers should – according to the respondents – be **better trained** in free trade agreements and also be **more proactive** and **share relevant information** about tariff preferences and potential duty savings to their clients. Training and capacity building might, accordingly, be targeted at customs brokers due to their importance for the majority of companies in their customs clearance procedures. The communication between the parties might also be an issue that might explain the lack of information.



- Since customs brokers tend to reach the great majority of companies, and in particular the micro and small companies that are difficult to reach by other means, as well as the importers, they might be considered for different **initiatives aimed at creating awareness** of the use of tariff preferences. The possibility of targeting micro and small companies with information about free trade agreements by means of the customs brokers might be explored. This might be a convenient way to reach micro and small companies that are already involved in international trade.
- It is not apparent that customs brokers have an **economic incentive** to inform and provide specific assistance to their clients in order to make them aware, and facilitate their utilization, of tariff preferences. Even though there might not be sufficient incentive for customs brokers in this regard, it is clearly beneficial for exporters and importers to utilize tariff preferences. Initiatives in this regard might be explored for the benefit of the companies.

The sustainable development dimension:

In order to place the use of free trade agreements by companies in a sustainable development perspective, reference is made to the relevant Sustainable Development Goals. The Sustainable Development Goals are a collection of 17 inter-linked global goals designed to achieve a better and more sustainable future for all. They are included in a UN Resolution called the 2030 Agenda.

- Increased knowledge and use of the free trade agreement among companies, especially among micro and small companies, can contribute to increased societal benefits in the form of increased employment and lower prices for consumers. Since the 1990s, most of Sweden's job growth – four out of five job opportunities – has been created in companies with fewer than fifty employees. [Sustainable Development Goal 8: Decent work and economic growth]
- An increased use of the free trade agreement among micro companies may also benefit women entrepreneurs as they mainly own and run micro companies. [Sustainable Development Goal 5: Gender equality]
- Transparent, predictable and user-friendly rules of origin and related procedures in customs administration for all companies contribute to efficient institutions, predictability and stability. [Sustainable Development Goal 16: Peace, justice and strong institutions]

Part II: Statistical data analysis

6

Analysis of the statistical data from the survey

The results from the survey will be presented by first providing an overview of the respondents when it comes to the number of companies by mode of trade and size. This will be followed by an overview of the trade structure of the respondents, such as the importance of trade with South Korea, traded products and the role of customs brokers. The main part of the analysis presents the companies' awareness of the free trade agreement, their use of the free trade agreement, and the obstacles and reasons for not using the free trade agreement. Finally, general suggestions for improvement and ideas to facilitate the use of the free trade agreement by the companies are presented.

6.1 Overview of the respondents

This section provides an overview of the total number of respondents and whether they are exporters, importers or both. It also identifies the total number of companies by size. Finally, an overview of the number of respondents by mode of trade and size is presented.

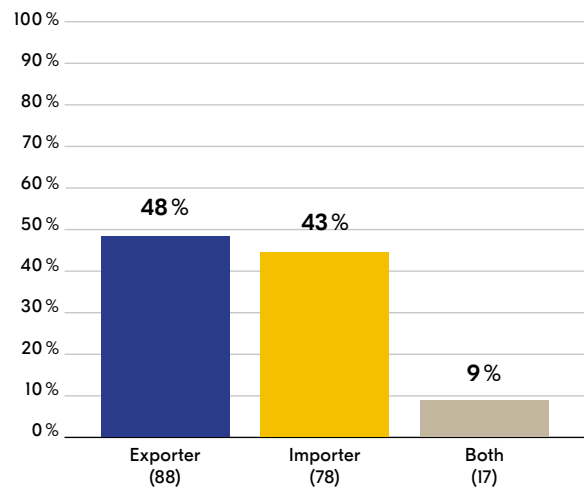
6.1.1 Total number of respondents by mode of trade

Exporters		Importers				Exporters and importers	
Aware		Unaware		Aware		Unaware	
User	Non-user	User	Non-user	User	Non-user	User	Non-user

In total, 183 companies responded to the questionnaire (see Figure 1). About 48 per cent of the companies that responded to the questionnaire are exporters (88 companies) and 43 per cent of the companies are importers (78 companies). The remaining companies, about 9 per cent, are both exporters and importers (17 companies)².

The replies should, since they are evenly distributed between exporters and importers and in line with the total population (see Section 3.2), likely provide a balanced view of the experiences and perspectives of both exporters and importers in the trading with South Korea and in using the corresponding free trade agreement.

Figure 1. Mode of trade of the respondents



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

6.1.2 Total number of respondents by company size

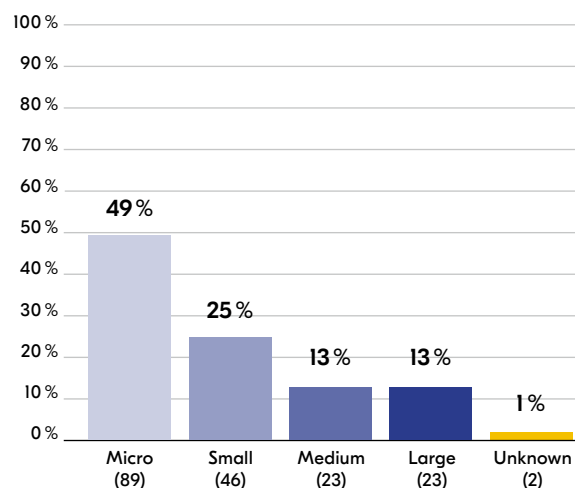
Exporters		Importers			Exporters and importers			
Aware		Unaware	Aware		Unaware	Aware		Unaware
User	Non-user		User	Non-user		User	Non-user	

The definition of company size is based on the number of employees since a larger share of the respondents provided information about the number of employees (99 per cent) than about company turnover (93 per cent). The company size is based on the EU definition of company size based on the number of employees (see Box 1).

The vast majority, 74 per cent, of the companies that responded to the questionnaire are micro and small companies (see Figure 2). The micro companies constitute 49 per cent (89 companies) and the small companies 25 per cent (46 companies). An equal share of medium-sized and large companies responded to the questionnaire: about 13 per cent each (23 companies each).

The fact that a large number of micro and small companies responded to the questionnaire provides valuable information since the smallest firms are not always identified and reached in analyses of this kind.

Figure 2. Company size of the respondents



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

Box 1

The EU's definition of company size

The EU's definition of companies is based on (i) the turnover or balance sheet total and (ii) the number of employees.

The benchmarks for turnover and employees that are used in the definition are:

	Turnover	Employees
Large:	> EUR50 million	> 250
Medium:	≤ EUR50 million	≤ 250
Small:	≤ EUR10 million	≤ 50
Micro:	≤ EUR2 million	≤ 10

Source: European Commission (2003)

6.1.3 Total number of respondents by mode of trade and company size

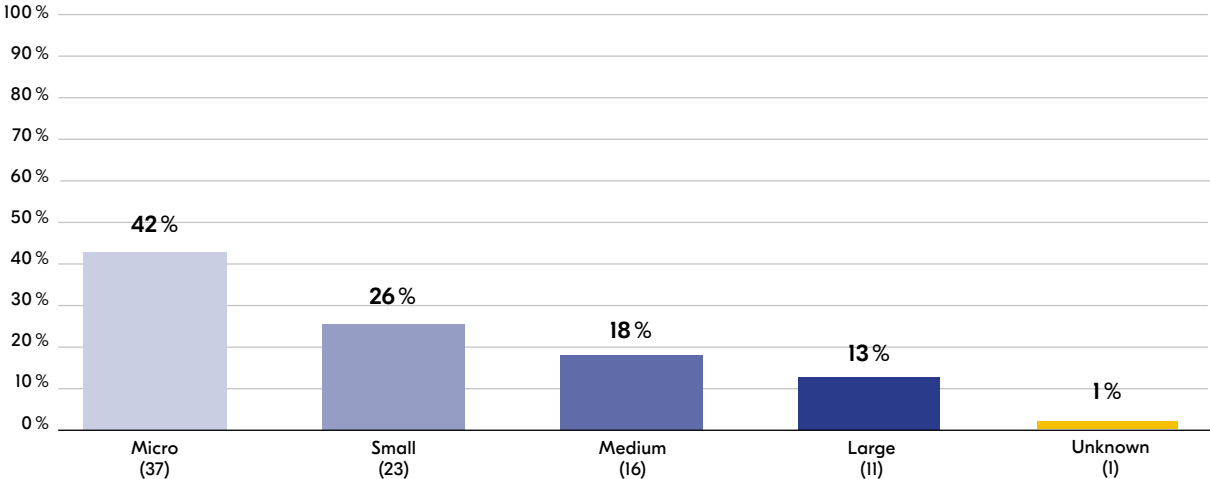
Exporters

		Importers				Exporters and importers			
Aware		Unaware		Aware		Unaware		Aware	Unaware
User	Non-user			User	Non-user			User	Non-user

It is relevant to analyse whether the number of companies of different sizes is the same for companies that are exclusively exporters and exclusively importers in order to find out if the replies are equally distributed for both modes of trade.

About 68 per cent of the respondents among the exporters are micro and small companies (see Figure 3). The share of medium-sized and large companies among exporters is about 31 per cent.

Figure 3: Company size of the exporters



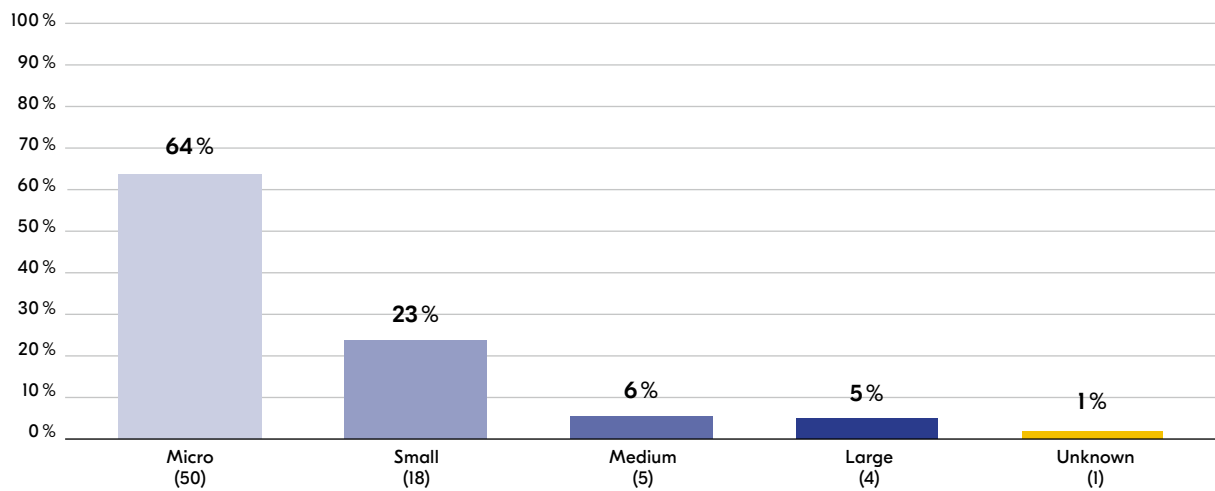
The number of respondents in parentheses. Source: Survey results elaborated by the National Board of Trade, Sweden

Importers

Exporters		Importers				Exporters and importers			
Aware		Unaware		Aware		Unaware		Aware	Unaware
User	Non-user			User	Non-user			User	Non-user

The share of micro and small companies is as high as 87 per cent for the respondents among importers (see Figure 4). The share of medium-sized and large companies is only about 11 per cent.

Figure 4: Company size of the importers



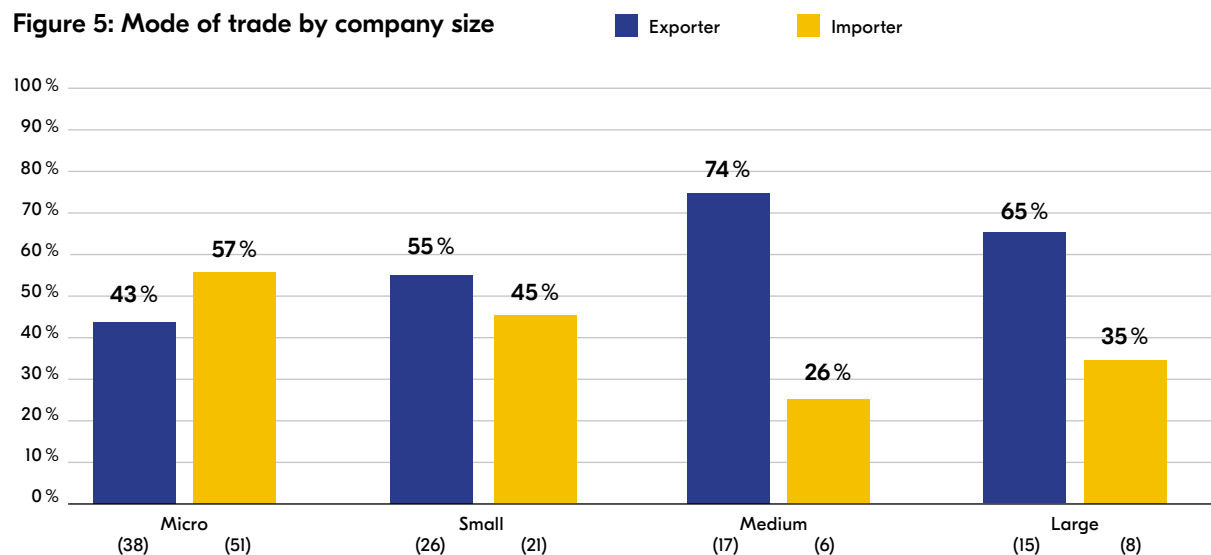
The number of respondents in parentheses. Source: Survey results elaborated by the National Board of Trade, Sweden

The company-size dimension

Exporters		Importers			Exporters and importers		
Aware		Unaware		Aware		Unaware	
User	Non-user			User	Non-user		

Exporting is the most common mode of trade in all size categories except for micro companies where 57 per cent of the companies are importers (see Figure 5). Exports seem, accordingly, to be the most important mode of trade for medium-sized, large and small companies (74, 65 and 55 per cent, respectively).

Figure 5: Mode of trade by company size



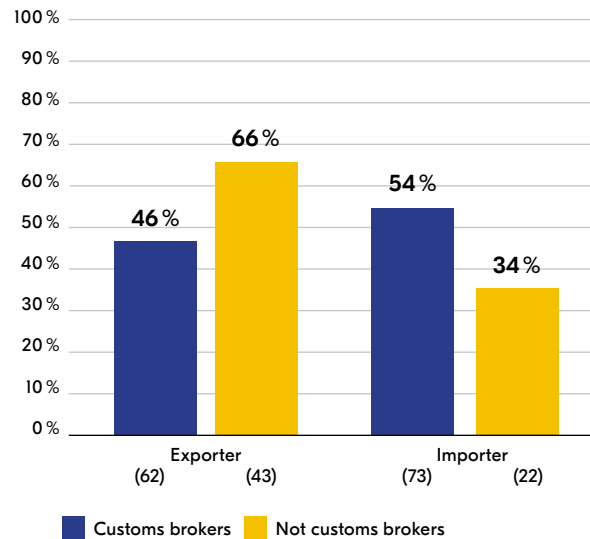
The number of respondents in parentheses. Source: Survey results elaborated by the National Board of Trade, Sweden

The customs broker dimension

Exporters		Importers			Exporters and importers		
Aware		Unaware		Aware		Unaware	
User	Non-user	User	Non-user	User	Non-user	User	Non-user

Importing is the most common mode of trade for companies using customs brokers (54 per cent) (see Figure 6). Companies that manage their customs procedures internally are mainly exporters (66 per cent). There might be some overlapping since some companies alternate between using customs brokers and not.

Figure 6: Use of customs brokers by mode of trade



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

6.2 Overview of the trade structure of the respondents

This section provides an overview of the importance of trade with South Korea for the respondents, regardless of their use of the free trade agreement. It also provides an overview of the main products exported and imported by the respondents. Finally, it provides an approach to present an overview of the role of customs brokers.

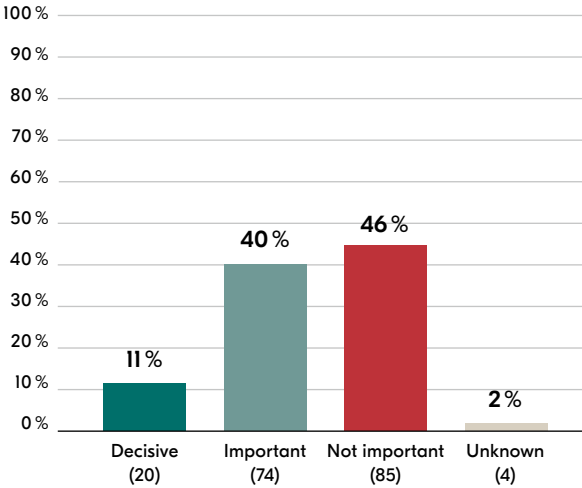
6.2.1 The importance of trade with South Korea

Exporters		Importers				Exporters and importers	
Aware		Unaware		Aware		Unaware	
User	Non-user		User	Non-user		User	Non-user

The trade with South Korea is considered ‘important’ by 40 per cent of the companies and ‘decisive’ by 11 per cent of the companies, making a total of 51 per cent of the companies that have serious interest in trade with South Korea (see Figure 7). For as many as 46 per cent of the companies the trade with South Korea is ‘not important’.

In the context of this analysis, it is positive that companies that are not dependent on trade with South Korea have also responded to the questionnaire. These companies might be considered “regular users” and their replies might be more representative of the larger number of companies and not only those with high economic interest (and possibly high experience) in trade with South Korea.

Figure 7: Importance of trade with South Korea



The number of respondents in parentheses.

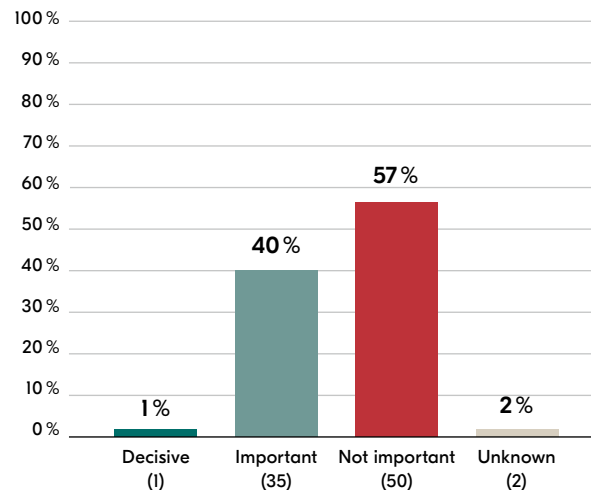
Source: Survey results elaborated by the National Board of Trade, Sweden

Exporters

Exporters		Importers				Exporters and importers				
Aware		Unaware		Aware		Unaware		Aware	Unaware	
User	Non-user			User	Non-user			User	Non-user	

It seems that exporting to South Korea is important by about 40 per cent of the exporters, but only 1 per cent consider it ‘decisive’ (see Figure 8). As many as 57 per cent of the exporters believe that exporting to South Korea is ‘not important’.

Figure 8: Importance of trade with South Korea for exporters



The number of respondents in parentheses.

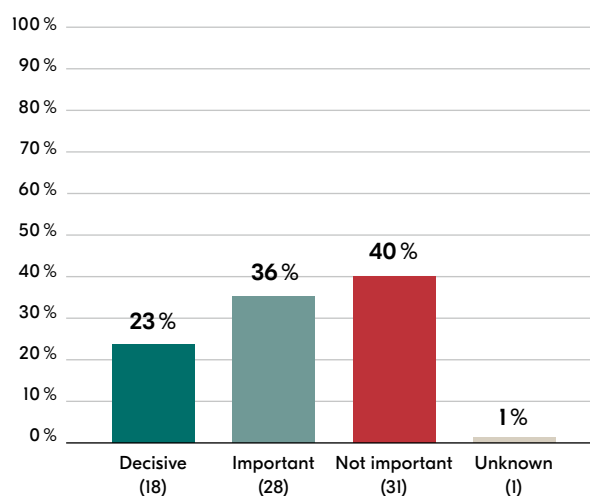
Source: Survey results elaborated by the National Board of Trade, Sweden

Importers

Exporters		Importers				Exporters and importers				
Aware		Unaware		Aware		Unaware		Aware	Unaware	
User	Non-user			User	Non-user			User	Non-user	

Among importers, trade with South Korea is ‘decisive’ by 23 per cent of the companies and important by 36 per cent, totalling 59 per cent (see Figure 9). As many as 40 per cent of the importers consider the trade with South Korea to be ‘not important’. It is interesting to note that the trade with South Korea is regarded as being a lot more important for importers than for exporters.

Figure 9: Importance of trade with South Korea for importers



The number of respondents in parentheses.

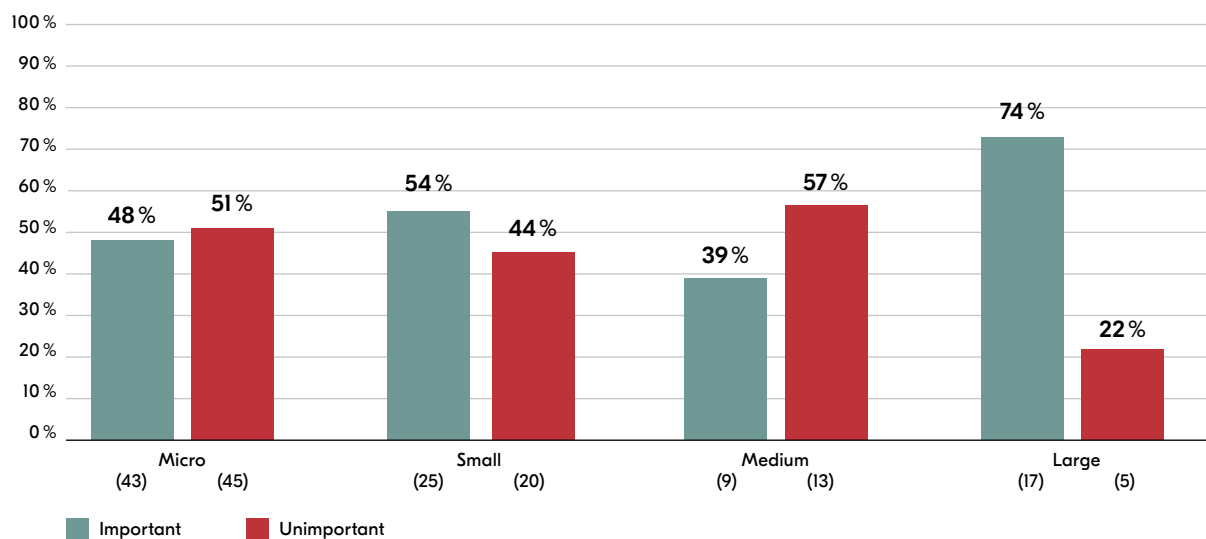
Source: Survey results elaborated by the National Board of Trade, Sweden

The company-size dimension

Exporters		Importers			Exporters and importers		
Aware		Unaware		Aware		Unaware	
User	Non-user			User	Non-user		

The trade with South Korea seems generally to be more important for large companies than for smaller companies. The trade with South Korea is considered important by 74 per cent of the large companies, by 54 per cent of the small companies and by 48 per cent of the micro companies (see Figure 10). However, the trade with South Korea is considered 'decisive' by 13–15 per cent of the micro and small companies and only by 4 per cent of large companies. Only 39 per cent of the medium-sized companies consider the trade with South Korea 'important'.

Figure 10: Importance of trade with South Korea by company size



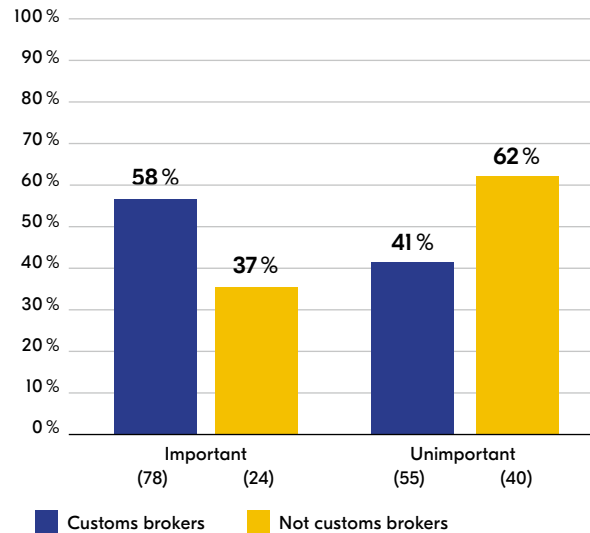
The number of respondents in parentheses. Source: Survey results elaborated by the National Board of Trade, Sweden

The customs broker dimension

Exporters		Importers			Exporters and importers		
Aware		Unaware		Aware		Unaware	
User	Non-user		User	Non-user		User	Non-user

Among companies that use customs brokers, the trade with South Korea is important for 58 per cent of the companies and not important for 41 per cent (see Figure 11). For companies that do not use customs brokers the corresponding numbers are 37 per cent and 62 per cent. It seems, therefore, that companies that consider trade with South Korea important tend to use customs brokers.

Figure 11: Importance of trade with South Korea by use of customs brokers



The number of respondents in parentheses.

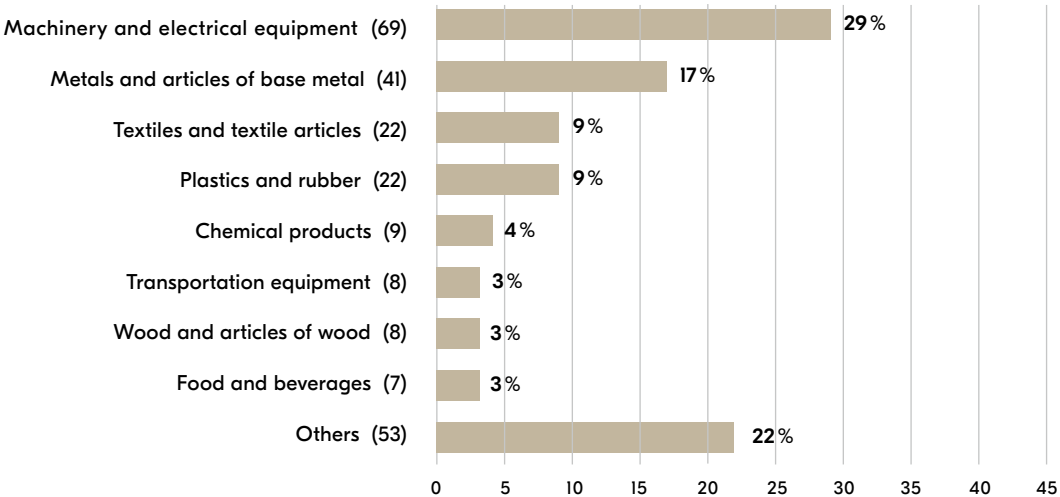
Source: Survey results elaborated by the National Board of Trade, Sweden

6.2.2 Overview of the traded products

Exporters		Importers				Exporters and importers	
Aware		Unaware		Aware		Unaware	
User	Non-user	User	Non-user	User	Non-user	User	Non-user

The main product categories identified by the respondents are machinery (29 per cent) and metals (17 per cent) (see Figure 12). These product categories are followed by textiles and plastics and rubber (9 per cent each). Other product categories such as chemicals, vehicles, wood products and foodstuffs are in the range of 3–4 per cent each. As many as 22 per cent of the products were not identified by the respondents.

Figure 12: Most traded products at total level



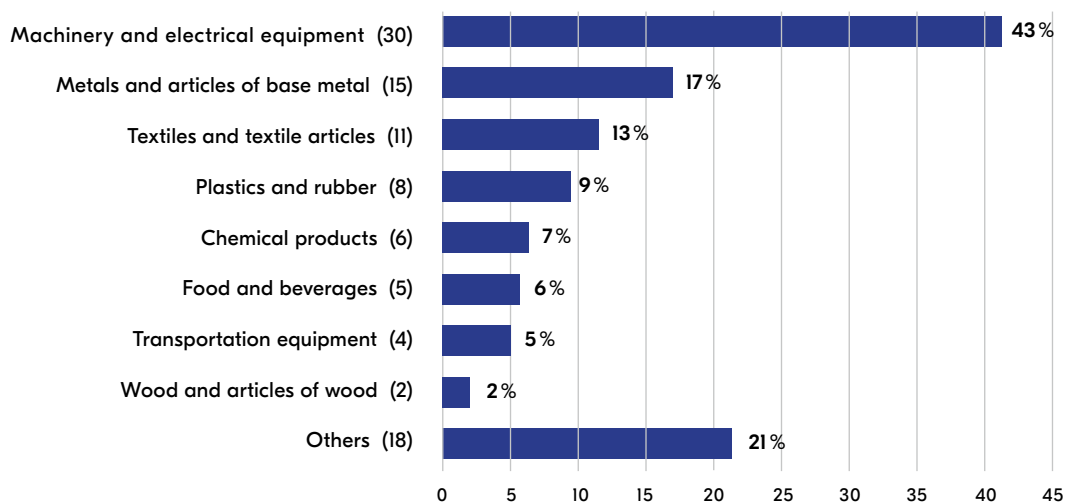
The number of respondents in parentheses. Source: Survey results elaborated by the National Board of Trade, Sweden

Exporters

Exporters		Importers				Exporters and importers				
Aware		Unaware		Aware		Unaware		Aware		Unaware
User	Non-user			User	Non-user			User	Non-user	

The main product categories identified by the exporters are machinery (43 per cent) and metals (17 per cent), followed by textiles (13 per cent) (see Figure 13). About 21 per cent of the exported products are not identified by the respondents.

Figure 13: Most traded products by exporters



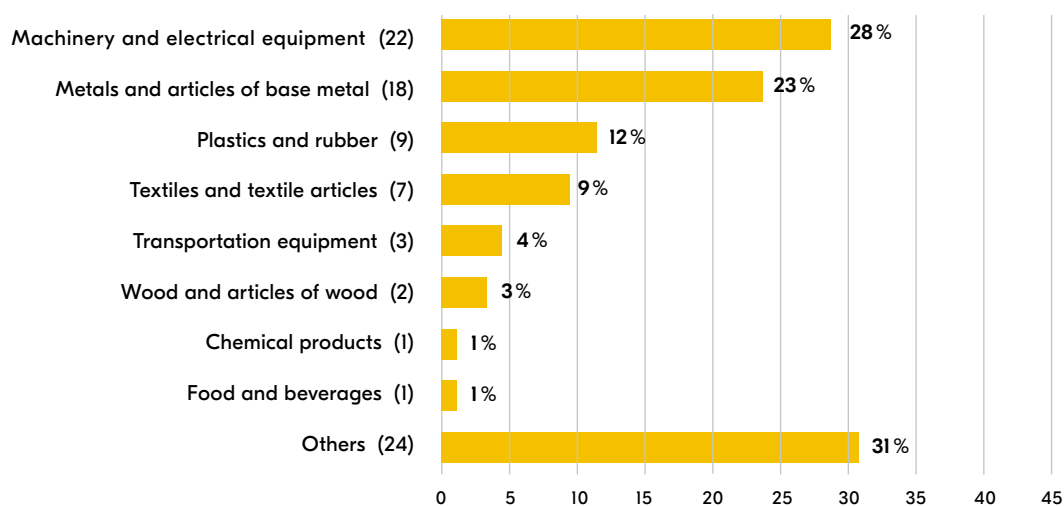
The number of respondents in parentheses. Source: Survey results elaborated by the National Board of Trade, Sweden

Importers

Exporters		Importers				Exporters and importers				
Aware		Unaware		Aware		Unaware		Aware		Unaware
User	Non-user			User	Non-user			User	Non-user	

The main product categories identified by the importers are machinery (28 per cent) and metals (23 per cent), followed by plastics (12 per cent) (see Figure 14). As many as 31 per cent of the imported products are not identified by the respondents.

Figure 14: Most traded products by importers



The number of respondents in parentheses. Source: Survey results elaborated by the National Board of Trade, Sweden

6.2.3 The role of customs brokers

Exporters		Importers			Exporters and importers		
Aware		Unaware		Aware		Unaware	
User	Non-user	User	Non-user	User	Non-user	User	Non-user

The role of customs brokers is an important theme in this report in order to understand their role in companies’ awareness and use of free trade agreements. The purpose is to see whether there might be a link between customs brokers and companies’ awareness and utilization of free trade agreements since they tend to represent an important aspect of companies’ relations with customs authorities (see Box 2).

In order to gain a deeper understanding of what determines the companies’ behaviour with regard to international trade, it is relevant to analyse the difference between companies that use customs brokers and companies that manage their customs procedures internally. It is also relevant to see in which of the groups the awareness and the use of free trade agreements are the highest.

Box 2

Definition of customs brokers

There are a large variety of companies that act as intermediaries between companies and customs authorities domestically and abroad. Their activities might range between managing the whole supply chain and only managing a company’s relations with customs authorities, such as freight forwarders and customs brokers.

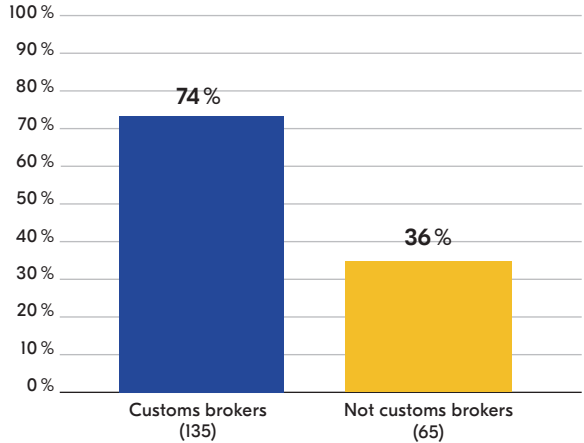
Customs brokers facilitate the shipment and delivery of goods across geographical borders for companies. Customs brokers are responsible for knowing rules and regulations and ensuring that they are followed, in order to streamline the process of shipping and customs clearance of products as much as possible for the company.

For the purpose of this report, the term ‘customs broker’ is used in a broad sense without any specific definition of their activities. The purpose is to identify to what degree exporters, importers and companies of different sizes use intermediaries and what they contribute or might contribute in terms of awareness and use of free trade agreements.

Source: World Customs Organization

Based on the replies, it seems that 74 per cent of the companies use customs brokers (see Figure 15). Since there is a degree of overlapping, it is apparent that some companies, about 10 per cent, alternate between using customs brokers and managing their own customs procedures. It is, however, not apparent from the replies on which occasions companies choose to use customs brokers and when they choose to develop the customs procedures by themselves. This is an issue that merits further research.

Figure 15: Use of customs brokers at total level

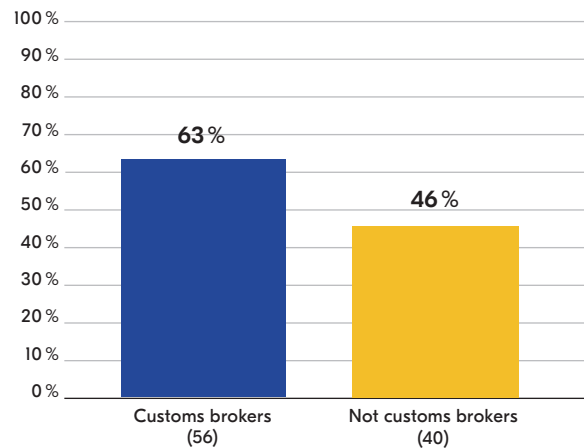


Exporters

Exporters		Importers				Exporters and importers			
Aware		Unaware		Aware		Unaware		Aware	Unaware
User	Non-user			User	Non-user			User	Non-user

Among exporters, a slightly higher share of companies use customs brokers (63 per cent) than those that manage their customs procedures internally (46 per cent) (see Figure 16).

Figure 16: Use of customs brokers by exporters



The number of respondents in parentheses.

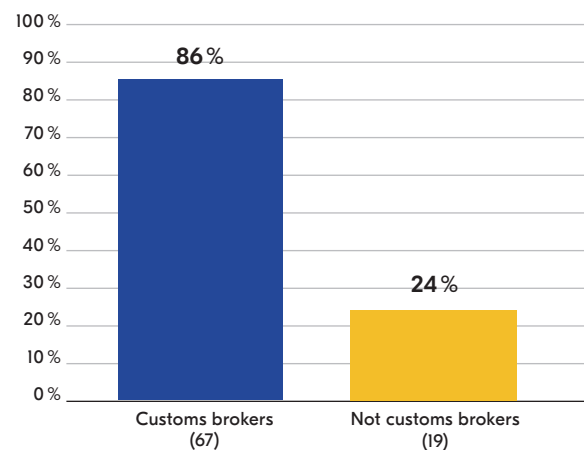
Source: Survey results elaborated by the National Board of Trade, Sweden

Importers

Exporters		Importers				Exporters and importers			
Aware		Unaware		Aware		Unaware		Aware	Unaware
User	Non-user			User	Non-user			User	Non-user

A large majority of importers seem to use customs brokers (86 per cent) (see Figure 17). Only 24 per cent of the importers manage their customs procedures internally.

Figure 17: Use of customs brokers by importers



The number of respondents in parentheses.

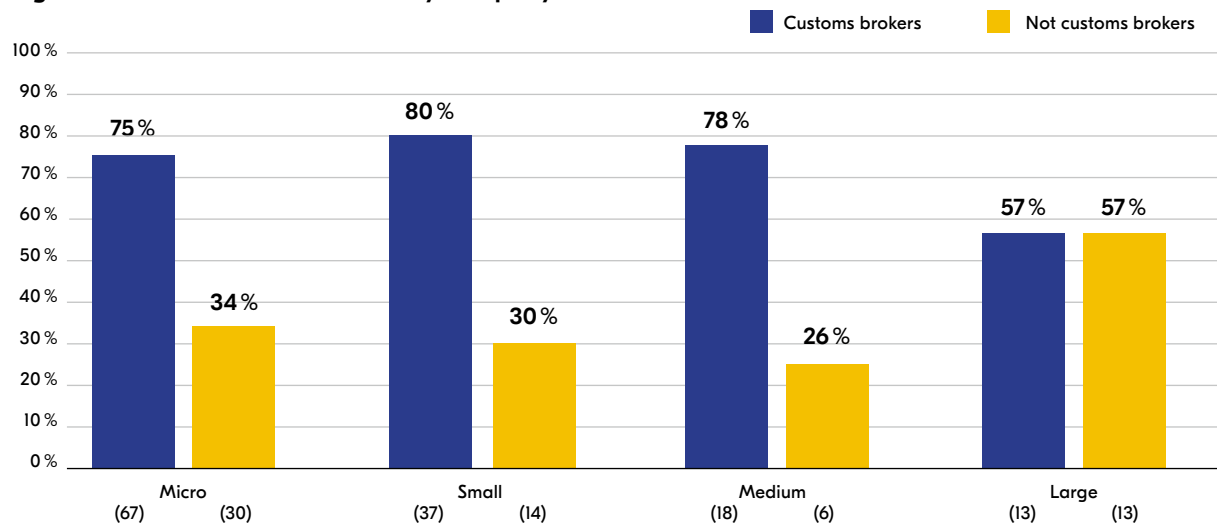
Source: Survey results elaborated by the National Board of Trade, Sweden

The company-size dimension

Exporters		Importers				Exporters and importers			
Aware		Unaware		Aware		Unaware		Aware	Unaware
User	Non-user			User	Non-user			User	Non-user

When it comes to companies of different sizes, it seems that micro, small and medium-sized companies use customs brokers to a similar degree (about 75–80 per cent) (see Figure 18). Large companies seem to use customs brokers to a lesser extent (about 60 per cent). Likely they have this capacity in-house.

Figure 18: Use of customs brokers by company size



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

6.3 Awareness and use of the free trade agreement

This section provides an overview of the companies that are aware of the free trade agreement between the EU and South Korea. It also identifies whether companies that are aware of the free trade agreement actually use it. Finally, it estimates the importance of the free trade agreement

for the users (with a certain focus on what drives importers to use the free trade agreement since they are the direct beneficiaries of the duty savings). The role of customs brokers is particularly considered in the analyses.

6.3.1 The awareness of the free trade agreement

Exporters		Importers		Exporters and importers			
Aware		Unaware		Aware		Unaware	
User	Non-user	User	Non-user	User	Non-user	User	Non-user

A large majority of the total number of companies, 69 per cent, claim that they are aware of the tariff preferences in the free trade agreement (see Figure 19). About 31 per cent of the companies are not aware of the tariff preferences. There is accordingly a relatively high share of companies that are unaware of the tariff preferences despite participating in trade with South Korea. (For the reasons for this lack of awareness, see Subsection 6.4.1.)

Among companies that are aware of the free trade agreement, 73 per cent use customs brokers (see Figure 20). Among companies that are not aware of the free trade agreement, 75 per cent use customs brokers. It is therefore difficult to identify a correlation between the use of customs brokers and awareness of the free trade agreement. It might, however, be possible that the customs brokers know about the free trade agreement in the latter case

Figure 19: Awareness of the free trade agreement at total level

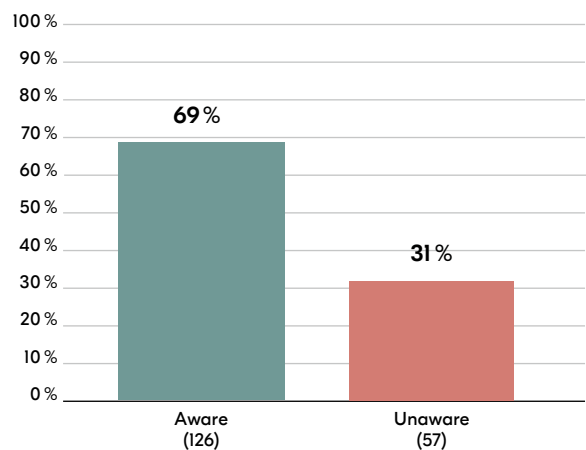
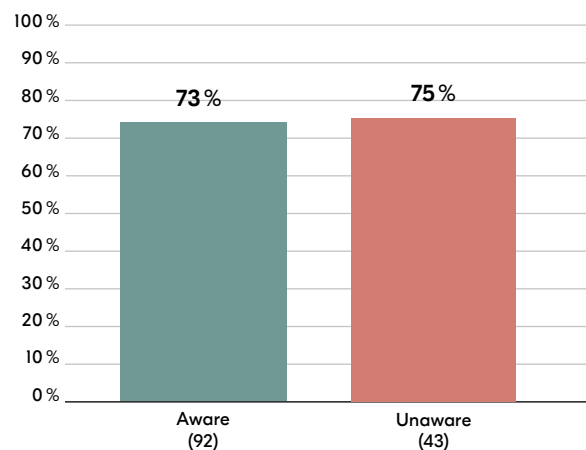


Figure 20: Use of customs brokers among companies that are aware/unaware of the free trade agreement at total level



Exporters

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
User	Non-user	User	Non-user	User	Non-user

The awareness of the free trade agreement is high among exporters (76 per cent) (see Figure 21). This is slightly above the average total. About 24 per cent of the exporters claim not to be aware of the free trade agreement. This is below the average total.

An analysis of the number of exporters that are aware of the free trade agreement indicates that about 63 per cent use customs brokers (see Figure 22). An analysis of the number of exporters that are not aware of the free trade agreement shows that about 67 per cent use customs brokers. There is, therefore, no apparent correlation between the use of customs brokers and awareness of the free trade agreement among exporters.

Figure 21: Awareness of the free trade agreement by exporters

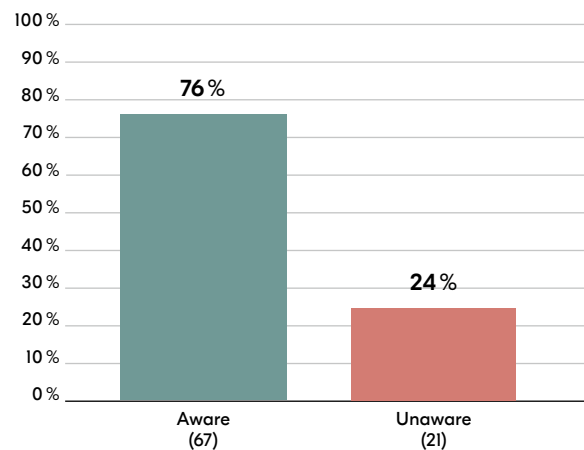
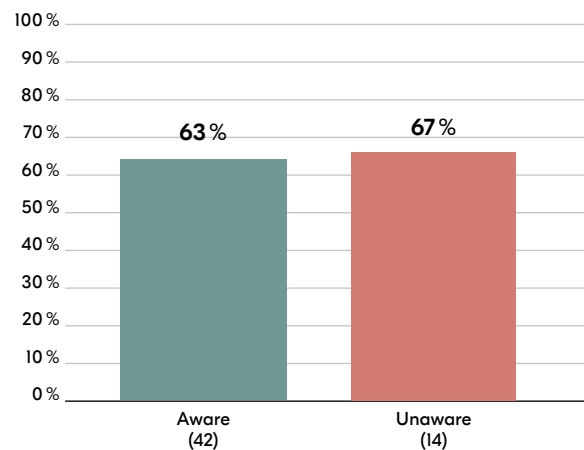


Figure 22: Use of customs brokers among exporters that are aware/unaware of the free trade agreement



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

Importers

Exporters		Importers				Exporters and importers	
Aware		Unaware		Aware		Unaware	
User	Non-user	User	Non-user	User	Non-user	User	Non-user

The share of importers that are aware of the free trade agreement is 55 per cent (see Figure 23). As many as 45 per cent of the importers claimed that they were unaware of the existence of the free trade agreement. The awareness of the free trade agreement is accordingly lower for importers than exporters by about 20 percentage points.

An analysis of the number of importers that are aware of the free trade agreement indicates that 91 per cent use customs brokers (see Figure 24). Among importers that are unaware of the free trade agreement, 80 per cent use customs brokers. As for exporters, there seems not to be any correlation between the use of customs brokers and awareness of the free trade agreement among importers. Importers, however, tend to use customs brokers to a higher degree.

Figure 23: Awareness of the free trade agreement by importers

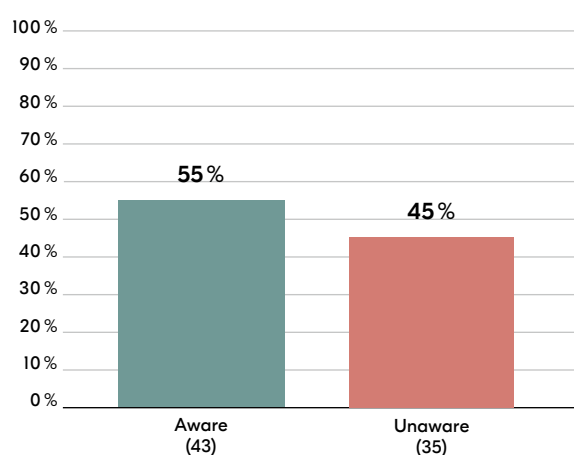
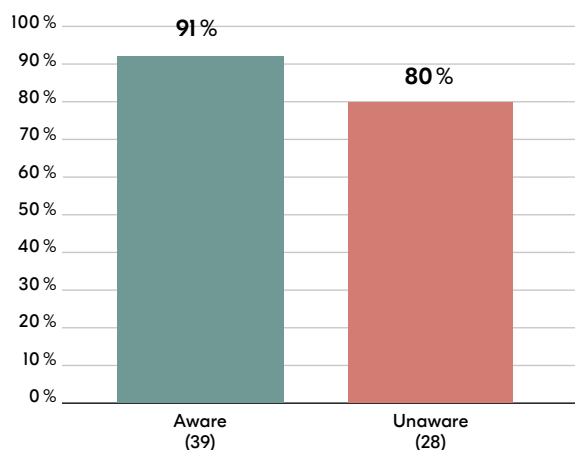


Figure 24: Use of customs brokers among importers that are aware/unaware of the free trade agreement



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

The company-size dimension

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
User	Non-user	User	Non-user	User	Non-user

An analysis of the company-size dimension for **exporters** shows that large companies have the highest awareness of the free trade agreement and micro companies have the lowest awareness (100 per cent and 64 per cent, respectively) (see Figure 25). Small and medium-sized exporters seem to have an awareness of about 82–83 per cent.

When it comes to **importers**, the awareness of the free trade agreement is also highest among large companies (92 per cent) (see Figure 26). For medium-sized and small importers, the corresponding numbers are 72 per cent and 74 per cent. Only 50 per cent of the micro importers are aware of the free trade agreement.

Figure 25: Awareness of the free trade agreement by exporters and company size

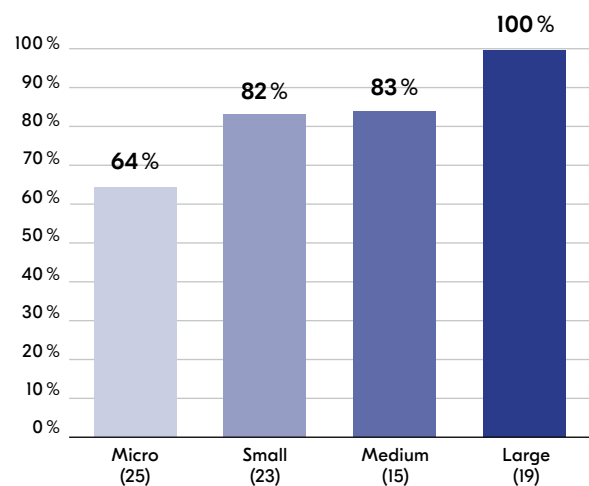
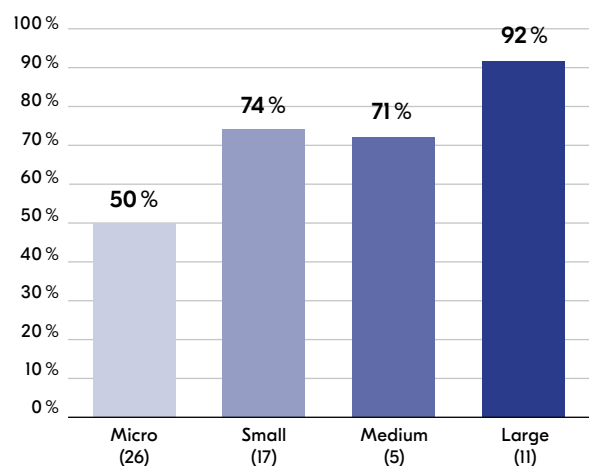


Figure 26: Awareness of the free trade agreement by importers and company size



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

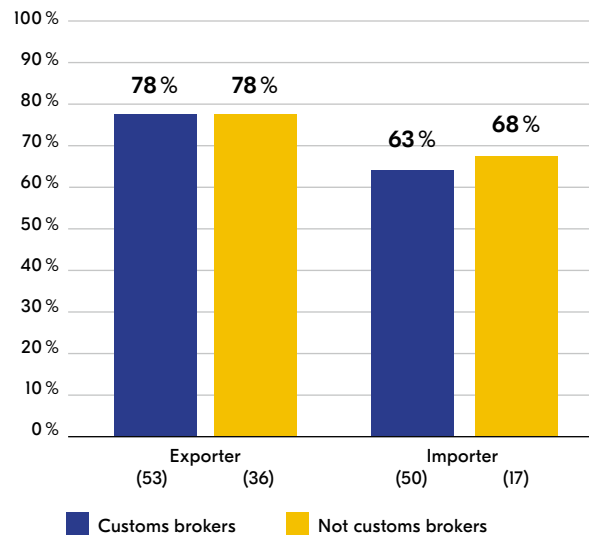
The customs broker dimension

Customs broker		Not customs broker					
Aware		Unaware		Aware		Unaware	
User	Non-user			User	Non-user		

The use of customs brokers does not seem to correspond positively or negatively with the awareness of the free trade agreement among **exporters**. Seventy-eight per cent of the exporters that use customs brokers are aware of the free trade agreement (see Figure 27). The corresponding number for awareness among exporters that do not use customs brokers is also 78 per cent.

This lack of correlation also seems to be the case for **importers**. Sixty-three per cent of the importers that use customs brokers are aware of the free trade agreement. The corresponding number for awareness among importers that do not use customs brokers is only slightly higher, at 68 per cent.

Figure 27: Awareness of the free trade agreement by mode of trade and customs brokers



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

6.3.2 The use of the free trade agreement

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
User	Non-user	User	Non-user	User	Non-user

Even if companies are aware of the tariff preferences, there might be a gap between theory and practice. However, the great majority of the total number of companies that are aware of the tariff preferences in the free trade agreement also use this option (82 per cent) (see Figure 28). (For the reasons for the difficulties in using the free trade agreement, see Subsection 6.4.2.)

Eleven per cent of the companies do not make use of the tariff preferences despite being aware of the free trade agreement. (For the reasons for not using the free trade, see Subsection 6.4.3.) About 7 per cent of the companies that are aware of the free trade agreement lack knowledge as to whether they use the free trade agreement or not.

It is positive that most companies that know about the free trade agreement make use of it. It is also important to consider that the companies might have reasons for not using the free trade agreement.

Among the companies that utilize tariff preferences, 74 per cent use customs brokers (see Figure 29). Also, the majority of the companies that are aware of the free trade agreement but do not use it make use of customs brokers. This is also the case for companies that do not know if they use the free trade agreement. There is, therefore, no apparent correlation between the use of the free trade agreement and the use of customs brokers.

Figure 28: Use of the free trade agreement at total level

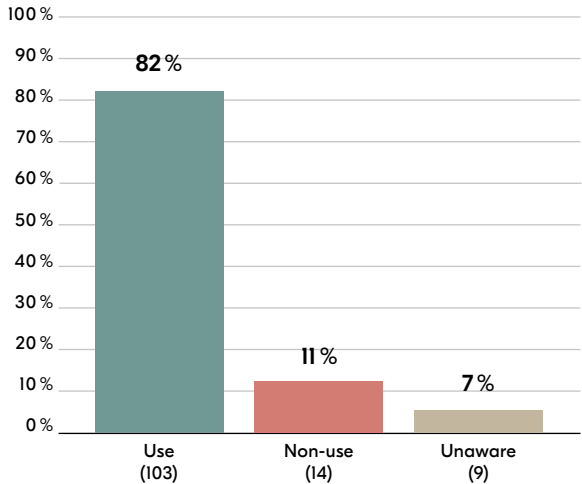
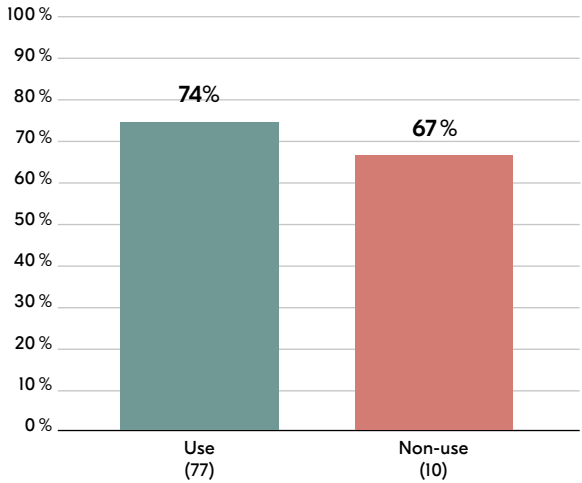


Figure 29: Use of customs brokers among companies that use and do not use the free trade agreement at total level



The number of respondents in parentheses.
 Source: Survey results elaborated by the National Board of Trade, Sweden

Exporters

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
User	Non-user	User	Non-user	User	Non-user

Among exporters that are aware of the free trade agreement, 84 per cent make use of it (see Figure 30). About 9 per cent of the exporters do not use it and about 8 per cent of exporters do not know if the free trade agreement is being used. These numbers are very similar to the total level.

The largest share of the exporters that use the free trade agreement use customs brokers (64 per cent) (see Figure 31). There is a mixed picture with regard to the use of customs brokers among exporters that do not use the free trade agreement and those that lack knowledge about its utilization in the sense that there is no clear correlation with the use and non-use of customs brokers.

In free text replies, some exporters claim that they lack knowledge as to whether the importers actually use the free trade agreement. Nevertheless, they still include the corresponding statement on the invoice.

Figure 30: Use of the free trade agreement by exporters

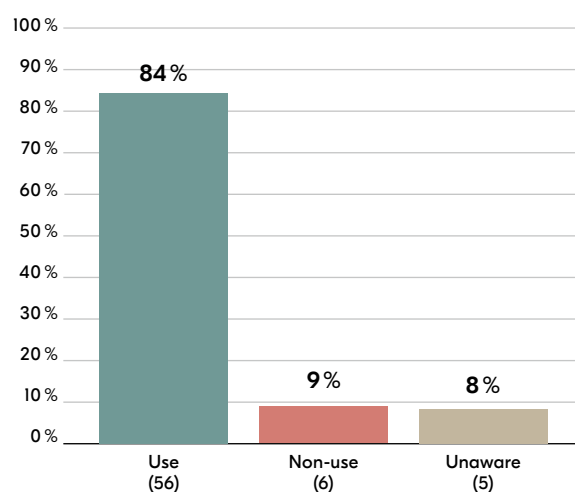
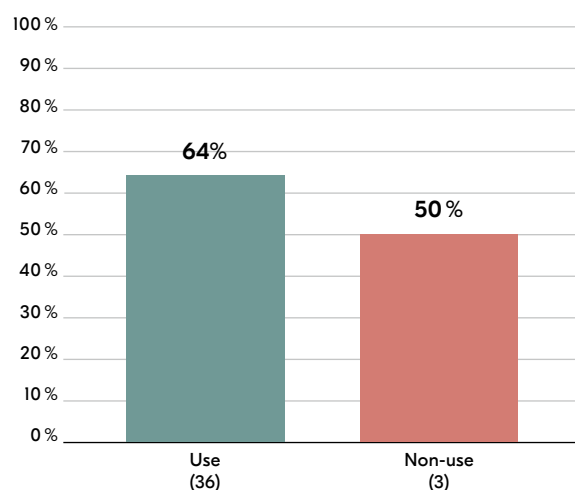


Figure 31: Use of customs brokers among exporters that use and do not use the free trade agreement



Note: The box for non-users is only included for comparative purposes since the number of respondents is too small for any conclusions.

The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

Importers

Exporters		Importers			Exporters and importers		
Aware		Unaware		Aware		Unaware	
User	Non-user			User	Non-user		

Among importers that are aware of the free trade agreement, the share of utilization is 81 per cent (see Figure 32). About 12 per cent of the importers that are aware of the tariff preferences do not use the free trade agreement and about 7 per cent of the importers do not know if the free trade agreement is being used. The level of utilization among importers that are aware is accordingly similar to that of exporters (but slightly lower).

The great majority of the importers that use the free trade agreement also make use of customs brokers (91 per cent) (see Figure 33). At the same time, the great majority of importers that know about the free trade agreement but do not use it also make use of customs brokers. This is also the case for the few importers among the respondents that know about the free trade agreement but do not know if they use it, since all of them use customs brokers.

Figure 32: Use of the free trade agreement by importers

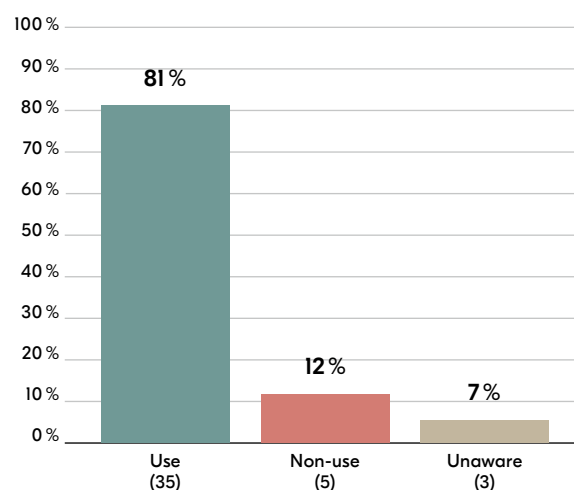
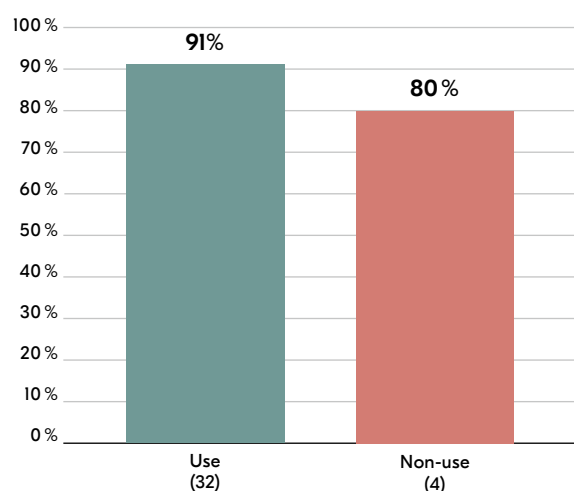


Figure 33: Use of customs brokers among importers that use and do not use the free trade agreement



Note: The box for non-users is only included for comparative purposes since the number of respondents is too small for any conclusions.

The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

The company-size dimension

Micro		Small		Medium		Large	
Aware		Unaware		Aware		Unaware	
User	Non-user	User	Non-user	User	Non-user	User	Non-user

Micro **exporters** that are aware of the free trade agreement among the respondents seem to be the highest users (96 per cent), followed by large exporters (84 per cent) and medium-sized exporters (80 per cent) (see Figure 34). Only 70 per cent of the small importers that are aware of the free trade agreement actually use it.

The use of the free trade agreement for **importers** that are aware of it is as high as 91 per cent for large companies (see Figure 35). Among micro importers, the use is as high as 81 per cent, but it is only 65 per cent among small importers. The few medium-sized importers among the respondents all use the free trade agreement.

Figure 34: Use of the free trade agreement by exporters and company size

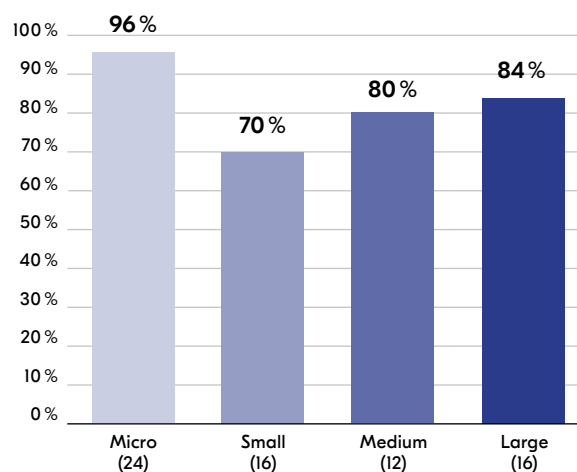
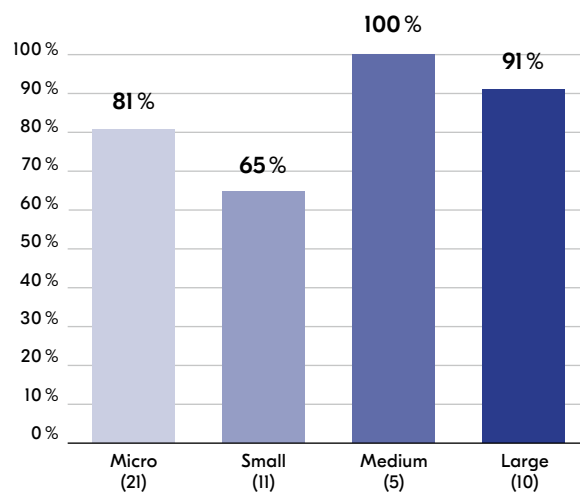


Figure 35: Use of the free trade agreement by importers and company size



The number of respondents in parentheses.

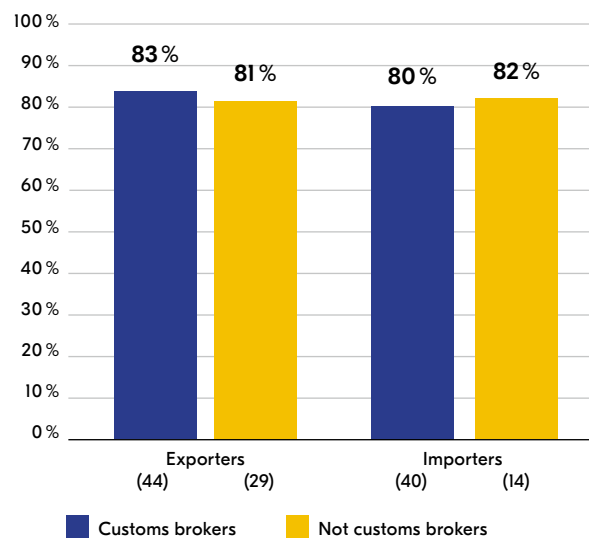
Source: Survey results elaborated by the National Board of Trade, Sweden

The customs broker dimension

Customs broker		Not customs broker	
Aware		Unaware	
User	Non-user		

The use of customs brokers seems not to influence the use of the free trade agreement by **exporters**. Eighty-three per cent of the exporters that use customs brokers use the free trade agreement (see Figure 36). The corresponding number for exporters that do not use customs brokers is 81 per cent. The situation is similar among **importers**. Eighty per cent of the importers that use customs brokers use the free trade agreement. The corresponding number for importers that do not use customs brokers is 82 per cent.

Figure 36: Use of the free trade agreement by mode of trade and customs brokers



The number of respondents in parentheses.

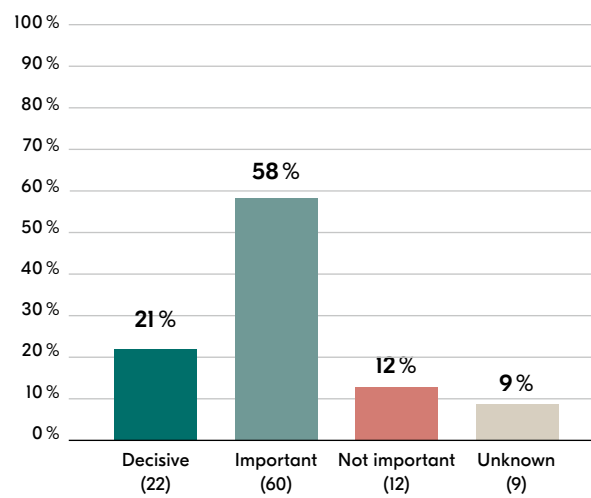
Source: Survey results elaborated by the National Board of Trade, Sweden

6.3.3 Importance of, and reasons for using, the free trade agreement

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
Non-user		Non-user		Non-user	

As many as 82 per cent of the companies that use the free trade agreement state that the tariff preferences are important for the company and/or its customers (see Figure 37). A quarter of these companies believe that the tariff preferences are even ‘decisive’ in this regard. About 13 per cent of the companies use the free trade agreement even though it is considered ‘not important’. Finally, about 9 per cent of the companies have no opinion regarding the importance of the free trade agreement. The great majority of companies that use the free trade agreement, therefore, find it important.

Figure 37: Importance of the use of the free trade agreement at total level

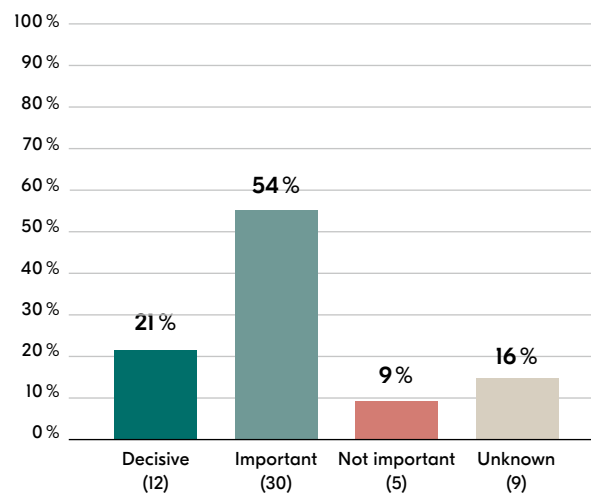


Exporters

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
Non-user		User	Non-user	User	Non-user

About 75 per cent of the exporters state that the use of tariff preferences is important for their customers, i.e. the importers (see Figure 38). The duty savings are ‘not important’ for only about 9 per cent of the exporters. About 16 per cent of the exporters lack knowledge about the importance of the free trade agreement.

Figure 38: Importance of the use of the free trade agreement by exporters



The number of respondents in parentheses.

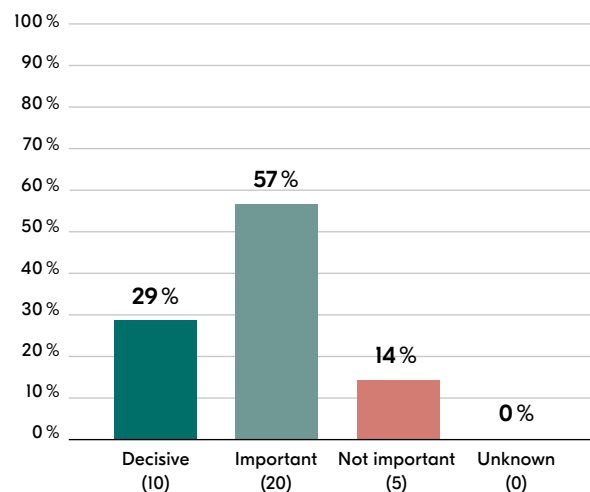
Source: Survey results elaborated by the National Board of Trade, Sweden

Importers

Exporters		Importers		Exporters and importers	
Aware		Unaware		Aware	
User	Non-user	User	Non-user	User	Non-user

About 86 per cent of the importers state that the tariff preferences are important for their business (see Figure 39). None of the importers seem to be unaware of the importance of the tariff preferences. The remaining importers seem to consider the free trade agreement ‘not important’ (14 per cent). The free trade agreement seems, therefore, more important for importers than for exporters.

Figure 39: Importance of the use of the free trade agreement by importers



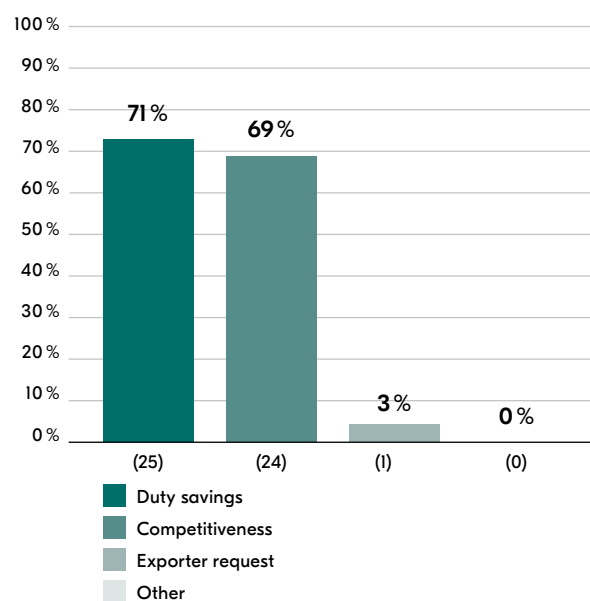
The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

In-depth analysis of importers and duty savings

There are several reasons for importers to use the free trade agreement. The main reason for most of the importers (71 per cent) is duty savings (see Figure 40). About 69 per cent also claim that increased competitiveness is an important reason in order to be able to compete with domestic producers. Only one company stated that the exporters asked them to use the free trade agreement.

Figure 40: Reasons for importers to use the free trade agreement



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

The company-size dimension

Micro		Small		Medium		Large	
Aware		Unaware		Aware		Unaware	
User	Non-user	User	Non-user	User	Non-user	User	Non-user

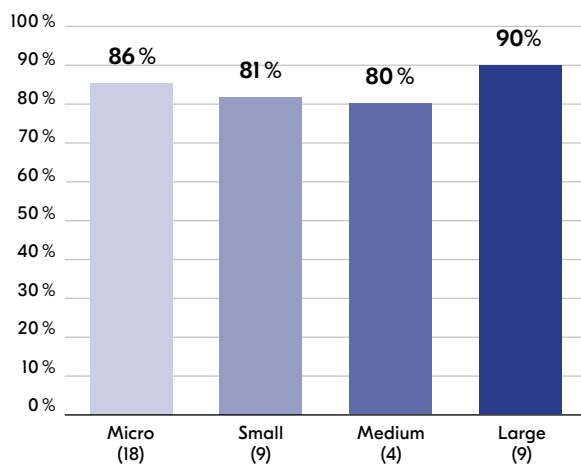
An analysis of the company-size dimension among the respondents shows that the importance of the free trade agreement for **exporters** increases by company size. Only 63 per cent of the micro companies feel that the tariff preferences are important for their customers, but for the other company-size categories, small, medium-sized and large companies, the numbers are 81, 83 and 88 per cent, respectively (see Figure 41).

The importance of the free trade agreement among **importers** who use it is generally very high, ranging from 80 per cent for medium-sized companies to 90 per cent for large companies (see Figure 42). Small and micro companies are in between with corresponding numbers of 82 and 86 per cent.

In-depth analysis of importers and duty savings

The reason for the use of the free trade agreement by importers is slightly different among companies of different sizes. Among the respondents, 100 per cent of the large companies and 91 per cent of the small companies consider the duty savings important (see Figure 43). For medium-sized and micro companies the corresponding numbers are only 60 and 67 per cent, respectively.

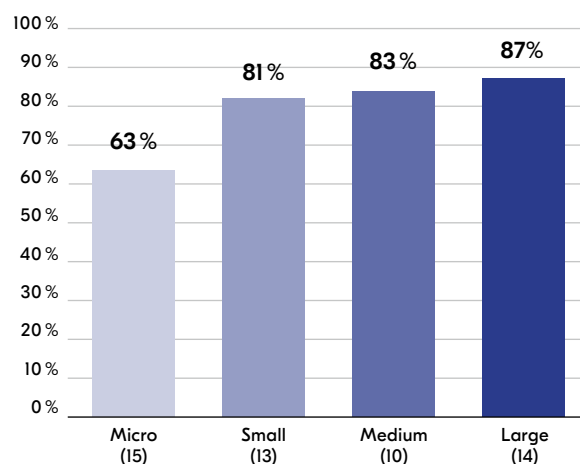
Figure 42: Importance of the use of the free trade agreement by importers by company size



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

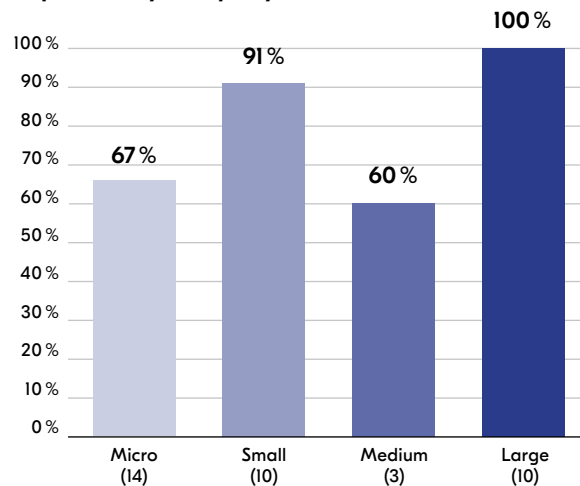
Figure 41: Importance of the use of the free trade agreement by exporters by company size



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

Figure 43: Importance of duty savings for importers by company size



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

The customs broker dimension

Customs broker		Not customs broker	
Aware		Unaware	
User	Non-user	User	Non-user

It seems that the importance of the free trade agreement is higher for **exporters** not using customs brokers (83 per cent) than for those using customs brokers (68 per cent) (see Figure 44). It is not known whether there is any correlation, i.e. if companies that depend on the free trade agreement prefer to manage the customs procedures by themselves.

It seems that the importance of the free trade agreement is higher for **importers** using customs brokers (90 per cent) than for importers not using customs brokers (79 per cent). This seems to be the opposite compared to the case of exporters. There may possibly be a link between the importance of duty savings and the need for customs brokers.

In-depth analysis of importers and duty savings

Finally, importers not using customs brokers seem to place a slightly higher emphasis on the duty savings than companies with customs brokers: 86 per cent and 75 per cent, respectively (see Figure 45).

Figure 44: Importance of the free trade agreement by mode of trade and customs brokers

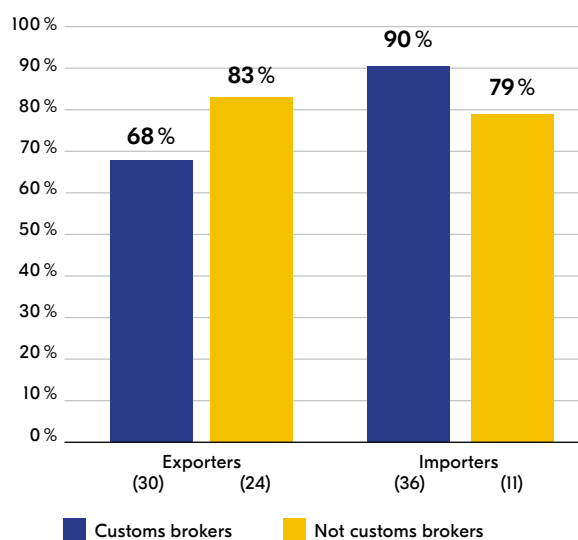
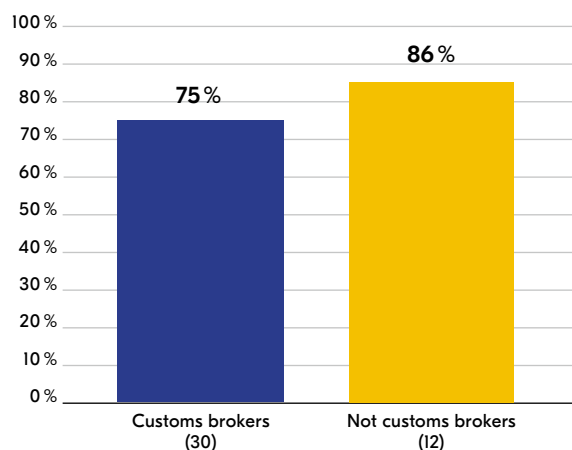


Figure 45: Importance of duty savings for importers by use of customs brokers



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

6.4 The lack of awareness, difficulties and non-use of the free trade agreement

This section provides an overview of the main possible reasons for the lack of awareness of the free trade agreement. It also provides an overview of the difficulties companies might face in

using the free trade agreement. These difficulties are different for exporters and importers. Finally, it provides an overview of the reasons why companies do not use the free trade agreement.

6.4.1 Reasons for lack of awareness of the free trade agreement

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
User	Non-user	User	Non-user	User	Non-user

It is important to identify why companies are unaware of the tariff preferences in the free trade agreement in order to find methods to increase their awareness of this opportunity³. There might be various reasons for this lack of awareness, such as:

- a lack of information;
- a lack of time and resources to investigate this further; and
- a lack of interest.

One additional aspect might be the role of customs brokers and the extent to which they inform the companies about the possible utilization of tariff preferences. (For an overview of the awareness of the free trade agreement, see Subsection 6.3.1.)

About 24 per cent of the respondents that are unaware of the tariff preferences claim that this might be due to the fact that they use customs brokers (see Figure 46). Their main argument for not using the free trade agreement is that they lack the time and resources to explore this further (34 per cent), mainly since they do not have the information required (28 per cent). A number of respondents also claimed that they have no interest in exploring, and no need to explore, the use of free trade agreements further.

It seems that more than half of the companies that are unaware of the available tariff preferences (53 per cent) consider trade with South Korea unimportant (see Figure 47). Nevertheless, 44 per cent of the companies consider trade with South Korea important and might benefit from the tariff preferences if only they were aware of them.

Figure 46: Lack of awareness of the free trade agreement at total level

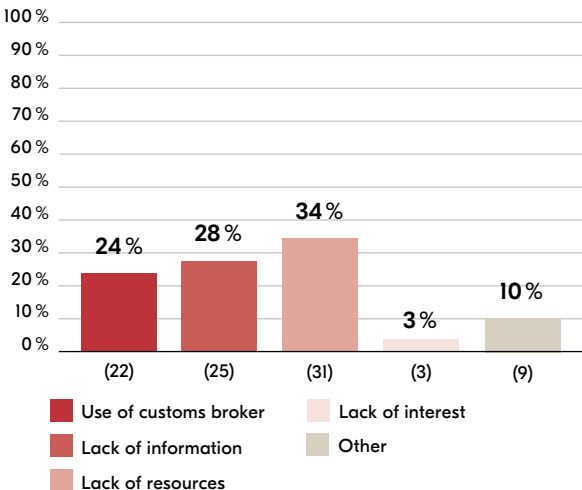
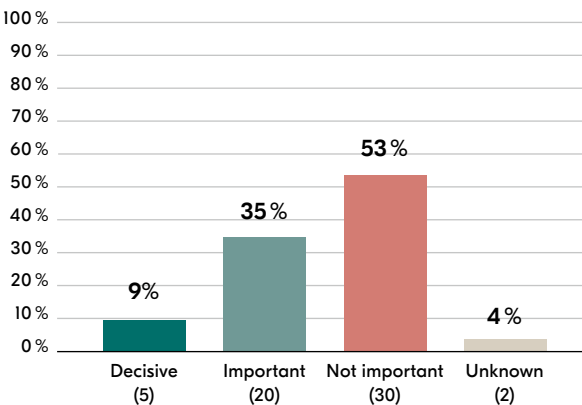


Figure 47: Importance of trade with South Korea for companies lacking awareness of the free trade agreement at total level



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

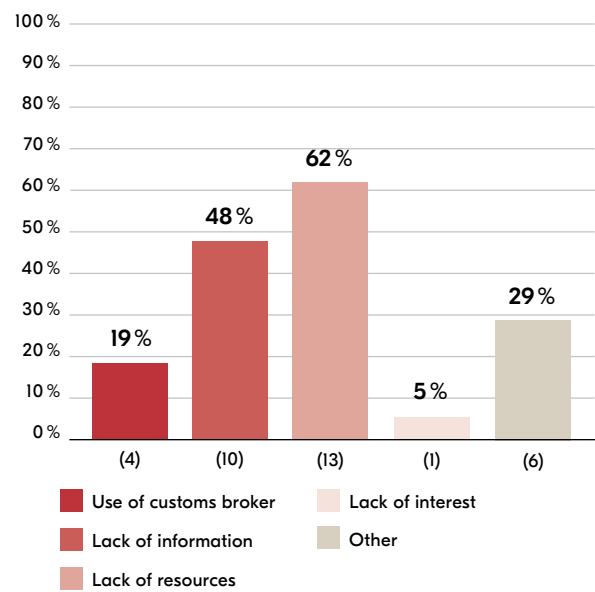
Exporters

Exporters		Importers		Exporters and importers	
Aware		Aware		Aware	
Unaware		Unaware		Unaware	
User	Non-user	User	Non-user	User	Non-user

A number of exporters that are unaware of the free trade agreement claim that this might be due to the use of customs brokers (19 per cent) (see Figure 48). A relatively high share of exporters argue that they lack the time and resources to explore this further (62 per cent). An almost equally high number state that they have not obtained information (48 per cent). Some companies also indicate that they are not interested in using, and have no need to use, the free trade agreement. It was also mentioned by some exporters that the customs clearance is managed by their importers without their active involvement.

It seems that for the majority of the respondents that are not aware of the free trade agreement, exports to South Korea are considered ‘not important’ (71 per cent) (see Figure 49). However, the exports are still considered ‘important’ by a number of exporters.

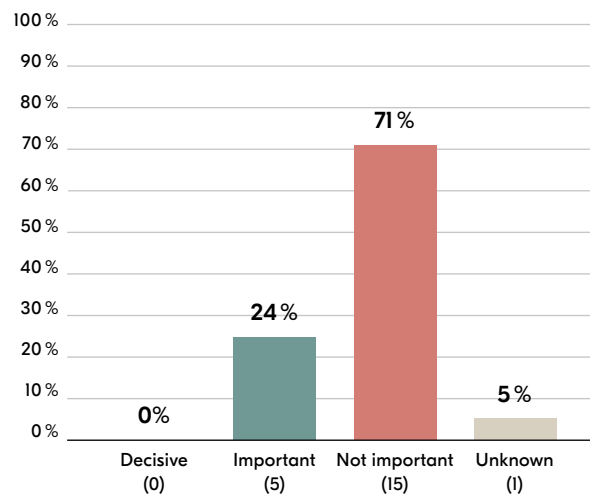
Figure 48: Lack of awareness of the free trade agreement by exporters



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

Figure 49: Importance of trade with South Korea for exporters lacking awareness of the free trade agreement



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

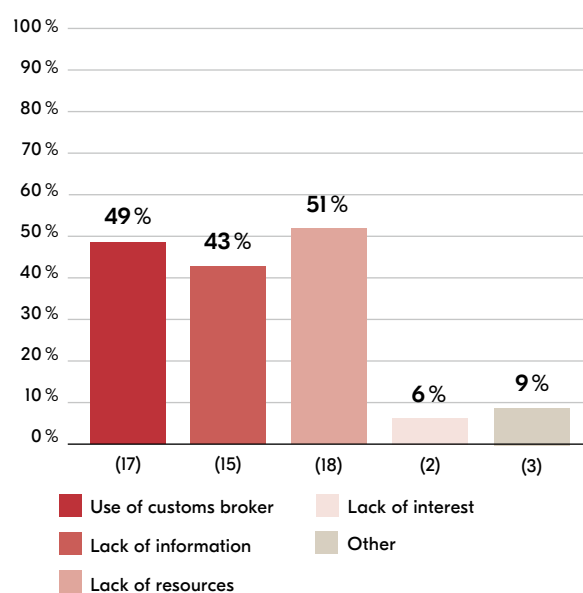
Importers

Exporters		Importers			Exporters and importers			
Aware		Unaware	Aware		Unaware	Aware		Unaware
User	Non-user		User	Non-user		User	Non-user	

As many as 49 per cent of the importers that are unaware of the free trade agreement claim that this may be due to the use of customs brokers (see Figure 50). Forty-three per cent of the importers have not obtained information about this possibility. As many as 51 per cent of the importers claimed that they lack the resources to investigate this possibility further. Only a few respondents claimed that they are not interested in the possible duty savings.

For about 43 per cent of the importers lacking awareness of the free trade agreement, imports from South Korea are considered 'not important' (see Figure 51). It seems, however, that importing from South Korea is considered important by 54 per cent of the companies that are unaware of the free trade agreement. Accordingly, more importers than exporters might possibly benefit from the free trade agreement if they only knew about it.

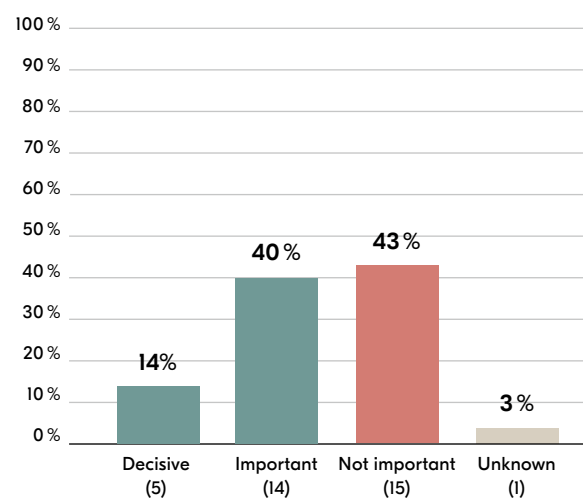
Figure 50: Lack of awareness of the free trade agreement by importers



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

Figure 51: Importance of trade with South Korea for importers lacking awareness of the free trade agreement



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

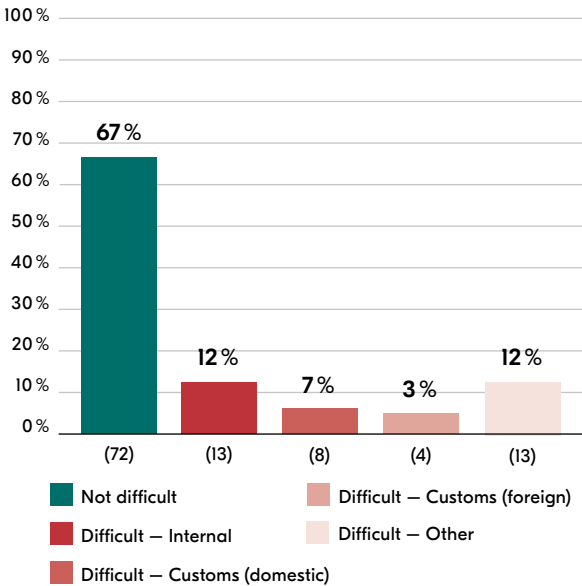
6.4.2 Reasons for difficulties in using the free trade agreement

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
Non-user		Non-user		Non-user	

The companies that actually use the free trade agreements might experience different difficulties. These differ between exporters and importers. For exporters, the difficulties are likely to be related to rules of origin and related administration. For importers, the difficulties are more related to difficulties in proving the origin (depending on the supporting documentation obtained by exporters). (For an overview of the use of the free trade agreement, see Subsection 6.3.2.)

As many as 67 per cent of all companies do not consider it difficult to use the free trade agreement (see Figure 52). The companies experiencing difficulties argue that this is mainly due to the internal administration within the company. It also seems that a higher number of respondents experience difficulties related to the customs administration in Sweden rather than the customs administration in South Korea. A relatively high number of companies claim other difficulties⁴.

Figure 52: Difficulties in using the free trade agreement at total level



The number of respondents in parentheses.
 Source: Survey results elaborated by the National Board of Trade, Sweden

Exporters

Exporters		Importers				Exporters and importers	
Aware		Unaware		Aware		Unaware	
User	Non-user			User	Non-user	User	Non-user

The share of exporters that do not experience difficulties with the use of the free trade agreement (with the possible exception of rules of origin) is as high as 73 per cent (see Figure 53). The exporters that experience difficulties highlight the internal administration within the company and the domestic customs administration.

In-depth analysis of exporters and rules of origin

For exporters, the rules of origin do not seem to constitute a major problem in utilizing the tariff preferences; it is rather the other way around. The rules of origin dimension includes various steps, such as the product-specific and horizontal rules of origin prerequisites, the supporting background documentation and filling in the required documents.

About 80 per cent of the exporters claim that *they understand the rules of origin* and 87 per cent claim that it is not difficult to comply with the criteria to obtain origin (see Figure 54). A share of 84 per cent of the exporters state that it is not difficult to *obtain the supporting documentation*. As many as 91 per cent state that it is not difficult to *fill in the documentation*.

Nevertheless, there are still some exporters that consider rules of origin and related procedures difficult even though they are active exporters.

Figure 53: Difficulties in using the free trade agreement by exporters

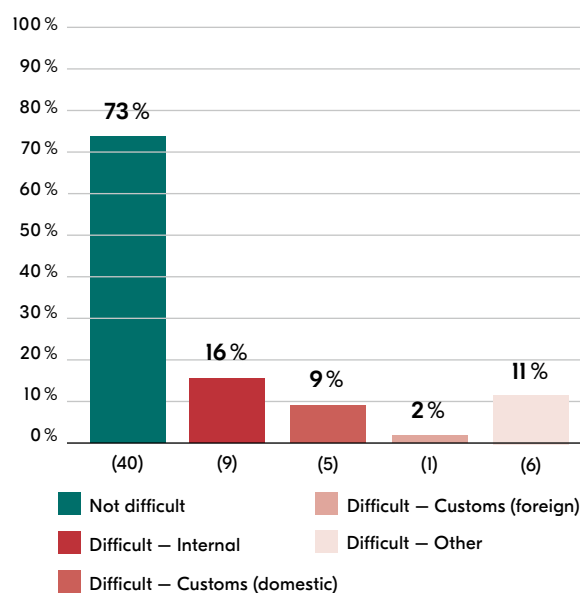
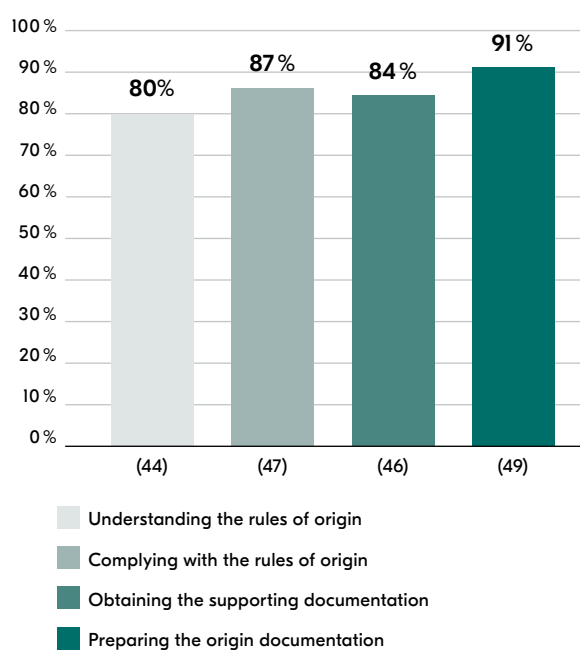


Figure 54: Understanding of the rules of origin and related procedures by exporters



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

Free text replies by exporters

Some exporters have mentioned that the products are wholly produced domestically and that they only include a text about the origin on the export invoice. Other exporters have mentioned that it initially takes some time to understand the rules of origin but that it works fine afterwards.

Some exporters claim that it is difficult to find correct origin rules and to understand when the rules of origin are fulfilled. If there are many suppliers and input materials, they claim that it is administratively difficult to keep track of the origin. A lot of administration also seems to be required to maintain the supporting IT system.

Other exporters claim that it is difficult to know which documents are required and that it is difficult, cumbersome and time-consuming to obtain the correct documentation from suppliers. This is particularly the case when the product is composed of a high number of input materials. In addition, suppliers are not always willing to dedicate their time to this and it is difficult for the importer to push. Sometimes, they claim there is only one supplier of the product and the company has to import regardless. In addition, suppliers and exporters are not always the producers, which makes it difficult to obtain the correct information on input materials. Sometimes the suppliers lack domestic input materials.

In addition, several exporters claim that the South Korean verification procedure is very demanding. They claim that it requires a lot of administration to find the corresponding documentation (calculations and supplier declarations). Sometimes the South Korean customs authorities have required documentation indicating that the company was an approved exporter even though such documents do not exist.

Finally, some exporters complain about the support from the domestic customs, for example in order to understand the rules of origin. The amount of documentation required by Swedish customs in order to fulfil the requirements to become an approved exporter has resulted in some exporters not applying for this status. Others mention that it would be desirable to have focal points to contact in both Sweden and South Korea in order to increase the predictability for the customers.

Importers

Exporters		Importers		Exporters and importers	
Aware		Unaware		Aware	
User	Non-user	User	Non-user	User	Non-user

About 76 per cent of the importers do not consider it difficult to use the tariff preferences (see Figure 55). This is a slightly higher share than for exporters. The origin procedures are not as important for importers since, in general, they do not need to perform the origin calculations, only the related customs procedures, i.e. to present the supporting documentation. A relatively high number of importers claim that it is difficult to obtain supporting documentation from exporters. Other difficulties are customs authorities and internal administration, i.e. the lack of knowledge within the company.

A number of importers have also described other reasons that make the use of free trade agreements difficult.

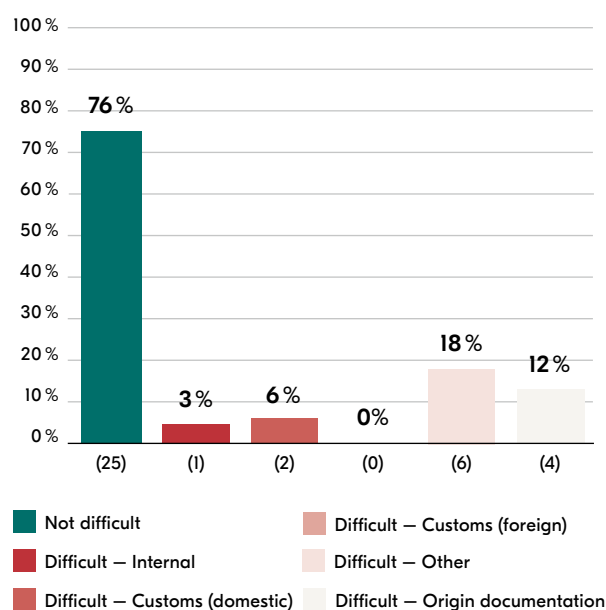
Free text replies by importers

Some importers claim that using the tariff preferences in general is easy. It is only difficult when the producer lacks domestic raw material for the production.

Other importers highlight difficulties with small express shipments by air since the customs brokers lack knowledge of the rules and requirements of free trade agreements. Others highlight difficulties with the imports when using the Swedish post office, in spite of providing the correct documentation, since it was difficult and cumbersome to appeal the decision. A number of importers point out that it is administratively cumbersome for small companies.

Finally, it seems that some importers believe that the duty savings should be automatic and others mix it up with the VAT.

Figure 55: Difficulties in using the free trade agreement by importers



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

The company-size dimension

Micro		Small		Medium		Large	
Aware		Unaware		Aware		Unaware	
User	Non-user	User	Non-user	User	Non-user	User	Non-user

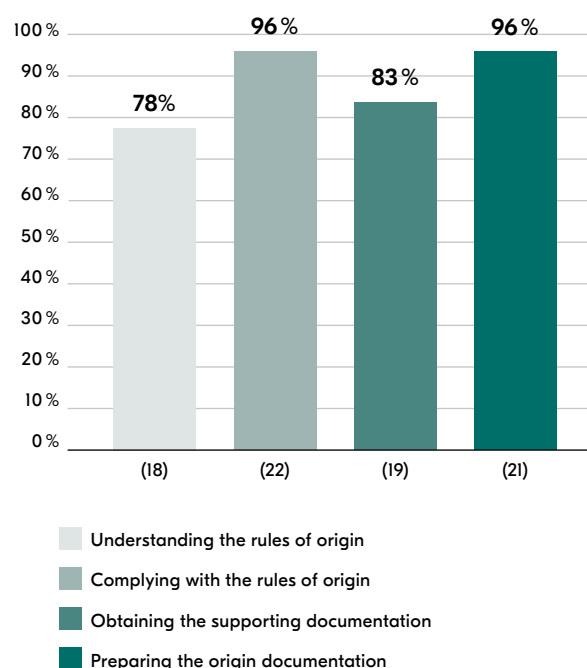
An analysis of the company-size dimension shows that the understanding of the rules of origin by **exporters** varies with company size among the respondents (see Figure 56 A-D). All large companies that export using the free trade agreement argued that *the rules of origin are not difficult to understand*. Surprisingly, 78 per cent of the micro exporters also find the rules of origin easy to understand. Among small and medium-sized exporters, the corresponding numbers are 63 and 67 per cent.

As many as 96 per cent of the micro exporters do not consider it difficult to *fulfil the requirements to obtain origin*. This is also true for 93 per cent of the large exporters. The corresponding numbers for small and medium-sized exporters are 63 and 75 per cent.

When it comes to the origin-related *proceedings to obtain documentation that proves the origin*, 83 per cent of the micro exporters and 88 per cent of the large exporters do not consider this difficult. However, for small and medium-sized exporters, the corresponding number is 75 per cent each.

The paperwork, whether digital or not, required to *fill in the corresponding documents* is not considered difficult at all by all of the medium-sized and large exporters. This is almost the case also for micro exporters (96 per cent). On the other hand, only 63 per cent of the small exporters do not consider the paperwork difficult. Sometimes, however, the paperwork might be limited to providing a statement on an invoice.

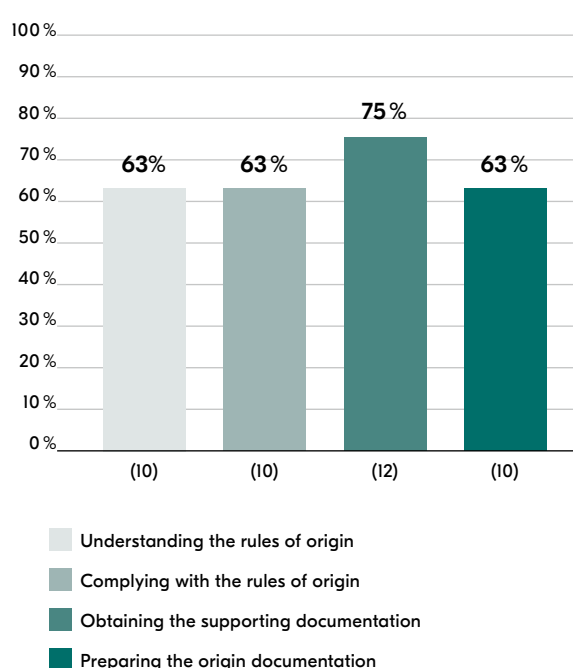
Figure 56-A: Understanding of the rules of origin and related procedures by micro companies



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

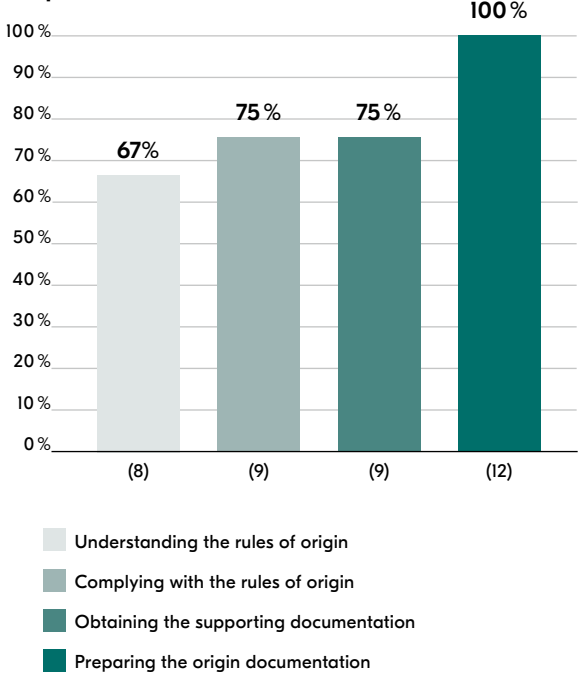
Figure 56-B: Understanding of the rules of origin and related procedures by small companies



The number of respondents in parentheses.

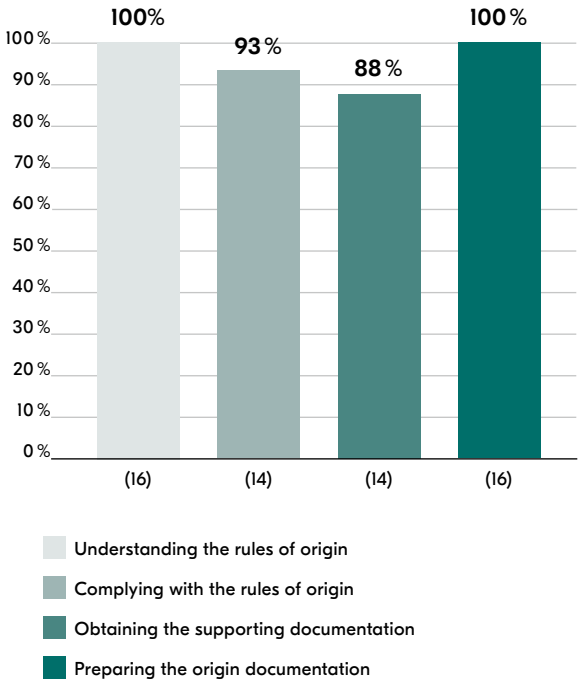
Source: Survey results elaborated by the National Board of Trade, Sweden

Figure 56-C: Understanding of the rules of origin and related procedures by medium-sized companies



The number of respondents in parentheses.
 Source: Survey results elaborated by the National Board of Trade, Sweden

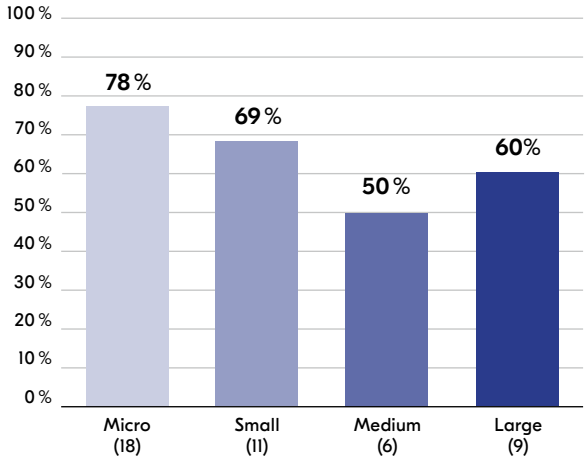
Figure 56-D: Understanding of the rules of origin and related procedures by large companies



The number of respondents in parentheses.
 Source: Survey results elaborated by the National Board of Trade, Sweden

Apart from the rules of origin, about 78 per cent of the micro exporters do not consider that there are additional difficulties in using the free trade agreement (see Figure 57). For small, medium-sized and large exporters the corresponding numbers are 69, 50 and 60 per cent.

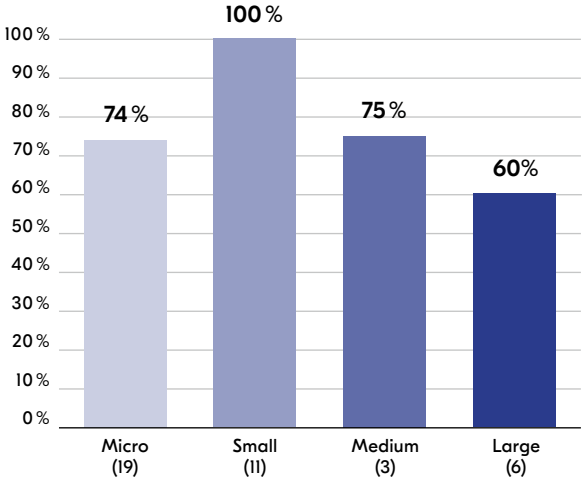
Figure 57: Ease of using free trade agreement by company size by exporters



The number of respondents in parentheses.
 Source: Survey results elaborated by the National Board of Trade, Sweden

It is interesting to note that none of the small **importers** among the respondents consider it difficult to utilize the tariff preferences (100 per cent) (see Figure 58). This is also the case for most medium-sized importers (75 per cent). Also, 74 per cent of the micro importers consider it not difficult to use the free trade agreement. Only 60 per cent of the large importers do not consider it difficult to use the free trade agreement.

Figure 58: Ease of using free trade agreement by company size by importers



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

The customs broker dimension

Customs broker			Not customs broker		
Aware		Unaware	Aware		Unaware
User	Non-user		User	Non-user	

There does not seem to be any difference in the *understanding of the rules of origin* for exporters regardless of their use of customs brokers (see Figure 59). Seventy-seven per cent of the exporters that use customs brokers do not consider the rules of origin difficult. The corresponding number for exporters that do not make use of customs brokers is 79 per cent.

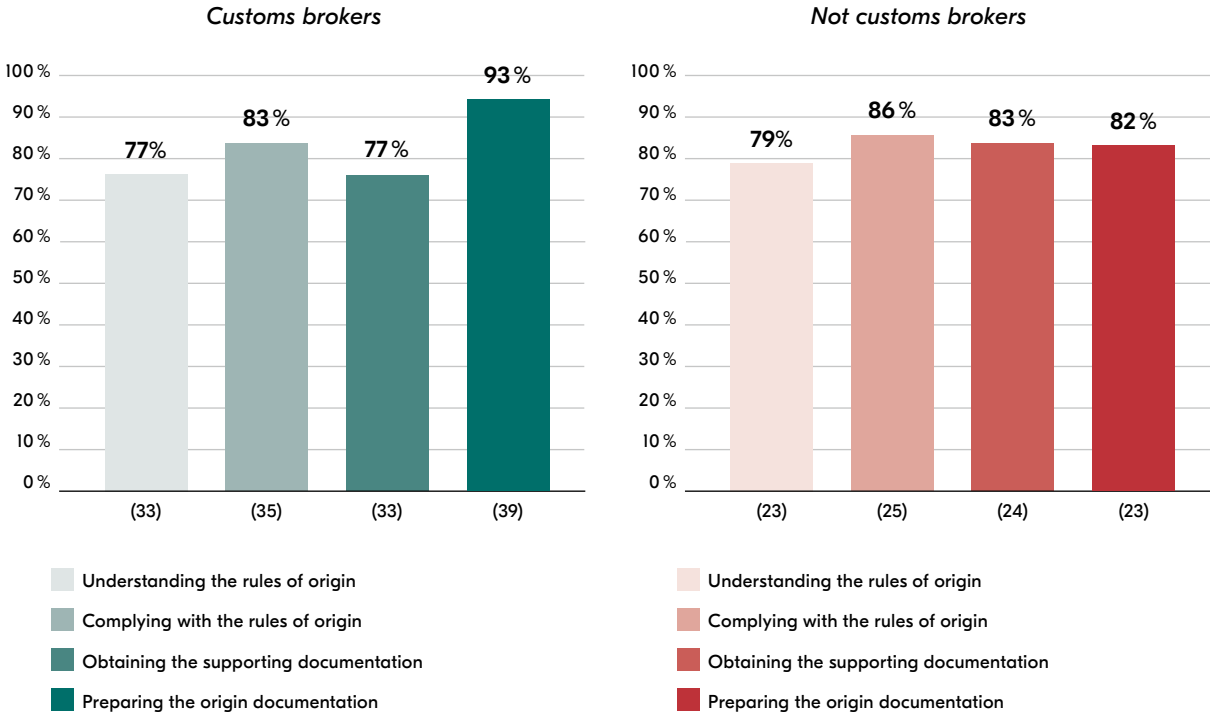
Eighty-three per cent of the exporters that use customs brokers do not consider it difficult to *comply with the rules of origin*. The corresponding number for exporters not using customs brokers is slightly higher, at 86 per cent.

It seems that exporters that use customs brokers find it slightly more difficult to *obtain the correct documentation* to prove origin (23 per cent) than exporters that do not use customs brokers

(17 per cent). Seventy-seven per cent and 83 per cent, respectively, do not consider it difficult at all. This merits further investigation into whether customs brokers in such cases have greater requirements or understanding of the difficulties than the companies themselves.

However, a higher share of exporters that use customs brokers do not experience *difficulties in filling in the rules of origin documentation* (93 per cent) than those that manage the customs procedures internally (82 per cent). This might be related to the fact that customs brokers fill in the documentation (or that it is not filled in at all, depending on the agreement between the exporters and the customs broker).

Figure 59: Understanding of the rules of origin and related procedures by use of customs brokers

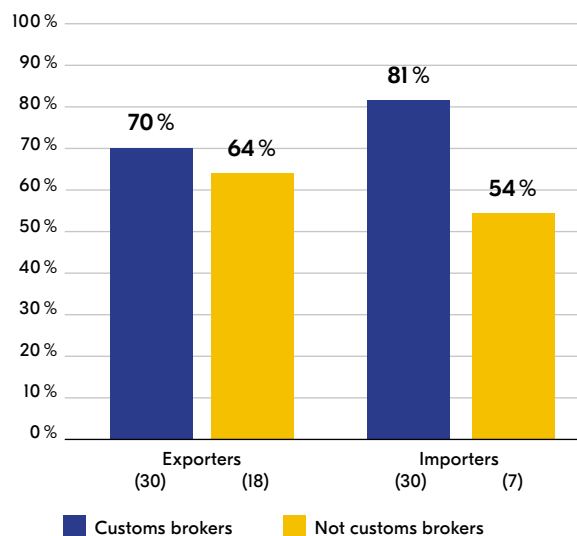


The number of respondents in parentheses.
 Source: Survey results elaborated by the National Board of Trade, Sweden

Regardless of the use of customs brokers, **exporters** do not seem to experience major problems in utilizing the tariff preferences (possibly apart from the rules of origin): 70 per cent and 64 per cent, respectively.

Importers that use customs brokers generally seem to believe that it is not difficult to use the tariff preferences (81 per cent) compared to companies that manage the customs proceedings internally (54 per cent) (see Figure 60). This might provide an indication of the benefits of customs procedures for importers realised by customs brokers.

Figure 60: Ease of using free trade agreement by mode of trade and customs brokers



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

6.4.3 Reasons for not using the free trade agreement

It is important to increase the understanding of why companies that are aware of the free trade agreement still do not use it. The companies claim a variety of different reasons for not using the free trade agreement⁵. (For an overview of the use of the free trade agreement, see Subsection 6.3.2.)

The most common reasons for not using the free trade agreement among the respondents are, in descending order:

- the products are already tariff free⁶;
- the products do not comply with the rules of origin; and
- the company does not obtain the required documentation from subcontractors.

Other reasons identified by the companies are that the administration seems costly and cumbersome, that the company does not know whether the products comply with rules of origin, that the company does not have IT systems to make the origin calculations, as well as the need for a quick delivery.

In free text replies, some exporters claimed that the importers do not request them to provide origin documentation and some importers claimed that it is costly to request origin documentation from exporters.

Exporters

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
User	Non-user	User	Non-user	User	Non-user

The exporters have stated that the products they export do not face tariffs or that this is beyond their direct control, i.e. that the products do not comply with the rules of origin, and that there is a lack of documentation from subcontractors (see Figure 61). Other reasons are that they do not know whether the products comply with the rules of origin and that they do not have any IT system to make this kind of calculation. Finally, they claim that the importers do not request that they submit origin documentation. It was also mentioned that the importers manage the customs procedures by themselves. Finally, some exporters stated that they do not understand the approved exporter concept.

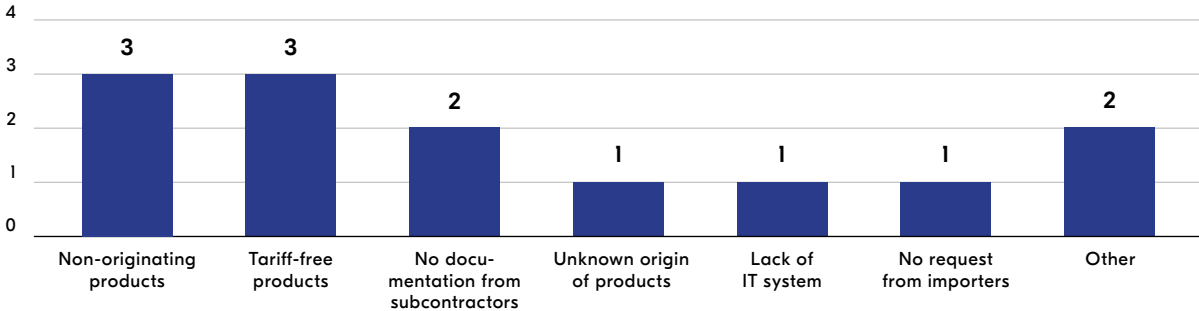
The company-size dimension

About half of the number of exporters believe that the trade with South Korea is important and the other half consider the trade not important. The number is, however, too small to draw any conclusions.

The customs broker dimension

There is no apparent correlation between using a customs broker and using the free trade agreement since an equal number of exporters that do not use the free trade agreement use customs brokers compared to exporters that do not use it. The sample consists mainly of a number of large companies and a number of small companies.

Figure 61: Reasons for not using the free trade agreement by exporters (numbers)



Source: Survey results elaborated by the National Board of Trade, Sweden

Importers

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
User	Non-user	User	Non-user	User	Non-user

The importers stated that the products they import do not face tariffs or that this is beyond their direct control, i.e. that the products are not complying with the rules of origin, that there is a lack of documentation from subcontractors (see Figure 62). They also claimed that the administration seems costly (even though they have not tried), as well as the need for quick delivery. They also claimed that it is costly to request origin documentation from exporters. It was also mentioned that companies do not use the free trade agreement when they reimport their own product.

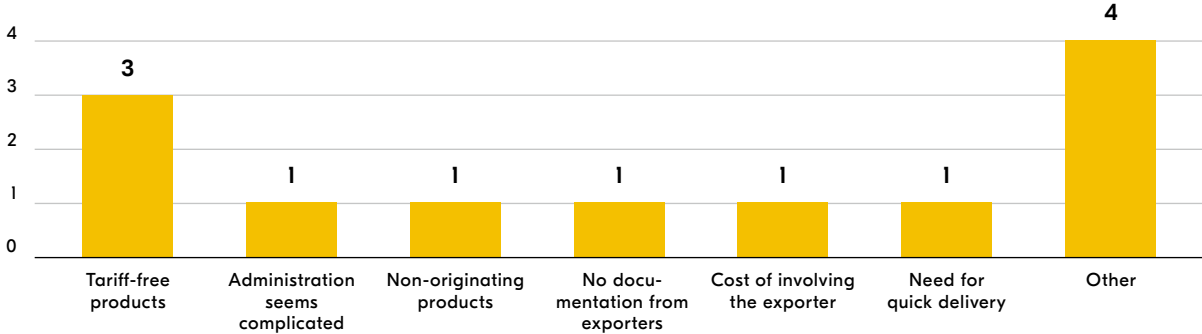
The company-size dimension

Slightly more than half of the importers consider the trade with South Korea important and the remaining importers consider it not important. Also in this case the number of respondents is too low to be able to make any conclusions.

The customs broker dimension

A slightly higher number of importers in this category use customs brokers than those that do not use customs brokers. The sample consists mainly of a number of small companies and a number of micro companies.

Figure 62: Reasons for not using the free trade agreement by importers (numbers)



Source: Survey results elaborated by the National Board of Trade, Sweden

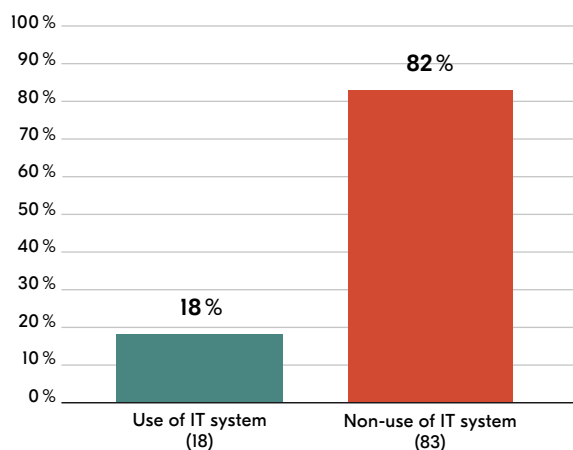
6.5 Access to IT systems to improve the use of free trade agreements

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
User	Non-user	User	Non-user	User	Non-user

This section provides an overview of some of the different ways to facilitate the utilization of tariff preferences. One option that has been advocated by companies (and included in the questionnaire) is access to IT systems, which could help them with origin calculations and the duty savings they could obtain by using free trade agreements.

At total level, only about 18 per cent of the companies claim to have access to an IT system that would facilitate the origin and duty savings calculations, while 82 per cent of the companies claim not to have access to, or use of, a system of this kind (see Figure 63).

Figure 63: Use of IT systems to facilitate preference utilization at total level



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

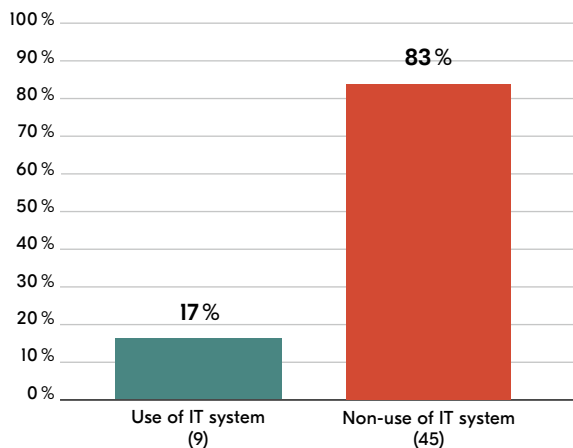
Exporters

Exporters		Importers		Exporters and importers	
Aware	Unaware	Aware	Unaware	Aware	Unaware
User	Non-user	User	Non-user	User	Non-user

About 83 per cent of the exporters claim not to have access to any IT system for origin calculations (see Figure 64). This is in line with, and slightly above, the total level. The exporters claim to use Excel, TradeCert, JD Edwards ERP Software, TLS and MIC Origin Calculation Solution (OCS), as well as other templates as provided by the chambers of commerce.

Exporters not using IT systems for origin calculations tend to use customs brokers (69 per cent). However, the role of customs brokers in this regard is not known. Exporters using IT systems tend to develop their customs procedures by themselves.

Figure 64: Use of IT systems to facilitate rules of origin calculations for exports



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

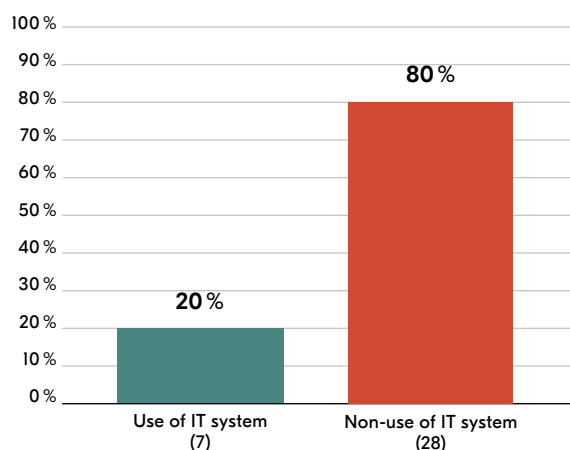
Importers

Exporters		Importers		Exporters and importers			
Aware		Unaware		Aware		Unaware	
User	Non-user	User	Non-user	User	Non-user	User	Non-user

About 80 per cent of the importers claim not to use any IT system for the calculations of duty savings (see Figure 65). This is in line with, and slightly below, the total level. IT systems for this purpose are likely not as important for importers as for exporters. Some importers claim that their customs broker is responsible and that they do not always receive documentation such as the supplier declaration. Others calculate input-output prices or claim that the duty savings are too insignificant to be calculated separately.

Importers not using IT systems for duty savings calculations tend to use customs brokers (89 per cent). However, the role of customs brokers in this regard is not known. Importers using IT systems, however, also tend to use customs brokers.

Figure 65: Use of IT systems to facilitate rules calculations of duty savings



The number of respondents in parentheses.

Source: Survey results elaborated by the National Board of Trade, Sweden

The company-size dimension

Micro		Small		Medium		Large	
Aware		Unaware		Aware		Unaware	
User	Non-user	User	Non-user	User	Non-user	User	Non-user

The large **exporters** are the highest users of IT systems for the purpose of calculating the origin of products (31 per cent). For medium-sized and micro companies, the corresponding numbers are 14 per cent and 17 per cent, respectively. Only 6 per cent of the small exporters use IT systems for this purpose.

About 40 per cent of the large **importers**, 27 per cent of the small importers and 10 per cent of the micro importers use IT systems for the calculation of duty savings. None of the medium-sized importers claimed to use IT systems.

The customs broker dimension

Customs broker		Not customs broker	
Aware		Unaware	
User	Non-user	User	Non-user

Exporters not using customs brokers tend to use IT systems to calculate the origin of the products to a higher degree than exporters using customs brokers (24 per cent and 10 per cent, respectively). They may possibly be provided with this service by the customs brokers. This could be related to the fact that mainly large companies

use IT systems and they are less likely to use customs brokers.

There is no apparent difference between **importers** using customs brokers when it comes to the use of IT systems to calculate duty savings (20 per cent and 21 per cent, respectively).

6.6 Company suggestions to facilitate the use of free trade agreements

Exporters		Importers		Exporters and importers	
Aware		Unaware		Aware	
User	Non-user	User	Non-user	User	Non-user

This section presents suggestions based on the free text replies by the companies, i.e. both exporters and importers, in the questionnaire, as well as answers provided during follow-up telephone interviews. The suggestions are *ad hoc* and not comprehensive, but they provide an overview of some of the difficulties and possible solutions by the respondents that participated in the survey and in the follow-up interviews.

Increased access to information

- It is difficult to keep track of different free trade agreements.
- It should be easier to find the information on the webpage of the Swedish Customs. It was fairly easy to use the free trade agreement after the correct information has been found.
- Information about the free trade agreements should be sent out centrally to all companies once a year.

- It is important with information in the form of newsletters and seminars from various relevant authorities to remain up to date.
- A database with origin ruling information should be created
- The people responsible for customs clearance among customs brokers should be educated about the free trade agreements.
- Companies are unaware of whether customs brokers are involved in the process and what they can do. The customs brokers should be educated and more proactive. The customs brokers should be better trained and provide better information. The customs broker should inform about the free trade agreement in relation to customs clearance.
- The customs officials should, upon payment of duties, inform companies about the possibilities of using the free trade agreement.
- It is often the importer in who draws attention to the existence of the free trade agreement.

Facilitated rules of origin

- The rules of origin in the EU's free trade agreements should be standardized since it is difficult to perform separate calculations for different partner countries. The administrative burden in adjusting for each free trade agreement individually is too great.
- Simpler and more pedagogical guidelines on the requirements for substantial transformation by product categories should be prepared in order to avoid different interpretations.
- The direct transportation rule should be solved. It should be possible to store the products temporarily in customs warehouses.
- There is a problem even if there is only a small share of Chinese content in the final product.
- It should be possible to cumulate with other ASEAN countries.
- As an importer it is difficult to influence the production process in South Korea to make the product originating
- The rules of origin in textiles are too strict to cumulate with South Korea. It is easier to cumulate with other free trade agreements.
- Fluctuations in the price of the input goods decide if the origin might be met.

Facilitated origin documentation

- Basic information should be prepared and submitted to suppliers/exporters as a capacity building initiative to facilitate their training to present correct supplier documentations in order to prove origin.
- The process of requesting suppliers' declarations is cumbersome and might contribute to the non-utilization of the free trade agreement.
- It should be possible to use the company's invoice to prove origin rather than the subcontractor's invoice
- It works more easily for importers than for exporters, i.e. they should benefit from simplified administration.
- It should be easier to use the free trade agreement on spare parts (and not having to use inward processing, customs credit, etc.) since this creates too much administration.

- It is problematic if the shipment is sent from subcontractor in another EU member state with a different shipping address.
- The customs proceedings in order to obtain permits for over EUR 600 should be simplified.

Facilitated customs procedures

- A simplification of the customs procedures would facilitate the use of the free trade agreement, such as electronic certification and invoice in REX, without having to send the original documents to the customs agencies.
- The registration for Approved Exporter is difficult.

Increased predictability

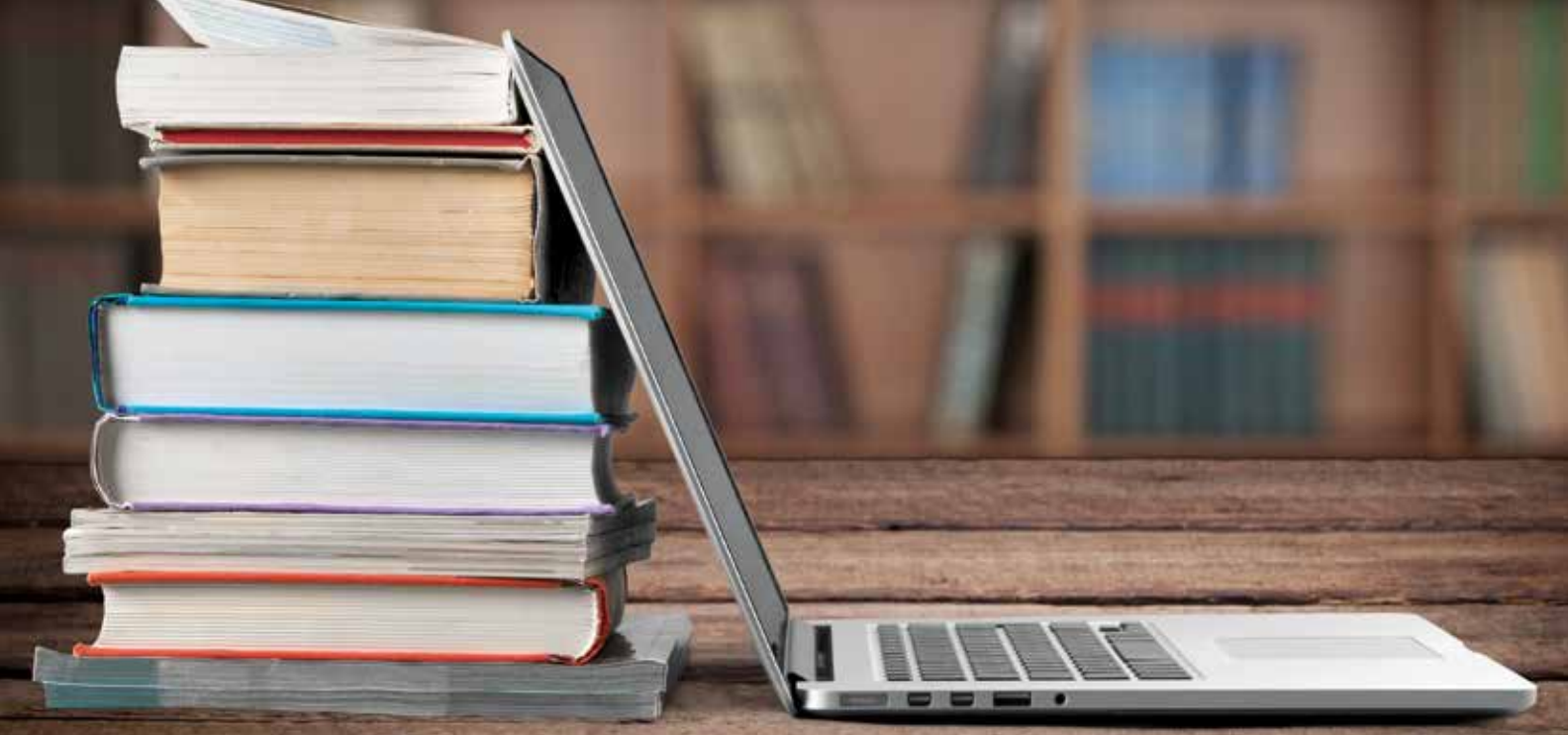
- The uncertainty regarding the validity of statements by customs authorities and the European Commission creates a lack of legal certainty.
- The customs broker or the party that makes the customs clearance should be responsible for errors and not the importer (in case of mistakes).
- Customs authorities should not impede and delay approval of origin on products that compete with their domestic industry.
- It should not be possible for the parties to introduce new *ad hoc* rules to impede the use of the free trade agreement.
- Companies expressed need for support in dispute settlement cases.

“As a small importer in Sweden, I do not really know with which countries we have free trade agreements. Sometimes it is the customs broker who draws our attention to it. In the case of South Korea, we did not know it. When we received the questionnaire, I tried to investigate the issue and went to your website. I also booked a follow-up interview. As a result of the call and simulation with Access2Markets, the company was able to request a certificate of origin for the machines we import to take advantage of the duty savings.”

7

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Annex: Questionnaire

General questions:

Does your company export or import products to/ from South Korea or has the company done so in the past? *(If your company acts as a customs broker for other companies, you may respond for the companies you represent.)*

- Exports
- Imports
- Both exports and imports

What products does your company export to South Korea from Sweden/the EU? *(Several options possible)*

- Prepared foodstuffs
- Chemical products
- Plastics, rubber
- Wood pulp products
- Textiles, textile articles
- Base metals, etc.
- Machinery, electrical equipment
- Transportation equipment
- Other products

What products does your company import from South Korea to Sweden/the EU? *(Several options possible)*

- Prepared foodstuffs
- Chemical products
- Plastics, rubber
- Wood pulp products
- Textiles, textile articles
- Base metals, etc.
- Machinery, electrical equipment
- Transportation equipment
- Other products

Who administers your company's customs clearance? *(Several options possible)*

- The company does it on its own
- The company uses customs brokers
- The company acts as a customs broker for other companies

What is the turnover of your company per year?

- More than EUR50 million
- Between EUR10 and 50 million
- Between EUR2 and 10 million
- Less than EUR2 million
- Do not want to reply

How many employees does your company have?

- More than 250
- Between 50 and 250
- Between 10 and 50
- Less than 10
- Do not want to reply

How important is the trade with South Korea for your company?

- Decisive
- Important
- Not important
- Do not want to reply

Exporter questions:

Is your company aware of the possibility that products can be exported with a "certificate of origin" (a so-called "declaration of origin") to South Korea and thus can be imported duty free/with a tariff reduction to South Korea? (A "certificate of origin" is a document proving where the product is manufactured.)

- Yes
- No

Are your company's products exported with a "certificate of origin" (a so-called "declaration of origin") to South Korea?

- Yes
- No
- Do not know

How important is it for your company's customers in South Korea to get reduced duty/zero duty on your products?

- Decisive
- Important
- Not important
- Do not know

You stated that your company exports products to South Korea with a "certificate of origin". What do you think about the rules of origin and present related documentation? (A rule of origin states what is required for a product to be considered as originating in the EU in order to obtain a reduced duty/duty exemption, e.g. that a share of the production value must be from the EU.)

Is it difficult to understand the rules of origin?

- Yes
- No

Is it difficult to meet the requirements to obtain origin?

- Yes
- No

Is it difficult to obtain the documents, information and documentation needed to prove the origin of the products?

- Yes
- No

Is it difficult to fill in the required documents?

- Yes
- No

If you have answered yes to any or all of the above questions, feel free to explain what is difficult. (Free text option)

Are there difficulties beyond fulfilling and proving the rules of origin? (Several options possible)

- No
- The internal administration within the company
- The administration with the customs authority/chamber of commerce in Sweden
- The administration with the customs authority in South Korea
- Other and/or exemplify (Free text option)

Does your company use any IT system that facilitates calculations of the origin of export products?

- Yes (Please enter which one [optional])
- No (Please enter what would be needed)

You stated that your products are not exported with a "certificate of origin". What is the reason for this? (Several options possible)

- The administration seems complicated and/or costly (The company has not tried)
- The administration is complicated and/or costly (The company has considered or done this before but quitted)
- The rules of origin are complicated and/or difficult to comply with
- The company does not obtain the necessary certificates from subcontractors
- Difficulties due to many subcontractors/change of subcontractors
- The products do not comply with the rules of origin
- The company does not know if the products comply with the rules of origin
- The company has no IT system to handle the calculations
- There are no duties on the products the company exports
- The importer does not request this
- The risks associated with wrong documentation are too big
- Different opinions/priorities internally at the company

- Need for quick delivery
- Complicated with governmental agencies in Sweden
- Complicated with governmental agencies in South Korea
- Other and/or exemplify (Free text option)

You replied that your company is not aware of the possibility of exporting products with a “certificate of origin” to South Korea. What do you think this could be due to? (*Several options possible*)

The company uses a customs broker for customs related issues

- The company uses a customs broker for customs-related issues
- The company has not received information about this possibility
- The company has not investigated this possibility further
- The company is not interested/does not need the possibility of reduced duties
- Other and/or exemplify (Free text option)

Importer questions:

Is your company aware of the possibility of importing products with reduced duty/duty free from South Korea through the free trade agreement?

- Yes
- No

Is your company using the possibility of importing products with reduced duty/duty free from South Korea through the free trade agreement?

- Yes
- No
- Do not know

Why does your company use the opportunity to get reduced duty/zero tariffs when importing products from South Korea through the free trade agreement? (*Several options possible*)

- The company makes savings
- The company increases its competitiveness
- The exporter requests this
- Other and/or exemplify

How important is the possibility of getting reduced duty/zero tariffs when importing products from South Korea for your company?

- Decisive
- Important
- Not important
- Do not know

Is it difficult for your company to get reduced duty/zero tariffs when importing products from South Korea through the free trade agreement? If so, what is difficult? (*Several options possible*)

- It is not difficult to get reduced duties
- It is difficult to get documentation from the exporters
- Customs administration in South Korea
- The customs administration in Sweden
- Internal administration/unawareness within the company
- Other and/or exemplify (Free text option)

Does your company have a system for calculating duty savings on imports of products from South Korea through the free trade agreement?

- Yes (*Please describe how*)
- No (*Please enter what would be needed*)

You stated that your company does not use the opportunity to import products with reduced duty/duty free from South Korea through the free trade agreement. What is this due to? (*Several options possible*)

- The administration seems complicated and/or costly (*The company has not tried*)
- The administration is complicated and/or costly (*The company has considered or done this before but quitted*)
- There are no duties on the products imported by the company
- The possible duty savings on the products imported by the company are too small
- The company makes use of other customs procedures in order to import duty free (e.g. *inward processing, duty drawback or duty suspensions*)
- The company does not know if the products comply with the rules of origin
- The products do not comply with the rules of origin
- The company does not obtain the necessary certificates from the exporter

- It is costly for the company to request origin certification from the exporter
- The Swedish customs authority has rejected the origin on the products
- The Swedish customs authority has reclassified the products
- Different opinions/priorities internally at the company
- The risks associated with wrong documentation are too big
- Need for quick delivery
- Other and/or exemplify (*Free text option*)

You replied that your company is not aware of the possibility of importing products with reduced duty/duty free from South Korea. What do you think this could be due to? (*Several options possible*)

- The company uses a customs broker for customs-related issues
- The company has not received information about this possibility
- The company has not investigated this possibility further
- The company is not interested/does not need the possibility of reduced duties
- Other and/or exemplify (*Free text option*)

Final questions:

Do you have any views on what type of information and help your company would need to make it easier to use the free trade agreement and benefit from duty savings? (*Free text option*)

Do you or does your company have other thoughts or views on the free trade agreement that might be considered? (*Free text option*)

May we contact your company with additional questions regarding trade with South Korea? (*Please, provide you e-mail address*)

Executive summary in Swedish

Under de senaste decennierna har EU varit aktivt i att förhandla och underteckna ett stort antal frihandelsavtal med partnerländer över hela världen. Målet har varit att göra det möjligt för företag i EU och i partnerländerna att dra nytta av sänkta importtullar samt minskningar av andra handelshinder. De senaste åren har dock fokus flyttats mot att genomföra och genomdriva befintliga frihandelsavtal.

I detta sammanhang har bristen på kunskap om företags beteende och deras användning av frihandelsavtal blivit tydlig. Detta ger upphov till många antaganden och påståenden som fortsätter existera i den akademiska litteraturen och i politiska sammanhang. Ett vanligt påstående är att små företag inte använder frihandelsavtal och att detta främst beror på komplicerade ursprungsregler. Denna rapport syftar till att öka kunskapen om företags kännedom om och användning av frihandelsavtal.

Syftet med denna rapport är att identifiera i vilken utsträckning svenska företag som handlar med Sydkorea har kännedom om och använder tullförmånerna i EU:s frihandelsavtal vid import och export av produkter, samt de hinder de kan möta, med hjälp av en enkätundersökning. Företagsstorlek och användningen av tullombud är viktiga faktorer i denna analys. Resultaten och policyrekommendationerna är förhoppningsvis också relevanta för andra frihandelsavtal som EU har ingått med partnerländer de senaste åren.

Vikten av export och import

För mikroföretag verkar import vara det viktigaste handelsförfarandet (57 procent) medan det för medelstora, stora och små företag verkar vara export som är det viktigaste handelsförfarandet (74 procent, 65 procent respektive 55 procent). Stora företag verkar också vara mer representerade bland företag som både exporterar och importerar, vilket är förväntat.

Partnerlandets betydelse

Importörer ser handeln med Sydkorea som betydligt viktigare jämfört med exportörer (60 respektive 40 procent). Dessutom verkar handeln med Sydkorea generellt sett vara viktigare för stora företag än för små företag (74 respektive 48 procent).

Betydelsen av tullombud

Den stora majoriteten av företagen använder sig av tullombud (74 procent). Det verkar dock som om **importörer använder tullombud i högre grad än exportörer** (86 procent respektive 64 procent). En större andel exportörer hanterar därför sina tullförfaranden internt.

Mikro, små och medelstora företag verkar oftast använda tullombud (cirka 78-80 procent) medan stora företag som tenderar att ha tullexpertis internt endast använder tullombud till 60 procent.

Kännedom om frihandelsavtalet

En relativt hög andel av företag som är aktiva i handeln, cirka 30 procent, känner inte alls till frihandelsavtalet med Sydkorea. Å andra sidan är **en majoritet av företagen som handlar med Sydkorea, cirka 70 procent, medvetna om tullförmånerna.**

Policyrekommendation:

Tillgång till relevant, uppdaterad och pedagogisk information om olika aspekter av användningen av tullförmåner är mycket viktigt för företagen. Informationen måste vara lätt att hitta och förstå, och vägledningsdokument bör användas. Eventuellt kan initiativ relaterade till tullmyndigheter och tullombud undersökas ytterligare i detta avseende.

Förvånansvärt nog **verkar exportörer vara mycket mer medvetna om tillgängliga tullförmåner än importörer.** Detta är särskilt fallet eftersom importörer är de som gynnas direkt av tullbesparingarna. Så många som 45 procent av importörerna hävdar att de inte kände till tullförmånerna, vilket är cirka 20 procentenheter högre än för exportörerna.

Policyrekommendation:

Den relativt låga kännedomen om de tillgängliga tullförmånerna bland importörer bör föranleda fokuserade insatser. Hittills har de flesta initiativ som syftar till att öka företags användning av frihandelsavtal tenderat att fokusera på exportörer och medvetandehöjande insatser för importörer har hamnat efter. Följaktligen bör fler medvetandehöjande insatser göras för importörer eftersom importörer med kännedom om frihandelsavtal tenderar att använda tullförmånerna.

Kännedomen om frihandelsavtalet är lägst bland mikroföretag oavsett handelsförfarande. Endast 64 procent av mikroexportörerna och 50 procent av mikroimportörerna känner till frihandelsavtalet.

Policyrekommendation:

Bland företag av olika storlek bör initiativ särskilt riktas mot mikroföretag (både exportörer och importörer) för att öka deras kännedom om tillgängliga tullförmåner då de verkar ha hamnat efter i jämförelse med företag i andra storlekskategorier.

Användningen av tullombud verkar dock inte korrelera med kännedom om frihandelsavtalet för vare sig exportörer eller importörer.

78 procent av exportörerna som använder tullombud är medvetna om frihandelsavtalen. Motsvarande andel av exportörer som inte använder tullombud är också 78 procent. För importörer är siffrorna 63 respektive 68 procent.

Policyrekommendation:

Det skulle vara viktigt att undersöka tullombudens roll, d.v.s. vad de gör och vilken information de tillhandahåller sina kunder när det gäller förekomsten och användningen av tullförmåner, då en majoritet av mikro- och småföretag använder tullombud men ändå verkar ha bristande kännedom om tillgängliga tullförmåner.

Användning av frihandelsavtalet

Det är positivt att **mer än 80 procent av företagen som är medvetna om tullförmåner också använder dem.** Användningen av tillgängliga tullförmåner är något högre för exportörer än för importörer.

Policyrekommendation

De flesta företag som har kännedom om tullförmåner verkar också använda dem. Initiativ som syftar till att öka kännedomen om tillgängliga av tullförmåner i frihandelsavtal kan följaktligen ge positiva resultat när kommer till att använda dem. Detta gäller särskilt för importörer och mikroföretag.

Det är förvånande att **mikroföretag – tillsammans med stora företag – är de högsta användarna av frihandelsavtalet relativt sett.** Mikroföretag tenderar att använda tullförmånerna i något högre grad när det gäller export jämfört med import (96 respektive 81 procent) medan det motsatta gäller för stora företag (84 respektive 91 procent). Små företag använder tullförmånerna i samma utsträckning vid import och export men i något lägre grad (65–70 procent).

Policyrekommendation

Små företag, och särskilt importörer, som har kännedom om tullförmånerna verkar uppleva svårigheter då deras användning av tullförmånerna är relativt låg. Anledningarna till detta måste analyseras och särskilda insatser bör sättas in för att identifiera och åtgärda orsakerna till småföretags underutnyttjande av tillgängliga tullförmåner.

Användningen av tullombud verkar inte påverka användningen av frihandelsavtalet för vare sig exportörer eller importörer. 83 procent av exportörerna som använder tullombud använder frihandelsavtalen. Motsvarande antal för exportörer som inte använder tullombud är 81 procent. Situationen nästan identisk för importörer med siffrorna 80 respektive 83 procent.

Policyrekommendation

Tullombud bör enligt företagens önskemål ha bättre kunskap om frihandelsavtal samt uppmuntras vara mer proaktiva och dela med sig av relevant information om tullförmåner och möjliga tullbesparingar till sina kunder. Det är oklart om tullombud har ett ekonomiskt incitament att informera och ge specifikt stöd till sina kunder för att göra dem medvetna om och underlätta deras användning av tullförmåner. Detta bör undersökas ytterligare.

Frihandelsavtalets betydelse och motiv för användning

Den stora majoriteten av de företag som faktiskt använder frihandelsavtalet – cirka 80 procent – anser att tullbesparingarna är viktiga. Andelen är något högre för importörer än för exportörer, 86 procent respektive 75 procent.

Importörer, oavsett företagsstorlek, tycker att de tillgängliga tullbesparingarna är viktiga till cirka 80-90 procent. När det gäller exportörer är företagsstorleken avgörande. Betydelsen av frihandelsavtalet för exportörer ökar efter företags storlek medan endast 60 procent av de små exportörerna anser dem viktiga.

Det verkar som om exportörer som anser att frihandelsavtalet är viktigt tenderar att inte använda tullombud i lika hög grad som de som anser det vara mindre viktigt, 68 procent respektive 83 procent. För importörer är det tvärtom och vikten av frihandelsavtalet är högre för importörer som använder tullombud (90 procent) än för importörer som inte använder tullombud (79 procent).

Orsaker till bristande kännedom om frihandelsavtalet

Bristen på kännedom om tullförmåner bland företag beror på brist på information om frihandelsavtalet och att de inte har utforskat dessa möjligheter ytterligare. I vissa fall uttryckte företagen inget intresse för frihandelsavtalet.

Cirka en fjärdedel av företagen hävdade att bristen på kännedom kan bero på användningen av tullombud.

En intressant iakttagelse är att en majoritet av exportörerna som inte är medvetna om tullförmånerna inte heller anser att handeln med Sydkorea är viktig (71 procent) medan detta av olika skäl inte är fallet för importörer (43 procent). Detta stöder rekommendationen att särskilt importörer skulle behöva mer information om frihandelsavtalet.

Slutligen är de företag som inte känner till frihandelsavtalet huvudsakligen mikro- och småföretag (cirka 90 procent). Detta är fallet för både exportörer och importörer. Dessa företag använder fortfarande tullombud till cirka 70–80 procent.

Orsaker till svårigheter att använda frihandelsavtalet

Det verkar som om varken exportörer eller importörer har svårt att använda frihandelsavtalet. Andelen företag som anser att det är lätt att använda tullförmånerna ligger mellan 73–76 procent.

Den stora majoriteten av exportörerna (80–90 procent) anser inte att ursprungsreglerna utgör ett problem för att kunna använda tullförmånerna. De hävdar att de förstår ursprungsreglerna, att det inte är svårt att uppfylla kriterierna för att få ursprung, att det inte är svårt att skaffa stödjande dokumentation och att det inte är svårt att fylla i den relaterade dokumentationen.

Det är förvånande att både stora exportörer och mikroexportörer verkar ha lättast att förstå och följa ursprungsreglerna. Bortsett från ursprungsreglerna anser cirka 78 procent av mikroexportörerna inte att det finns ytterligare svårigheter att använda frihandelsavtalet.

De minsta importörerna tenderar att ha det lättare att använda tullförmånerna än de större importörerna. Cirka 75 procent och fler av importörerna i de minsta företagskategorierna har inte svårt att använda frihandelsavtalet medan motsvarande andel för stora importörer är så lågt som 60 procent.

Förvånansvärt nog tycks användningen av tullombud inte påverka uppfattningen om svårigheter att använda frihandelsavtalet för exportörer (cirka 65-70 procent). Importörer som använder tullombud verkar dock ha lättare att använda frihandelsavtalet jämfört med företag som hanterar tullförfarandet internt (81 procent respektive 54 procent).

Orsaker till att frihandelsavtalet inte används

De vanligaste orsakerna till att inte använda frihandelsavtal verkar vara rationella beslut, t.ex. att produkterna är tullfria, att produkterna inte lever upp till ursprungsreglerna och att företaget inte erhåller erforderlig dokumentation från underleverantörer eller exportörer.

Användningen av IT-system för att underlätta användningen av frihandelsavtalet

Den stora majoriteten av företag som använder tullpreferenser tycks sakna IT-system som skulle underlätta ursprungsberäkningarna och beräkningen av tullbesparingar (82 procent). Andelen är något högre för exportörer än för importörer även om ett sådant system skulle vara viktigare för ursprungsberäkningarna.

Exportörer och importörer som inte använder IT-system av detta slag tenderar dock att använda tullombud i hög grad (69 procent respektive 89 procent. Användningen av egna IT-system verkar vara vanligast bland stora företag (cirka 30–40 procent).

Tekniska rekommendationer:

Det är viktigt med riktad kapacitetsuppbyggnad och utbildning för företag som har svårt att förstå och beräkna ursprung. Detta kan särskilt vara fallet för nytillkomna företag. När företag väl har erfarenhet av att använda tullförmåner verkar de dock fortsätta att använda dem.

Importörer efterfrågar ett introduktionsdokument om ursprungsregler och relaterade förfaranden som de kan distribuera till sina underleverantörer i syfte att ge dem korrekt och grundläggande information. Detta kan också fungera åt andra hållet för exportörer som behöver informera sina importörer om relaterade tullklaringsförfaranden för ursprungsprodukter.

Processen med att begära in och bifoga styrkande dokumentation är idag besvärlig och bör underlättas på olika sätt för att öka flexibiliteten. Initiativ relaterade till att minska förseningar med att erhålla styrkande dokumentation från exportörer/underleverantörer samt andra former av flexibilitet, t.ex. digitala system, bör beaktas.

Det är viktigt att tillhandahålla en enkel och användarvänlig programvara för ursprungsberäkningar. Mikroföretag (exportörer och importörer) och små exportörer verkar ha störst behov av detta. Europeiska kommissionens nya webbportal Access2Markets, inklusive dess självskattningsystem för ursprungsregler (ROSA), är ett viktigt initiativ i detta avseende.

Notes

- 1 In total, two customs brokers responded to the questionnaire in that capacity. It is not known to which extent customs brokers replied on basis of their clients due to the anonymity of the questionnaire.
- 2 In the separate analysis of exporters and importers, and to identify their particular characteristics, companies that are both exporters and importers are excluded in order to avoid double counting. Due to their limited numbers, companies that are both exporters and importers are not analysed separately. Accordingly, only data on companies that are exclusively exporters and importers are presented. The information about combined exporters and importers is, however, included in the total numbers and in the analyses of the company size and customs broker dimensions. The combined exporters and importers are mainly large companies, i.e. 8 of 17.
- 3 One reason why a high proportion of the micro companies wished further contact with the National Board of Trade Sweden after the completion of the questionnaire was to learn more about the free trade agreement.
- 4 Some of these difficulties were outlined by companies in free text replies or in the follow-up interviews.
- 5 The information in this category tends to be *ad hoc* and anecdotal since only a very limited number of companies among the respondents claimed not to use the free trade agreement. The respondents could select various reasons but not all pre-identified reasons were selected. For this reason, the replies by companies that are both exporters and importers are included in the presentations of exporters and importers, respectively.
- 6 The tariff levels against third countries, i.e. the 'most favoured nation' tariffs, are already zero per cent.

