SWITZERLAND

TRADE SUMMARY

In 2001, the U.S. trade surplus with Switzerland was $ 261 million. U.S. goods exports to Switzerland were $ 9.8 billion, a decrease of $119 million (1.2 percent) from 2000. Switzerland was the United States' 17th largest export market in 2001. U.S. imports from Switzerland were $9.6 billion in 2001, a decrease of $586 million (5.8 percent) from 2000.

U.S. exports of private commercial services (i.e., excluding military and government) to Switzerland were $5.6 billion in 2000 (latest data available), and U.S. imports were $5.4 billion. Sales of services in Switzerland by majority U.S.-owned affiliates were $5.1 billion in 1999 (latest data available), while sales of services in the United States by majority Switzerland-owned firms were $23.1 billion.

The stock of U.S. foreign direct investment (FDI) in Switzerland at the end of 2000 was $54.9 billion, an increase of 12.3 percent. U.S. FDI in Switzerland is concentrated largely in the financial, wholesale, and manufacturing sectors.

IMPORT POLICIES

Switzerland is self-sufficient in pork, dairy, and other agricultural commodities, but imported approximately $18.85 million worth of agricultural products from January to November 2001, accounting for more than 40 percent of total food consumption. The U.S. share of the agricultural import market is about 6.25 percent, making the United States the sixth most important exporter of agricultural goods to Switzerland and the largest outside the EU.

Due to high tariffs on certain agricultural products and preferential tariff-rates for other countries, such as members of the European Union, Switzerland is a relatively difficult market for many U.S. agricultural products to enter. The simple average tariff in Switzerland on imports of agricultural products is 34.3 percent, while the average for manufactured products is 2.3 percent.

According to the Organization for Economic Cooperation and Development (OECD), Swiss farmers are among the most protected producer groups in the world, with government aid reaching 73 percent of gross receipts from agricultural products in 1999, well above the average of 40 percent for other OECD countries. Tariffs and other government assistance for agriculture are disproportionate to its role in the economy. Agriculture accounts only for about two percent of real GDP, employs some four percent of the active population, and contributes less than four percent to the value of goods exports. The Swiss budget for agriculture will reach $2.4 billion in 2002, representing an increase of 1.2 percent over the previous year. Approximately 63 percent of the budget for agriculture will be allocated for direct payments, 24 percent for the promotion of sales, 11 percent for the improvement of production methods, and the remainder for other purposes. Agriculture will represent eight percent of the 2002 budget. The "Agriculture Policy 2002" initiative, adopted by the Swiss Parliament in April 1998, promotes subsidies for noncompetitive purposes, such as the preservation of natural resources, the maintenance of the rural landscape, and the decentralized use of land. However, there is a trend away from government subsidies. Following a recent decision by the Swiss parliament to cut the $27.5 billion 2002 Budget by $39.3 million, the Economy Minister decided last December to slash state support to dairy products by 23 percent.

Agricultural tariff-rate quotas also present problems for U.S. exporters, since Swiss regulations often allocate quotas to importers that have incentives to purchase domestic products. This practice has increased protection for domestic producers and in some cases (such as potato products) has effectively blocked U.S. imports, even under the tariff-rate quotas. If

Switzerland removed impediments to trade in the agriculture sector, U.S. industries estimate that U.S. exports would increase by $25 million.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Overall, Swiss standards and labeling requirements do not present a significant hardship for U.S. companies. Switzerland has taken a pragmatic, case-by-case approach to biotechnology products since voters rejected a moratorium on biotechnology research and products in 1998. Foods and additives that have been genetically engineered need approval for consumer marketing through certification by the Federal Food Safety Office and the manufacturer of a genetically engineered food product must submit detailed information concerning the modifications. The Swiss authorities must review the product for toxicity, resistance to antibiotics, and allergenic characteristics. Genetically engineered products that are substantially equivalent to a conventional organism may have an easier path to approval. Certificates of approval are valid for five years.

Switzerland has required labeling for foods containing genetically engineered products since 1996. At that time, the threshold for labeling was any level of genetically engineered contents. In 1999, the Government of Switzerland modified its regulations to require labeling only if the percentage of genetically engineered ingredients reaches one percent. A notable exception to the labeling requirement is the use of substances in the production process extracted or refined from genetically engineered substances, such as refined soy oil. According to Swiss officials, these ingredients do not require a biotechnology label because testing cannot show they are derived from genetically engineered commodities, and thus, they are not traceable by practical methods.

The pharmaceutical industry has been influential in deflecting harmful regulation and maintaining a receptive market climate. The animal feed industry has succeeded in reaching consumers for its genetically engineered products via a transparent approval system. However, the planting of genetically engineered seed crops faces difficult environmental approval hurdles.

Since January 2000, imports of fresh meat and eggs produced in a manner not permitted in Switzerland must be clearly labeled as such. Methods not allowed in Switzerland include the use of hormones, antibiotics and other antimicrobial substances in the raising of beef and pork, as well as the production of eggs from chickens kept in certain types of battery cages.

SERVICES BARRIERS

Foreign insurers wishing to do business in Switzerland are required to establish a subsidiary or a branch there and may offer only those types of insurance for which they are licensed in their home countries. Switzerland does maintain some restrictions on legal services. Foreign lawyers cannot provide legal consultancy services nor legal advice on foreign or international law without being licensed in the practice of Swiss law. Foreign lawyers may not form partnerships with local lawyers without being licensed under local law.

Switzerland's telecommunications sector opened to investment and competition from foreign firms in 1998. Three main operators share mobile and fixed telephony: Swisscom, Orange, and Sunrise, which already own third-generation mobile telephony licenses (UMTS). SBC's 40 percent stake in Sunrise's parent company TDC represents the only significant U.S. presence in the Swiss telecom market.

Switzerland has no limitations on the amount of non-Swiss or non-European origin programming that can be broadcast. Under new legislation, film distributors and cinema companies must maintain, through self-regulatory solutions, an appropriate diversity (not yet defined) in the products offered within a region. After a two-year observation period, the government may levy a nominal "development tax" on a region's movie theater tickets if the appropriate diversity is not present. The "development tax" receipts would be used to finance new theaters that would offer greater diversity in the films being shown within a region.

INVESTMENT BARRIERS

Switzerland welcomes foreign investment and accords national treatment. The federal government's approach is to create and maintain general conditions that are favorable both to Swiss and foreign investors. Such conditions include economic and political stability, a firmly established legal system, reliable and extensive infrastructure, and efficient capital markets. Swiss banking laws encourage the formation of abundant pools of capital from overseas investors. Some cantons have income tax incentive programs to encourage foreign investment.

The major laws governing foreign investment in Switzerland are the Swiss Code of Obligations, the Lex Friedrich, the Securities Law, and the Cartel Law. There is no screening of foreign investment (except in cases of national security), nor are there any sectoral or geographical preferences or restrictions. Investment areas considered essential to national security include hydroelectric and nuclear power, operation of oil pipelines, transportation of explosive materials, operation of airlines, and marine navigation.

ELECTRONIC COMMERCE

The proportion of Swiss citizens using computers and the Internet is high, and the government generally supports evolution of electronic commerce with a minimum of regulatory interference. Switzerland is following the EU lead with respect to Internet privacy issues. Swiss law stipulates that personal data may not pass to a foreign country if that country does not offer an adequate level of data protection.

In January 2001, Parliament began work on legislation that would recognize the validity of electronic signatures. The new legislation is expected to be approved in late 2002 or early 2003. Swiss authorities are promoting e-government services with a goal of providing services more efficiently and making Switzerland more competitive as a business location.

GOVERNMENT PROCUREMENT

On the federal level, Switzerland is a signatory of the World Trade Organization (WTO) Government Procurement Agreement and complies fully with WTO rules concerning public procurement. On the cantonal and local levels, a law passed by Parliament in 1995 provides for nondiscriminatory access to public procurement. The United States and Switzerland agreed in 1996 on a text that expands the scope of public procurement access on a bilateral basis.

EXPORT SUBSIDIES

Switzerland's only subsidized exports are in the agricultural sector, where exports of dairy products (primarily cheese) and processed food products (chocolates, grain-based bakery products, etc.) benefit from state subsidies. As with domestic agricultural subsidies, Switzerland is gradually reducing export subsidies as required under WTO rules. Under the WTO Agreement on Agriculture, Switzerland has reduced its export subsidies on dairy products from $269 million in 1995 to $172 million in 2000, on cattle and horses from $21.2 million to $13.3 million, on fruit from $15.7 million to $10.3 million, on potatoes from $2.4 million to $1.2 million, and on other processed food products from $109 million to $69.7 million.

The Swiss government has ratified an agreement with the European Union under which both sides will remove dairy product import quotas by 2008.

ANTICOMPETITIVE PRACTICES

The Swiss economy has long been characterized by a high degree of cartelization, primarily among domestic-oriented firms and industries (i.e., usually not the large, internationally active multinationals). The Swiss constitution specifically allows cartels unless the government concludes that they are harmful to society or the economy. Swiss officials acknowledge that high prices for medications in Switzerland are the cost of helping support a strong pharmaceutical industry.

While Switzerland enacted a stronger anti-cartel law in 1996 that gave increased power to the Competition Commission to prohibit/penalize cartels, the country's anti-cartel regime remains weak by U.S. and EU standards. The 1996 law, for example, only allows firms engaged in anticompetitive behavior to be punished by the government for second violations, after first receiving a warning to cease the anticompetitive practice. Penalties and fines are not particularly severe. International economic organizations such as the OECD and International Monetary Fund periodically urge Switzerland to strengthen its antitrust regime.

Swiss competition regulators are seeking increased power to prohibit cartels and the ability to levy significant fines – including for first offenses. The government has drafted legislation, now under review by Parliament, that would allow penalties for first offenses and increase the maximum amount of the fine to ten percent of a company's combined annual revenues for the past three years.

The draft legislation also would reduce the number of representatives on the Competition Commission from 15 to 8, by eliminating the 7 members currently representing specific interest groups, such as labor and industry associations. The Commission has been criticized for allowing these partisan groups to have a voice in competition regulation. Parliament could approve the bill during 2002, although there are some fears that influential Members with close ties to import and distribution cartels may succeed in blocking action.