



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

SWITZERLAND AND LIECHTENSTEIN

This report, prepared for the fourth joint Trade Policy Review of Switzerland and Liechtenstein, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Switzerland and Liechtenstein on its trade policies and practices.

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SUMMARY

1. Switzerland and Liechtenstein have introduced no major changes to their trade regimes since their last joint TPR in 2008. Their trade regimes remain generally liberal, except in agriculture, which is still highly protected by tariff and non-tariff measures.

2. Switzerland and Liechtenstein are among the wealthiest countries in the world. Their economies have recovered well from the global economic crisis. Thanks to its "debt break" rule and substantial fiscal surpluses accumulated at the federal level prior to the crisis, Switzerland implemented economic stabilization measures in 2009/10, mainly infrastructure spending and labour market measures. Thus, unemployment has been kept in check at about 3-4%. However, a decline in labour productivity in recent years is cause for concern. Liechtenstein's economic performance has been a magnet for foreigners, which represent about two thirds of the Liechtenstein workforce.

3. Trade is an important driving force of the Swiss and Liechtenstein economies, with the GDP shares of trade in goods and services exceeding 100%. Given their degree of dependence on trade, both countries remain exposed to developments in global demand. The main economic challenge for the two economies has been the strong appreciation of the Swiss franc (due to its safe haven status), which has been threatening to undermine competitiveness. In September 2011, the Swiss National Bank decided to contain the appreciation of the Swiss franc by setting a minimum exchange rate of SwF 1.20 per euro and committing to unlimited purchases of foreign currencies, if needed. Liechtenstein uses the Swiss franc as its national currency.

4. Switzerland and Liechtenstein remain high-price "islands" in Europe for a number of reasons, such as the strong Swiss franc and relatively high incomes, but also because of the high level of protection in agriculture, technical barriers to trade, and limited competition in various industries. One of the key policy objectives is improving competition in the domestic market. While a number of initiatives (e.g. Switzerland's adoption of the "Cassis de Dijon principle") were taken during the review period to stimulate competition and counter the high prices, overall more effective steps are needed to address the competitive challenges facing the economies, in particular in agriculture.

5. Switzerland and Liechtenstein remain staunch supporters of the multilateral trading system. Faced with the current impasse of the DDA negotiations and a difficult economic environment, Switzerland and Liechtenstein have extended their network of free-trade agreements to help improve access to foreign markets. This trend makes their trade regimes increasingly complex. Since their last Review, eight new FTAs concluded under EFTA (Switzerland, Liechtenstein, Iceland, and Norway) have entered into force (with Albania; Canada; Colombia; Hong Kong, China; Montenegro; Peru; Serbia; and Ukraine). In addition, a bilateral FTA between Switzerland and Japan entered into force in 2009. Overall, Switzerland has 26 FTAs with 35 trading partners, besides the EU. Switzerland and the EU have deepened their trade relations since, notably in the area of customs procedures and mutual recognition of conformity. Under the 1924 Customs Union Treaty, Switzerland acts on behalf of Liechtenstein in Customs Union matters, such as trade policy measures affecting imports, and agricultural policy. All trade agreements concluded by Switzerland also apply to Liechtenstein.

6. Switzerland's investment regime is generally open to foreigners. However, investment restrictions continue to apply to areas under state monopoly, including certain postal, insurance, and rail transport services. Restrictions in the form of domicile requirements are also applied in certain sectors, including air transport. Switzerland provides a number of tax and non-tax incentives at federal and cantonal level. Most non-tax assistance, including direct payments, is accorded to the agriculture sector.

7. Liechtenstein, too, has a generally open investment regime. Investment restrictions apply in public utilities, as well as to a number of financial services (asset management, investment consulting, and trusteeships). Furthermore, residency requirements apply. Following the Liechtenstein Declaration of 2009, in which the Government expressed its commitment to implement global standards of transparency and exchange of information developed by the OECD, Liechtenstein has taken steps to reform its domestic and international tax policies, including the adoption of a new tax regime in 2011. As a member of the European Economic Area (EEA),

Liechtenstein benefits from the "four freedoms" of circulation (goods, services, capital, and persons) in the markets of the EU, Iceland, and Norway.

8. The structure of the applied MFN tariff of the Switzerland-Liechtenstein Customs Union has changed little since the last TPR. All tariffs remain specific; the corresponding *ad valorem* equivalents range from zero to 1,676%. The simple average MFN rate increased from 8.1% in 2008 to 9.2% in 2012, which reflects in part the appreciation of the Swiss franc. Tariff protection varies substantially across and within sectors, averaging 31.9% for agricultural products and 2.3% for non-agricultural goods (WTO definition), with some international tariff peaks on products such as textiles and clothing. MFN duty-free treatment applies to almost 20% of all tariff lines, mainly agricultural products not produced domestically, fish, petroleum, certain chemicals, base metals, as well as products granted duty-free treatment under the Pharmaceutical Initiative, the Information Technology Agreement, and the Plurilateral Agreement on Trade in Civil Aircraft. Almost 40% of tariff lines carry non-zero rates of less than 2% (nuisance rates).

9. The preferential agreements concluded by Switzerland-Liechtenstein provide for free trade in most non-agricultural products, subject to certificates of origin. For agricultural products, preferential access is provided mainly through bilateral tariff quotas. Least developed countries benefit from substantial and enhanced tariff preferences in the Customs Union: all agricultural and non-agricultural products are entitled to duty-free and quota-free treatment, including rice and sugar. Switzerland's GSP rules of origin were harmonized with the EU's in 2011.

10. Switzerland and Liechtenstein maintain import prohibitions and export controls on certain products for health, safety, security or environmental reasons, and to ensure compliance with international obligations. The automatic and non-automatic licensing procedures remain substantially unchanged. An automatic licence (general import permit) applies to some products covered by compulsory reserve stock schemes (certain fuels and foodstuffs) or import threshold prices. Non-automatic licensing is applied mainly for tariff-quota management purposes. Under a Swiss-EU bilateral agreement in force since 2011, operators from non-EU countries are required to provide a prior notification and go through security-risk analysis. To help ease the burden of security-related customs procedures, Switzerland has introduced an authorized economic operator scheme that is open to accredited operators.

11. Switzerland has taken steps towards reducing technical barriers to trade and enhancing import competition in the domestic market. In 2010, Switzerland unilaterally introduced the "Cassis de Dijon principle" for certain products. Together with the MRA on conformity assessment between Switzerland and the EU, the Cassis de Dijon principle ensures that products that are lawfully marketed in the EU or EEA may, in principle, be put on the market in Switzerland without further checks regarding their technical requirements. Exports from the broader WTO membership to Switzerland may benefit too, provided the products meet EU/EEA technical requirements. However, some of the potential gains from trade are lost because the Cassis de Dijon principle is not applicable to certain products (e.g. animal feed, pharmaceuticals or certain chemicals), and food imports are subject to special approval procedures.

12. As a consequence of Liechtenstein's EEA membership since 1 May 1995, and because of the Customs Union with Switzerland, Liechtenstein has to ensure in its territory the "parallel marketability" of goods under Swiss and EEA rules. To this end, Liechtenstein maintains a Market Control and Surveillance Mechanism, which applies to imports on which customs tariffs (e.g. fish) or non-tariff requirements (e.g. pharmaceuticals, some telecom equipment, salt) differ between the EEA and Switzerland. The mechanism is designed to prevent goods that do not satisfy Swiss import requirements from entering the Swiss market via the open border.

13. No specific trade concerns have been raised in the TBT and SPS Committees since 2008 regarding Switzerland's measures. Liechtenstein applies Switzerland's TBT and SPS measures under the Customs Union Treaty. Approximately 95% of the 23,080 standards currently in force in Switzerland (unchanged since 2008) are aligned with international or European standards. There have been no major changes to the SPS regime, although a reform of the Swiss food safety regime is under way to further align its requirements with the EU's. The moratorium on approvals for the cultivation of bio-technology crops has been extended. The Swiss veterinary and phytosanitary regimes have been fully harmonized with the EU's since the last TPR.

14. Switzerland and Liechtenstein do not have any specific anti-dumping, countervailing or safeguards legislation, and do not apply such measures. They maintain no export taxes, charges or levies. In response to the global economic crisis, Switzerland has introduced new export insurance and guarantee schemes to help improve export competitiveness and ease liquidity problems.

15. The Swiss competition regime remains substantially unchanged. A number of policy recommendations by a task force on competition are under consideration by the Government, aimed at better aligning the Swiss competition framework with international best practices. With regard to state trading, the Swiss Confederation continues to exercise a statutory monopoly over imports of alcohol, though the exclusive import rights have been lifted for bio-ethanol used as fuel. A comprehensive overhaul of the legal and institutional framework governing the alcohol industry is under way, involving the termination of the State's import monopoly. Switzerland and Liechtenstein have their own regimes on government procurement and both countries are signatories of the revised Agreement on Government Procurement.

16. The main development in the area of intellectual property is Switzerland's unilateral decision to introduce the EEA-wide exhaustion principle for patent inventions (products and processes). Accordingly, patent owners cannot prevent the parallel importation of their patented products put on the market of EEA members by themselves or with their consent. Imports of products for which prices are fixed by the State, in Switzerland or abroad, require the patent owners' consent, meaning that national exhaustion continues to apply in this situation. This specifically affects pharmaceutical products.

17. Both Switzerland and Liechtenstein have a strong, export-oriented industrial base. Switzerland has a policy to support research and improve framework conditions for all economic sectors but it does not adhere to a policy of national champions. There are no cash subsidies in place to specific manufacturing industries other than measures open to all companies.

18. The electricity sector is in transition from a monopolistic electricity supply system towards a more competitive regime. Since 2009, large end-users may purchase electricity on the free market. To make competition work, the transmission and distribution networks have been opened for non-discriminatory third-party access. The Swiss gas market has also been partially opened to competition, allowing large customers to make direct imports. The Swiss Government has recently proposed a major change of direction of energy policy (Energy Strategy 2050) with supply security to be achieved without nuclear energy in the medium-term.

19. Switzerland is one of the most important financial service centres in the world, attracting large volumes of foreign business. No changes were made to market access conditions during the period under review, except for the signature of four regional trade agreements containing preferential services commitments. However, two main regulatory changes have intervened: the reinforcement of prudential regulations, following the financial crisis and the adoption of the Basel III principles; and a notable change in the international fiscal policy, i.e. the lifting of the Swiss reservation to the OECD model tax convention on income and capital regarding exchange of information on tax matters. Switzerland is now progressively adapting its bilateral network of agreements to this new setting. A preliminary reflection on the ways to increase the transparency of the Over The Counter (OTC) derivative market has also been initiated. Liechtenstein is a much smaller and specialized financial services centre.

20. The telecommunications and the distribution sectors are both devoid of market and national treatment restriction in the GATS sense, but they remain concentrated by their nature and because of the relatively small size of the market. The postal sector has been liberalized in a manner following broadly the EU internal liberalization process. Transport policy is largely tied to the European context in view of Switzerland's central geographical position and its bilateral agreements on air transport and on land transport with the European Union. Reforms are ongoing to liberalize further the railways sector. Switzerland is pursuing a policy of construction of cross-alpine transit infrastructure and of intermodal transfer between road and rail through a specific tax. Tourism is open but has suffered from the strong Swiss franc and is being promoted at the high end of the spectrum.

21. From a trade policy perspective, agriculture remains the "Achilles heel" of the Swiss and Liechtenstein economies, despite its marginal contribution to GDP and employment. A few tariff

reduction initiatives have been carried out since the last TPR, but overall the high level of import protection in agriculture has been left largely untouched. Meat and dairy products, the backbone of Swiss-Liechtenstein agriculture, are the most tariff-protected products, with averages over 100% and peaks of up to 1,676%. The tariff-quota system remains highly complex with the 28 WTO tariff quotas being divided into 58 sub-quotas and aggregated with 80 bilateral preferential-tariff quotas. The Swiss milk-quota system was abolished in 2009, but surplus problems persist. A surplus removal campaign (compulsory milk levy) has drawn criticism from WTO Members. Export subsidies for basic agricultural products were eliminated in 2009, but remain in place for certain dairy products, flour, and other milled products that are incorporated into food products. These export subsidies partially compensate food manufacturers, for instance Swiss chocolate makers, for the high-tariff handicap of using certain domestic agricultural raw materials.

22. A new Agricultural Policy 2014-17 is currently pending before the Swiss Parliament. The core of the new policy is a re-arrangement and fine-tuning of the direct payments scheme (averaging SwF 50,000 per farmer) to improve its effectiveness and address conflicts with WTO Green Box criteria. While Switzerland's agricultural policy has been heading generally in the right direction, Swiss support and protection for agriculture is still almost three times the OECD average. The process of market-oriented reforms needs to be faster.

1 ECONOMIC ENVIRONMENT

1.1 Economic Environment

1.1.1 Major features of the economies

1.1. Landlocked countries in the heart of Europe, Switzerland and Liechtenstein have formed a customs and monetary union that has contributed to the high integration of their economies, with the former acting on behalf of the latter in monetary, agricultural, and much of trade (in goods) policies (Chapter 2). This partially explains some of the similarities in their economic strategies, including in areas such as manufacturing and services. Both countries are highly dependent on external trade (exports and imports) in goods and services, which represents almost 100% of GDP.

1.2. Switzerland and Liechtenstein are among the wealthiest countries in the world. In terms of gross national income (GNI) per capita, the World Bank ranked Switzerland seventh (US\$70,350) and Liechtenstein second (US\$136,540) in the world in 2011¹, with territory of 41,285 km² and 160 km², and populations of 7.9 million and 36,300², respectively. Switzerland ranked top in overall global competitiveness in 2012, for the fourth consecutive year.³

1.3. Services and manufacturing are the main sectors of the Swiss and Liechtenstein economies, with manufacturing largely specialized in high-technology/knowledge-based (i.e. capital-intensive) products, and driven by, *inter alia*, research and development (R&D). As a result, the demand for their products, notably pharmaceutical products and precision instruments, is relatively price inelastic in general, and their exports have been quite resilient to the global crisis (section 1.3). Nonetheless, manufacturing is less important for Switzerland at around 25% of GDP (Table 1.1) and around one fifth of total employment, than for Liechtenstein (39% of GDP and 41% of employment in 2010⁴).

1.4. The services sector is the main employer in both Switzerland (close to 72% of total employment) and Liechtenstein (56%); it contributes some 68% of GDP in Switzerland (Table 1.1), and 55% in Liechtenstein.⁵ Both are net exporters of services. Financial services represent an important branch of the sector and make a significant contribution to GDP in both countries. The worldwide continued confidence in the Swiss franc, supported by, *inter alia*, sound macroeconomic (including monetary) policies, socio-political stability, and strengthened by global crises, has contributed to the development of the subsector.

1.5. The economic importance of agriculture remains marginal, at around 0.8% of real GDP and 3.8% of total employment in Switzerland, and 0.8% of total employment in Liechtenstein⁶, despite high protection by various tariff and non-tariff measures (Chapters 3 and 4); overall government support by Switzerland represents 2.8 times the OECD average (Chapter 4.1.4). As a consequence, despite some reform efforts in the sector, domestic prices of agricultural and food products remain high by international comparison.

¹ Using Atlas methodology. Swiss GNI was ranked 14th at purchasing power parity (PPP); no data were available for Liechtenstein.

² Foreigners represented about 67% of Liechtenstein's workforce in 2011; almost half of the workforce lives abroad, mainly in neighbouring regions of Switzerland and Austria (Liechtenstein Office of Statistics. Viewed at: http://www.llv.li/pdf-llv-as-liechtenstein_in_figures_2012).

³ World Economic Forum (2012).

⁴ Liechtenstein Office of Statistics, "Liechtenstein in Figures, 2012". Viewed at: http://www.llv.li/pdf-llv-as-liechtenstein_in_figures_2012.

⁵ CIA World Factbook online information. Viewed at: <https://www.cia.gov/library/publications/the-world-factbook/geos/ls.html>; and "Economic and growth analysis for the Principality of Liechtenstein", 2012 (Konjunktur- und Wachstumsanalyse für das Fürstentum Liechtenstein). Viewed at: <http://www.kofl.li/dok/publikationen/KOFL%20Konjunkturbericht/2012/KOFL%20Konjunkturbericht%202012.pdf>.

⁶ Data on the share of agriculture in Liechtenstein's GDP are not available.

Table 1.1 Selected macroeconomic indicators, 2008-11

	Switzerland ^a		Liechtenstein ^a	
Area (km ²)	41,285		160	
Population ('000)	7,953		36	
GDP (US\$ billion)	661.3		5.1 ^b	
GNI per capita ("international" \$)	50,900		..	
	Switzerland			
	2008	2009	2010	2011
Miscellaneous				
Nominal GDP in SwF billion	567.9	554.4	574.3	586.8
Nominal GDP in US\$ billion	524.3	510.9	551.4	661.3
Real GDP growth rate (% , at 2005 prices)	2.2	-1.9	3.0	1.9
GDP per capita at current price (US\$)	68,079	65,614	70,062	83,161
Inflation (CPI, %age change)	2.4	-0.5	0.7	0.2
Unemployment rate (ILO-based), annual averages, %	3.4	4.3	4.5	4.0
National accounts	<i>(% of current GDP)</i>			
Consumption, total	66.8	69.7	68.8	68.5
Personal consumption	56.5	58.5	57.8	57.4
Government consumption	10.4	11.2	11.0	11.1
Gross private domestic investment	22.1	19.3	20.0	20.8
Fixed investment	21.3	19.9	20.0	20.4
Construction	8.6	9.0	9.1	9.3
Equipment and software	12.6	10.9	11.0	11.1
Changes in private inventories	0.6	-1.0	0.0	0.4
Net import of valuables	0.2	0.3	-0.1	0.0
Balance of trade (goods and services)	11.1	11.0	11.2	10.8
Exchange rate				
SwF/US\$ (annual average)	1.1	1.1	1.0	0.9
SwF/euro (annual average)	1.6	1.5	1.4	1.2
Nominal effective exchange rate, 24 countries, export weighted January 1999=100 ^c	108.9	113.8	121.6	137.0
Real effective exchange rate, 24 countries, export weighted, relative consumer prices January 1999=100)	98.8	102.3	108.2	119.0
	<i>(% of current GDP, unless otherwise indicated)</i>			
General government finance^d				
Receipts	33.1	33.7	32.8	33.2
Expenditure	31.3	33.2	32.7	32.9
Overall fiscal balance	1.8	0.5	0.2	0.4
Confederation	0.9	0.4	0.3	0.1
Cantons	0.6	0.4	0.3	-0.2
Communes	0.1	-0.1	-0.1	-0.1
Social security funds	0.3	-0.2	-0.3	0.5
Tax-to-GDP ratio				
General Government	28.1	28.7	28.0	28.5
Confederation	10.5	10.4	10.2	10.3
Cantons	6.8	7.0	6.8	6.9
Communes	4.3	4.4	4.3	4.3
Social security funds	6.5	6.9	6.7	7.0
Gross debt ratio ^e				
General Government	39.2	37.7	36.3	35.0
Confederation	21.4	20.0	19.1	18.7
Cantons	9.9	9.5	9.1	8.5
Communes	7.9	8.2	8.0	7.7
Saving and investment (% of GDP)^f				
Gross national savings	23.3	30.3	34.3	34.6
Gross national investment	21.2	19.3	19.2	19.8
GDP by economic activity at constant 2005 prices				
Agriculture, forestry and fishing	0.9	0.8	0.8	0.7
Mining and quarrying	0.1	0.2	0.2	0.1
Manufacturing	18.5	17.2	17.4	17.4
Energy and water supply, waste management	2.1	2.1	2.0	1.9
Construction	4.8	5.0	5.1	5.3

	Switzerland			
	2008	2009	2010	2011
Services, of which:	68.2	69.3	69.1	69.1
Trade, repair of motor vehicles and motorcycles	15.9	15.2	16.0	15.6
Public administration	9.2	9.8	9.7	9.7
Transportation and storage; Information and communication	7.6	7.7	7.8	8.0
Real estate activities, professional, scientific and technical activities; Administrative support service activities	8.2	8.8	8.6	8.7
Financial service activities	7.2	6.7	6.2	5.9
Activities of Households as employers	6.2	6.6	6.6	6.8
Health and social work activities	5.6	6.0	5.9	6.0
Taxes on products	6.2	6.2	6.1	6.1
Subsidies	0.5	0.5	0.5	0.5
External sector				
Current account, net	2.1	10.6	14.3	10.5
Goods, net	2.7	3.0	2.3	2.5
Special trade, net ^g	3.4	3.7	3.4	4.0
Receipts	36.3	32.6	33.7	33.7
Expenses	-32.9	-28.9	-30.3	-29.7
Other trade, net	-0.8	-0.7	-1.1	-1.6
Services, net	8.8	8.3	8.5	7.8
Labour and investment income, net	-6.9	1.7	5.6	2.3
Labour income, net	-2.3	-2.5	-2.9	-3.2
Investment income, net	-4.6	4.1	8.6	5.4
Current transfers, net	-2.5	-2.4	-2.2	-2.0
Capital transfers, net	-0.7	-0.7	-0.8	-0.2
Financial account, net	-1.6	-4.0	-18.5	-7.8
Total reserves (includes gold, current US\$ billion)	74.1	134.6	270.5	330.6
Total reserves in months of imports	2.3	5.0	8.7	8.6
Total external debt (in SwF billion) ^h	1,333	1,298	1,230	..

.. Not available.

a Data for 2011.

b Data for 2010.

c An increase means appreciation of the Swiss franc.

d Estimates for communes and general government in 2011.

e Reference to the Maastricht definition.

f Projection for year 2010.

g As of 2002, special trade has also included electrical energy. In addition, it covers processing of goods for foreign account, processing abroad for domestic account, and returned goods, all of which were included under other trade until 2001.

h The external debt needs to be compared with Switzerland's total foreign assets of SwF 3,252 billion (with net foreign assets of SwF 817 billion) in 2011, taking into account the size of its banking system and its position as a large international investment centre.

Source: State Secretariat for Economic Affairs (SECO) online information. Viewed at: <http://www.seco.admin.ch/themen/00374/00456/00458/index.html?lang=en>; *Monthly Statistical Bulletin*, August 2012. Viewed at: http://www.snb.ch/en/iabout/stat/statpub/statmon/stats/statmon/statmon_H1; Swiss National Bank, *Swiss Balance of Payments 2011*. Viewed at: <http://www.snb.ch/en/iabout/stat/statpub/bop/stats/bop>; Federal Statistical Office (FSO). Viewed at: www.bfs.admin.ch; IMF Country Report No. 12/106 May 2012 for data related to savings and investment; and World Bank, World Development Indicators.

1.6. Under the 1980 Monetary Union Arrangement with Liechtenstein, Switzerland formulates monetary policy for both countries and the Swiss franc (SwF) is also legal tender in Liechtenstein. The de jure exchange rate arrangement is free floating; the exchange rate of the Swiss franc is market determined. Nevertheless, in response to the franc's continued appreciation, the SNB has set a minimum exchange rate for the euro against the Swiss franc (section 1.2). The SNB has succeeded in keeping the minimum exchange rate set at SwF 1.20 per euro since 6 September 2011.

1.2 Recent Economic Developments

1.7. The economies of Switzerland and Liechtenstein had been marked by growth and increasing employment for a couple of years up until their last joint TPR in 2008. Since then, the two economies have gone through a period of overall growth (by 1.3% per year on average in the case of Switzerland), despite GDP contraction by 1.9% in Switzerland and 11% in Liechtenstein in 2009, due to the severe 2008/09 global financial crisis. Both economies started recovering quickly from the crisis. Indeed, after three quarters of economic decline, Switzerland and Liechtenstein experienced stronger than expected growth from mid-2009, driven largely by domestic demand, as well as by recovery in foreign trade⁷, supported by preferential access under new trade agreements (e.g. the agreement between Switzerland and Japan) and the free movement of persons in Europe. However, with the escalation of the sovereign debt crisis in the euro zone in spring 2010, their economic recovery lost momentum in 2011; Swiss annual GDP growth was 1.9% in 2011, down from 3.0% in the previous year.

1.8. The global financial crisis, followed by the European sovereign debt crisis has led to an increase in the demand for safe assets. As a result, the Swiss franc, which is regarded as a safe-haven currency by market participants, has appreciated substantially since the outbreak of the financial crisis. The decline in global (mainly European) demand, in combination with the appreciation of the Swiss franc, has negatively affected exports, and employment in export-oriented industries. Nonetheless, unemployment remains relatively low in Switzerland (Table 1.1), and Liechtenstein (with unemployment rates not above 3%).⁸ Between 2008 and 2011, labour productivity declined annually by 0.53%.⁹ This drop was mainly caused by the slump in the foreign trade sector in the course of the financial crisis. However, Switzerland's labour productivity has been slow compared with other OECD countries for many years¹⁰; and this has played its part in the slowdown of the Swiss economy and has limited real income increases.

1.9. As a result of the debt-brake rule implemented by the Swiss Confederation since 2003¹¹, substantial fiscal surpluses were recorded at the federal level over 2006-08. The surpluses allowed the implementation of economic stabilization measures in 2009/10, as well as the package of measures to mitigate the effects of the strong Swiss franc on the economy in 2011-12. The economic stabilization measures implemented over 2009-10 included expenditures on roads (SwF 158 million); rail (SwF 252 million); infrastructure (SwF 100 million); labour market measures (SwF 247 million); establishment of an export platform for SMEs (SwF 25 million); and early redistribution of revenue from the CO₂ tax (SwF 647 million).¹² With a view to mitigating the negative effects of a strong Swiss franc on the economy, a package of SwF 870 million featured, *inter alia*, short and medium-term measures on unemployment insurance (SwF 500 million), credit arrangements for hotels (SwF 100 million), compensation payments in the area of transportation (SwF 28.5 million), and export subsidies for processed agricultural products (SwF 10 million). The measures aim to, *inter alia*, offset any currency-related increase in the difference in raw material costs between Switzerland and the EU.¹³

1.10. The economic slowdown led to a downward trend in the overall fiscal surpluses from 1.8% of GDP in 2008 to 0.4% in 2011. The overall gross debt ratio to GDP also trended downwards, from 39.2% in 2008 to 35.0% in 2011, with the Confederation accounting for slightly more than

⁷ State Financial Statement 2011. Viewed at:

http://www.efv.admin.ch/e/downloads/finanzberichterstattung/rechnung/RG1_2011_e.pdf.

⁸ According to a new definition, unemployed persons are those who are registered at the Labour Market Service Division of the Office of Economic Affairs, who live in Liechtenstein, and who are able to take up employment within the next two weeks. Due to statistical recording difficulties, persons in longer-term further education and subject to a qualifying period are likewise counted as unemployed. See Liechtenstein Office of Statistics, "Liechtenstein in Figures, 2012". Viewed at: http://www.llv.li/pdf-llv-as-Liechtenstein_in_figures_2012.

⁹ SECO, Swiss Federal Economic Department (DFE) online information, "*Politique de croissance 2012-2015, Rapport du Conseil fédéral*". Viewed at:

<http://www.news.admin.ch/NSBSubscriber/message/attachments/27193.pdf>.

¹⁰ OECD Labour Force Statistics. Viewed at:

http://stats.oecd.org/Index.aspx?DatasetCode=LFS_SEXAGE_I_R.

¹¹ WTO (2009).

¹² State Financial Statement 2010. Viewed at:

http://www.efv.admin.ch/e/downloads/finanzberichterstattung/rechnung/RG1_2010_e.pdf.

¹³ State Financial Statement 2011. Viewed at:

http://www.efv.admin.ch/e/downloads/finanzberichterstattung/rechnung/RG1_2011_e.pdf.

50% (Table 1.1). At the federal level, planned expenditures on energy research and early retirement regulations for special categories of staff, as well as various tax proposals could result in significant receipt losses and/or additional annual expenses as from 2014. In order to prevent fiscal deficits¹⁴, and therefore an increase in gross debt, the Confederation is planning a fiscal consolidation programme amounting to some SwF 700 million per year over 2014-16.

1.11. A renewed fiscal equalization system has been in force since 2008 to reduce cantonal differences in financial capacity. It comprises a vertical redistribution from the Confederation to the 26 cantons, as well as a horizontal redistribution among the cantons. An assessment over 2008-11 found that it has, *inter alia*, strengthened cantonal financial autonomy and reduced disparities in financial resources among cantons.¹⁵

1.12. The current account of Liechtenstein's public budget showed a surplus of SwF 59 million in 2009, followed by deficits of SwF 30 million in 2010 and SwF 160 million in 2011¹⁶; larger deficits are expected for the coming years. The share of public revenue decreased from 23.5% of GDP in 2009 to 21.5% in 2010. In order to continue its policy of zero external debt and to reach overall budget surpluses by 2015, Liechtenstein is considering savings and tax measures.

1.13. According to the Federal Act on the Swiss National Bank¹⁷, the SNB shall pursue a monetary policy that ensures price stability while taking due account of the development of the economy. The SNB defines price stability as a rise of less than 2% per annum in the national consumer price index. Continued appreciation of the Swiss franc and the slowdown of the real economy have exerted downward pressure on consumer prices, with the CPI falling by 0.5% in 2009 from its 2008 level, then growing by 0.7% in 2010 and 0.2% in 2011.

1.14. Monetary policy decisions are based on inflation forecasts over a three-year period; the policy aims to ensure price stability in the medium and long term, while allowing short-term fluctuations. The SNB implements monetary policy by setting a target band for the three-month Swiss franc Libor (in general, a spread of one percentage point), and announces an intended level for the Libor within this band. It steers the three-month Libor by influencing money market conditions through, *inter alia*, liquidity-providing and liquidity-absorbing operations.

1.15. During the period under review, the SNB pursued an expansionary monetary policy and significantly increased the supply of liquidity to the money market. In December 2008, the lower bound of target range for three-month Swiss franc Libor attained zero. The SNB further narrowed the target range to 0.0-0.75% in March 2009 and to 0.0-0.25% in August 2011. Furthermore, to alleviate pressures on the money markets, the SNB continued, along with other central banks, the euro/Swiss franc swap operations, which started in 2008, until January 2010. In order to forcefully relax monetary conditions, the SNB declared in March 2009 its intention to prevent any further appreciation of the Swiss franc against the euro. Foreign exchange interventions were temporarily discontinued in June 2010. In response to the strong appreciation of the Swiss franc over the following year, the SNB eventually set a minimum exchange rate of SwF 1.20 per euro in September 2011, committing to unlimited purchases of foreign currencies, if needed. As a consequence, the foreign currency reserves at the SNB expanded almost tenfold from SwF 46.5 billion in February 2009 to SwF 429.9 billion in 2012.¹⁸

1.3 Developments in Trade and Investment

1.16. Trade is an important driving force of the Swiss and Liechtenstein economies, with their GDP shares of trade in goods and services exceeding 100%. Given their degree of dependence on trade, both countries remain sensitive to developments in global demand and to a certain extent to exchange rates.

1.17. Switzerland's current account has been traditionally in surplus driven mainly by trade in services (financial services in particular), followed by investment income; since 2002, despite low global demand and strong appreciation of the Swiss franc, significant merchandise trade surpluses

¹⁴ Swiss Federal Department of Economic Affairs online information. Viewed at: <http://www.news.admin.ch/NSBSubscriber/message/attachments/27405.pdf>.

¹⁵ Viewed at: http://www.efv.admin.ch/e/dokumentation/finanzpolitik_grundlagen/finanzausgleich.php.

¹⁶ Liechtenstein Office of Statistics (2012).

¹⁷ RS 951.11.

¹⁸ Swiss National Bank (2012c).

have also played a key role. Nevertheless, the current account surplus fell significantly in 2008 due largely to the impact of the global financial crisis. In particular, the traditional surplus in investment income turned into deficit in 2008 due to the heavy losses by banks' foreign subsidiaries, largely as a result of the significant fall in the income from financial services and from direct investment (Table 1.2).¹⁹

Table 1.2 Balance of payments^a, 2007-11

(SwF billion)

	2007	2008	2009	2010	2011
Current account, net	46.6	11.8	58.4	82.0	49.2
Goods, net	9.4	15.1	16.4	13.2	14.4
Receipts	207.0	217.0	188.3	204.1	208.7
Expenses	-197.7	-201.9	-171.9	-190.9	-194.3
Special trade, net ^b	14.0	19.4	20.3	19.5	23.5
Receipts	197.5	206.3	180.5	193.5	197.9
Expenses	-183.6	-186.9	-160.2	-174.0	-174.4
Other trade, net	-4.6	-4.3	-3.9	-6.3	-9.1
Receipts	9.5	10.7	7.8	10.6	10.8
Expenses	-14.1	-15.0	-11.7	-16.9	-19.9
Services, net	45.5	50.2	45.9	49.1	45.6
Receipts	79.0	83.6	83.0	87.1	85.6
Expenses	-33.5	-33.4	-37.0	-38.0	-40.1
Tourism, net	2.5	3.8	3.5	3.9	3.2
Receipts	14.6	15.6	15.4	15.6	15.6
Expenses	-12.1	-11.8	-11.8	-11.6	-12.4
Bank financial services, net	21.0	18.5	15.7	14.7	13.4
Receipts	23.2	20.8	17.8	16.5	15.1
Expenses	-2.1	-2.3	-2.1	-1.8	-1.7
Other services, net	22.0	27.9	26.7	30.4	29.0
Labour and investment income, net	3.1	-39.4	9.3	32.4	1.0
Labour income, net	-12.5	-13.2	-13.6	-16.9	-18.5
Receipts	2.2	2.4	2.5	2.6	2.6
Expenses	-14.7	-15.6	-16.2	-19.5	-21.1
Investment income, net	15.6	-26.2	22.8	49.2	19.5
Receipts	144.6	89.5	96.8	120.0	89.4
Portfolio investment	37.1	35.6	28.9	30.0	29.2
Direct investment	55.2	7.1	52.4	75.3	44.1
Other investment	52.3	46.8	15.6	14.7	16.1
Expenses	-128.9	-115.7	-74.0	-70.7	-69.9
Portfolio investment	-20.5	-21.4	-15.9	-17.9	-19.8
Direct investment	-54.1	-46.2	-39.7	-37.5	-35.6
Other investment	-54.3	-48.1	-18.4	-15.3	-14.5
Current transfers, net	-11.4	-14.1	-13.1	-12.6	-11.7
Capital transfers, net	-5.0	-3.8	-3.8	-4.6	-1.4
Financial account, net	-57.4	-9.0	-21.7	-105.4	-42.8
Direct investment, net	-22.3	-32.7	2.5	-48.7	-31.5
Swiss direct investment abroad	-61.2	-49.1	-28.7	-82.7	-42.0
Equity capital	-46.5	-48.6	-8.4	-22.1	-7.8
Reinvested earnings	-6.3	25.9	-27.6	-36.0	-8.2
Other capital	-8.5	-26.4	7.3	-24.5	-26.0
Foreign direct investment in Switzerland	38.9	16.4	31.4	33.9	10.5
Equity capital	12.5	-0.9	19.9	8.2	1.0
Reinvested earnings	36.1	-1.4	26.0	10.6	13.6
Other capital	-9.7	18.6	-14.5	15.1	-4.1
Portfolio investment, net	-23.3	-38.5	-32.1	31.0	-16.9

¹⁹ Swiss National Bank (2009).

	2007	2008	2009	2010	2011
Swiss portfolio investment abroad	-25.0	-71.3	-40.3	7.9	3.0
Debt securities	-18.7	-67.4	-38.4	14.2	3.4
Bonds and notes	-33.8	-70.7	-45.2	-5.1	5.8
Money market instruments	15.1	3.3	6.8	19.2	-2.4
Equity securities	-6.3	-4.0	-2.0	-6.3	-0.4
Foreign portfolio investment in Switzerland	1.7	32.8	8.3	23.1	-20.0
Debt securities	1.1	6.0	-2.2	30.2	-26.2
Bonds and notes	-0.6	5.3	0.0	0.6	-4.3
Money market instruments	1.7	0.6	-2.3	29.7	-21.9
Equity securities	0.6	26.9	10.5	-7.1	6.2
Derivatives and structured products, net	-12.8	7.4	2.5	1.3	4.2
Other investment, net	5.0	59.0	51.9	48.9	44.2
Commercial bank lending, net	5.7	62.8	43.2	13.6	49.1
Claims abroad	-290.9	362.8	53.8	14.9	-5.9
Claims against banks	-241.5	336.6	32.1	30.5	-2.3
Other claims	-49.4	26.1	21.7	-15.6	-3.6
Liabilities abroad	296.6	-299.9	-10.6	-1.3	54.9
Liabilities towards banks	292.3	-346.1	-119.4	-13.6	20.6
Other liabilities	4.3	46.2	108.7	12.3	34.3
Corporate lending, net ^c	6.6	-12.3	-5.2	-4.0	9.9
Claims abroad	-40.4	3.0	-8.0	-14.5	5.8
Liabilities abroad	47.0	-15.3	2.8	10.5	4.1
Government lending, net	3.1	5.4	0.0	0.1	-0.7
Swiss National Bank lending, net	0.0	-35.1	17.9	30.6	-9.0
Other claims and liabilities abroad, net	-10.3	38.2	-4.0	8.5	-5.0
Reserve assets, total	-4.1	-4.1	-46.8	-137.8	-42.6
Net errors and omissions	15.9	0.9	-33.0	28.1	-5.0

- a The minus sign (-) indicates a surplus of imports over exports in the current account, and an export of capital in the other items.
- b As of 2002, special trade has also included electrical energy. In addition, it covers processing of goods for foreign account, processing abroad for domestic account and returned goods, all of which, until 2001, were included under other trade.
- c Intragroup lending is shown under direct investment.

Source: Swiss National Bank (2012), *Swiss Balance of Payments 2011*. Viewed at: <http://www.snb.ch/en/about/stat/statpub/bop/stats/bop>.

1.3.1 Trade in goods and services

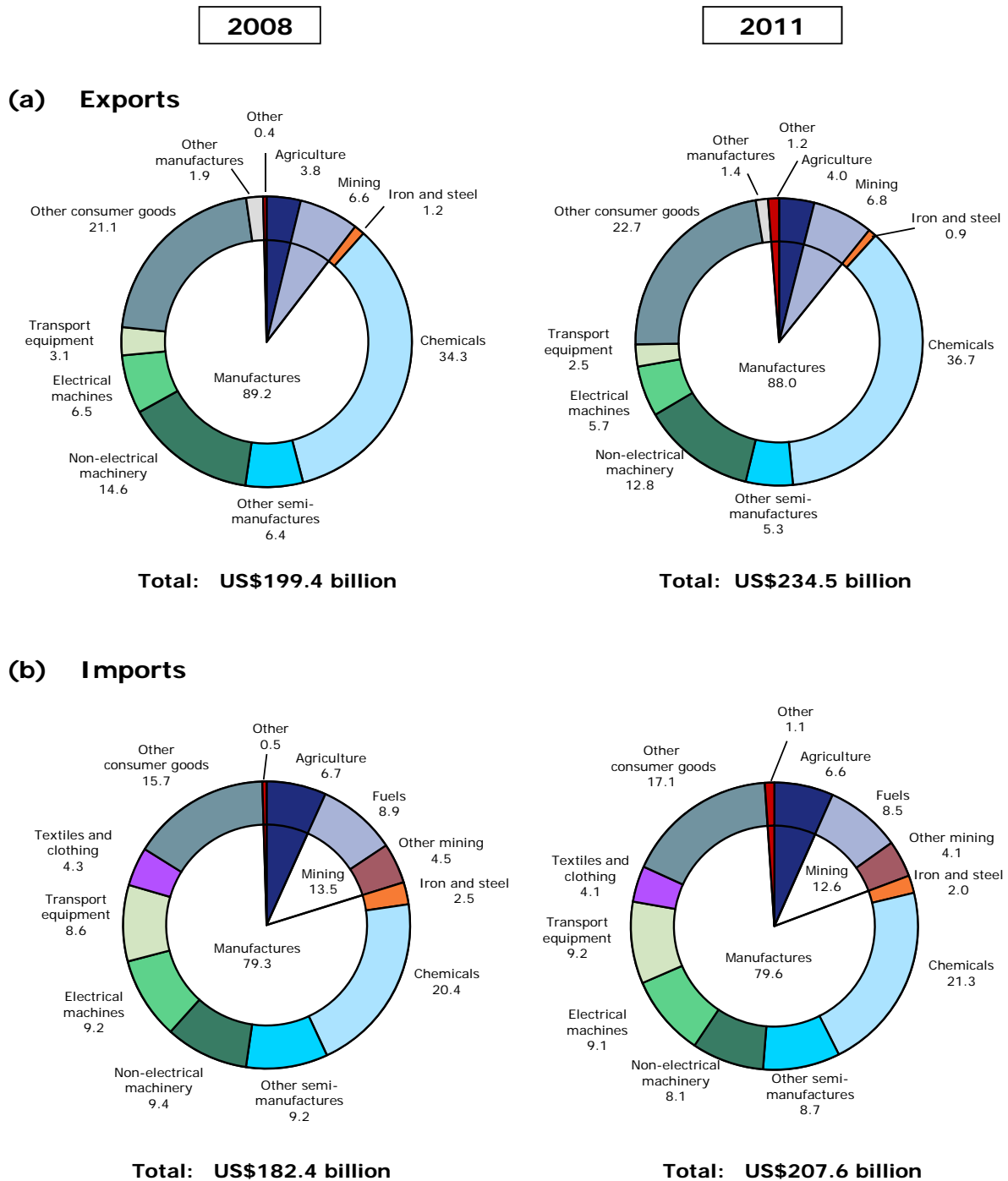
1.3.1.1 Switzerland

1.18. During the period under review, the total value of merchandise imports decreased by 3.8% when measured in SwF but increased by 13.9% when measured in U.S. dollars. This is due to the strong appreciation of the Swiss franc against major currencies, including the U.S. dollar (Table 1.1). Imports are dominated by manufactures, which account for around 80% of the total value. The shares of individual product categories changed little during the period; machinery and transport equipment continue to be the main import items, followed by chemicals. Imports of energy products remain significant, due mainly to higher prices.

1.19. Switzerland is a net food importer. Imports of agricultural goods have been contained by various trade policy measures (Chapter 4.1), and the share of these products in total imports did not change significantly during the period under review. Imports of "other consumer goods" increased by 24.6% (in U.S. dollars) between 2008 and 2011, while those of "chemicals" grew by 19.0%, and "machinery and transport equipment" by 10.8% (Tables A1.1 and Chart 1.1).

Chart 1.1 Composition of merchandise trade, 2008 and 2011

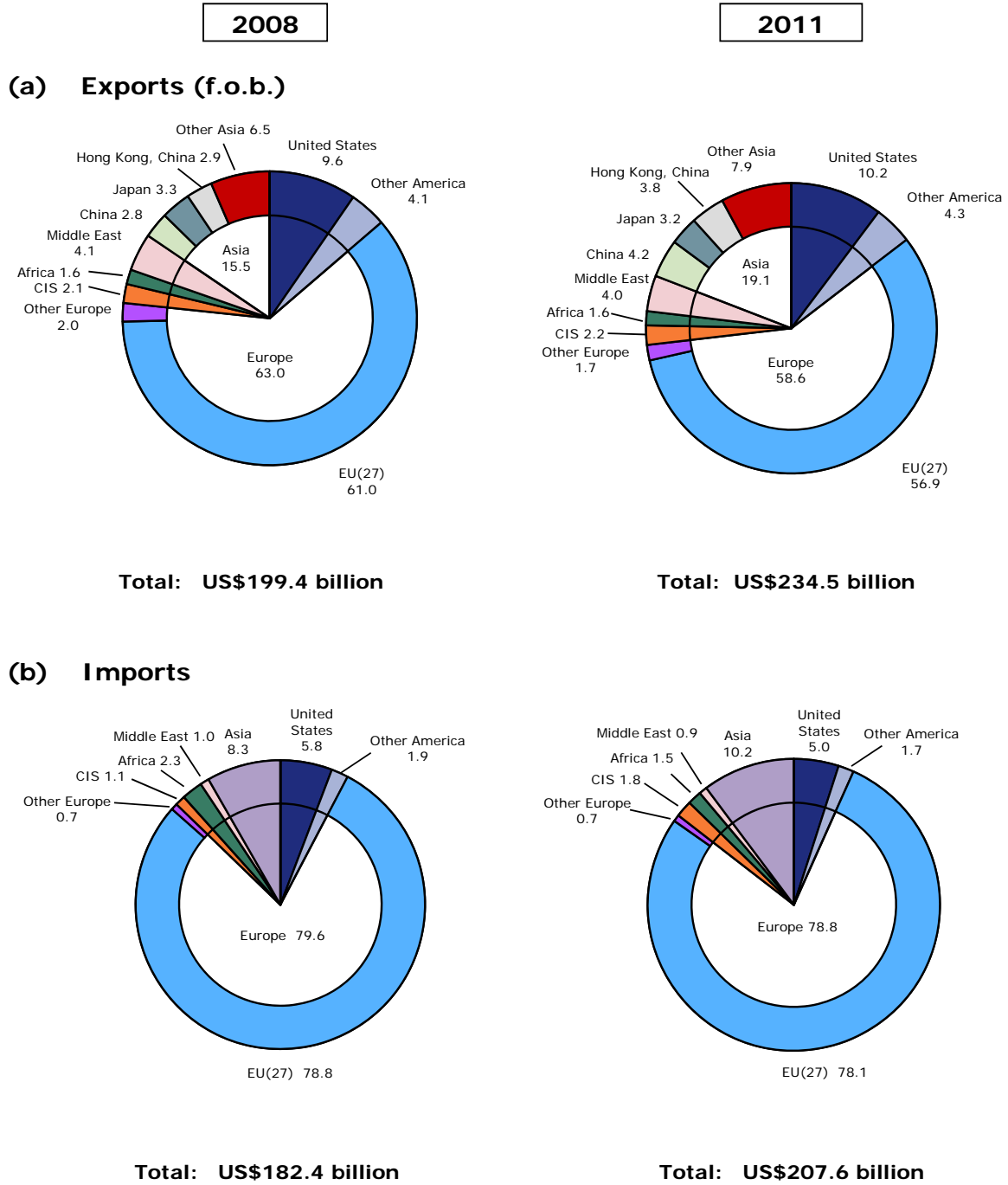
Per cent



Source: WTO Secretariat estimates, based on information provided by Swiss government.

Chart 1.2 Direction of merchandise trade, 2008 and 2011

Per cent



Source: WTO Secretariat estimates, based on information provided by Swiss government.

1.20. Due mainly to the fall in global demand (mainly in 2009), merchandise exports decreased by 3.8% (in SwF) between 2008 and 2011; however, in U.S. dollars, they increased by 17.6%. Manufactured products represent the bulk of merchandise exports (almost 90%) from Switzerland (Table A1.2 and Chart 1.1). Chemical products (notably pharmaceutical products) continue to be the main export, followed by machinery and electronics (mainly industrial machinery). Over the review period, the share of watches and precision instruments grew steadily after having declined slightly in 2009. The share of agricultural products increased to around 4% of total exports.

1.21. Exports of products for which demand is of relatively low price elasticity, notably pharmaceutical goods and precision instruments, registered a 1.4% decline (in U.S. dollars) in 2009, but started to recover in 2010. During the review period, exports of "other consumer goods" grew by 26.2% (in U.S. dollars), and those of chemicals by 25.8%, while those of "machinery and transport equipment" grew by only 1.7%.

1.22. The European Union (EU) remains by far Switzerland's largest supplier of merchandise (around 80% of total imports), and the major destination for its exports (around 60% of total exports) (Tables A1.3 and A1.4; and Chart 1.2). Within the EU, Germany is the main supplier and the main destination; the shares of the two other EFTA members remain low; and the United States is the main non-European trading partner.

1.23. Some changes have taken place regarding the export destinations of Swiss products. The EU's share decreased from 61.0% in 2008 to 56.9% in 2011; this was mitigated by an increase in exports to Asia (mainly China) as well as to the Middle East and Russia, reflecting the continued geographical diversification of Swiss exports (Table A1.4 and Chart 1.2). Asia's share as both import origin and export destination for Switzerland has increased since 2008. In general, the destinations for Swiss merchandise exports are more diversified than the sources of its imports.

1.24. Switzerland has traditionally been a net exporter of services (Table 1.2). Receipts from bank financial services, which made up nearly one third of total receipts from services at the time of the last TPR, decreased significantly, from SwF 20.8 billion in 2008 to SwF 15.1 billion in 2011. The global downturn, along with a stronger Swiss franc, also resulted in stagnation in receipts from tourism and a slight decline in its share of the total. However, there was a significant rise in receipts from merchanting²⁰, which replaced financial services as the most important export category. Technological services accounted for a large share of total service expenses, which have grown significantly since 2008, especially licence and patent fees, and replaced tourism expenses as the most important import category.²¹

1.3.1.2 Liechtenstein

1.25. Liechtenstein's direct exports and direct imports (i.e. excluding trade with Switzerland) reached SwF 3.3 billion and SwF 2.0 billion, respectively, in 2011. Liechtenstein runs direct merchandise trade surpluses. However, in addition to direct imports, Liechtenstein imports (e.g. automobiles) indirectly from third countries via Switzerland. The EU is Liechtenstein's main supplier of direct imports, and largest destination for direct exports. Its main single sources and destinations are Switzerland, Germany, and the United States.

1.26. Like Switzerland, Liechtenstein experienced a sharp drop in exports at the beginning of 2009, but the fall in its direct exports was much steeper (down by 35% from the second quarter of 2008), as its export destinations are less diversified than Switzerland's. Since then, Liechtenstein's direct exports have recovered (Table 1.3).

²⁰ A company engages in merchanting when it purchases goods from a supplier abroad and sells them to a buyer abroad without the goods entering or leaving the domestic economy. Because merchanting is common in commodity trading, merchanting and commodity trading are often used as synonyms (Swiss National Bank, 2012b).

²¹ Swiss National Bank (2012b).

Table 1.3 Liechtenstein's direct imports and exports, 2007-11

Year	Direct imports (million SwF)	Percentage change	Direct exports (million SwF)	Percentage change
2007	2,416	11.7%	4,182	16.0%
2008	2,461	1.8%	4,245	1.5%
2009	1,924	-21.8%	3,081	-27.4%
2010	1,882	-2.2%	3,325	7.9%
2011	1,965	4.4%	3,329	0.1%

Note: Excluding trade with Switzerland.

Source: Liechtenstein authorities.

1.3.2 Investment

1.27. The high living standards, highly skilled labour force, flexible labour laws, reliable infrastructure, as well as relatively low levels of taxation, are considered to make Switzerland one of the most attractive locations for foreign direct investment (FDI) in the world.²² Despite the high levels of wages and input prices, these conditions have made Switzerland a main destination for FDI in the services sector as well as in high-technology manufacturing branches such as advanced electronics, pharmaceuticals, and medical engineering. Liechtenstein benefits from similar advantages. Nevertheless, the small size of the two countries and their high production costs have somewhat limited investment opportunities and contributed to maintaining gross fixed capital formation at relatively low levels (around 20% of GDP for Switzerland since 1996).

1.28. Inward FDI in Switzerland fluctuated considerably during the period under review (Table 1.2). After a decline in 2008, during the global crisis, it rose in 2009 and 2010, before weakening significantly in 2011. Trade and finance and holding companies received the bulk of these investments, while metals and machinery registered disinvestment.²³ The stock of FDI has been on an upward trend over the period under review (Table 1.4).

1.29. According to the SNB, the low FDI inflows in Switzerland in 2011 were partly due to intragroup lending (foreign companies financing their Swiss subsidiaries), with outflows of SwF 4 billion in 2011 compared with inflows of SwF 15 billion in 2010; purchases and capital increases in equity capital amounted to SwF 1 billion in 2011, compared with SwF 8 billion in 2010.²⁴

1.30. The EU is a major source of FDI in Switzerland (Table 1.4). The United States, the largest single source of FDI in Switzerland in 2008, divested SwF 36.1 billion in 2009 (Table 1.4).

1.31. Switzerland remains a net FDI source, although, in 2009, inward FDI in Switzerland slightly exceeded Swiss direct investment abroad (Table 1.4). The earnings situations of Swiss companies has a significant influence on investment behaviour; Swiss corporate investment activities declined significantly as a result of the financial crisis, in particular the losses recorded by banks and insurance companies.²⁵ Outward FDI decreased somewhat between 2007 and 2009, and rose significantly in 2010, due mainly to higher investment by finance and holding companies. In 2011, FDI declined again, due mainly to foreign-controlled finance and holding companies' withdrawals from their subsidiaries abroad.²⁶

1.32. The major destinations for outward FDI from Switzerland are the EU and North America, whose combined share is usually between two thirds and three quarters of the total. Asia has become an increasingly important destination, with capital outflows to the region amounting to SwF 8.2 billion in 2009 and SwF 16.6 billion in 2011.²⁷ Switzerland has also invested in the

²² OECD online information, "FDI Performance and Potential Rankings". Viewed at: <http://www.oecd.org/investment/globalforum/44246319.pdf>.

²³ Swiss National Bank (2012a).

²⁴ Swiss National Bank (2012a).

²⁵ Swiss National Bank (2012a).

²⁶ Swiss National Bank (2012a).

²⁷ Swiss National Bank (2012a).

offshore financial centres of Central and South America (the most important being Bermuda and the Cayman Islands).²⁸

Table 1.4 Foreign direct investment, 2008-11

(SwF billion)

	Capital flows				Capital stock at year-end (book value)			
	2008	2009	2010	2011	2008	2009	2010	2011
FDI in Switzerland^a	16.5	31.4	33.9	10.5	476.0	514.8	580.4	606.8
By country of origin								
Europe	-9.6	79.4	13.5	-3.8	348.0	444.9	488.1	503.8
EU ^b	-8.4	78.6	13.6	-9.1	344.2	434.0	478.7	465.0
Netherlands	-16.2	34.4	2.6	3.2	98.8	124.3	148.0	150.5
Luxembourg	4.0	23.4	11.0	-4.1	66.7	107.7	128.4	118.3
Austria	7.5	7.1	1.6	2.5	67.7	75.6	66.0	68.1
France	-2.9	3.8	3.7	-5.0	34.2	39.4	41.2	32.4
Germany	0.2	1.3	-3.4	1.2	33.0	33.6	29.5	28.9
United Kingdom	-3.9	6.7	-0.5	-10.6	10.0	14.6	14.7	12.3
Other European countries	-1.2	0.8	-0.1	5.3	3.8	10.9	9.4	38.8
North America	21.2	-36.3	-2.0	-1.2	105.3	71.0	72.3	69.5
Canada	-0.7	-0.1	0.0	0.0	0.2	0.1	0.2	0.2
United States	21.8	-36.1	-2.0	-1.2	105.1	70.9	72.1	69.3
Central and South America	5.1	-11.0	21.6	4.0	17.1	-6.0	13.6	17.7
Offshore financial centres ^c	5.1	-7.1	7.4	-1.0	35.6	16.4	22.4	21.3
Asia, Africa and Oceania	-0.2	-0.7	0.9	11.5	5.6	4.9	6.4	15.8
Israel	0.0	0.0	0.0	1.3	1.0	1.1	1.3	2.4
Japan	-0.5	0.1	0.2	2.2	0.6	0.6	0.8	2.0
By economic activity^d								
Manufacturing	2.5	9.5	-1.1	-6.3	72.7	83.0	81.7	79.1
Chemicals and plastics	0.9	2.9	2.4	2.2	33.9	37.6	38.9	38.8
Metals and machinery	1.0	0.8	-0.3	-7.7	9.8	10.6	10.2	10.3
Electronics, energy, optical and watchmaking	-0.7	4.0	-1.6	-0.6	20.9	23.5	22.5	22.4
Other manufacturing and construction	1.2	1.9	-1.6	-0.2	8.0	11.3	10.2	7.5
Services	14.0	21.9	35.0	16.8	403.3	431.8	498.7	527.7
Trade	-5.3	4.1	10.9	10.7	45.2	54.5	71.9	105.0
Finance and holding companies	14.7	15.8	22.4	7.5	273.8	291.8	342.8	340.8
Banks	2.5	2.3	0.3	0.0	38.3	39.0	34.4	33.6
Insurance companies	1.3	1.3	1.3	-1.4	20.9	22.8	26.3	23.5
Transportation and communications	-0.2	-0.5	0.0	0.3	12.3	12.0	12.0	14.9
Other services	1.0	-1.1	0.2	-0.4	12.9	11.8	11.4	9.9
Swiss direct investment abroad^e	49.1	28.7	82.7	42.0	769.9	891.3	970.4	1,000.3
By country of destination								
Europe	26.7	4.9	22.1	3.1	383.4	442.3	463.8	458.0
EU ^b	16.2	9.7	20.1	5.4	323.4	383.5	405.6	404.4
Luxembourg	14.7	-4.9	0.0	-2.2	27.7	72.5	77.5	78.7
United Kingdom	-11.7	5.9	7.3	-2.3	65.5	78.7	78.1	69.5
Germany	5.4	4.4	3.1	3.9	55.5	59.3	55.8	54.7
Netherlands	4.6	6.1	3.6	-1.1	34.4	40.6	54.6	52.8
France	3.1	-0.1	4.3	0.7	35.6	32.2	34.3	37.9
Other European countries	10.5	-4.8	2.0	-2.3	60.0	58.8	58.2	53.7

²⁸ Anguilla, Bahamas, Barbados, Bermuda, Virgin Islands (British), Curaçao, Cayman Islands, Montserrat, Panama, St Kitts and Nevis, Sint Maarten; as of 2000, including Virgin Islands (US), Antigua and Barbuda, Belize, Dominica, Grenada, Saint Lucia, St Vincent and the Grenadines, Turks and Caicos Islands; as of 2011, including Aruba, excluding Bonaire, Sint Eustatius and Saba, Jamaica (Swiss National Bank, 2012b).

	Capital flows				Capital stock at year-end (book value)			
	2008	2009	2010	2011	2008	2009	2010	2011
North America	26.4	8.6	23.0	11.7	174.5	196.2	209.4	229.3
Canada	-2.7	3.3	-1.0	0.2	29.5	34.3	31.9	31.8
United States	29.0	5.3	24.0	11.5	145.0	162.0	177.5	197.6
Central and South America	-10.6	6.2	28.0	4.9	114.8	148.2	178.4	182.7
Brazil	0.8	0.2	8.3	1.1	12.4	15.5	23.4	22.7
Offshore financial centres ^f	-13.5	4.5	15.8	0.9	90.9	114.9	134.7	136.7
Asia	-0.2	8.2	8.7	16.6	66.1	79.4	88.7	97.5
Singapore	-16.4	1.5	2.4	2.1	8.3	12.8	17.0	19.3
Japan	1.4	1.9	0.3	2.9	14.9	15.4	14.3	15.0
China	1.4	1.2	1.8	5.3	6.6	7.5	8.5	13.1
Africa	3.8	0.9	1.6	1.1	13.9	9.9	11.6	10.4
Oceania	3.0	-0.2	-0.7	4.6	17.1	15.2	18.4	22.4
By economic activity^d								
Manufacturing	28.3	10.5	7.2	19.8	312.2	316.3	299.6	314.3
Textiles and clothing	0.0	-3.1	-7.1	0.1	18.6	17.6	8.9	9.7
Chemicals and plastics	6.0	1.6	-1.8	16.8	125.1	125.9	112.4	132.9
Metals and machinery	4.2	0.4	-0.4	-8.3	49.7	50.1	45.6	36.8
Electronics, energy, optical and watchmaking	9.1	6.4	9.4	5.0	36.6	40.7	49.2	52.4
Other manufacturing and construction	9.0	5.3	7.2	6.2	82.1	82.0	83.4	82.5
Services	20.8	18.2	75.4	22.2	457.6	575.0	670.9	686.0
Trade	6.4	11.6	13.1	6.7	30.9	52.5	66.9	70.1
Finance and holding companies	20.7	-5.7	42.4	1.0	227.0	301.4	385.2	385.0
Banks	1.1	3.3	4.5	1.4	80.0	82.9	74.7	75.1
Insurance companies	-8.0	6.4	13.3	11.7	96.9	116.1	119.4	132.2
Transportation and communications	1.0	0.2	0.5	0.8	11.9	12.0	11.7	10.1
Other services	-0.4	2.4	1.6	0.7	11.1	10.2	13.0	13.5

a The minus sign (-) indicates an outflow of capital from Switzerland (disinvestment).

b As of 2007, EU 27.

c Virgin Islands (US), Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, Virgin Islands (British), Curaçao, Dominica, Grenada, Cayman Islands, Montserrat, Panama, St Kitts and Nevis, St Lucia, Sint Maarten, St Vincent and the Grenadines, Turks and Caicos Islands; as of 2011, including Aruba, excluding Bonaire, Sint Eustatius and Saba, Jamaica.

d The breakdown by sector and by economic activity refers to the company's core business in Switzerland.

e The minus sign (-) indicates a return flow of capital into Switzerland (disinvestment).

f Anguilla, Bahamas, Barbados, Bermuda, Virgin Islands (British), Curaçao, Cayman Islands, Montserrat, Panama, St Kitts and Nevis, Sint Maarten; as of 2000, including Virgin Islands (US), Antigua and Barbuda, Belize, Dominica, Grenada, Saint Lucia, St Vincent and the Grenadines, Turks and Caicos Islands; as of 2011, including Aruba, excluding Bonaire, Sint Eustatius and Saba, Jamaica.

Note: Since 2006, Liechtenstein has been included in the Swiss statistics on direct investment. Previously, direct investments relating to companies whose head offices were located in Liechtenstein were included in the statistics only if their parent company's head office was located in Switzerland. The direct investment survey now includes companies in Liechtenstein.

Source: Swiss National Bank (2012), *Direct Investment 2011*. Viewed at: <http://www.snb.ch/en/i/about/stat/statpub/fdi/stats/fdi>.

1.33. Swiss companies have invested abroad in, *inter alia*, insurance companies, trade, chemicals and plastics, and other manufacturing industries and construction; investment activity varies greatly among different industries.²⁹ At SwF 19.8 billion, manufacturing invested significantly more abroad in 2011 after a significant decline in the previous two years. Direct investment by the services sector generally declined during the period under review, except in 2010. In particular,

²⁹ Swiss National Bank (2012a).

finance and holding companies registered a sharp decline in outward direct investment in 2011 (Table 1.4).

1.34. Since 2006, Swiss FDI data have also included Liechtenstein; no separate data are available.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework¹

2.1. Switzerland is a federal republic with a system of direct democracy in which the people are sovereign. Liechtenstein is a constitutional hereditary monarchy, based on a democratic² and parliamentary system, in which power is shared by the Reigning Prince and the people.

2.2. The constitutional foundations of Swiss foreign economic law are found in Articles 54 and 101 of the Constitution. Article 54 gives the Confederation comprehensive powers in the area of foreign affairs, and forms the basis for the foreign economic law derived from international treaties. Under Article 101, the Confederation must safeguard the interests of the Swiss economy, which also involves promotional measures (Export Promotion Act). Moreover, Article 101 forms a partial basis for the guarantee relating to export and investment risks and for the legislation on technical barriers to trade.

2.3. In the case of Liechtenstein, trade-related articles in the Constitution include Articles 20 and 22. Article 20 states that the State shall promote and support agriculture, the cultivation of the Alps, trade and industry, and that it shall pay special attention to the design of a transportation infrastructure conforming to modern requirements. Article 22 stipulates the sovereignty of the State over hunting, fishing, and mining and instructs the State, when enacting laws in these sectors, to protect the interests of agriculture and communal revenues.

2.4. In Switzerland, the State Secretariat for Economic Affairs (SECO), under the Federal Department of Economic Affairs, Education and Research is responsible for overall economic policy, including the formulation and implementation of trade policy (Table 2.1). SECO also helps to ensure access to all markets for Swiss goods, services, and investment. On the national level, SECO acts as an interface between business, trade unions, NGOs, and Government. SECO is also involved in efforts to reduce poverty in developing countries in the form of economic development cooperation. Switzerland's relations with the European Union are coordinated by the Directorate for European Affairs (DEA) of the Federal Department of Foreign Affairs (FDFA).³

Table 2.1 Main trade-related laws and regulations, 2012

Legislation	Entry into force/ latest amendment	Reference
Switzerland		
Federal laws on intellectual property and protection of data, 1931-01 ^a	1932-2002/2011	Laws in the series RS 23
Ordinances on animal husbandry, 1984-11 ^a	1985-2012/2011	Ordinances in the series RS 916.3
Federal Law on government procurement of 16 December 1994 ^a	1 January 1996/2012	RS 172.056.1
Federal Law against unfair competition of 19 December 1986	1 March 1988/2012	RS 241
Federal Law on cartels and other impediments to competition of 6 October 1995	1 February 1996/2008	RS 251
Federal Law on the protection of animals of 16 December 2005 ^a	1 September 2008/2010	RS 455
Federal Law on war material of 13 December 1996 ^a	1 April 1998/2009	RS 514.51
Federal Law on national economic supply of 8 October 1982 ^a	1 September 1983/2007	RS 531
Customs Law of 18 March 2005 ^a	1 May 2007/2011	RS 631.0
Federal Law on customs tariffs of 9 October 1986 ^a	1 January 1988/2011	RS 632.10
Federal law on stamp duty of 27 June 1973 ^a	1 July 1974/2006	RS 641.10
Federal Law regulating value-added tax of 12 June 2009 ^a	1 January 2010/2011	RS 641.20
Federal laws on taxation of tobacco, beer, alcohol, motor vehicles, and mineral oils, 1932-06 ^a	1933-2007/2011	RS 641.31; 641.411; 680; 641.51; and 641.61

¹ See WTO document WT/TPR/S/208/Rev.1, for a detailed presentation of the constitutional and institutional framework for trade policy in Switzerland and Liechtenstein.

² The people of Liechtenstein enjoy direct democracy rights.

³ As from 1 January 2013, the Integration Office is an Office of the FDFA.

Legislation	Entry into force/ latest amendment	Reference
Federal Law on medicinal products and medical devices of 15 December 2000 ^a	1 January 2002/2008	RS 812.21
Federal Law on protection against hazardous substances and preparations of 15 December 2000 ^a	1 January 2005/2005	RS 813.1
Federal Law on agriculture of 29 April 1998 ^a	1 January 1999/2011	RS 910.1
General ordinance on imports of agricultural products of 26 October 2011 ^a	1 January 2012/2012	RS 916.01
Ordinance on the import and export of vegetables, fruit, and horticultural plants of 7 December 1998 ^a	1 January 1999/2011	RS 916.121.10
Federal Law on hunting and the protection of wild mammals and birds of 20 June 1986 ^a	1 April 1988/2008	RS 922.0
Law on price surveillance of 20 December 1985	1 July 1986/2005	RS 942.20
Ordinance on notification of prices of 11 December 1978	1 January 1979/2011	RS 942.211
Federal Law on the internal market of 6 October 1995	1 July 1996/2005	RS 943.02
Federal Law on consumer information of 5 October 1990	1 May 1992/2000	RS 944.0
Federal Law on Swiss insurance against export risks of 16 December 2005	1 June 2006/2007	RS 946.10
Federal Law on export promotion of 6 October 2000	1 March 2001/2005	RS 946.14
Federal Law on external economic measures of 25 June 1982 ^a	1 January 1983/2005	RS 946.201
Federal Law on the application of international sanctions of 22 March 2002 ^a	1 January 2003/2004	RS 946.231
Ordinance on attestation of the non-preferential origin of goods of 9 April 2008 ^a	1 May 2008	RS 946.31
Federal Law on technical barriers to trade of 6 October 1995 ^a	1 July 1996/2009	RS 946.51
LIECHTENSTEIN		
Law on craft, trade and industry	1 January 2007/2010	LR 930.1
Government ordinance on craft, trade and industry	15 June 2011/2012	LR 930.11
Law on the provision of services	9 December 2010/2011	LR 930.4
Law on payment services	1 November 2009/2011	LR 950.1
E-Money Act	1 May 2011	LR 950.3
Law on undertakings for collective investment in transferable securities	1 August 2011	LR 951.31
Laws on Government Procurement	1998-07	Laws in the series LR 172.05
Laws on intellectual property, including author's right, industrial property, and data protection	1957-02	Laws in the series LR 23
Law against unfair competition	1 November 1994/2008	LR 240
Government ordinance on indication of prices	24 September 1996/ 1999	LR 240.12
Law on consumer information	17 December 2002/ 2012	LR 944
Law concerning the application of international sanctions	1 March 2009	LR 946.21
Law on the revision of the persons and companies act	1 April 2009	LR 216.0
Law on national and municipal taxes	1 January 2011	LR 640.0
Government ordinance on national and municipal taxes	1 January 2011	LR 640.01
Law on the promotion of Liechtenstein as a business and tourism location	1 January 2012	LR 935.20
Law on agriculture	1 July 2009/2012	LR 910.0

a Also applicable to Liechtenstein, due to the Customs Union Treaty.

Source: Federal Authorities of the Swiss Confederation online information, "*Recueil systématique du droit fédéral*". Viewed at: <http://www.admin.ch/ch/f/rs/rs.html>; and Liechtenstein authorities online information. Viewed at: <http://www.gesetze.li>.

2.5. Liechtenstein participates in a customs union with Switzerland and employs the Swiss franc as its national currency. Since the entry into force of the Customs Union Treaty in 1924, Switzerland acts on behalf of Liechtenstein in customs union matters, such as trade policy measures affecting imports and exports, and agriculture. Liechtenstein maintains its own regulatory framework in trade in services (i.e. financial services), government procurement, consumer protection, investment, and in some areas of intellectual property rights. In these areas, the bilateral relationship is governed by the EFTA Convention.

2.6. Implementation of economic policy is the responsibility of the Office of Economic Affairs in Liechtenstein. The Office for Foreign Affairs is responsible for coordinating membership in international agreements (including the WTO Agreement and the EFTA Convention) as well as their administration. In view of Liechtenstein's participation in the European Economic Area (EEA), an EEA Coordination Unit was established. Each office formulates policies in collaboration with other national offices, including the Office for Agriculture⁴, and in consultation with the private sector through, *inter alia*, the Chamber of Industry and Commerce. In 2010, the Government established the Office for International Financial Affairs to coordinate and implement the Government's financial centre strategy and associated measures and tasks.

2.7. Switzerland's primary foreign economic policy objectives are to strengthen the country's economic position in the world. More specifically, Switzerland aims to improve competition in the domestic market; ameliorate regulatory conditions for foreign trade and consolidate its relations with the EU, as outlined in SECO's Foreign Economic Policy Report for 2011; and contribute to economic development in partner countries. Improved market access for Swiss products through multilateral trade liberalization, and bilateral and regional trade agreements is also a main trade policy objective (Table 2.2).

Table 2.2 Selected sectoral trade policy objectives for Switzerland, 2011

Area	Policy objectives
Agriculture	<ul style="list-style-type: none"> - supply the domestic market with high quality products at competitive prices - continue the reform of the Swiss agricultural policy to improve the sector's competitiveness, <i>inter alia</i>, under the hypothesis of further liberalization of agricultural markets
Industrial goods	<ul style="list-style-type: none"> - reduce costs associated with cross-border goods traffic/simplified customs procedures for small shipments - non-discriminatory access to the EU market in the area of technical regulations
Services	<ul style="list-style-type: none"> - improve market access for Swiss firms in the service sector, especially in financial services, logistics and transport services, tourism services, business services, and distribution services - examine new EU market access regulations for certain suppliers of financial services from outside the EU - explore potential for privatization of electricity market through to the end consumer and for liberalization of postal services
Intellectual property	<ul style="list-style-type: none"> - amend the trade mark law and the law on the coat of arms regarding the applicable criteria to label products or services as "Swiss" - include in FTAs provisions for the effective protection of intellectual property - support partner countries in establishing authorities and legal systems for the protection of intellectual property
Government procurement	<ul style="list-style-type: none"> - improve market access for government procurement abroad for Swiss suppliers - harmonize the Swiss Procurement Law - include provisions on government procurement in FTAs based on the revised GPA

Source: SECO online information, "Foreign Economic Policy Report 2011". Viewed at: <http://www.seco.admin.ch/dokumentation/publikation/00008/00101/04841/index.html?lang=en>.

2.8. Liechtenstein's trade policy objectives are set according to the country's trading environment; i.e. the Customs Union Treaty with Switzerland, and membership in EFTA, the EEA, and the WTO. As a country with a very small domestic market and a highly export-oriented economy, Liechtenstein seeks to ensure and extend non-discriminatory market access for its economic operators to the global markets. Liberalization of trade at the multilateral and regional levels (via EFTA), as well as the strengthening of the rules-based international trading system, are high priorities in Liechtenstein's foreign economic policy.

⁴ In 2013, the Office for Agriculture will become part of the Office for the Environment, Agriculture and Forestry.

2.2 Trade Agreements and Arrangements

2.2.1 WTO

2.9. Switzerland and Liechtenstein are both original Members of the WTO. They grant at least MFN treatment to all their trading partners, except for certain restrictions related to economic sanctions.⁵ Both countries are signatories to the Plurilateral Agreement on Trade in Civil Aircraft, the Ministerial Declaration on Trade in Information Technology Products, and the Plurilateral Agreement on Government Procurement (GPA). On the Doha Development Agenda (DDA) negotiations, Switzerland supports a comprehensive round that not only increases market access but also improves existing trade rules, introduces new ones, and promotes coherence between the multilateral trading system and other issues, such as environmental and development policies.⁶ Switzerland believes that despite the current impasse, it is important to preserve the progress that has already been achieved in the negotiations, especially in the area of trade facilitation. Switzerland and Liechtenstein are both members of the G10⁷ and are "W52" Sponsors.⁸ Switzerland is a member of Friends of Ambition (NAMA)⁹, Friends of A-D Negotiations (FANS)¹⁰ and of the "Really Good Friends" (services).¹¹

2.10. Most of Switzerland's notifications to the WTO also cover Liechtenstein (Table A2.1 and A2.2). However, Liechtenstein submits individual notifications in anti-dumping measures; subsidies and countervailing duties; and state-trading.

2.11. During the period under review, neither Switzerland nor Liechtenstein has been involved in any dispute settlement cases, as complainant, respondent, or third party.

2.2.2 Regional agreements

2.12. Switzerland and Liechtenstein are both members of EFTA. In addition, Liechtenstein is a member of the EEA.

2.13. Switzerland has set four main criteria for negotiating preferential agreements: (i) the anticipated economic importance of the country; (ii) the current or potential discrimination towards Switzerland in comparison to major competitors; (iii) the willingness of partner countries to enter into negotiations; and (iv) the political opportunities offered by an agreement. On this basis, Switzerland has targeted preferential agreements with three groups of countries: (i) the EU/EFTA countries, with which Switzerland enjoys close relations due to their geographical proximity; (ii) non-European OECD countries, such as the United States, Japan, Canada, Australia, New Zealand, Republic of Korea, and Mexico; and (iii) large emerging economies: Brazil, Russia, India, and China (BRIC countries).¹²

2.14. The conclusion of free-trade agreements is aimed at giving Swiss companies greater access to international markets at least equal to that of Switzerland's most important foreign competitors.

⁵ As of July 2012, sanctions exist against: Iraq, Liberia, Myanmar, Zimbabwe, Côte d'Ivoire, Sudan, Democratic Republic of Congo, Belarus, Democratic People's Republic of Korea (North Korea), Lebanon, Iran, Somalia, Guinea, Eritrea, Libya, Syria, and Guinea-Bissau. See <http://www.seco.admin.ch/themen/00513/00620/00622/index.html?lang=fr>.

⁶ See WTO document WT/TPR/S/208/Rev.1, pp. 23-24 for a description of Switzerland's and Liechtenstein's positions in the DDA.

⁷ A coalition of nine WTO Members lobbying for agriculture to be treated as diverse and special because of non-trade concerns.

⁸ Sponsors of TN/C/W/52 with 109 WTO Members (see WTO document TN/C/W/52/Add3), a proposal for "modalities" covering the TRIPS issues in negotiations in the Doha Round, i.e. the extension of the higher level of protection for geographical indications beyond wines and spirits, the establishment of a corresponding multilateral register, and the introduction of a mandatory disclosure requirement on patent applicants to disclose the origin of genetic resources and traditional knowledge used in the inventions.

⁹ A coalition of 35 WTO Members seeking to maximize tariff reductions and achieve real market access in NAMA.

¹⁰ A coalition of 15 WTO Members seeking more disciplines on the use of anti-dumping measures.

¹¹ A coalition of 16 WTO Members seeking more liberalization in trade in services.

¹² SECO (2008).

2.2.2.1 European Free Trade Association (EFTA)

2.15. The EFTA is an intergovernmental organization set up for the promotion of free trade and economic integration to the benefit of its Members. An updated EFTA Convention was signed in Vaduz, Liechtenstein, on 21 June 2001 by the four current Members: Iceland, Liechtenstein, Norway, and Switzerland and entered into force on 1 June 2002. The revised Vaduz Convention provided a more cohesive framework for economic relations and an improved instrument to manage internal relations, as well as those with current and potential partner countries. In addition, the Convention expanded the scope of EFTA to include new areas, such as trade in services and investment; mutual recognition of conformity assessments; the free movement of persons, social security, and mutual recognition of diplomas; land and air transport; public procurement; and intellectual property rights. Moreover, the functions of the EFTA Council were broadened to reflect the historical changes in EFTA's mission, in particular with respect to EFTA's free-trade agreements with third countries.

2.16. Several amendments to the EFTA Convention have taken effect since 2008.¹³ These include amendments on tariff concessions on agricultural products, mutual recognition, air and land transport, and rules of origin. In addition, in 2010, a committee on trade facilitation was established and several committees were abolished from Annex S of the EFTA Convention.¹⁴ During the period under review, negotiations on agriculture have been concluded among EFTA members and are awaiting ratification.

2.17. In 2010, the EFTA states together constituted the world's 11th largest merchandise trader and 7th largest trader in commercial services (counting the EU as one). Intra-EFTA trade was €2.9 billion, representing 0.6% of total EFTA trade in 2010.

2.18. In July 2009, Iceland made a formal request for EU membership and negotiations for membership were launched in June 2011. If EFTA were to lose Iceland as a member, an evaluation will need to be conducted of the effects on the rest of the members (Liechtenstein, Norway, and Switzerland). All EFTA countries except Switzerland, participate in the European Economic Area (EEA) (section 2.2.2.2. below).

2.19. EFTA states benefit from a large network of free-trade agreements (FTAs). While traditional agreements, known as "first generation"¹⁵, are restricted mainly to the movement of goods, protection of intellectual property rights, and competition regulations, more recent or "second generation" agreements cover public procurement, services, and investments.¹⁶ In the area of trade in goods, EFTA FTAs regulate trade in industrial products, fish, and processed agricultural products. Trade in basic agricultural products is covered by separate bilateral agreements concluded between each EFTA State and the respective partner, individually.

2.20. When preparing for negotiations, EFTA members must first coordinate their national interests. For each set of negotiations with a third country, a representative of one member state takes the lead as EFTA spokesperson, with the remaining members also playing an active role. The agreement is signed by all parties and ratified in accordance with their respective constitutional procedures. In EFTA's view, the multilateral and bilateral approaches are mutually supportive.

2.21. Since 2008, seven FTAs between EFTA and other countries have been notified to the WTO, bringing the total number of notified RTAs in force to 23. These additional agreements are: EFTA-Albania, EFTA-Colombia, EFTA-Peru, EFTA-Serbia, EFTA-Ukraine, EFTA-Hong Kong, China, and EFTA-Montenegro (Table A2.3).

2.22. Under the Early Announcement provision of the WTO Transparency Mechanism for RTAs (under negotiation, or signed but not yet in force), there are seven agreements between EFTA and other countries (Table 2.3).

¹³ EFTA online information. Viewed at: <http://www.efta.int/legal-texts/efta-convention/council-decisions-amending-the-convention.aspx>.

¹⁴ The Committee of Trade Experts, Committee on Agriculture and Fisheries, Committee on Economic Development, and the Steering Committee of the Portuguese Fund.

¹⁵ EFTA FTAs with partners in the euro-Mediterranean area, Canada, and the Southern African Customs Union (SACU).

¹⁶ The EFTA FTAs with Mexico, Singapore, Chile, Colombia, GCC, Republic of Korea, Peru and Ukraine.

Table 2.3 Agreements signed/under negotiation under EFTA - RTAs under Early Announcement, 2012

RTA Name	RTA status	Launch/First round of negotiations	Date of signature
EFTA-Bosnia and Herzegovina	Under negotiation	28 March 2011	-
EFTA-Costa Rica, Guatemala, Honduras and Panama	Under negotiation	28 February 2012	-
EFTA-GCC	Signed	-	22 June 2009
EFTA-India	Under negotiation	6 October 2008	-
EFTA-Indonesia	Under negotiation	31 January 2011	-
EFTA-Russian Federation, Belarus, Kazakhstan	Under negotiation	11 January 2011	-
EFTA-Viet Nam	Under negotiation	22 May 2012	-

Source: RTA Database, WTO.

2.2.2.2 Agreement on the European Economic Area (EEA)

2.23. The EEA agreement forms the legal basis for economic cooperation between the three EEA EFTA states (Iceland, Liechtenstein, and Norway) and the EU (27 Members). As parties to the EEA, the three countries are full participants in the EU's Internal Market, which is based on the principle of the free movement of goods, services, capital, and persons, with uniform and common rules governing competition, including state aid. In addition, the agreement covers cooperation in research and development, education, social policy, the environment, consumer protection, tourism, and culture. The EEA Agreement provides for the on-going inclusion of new EU legislation in all policy areas covered by the EU's Internal Market. In total, 6,817 EU acts are applicable at the end of 2012 in Liechtenstein. Switzerland, though not a member, benefits from observer status in the EEA EFTA structure (Box 2.1).¹⁷

2.24. On trade, the EEA Agreement can be regarded as an FTA and, as such, does not include the following EU policies: Common Agriculture and Fisheries Policies; Common Trade Policy; Common Foreign and Security Policy; Justice and Home Affairs (the EFTA countries are part of the Schengen area); or Economic and Monetary Union (EMU).

Box 2.1 Liechtenstein's Market Control and Surveillance Mechanism

As a consequence of Liechtenstein's EEA membership since 1 May 1995, and in order to maintain the Customs Union with Switzerland (Switzerland is not an EEA member), Liechtenstein must ensure within its territory the parallel marketability of goods under both the Swiss and EEA rules. To this end, Liechtenstein maintains a Market Control and Surveillance Mechanism (MCSM), which applies to imports subject to customs tariffs or non-tariff requirements that are different in the EEA and Switzerland. The MCSM is aimed at ensuring that goods that do not satisfy Swiss import requirements do not enter the Swiss market via the open border. The MCSM has been accepted by the other EEA members (EEA Council Decision No. 1/95).

The MCSM applies to professional traders, i.e. distributors/dealers (but not to small importers), and to three categories of goods (LGBI. 2009/394, Annex 1): (i) products on which Swiss and EEA import requirements are different (e.g. pharmaceuticals, chemicals/goods hazardous to the environment, genetically modified organisms, some telecom equipment); (ii) goods subject to different tariffs under the 1972 FTA between Switzerland and the EU on the one hand, and the EEA agreement on the other (i.e. fish and fish products); and (iii) salt (in accordance with the EEA provisions on state monopolies, Liechtenstein no longer participates in the Swiss state monopoly for salt (Chapter 3.3.4.2.7). The differences in technical requirements between Switzerland and the EEA have been reduced substantially since 1995.

¹⁷ Accession to the EEA Agreement was rejected in a referendum in Switzerland in 1992.

Under the MCSM, the Swiss Federal Customs Administration clears all imports to Liechtenstein, collects duties, and informs the Liechtenstein Office of Economic Affairs. Where customs tariffs differ, the Swiss Customs reimburses importers the duties paid and informs them of their obligations, including the submission of proof of sale in Liechtenstein. Where import requirements differ, goods destined for Liechtenstein, in transit in Switzerland, are registered at the Swiss Customs, which sends an electronic copy of the customs documents to the Liechtenstein Office of Economic Affairs for processing. When in doubt (e.g. whether an importer has obtained a wrongful reimbursement of customs duties, or has paid the required customs duties on goods re-exported to Switzerland), the Liechtenstein administration may launch further investigations. For this purpose, any business involved in the production and import of the relevant goods must appoint an official contact person. Wholesalers and retailers must specify in their stores that use of the products is limited to the Liechtenstein territory and must keep proof of sales. Infringements of MCSM provisions are liable to fines of up to 20 times the amount of the customs duties wrongfully reimbursed or unpaid, or imprisonment for up to 6 months. Infringements identified so far have not entailed any criminal action; they have led only to written reprimands.

Source: WTO Secretariat.

2.2.2.3 Bilateral agreements

2.25. The EU is by far Switzerland's most important commercial partner (Chapter 1). Swiss-EU relations have developed and deepened over the decades. Since the Free Trade Agreement of 1972, an ever denser network of agreements has been developed. After the rejection by Swiss voters of Swiss accession to the EEA in 1992, Switzerland and the EU concluded seven agreements (in 1999) known as Bilaterals I (Free Movement of Persons, Technical Barriers to Trade, Public Procurement, Agriculture, Overland Transport, Civil Aviation, and Research). These were followed in 2004 by nine agreements (Schengen/Dublin, Taxation of Savings, Fight Against Fraud, Processed Agricultural Products, Environment, Statistics, MEDIA, and Pensions, and an exchange of letters on Education, vocational training, youth) known as Bilaterals II. These agreements provide both parties with extensive market access and form the basis for close cooperation in key policy areas, such as research, security, asylum, the environment, and cultural affairs.¹⁸

2.26. This bilateral approach allows Switzerland to conduct a policy of openness and close collaboration with all its European neighbors. These bilateral agreements have been submitted to the Swiss electorate and endorsed at regular intervals; the last approval by voters was for the extension of the Agreement on the Free Movement of Persons, on 8 February 2009. On its assessment of the Swiss European policy in 2010, the Federal Council concluded that the Swiss-EU bilateral relations remain the most suitable way for Switzerland's current European policy.¹⁹

2.27. During the period under review, several bilateral agreements were amended or signed. The 1990 Agreement on Customs Facilitation and Security, which regulates the controls and formalities for goods transport at the border between Switzerland and the EU and aims to simplify customs procedures, was amended following the introduction of security measures for goods traffic between the EU and third countries on 1 July 2009. In order for these EU measures not to apply to Switzerland, Switzerland has modified the 1990 Agreement and expanded some of its security aspects by negotiating with the EU. The new Agreement on Customs Facilitation and Security precludes the obligation to notify in advance goods traffic between the EU and Switzerland and governs the modalities of further cooperation between Switzerland and the EU in the area of security. The agreement was signed on 25 June 2009 and applied on a provisional basis until it entered into force on 1 January 2011.

2.28. Other amended or newly introduced Swiss-EU trade-related agreements include the Mutual Recognition Agreement (MRA), which is regularly extended and modified, the last time in December 2011. In May 2011, Switzerland and the EU signed the Bilateral Agreement on Protected Geographical Indications (PGIs) of agricultural products. In the autumn of 2011, Switzerland and the EU began negotiations on cabotage law in air transport. Further mutual

¹⁸ See WTO document WT/TPR/S/208/Rev.1, pp. 29-31 for some background on the bilateral agreements.

¹⁹ Integration Office FDFA/FDEA, "Switzerland's European Policy", September 2010. Viewed at: http://www.europarl.europa.eu/meetdocs/2009_2014/documents/deea/dv/0503_0503_07.pdf.

market access negotiations and trade liberalization are ongoing with the EU on agriculture, health, electricity/energy and chemicals safety.

2.29. In addition to the agreement with the EU, Switzerland has signed two bilateral agreements: an FTA with the Faeroe Islands, signed in 1995; and an FTA with Japan signed in 2009. The provisions of the FTA with Japan also apply to Liechtenstein, based on the Customs Union Treaty. On 28 January 2011, Switzerland launched negotiations with China to further expand its network of bilateral agreements.

2.30. During the period under review, Switzerland and Liechtenstein have not been involved in any disputes under their regional or bilateral agreements.²⁰

2.2.2.4 Non-reciprocal preferential arrangements

2.31. Switzerland grants tariff preferences to developing countries via its Generalized System of Preferences (GSP).²¹ The Swiss GSP has been revised several times since its introduction in 1972; the most recent revisions were in 2007 and 2011. On 1 March 2007, the Federal Law on the Granting of Tariff Preferences for Developing Countries (RS 632.91) entered into force, giving a strong, long-term legal basis to the Swiss GSP, which had previously been prolonged by decrees from the Federal Council. On 16 March 2007, the Federal Ordinance on Preferential Tariff Rates for Developing Countries (RS 632.911) was revised, introducing duty-free, quota-free (DFQF) market access for products originating from LDCs, with two exceptions, broken rice (HS 1006.4020) and sugar (HS1701.1100/9999), on which duties were released fully in September 2009. Furthermore, the countries that could benefit from the Swiss GSP were reconsidered, and tariff preferences for agricultural goods for all beneficiary countries were enlarged by including most processed agricultural products.

2.32. On 1 May 2011, the revised Federal Ordinance on Rules of Origin on Tariff Preferences for Developing Countries (RS 946.39) entered into force, providing origin criteria identical to those newly adopted by the EU and Norway in their GSPs, for products of HS chapters 25-97. The main modifications are reductions in the number of specific rules and in the local value-added required. Moreover, a large number of goods from LDCs are granted softer rules than from other developing countries.²² The list of beneficiary countries and territories was modified on 1 July 2011 and on 15 August 2012, to take into account, among others, new free-trade agreements signed by Switzerland. Producers from developing countries may take advantage of a unified European market with respect to origin rules.

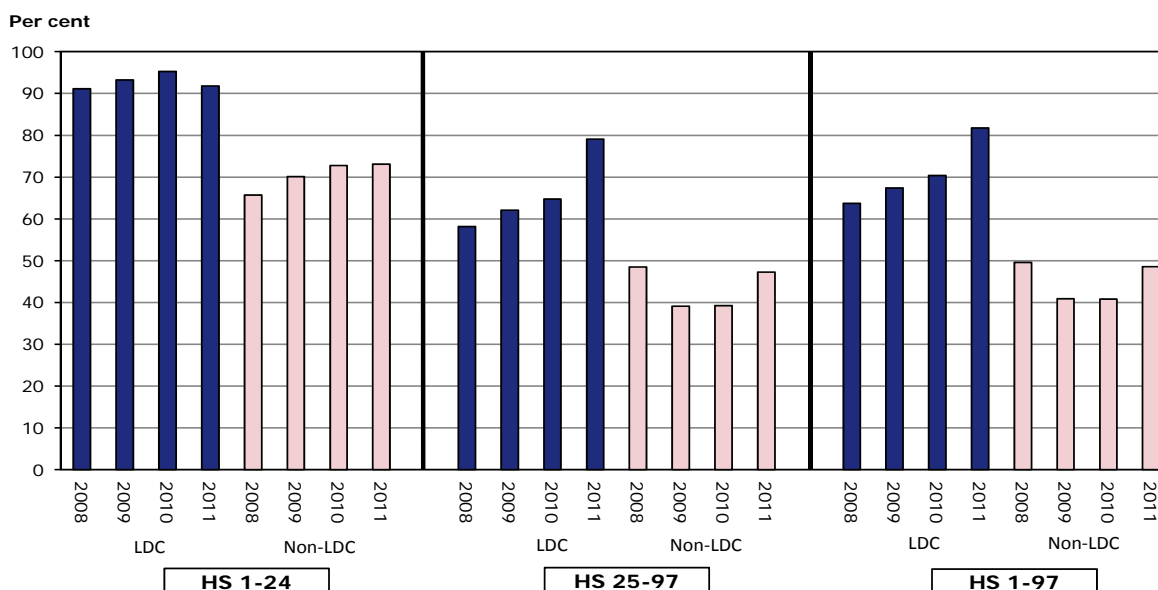
2.33. According to the Swiss authorities, the Swiss GSP utilization rate varies between 40% and 50% of its potential because of, *inter alia*, the complexity of rules conferring national origin to goods (Chart 2.1). In 2011, goods imported into Switzerland under the Swiss GSP amounted to SwF 4.6 billion. This amount could have been SwF 9.2 billion had all exporters potentially qualifying for the Swiss GSP made use of it. The simpler rules of origin, according to the revised ordinance, are expected to enhance access to the Swiss market for products from developing countries.²³

²⁰ Any dispute arising from the EFTA Convention would be dealt with according to the provisions of Chapter XVII of the Convention, which provides for consultations among member states, and dispute settlement through arbitration. Specific provisions on the establishment and functioning of the arbitral tribunal and the implementation of arbitral awards are set out in Annex T of the EFTA Convention.

²¹ UNCTAD (2013).

²² Federal Ordinance of 16 March 2007 (*Etat* 1 July 2011) on Preferential Tariff Rates for Developing Countries (RS 632.911), and Federal Ordinance of 30 March 2011 on Rules of Origin for the Swiss Generalized System of Preferences (RS 946.39).

²³ FDEA online information. Viewed at: <http://www.evd.admin.ch/aktuell/00120/index.html?lang=en&msg-id=38350>.

Chart 2.1 Preference utilization by developing countries under the Swiss GSP

Source: Information provided by the authorities.

2.2.3 Investment regime

2.2.3.1 Switzerland

2.34. Economic freedom, which is guaranteed under the Swiss Constitution, allows nationals and foreigners to operate a business in Switzerland, to form a company or to hold an interest in one.²⁴ In general, to establish a business, there is no requirement for approval by the authorities, membership of chambers of commerce or professional associations, or annual reporting of operating figures. However, foreign nationals must have both work and residence permits in order to conduct business on a permanent basis.

2.35. Most economic sectors are open to investment by Swiss nationals and foreigners. However, investment restrictions continue to apply to areas under state monopolies, including certain rail transport services, some postal services, and certain insurance services and commercial activities (e.g. trade in salt). Restrictions (in the form of domicile requirements) are also applied in air and maritime transport²⁵, hydroelectric and nuclear power, operation of oil and gas pipelines, and transportation of explosive materials.

2.36. Licensing provisions and diploma requirements may apply to some professions and/or commercial activities, such as banking, insurance, and investment brokerage; hotels and restaurants; physicians, dentists, pharmacists, and attorneys; and certain mercantile and services businesses (e.g. wine merchants, private employment agencies, and temporary employment services).

2.37. Swiss company law distinguishes mainly between partnership-type unincorporated companies (sole proprietorship, limited partnership or general partnership), and capital-based incorporated companies (stock corporation or AG, limited liability company or GmbH). The newly created (2006) "limited partnership for collective investment" corresponds to the limited partnership form common in English-speaking countries. Approximately 50% of Swiss companies operate under the AG and GmbH legal forms (Table 2.4).

²⁴ The *Code des Obligations* is the main legal basis for investment in Switzerland.

²⁵ Two thirds of the partners of a shipping company must be Swiss nationals.

Table 2.4 Overview of main legal forms of companies in Switzerland

	Sole proprietorship	General partnership	Joint stock company (AG)	Limited liability company (GmbH)	Branch office
Formation requirements	Self-employment, economic activity as a means of permanent gainful employment	Signing of partnership (informal) If no commercial activity is pursued, the partnership does not exist until it is entered in the commercial register	Public act of signing when company is created, adoption of articles of incorporation or association, appointment of a board of directors, appointment of auditors (unless dispensed with pursuant to CO 727a II) ²⁶	Public act of signing when company is founded, adoption of articles of incorporation or association, appointment of a board of management and representatives, appointment of auditors (unless dispensed with pursuant to CO 727a II)	Entry in the commercial register
Purpose	Small businesses, activities carried out by single individuals (e.g. artists)	Small, permanent businesses centering on specific individuals	Suitable for almost all types of for-profit businesses	Small and medium-size businesses	Business operation that is legally part of a main enterprise but has a degree of economic independence
Legal status	Sole property of the firm's owner	Partnership	Legal entity	Legal entity	Branch office
Entry in the Commercial Register (CR)	Mandatory for businesses with minimum annual turnover of SwF 100,000	Mandatory	Becomes a legal entity upon entry in the CR	Becomes a legal entity upon entry in the CR	Mandatory
Founders	One individual is the sole proprietor	Two or more individuals	At least one shareholder (individual or legal entity)	At least one partner (individual or legal entity)	Main company (head office)
Executive bodies	None	Partners	General meeting of shareholders; Board of directors (at least one member)	General meeting of partners; Management (a minimum of one member)	Bodies of the main company; Management by own manager; authorized representative residing in Switzerland
Liability	Unlimited liability of the proprietor with personal assets	Primary liability to the level of company assets (capital); subsidiary joint and several unlimited liability of each partner with personal assets	Liability limited exclusively to company assets; each shareholder is solely obliged to pay in his/her/its share of the share capital (payment under subscription)	Liability limited exclusively to company's assets; optional limited liability to make further contributions according to articles of association; liability only for further contributions linked to own share in equity	Main company (head office)

²⁶ Code des Obligations Suisse (CO), Article 727 a II.

	Sole proprietorship	General partnership	Joint stock company (AG)	Limited liability company (GmbH)	Branch office
Minimum capital	No stipulations	No stipulations	Minimum: SwF 100,000, Minimum paid in: SwF 50,000	Minimum: SwF 20,000	No separate equity is required (capital resources of foreign head office are sufficient)
Costs: foundation, consulting registration, notary	SwF 700 to 1,200	SwF 2,400 to 4,400	From SwF 1,900 (electronic) From SwF 7,000 (traditional)	From SwF 1,800 (electronic) from SwF 6,000 (traditional)	From SwF 1,000

Source: OSEC online information, *Handbook for Investors: Business Location in Switzerland*, April 2012. Viewed at: <http://invest-in-switzerland.com>.

2.38. Formation of a company takes two to four weeks, on average, from submission of the required documents to the date of legal establishment. The time can be shorter depending on the business and the specific canton. Foreign operations located in Switzerland generally take the form of a stock corporation (AG). However, if the Swiss branch is being established as a sole proprietorship, a general partnership or a limited partnership, the foundation process may be handled entirely online via the government SME portal.²⁷ This online process includes documents required for registration of a sole proprietorship in the Commercial Register, for value-added tax (VAT), and for social insurance obligations. In general, any trading, manufacturing or other form of commercial company must be registered in the Commercial Register. All entries and/or deletions from the Commercial Register are published in the *Swiss Official Gazette of Commerce* (SOGC).²⁸

2.39. The World Bank ranks Switzerland 26th (out of 183 countries) for ease of doing business, with an average of 85 days to start a business, based on the procedures, time, cost, and paid-in minimum capital for starting a business.²⁹

2.40. Due to Switzerland's federal structure, taxes levied on businesses may be federal, cantonal and/or communal.³⁰

2.41. As at end 2012, Switzerland had signed double-taxation conventions with 86 countries³¹; and 130 bilateral investment treaties (BITs), known as investment promotion and protection agreements. After Germany and China, Switzerland has the world's third largest network of such agreements. Switzerland ratified the Multilateral Investment Guarantee Agency (MIGA) Convention in 1988. It has also been contracting party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States since 1968.

2.2.3.2 Liechtenstein

2.42. Liechtenstein has a stable and predictable investment regime. Most sectors are open to national and foreign investment, except for residency requirements; restrictions on the purchase of real estate; restrictions in production, trade, and transport of electricity, gas, and water (subject to state monopoly); and restrictions applied to a number of financial services (asset management, investment consulting, and assuming trusteeships) when these are provided on a professional basis by trustees or trust companies.

2.43. A permit or a licence is required to do business, with specific licensing requirements for financial sector companies and professional services. The establishment of a commercial entity by a natural person is subject to prior permanent residence during 12 years for citizens of non-EEA member states (other than Switzerland). For "qualified" professions, sector-specific

²⁷ Online information. Viewed at: <http://www.kmu.admin.ch/>.

²⁸ *Swiss Official Gazette of Commerce*. Viewed at: <https://www.shab.ch>.

²⁹ World Bank (2012).

³⁰ See WTO document WT/TPR/S/208/Rev.1 (pages 34-36), for a detailed presentation of Switzerland's tax system.

³¹ Online information. Viewed at: <http://www.sif.admin.ch/themen/00502/00740/index.html?lang=en>.

government-recognized professional qualifications are required.³² Companies wishing to operate commercially in Liechtenstein must submit an application for a commercial licence to the Office of Economic Affairs. In order to be granted the licence, a manager who meets the 12-year prior-residence and professional-qualification requirements must be appointed. All entities (of natural or legal persons) must have an office in Liechtenstein that is suitable to carry out the business.

2.44. Liechtenstein corporate forms are regulated under the law on Persons and Companies Law of 1926, known as the "PGR Code". Trust companies are established under the Trust Enterprise Law of 1928. The most common entities established under the PGR Code include public limited companies, establishments, and foundations (Table A2.4). All corporate bodies established under the PGR Code must be registered with the Public Register. Processing by the Public Registrar usually takes two to three days. In January 2012, the agency "Liechtenstein Marketing" was established to promote, *inter alia*, foreign investment and tourism.

2.45. Since 1 January 2011, Liechtenstein has a new tax regime with a corporate income tax rate of 12.5% for all economically active companies (Table 2.5). The special tax treatment of domiciliary or holding companies was abolished since this special tax type threatened to violate the EEA Agreement with respect to the prohibition of state aid.³³ The 2011 Tax Act contains a provision on non-economically-active "private asset structures" that is compatible with EEA law.³⁴ Public enterprises not engaged in economic activities; institutions for occupational retirement; or legal entities conducting exclusively charitable activities are tax exempt. The 2011 Tax Act also contains a provision regarding intellectual property related income (IP-Box) that is compatible with EEA law.³⁵

Table 2.5 Liechtenstein corporate taxes and other selected taxes, 2012

Tax base	Standard tax rates
Corporate income tax (annual): annual net income	12.5% (minimum SwF 1,200)
Private asset structures	SwF 1,200
Formation tax: formation of share capital (applicable only when the Swiss provisions on stamp duties do not apply)	Capital > SwF 1,000,000: 1% Capital > SwF 5,000,000: 0.5% Capital > SwF 10,000,000: 0.3%
Real-estate gains tax (per sale of real estate located in Liechtenstein)	Maximum 21%
Personal income tax (worldwide income)	Maximum 21%
Net wealth tax (worldwide net assets)	Maximum 0.84%
Intellectual property related income	80% of net income is tax-exempt

Note: Private asset structures are legal entities that do not carry out any economic activities and that exclusively acquire, hold, administer, and sell financial instruments, as well as participations in other legal entities, cash, and bank account balances. A private asset structure may hold participations only under the condition that such structure, its shareholders or beneficiaries do not exert actual control, direct or indirect, on the management of such companies through influence.

Source: Information provided by the Liechtenstein authorities.

2.46. As a result of the Savings Agreement between Liechtenstein and the EU, Liechtenstein has been imposing, since 1 July 2005, a withholding tax on interest and other savings returns paid to beneficial owners resident in EC countries.³⁶ In 2011, the applicable rate reached the maximum of 35%. The Swiss Federal Law on stamp duty applies under the Customs Union Treaty.

³² There are 64 "qualified" or regulated professions. Viewed at:

<http://www.gesetze.li/Seite1.jsp?LGBI=2011226.xml&Searchstring=gewerbeverordnung&showLGBI=true>.

³³ For companies existing as at 1 January 2011, a grandfathering of three years applies until end 2013.

³⁴ The compatibility of this new provision with EEA law was confirmed by a decision of the EFTA Surveillance Authority on 15 February 2011. Viewed at: <http://www.eftasurv.int/media/decisions/44-11-COL.pdf>.

³⁵ The compatibility of this new provision with EEA law was confirmed by a decision of the EFTA Surveillance Authority on 12 December 2012. Viewed at: <http://www.eftasurv.int/media/decisions/480-12-COL.pdf>.

³⁶ Liechtenstein allows beneficial owners to avoid the withholding tax by expressly authorizing their Liechtenstein paying agents to report the interest payments to the competent authorities in their countries of residence.

2.47. Since 2009, Liechtenstein has been creating a network of tax information exchange agreements (TIEA) and double taxation agreements (DTA).³⁷ All TIEAs and 6 of the 8 DTAs are in accordance with the OECD model conventions. Liechtenstein has not concluded any bilateral investment protection treaties.

³⁷ 19 TIEAs are currently in force (December 2012) with: Andorra; Antigua and Barbuda; Australia; Denmark; Faeroe Islands; Finland; France; Germany; Greenland; Iceland; Ireland; Monaco; Netherlands; Norway; St. Kitts and Nevis; St. Vincent and the Grenadines; Sweden; United Kingdom; and the United States. 8 DTAs are currently in force with: Austria; Germany; Hong Kong, China; Luxemburg; San Marino; Switzerland; United Kingdom; and Uruguay.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures and trade facilitation

3.1. Customs procedures in Switzerland and Liechtenstein continue to improve with the aim of facilitating trade while securing their borders, and protecting consumers and the environment. A customs declaration may be made prior to the arrival of the merchandise, electronically through the e-dec for imports and exports (an electronic system with registration for professionals) or in written form; for tourists, customs declarations may be made verbally.¹ Most customs procedures are done electronically. An electronic customs declaration is obligatory for imports of, *inter alia*, agricultural goods subject to tariff quotas (with some exceptions)², and for certain alcoholic beverages that are to be put in a bonded warehouse. However, a paper customs declaration is possible when an electronic one is not prescribed or if the importer has not been granted permission to file an electronic customs declaration.³ According to the authorities, as of 1 January 2013, all commercial customs declarations must be in electronic format under a new system known as "e-dec-web". This system is free of charge, requires no registration and replaces the Single Administrative Document (SAD). It aims to assist small and medium-sized companies.

3.2. Documentation requirements for customs clearance for exports and imports include the customs declaration, commercial invoice, bill of lading, and certificates for preferential tariffs, health, or quality control purposes. Customs is the only agency at the border and therefore, Switzerland does not have a "single window" for the release and clearance of goods.

3.3. Switzerland has been a member of the Schengen Agreement since 2008. As a result of the Agreement, cooperation between participating countries in border controls has been strengthened; this also involves joint cross-border activities.

3.4. The 1990 Agreement on Customs Facilitation and Security between Switzerland and the EU was amended following the introduction of security measures on goods traffic between the EU and third countries on 1 July 2009. While the amended agreement precludes the obligation to notify in advance goods traffic between the EU and Switzerland, traders from third countries are required to submit a prior notification requirement and are subject to a security risk analysis. The agreement was signed on 25 June 2009 and applied on a provisional basis until it entered into force on 1 January 2011. In order to help facilitate customs procedures for non-EU traders, Switzerland has adopted an authorized economic operator (AEO) system, which aims to ease customs security regulations for accredited companies.

3.5. Due to its geographical location and its excellent infrastructure, Switzerland is a transit country. Import duties must be secured temporarily (through a cash deposit or a guarantee) for goods in transit through Switzerland. For more than 90% of transit procedures for goods transported by road, duties are secured by a guarantee valid for several transit procedures. Any applicable bans or restrictions must also be observed. Switzerland mainly uses the two most important international transit procedures in commercial goods traffic: the New Computerised Transit System (NCTS) and the TIR procedure. No transit duties or fees are levied. The transit procedures are also applied for moving goods to or from Switzerland as more than 75% of the goods are cleared by Customs at the premises of authorized consignees or consignors inland.

3.6. The Swiss Federal Customs Administration may issue an advance binding ruling of the preferential origin of a good, pursuant to Article 20 of the Customs Law. The application for a binding assessment must be presented in writing to the customs authorities in the country where the applicant is domiciled. Such assessments remain valid for six years provided the facts and conditions under which they have been made remain comparable.

3.7. Switzerland is active in the Negotiating Group on Trade Facilitation (NGTF), where it supports a multilateral agreement on trade facilitation and has tabled and co-sponsored several proposals.

¹ RS 631.013.

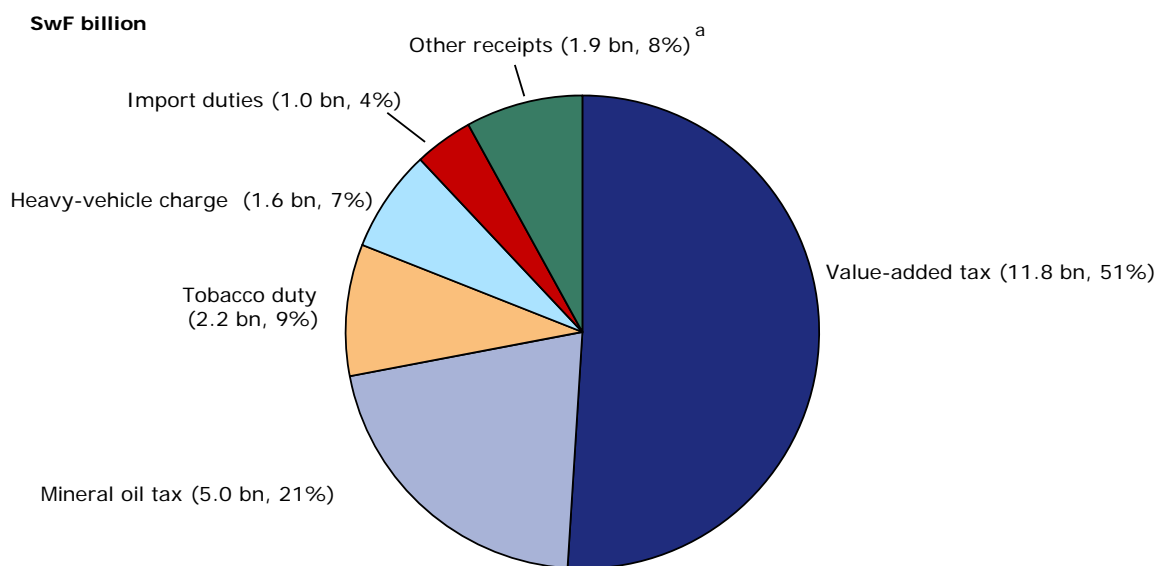
² Refer to RS 631.013, for the list of the exceptions.

³ Federal Customs Administration ordinance on customs (RS 631.013), Chapter 2, section 2 indicates when importers are not authorized to make an electronic customs declaration.

Customs-related proposals include the temporary admission of goods/inward and outward processing⁴; customs brokers⁵, transit⁶, risk management⁷, pre-arrival processing⁸, separation of release from clearance⁹, use of international standards¹⁰, and acceptance of commercially available information and copies.¹¹ Other proposals include publication and availability of information¹², establishment of a national committee on trade facilitation¹³, reduction/limitation and periodic review of formalities and documentation requirements¹⁴, prior publication and consultation¹⁵, and fees and charges.¹⁶

3.8. Customs account for more than one third of the Confederation's total revenue. In 2011, customs revenue amounted to SwF 23.5 billion, with VAT alone accounting for 51% of total customs revenue, and import duties accounting for 4% (Chart 3.1). Customs revenue collected by the Swiss Federal Customs Administration is shared with Liechtenstein on a per capita basis.

Chart 3.1 Customs revenue distribution, 2011



a CO₂ tax, automobile duty, motorway tax stickers, volatile organic compounds tax, beer tax, etc.

Source: Swiss Federal Customs Administration (2012), *Facts and figures 2011 (2012 edition)*. Viewed at: <http://www.ezv.admin.ch/dokumentation/01854/01856/index.html?lang=en>.

3.1.2 Customs valuation and rules of origin

3.1.2.1 Customs valuation

3.9. As both Switzerland and Liechtenstein levy only specific duties, neither country has specific legislation on customs valuation; however, they do need to assess customs value for internal-taxation purposes, since the value-added tax and the motor vehicle tax are both *ad valorem* (section (3.1.4)). Goods are normally cleared on the basis of their gross weight (in most cases); this dutiable weight comprises the actual (net) weight (the actual weight of the goods, and the weight of the immediate packing materials), plus the weight of the packing

⁴ WTO document, TN/TF/W/170, 17 March 2010.

⁵ WTO document, TN/TF/W/110/Rev.2, 5 October 2009.

⁶ WTO document, TN/TF/W/133/Rev.3, 26 June 2009.

⁷ WTO document, TN/TF/W/164, 11 November 2009.

⁸ WTO document, TN/TF/W/117/Rev.1, 20 February 2009.

⁹ WTO document, TN/TF/W/136/Rev.2, 28 November 2008.

¹⁰ WTO document, TN/TF/W/131/Rev.1, 14 December 2007.

¹¹ WTO document, TN/TF/W/112, 6 June 2006.

¹² WTO document, TN/TF/W/155/Rev.2, 3 August 2009.

¹³ WTO document, TN/TF/W/158, 23 February 2009.

¹⁴ WTO document, TN/TF/W/124/Rev.2, 7 February 2008.

¹⁵ WTO document, TN/TF/W/115/Rev.1, 20 October 2007.

¹⁶ WTO document, TN/TF/W/107, 6 June 2006.

material for protection during transport, including the weight of fixing material and supports on which the goods are placed.¹⁷ The gross weight is rounded up.¹⁸

3.1.2.2 Rules of origin

3.10. Switzerland and Liechtenstein apply both non-preferential and preferential rules of origin. They apply the same non-preferential rules of origin, which continue to be regulated by the Ordinance on attestation of the non-preferential origin of goods.¹⁹

3.11. Preferential rules of origin are established under the Regional Convention on Pan-euro-Mediterranean Preferential Rules of Origin, free-trade agreements concluded with countries outside the Pan-Euro-Mediterranean zone, and pursuant to the GSP scheme.²⁰ Exporters may benefit from tolerance rules and the various forms of cumulation permitted under the respective agreements.

3.12. The rules of origin under the EFTA FTAs with third countries are modelled closely on the Pan-Euro-Mediterranean rules of origin. Protocol 3 to the Free Trade Agreement between Switzerland and the European Union sets out the preferential rules of origin. The Pan-European Origin Cumulation System, which entered into force on 1 January 1997, allows the use of any material from any country within the zone (EFTA, EU, and Turkey) to produce a good, whilst retaining preferential origin. This diagonal cumulation system is being extended gradually to the Faroe Islands and to Mediterranean countries and territories participating in the euro-Mediterranean partnership (i.e. to Egypt, Israel, Jordan, Lebanon, Morocco, Tunisia, the West Bank, and the Gaza Strip). Pursuant to the Federal Ordinance on the revised rules of origin for the Swiss GSP, which entered into force on 1 May 2011, Switzerland's GSP rules of origin have been harmonized with the EU, including the rules contained in Commission Regulation (EU) No. 1063/2010 of 18 November 2010.

3.1.3 Tariffs

3.1.3.1 General features

3.13. Under the 1923 Customs Union Treaty, Switzerland acts on behalf of Liechtenstein in customs matters; the Swiss tariff generally applies to imports to Switzerland and Liechtenstein. There have been no major changes in the Swiss tariff since 2008. The tariff comprises only specific rates and affords higher protection to agricultural products than to non-agricultural goods. Imports are taxed according to the federal Law on customs tariffs, generally on the basis of gross weight (section 3.2.2.1).

3.14. Under the Federal Customs Law on Tariffs²¹, the Federal Council may modify tariffs for the customs union through an ordinance. The modifications are temporary until approved by the Federal Assembly. Any tariff increase would be made only after a case-by-case evaluation, which takes into account the needs of the Swiss economy. No such measures were taken during the period under review.

3.15. Seasonal tariffs apply to some 95 products and are levied mostly on fruits and vegetables produced domestically, most of which are also subject to tariff quotas.

¹⁷ Unpacked goods and those whose package is deemed not to provide "sufficient" protection against damage during transportation, are liable to an "additional tare", a supplement equal to the difference between the gross and net weights. The "additional tare" is expressed as a percentage of the net weight and is stipulated by HS tariff line in the *Ordinance sur la tare* (RO1987 2652), and varies from 100% for goods whose net weight is almost nil (petroleum gases and other gaseous hydrocarbons), to 5%. Goods may also be cleared on the basis of net weight if the importer so requests: in this case, if there is no set "additional tare" rate for the specific item, a statutory rate of 10% applies.

¹⁸ RS 632.10.

¹⁹ See RS 946.31.

²⁰ See WTO document WT/TPR/S/208/Rev.1 for a detailed presentation of the preferential rules of origin in Switzerland and Liechtenstein.

²¹ *Loi sur le tarif des douanes*, RS 632.10.

3.16. Tariff quotas apply to agricultural products (3.8% of all tariff lines) and cover, *inter alia*, live animals, eggs, bovine semen, cut flowers, potatoes, fresh and frozen vegetables, fresh fruits, wine, and certain cereals. Tariff quotas may be modified, mostly as a result of domestic shortages. Thus, imports above the specified quotas are in some instances allowed at the in-quota tariff rates (Chapter 4.2). The process of quota allocation varies according to product (A4.1). All of the preferential agreements concluded by Switzerland and Liechtenstein also include preferential tariff quotas (Table 3.1). Allocation of MFN and preferential quotas is indistinguishable. An electronic application system ("e-quota") is used.

Table 3.1 Tariff quotas, by trade regime, 2012

Trade regime	No. of tariff lines
MFN	314
EU	41
EFTA	25
Albania	97
Botswana	188
Canada	3
Chile	169
Colombia	184
Croatia	57
Egypt	86
Faeroe Islands	2
Former Yugoslav Republic of Macedonia	67
Hong Kong, China	25
Israel	41
Japan	131
Jordan	79
Korea, Rep. of	183
Lebanon	100
Lesotho	0
Mexico	42
Montenegro	104
Morocco	94
Namibia	188
Palestine	30
Peru	184
Serbia	104
Singapore	5
South Africa	188
Swaziland	188
Tunisia	19
Turkey	38
Ukraine	111
GSP	180
LDC	0

Source: WTO, IDB.

3.1.3.2 Applied MFN tariff

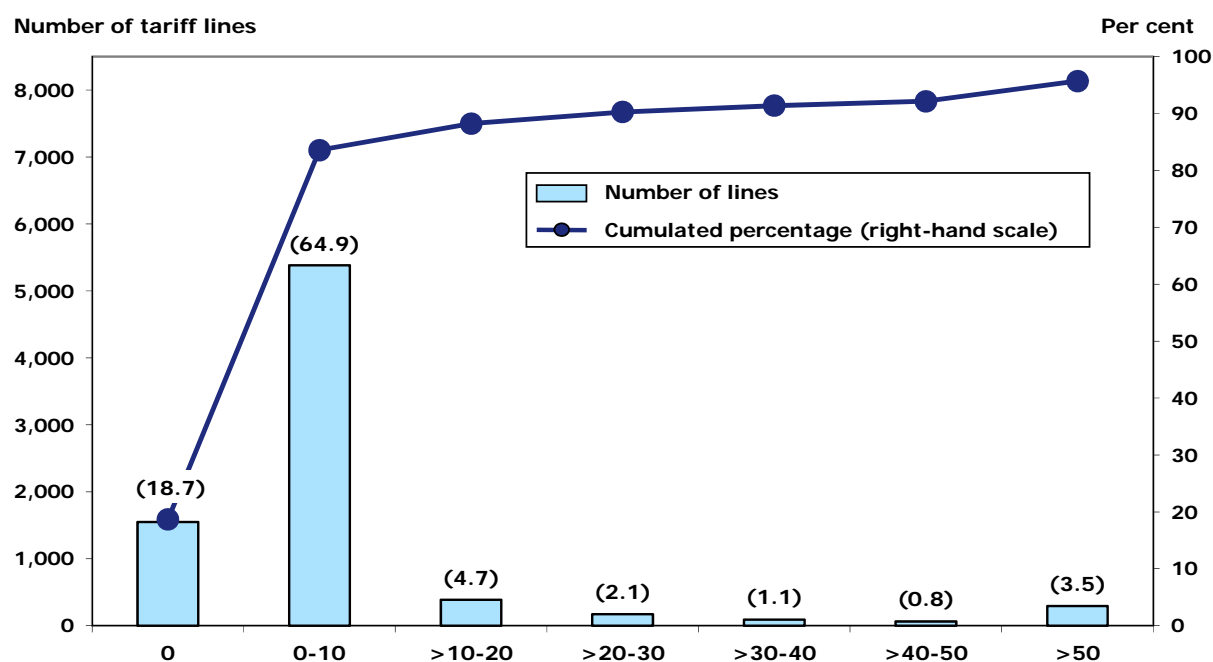
3.17. The Swiss/Liechtenstein tariff comprises only specific duties with *ad valorem* equivalents ranging from zero to 1,676%, up from 1,468.7% in 2008.²² Some 83.6% of all lines carry rates up

²² Despite the seeming simplicity of the administration of specific duties, their shortcomings include lack of transparency and predictability; and due to the disparate levels of protection afforded to similar goods, as the basis of the tariff is (in general) the weight of imported goods, its impact tends to be higher on relatively heavy and cheap goods than on expensive and light products within the same tariff line. In particular, over the review period (mainly 2011-12), the downward trend in the global prices of agricultural goods and the strong appreciation of the Swiss franc have led to high *ad valorem* equivalents of specific duties. For more on the shortcomings of specific duties, see WTO (2001), Box III.1.

to 10% (Chart 3.2).²³ Tariff protection varies substantially across and within sectors, averaging 31.9% for agricultural products and 2.3% for non-agricultural goods (WTO definitions).

3.18. Duty-free treatment applies to 18.7% of all tariff lines (18.3% of WTO agricultural lines and 18.8% of non-agricultural lines), including nuts, fruits, tea, some cereals, seeds, cocoa, vanilla, live animals, fish and crustaceans, animal and vegetable fats, petroleum, certain chemicals, raw silk, wool, cotton and jute, base metals, and products granted duty-free treatment under the Pharmaceutical Initiative²⁴, the Information Technology Agreement, and the Plurilateral Agreement on Trade in Civil Aircraft. Another 38.8% of lines bear non-zero rates of less than 2% (nuisance rates). The maximum rate (on an AVE basis) of 1,676% applies to frozen bovine offal, other than tongue and liver (HS 0206.2990).

Chart 3.2 Breakdown of applied MFN tariffs, 2012



Note: Figures in parentheses indicate the share of total lines. Calculations exclude in-quota rates. They do not add to 100% since some AVEs were not available (4.3% of all lines).

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.19. The tariff structure has changed little since the last Review of Switzerland and Liechtenstein. The adoption of the HS2012 tariff nomenclature increased the total number of tariff lines to 8,299. As a result, and following the downward trend in the global prices of agricultural products and the strong appreciation of the Swiss franc (with likely increases in the AVEs of specific duties), the overall simple average rate of the 2012 applied MFN rate tariff increased to 9.2%, up from 8.1% in 2008 (Table 3.2). The coefficient of variation of 5.3 (4.8 in 2008) depicts high dispersion of the tariff rates (the *ad valorem* equivalents); the high dispersion is a consequence of specific tariffs (with highly dispersed AVEs), generally higher on agricultural products than on non-agricultural goods. However, some international tariff peaks also apply to certain non-agricultural products, including textiles and clothing items (HS Chapters 54, 56, and 63).²⁵

²³ The AVEs used in this analysis are calculated as the ratio of specific duties to import unit values, estimated by the ratio of import values to import quantities/volumes in 2011 (at the HS eight-digit level). If no import data were available for 2011, 2010 import data were used.

²⁴ The list of pharmaceutical products concerned includes items of HS chapter 30; HS headings 2936, 2947, 2939, and 2941.

²⁵ There is a discrepancy between the actual number of lines in the tariff (8,299) and the number of lines used in the tariff analysis (7,942) due to the absence of trade data for the calculation of AVEs for certain tariff lines.

Table 3.2 Structure of MFN tariffs, 2012

(%)

		2012	Final bound
1.	Bound tariff lines (% of all tariff lines)	99.0	99.0
2.	Simple average tariff rate	9.2	13.3
	Agricultural products (WTO definition)	31.9	49.7
	Non-agricultural products (WTO definition)	2.3	2.4
	Agriculture, hunting, forestry and fishing (ISIC 1)	23.5	38.2
	Mining and quarrying (ISIC 2)	0.5	0.6
	Manufacturing (ISIC 3)	7.8	10.8
3.	Specific tariffs (% of all tariff lines)	100.0	100.0
	Duty-free tariff lines (% of all tariff lines)	18.7	15.4
4.	Non- <i>ad valorem</i> tariffs with no AVEs (% of all tariff lines)	4.3	5.2
5.	Simple average rate of dutiable lines only	11.4	15.9
6.	Tariff quotas (% of all tariff lines)	3.8	3.8
7.	Domestic tariff peaks (% of all tariff lines) ^a	5.8	7.4
8.	International tariff peaks (% of all tariff lines) ^b	8.9	11.9
9.	Coefficient of variation of tariff rates	5.3	4.2
10.	Nuisance applied rates (% of all tariff lines) ^c	38.8	37.7

a Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate (indicator 6).

b International tariff peaks are defined as those exceeding 15%.

c Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: All tariff calculations exclude in-quota lines. The 2012 tariff is based on HS2012 nomenclature, consisting of 8,299 tariff lines (at the 8-digit tariff line level). *Ad valorem* equivalents (AVEs) were estimated based on 2011 Swiss import data at the 8-digit tariff line level. If no import data were available for 2011, 2010 import data were used in calculations. However, some non-*ad valorem* equivalents could not be estimated since there were no imports in 2010 and 2011, hence around 4.3% for applied MFN and 5.2% for bound tariffs of total lines have been considered as empty (no rate).

Source: WTO Secretariat calculations, based on data provided by the Swiss authorities.

3.20. In general, the tariff continues to depict negative escalation from the first stage of processing (raw materials), at an average tariff rate of 15.3%, to the second stage (semi-manufactured products), at an average tariff rate of 3.2%. However, the tariff then shows positive escalation to fully processed products, which have an average rate of 10.7% (Table 3.3).

3.21. In total, at the conclusion of the Uruguay Round, Switzerland and Liechtenstein bound 99% of their tariff lines using specific duties on agricultural products and alternate duties on other products; unbound tariff lines cover 86 lines for gas, petroleum, and related products.

Table 3.3 Summary of tariff analysis, 2012

	Number of lines	Average (%)	Range (%)	CV ^a	Share of duty-free lines (%)
Total	8,299	9.2	0-1,676	5.3	18.7
HS 01-24	2,310	29.0	0-1,676	3.2	23.2
HS 25-97	5,989	2.4	0-160	1.9	17.0
By WTO category					
WTO agricultural products	2,134	31.9	0-1,676	3.1	18.3
Animals and products thereof	173	125.5	0-1,676	2.2	9.8
Dairy products	58	101.5	1-1,295	1.8	0.0
Fruit, vegetables, and plants	617	28.1	0-549	2.0	14.9
Coffee and tea	62	8.4	0-76	1.4	16.1
Cereals and preparations	426	20.8	0-265	1.3	10.3
Oils seeds, fats, oil and their products	394	22.5	0-137	1.5	19.0

	Number of lines	Average (%)	Range (%)	CV ^a	Share of duty-free lines (%)
Sugars and confectionary	58	6.9	0-60	1.3	25.9
Beverages, spirits and tobacco	124	25.1	0-509	2.1	8.9
Cotton	6	0.0	0	0.0	100.0
Other agricultural products, n.e.s.	216	5.8	0-230	3.9	56.0
WTO non-agricultural products	6,165	2.3	0-71	1.7	18.8
Fish and fishery products	254	0.5	0-29	4.9	75.2
Minerals and metals	1,286	1.7	0-25	1.4	12.2
Chemicals and photographic supplies	1,083	1.1	0-25	2.2	38.2
Wood, pulp, paper and furniture	343	4.4	0-28	1.2	21.3
Textiles	766	6.4	0-71	1.0	1.2
Clothing	332	5.5	1-28	0.7	0.0
Leather, rubber, footwear and travel goods	178	1.9	0-12	1.0	3.4
Non-electric machinery	855	0.7	0-13	1.3	15.9
Electric machinery	381	1.0	0-8	1.2	16.0
Transport equipment	183	1.6	0-21	1.6	9.8
Non-agricultural products, n.e.s.	483	1.5	0-17	1.4	15.3
Petroleum	21	0.0	0	0.0	100.0
By ISIC sector^b					
ISIC 1 - Agriculture, hunting and fishing	881	23.5	0-1,295	3.0	26.7
ISIC 2 - Mining and quarrying	105	0.5	0-14	3.2	62.9
ISIC 3 - Manufacturing	7,312	7.8	0-1,676	5.9	17.1
By stage of processing					
First stage of processing	1,402	15.3	0-1,295	3.7	34.5
Semi-processed products	2,459	3.2	0-72	2.0	18.3
Fully processed products	4,438	10.7	0-1,676	5.4	13.9

a CV = Coefficient of variation.

b International Standard Industrial Classification (Rev.2). Electricity is excluded (1 tariff line).

Note: Calculations for averages are based on the national tariff line level (8-digit), excluding in-quota rates. *Ad valorem* equivalents (AVEs) were estimated based on 2011 Swiss import data at the 8-digit level. If no 2011 data were available, 2010 data were used in calculations. However, some AVEs could not be estimated since there were no imports in 2010 and 2011, hence around 4.3% of total lines have been considered as empty (no rate).

Source: WTO Secretariat calculations, based on data provided by the Swiss authorities.

3.1.3.3 Tariff preferences

3.22. Under the 1923 Customs Union Treaty between Switzerland and Liechtenstein, all goods are traded freely between the two countries. The bilateral agreements between the European Union and Switzerland, and the EEA Agreement (for Liechtenstein) provide for free trade in most non-agricultural products, subject to a valid certificate of origin. In contrast, in general, agricultural goods are not subject to preferential tariffs when they are imported into the customs union. For example, average tariff protection is 29.6% from the EU and 30% for goods originating in other EFTA members, compared with average MFN protection of 31.9% (Table 3.4).

3.23. Switzerland and Liechtenstein are parties to 24 free-trade agreements under the ambit of EFTA.²⁶ Under these agreements, duty-free treatment is granted to 99.9% of all non-agricultural imports, while preferences are granted on a limited range of agricultural products. As a result, agricultural (WTO definition) preferential tariff averages range from 29.3% to 31.7% depending on the country, compared with an MFN tariff average of 31.9%. Under the 1923 Customs Union Treaty between Switzerland and Liechtenstein, the provisions on trade in goods of the bilateral

²⁶ Eight of the agreements have entered into force since 2008: EFTA-Canada, EFTA-Colombia, EFTA-Albania, EFTA-Serbia, EFTA-Peru, EFTA-Ukraine, EFTA-Montenegro, and EFTA-Hong Kong, China.

Free Trade and Economic Partnership Agreement between Switzerland and Japan apply also to the territory of Liechtenstein.

3.24. Under their GSP scheme, Switzerland and Liechtenstein grant non-reciprocal preferential tariff treatment to eligible countries, as well as additional preferences to least developed countries (LDCs).²⁷ LDCs benefit from substantial preferences, which have increased since 2008, from 99.6% to 100% of agricultural tariff lines²⁸ (WTO definition); all LDC non-agricultural products are entitled to duty-free treatment. In contrast, preferences granted on agricultural goods under the GSP do not vary substantially from the preferences granted under agreements concluded under the EFTA. Average tariff protection under the GSP is 30% for agricultural goods compared with MFN protection of 31.9%; moreover, the average preferential tariff on non-agricultural goods under the GSP is higher (0.5%) than under the free-trade agreements (zero).

Table 3.4 Tariffs under preferential agreements, 2012

	Simple average tariff rate (%)			Duty-free rates as a percentage of total tariff lines in each category (%)			Non- <i>ad valorem</i> rates as a percentage of total tariff lines in each category (%)					
	Overall	WTO Agriculture	WTO non-agriculture	Overall	WTO Agriculture	WTO non-agriculture	Overall	WTO Agriculture	WTO non-agriculture	Animals and products	Dairy products	Fruits, vegetables and plants
MFN	9.2	31.9	2.3	18.7	18.3	18.8	81.3	81.7	81.2	90.2	100.0	85.1
Reciprocal												
Albania	7.0	30.2	0.0	82.9	33.7	99.9	17.1	66.3	0.1	89.6	100.0	59.2
Botswana ^a	6.9	29.6	0.0	83.9	37.6	99.9	16.1	62.4	0.1	78.6	96.6	56.1
Canada ^a	7.1	30.6	0.0	80.9	26.0	100.0	19.1	74.0	0.1	89.0	100.0	79.7
Chile	7.0	30.4	0.0	82.5	32.2	99.9	17.5	67.9	0.1	82.1	100.0	61.8
Colombia ^a	6.8	29.3	0.0	84.5	40.0	99.9	15.5	60.0	0.1	78.0	62.1	54.3
Croatia	7.3	31.5	0.0	79.8	21.8	99.9	20.2	78.2	0.1	89.0	100.0	79.9
EFTA	6.9	30.0	0.0	81.5	28.1	100.0	18.5	71.9	0.0	89.0	65.5	77.3
Egypt ^a	7.0	30.4	0.0	82.3	31.4	99.9	17.7	68.6	0.1	89.6	100.0	56.1
EU	6.8	29.6	0.0	81.1	29.2	99.0	19.0	70.8	1.0	89.6	62.1	70.7
Faeroe Islands	7.3	31.7	0.0	79.2	19.5	99.9	20.8	80.5	0.1	90.2	100.0	85.1
Hong Kong, China	..	..	..	..	..	..	..	..	..	..	..	..
Israel	7.1	30.4	0.0	81.5	28.4	99.9	18.5	71.7	0.1	89.6	100.0	72.3
Japan ^a	7.0	29.9	0.0	83.4	35.7	99.9	16.6	64.3	0.1	86.7	100.0	57.5
Jordan ^a	7.1	30.8	0.0	80.5	24.7	99.9	19.5	75.4	0.2	89.6	100.0	72.9
Korea, Rep. of ^a	7.0	30.0	0.0	83.4	35.7	99.9	16.6	64.3	0.1	79.2	100.0	61.1
Lebanon ^a	7.0	30.3	0.0	82.6	32.4	99.9	17.5	67.6	0.1	88.4	100.0	64.0
Lesotho ^a	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Macedonia	7.0	30.5	0.0	81.4	27.9	99.9	18.6	72.1	0.1	89.6	100.0	70.7
Mexico	7.2	31.3	0.0	81.1	26.9	99.9	18.9	73.1	0.2	89.0	100.0	68.7
Montenegro	..	..	..	..	..	..	..	..	..	..	..	..
Morocco	7.1	30.6	0.0	81.1	26.9	99.9	18.9	73.1	0.1	89.6	100.0	66.8
Namibia ^a	6.9	29.6	0.0	83.9	37.6	99.9	16.1	62.4	0.1	78.6	96.6	56.1
Palestine	7.1	30.7	0.0	80.8	25.5	99.9	19.2	74.5	0.1	89.6	100.0	78.1
Peru ^a	6.8	29.3	0.0	84.4	39.7	99.9	15.6	60.3	0.1	78.0	62.1	55.3
South Africa ^a	6.9	29.6	0.0	83.9	37.6	99.9	16.1	62.4	0.1	78.6	96.6	56.1
Serbia ^a	7.0	30.1	0.0	83.0	34.2	99.9	17.0	65.8	0.1	89.0	86.2	59.0
Singapore	7.1	30.6	0.0	81.5	28.3	99.9	18.5	71.7	0.1	89.6	100.0	73.6

²⁷ UNCTAD (2013).

²⁸ The enlargement mainly concerned rice and sugar, in September 2009.

	Simple average tariff rate (%)			Duty-free rates as a percentage of total tariff lines in each category (%)			Non- <i>ad valorem</i> rates as a percentage of total tariff lines in each category (%)					
	Overall	WTO Agriculture	WTO non-agriculture	Overall	WTO Agriculture	WTO non-agriculture	Overall	WTO Agriculture	WTO non-agriculture	Animals and products	Dairy products	Fruits, vegetables and plants
Swaziland ^a	6.9	29.6	0.0	83.9	37.6	99.9	16.1	62.4	0.1	78.6	96.6	56.1
Tunisia ^a	7.2	31.0	0.0	80.0	22.7	99.8	20.0	77.3	0.2	88.4	100.0	79.7
Turkey	7.0	30.3	0.0	82.1	30.7	99.9	17.9	69.3	0.1	89.0	100.0	70.2
Ukraine	..	..	..	..	..	..	..	..	..	..	..	..
Non-reciprocal												
GSP	7.4	30.0	0.5	71.8	36.4	84.0	28.2	63.6	16.0	78.0	100.0	61.3
Brazil	7.4	30.0	0.5	71.7	36.3	84.0	28.3	63.7	16.0	78.0	100.0	61.3
China	7.8	30.0	1.1	70.3	36.3	82.1	29.7	63.7	17.9	78.0	100.0	61.8
LDC	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0

.. Not available.

a Implementation is not completed yet.

Note: Calculations are based on AVEs (if available) and exclude in-quota rates. If no preferential rate is applied, the corresponding MFN rate is used for the calculations. AVEs were estimated based on 2011 Swiss import data at the 8-digit tariff line level. If no import data were available for 2011, 2010 import data were used in calculations. However, some non-*ad valorem* equivalents could not be estimated since there were no imports in 2010 and 2011.

Source: WTO Secretariat calculations, based on data provided by the Swiss authorities.

3.1.4 Other charges affecting imports

3.25. Switzerland and Liechtenstein constitute a common area for the application of the VAT regime. Imported as well as domestically produced goods and services are subject to VAT. On imported services VAT is levied on the "cost of services provided", and on merchandise imports, it applies to the c.i.f. price plus the tariff paid. According to the authorities, if the Federal Administration has any doubts about the declared value, the provisions of the WTO Agreement on Customs Valuation apply.

3.26. Some changes were made to the legislation on the VAT during the review period. On 12 June 2009, Parliament approved the federal law governing the VAT (VAT Act, RS 641.20), to be implemented from 1 January 2010, replacing the law of 2 September 1999. On January 2011, the VAT rates increased slightly: the standard rate increased to 8% (from 7.6%), the special rate on hotel services to 3.8% (from 3.6%), and the reduced rate of 2.4% increased to 2.5%. This reduced rate is applied, *inter alia*, on tap water, beverages (excluding alcoholic drinks), food, cattle, grains, plants, seed, flowers, medication, newspapers, magazines, and books and other printed matter. VAT is zero rated on exports and on gold for investment purposes.

3.27. The Customs Administration collects a 4% tax on motor vehicles, levied on the customs-duty-inclusive c.i.f. value of imports, or on the invoice/catalogue price. Electric cars are exempted from the tax.

3.28. The consumption tax (excise tax) is applied on imported and domestically produced mineral oils and fuels. The tax rate varies according to the product and its final use; per litre, it ranges from SwF 0.759 on diesel and SwF 0.7312 on unleaded gasoline, to SwF 0.03 on extra-light heating oil. Reduced rates apply to fuels used in agriculture, forestry, fisheries, and licensed

transport companies. Aircraft may be exempt from this petroleum tax.²⁹ In 2011, mineral oil tax generated 7.8% of federal receipts.³⁰

3.29. The tax rates on natural gas and liquid gas used as fuel were reduced on 1 July 2008, and a partial or complete tax exemption from the mineral oil tax is granted for biofuels (e.g. biogas, bioethanol, biodiesel, vegetable and animal oils) that comply with minimum ecological and social criteria³¹; this can amount up to SwF 0.72 per litre.

3.30. The CO₂ tax on fossil fuels is an incentive fee that supplements voluntary and other CO₂-related measures. Its purpose is to reduce the use of fossil fuels and thus lower CO₂ emissions. The CO₂ tax has been levied since 1 January 2008 on fossil fuels (heating oil, natural gas, coal, petroleum coke, and other fossil combustibles) that are used to generate heat, produce electricity in thermal plants or operate combined heat and power (CHP) plants. The tax rate has been SwF 36 per tonne of CO₂ since 1 January 2010. The tax on extra-light heating oil, for example, is SwF 95.50 per 1,000 litres at 15°C, and that on natural gas is SwF 92.10 per 1,000 kg. Energy-intensive companies may be exempted from the CO₂ tax if they commit to legally binding CO₂ reduction targets. The Customs Administration is responsible for enforcement of the CO₂ Ordinance, with the exception of the provisions on tax exemption and tax revenue distribution, for which the Federal Office for the Environment is responsible. In particular, the Customs Administration is charged with levying and reimbursing the CO₂ tax.

3.31. The tobacco tax is levied on imported and domestically produced cigarettes, cigars, and other tobacco products; it may be compound or *ad valorem*.³² The specific component of the compound tax on cigarettes (HS 2402.2010, HS 2402.2020, and HS 2402.9000) increased to SwF 114.94 per 1,000 units during the review period (from SwF 99.23 in 2006); the *ad valorem* component of 25% of the sale value at retail level remained unchanged. In addition, cigarettes are subject to a tax of SwF 1.30 per 1,000 units, for the domestic tobacco financing fund (SOTA), and a tax of SwF 1.30 per 1,000 units, for the Tobacco Control Fund.³³ The tax on cigarette paper was eliminated on 1 January 2010. Alcoholic beer and mixed beer drinks are subject to the beer excise tax, levied in accordance with the Beer Tax Act (SR 641.411) and the associated implementing provisions. The beer excise tax is assessed according to the strength of the beer and it varies from SwF 16.88 per hl for light beer, to SwF 25.32 per hl for regular and special beer, to SwF 33.76 per hl for strong beer.³⁴

3.32. The incentive fee on volatile organic compounds (VOCs) is levied at SwF 3/kg on imported and domestically produced VOCs either directly on the substances or on products containing VOCs.³⁵ The fee is collected at the time of importation into Switzerland or domestic production. VOCs are exempt from this tax if used in such a way that they are not released into the environment or if they are exported.³⁶

²⁹ Pursuant to article 17, paragraph 2 (a) of the Petroleum Tax Act RS 641.61.

³⁰ Swiss Federal Customs Administration online information, "Petroleum Tax". Viewed at: http://www.ezv.admin.ch/zollinfo_firmen/steuern_abgaben/00382/index.html?lang=en&print_style=yes.

³¹ RS 641.611.

³² For information on taxes on cigarettes, cigars, and other tobacco products, see Swiss Federal Customs Administration online information. Viewed at: http://www.ezv.admin.ch/zollinfo_firmen/steuern_abgaben/00385/index.html?lang=en.

³³ Swiss Federal Customs Administration online information, "Fact Sheet on the Commercial Importation of Cigarettes". Viewed at: http://www.ezv.admin.ch/zollinfo_firmen/steuern_abgaben/00385/02115/index.html?lang=en.

³⁴ Swiss Federal Customs Administration online information, "Beer Excise Tax". Viewed at: http://www.ezv.admin.ch/zollinfo_firmen/steuern_abgaben/00386/index.html?lang=en.

³⁵ A positive list of substances (Appendix 1 to the OVOC) shows all of the VOCs subject to the fee, while a positive list of products (Appendix 2 to the OVOC) shows the products containing VOCs that are subject to the fee. See RS 814.018 for a complete list of goods subject to the Incentive Tax on Organic Volatile Compounds. Viewed at: <http://www.admin.ch/ch/e/rs/8/814.018.en.pdf>.

³⁶ Swiss Federal Customs Administration online information, "Incentive fee on volatile organic compounds (VOCs)". Viewed at: http://www.ezv.admin.ch/zollinfo_firmen/steuern_abgaben/00381/index.html?lang=en#.

3.33. The excise tax on salt, which replaces the monopoly fee on salt, is still applied in Liechtenstein.³⁷

3.1.5 Import prohibitions and restrictions

3.34. Regulations on products subject to import prohibitions and restrictions have been adapted to EU regulations and global chemical conventions. Selected products are listed in Table 3.5, together with the underlying regulations and their purposes. Certain trade prohibitions (covering both imports and exports) are also maintained as a result of UN Security Council sanctions, or EU sanctions also implemented by Switzerland and Liechtenstein. Recently implemented UN sanctions include sanctions against Somalia (2009), Eritrea (2010), and Libya (2011).³⁸ Sanctions have been abolished for Sierra Leone in 2010. Based on EU decisions, Switzerland and Liechtenstein have adopted new sanctions against Guinea (2009) and Syria (2011), while abolishing the sanctions on Uzbekistan in 2009.

Table 3.5 Selected products subject to import prohibitions, 2012

Products	Regulation/agreement	Purpose
Endangered species and their products	CITES	Environment
Nuclear, chemical, and biological weapons/anti-personnel mines	<i>Loi fédérale sur le matériel de guerre</i> (RS 514.51, Articles 7 and 8)	Security
Certain toxic and environmentally hazardous chemical substances	<i>Ordonnance sur la réduction des risques liés aux produits chimiques</i> (RS 814.81)	Environment/public health and safety
Potatoes, potato plants, certain soil substrates, vine, fruit trees from non-European countries	<i>Ordonnance sur la protection des végétaux</i> (OPV) (RS 916.2)	Plant health (prohibition concerns mainly plant species intended for planting)
Certain carbon-zinc batteries and alkali-manganese batteries/accumulators	<i>Protocole à la Convention sur la pollution atmosphérique transfrontière à longue distance, de 1979, relatif aux métaux lourds</i> (RS 0.814.326)	Environment
Rough diamonds shipped from a country that is not a participant in the Kimberley Process Certification Scheme (KPCS)	Ordinance on the international trade in rough diamonds (RS 946.231.11)	Combating international trade in conflict diamonds

Source: WTO Secretariat, based on information provided by the authorities.

3.1.6 Import licensing

3.35. Switzerland and Liechtenstein continue to apply automatic and non-automatic licences. The legal basis for the licensing system for agricultural products is governed by the Federal Law on Agriculture of 29 April 1998 (RS 910.1) and the Ordinance on imports of agricultural products of 26 October 2011 (RS 916.01), which entered into force on 1 January 2012.³⁹ Other recent changes resulted from the revision of the Harmonized System.⁴⁰

3.36. An automatic licence, known as a general import permit (PGI) applies to all products subject to threshold prices or to compulsory reserve stocks. This licence is granted automatically and used for statistical purposes. The licence is also used to ensure collection of the portions of the customs duty that are not levied by the Federal Customs Administration, mainly for the compulsory holding of stocks. The licence is not transferable and is generally not limited in time. Traders liable to customs control must present their PGI number on their customs declaration.

³⁷ The tax varies (per tonne) from SwF 175 on salt for direct human consumption, to SwF 50 on road salt, SwF 0.94 on salt for industrial use, and SwF 5 for other purposes (LGBl. 1995/98 and LGBl. 1995/135).

³⁸ Based on the Law on the Implementation of International Sanctions (RS 946.231), in force since 2003. In Liechtenstein, the relevant Government ordinances are based on the law of 10 December 2008 concerning the application of international sanctions (LGBl. 41/2009).

³⁹ WTO document G/LIC/N/1/CHE/3, 20 January 2012.

⁴⁰ WTO document G/AG/N/CHE/13/Add.14, 11 April 2012.

3.37. Non-automatic licences are used mainly for tariff quota management purposes (Chapter 4.4.4). In general, non-automatic licences are allocated through auctions, based on previous imports, on a first-come first-served basis, on a pro-rata basis, and/or according to the amount produced or purchased domestically of similar local goods (*prise en charge*). Non-automatic licences are transferable, with the exception of licences granted for quota allocated on a pro-rata basis. Importers who meet the relevant legal requirements are authorized to carry out imports within the tariff quota, but are not required to produce this authorization at the border; controls are performed electronically when the customs declaration is processed. A fee ranging from SwF 3 to SwF 5 is charged for most licence applications; additional fees depend on the product and the method of tariff quota allocation.

3.38. Import licensing is also required for imports of a range of non-agricultural products, such as narcotic drugs, transplant materials, and synthetic ethanol.⁴¹

3.39. A licence application may be refused because of failure to meet the specific criteria. Reasons for any refusal are communicated to the applicant, who has the right to appeal. Appeals against decisions relating to licensing are made to the Swiss Federal Administrative Court and, in the second instance, to the Swiss Federal Supreme Court.⁴²

3.1.7 Compulsory reserve stock

3.40. In accordance with Article 8 of the Federal Law on National Economic Supply (NESA, RS 531), the Federal Council may subject certain goods of vital importance to compulsory stockpiling. Some goods subject to compulsory reserve stock require an automatic import licence.

3.41. Goods that are currently subject to compulsory stockpiling and that require an automatic import licence are liquid fuels, sugar, rice, edible oils and fats, coffee, and different kinds of cereal. The automatic licences for these products are granted by CARBURA (an association of importers under private law) in the case of liquid fuels and Réservesuisse Genossenschaft (a cooperative under private law of importers of foodstuffs and feedstuffs) for the other products mentioned above, subject to approval by the Federal Office for National Economic Supply. These goods may be imported from any country; they are not subject to any quantitative restrictions or to a time limit. The stockpiling scheme is supported by guarantee funds financed through import fees (included in the customs tariffs levied on these products) and ultimately consumers. In general, the level of compulsory reserves corresponds to four months of average consumption of each product (except, e.g. 4.5 months for liquid fuels, 3 months for kerosene and coffee, and 3-4 months for cereals).

3.42. Furthermore, nitrogen fertilizers and certain therapeutic products are subject to compulsory reserve stock requirements, which are managed by Agricura and Helvecura, respectively. The Swiss authorities do not envisage any reduction in the levels of compulsory reserves measured in months of average annual consumption.

3.1.8 Local-content and local-purchase requirements

3.43. The "*prise en charge*" system, which applies to some agricultural products subject to tariff quotas, requires traders to purchase or produce similar domestic products in order to import. Television broadcasters with a national or regional language programme service are still obliged to reserve at least 50% of their broadcasting time for Swiss or European productions and at least 10% of broadcasting time or 10% of production costs for works from independent Swiss or European producers. In addition, television broadcasters with a national or regional language programme service, which broadcast films, must spend at least 4% of their gross revenue on purchasing Swiss films (productions or co-productions) or must pay a 4% fee on their gross revenue.

⁴¹ See WTO document G/LIC/N/3/CHE/8, 11 September 2012.

⁴² See WTO document WT/TPR/S/208/Rev.1 for a detailed presentation of the import licensing system in Switzerland and Liechtenstein.

3.1.9 Contingency measures

3.44. Switzerland and Liechtenstein have no anti-dumping, countervailing or safeguard measures in place; and they do not have specific national anti-dumping, countervailing or safeguards legislation. Nevertheless, under Switzerland's legal system, the WTO Agreements (including those on anti-dumping, safeguards, and subsidies and countervailing measures) form an integral part of Swiss national law, and could therefore serve as a legal basis for future measures.

3.45. In the event of alleged dumping or subsidization, SECO is the competent authority in Switzerland. Liechtenstein does not have authority to introduce contingency measures.

3.46. Moreover, under the Swiss Customs Tariff Law⁴³, Article 7 allows modifications in tariffs, including increases, when the national interest is at stake, and Article 11 provides for temporary tariff increases on agricultural products in application of safeguard provisions under international trade agreements. Switzerland reserved its right to invoke the special safeguard clause for 1,193 tariff lines for agricultural products under Article 5 of the WTO Agreement on Agriculture. This measure has been used only once, in 1999. Under the Federal Law on External Economic Measures, Article 1 provides for non-tariff measures in emergency situations (subject to approval by Parliament within six months).⁴⁴

3.1.10 Government procurement

3.47. Switzerland's commitments under international agreements on public procurement, i.e. the WTO plurilateral Government Procurement Agreement (GPA), the Bilateral Agreement between Switzerland and the EU of 21 June 1999⁴⁵, and the Free Trade Agreements concluded by Switzerland in the context of EFTA⁴⁶, have been transposed into its national law at the federal level (central administration), and at the sub-federal level (cantonal and municipal). At the federal level, the GPA was integrated through the 1994 Federal Law on government procurement (in force since 1 January 2006) and its 1995 Ordinance, which set detailed rules for all types of procurement below and above GPA thresholds. On 17 June 2009, the Confederation decided to revise the Ordinance of the Federal Law on government procurement, the result of which has been in force since January 2010.

3.48. At the sub-federal levels, the 26 Swiss cantons operate under the revised Inter-cantonal Concordat on government procurement of 2001, and its executive directives.⁴⁷ Switzerland's commitments under the GPA are not extended to procurement by the federal railways.⁴⁸ Exclusions from coverage are also provided on security grounds, pursuant to Article III of the revised GPA.⁴⁹ Switzerland made reservations on the application of the GPA to other signatories who had not extended comparable and effective access in certain activities to Swiss firms.⁵⁰ In 2011, Switzerland made a final offer to the Members of the GPA, with the final package adopted in March 2012, but not yet in force.⁵¹

3.49. According to the authorities, the cantonal and the federal laws have been harmonized to a large extent. The Confederation-Cantons Commission on Government Procurement (CMCC) is

⁴³ *Loi sur le tarif des douanes*, RS 632.10.

⁴⁴ *Loi fédérale sur les mesures économiques extérieures*, RS 946.201.

⁴⁵ Viewed at: http://www.admin.ch/ch/f/rs/c0_172_052_68.html.

⁴⁶ Viewed at: <http://www.seco.admin.ch/themen/00513/00515/00516/index.html?lang=fr>. Also see <http://www.efta.int/legal-texts/free-trade-relations.aspx>. There are ongoing negotiations on government procurement with Russia, Belarus, Indonesia and some countries in Central America.

⁴⁷ *Accord inter-cantonal sur les marchés publics* (AIMP), 25 November 1994/15 March 2001. Viewed at: <http://www.dtap.ch/Konkordate/IVOEB.aspx>.

⁴⁸ However, urban transport is covered, including tramways. See WTO document GPA/113.

⁴⁹ See Article XXIII of the GPA.

⁵⁰ See for instance, Annex 7, General Notes 1, 2 and 3 of Switzerland, WTO document GPA/113. The reservations apply to, *inter alia*: Canada (regional bodies, entities in the water, electricity, local transport, airports and ports subsectors, as well as certain services subsectors); the United States (communal bodies and water, local transport, airports and ports entities, as well as certain services subsectors and challenge procedures); Japan (communal bodies, electricity and local transport entities, as well as challenge procedures); the Republic of Korea (communal bodies, airports and local transport, and challenge procedures); Israel (communal bodies, local transport, certain services subsectors, and challenge procedures); and Singapore (communal bodies, water, and electricity entities).

⁵¹ See WTO document GPA/113.

responsible for coordinating the implementation of Switzerland's international commitments at the federal and sub-federal levels, and for ensuring that they are respected and implemented.⁵² In addition, the 1995 federal law on the internal market provides for non-discrimination in public procurement at cantonal and local levels. The Swiss legislation covers purchases of goods and services and projects related to construction and civil engineering. The law does not apply to, *inter alia*, the purchase of weapons and defence projects.⁵³ Nonetheless, such purchases are regulated by Section 3 of the Ordinance on government procurement of 11 December 1995.⁵⁴ The Swiss legislation provides for, *inter alia*, periodic adjustments to definitions and threshold values under the relevant GPA provisions.

3.50. Special provisions (including on thresholds) are stipulated in the federal law on government procurement for public and private enterprises that have a dominant position in the Swiss market. The Federal Ordinance on government procurement also covers certain activities carried out by public entities under control or influence of the Swiss State (i.e. organizations in which the Federal Government holds the majority of shares or where more than half of the members of the management or supervisory boards are representatives of the Federal Government), or by private entities with special or exclusive rights to provide a service throughout the Swiss territory. These activities originally included the provision of public telecommunication services, the construction or operation of railway facilities by CFF, and generation, transmission, and distribution of electricity.⁵⁵ If conditions are met for free access by all suppliers to, and for international competition in, these markets (or segments thereof), the Federal Department for the Environment, Transport, Energy, and Communications (DETEC) may partially or totally exempt the industry, sector or activity from the federal law on government procurement.⁵⁶ These exemptions are based on recommendations by the Federal Competition Commission, issued in light of an analysis of the prevailing conditions of competition in the sector.⁵⁷

3.51. For contracts below the thresholds, procuring entities may use limited tendering, tendering by invitation (of three potential suppliers), open tendering, or selective tendering.⁵⁸ For contracts reaching the international agreed thresholds, the procuring entity must use open, selective or limited tendering.⁵⁹ Contracts must be awarded to the supplier that has presented the most economically advantageous offer, closest to the criteria specified in the tender documentation. Neither the law nor the ordinance provide for preferential treatment for Swiss suppliers. Complaints against the federal entities, related to public procurement, may be lodged with the Federal Administrative Court (TFA), which replaced the Federal Commission of Appeal (CRM) in the field of public procurement on 1 January 2007. The TFA's decisions may be appealed to the Federal Supreme Court (FSC). At cantonal level, administrative tribunals may deal with complaints arising from tendering procedures, which can be appealed to the FSC.

3.52. The bilateral agreement on government procurement between Switzerland and the EU filled the gap between the scopes of the GPA and the relevant provisions under the EEA. It provides for extension of the GPA to purchases by communes, the railways, telecommunications utilities, and entities active in the field of energy other than electricity; and to private entities operating on the basis of special or exclusive rights in connection with drinking water, electricity, airports, ports, and urban and cable transport.⁶⁰ The telecommunication subsector was exempted from the scope of the agreement, by the Swiss authorities upon its entry into force, and by the EU Commission (for most Members) in July 2002. The exemption was formally implemented by the Ordinance of DETEC of 18 July 2002 (RS 172.056.111). In 2007, transportation of goods by rail on normal trace was also exempted. This exemption was formally implemented by the adoption of the annex to the Ordinance of DETEC of 18 July 2002. A best-endeavour clause encourages purchasers not to discriminate against suppliers from other parties to the agreement for procurement below the relevant threshold values.

⁵² The CMCC comprises an equal number of representatives from the Confederation and from the cantons.

⁵³ Article 3 of RS 172.056.1.

⁵⁴ Articles 32-36 of RS 172.056.11.

⁵⁵ Articles 2 paragraph 2 of RS 172.056.1 and 2a of RS 172.056.11.

⁵⁶ Article 2b of RS 172.056.11.

⁵⁷ RS 172.056.111.

⁵⁸ Article 36 of RS 172.056.11.

⁵⁹ RS 172.056.1.

⁶⁰ Federal Department of Economic Affairs online information, "Public procurement market". Viewed at: <http://www.europa.admin.ch/themen/00500/00506/00521/index.html?lang=en>.

3.53. Several of the EFTA free-trade agreements contain a chapter on government procurement based on the WTO GPA with market access concessions. This is the case for Chili, Mexico, Colombia, Peru, Ukraine, and the Gulf Co-operation Council.

3.54. In Switzerland, total public spending at all levels of government on goods, services, and construction amounted to about SwF 34 billion in 2007, representing 25% of total public spending. The total was shared between the Confederation (19%), cantons (38%), and communes (43%). No exact figures are available for the amounts spent in 2008 to 2010; 2011 is the first year for which statistical data were made available through the electronic procurement gate (simap.ch) for the purchases by the Confederation's procuring entities. In 2011, purchases at federal level totalled about SwF 6 billion. This comprised purchases for SwF 3.8 billion above the thresholds. About SwF 3 billion were awarded under the open procedure; about SwF 400 million under the selective procedure; and about SwF 400 million under limited tendering according to the conditions of the GPA. In total Swiss procurement, the share of goods represents about 16%, while the share of services is 45% and construction services 39%. For the cantons, the electronic system is not yet mandatory for the collection of statistics.

3.55. A centralized portal was developed in 2011 for use by the Confederation, cantons and communes on all matters related to government procurement.⁶¹

3.56. In Liechtenstein, in addition to the GPA, public procurement is governed by the relevant EEA rules (EU Directives and directly applicable EU regulations) and the EFTA Convention. The threshold values are those set by the EEA. The Department of Public Procurement, under the Office of the Prime Minister, is responsible for procurement. In 2008, two EU directives (2004/17/EC and 2004/18/EC) were incorporated into national law and the legislation on public procurement was updated (Act on the Procurement of Utilities for public works contracts, and supply and services contracts in water, energy, transport, and postal services; Act on Public Procurement for all other public purchases).⁶² These laws apply to public purchases, and to projects jointly undertaken by public and private entities when the financial contribution of the public contracting entity exceeds 50%.

3.57. Under the 2005 Public Procurement Act, open tenders are the rule to assign contracts. Contracts above the EEA thresholds are awarded according to international rules; they are announced in the EU electronic government procurement system (Table 3.6). Selective tenders are used for architectural services. For contracts below the EEA thresholds, public utilities usually use open or negotiated procedures; otherwise, relevant international rules apply. Since 2008, a contracting authority may also use a procedure termed the "competitive dialogue" and purchasing techniques such as the dynamic purchasing system and electronic auction. These methods have yet not been used in practice. Under the two laws mentioned above, contracts are awarded according to the most economically advantageous tender or to the tender with the lowest price. Additional criteria, such as quality, environmental characteristics, and cost-effectiveness, may also be taken into account. According to the Liechtenstein authorities, there are no preferences for local suppliers. A joint declaration by Liechtenstein and certain neighbouring Swiss cantons enables suppliers from the latter to participate in tenders (on a reciprocal basis) for purchases below the EEA threshold values. Complaints related to public purchases may be lodged with the Complaints Commission in Administrative Matters, the Administrative Court, or with the EFTA Surveillance Authority if EEA provisions are involved.

3.58. In 2011, Liechtenstein made a final offer to the Members of the GPA; final package was adopted in March 2012 but is yet to enter into force.⁶³ This offer extended coverage to procurement by its Parliament and Courts⁶⁴, bodies of public law at the national level⁶⁵, and procurement by postal services acting under exclusive rights.⁶⁶ In Annex 5, Liechtenstein dropped the exclusion of certain telecommunication services. The authorities expect that the Liechtenstein instrument of ratification will be deposited in the first half of 2013.

⁶¹ Viewed at: <https://www.simap.ch>.

⁶² Viewed at: <http://www.gesetze.li/Seite1.jsp?clearsvs=true&clearlrs=true>.

⁶³ WTO document GPA/113, 2 April 2012.

⁶⁴ WTO document GPA/113, Liechtenstein, Annex 1 (central government entities).

⁶⁵ WTO document GPA/113, Annex 2.

⁶⁶ WTO document GPA/113, Annex 3.

Table 3.6 Government procurement in Liechtenstein

	Internationally awarded contracts (SwF million)	Open tenders (%)	Selective tenders (%)	Negotiated procedures (%)
2006	24	100	0	0
2007	78	94	2	4
2008	45	93	2	5
2009	76	89	0	11
2010	23	96	0	4
2012	31	77	0	23

Source: Liechtenstein authorities.

3.2 Measures Directly Affecting Exports

3.2.1 Procedures

3.59. Customs procedures, registration, and documentation requirements for exports are similar to those for imports in both Switzerland and Liechtenstein. An export declaration is required (regardless of the type of product and its destination) for statistical and surveillance purposes. Goods must be exported within one day of submission of the customs declaration. Permits are required to export animals and animal products, as well as narcotic drugs and psychotropic substances, and certain articles containing gold.

3.2.2 Export taxes, charges, and levies

3.60. No export taxes, charges or levies are in force in Switzerland or Liechtenstein.

3.2.3 Export prohibitions, restrictions, and licensing

3.61. Switzerland and Liechtenstein maintain export controls (by means of licences) on certain products for safety, security, and environmental reasons, and to ensure compliance with international obligations under treaties and conventions to which they are signatories.⁶⁷ In addition, Switzerland and Liechtenstein maintain export controls on war material and dual-use goods that might be used in the production of conventional weapons and weapons of mass destruction. Exporters are required to obtain an export permit for these items from the SECO.

3.62. Trade restrictions, based on international sanctions, generally also apply to exports (for imports, see section 3.1.5).

3.2.4 Duty and tax concessions

3.63. In Switzerland and Liechtenstein, goods may be exported temporarily, in line with the Kyoto Convention, for processing or repair, upon approval from the Customs Administration. Exported goods may be imported duty free.⁶⁸ According to the authorities, Switzerland has not imposed any export taxes in the last 20 years and does not intend to do so. Tourists and non-residents may apply for reimbursement of the VAT on goods bought for their own use, of a minimum value of SwF 300.⁶⁹

3.64. Alcohol taxes paid on alcohol products are refunded by the Swiss Alcohol Board when the goods are exported. Alcohol products that are not intended for drinking purposes such as perfume, medicines, varnishes, detergents, as well as products with an alcohol content not exceeding 1.2% by volume (e.g. pastries and chocolate) may be imported free of alcohol taxes. Also tax-free are alcoholic beverages (spirits) brought into the country by travellers, but not exceeding: 2 litres of

⁶⁷ For example, the Basel Convention on international transport of hazardous waste, CITES, the Convention on Chemical Weapons, the Treaty on Nuclear Non-Proliferation.

⁶⁸ RS 631.0.

⁶⁹ RS 641.202.2.

beverages with alcohol content of up to 15% by volume, and 1 litre of those with over 15% of alcohol by volume.⁷⁰

3.2.5 Export subsidies

3.65. As part of its ongoing agricultural reforms, Switzerland eliminated export subsidies on basic agricultural goods in 2009. Switzerland continues to compensate for higher prices of milk, dairy products, and flour, if these products are incorporated in processed agricultural goods. (Chapter 4.1.3).

3.66. Liechtenstein does not have an export subsidy regime in place; however, its food processors may benefit from Swiss export subsidies.

3.2.6 Export promotion

3.67. SECO is responsible for setting export promotion policy. The Swiss Office of Commercial Expansion (OSEC) is a non-profit organization mandated by the Swiss Government to support Swiss companies abroad. OSEC is in charge of export promotion, assisting Swiss and Liechtenstein companies involved in export activities. It coordinates a network of 19 representative offices or "hubs" worldwide, which deliver basic information, consulting, and marketing services. OSEC is subordinated to SECO.

3.68. In line with the Swiss Confederation's general economic and location promotion policies, in 2011, the Federal Council approved a plan for economic promotion, including export promotion and tourism promotion for 2012-15.⁷¹ For export promotion, the plan includes a budget of SwF 84 million to be managed by OSEC. The main aim is for OSEC to support Swiss small and medium-size enterprises (SMEs) in particular to undertake research, provide expert advice, and exploit export opportunities in international markets.

3.2.7 Export insurance and guarantees

3.69. Other assistance for Swiss exporters includes insurance and guarantees against political and economic risks when exporting goods and services.⁷² The Swiss Export Risk Insurance, SERV, provides protection against non-payment, facilitates the financing of exports, and helps companies to maintain their liquidity.

3.70. Due to uncertainty regarding the international economic and financial situation, SERV introduced new measures intended to improve competitiveness and provide exporters with liquidity problems better prospects in fulfilling export orders. In 2009, as part of stabilization measures, SERV introduced: counter guarantees, working capital insurance, letter of credit confirmation insurance, and refinancing guarantees; which were later extended by Parliament until the end of 2015. On 1 September 2011, SERV introduced a new premium schedule based on the new OECD Export Credit Arrangement. In October 2011, in view of the strength of the Swiss franc, the Federal Council raised the cover ratio for counter guarantees from 95% to 100%, and that for working capital insurance from 80% to 95%. SERV recorded its first net loss after four profitable years, posting a deficit of SwF 55.2 million in 2011. The Confederation's maximum guarantee exposure is SwF 12 billion; at end-December 2012, its exposure was SwF 10 billion.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives and other assistance

3.71. The Swiss Subsidies Law stipulates the main eligibility criteria and procedures to follow when granting subsidies at the federal level.⁷³ Assistance is also granted at the sub-federal level. The main types of support consist of financial transfers and tax exemptions. Under the Swiss

⁷⁰ Swiss Alcohol Board online information. Viewed at: <http://www.eav.admin.ch/themen/00514/index.html?lang=en>.

⁷¹ *Arrêté fédéral sur le financement de la promotion des exportations pour les années 2012 à 2015*, (22 September 2011).

⁷² Liechtenstein does not have such a regime.

⁷³ RS 616.1.

Subsidies Law, subsidies granted by the Federal Government must be examined periodically (every six years)⁷⁴; the examination is based on the budget positions of individual subsidies, with a focus on their efficiency and effectiveness. The latest Federal Council Report on the examination of subsidies was published on 30 May 2008.⁷⁵ The 2008 Report contained the results of the evaluation of some 230 subsidies (out of 360), and concluded that some 70 subsidies programmes needed to be discontinued or revised, either because they had become redundant due to structural changes, or had been found inefficient to achieve the programme's goals. The Federal Council reports regularly on the implementation of the report's conclusions.⁷⁶ As from 2014, a shift is planned toward continuous examination of federal subsidies.

3.72. According to Switzerland's latest notification to the WTO, under Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures, Switzerland distinguishes its subsidies at the federal level in two broad categories: agriculture (see Chapter 4.1.2) and industry.⁷⁷

3.73. Under the industry pillar, there are several sub-categories, including: tax relief in application of the new regional policy, assistance for mountain and rural areas, and assistance for forestry activities. According to Switzerland's notification, the tax relief in application of the New Regional Policy has been in place since 1 January 2008 and will remain in force indefinitely. Under this programme, Switzerland provides subsidies in the form of federal tax relief (partial or full) to support private enterprise projects aimed at helping to reduce disparities in the development of regions. Areas considered economically less developed are those where there is a particular need for structural adaptation due to lower evolution of the population compared with the country as a whole; an income level below the national average; and a proportion of industrial activities higher than the average. Other considerations are areas where average unemployment exceeds the national average; the trend in the number of jobs has been markedly less favourable than the national average; or, where there are clear indications that at least one of the situations mentioned above will occur shortly; in particular, that the prospects for the most important sectors of the economy and for the largest firms are unfavourable. The loan guarantees granted under the former law (Federal Law of 6 October 1995, Official Collection of Federal Law 2006 4301) for a maximal of eight years will expire in about 2015-16. The tax reliefs are granted for up to ten years to manufacturing companies, and to services companies with activities closely linked to the manufacturing process. In order to be considered, the project must be innovative: the product and the manufacturing process must be technologically up-to-date and increase the company's ability to compete through a national and international market presence. According to the Swiss authorities, the effect of the assistance programme on trade is negligible or non-existent.⁷⁸

3.74. The Swiss Federal Government has a range of instruments that can help companies to access credit. One of these is exclusively for small and medium-size enterprises (SMEs) operating in the arts and crafts subsectors. According to the Federal Act of 6 October 2006 on financial assistance for surety organizations acting on behalf of SMEs (SR 951.25), the Federal Government covers 65% of the exposure, and shares the administration costs of guarantee cooperatives that help promising small and medium-size enterprises obtain bank loans. Three regional cooperatives cover the entire territory of Switzerland, and one cooperative for women (SAFFA), operates at the national level. They offer loan guarantees of up to SwF 500,000.

3.75. Switzerland also provides assistance for mountain and rural areas under the "Surety and contributions to interest-servicing in mountain and rural areas" programme (Table 3.7). The objective of the subsidy is to provide long and medium-term capital loans to small and medium-size establishments situated in mountain and rural areas. In its application, the Confederation encourages the granting of sureties by giving subsidies to the Swiss Guarantee Cooperative for Arts and Crafts, and by making interest-servicing contributions. The subsidy does not relate to a specific product or sector. It is provided to SMEs that are profitable or likely to develop, whether existing or to be created. Payments are made only to establishments that are not already supported by the Confederation in some other way. This assistance programme is to

⁷⁴ Article 5, RS 616.1.

⁷⁵ Federal Department of Finance (2008).

⁷⁶ See *Compte d'Etat 2011 (tome 3, no. 07)* on the status of implementation of the subsidies review.

Viewed at: <http://www.efv.admin.ch/f/dokumentation/finanzberichterstattung/staatsrechnungen.php>.

⁷⁷ WTO document G/SCM/N/220/CHE, 24 June 2011.

⁷⁸ WTO document G/SCM/N/220/CHE, 24 June 2011.

remain in force for an indefinite period. According to the Swiss authorities, the effect of the subsidy on trade is insignificant or non-existent.

Table 3.7 Federal assistance, 2007-11

(SwF million, unless otherwise indicated)

Programme/industry	Outlays					Legislation
	2007	2008	2009	2010	2011	
Assistance for zones under economic renewal						Article 4 of the Federal Law of 6 October 1995 on assistance for zones under economic renewal (Official Collection of Federal Law 2006 4301), Federal Ordinance (Official Collection of Federal Law 4305) and the Federal Ordinance of 12 June 2002 (Official Collection of Federal Law 2007 6907)
Guarantees for investment credits	58.3	49.8	35.2	28.8	23.8	
Losses of guarantees	2.18	0	0	0.4	0.4	
Assistance for SMEs operating in arts and crafts						Federal Law of 6 October 2006 on financial assistance for surety organizations acting on behalf of SMEs (SR 951.25)
Volume of granted loans	97.4	148.2	186.9	214.5	210.7	
Number of sureties	1,384	1,408	1,594	1,654	1,653	
Assistance for mountain and rural areas						Federal Law encouraging credit guarantees and on loan service contributions in mountain and rural areas (SR 901.2) of 25 June 1976. These areas are defined in the Federal ordinance of 28 November 2007 on regional policy (SR 901.021)
Losses on guaranteed loans	0.3	0.5	0.1	0.6	1.3	
Federal commitments as a whole (total amount)	26.1	20.4	17.6	14.6	9.7	
Contributions to interest servicing	0.2	0.2	0.3	0.3	0.2	
Forestry	149	132	144	130	..	Federal Law on Forests (1991) (SR 921) and Federal Ordinance on Forests (SR 921.01)

.. Not available.

Source: WTO document G/SCM/N/220/CHE, 24 June 2011; and information provided by the Swiss authorities.

3.76. Switzerland provides assistance for forestry activities under the Reorganisation of Financial Equalisation (NFA) programme. The subsidy is aimed to compensate forest owners for services rendered to the public. Assistance is allocated in the form of indemnities and/or four-year programmes and flat-rate budgets (2008-11) granted by the Confederation after cantonal proposals have been submitted. The subsidy to the defined products and services within the programmes goes fully to the cantons for implementation. According to the Swiss authorities, the effect of the assistance programme on trade is negligible, if not non-existent.

3.77. Swiss Post receives an annual subsidy for the delivery of newspapers on subscription. The subsidy was reduced from SwF 80 million and fixed at SwF 30 million in January 2008. It remained at SwF 30 million in 2009, 2010 and 2011, and was increased to SwF 50 million in 2012.

3.78. According to a notification by Switzerland⁷⁹, the Federal law of 20 March 2009 on Passenger Transportation, which entered into force on 1 January 2010, determines the basic rules and conditions for licensing and requirements for offers of transportation as well as the basic obligations for regular and professional passenger transportation. In addition, as from 1 January 2010, the Federal law of 20 March 2009 on Road Transport Companies (RS 744.10)

⁷⁹ See WTO document S/C/N/568, 17 September 2010.

determines the criteria for authorization of road transport companies for passenger and freight. A lack of financial capacity or professional competence may result in denial of authorization.⁸⁰

3.79. In the context of negotiations in the Working Party on GATS Rules, Switzerland tabled a proposal for "Disciplines on Subsidies Pursuant to Article XV of the GATS".⁸¹ The proposal is for disciplines on export subsidies including on a definition of subsidies, listing and transitional periods (extensions and subsidies of unlimited periods), standstill, and progressive phase-out provisions, as well as remedies.

3.80. Under the law relating to volatile organic compounds⁸², companies that have taken action on their stationary installations (installing purification plants) and thereby are reducing emissions significantly below the limit values stipulated in the Air Protection Ordinance⁸³ may already be exempted from the tax (Article 9). This time-limited tax exemption was to expire by the end of 2012 but the Federal Council decided in June 2012 to continue the tax exemption without time limitation but with additional requirements. From January 2013, companies that wish to benefit from a tax exemption based on Article 9 must also reduce their VOCs emissions at every step of their production process, according to the best available technique, which will be updated every five years.⁸⁴ Health insurance companies (chosen because it is mandatory for all people living in Switzerland to have health insurance) are used to redistribute an amount of approximately SwF 120 million annually to the population in equal amounts.⁸⁵

3.81. The Confederation continues to provide financial support for work on sanitization of contaminated sites as identified by the Cantons. A maximum of SwF 40 million is available each year: SwF 22.3 million were spent in 2009, SwF 13.2 million in 2010 and SwF 8.9 million in 2011.⁸⁶

3.82. Government-financed or subsidized research and development programmes are also open to foreign companies with operations in Switzerland. In 2010, the Confederation spent SwF 225.7 million on research and development programmes and a total of SwF 1,812.6 million on government-financed and subsidized programmes, which includes intramural R&D expenditures, R&D contracts, and grants to fund R&D activities allocated to third parties.

3.83. Some cantons offer investment incentive programmes for domestic as well as foreign investors, in particular in rural areas. Priority is often given to foreign businesses that bring new high technology product lines. The most common incentives are: subsidies or loans by cantons for the development of industrial sites; grants for institutions conducting research and development projects; subsidies to defray start-up costs and to finance staff training; tax exemptions on profits and capital gains; and liberal depreciation allowances. Cantonal guarantees on bank loans and capital loans at below-market interest rates are still available but rarely used, according to the authorities. The Federal Government does not have specific information regarding these cantonal guarantees. There are also discrepancies in regard to the tax rates levied in the different cantons. For instance, in addition to the federal income tax of 8.5%, statutory corporate income tax ranges from 5.25% (canton of Lucerne) to 23.4% (canton of Geneva). These tax differentials and tax exemptions granted by the different cantons are a means for them to compete for investment.⁸⁷

3.84. Over the past four years, the Corporate Taxation Reform II introduced three main legislative amendments to the Swiss corporate tax system. Requirements regarding the participation exemption changed in 2011. Participation exemption (at federal, cantonal, and communal levels) in the form of reduced income tax is now granted to corporations holding at least 10% of the

⁸⁰ See WTO document S/C/N/567, 17 September 2010.

⁸¹ See WTO document JOB/SERV/36, 2 December 2010.

⁸² *Composés organiques volatils* (OCOV).

⁸³ RS 814.318.142.1.

⁸⁴ Viewed at:

<http://www.bafu.admin.ch/dokumentation/medieninformation/00962/index.html?lang=de&msg-id=45130>.

⁸⁵ *Le Conseil fédéral adapte les ordonnances sur les taxes environnementales*. Viewed at

<http://www.bafu.admin.ch/dokumentation/medieninformation/00962/index.html?lang=fr&msg-id=39100>.

⁸⁶ *La Confédération participe à l'assainissement des sites contaminés*. Viewed at:

<http://www.bafu.admin.ch/dokumentation/medieninformation/00962/index.html?lang=fr&msg-id=21675>.

⁸⁷ The Federal Tax Harmonization Law (LHID) of 2001 refers to the harmonization of the tax basis and some assessment principles amongst the different cantons, but not to the harmonization of rates. According to the Federal Constitution (Article 129), the cantons remain free to set their own tax rates.

shares of another company, having a share of at least 10% in the profits and the capital surplus of another company, or with an investment of a market value of at least SwF 1 million in another company. In the two former cases, the reduction also covers capital gains on investment if the investment has been held for at least one year. The tax reduction is proportional to the relationship between net income from qualifying participation and total earnings.

3.85. The capital contribution principle took effect 1 January 2011. Under the nominal value principle, which was in force until the end of 2010, only repayments of nominal share capital were exempt for Swiss income and withholding tax purposes. Now, repayments of all types of capital contributions made after 31 December 1996 by shareholders with equity rights are treated the same as repayments of nominal share capital.

3.86. Since 1 January 2009, cantons have had the option to provide in their legislation for the deduction of corporate income tax from the amount of the capital tax

3.87. According to authorities, Liechtenstein does not have any assistance schemes. However, the Government of Liechtenstein and individual companies are members of OSEC. In order to facilitate the participation of its SMEs in OSEC activities, Liechtenstein granted 20 export cheques in the amount of SwF 7,500 each for the period 1 October 2011 to 31 December 2012, with which its SMEs may pay for OSEC services. In addition, as a member of the EEA, Liechtenstein companies are eligible for EU assistance programmes.⁸⁸

3.3.2 Standards and other technical requirements

3.3.2.1 Overview

3.88. In 2010, Switzerland unilaterally introduced the *Cassis de Dijon* principle for certain products from the EU or the EEA (Box 3.1). Together with the mutual recognition agreement between Switzerland and the EU, the principle ensures that products that are lawfully marketed in the EU or EEA can, in principle, be marketed in Switzerland without further checks regarding their technical requirements. This is a step towards reducing technical barriers to trade and enhancing import competition in the Swiss market. Exports from the broader WTO membership to Switzerland may also benefit, provided the products meet EU/EEA technical requirements. Some of the potential trade benefits are lost because of exceptions to the *Cassis de Dijon* principle.

3.3.2.2 Technical regulations

3.89. In most sectors, the federal authorities have exclusive authority for adopting technical regulations, while the cantons are mainly responsible for implementation and market surveillance. New regulations (ordinances), decrees, and guidelines are subject to regulatory impact analysis (RIA).⁸⁹ The Federal Law on technical barriers to trade (LETC) requires the alignment of technical regulations with those of Switzerland's main trading partners (Article 4, paragraph 2). Since its last TPR in 2008, Switzerland has further harmonized its technical requirements with the EU regime (*acquis communautaire*).

3.90. No specific trade concerns have been raised in the TBT Committee regarding Switzerland's or Liechtenstein measures since 2008.⁹⁰ Switzerland has regularly notified its draft technical regulations, ordinances, and conformity assessment procedures to the TBT Committee.⁹¹

⁸⁸ Liechtenstein is a net-contributor of the programmes included in the 7th Framework Programme for Research, Technological Development and Demonstration Activities (2007-2013); the Competitiveness and Innovation Framework Programme (CIP-Programme 2007-2013); and may benefit from all programmes listed in Protocol 31 of the EEA Agreement. Liechtenstein's total contribution to the 7th Framework and to the CIP-Programme amounted to SwF 19,93 million (€11,7 million) and SwF 1.36 million (€0.8 million), respectively.

⁸⁹ For all technical regulations, in French, German, and Italian see <http://www.admin.ch/ch/>.

⁹⁰ WTO document G/TBT/GEN/74/Rev.9, 17 October 2011.

⁹¹ 11 in 2009; 10 in 2010; 10 in 2011; 19 in 2012 (WTO documents G/TBT/N/CHE/110-159).

Box 3.1 Switzerland introduces the *Cassis de Dijon* principle

The Law on technical barriers to trade (LETC) introduced the *Cassis de Dijon* principle into Swiss law from July 2010.^a The new regime enables the marketing of products in Switzerland even if they do not conform to Swiss technical regulations, provided they are lawfully marketed in the EU or EEA, and comply with the technical requirements of the EU/EEA or with those of an EU/EEA member State (in the case of partly or non-harmonized rules).^b Switzerland thus implicitly recognizes the equivalence of technical requirements in the EU, where these differ from Swiss requirements. Domestic producers are also entitled to sell products in Switzerland that are in conformity with EU or EEA regulations, albeit not with Swiss technical requirements, so as not to discriminate against domestic products.

The autonomous introduction of the *Cassis de Dijon* principle was part of the Government's strategy to counter the high prices prevailing in Switzerland (Growth Policy 2008-11), by further dismantling technical barriers to imports from the EU and the EEA markets. This is the third pillar of a strategy initiated in the 1990s to reduce technical barriers to trade. The unilateral application of the *Cassis de Dijon* principle complements the autonomous harmonization with EU technical requirements, and the Mutual Recognition Agreement with the EU, which entered into force in 2002. This MRA covers 20 product sectors and is expanding. The whole set of measures introduced with the application of the *Cassis de Dijon* principle is estimated to have a growth-enhancing effect on Switzerland's GDP of about 0.5% per year.^c According to the authorities, imports of foodstuffs, textiles, cosmetics, and furniture are expected to benefit most from by the application of the *Cassis de Dijon* principle.

There are exceptions to the *Cassis de Dijon* principle. It is not applicable to products that are subject to: (i) authorization; (ii) notification pursuant to the Swiss legislation concerning chemicals; (iii) import permit; (iv) import prohibition; or (v) an exemption granted by the Federal Council. The main criterion for maintaining exemptions were overriding public interests.^d The Seco keeps an indicative list of exceptions (negative list) as a guide for operators.^e Products concerned include pharmaceuticals (subject to authorization), chemicals subject to notification, dangerous substances, detergents, pesticides, certain measuring instruments, certain motor vehicles, animal feed, GMOs, and certain foodstuffs (see labelling section below).^f

Special arrangements are in place for food items that do not conform to Swiss technical requirements. Prior to first sale in Switzerland, these food items are subject to approval by the Federal Office of Public Health in the form of a general ruling (*décision de portée générale*). A general ruling is valid for subsequent consignments and applies to similar food items (i.e. separate approval for marketing in Switzerland is not required).^g Applications from food importers or manufacturers must include evidence that the goods in question are lawfully in circulation in the respective EU/EEA member State or conform with EU/EEA technical regulations (in the case of partly or non-harmonized rules). Moreover, public interests must not be at risk, including human, animal, and plant life and health. Products benefiting from these arrangements are mainly products for which labelling differences exist (e.g. 0% fat instead of fat-free). Infringements of the general rulings carry penalties of prison sentences of up to three years or financial penalties.

- a The *Cassis de Dijon* principle refers to a 1979 decision by the European Court of Justice concerning Germany's ban of the sale of French *Cassis de Dijon*.
- b LETC Art. 16a, paragraph 1 (RS 946.51).
- c *Message concernant la loi fédérale sur les entraves techniques au commerce* (LETC). Seco online information. Viewed at: <http://www.seco.admin.ch/themen/00513/00730/01220/index.html?lang=fr>.
- d *Message concernant la révision partielle de la loi fédérale sur les entraves techniques au commerce* (08.054), 25 June 2008. Viewed at: <http://www.admin.ch/ch/f/ff/2008/6643.pdf>.
- e Seco online information. Viewed at: <http://www.seco.admin.ch/themen/00513/00730/01220/04172/index.html?lang=fr>.
- f *Ordonnance sur la mise sur le marché de produits fabriqués selon des prescriptions étrangères* (OPPEtr) of 19 May 2010 (RS 946.513.8). The ordinance was amended with effect from 1 January 2012.
- g The list of general rulings is available online and can be referred to by operators ("Notification Authority Cassis de Dijon") at: Federal Office of Public Health online information: <http://www.bag.admin.ch/themen/lebensmittel/10380/index.html?lang=en>.

Source: WTO Secretariat.

3.91. Under the Customs Treaty, Liechtenstein applies Swiss standards, technical regulations and conformity assessment procedures, including marking, labelling, and packaging. The Liechtenstein 1995 Act on the marketability of goods, as amended in 2004, stipulates that goods produced either in conformity with Swiss or EEA regulations may be sold in Liechtenstein. For example, EEA originating non-agricultural products that do not comply with the Swiss regulations, such as medical products, may be imported to Liechtenstein under the Market Control and Surveillance Mechanism (Box 2.1).

3.3.2.3 Conformity assessment procedures

3.92. There are no developments concerning conformity assessment procedures. Switzerland has mutual recognitions agreements (MRAs) with the EU (2002), EEA/EFTA, Canada, and Turkey. The MRA with the EU applies to 20 industrial sectors⁹²; construction products have been covered since March 2008, cable lifts since December 2011, and explosives since 2012. For selected agricultural products, Switzerland and the EU recognize the equivalence of laws in order to facilitate trade.⁹³ The MRAs with the EEA/EFTA and Turkey mutually extend the commitments taken by all parties toward the EU.

3.93. Various approaches are used to assess conformity with Swiss technical regulations. In the case of imports, it is primarily the responsibility of importers representing foreign manufacturers to meet Swiss technical regulations, such as proper labelling and safety standards (for example, machines). Random border controls to check compliance may be carried out. For some products, a manufacturer's declaration of conformity must be submitted by the manufacturer or the importer upon or prior to importation. Third-party certification or testing may be required as part of the manufacturer's declaration of conformity for printing machines, selected telecom products or medical devices. The Swiss Accreditation Service (SAS), which operates under the umbrella of the State Secretariat for Economic Affairs (SECO), is responsible for accreditation of laboratories, inspection, and certification bodies.⁹⁴

3.94. In Liechtenstein, conformity assessment bodies have been accredited by the Liechtenstein Accreditation⁹⁵: two for certification - the Liechtenstein Association for Quality Assurance Certificates Company (Management Systems), and SWISS LLOYD GmbH subsidiary Triesen (Products); one for inspection - Office of Food Inspection and Veterinary Affairs; and one for calibration - Negotia Messtechnik AG. Liechtenstein has MRAs on conformity assessment with the other EEA/EFTA countries, Australia, Canada, New Zealand, Switzerland, and the United States. Liechtenstein and Chinese Taipei have signed an exchange of letters regarding the mutual exchange of information for medical devices, notably requirements of quality systems and audits of quality systems (in force since May 2011).

3.3.2.4 Standards

3.95. Approximately 95% of the 23,080 standards currently in force in the customs territory are aligned with international or European standards, unchanged since 2008. National standards predominate for watches and road construction.

3.96. Standards development is carried out by private bodies under the umbrella of the Swiss Association for Standardization (*Association Suisse de normalisation*, SNV). The SNV has over 600 members from all economic sectors and includes private associations, institutions, and representatives from the public sector. A few Liechtenstein companies are members. The SNV publishes Swiss and foreign draft standards on the internet (Swiss information centre for technical rules, switec). Comments on draft standards are conveyed to the relevant expert body or national/international standards body. Standards are reviewed every five years to assess their continued relevance.

3.3.2.5 Labelling

3.97. There have been no major changes to Swiss labelling requirements. Switzerland amended the Organic Farming Ordinances, with effect from January 2010, concerning the labelling rules for products and food derived from organic agriculture, to align them with EU requirements.⁹⁶ New

⁹² Seco online information. Viewed at:

<http://www.seco.admin.ch/themen/00513/00730/01217/01887/index.html?lang=fr>.

⁹³ Feedstuffs, seeds, wine, spirits and alcoholic beverages from wine, bio-products, fruits, vegetables, animals, and animal products.

⁹⁴ *Ordonnance sur le système suisse d'accréditation et la désignation de laboratoires d'essais et d'organismes d'évaluation de la conformité, d'enregistrement et d'homologation* (RS 946.512).

⁹⁵ The legal framework is contained in a 1996 Act (LR 941.22).

⁹⁶ WTO document G/TBT/N/CHE/115, 1 October 2009. Ordinance on organic farming and the labelling of organically produced products and foodstuffs (Organic Farming Ordinance) (RS 910.18) and Federal Department of Economy (FDE) Ordinance on Organic Farming (RS 910.181) of 22 September 1997.

labelling requirements apply for timber (and related products) for consumer information purposes, including a declaration of origin and the type of timber.⁹⁷

3.98. Labelling requirements are set in sector-specific technical regulations. Some Swiss labelling requirements are maintained (as an exception to the *Cassis-de-Dijon* principle) with the stated objective of allowing consumers to make an informed choice or to prevent deception. For example, imports of meat and eggs produced in a manner prohibited in Switzerland must be labelled as such. Banned production methods, which must be labelled, include the use of hormones, antibiotics, and other antimicrobial substances such as performance stimulators for meat, and eggs from hens reared in battery cages.⁹⁸ The labelling requirements apply from the point of sale to the final consumer, in retail trade, and in establishments where meals are prepared for the public, such as restaurants. Country of production labelling is mandatory for all imported and domestic foodstuffs and raw materials used in food.⁹⁹ According to the authorities, this is because the indication of the country of manufacture cannot be inferred from the origin of the product and provides relevant information for consumers to decide which product they wish to buy. The labelling requirements for GMOs remain unchanged.¹⁰⁰

3.3.3 Sanitary and phytosanitary measures

3.3.3.1 Overview

3.99. There have been no major changes to the SPS regime. The Swiss veterinary and phytosanitary regimes have been fully harmonized with the EU since 2008. A reform of the Swiss food safety regime is under way to further align the requirements with the EU. Under the Customs Treaty, Liechtenstein applies Switzerland's SPS measures. No specific trade concerns have been raised in the SPS Committee regarding Switzerland's or Liechtenstein's measures.

3.3.3.2 Food safety

3.100. Switzerland's food safety regime remains substantially unchanged. However, a revision of the food law is ongoing¹⁰¹, with the aim of further aligning the Swiss food safety system with the EU *acquis communautaire*.¹⁰² The authorities expect the amended law to enter into force in 2015.

3.101. Switzerland is among the few countries in Europe that continue to apply the "positive principle" for foodstuffs, i.e. all foodstuffs and additives offered for sale must be approved by the competent federal authorities –otherwise they are prohibited.¹⁰³ The Swiss authorities are aware that these approval procedures for food constitute an unnecessary barrier to trade that warrant reform.¹⁰⁴ The legislative proposal lifts the positive principle. In the meantime, imports of foodstuffs from the EU/EEA are subject to special arrangements with respect to the *Cassis-de-Dijon* principle (Box 3.1). The draft bill also, *inter alia*, introduces the precautionary principle into Swiss law and adopts the EU system of "maximum values" for additives, contaminants, microorganisms, etc. (replacing the Swiss tolerances).¹⁰⁵ However, in non-harmonized areas of the EU food safety regime, such as labelling, certain Swiss exceptions may remain in place, for

⁹⁷ G/TBT/N/CHE/120, 10 December 2009.

⁹⁸ Labelling was introduced in 2010 for certain prohibited rearing methods of rabbits (RS 916.51), see WTO document G/TBT/N/CHE/122, 28 January 2010.

⁹⁹ Articles 15 and 16 of the Ordinance of the Federal Department of the Interior (DFI) on labelling and advertising of foodstuffs (RS 817.022.21).

¹⁰⁰ Ordinance of the Federal Department of the Interior on genetically modified foodstuffs (RS 817.022.51). See also 2008 TPR of Switzerland and Liechtenstein.

¹⁰¹ Federal Law on foodstuffs and basic commodities (RS 817.0). See also *Message relatif à la loi fédérale sur les denrées alimentaires et les objets usuels* (LDAI).

¹⁰² The EU's food safety regime is based on Regulation (EC) No 178/2002 (general principles and requirements of food law, establishment of the European Food Safety Authority and procedures in matters of food safety).

¹⁰³ Article 8, paragraphs 1-3 of the Federal Law on foodstuffs and basic commodities (RS 817.0).

¹⁰⁴ Article 2b, *Ordonnance sur la mise sur le marché de produits fabriqués selon des prescriptions étrangères* (RS 946.513.8).

¹⁰⁵ Department of Health online information. Viewed at: <http://www.bag.admin.ch/themen/lebensmittel/04865/05022/07826/index.html?lang=fr>.

example the requirement to indicate the country of production for food and feed (section 3.3.2.5).¹⁰⁶

3.102. All food establishments are required to notify their activities in the area of food manufacturing, processing, storage, transport, import/export, and purchase to the competent cantonal food authorities (SR 817.02). In addition, all food establishments require a licence to manufacture, process, store or sell food of animal origin.¹⁰⁷

3.103. Switzerland continues to apply a stringent regulatory regime for agricultural biotechnology products. The Gene Technology Law and related ordinances regulate genetically modified organisms for food and feed use.¹⁰⁸ Commercialization and cultivation of biotechnology crops are subject to approval by the competent federal authorities. Approvals are valid for ten years but may be withdrawn in case of reasonable suspicion that they are hazardous to health or the environment. One GM soya variety, three GM maize varieties, two GM vitamins and two GM enzymes are currently authorized for food use. Another GMO product (the ice-structuring protein type III HPLC 12) is authorized for use as a processing aid in ice cream production (Decision of 18 October 2012). A number of GMO products are authorized for use as feedstuffs.¹⁰⁹ Many applications are under review in the authorization procedure.¹¹⁰ The 2006-10 moratorium on approvals for the cultivation of biotechnology crops has been extended for three years until 27 November 2013.¹¹¹ Within the framework of the 2014-2017 Agricultural Policy, both chambers of Parliament have adopted a second extension of the moratorium until the end of 2017 as an amendment to the Gene Technology Law. Final adoption of the agricultural policy is due in the spring 2013 session of the Parliament. All products from authorized GMOs may be imported into Switzerland.

3.3.3.3 Veterinary measures

3.104. Switzerland's veterinary requirements are fully aligned with those of the EU for imports, transit or exports of live animals and animal products from third countries. Veterinary controls between Switzerland and the EU on products of animal origin were removed on 1 January 2009 to establish a common veterinary area. Live animals and animal products that do not comply with the relevant regulations and/or do not originate from countries and (if applicable) premises accepted to export to the common veterinary area are not allowed entry into Switzerland and Liechtenstein. Imports from outside the veterinary area (non-EEA countries) require a veterinary certificate issued by the competent authorities in the country of origin. An import permit is only required for products covered by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Non-EU consignments are normally subject to veterinary inspection at the border (for a minimum fee of SwF 88), with a lower frequency of controls from countries covered by a bilateral equivalence agreement. All importers of live animals and animal products must be registered in TRACES (a European electronic information and traceability system) and with the Swiss cantonal *Contrôle des denrées alimentaires*.

3.3.3.4 Phytosanitary measures

3.105. According to the authorities, Swiss phytosanitary measures are based on IPPC rules and guidelines, to the extent available. The Swiss Plant Protection Ordinance (2001) has been subject to a complete revision, which entered into force on 1 January 2010.¹¹² The Plant Protection Ordinance is complemented by provisions for temporary (emergency) measures.¹¹³ According to the authorities, Swiss phytosanitary import requirements are now fully harmonized with those of

¹⁰⁶ Seco online information. Viewed at:

<http://www.seco.admin.ch/themen/00513/00730/01220/04172/index.html?lang=fr>.

¹⁰⁷ RS 817.02.

¹⁰⁸ Federal Law on non-human gene technology (RS 814.91); see also RS 814.911 and RS 817.022.51.

¹⁰⁹ See document "*Aliments OGM pour animaux autorisés et tolérés en Suisse*", Federal Office for Agriculture online information. Viewed at: <http://www.blw.admin.ch/themen/00011/00074/index.html?lang=fr>.

¹¹⁰ Federal Office for Health online information. Viewed at:

<http://www.bag.admin.ch/themen/lebensmittel/04858/04863/04883/index.html?lang=fr>.

¹¹¹ The moratorium does not apply to imports of GM food or research.

¹¹² Ordinance on the protection of plants (RS 916.20) of 27 October 2010. See WTO document G/SPS/N/CHE/71, 23 March 2010.

¹¹³ *Ordonnance de l'OFAG sur les mesures phytosanitaires à caractère temporaire* (OMPT) (RS 916.202.1).

the EU (Directive 2000/29/CE). A "plant passport" is required for plant imports from EU member States that are potential carriers of pests hazardous for Switzerland (Article 8). A new requirement subjects products from a non-EU country that transit through an EU country to physical inspection by the Swiss competent authorities, unless such a control has already taken place upon first entry into the EU territory (Article 9.1). Phytosanitary import requirements from non-EU countries remain otherwise unchanged. Plants may be imported only from enterprises approved by the Swiss Federal Plant Protection Service.¹¹⁴ Specific import requirements are applied to products with a high phytosanitary risk, which are subject to phytosanitary certificate with an additional declaration.

3.106. A revised ordinance on pesticides, which entered into force in May 2010, regulates the conditions for the authorization, packaging, labelling, and advertising of pesticides.¹¹⁵ A relevant international standard is not available, according to the Swiss SPS notification.¹¹⁶ The objective of the revision was harmonization with the EU requirements for pesticides.¹¹⁷ According to the authorities, mutual recognition of authorizations with EU member states and parallel trade with the EU is still not possible.

3.3.4 State-trading and state-owned enterprises

3.3.4.1 Overview

3.107. The Swiss Confederation continues to exercise a statutory monopoly over imports of alcohol. For bio-ethanol used as fuel, the exclusive import rights have been lifted since the last TPR in 2008. A complete overhaul of the legal and institutional framework governing the alcohol subsector is under way. Under the alcohol reform, the import regime will be liberalized by withdrawing the State's import monopoly, and numerous restrictions on domestic production of alcohol and spirits will be phased out.

3.3.4.2 State trading

3.108. The Swiss Alcohol Board (*Régie fédérale des alcools*) remains the only state-trading enterprise that Switzerland has included in its WTO notifications.¹¹⁸ The Alcohol Board operates on behalf of the Swiss Confederation with the aim of reducing the production and consumption of spirits according to Article 105 of the Federal Constitution.

3.109. Pursuant to the Alcohol Act of 1932, the Confederation is vested with exclusive rights (monopolies) for the production of spirits, production of alcohol, and imports of alcohol. The Alcohol Act is currently undergoing a complete revision involving the termination of all three federal monopolies.¹¹⁹ The authorities expect the new legislation to enter into force by 1 July 2014.

3.110. Meanwhile, the alcohol import monopoly is still carried out through "Alcosuisse" (a profit center of the Swiss Alcohol Board) for ethanol containing at least 80% by volume of alcohol. Imports of high-grade alcohol by the private sector are subject to prior authorization by the Swiss Alcohol Board. Private-sector imports of ethanol and spirits containing no more than 80% by volume are allowed without restriction and permit. The State's import monopoly for bio-ethanol used as fuel was terminated on 1 July 2008.¹²⁰ Alcosuisse imports about 38 million kg of ethanol annually (47 million litres of pure ethanol), and is required by law to sell at cost; reference prices are published.¹²¹ Alcosuisse is to be privatized as part of the alcohol reform.

¹¹⁴ Article 9.4 of RS 916.20.

¹¹⁵ *Ordonnance du 12 mai 2010 sur la mise en circulation des produits phytosanitaires* (OPPh) (RS 916.161), revised with effect from 19 December 2011.

¹¹⁶ See WTO document G/SPS/N/CHE/71, 23 March 2010.

¹¹⁷ Regulation (EC) No 1107/2009.

¹¹⁸ WTO document G/STR/N/14/CHE, 21 June 2012. The Alcohol Board is the Confederation's oldest institution (125 years).

¹¹⁹ *Loi fédérale sur le commerce des boissons alcooliques* (LCal) (Projet).

¹²⁰ Imports of bio-ethanol totalled 3.7 million litres in 2010; there is no domestic production.

¹²¹ *Ordonnance du 29 janvier 1998 concernant les prix de vente de l'eau-de-vie et de l'alcool pratiqués par la Régie fédérale des alcools* (RS 683.21).

3.111. Imports of ethanol containing at least 80% by volume of alcohol (HS 2207.1000) are subject to an MFN duty of SwF 35/100 kg. The consumption tax on alcoholic beverages or food ranges from zero to SwF 116/l of pure alcohol ("alcopops"), depending on the product and alcohol content. There is no consumption tax on wine (up to 18% alcohol content). Ethanol for industrial purposes (denatured) is exempt from tax.¹²²

3.112. The Confederation has traditionally conferred its exclusive rights to produce ethanol and spirits to the private sector. Concessions by the Alcohol Board are granted restrictively in accordance with the Alcohol Act. Under the alcohol reform, the restrictive administrative regime (currently involving 43 types of authorization) will be replaced by a producer and importer registration requirement ("ethanol register").¹²³

3.113. Imports and sales of various types of salt in Switzerland remain under cantonal monopoly (*régale du sel*).¹²⁴ The purpose of the monopoly is to ensure security of supply. The monopoly is exercised by Saline de Bex SA (owned mainly by the canton of Vaud), and Salines Suisses du Rhin SA (owned by all cantons, except Vaud, and the Principality of Liechtenstein). The cantons, through Salines Suisses du Rhin, also fix the price of salt, which includes a tax (*droits de régale*) on imported and domestically produced salt. The most widely used salt type (road salt) is subject to a tax of SwF 0.94/tonne (Chapter 3.1.4). Customs duties apply. Swiss salt imports are in the range of 50,000-70,000 tonnes annually.

3.114. As a consequence of the Swiss salt monopoly, imports of salt and salt by-products (with a sodium chloride content of at least 30% and salt solutions with a sodium chloride content of at least 18%) are subject to authorization by the saltworks. For imports into all cantons, except Vaud, import licences are granted only if salt, salt by-products or salt solutions are required and no appropriate products are available from Salines Suisses du Rhin. This non-tariff measure applies for example to products such as olives and other vegetables that are preserved in brine but unsuitable for immediate consumption (HS 0711.2000).¹²⁵

3.115. Liechtenstein, as a shareholder of Salines Suisses du Rhin, is partially supplied by the company. Because of its EEA membership, Liechtenstein no longer participates in the Swiss cantonal monopoly on salt and has replaced the monopoly with an excise duty. All products covered or affected by the Swiss salt monopoly (for example fish in brine), are subject to the Market Control and Surveillance Mechanism (Box 2.1).

3.3.4.3 State-owned enterprises

3.116. There have been no major developments regarding Swiss state-owned enterprises since 2008. Swiss SOEs remain active in the energy and water sectors, and a number of service subsectors, some of them benefiting from exclusive rights and privileges (Table A3.1). The SOEs in federal ownership (CFF, Swisscom, Skyguide, and Swiss Post) operate within the framework of the "strategic objectives", including on financial and personnel matters, which are fixed for four-year intervals by the Federal Council.

3.117. The legal and institutional framework for postal services in Switzerland is undergoing a complete revision. The reform entails, *inter alia*, transforming Swiss Post (*la Poste Suisse*) into a public company, and eliminating fiscal privileges and State guarantees. Swiss Post's monopoly for the delivery of domestic and international inbound letters was reduced from 100 g to 50 g, effective 1 April 2009. As a result, about 25% of the volume of domestic letters (approximately 30% of the total revenues) is open to competition (Chapter 4.4.4.1).

3.118. There have been no changes regarding state-owned enterprises in Liechtenstein since its last TPR in 2008. State-owned or private enterprises continue to hold exclusive rights or exercise monopoly powers over the supply of energy, public passenger transport, and certain postal services (Table A3.1).

¹²² Partial denaturing, for tax purposes, is subject to authorization by the Alcohol Board.

¹²³ *Loi fédérale sur l'imposition des boissons spiritueuses et de l'éthanol* (Limpspi) (Projet). For example, after a ban of more than 100 years, agricultural producers will again be allowed to distil potatoes.

¹²⁴ Inter-Cantonal Convention on the sale of salt in Switzerland (RS 691).

¹²⁵ Federal Customs Administration online information, "Tares". Viewed at: www.tares.ch.

3.3.5 Competition policy and price controls

3.3.5.1 Switzerland

3.3.5.1.1 Overview

3.119. In Switzerland, limited competition in various industries, for reasons such as legal and regulatory issues at the federal level, has resulted in higher prices of certain products and services than in comparable EU and U.S. markets. The competition authorities are eager to achieve a high degree of competition effectiveness, not only by proposing long-term projects aiming at aligning the legal instruments with international best practices, but also by taking signal decisions in numerous enforcement actions.

3.120. Most of the developments in the competition regime during the review period resulted from the recommendations from the Synthesis Report by the Task Force Cartel Act presented to the Federal Council on 14 January 2009.¹²⁶ The Report found that the legal instruments adopted by the 2003 revision (leniency programme, opposition proceedings, and raids) had enabled the competition authority to prevent and uncover practices diminishing competition, and promoted the preventive effect of the Cartels Law (LCart) and its conformity with the competition regulations' standards. However, in certain areas, international best practices had not been achieved. Therefore, the Report concluded with a series of proposals intended for the consideration of Parliament and the executive authorities. For example, it considered that the various authorities dealing with competition matters must be totally independent of political influences and business, and their current organization must be replaced with a system with a single level of authority.

3.121. The Report also noted that Switzerland does not maintain any agreements on cooperation in competition matters with other states. In view of the growing importance of globalization and the increasing frequency of cross-border antitrust practices, it deemed it appropriate to conclude cooperation agreements with its main trading partners in order to make possible the exchange of confidential information.¹²⁷ Due to certain deficiencies in the Swiss measures to effectively enhance competition, mergers that may have a strong negative effect on competition, and consequently on the economy and on consumer welfare in Switzerland, might be approved. According to the Report, the harmonization of the Swiss merger control system with the EU's would eliminate these problems. For example, this harmonization would result in the introduction of the SIEC-test.¹²⁸

3.122. The Report also considered it necessary to amend the LCart and its current application in order to examine each vertical agreement in the light of its effect on the competition.

3.3.5.1.2 Legal and institutional framework

3.123. Legislation on competition has not changed substantially since 2004. Four main laws continue to regulate competition: the Federal Law on cartels and other impediments to competition of 6 October 1995 (Cartels Law, LCart, RS 251), amended in 2004; the Federal Law against unfair competition of 22 October 1992 (LCD, LR 24), amended in 2002; the Federal Law on the internal market of 6 October 1995 (LMI, RS 943.02), amended in 2006; and the Law on price surveillance of 20 December 1985 (LSPr), which allows price investigations by the Price Controller when competition is deemed to be lacking.

3.124. The Swiss competition authority consists of a secretariat and the non-permanent Competition Commission (Comco) responsible for enforcing the legislation. Comco currently consists of 12 members, including the President and Vice-Presidents (who are nominated by the Federal Council), independent experts, and representatives of various interest groups (e.g. industry, retail, consumer, labour, and agricultural associations). Some members also hold

¹²⁶ Synthesis Report. Viewed at: <http://www.weko.admin.ch/dokumentation/00216/index.html?lang=en>.

¹²⁷ In its 2010 annual report, Comco showed that, in various cartel cases, where the EU had also opened an investigation, the possibility of enhanced cooperation would have made for greater efficiency in identifying and eliminating the cartels concerned.

¹²⁸ The significant impediment of effective competition (SIEC) test, introduced in 2004 in the European Union merger control, aims at eliminating enforcement gaps that may exist in the dominance test.

positions on company boards. The secretariat carries out investigations and submits the results to Comco for decision.

3.125. As a way of enhancing international cooperation, the Federal Council has initiated consultations with a view to introducing in the LCart a provision (through a new Article 41) for Comco to cooperate closely with foreign authorities, to communicate confidential information to them, including business secrets, and to coordinate cartel investigations with those authorities. However, the Federal Council decided not to address international cooperation in the legislation. It considers that another route for enhancing cooperation is the conclusion of second-generation cooperation agreements allowing the exchange of confidential information with Switzerland's main trading partners. An example is the Switzerland-EU agreement on cooperation and competition matters, which is near completion.

3.126. One important revision relates to the rules on rebutting the presumption that effective competition has been eliminated. The revised Vertical Notice on the competition law treatment of vertical agreements (the Vertical Notice), issued on 28 June 2010, takes into account the most recent case decisions made by Comco, as well as developments in EU competition law, and states that, in order to rebut the presumption, an overall consideration of the market, including economic efficiency, is decisive, even for clauses that are considered to be "qualitatively serious agreements such as resale price maintenance and absolute territorial protection". This amendment to the rules on vertical restrictions has been criticized. Thus, during the consultation to which the reform gave rise, the Price Controller observed that "the abandonment of the current presumption that effective competition has been eliminated under vertical (hard core) agreements, as proposed in the draft, would send the wrong signal. It is absolutely necessary to avoid giving the impression of a return to a more permissive practice with regard to vertical agreements, inasmuch as resale price maintenance and agreements on absolute territorial protection are important reasons for the high level of prices in Switzerland".¹²⁹

3.127. Furthermore, when assessing whether an agreement is justified for reasons of economic efficiency, the Vertical Notice takes into account not only the market share of the provider, which was already the case in the past, but also the customer's share in the supply market. This is because some buyers may also have market power with potentially negative effects on competition.

3.128. The Vertical Notice also makes it possible, in principle, for any dealer to use the Internet to sell its products.

3.129. A possible amendment to the communication of 21 October of 2005¹³⁰ on vertical agreements in the field of motor vehicle distribution is currently the subject of consultations in the industry. They revolve around whether the communication should be maintained in its present form, revoked or adapted with due regard to, *inter alia*, the revision of the European Motor Vehicle Block Exemption Regulation.¹³¹ On 16 July 2012, the Comco decided to keep the current communication unchanged. The Comco will decide in the second half year of 2014 if the existing rules in the automotive industry have to be reconsidered.

3.130. The Federal Council has submitted to the Federal Chambers, for approval, a far-reaching revision of the LCart. The Parliament decided to enter into debate in June 2012. The draft text provides for the establishment of an independent competition authority, which will conduct enquiries and submit its proposals to an independent tribunal of first instance, which will have decision-making power. The specialized judges of this competition tribunal will have to meet high standards of independence with regard to possible economic and political interests. This new tribunal will be fully integrated into the Federal Administrative Tribunal. Its proceedings are also to be expedited through shortened time-frames for legal action.

3.131. The draft modifies the standard of proof for certain anti-competitive agreements (horizontal agreements on prices, quantities and geographical distribution, certain vertical

¹²⁹ Price Controller Annual Report 2010, p. 870.

¹³⁰ Viewed at: <http://www.weko.admin.ch/dokumentation/01007/index.html?lang=fr>.

¹³¹ On 27 May 2010, the European Commission adopted Regulation No. 461/2010 and the guidelines relating thereto, introducing new competition rules for the motor vehicle industry. A decision will be taken by the end of 2012.

agreements on prices and territorial partitioning) by no longer requiring the provision of evidence that such agreements constitute a significant impairment of competition.

3.132. The revision also concerns civil proceedings under cartel law. Currently, *locus standi* is reserved to economic operators whose access to competition or exercise thereof is impeded. The draft grants legal standing to the end customers.

3.133. The reform simplifies and strengthens control of the operations of concentrations, provides for consideration to be given to the establishment of conformity programmes at the sanction stage, and improves the opposition procedure.

3.134. All the same, various proposals made during the consultations on revision of the LCart were not taken up in the message addressed to the Federal Chambers. That is the case, in particular, for the introduction of criminal penalties against natural persons that have contributed to the violation of the law relating to cartels. Various groups that have been consulted have expressed their endorsement of the basic purpose of the LCart, namely that of a legal basis for corporate entities exclusively.¹³²

3.3.5.1.3 Enforcement

3.135. A significant part of the competition secretariat's activities have been concentrated on the most harmful forms of horizontal restraints of competition, with a particular focus on bid rigging, a quite widespread behaviour in Switzerland. These activities followed three approaches: prevention and information, which involved measures intended to raise awareness; exposure, which comprised collection and evaluation of bid data; and prosecution.

3.136. Vertical restraints were another priority area. In a landmark ruling against a toothpaste manufacturer in 2009, Comco made its first ever decision relating to an absolute territorial protection agreement, by condemning the manufacturer's imposition of an export ban on its Austrian licensee. By condemning an anti-competitive obstacle to parallel importation, permitted under the principle of international exhaustion of rights (see section 3.3.6), this decision illustrates how competition policy and intellectual property laws share the same basic objective of promoting consumer welfare and an efficient allocation of resources. More recently, Comco confirmed its determination to act against any restrictions of imports by means of vertical agreements that foreclose territory, by imposing heavy fines on producers of cameras (2011) and cars (2012), which had unlawfully restricted parallel imports. In all three cases (toothpaste, cameras, and cars), the Federal Administrative Court still has to rule on the appeals filed by the undertakings involved. Comco also ruled, in another landmark decision, that restrictions of online trading in principle contravene the LCart and that they are permitted only on very strict conditions. For example, it may be justified in a selective distribution network to require online distributors to meet the same requirements as licensed specialist dealers and to operate a physical sales outlet.

3.137. The competition authorities have received numerous enquiries as to why, when the euro is weak, buyers or consumers of imported goods, with prices originally set in euros, do not profit or do not profit in full from the resultant lower prices in Swiss francs. A number of reasons, not necessarily specific to Switzerland, could explain this phenomenon. For example, the cost-reducing effect of a stronger Swiss franc is felt in many sectors only after a certain time and only where there are lasting exchange rate benefits, because goods are often imported on long-term contractual arrangements based on a rate fixed in the past. In some cases, goods are also purchased abroad in Swiss francs.¹³³ List prices for durable goods may be fixed in advance, in Swiss francs, and not adjusted on a daily basis. Short-term cost reductions may however be passed on as discounts. For example, although Swiss car dealers did not reduce their list prices in 2010 as a result of the strong franc, they did react to provide a "euro bonus".¹³⁴ A number of proceedings have also been opened where there was evidence of unlawful restraints of

¹³² See *Feuille Fédérale* No. 10 of 6 March 2012, page 1635. Viewed at: http://www.admin.ch/ch/f/ff/2012/index0_10.html.

¹³³ Comco (2011).

¹³⁴ Comco (2011).

competition. The heavy workload due to proceedings already opened, has resulted in new cases being placed on hold.¹³⁵

3.3.5.1.4 Price supervision

3.138. The Price Supervision Act has not been amended since 1 January 2007. The Price Supervisor observes price developments and prevents abusive price increases and abusive price maintenance in any market, where the price level is not the consequence of effective competition, and informs the public about her/his activities.

3.139. Enterprises with market power may submit envisaged price increases to the Price Supervisor. In addition, anyone who believes that a price has been increased or maintained in an abusive manner may address a notice of abuse to the Price Supervisor. The latter will determine whether there are indications of abusive price fixing, and if so will attempt to reach a mutual agreement with the respective enterprise. If no agreement can be reached, the Price Supervisor will prohibit all or part of the increase or order a reduction in price. Anyone who intentionally fails to observe a price reduction order, or increases a price in spite of prohibition or exceeds a price fixed in a mutual agreement, is liable to a fine of up to SwF 100,000. The Price Supervisor must be informed in advance if prices are to be fixed or approved by other authorities (i.e. an executive or legislative authority of the Confederation, of a canton or commune, or another federal price regulator). In these cases, the Price Supervisor may make recommendations.

3.140. The Price Supervisor has launched enquiries on abusive prices in several sectors of the economy, including health care, gas, postal services, and public transport.¹³⁶ In the field of public health, the new financing scheme for health care in nursing homes for the elderly and home care, introduced on 1 January 2011, is also being monitored by the Price Supervisor since it has occasionally led to an illegal and substantial increase in the financial burden on residents of nursing homes. A study considering tariffs of 88 nursing homes revealed major disparities, which the Price Supervisor found to be hardly justifiable. In his view, the problem appears to lie in the lack of regulation to ensure that the residual financing for health care was carried out according to the law passed by the Federal Parliament.

3.141. The Price Supervisor, like Comco (see above), has also addressed the question of the strong Swiss franc. Due to an express request of the Federal Council, particular attention has been paid to the impact on national price levels in all current case files. The Price Supervisor also set up an internal unit to deal with the problem of import prices and the fact that exchange rate benefits resulting from the appreciation of the Swiss franc, vis-à-vis the euro in particular, were not entirely transmitted to Swiss consumers.

3.142. The Price Supervisor welcomed the implementation of the *Cassis de Dijon* principle in Switzerland on 1 July 2010, under which products legally placed on the market in the EU or the European Economic Area may, in principle, be sold in Switzerland without any additional approval. According to the Price Supervisor, "the lifting of technical barriers to trade resulting from this *Cassis de Dijon* principle facilitates international trade and promotes competition and therefore can be expected to bring down prices that are still above international price levels".¹³⁷

3.3.5.2 Liechtenstein

3.143. Liechtenstein does not have national competition legislation. Competition issues are dealt with mainly under the EEA and EFTA treaties. Two EU acts have been implemented.¹³⁸ The Office of Economic Affairs has jurisdiction over competition issues unless the jurisdiction of the national court is relevant.

¹³⁵ Comco (2011).

¹³⁶ The Price Controller publishes an annual report on the main cases analysed. Viewed at: <http://www.preisueberwacher.admin.ch/dokumentation/00073/00083/index.html?lang=fr>.

¹³⁷ Price Controller Annual Report, 2010.

¹³⁸ The Act of 23 May 1996 regarding the Implementation of the Competition Rules in the EEA as amended in 2006, and the Act of 22 October 1992 on unfair competition, as amended in 2008.

3.3.6 Trade-related intellectual property rights

3.3.6.1 Overview

3.144. Intellectual property (IP) occupies a central place in the domestic economy and the international trade profile of Switzerland. According to the 2012 *Global Innovation Index*, Switzerland retained its 2011 first-place ranking in innovation performance (innovation capabilities and results) out of 141 countries or economies.¹³⁹ The 2012-13 *Global Competitiveness Report* indicates that Switzerland again heads the overall rankings.¹⁴⁰ The central role of innovation in Switzerland was also reported in the European Union's 2011 *Innovation Union Scoreboard*.¹⁴¹

3.145. Revision of Swiss IP legislation is on-going, mainly to keep pace with technological developments and, where the authorities deem appropriate, to harmonize with treaties and EU legislation.

3.146. The competent authorities for IP issues in Switzerland and in Liechtenstein are, respectively, the Swiss Federal Institute of Intellectual Property (FIIP) of the Federal Department (Ministry) of Justice and Police¹⁴², and the Bureau of Intellectual Property of the Liechtenstein Office (Ministry) of Economic Affairs.¹⁴³ Under the 1978 bilateral Treaty on the Protection Conferred by Patents for Inventions, concluded within the framework of the Customs Union Treaty, Liechtenstein and Switzerland form a unitary territory for the purposes of patent protection: a patent valid in one party's territory is also valid in the other's.¹⁴⁴ Patent applications made through the national, regional (i.e. under the European Patent Convention) or international (i.e. under WIPO's Patent Cooperation Treaty) avenues must jointly designate the two countries. With the exception of patents for inventions, Liechtenstein has its own legislation for, *inter alia*, copyright, trademarks, industrial designs and topographies of integrated circuits. In addition, Liechtenstein implements EEA rules on intellectual property.

3.147. Switzerland and Liechtenstein are members of the WIPO and are parties to most of its treaties¹⁴⁵, as well as to other international conventions of relevance to intellectual property.¹⁴⁶ Since the last TPR in 2008, Liechtenstein has not adhered to or ratified other WIPO treaties in force. Switzerland ratified the Singapore Treaty on the Law of Trademarks, effective 6 March 2009¹⁴⁷, and signed the WIPO's new Beijing Treaty on Audio-visual Performances on 26 June 2012.¹⁴⁸

3.148. In the context of EFTA, Switzerland and Liechtenstein have concluded or are in the process of negotiating, with individual third countries, groups of countries or entities, free-trade agreements or trade and economic cooperation agreements with an IP component that ranges from a general reference to IP protection to highly detailed provisions on certain IP sectors.¹⁴⁹

¹³⁹ INSEAD-WIPO (2012). See also WIPO-INSEAD press release, 3 July 2012. "Release of the Global Innovation Index 2012: Switzerland Retains First-Place Position in Innovation Performance". Viewed at: http://www.wipo.int/pressroom/en/articles/2012/article_0014.html.

¹⁴⁰ World Economic Forum (2012).

¹⁴¹ European Union (2012). In a comparison between the innovation performances of the 27 EU member States and a selection of other benchmark countries, Switzerland was ranked as "the overall innovation leader". The report focuses on innovation in services.

¹⁴² IPI online information. Viewed at: www.ipi.ch.

¹⁴³ Viewed at: www.avw.llv.li.

¹⁴⁴ Viewed at: <https://www.ipi.ch/patente/schutz-in-der-schweiz.html> and <http://www.llv.li/amtstellen/llv-avw-immaterialgueterrecht/llv-avw-immaterialgueterrecht-patentrecht.html>.

¹⁴⁵ WIPO online information, "About WIPO: Members and Observers". Viewed at: <http://www.wipo.int/>.

¹⁴⁶ For a detailed list of WIPO's conventions and of other treaties see WIPO online information. Viewed at: <http://www.wipo.int/wipolex/en/under> "Treaty Membership". See also, for Switzerland <http://www.wipo.int/wipolex/en/profile.jsp?code=CH>; and for Liechtenstein <http://www.wipo.int/wipolex/en/profile.jsp?code=LI>.

¹⁴⁷ The Singapore Treaty of 27 March 2006 deals, *inter alia*, with administrative trademark registration procedures. Viewed at: http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=30, and http://www.wipo.int/treaties/en/ip/singapore/summary_singapore.html.

¹⁴⁸ WIPO online information. Viewed at: <http://www.wipo.int/treaties/en/ip/beijing/>.

¹⁴⁹ FTAs containing an IP element and in force within the EFTA framework: Albania; Chile; Colombia; Croatia; Egypt; Gulf Cooperation Council; Hong Kong, China; Israel; Japan (bilateral); Jordan; Korea; Lebanon; FYR Macedonia; Mexico; Montenegro; Morocco; Palestine; Peru; Serbia; Singapore; Southern African Customs Union (SACU); Tunisia; Turkey; and Ukraine. Negotiations on free-trade agreements are currently

Switzerland's bilateral FTA with Japan covers various IP fields, notably biotechnology and geographical indications. Provisions relating to patents in that agreement also apply to Liechtenstein. Switzerland has concluded bilateral agreements with the EU and Russia on geographical indications (see section 3.3.6.5).

3.149. In compliance with Article 63.2, Switzerland notified the amended and new laws or regulations to the TRIPS Council in February 2009.¹⁵⁰

3.150. The number of patent applications, patents granted, and trademark and industrial design applications were relatively stable between 2008 and 2011 (Tables 3.8 and 3.9).

Table 3.8 Switzerland: Applications for trademarks, industrial designs, and patents, and patents granted, 2008-11

	2008	2009	2010	2011
Trademark applications				
Resident	11,885	11,843	11,065	10,815
Non-resident	19,629	17,102	16,858	18,247
Total	31,514	28,945	27,923	29,062
Abroad	126,673	113,006	143,393	143,131
Industrial designs applications				
Resident	1,123	1,069	1,164	1,114
Non-resident	1,168	1,089	1,351	1,411
Total	2,291	2,158	2,415	2,515
Abroad	32,471	29,818	32,395	37,458
Patent applications				
Resident	7,566	7,550	8,364	8,002
Non-resident	439	394	533	446
Total	8,005	7,944	8,897	8,448
Abroad	29,653	28,293	31,029	29,475
Patent granted				
Resident	2,930	2,805	2,850	2,773
Non-resident	277	377	280	125
Total	3,207	3,182	3,130	2,898
Abroad	11,546	11,633	13,711	14,791

Source: WTO Secretariat, based on WIPO statistics data, last updated in December 2012.

Table 3.9 Liechtenstein: Applications for trademarks, industrial designs, and patents, and patents granted, 2008-11

	2008	2009	2010	2011
Trademark applications				
Resident	205	1	1	1
Non-resident	4,319	3,020	2,677	2,629
Total	4,524	3,021	2,678	2,630
Abroad	8,807	5,292	5,332	5,893

engaged within the EFTA framework with: Bosnia-Herzegovina; Central American States (Costa Rica, Guatemala, Honduras, and Panama); China (bilateral); India; Indonesia; Malaysia; Russia-Belarus-Kazakhstan; Thailand; and Viet Nam. Viewed at: <http://www.seco.admin.ch/themen/00513/00515/01330/04619/index.html?lang=en>; <http://www.efta.int/free-trade/free-trade-agreements.aspx>; and <http://www.efta.int/free-trade/ongoing-negotiations-talks.aspx>.

¹⁵⁰ WTO documents IP/N/1/CHE/4 (summary table of revised laws and regulations); IP/N/1/CHE/O/16 (statute and tasks of the FIIP); IP/N/1/CHE/O/17 (FIIP's fees); IP/N/1/CHE/C/5 and 6 (copyright and related rights); IP/N/1/CHE/T/3 and 4 (trademarks and indications of source); IP/N/1/CHE/G/13 (designation "Swiss" for watches); IP/N/1/CHE/14 to 18 (geographical indications for agricultural products and processed agricultural products, control requirements, viticulture and importation of wines, vine varieties permitted, etc.); IP/N/1/CHE/D/5-6 (designs); IP/N/1/CHE/P/10 (12-13 (patents for inventions); IP/N/CHE/1/P/10-11 (protection of new plant varieties); IP/N/1/L/4-5 (topographies of semi-conductor products); IP/N/1/CHE/O/18 (production and placing on the market of feedstuffs); IP/N/CHE/O/19 (right of the Confederation to institute proceedings in the context of the Law on Unfair Competition); IP/N/CHE/O/20-21 (medicinal products and medical devices); IP/N/CHE/O/22 (cartels and other impediments to competition); IP/N/CHE/O/22 (unfair competition); and IP/N/1/CHE/U/3 (placing on the market of phytosanitary products).

	2008	2009	2010	2011
Industrial designs applications				
Resident	6	1	5	5
Non-resident	393	300	300	293
Total	399	301	305	298
Abroad	1,257	881	1,110	1,156
Patent applications				
Resident	230	222	290	221
Non-resident	-	-	-	-
Total	230	222	290	221
Abroad	814	686	1,415	936
Patent granted				
Resident	131	114	116	129
Non-resident	-	-	-	-
Total	131	114	116	129
Abroad	451	436	442	421

Source: WTO Secretariat, based on WIPO statistics data, last updated in December 2012.

3.3.6.2 Patents

3.151. The Patent Law of 1954 and its Ordinance, as revised up to 2008, govern patent protection in Switzerland and Liechtenstein.¹⁵¹ In addition to the 20-year patent term for protection under the TRIPS Agreement, the revised Patent Law also provides for a supplementary (complementary) protection certificate (SPC) for patented inventions requiring federal authorization before being put on the market. This currently concerns pharmaceuticals and pesticides. The SPC is aimed at giving the patentee the possibility of recovering the time lost while awaiting market authorization. The maximum extension is five years.

3.152. On 19 December 2008, the Parliament adopted, with some significant amendments, the Federal Council's draft Article 9a of the Patent Law.¹⁵² The amendments relate to the issue of exhaustion of patent rights, and constitute a notable change in the Swiss approach.¹⁵³ The text adopted on 19 December 2008 (entered into force on 1 July 2009) relates to:

- as a unilateral decision by the Swiss Parliament, the EEA-wide exhaustion principle applies to patent inventions (products and processes) (Article 9a(1)). By virtue of the EEA exhaustion principle, patent owners cannot prevent the parallel importation of their patented products put on the market of EEA members by themselves or with their consent.
- it is permitted to import products placed on the market outside the EEA by the patent owner if the patent protection is of a lesser degree of importance for the functional characteristics of the product.¹⁵⁴

¹⁵¹ See WTO (2009) for details on the revised legislation, and document WT/TPR/M/208/Add.1, for Switzerland's replies to the questions posed by the delegations of Canada, Colombia, Mexico, and the United States during the TPR meeting. In the context of TRIPS Council meetings, Switzerland provided further information on the application of the revised Patent Law, notably with regard to the disclosure requirement in patent applications. See IP/C/M/69, para.86; and IP/C/M/66, paras. 79-86.

¹⁵² *Loi fédérale sur les brevets d'invention (LBI) - Modification du 19 décembre 2008*, RO 2009 2615. Viewed at: <http://www.admin.ch/ch/f/as/2009/2615.pdf>.

¹⁵³ See Federal Court decision *Kodak vs. Jumbo-Markt AG*, BGE 126 III 129 pp. 130 et seq. Law on Cartels, Article 3, para. 2. Viewed at: <http://www.admin.ch/ch/e/rs/251/a3.html>. Sentence inserted by No. 1 of the Federal Act of 20 June 2003, in force since 1 April 2004 (see RO 2004 1385). Article 3, paragraph 2 reads as follows: "This Act does not apply to effects on competition that result exclusively from the legislation governing intellectual property. However, import restrictions based on intellectual property rights shall be assessed under this Act." See *Message concernant la modification de la loi sur les brevets et l'arrêté fédéral portant approbation du Traité sur le droit des brevets et du Règlement d'exécution*, 23 November 2005, paragraph 2.4.1. Viewed at: <http://www.admin.ch/ch/f/ff/2006/1.pdf>. At the requests ("motions") of the two Chambers of the Parliament, the Federal Council submitted in 2007 a separate piece of law on exhaustion of patent rights.

¹⁵⁴ Viewed at: <https://www.ige.ch/en/legal-info/legal-areas/patents/parallel-imports.html>. (See also *Feuille Fédérale* 2006, p. 111. Viewed at: https://www.ige.ch/fileadmin/user_upload/Juristische_Infos/d/medienmitteilungen/mm_patg_erschaffung_20090529_d.pdf).

- for products the prices of which are fixed by the State in Switzerland or abroad, the patent owners' consent for importation is necessary, in other words national exhaustion continues to apply in that situation. This specifically affects pharmaceutical products.
- for inventions regarding agricultural inputs and capital goods, international exhaustion continues to apply.¹⁵⁵
- in the context of the Patent Law revision, the Parliament also abrogated Article 14, paragraph 3 of the Law on Therapeutic Products, prohibiting the importation of an original product authorized pursuant to a simplified procedure of market authorization as long as the product is patented. The ground for such an abrogation was to "dissociate public tasks from the enforcement of patent rights by private parties".¹⁵⁶

3.153. There are currently no publicly available figures reflecting the impact of these changes on the availability and affordability of the products concerned.

3.154. As a member of the EEA, Liechtenstein applies EEA-wide exhaustion. The shift to EEA-wide exhaustion by Switzerland may have the effect of bringing the concept of a unitary patent system for the two countries into consonance with Liechtenstein' participation in the EEA.

3.155. The Swiss Law on Patent Attorneys, which entered into force on 1 July 2011, regulates the use of the professional title "patent attorney".¹⁵⁷ It also entails changes, mainly of a procedural nature (e.g. regarding domicile or residence requirement), in other related pieces of legislation, including the Swiss Federal Patent Law, the Law on Trademarks, the Law on Designs, and the Swiss Federal Law on the Statute and Tasks of the Federal Institute for Intellectual Property. This amendment, aimed at bringing the Swiss patent framework into accord with other European legal frameworks, constitutes a more liberalized approach to the exceptions permitted under paragraph 2 of TRIPS Article 3 on national treatment.

3.156. The Swiss Law on the Federal Patent Court establishes a national special court competent for patent litigation at first instance, the Tribunal Fédéral (Supreme Court) being the last instance. The Federal Patent Court replaces the 26 cantonal courts. It comprises both legally and technically trained judges. English may be used as the language of proceedings provided that the Court and the parties give their consent. This law entered into force on 1 March 2010 (for organizational and institutional clauses) and has been fully operative since 1 January 2012.¹⁵⁸

3.157. In the area of patents, the share (in percentage) of patent applications by top fields of technology during 1997-2011 is, for Switzerland: pharmaceuticals (11.59), organic fine chemistry (9.24), medical technology (8.13), handling (6.38), measurement (5.83), electrical machinery, apparatus, energy (4.37), basic materials chemistry (4.10), biotechnology (3.74), other special machines (3.51), food chemistry (3.42), and others (39.69).¹⁵⁹ For Liechtenstein, the share is: machine tools (21.75), mechanical elements (11), pharmaceuticals (9.36), medical technology (6.38), civil engineering (5.93), electrical machinery, apparatus, energy (5.32), transport (4.55), other special machines (4.00), measurement (3.87), surface technology, coating (3.70), and others (24.14).¹⁶⁰

3.3.6.3 Plant varieties

3.158. Information provided in the 2008 TPR of Switzerland and Liechtenstein on the protection of plant varieties in Switzerland remains valid. The 2008 legislation reflecting notably the 1991 Act of

¹⁵⁵ See WTO (2009).

¹⁵⁶ Former Article 14, paragraph 3, Law on Therapeutic Products (RS 812.21).

¹⁵⁷ RS 935.62. For example, whoever wishes to use this title must possess the required professional qualifications, i.e. must have passed the patent attorney exam and hold a university degree in science or engineering as well as have professional experience. Before commencing practicing under this title, a patent attorney must prove through a federal patent attorney examination that he or she possesses the required professional qualifications in order to be entered into a new patent attorney register. The register is maintained by the Swiss Federal Institute of Intellectual Property. As at end-November 2012, 417 patent attorneys were registered.

¹⁵⁸ RS 173.41.

¹⁵⁹ Viewed at: http://www.wipo.int/instats/statistics/country_profile/countries/ch.html.

¹⁶⁰ Viewed at: http://www.wipo.int/instats/statistics/country_profile/countries/li.html.

the Convention on the Protection of New Plant Varieties (UPOV Convention) was notified in February 2009.

3.159. The information provided by Liechtenstein in the course of the TPR meeting of 2004 remains valid.¹⁶¹

3.3.6.4 Trade marks

3.160. There have been no major changes in the area of trademarks since 2008. Changes of a procedural nature include changes in the Federal Code of Civil Procedure¹⁶², and changes stemming from the adoption of the new Law on Patent Attorneys (requirement for a notification address in Switzerland in order to participate in an administrative procedure) (see section 3.3.6.2).

3.161. International exhaustion for trademarks applies in Switzerland¹⁶³ and in Liechtenstein.¹⁶⁴

3.3.6.5 Geographical indications

3.162. The information provided in the 2008 TPR report on the two-pronged system of protection of geographical indications in Switzerland remains valid: the protection of geographical indications under the Trademark Law for all products and services, which does not require registration, and the protection of geographical indications for wines and spirits, agricultural products and foodstuffs under several laws and ordinances. The geographical indication of "Swiss Made" for watches, as provided in the Trademark Law, is currently regulated by a special ordinance on the use of the designation "Swiss" for watches.¹⁶⁵

3.163. An amendment to the Trademark Law and the Federal Law on the Protection of Swiss Armorial Bearings and Other Public Signs (Swissness Bill) is currently being examined in the Parliament. The purpose of the bill is to lay down the foundation for a "sustainable preservation of the added value" – i.e. marketing power - of the term "Swiss" and the Swiss cross for trade of goods and services. The bill proposes that the protection of the term "Swiss" and of the Swiss cross (white cross on a red background) be strengthened at a national level as well as with a view to law enforcement abroad. The bill proposes a number of criteria for a product or service to be eligible for protection.

3.164. Several free-trade agreements with individual countries and group of countries contain provisions on geographical indications. Two bilateral agreements concluded by Switzerland contain provisions on the protection of geographical indications with lists of names. The scope of the free-trade and economic partnership agreement with Japan is wider, i.e. covers other IPRs, whilst the bilateral agreement with Russia covers exclusively geographical indications.

3.165. In May 2011, Switzerland and Liechtenstein signed agreements with the EU on the protection of designations of origin and geographical indications for agricultural products and foodstuffs. For Switzerland, the agreement was concluded under the umbrella of the Treaty of 21 June 1999 between Switzerland and the European Communities on trade of agricultural products. The agreement entered into force for both Switzerland and Liechtenstein on 1 December 2011 as Annex 12 of the treaty.¹⁶⁶

¹⁶¹ "At present, plant varieties rights granted abroad would be recognized in Liechtenstein due to the TRIPS obligation to protect plant varieties. No case of alleged infringement has been reported so far. It is not yet possible to obtain protection for a plant variety by a national procedure. Protection of plant varieties is virtually irrelevant in Liechtenstein since there are no economic activities in this regard." (WT/TPR/M/141/Add.1, page 108).

¹⁶² Viewed at: <http://www.admin.ch/ch/f/as/2010/1739.pdf>.

¹⁶³ Federal (Supreme) Court's decision on Chanel S.A. vs. EPA AG, BGE 122 III 469. The prevalent regime is international exhaustion, except in the event that there is any risk for the consumer to be misled.

¹⁶⁴ See Article 13(6) of Liechtenstein Trademark Law (LL 232.11): international exhaustion, except in the event that there is any risk for the consumer to be misled.

¹⁶⁵ RS 232.119.

¹⁶⁶ RS 0.916.026.81.

3.3.6.6 Industrial designs

3.166. No major changes were made in the area of designs during the review period. Changes of procedural nature include changes in the Federal Code of Civil Procedure¹⁶⁷, and changes due to the adoption of the new Law on Patent Attorneys (requirement for a notification address in Switzerland in order to participate in an administrative procedure).

3.167. There is no judicial precedent on the Swiss regime of exhaustion of design rights.

3.168. Liechtenstein has its own law on industrial designs, very similar to the Swiss Federal Law. The Design Act stipulates the principle of international exhaustion of rights.¹⁶⁸

3.3.6.7 Copyright and related rights

3.169. Changes made to the Copyright Law during the review period are of a procedural nature, e.g. changes to the Federal Code of Civil Procedure.¹⁶⁹ The Swiss Federal Tribunal upholds the principle of international exhaustion and authorizes parallel imports of products covered by copyright. However, the 2003 revision regulates imports of video cassettes or DVDs previously marketed in a third country, which require an authorization from the author or their legal successor to be distributed in Switzerland. Audio-visual works in Switzerland are exploited according to the "cascade principle" during the first stage of exploitation, i.e. the work is first featured in cinemas, then on video or DVD, and finally on television.¹⁷⁰

3.170. Switzerland has signed the WIPO Beijing Treaty on Audio-visual Works of 24 June 2012.

3.171. Issues linked to Internet and new technologies affecting copyright are of a high priority in Switzerland. Various motions have been debated and rejected by the Federal Council. It has been suggested to make full use of the legal panoply of measures available, including actions against Internet access providers and operators of platforms and file sharing ("peer-to-peer"), and further explore other possibilities. Two parliamentary motions have been retained by the Federal Council: the Postulat Recordon 12.3326¹⁷¹ for copyright protection that is equitable and compatible with Internet users' freedom, and the Postulat Glättli 12.3173¹⁷² for fair compensation of artists while respecting the private sphere of Internet users.¹⁷³ In response to these postulates and following up its response to the Postulat Savary, the Federal Department of Justice and Police established a special "Working Group for the Optimization of Collective Management of Copyrights and Neighbouring Rights" on 8 August 2012; the time line is the end of 2013.¹⁷⁴ The USTR 2012 Special 301 Report cited a number of countries, including Switzerland, under the general heading of "Piracy over the Internet and Digital Piracy" – and not on the watch list – and stated that the United States will seek "to work with them to strengthen legal regimes and enhance enforcement".¹⁷⁵

3.172. Copyright protection in Liechtenstein is guaranteed by the Law of 19 May 1999 on Copyright and Neighbouring Rights. Information in the 2008 TPR report of Switzerland and Liechtenstein, including on resale rights introduced in accordance with the EU *acquis communautaire*, remains relevant. International exhaustion of rights applies.

¹⁶⁷ Viewed at: <http://www.admin.ch/ch/f/as/2010/1739.pdf>.

¹⁶⁸ WTO (2005), TPR of Switzerland and Liechtenstein, WT/TPR/S/141.

¹⁶⁹ Viewed at: <http://www.admin.ch/ch/f/as/2010/1739.pdf>.

¹⁷⁰ Swiss Federal Institute of Intellectual Property online information, "Copyright". Viewed at: <http://www.ige.ch/e/jurinfo/j103.shtm>.

¹⁷¹ Viewed at: http://www.parlament.ch/d/suche/seiten/geschaefte.aspx?gesch_id=20123326.

¹⁷² Viewed at: http://www.parlament.ch/f/suche/pages/geschaefte.aspx?gesch_id=20123173.

¹⁷³ Viewed at: http://www.parlament.ch/f/suche/pages/geschaefte.aspx?gesch_id=20103263; and http://www.parlament.ch/f/suche/pages/geschaefte.aspx?gesch_id=20123326.

¹⁷⁴ Viewed at: <http://www.ejpd.admin.ch/content/ejpd/fr/home/dokumentation/mi/2012/2012-08-09.html>.

¹⁷⁵ Viewed at: <http://www.ustr.gov/sites/default/files/2012%20Special%20301%20Report.pdf>.

3.3.6.8 Layout-designs (topographies) of integrated circuits

3.173. The Swiss Topographies Law and Topographies Ordinance, as revised in 2006 and 2007, govern the protection of topographies of integrated circuits.¹⁷⁶ Liechtenstein has its own legislation.

3.3.6.9 Undisclosed information

3.174. Protection of confidential information contained in applications for protection and IP registers is provided for in particular in the respective IP laws. Moreover, protection against unfair competition practices as spelt out in footnote 10 of the TRIPS Agreement has been provided for by law since 1988 in Switzerland.

3.175. Article 14(3) of the Law on Therapeutic Products, which prohibited the importation of an original product authorized pursuant to a simplified procedure of market authorization as long as the product is patented, was abrogated by the Parliament on 19 December 2008 (see section 3.3.6.2). The ground for the abrogation was to "dissociate public tasks from the enforcement of patent rights by private parties".¹⁷⁷

3.3.6.10 Enforcement

3.176. As indicated in the 2008 TPR report and by the Swiss authorities, the laws on copyright, topographies of integrated circuits, trademarks, and designs, were amended to improve enforcement of IP rights, including border measures against counterfeiting and piracy. Trade in counterfeit and illegally copied goods is of great concern to Swiss producers and to the Swiss authorities. The Swiss FIIP and the International Chamber of Commerce, Switzerland, created the Swiss Anti-Counterfeiting and Piracy Platform, STOP PIRACY, according to which, "the Swiss economy suffers losses of SwF 2 billion annually due to counterfeiting and piracy. Worldwide damages are estimated to be several hundred billion Swiss francs annually. However, more important than the numbers is that counterfeiting and pirated copies undermine the incentive system behind intellectual property and inhibit investment in innovation – even in the countries that are the source of the counterfeiting."¹⁷⁸ STOP PIRACY has also undertaken campaigns to raise Swiss consumer awareness regarding counterfeit and pirated goods, including a relatively new feature of the amendments to the IP laws in 2008, namely sanctions against the importation of such goods for private use.¹⁷⁹ Switzerland participated in the negotiations on the Anti-Counterfeiting Trade Agreement (ACTA). It has not yet signed the agreement.

3.177. A 2011 report by the Federal Customs Administration (FCA)¹⁸⁰ shows that the number of interventions increased from 1,622 in 2008 (value of seized consignments: SwF 14 million) to 3,180 (value of seized consignments: SwF 8.4 million), an increase of 96%. These figures relate to interventions under the IP laws, not under the Law on Therapeutic Products (pharmaceutical products) or the Law on Precious Metals Control (watches and jewellery).

3.178. On the issue of measures regarding transit goods, the Swiss FIIP has provided clarifications on the interpretation of the relevant Patent Law provisions: "The transit of patent-infringing goods can only be prohibited when the patent owner can also prohibit the import into the country of destination. Assistance measures regarding goods in transit can only be provided by customs when direct evidence is present concerning infringement of a patent in both Switzerland and in the country of destination."¹⁸¹

¹⁷⁶ RS 231.2 and RS 231.21.

¹⁷⁷ Former Article 14, paragraph 3, Law on Therapeutic Products (RS 812.21).

¹⁷⁸ Viewed at: <http://www.stop-piracy.ch/en/candp/cap1.shtm>.

¹⁷⁹ *De minimis* imports are dealt with in Article 60 of the TRIPS Agreement.

¹⁸⁰ IGE/IPI online information, "Counterfeiting and Piracy: 2011 Intellectual Property Law Statistics from the FCA". Viewed at: https://www.ige.ch/fileadmin/user_upload/Juristische_Infos/e/fp_stat_2011_en.pdf.

¹⁸¹ Viewed at: https://www.ipi.ch/fileadmin/user_upload/Juristische_Infos/e/j10030e.pdf.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture

4.1. Swiss agriculture contributed about 1% to GDP and 3.8% to employment in 2011.¹ Most of the 58,000 farms are small family enterprises (averaging 18 ha) with little hired labour. Only about 100 farms have more than 100 hectares. About half of the Swiss farms are located in hilly or mountainous regions. Within the framework of the direct payment scheme (averaging about SwF 50,000 per farm), farmers receive compensation for working on sloping terrain or delivering public goods, such as food security.² The main basic agricultural products are milk, bovine animals, and pigs. Switzerland is traditionally a net-importer of agricultural and food products (Chart 1.1). While imports are spread over all categories of agricultural products, exports are predominantly processed food products. On behalf of the Government, private organizations (Réserve Suisse, Agricura) are managing compulsory reserve stock schemes for a range of food and feedstuffs, as well as nitrogen fertilizer (Chapter 3.1.7).³

4.2. In Liechtenstein, agriculture's contribution to GDP is marginal. About two thirds of the territory of Liechtenstein are hilly and mountainous areas. There were 118 farms in 2010 with an average size of 31 hectares. Milk is the main basic agricultural product, followed by meat, grains, and vegetables. Switzerland acts on behalf of Liechtenstein on Customs Union matters, such as imports and exports of agricultural products. Liechtenstein has its own direct payment scheme. Liechtenstein farmers also benefit from some Swiss market support measures, such as the subsidy for milk processed into cheese, in return for an annual financial contribution by Liechtenstein. Some Liechtenstein companies participate in the Swiss auctions of the meat tariff quotas and the export subsidy scheme.

4.1.1 Border measures

4.3. The average applied MFN tariff on agricultural products (WTO definition) is estimated at 31.9% in 2012 (Table 3.2). Meat, dairy products, and vegetables are the most tariff-protected products. High or prohibitive MFN tariffs in import-competing sectors contrast with free trade in a range of products, such as cotton, where there is no or little domestic production (Table 3.3). Since its last TPR in 2008, Switzerland has carried out a few tariff reduction initiatives in the context of the Agricultural Policy 2011 or as a result of bilateral agreements with the EU (Table 4.1).

Table 4.1 Agricultural tariff reduction initiatives, 2008-12

Product	Description	Reference
Feed grains, oilseeds, and feedstuff mixtures	The threshold price system applies. Import threshold prices were reduced for grains (to SwF 360/t) and oilseeds (to SwF 500/t), aimed to reduce feed costs of livestock producers.	RS 916.01
	Protection of the domestic feed industry through tariff escalation was phased-out. As of 1 July 2011, industrial protection elements incorporated in the tariffs for feedstuff mixtures were removed.	RS 916.112.231
Bread cereals and flour	The new reference price system applies. On 1 July 2009, the reference price for bread cereals was reduced from SwF 600 to SwF 560/t. As of July 2008, the tariff for wheat flour is linked to the tariff on bread cereals (wheat), resulting in a reduction from SwF 1,430/t to a maximum of SwF 507/t since 1 July 2010.	RS 916.01
Cut flowers	MFN out-of-quota tariffs for cut flowers are to be reduced in ten stages to the level of the MFN in-quota tariffs (2007-17). By 2017, cut flowers will effectively be subject to a tariff-only regime.	RS 916.01
Sugar	MFN sugar tariffs were adjusted to align internal prices in Switzerland with those of the EU. Sugar tariff as of October 2012 (HS 1701.9999): SwF 170/t (up from zero since 2010)	RS 916.01

¹ The total labour force in agriculture was 164,000 in 2011.

² Based on Article 104 of the Swiss Constitution.

³ Based on Article 102 of the Swiss Constitution.

Product	Description	Reference
Vegetables	For 15 fresh vegetables, the import regime was partially liberalized, allowing imports throughout the year at the bound-in quota tariffs (red lollo, other lollo, extra fine string beans, other beans, winter savoy cabbage, treviso chicory, green chicory, cut-and-come-again chicory, salsify, soup celeriac, sugar peas (mange-tout), green asparagus, cardoons, teltow turnips, courgette blossoms)	RS 916.121.100
Cheese	Free trade in cheese with the EU since June 2007.	

Source: WTO Secretariat, based on information provided by the Swiss authorities.

4.4. Switzerland has WTO tariff-quota commitments for 28 product categories. In practice, Switzerland implements 58 tariff quotas, since numerous WTO tariff quotas are divided into sub-quotas.⁴ Some tariff quotas are sub-divided up to three times. The bilateral preferential tariff quotas (about 80) are generally aggregated with WTO tariff quotas.⁵ Imports originating from the free zones of Haute-Savoie and Pays de Gex are not attributed to a tariff quota.⁶ The predominant allocation procedures are first-come-first-served, auctioning, past imports, and *prise en charge* under which the allocation of tariff quota is contingent upon local purchases (Table A4.1). Changes to the administration methods were notified regularly⁷, and the complex tariff quota management system (about 300 pages) can also be consulted online.⁸ For a number of WTO tariff quotas, Switzerland provides autonomously "unlimited" access at the bound in-quota tariff, e.g. for casein or durum wheat. When domestic supply is considered insufficient, the tariff quotas may also be increased autonomously, resulting in fill ratios greater than 100% (Table A4.2).

4.1.2 Domestic support

4.5. Switzerland's key domestic support instruments are: (i) subsidies and other government expenditures for market support measures; and (ii) direct payments. In its notifications to the WTO Committee on Agriculture, Switzerland has reported price support through applied administered prices for bovine meat, pig meat, milk, and 16 other basic agricultural products.⁹ However, according to the authorities, Switzerland does not apply administered prices; "observed" prices are used to calculate the support.

4.6. Switzerland's current policy framework, the Agricultural Policy 2011 (AP 2011), runs from 2008 to 2013. The main thrust of the AP 2011 is a further shift from (product-specific) market support to direct payments. The objective is to cut budgetary expenditures for market support by more than half, and to phase-out agricultural export subsidies on basic agricultural products (Table 4.2). Direct payments increased significantly as from 2009, and expenditures for market support measures were reduced, albeit by less than 50%.

4.7. The AP 2011 leaves the basic structure of the Swiss direct payment scheme unchanged (Table 4.3). About 80% of expenditures are "general" direct payments (area payments, "payments for roughage consuming animals" and "farming under difficult production conditions"); the remainder are payments to achieve environmental and animal welfare objectives. The general eligibility criteria for direct payments include a set of ecological performance standards (proof of ecological performance), including a 7% set aside. The maximum direct payment is SwF 70,000 per annual work unit. Direct payments (DPs) are degressive by farm size, animal numbers, income, and assets.¹⁰ When the DP scheme was introduced in 1992, the intent was to decouple the support from production, but this objective has not been expressly reflected in the legal framework.¹¹ By and large, the direct payments continue to be linked to land and/or livestock

⁴ The three tariff quotas for wine were merged.

⁵ The only exception is a preferential tariff quota for potatoes (HS 0701.9010) granted to Egypt, which is opened even if the MFN tariff quota is filled.

⁶ *Règlement du 22 décembre 1933 concernant les importations en Suisse des produits des zones franches* (RS 0.631.256.934.953).

⁷ WTO documents G/AG/CHE/13/Add.10 to Add. 14.

⁸ Federal Department of Agriculture online information. Viewed at: <http://www.blw.admin.ch/themen/01423/index.html?lang=fr>.

⁹ WTO documents G/AG/N/CHE/47, 49, and 55/Rev.1.

¹⁰ Direct payments are reduced to zero from 130 ha, 190 livestock units, or assets of SwF 1 million.

¹¹ Law on Agriculture (RS 910.1) and Direct Payments Ordinance (RS 910.13)

numbers. Some of direct payments are considered to have production-stimulating effects and call for reform (Box 4.1).

Table 4.2 Market support and direct payments, 2007-11

(SwF million)

Measure	2007	2008	2009	2010	2011
Market support expenditures^a	493.2	481.4	434.0	372.2	385.4
Dairy sector, of which:	366.0	349.7	316.7	291.9	295.3
Subsidy for milk processed into cheese	255.1	261.0	247.8	256.3	259.5
Livestock sector	18.2	18.3	18.3	10.2	12.4
Arable sector, of which:	109.0	113.4	99.0	70.1	77.7
Crop premiums (RS 910.17)	46.3	47.7	69.6	65.9	68.8
Direct payments	2,575.0	2,505.0	2,741.7	2,789.2	2,799.2

a Including export subsidies.

Source: Federal Office for Agriculture, *Rapport Agricole*, various issues.

4.8. Agricultural producers have access to interest-free investment credit schemes implemented by the cantons. Credits are available as starting aid for new buildings, reconstruction or improvement of agricultural residential buildings, farm and alpine buildings. The average payback period is 13.1 years. Collective measures (for groups of farmers) mainly support soil improvement and building measures (alpine buildings, collective stables, buildings and equipment for processing and storage of agricultural products).¹² Interest-rate subsidies are to be cut from SwF 47 million p.a.¹³ to SwF 17 million p.a. under AP 2014-17. The revenue of mineral oil taxes forgone due to reimbursements to the agriculture sector amounts to SwF 65 million each year.¹⁴

Table 4.3 Switzerland's direct payment system, 2009-11

Measure/ objective	Eligibility criteria/payment basis	Payment rate ^a	Notified in terms of	Expenditures ('000 SwF)		
				2009	2010	2011
General direct payments				2,190.2	2,201.1	2,191.1
Area payments						
To compensate public interest contributions (e.g. protection and care of the cultivated landscape, securing food production)	Virtually the entire agricultural area (about 1 million hectares), except summer pasturing area (0.5 million ha), is eligible. The reference period is the current year. Additional payments for the crop area (open arable land) and permanent crops	Per hectare: SwF 1,020 SwF 640	Green Box, decoupled income support	1,225.5	1,221.2	1,217.6
Payments for roughage-consuming animals						
To sustain the competitiveness of milk and meat production based on roughage, and to ensure land caretaking through pasture use	The reference period for bovine animals/dairy cows is the number of animals as of 1 May of the preceding year to 30 April of the current year. Rates are based on standardized livestock units per hectare (differentiated by altitude, i.e. carrying capacity of the land). Bovine animals, horses, milk goats/sheep Dairy cows Other goats/sheep, deer, lamas, alpaka	Per livestock unit: SwF 690 SwF 450 SwF 520	Green Box, decoupled income support	509.6	510.3	508.2

¹² *Ordonnance sur les améliorations structurelles dans l'agriculture du 7 décembre 1998* (RS 913.1).

¹³ WTO document G/AG/N/CHE/55/Rev.1, p. 4.

¹⁴ *Ordonnance sur les allègements fiscaux et l'intérêt de retard pour l'impôt sur les huiles minérales* (RS 641.612).

Measure/ objective	Eligibility criteria/payment basis	Payment rate ^a	Notified in terms of	Expenditures ('000 SwF)		
				2009	2010	2011
Livestock payments under difficult production conditions						
To compensate for difficult production conditions in pre-alpine hill zones and mountainous zones for livestock fed with roughage	Rates are based on standardized livestock units per hectare, see above Payment rates are differentiated between hilly and mountainous regions	Per livestock unit: SwF 300 (hill zone) up to SwF 1,230 (mountain region IV)	Green Box, regional assistance programmes	352.5	354.3	352.4
General steep slope payments						
To compensate for farming on steep slopes	Rates are based on inclination of terrain. Pastures, arable land, and permanent crops qualify 18-35% >35%	Per hectare: SwF 410 SwF 620	Green Box, regional assistance programmes	91.0	104.0	102.6
Steep slope payments for wine-growers						
To compensate for wine cultivation on steep slopes	Rates are based on inclination of terrain 30-50% >50% terrasses	Per hectare: SwF 1,500 SwF 3,000 SwF 5,000	Green Box, regional assistance programmes	11.6	11.3	11.3
Ecological direct payments				566.1	598.0	618.0
Ecological payments						
Incentives for voluntary environmental contributions beyond minimum environmental eligibility criteria for DPs	Including extensive use of pastures and meadows; fallowing; hedges. Payment rates depend on the measure Pome and stone fruit trees (not in plantations)	Per hectare: SwF 450-2,800 SwF 15 per tree	Green Box, environmental programmes	123.0	128.7	133.5
Payments under the Environmental Quality Ordinance (RS 910.14)	Same as for ecological payments. Payment rates depend on the measure Co-financing: 80% federal; 20% cantonal and other sources. Implemented by the cantons	Per hectare: SwF 300-2,000; SwF 5-30 per tree	Green Box, environmental programmes	54.9	62.0	71.5
Extensive cereal and rapeseed farming	No use of hormonal growth regulators and pesticides	Per hectare: SwF 400	Green Box, environmental programmes	29.0	29.3	29.0
Organic farming						
Incentive payments to encourage organic farming methods	Compliance with Bio-Ordinance (RS 910.18). About 11% of total agricultural area qualified in 2010 Special crops (fruits, vegetables, viticulture, medicinal plants) Arable crops Other	Per hectare: SwF 1,350 SwF 950 SwF 200	Green Box, environmental programmes	27.9	29.7	31.2
Animal welfare (housing systems)						
Incentives payments for animal rearing practices that go beyond animal protection regulations	Bovine animals, pigs, poultry, and rabbits	Per livestock unit: SwF 90-280	Green Box, environmental programmes	59.9	61.7	639
Animal welfare (outdoor)						
Incentive payments to encourage outdoor systems	Bovine animals, pigs, poultry, and rabbits	Per livestock unit: SwF 155-280	Green Box, environmental programmes	163.1	163.9	165.0

Measure/ objective	Eligibility criteria/payment basis	Payment rate ^a	Notified in terms of	Expenditures ('000 SwF)		
				2009	2010	2011
Summer pasturing						
Sustainable development of pastures	Dairy cows, milk goats, and milk sheep (56-100 days of summer pasturing)	Per livestock unit: SwF 330	Green Box, environmental programmes	98.0	101.3	101.5
	Other sheep (100 days)	SwF 120-330				
	Other roughage-consuming animals (100 days)	SwF 330				
Water protection and sustainable use of natural resources	The Confederation compensates up to 80% of the costs for structural adjustment projects and 50% for farm management restrictions. Implemented by the cantons	Not applicable	..	10.2	21.3	22.4
Payment reductions due to sanctions				-14.7	-9.8	-10.9
Total direct payments				2,741.7	2,789.2	2,799.2

.. Not available.

a Rate reductions apply: up to 40 ha (full rate); 40-70 ha (-25%); 70-100 ha (-50%); 100-130 ha (-75%); over 130 ha (100% reduction); and up to 55 livestock units (full rate), 55-100 livestock units (-25%), 100-145 livestock units (-50%), 145-190 livestock units (-75%), over 190 livestock units (100% reduction).

Source: *Ordonnance sur les paiements directs versés dans l'agriculture* (RS 910.13); and Summer pasturing ordinance (RS 910.133).

4.9. Liechtenstein's new law on agriculture, in force since 1 July 2009, consolidates the former legislative acts on agriculture without introducing fundamental changes.¹⁵ The policy objective is to increase the competitiveness of Liechtenstein's agriculture sector and maintain market conditions similar to those in Switzerland. The law also puts more emphasis on marketing and image-building with a view to better promoting agricultural goods made in Liechtenstein. New elements are the definition of professional requirements for recognition as farmer, and promotion of entrepreneurship. While Liechtenstein has its own direct payment system (last modified in 2010¹⁶), most measures are similar to the Swiss measures (Table 4.4).

Box 4.1 Swiss Agricultural Policy 2014-17

The next stage of Switzerland's agricultural policy is scheduled to begin on 1 January 2014 (AP 2014-17). The Bill, which amends the Law on Agriculture and includes a four-year budgetary framework, is currently pending before the Swiss Parliament. The main policy objectives are: food security (maintain self-sufficiency at the current level of around 60%); competitiveness; efficient and sustainable use of natural resources; and innovation and entrepreneurship in agriculture. At the core of the AP 2014-17 is a re-arrangement and fine-tuning of the direct payment (DP) scheme, to improve the efficiency and effectiveness of the measures, and address conflicts with WTO Green Box criteria. Total DP expenditures will be maintained at the current level of about SwF 2.8 billion per year. There will be some redistribution of subsidies from livestock/dairy production to the arable sector.

The revised DP scheme has seven categories, which are linked to the achievement of specific policy objectives and the provision of public goods: payments for ensuring food supplies (i.e. food-security payments); bio-diversity payments; farmland payments; payments for landscape quality; payments for environment/animal-friendly production systems; resource-efficiency payments; and transitional payments. The system is complex. Each category has several measures, including payments. The budget for "payments for roughage-consuming animals", "livestock payments under difficult production conditions", and the "payments for the open arable land and permanent crops" will be moved to the food-security category ("payments for ensuring food supplies", about SwF 1 billion per year). To reduce the incentives on production, the payments for livestock holders will no longer be tied to the number of animals, and are to be based on acreage with a minimum stocking density (Table 4.3). The DP eligibility criteria are left substantially unchanged, with two exceptions foreseen by the Government: elimination of the income/asset limits for DPs (exception for transitional payments) and of the graduation of large farms; and land in building zones will become ineligible.

¹⁵ Law on Agriculture of 11 December 2008 (LR 910.0).

¹⁶ Agricultural Income Supplements Ordinance of 23 March 2010 (LR 910.023).

Subsidies for individual commodities will be maintained, albeit with some adjustments. Thus, the area-based crop premiums (Table 4.6) will be replaced by subsidies aimed at ensuring an appropriate level of self-sufficiency in designated crops/products (proposed new Article 54 of the Law on Agriculture). The Government will have discretion to determine eligible crops and the rates of support for these explicitly production-stimulating subsidies. In total, about SwF 440 million will be made available annually for these and other production subsidies, quality, marketing, and promotion measures. Key market support programmes, such as the subsidy for milk processed into cheese, remain largely unchanged.

There are few structural reform initiatives to strengthen the competitiveness of Swiss agriculture and to ensure that downstream industries remain internationally competitive. The AP 2014-17 prioritizes improvements in product quality, and additional financial support is provided to reduce farmers' costs through better terms and conditions for investment credits.

Overall, the AP 2014-17 does not signal a change towards more market-orientation of Swiss agricultural policy. The high level of import protection will be left virtually untouched. Despite modifications, most of the direct payments will continue to have a close link to production and livestock rearing.

Source: WTO Secretariat based on the Federal Council *Message concernant l'évolution future de la politique agricole dans les années 2014 à 2017 (Politique agricole 2014–2017)*. Viewed at: <http://www.blw.admin.ch/themen/00005/00044/01178/index.html?lang=fr>.

Table 4.4 Liechtenstein's direct payments, 2010-11

(SwF million)

	2010	2011
Total direct payments	11.8	11.6
Income supplements (farm income aids, payments for selected crops, payments for roughage-consuming animals, payments for pasturing)	6.2	6.0
Environmental and animal welfare payments	5.1	5.1
Payments for countryside stewardship in hilly and mountainous regions	0.5	0.5

Source: Liechtenstein authorities.

4.1.3 Export subsidies

4.10. Switzerland has export-subsidy reduction commitments with respect to five product categories (dairy products; breeding cattle and horses; fruit; potatoes; processed products). Export subsidies with respect to the first four product groups were eliminated in 2009. Exports of cheese continue to receive indirect support through the subsidy for milk processed into cheese (section 4.1.5.1). Switzerland's last export subsidy notification covers 2009 and 2010.¹⁷

4.11. Switzerland continues to apply a price compensation scheme, as described in previous TPRs, to compensate the domestic food manufacturing industry for the price handicap of using tariff-protected locally produced agricultural raw materials (*loi chocolatière*). The measures with respect to industrial/agricultural tariff protection of processed products, and export subsidies were revised with effect from 1 February 2012.¹⁸

4.12. Export refunds are provided to compensate price gaps between the domestic market and the world market.¹⁹ Eligible for refunds are certain milk and dairy products, flour and other milled products that are incorporated/processed into food products under HS chapters 15-22. Export refunds were suspended on 1 February 2012 for sugar/molasses and egg products, while maintaining the possibility to resume them in the future. For skimmed milk incorporated into processed products, export refunds were abolished on 1 December 2012. Export refunds are subject to an annual budget (SwF 70 million in 2012). They are granted on the basis of the net content of the beneficiary raw materials incorporated in the final products. Export refunds for milk and milk products incorporated into processed agricultural products are being granted depending on the fat and protein content, as well as the ratio between milk fat and milk protein.²⁰

¹⁷ WTO document G/AG/N/CHE/59, 20 November 2012.

¹⁸ *Ordonnance réglant les contributions à l'exportation de produits agricoles transformés* (RS 632.111.723); *Ordonnance concernant les éléments de protection industrielle et les éléments mobiles applicables à l'importation de produits agricoles transformés* (RS 632.111.722).

¹⁹ EU markets in the case of exports to the EU.

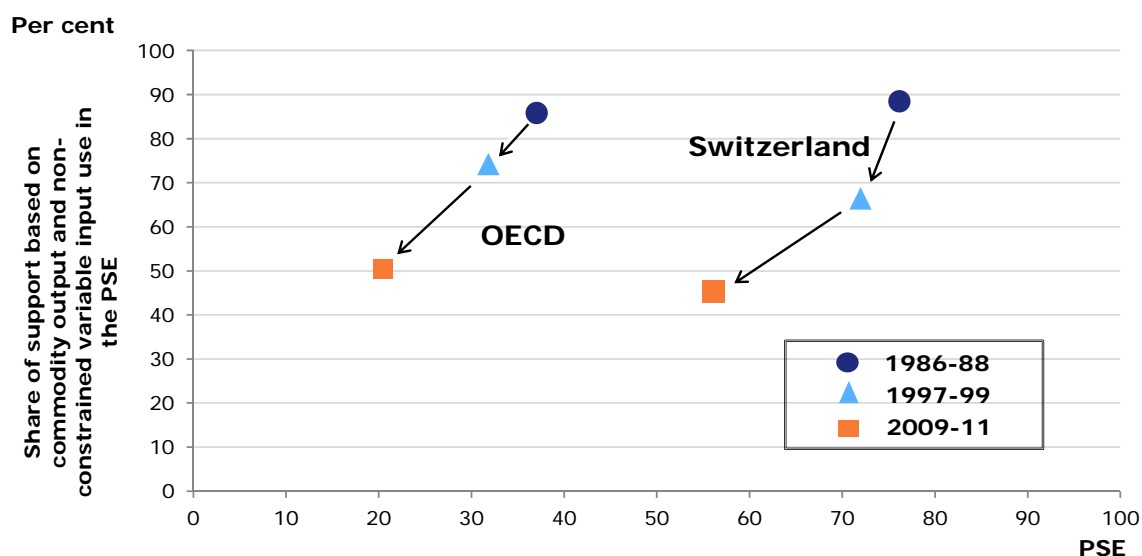
²⁰ *Ordonnance du DFF du 9 janvier 2012 sur les taux des contributions à l'exportation de produits agricoles de base* (RS 632.111.723.1).

Information per tariff line of export subsidies granted is not available. Within the framework of the Customs Union, Liechtenstein companies are eligible for export refunds to third countries under the Swiss price compensation scheme.

4.1.4 Evolution of support

4.13. According to OECD estimates, Switzerland's support to agricultural producers (PSE) decreased from an annual average of SwF 7.2 billion in 1995-97 to SwF 5.7 billion in 2009-11.²¹ The decline was mainly due to higher world market prices for agricultural commodities. The percentage PSE (i.e. the support as a share of gross farm revenues) decreased from 67% to 56% in the same period, meaning that over half of farmers' revenues in 2009-11 were due to support policies (mainly tariff protection and direct payments).²² Despite the decline, Switzerland's support (a PSE of 56%) was almost three times the OECD average (a PSE of 20%) (Chart 4.1). Swiss producer prices were on average 57% higher than world market prices in 2009-11. Switzerland is in line with the OECD trend in making reforms towards less trade-and-production-distorting measures. The share of market price support that is potentially most trade-distorting was reduced from 66.4% to 45.4% between 1997-99 and 2009-11. Market price support, as defined by the OECD, comprises all policy measures that raise the domestic price relative to the border price of the commodity concerned, including border measures (tariffs, tariff quotas, and other import restrictions), administered prices, and export subsidies.

Chart 4.1 Level and composition of support to agricultural producers



Note: The level of support is presented by the percentage PSE. The composition of support is presented by the share in gross farm receipts of market price support, payments based on output, and payments based on non-constrained variable input use.

Source: OECD (2012), *Agricultural Policy Monitoring and Evaluation*, PSE/CSE database, Paris.

4.14. The arrows in Chart 4.1 suggest that Switzerland's agricultural policy has been heading generally in the right direction, but the process of market-oriented reforms needs to be faster in order to catch up with its OECD peers.²³ The level of support to Swiss agricultural producers (SwF 5.7 billion) also compares unfavourably with agriculture's value-added or contribution to GDP (3.9 billion in 2010), which gives rise to questions regarding the efficiency (costs versus benefits) of Swiss agricultural policy.

²¹ OECD (2012).

²² PSE: total annual monetary transfers to farmers individually (not agriculture generally) from market price support, mainly through border measures but also food aid, export subsidies (calculated by the price gap between domestic and border price), payments to farmers, and tax/fee reductions (revenue forgone). The percentage PSE is a useful indicator for comparisons over time and among countries, *inter alia*, because it eliminates the effect of inflation.

²³ All except Norway.

4.1.5 Developments in selected agricultural markets

4.1.5.1 Milk and dairy products

4.15. There have been few changes regarding market access for dairy products. Tariffs on most dairy products remain high, averaging an estimated 101.5% and reaching approximately 1,295% (Table 3.3). Trade in cheese between Switzerland and the EU has been fully liberalized since June 2007; only a certificate of origin is required. Switzerland's aggregate tariff-quota commitment for dairy products (527,000 tonne milk equivalent) is divided into six sub-quotas with very small allocations for butter (100 tonnes) and whole milk powder (300 tonnes), which are in surplus. The butter and milk powder quotas are auctioned and no longer subject to *prise en charge* as an allocation method (Table A4.1). According to the authorities, the change aims to increase the competition between importers because under the *prise en charge* system only a few importers qualified for allocations.

4.16. Almost half of Swiss farms produce milk for sale. The key internal support instrument is a subsidy of SwF 0.15/kg for milk processed into cheese (Table 4.2).²⁴ Since cheese production accounts for over 40% of milk deliveries, the subsidy provides support to the broader domestic raw milk market. According to the authorities, given that milk production is traditionally the only income possibility to farmers in mountainous regions, the subsidy for cheese production has important socio-economic effects and helps to achieve the aim of a decentralized population. Exports of cheese also benefit from this subsidy, although the subsidy is not contingent on exports. WTO Members have questioned the Green Box compatibility of the subsidy for milk processed into cheese.²⁵ The subsidy for "feeding without silage" is aimed at assisting the production of non-pasteurized specialty cheeses (SwF 0.03/kg milk, SwF 33 million in 2011). In addition, dairy farmers benefit from direct payments (Table 4.3). The subsidies for dairy cows (payments for roughage-consuming animals) were increased in 2009 from SwF 200 to SwF 450 per livestock unit, raising the relative competitiveness of milk production.

4.17. Following a three-year transition period, the compulsory milk quota system was abolished on 1 May 2009.²⁶ Milk production has increased since 2008, aggravating surplus problems with butter and skimmed-milk powder. According to the Law on Agriculture (Article 8), industry and producer organizations are responsible for the marketing of their products. IP LAIT (the Swiss dairy inter-branch organization) has been implementing two measures for its members:

- a. Milk pricing policy ("recommended" prices) based on market segmentation: (i) the "A segment" comprises domestic sales of milk products (SwF 0.66/kg milk in 2012); (ii) the "B segment" includes world market exports of skimmed-milk powder (milk protein) and domestic sales of butter (milk fat) (SwF 0.58/kg milk in November 2012); (iii) the "unsupported C segment" comprises world market exports of butter and SMP (SwF 0.33/kg in November 2012). The milk buyers have committed to buy at least 60% of their raw milk in the A-segment.
- b. Compulsory levy: on 31 August 2011, the Federal Council approved a request by IP LAIT to implement a compulsory levy of SwF 0.01/kg on milk deliveries by non-members of IP LAIT for market relief measures in the milk-fat market (effective until 30 April 2013). The rationale is to prevent free-riders from undermining the IP LAIT initiative to stabilize the market; non-members of IP LAIT represent about 5% of processed milk in Switzerland. Funds from members and non-members of IP LAIT, estimated at about SwF 34 million per year, are used to support sales of surplus butter and SMP to the world market (supported C segment).²⁷ In regard to the mandatory milk levy, WTO Members have questioned Switzerland's compliance with its export subsidy commitments. In Switzerland's view, the scheme does not constitute an export subsidy under Article 9.1(c) of the Agreement on Agriculture, since IP LAIT is a private association and

²⁴ Ordinance on supplementary payments and aid in relation to milk (RS 916.350.2).

²⁵ "Allowance for milk processed into cheese", notified in terms of a regional assistance programme, see WTO document G/AG/CHE/55/Rev.1, 23 July 2012. Switzerland responded that the support is also included in the price support for milk.

²⁶ *Ordonnance sur l'exemption du contingentement laitier* (RS 916.350.4).

²⁷ IP LAIT online information. Viewed at: <http://www.ip-lait.ch/site/fr.html>.

the State neither provides nor collects any funds nor prescribes how the funds are to be used.²⁸

4.18. In Liechtenstein, milk production (14,800 tonnes in 2011) is subject to farm-level production quotas.²⁹ To enable Liechtenstein to compete on the common milk market with Switzerland, the Government is implementing the strategy "forward integration of the Liechtenstein dairy industry", supported with SwF 4.5 million during 2009-12, with the aim of domestic processing of a maximum share of raw milk into high-added value products.

4.1.5.2 Meat and livestock

4.19. Over 80% of Swiss farms rear livestock. Livestock producers benefit from by far the highest level of tariff protection; meat tariffs average an estimated 177.4% (Table 3.3). As a result, Switzerland is about 80% self-sufficient in meat (pig meat, 95%; bovine meat, 84%; poultry meat, 51%). Switzerland's WTO tariff-quota commitments for "red meat" (22,500 t) and "white meat" (54,500 t) are administered through 12 sub-quotas for different categories of meat and meat products. By 2007, the change towards auctioning of the sub-quotas had been fully phased in.³⁰ A reversal, towards the discriminatory *prise en charge* system for 40% of the red meat quota, is currently under consideration by the Swiss Parliament.³¹ The fill rates of the WTO tariff quotas exceeded 100% in 2010-11 (Table A4.2).

4.20. Expenditures for market support declined to SwF 10.3 million in 2010 (Table 4.2), as export subsidies for breeding cattle were eliminated during 2009. Subsidies for temporary intervention purchases (implemented by Proviande on the calf markets), and discounted sales to stabilize the domestic livestock markets are limited at SwF 4 million per year. The Swiss veterinary requirements have been harmonized with the EU to facilitate trade in live animals (Chapter 3.3.3).

4.21. Switzerland provides five types of livestock-related direct payments (Table 4.3). The main schemes are "payments for roughage-consuming animals" and "livestock payments under difficult production conditions", which were increased in 2009 to cushion the expected income losses following the phase-out of the milk quota system. Payments under the two schemes may be cumulative. The subsidies were notified in terms of decoupled income support, prompting questions from WTO Members regarding consistency with Green Box criteria (Box 4.1).

4.1.5.3 Grains and oilseeds

4.22. Switzerland maintains a complex scheme of variable tariffs to protect its farmers of feed grains and oilseeds (Table 4.5). The basic structure of the scheme remains unchanged. Tariffs are adjusted periodically so that the duty-inclusive prices³² are raised to the level of minimum import prices (threshold prices or indicative import values). On the basis of the threshold prices for 11 groups of products, the Federal Department of Economic Affairs determines indicative import values for "similar" products. The statutory threshold prices are reviewed from time to time (Table 4.1). The variable tariffs may not exceed the Uruguay Round bindings. There are no tariff quotas for the products covered the scheme. Since 2008, there is a legal requirement that tariffs for feedstuffs must not include elements of industrial protection.³³ For compound feeds, standard formulas are used to calculate tariffs to ensure that there is no tariff escalation.

4.23. Since its last TPR, Switzerland has introduced a new variable tariff regime for cereals of bread-making quality (e.g. wheat). This complements the tariff quota for bread cereals.³⁴ The reference price system covers the same tariff lines as the bread-wheat tariff quota. The new system is similar to the feedstuffs regime (Table 4.5). Tariffs are reviewed on a quarterly basis and

²⁸ WTO document G/AG/W/92/Rev.1, 25 May 2012.

²⁹ Milk Quota Ordinance of 7 July 2009 (LR 910.012).

³⁰ Except 10% of the "red meat" tariff quota (allocation by *prise en charge*). See WTO document G/AG/N/CHE/13/Add.14, 11 April 2012. The auction proceeds totalled SwF 181 million in 2009 (averaging SwF 2.3/kg of meat)

³¹ Viewed at: <http://www.news.admin.ch/message/index.html?lang=fr&msg-id=35451>.

³² Including guarantee fund contributions.

³³ Law on Agriculture (RS 910.1), Article 20, paragraph 7.

³⁴ The reference price system covers the same tariff lines as the bread wheat tariff quota: HS 1001.9921, 1002.9021, 1007.9021, 1008.1021, 1008.2921, 1008.4021, 1008.5021, 1008.6031 and 1008.9023.

adjusted, as appropriate (increased or decreased), to stabilize the duty-inclusive price for bread cereals around a minimum import price (reference price). The reference price is reviewed periodically. Tariffs are based on the world market price for cereals, i.e. the c.i.f. price as determined by the Federal Office for Agriculture. The reference price was reduced from SwF 600/tonne to SwF 560/tonne in July 2009 (Table 4.1). Since 2010, the variable tariffs amount to 100% (up from 60%) of the difference between the world market and the reference price. This change provides better protection from world market price volatility but also makes producers less responsive to world market trends.

Table 4.5 Variable tariff mechanisms for feedgrains, oilseeds, and bread cereals

Feed grains and oilseeds	Bread cereals
Imposition of 100% of the difference between the "estimated" c.i.f. price and threshold price/indicative import value 2012 threshold prices: Group 3 - barley (feed): SwF 360/tonne Group 4 - soybeans (feed): SwF 500/tonne Tolerance band: threshold price +/- SwF 30/tonne Maximum tariff: UR binding for the product concerned Tariff adjustment intervals: generally 1 January, 1 April, 1 July, 1 October Product coverage: feed grains (e.g. barley), other feedstuffs, oilseeds/cakes, seeds	Imposition of 100% of the difference between the world market price (estimated c.i.f. price) and the reference price 2012 reference price: SwF 560/tonne Tolerance band for deviations from reference price: +/- SwF 30/tonne Maximum tariff: SwF 230/tonne Tariff adjustment intervals: 1 January, 1 April, 1 July, 1 October Product coverage: HS 1001.9921, 1002.9021, 1007.9021, 1008.1021, 1008.2921, 1008.4021, 1008.5021, 1008.6031, 1008.9023

Source: RS 916.01.

4.24. The main domestic support instruments in the arable sector are area payments (Table 4.3) and crop premiums (Table 4.6). Crop premiums are aimed at ensuring adequate production of "important" crops, whose protection at the frontier is not sufficient for economic production. The area payments and crop premiums are cumulative: for example, a rapeseed producer may receive up to SwF 2,660/ha³⁵; additional direct payments may be applicable, e.g. for "extensive rapeseed farming" (up to SwF 400/ha).

Table 4.6 Area-based crop premiums, 2009-11

Measure/objective	Expenditures (SwF million)			Eligibility criteria/ payment basis	Payment rate	Notified in terms of
	2009	2010	2011			
Area-based crop premiums	69.9	65.9	68.8	Same eligibility criteria as for direct payments, except: no differentiation of payment rates by area; no payment limits. Rapeseed, soya, sunflower, pumpkin (for oil), linseed; pulses (for feeding purposes); fibre plants; seed potatoes, maize, and feed crops Sugar beets	Per hectare: 1,000 1,900	Amber Box, Other product specific support (Supporting Table DS: 7)

Source: Ordinance on premiums for arable farming (RS 910.17).

4.1.5.4 Fruit and vegetables

4.25. Border protection remains the key trade policy instrument in the fruit and vegetables subsector. Tariffs on most domestically produced products are set on a seasonal basis. The "out of season" period for some products is very short (two weeks). Operators that hold stocks of fruit and vegetables at the beginning of the harvest season ("managed period"), which were imported

³⁵ Subject to graduation of payments, see footnote a to Table 4.3.

during the "out-of-season" period, are required to file a new customs declaration and pay the difference between in-quota and out-of-quota tariffs.³⁶

4.26. Switzerland administers eight fruit and vegetable tariff quotas (including potatoes); most of them were over-filled in 2010-11 (Table A4.2). This is because, for certain products, the authorities may release additional autonomous tariff quotas during the full supply period at WTO in-quota rates. Tariff-quota administration methods remain unchanged. Depending on the tariff quota, the methods include auctioning, *prise en charge*, and past import performance. For 15 fresh vegetables, the import regime has been partially liberalized in accordance with the Agricultural Policy 2011 (Table 4.1).

4.27. As a result of the elimination of export subsidies on 31 December 2009 (mainly for frozen cherries and apple juice concentrates), financial support for fruit and vegetables dropped from SwF 19.4 million in 2009 to SwF 2.9 million in 2010.³⁷ The main domestic support measures are storage aids for manufacturers of fruit juice concentrates (apples and pears), to cover part of the storage costs. The subsidies are aimed at reducing economic risks caused by the annual fluctuation of the apple and pear harvests. Additionally, aids are provided for uprooting traditional and planting "innovative" tree cultures.³⁸

4.1.5.5 Potatoes

4.28. Switzerland is over 90% self-sufficient in potatoes. Import access is provided mainly through a Uruguay Round minimum access quota (22,250 tonnes potato equivalents). The WTO tariff quota is opened at the beginning of the year. In case of a shortage on a domestic market, Swisspatat (the potato industry association) submits a request to the Government to increase the quota on a temporary basis. However, the stated marketing strategy of Swisspatat is to limit the necessary imports and have imported potatoes available at retail level only until domestic potatoes can supply the market.³⁹ The tariff-quota allocation is complex, comprising sub-quotas (potatoes, seed potatoes, potato products, and potatoes for further processing), seasonal allocations, the *prise en charge* system, and auctioning. The sub-quota for fresh potatoes is granted to importers in proportion to the quantity of domestic potatoes purchased; the sub-quota for potato products is auctioned. Annual imports at out-of-quota tariffs have been in the range of 680-1,835 tonnes since 2008. The out-of-quota tariff for fresh potatoes is estimated at 97%.⁴⁰

4.29. Production of seed potatoes is subsidized (Table 4.6). There is no market price support, according to the authorities. Producer prices are fixed by the various stakeholders within Swisspatat (producers, industry, and wholesalers). The level of Swiss producer prices has been more than twice the level of their neighbours in Austria.⁴¹ As a consequence of the high tariff protection, amongst other factors, the Swiss potato market shows symptoms of a wasteful allocation of resources: until 2009, about one third of the domestic potato harvest ended up as animal feed, partly with public funds. In July 2009, the Government stopped export subsidies for potatoes and its subsidies for disposal campaigns, and the disposal rate dropped to 14% in 2010 (421,000 tonnes total production).⁴² However, in 2011 the disposal rate increased again, with 29% of production (515,000 tonnes) being fed to animals.⁴³

³⁶ Article 15 of the Customs law (RS 631.0).

³⁷ Federal Office for Agriculture (2011), *Rapport agricole 2011*. Viewed at: <http://www.blw.admin.ch/dokumentation/00018/00498/index.html?lang=fr>.

³⁸ *Ordonnance du 7 décembre 1998 sur les mesures en faveur du marché des fruits et des légumes* (RS 916.131.11).

³⁹ Swisspatat online information, *Nouveau concept de commercialisation pour les pommes de terre de la récolte 2011*. Viewed at: http://www.kartoffel.ch/fileadmin/branchenecke/Mitteilungen/Produzente_FR/Oktober_10/Neues_Vermarktungskonzept_fuer_Kartoffeln_neuer_Ernte_2011_f.pdf.

⁴⁰ HS 07019091: SwF 64/100 kg or an estimated 97% based on 2011 import data.

⁴¹ Federal Office for Agriculture (2011).

⁴² *Ordonnance du 7 décembre 1998 sur les mesures en faveur du marché des fruits et des légumes* (RS 916.131.11).

⁴³ Federal Office for Agriculture (2012).

4.1.5.6 Sugar

4.30. Switzerland's bilateral agreement with the EU on processed agricultural products (2005) involves bilateral free trade in sugar-containing products.⁴⁴ Import duties for sugar used in processed products, and export subsidies between the parties have been phased out (double zero solution). In effect, this agreement involves sugar price levels in Switzerland that are comparable to those of the EU, in order not to compromise the competitiveness of the Swiss food industry.⁴⁵ To achieve approximate price parity with the EU, Switzerland has introduced a variable tariff mechanism for MFN sugar imports. MFN tariffs are adjusted, normally every three months, so that duty-inclusive prices are aligned with EU sugar market prices (with a tolerance band of +/- SwF 30/tonne).

4.31. In Switzerland and Liechtenstein, sugar quotas are agreed on a private basis between the sugar refineries and the sugar beet producers. According to the 2012/13 industry agreement, the Switzerland-Liechtenstein quota is 232,000 tonnes ("A sugar") equivalent to 1,650,000 tonnes ("A beets") at 16% sugar content. The total quota is divided into farm quotas, which are transferable. Over-quota production is subject to financial penalties.⁴⁶ The financial assistance to the Swiss sugar refineries (Zuckerfabriken Aarberg and Frauenfeld), in return for a minimum production commitment, ended in October 2009 (AP 2011) and was replaced by crop premiums for sugar beet producers, in order to better target the support to the producers (Table 4.6). The payments (SwF 1,900/ha) are also intended to partially compensate farmers for income losses spilling over from the EU sugar market reform.

4.2 Energy

4.2.1 Overview

4.32. The Federal Government has recently proposed a major change of direction of Swiss energy policy (Energy Strategy 2050). The security of supply is to be achieved without nuclear energy in the medium-term. Switzerland's five nuclear power plants will not be replaced at the end of their operational lifetime. To accommodate the growing electricity demand and fill the gap arising from the planned nuclear phase-out, the new strategy establishes the following priorities: (i) conservation and increased efficiency; (ii) increased generating capacity based mainly on renewable energy but also fossil fuels; (iii) maintaining imports of electricity; and (iv) expansion and modernization of the electricity network (smart grids).⁴⁷

4.33. Switzerland has embarked on a process of transition from a monopolistic electricity supply system towards a more competitive regime. As of 2009, large end-users may purchase electricity on the free market. During the second stage of liberalization, scheduled to begin in 2015, the electricity market will be liberalized for the remaining customers, including households. To make competition work, the transmission and distribution networks have been opened for non-discriminatory third-party access. The Swiss gas market has also been partially opened to competition, allowing large customers to make direct imports. The gas industry has voluntarily agreed to create a level playing-field for third-party access to the pipeline network. In Liechtenstein, liberalization of the energy markets is under way, to align the electricity and gas regimes with the latest EU directives.

4.2.2 Electricity

4.2.2.1 Switzerland

4.34. Switzerland's electricity generation is mainly from hydropower (54% in 2011) and nuclear power (41%). Traditionally, Switzerland is a net-exporter of electricity and important transit country, with about a quarter of European cross-border transmission capacity. Supply is ensured by about 730 network operators, generally local or regional monopolies. Most utilities/operators are in (direct or indirect) majority ownership of the cantons and municipalities. The three largest

⁴⁴ Protocol 2 of the FTA with the EU (Bilaterals II).

⁴⁵ Approximately 80% of Swiss sugar production and imports are used as inputs by food manufacturers.

⁴⁶ Producer price: A beets - SwF 53/tonne; over-quota producer price (C beets) - SwF 30/tonne.

⁴⁷ Swiss Federal Office of Energy online information. Viewed at:

http://www.bfe.admin.ch/themen/00526/00527/index.html?lang=fr&dossier_id=05024.

(Alpiq, Axpo 14, and BKW) contribute about 80% to electricity generation⁴⁸, and are vertically integrated into distribution and trade. The Confederation has no ownership stake in the electricity sector.

4.35. The Federal Electricity Commission (EiCom) was established in 2008 as independent regulator to oversee the Swiss electricity market and ensure compliance with the Electricity Supply Act. The law provides for a two-stage opening of the market to competition.⁴⁹ From 2009 to 2013, utilities and large end-users (with annual consumption over 100 MWh) have the freedom to choose their electricity supplier.⁵⁰ From 2015, small-scale end-users and households will be able to choose their supplier, based on a federal resolution, which is subject to an optional referendum. Large electricity consumers (over 100 MWh) may choose between two pricing/supply regimes (energy component): the free wholesale market⁵¹, and the "basic supply" regime. The basic supply regime is subject to price control by the EiCom. For end-users that opt to buy electricity on the free market and thus request grid access, the "once free, always free" principle applies, i.e. they permanently lose their entitlement to basic supply from the distribution system operator.⁵² Under the basic supply regime, the tariff component for energy must be based on costs; if costs exceed market prices, the energy tariff component must be based on the latter.⁵³ EiCom may intervene to prohibit unjustified tariff increases for the energy component or order tariff reductions.⁵⁴ Electricity tariffs for large industrial users averaged SwF 0.14/kWh in 2010 (without VAT).⁵⁵

4.36. According to the authorities, the objective of the first stage of liberalization, which is to establish a competitive wholesale electricity market with transparent pricing, has not yet been achieved. The large consumers with a right to choose (about 5,500) account for about 50% of the total electricity supply, but in the first three years (2009-11) only about 5% was sourced from the free market, mainly because free market prices have been unattractive compared to regulated tariffs (energy component) under the "basic supply" regime.⁵⁶ According to the authorities, with the low wholesale electricity prices in Europe and the high value of the Swiss franc against the euro, this situation has changed somewhat and more companies have switched to the free market.

4.37. A key factor for functioning competition is fair access to the high-voltage power supply network (a natural monopoly). To this end, the transmission networks of the electricity companies were separated from their other commercial activities and transferred to the national transmission system operator Swissgrid. The unbundling process of the transmission network was implemented in three stages under the supervision of EiCom: (i) separation of the accounts of the network owners/operators from other activities (accounting unbundling); (ii) legal unbundling of transmission activities no later than 1 January 2009; and (iii) transfer of network ownership to Swissgrid no later than 1 January 2013 (ownership unbundling).⁵⁷ The three phases have been completed. Swissgrid is henceforth responsible for the operation, maintenance, and extension of the transmission network. Swissgrid is controlled by the former network operators⁵⁸, which are under cantonal and municipal majority ownership. The national grid operator must by law remain in majority public ownership and ensure its independence from any interests or activities in energy production, distribution, and trade.⁵⁹ Swissgrid, as well as the distribution system operators, is

⁴⁸ The Axpo Group is wholly owned by the cantons of north-eastern Switzerland. BKW is majority-owned by the canton of Bern. Switzerland's largest electricity company Alpiq is majority-owned by a consortium consisting of the cantons and municipalities in western Switzerland. Alpiq has significant private and foreign ownership.

⁴⁹ Electricity Supply Act (RS 734.7), in force since 1 January 2008; *Ordonnance du 14 mars 2008 sur l'approvisionnement en électricité* (RS 734.71), phased implementation starting on 1 April 2008.

⁵⁰ Electricity Supply Act, Article 13.

⁵¹ In Switzerland, wholesale trade in electricity is mainly over-the-counter, the rest is exchange-traded (e.g. on the European Electricity Exchange or Swissix).

⁵² RS 734.71, Article 11, paragraph 2.

⁵³ *Ordonnance du 14 mars 2008 sur l'approvisionnement en électricité* (RS 734.71), Article 4.

⁵⁴ Since 2009, electricity customers benefit from better cost transparency (accounting unbundling), i.e. utility bills must show tariff components separately (energy component, network tariff, fees and charges of the public authorities, and charges for funding of renewable energy).

⁵⁵ Federal Department of the Environment, Transport, Energy and Communications (2011), p. 8.

⁵⁶ Federal Electricity Commission (2012).

⁵⁷ Electricity Supply Act, Article 10 and Article 33, paragraph 4.

⁵⁸ Alpiq AG, Alpiq Suisse SA, Axpo AG, BKW FMB Energie AG, Centralschweizerische Kraftwerke AG (CKW), Elektrizitäts-Gesellschaft Laufenburg AG (EGL), Elektrizitätswerk der Stadt Zürich (EWZ), and Repower AG.

⁵⁹ *Loi sur l'approvisionnement en électricité* (RS 734.7), Article 18, paragraphs 3 and 6.

required to provide non-discriminatory third-party access to their networks.⁶⁰ Cross-subsidization is prohibited. The network tariffs are subject to price control by the ECom.⁶¹

4.38. With the introduction of remuneration at cost for input into the grid (feed-in tariffs), one of the goals of Switzerland's energy policy is to increase the proportion of electricity produced from renewable energy by 5.4 TWh by 2030, a 10% increase over electricity consumption of 54 TWh in 2002. Under the Energy Strategy 2050, which is currently subject public consultation, about 22 TWh of additional renewable electricity are to be generated by 2050, in order to replace the existing nuclear power plants. Currently, less than 1 TWh is generated under the feed-in tariff system.

4.39. The key support instrument for the generation of renewable energy is the "cost-reflective feed-in tariff", i.e. a guaranteed electricity tariff that includes a subsidy to cover the difference between the "cost-recovering remuneration" and the market price. The market price is determined by the Swiss Federal Office of Energy (SFOE) based on the volume-weighted exchange-traded electricity price (Swissix Base) as well as the currency exchange rate. Hydropower (up to 10 MW), photovoltaic (PV), wind, geothermal, biomass, and waste projects are eligible for the feed-in tariff. The feed-in tariffs vary by technology, output volume (based on reference facilities) and start of operation. Once a project is approved, the feed-in tariff is guaranteed for 20-25 years. The feed-in tariff scheme is implemented by the SFOE and Swissgrid. The SFOE deals with complex cases and Swissgrid with standard projects. The subsidy for renewable projects is financed by all end-users through a levy of SwF 0.35/kWh (2012), which is a component of their electricity bills. Electricity-intensive companies may apply to SFOE for a reduced rate; currently about 20 companies benefit from a reduced rate. Total funds from the levy amount to about SwF 210 million a year. These funds are allocated on a first-come first-served basis as well as technology caps (quotas), which has led to a waiting list of almost 20,000 PV projects. This system will be modified under the Energy Strategy 2050.

4.2.2.2 Liechtenstein

4.40. The state-owned Liechtensteinische Kraftwerke (LKW) is a producer and importer of electricity, mainly from Switzerland, for distribution in Liechtenstein (Table A3.1). Liechtenstein's energy needs are largely met through imports (87%). Liberalization of the electricity market, based on EEA law⁶², started with the adoption of a new Electricity Law in 2002, which opened the market for large customers. Large end-users (with an annual consumption of more than 1 GWh) may import directly. LKW's transmission tariffs are subject to approval by the regulator, the Energy Market Commission. The current Electricity Market Law transposes EC Directives 2003/54 and 2005/89. According to the authorities, EC Directive 2009/72 (third energy package) will be implemented by the end of 2013, once it has been included in the EEA *acquis*. However, ownership unbundling is not planned.

4.41. As of 2005, independent power producers (IPPs) may sell electricity to any customer. The first IPPs started to enter the market in 2011. There are a number of small-scale hydro-electric power producers besides LKW and the contribution of independent solar power producers has been increasing. According to the Government's Energy Strategy 2020, adopted in 2012, the objective is to increase the share of renewable energies from 8.2% in 2008 to 20% by 2020, through subsidies for improved insulation, sun-collectors, and tighter energy standards in construction. Liechtenstein has implemented a feed-in tariff scheme, which ends in May 2013.

4.2.3 Natural gas

4.2.3.1 Switzerland

4.42. There is no domestic production of natural gas.⁶³ Imports are covered through long-term supply contracts with EU countries. Natural gas (HS 2711.2190) is duty free and exempt from VAT (since 1 January 2010) but subject to mineral oil tax and CO₂ tax (Chapter 3.1.4).

⁶⁰ RS 734.7, Article 13, paragraph 1.

⁶¹ In 2009-12, the ECom disallowed the increases of the network tariffs announced by Swissgrid.

⁶² Annex IV of the EEA Agreement.

⁶³ Prospecting for oil and gas is ongoing at Lake Geneva.

4.43. The Swiss gas network infrastructure is operated and maintained by utilities that are wholly owned (except transit) by the cantons and municipalities.⁶⁴ The Confederation has no ownership stake in the gas sector, and does not provide any special incentives. There are currently 86 local and cantonal gas utilities that are vertically integrated in distribution, transmission, transit, and trade. The gas utilities handle the distribution to the consumer (local monopolies) and control four purchasing companies (regional monopolies)⁶⁵, which also operate their own regional transmission pipelines. The purchasing companies control Switzerland's largest gas company, Swissgas, which is responsible for about 75% of gas imports. Swissgas is the majority shareholder of Transit Gas (51%)⁶⁶, which owns and operates the transit pipeline through Switzerland that runs from the Netherlands to Italy. Ownership separation of transmission from trading activities is not yet on the agenda in the gas sector.

4.44. Since 1 July 2007, the Swiss gas market has been partially opened to competition by giving large (non-household) consumers of natural gas free choice of supplier. Natural gas prices in Switzerland exceed those in other OECD countries, mostly because of monopolistic structures, which make imports attractive.⁶⁷ Some large industrial users have started to make direct imports. Third-party access to the high-pressure (i.e. transmission and transit) gas network is ensured by the Pipeline Law of 1963 (Article 13) and the Law on cartels (Article 7)⁶⁸, but overall the Government has opted for light-touch regulation.⁶⁹ The Federal Office of Energy has authority to decide in case of third-party access disputes but, in practice, the gas sector is largely industry-regulated. Following a number of disputes, the Government requested the main actors to negotiate a new industry standard to ensure non-discriminatory third-party access to gas transit, transmission, and distribution services.⁷⁰ From 1 October 2012, access to the transport capacities is first-come-first-served; transmission and distribution tariffs must be separated from other costs (accounting unbundling); cross-subsidization is prohibited; and transport tariffs must be published on the internet. All access matters are overseen by the Co-ordination Centre for Gas Transport (KSDL).

4.2.3.2 Liechtenstein

4.45. Ownership of the pipeline and distribution system for natural gas is in the hands of the state-owned Liechtensteinische Gasversorgung (LGV). LGV is de facto the only supplier, although large customers (with an annual consumption of more than 1 GWh) may import directly. Transmission prices are subject to approval by the Energy Market Commission. The legal framework (Gas Market Law⁷¹) is based on EEA legislation, especially EC Directive 2003/55 on common rules for the internal market in natural gas. Liechtenstein is in the process of implementing EC Directive 2009/73.

4.2.4 Oil and refined products

4.46. About 20% of Switzerland's supplies of refined oil products come from the refinery at Collombey in the canton of Valais (via the Oléoduc du Rhône pipeline from Genoa, Italy).⁷² The rest is imported. Geneva is an important terminal for imports of refined oil products (via the SAPPRO pipeline⁷³). Oil imports are well diversified between road and rail transport. SEAG holds exclusive exploration and production rights for oil and gas in ten cantons but no economically viable resources have been found.

⁶⁴ The Federal Pipeline Inspectorate of the Swiss Association for Technical Inspections has supervisory functions regarding technical aspects of pipelines in Switzerland and Liechtenstein.

⁶⁵ Gasverbund Mittelland AG, Erdgas Ostschweiz, Erdgas Zentralschweiz, and Gaznat.

⁶⁶ Transit Gas is 46% owned by FluxSwiss, and 3% by E.ON Ruhrgas.

⁶⁷ IEA (2012).

⁶⁸ *Loi fédérale sur les installations de transport par conduites de combustibles ou carburants liquides ou gazeux* (RS 746.1).

⁶⁹ KSDL online information. Viewed at: <http://www.ksdl-erdgas.ch/fr/acces-au-reseau.html>.

⁷⁰ KDSL online information. Viewed at: http://www.ksdl-erdgas.ch/fileadmin/user_upload/ksdl-erdgas/Downloads/Verbaendevereinbarung.pdf.

⁷¹ *Liechtensteinisches Landesgesetzblatt*. Viewed at: http://www.gesetze.li/get_pdf.jsp?PDF=2003218.pdf.

⁷² The Petroplus refinery at Cressier in the canton of Neuchâtel was shut down in early 2012.

⁷³ *Société du Pipeline à Produits pétroliers sur territoire genevois*.

4.47. There is a stockpiling obligation under the Federal Law on national economic supply (RS 531). There are no public stockpiles. The scheme is operated by the private sector and administered by the association of importers of petroleum products CARBURA. Minimum reserves are 4.5 months of consumption for gasoline, diesel, and heating oil, and 3 months for kerosene; bio-diesel is exempt from compulsory stockholding. Imports are subject to a levy to fund the scheme (guarantee fund contributions) (Chapter 3.1.7).⁷⁴ Swiss compulsory stockpiling of petroleum products exceeds the International Energy Agency minimum stock obligation.

4.48. Fuels are subject to consumption tax (VAT, mineral oil tax) and combustibles to the CO₂ tax (Chapter 3.1.4). In order to reduce CO₂ emissions, biofuels (e.g. bio-ethanol, bio-diesel, etc.) are partially or fully exempt from the mineral oil tax (since July 2008) if they comply with certain ecological and social criteria.

4.3 Manufacturing

4.3.1 Features

4.49. Manufacturing is important for both Switzerland and Liechtenstein. In 2010, 61.4% of the production value in the manufacturing sector in Switzerland was exported (2007: 63.2%) and the sector employs a workforce of over 633,700 (2010)⁷⁵; most businesses are small or medium-sized. According to the 2008 business census, more than 99% of enterprises had fewer than 250 full-time workers, employing about two thirds of the total work force. The largest company is Nestlé, the biggest food company in the world. It has around 278,000 employees, about 97% of them outside Switzerland. In Liechtenstein, manufacturing accounts for around 41% of total employment with about 580 enterprises operating in the sector.

4.50. In a competitive global marketplace, manufacturing in both Switzerland and Liechtenstein has become more specialized, with the development of more advanced manufacturing techniques involving innovative research and design, supported by a highly skilled workforce. These specialized industries include electronics, metal manufacturing, pharmaceuticals, food products, precision instruments, optical instruments, and dental products. According to the World Economic Forum, Switzerland retained its position as the world's most competitive country in 2012⁷⁶ (Chapter 1).

4.51. Export-oriented sectors have suffered the most from the strong appreciation of the Swiss franc in 2011, despite the limited price elasticity of demand for their products (Chapter 1). The sectors mostly affected were the mechanical and electrical engineering and metalworking industries; textiles and clothing; and chemicals and pharmaceuticals. The impact on the watch-making industry on the other hand was not perceptible due to high demand from Asian countries.

4.52. In general, there are no specific incentive schemes for the manufacturing sector, with the exception of the production of processed agricultural goods, which benefits from the Price Compensation Scheme (see section 4.1). Swiss and Liechtenstein exporting companies may benefit from export promotion programmes; and Swiss exporting companies may benefit from guarantees, and insurance measures (sections 3.2.6 and 3.2.7). Switzerland has a policy to support research and improve framework conditions for all economic sectors but it does not adhere to a policy of "national champions". No cash subsidies are in place for specific manufacturing industries other than measures open to all companies (such as the Commission for Technology and Innovation funds).

4.53. The introduction of the *Cassis de Dijon* principle by Switzerland has further aligned its technical regulations on specified products with the EU/EEA's (section 3.3.2.1 and Box 3.1). However, exceptions to this principle include key products of interest to Switzerland, such as pharmaceuticals/pesticides (subject to authorization), chemicals (subject to notification), certain measuring instruments, certain motor vehicles, animal feed, and certain measures relating to foodstuffs, which require conformity with Swiss technical requirements. Liechtenstein applies Swiss

⁷⁴ Currently, the guarantee fund contribution (including an administration fee) is: SwF 3.3 for gasoline, SwF 3.00 for kerosene, and SwF 14.30 for diesel per cubic metre. The fee for heating oil is SwF 0.30.

⁷⁵ Swiss Statistics online information, *Résultats détaillés de la STATEM*. Viewed at: <http://www.bfs.admin.ch/bfs/portal/fr/index/themen/03/02/blank/data/02.html>.

⁷⁶ World Economic Forum (2012).

standards, technical regulations, and conformity assessment procedures under the Market Control and Surveillance Mechanism.

4.3.2 Key subsectors

4.3.2.1 Textiles and clothing

4.54. The Swiss textiles and clothing industry suffers from structural problems. Due to the high labour intensity of the sector and high wage costs in Switzerland, the production process has largely been transferred abroad. Five out of every six employees of Swiss textile and clothing companies currently work abroad. Operations that tend to remain in Switzerland include services such as design, distribution, marketing, logistics, and support. Swiss companies focus on innovative products and niche solutions, for example technical textiles for medical applications or high quality fabrics in haute couture.

4.55. In 2010, the textile and clothing industry employed 15,500 people (down from 17,800 in 2007). In 2011, Switzerland exported around US\$3.1 billion of textiles and clothing (ISIC 321 and 322), whereas it imported around US\$8.3 billion. The average MFN import tariff for textiles and clothing is 6%, with a range from zero to 71%.

4.3.2.2 Chemical and pharmaceutical products

4.56. Switzerland has a significant chemical and pharmaceuticals industry, employing 32,700 and 37,400 people respectively in 2010 (2007: chemical industry 34,700; pharma 33,700). The pharmaceutical industry is heavily capital-intensive and concentrated; it involves high investment in the development of innovative products. The largest pharmaceutical companies are Roche and Novartis (formed by the 1996 merger of Ciba-Geigy and Sandoz). The pharmaceutical industry is being adversely affected as a result of expiring patents and healthcare reforms in large Swiss export markets.

4.57. The chemicals industry includes the manufacture of basic chemicals along with the production of various intermediate and end products, such as pesticides, plant protection agents and disinfectants, paints and mastics, soaps, detergents, and cosmetics. Strong global competition in this industry has prompted Swiss companies to undergo a process of concentration and structural reform.

4.58. The chemical and pharmaceutical industries export 85% of their output. Switzerland's exports of chemicals, plastics, and pharmaceuticals (ISIC code 35) amounted to US\$89 billion in 2011, whereas imports were US\$55.5 billion. The average MFN import tariff for this subsector is low, at 1.4%.

4.3.2.3 Machinery and equipment

4.59. Switzerland is the world's eleventh most important machinery exporter. While the industry has become highly competitive, Swiss machinery producers have focused on quality as a means of retaining a competitive edge. The key products include machine tools, lifting equipment, conveyors, and plastics machinery.

4.60. Liechtenstein is a leader in the development and production of dental products (Ivoclar AG) professional entertainment connector products (Neutrik AG), steering shafts for the automotive industry (ThyssenKrupp Presta AG), and products for professional customers in the construction and building maintenance industries (Hilti AG).

4.61. In 2010, the machinery and equipment industry employed 85,400 people (2007: 94,100). Switzerland is a net-exporter of machinery and equipment (ISIC code 38); in 2011, exports amounted to US\$93.6 billion, whereas imports were US\$73.3 billion. Import tariffs for the subsector are low, at 1.1%.

4.4 Services

4.4.1 Banking, finance, and insurance

4.4.1.1 Switzerland

4.62. Due to its political, economic, and social stability, prudent monetary management, liberal regime on capital movements, tradition of bank secrecy, and historic specialization, Switzerland is one of the most important financial centres in the world, attracting high volumes of foreign business (Box 4.2).

Box 4.2 Financial services: statistical overview

General:

Share of financial services in the GDP:

2006: 11.7% (of which insurance 3.59%)

2011: 10.3% (of which insurance 4.37%)

Share of financial services in total employment:

2006: 6.1% (of which insurance 1.56%)

2011: 6.2% (of which insurance 1.39%)

Net financial services exports:

2009: SwF 20.9 billion (35.7% of Switzerland's current account surplus), of which insurance: SwF 5.2 billion

2011: SwF 17.6 billion (28.6% of Switzerland's current account surplus) of which insurance: SwF 4.2 billion

Capital stock of Swiss financial services providers abroad:

2008: SwF 177 billion (23% of Swiss capital stock abroad) of which insurance: SwF 97 billion

2010: SwF 195 billion (22.2% of Swiss capital stock abroad) of which insurance: SwF 120 billion

Significance of the financial services arm of Swiss Post: PostFinance offers financial services in some 2,469 post offices and 29 advisory centres. With its 3,900 staff, PostFinance had assets of nearly SwF 92.2 billion in 2011, spread over more than 4.36 million accounts. PostFinance is not a bank as defined by the Banking Act; it may only offer financial services for which no licence is required. Thus, payment transactions represent its main business area, whereas various financial services, such as deposits or loans, are offered on behalf of Swiss banks. Post Finance is subject to supervision by FINMA (the financial market authority).

Banking services:

Number of banks and recent consolidation:

2006: 331 banks (of which, cantonal banks: 24; "big" banks: 2; regional and savings banks: 78; Raiffesen - i.e. cooperative banks: 1; stock-exchange banks: 52; foreign controlled banks: 120; branches of foreign banks: 29; private banks: 14; other banking institutions: 11)

2011: 312 banks (of which cantonal banks: 24; "big" banks: 2; regional and savings banks: 66; Raiffesen - i.e. cooperative banks: 1; stock-exchange banks: 46; foreign controlled banks: 116; branches of foreign banks: 32; private banks: 13; other banking institutions: 12)

Concentration/share of the various types of banks in the total balance sheet for banks in Switzerland (2011):

Total balance sheet, SwF 2,793 billion

(of which cantonal banks: 16%; "big" banks: 52%; regional and savings banks: 4%; Raiffesen - i.e. cooperative banks: 6%; stock-exchange banks: 5%; foreign controlled banks: 11%; branches of foreign banks: 2%; private banks: 2%; other banking institutions: 2%)

Lending activities (credit volumes, 2012): SwF 1,077 billion (domestic lending: 88.9%, of which mortgage claims: 74.4%; foreign lending: 11.1%)

Securities activities: (securities holding in bank accounts, 2012):

Total SwF 4,213 billion, Swiss custody account holders: SwF 2,005 billion (i.e. 47.2% of total); foreign custody account holders: SwF 2,238 billion (i.e. 52.8% of total), of which private customers: SwF 548 billion; commercial customers: SwF 95 billion; and institutional investors: SwF 1,595 billion

Insurance:

Number of insurance companies and recent consolidation

2006: 249 companies, of which life: 29; non-life: 119; reinsurance: 25; captives: 28; health insurance funds: 48

2011: 228 companies, of which life: 24 (of which 4 branches of foreign insurance companies); non-life: 124 (of which 45 branches of foreign insurance companies), reinsurance: 27; captives: 35; health insurance funds: 18

Total balance sheet of the insurance sector (2011): SwF 579.7 billion, of which life insurance: SwF 299.1 billion (51.5%); non-life: SwF 148.2 billion (25.6%); supplementary health insurance providers: SwF 12.9 billion (2.25%); and reinsurance SwF 132.4 billion (22.8%)

Concentration: (cumulative market share of the top 5 companies): life insurance: 80.6%; non-life: 66.2%; health insurance: 54.4%; reinsurance: 79.1%

Pensions funds:

Number of pension funds: 2005: 2,770; 2010: 2,265

Total assets: 2005: SwF 543 billion (of which collective assets SwF 71 billion), 2010: SwF 621 billion (of which collective assets: SwF 276 billion)

Stock exchange and securities:

Capitalization of the companies listed in the Swiss performance index (SPI): 2010: SwF 964 billion; 2011: SwF 863 billion (i.e. 143.7% of the GDP the same year); 2012 (June): SwF 915 billion

Gross value of publicly issued bonds in Swiss francs: 2011: SwF 73 billion (Swiss borrowers: SwF 40 billion, foreign borrowers: SwF 33 billion); 2012 (January-July): SwF 57 billion (Swiss borrowers: SwF 32 billion, foreign borrowers: SwF 25 billion)

Securities turnover on the SIX Swiss Exchange (secondary market, 2011): securities: SwF 1,161 billion (of which Swiss shares: SwF 823 billion; foreign shares: SwF 3 billion; Swiss bonds: SwF 85 billion; foreign bonds: SwF 91 billion; structured products and options: SwF 52 billion; investment funds: SwF 108 billion)

4.63. In regulatory terms, there have been no changes regarding market access for financial services except for the signature and entry into force of four regional trade agreements containing preferential financial services commitments by Switzerland (EFTA-Colombia, signed on 25 November 2008 and entered into force on 1 July 2011; Switzerland-Japan, signed on 19 February 2009 and entered into force on 1 September 2011; EFTA-Ukraine, signed on 24 June 2010 and entered into force on 1 June 2012; and EFTA-Hong Kong, China, signed on 21 June 2011 and entered into force on 1 October 2012). The EFTA-Gulf Cooperation Council agreement, signed on 22 June 2009, also contains preferential commitments on financial services from Switzerland but has not yet entered into force (see Table A4.3).

4.64. The main regulatory changes on non-market access issues since 2008 concern essentially the reinforcement of prudential regulations following the adoption of Basel III principles; the international fiscal policy of Switzerland, which is directly linked to the attractiveness of its financial centre; and the implementation of international standards in the areas of derivatives traded over the counter (OTC-derivatives) and financial market infrastructure. Furthermore, the federal law on collective investment schemes has been partially amended to correspond to the new EU regulation, the Alternative Investment Fund Managers Directive (AIFMD). The amended version will enter into force in 2013.

4.65. Regarding OTC derivatives trading and financial market infrastructure, the financial crisis highlighted that the lack of transparency on the markets for OTC derivatives can threaten the stability of the entire financial system. International efforts have been made to improve transparency and stability in the OTC derivatives market and to work out standards for important financial market infrastructure. The Swiss financial authorities are carrying out exploratory work so as to propose the necessary legal reforms to implement these international standards once they have been adopted. In order to ensure the competitiveness of Swiss market players and market access in the EU, regulation equivalent to that of the EU is to be sought. The Swiss Government assigned the Federal Department of Finance to elaborate a draft consultation paper by spring 2013.

4.66. Concerning prudential regulations, the Federal Council adopted the total revision of the Capital Adequacy Ordinance in June 2012. It entered into force on 1 January 2013. This revision addresses the "too big to fail" issue. By 2018, systemically important banks should build up more capital, meet more stringent liquidity requirements, and improve their risk diversification. They should be organized in such a way that national economy's systemically important functions can be maintained even in the event of threatened insolvency. The proposed package of measures is designed to prevent the State from having to use tax revenues in the future in order to bail out systemically important banks (Box 4.3).

Box 4.3 Switzerland's regulatory framework for banking**Regulatory framework**

Recent or planned regulatory changes: None. However, significant reforms in prudential regulations have taken place (see below)

Supervisory authorities

Ministry/agency responsible for the coordination and strategic management of international financial, monetary and tax matters: State Secretariat for International Financial Matters, SIF (www.sif.admin.ch).

Sector supervisor (monitoring bank liquidity, overseeing payment and settlement systems, etc.): Financial supervision and issuance of banking regulations are under the Swiss Financial Market Supervisory Authority, FINMA (www.finma.ch). The Swiss National Bank (SNB) is responsible for maintaining financial stability (www.snb.ch). The SNB oversees Swiss Interbank Clearing (SIC) and keeps the participants' accounts in this system. SIC is the major payment system in Switzerland, processing almost all interbank clearings from large-value transactions to mass-market transfers.

Responsibility for competition policy issues: Competition Commission (www.weko.admin.ch).

Preferential and bilateral policies

Preferential arrangements affecting banking services: none

Bilateral agreements and MOUs (notably on prudential regulation and supervision): FINMA has concluded MoUs with supervisory authorities of 39 countries, whose banks have significant presence in Switzerland. Most MoUs are not sector specific but cover banking, insurance, and securities exchange (if counterparty of MoU is an integrated supervisor). The largest Swiss banks under foreign control (assets >10 billion in 2011) are British, French, US-American, Italian, and Dutch/Brazilian. An agreement has been established with Greece, an MoU with Brazil is pending. These MoUs govern the coordination of supervisory activities as well as the exchange of information relevant for supervision.

Recognition of prudential measures of other countries through international agreements or unilaterally: in general, FINMA recognizes the consolidated supervision of foreign authorities if the countries adhere to the relevant Basel Core Principles (BCP). For the banking sector, due to the lack of a multilateral framework, such agreements are concluded bilaterally. In the area of securities and markets supervision (which involves the broker-dealer activities of banks), FINMA is signatory to the IOSCO multilateral MoU.

Licensing

General criteria: clear scope of business; adequate organization; creation of separate bodies for the management on the one hand and for the direction, supervision, and control on the other, if the scope or importance of business activities is significant, for all operators except small private bankers and securities traders; disclosure of the minimal fully paid-in share capital; good reputation of the persons in charge of administration and management of the bank; guarantee by the natural persons or legal entities with a "qualified participation" (i.e. which directly or indirectly participate in at least 10% of the capital or the voting rights of a bank or whose business activities are such that they may influence the bank in a significant manner) that their influence will not have a negative impact on a prudent and solid business activity; obligation for the persons entrusted with the management to have their domicile in a place where they may exercise the management in a factual and responsible manner (i.e. generally on Swiss territory with exceptions for larger internationally active banks e.g. head of Asia-Division and member of group executive board may have domicile in Asia) (Banking Act, Article 3). Cantonal banks do not benefit anymore from preferential capital requirements. Their tax treatment is subject to cantonal regulations.

Additional criteria for foreign banks: requirements are the same for Swiss and foreign banks; access remains subject to reciprocity, except when covered by international obligations such as the WTO agreements. However, for Swiss branches of foreign banks, FINMA will grant the foreign banks a licence only if;

- a) the foreign bank is appropriately organized and possesses adequate qualified staff and financial resources to operate a branch in Switzerland;
- b) the foreign bank is subject to adequate supervision, which includes the branch;
- c) the responsible foreign supervisory authorities make no objection to the establishment of a branch;
- d) the responsible foreign supervisory authorities state that they will immediately inform FINMA if circumstances arise that may seriously jeopardize the interests of bank creditors;
- e) the responsible foreign supervisory authorities are able to provide FINMA with official support;
- f) the conditions governing the granting of a licence, as stated in Article 3bis Paragraph 1 of the Banking Act are met;
- g) the branch meets the conditions for the granting of a licence within the meaning of Article 3, Paragraph 2c and d of the Banking Act and has a regulation that precisely defines its business activities and provides adequate organization; and
- h) the foreign bank provides evidence that the company name of the branch qualifies for entry in the Commercial Register. Special provisions may apply to foreign banks such as: FBO-FINMA Article 3 para. 2 (complete subjection to Swiss regulation if foreign regulation is not equivalent); Article 4 para. 2 (adequate consolidated supervision by foreign supervisor), Article 7 (requirement of collateral if this is necessary for depositor protection). These are set out in the Ordinance of 21 October 1996 of the Swiss Financial Market Supervisory Authority on Foreign Banks in Switzerland (FINMA Foreign Banks Ordinance, FBO-FINMA).^a According to the FBO-FINMA, the remaining part of the banking regulation, i.e. the Banking Act and the Banking Ordinance are applicable in the same way as for Swiss banks (Article 3, para 1). Relief may be given on capital adequacy and risk distribution aspects for subsidiaries (Article 3, para.2).

Licensing organ: FINMA (Banking regulation and supervision take place on federal level, i.e. there are no licensing requirements or regulations on cantonal level).

Limitation of numbers of licences: none by policy

Statutory maximum delay to process licences applications: none

Validity of a licence: unlimited

Restrictions on banks selling or disposing of licences: licences are specific to the licensed institution and may not be sold or transferred. A significant change of the structure of a bank or its ownership may require a reapplication, which is subject to supervisory review and will be accepted if the licensing criteria are met

Minimum capital requirements to obtain a licence: SwF 10 million, usually more in practice, depending on the business plan

Prudential regulations

Administrative allocation of financial resources: financial resources are not allocated administratively

Determination of interest rates and fees: banks may determine interest rates and fees freely

Measures to ensure compliance with the Basel Committee's Core Principles for Effective Banking Supervision: in order to implement the international rules of the Basel Committee on Banking Supervision (Basel III), the Federal Council adopted the total revision of the Capital Adequacy Ordinance in June 2012. It should enter into force on 1 January 2013. This package provides for four core measures: strengthening of the capital base, more stringent liquidity requirements, better risk diversification to reduce the degree of inter-connectedness within the banking sector, and preparatory organizational measures to ensure the maintenance of systemically important functions (e.g. payment transactions) in the case of threatened insolvency.

In the area of capital, mandatory convertible bonds (contingent convertible bonds, or CoCos) should also be used in the future. CoCos are considered debt capital and are converted into shares or participation certificates as soon as common equity falls below a defined ratio, thereby automatically making equity capital available. In order to promote the issue of new reserve and convertible capital in Switzerland, the issue tax on debt capital was abolished as of 1 March 2012. Capital that arises from the conversion of CoCos has been exempt from the issue tax on capital since then. The Federal Assembly decided during the 2012 summer session that interest payments on CoCos and bonds with a waiver of claims should be exempt from withholding tax in the future.

Under Basel III, the total risk-weighted capital ratio is 10.5% and the common equity Tier 1 ratio (common shares and retained earnings) is 7%. Switzerland has set higher standards: by 2018 banks should hold total capital equivalent to 19% of their risk-weighted assets. 10% of this should be in the form of common equity, while the remaining 9% may be built using CoCos. Alongside the risk-based capital requirements, the capital must also meet the leverage ratio requirements. As a result, the capital may not fall below 4.56% of total (non-risk weighted) exposure.

The Federal Council also adopted two measures in June 2012 to be implemented immediately. A countercyclical buffer is to boost banks' resilience in the event of excessively strong credit growth. In addition, in order to ensure banks are immediately more cautious when granting mortgage loans, they must hold more capital for underpinning residential mortgage lending if the borrower does not contribute a minimum of 10% own funds. This minimum sum may not come from occupational benefits provision (second pillar).

Specific provisions against money laundering the Anti-Money Laundering Act imposes special due diligence obligations on financial intermediaries (banks, securities dealers, casinos, and (subject to certain conditions set out in AML-Act Article 2) fund managers, certain investment companies, and asset managers under the Capital Investments Act, as well as insurance schemes). These include verification of the identity of the contracting party, establishment of the identity of the beneficial owner, special clarification duties, the duty to keep records, and the duty to implement organizational measures to prevent money laundering. The financial intermediary must notify the Money Laundering Reporting Office Switzerland (MROS) in the Federal Office of Police if it suspects money laundering.

In the non-banking financial sector (asset managers, fiduciaries, and bureaux de change, as well as lawyers and notaries providing financial services), the Anti-Money Laundering Act is based on the principle of self-regulation. Self-regulation organizations (SROs) further specify the due diligence obligations contained in the Anti-Money Laundering Act and supervise compliance by their members. Financial intermediaries may either join an SRO or submit to direct supervision by FINMA. FINMA recognizes and supervises the SROs.

In February 2012, the FATF (Financial Action Task force) approved a partial revision of its standards. The Federal Council has therefore appointed an interdepartmental working group under the leadership of the Federal Department of Finance to draw up a consultation draft by the start of 2013 with a view to revising the system in Switzerland.

Bank deposit insurance scheme in December 2008, it was decided to increase depositor protection from SwF 30,000 to SwF 100,000, to extend it to employee pension accounts, and to raise the upper limit for overall secured assets from SwF 4 billion to SwF 6 billion. The provisions were to remain in force until the end of 2010 and be replaced by a Federal Act on Deposit Protection. Following negative reactions during a 2009 consultation, the Federal Council decided at the start of 2010 to write the temporary solution into permanent law. The provisions that were positively received during the consultation were incorporated in a revision of the Banking Act, approved on 18 March 2011 and in force from 1 September 2011.

a For a non-authoritative translation see: http://www.kpmg.com/CH/de/Library/Legislative-Texts/Documents/pub_20090101-FBO_FINMA.pdf.

4.67. As a general policy, the Swiss authorities advocate tax competition within Switzerland as well as internationally. As a consequence of this internal fiscal competition, the Federal Council adopted on 4 July 2012 a mandate for dialogue with the EU on corporate tax regimes. According to the European Union (EU), the company tax practices in certain cantons are discriminatory because the revenues generated abroad are sometimes taxed differently from those generated in Switzerland. It claims that this unequal treatment could distort competition. According to the Swiss authorities, the aim of this dialogue is to find a solution that preserves Switzerland's competitiveness as a business location, takes the budgetary interests of the Confederation and the cantons into account, and gains international acceptance.⁷⁷

4.68. While the legislation on banking secrecy (Article 47 of the Banking Act) has remained unchanged, the policy regarding international legal and administrative assistance in tax matters is in flux. The main development during the review period was a March 2009 decision by the Federal Council to withdraw the Swiss reservation to Article 26 of the OECD Model Tax Convention on Income and Capital.⁷⁸ This decision paves the way for further exchange of information on tax matters with the signatories of the OECD convention.

4.69. On 1 October 2010, an ordinance was implemented on executing administrative assistance in accordance with double taxation agreements. This allows Switzerland to expand information exchange with other countries in individual cases upon "specific and justified request". Implementation is by way of bilateral double taxation agreements, which are being revised.⁷⁹

4.70. Within the framework of the Federal Council's financial integrity strategy, Switzerland is aiming to conclude bilateral agreements that make provision for a final withholding tax and tax-related regularization for the past, for foreign bank clients, so as to protect the privacy of clients while fulfilling tax obligations in the countries concerned. According to the Swiss authorities the long-term effect of this system is equivalent to the automatic exchange of information in the area of investment income. The agreements also offer market access opportunities to financial services providers. On the basis of reciprocity for non-WTO Members, and in line with the applicable laws, the agreements establish a clear framework, facilitating the service provision of Swiss financial institutions in the respective countries and vice versa.

4.71. Regarding anti-money-laundering measures, the FATF (Financial Action Task force) approved a partial revision of its standards in February 2012. The revised standards require modifications of the existing system in Switzerland (Box 4.3).

4.72. Boxes 4.3 to 4.7 describe in more detail Switzerland's regulatory framework for banking services, insurance services, pension fund services, and securities services.

Box 4.4 Switzerland's regulatory framework for insurance, 2012

Recent legislative changes none

Supervisory authorities

Ministry/agency responsible for defining insurance sector policy: State Secretariat for International Financial Matters, SIF

Ministry/agency responsible for the supervision of the sector: supervision and issuance of insurance regulations are made by FINMA

Responsibility for competition policy issues: Competition Commission (ComCo)

Preferential and bilateral policies

Preferential arrangements affecting insurance services: bilateral agreements with Liechtenstein and the EU. The insurance agreement signed in 1989 opens up certain areas of the insurance markets between Switzerland and the European Union. In the area of direct insurance for damage (household, motor vehicle, travel, and liability insurance, etc.) Swiss insurers are entitled to set up and to acquire agencies and branches in the EU, and EU companies enjoy the same rights in Switzerland (see <http://www.finma.ch/e/finma/internationales/vereinbarungen/abkommen/pages/default.aspx>)

⁷⁷ Online information. Viewed at: <http://www.sif.admin.ch/themen/00502/index.html?lang=fr> and <http://www.sif.admin.ch/themen/00502/00759/index.html?lang=fr>.

⁷⁸ Online information. Viewed at: http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/model-tax-convention-on-income-and-on-capital-2010_9789264175181-en.

⁷⁹ For a complete list of the double taxation agreements involving Switzerland and for the texts of some of these agreements, see: <http://www.sif.admin.ch/themen/00502/00740/index.html?lang=en>.

Bilateral agreements and MOUs: FINMA has concluded MoUs with supervisory authorities of countries whose insurers have significant presence in Switzerland (and vice versa). These MoUs govern the coordination of supervisory activities as well as the exchange of information relevant for supervision. FINMA is also signatory to the [IAIS] multilateral MoU

Licensing

Criteria for assessing applications for insurance licence: organizational, legal, capital, and solvency requirements

Compatibility of life and/or non-life insurance licences: life insurance companies are allowed to underwrite casualty or health insurance risks

Differential treatment for foreigners in the licensing process: none

Limitation on number of providers: none

Licensing authority: FINMA is the sole competent authority to evaluate licence applications and to grant licences. Insurance regulation and supervision is at federal level, i.e. there are no licensing requirements or regulations on cantonal level for private-sector insurance.

Maximum processing time for applications: none

Period of validity of a licence: unlimited. A significant change of the structure of an insurance company or its ownership may require a reapplication, which is subject to supervisory review and will be accepted if the licensing criteria are met.

Restrictions on selling or disposing of licences: not transferable. Licences are specific to the licensed institution.

Prudential regulations

Differences of treatment between state-owned firms, other domestically owned firms, foreign-owned branches, and foreign-owned subsidiaries: none

Recognition of home country supervision of foreign insurance companies: in general, FINMA recognizes the consolidated supervision of foreign authorities if the countries adhere to the relevant IAIS Core Principles (ICP).

Minimum capital requirements to obtain a licence: Article 8 of the Insurance Supervision Act^a requires minimum capital of SwF 3–20 million to obtain a licence, subject to sector-specific provisions by the Federal Council. The Federal Council's Insurance Supervision Ordinance^b specifies this requirement for life-insurers (Article 7) at SwF 5-12 million, for non-life-insurers (Article 8) at SwF 3–8 million, and for re-insurers (Article 9) at SwF 3-10 million, depending on business model.

Administrative allocation of insurance services: life, non-life, and re-insurance services are not allocated administratively.

Approval required for life and non-life premiums and products: no requirement for premiums and products, although the latter must comply with the respective legal requirements. As an exception, products and premiums in health insurance are subject to approval.

Compatibility of life and non-life insurance activities: according to the Insurance Supervisory Act, Article 12, life-insurers non-life-business is limited to accident and health insurance. Life-insurers who offer accident or health insurance are subject to Insurance Supervision Ordinance, Article 7, para. b, which sets a minimum capital requirement for obtaining licence of SwF 8 million.

a See <http://www.vermittleraufsicht.ch/bausteine.net/file/showfile.aspx?downaid=7439&sp=D&domid=1063&fd=2> for detailed information.

b See http://www.admin.ch/ch/d/sr/c961_011.html for detailed information.

Box 4.5 Switzerland's regulatory framework for pension funds, 2012

Pension fund structure occupational benefit plans, also called the 2nd pillar, complete the basic 1st pillar AVS/AI/APG system (old age, invalidity, income compensation allowances in case of illness and for maternity). Together, they should ensure that retired people to a large extent maintain their former standard of living. The LPP (Federal Law on Occupational Benefit Plans) defines minimum benefits in the event of old age, death, and invalidity. But pension funds are free to provide higher benefits. In principle, the law lets pension funds freely choose the form of organization they prefer, their design of benefits, and ways of financing them. The 2nd pillar is mandatory for salaried persons and for the unemployed (against invalidity and death under more restrictive conditions) already subject to the AVS (1st pillar), with an annual income of at least SwF 20,880 (2012). This is the threshold of the obligatory pension fund scheme. Pension funds that are providing the statutory minimum need to be registered. The 2nd pillar, when provided by private entities, falls within the scope of the GATS but is subject to specific reservations in the Swiss GATS and FTAs financial services commitments.

Recent reforms The most important recent pension fund reform was the structural reform.^a In January 2012, an independent centralized supervision commission was set up to accomplish uniform supervision standards (cantonal supervision authorities will remain responsible for direct supervision). The commission will also implement standards in terms of the overall stability of the system (e.g. investment policy or reserves); it will be able to issue binding instructions. In terms of transparency and loyalty, there are new rules for persons or institutions managing pension funds, as a whole or in part (especially for asset-managers). A special issue will be avoidance of conflicts of interest. To emphasize governance rules, the penalty-catalogue was supplemented. Governance and loyalty rules have been in effect since August 2011.

Supervisory authorities for pension funds

Federal Occupational Pensions Regulatory Commission and Cantonal Supervision Authorities grouped in an Association (*Conférence des autorités cantonales de surveillance*) www.konferenz-bvg-aufsicht-stiftungen.ch

Licensing criteria: institutions wishing to participate in the mandatory occupational benefits plans must be officially registered by the competent surveillance authority. They should be organized in the form of a mutual association or a foundation

Additional licensing conditions: none

Period of validity of a licence: in general, unlimited

Transferability of licences: not transferable

Limitation on the number of providers: none

a See <http://www.bsv.admin.ch/themen/vorsorge/00039/00335/index.html?lang=en> for detailed information.

Box 4.6 Switzerland's regulatory framework for mutual funds, 2012**Securities, mutual funds, asset management****Supervisory authorities for mutual funds**

Ministry/agency responsible for defining sector policy: State Secretariat for International Financial Matters (SIF)

Ministry/agency responsible for the supervision of the sector: FINMA. Pension funds are approved by the Federal Social Insurance Office (FSIO).

Licensing criteria: good reputation and professional qualifications of the managers, good reputation and undertaking not to exert their influence to the detriment of prudent and sound business practices for the significant equity holders (i.e. owning more than 10% of the capital or of the voting rights) and sufficient financial guarantees (i.e. meeting the minimum capital requirement of SwF 200,000 (Collective Investment Schemes Act, Article 14 para. 1.^a)

Additional licensing conditions for foreign companies: none

Period of validity of a licence: in general, unlimited

Transferability of licences: not transferable

Limitation on the number of providers: none

a See http://www.kpmg.com/CH/de/Library/Legislative-Texts/Documents/pub_20090101_CISA.pdf or RS 951.311 for detailed information.

Box 4.7 Switzerland's market and regulatory regime for securities and stock exchanges, 2012

Supervisory authority and licensing organ: FINMA

Licensing**General criteria:**

Securities dealers must provide information and ensure internal separation of their trading, portfolio management, and settlement business; minimum fully paid-up capital is SwF 1.5 million.

Asset managers of Swiss collective investment schemes, based in Switzerland, must be authorized by the SFBC and are under its prudential supervision. Asset managers may be natural or legal persons; in the latter case they must be a joint-stock company, a stock company with unlimited partners, a limited liability company, a general partnership or a limited partnership.

Additional criteria for foreign firms

Foreign securities dealers may request SFBC authorization to establish a Swiss branch; they must provide information and evidence of "adequate organization, sufficient financial resources, and qualified staff". In addition, foreign supervisory authorities must consent to cross-border operations and provide administrative assistance and information to the FINMA.

Stock exchanges organized under foreign law are granted authorization to operate in Switzerland if they are subject to "appropriate supervision".

Foreign asset managers may be delegated for asset management of Swiss collective investment schemes if they are subject to recognized supervision.

Period of validity of a licence: in general, unlimited

Transferability of licences: not transferable

Limitation of the number of provider: none. As at end-October 2012, 3 domestic and 52 foreign stock exchanges have been granted authorization

Restrictions on foreigners buying and selling on the stock market: none

Operating conditions

Requirements to use international accounting and disclosure standards: besides the Swiss accounting standard, both IFRS and US-GAAP are accepted for companies listed on the Swiss exchanges

Provisions on shareholders' rights in companies listed in the stock exchanges and on companies' obligations to disclose information

Code of Obligations Article 689ff specifies shareholder rights, such as personal membership rights, participation in general meetings, entitlement, as against the company, representation of the shareholder, disclosure, voting rights and rights of control (<http://www.admin.ch/ch/e/rs/2/220.en.pdf>).

The FINMA Stock Exchange Ordinance defines obligations to notify in terms of thresholds and deadlines (http://www.six-exchange-regulation.com/download/admission/regulation/federal_acts/fbc_en.pdf).

The listing rules of SIX group (as an example) specifies further disclosure and reporting obligations (http://www.six-exchange-regulation.com/admission_manual/03_01-LR_en.pdf).

For more information, see: http://www.six-exchange-regulation.com/index_en.html.

4.4.1.2 Liechtenstein

4.73. Liechtenstein is a small financial centre specialized in private banking, wealth management, and funds, trustee, and insurance services. The subsector benefits from Liechtenstein's political, economic, and social stability, its close ties with Switzerland, including the customs and currency union, full membership in the EEA⁸⁰, and a liberal tax regime.

4.74. Box 4.8 below describes the main economic indicators of financial services in Liechtenstein.

Box 4.8 Financial services: statistical overview**General**

Share of financial services in the GDP: 27%

Share of financial services in total employment: 9.4%

Net financial services exports: not available

Capital stock of Liechtenstein financial services providers abroad: not available

Banking services

Number of banks and recent consolidation: 17, of which 8 are foreign (4 banks with Swiss majority shareholders, 4 with Austrian majority shareholders)

Total assets under management in the banking system: 2008: SwF 120.844 billion; 2009: SwF 125.1 billion; 2010: SwF 121.2 billion; 2011: SwF 117.1 billion

Assets managed by investment undertakings: SwF 35,44 billion

Assets managed by asset management companies: SwF 21,3 billion^a

Assets managed by trustees or trust corporations: -

Total balance sheet of the banking system: 2008: SwF 55.67 billion; 2009: SwF 55.053 billion; 2010: SwF 52.466 billion; 2011: SwF 54.6 billion

Net profit of the banking system: 2008: SwF 0.464 billion; 2009: SwF 0.587 billion; 2010: SwF 0.569 billion; 2011: SwF 0.163 billion

Concentration: the top three banks accounts for 87% of the assets

Number of investment undertakings: 535, of which 198 are foreign registered companies

Number of authorized trustees: 79

Number of trust corporations: 263

Number of assets management companies: 107

⁸⁰ All applicable EU Acts on financial services are mentioned in EEA Agreement Annex IX (Financial Services), Annex XII (Free Movement of Capital), and Annex XXII (Company Law).

Insurance

Number of insurance companies and recent consolidation: 40 companies at end 2011 (14 non-life insurance companies; 21 life insurance companies; 5 reinsurance companies), 12 of which (7 for non-life, 5 for reinsurance) operated as captive

Number of employees: 577

Number of branches: 18 foreign insurance companies (17 Swiss, 1 EU) have established branches in Liechtenstein

Cross-border activities: as at end 2011, over 265 EEA and Swiss insurance undertakings had registered their intention to provide cross-border insurance services, although these undertakings very rarely become active

Gross premiums of the insurance sector (2010): SwF 9.4 billion, of which 94% in life insurance; 2011: SwF 4.8 billion, of which 90% in life insurance

Capital investment of the insurance sector (2010): SwF 29.6 billion, of which 97% for life insurance; and 2% for reinsurance; 2011: SwF 29.1 billion, of which 96.7% for life insurance and 2.7% for reinsurance

- a Assets of investment undertakings and asset management companies may be included in the total of assets under management in the banking system only to the extent where they are assets under management for the bank and held in a bank in Liechtenstein. However, there is no legal obligation for investments undertakings and asset management companies to domiciliate assets in a local bank.

4.75. Boxes 4.9 and 4.10 below describe in more detail Liechtenstein's regulatory framework for banking services, investment undertakings, asset management companies, and payment devices providers.

Box 4.9 Liechtenstein's regulatory framework for banking services, 2012

Main regulations Banking Act of 1992 (LLG 1992, No. 108, as amended) and the corresponding Banking Ordinance, as (LLG 1994, No. 22, as amended) (<http://www.gesetze.li/Seite1.jsp?LGBIm=1992108>)

Supervisory authority

Financial Market Authority (FMA), established in January 2005, is responsible for supervising banks, investment firms, investment undertakings, trustees, lawyers, accountants, and auditors.

Preferential and bilateral policies

Preferential arrangements affecting banking services: as a result of Liechtenstein's participation in the EEA, all of its banking, securities, insurance, and accounting legislation is based on EC legislation, although the national accounting standards for financial institutions (mainly banks) are also similar to the accounting rules of the Swiss FINMA. Banks in Liechtenstein and Switzerland have the same principles of accountancy, and the structure of the balance sheet and the profit/losses statement are practically identical. Both countries apply the same valuation provisions (i.e. true and fair view etc.). Generally the company may choose the national accounting standard or the IFRS standard.

Licensing

General criteria: banks and investment firms (i.e. an asset management company in the sense of the EU Market in Financial Instrument Directive 2004/39^a) require a licence from the FMA in order to commence operations, and may only take the legal form of limited companies (Aktiengesellschaft).^b The head offices and the principal management must be domiciled in Liechtenstein. The minimum required fully paid-up initial capital is SwF 20 million for banks and SwF 3 million (or the equivalent in euros or U.S. dollars) for investment firms. After commencing business activity, the minimum capital must not drop below SwF 10 million, or the equivalent amount in euros or U.S. dollars. The members of the board of directors may have their domicile outside of Liechtenstein as long as they fulfil the obligations of their functions; they must be authorized to fully represent their company.^c

Additional criteria for foreign banks:

Establishment of a branch or subsidiary of a non-EEA bank or investment firm requires a licence. Additional requirements are: the institution must be subject to home consolidated supervision comparable to Liechtenstein supervision, and the home authorities must raise no objections. To establish a representation in Liechtenstein a foreign institution requires a licence issued by the FMA; this is granted if it is supervised in its home country (consolidated supervision in the case of a group) in a manner comparable to Liechtenstein supervision, the home supervisory authorities do not object to the presence of the bank in Liechtenstein, and the managers of the representation "guarantee irreproachable business activities". No reciprocity requirements exist. However, according to the authorities, so far no non-EEA bank has requested to establish a branch in Liechtenstein. The FMA grants the licence if the written application indicates, *inter alia*, the name of the company in the third State and the name of the appointed branch in Liechtenstein; an up-to-date prospectus, and the most recent yearly and half-yearly reports of the investment undertaking must also be submitted. Certification is required from home state authority that the undertaking is subject to consolidated supervision equivalent to Liechtenstein supervision.

Investment firms and banks domiciled in an EEA member-state have free movement of services rights for the activities covered by their home licences; they do not require a Liechtenstein licence. However, their operations in Liechtenstein must be supervised by their home authorities. The same applies to the establishment of branches of EEA financial institutions in Liechtenstein.

Prudential regulations

Administrative allocation of financial resources: financial resources are not allocated administratively

Determination of interest rates and fees: banks may determine interest rates and fees freely

Specific provisions against money laundering the core legal basis for the AML/CFT preventive measures in Liechtenstein is the Liechtenstein Due Diligence Act, No. 47/2009, and the Liechtenstein Due Diligence Ordinance, No. 98/2009. As a result of the EEA membership, Liechtenstein had to implement the Third EU Anti Money Laundering Directive (2005/60/EC) and the related implementing measures, which have been incorporated into the above-mentioned acts.

The Liechtenstein Due Diligence Act imposes special due diligence obligations on financial institutions (banks and investment firms, e-money institutions, payment institutions, insurance companies, asset management companies, etc.) as well as designated non-financial business professions (DNFBPs) (professional trustees, auditors, lawyers, dealers in goods, real estate agents, etc.).

Obligations include the requirement to identify and verify the identity of the customer and the beneficial owner, ongoing monitoring of the business relationship (including scrutiny of transactions), and preparation of a business profile (information on the source of funds and the purpose and intended nature of the business relationship). The Due Diligence Act also provides for record keeping obligations and the duty to implement organizational measures to prevent money laundering and terrorism financing.

Where suspicion of money laundering, a predicate offense of money laundering, organized crime, or terrorist financing exists, all financial institutions and DNFBPs are required to report immediately to the Financial Intelligence Unit (FIU). Likewise, all offices of the national administration and the Liechtenstein Financial Market Authority are subject to the obligation to report to the FIU.

The Liechtenstein AML/CFT framework was assessed by the International Monetary Fund in 2002 and 2007 for its compliance with the FATF Recommendations. The IMF certified as high the Principality of Liechtenstein's standards in its fight against money laundering and financing of terrorism. The IMF will assess Liechtenstein's AML/CFT system again in 2013.

Bank deposit insurance scheme the Liechtenstein Bankers Association (LBA) established the Liechtenstein Deposit Guarantee and Investor Protection Foundation of the Liechtenstein Bankers Association (*Einlagensicherungs- und Anlegerschutzstiftung des Liechtensteinischen Bankenverbands, EAS*), an autonomous foundation under Liechtenstein law. The Foundation has assumed the obligation, in the event of a bank's insolvency or bankruptcy, to pay compensation up to a specified maximum (€100,000). All banks operating in Liechtenstein participate in the EAS.

- a <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:02004L0039-20070921:EN:NOT>.
- b Exceptions may be granted by the FMA.
- c Banks are obliged to adopt a dual management structure, with a board of non-executive directors and a management board; internal auditors, reporting directly to the board of directors, must also be appointed.

Box 4.10 Regulatory framework for investment undertakings, asset management companies, and payment services providers

Investment undertakings

Main regulations: the Law on investment undertakings (IUA, LLG 2005, No. 156), and Act on Certain Undertakings for Collective Investment in Transferable Securities (UCITSA LLG 2011, No. 295).

<http://www.gesetze.li/Seite1.jsp?LGBI=2005156.xml&Searchstring=IUG&showLGBI=true>

<http://www.gesetze.li/Seite1.jsp?LGBI=2011295.xml&Searchstring=UCITSG&showLGBI=true>

Recent or planned regulatory changes: On 6 March 2012, the Government adopted the consultation report for the creation of a law on alternative investment fund managers and approved the amendment of further laws. The new draft legislation is designed to implement the Directive of the European Parliament and the European Council from 8 June 2011 on alternative investment fund managers (AIFM Directive). The UCITS IV Directive has already been implemented through the Law on Undertakings for Collective Investment in Transferable Securities, which came into force on 1 August 2011. The new AIFM law is planned to come into force on 1 April 2013 and will be fully applicable towards Europe from 22 July 2013.

Licensing: Any investment undertaking requires a licence from the FMA. Investment undertakings are divided into investment funds on a contractual basis (which have the legal form of a trusteeship), and investment companies (which have the legal form of a limited company). The minimum required fully paid-up capital is SwF 1 million. Investment companies must be incorporated as limited liability companies, with fixed or variable capital. Regardless of form, investment undertakings are obliged to have both a board of directors and a custodian bank, which must be registered in Liechtenstein. Furthermore, the principal administration of an investment undertaking must be domiciled in Liechtenstein.

Business scope: mutual funds may be marketed only by banks, fund management companies, or trustees with commercial presence in Liechtenstein. There are no secondary markets or underwritings in Liechtenstein. Liechtenstein banks may participate in secondary markets through their Swiss operations. Units of foreign investment undertakings may be sold in Liechtenstein under licence or, if reciprocity exists, after notification.

Asset management companies

Relevant legislation: Law on asset management (Asset Management Act, AMA) entered into force on 1 January 2006. This Act lays the foundation for asset management companies as new, internationally recognized, financial intermediaries (<http://www.gesetze.li/Seite1.jsp?LGBI=2005278.xml&Searchstring=VVG&showLGBI=true>)

Supervisory authority: the FMA

Licensing conditions: minimum fully paid-up capital requirement of SwF 100,000

Payment services providers

Relevant legislation: Law on Payment Services (Payment Service Act, PSA) entered into force on 1 November 2009. It transposes the European Payment Service Directive into national law and regulates the establishment of payment service providers as new financial intermediaries as well as the requirements and obligations for the provision of payment services (<http://www.gesetze.li/Seite1.jsp?LGBIm=2009271>)

Supervisory authority: the FMA

Licences granted: none

4.76. Through the "Liechtenstein Declaration" of 12 March 2009⁸¹, the Liechtenstein Government publicly expressed its commitment to implement global standards of transparency and exchange of information as developed by the OECD. Liechtenstein confirmed its readiness to speed up the negotiation of tax information exchange and other agreements with a view to having a network of such arrangements in place as soon as possible in order to address the global issue of tax fraud and tax evasion as well as the legitimate needs of its industrial sector to avoid double taxation.

4.77. Since the publication of the declaration Liechtenstein has negotiated and concluded 20 tax information exchange agreements (TIEAs) and 5 double tax agreements (DTAs), and has revised its national legislation for the implementation of these agreements. All TIEA and DTA are in accordance with the OECD-model conventions. Liechtenstein is also participating actively in the peer review mechanism of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.⁸²

4.78. Liechtenstein was removed from the OECD List of Uncooperative Tax Havens on 11 November 2009.

4.79. Boxes 4.11 and 4.12 describe Liechtenstein's regulatory regime for insurance services as well as for pension fund and health insurance.

Box 4.11 Liechtenstein's regulatory framework for insurance services, 2012

Main regulations the Insurance Supervision Act (LLG 1996, No. 23) and the associated ordinance (LLG 1997, No.41, in force from 24 January 1997)

Supervisory authority the FMA

Preferential and bilateral policies

Preferential arrangements affecting insurance services: none

As a result of Liechtenstein's participation in the EEA, all of its banking, securities, insurance, and accounting legislation is based on EC legislation. The FMA also joined the European Insurance and Occupational Pensions Authority (EIOPA), currently as an observer.

⁸¹ Viewed at: <http://www.oecd.org/dataoecd/27/21/42340216.pdf>.

⁸² Viewed at: <http://www.oecd.org/tax/transparency/>.

On the basis of a bilateral agreement (*Direktversicherungsabkommen*) in force since 1998, insurance undertakings domiciled in Switzerland or Liechtenstein are granted freedom of establishment and operation in the other country. This agreement was extended in 2007 to allow insurance intermediaries to engage in cross-border activities.

Since October 2012, the FMA is also a signatory to the IAIS multilateral MoU.

Licensing

A licence is required for each insurance branch.

Undertakings must adopt the legal form of a limited company, *Societas Europaea*, a cooperative, or European Cooperative (SCE).

Aside from minimum capital requirements (€2.3 million to €3.5 million for non-life, €3.5 million for life, € 3.2 million for reinsurance companies, and €1.1 million for captives), an organizational fund is required for formation costs or exceptional business expansion, amounting to 20-50% of the minimum capital. Exact minimum capital requirements depend on the company's business plan.

The main administration of the company (including accounting) must be situated in Liechtenstein.

Undertakings domiciled and licensed in an EEA country may conduct direct insurance business in Liechtenstein without a Liechtenstein licence: the single-licence principle applies since accession to the EEA. Insurance companies are prohibited from undertaking non-insurance activities.

A company may offer either life or non-life insurance; insurance undertakings engaged in life insurance may not be active in any other branches of insurance apart from supplementary insurance against accidental death, sickness, and invalidity.

Cross-border provision of insurance services by EEA companies is possible, provided the insurance undertakings have the necessary solvency margin.

Non-EEA-country insurance undertakings (except Switzerland, see above) require authorization in order to operate in Liechtenstein; they must establish an agency or a branch office and have assets available in Liechtenstein equivalent to at least half the guarantee fund. Insurance undertakings with their head office in a foreign country and engaged solely in reinsurance activities are exempt from Liechtenstein supervision.

Box 4.12 Liechtenstein's regulatory framework for pension funds and health insurance 2012

Basic health insurance structure Basic health insurance is compulsory for all persons residing and/or working in Liechtenstein (including foreigners).

It may only be provided by authorized non-profit health insurance companies and covers sickness, maternity, and accident risks (if not covered by compulsory workplace accident insurance) through benefits in cash and in kind, as defined by law. All benefits in kind are required to be "effective, appropriate and efficient".

Each insured person may choose any of presently three recognized health insurers; these do not have the option to refuse insurance, regardless of age or state of health.

Under the Health Insurance Act, insurance companies must offer a uniform premium for adults, which must be accepted by the Office of Public Health, and a reduced premium (half) for young people (17-20 years); the companies may not ask for a premium for children (0-16 years). Under the Act, the state subsidizes insurance premiums in various direct and indirect ways, e.g. by contributions to the costs of medical care.

Optional insurance may be purchased outside the scope of the compulsory scheme.

Compulsory accident insurance system

All employees are covered by an insurance contract that must be concluded by every employer against the risks of accidents at work, leisure accidents, and occupational sickness.

The premiums are imposed by the Government according to different risk classifications depending on the type of activity.

The scope for competition among insurers is limited to administration costs.

All compulsory accident insurers are registered.

Pension system

There are three pillars of old age and widower's pension and disability insurance: compulsory scheme for all persons living or working in Liechtenstein; occupational pension scheme that is compulsory for employed persons earning more than SwF 19,890 per year, and designed to enable the insured person to maintain his/her living standards after retirement; and individual saving measures.

The first pillar is operated by a public establishment; the second and the third pillars are operated by private insurers.

Supervisory authorities

the Office of Public health for health insurance, compulsory accident insurance and the first pillar of the pension system; and the FMA for the second and third pillars of the pension system.

4.4.2 Telecommunications

4.4.2.1 Switzerland

4.80. In regulatory terms, the only changes to market access for telecommunications services relate to the signature and entry into force of four regional trade agreements containing preferential telecommunications services commitments by Switzerland (EFTA-Colombia, Switzerland-Japan, EFTA-Ukraine, and EFTA-Hong Kong, China) (see Chapter 2.2.2). The EFTA-Gulf Cooperation Council agreement also contains preferential commitments on telecommunications services from Switzerland but has not yet entered into force.

4.81. The main regulatory changes on non-market access issues since 2008 concern essentially the universal services obligations and the protection of data. In parallel the national regulatory authority, the Federal Communication Commission (ComCom), the Federal Administrative Court, and in one instance the Federal Court, have also taken a series of decisions regarding all forms of access obligations for the dominant provider foreseen by the law.

4.82. The 9 March 2007 telecommunications services ordinance⁸³ was modified on 24 November 2009⁸⁴, to reinforce the protection and information of consumers when they use their mobile phone abroad or consume value-added services. A second modification of the ordinance, on 9 December 2011⁸⁵, raised the minimum guaranteed broadband output from 600 to 1,000 k/bits, and lowered the ceiling price for a broadband connection offering such an output from SwF 69 to SwF 55. It also reinforced the protection of minors against erotic or pornographic value-added telecom services.

4.83. Regarding interconnection obligations, the incumbent Swisscom contested its dominant market position status in several procedures (Box 4.13).

Box 4.13 Market structure and regulatory framework of Switzerland's telecommunications sector, 2012

Economic data

Penetration rates (2010)

Total telephone subscribers (per 100 inhabitants): 182
 Mobile phone subscribers (% of total subscribers): 67.9
 Internet users (per 100 inhabitants): 83.9
 Broadband internet subscribers (per 100 inhabitants): 38.2
 Secure Internet servers (no.): 14,614

Main actors

Number of companies providing value-added telecom services:

Of which, providing value-added platform services: 19; providing SMS, MMS, and premium rates services: 61

Names and market shares of the leading companies for fixed telecom services:

Total: 93 companies

Market leaders (by duration of connections, 2010): Swisscom: 70%, Sunrise: 9.8%; Cablecom: 7.1%

Name and market shares of the leading companies for mobile telephones services:

Total: 12 companies

Market leaders (by number of contracts, 2010): Swisscom: 59.4%; Sunrise: 20.7%; Orange: 15.5%. The nine other companies are simple resellers, there are no mobile virtual network operators (MVNOs) present on the Swiss market or any legislation forcing the three network operating companies to make an offer to MVNOs.

Name and market share of the broadband internet services:

Total: 164 companies

Market leaders (by number of contracts, 2010): Swisscom: 54.4%; Cablecom: 17.6%; Sunrise: 11.8%

Foreign ownership participation in telecom companies: Sunrise, Orange, and Cablecom are 100% foreign owned

State ownership: 57% of the shares of Swisscom

⁸³ OCG; RS784.102.1.

⁸⁴ RO 2009 5821.

⁸⁵ RO 2012 367.

Establishment of new companies, mergers or closures during the review period: none

Regulatory framework

Interconnection and competition issues

Fixed interconnection regime: telecommunication services providers with a dominant market position (including suppliers of part of the universal services) must provide interconnection to other suppliers without discrimination and in accordance with transparent and cost-related principles. Interconnection prices of a market-dominant provider are regulated on the basis of the "long-run incremental costs" (LRIC) method applied by most European countries. Dominant providers must publish a basic offer every year, interconnection prices must be cost-oriented only in the presence of market dominance; in the absence of market dominance, they must follow market standards. In the latter case, appeal to ComCom is only possible to ensure interoperability of services forming part of the universal service. In interconnection disputes, ComCom has to check if an operator is in a dominant position. In such cases, ComCo must provide an opinion to ComCom. The dominance of a provider is analysed according to the rules set by the Cartels Law.

Recent or planned changes: within the last four years ComCom has made decisions on all forms of access obligations for the dominant provider foreseen by the law (see Article 11 of the Telecommunications Act). Most of these decisions were the subject of an appeal at the Federal Administrative Court. In some of the procedures there was an existing dominant market position of the incumbent in question.

Number of complaints filed or resolutions effected of interconnection disputes among operators:

The incumbent contested its dominant market position in several procedures concerning the following forms of providing access: bitstream access, access rebilling (only primary rate access (PRA)) ducts, and leased lines. However, ComCo assumed in all its relating decisions a dominant market position of the incumbent. The decisions were based on market analysis by the general competition authority and the appeals towards the Federal Administrative Court were rejected. Therefore, the incumbent Swisscom (Schweiz) AG is generally deemed to be the dominant supplier and obliged to grant regulated access to the services stated in Article 11 of the Telecommunications Act.

Other regulatory aspects

Regulatory supervision: ComCom, an independent extra-parliamentary commission, is responsible for regulating the telecoms market, including allocation of spectrum licences (e.g. GSM or UMTS) through open tendering, the designation of a universal service provider (by issuing a licence for supply of universal services), dispute settlement on interconnection and local-loop unbundling; and for the approval of national numbering plans.

Facility sharing: for reasons of public interest, the Federal Office of Communications (OFCOM) may require providers of telecommunication services to allow joint use of their installations for an appropriate compensation. This is particularly relevant for mobile operators. Mobile-concessions include a clause on site sharing.

Local-loop unbundling: unbundling is achieved by offering competing suppliers two options to have access to the last mile: (i) the supplier may operate his own facilities for broadband and other services on the premises of the dominant supplier. The copper cable between the customer and the connection centre of the dominant supplier is simply switched to the new supplier, who provides his/her services exclusively to the customer (full unbundling); or (ii) the competing supplier may offer broadband services using a regulated bitstream product (i.e. the data line and not the voice line) for a maximum of four years, with Swisscom providing all other services. During the four-year period, the competing supplier must install the necessary equipment to be able to offer the other services (bitstream access). Under both options, prices between the competing and the dominant suppliers are freely negotiated.^a In case of disagreement, the ComCom determines a price based on cost. In the case of a fully unbundled loop, the subscription fee is billed by the alternative operator. The subscription fee is billed by Swisscom only in the case of preselection. To avoid this, there's the regulated product of "rebilling of the connection", which allows the alternative operator to bill the subscription in representation of Swisscom. Two thirds of the Swiss territory (essentially urban areas) is unbundled. The decision to unbundle an area is taken by the operator on purely commercial criteria. The most popular option is full unbundling.

Number portability: Providers must ensure portability of numbers and freedom of choice in the selection of suppliers of national and international connections.

Spectrum management: auction of all mobile frequencies (including the "digital dividend" in the 800 Mhz band as well as the 2600 Mhz band).

Orange, Sunrise, and Swisscom were assigned mobile telephony frequencies in the auction which took place in early 2012. The assignment concerned frequencies that were already free or that would soon become free, and all those granted to operators in the past (all in all 620 Mhz were offered, of which 575 Mhz were allocated). The auction covered the spectrum bands 800, 900, 1,800, 2,100 and 2,600 Mhz. All three companies won 20 Mhz in the 800 Mhz band (digital dividend). The frequencies may be used on a technology-neutral basis, which means, all mobile radio technologies (including LTE/4G) can be used in all these bands. While fully open the auction did not attract any new entrants or MVNOS.

Transparency: on 1 January 2010, a new Article 10a of the Telecommunications Services Ordinance (SR 784.101.1) brought into effect amendments aimed to improve transparency on the cost of roaming services. Thus, on concluding a contract, mobile operators must inform their customers how and where to find information on current rates or tariff options for price reductions. As from 1 July 2010, when customers change to a foreign mobile radio network, mobile operators must inform them without delay and free of charge of the maximum costs (including VAT) for calls to Switzerland, incoming calls, local calls, sending SMS messages or transmitting data (cost per unit of measurement). It must be possible to deactivate or reactivate reception of this notification at any time, and free of charge. Mobile operators must inform their customers of this option on concluding the contract and at least once a year thereafter.

Accounting rates: not used

Licensing: Switzerland applies a registration ("announcement" regime for telecommunications network and service providers. Licensing is only used for the right of use of frequencies and the universal service obligation.

Universal service (beneficiaries, contributors, services covered, level, expenditures, method of calculation and management):

In order to guarantee the universal service (US) in Switzerland, ComCom awards a licence based on a public invitation to tender, obliging a telecommunication services provider to offer the services making up the US. On 21 June 2007, ComCom designated Swisscom as the universal licensee for 10 years. To date, the US licensee has not applied for any financial compensation. An eventual compensation would be provided from a universal service fund (USF). The decisive factor in calculating a provider's fee is its turnover in the services provided in the country minus the costs of the telecommunications services it has purchased wholesale from third-party providers or billed for third parties.

The content of the US, which is examined periodically by the Federal Council, consists of public telephone services (voice, telefax, and internet access at a fixed location), emergency call services, public payphones and specific services for disabled persons. Mobile telephony is not part of the universal service. However, the US provider may provide US in the form of mobile telephony, such cases do effectively occur in mountain areas. All these services are tagged with a ceiling price. The US licensee must measure, and report yearly, on the quality of the services. The latest modifications, which concern the broadband data rate and its monthly fee adaptations, entered into force on 1 March 2012. There are no specific regulations on universal service and cross-subsidization.

- a While the amendment to the LTC is largely based on the EC's legal framework, this provision giving primacy to negotiations is in contrast to EC legislation.

4.84. A decision of 5 February 2007 by the Swiss Competition Commission (Comco) stated that Swisscom Mobile was found dominant for the mobile voice termination segment. With its termination charge of SwF 0.335 per minute it imposed unfairly high prices, to the detriment of consumers. For this violation of the Act on Cartels, Comco imposed a fine of SwF 333,365,685 on Swisscom Mobile. In a decision dated 24 February 2010, the Federal Administrative Court revised Comco's decision to "abusive conduct" by Swisscom, and cancelled the fine. Both the Federal Department of Economic Affairs and Swisscom have filed appeals against the decision. The Swiss Federal Supreme Court stated a dominant position of Swisscom but no abuse of this dominant position, as competitors always had the possibility to ask the National Regulatory Authority (NRA) for a price decision.⁸⁶

4.85. From an economic perspective, the telecom landscape of Switzerland seems largely stabilized, with three main providers in each of the main segments (mobile, fixed, and broadband). The incumbent Swisscom, 57% owned by the Confederation remains the dominant provider, while its competitors are all 100% foreign owned (Box 4.13).

4.86. In line with generally observed trends, tariffs have continued to fall, albeit at a relatively slow pace, for the consumer in all three segments (Table 4.7).

Table 4.7 Telecom tariffs, 2009-11

	2009	2010	2011
Fixed-lines national services^a			
Small user	100.3	100.0	99.3
Medium user	100.1	100.0	96.6
Large user	99.5	100.0	91.1
Mobile services^a			
Small user	101.4	100.0	98.7

⁸⁶ Decision 2C_343/2010 and 2C_344/2010 of the Federal Court of Switzerland (11 April 2011). Database of the Federal Administrative Court.

	2009	2010	2011
Medium user	103.4	100.0	95.2
Large user	107.3	100.0	101.4
Internet services (only broadband services)^a			
Index of real prices for a medium user	99.9	100.0	94.8
Annual rate of change	-5.4%	+0.1%	-5.2%
Normalized prices index ^b	100.7	100.0	63.1
Annual rate of change	-14.3%	-0.7%	-36.9%
Interconnection rates (monthly charge per line)	17.3	18.4 (prices offered by Swisscom not legally valid, no ComCom-decision yet)	16.6 (prices offered by Swisscom not legally valid, no ComCom-decision yet)

a Indexed data; 2010=100.

b Normalized costs reflect costs for 1 Mbit/s indexed to 100 in 2010.

Source: OFCOM (2011), *Comparatif et évolution des produits les meilleurs marchés, 2010-2011*, Bienne, November; and information provided by the Swiss authorities.

Table 4.8 Mobile roaming rates (wholesale and retail)

Service (Prices in SwF per minute/SMS/MB)	Q1 2012
Retail Voice Roaming: calls made – prepaid & post-paid – EU – base: billed minutes	0.774
Retail Voice Roaming: calls made – prepaid & post-paid – rest of world – base: billed minutes	1.790
Retail Voice Roaming: calls received – prepaid & post-paid – EU – base: billed minutes	0.369
Retail Voice Roaming: calls received – prepaid & post-paid – rest of world – base: billed minutes	1.539
Retail SMS Roaming: prepaid & post-paid – EU & rest of world	0.354
Retail Data Roaming: prepaid & post-paid – EU – group & non-group	0.799
Retail Data Roaming: prepaid & post-paid – rest of world – group & non-group	2.021
Wholesale Voice Roaming: EU – based on billed minutes – non-group	0.318
Wholesale Voice Roaming: rest of world – based on billed minutes – group & non-group	0.689
Wholesale SMS Roaming: EU – non-group	0.093
Wholesale SMS Roaming: rest of world – group & non-group	0.122
Wholesale Data Roaming: EU – group & non-group	0.330
Wholesale Data Roaming: rest of world – group & non-group	0.691

Source: Information provided by the Swiss authorities.

4.4.2.2 Liechtenstein

4.87. The telecommunications sector in Liechtenstein is governed by the applicable EEA law.⁸⁷ Box 4.14 below describes the main economic indicators and the regulatory regime.

Box 4.14 Market structure and regulatory of Liechtenstein's telecommunications sector, 2012

Economic data

Main actors

Number of companies providing value added telecom services: 3 (Telecom Liechtenstein AG, mobilkom (Liechtenstein) AG, and IP Communications GmbH)

Name and market share of the leading company for fixed telecom services: Telecom Liechtenstein AG (85% market share).

⁸⁷ See Annex XI to the EEA Agreement.

Name and market shares of the leading companies for mobile telephones services: three leading mobile phone companies, all operating separate networks, mobilkom (Liechtenstein) AG (52% market share); Telecom Liechtenstein AG (MVNO partner of Orange (Liechtenstein) AG, 27% market share); and Swisscom (Schweiz) AG (21% market share). Swisscom Schweiz (AG) and Orange Communications SA have a significant number of cross-border customers who subscribe to the Swiss mobile networks.

Foreign ownership participation in telecom companies: Orange (Liechtenstein AG), Swisscom (Schweiz) AG, and mobilkom (Liechtenstein) AG are 100% foreign owned.

State ownership: Liechtensteinische Kraftwerke owns the major part of the communication network, and is 100% state owned. Telecom Liechtenstein AG is also 100% state owned.

Penetration rates (2011)

Total population	36,475
ISDN subscribers	6,652
Main (fixed) telephone lines in operation	18,796
Main (fixed) telephone lines/100 inhabitants	52
Mobile cellular telephone subscribers (digital)	37,239
Mobile cellular telephone subscribers/100 inhabitants	106
Internet subscribers	14,532

Tariffs (evolution of tariffs since the last TPR (2009))

For local services: stable tariffs

For international services: stable tariffs

For mobile services: decreasing tariffs (regulatory remedies on termination fees, and roaming directive)

For internet services: stable tariffs, at significant increase of kbit/s performance

For interconnection rates: stable tariffs

Establishment of new companies, mergers or closures since the last Review in 2012, one mobile telephone operator (Alpcom AG) went bankrupt and was liquidated.

Regulatory framework

Recent or planned regulatory changes

Since the EU telecommunications regulatory framework applies through the EEA, Liechtenstein has transposed, *inter alia*, various EC directives on telecommunications (the Access Directive (2002/19/EC); the Authorization Directive (2002/20/EC); the Framework Directive (2002/21/EC); the Universal Service Directive (2002/22/EC); and the e-Privacy Directive (2002/58/EC).

As a result, a new Communication Act entered into force in June 2006.

In 2007, the corresponding ordinances of the Communication Act entered into force (Ordinance concerning the Responsibilities and Powers of the Regulatory Authority in the field of Electronic Communication of 3 April 2007, Ordinance concerning Electronic Communications Networks and Services of 3 April 2007, Ordinance concerning Means of Identification and Frequencies in the field of Electronic Communication of 8 May 2007, Ordinance about Levy of Usage and Administration Fees by the Communication Act of 13 April 2004 (Revision), the Liechtenstein Numbering Plan referred to ITU-T E.164 of 3 April 2007 and Ordinance concerning Radio Equipment and Communications Terminal Equipment of 3 April 2007).

The Communication Act was revised in 2010 due to changes in the legal field as well as technical advancement in electronic communication. Other reasons for the revision were, *inter alia*, the protection of users and the fight against the abuse of call numbers. In the same year, the main part of the corresponding ordinances was also revised.

Another revision of the Communication Act began in 2012, *inter alia*, in order to transpose amendments of the new telecom package directives 2009/140/EC and 2009/136/EC into national law.

Interconnection

Telecom Liechtenstein AG and Liechtensteinische Kraftwerke are obliged to make their infrastructure and services available to other enterprises in a neutral, non-discriminatory, and cost-based manner. Interconnection regulations are based on the relevant EC principles. Neither Telecom Liechtenstein AG nor Liechtensteinische Kraftwerke enjoy any exclusive rights.

Competition policy

Market analysis/enquiries: In 2009-12, the Office for Communications conducted several market analyses on the markets for access to public telephone network at fixed locations ("M1"), call origination and termination on fixed networks ("M2" and "M3"), network infrastructure access at fixed locations ("M4"), broadband ("M5"), terminating segments of leased lines (wholesale market; "M6"), trunk segments of leased lines (wholesale market) and mobile termination ("M7"). The Office for Communication finalized the market analysis for M6 as defined by the EFTA surveillance authority in the recommendation of 5 November 2008, concluding that there was no dominant position in M6.

Dominant suppliers: the Office for Communications identified Telecom Liechtenstein AG (in M1, M2, M3, M5, M7), Liechtensteinische Kraftwerke (in M4) as well as the mobile phone operators (M7) as carriers with significant market power, and applied specific regulatory remedies under the new Communication Act of June 2006. In the wholesale market of leased lines, comprising trunk as well as terminating segments, effective competition prevails and no measures of special regulation are required in the sense of an ex ante regulation.

Other regulatory aspects

Regulatory supervision: the Office for Communications (<http://www.llv.li/amtstellen/llv-ak-englishpage.htm>)

Facility sharing and local-loop unbundling: both services are offered by Liechtensteinische Kraftwerke to registered telecom service providers at transparent, cost-oriented, non-discriminatory conditions, according to the reference unbundling offer, which was authorized by the Office for Communications in the framework of the M4 market analysis.

Number portability: Not implemented. A consultation conducted by the Office for Communication in June 2012 resulted in low interest from the alternative providers in Liechtenstein.

Spectrum management: Liechtenstein Frequency Allocation Plan (FAP) consists of several parts including the radio spectrum strategy. Integral components of the plan are: frequency ranges and radio interface requirements, as well as other rules and restrictions for the use of the appropriate frequency range.

The technical and operational requirements of the frequency use in Liechtenstein create a transparent and comprehensive picture which reflects the components of the R&TTE directive of the European Union. This is important for the users themselves, but above all for the manufacturers and distributors of radio devices.

The FAP complies fully with the ITU (International Telecommunication Union) and the CEPT (European Conference of Postal and Telecommunication administrations) recommendations (<http://www.llv.li/pdf-llv-ak-frequenzzuweisungsplan.pdf>).

Mobile interconnection: the mobile operators are interconnected to Telecom Liechtenstein AG only. Mobile interconnection charges are agreed between operators. The mobile termination fees are regulated as a result of the M7 market analysis, by a phased reduction of price caps ending at SwF/min 0.0765 as of 1 January 2013.

Mobile roaming rates (wholesale and retail): Regulation No. 531/2012 was approved in October 2012 by the Liechtenstein Parliament, and the Communication Act is to be revised for the implementation of sanctions.

Accounting rates: not used

Licensing: The 2006 Communication Act eliminated the licence system. All activities in the area of electronic communication are licence-free; a notification to the Liechtenstein Office for Communications, the national regulatory authority, is required.

Universal service: provided by Telecom Liechtenstein AG

4.4.3 Transport**4.4.3.1 Switzerland****4.4.3.1.1 Air transport**

4.88. Switzerland is a relatively important market for aviation services due to its high per capita income, the importance of its inbound and outbound tourism, and the size of business market.

4.89. The market access regime is liberal for the selling and marketing of air transport services, computer reservations services, and aircraft repair and maintenance (the three sectors explicitly covered by the air transport annex of the GATS), as reflected in the GATS revised offer, and as bound by the commitments contained in the free-trade agreements schedules.

4.90. The situation is similar for ground handling services, where the EU rules apply through the bilateral air transport agreement of 1999 (see Table A4.4) and where third-party handling is allowed, opened to foreign firms, and indeed exercised by some of them. Bilateral air transport agreements may, in addition, allow self-handling and mutual handling in certain instances. Major airports are concessioned but public authorities may retain a majority of the shares if they so wish. In general aviation, taxi flights are covered by the general regime of commercial air transport. Aerial work is considered a non-air-transport operation, hence it is covered by the general regime of services (technical and operational rules specific to aviation are applicable). This is illustrated by the fact that the reciprocal opening of the market (for 90 effective days of operation between the EU and Switzerland), which covers aerial work, is based upon the chapter on services of the bilateral agreement on the free movement of persons. Box 4.15 below details further the main economic indicators and the regulatory regime of these various air transport services.

Box 4.15 Switzerland's market and regulatory regime for air transport subsectors, 2012**Computer reservation services**

General regulatory framework: there is no regulation granting a monopoly or prescribing the compulsory use of a CRS supplier. Switzerland applies EC Regulation 80/2009^a

Economic characteristics: all CRS providers may operate as long as they comply with EU Regulation 80/2009. This does not imply that they have a local branch established.

Selling and marketing of air transport services

General regulatory framework: there are no specific regulations (including foreign exchange controls) preventing or limiting the sale by foreign airlines of their own tickets through whatever channel (online, airports counters, city offices). This is not affected by individual provisions of bilateral agreements.

Aircraft repair and maintenance

General regulatory framework: no specific limitations on the establishment of foreign providers

Number of certified repair stations: 9 repair stations certified by the Federal Aviation Administration (FAA), and 78 by the European Aviation Safety Agency (EASA)

Ground handling services

General regulatory framework: Switzerland applies EC Regulation 97/67^b
Bilateral agreements may contain clauses granting specific rights to the carriers of the countries concerned

Main providers: Zurich: Swissport, Dnata, and Airline Assistance Switzerland for passenger handling; Dnata and Cargologic for cargo handling (all Swiss companies or branches), Geneva: Swissport, Dnata for passenger handling; Customer Ground Services and Air Cargo Logistic for cargo handling (all Swiss companies or branches)

Airport management services

General regulatory framework: concessioned airports are managed by public or private entities (even for private entities, the majority of the capital may be in public hands)

Economic characteristics: international airports (with line and charter traffic) are: Zurich (passengers: 24,376,142; cargo tonnes: 283,422); Geneva (passengers: 13,048,960; cargo tonnes: 31,427); Basle (passengers: 5,043,469; cargo tonnes: 41,280); Berne (passengers: 169,765); Lugano (passengers: 165,054; cargo tonnes: 71); Altenrhein (passengers: 98,834); and Sion (passengers: 6,815). Total domestic traffic 662,886 passengers (start from departure airport and arrival at destination airport count as 1 passenger).^c

Commercial aviation

General regulatory framework:

National establishment rules: in line with EU regulation 1008/2008^d

Cargo: no specific policy

Charter: Switzerland applies EC Regulation 1008/2008^e, thus charter traffic is not discriminated and is based on the principle of reciprocity. Low-cost carriers do operate from Switzerland.

Domestic traffic: Domestic traffic is limited in principle to Swiss operators unless it has been agreed otherwise in the bilateral ASA: Such an opening has been negotiated but not finalized between Switzerland and EU.

Slot allocation: in line with EU regulation 96/97^f

a <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:035:0047:0055:EN:PDF>.

b <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31997L0067:en:NOT>.

c All figures 2011, general aviation not included.

d <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:293:0003:0020:en:PDF>.

e <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:293:0003:0020:en:PDF>.

f <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31996L0097:EN:HTML>.

Source: Information provided by the Swiss authorities.

4.91. Regarding commercial aviation Switzerland is in the relatively rare situation where its national carrier, Swiss, is majority owned by a non-Swiss national. In such cases, Switzerland has nevertheless managed to preserve the traffic rights either by negotiating the replacement of a substantial ownership and effective (SOE) control clause by a "principal place of business" clause in its bilateral agreements, or by negotiating waivers to the SOE clause. This is reflected in Table 4.9, which describes the new agreements or amendments to existing bilateral air services agreements since 2005. Detailed data on Switzerland's aeropolicy until 2005 are contained in the

"QUASAR profile" of Switzerland.⁸⁸ In 2005, Switzerland's air liberalization index (ALI), weighted by passenger traffic (WALI), stood at 9.8. The ALI of the agreements covered by QUASAR ranged between 0 and 41.⁸⁹

4.92. Since 2005, around 40 agreements have been either amended, initialled, concluded or have entered into force between Switzerland and its partners. About half of the new agreements have been concluded with countries other than those listed in the 2005 QUASAR profile, primarily Eastern European economies and former Soviet republics.

4.93. Switzerland's recent bilateral agreements are notably more liberal than those in its 2005 QUASAR profile. Except for one, they all have an ALI value equal to or above 18, and around. Half of the agreements have an ALI of 24 or higher; one third have an ALI of 35 or higher.

Table 4.9 Air services agreements

(a) Bilateral air services agreements

Partner	Date	Entry into force	5th ^a	7th ^b	Cabotage ^c	Coop ^d	Designation ^e	Withholding ^f	Pricing ^g	Capacity ^h	Stat ⁱ	ALI 2011 ^j	ALI 2005
Afghanistan (new ASA initialled)	27/09/61		yes	no	no	yes	M	PPoB	DD	PD	yes	27	8
Albania	09/05/07	02/11/07	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Algeria	18/06/63		no	no	no	no	S	SOE	DA	other	yes	2	2
Argentina	02/11/04		yes	no	no	yes	M	PPoB	DD	PD	yes	27	10
Armenia	10/11/09	01/06/11	no	no	no	yes	M	PPoB	DD	PD	yes	21	-
Australia	28/10/11		yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Austria	19/12/49		yes	no	no	no	M	SOE	DA	B1	yes	14	14
Azerbaijan	09/10/07	30/11/10	yes	no	no	yes	M	PPoB	DD	B1	yes	31	-
Bahrain (new amendments initialled)	04/02/86		yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Barbados	27/10/09		yes	no	no	yes	M	PPoB	DD	PD	yes	27	-
Belgium	24/03/60		no	no	no	no	S	SOE	DA	B1	yes	4	4
Benin	06/11/75		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Bolivarian Rep. of Venezuela	09/08/91	10/03/93	no	no	no	no	S	SOE	DA	PD	yes	0	-
Bolivia	26/02/97		yes	no	no	no	S	SOE	CoO	PD	yes	9	9
Bosnia & Herzegovina (new ASA initialled)	06/03/98	19/11/02	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Brazil (new ASA initialled)	27/07/78		yes	no	no	no	M	PPoB	DD	PD	yes	24	6
Brunei Darussalam	22/11/94		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Bulgaria	11/05/05	06/01/08	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Burundi	10/01/74		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Cambodia	06/02/07	06/02/07	yes	no	no	no	M	PPoB	CoO	B1	yes	25	-
Cameroon	13/01/09	23/11/10	no	no	no	yes	M	PPoB	DD	B1	yes	25	0
Canada	17/05/06		yes	no	no	yes	M	SOE	DA	FD	yes	21	8
Cape Verde	14/12/98	14/12/98	no	no	no	no	S	SOE	CoO	B1	yes	7	-
Central African Republic	09/03/73		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Chile	22/07/04	29/09/05	yes	no	no	no	M	PPoB	DD	FD	yes	32	11

⁸⁸ WTO document S/C/W/270/Add.1, "QUASAR profile" of Switzerland, pp. II.479 to II.487. For more details on the QUASAR methodology, see document S/C/W/270/Add.1, pp. I.9 to I.21.

⁸⁹ The ALI ranges from 0 (classical "Bermuda II" agreements) to 50 (full common aviation market).

Partner	Date	Entry into force	5th ^a	7th ^b	Cabotage ^c	Coop ^d	Designation ^e	Withholding ^f	Pricing ^g	Capacity ^h	Stat ⁱ	ALI 2011 ^j	ALI 2005
China	01/03/11		Yes	no	no	yes	M	PPoB	CoO	PD	yes	24	6
Colombia	17/08/00		yes	no	no	yes	S	SOE	DA	B1	yes	13	10
Congo	24/10/64		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Congo, Dem. Republic of	03/02/75		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Côte d'Ivoire	14/05/69		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Croatia	21/01/10	25/10/10	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Cuba (new amendments initialled)	14/02/74		yes	no	no	no	M	PPoB	DA	PD	yes	18	6
Cyprus	18/01/73		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Czech Republic	17/07/96		no	no	no	no	M	SOE	CoO	other	yes	13	13
Denmark	14/03/57		yes	no	no	no	S	SOE	DA	B1	no	11	11
Djibouti	25/03/99	08/07/00	yes	no	no	no	S	SOE	CoO	B1	yes	13	-
Dominican Republic	07/12/00	27/03/03	yes	no	no	yes	M	PPoB	DA	other	yes	27	-
Ecuador	06/05/74		yes	no	no	no	S	SOE	DA	other	yes	8	8
Egypt (new ASA initialled)	30/07/95	23/12/97	no	no	no	no	M	COI ^k	DD	B1	yes	18	12
Equatorial Guinea	30/11/04	30/11/04	yes	no	no	yes	M	PPoB	n/a	B1	yes	25	-
Eritrea	02/04/98	08/06/99	yes	no	no	no	S	SOE	CoO	B1	yes	13	-
Estonia	20/10/98	21/04/99	yes	no	no	no	M	SOE	DA	B1	yes	14	-
Ethiopia (new ASA initialled)	10/02/00	05/06/03	yes	no	no	yes	M	PPoB	DA	B1	yes	25	-
Finland	19/11/79		yes	no	no	no	M	SOE	DA	B1	yes	14	14
France	30/07/45		yes	no	no	no	S	n/a	n/a	PD	no	7	7
FYR Macedonia	10/11/09	01/03/10	yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Gabon	21/02/05	21/02/05	yes	no	no	yes	M	PPoB	DD	B1	yes	31	2
Gambia	26/01/94	26/10/09	yes	no	no	no	S	SOE	DA	B1	yes	10	-
Georgia	22/07/08	16/11/10	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Germany	10/04/72		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Ghana	30/08/10		yes	no	no	yes	M	PPoB	DD	PD	yes	27	10
Greece	26/05/48		yes	no	no	no	M	SOE	n/a	B1	no	15	15
Guatemala	27/02/74	08/04/78	yes	no	no	no	S	SOE	DA	B1	yes	10	10
Guinea	01/02/63		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Hong Kong, China	26/01/88		no	no	no	no	M	PPOB ^l	DA	PD	yes	12	12
Hungary	28/03/72		yes	no	no	no	S	SOE	DA	PD	yes	6	6
India	02/05/01		yes	no	no	no	M	SOE	CoO	PD	yes	13	13
Indonesia	14/06/78		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Iran, Islamic Rep. of	31/12/72		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Iraq	01/04/62		yes	no	no	no	M	SOE	DA	B1	yes	14	14
Ireland	07/11/57		yes	no	no	no	M	SOE	DA	B1	no	15	15
Israel (initialled)	24/07/70		yes	no	no	yes	M	PPoB	DA	B1	yes	25	10
Italy	04/06/56		no	no	no	no	M	SOE	DA	PD	yes	4	4
Jamaica (new ASA initialled)	07/11/74		yes	no	no	yes	M	PPoB	DD	FD	yes	35	10

Partner	Date	Entry into force	5th ^a	7th ^b	Cabotage ^c	Coop ^d	Designation ^e	Withholding ^f	Pricing ^g	Capacity ^h	Stat ⁱ	ALI 2011 ^j	ALI 2005
Japan	05/10/93		yes	no	no	no	S	SOE	DA	other	yes	8	8
Jordan	28/04/03	18/09/05	yes	no	no	no	M	PPoB	DD	B1	yes	28	10
Kazakhstan	05/08/93	12/08/97	no	no	no	no	S	SOE	DA	B1	yes	4	-
Kenya	03/12/04	23/12/05	yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Korea, Dem. People's Rep. of	16/06/95	20/03/97	yes	no	no	no	S	SOE	CoO	B1	yes	13	-
Korea, Rep. of	15/12/75		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Kosovo	30/11/10	08/02/11	no	no	no	yes	M	PPoB	DD	PD	yes	21	-
Kuwait	28/06/10		yes	no	no	yes	M	PPoB	DD	FD	yes	35	10
Kyrgyz Republic	25/10/02	30/03/06	no	no	no	yes	M	PPoB	DA	FD	yes	23	-
Lao People's Dem. Rep.	15/12/99	27/12/04	yes	no	no	no	M	SOE	CoO	B1	yes	17	-
Latvia	21/05/93		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Lebanon	10/06/03	22/12/04	yes	no	no	yes	M	SOE	CoO	FD	yes	24	13
Liberia	31/08/61		yes	no	no	no	M	SOE	DA	B1	yes	14	14
Libyan Arab Jamahiriya	21/08/05	21(08/2005	yes	no	no	yes	M	PPoB	DD	other	yes	33	-
Lithuania	08/07/94		no	no	no	no	S	SOE	DA	PD	yes	0	0
Luxembourg	09/04/51		yes	no	no	no	S	SOE	DA	B1	no	11	11
Macao, China	05/09/95		no	no	no	no	S	PPoB	CoO	PD	yes	11	11
Malaysia (new amendments initialled)	06/09/68		yes	no	no	no	S	PPoB	DA	B1	yes	18	10
Maldives (new amendments initialled)	25/10/93		yes	no	no	no	S	PPoB	DA	other	yes	20	12
Mali	27/06/81	04/10/89	yes	no	no	no	S	SOE	DA	B1	yes	10	-
Malta	04/10/77		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Mauritania	13/03/79		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Mauritius (new ASA initialled)	14/11/79		yes	no	no	yes	M	PPoB	DA	PD	yes	21	6
Mexico (new ASA initialled)	22/11/78		yes	no	no	yes	M	PPoB	DA	PD	no	22	7
Mongolia	03/03/00	03/03/00	yes	no	no	no	M	SOE	CoO	B1	yes	17	-
Morocco	23/06/11	23/06/11	yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Myanmar	31/10/60		yes	no	no	no	S	SOE	DA	B1	no	11	11
Netherlands	01/11/62		yes	no	no	no	M	SOE	DA	B1	no	15	15
New Zealand	08/09/99		yes	no	no	yes	M	PPoB	DD	FD	yes	35	41
Nigeria	12/09/80	19/11/81	no	no	no	no	S	SOE	DA	PD	yes	0	6
Norway	04/06/57		yes	no	no	no	S	SOE	DA	B1	no	11	11
Oman (new amendments initialled)	27/09/86		no	no	no	yes	M	PPoB	DD	FD	yes	29	0
Pakistan	10/03/01	11/11/02	yes	no	no	no	M	PPoB	DD	FD	yes	32	8
Panama (new ASA initialled)	21/04/64		yes	no	no	no	M	PPoB	DA	B1	yes	22	14
Paraguay (new ASA initialled)	05/06/85		yes	no	no	no	M	PPoB	DA	PD	yes	18	6
Peru	23/11/56		yes	no	no	no	S	PPoB	DA	B1	yes	10	10
Philippines	10/07/74		yes	no	no	no	S	SOE	DA	B1	yes	10	10

Partner	Date	Entry into force	5th ^a	7th ^b	Cabotage ^c	Coop ^d	Designation ^e	Withholding ^f	Pricing ^g	Capacity ^h	Stat ⁱ	ALI 2011 ^j	ALI 2005
Poland	05/12/66		yes	no	no	no	S	SOE	DA	PD	no	7	7
Portugal	30/08/75		yes	no	no	no	M	SOE	DA	PD	no	11	11
Qatar (new amendments initialled)	11/07/95		yes	no	no	yes	M	PPoB	DA	FD	yes	29	6
Romania	10/11/08	08/01/10	yes	no	no	yes	M	PPoB	DD	FD	yes	35	6
Russian Federation (new amendments initialled)	02/09/93	11/07/97	yes	no	no	no	S	PPoB	DA	B1	yes	18	6
Rwanda	21/01/74		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Saudi Arabia, Kingdom of	04/07/09		yes	no	no	yes	M	PPoB	DD	PD	yes	27	10
Senegal (new ASA initialled)	23/01/63		yes	no	no	yes	M	PPoB	DA	PD	yes	21	6
Serbia	31/05/02	28/08/03	no	no	no	no	M	SOE	DD	B1	yes	14	6
Seychelles	02/11/95		yes	no	no	no	S	SOE	CoO	PD	yes	9	9
Singapore	09/12/83		yes	no	no	yes	M	PPoB	DD	FD	yes	35	10
Slovak Republic	13/11/97		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Slovenia	04/12/92		yes	no	no	no	S	SOE	DA	PD	yes	6	6
South Africa	08/05/07	07/12/07	yes	no	no	yes	M	PPoB	DD	PD	yes	27	6
Spain	15/10/68		no	no	no	no	M	SOE	DA	PD	no	5	5
Sri Lanka	17/04/07	21/02/08	yes	no	no	yes	M	PPoB	DD	FD	yes	35	10
Sudan	04/04/83		yes	no	no	no	S	SOE	DA	B1	yes	10	10
Sweden	05/11/68		yes	no	no	no	S	SOE	DA	B1	no	11	11
Syrian Arab Republic	22/08/03		yes	no	no	yes	M	PPoB	DA	FD	yes	29	29
Tanzania	24/05/04	24/05/04	yes	no	no	yes	M	PPoB	DD	FD	yes	35	-
Thailand	18/01/10	03/02/10	yes	no	no	yes	M	PPoB	CoO	FD	yes	32	12
Togo	03/12/80		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Trinidad and Tobago	15/12/71		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Tunisia	21/05/60		yes	no	no	no	M	SOE	DA	other	yes	12	12
Turkey (new ASA initialled)	16/02/49		yes	no	no	no	M	PPoB	DA	B1	no	23	15
Uganda	17/04/67		no	no	no	No	S	SOE	DA	n/a	no	1	-
Ukraine (new ASA initialled)	21/07/93	25/03/97	no	no	no	no	M	PPoB	DA	B1	yes	16	-
United Arab Emirates (new ASA initialled)	13/03/89		yes	no	no	no	M	PPoB	DA	PD	yes	18	10
United Kingdom	21/12/93		yes	no	no	no	M	SOE	DA	B1	yes	14	14
United States	21/06/10	21/06/10	yes	no	no	yes	M	PPoB	FP	FD	no	38	28
Uruguay (new ASA initialled)	16/09/60		no	no	no	no	M	PPoB	DD	FD	no	27	-
Uzbekistan	14/07/94		yes	no	no	no	S	SOE	DA	PD	yes	6	6
Viet Nam (new amendments initialled)	06/12/79	20/11/81	yes	no	no	no	M	PPoB	DD	PD	yes	24	-
Yemen	19/12/91	31/05/00	no	no	no	no	S	PPoB	DA	B1	yes	12	-
Zimbabwe	22/02/90	03/09/93	yes	no	no	no	S	SOE	DA	other	yes	8	-

(b) Plurilateral air services agreements

Partner	Date	Entry into force	5 th ^a	7 th ^b	Cabotage ^c	Coop ^d	Designation ^e	Withholding ^f	Pricing ^g	Capacity ^h	Stat ⁱ	ALI 2011 ^j	ALI 2005
European Union	21/06/99	01/06/02	yes	yes	no	yes	M	PP+SOE	FP	FD	no	44	39

- a A yes indicates that fifth freedom rights, even limited ones, are granted.
b A yes indicates that seventh freedom rights, even limited ones, are granted.
c A yes indicates that cabotage rights, even limited ones, are granted.
d A yes indicates that there are clauses allowing cooperation between airlines, such as code share.
e "S" indicates that designation is single, "M" that it is multiple.
f Type of withholding clause: Substantial Ownership and Effective Control "SOE", Principal Place of Business "PPoB" or Community of Interest "COI".
g Type of pricing clause: Double Approval "DA", Double Disapproval "DD", Country of Origin (CoO), Zone Pricing "ZP", Free Pricing "FP".
h Type of capacity clause: Pre Determination "PD", Bermuda I, "BI", Free determination "FD", other "O". In the case of "Other", please specify.
i A yes indicates that an exchange of statistics is foreseen by the agreement.
j As of 12.10.2012.
k The withholding clause is an "EU clause" which has been assimilated to a "COI" for the purpose of computing the ALI.
l The withholding regime is based on a waiver, which has been assimilated to "PPoB" for the purpose of computing the ALI.

4.94. Essentially, openness levels have increased because of the inclusion in Switzerland's ASAs of clauses on cooperation and code-share, which are typical of modern agreements (present in two thirds of new ASAs), and of principal place of business withholding provisions (34 cases). In addition, liberalizing the tariff clause from the restrictive "double approval" system to "dual disapproval" pricing, and the "free determination of capacity" clauses are goals of all new air services negotiations. Differently from the 2005 QUASAR profile, nearly all new agreements contain a "multiple designation" clause. As in 2005, 5th freedom rights are found in the majority of the new agreements.

4.4.3.1.2 Inland transport

4.95. Box 4.16 describes the main economic indicators of inland surface transport in Switzerland.

Box 4.16 Main economic indicators of inland surface transport**Inland surface transport**

Total inland surface freight transport (million tonne/km): 2005: 27,431; 2006: 28,796; 2007: 28,945; 2008: 29,527; 2009: 26,859; 2010: 28,216

Modal split of inland surface freight transport (million tonne/km, 2010): road: 17,142; waterways: 100; rail: 11,074; total: 28,316

Total inland surface passenger transport (million passenger/km): 2005: 113,196; 2006: 109,680; 2007: 111,350; 2008: 111,703; 2009: 113,675; 2010: 115,243

Traffic volume per vehicle category (million vehicle/km, 2010): buses and motor coaches: 119; vans and lorries: 5,730

Source: Federal Statistical Office, Neuchâtel.

4.4.3.1.2.1 Road transport

4.96. Box 4.17 describes the main economic indicators of road transport in Switzerland.

Box 4.17 Main economic indicators of road transport

Road transport
<i>Road freight transport</i>
Fleet (2010): 348,553 vans and lorries
Volume (million tonne/km): 2005: 15,453; 2006: 16,337; 2007: 16,900; 2008: 17,262; 2009: 16,924; 2010: 17,142
<i>Road passenger transport</i>
Fleet (2010): 18,800 buses and motor coaches
Volume (million passenger/km): 2005: 86,023; 2006: 86,160; 2007: 87,492; 2008: 88,525; 2009: 89,930; 2010: 90,666

Source: Federal Statistical Office, Neuchâtel.

4.97. Road transport accounts for 63% of inland freight transportation while railways represent 37% of freight transportation.⁹⁰ At the geographical centre of Europe and as a transit country, notably between Germany and Italy, Switzerland confronts large inflows of international transit traffic, with potential infrastructural bottlenecks due to its mountainous terrain. Therefore, over the last 30 years it has developed a voluntarist policy of transferring road traffic to rail traffic, through incentives and infrastructural rail spending, and through regulations and taxation.

4.98. The objective of this modal transfer is to reduce the number of cross-alpine road trips to 650,000: in 2011, there were 1.258 million cross-alpine heavy vehicles (i.e. over 3.5 tonnes) trips. The domestic conditions of establishment and operation are liberal, as are the bilateral agreements with third countries outside EU, relatively speaking (i.e. compared to average European bilateral agreements following the ECMT model agreement).

4.99. The main recent regulatory change regarding road transport was the 20 March 2009 federal law on road transport companies (LEnTR; RS 744.10), which entered into force on 1 January 2010. This law regulates the licencing of road freight and passenger transport companies and carries over the provisions on licencing that existed in the 18 June 1993 law on passenger transport. Box 4.18 below details further the main economic indicators as well as the regulatory framework of the sector.

Box 4.18 Switzerland's road transport framework

Regulatory framework
<i>Establishment/domestic regulatory framework^a:</i>
<u>Licensing requirement</u> : operators require a licence (other than a driving licence) in order to establish a national road freight business (for transporting dangerous goods or goods for which sanitary assurances are required).
<u>Licensing criteria</u> : no other criteria than technical, professional, and financial fitness and compliance with public safety requirements.
<u>Capacity regulation</u> : the regulator does not have any power to limit industry capacity through licences or otherwise.
<u>Pricing</u> : professional bodies or representatives of trade and commercial interests are not involved in specifying or enforcing pricing guidelines or regulations.
The retail prices of road freight services are not in any way regulated by the Government nor does the government provide pricing guidelines to road freight companies.
<i>International regulatory framework:</i>
<u>Bilateral agreements</u> : 50 bilateral agreements, with provisions significantly more liberal than average European bilateral agreements following the ECMT model agreement. ^b For a full list and the text of these agreements see http://www.wto.org/english/tratop_e/serv_e/transport_e/transport_land_e.htm , lines 735 to 784 ^c

⁹⁰ However for purely cross-alpine traffic, the figures are virtually inverted: 64% for rail and 36% for road.

Switzerland-EU agreement: the agreement between the EU and Switzerland entered into force on 1 June 2002. Its core provision is the commitment by Switzerland to raise *erga omnes* - not only for the sole benefit of the European Union - the maximum permissible weight of vehicles from 28 to 40 tonnes, in exchange for EU recognition of the legality of a fee on heavy vehicles that is non-discriminatory, a function of the distance travelled, the weight and emission class of the vehicle, and intended to encourage the transfer of traffic (particularly transit traffic) to the railways and to contribute to the financing of the cross-Switzerland rail infrastructure. The agreement also liberalizes road transport between the EU member states and Switzerland, and opens up the market for transport between EU member states (*grand cabotage*) to Swiss carriers. At the same time, cabotage in the strict sense of the word (i.e. road transport within Switzerland or within an EU member state) was not liberalized. The agreement provides for mutual recognition of the licences needed to gain admission to the occupation, general harmonization of technical standards, and coordination of transport policies, in particular on combined rail-road transport. The EU-Switzerland agreement does not affect triangular quotas for freight or existing cabotage rights for passenger transport.

- a OECD Survey of Indicators of Regulation in Energy, Transport and Communications. Viewed at: <http://www.oecd.org/dataoecd/47/29/42480612.xls> (data on road freight are available only in English), quoted in WTO document S/C/W/324, pp. 57-59.
- b According to a World Bank Study "Review of bilateral road freight transport agreements (Quantitative Analysis of Road (Freight) Transport Agreements – *QUARTA Freight*)", mimeo.
- c Two new agreements have been concluded since the last update of this database in 2008, one with Serbia (RS 0.741.619.682), replacing the 1962 agreement with Yugoslavia, and one with Kosovo (RS 0.741.619.475)

4.100. Table 4.10 details the quotas allocated for 2010 to Switzerland under the ECMT (European Council of Ministers of Transport) multilateral quota system.

Table 4.10 Road – Breakdown of ECMT basic licences by vehicle environmental category, 2010

Participants	Base 2010	EURO III safe lorries			EURO IV safe lorries			EURO V safe lorries		
		Licences		Total EURO III	Licences		Total EURO IV	Licences		Total EURO V
		Annual	Short term		Annual	Short term		Annual	Short term	
Switzerland	135	35	0	35	50	0	50	50	0	50

Source: WTO document S/C/W/324, 29 October 2010.

4.4.3.1.2.2 Rail transport

4.101. Switzerland has a very developed railway network connected internationally, including to high speed lines (Table 4.11). In addition to passenger traffic there is significant international transit of goods traffic through the Alps, notably between Germany and Italy. The importance of railway transport is reinforced by the voluntarist policy of transfer of a large part of cross-alpine road transport goods traffic to rail.

4.102. The interurban rail network comprises:

- Track: 5,697 km (2010) of which 5,630 km electrified, and 2,136 km double-tracked;
- Gauge: standard (1,435 mm): 3,890 km; 1,000 mm: 1,716 km; and 800 mm: 59,6 km
- Transport statistics: 437 million passengers (2009); 19,471 million passenger/km (2011); 61.8 million tonnes (2009), 11,526 million tonne/km (2011).

4.103. Unlike many European countries, Switzerland has never had a regime of public monopoly but rather a regime of coexistence between a large public company, SBB-CFF-FFS, and of several private companies whose number has diminished over time through mergers. Switzerland has developed mutual access to network legislation policy comparable *mutatis mutandis* to that of Japan and the United States. More recently, Switzerland has largely transposed into its legislation the first two packages of EU railway liberalization, and has opened its network to EU companies for the operation of freight trains. In addition to the three Swiss network-owning companies, several foreign railway freight companies, mainly of German nationality (DB Schenker, Transalpin

Eisenbahn AG, and TX Logistik) have created subsidiaries in Switzerland, obtained authorization to access to Swiss network, and the relevant safety certificate.

4.104. Table 4.11 describes the main interurban operators railway ownings of Switzerland.

Table 4.11 Main network-owning railway companies in Switzerland

Main interurban railway companies	Ownership	Network (km)	Regions and sectors of operations	Employees	Traffic (passenger and passenger km, tonnes and tonnes km)
SBB/CFF/FFS (Swiss Federal Railways), SBB Cargo AG	Limited company, 100% owned by the Swiss Confederation	2,982	Infrastructure: whole country; international interurban and regional passenger and freight transport. Urban rail transport (S-Bahn) in several regions	28,586 (2011)	Passengers: 347.1 million (2010) Passenger/km: 17,513 million (2010) Tonne/km: 13,111 million tonnes km
BLS AG, BLS Netz AG, BLS Cargo AG	Limited company, Swiss Confederation, Berne canton, other cantons, private shareholders	440	Regional and urban passenger transport mainly in the Berne and Lucerne areas, international goods transport infrastructure	2,750	Passengers: 52.1 million (2008) Tonne/km: 2,980 million
RhB (Rhaetian railways)	Limited company (Graubünden canton: 51.3%, Swiss Confederation, 43.1%, private shareholders: 4.6%, municipalities: 1%)	366	Interurban passenger and freight transport in eastern Switzerland	1,300	Passengers: 10.6 million (2008) Tonnes: 0.81 million (2008)
SOB (SudÖstBahn) ^a	Limited company Swiss Confederation 35.2%, cantons: SG: 19.17%, SZ: 5.79%, ZH: 3.81%, TG: 1.8% AR: 0.87%, municipalities: 14.06%, private shareholders 18.68%	123	Interurban passenger transport in North-eastern Switzerland		Passengers: 13.26 million (2010) Passenger/km: 208 million

a Turnover of SwF 123.6 million in 2010.

Source: Compiled by the Secretariat from information on railway companies' websites.

4.105. In regulatory terms, the sector has been undergoing reform since the end of the 1990s. The first reform, which entered into force in January 1999, transformed SBB-CFF-FFS into a limited company still owned by the State; formalized the right of access for any railway company by instituting an arbitration commission; and separated the transport activities of railway companies from their infrastructure activities, from an accounting and an operational point of view.

4.106. A second package of reform was divided into two parts: the first, essentially of a technical nature (general regulation of public transport and safety rules and supervisory authority), was adopted in 2005 and the second on 16 March 2012. Parts of this package entered into force on 1 December 2012 and the rest in summer 2013. The provisions of the new law deal with interoperability and safety; reinforcement of the role of the arbitration commission; the financing of protection services; and tendering procedures for concessioning regional passenger traffic.

4.107. These new provisions are aligning the Swiss law on the provisions of the first and second EU package of liberalization, except for the institution of a body independent from the infrastructure manager to allocate the paths. For now, paths for most of the Swiss network are allocated by Trasse Schweiz AG, a company co-owned by SBB, BLS, SOB, and UTP (Union des Transports Publics). However a commission of experts has been created to identify options regarding the independent allocation of paths. These options will be submitted to Parliament by a special message of the Federal Council. Transposition of the third EU railways package is also envisaged. It foresees the opening to international competition of international passenger transport, improves passengers rights, and creates a uniform railway driver permit, and the Swiss Government is observing how individual EU member states are implementing the directives of the three packages.

4.108. The main recent regulatory changes in the sector are recapitulated in Table 4.12 below.

Table 4.12 Railway law

Law/ordinance	Description
Federal law of 14 December 1990 on direct federal tax (LIFD, RS 64211)	Extends the fiscal exemption of SBB-CFF-FFS to all private railways companies
Federal law of 19 December 2008 on the transfer from road to rail of heavy freight transport through the Alps (LTTM; RS 740.1)	Sets the date of the objective of 650,000 maximum road trips to two years after the entry into service of the Saint Gotthard base tunnel, and allows the Federal Council to conclude international agreement to institute a transit stock exchange where the right to cross the Alps would be auctioned
Ordinance of 25 November 1998 on access to railways network (OARF; RS 742.122)	Creates the possibility to auction the paths when offers are equivalent and sets the parameters of the pricing of the paths including environmental bonuses
Federal law of 20 March 2009 on passenger transport (LTV; RS745.1)	Foresees that the Confederation and the cantons may conclude with the railway companies pluri-annual conventions with a <i>bonus-malus</i> system based on the quality of services and on financial indexes. It also sets the conditions of the Confederation guarantee in case of investments in the transport sector by the railways companies and foresees the corresponding budgetary allotment
Ordinance of 4 November 2009 on passenger transport (OTV; RS 745.1)	Sets the principle and the parameters of the concessioning system for passenger transport

4.4.3.2 Liechtenstein

4.109. The Office for Economic Affairs is responsible for regulating the transport subsector and applies the relevant EEA law.⁹¹

4.4.3.2.1 Road freight and passenger transport services

4.110. Liechtenstein does not have any highways but has 108 km of main roads and 253 km of side roads. International road transport services for goods and passengers are supplied by private companies.

4.111. Liechtenstein also applies the Swiss Heavy Vehicle Fee. Road freight and passenger transport carriers require a permit issued by the Office for Economic Affairs: specific criteria must be met on, *inter alia*, reliability, financial standing, qualification, and business establishment. In addition, carriers need a special licence issued by the Office for Economic Affairs for international transport in the EEA. Liechtenstein is included in most bilateral transport agreements concluded by Switzerland. The agreements normally contain a "Liechtenstein clause" extending the provisions to Liechtenstein.

4.112. Public transport throughout the country is offered by the government-owned Verkehrsbetrieb LIECHTENSTEINmobil, which receives subsidies for its services.

4.113. As part of a comprehensive strategy to increase the public offer for passenger transport, the Liechtenstein Government transformed the Liechtenstein Bus Anstalt (LBA) into a public entity with an enlarged mandate. Besides the planning, organization, and marketing of public transport by bus, the new mandate includes responsibilities for local cross-border passenger transport by train. This new transport company, Verkehrsbetrieb LIECHTENSTEINmobil, has the competence to conclude contracts with service providers in these different fields and to enter into cooperation agreements with transport networks from neighbouring regions.

4.4.3.2.2 Rail transport services

4.114. Liechtenstein has a network of 9 km of railways. It has no rail company; the railway track is owned and operated by Austrian Federal Railways.

⁹¹ See Annex XIII to the EEA Agreement.

4.115. With the aim of increasing the use of the railway track through Liechtenstein for local cross-border passenger transport, and to promote such use as part of a comprehensive public transport policy, Liechtenstein amended its Railway Act in order to transpose the relevant EEA legislation into national law. In accordance with EU directive 91/440/EEG, the new law provides for the separation of the management of railway operation and infrastructure from the provision of railway transport services, coupled with the principle of free access to the infrastructure by different railway undertakings. It also fully implements EU directive 2007/58/EG.

4.4.3.2.3 Air transport services

4.116. Liechtenstein does not have an airport, but has a privately owned heliport. It applies the EEA rules on civil aviation, which entered into force in 2003. Under an agreement concluded in 1950, the Swiss regulations on civil aviation also apply to Liechtenstein; this agreement was amended in 2003 to avoid conflict with EEA rules. Liechtenstein became a member of the European Aviation Safety Agency (EASA) in June 2006.

4.4.4 Other

4.4.4.1 Postal services

4.117. The Swiss postal sector is undergoing structural reforms, partially aimed at maintaining "euro-compatibility". Several modifications were made to the legislation during the review period. On 22 April 2009, the scope of the reserved area was reduced to letters weighing less than 50 g (modification of the 26 November 2003 postal ordinance, RO 2009 1665). The Postal Ordinance was fully re-organized on 29 August 2012 (RO 2012 5009) (Box 4.19).

Box 4.19 Market structure and regulatory framework of Switzerland's postal subsector, 2012

Economic indicators

Turnover: Swiss Post: SwF 8.6 billion (SwF 7.5 billion in Switzerland), rest of the subsector: SwF 196.6 million
Employment: Swiss Post: 61,600 (51,700 in Switzerland), rest of the subsector: 3,100 (expressed in full-time equivalents)

Regulatory framework

Governmental authority: Federal Department of the Environment, Transport, Energy and Communications (DETEC). At the federal level, the DETEC is responsible for the basic provision of infrastructure, goods, and services, which should be of good quality and available at affordable prices, on the same terms and conditions throughout Switzerland, to its entire population and all its regions. The General Secretariat of the DETEC on behalf of the Federal Council represents the shareholder interests of Swiss Post, together with the Federal Department of Finance (www.uvek.admin.ch)

Regulatory authorities: Postal Services Commission (PostCom)

The new postal legislation (2010), established PostCom as the new independent regulatory authority from 1 October 2012, replacing the Postal Regulatory Authority (PostReg) and the Post Office Commission (<http://www.postcom.admin.ch/en/index.htm>)

Designated operator: Swiss Post is the sole operator responsible for universal service, in accordance with the Postal Law (PL) of 30 April 1997. Swiss Post is an autonomous federal enterprise under public law with its own legal identity (RS 783.1 www.admin.ch/ch/f/rs/7/783.1.fr.pdf). Its corporate name appears in the commercial register and is therefore protected throughout the country (www.post.ch).

Restructuring/postal reform: the PL was amended in 2003 (effective 1 January 2004, OPO; RS. 783.01 www.admin.ch/ch/f/rs/7/783.01.fr.pdf); in particular it introduced a mandate for Swiss Post regarding infrastructure. Also in 2004, the revised postal ordinance reduced the extent of the monopoly (full liberalization of the parcels market), introduced a concession (licence) system, improved the quality control of and access to the universal service, enhanced accounting transparency, particularly for avoiding cross subsidies and establishing better control over the universal service, and set up PostReg. In 2006, the scope of the reserved area was reduced to letters weighing less than 100 g and in 2009 to 50 g (22 April 2009, RO 2009 1665 www.admin.ch/ch/f/as/2009/1665.pdf). A 9 November 2011 modification of the Postal Ordinance (RO 2011 5227 www.admin.ch/ch/f/as/2011/5227.pdf), foresees that the Independent Extra-parliamentary Commission in charge of assessing access to universal service in a region concerned by a transfer or a closure of a post office shall be convoked by the Federal Council, and no longer by the Federal Department of the Environment, Transport, Energy and Communications (DETEC). In May 2009, the Federal Council submitted to Parliament a draft of a complete revision of the Postal Law and of the Law on Postal Organization.

The Swiss Parliament adopted a new Federal Law on Postal Services on 17 December 2010 (FF 2010 8241 www.admin.ch/ch/f/ff/2010/8241.pdf as well as a new Federal Law on Postal Organization FF 2010 8257 www.admin.ch/ch/f/ff/2010/8257.pdf). The new legislation (including the respective ordinance) entered into force on 1 October 2012. The new provisions deal notably with:

- (1) definition and financing of postal services and payment services belonging to universal service
- (2) transformation of Swiss Post into a public law limited company
- (3) suppression of the fiscal advantages of Swiss Post and of its state guarantee
- (4) unbundling of the financial services unit, which is to be transformed into a private law limited company and whose activity will be subject to the supervision of the financial market authority (FINMA)
- (5) regulation of the market of postal services
- (6) replacement of the concession regime by a notification obligation imposed on all postal services providers
- (7) inter-operability rules among postal services providers (postal box access and exchange of data)
- (8) definition of criteria giving access to reductions granted for the delivery of certain press products
- (9) organization of the supervisory authorities for postal regulation

The draft ordinance (www.admin.ch/ch/f/gg/pc/documents/2092/OPO_Projet_2012-01-18_fr.pdf) has been the object of consultation with interested stakeholders (cantons, political parties, associations, etc. To a great extent, the draft ordinance was welcomed by the participants in the consultation. Critical remarks were made by economic circles, mainly about provisions in the areas of postal services and payment services within the universal service, the procedure of notification for postal services providers, the working conditions that are customary in the sector, the inter-operability rules and the prohibition of cross-subsidization.

Universal service: universal service comprises: reserved services and non-reserved services: reserved services are exclusively provided by Swiss Post (monopoly). They include the delivery of letters posted in Switzerland or originating from abroad and whose weight does not exceed 50 g; non-reserved services are services where Swiss Post is in competition with private providers. These services, which are subject to a concession regime when delivered by private operators, include (a) postal deliveries of letters posted in Switzerland or originating from abroad and whose weight is above 50 g, (b) postal delivery destined for abroad, (c) transport of parcels up to 20 kg, (d) transport of periodicals and newspapers, (e) payment services.

Free services are services that Swiss Post may provide in addition to universal service in competition with private operators from Switzerland and abroad for instance EMS and Mail Exchange Services

Services: the Federal Council determines the scope of postal services.

Rates: for the reserved services, Swiss Post sets the prices according to the legal requirements. The Federal Council fixes ceiling prices. For the other services, Swiss Post sets the prices of its services itself; these prices are subject to the control of Monsieur Prix, but only if Swiss Post still has a dominant market position.

Financing methods: Swiss Post has to finance its own services. There is no access to the financial markets. The Federal Council assigns Swiss Post strategic objectives for a four-year period. In parallel with the management report, Swiss Post's management board reports to the Federal Council on the implementation of its objectives.

Status of personnel: the status of Swiss Post staff is governed by the Law on Confederation Staff, which entered into force on 1 January 2002. This law is supplemented by a collective labour agreement signed between Swiss Post and the trade unions. The new Federal Law on Postal Organization stipulates that 2 years after transformation into a public law limited company (foreseen in mid-2013), the staff's contracts will be converted into contracts under private labour law.

Establishment and level of remuneration: Swiss Post sets its own policy.

Source: UPU; and information provided by the Swiss authorities

4.4.4.2 Distribution

4.118. Distribution services account for 15.9% of Switzerland's GDP. They are an important component of Switzerland's services economy, and are characterized by two features: the importance of wholesale trade, which accounts for nearly twice the value added of the retail sector, partially due to the historic specialization of Switzerland in trading activities; and the high concentration of the retail sector, specially of supermarkets and department stores, which is also a feature in high level income/comparatively less populated countries of Europe (e.g. Nordic countries). Due to the difference of income per capita with neighbouring countries, the strong the Swiss franc, and comparatively high domestic prices notably for food products, the Swiss retail sector is suffering strong competition from neighbouring countries' distributors (so called "purchasing tourism"), valued at SwF 4 billion to SwF 5 billion in 2011 (roughly 5% of the turnover of the sector). Still, discounters only hold a marginal part of the retail food market (10% versus 44% in Germany and 50% in Norway). Electronic trade, both the business-to-business and the business-to-consumer segments, is progressing rapidly, including on a cross-border basis.

4.119. In terms of access, many foreign distributors are present in Switzerland, notably in the form of franchises. Access is not subject to economic needs tests but to relatively stringent environmental and zoning requirements at a local level; the average processing time for applications and related construction permits tends to be longer than the European average. Due to the high concentration of the sector, the Competition Commission (Comco) monitors it closely including the electronic trade subsector. There are no recent or planned regulatory changes for this sector. Box 4.20 details the main market indicators of the sector and its regulatory framework.

Box 4.20 Switzerland's market and regulatory framework for distribution services, 2012

Economic data

Main economic indicators

Number of employees (2011): wholesale: 211,800, retail: 321,300

Number of companies (2008): wholesale: 19,845, retail: 34,731

Value added (2010): SwF 91,688 billion, of which wholesale: SwF 57,389 billion; retail: SwF 26,845 billion; wholesale and retail trade of vehicles: SwF 7,454 billion

Share in total GDP (2010): 15.9%, of which wholesale: 9.9%; retail: 4.7%; wholesale and retail trade of vehicles: 1.3%

Share of total employment (2011): wholesale: 5.3%, retail: 8.0%

Concentration in the supermarket sector: top 2: around 80%, fourth highest degree of concentration in Europe (after Norway, Denmark, and Finland) with an Herfindahl-Hirschman index of 0.06 in 2005.

Average size of hypermarkets: 3,400 m² (European average 4,400 m²); average size of supermarkets: 639 m² (European average 700 m²); share of the discounters: 10% of the turnover of the segment

Total number of retail outlets: 49,000

"Traditional" versus "modern" retail sector: chain stores accounted for 55% of employment in the subsector in 2012

Density of outlets: (in 2005) 1.2 outlets per km² and 6.4 per 1,000 inhabitants

E-commerce: 1.8% of total annual household spending in 2009, i.e. a turnover of SwF 4 billion

In 2008, 75% of all companies in Switzerland used electronic commerce for purchase of merchandise and services, whereas 31% sold their products over the Internet.

In 2001, 2.9% of the procurement expenses of companies using the Internet were spent online (electronic commerce intensity); in 2008, 15.1% of the procurement expenses were made online.

Considering all companies in Switzerland, the intensity of electronic commerce rose from 1.9% in 2001 to 7.2% in 2008. In 2010, there were 1,873 secure webservers (with SSL certificate) per million inhabitants, compared with only 21 in 1998, an increase of almost 9,000% in 12 years.

Main foreign distributors present on the Swiss market: 200 franchise networks mostly foreign (primarily from the US, the UK, and Germany).

Regulatory framework

Legislation on exclusive rights or on limitations of number of suppliers: the distribution sector is open, excluding services related to goods subject to import authorization, to pharmaceutical products (RS 812.21), toxics (RS 813.1), explosives (RS 941.41), weapons and ammunition (RS 514.54), and precious metals (RS 941.31). Wholesale trade of alcohols is also subject to a licensing system based on good reputation (RS 680, Article 40.III).

Legislation on franchising: there is no relevant law applicable. The Code of Obligations (<http://www.admin.ch/ch/f/rs/22.html>), especially the general rules on contract law, applies, but it does not specifically concern franchise contracts. All forms of franchise contracts are allowed (single franchise from a foreign-owned Swiss subsidiary, single franchise from abroad, master franchise, etc.).

Competition legislation: like for other sectors, mergers of retailers are examined by ComCo/WEKO from the point of view of competition, e.g. the conditions attached to the absorption of Denner by Migros or to the takeover of former Carrefour hypermarkets by Coop. The cartel law applies to the distribution sector and ComCo/WEKO conducts numerous investigations in the distribution sector, e.g. the 2011 Nikon case on attempts to prevent parallel imports, the ASCOPA case on cartel in the luxury cosmetic branch, and the investigation on online trading restrictions (Electrolux - VZug case)

Zoning/urbanism legislation: there is no limitation to market access, as such (for instance: two new retailers, i.e. Aldi and Lidl from Germany have opened large numbers of shops in recent years, while others, like Carrefour from France, have left). Distribution services are mainly regulated at the cantonal and communal level. These regulations deal primarily with land use and environmental aspects (such as the size of parking areas next to the stores, to limit the motorized traffic, including the obligation to receive parking taxes above a certain level of traffic) or in some cases also requirements to locate next to public transportation. An environmental impact study is required for any project above 5,000 m² or 500 parking spaces. On average, the processing time for construction permits is longer than in many European countries and hence inferred higher costs.

Authorization procedure and thresholds applicable to the opening of new supermarkets: cantonal and/or municipal enactments provide an authorization procedure for large-scale distribution facilities that may lead to rejection of an authorization, on a case-by-case basis, based on environmental, zoning, and urban criteria such as traffic, parking spaces, and proximity of bus stops. No economic needs tests or other market access/national treatment restrictions, apply (in the GATS sense) or authorization criteria based on commercial or competitors considerations. Thresholds may vary; there is no overview of cantonal and municipal authorization criteria. The cantonal restrictions on sales areas mentioned in the GATS commitments no longer exist as limitations have been reduced to the above-mentioned authorization procedures for large-scale distributions outlets.

Source: Information provided by the Swiss authorities.

4.4.4.3 Tourism

4.4.4.3.1 Switzerland

4.120. Tourism is an important component of the Swiss economy. In 2010, the sector employed some 144,000 people (full time equivalent), amounting for 4.1% of total employment; the share of tourism in GDP was 2.8%; and Swiss hotels accounted for 35.5 million overnight stays. However the strength of the Swiss franc and comparatively high costs and prices have had a negative impact on the number of foreign, and notably European, arrivals in recent years. Nevertheless, tourism to Switzerland remains very popular in international markets, with arrivals in hotels reaching 8.6 million in 2010, the highest on record. The five leading origin markets of Germany, UK, France, the United States, and Italy together accounted for 4.9 million arrivals or 56% of total arrivals. Germany alone accounts for over a quarter of all arrivals and is by far the largest origin market. Tourism is regulated at the federal, cantonal, and municipal level. In June 2010, the Swiss Federal Council approved a new growth strategy for tourism, which sets out the major lines of development for the medium- and long-term. Implementation began in 2012. The new national tourism policy and its guiding principles are designed to portray Switzerland as an attractive and successful tourism destination with a special emphasis on sustainability. From 2012, implementation of the growth strategy will be based on four-yearly programmes. The first of these was established in early 2012. Box 4.21 details the main market indicators of the sector and its regulatory framework.

Box 4.21 Switzerland's market indicators and regulatory framework for tourism

Tourism in general

Economic data

Share of tourism services in GDP: 2.8%

Number of inbound tourists: 8.6 million; 29th rank worldwide (2010)

Inbound tourism expenditures: US\$17.8 billion, 16th rank worldwide (2010)

Number of outbound tourists: 16.5 million (2009)

Outbound tourism expenditures: US\$13.3 billion (2010)

Numbers of full time employees (2010): 144,351 (4.1% of total employment)

Regulatory framework

Level of regulation: federal, cantonal, and municipal

Legislation on Swiss tourism: Federal Law on the Swiss National Tourism Office of 21 December 1955 (RS 935.21; http://www.admin.ch/ch/f/rs/c935_21.html), no recent or planned changes, and ordinance on Swiss Tourism of 22 November 1963 (RS 935.211), modified twice since 2008 to transpose the new rules on state-owned enterprises governance and in 2010 to include the staff rules. Updated version available at: http://www.admin.ch/ch/f/rs/c935_211.html.

For an overview of cantonal laws see: http://www.swisstourfed.ch/index.cfm?parents_id=1016

Legislation on Swiss Society for Hotel Credit (SCH): Federal Law on the encouragement of the sector of lodging and hospitality of 20 June 2003 (RS 935.12, http://www.admin.ch/ch/f/rs/c935_12.html), no recent changes; and related ordinance of 26 November 2003 (RS 935.121, http://www.admin.ch/ch/f/rs/c935_121.html), last modified in 2010 to incorporate the staff rules.

The Federal Law on promotion of innovation, cooperation and knowledge building in tourism (Innotour) of 30 September 2011 (RS 935.22 http://www.admin.ch/ch/f/rs/c935_22.html) and related ordinance of 30 November 2011 (RS 935.221 http://www.admin.ch/ch/f/rs/c935_221.html), replacing the law of 10 October 1997, and the ordinance of 15 October 2003.

The resources committed to promoting tourism by the Swiss Confederation amounted to SwF 164.5 million in 2011. Resources were used for Swiss Tourism as well as innovation and cooperation in tourism, production of information and documentation, and for Swiss affiliations to international organizations.

Hotels

Total number of hotels: 5,477

Number of nights: 35.5 million (2010)

Total turnover of the hotel industry: SwF 3.792 billion (2010)

Total employment in the hotel industry: 35,300 (2010)

Restaurants

Number of food and beverage establishments: 21,241 (2008)

Total turnover of the restaurants industry: SwF 2.533 billion (2010)

Total employment in the restaurant industry: 38,800 (2010)

Travel agencies, tour operators, and tourist guides

Economic data

Number of travel agencies and other reservation services activities: 2,342 (2008)

Foreign-owned travel agencies and tour operators: all major foreign travel agency networks are established in Switzerland

Total turnover of the travel agencies, tour operators, and tourist guide industry: SwF 1.54 billion (2010)

Total employment in the travel agencies, tour operators, and tourist guide industry: 11,900 (2010)

Source: UNWTO Compendium of Tourism Statistics, 2012 Edition; and Swiss Federal Statistical Office.

4.4.4.3.2 Liechtenstein

4.121. Tourist arrivals and nights spent by tourists in hotels in Liechtenstein had been declining since the 1980s, but began to increase again in 2004. About 63,000 nights were spent in hotels in Liechtenstein in summer 2011 and 54,900 nights in winter 2010/11. The majority of tourists arrive from Germany and Switzerland. Nights spent in all types of accommodation in Liechtenstein declined from 267,800 in 1980 to 166,800 in 2010.

4.122. Liechtenstein's marketing regulations are similar to those of Switzerland, except for rules governing the acquisition of real estate. Liechtenstein Marketing, a state institution established by the law of 20 October 2011 on the promotion of Liechtenstein as a business and a tourism destination, is the main promotional agency responsible for marketing tourism in Liechtenstein. Its activities in business destination, tourism destination, and participation in major events are initially financed with a public support of SwF 2,500,000. Additional revenue is derived from the accommodation tax. Certain promotional activities are coordinated with Switzerland. Tourism activities are also marketed by local tourism initiatives and the municipalities.

4.123. The acquisition of holiday apartments (secondary residence) above 1,000 m altitude is limited to households that are resident in Liechtenstein and have Liechtenstein, EEA or Swiss nationality. No more than one secondary residence is allowed per household.

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5 APPENDIX TABLES

Table A1. 1 Structure of imports, 2008-11^a

(US\$ million and %)

	2008	2009	2010	2011
Total (US\$ million)	182,368	155,309	175,890	207,630
	(%)			
Total primary products	20.2	18.9	18.3	19.3
Agriculture	6.7	7.3	6.8	6.6
Food	5.7	6.3	5.8	5.7
Agricultural raw material	1.0	1.0	1.0	0.9
Mining	13.5	11.6	11.5	12.6
Ores and other minerals	0.7	0.5	0.6	0.5
Non-ferrous metals	3.9	3.9	3.5	3.6
6812 Platinum unwrought, unworked or semi-manufactured	2.0	2.5	1.8	1.9
Fuels	8.9	7.3	7.4	8.5
3510 Electric energy	1.7	1.9	2.0	2.6
3330 Crude oils of petroleum and bituminous minerals	2.2	1.4	1.6	1.7
3432 Natural gas, in the gaseous state	0.8	0.9	0.7	0.7
Manufactures	79.3	80.6	80.6	79.6
Iron and steel	2.5	1.6	1.9	2.0
Chemicals	20.4	21.7	21.6	21.3
5429 Medicaments, n.e.s.	4.3	5.6	4.9	5.0
5157 Other heterocyclic compounds; nucleic acids	2.3	2.4	2.8	2.8
5416 Glycosides; glands, etc. and extracts; antisera/vaccines, etc.	2.3	2.3	2.4	2.6
5422 Medicaments with hormones, etc. of 541.5 but not antibiotics, etc.	0.9	1.1	1.1	1.2
5421 Medicaments containing antibiotics or derivatives	0.9	1.2	1.0	1.0
Other semi-manufactures	9.2	8.8	8.3	8.7
6672 Diamonds (excl. industrial, sorted) not mounted/set	1.4	1.1	1.0	1.4
Machinery and transport equipment	27.2	26.7	26.8	26.5
Power generating machines	1.4	1.4	1.2	1.2
Other non-electrical machinery	8.0	7.2	7.0	6.9
Agricultural machinery and tractors	0.3	0.3	0.3	0.3
Office machines & telecommunication equipment	5.3	5.5	5.6	5.3
7641 Electrical apparatus for line telephony/telegraphy	0.7	0.7	0.7	0.8
7643 Radio or television transmission apparatus	0.7	0.7	0.8	0.7
7522 Data processing machines, with at least processing, input and output units	0.5	0.6	0.7	0.7
Other electrical machines	3.9	3.7	3.9	3.9
Automotive products	6.3	6.2	6.6	7.2
7812 Motor vehicles for the transport of persons, n.e.s.	4.6	4.6	5.1	5.6
7821 Goods vehicles	0.7	0.6	0.6	0.7
Other transport equipment	2.3	2.7	2.5	2.0
Textiles	1.2	1.2	1.1	1.1
Clothing	3.2	3.4	3.0	3.0
Other consumer goods	15.7	17.2	17.8	17.1
8973 Jewellery of gold, silver or platinum metals (except watches)	2.5	3.8	4.8	4.4
8859 Time measuring equipment and accessories, n.e.s.	0.9	0.7	0.8	1.0
8996 Orthopaedic appliances; artificial parts of the body; hearing aids etc.	0.8	1.0	0.9	0.8
8215 Furniture, n.e.s., of wood	0.7	0.7	0.7	0.7

	2008	2009	2010	2011
Other	0.5	0.5	1.1	1.1
Gold	0.4	0.3	0.9	0.9
9710 Gold, non-monetary (excl. gold ores and concentrates)	0.4	0.3	0.9	0.9

a Product classification is based on SITC Rev.3.

Source: WTO Secretariat estimates, based on information provided by the Swiss Government.

Table A1. 2 Structure of exports, 2008-11^a

(US\$ million and %)

	2008	2009	2010	2011
Total (US\$ million)	199,415	172,264	195,112	234,521
	(%)			
Total primary products	10.4	9.9	10.9	10.8
Agriculture	3.8	4.2	4.1	4.0
Food	3.4	3.9	3.7	3.7
0712 Coffee, roasted	0.4	0.5	0.6	0.7
Agricultural raw material	0.4	0.3	0.3	0.3
Mining	6.6	5.7	6.8	6.8
Ores and other minerals	0.7	0.5	0.7	0.8
Non-ferrous metals	2.9	2.3	3.3	3.0
6812 Platinum unwrought, unworked or semi-manufactured	2.0	1.6	2.4	2.1
Fuels	3.0	2.8	2.8	3.1
3510 Electric energy	2.5	2.5	2.5	2.7
Manufactures	89.2	89.6	88.3	88.0
Iron and steel	1.2	0.7	0.9	0.9
Chemicals	34.3	39.2	38.2	36.7
5429 Medicaments, n.e.s.	10.9	13.1	12.2	11.7
5416 Glycosides; glands, etc. and extracts; antisera/vaccines, etc.	7.0	8.3	8.5	8.7
5157 Other heterocyclic compounds; nucleic acids	2.9	3.3	3.3	3.0
5147 Carboxamide-function compounds (excl. urea)	1.0	1.4	1.2	1.1
5415 Hormones; derivatives; other steroids used as hormones	0.7	1.0	1.1	1.1
5421 Medicaments containing antibiotics or derivatives	1.0	1.1	1.0	0.9
5422 Medicaments with hormones, etc. of 541.5 but not antibiotics, etc.	0.8	0.8	0.9	0.9
5514 Mixtures of odoriferous substances, industrial use	0.8	0.8	0.9	0.8
5413 Antibiotics, not put up as medicaments of 542	0.8	0.9	0.8	0.8
Other semi-manufactures	6.4	5.6	5.6	5.3
Machinery and transport equipment	24.3	21.7	20.9	21.0
Power generating machines	2.5	2.4	2.0	1.9
7149 Parts of engines and motors of 714.41 and 714.8	1.1	1.3	0.9	0.8
Other non-electrical machinery	12.1	9.9	10.5	10.9
7284 Machinery and appliances for particular industries, n.e.s.	1.1	1.2	1.6	1.8
Agricultural machinery and tractors	0.1	0.1	0.1	0.1
Office machines & telecommunication equipment	1.5	1.5	1.5	1.3
Other electrical machines	5.0	4.8	4.7	4.4
Automotive products	1.0	0.9	0.9	0.9
Other transport equipment	2.1	2.1	1.3	1.6
Textiles	0.9	0.8	0.8	0.7
Clothing	1.0	0.9	0.7	0.7
Other consumer goods	21.1	20.5	21.3	22.7
8854 Wrist-watches and other watches (excl. of 885.3)	4.6	4.2	4.8	5.5
8973 Jewellery of gold, silver or platinum metals (except watches)	2.7	2.8	3.1	3.7
8853 Watches with case wholly or partly of precious metal	2.8	2.4	2.6	3.2
8996 Orthopaedic appliances; artificial parts of the body; hearing aids etc.	2.8	3.4	3.0	2.7

	2008	2009	2010	2011
8722 Instruments used in medical, surgical or veterinary sciences	0.8	0.9	0.9	0.9
Other	0.4	0.5	0.8	1.2
Gold	0.1	0.2	0.6	1.0
9710 Gold, non-monetary (excl. gold ores and concentrates)	0.1	0.2	0.6	1.0

a Product classification is based on SITC Rev.3.

Source: WTO Secretariat estimates, based on information provided by the Swiss Government.

Table A1. 3 Origin of imports, 2008-11

(US\$ million and %)

	2008	2009	2010	2011
Total (US\$ million)	182,368	155,309	175,890	207,630
	(%)			
America	7.7	7.5	7.2	6.7
United States	5.8	5.8	5.4	5.0
Other America	1.9	1.7	1.8	1.7
Brazil	0.5	0.4	0.5	0.5
Europe	79.6	78.7	78.2	78.8
EU(27)	78.8	78.0	77.5	78.1
Germany	33.3	32.6	31.9	32.3
Italy	11.0	10.7	10.2	10.4
France	9.4	9.3	8.5	8.7
Netherlands	4.6	4.5	4.5	4.4
Austria	4.0	4.3	4.3	4.3
United Kingdom	3.7	3.7	3.9	3.4
Ireland	2.5	2.5	3.2	3.2
Belgium	3.2	2.8	2.8	3.1
Spain	2.0	2.3	2.7	2.8
Czech Rep.	0.9	1.0	1.2	1.2
Sweden	0.9	0.8	0.8	0.9
Poland	0.6	0.7	0.7	0.7
Denmark	0.6	0.6	0.5	0.5
EFTA	0.2	0.2	0.2	0.2
Other Europe	0.5	0.5	0.5	0.6
Commonwealth of Independent States	1.1	1.2	1.8	1.8
Kazakhstan	0.4	0.4	0.6	1.0
Africa	2.3	1.9	1.2	1.5
South Africa	0.3	1.0	0.4	0.7
Middle East	1.0	1.0	1.0	0.9
Asia	8.3	9.7	10.7	10.2
China	2.5	3.1	3.3	3.4
Japan	2.1	2.1	2.0	2.2
Six East Asian Traders	2.4	2.3	2.6	2.6
Hong Kong, China	0.7	0.7	0.9	0.9
Thailand	0.5	0.5	0.5	0.5
Other Asia	1.2	2.3	2.7	2.0
India	0.6	0.5	0.5	0.7
Viet Nam	0.2	1.3	1.6	0.6
Other	0.0	0.0	0.0	0.0

Source: WTO Secretariat estimates, based on information provided by the Swiss Government.

Table A1. 4 Destinations of exports, 2008-11

(US\$ million and %)

	2008	2009	2010	2011
Total (US\$ million)	199,415	172,264	195,112	234,521
	(%)			
America	13.7	14.3	14.5	14.6
United States	9.6	10.0	10.1	10.2
Other America	4.1	4.3	4.4	4.3
Canada	1.1	1.3	1.4	1.3
Brazil	1.1	1.1	1.1	1.1
Europe	63.0	61.5	60.4	58.6
EU(27)	61.0	59.7	58.7	56.9
Germany	19.7	19.2	19.3	20.1
Italy	8.7	8.4	7.9	7.8
France	8.6	8.4	7.7	7.1
United Kingdom	5.1	5.0	5.9	4.8
Austria	2.8	2.9	3.2	3.2
Spain	3.4	3.5	3.1	2.8
Netherlands	2.9	2.9	2.8	2.5
Belgium	1.9	2.1	1.9	2.0
Poland	1.1	1.0	1.0	0.9
EFTA	0.5	0.4	0.4	0.4
Other Europe	1.5	1.3	1.3	1.3
Turkey	1.1	1.0	1.0	1.0
Commonwealth of Independent States	2.1	1.7	1.9	2.2
Russian Federation	1.5	1.1	1.3	1.5
Africa	1.6	1.9	1.7	1.6
Middle East	4.1	4.2	4.0	4.0
United Arab Emirates	1.3	1.2	1.1	1.3
Asia	15.5	16.4	17.6	19.1
China	2.8	2.9	3.7	4.2
Japan	3.3	3.8	3.3	3.2
Six East Asian Traders	6.4	6.4	7.4	8.2
Hong Kong, China	2.9	2.9	3.2	3.8
Singapore	1.1	1.1	1.4	1.5
Korea, Rep. of	0.9	1.0	1.1	1.1
Chinese Taipei	0.7	0.6	0.8	0.9
Other Asia	3.0	3.2	3.2	3.5
India	1.1	1.1	1.3	1.4
Australia	1.0	1.1	1.1	1.2
Other	0.0	0.0	0.0	0.0

Source: WTO Secretariat estimates, based on information provided by the Swiss Government.

Table A2. 1 Most recent notifications made by Switzerland to the WTO, December 2012

Agreement/ decision	Symbol and date of most recent notification	Description of requirement and frequency
Agreement on Agriculture		
Articles 10 and 18.2	G/AG/N/CHE/59, 20/11/2012	Export subsidies; annual
Article 18.2	G/AG/N/CHE/55, 09/06/2011 and G/AG/N/CHE/55/Rev.1, 23/07/2012	Domestic support; annual
Article 18.2	G/AG/N/CHE/13/Add.14, 11/04/2012	Administration of tariff quotas; ad hoc
Article 18.2	G/AG/N/CHE/57, 01/02/2012	Volume of imports under tariff quotas; annual
Article 18.3	G/AG/N/CHE/35/Rev.1, 04/04/2007	New or modified exempt domestic support measures; ad hoc
Articles 5.7 and 18.2	G/AG/N/CHE/56, 31/01/2012	Special safeguard provisions; annual
Article 16.2	G/AG/N/CHE/53, 06/01/2011	Actions taken within the framework of the Decision on LDCs and Net-Food- Importing Developing Countries; ad hoc
Agreement on Government Procurement		
Article XIX:5	GPA/W/309/Add.9, 05/07/2010	Thresholds, biannual
Article XIX:5	GPA/W/314/Add.1, 16/12/2011	Thresholds, biannual
Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping Agreement)		
Article 16.4	G/ADP/N/188/Add.1, 16/10/2009	Anti-dumping measures; semi-annual
Articles 16.4 and 16.5	G/ADP/N/193/CHE, 23/12/2009	Authorities and procedures; once
Article 18.5	G/ADP/N/1/CHE/1, 4/05/1995	Laws and regulations; ad hoc
Agreement on Implementation of Article VII of the GATT 1994 (Agreement on Customs Valuation)		
Article 22	G/VAL/N/1/CHE/1, 28/08/1995	Laws and regulations; once
Agreement on Import Licensing Procedures		
Articles 1.4(a) and 8.2(b)	G/LIC/N/1/CHE/3, 20/01/2012	Laws and regulations; once
Article 7.3	G/LIC/N/3/CHE/7, 06/10/2011	Completion of questionnaire; annual
Agreement on Preshipment Inspection		
Article 5	G/PSI/N/1/Add.2, 26/07/1995	Laws and regulations; once
Agreement on Rules of Origin		
Article 5 and Annex II, paragraph 4	G/RO/N/60/Rev.1, 08/04/2009	Changes in laws and regulations (rules of origin in effect); ad hoc
Agreement on Safeguards		
Article 12.6	G/SG/N/1/CHE/1, 24/07/1995	Laws and regulations; once
Agreement on Subsidies and Countervailing Measures		
Articles 25.1 and XVI.1 of the GATT 1994	G/SCM/N/220/CHE, 24/06/2011	Subsidy programmes; every three years for full notifications, annual for changes
Article 25.11	G/SCM/N/195/Add.1, 14/10/2009	Countervailing actions taken; semi-annual
Article 25.11 and 25.12	G/SCM/N/202/CHE, 23/12/2009	Authorities and procedures; once
Article 32.6	G/SCM/N/1/CHE/1, 4 May 1995	Laws and regulations; once
Agreement on Technical Barriers to Trade		
Article 2.9	G/TBT/N/CHE/158, 27/07/2012	Technical regulations, ad hoc
Article 5.6	G/TBT/N/CHE/143, 06/02/2012	Conformity assessment procedures; ad hoc
Articles 10.1, 10.2, and 10.3	G/TBT/ENQ/30, 22/06/2007	Enquiry point; once
Article 15.2	G/TBT/2/Add.7/Rev.1, 14/02/2008	Implementation and administration of the Agreement; once
Annex 3C	G/TBT/CS/2/Rev.14, 20/01/2008	Acceptance of the Code of Good Practice; once
Agreement on Textiles and Clothing		
Articles 2.8(c) and 2.11	G/TMB/N/467, 19/02/2004	Integration programme (fourth Stage); once

Agreement/ decision	Symbol and date of most recent notification	Description of requirement and frequency
Agreement on the Application of Sanitary and Phytosanitary Measures		
Annex B, paragraph 7	G/SPS/N/CHE/72, 27/07/2011	Sanitary and phytosanitary measures; ad hoc
Annex B, paragraph 3	G/SPS/ENQ/23, 27/03/2008	Enquiry point; once
Annex B, paragraph 10	G/SPS/NNA/8, 20/12/2004	National notification authority; once
Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)		
Article 63.2	IP/N/1/CHE/C/3, 7/07/2003	Laws and regulations; once
	IP/N/6/CHE/1/Add.2, 22/09/2006	Checklist of issues on enforcement; once
Article 69	IP/N/3/Rev.11, 04/02/2010	Contact point; once
Agreement on Trade-Related Investment Measures (TRIMS)		
Article 5.1	G/TRIMS/N/1/CHE/1, 20/09/1995	Trade-related investment measures; once
Article 6.2	G/TRIMS/N/2/Rev.1, 28/07/1997	Publications in which TRIMS may be found; ad hoc
Decision on Notification Procedures for Quantitative Restrictions		
G/L/59	G/LIC/N/1/CHE/1-G/LIC/N/2/CHE/1- G/LIC/N/3/CHE/1, 16/05/1997 G/LIC/N/3/CHE/5, 17/03/2010	Notifications of quantitative restrictions; every two years
General Agreement on Trade in Services		
Article III:3	S/C/N/596, 05/08/2011	Laws/regulations; ad hoc
Articles III:4 and/or IV:2	S/ENQ/78/Rev.8, 03/11/2005	Enquiry point; once only
Article V:7(a)	S/C/N/600, 15/09/2011	Economic integration agreements; ad hoc
Article VII:4	S/C/N/395, 25/05/2007	Autonomous recognition measures; ad hoc
General Agreement on Tariffs and Trade 1994		
Article XVII:4(a)	G/STR/N/14/CHE, 21/06/2012	Notification on state-trading enterprises; every three years for full notifications, on an annual basis for changes (as from 2004, every two years)
Article XXIV:7(a)	WT/REG315/N/1/, 20/06/2012	Agreement establishing a free-trade area; ad hoc
Article XXVIII:5	G/MA/249, 23/09/2011	Modification of the Schedule of Concessions (reservation of the right to modify the Schedule during a three-year period); every three years

Source: WTO Secretariat.

Table A2. 2 Most recent notifications made by Liechtenstein to the WTO, December 2012

Agreement/ decision	Symbol and date of most recent notification	Description of requirement and frequency
Agreement on Agriculture		
Articles 10 and 18.2	G/AG/N/CHE/59, 20/11/2012	Export subsidies; annual
Article 18.2	G/AG/N/CHE/55, 09/06/2011 and G/AG/N/CHE/55/Rev.1, 23/07/2012	Domestic support; annual
Article 18.2	G/AG/N/CHE/13/Add.14, 11/04/2012	Administration of tariff quotas; ad hoc
Article 18.2	G/AG/N/CHE/57, 01/02/2012	Volume of imports under tariff quotas; annual
Article 18.3	G/AG/N/CHE/35/Rev.1, 04/04/2007	New or modified exempt domestic support measures; ad hoc
Articles 5.7 and 18.2	G/AG/N/CHE/56, 31/01/2012	Special safeguard provisions; annual
Article 16.2	G/AG/N/CHE/53, 06/01/2011	Actions taken within the framework of the Decision on LDCs and Net-Food- Importing Developing Countries; ad hoc
Agreement on Government Procurement		
Article XIX:5	GPA/108/Add.2, 02/12/2011	Statistics; annual
Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping Agreement)		
Article 16.4	G/ADP/N/188/Add.1, 16/10/2009	Anti-dumping measures; semi-annual
Articles 16.5 and 25.12	G/ADP/N/193/LIE, 05/03/2010	Authorities and procedures; once
Article 18.5	G/ADP/N/1/CHE/1, 4/05/1995	Laws and regulations; ad hoc
Agreement on Implementation of Article VII of the GATT 1994 (Agreement on Customs Valuation)		
Article 22	G/VAL/N/1/CHE/1, 28/08/1995	Laws and regulations; once
Agreement on Import Licensing Procedures		
Articles 1.4(a) and 8.2(b)	G/LIC/N/1/LIE/3, 23/02/2012	Laws and regulations; once
Article 7.3	G/LIC/N/3/LIE/5, 24/02/2012	Completion of questionnaire; annual
Agreement on Preshipment Inspection		
Article 5	G/PSI/N/1/Add.2, 26/07/1995	Laws and regulations; once
Agreement on Rules of Origin		
Article 5 and Annex II, paragraph 4	G/RO/N/60/Rev.1, 08/04/2009	Changes in laws and regulations (rules of origin in effect); ad hoc
Agreement on Safeguards		
Article 12.6	G/SG/N/1/CHE/1, 24/07/1995	Laws and regulations; once
Agreement on Subsidies and Countervailing Measures		
Articles 25.1 and XVI.1 of the GATT 1994	G/SCM/N/220/LIE, 22/02/2012	Subsidy programmes; every three years for full notifications, annual for changes
Article 25.11	G/SCM/N/195/Add.1, 14/10/2009	Countervailing actions taken; semi-annual
Article 25.12	G/ADP/N/202/LIE, 05/03/2010	Authorities and procedures; once
Article 32.6	G/SCM/N/1/CHE/1, 4 May 1995	Laws and regulations; once
Agreement on Technical Barriers to Trade		
Article 2.9	G/TBT/N/CHE/100, 5/08/2008	Technical regulations; ad hoc
Article 5.6	G/TBT/N/CHE/58, 16/11/2005	Conformity assessment procedures; ad hoc
Articles 10.1, 10.2, and 10.3	G/TBT/ENQ/30, 22/06/2007	Enquiry point; once
Article 15.2	G/TBT/2/Add.7/Rev.1, 14/02/2008	Implementation and administration of the Agreement; once
Annex 3C	G/TBT/CS/2/Rev.14, 20/01/2008	Acceptance of the Code of Good Practice; once
Agreement on Textiles and Clothing		
Articles 2.8(c) and 2.11	G/TMB/N/467, 19/02/2004	Integration programme (fourth Stage); once

Agreement/ decision	Symbol and date of most recent notification	Description of requirement and frequency
Agreement on the Application of Sanitary and Phytosanitary Measures		
Annex B, paragraph 7	G/SPS/N/CHE/72, 27/07/2011	Sanitary and phytosanitary measures; ad hoc
Annex B, paragraph 3	G/SPS/ENQ/23, 27/03/2008	Enquiry point; once
Annex B, paragraph 10	G/SPS/NNA/8, 20/12/2004	National notification authority; once
Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)		
Article 63.2	IP/N/1/CHE/C/3, 7/07/2003	Laws and regulations; once
	IP/N/6/CHE/1/Add.2, 22/09/2006	Checklist of issues on enforcement; once
Article 69	IP/N/3/Rev.7, 19/08/2003	Contact point; once
Agreement on Trade-Related Investment Measures (TRIMS)		
Article 5.1	G/TRIMS/N/1/CHE/1, 20/09/1995	Trade-related investment measures; once
Article 6.2	G/TRIMS/N/2/Rev.1, 28/07/1997	Publications in which TRIMS may be found; ad hoc
Decision on Notification Procedures for Quantitative Restrictions		
G/L/59	G/LIC/N/1/CHE/1-G/LIC/N/2/CHE/1- G/LIC/N/3/CHE/1, 16/05/1997 G/LIC/N/3/CHE/5, 17/03/2010	Notifications of quantitative restrictions; every two years
General Agreement on Trade in Services		
Article III:3	S/C/N/671, 22/11/2012	Laws/regulations; ad hoc
Articles III:4 and/or IV:2	S/ENQ/78/Rev.8, 03/11/2005	Enquiry point; once only
Article V:7(a)	S/C/N/600, 15/09/2011	Economic integration agreements; ad hoc
Article VII:4	S/C/N/395, 25/05/2007	Autonomous recognition measures; ad hoc
General Agreement on Tariffs and Trade 1994		
Article XVII:4(a)	G/STR/N/13/LIE, 22/02/2012	Notification on state-trading enterprises; every three years for full notifications, on an annual basis for changes (as from 2004, every two years)
Article XXIV:7(a)	WT/REG217/N/1/Add.6, 16/01/2012	Agreement establishing a free-trade area; ad hoc
Article XXVIII:5	G/MA/249, 23/09/2011	Modification of the Schedule of Concessions (reservation of the right to modify the Schedule during a three-year period); every three years

Source: WTO Secretariat.

Table A2. 3 Participation in EFTA free-trade agreements, November 2012

Signature	Entry into force	Notified to GATT/WTO (document series)	Agreement
04.01.1960	03.05.1960	L/3328 (GATT) WT/REG154 S/C/N/207	Convention establishing the EFTA (applies to Iceland, Liechtenstein, Norway, and Switzerland) (amended in 2002)
10.12.1991	01.04.1992	L/6989/Add.1 (GATT) WT/REG86 G/L/349	EFTA-Turkey (goods, IP, competition, state aid, dispute settlement, government procurement, evolutionary clause)
02.05.1992	01.01.1994	WT/REG138 S/C/N/28	EEA (applies to all EC member states, Iceland, Norway, and Liechtenstein)
17.09.1992	01.01.1993	L/7129 and Add.1 (GATT)	EFTA-Israel (goods, IP, competition, state aid, dispute settlement, government procurement, services, investment, evolutionary clause)
19.06.1997	01.12.1999	WT/REG91	EFTA-Morocco (goods, IP, competition, state aid, dispute settlement, government procurement, services, investment, evolutionary clause)
30.11.1998	01.07.1999	WT/REG79	EFTA-Palestine (goods, IP, competition, state aid, dispute settlement, government procurement, services, investment, evolutionary clause)
27.11.2000	01.07.2001	WT/REG126 S/C/N/166	EFTA-Mexico (goods, IP, competition, state aid, dispute settlement, government procurement, services, and investment)
21.06.2001	01.04.2002	WT/REG132	EFTA-Croatia (goods, IP, competition, state aid, and dispute settlement; government procurement, services, investment, evolutionary clause)
21.06.2001	01.09.2002	WT/REG133	EFTA-Jordan (goods, IP, competition, state aid, and dispute settlement; government procurement, services, investment, evolutionary clause)
19.06.2000	01.05.2002	WT/REG117	EFTA-Former Yugoslav Republic of Macedonia (goods, IP, competition, state aid, and dispute settlement; government procurement, services, investment, evolutionary clause)
26.02.2002	01.01.2003	WT/REG148 S/C/N/226	EFTA-Singapore (goods, IP, competition, state aid, dispute settlement, government procurement, services, and investment)
26.06.2003	01.12.2004	WT/REG179 S/C/N/309	EFTA-Chile (goods, IP, competition, state aid, dispute settlement, government procurement, services, and investment)
24.06.2004	01.01.2007	WT/REG224	EFTA-Lebanon (goods, IP, competition, state aid, and dispute settlement; government procurement, services, investment, evolutionary clause)
17.12.2004	01.06.2006	WT/REG201	EFTA-Tunisia (goods, services, IP, competition, state aid, and dispute settlement; government procurement, services, investment, evolutionary clause)
15.12.2005	01.09.2006	WT/REG217 S/C/N/373	EFTA-Republic of Korea (goods, IP, competition, state aid, dispute settlement, government procurement, services, and investment)
26.06.2006	01.05.2008	WT/REG256	EFTA-Southern African Customs Union (goods, competition, state aid, and dispute settlement; IP, services, government procurement, investment, evolutionary clause)
27.01.2007	01.08.2007	WT/REG232	EFTA-Egypt (goods, IP, competition, state aid, and dispute settlement; government procurement, services, investment, evolutionary clause)
26.01.2008	01.07.2009	WT/REG271	EFTA-Canada (goods, IP, competition, state aid, and dispute settlement; government procurement, services, investment, evolutionary clause)

Signature	Entry into force	Notified to GATT/WTO (document series)	Agreement
25.11.2008	01.07.2011 ^a	WT/REG299/N/1 S/C/N/600	EFTA-Colombia (goods, processed agricultural products, services, investment, IP, government procurement, competition, state aid, dispute settlement)
17.12.2009	01.11.2010	WT/REG292/N/1	EFTA-Albania (goods, IP; competition, state aid, government procurement, services, investment, dispute settlement, evolutionary clause)
17.09.2009	01.10.2010	WT/REG290	EFTA-Serbia (goods, IP, competition, state aid, government procurement, services, investment, dispute settlement, evolutionary clause)
24.06.2010	01.07.2011	WT/REG295	EFTA-Peru (goods, processed agricultural products, IP, competition, state aid, government procurement, services, investment, dispute settlement)
24.06.2010	01.06.2012	WT/REG315 S/C/N/644	EFTA-Ukraine (goods, IP, competition, state aid, government procurement, services, investment, dispute settlement, evolutionary clause)
21.06.2011	01.10.2012	WT/REG322/N/1 S/C/N/654	EFTA-Hong Kong, China (goods, IP, competition, state aid, government procurement, services, investment, dispute settlement, sustainable development, evolutionary clause)
14.11.2011	01.09.2012	WT/REG323/N/1	EFTA-Montenegro (goods, IP, competition, state aid, government procurement, services, investment, dispute settlement, sustainable development, evolutionary clause)

a Agreement has entered into force for Switzerland and Liechtenstein only.

Source: WTO Secretariat; and EFTA Secretariat (2011), *51st Annual Report of the European Free Trade Association 2011*. Viewed at: <http://www.efta.int/~media/Files/Publications/Annual%20Report/51st%20Annual%20Report%202011.pdf>.

Table A2. 4 Overview of legal forms of companies in Liechtenstein

	Sole proprietorship	General partnership	Limited liability company (GmbH)	Joint stock company	Branch office	Establishment	Foundation	Trust enterprise	Trust
Formation requirements	Self-employment, economic activity as a means of permanent gainful employment	Signing of articles of partnership	Public act of signing when company is founded, adoption of articles of association, appointment of a board of management, appointment of auditors (if engage in commercial activities)	Two or more natural or legal persons are required for forming an AG. The founders must establish the articles in public and notarized documents and sign the draft of such articles	Entry in the Commercial Register	One or more founders must sign the written articles of establishment for its formation	Formed through a unilateral declaration of will of the founder to serve a specified purpose	The trust articles must be signed with certified signature by the settlor(s) and contain the statement of the settlor(s) on founding the trust enterprise	Comes into existence with the signing of the trust deed by a settlor and trustee or by means of a written Declaration of Trust by the settlor, which must be accepted by the trustee in writing
Purpose	Small businesses, activities carried out by single individuals (e.g. artists)	Small, permanent businesses centering on specific individuals	Generally used for commercial purposes	Joint-stock companies may engage in both commercial and non-commercial activities	Business operation that is legally part of a main enterprise but has a degree of economic independence	Establishments may engage in both commercial and non-commercial activities	May be used for private-benefit purposes or common-benefit purposes	Generally used for commercial purposes but can also be used as holding vehicles	Trust may be used for private-benefit purposes or common-benefit purposes. A trust may also be used for commercial purposes
Legal status	Sole property of the firm's owner	Partnership	Legal entity	Legal entity	Branch office	Legal entity	Legal entity	With or without legal personality	No legal entity
Entry in the Public Register	Mandatory for businesses with minimum annual sales of SwF 300,000	Comes into existence upon entry in the Public Register	Becomes a legal entity upon entry in the Public Register	Becomes a legal entity upon entry in the Public Register	Mandatory	Becomes a legal entity upon entry in the Public Register	Foundations with common-benefit purpose must be entered in Public Register. Other private-benefit foundations must not be registered. A notification of formation must be deposited at the Office of Land and Public Register	Comes into existence only upon entry in the Public Register	Trusts may be registered in the Public Register or the trust deed is deposited at the Office of Land and Public Registration

	Sole proprietorship	General partnership	Limited liability company (GmbH)	Joint stock company	Branch office	Establishment	Foundation	Trust enterprise	Trust
Founders	One individual is the sole proprietor	Two or more natural or legal persons	At least one partner (individual or legal entity)	At least two founders, natural or legal persons. The founders can be distinct from the shareholders or founders can be shareholders also	Main company (head office)	May be set up by one or more founders, which may be individual persons, a firm, a community or by an association of communes or a legal entity not otherwise entered in the Public Register	One or more natural or legal persons	One or more natural or legal persons	The settlor(s) may be one or more natural or legal person(s)
Executive bodies	None	Partners	General meeting of partners Management	Annual general meeting Board of directors	Bodies of the main company Management by own manager; authorized representative residing in Liechtenstein	Holder(s) of founders rights Board of directors	Foundation Council	Settlor(s) Board of Trustees	Trustee(s)
Liability	Unlimited liability of the proprietor with personal assets	Primary liability to the level of company assets; subsidiary joint and several unlimited liability of each partner with personal assets	Liability limited exclusively to company's assets; Liability of each participant limited to a certain amount, and they are not liable for the company's debts	Only the companies' assets are liable for the debts of the company; Shareholders liability limited, and they are not personally liable for the company's liabilities	Main company (head office)	Only the establishments' assets are liable for the debts of the Establishment	Only the foundations' assets are liable for the debts of the Foundation	Only the trust enterprise's assets are liable for the debts of the Trust Enterprise	Depends on whether there are creditors of the trustee, of the settlor, of a beneficiary or of the trust property
Minimum capital	No stipulations	No stipulations	SwF 30,000 or €30,000 or US\$30,000	SwF 50,000 or €50,000 or US\$50'000	No separate equity required (capital resources of foreign head office are sufficient)	SwF 30,000 or €30,000 or US\$30,000	SwF 30,000 or €30,000 or US\$30'000	SwF 30,000 or €30,000 or US\$30,000	
Costs: foundation, consulting registration, notary	From SwF 150	From SwF 400	From SwF 700 for registration From SwF 300 for notarization	From SwF 700 for registration From SwF 300 for notarization	From SwF 350	From SwF 700	From SwF 700	From SwF 700	From SwF 300

Source: Information provided by the authorities.

Table A3. 1 State-owned enterprises and exclusive arrangements, 2012

Goods/services	Entity	Coverage
Switzerland		
Alcohol and spirits	Swiss Alcohol Board	Exclusive import rights that may be conferred on the private sector
Salt	Monopoly jointly administered by the cantons	Exclusive production and distribution rights
Aerospace and defence technology	RUAG	Joint stock company wholly owned by the Swiss Confederation by reason of securing supply in the armament sector
Electricity	Cantonal or local entities Swissgrid (majority public ownership)	Generation and supply of electricity; <i>de facto</i> monopoly Exclusive rights for the operation of the Swiss high voltage electricity transmission system
Water	Cantonal or local entities	Collection, purification, and distribution of water
Gas	Swissgas Transitgas Regional entities Local and cantonal utilities	Gas import and gas transmission International gas transit Regional gas distribution Local gas distribution
Telecommunication	Swisscom (56.9% ownership by the Confederation)	<i>De facto</i> , some telecom services
Rail transport	Swiss Federal railways (100% ownership by the Confederation); and other transport companies	Regional passenger transport services via rail, and operating railroad infrastructure
Passenger transport by bus, tramway, cable, boat, etc.	Cantonal or local entities	Scheduled passenger transport
Airport management	Zurich International Airport (minority public ownership); Geneva International Airport; Europe Airport Basel-Mulhouse-Freiburg; and other entities	Services related to the management of airports
Air traffic control	Skyguide (99.97% owned by the Confederation)	Exclusive mandate from the Swiss Confederation to supply civil and military air traffic control services
Radio and television	SRG SSR; and private companies	Guaranteed and privileged access to wireless terrestrial broadcasting, and local cable TV networks built on a single licence
Postal services	Swiss Post (La Poste Suisse) (100% ownership by the Confederation)	Exclusive rights to supply services related to delivering domestic and international inbound letters of up to 50 g
Certain insurance services	Cantonal entities SUVA	Exclusive rights to supply insurance services for fire and natural damage to buildings Exclusive rights to supply statutory workplace accidents insurance services
Certain banking services	Cantonal banks (majority ownership by cantons); and other banks	Exclusive rights to issue specific mortgage bonds (<i>Schweizer Pfandbriefe</i>) only through "issuing institutions" whose mortgage loans amount to at least 60% of their balance sheet (the issuing institutions are owned either by cantonal or private banks)

Goods/services	Entity	Coverage
Liechtenstein		
Electricity	Liechtensteinische Kraftwerke (LKW)	Generation, imports, and distribution of electricity; direct imports are allowed
Drinking water	Gruppenwasserversorgung Liechtenstein Oberland	Exclusive production and distribution rights (except industry and large customers)
	Wasserversorgung Liecht. Unterland	Exclusive production and distribution rights (except industry and large customers)
Gas	Liechtensteinische Gasversorgung (LGV)	Imports and distribution of gas; <i>de facto</i> monopoly
Telecommunications	Telecom Liechtenstein	Fully state-owned company providing fixed-net services and responsible for network planning, operation, and maintenance.
Public transport services by bus	Liechtensteinmobil	Exclusive supply rights
Postal services	Liechtenstein Post AG	Exclusive rights over letters and direct mailing up to 50 g

Note: Unless otherwise specified, Swiss entities listed are fully or to a very large extent, state-owned.

Source: Information provided by the Swiss and Liechtenstein authorities.

Table A4. 1 Administration of tariff quotas, 2012

TQ	Product	Beneficiaries/ eligibility requirements	Allocation procedure	Permit/licence	
1	Live horses, donkies, mules, etc.	No limitation	First-come-first-served	No licence	
2	Live bovines	Breeders	First-come-first-served, except live bovines (auction)	Non-automatic licence	
3	Live swine				
4	Live goats and sheep				
5	Meat (beef, sheep, goat, and horse)	No limitation	Auction, <i>prise en charge</i> (only 10% meat of beef and sheep)	Non-automatic licence	
6	Other meat (pork and poultry)		Auction	Non-automatic licence	
7	Dairy products (milk equivalent)		Auction (milk powder, butter), first-come-first served (various dairy products, "fontal cheese" and other dairy products)	Non-automatic licence Cheese: no licence Other dairy products: automatic licence	
8	Casein	No limitation	Unlimited	Automatic licence	
9	Eggs in shell		First-come-first served	No licence	
10	Dried egg products		Unlimited	No licence	
11	Other egg products				
12	Bovine semen		Recognized insemination organizations	First-come-first-served	Non-automatic licence
13	Cut flowers	No limitation	Past imports ^b ; auction, <i>prise en charge</i> ^a	Non-automatic licence	
14	Potatoes and products		<i>Prise en charge</i> ^a ; auction	Non-automatic licence	
15	Vegetables		Past imports ^b ; <i>prise en charge</i> ^a ; pro rata ^c	Non-automatic licence	
16	Apples, pears, quinces, fresh			Non-automatic licence	
17	Frozen vegetables		<i>Prise en charge</i> ^a ; past imports ^b ; pro rata ^c	Non-automatic licence	
18	Apricots, cherries, etc. fresh		Past imports ^b ; <i>prise en charge</i> ^a ; pro rata ^c	Non-automatic licence	
19	Other fruit, fresh			Non-automatic licence	
20	Fruit for cider production			Auction	Non-automatic licence
21	Seed-fruit products				Non-automatic licence
22	Grapes for pressing and grape juice		Licensed grape and grape juice traders	Unlimited	Automatic licence
23	White and red wine	Licensed wine traders	First-come-first served	Automatic licence	
24	Durum wheat, undenatured	Importers licensed by Réservesuisse	Unlimited	Automatic licence	
25	Bread cereals and other cereals for human consumption		First-come-first served	Automatic licence	
26	Coarse grains for human consumption	Mills	Unlimited	Automatic licence	

a *Prise en charge*: quota shares contingent upon purchases of local goods.

b Past imports: quota shares allocated as a function of commercial imports during the preceding period.

c Pro rata: quota allocation depends on the quantities requested by individual importers.

Source: WTO documents G/AG/N/CHE/13/Add.9, 8 January 2008, G/AG/N/CHE/13/Add.10, 27 May 2008, and G/AG/N/CHE/13/Add.14, 11 April 2012; and information provided by the Swiss authorities.

Table A4. 2 Tariff quotas, 2012

TQ	Product description	Quota commitment	Fill ratio (%)	
			2010	2011
1	Live horses, asses, mules, and hinnies (units)	3,322	115	117
2	Live bovine animals (units)	20	5,625	6,365
3	Live swine (units)	50	30	6
4	Live sheep and goats (units)	187	267	297
5	Animals for slaughter; meat mainly produced on the basis of coarse fodder (tonnes)	22,500	161	165
6	Animal for slaughter; meat mainly produced on the basis of concentrated fodder (tonnes)	54,482	102	103
7	Dairy products, in milk equivalent (tonnes)	527,000	113	116
8	Casein (tonnes)	697	126	118
9	Birds' eggs, in shell (tonnes)	33,735	109	102
10	Dried egg products (tonnes)	977	155	108
11	Other egg products (tonnes)	6,866	100	100
12	Bovine semen (doses)	20,000	2,264	2,044
13	Cut flowers (tonnes)	4,590	170	176
14	Seed and table potatoes; potato products (tonnes)	22,250	110	119
15	Fresh vegetables (tonnes)	166,076	127	126
16	Frozen vegetables (tonnes)	4,500	105	104
17	Fresh apples, pears, and quinces (tonnes)	15,810	86	89
18	Fresh apricots, cherries, plums, and sloes (tonnes)	16,340	106	87
19	Other fresh fruit (tonnes)	13,360	108	108
20	Fruit for cider production (tonnes)	172	73	8
21	Seed fruit products (tonnes)	244	726	468
22	Grapes for pressing and grape juice (hectolitres)	100,000	89	84
23, 24,25	White and red wine (hectolitres)	1,700,000	99	97
26	Durum wheat, undenatured (tonnes)	110,000	74	118
27	Bread cereals and other cereals for human consumption (tonnes)	70,000	112	120
28	Coarse grains for human consumption (tonnes)	70,000	41	50

Source: Information provided by the Swiss authorities.

Table A4. 3 Summarized trade regimes on financial services

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
7.A Insurance and Insurance-related Services	<p>According to the "GATS financial services understanding"; monopoly rights as indicated in paragraph B.1 of the "understanding": a public monopoly on fire and natural damage insurance on buildings exists in: Zurich, Berne, Lucerne, Nidwalden, Glaris, Zoug, Fribourg, Soleure, Bâle-Ville, Bâle-Campagne, Shaffhouse, Argovie, St-Gall, Grisons, Appenzell Rhodes Extérieures, Thurgovie, Vaud, Neuchâtel, Jura. In the cantons of Nidwalden and Vaud, the public monopoly on fire and natural damage insurance also covers movable property located in the buildings</p> <p>1) MA: transactions as indicated in paragraph B.3 of the "Understanding": the underwriting of aircraft liability insurance requires a commercial presence in Switzerland</p> <p>NT: acquisition of real estate by foreigners is limited as indicated in the horizontal commitments; however, foreign or foreign-controlled insurance companies are granted authorization to invest in real estate, provided the total value of the buyer's property does not exceed the technical reserves required for the company's activities in Switzerland, as well as to acquire property that serves as a security for mortgage loans in case of bankruptcy or liquidation;</p> <p>2) transactions as indicated in paragraph B.4 of the "Understanding": the underwriting of aircraft liability insurance requires a commercial presence in Switzerland;</p> <p>3) MA: representative offices cannot conduct business or act as an agent; for insurance companies incorporated in Switzerland, the legal form of a joint-stock company (<i>Aktiengesellschaft, société anonyme</i>) or a mutual association (<i>Genossenschaft, société cooperative</i>) is required; for branches of foreign insurance companies, the legal form of the insurance company in the head office country must be comparable to a Swiss joint-stock company or mutual association; participation in the basic health insurance scheme requires health insurance suppliers to be organized in one of the following legal entities: association (<i>Verein, association</i>), mutual association, foundation (<i>Stiftung, fondation</i>) or joint-stock company; participation in the statutory pension funds scheme (<i>Berufsvorsorge/ prévoyance professionnelle</i>) requires pension funds to be organized in the form of a mutual association or a foundation</p> <p>NT: a minimum of three years of experience is required in the direct insurance business in the head office country; acquisition of real estate by foreigners is limited as indicated in the horizontal commitments; however, foreign or foreign-controlled insurance companies are granted authorization to invest in real estate, provided the total value of the buyer's property does not exceed the technical reserves required for the company's activities in Switzerland, as well as to acquire property that serves as a security for mortgage loans in case of bankruptcy or liquidation.</p>	<p><u>Positive listing agreements</u> EFTA-CHL: no commitments</p> <p>EFTA-COL; EFTA-KOR: according to the "GATS financial services understanding"</p> <p>Same monopoly rights as GATS commitments 3) same as GATS commitments except for the NT restriction on real estate acquisition</p> <p>EFTA-MEX: 1) 3) same as GATS commitments; 2) none</p> <p>EFTA-SGP: same as GATS commitments</p> <p><u>Other agreements</u> EFTA: reservations echo GATS <i>mutatis mutandis</i> (i.e. the cross-border chapter for modes 1 and 2 and the investment chapter for mode 3) except for monopoly rights where there is no reservation CH-JPN: reservations echo GATS except those on aircraft liability, real estate, and experience. In addition some reservations are more detailed than their GATS equivalent (e.g. the three reservations on pension funds) while another (on insurance intermediation) does not appear to have GATS equivalent.^a All these reservations are both to MA and NT, and cover existing measures.</p>	None	Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in Articles 57.2.a and 90.1 a and b of this agreement

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
7.B Banking and Other Financial Services (excluding insurance)	<p>According to the "GATS financial services understanding"; monopoly rights as indicated in paragraph B.1 of the "understanding": two mortgage bonds issuance institutes have been granted an exclusive right for the issuance of specific mortgage bonds (<i>Pfandbrief, lettre de gage</i>); with regard to the first institute, only Swiss cantonal banks are accepted as members; in the second institute, banks with head office in Switzerland whose national mortgage loan business amounts to at least 60% of the balance sheet can be members; the issue of other mortgage-backed bonds is not affected by this regulation</p> <p>1) MA^b: foreign investment funds can only be marketed or distributed through a licensed representative agent resident in Switzerland; Swiss franc denominated issues can be lead-managed only by a bank or a securities dealer having a commercial presence (except representative office) in Switzerland;</p> <p>NT: acquisition of real estate by foreigners is limited as indicated in horizontal commitments; however, foreign or foreign-controlled banks are granted authorization to acquire property that serves as a security for mortgage loans in case of bankruptcy or liquidation; the issue of foreign collective investment funds is subject to stamp duty;</p> <p>2) Swiss franc denominated issues can be lead-managed only by a bank or a securities dealer having a commercial presence (except representative office) in Switzerland;</p> <p>3) MA: commercial presence of foreign financial service suppliers is subject to specific requirements relating to the name of the firm and the regulations on financial institutions in the country of origin; commercial presence may be denied to financial service suppliers whose ultimate shareholders and/or beneficial owners are persons of a non-GATS Member; representative offices can neither conclude or deal business nor act as an agent</p> <p>NT: acquisition of real estate by foreigners is limited as indicated in Part I; however, foreign or foreign-controlled banks are granted authorization to acquire property that serves as a security for mortgage loans in case of bankruptcy or liquidation.</p>	<p><u>Positive listing agreements</u> EFTA-CHL: no commitments</p> <p>EFTA-COL, EFTA-KOR: according to the financial services understanding</p> <p>Same monopoly rights as GATS commitments</p> <p>1) MA^b: foreign investment funds can only be marketed or distributed through a licensed representative agent resident in Switzerland;</p> <p>NT: the issue of foreign collective investment funds is subject to stamp duty; 2) none;</p> <p>3) MA: commercial presence may be denied to financial service suppliers whose ultimate shareholders and/or beneficial owners are persons of a non-party; representative offices may not conclude or deal business or act as an agent;</p> <p>NT: commercial presence of foreign financial service suppliers is subject to specific requirements relating to the name of the firm and the regulations on financial institutions in the country of origin</p> <p>EFTA-MEX: 1) 3) same as GATS commitments; 2) none</p> <p>EFTA-SGP: same as GATS commitments</p>	None	Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in Articles 57.2.a and 90.1 a and b of this agreement

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
		<p><u>Other agreements</u></p> <p>EFTA: reservations echo that of GATS <i>mutatis mutandis</i> (to the cross-border chapter for modes 1 and 2 and to the investment chapter for mode 3)</p> <p>CH-JPN: reservations echo GATS except those on the prohibition for representative offices to conduct business and act as an agent (which is limited to securities dealers only), on real estate, on Swiss franc denominated issues and origin and name of the firm. In addition some reservations (two on licencing and one on stock exchanges and securities dealers) do not appear to have GATS equivalent^c.</p> <p>All these reservations are to MA and NT and cover existing measures save one that is addressed only to NT (stamp duty) and one that also covers future measures (on the distribution of foreign investment, with a GATS floor)</p>		

- a The complete description of this reservation reads (34): "... Except for maritime, aviation and transport insurance services (MAT) as well as reinsurance services, commercial presence is required in Switzerland (Articles 3 and 15). For insurance intermediation services, such as brokerage and agency, only services supplied by insurance companies established in Switzerland may be authorized with the exception of maritime, aviation and transport insurance services (MAT) as well as reinsurance services. Dependent intermediary insurance suppliers are required to be affiliated to an insurance company domiciled in Switzerland. Independent intermediary insurance suppliers are required to register in the intermediary insurance register (SR 961.011, Articles 7, 15, 41, 42, 43 and 44; SR 961.011, Articles 182 to 187)".
- b The whole range of banking and other financial services transactions is covered (excluding insurance), not only transactions indicated in paragraph B.3 of the "understanding".

- c The descriptions of these three reservations read as follows:
- "(40)(I) If the foreign controlling ultimate shareholders and/or beneficial owners are nationals and/or residents of a non-party, then, the licence to establish a bank to be organized under Swiss law; the licence to establish an office, a branch or an agency of a foreign or foreign-controlled bank; and the licence to appoint a permanent representative of a foreign bank, are subject to the additional condition that the country of domicile of the foreign bank or of the foreign controlling corporate of individual shareholder shall guarantee reciprocity, (II) An additional licence (as described under (I)) must be obtained by any bank which falls under foreign control or if a foreign controlled bank undergoes a change of its foreign shareholders holding a qualified participation. A bank organized under Swiss law falls under this provision whenever a foreign person (see below) with a qualified participation directly or indirectly holds more than 50% of the voting rights in the bank or a significant influence on it is exercised in another manner. The following shall be deemed foreign persons: (a) natural persons who have neither Swiss nationality nor a residence permit conferring the right of establishment in Switzerland; (b) juridical persons and partnerships that have their registered office abroad or, if they have their registered office in Switzerland, are controlled by persons defined under (a);
- (41) The licence, to establish a bank to be organized under Swiss law, but with respect to which controlling foreign influence exists; to establish an office, a branch or an agency of a foreign or foreign-controlled bank; or to appoint a permanent representative of a foreign bank, is subject to the additional condition that the corporate name of the foreign controlled Swiss bank shall in no way indicate or suggest that the bank is Swiss-controlled. A bank organized under Swiss law falls under this provision whenever a foreign person (see below) with a qualified participation directly or indirectly holds more than 50% of the voting rights in the bank or a significant influence on it is exercised in another manner. The following shall be deemed foreign persons: (a) natural persons who have neither Swiss nationality nor a residence permit conferring the right of establishment in Switzerland; (b) juridical persons and partnerships who have their registered office abroad or, if they have their registered office in Switzerland, are controlled by persons defined under (a);
- (44)(I) If its ultimate shareholders and/or beneficial owners are nationals and/or residents of a non-Party, authorization of a foreign stock exchange or of a stock exchange controlled by foreign persons domiciled abroad may be refused if the non-party in which the foreign stock exchange has its registered office or in which the controlling foreign persons are domiciled does not accord Swiss stock exchanges effective access to its markets and does not offer them the same competitive opportunities as to the local stock exchange. The same rule shall apply to the authorization of securities dealers, (II) Stock exchanges and securities dealers which subsequently come under foreign control must obtain the approval of the Swiss Financial Market Supervisory Authority (FINMA). The same condition shall apply to foreign-controlled stock exchanges or securities dealers, if there is a change in the foreign persons with significant interests. Stock exchanges and securities dealers organized under Swiss law shall be considered foreign-controlled if foreign persons (see below) with significant interests in them hold over half the voting rights directly or indirectly, or otherwise exert a controlling influence on them. The following shall be deemed foreign persons: (a) natural persons who have neither Swiss nationality nor a residence permit conferring the right of establishment in Switzerland; (b) juridical persons and partnerships who have their registered office abroad or, if they have their registered office in Switzerland, are controlled by persons defined under (a); (45) Representative offices of a foreign securities dealer may not conduct business or act as an agent."
- Note: CPC means the United Nations Provisional Central products Classification. Restrictions to national treatment are indicated only to the extent that they differ from or add specific restrictions to market access restrictions; mode 4 commitments are indicated only if they differ from the standard entry "unbound except as indicated in the horizontal commitments". Some entries have been summarized so as to fit within the tables but their substance has been preserved and the text checked by the examined member; "unbound*" means unbound due to lack of technical feasibility. A classification heading followed by an asterisk (e.g. CPC51310*) means "part of" the heading, unless otherwise explicitly stated. The nomenclature used for the first column of the table is that of document MTN.GNS/W/120.
- Source: Compiled by the WTO Secretariat.

Table A4. 4 Summarized trade regimes on air transport services

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
Aircraft repair and maintenance	1) unbound*; 2) unbound; 3) none; 4) unbound except as indicated in the horizontal commitments + commercial presence required	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: same as GATS</p> <p>EFTA-COL, EFTA-KOR: 1) 2) 3) none; 4) unbound except as indicated in the horizontal commitments</p> <p><u>Other agreements</u> EFTA, CH-JPN: no reservations</p>	None	No restrictions
Selling and marketing of air transport services	No commitments	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: no commitments</p> <p>EFTA-COL, EFTA-KOR: MA 1) 2) 3) none; 4) unbound except as indicated in the horizontal commitments NT: 1) 3) none except unbound for distribution through CRS of air transport provided by CRS parent carrier; 2) none; 4) unbound except as indicated in the horizontal commitments</p> <p><u>Other agreements</u> EFTA, CH-JPN: no reservations</p>	None	No restrictions, EU rules on CRs apply
Computer reservation services	No commitments	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: no commitments</p> <p>EFTA-COL, EFTA-KOR: MA: 1) 2) 3) none; 4) unbound except as indicated in the horizontal commitments; NT: 1) 3) none except unbound for distribution through CRS of air transport provided by CRS parent carrier; 2) none; 4) unbound except as indicated in the horizontal commitments</p> <p><u>Other agreements</u> EFTA: EU rules on CRS apply CH-JPN: no reservations</p>	EU-CH aviation agreement: EU rules on CRS apply	No restrictions, EU rules on CRs apply

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
Airport management services (part of CPC 746)	No commitments	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: no commitments</p> <p>EFTA-COL, EFTA-KOR: 1) 2) 3), none; 4) unbound except as indicated in the horizontal commitments</p> <p><u>Other agreements</u> EFTA, CH-JPN: no reservations</p>	None	Concessioned airports are managed by public or private entities (even in the second case, the majority of the capital may be in public hands)
Ground handling services	No commitments	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: no commitments</p> <p>EFTA-COL, EFTA-KOR: unbound*; 2) unbound; 3) none; 4) unbound except as indicated in the horizontal commitments</p> <p><u>Other agreements</u> EFTA: EU rules on ground handling apply CH-JPN: no reservations</p>	EU-CH aviation agreement: EU rules on ground handling apply	No restrictions, EU rules on CRs apply
Specialty air services, limited to: - Air sightseeing services (part of CPC 73120) - Transportation of parachute jumpers and heli-skiers (part of CPC 731) - Air-lifted transport of material for construction sites (part of CPC 732) - Airborne surveying services (part of CPC 86753)	No commitments	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-KOR, EFTA-SGP: no commitments</p> <p>EFTA-COL: 1) unbound, except none for aircraft that belong to a Swiss-controlled juridical person registered and having its seat in Switzerland or to a natural person with Swiss nationality. Authorization is required for commercial transport of freight and passengers and for some specific operations; 2) none; 3) unbound, except none for aircraft that belong to a Swiss-controlled juridical person registered and having its seat in Switzerland or to a natural person with Swiss nationality. Authorization is required from the commercial transport of freight and passengers and for some specific operations; 4) unbound</p> <p><u>Other agreements</u> EFTA: no reservations</p>	None	<p>In order to operate in Swiss air-space, aeroplanes must be registered in the Swiss aircraft register (<i>Schweizerisches Luftfahrzeugregister; registre matricule suisse; matricola svizzera</i>). Foreign aeroplanes may be allowed to operate in Swiss air-space pursuant to bilateral agreements (SR 748.0 Article 2).</p> <p>Aeroplanes owned by the following natural or juridical persons may be registered in the Swiss aircraft register: (a) Swiss nationals; (b) foreigners, who: (i) pursuant to a bilateral agreement, are accorded equal status to Swiss nationals in respect of foreign capital participation in and management of Swiss air traffic companies; (ii) are domiciled in Switzerland; and (iii) are permitted to stay in Switzerland for an extended period of time; (c) foreigners, who: (i) are domiciled in Switzerland;</p>

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
		CH-JPN: reservation to MFN, MA and NT for existing laws and existing and future bilateral air services agreement		<p>(ii) are permitted to stay in Switzerland for an extended period of time; and (iii) normally use the aeroplane from Switzerland; (d) companies and cooperative societies domiciled in Switzerland and registered in a cantonal commercial register (SR 748.01, Article 4). An authorization is required for commercial transport of passengers and freight (SR 748.0, Article 27).</p> <p>Commercial transport of passengers includes air sightseeing services and transport of parachute jumpers and heli-skiers. Commercial transport of freight includes air-lifted transport of material for construction sites or air lifted. A concession is required for the regular transport of passengers and freight on the same flight route (SR 748.0, Article 28). To obtain such authorization, an enterprise must have its domicile in Switzerland (SR 748.0, Article 27), be registered in a cantonal commercial register and be owned and controlled by a majority of Swiss nationals or Swiss enterprises. The majority of the shares must be registered shares and in Swiss hands (SR 748.01, Article 103).</p> <p>Enterprises without domicile in Switzerland may obtain such authorization on the basis of reciprocity, normally pursuant to bilateral air services agreements.</p> <p>Switzerland reserves the right to accord less favourable treatment to services or service suppliers from Japan than that accorded to like services or service suppliers of any other country (SR 748.0, Articles 29, 30; SR 748.01, Article 108; SR 0.748).</p>

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
				<p>Commercial transport of passengers or freight between points within the territory of Switzerland (cabotage), as well as rental services of aircraft with operator, must be supplied by Swiss enterprises exclusively, unless international agreements stipulate otherwise.</p> <p>Switzerland reserves the right to accord less favourable treatment to services or service suppliers of Japan than that accorded to like services or service suppliers of any other country, normally pursuant to bilateral air services agreements (SR 748.0, Article 32; SR 0.748).</p> <p>Aerial advertising is prohibited (SR 748.01, Article 83).</p>

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Source: Compiled by the WTO Secretariat.

Table A4. 5 Summarized trade regimes on road transport services

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
<p>11.F.a Passenger transportation (CPC 7121+7122)</p>	<p>Regular, "closed-door" tours only (part of CPC 7121) and occasional, excluding empty entrance, cabotage and taxi services (part of CPC 7122): 1) 2) 3) none + 1 MFN exemption to the benefit of all partners in bilateral agreements on road transport or other arrangements relating to road transport or that may be desirable to allow, on the basis of mutual access to the market, for transport services by vehicles registered in countries other than Switzerland to undertake transportation of goods and/or passengers in, into, out of, or in transit through Swiss territory, normally based on bilateral agreements</p>	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-COL, EFTA-KOR, EFTA-SGP: same as GATS commitments</p> <p>No MFN exemptions for EFTA-CHL, EFTA-SGP</p> <p>1 MFN exemption for EFTA-COL, EFTA-KOR: to the benefit of all partners in bilateral agreements on road transport or other arrangements relating to road transport or that may be desirable regulate, on the basis of mutual access to the market, for transport of goods and/or passengers by vehicles registered in countries other than Switzerland in, into, out of, or in transit through Swiss territory, normally pursuant to bilateral agreements</p> <p><u>Other agreements</u> EFTA: special protocol on land transport, prohibiting cabotage except if allowed by earlier bilateral agreements, freeing from authorization procedures occasional services, unladen journeys, own account transport, and special regular services, incorporating the EU licencing system (regulation 684/92 as amended by regulation 11/98) and foreseeing joint agreements for triangular quotas with third parties while grandfathering existing bilateral arrangements in this regard</p> <p>CH-JPN: 3 reservations^a (a) to MFN, MA, and NT to cover at federal and cantonal level, the state monopoly for regular transport of passengers, which is subsequently delegated through concession procedures and with an economic needs test, a public convenience test, and in certain instances (regular cross-border transport, certain international shuttle transport, and the transport of passengers between airports and tourist regions) the condition that a Swiss</p>	<p>All 50 bilateral agreements on road transport except with the UK include passenger transport. Occasional services (e.g. closed-doors services, transit, empty travel) and shuttle services in general without authorization. Regular transport needs authorization.</p>	<p>Cross-border/mode 1 and transit: see previous column</p> <p>Cabotage prohibited except if allowed by bilateral agreements (i.e. with Liechtenstein (RS 0.741.619.541.1) and France (limited to border cantons and départements) (RS 0.741.619.349.1)</p> <p>Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in Articles 57.2.a and 90.1 a and b of this agreement</p>

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
		<p>enterprise must have a substantial share in the business; (b) to MFN, MA, and NT to cover the limitation of cross-alpine transit to 650,000 rides, the bilateral road transport agreements, and the prohibition of cabotage unless the vehicle carries a Swiss vehicle document and Swiss licence plate; (c) to MA and NT to cover cantonal and municipal enactments on taxi services that provide monopolies, concessions or licences to specific operators or impose various measures restricting market access and/or national treatment. With the qualification: that Switzerland reserves the right to maintain, modify or adopt any measures of the type described</p>		
<p>11.F.b Freight transportation (CPC 7123)</p>	<p>No commitments + 2 MFN exemptions a) to the benefit of all partners in bilateral agreements on road transport or other arrangements relating to road transport or that may be desirable, to allow, on the basis of mutual access to the market, for transport services by vehicles registered in countries other than Switzerland to undertake transportation of goods and/or passengers in, into, out of, or in transit through Swiss territory, normally based on bilateral agreements b) to the benefit of EU only, to allocate transit quota for perishable or otherwise urgent cargo by trucks heavier than 28 tonnes registered in countries other than Switzerland in case capacity of combined transport is exhausted</p>	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: 1) unbound; 2) none; 3) MA: none for vehicles having an actual total weight of less than 40 t; NT: vehicles must be registered in Switzerland. EFTA-CHL, EFTA-SGP: no MFN exemptions EFTA-COL, EFTA-KOR: (excluding cabotage) 1) unbound; 2) 3) none + 1 MFN exemption to the benefit of all partners in bilateral agreements on road transport or other arrangements relating to road transport or that may be desirable to regulate, on the basis of mutual access to the market, for transport of goods and/or passengers by vehicles registered in countries other than Switzerland in, into, out of, or in transit through Swiss territory, normally pursuant to bilateral agreements <u>Other agreements</u> EFTA: special protocol on land transport, maintaining the prohibition of cabotage, abolishing transit quotas, incorporating EU liberalization (regulation 881/92) and foreseeing joint agreements for triangular quotas with third parties while grandfathering existing bilateral arrangements in this regard</p>	<p>50 bilateral agreements (see 2002 road transport agreement with the EU, which raises the maximum permissible weight of vehicles from 28 to 40 tonnes, liberalizes road transport between the EU and Switzerland, and opens up the market for transport between EU member states (<i>grand cabotage</i>) to Swiss carriers. Cabotage (i.e. road transport within Switzerland or within a member state of the EU) was not liberalized. Mutual recognition of the licences needed to gain admission to the occupation; a general harmonization of technical standards; and coordination of transport policies, in particular for combined rail-road transport. The EU-Switzerland agreement does not affect triangular quotas for freight</p>	<p>Cross-border/mode 1 and transit: see previous column Prohibition of cabotage Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in Articles 57.2.a and 90.1 a and b of this agreement</p>

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
		CH-JPN: reservation to MFN, MA, and NT to cover the limitation of cross-alpine transit to 650,000 rides, the bilateral road transport agreements, and the prohibition of cabotage unless the vehicle carries a Swiss vehicle document and Swiss licence plate		
11.F.c Rental of commercial vehicles with operator (CPC 7124)	1) 2) 3) none	<u>Positive listing agreements</u> EFTA-CHL, EFTA-COL, EFTA-KOR, EFTA-SGP: 1) 2) 3) none <u>Other agreements</u> EFTA: no reservations CH-JPN: no reservations	None	Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in Articles 57.2.a and 90.1 a and b of this agreement
11.F.d Maintenance and repair of road transport equipment (CPC 6112 + 8867)	1) unbound*, 2) 3) none	<u>Positive listing agreements</u> EFTA-CHL, EFTA-COL, EFTA-KOR, EFTA-SGP: 1) unbound*; 2) 3) none <u>Other agreements</u> EFTA: no reservations CH-JPN: no reservations	None	Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in Articles 57.2.a and 90.1 a and b of this agreement
11.F.e Supporting services for road transport (CPC 744)	No commitments	<u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: no commitments EFTA-COL, WEFTA KOR: 1) 2) 3) none <u>Other agreements</u> EFTA: no reservations CH-JPN: no reservations	None	Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in Articles 57.2.a and 90.1 a and b of this agreement

- a The full description of these reservations reads :
- "(A) **FEDERAL LEVEL:** State monopoly for regular transport of passengers (SR 744.10, Article 2; SR 747.201, Article 7). Concession or authorization is required for regular transport of passengers (Article 4 SR 744.11). Concession is required for regular transport as defined in Article 5 of the Federal Ordinance on concessions for passenger transportation (SR 744.11). Such a concession may be granted under the condition that the transport service is supplied in a practical and economical way and, in addition, that either the transport service does not negatively affect public transport enterprises or that the transport service establishes an important new transport connection (SR 744.10, Article 5; SR 744.11, Article 13). Authorization is required for regular transport as defined in Article 6 of the Federal Ordinance on concessions for passenger transportation (SR 744.11), namely for regular cross-border transport, certain international shuttle transport and for the transport of passengers between airports and tourist regions. To obtain an authorization for regular cross-border and certain international shuttle transport by road, the newly introduced transport services must not compete in any way with public or other existing transport services and an enterprise of Switzerland must have a substantial share in the business. Such an authorization does not allow the supply of transport services between points within the territory of Switzerland (cabotage). To obtain an authorization for the transport of passengers between airports and tourist regions, the conditions for obtaining a concession must be met (SR 744.11, Articles 6, 37, 38, 39b, 40 and 47a). Authorization is required for enterprises undertaking regular passenger transport or freight transport by road (SR 744.10, Article 8).
- CANTONAL LEVEL:** Authorization issued by cantons is required for regular passenger transport as defined in the Federal Ordinance on concessions for passenger transport (SR 744.11, Article 6). To obtain such authorization, the newly introduced service must not compete in any way with public transport (SR 744.10, Article 4; SR 744.11, Articles 13 and 32)."

(B) Alps traffic shall not exceed 650,000 rides per year (SR 740.1, Article 1). The Federal Law on the shift to rail of freight traffic crossing the Alps provides the possibility to introduce non-discriminatory measures to achieve the objective of shifting freight traffic to rail (SR 740.1, Article 2). Switzerland reserves the right to accord less favourable treatment to services or service suppliers of Japan for transport of goods and/or passengers by vehicles registered in countries other than Switzerland in, into, out of, or in transit through Swiss territory than that accorded to like service suppliers of any other country, normally pursuant to bilateral road transport agreements (SR 741.01, Article 106; SR 0.741). Vehicles must carry a Swiss vehicle document and a Swiss licence plate if they transport passengers or freight between points within the territory of Switzerland (prohibition of cabotage) on a commercial basis (SR 741.51, Article 115).

(C) Cantonal and municipal enactments on taxi services provide monopolies, concessions or licences to specific operators or impose various measures restricting market access and/or national treatment. Qualification: Switzerland reserves the right to maintain, modify or adopt any measures of the type described.

Note: CPC means the United Nations Provisional Central products Classification. Restrictions to national treatment are indicated only to the extent that they differ from or add specific restrictions to market access restrictions; mode 4 commitments are indicated only if they differ from the standard entry "unbound except as indicated in the horizontal commitments". Some entries have been summarized so as to fit within the tables but their substance has been preserved and the text checked by the examined member; "unbound*" means unbound due to lack of technical feasibility. A classification heading followed by an asterisk (e.g. CPC51310*) means "part of" the heading, unless otherwise explicitly stated. The nomenclature used for the first column of the table is that of document MTN.GNS/W/120.

Source: Compiled by the WTO Secretariat.

Table A4. 6 Summarized trade regimes on selected railways transport services and related construction services

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
11.F.a., b. and c., Passenger and freight transportation and pushing and towing services (CPC 7111-7113)	1) unbound; 2) none; 3) concession required with economic needs test and absence of a more ecological and economical means of transport	EFTA-CHL, EFTA-COL, EFTA-KOR, EFTA-SGP 1) unbound; 2) none; 3) concession required with economic needs test and absence of a more ecological and economical means of transport EFTA-MEX: no commitments CH-JPN: concession required to operate railway infrastructure with economic needs test and absence of a more ecological and economical means of transport and no affectation of substantial public interests such as zoning plans, the protection of the environment and of the landscape or defence Authorization is required for access to railway infrastructure, only enterprises domiciled in Switzerland and registered in a cantonal commercial register or possessing a concession to construct and or operate such an infrastructure may obtain such authorization; future measures at cantonal level	CH-EU land transport agreement: right of access and transit for railways companies and railways grouping of both parties ^a	Concession required to operate railway infrastructure with economic needs test and absence of a more ecological and economical mean of transport and no impact on substantial public interest such as zoning plans, the protection of the environment and of the landscape or defence (SR 742.101, articles 5 and 6) Authorization is required for access to railway infrastructure, only enterprises domiciled in Switzerland and registered in a cantonal commercial register or possessing a concession to construct and or operate such an infrastructure may obtain such authorization (SR 742.722, article 3)
11.F.d Maintenance and repair of rail transport equipment (part of CPC 8868)	1) unbound*; 2) 3) none	EFTA-CHL, EFTA-COL, EFTA-KOR, EFTA-SGP 1) unbound*; 2) 3) none EFTA-MEX: no commitments CH-JPN: future measures at cantonal level		No restrictions
11.F.e Supporting services for railways transport	No commitments	EFTA-CHL, EFTA-SGP: 1) unbound; 2) none; 3) concession required with economic needs test and absence of a more ecological and economical means of transport EFTA-COL, EFTA-KOR; EFTA-MEX: no commitments CH-JPN: as under passenger and freight transport		Concession required to operate railway infrastructure with economic needs test and absence of a more ecological and economical means of transport and no impact on substantial public interest such as zoning plans, the protection of the environment and of the landscape or defence (SR 742.101, articles 5 and 6) Authorization is required for access to railway infrastructure, only enterprises domiciled in Switzerland and registered in a cantonal commercial register or possessing a concession to construct and or operate such an infrastructure may obtain such authorization (SR 742.722, article 3)

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
Part of 3.B General construction work for civil engineering: - part of CPC 51310 general construction work for civil engineering for [highways, streets, roads], railways [and airfield runways] - part of CPC 5320 general construction work for civil engineering for [highways, streets, roads], railways for bridges, elevated highways, tunnels and subways	1) unbound*; 2) 3) none	EFTA-CHL, EFTA-COL, EFTA-KOR, EFTA-SGP: 1) unbound*; 2) 3) none EFTA-MEX: no commitments EFTA (itself): no reservations (transposition of the EU rules on vertical separation and access) CH-JPN: concession required to construct railway infrastructure with economic needs test and absence of a more ecological and economical means of transport and no impact on substantial public interest such as zoning plans, the protection of the environment and of the landscape or defence (SR 742.101, Articles 5 and 6)		Concession required to construct railway infrastructure with economic needs test and absence of a more ecological and economical means of transport and no impact on substantial public interest such as zoning plans, the protection of the environment and of the landscape or defence (SR 742.101, articles 5 and 6)

a For an English version see: [http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX: 22002A0430\(03\):EN:HTML](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:22002A0430(03):EN:HTML), articles 23-29 and 33-36.

Note: CPC means the United Nations Provisional Central products Classification. Restrictions to national treatment are indicated only to the extent that they differ from or add specific restrictions to market access restrictions; mode 4 commitments are indicated only if they differ from the standard entry "unbound except as indicated in the horizontal commitments". Some entries have been summarized so as to fit within the tables but their substance has been preserved and the text checked by the examined member; "unbound*" means unbound due to lack of technical feasibility. A classification heading followed by an asterisk (e.g. CPC51310*) means "part of" the heading, unless otherwise explicitly stated. The nomenclature used for the first column of the table is that of document MTN.GNS/W/120.

Source: Compiled by the WTO Secretariat.

Table A4. 7 Summarized trade regimes on postal and courier services

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
2.A Postal services (CPC 7511)	No commitments	<p><u>Positive listing agreements</u> EFTA-CHL: no commitments</p> <p>EFTA-COL, EFTA-KOR: for express delivery services (part of CPC 7511 and CPC 7512)^a: 1) 2) 3) none</p> <p><u>Other agreements</u> EFTA: unbound for the chapters on trade in services and on investment</p> <p>CH-JPN: reservation on market access and national treatment for: Swiss Post (Die Schweizerische Post; LaPoste Suisse; La Posta Svizzera) has the exclusive mandate to guarantee universal postal service. This covers the pick-up, transport, and delivery of domestically and internationally addressed letters up to 50 g and parcels up to 20 kg, as well as the pick-up, transport, and delivery of subscribed newspapers and periodicals. The same regime applies for the Swiss Post and private postal operators since 1 October 2012. Legal basis: SR 741.11, articles 91 and 92. (Private postal operators need permission)</p>	None	<p>No restriction for express delivery services</p> <p>Reserved services are provided exclusively by Swiss Post (monopoly). They include the delivery of letters posted in Switzerland or originating from abroad and whose weight does not exceed 50 g</p> <p>Non-reserved services are services where Swiss Post is in competition with private providers. Those services are subject to a concession regime when delivered by private operators. Where Swiss Post can prove that the costs of universal service are not covered in full, fees on postal services subject to concession might be perceived to contribute to the financing of universal service. Non-reserved services include (a) postal deliveries of letters above 50 g posted in Switzerland or originating from abroad, (b) postal delivery destined for abroad, (c) transport of parcels up to 20 kg, (d) transport of periodicals and newspapers, (e) payment services</p> <p>Free services are services that Swiss Post may provide in addition to universal service in competition with private operators from Switzerland and abroad, for instance Express Mail Services and Mail Exchange Services</p>

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
2.B Courier services	No commitments	<p><u>Positive listing agreements</u></p> <p>EFTA-CHL: no commitments</p> <p>EFTA-COL, EFTA KOR EFTA SGP: for express delivery services^a (part of CPC 7511 and CPC 7512): 1) 2) 3) none</p> <p>EFTA-SGP: for parcel mail when the weight exceeds 2kg: 1) 2) 3) none</p> <p><u>Other agreements</u></p> <p>EFTA: unbound for the chapters on trade in services and on investment</p> <p>CH-JPN: reservation on market access and national treatment for: Swiss Post (Die Schweizerische Post; LaPoste Suisse; La Posta Svizzera) has the exclusive mandate to guarantee universal postal service. This covers the pick-up, transport, and delivery of domestically and internationally addressed letters up to 50 g and parcels up to 20 kg, as well as the pick-up, transport, and delivery of subscribed newspapers and periodicals. The same regime applies for the Swiss Post and private postal operators since 1 October 2012. Legal basis: SR 741.11, articles 91 and 92. (Private postal operators need permission)</p>	None	<p>No restriction for express delivery services</p> <p>Reserved services are exclusively provided by Swiss Post (monopoly). They include the delivery of letters posted in Switzerland or originating from abroad and whose weight does not exceed 50 g</p> <p>Non-reserved services are services where Swiss Post is in competition with private providers. Those services are subject to a concession regime when delivered by private operators. In cases where Swiss Post would bring the proof that the costs of universal service are not integrally covered, fees on postal services subject to concession might be perceived to contribute to the financing of universal service. These non-reserved services include (a) postal deliveries of letters posted in Switzerland or originating from abroad and whose weight is above 50 g, (b) postal delivery destined for abroad, (c) transport of parcels up to 20 kg, (d) transport of periodicals and newspapers, (e) payment services</p> <p>Free services are services that Swiss Post can provide in addition to universal service in competition with private operators from Switzerland and abroad for instance EMS and Mail Exchange Services</p>

a "Express delivery services" are taken as letter deliveries at five times the price applied by Swiss Post (La Poste Suisse/Die Schweizerische Post) for delivery of a priority letter of first level of weight and format, and as parcel deliveries at double the basic tariff applied by Swiss Post for the delivery of a parcel of first level of weight, according to Swiss law.

Note: CPC means the United Nations Provisional Central products Classification. Restrictions to national treatment are indicated only to the extent that they differ from or add specific restrictions to market access restrictions; mode 4 commitments are indicated only if they differ from the standard entry "unbound except as indicated in the horizontal commitments". Some entries have been summarized so as to fit within the tables but their substance has been preserved and the text checked by the examined member; "unbound*" means unbound due to lack of technical feasibility. A classification heading followed by an asterisk (e.g. CPC51310*) means "part of" the heading, unless otherwise explicitly stated. The nomenclature used for the first column of the table is that of document MTN.GNS/W/120.

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Table A4. 8 Summarized trade regimes for distribution services

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
4.A Commission agent services (CPC 621)	Commission agents' services excluding services related to goods subject to import authorization, to pharmaceutical products, toxics, explosives, weapons and ammunition, and precious metals (part of CPC 6211): 1) 2) none; 3) some cantons have restrictions on sales area	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: same as GATS commitments</p> <p>EFTA-COL, EFTA-KOR: 1) 2) 3) none</p> <p><u>Other agreements</u> EFTA: unbound for trade in services and the investment chapters for commission agents' services related to goods subject to import authorization, pharmaceutical products, toxics, explosives, weapons and ammunition, and precious metals</p> <p>CH-JPN: 6 reservations echoing the exclusions and qualifications in the GATS commitments and the positive listing agreements (goods subject to import authorization, pharmaceutical products, toxics, explosives, weapons and ammunition, and precious metals, authorization procedures for large scale outlets). All these reservations are for existing measures and for both MA and NT except for three: authorization procedures for large-scale outlets (existing, only MA); ammunitions (including future measures); and material of war (idem)^a</p>	None	Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in articles 57.2.a and 90.1 a and b of this agreement
4.B Wholesale trade services (CPC 622)	Wholesale trade services excluding services related to goods subject to import authorization, to pharmaceutical products, toxics, explosives, weapons and ammunition, and precious metals (part of CPC 622) 1) 2) none; 3) some cantons have restrictions on sales area	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: same as GATS commitments</p> <p>EFTA-COL, EFTA-KOR: 1) 2) none; 3) none except for large-scale distribution facilities, which are subject to authorization procedures at cantonal and/or municipal level that may lead to the rejection of the authorization; no economic needs tests or other market access restrictions apply</p>	None	Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in articles 57.2.a and 90.1 a and b of this agreement

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
		<p><u>Other agreements</u> EFTA: no reservations CH-JPN: 6 reservations echoing the exclusions and qualifications found in the GATS commitments and the positive listing agreements (goods subject to import authorization, pharmaceutical products, toxics, explosives, weapons and ammunition, and precious metals, authorization procedures for large scale outlets). All these reservations are for existing measures and for both MA and NT except for three: authorization procedures for large-scale outlets (existing, only MA); ammunitions (including future measures); and material of war (idem)</p>		
4.C Retailing services (CPC 631, 632)	Retailing services excluding services related to goods subject to import authorization, to pharmaceutical products, toxics, explosives, weapons and ammunition, and precious metals; not covered is retailing through mobile sales unit (part of CPC 631 + part of 632 + part of 6111 + part of 6113 + part of 6121) 1) 2) none; 3) some cantons have restrictions on sales area; 4) unbound except as indicated in the horizontal commitments+ commercial presence required	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: same as GATS commitments</p> <p>EFTA-COL, EFTA-KOR: 1) 2) none; 3) none except for large-scale distribution facilities, which are subject to authorization procedures at cantonal and/or municipal level that may lead to the rejection of the authorization; no economic needs tests or other market access restrictions apply; 4) unbound except as indicated in the horizontal commitments + commercial presence required</p> <p><u>Other agreements</u> EFTA: unbound for trade in services and the investment chapters for retailing services related to goods subject to import authorization, to pharmaceutical products, toxics, explosives, weapons and ammunition, and precious metals, and for retailing services through mobile sales unit</p> <p>CH-JPN: 7 reservations echoing the exclusions and qualifications found in the GATS commitments and the positive listing agreements (goods subject to import authorization, pharmaceutical products, toxics, explosives,</p>	None	Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in Articles 57.2.a and 90.1 a and b of this agreement

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
		weapons and ammunition, and precious metals, authorization procedures for large scale outlets). All reservations are for existing measures and for both MA and NT except for three: authorization procedures for large-scale outlets (existing, only MA); ammunitions (including future measures); and material of war (idem)		
4.D Franchising services (CPC 8929)	1) 2) 3) none	<u>Positive listing agreements</u> EFTA-CHL, EFTA COL, EFTA-KOR, EFTA-SGP: same as GATS commitments <u>Other agreements:</u> EFTA, CH-JPN: no	None	Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in Articles 57.2.a and 90.1 a and b of this agreement
4.E Other distribution services	No commitments	<u>Positive listing agreements</u> EFTA-CHL, EFTA-COL, EFTA-KOR, EFTA-SGP: no commitments <u>Other agreements</u> EFTA, CH-JPN: no reservations	None	Overall regime identical to that provided under the JPN-CH FTA via the obligations contained in Articles 57.2.a and 90.1 a and b of this agreement

a For full descriptions of these six reservations, which are valid for commission agents, and wholesale and retail trade services, as well as of that of a seventh (precious metal), which is valid only for retail trade, see <http://www.mofa.go.jp/region/europe/switzerland/epa0902/annex3.pdf>, pp 488 to 497.

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Table A4. 9 Summarized trade regimes on tourism and travel related services

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
9.A Hotels and restaurants (CPC 641-643)	1) unbound* except unbound for catering (CPC 6423); 2) none; 3) MA: federal law enables cantons to grant licences for restaurants based on economic needs (assessment of economic needs is based on criteria such as population, degree of built-up area, type of neighbourhood, touristical interests, number of existing restaurants); NT: residency of licence holder in same canton may be required in some cantons; passing an examination in same canton may be required; 4) MA: unbound except as indicated in horizontal commitments + commercial presence in Switzerland required; NT: residency of licence holder in same canton may be required in some cantons	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: same as GATS commitments</p> <p>EFTA-COL, EFTA-KOR: 1) unbound*; 2) 3)none except that (NT) passing an exam in the same canton may be required, residency of licence holder in the same canton is required in the canton of Jura; 4) MA: unbound except as indicated in horizontal commitments + commercial presence in Switzerland required; NT: residency of licence holder in the same canton is required in the canton of Jura</p> <p><u>Other agreements</u> EFTA: reservation to the investment chapter. Federal law enables cantons to grant licences for restaurants based on economic needs (assessment of economic needs is based on criteria such as population, degree of built-up area, type of neighbourhood, touristical interests, number of existing restaurants)</p> <p>CH-JPN: no reservation</p>	None	Erga omnes (except for Japan where no reservations apply and for EFTA where only the economic needs test on restaurants applies): 1) unbound*; 2) 3) none except that (NT) passing an exam in the same canton may be required, residency of licence holder in the same canton is required in the canton of Jura; 4) MA: unbound except as indicated in horizontal commitments + commercial presence in Switzerland required; NT: residency of licence holder in the same canton is required in the canton of Jura
9.B Travel agencies and tour operators services (CPC 7471)	1) 2) 3) none	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-COL, EFTA-KOR, EFTA-SGP: same as GATS commitments</p> <p><u>Other agreements</u> EFTA: no reservation CH-JPN: no reservation</p>	None	1) 2) 3) none

Subsectors	GATS	FTAs	Other preferential treatment	Applied regime
9.C Tourist guides services (CPC 7472)	Unbound*; 2) none; 3) NT: in order to work as a mountain guide or ski instructor, passing of an examination is required; cantons may restrict access to such exams for foreigners and may restrict the ability of foreign mountain guides, and ski instructors, to practise independently; residency in same canton may be required in some cantons; 4) unbound except as indicated in the horizontal commitments + MA: in some cantons commercial presence may be required; NT: in order to work as a mountain guide or ski instructor, passing of an examination is required; cantons may restrict access to such exams for foreigners and may restrict the ability of foreign mountain guides, and ski instructors, to practise independently	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-SGP: same as GATS commitments</p> <p>EFTA-COL, EFTA-KOR: 1) unbound*; 2) none; 3) NT: none except that in order to work as a mountain guide passing of an exam is required, the access to which may be restricted for foreigners in some cantons; some cantons may restrict the ability of foreign mountain guides to practise independently; 4) unbound except as indicated in horizontal commitments + NT: in order to work as a mountain guide passing of an exam is required, the access to which may be restricted for foreigners in some cantons; some cantons may restrict the ability of foreign mountain guides to practise independently</p> <p><u>Other agreements</u> EFTA: no reservation CH-JPN: no reservation</p>		Erga omnes (except for EFTA and Japan where no reservation apply): 1) unbound*; 2) none; 3) NT: none except that in order to work as a mountain guide passing of an exam is required, the access to which may be restricted for foreigners in some cantons; some cantons may restrict the ability of foreign mountain guides to practise independently; 4) unbound except as indicated in horizontal commitments + NT: in order to work as a mountain guide passing of an exam is required, the access to which may be restricted for foreigners in some cantons; some cantons may restrict the ability of foreign mountain guides to practise independently
9.D Other tourism and travel related services	No commitments	<p><u>Positive listing agreements</u> EFTA-CHL, EFTA-COL, EFTA-KOR, EFTA-SGP: No commitments</p> <p><u>Other agreements</u> EFTA: no reservation CH-JPN: no reservation</p>		No restrictions

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